

Council Agenda - 25 October 2023



Meeting will be held in the Council Chamber at Level 2, Philip Laing House, 144 Rattray Street, Dunedin and live streamed to the [ORC YouTube Channel](#)

Members:

Cr Gretchen Robertson, Chairperson
Cr Lloyd McCall, Deputy Chairperson
Cr Alexa Forbes
Cr Gary Kelliher
Cr Michael Laws
Cr Tim Mepham
Cr Kevin Malcolm
Cr Andrew Noone
Cr Bryan Scott
Cr Alan Somerville
Cr Elliot Weir
Cr Kate Wilson

Senior Officer: Richard Saunders, Chief Executive
Meeting Support: Trudi McLaren, Governance Support Officer

25 October 2023 01:00 PM

Agenda Topic

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1. WELCOME

2. APOLOGIES

No apologies were received at the time of agenda publication

3. PUBLIC FORUM

Grant Dodson and delegates from Otago Forestry Group, Forest Owners Association & Southern Wood Council have requested to speak regarding concerns of the forestry sector.

Joanna Perry, Community Development Coordinator, Link Upper Clutha, has requested to speak regarding the Upper Clutha Community Shuttle Trial.

Pierre Marasti has requested to speak regarding Extinction Rebellion.

4. CONFIRMATION OF AGENDA

Note: Any additions to the agenda must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

5. DECLARATIONS OF INTEREST

Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have. The [Register of Pecuniary Interests](#) can be found on the ORC Website

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	Confirming the Minutes of the Council Meeting of 20 September 2023 as a true and accurate record.	
7.	PRESENTATION: OTAGO SOUTHLAND RESCUE HELICOPTER TRUST ANNUAL REPORT	
	Stephen Woodhead, Trustee, Graeme Gale, Managing Director, Vivienne Seaton, Secretary Manager. (NOTE: 2023 Annual Report document is confidential until the time of meeting and is available to Councillors in their Resource Section of Diligent)	
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	To consider and approve amendments to Council's Treasury Management Policy and Statement of Investment Policy and Objectives to include considerations regarding ethical investing as recommended by the Audit and Risk Subcommittee.	
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	To receive Port Otago's Statement of Corporate Intent for the three years to 30 June 2026.	
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	To pass resolutions in lieu of holding annual general meetings for Council's three wholly owned inactive subsidiaries. The resolutions are to not hold an annual general meeting and then to not appoint an auditor for each company.	

10.5	Dangerous Dam Policy	302
	Council's policy for "Dangerous, Earthquake-prone and Flood-prone Dams" must be reviewed every five years. The purpose of this report is to approve consultation of the proposed Dangerous Dams Policy 2023 using Special Consultative Procedures under s83 of the Local Government Act 2002.	
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10.7	LTP Community Engagement	319
	This report provides an opportunity for Council direction on the scope of the region wide community engagement for Otago Regional Council's Long Term Plan 2024-2034. The region-wide community engagement is one component of a broader LTP engagement approach that was reported to the 10 August 2023 to the Regional Leadership Committee.	
10.7.1	25 October 2023 Engagement Report Attachment 1	332
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11.	RESOLUTION TO EXCLUDE THE PUBLIC	334

That the public be excluded from the following parts of the proceedings of this meeting, namely:

3.3 EROAD Procurement

12. CLOSURE



Council MINUTES

Minutes of an ordinary meeting of the Otago Regional Council held in the Council Chamber, Level 2 Philip Laing House, 144 Rattray Street, Dunedin on Wednesday 20 September 2023, commencing at 10:00 AM.

PRESENT

Cr Gretchen Robertson

(Chairperson)

Cr Lloyd McCall

(Deputy Chairperson)

Cr Alexa Forbes

Cr Michael Laws

Cr Kevin Malcolm

Cr Tim Mephram

Cr Andrew Noone

Cr Bryan Scott

Cr Alan Somerville

Cr Elliot Weir

Cr Kate Wilson

1. WELCOME

Chairperson Cr Gretchen Robertson welcomed Councillors, members of the public and staff to the meeting at 10:00am and opened the meeting with a karakia.

Cr Noone recognised the passing of Len Anderson, KC on 16 September.

Staff present included Richard Saunders (Chief Executive), Nick Donnelly, online (GM Corporate Services), Anita Dawe (GM Policy and Science), Gavin Palmer, online (GM Operations), Joanne Gilroy (GM Regulatory and Communications), Amanda Vercoe (GM Governance, Culture and Customer), Kylie Darragh (GovernanceSupport)

2. APOLOGIES

Resolution: Cr Malcolm Moved, Cr McCall Seconded:

That the apologies for Cr Gary Kelliher be accepted.

MOTION CARRIED

3. PUBLIC FORUM

Liz Angelo spoke to the Council on City Rise Bus Service being reinstated. Following an opportunity for questions from Councillors, Cr Robertson thanked Liz for attending the meeting.

Pierre Marasti representing Extinction Rebellion spoke to the Council on climate change. Following an opportunity for questions from Councillors, Cr Robertson thanked Pierre for attending the meeting.

Gerrard Eckhoff spoke on Manuherehia by zoom, following an opportunity for questions from Councillors, Cr Robertson thanked Gerrard for attending the meeting.

Nigel Paragreen from Otago Fish and Game Council also spoke on the Manuherehia. Following an opportunity for questions from Councillors, Cr Robertson thanked Nigel for attending the meeting.

4. CONFIRMATION OF AGENDA

It was Moved by Cr Robertson and Seconded by Cr Malcolm:

That the addition of:

- 8.1 Land and Water Regional Plan Noting Policy Direction for Manuherehia
- 3.3 Service Procurement of Fleet Tracking System (Public Excluded)
- Presentation from Port Otago Chief Executive, Kevin Winders on the Annual Report

be accepted to the agenda for this meeting. The reasons they can't be carried over to another meeting are:

- due to the upcoming public consultation on the Manuherehia paper,
- procurement timing for the second paper
- the Presentation from the Port was omitted from the agenda when it was finalised.

MOTION CARRIED

5. DECLARATIONS OF INTERESTS

Councillors were reminded to signal to the Chair any declarations of interest arising through the meeting.

6. CONFIRMATION OF MINUTES

Cr Wilson noted to the Council an amendment to the minutes then it was moved:

Resolution Cr Noone Moved, Cr Somerville Seconded

That the minutes of the (public portion of the) Council meeting held on 23 August 2023 be received and confirmed as a true and accurate record.

MOTION CARRIED

7. ACTIONS (STATUS OF COUNCIL RESOLUTIONS)

Cr Robertson went through the Action List and noted recent updates:

- CM23-146 Free Fares Campaign is to be marked as complete.
- CM23-147 Request for more time noted.
- CM23-179 Wellbeing baseline report to be presented to Mayoral Forum.
- GOV2324 Electoral System poll action is complete.
- CM23-130 Cr McCall raised a correction of a date to 2024.

Moved Cr Robertson, Seconded Cr Mepham

With updates, the Action Register be noted.

MOTION CARRIED

8. CHAIRPERSON AND CHIEF EXECUTIVE REPORTS

8.1. Chairperson's Report

Resolution: Cr Wilson Moved, Cr Noone Seconded

That the report be noted.

Motion Carried

8.2. Chief Executive's Report

Resolution: Cr Wilson Moved, Cr Forbes Seconded

That the report be noted.

Motion Carried

9. MATTERS FOR CONSIDERATION

This paper was taken ahead of 8.1.

9.1. LWRP Noting Policy Direction for Manuherekia

This paper noted the policy provisions that will form the basis of consultation for the Manuherekia rohe, which is part of the Clutha Mata-au Freshwater Management Unit. The policy provisions and associated consultation feedback will inform the development of the draft Land and Water Regional Plan (LWRP).

Anita Dawe, General Manager Policy and Science and Tom Dyer, Manager Science presented the paper with an opportunity for questions. Jo Gilroy, Acting Manager Regulatory also responded to questions.

Resolution CM23-211: Cr McCall Moved, Cr Mepham Seconded

1. **Notes** this report.
2. **Notes** the policy provisions that will form the basis for consultation with the community to manage the Manuherekia rohe, as set out in paragraph 3 of this paper; and
3. **Notes** the Council will be asked in June 2024 to adopt the section 32 report, and publicly notify the proposed Land and Water Regional Plan.

MOTION CARRIED

Cr Scott left the meeting at 11:38 am.

Cr Scott returned to the meeting at 11:39 am.

Cr Robertson moved to adjourn for a lunch break at 12:20PM, reconvening at 1:00PM

Resolution: Cr Robertson Moved, Cr Wilson Seconded

MOTION CARRIED

9.2. Six Monthly Report to the Minister on Recommendations to Develop a Fit for Purpose Planning Framework for Otago

Presented for adoption by Council, the eighth progress report to the Minister for the Environment, in accordance with section 27 of the Resource Management Act 1991 in relation to the recommendations made under section 24A of the Resource Management Act. Anita Dawe, General Manager Policy and Science and Fleur Matthews, Manager Policy and Planning were available for questions. The chair thanked staff for the time taken to collate the information after discussion, the resolution was moved.

Resolution CM23-212: Cr Wilson Moved, Cr Somerville Seconded

That the Council:

1. **Notes** this report.
2. **Approves** the eighth report to the Minister for the Environment, that reports on progress against the recommendations made in his letter dated 19 November 2019.
3. **Notes** that the next report will be brought to Council in March 2024, and subject to notification of the proposed Land and Water Regional Plan by June 2024, will be the last of these reports.

MOTION CARRIED

9.3. Otago Regional Council appointments to the Dunedin City Future Development Strategy Joint Hearings Panel

The purpose of this report was to appoint two Otago Regional Council Councillors to the Joint Hearings Panel to hear the Future Development Strategy (FDS) for Dunedin.

Patricia McLean, Senior Policy Analyst, Anita Dawe, General Manager Policy and Science and Fleur Matthews, Manager Policy and Planning were available to answer any questions regarding the report.

Cr Wilson and Cr Noone left room at 1:27PM while their nomination to the Joint Hearings Panel was considered by Council.

Resolution CM23-213: Cr Robertson Moved, Cr Forbes Seconded

That the Council:

1. **Notes** this report.
2. **Appoints** Councillor Noone and Councillor Wilson to the Joint Hearings Panel that will consider submissions, hear evidence, and make decisions on the Future Development Strategy for Dunedin.
3. **3. Notes** that the appointed Otago Regional Council Councillors should not take part in the decision that appoints the independent chair and iwi appointment/s.

MOTION CARRIED

Cr Noone returned to the meeting at 1:33 pm.

Cr Wilson returned to the meeting at 1:33 pm.

10. RECOMMENDATIONS ADOPTED AT COMMITTEE MEETINGS

Recommendations made at previous meetings of committees of Council were presented for adoption.

10.1. Recommendations of the Audit and Risk Subcommittee

Resolution CM23-214: Cr Malcolm Moved, Cr Mepham Seconded

That the Council adopts the recommendations of the 22 June 2023 Audit and Risk Subcommittee.

MOTION CARRIED

10.2. Recommendations of Environmental Implementation Committee

Resolution CM23-215: Cr McCall Moved, Cr Wilson Seconded

That the Council adopts the resolutions of the 9 August 2023 Environmental Implementation Committee.

MOTION CARRIED

10.3. Recommendations of the Environmental Science and Policy Committee

Resolution CM23-216: Cr Wilson Moved, Cr McCall Seconded

That the Council adopts the recommendations of the 29 June Environmental Science and Policy Committee.

MOTION CARRIED

10.4. Recommendations of the Public and Active Transport Committee

Resolution CM23-217: Cr Wilson Moved, Cr Forbes Seconded

That the Council adopts the recommendations of the 9 August 2023 Public and Active Transport Committee.

MOTION CARRIED

10.5. Recommendations of the Otago Regional Transport Committee

Resolution CM23-218: Cr Wilson Moved, Cr Weir Seconded

That the Council resolves to adopt the recommendations of the 4 August Otago Regional Transport Committee.

MOTION CARRIED

11. NOTICES OF MOTION

None were noted to this meeting.

12. RESOLUTION TO EXCLUDE THE PUBLIC

Resolution: Cr Robertson Moved, Cr Noone Seconded:

That the public be excluded from the following parts of the proceedings of this meeting, namely:

- Confidential Minutes of 23 August 2023
- Integrated Catchment Management Group
- Community Connect Concession for Queenstown Ferry Service
- Procurement of Fleet Tracking System

MOTION CARRIED

The public part of the meeting was concluded at 1:42PM

The meeting was reopened in public at 2:45PM

13. PRESENTATION: PORT OTAGO

Kevin Winders, Kate Faulks, Tim Gibson, Chris Hopkins were available to present the Annual Report from the Port and answer questions. Councillor Kevin Malcolm, as representative, gave a summary and thanked the Port staff for attending.

14. CLOSURE

The second part of the public meeting was concluded at 4:10PM with a karakia from Cr Robertson.

DRAFT

Action Register

Search Criteria

Showing Completed Items: No

Applied Filters

Start Meeting Date: 1st Oct 2022

End Meeting Date: 25th Oct 2023

Action Statuses: Reassigned to Council, Assigned, In Progress, Completed

Meeting Types: Council Meeting

Generated By: Trudi McLaren

Generated On: 18/10/2023 at 11:07am

Meeting Date	Document	Item	Status	Action Required	Assignee/s	Action Taken	Due Date
22/02/2023	Council Meeting 2023.02.22	CS2304 Annual Plan 2023/24	Assigned	Have an independent efficiency review performed in FY 2023/24 to inform the Long-Term Plan process. CM23-111	Chief Executive, General Manager Transport	13/09/2023 Governance Support Officer Underway. Workshop to be scheduled for October 2023.	31/12/2023
22/03/2023	Council Meeting 2023.03.22	GOV2306 Proposal to participate in CouncilMARK programme	Assigned	The Chief Executive will execute an agreement with CouncilMARK to undertake an independent assessment in 2024. Res CM23-130	Chief Executive	13/09/2023 Governance Support Officer Underway. Assessment likely to take place February 2024	06/12/2023
22/03/2023	Council Meeting 2023.03.22	Recommendations of the Finance Committee	Assigned	Chief Executive directs staff to undertake further work towards development of an annual awards programme including detailed costs AND provide a report to Council for consideration during the upcoming LTP process (Res FIN23-103). Res CM23-136	Chief Executive	13/09/2023 Governance Support Officer Underway.	31/12/2023
26/04/2023	Council Meeting 2023.04.26	GOV2313 Notice of Motion - Request for report on feasibility of free off-peak travel	Assigned	Provide a report to the PATC on feasibility of free off-peak public transport and the potential costs (e.g. lost revenue) and benefits (e.g. reduced pressure at peak times, reduced delays at peak times, equity impacts, reputation impacts) to help inform relevant LTP decisions. Res. CM23-147	General Manager Transport, Manager Transport	25/09/2023 Governance Support Officer Waka Kotahi does not support a free fares – meaning that if Council was going to implement free fares then these would be unsubsidised. We canvassed a general view of this implication (non-subsidisation) in the context of the Fares & Frequencies workshop held on 15/08. There was no clear direction from Council and we will need more time to report back formally as per the request of 26 April. (L Cheyne 17/09/2023)	06/12/2023

Meeting Date	Document	Item	Status	Action Required	Assignee/s	Action Taken	Due Date
24/05/2023	Council Meeting 2023.05.24	Recommendations of the Public and Active Transport Committee	Completed	Staff to progress a staged approach to the development of a regional public and active transport connectivity and that further work is undertaken on scoping a strategy by 20 August 2023. (PAT23-110) Res CM23-170	General Manager Transport, Manager Transport		20/08/2023

9.1. Chairperson's Report

Prepared for: Council
Activity: Governance Report
Author: Cr Gretchen Robertson, Chairperson
Date: 18 October 2023

Since our last Council meeting there has been significant progress on ongoing work programmes. We are currently seeking community feedback on Otago's new Land and Water Regional Plan, undertaking joint urban planning work with QLDC and DCC, talking with South Dunedin communities about the future, defining research needs for our deep inland lakes, working on a new Long Term Plan involving all our work, thinking about the space left by cessation of effective government funded 'Jobs for Nature' projects, further developing ORC Integrated Catchment Management support, and spending time with Wanaka-based groups/agencies during our recent Wanaka committee meeting and visits. That is a very long sentence and doesn't begin to cover the work Council collectively, and Councillors individually, are actively involved in. I am sure Councillors agree it is a privilege to be involved in Local Government; we are actively involved in priority issues for communities and their local environments on a daily basis.

We recognise that while our critical work programmes continue, a significant change comes with recent elections and a change in Government. While a final outcome may still be some time off, ORC has a commitment to fostering a collaborative and productive relationship with any newly formed government.

The key issues we face are relevant regardless of political orientation, so we are keen to keep up existing momentum and get on with important challenges and opportunities ahead. Issues like resilience and hazards, biodiversity retention, freshwater and coastal health, clean air, food production, effective public transport systems, and future proofed infrastructure are relevant to all. We recognise the work of local MP's and government in the previous term and look forward to continuing to foster productive regional/central government relationships with the incoming government.

Attendance at events and meetings

19 September, Met with Otago Catchment Community Inc.

21 September, CDEM Joint Committee

21 September, Otago Mayoral Forum Dinner

26 September, Port Otago Dinner

27th September, Whare Runaka Internal Steering Group Meeting

28 September, Joint DCC ORC Workshop on South Dunedin Risk Assessment Process

28 September, Land & Water Plan Engagement Group Meeting

2 October, Knowledge into Action for Otago's Alpine Deepwater Lakes Workshop (Wanaka)

10 October, ORC workshop South Dunedin Future

11 & 12 October (Wanaka Environmental Science and Policy meeting & Site Visits

Strong Public Forum of community group presentations

Visits to: Upper Clutha Wilding Conifer Group, Project Pure, Te Kakano Aotearoa Trust, ORC Staff Depot and Wai Wanaka site, Stoney Creek.

16 October, DCC/ORC Joint Public and Active Transport Group Meeting

17 October, Cromwell Drop in Session

17 October, Upper Clutha Wilding Conifer Group Public Launch

18 October, National Wilding Pine Network Conference (Queenstown)

18 November, LWRP Drop-in session Millers Flat

20 October, Predator Free Dunedin meeting

20 October, Focus Group LGNZ post-election discussion

20 October, ICM Working Group Meeting

Letters Sent/Received

Hon David Parker, Vegetable Production Letter (attached)

Thank you letters to groups visited in Wanaka

RECOMMENDATION

That the Council:

- 1) **Notes** this report.

ATTACHMENTS

1. Letter from David Parker to Chair Robertson_ CO R 5416 [9.1.1 - 17 pages]

Hon David Parker BCom, LLB

Attorney-General

Minister for the Environment

Minister of Transport

Associate Minister of Finance



09/10/2023

COR5416

Cr Gretchen Robertson
Chair
Otago Regional Council

Gretchen.Robertson@orc.govt.nz

Dear Gretchen Robertson

I wrote to regional and unitary councils on 4 April noting uncertainty as to how plans currently in development under the National Policy Statement for Freshwater Management 2020 (NPS-FM) will enable continuity for vegetable growing and expansion of the domestic supply in line with future growth of New Zealand's population.

I made a request under section 27 of the Resource Management Act 1991 for information on how regional and unitary councils intend to provide for vegetable production through NPS-FM planning instruments (land and water plans). In particular, I asked for details about any mechanisms councils are developing that enable vegetable growers to practice crop rotation, and expansion of the total area of production.

Replies were to be received in confidence, and not shared beyond the joint agency (Ministry for Primary Industries and Ministry for the Environment) project team, subject to statutory requirement. You will be aware that we received a request under the Official Information Act 1982 for copies of the reports. Given that the letters have circulated beyond the project team, I have attached a brief analysis provided by my officials at the Ministry for the Environment, and a summary of the council responses for your information.

Your report is appreciated. It will be useful to your regional authority colleagues, and for the development of national direction. The first reports were naturally limited by the early stage of development of council land and water plans. I expect the second reports (due by 19 May 2024) to give more clarity about Council approaches to the significant issue of maintaining supply of fresh vegetables.

A number of councils have asked for further engagement and/or guidance on providing for vegetable production within the context of the NPS-FM. This is something I have asked officials to work toward.

You are probably aware that since the reports were received, a requirement for national direction on enabling supply of fresh fruit and vegetables was inserted into the Natural and Built Environment Act 2023. The direction is required to be in a notified national planning framework proposal before 1 January 2028.

Thank you again for the information you provided. The responses give an emerging picture of the issues involved in planning for vegetable production around the country. I am pleased to see councils turning their attention to the important issue of ensuring domestic supply of fresh vegetables.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'David Parker', is positioned above the typed name.

Hon David Parker
Minister for the Environment

CC. Richard Saunders, Chief Executive, Otago Regional Council

Richard.Saunders@orc.govt.nz

Encl.

Summary of council intentions to provide for vegetable production in land and water plans

The following information provides a brief analysis and summary of regional authority responses to a request by the Minister for the Environment under section 27 of the Resource Management Act 1991. The request was for information on how regional and unitary councils intend to provide for vegetable production through NPS-FM planning instruments (land and water plans). In particular, the request asked for details about any mechanisms councils are developing that enable vegetable growers to practice crop rotation, and expansion of the total area of production.

Common themes

Three common themes emerged from council responses.

- Most councils cannot have firm intentions about the contents of plans at this stage, as the approach to vegetable growing will derive from the plan development processes. Engagement with communities and tangata whenua is ongoing. Future scheduled reports will be able to be more forthcoming.
- The National Policy Statement for Freshwater Management 2020 (NPS-FM) constrains expansion in that Target Attribute States (TAS) cannot be set below current states/National Bottom Lines (NBL). Councils note it is difficult to provide for any expansion of vegetable growing within the constraints of the NPS-FM. Expansion of vegetable production would first require creating headroom in the total catchment load from reductions in other sectors before increased horticulture discharges could be contemplated. At this stage, no councils appear to be contemplating planned reallocation of resources/discharges from other sectors to the domestic vegetable production sector.
- The hierarchy expressed in Te Mana o Te Wai (TMoTW) constrains expansion of vegetable production where it would increase adverse impacts on water quality. Most councils reported on the issue of vegetable production in terms of its impacts on water quality, rather than its value for domestic food supply. Several councils responded that vegetable production is/will be specified in the values and outcomes of regional policy statements (RPS) and in land and water plans, but enabling provisions for vegetable production are usually subject to water quality and quantity objectives.

Two councils noted the importance of setting adequate timeframes for reaching interim targets and ultimately the TAS, as the key NPS-FM mechanism for reconciling vegetable production and its associated water quality impacts. Appropriate timeframes will allow for grower adaptation and innovation to significantly reduce contaminant discharges, while maintaining production of food in the short and medium-term.

Summary of responses

Intentions to make specific provision for vegetable production

Auckland Council (Auckland) and Waikato Regional Council (Waikato) indicated they intend to make specific provision for vegetable production in their land and water plans (or do so at present).

Manawatū-Whanganui Regional Council (Horizons), Wellington Regional Council (Greater Wellington), Tasman District Council (Tasman), and Nelson City Council (Nelson) indicated they may make specific provision for vegetable production, depending on the outcomes of their plan making processes. Tasman includes the following in its draft vision for the Waimea FMU, “The Waimea plains continue to play an important role in food production and food security for our communities and New Zealand.”

The remaining councils either do not plan to make specific provision for vegetable production or did not report on this aspect.

Table 1 summarises council intentions to specifically address vegetable production in land and water plans.

Intentions to provide for expanded vegetable production

The Canterbury Land and Water Regional Plan (Canterbury) provides a consenting pathway for expansion provided nitrogen losses do not exceed the limits for the new area. The provisions are operative.

Greater Wellington specifically provides for expanded vegetable production in its current proposed plan change, although this is under appeal.

The remaining councils reported:

- being too early in their planning processes to respond on this point
- feeling constrained on this issue by NPS-FM requirements to maintain or improve water quality, and that TAS not be set below baseline attribute states. For example, among other options, Bay of Plenty Regional Council (Bay of Plenty) is considering an intensification constraint equivalent to that in the current National Environmental Standard for Freshwater (NES-F), which would apply to proposals for large areas of new production.
- plans to enable expansion of vegetable production through general or non-specific provisions (eg, prioritising primary production land uses on highly productive land, or enabling expansion of vegetable production where it can comply with water quality limits).

Table 2 summarises council intentions to provide for expanded vegetable production in land and water plans.

Intentions to provide for crop rotation

Canterbury’s operative plan provisions enable growers to move production between locations while managing impacts on freshwater. Waikato and Horizons specifically provide for/support vegetable crop rotation in their current proposed plan changes. Both plan changes are under appeal.

Marlborough District Council (Marlborough) plan provisions currently address crop rotation to a limited extent, for the purposes of water allocation (irrigation) and not specifically in relation to vegetable crops. Otago Regional Council's (Otago) plan provisions could enable vegetable crop rotation to occur within the constraints of TMoTW priorities, and where the activity complies with limits, restrictions or requirements to manage potential adverse effects on water quality. Taranaki Regional Council (Taranaki) is considering the role of global consents and management plans as a way to manage and provide for the practice of crop rotation.

The remaining councils either do not specifically provide for vegetable crop rotation, have not considered it to date, or do not report on this issue.

Table 3 summarises council intentions to specifically provide for vegetable crop rotation in land and water plans.

Additional points - the Specified Vegetable Growing Areas provisions

The Pukekohe Special Vegetable Growing Areas (SVGA) extends across Auckland and Waikato regional boundaries. The Horowhenua SVGA falls in the Manawatū-Whanganui region.

Auckland's intention is to apply the SVGA provisions to set some TAS below the NBL for the 10-year period following plan change notification. Auckland is also looking to develop a more nuanced approach to meeting NBL across the SVGA over a longer timeframe such as 60 to 80 years, using interim targets of up to 10 years as provided for in clause 3.11(6) of the NPS-FM.

Waikato states that the application of clause 3.33 (and potential cross-boundary issues) are being addressed as part of their freshwater policy review. Te Ture Whaimana o Te Awa o Waikato (the vision and strategy for the Waikato and Waipa Rivers) also applies, prevailing where there are inconsistencies between the NPS-FM, the vision and strategy.

Waikato also reports that vegetable growers are likely to request a sector specific conversation in upcoming engagement planned to address TAS and may seek further SVGA provisions in the region.

Horizons is too early in its freshwater planning process to be able to report on whether it intends to utilise clause 3.33. Horizons is currently gathering the evidence needed to determine whether the pre-conditions in apply in the Horowhenua SVGA.

Tasman suggests the Waimea Plains be defined as an SVGA in the NPS-FM, in recognition of its importance to regional and national food production, and food supply in the region.

Additional points - council requests for action or information

Auckland seeks the NPS-FM regime to be updated to reflect a more systems-orientated approach. This would recognise there are multiple policy outcomes and drivers, various instruments and tools including multiple relevant national policy statements, other land uses (and contaminants) relevant to the broader FMU and constituent catchments.

Specifically, Auckland suggests the SVGA provisions be extended beyond 2030 so that staged approaches can be reflected in plans beyond 2024. It also supports further qualifying the SVGA provisions to support setting long-term TAS over 60 to 80 years in combination with shorter interim TAS goals (potentially below NBL).

Waikato asked about current plans to provide further SVGA in the region and on 30 June 2023 the Minister for the Environment advised there were no current plans.

Hawke's Bay Regional Council (Hawke's Bay) sought additional time for NPS-FM implementation. This has been addressed through Cabinet's Extreme Weather Recovery response.

Greater Wellington commented that there is no specific national direction to provide for vegetable production beyond the SVGAs and would welcome national guidance on how regional authorities might balance competing objectives in national policy statement direction to provide more effectively for vegetable production.

Tasman is interested in practical outputs from national level conversations relating to the role of council land/water resource management in advancing the provision of national food production and food security. It also seeks inclusion of the Waimea Plains as an SVGA and would benefit from more national guidance and national science support on implementation of the NPS-FM, TMoTW and the National Objectives Framework (NOF) to groundwater.

Gisborne District Council notes a need for central government support to re-mobilise their aerial 'SkyTEM' groundwater mapping in the key vegetable growing area of Poverty Bay Flats. The work was delayed due to the impacts of Cyclone Gabrielle.

Table 1: intentions to provide specifically for vegetable production (VP) in land and water plans		
<i>Council</i>	<i>Key instruments</i>	<i>Intentions to provide specifically for VP in regional land and water plans</i>
Northland RC	Freshwater Plan change (FPC) to Northland RPS and Proposed Regional Plan. <i>In development</i>	No. Providing for specific land uses such as VP will be a secondary consideration in accordance with TMOTW hierarchy of priorities set out in the NPS-FM.
Auckland Council	Auckland Unitary Plan change (AUP) <i>In development</i>	Yes. Auckland Council reports they intend to utilise the SVGA provisions. Auckland Council is also considering options to specifically address water quality impacts from VP.
Waikato RC	Proposed Waikato Regional Plan Change 1 – Waikato-Waipā (PC1): <i>under appeal</i> Freshwater Policy Review (FPR) <i>In development</i>	Yes. PC1 (under appeal) makes considerable, specific provision for VP expansion and crop rotation. The FPR will address limits for diffuse discharges from farming activities and the application (or not) of NPS-FM cl. 3.33.
Bay of Plenty RC	Regional Natural Resources Plan (RNRP) <i>operative</i> Regional plan change <i>In development</i>	No. No plans to provide specifically for VP yet. A Regional Plan review is underway but early in the process. Freshwater management options include water quantity limits and restrictions, input limits, minimum performance standards. Farm plan requirements for less than 5 hectare VP are not being considered, however consideration is being given to an intensification constraint similar to the temporary regulation in the NES-F.
Taranaki RC	Regional Freshwater Plan for Taranaki (RFP)	No. No plans to provide specifically for VP yet. Freshwater plan provisions will be updated to implement NPS-FM. The current work programme

Table 1: intentions to provide specifically for vegetable production (VP) in land and water plans		
<i>Council</i>	<i>Key instruments</i>	<i>Intentions to provide specifically for VP in regional land and water plans</i>
	<p><i>operative</i></p> <p>RFP change</p> <p><i>In development</i></p>	<p>is largely focussed on setting baselines, attributes and target attribute states. Policy development and industry-specific approaches are too early to determine.</p> <p>VP is not currently significant in Taranaki. There is interest and suitability for VP, but it is not presenting as an immediate pressure, and a number of constraints will need to be investigated further before it becomes a more dominant industry.</p>
Gisborne DC	<p>Tairāwhiti Resource Management Plan (TRMP)</p> <p><i>operative</i></p> <p>Regional Freshwater Plan (RFP) and Waipāoa Catchment Plan (WCP)</p> <p><i>Under review</i></p>	<p>To be determined.</p> <p>The WCP recognises irrigation and food production as an important value to maintain.</p> <p>RFP and WCP reviews, and the water security and resilience programme, intend to furnish solutions to supporting vegetable production in the region while ensuring Te Mana o te Wai obligations are met, however Council will need to take a more stringent approach to water allocation and nutrient management on the Poverty Bay Flats, a key vegetable growing area.</p>
Hawkes Bay RC	<p>Regional Resource Management Plan Proposed plan change 9 (PC9)</p> <p><i>under appeal</i></p> <p>Regional Resilience Plan (RRP)</p> <p><i>(First edition in place until Mid-August 2023)</i></p>	<p>No.</p> <p>PC9 will include objectives for how to manage water quality/quantity for Tūtaekurī, Ahuriri, Ngaruroro, and Karamū (TANK) catchments, targeting efficient and effective consenting and planning processes. No specific intentions to provide for VP.</p> <p>First edition of RRP outlines immediate recovery actions until mid-August 2023 including for example flood protection infrastructure repair work, an assessment of the effectiveness of existing erosion control measures; and help to landowners with immediate recovery. It contains no new rules. A second version is being prepared for publication in September targeting longer term recovery work. The RRP will address</p>

Table 1: intentions to provide specifically for vegetable production (VP) in land and water plans		
<i>Council</i>	<i>Key instruments</i>	<i>Intentions to provide specifically for VP in regional land and water plans</i>
		national direction requirements, eg, the protection of highly productive soils from inappropriate use and subdivision while also considering water quantity and quality.
Horizons Manawatu-Whanganui RC	The One Plan <i>operative</i> Plan Change 2 (PC2) <i>under appeal</i>	To be determined. PC2 addresses consenting/nutrient management of VP. Freshwater planning provisions will depend on the needs for improved water quality and whether cl.3.33 (the SVGA provision) applies. Any provision would be through a plan change based on the outcomes of a s.32 cost/benefit assessment. Engagement so far has emphasised the importance of both restoring the waterbodies and ensuring continued access to healthy food options.
Greater Wellington Wellington RC	Proposed Natural Resources Plan (NRP) . <i>operative</i> Whaitua Implementation Plans (WIPs) <i>in development</i>	To be determined. NRP addresses the discharge of contaminants to land. Does not provide specifically for soil used for VP. It is too early to say how VP will be enabled. Decisions will be guided by mana whenua, partnerships and will be subject to a public hearings process. WIPs will eventually comprise chapters in the NRP. None have identified provisions for VP to date.
Marlborough DC	Freshwater provisions for a proposed variation to the Marlborough Plan (PMEP) <i>in development</i>	No. Very few vegetables are grown in Marlborough. The trend of conversion to grape production continues. Sector groups identify food production as a freshwater value (ie for irrigation and some processing)
Tasman DC	New land and freshwater plan (LFP)	To be determined. Too early to report on specific approaches in this early stage of the LFP. However, the draft vision

Table 1: intentions to provide specifically for vegetable production (VP) in land and water plans		
<i>Council</i>	<i>Key instruments</i>	<i>Intentions to provide specifically for VP in regional land and water plans</i>
	<p><i>in development</i></p> <p>nb. whole-of-plan review is delayed due to RM reform direction on combining plans with Nelson.</p>	<p>for the Waimea FMU includes "...The Waimea plains continue to play an important role in food production and food security for our communities and New Zealand".</p> <p>Tasman does not consider VP will be able to continue to operate under regional plans that implement the NPS-FM without significant change to current land, water, and crop management practices, particularly in areas with existing deterioration of nitrate in groundwater.</p> <p>Tasman seeks review of SVGA to include other food types, locations, and timeframes, and seeks SVGA for the Waimea Plains in the interim.</p>
Nelson CC	Working with Tasman DC on a land and freshwater plan (LFP)	<p>No.</p> <p>Nelson does not have VP at a commercial scale.</p>
West Coast RC	N/A	<i>Not reported</i>
Environment Canterbury	<p>Canterbury Land and Water Regional Plan, via Plan Change 7</p> <p>(PC7)</p> <p><i>Operative</i></p>	<p>Yes.</p> <p>PC7 policy recognises the importance of commercial VP for domestic food supply and the need to rotate crops and /or shift location to avoid soil-borne diseases.</p> <p>VP is permitted on less than 5ha.</p> <p>A Restricted Discretionary/Discretionary consent pathway exists for VP over larger areas, crop rotation and expansion, requiring Farm Environment Plans as part of consent applications, and implementation of good management practices.</p> <p>Council has discretion to consider impacts on catchment nutrient loads and limits from shifting production between sub-regions.</p> <p>PC7 allows alternatives to OVERSEER® for modelling and demonstrating compliance with nitrogen loss limits.</p>

Table 1: intentions to provide specifically for vegetable production (VP) in land and water plans		
<i>Council</i>	<i>Key instruments</i>	<i>Intentions to provide specifically for VP in regional land and water plans</i>
Otago RC	<p>RPS (primary instrument for protecting HPL)</p> <p>proposed Land and Water regional Plan (pLWRP) <i>in development</i></p>	<p>No.</p> <p>Vegetable growing area is small compared with other land uses. It is too early to report on VP provisions as the draft pLWRP is still being developed.</p> <p>RPS provisions will protect existing VP operations and will allow expansion through strong policy direction for the protection of soil health and safeguarding highly productive land, and pLWRP will recognise vegetable production as an economic value through environmental outcomes.</p>
Southland RC	<p>Plan Change Tuatahi (PCT) <i>in development</i></p>	<p>No.</p> <p>VP in the region is not a significant contributor to domestic vegetable supply; nor a notable land in Southland, and not expected to be in the foreseeable future.</p>

Table 2: plans to provide for expanded vegetable production (VP)		
<i>Council</i>	<i>Key instruments</i>	<i>Plans to develop mechanisms to enable expansion of the total area of production</i>
Northland RC	<p>Freshwater Plan change (FPC) to Northland RPS and Proposed Regional Plan. <i>in development</i></p>	<p>No.</p> <p>The degree to which the FPC will enable expansion of vegetable production will depend on VP ability to operate within water quality and quantity limits.</p>
Auckland Council	<p>Auckland Unitary Plan change (AUP)</p> <p>Future Development Strategy FDS (informed by NPS-HPL) <i>In development</i></p>	<p>No.</p> <p>AUP zoning provisions (Rural Urban Boundary zoning, Countryside Living zoning) direct suitable land uses in/away from rural land. Auckland Council is reassessing the FDS, (informed by the NPS-Highly Productive Land). There is the potential for areas currently identified as future urban to be rezoned as appropriate rural zones, by a plan change.</p>

Table 2: plans to provide for expanded vegetable production (VP)		
<i>Council</i>	<i>Key instruments</i>	<i>Plans to develop mechanisms to enable expansion of the total area of production</i>
Waikato RC	<p>Proposed Waikato Regional Plan Change 1 – Waikato-Waipā (PC1): <i>under appeal</i></p> <p>Freshwater Policy Review (FPR) <i>In development</i></p>	<p>Yes.</p> <p>PC1 policy 3 provides for limited expansion of VP into 13 sub-catchments selected on the basis that:</p> <ul style="list-style-type: none"> -there is suitable land (eg, LUC 1 or 2 rural zoned land), - the sub-catchment is above the NOF 'C band' for nitrate, and - they don't drain to sensitive wetland/lake environments. <p>VP expansion will require a discretionary consent, and is subject to area limits to existing and new VP, as well as farm environment plans, contaminant mitigation measures, contaminant off-setting, and compensation.</p> <p>Nb. Appellants to PC1 are variously seeking to remove /increase the ability to expand VP.</p>
Bay of Plenty RC	<p>Regional Natural Resources Plan (RNRP) <i>operative</i></p> <p>Regional plan change <i>In development</i></p>	<p>No.</p> <p>VP is not a significant land use in the Bay of Plenty now or in the foreseeable future.</p> <p>Aside from any new environmental regulation, new VP of any substantial scale would compete with other high value land uses (eg kiwifruit and avocado) for suitable land access.</p> <p>Consideration is being given to an intensification constraint similar to the temporary regulation in the NES-F.</p>
Taranaki RC	<p>Regional Freshwater Plan for Taranaki (RFP) <i>operative</i></p> <p>RFP change <i>In development</i></p>	<p>No.</p> <p>Taranaki is working with key stakeholders looking to promote VP, however there are no specific plans to enable VP expansion yet given early stage of policy development.</p> <p>Guiding consideration is to manage impacts on water quality and quantity. Land uses can be enabled provided they occur within limits on resource use, environmental flows and take limits.</p>
Gisborne DC	<p>Tairāwhiti Resource Management Plan (TRMP)</p>	<p>No.</p> <p>No specific plans to enable expansion to date.</p>

Table 2: plans to provide for expanded vegetable production (VP)		
Council	Key instruments	Plans to develop mechanisms to enable expansion of the total area of production
	<p><i>operative</i></p> <p>Regional Freshwater Plan (RFP) and</p> <p>Waipaoa Catchment Plan (WCP)</p> <p><i>Under review</i></p>	To give effect to the new NPS-FM 2020, Council is considering a more stringent approach to water allocation and nutrient management on the Poverty Bay Flats, a key vegetable growing area.
Hawkes Bay RC	<i>N/A</i>	<i>Not reported</i>
Horizons Manawatu-Whanganui RC	<p>The One Plan</p> <p><i>operative</i></p> <p>Plan Change 2 (PC2) <i>under appeal</i></p>	<p>No.</p> <p>No specific plans to enable expansion, as expansion will increase N-related discharges, constrained by the NPS-FM. Expansion would therefore first require creating headroom in the total catchment load from reductions in other sectors before increased horticulture discharges could be contemplated.</p>
Greater Wellington Wellington RC	<p>Proposed Natural Resources Plan (NRP).</p> <p>Whaitua Implementation Plans (WIPs) <i>in development</i></p>	<p>No.</p> <p>Would appreciate national guidance on how councils can balance competing national direction objectives. This would help RCs to provide more effectively for VP.</p>
Marlborough DC	<p>Freshwater provisions for a proposed variation to the Marlborough Plan (PMEP)</p> <p><i>in development</i></p>	<p>No.</p> <p>Not anticipating or planning for an expansion in the area of vegetable production.</p>
Tasman DC	<p>new land and freshwater plan (LFP)</p> <p><i>in development</i></p>	<p>No.</p> <p>The NPS-FM does not readily allow for expanded vegetable production under where water is already degraded, or where it may lead to further</p>

Table 2: plans to provide for expanded vegetable production (VP)		
<i>Council</i>	<i>Key instruments</i>	<i>Plans to develop mechanisms to enable expansion of the total area of production</i>
	nb. 'whole-of-plan' review is delayed due to RM reform direction on combining plans with Nelson.	water quality deterioration.
Nelson CC	Working with Tasman DC on a land and freshwater plan (LFP)	See Tasman DC.
West Coast RC	N/A	<i>Not reported</i>
Environment Canterbury	Canterbury Land and Water Regional Plan, via Plan Change 7 (PC7) <i>Operative</i>	Yes. PC7 provides a Discretionary consent pathway for VP expansion, requiring a Farm Environment Plan and provided nitrogen losses do not exceed the limits for the new area. VP is a non-complying activity otherwise.
Otago RC	RPS (primary instrument for protecting HPL). proposed Land and Water regional Plan (pLWRP) <i>in development</i>	No. Future growth of the sector does not appear to be limited by a lack of LUC classes 1-3 land. However it is appropriate for the pLWRP to take a proactive approach to managing activities/practices associated with VP. RPS provisions will enable VP expansion through strong policy direction for the protection of soil health and safeguarding highly productive land. The pLWRP will recognise vegetable production as an economic value through environmental outcomes, and will enable VP to expand subject to TMOTW priorities (health of freshwater bodies, health and well-being needs of people), and if unlikely to cause further over-allocated or degradation.

Table 2: plans to provide for expanded vegetable production (VP)		
<i>Council</i>	<i>Key instruments</i>	<i>Plans to develop mechanisms to enable expansion of the total area of production</i>
Southland RC	Plan Change Tuatahi (PCT) <i>in development</i>	No. Vege growing has decreased in area over past 20 years. Expansion of total areas of production would probably increase nutrient losses and would therefore need to be incorporated into the consideration of catchment-specific limit-setting.

Table 3: plans to accommodate vegetable crop rotation		
<i>Council</i>	<i>Key instruments</i>	<i>Plans to develop mechanisms to enable crop rotation</i>
Northland RC	N/A	<i>Not reported</i>
Auckland Council	Auckland Unitary Plan change (AUP) <i>In development</i>	No. No specific provisions for crop rotation at present. Any approach (to protecting lands with elite and prime soils for vegetable production) requiring an allocation of nutrients at a land parcel level could have an impact on growers' ability to move production from one property to another.
Waikato RC	Proposed Waikato Regional Plan Change 1 – Waikato-Waipā (PC1): <i>under appeal</i> Freshwater Policy Review (FPR) <i>In development</i>	Yes. PC1 policy 3 provides for VP crop rotation to changing/multiple properties. The provisions are under appeal to the effect that they don't provide appropriately.
Bay of Plenty RC	Regional Natural Resources Plan (RNRP) <i>operative</i> Regional plan change <i>In development</i>	No. Not considered to date, but can be.

Table 3: plans to accommodate vegetable crop rotation		
<i>Council</i>	<i>Key instruments</i>	<i>Plans to develop mechanisms to enable crop rotation</i>
Taranaki RC	Regional Freshwater Plan for Taranaki (RFP) <i>operative</i> RFP change <i>In development</i>	No. No specific plans to enable crop rotation yet given early stage of policy development. Taranaki is working with key stakeholders looking to promote VP and is considering the potential for global consents and management plans (currently applied to other industries), as a way of managing and providing for crop rotation and moving production and associated discharges from one property to another.
Gisborne DC	Tairāwhiti Resource Management Plan (TRMP) <i>operative</i> Regional Freshwater Plan (RFP) and Waipaoa Catchment Plan (WCP) <i>Under review</i>	No. No specific plans to enable crop rotation to date.
Hawkes Bay RC	<i>N/A</i>	<i>Not reported</i>
Horizons Manawatu-Whanganui RC	The One Plan <i>operative</i> Plan Change 2 (PC2) <i>under appeal</i>	To be determined. There is no specific work on enabling crop rotation currently. Revision of the current rule framework is planned for the second half of 2023. Note PC2 (under appeal) contains provisions to support crop rotation.
Greater Wellington Wellington RC	<i>N/A</i>	<i>not reported</i>
Marlborough DC	Freshwater provisions for a proposed variation to the	No. Present provisions address crop rotation / switching crops between seasons on the same property, but only in terms of water allocation

Table 3: plans to accommodate vegetable crop rotation		
<i>Council</i>	<i>Key instruments</i>	<i>Plans to develop mechanisms to enable crop rotation</i>
	Marlborough Plan (PMEP) <i>in development</i>	(irrigation). The plan is agnostic as to the crop involved.
Tasman DC	<i>N/A</i>	<i>Not reported</i>
Nelson CC	<i>N/A</i>	<i>See Tasman</i>
West Coast RC	<i>N/A</i>	<i>Not reported</i>
Environment Canterbury	Canterbury Land and Water Regional Plan, via Plan Change 7 (PC7) <i>Operative</i>	Yes. PC7 provides a Discretionary consent pathway for crop rotation / production to move location (using a baseline area calculation), requiring a Farm Environment plan on application. Discretions relate to water quality protection, and the total regional VP area among other matters.
Otago RC	RPS (primary instrument for protecting HPL) proposed Land and Water regional Plan (pLWRP) <i>in development</i>	To be determined. The pLWRP will enable VP crop rotation to occur and expand subject to TMOTW priorities (health of freshwater bodies, health and well-being needs of people), and if unlikely to cause further over-allocated or degradation. The pLWRP and RPS won't prevent VP crop rotation, but will include limits, restrictions, or requirements for VP to manage potential adverse effects on freshwater, ie, crop rotation would be enabled through a range of environmental outcomes, subject to the TMOTW hierarchy.
Southland RC	RPS Water and Land Plan Plan Change Tuatahi (PCT) <i>In development.</i>	No. No specific consideration for enabling VP crop rotation to date, although this could be considered in the future as part of Council's planning and implementation processes.

9.2. Chief Executive's Report

Prepared for: Council Meeting
Activity: Governance
Author: Richard Saunders, Chief Executive
Date: 19 October 2023

PURPOSE

- [1] This report provides Council with an overview of Otago Regional Council's key projects, financial performance and progress against our levels of service.

EXECUTIVE SUMMARY

- [2] Progress of both the Land and Water Regional Plan and the Long Term Plan remains on track with both projects on track to meet key milestones.
- [3] Financial performance at the end of the first quarter shows that Otago Regional Council (ORC) has an operating surplus of \$506k. Due to a reduction of the managed fund, the overall result is a \$420k deficit. Forecasting to year end will be presented to the Finance Committee in November.
- [4] At the end of the first quarter, service levels remain largely on track with only one measure being recorded as red – not going to be achieved. This is due to changes in requirements as a result of the new National Policy Statement for Indigenous Biodiversity (NPS-IB).

RECOMMENDATION

That the Council:

- 1) **Notes** this report.

DISCUSSION

Land and Water Plan

- [5] The Land and Water Plan remains on track with consultation round three finishing on the 27th of October. Engagement with the community and stakeholder groups has been good with staff receiving well considered feedback on the draft rules.
- [6] Feedback will be collated and reported to Council in a public workshop before final direction on changes to the draft is sought from the Science and Policy Committee prior to Christmas.
- [7] Key milestones remain largely on track. Where delays have been experienced, these are being managed by the project team and will not impact the final delivery date. A number of key actions are scheduled to be completed by the end of October and will be reported against in next month's update. The project plan is included as Attachment 1.

Long Term Plan

- [8] The Long Term Plan project has progressed well in the last month. Councillors have provided early input into priority projects and staff are now starting to develop draft work programmes and associated budgets for discussion with Council.
- [9] A paper is included in today's Council agenda seeking direction on the community engagement approach to formal consultation. Early engagement is already occurring with a number of groups around Otago who have been regular submitters and/or participants in previous Long Term and Annual Plan processes.
- [10] The project remains on track to achieve all key milestones. The project plan is included as Attachment 2. The project plan is in the process of being updated to reflect the key dates between 1 January and 30 June 2024. This will be presented at a future Governance Group and Council meeting.

Financial Performance

- [11] The Statement of Comprehensive Revenue and Expenditure at the end of Q1 shows an operating surplus of \$506k. This is partially offset by a reduction in the managed fund resulting in a \$420 deficit at the end of September. The Statement of Comprehensive Revenue and Expenditure is included as Attachment 3.
- [12] Staff are currently working with Finance to complete forecasting at the end of Q1 which will be reported to the Finance Committee in November.
- [13] The current statement of financial position is included as Attachment 4.

Level of Service Measures

- [14] Level of Service Measures at the end of Q1 show a small number of measures currently tracking as amber with staff having noted some risk to their delivery. One measure is red due to changes required by the National Policy Statement – Indigenous Biodiversity. This Policy statement will require a reassessment of ORC's monitoring framework.
- [15] Exception reporting is included as Attachment 5 and an overall list of measures is included as Attachment 6.

OPTIONS

- [16] As this is a report for noting there are no options to consider.

ATTACHMENTS

1. LWRP GG October meeting - Milestone Status Update [9.2.1 - 4 pages]
2. ORC LTP project report 091023 FINAL [9.2.2 - 4 pages]
3. CE Report Statement of Comprehensive Revenue and Expense September 2023 (1) [9.2.3 - 1 page]
4. CE Report Statement of Financial Position September 2023 [9.2.4 - 1 page]
5. Summary LOSM Report - September Exceptions [9.2.5 - 1 page]

6. Summary LOSM Report - September All [**9.2.6** - 3 pages]

ORC REPORT ON PROGRESS AGAINST CRITICAL MILESTONES AND TASKS

Project Name	Project Start Date	Project Sponsor	Project Owner	Report date
Land and Water Regional Plan for Otago	1-Jul-21	Anita Dawe	Fleur Matthews	30/09/23

Progress Summary and Focus for Next Month
<p>This past month the team focused on:</p> <ol style="list-style-type: none"> 1. Finalising the plan for community engagement and briefing Councillors and staff 2. Preparing informational content for the public to inform them of the draft provisions 3. Getting the word out to the public that we are seeking their feedback and how they can engage with us 4. Completing the first two public engagement sessions as well as four region-wide stakeholder groups 5. Beginning Section 32 Report drafting
<p>Next month:</p> <p>Major deliverables include:</p> <ol style="list-style-type: none"> 1. Completing the remaining face to face and online feedback and engagement sessions with the public 2. Collating and analysing feedback from public and stakeholder groups 3. Continuing Section 32 Report preparation

RESOURCE MANAGEMENT ACT PROCESS AND CRITICAL TASKS	KEYS		
CP1. Environmental Outcomes, Objectives, Provisions, Rules developed (July 2023)	RMA CRITICAL PATH	HEALTH	STATUS
CP2. Community consultation prior to formal Schedule 1 process (August - October 2023)	Milestone is on the critical path	Work not yet due to start	1. Not due to start
CP3. Pre-notification consultation (February - April 2024)		Meets or exceeds project expectations	2. Not started
CP4. Public Notification (June 2024)		Issues are being managed within the team and not expected to impact final deadline	3. Ready to start
		Issues impacting project and overall timeline and need escalation and action	4. Start delayed
		Milestone / task finished	5. On hold
			6. In progress
			7. Complete
			8. Withdrawn

Milestone	RMA Critical Path	Baseline Start date	Forecast End date	End date variance	Actual End Date	Previous Status	Current Health & Status	Commentary
Preparatory and plan writing work to get to community consultation 3								
1 Initial consultations with communities and key region-wide stakeholders complete. This is required by NPS-FM prior to plan drafting	CP1	20-Dec-22	20-Dec-22		20-Dec-22	Complete	Complete	
2 Community and mana whenua values identified with community and mana whenua. This is required by NPS-FM prior to plan drafting	CP1	31-Dec-22	31-Dec-22		20-Dec-22	Complete	Complete	
3 Analysis of feedback from community and key stakeholder consultation complete	CP1	31-Jan-23	31-Jan-23		31-Jan-23	Complete	Complete	
4 Catchment Stories Summary Report complete		30-Jan-23	30-Jan-23		30-Jan-23	Complete	Complete	
5 Region-wide topics plan drafting started (Milestone)		1-Feb-23	1-Feb-23		1-Feb-23	Complete	Complete	

Council Agenda - 25 October 2023 - CHAIRPERSON AND CHIEF EXECUTIVE REPORTS

Milestone	RMA Critical Path	Baseline		Forecast	End date variance	Actual End Date	Previous Status	Current Health & Status	Commentary	
		Start date	End date	Revised End date						
6	Further direction from Land and Water Regional Plan governance group on water quantity management sought. This directly informs plan drafting	CP1		6-Apr-23	6-Apr-23		6-Apr-23	Complete	Complete	
7	Region-wide hydrological modelling complete. This informs plan drafting.	CP1		30-Apr-23	<u>31-Jul-23</u>	<u>+2 Months</u>	18-Aug-23	Complete	Complete	
10	Water quality scenario modelling complete. This directly informs plan drafting	CP1		31-May-23	<u>31-Jul-23</u>	<u>+2 Weeks</u>	31-Jul-23	Complete	Complete	
11	Outstanding water bodies identified			31-May-23	18-Aug-23	<u>+2.5 Months</u>	18-Aug-23	Complete	Complete	
12	Manuhurekia ecological flow recommendation provided by Technical Advisory Group			31-May-23	<u>16-Aug-23</u>	<u>+2.5 Months</u>	23-Aug	Complete	Complete	
13	Further direction from Land and Water Regional Plan governance group on drinking water protection requirements sought.	CP1		6-Jun-23	6-Jun-23	<u>+1 Months</u>	26-Jul-23	Complete	Complete	
14	Regionally significant wetlands mapped and ground truthed			30-Jun-23	30-Jun-23		30-Jun-23	Complete	Complete	
15	Land and Water Economic Profile of Otago complete (Milestone)			30-Jun-23	30-Jun-23		30-Jun-23	Complete	Complete	
16	Farmers and Growers Phase 2 report on testing the impact of actions complete (Milestone)			30-Jun-23	3-Jul-23		3-Jul-23	Complete	Complete	
17	Threatened species identified (via independent expert panel)			30-Jun-23	31-Jul-23	<u>+2 Weeks</u>	31-Jul-23	Complete	Complete	
18	Environmental outcomes, current states and target attribute states determined for all FMUs	CP1		30-Jun-23	30-Sep-23	<u>+2 Months</u>		In progress	Complete	Draft Target Attribute States for rivers and lakes were finalised by 16 August 2023. Final reports were due late September with consistency reviews immediately afterwards.
19	Māori economy report completed by ORC and Iwi			31-Jul-23	31-Dec-23	<u>+5 Months</u>		In progress	In progress	Work underway but resource constraints adding risk to delivery. Delivery anticipated December.
20	Higher allocation catchment assessments complete (excluding Taieri)			31-Jul-23	30-Oct-23	<u>+3 Months</u>		In progress	In progress	A significant number of assessments for higher allocation catchments were completed in August and September. Waiwera, Pomahaka, Clutha and Waikouaiti available in early October.
21	All draft region-wide objectives, policies, provisions, rules complete	CP2		31-Jul-23	18-Aug-23	<u>+2 Weeks</u>	18-Aug-23	Complete	Complete	
22	Draft Catlins FMU Chapter complete			31-Jul-23	30-Oct-23	<u>+3 Months</u>		In progress	In progress	Delayed start. Substantial progress has been made in terms of developing content but further work required on limited number of matters including: (1) identifying attributes/setting TAS for small number of values, (2) refining FMU/rohe-specific rules for managing farming activities and (3) development of FMU/rohe-specific forestry rules.
23	Draft Clutha/Mata-Au Chapter complete			31-Jul-23	30-Oct-23	<u>+3 Months</u>		In progress	In progress	Delayed start. Substantial progress has been made in terms of developing content but further work required on limited number of matters including: (1) identifying attributes/setting TAS for small number of values, (2) refining FMU/rohe-specific rules for managing farming activities, (3) development of FMU/rohe-specific forestry rules and (4) development of limits and environmental flows for some bespoke catchments.
24	Draft Dunedin and Coast Chapter complete			31-Jul-23	30-Oct-23	<u>+3 Months</u>		In progress	In progress	Delayed start. Substantial progress has been made in terms of developing content but further work required on limited number of matters including: (1) identifying attributes/setting TAS for small number of values, (2) refining FMU/rohe-specific rules for managing farming activities, (3) development of FMU/rohe-specific forestry rules and (4) development of limits and environmental flows for one bespoke catchment.

Council Agenda - 25 October 2023 - CHAIRPERSON AND CHIEF EXECUTIVE REPORTS

Milestone	RMA Critical Path	Baseline		Forecast	End date variance	Actual End Date	Previous Status	Current Health & Status	Commentary	
		Start date	End date	Revised End date						
25	Draft North Otago Chapter complete		31-Jul-23	30-Oct-23	+3 Months		In progress	In progress	Delayed start. Substantial progress has been made in terms of developing content but further work required on limited number of matters including: (1) identifying attributes/setting TAS for small number of values, (2) refining FMU/rohe-specific rules for managing farming activities and (3) development of FMU/rohe-specific forestry rules.	
26	All draft FMU chapters complete (except Taieri and Manuhereikia Rohe)	CP2	31-Jul-23	30-Oct-23	+3 Months		In progress	In progress	Delayed start. Substantial progress has been made in terms of developing content but further work required on limited number of matters including: (1) identifying attributes/setting TAS for small number of values, (2) refining FMU/rohe-specific rules for managing farming activities, (3) development of FMU/rohe-specific forestry rules and (4) development of limits and environmental flows for some bespoke catchments.	
27	Draft introduction, how the plan works, interpretation chapters complete		30-Sep-23	30-Sep-23			In progress	Complete	First draft of the introduction, how the plan works and interpretation (glossary) chapters is complete.	
28	Draft national direction chapter and regional context content complete		30-Sep-23	30-Sep-23			In progress	Complete	First draft of the national direction chapter and regional context chapter is complete.	
29	Draft mana whenua chapter complete		30-Sep-23	15-Nov-23	+1.5 Months		In progress	In progress	ORC and Iwi are working on the integration of mana whenua values, objectives, and outcomes into the plan document and what will be contained in a mana whenua chapter at present. The mana whenua chapter will only contain what is legally required for that chapter following integration throughout the plan.	
30	Draft schedules and appendices complete		30-Sep-23	30-Oct-23	+1 Months		In progress	In progress	A list of schedules and appendices for the LWRP has been compiled. The GIS-layers for the different maps that need to form part of the LWRP have been compiled. The majority of the schedules for the LWRP have been developed.	
31	Draft Taieri Chapter complete		30-Oct-23	30-Oct-23			Not due to start	Not due to start		
32	Manuhereikia Rohe chapter complete	CP2	31-Oct-23	31-Oct-23			Not due to start	Not due to start		
Community consultation prior to formal Schedule 1 process										
33	3rd and final community and key stakeholder consultation planning initiated		1-Jun-23	1-Sep-23	+ 3 Months	1-Sep-23	In progress	Complete	Planning complete and Engagement Strategy provided to Council by HarrisShea consultants. Work underway to implement Engagement Strategy.	
34	Community consultation 3 meetings complete	CP2	30-Sep-23	31-Oct-23	+ 1 Month		Not due to start	In progress	Underway. Feedback being collated as it comes in.	
35	Key stakeholder report backs on region-wide topics complete		30-Sep-23	30-Sep-23		22-Sep-23	Not due to start	Complete		
36	Report back to Manuhereikia Rohe community on provisions and rules for Rohe	CP2	15-Oct-23	15-Oct-23			Not due to start	Not due to start		
38	Full draft plan reviews by Planning Lead, affected ORC teams, Iwi, Legal complete		30-Nov-23	30-Nov-23			Not due to start	Not due to start		
39	Draft Proposed Land and Water Regional Plan and draft Section 32 report complete. These are required in order for Clause 3 & 4A pre-notification and notification	CP3	30-Nov-23	20-Dec-23	+ 1 Month		In progress	In progress	Plan authors are collating supporting evidence as they develop plan chapters throughout. The Section 32 Report involves a significant amount of work which is being worked on iteratively as the plan is developed. The project is monitoring any additional resources required here.	
40	Draft Land and Water Regional Plan complete and ready for pre-notification consultation	CP3	30-Nov-23	14-Dec-23	+ 2 Weeks		Not due to start	Not due to start		
Pre-notification consultation and public notification										
41	Draft Proposed Land and Water Regional Plan pre-notification consultation with Iwi and statutory parties (under RMA Sch 1, clause	CP4	28-Feb-24	28-Feb-24			Not due to start	Not due to start		

Council Agenda - 25 October 2023 - CHAIRPERSON AND CHIEF EXECUTIVE REPORTS

Milestone	RMA Critical Path	Baseline		Forecast	End date variance	Actual End Date	Previous Status	Current Health & Status	Commentary	
		Start date	End date	Revised End date						
42	Draft Proposed Land and Water Regional Plan pre-notification consultation with Iwi and statutory parties (under RMA Sch 1, clause	CP4		30-Apr-24	30-Apr-24			Not due to start	Not due to start	
43	Updates to Draft Proposed Land and Water Regional Plan complete			31-May-24	31-May-24			Not due to start	Not due to start	
44	Section 32 report complete			31-May-24	31-May-24			Not due to start	Not due to start	
45	Otago Regional Council resolution to notify Proposed Land and Water Regional Plan for Otago	CP4		14-Jun-24	14-Jun-24			Not due to start	Not due to start	
46	Proposed Land and Water Regional Plan for Otago publicly notified	CP4		28-Jun-24	28-Jun-24			Not due to start	Not due to start	

Governance Group report on Long Term Plan project progress against critical milestones and tasks

Project Name	Project Lead	Current Reporting Period	Next Reporting Period
Long Term Plan	Mike Roesler	18 September – 9 October	9 October – 23 October
Progress summary and focus for next reporting period		Areas for discussion and decision	
<p>Achievements this reporting period</p> <ul style="list-style-type: none"> LTP Activity Build template finalised and distributed to managers Growth Models and Assumptions document refined LTP workshops with Amanda and Gavin’s teams held Council Presentation held – Financial/funding: high level options modelling Manager input on all consultation activities across the business complete Detailed activity planning through December 2023 progressed Draft Engagement Plan completed by engagement consultants Council Infrastructure Strategy workshop 2 held LTP Activity Build meetings between finance team and managers completed Manager input into draft LTP Activity Build completed Templates for LTP Activity Build finalised and distributed to ELT Project team discussions around scope of pre-draft LTP held ELT first review of LTP Activity Build held 		<p>Current project focus has been on:</p> <ul style="list-style-type: none"> Assisting Managers with LTP Activity Build templates Drafting Engagement Plan Initial scoping of consultation topics Conducting detailed planning through to the end of 2023 <p>Areas for decision or action:</p> <p><i>Future Development Strategy</i> We ask that you note that two Councillors have been appointed to the Joint FDS Hearings Panel for Dunedin City Council (Councillors Wilson and Noone). Tentative dates for the FDS hearings and alignment to the DCC LTP process were provided to Councillors at the last Council meeting. We will ensure that our LTP process avoids any clashes with the FDS timetable or hearings. Dates for the Queenstown Lakes District Council FDS hearings are still to be confirmed, but we will keep the governance group updated on these as they become available.</p> <p><i>Purpose of LTP Engagement</i> We ask that you note the purpose of the LTP engagement in the pending draft Region-Wide Community Engagement report is as follows</p> <ul style="list-style-type: none"> Inform the community about the proposed LTP clearly and transparently, including priorities and impacts. Promote wide public participation, ensuring diverse input and a better LTP outcome. Create an accessible platform for communities to provide feedback on LTP proposals, ensuring genuine understanding and representation of regional aspirations. Align with Mana Whenua, strategic stakeholders, and environmental group engagement approaches. Raise awareness of ORC’s strategic priorities, purpose, role, and activities, while enhancing public understanding of the LTP process. <p>This paper will be considered by Council on 25 October.</p> <p><i>Activity Build Templates</i> Feedback from Managers has highlighted the value of having the input of the Finance team to refine their Activity Build Templates, and the value of the face to face approach taken.</p>	
<p>Next reporting period (9 October – 23 October)</p> <ul style="list-style-type: none"> Managers to incorporate ELT feedback into LTP Activity Build (12 October) Second ELT review of LTP Activity Build (16 October) Lessons learned workshop (16 October) Sign out process for Engagement Plan complete (18 October) High level Communications Plan drafted (20 October) LTP Activity Build material finalised ahead of Council workshop (20 October) 			
<p>On the horizon (Late October/November)</p> <ul style="list-style-type: none"> Engagement Plan to Council (25 October) Communications Plan to Council (25 October) Council Workshops: 2024-34 Activity and Service Proposals (24 October – 1 November) Council Workshop: Financial Models (7 November) Safety & Resilience Committee Workshop on Infrastructure Strategy (9 November) Council Workshop: Final Version of Estimates (23 November) 			
Risks and Issues			
RISKS		MITIGATIONS	
Project management and governance needs to be tightly managed to avoid quality and time issues.		Project manager has been appointed, governance group set up and regular governance cycle has started. Review in 3 months. Continuing to identify linkages and cross overs and scoping these into our detailed scheduling as appropriate.	
Timeframes are tight for both Council and staff and the need for timely input is ongoing.		To mitigate this risk, the project team will ensure that the purpose of sessions is clear and that the link to outcomes is shown. Project team will also use the annual plan template as a guide and reinforce timeframes for Council on when things need to be done by.	

Council Agenda - 25 October 2023 - CHAIRPERSON AND CHIEF EXECUTIVE REPORTS

Amount of time and commitment management are spending on the LTP process.	To mitigate this risk, the project team will seek clear direction from Council on priorities and resources and will support managers with tools and templates to help them manage their time efficiently.
Resourcing issues in the Engagement team could delay engagement processes.	To mitigate this risk, a decision was made by the CE to approve scoping of outside consultants to fill any resourcing gaps, and to allow the project to deliver this work on schedule. The draft engagement plan has now been delivered, with the final engagement plan delivered to Council on 25 October

Key		
STATUS	HEALTH	Colour
Not due to start	Work not yet due to start	
Start delayed	Issues are being managed within the team and not expected to impact final deadline	
On hold	Issues impacting project and overall timeline and need escalation and action	
In progress	Meets or exceeds project expectations	
Complete	Milestone / task finished	

Milestone	Start date	End date	Health and Status	Commentary
COUNCILLOR WORKSHOPS AND DECISION MAKING				
Council meeting. Draft Communications Plan and Engagement Plan for LTP	03/08/2023	25/10/2023	In progress	Engagement and Communications teams will now provide a joint report back in October/November.
Council Workshop – LTP Activity and Service Proposals	18/09/2023	24/10/2023	In progress	Final draft Activity and Service Proposals to be provided to Council by 20 October.
Council update on LTP detailed planning, budgeting and other supporting information	16/10/2023	09/11/2023	Not due to start	Update item only.
Draft Infrastructure Strategy submitted to Safety & Resilience Committee for approval	24/10/2023	09/11/2023	Not due to start	Alignment between this area and LTP process is an area of focus for the project.
Council endorsement for key LTP content and Supporting Information for consultation	06/10/2023	07/12/2023	Not due to start	Confirmed that this scope covers supporting information for consultation.
FINANCIAL AND RATES				
Draft Financial Strategy and Revenue & Financing Policy submitted to Council for approval	02/10/2023	25/10/2023	Not due to start	Had previous indicated this would go to Council as a paper but will now take form of workshop here and paper later.
Council Presentation – Financial/funding: Financial Models	24/10/2023	07/11/2023	Not due to start	Consolidated estimates and funding impact here. Will look to include detailed rates analysis of preferred rating options for this workshop.
Council Presentation – Council Finance Committee: Final Financial Estimates	06/11/2023	23/11/2023	Not due to start	Not due yet.
ENGAGEMENT AND COMMUNICATIONS				
Communications Plan drafting underway	03/10/2023	20/10/2023	In progress	A high level draft plan is due to be completed by 20 October.
Engagement plan reviewed at Council Meeting	03/08/2023	25/10/2023	Start delayed	Engagement and Communications teams will now provide a joint report back at the October 25 Council meeting, with the Engagement plan to be developed by consultants before the report back.
Approach to communicating key topics to the community (for Special Consultative Procedure) agreed internally	04/09/2023	25/11/2023	Start delayed	Timeframe updated to allow for engagement planning to be completed.

Council Agenda - 25 October 2023 - CHAIRPERSON AND CHIEF EXECUTIVE REPORTS

Engagement with strategic stakeholders on Focus Areas	04/09/2023	30/11/2023	In progress	Engagement now underway.
PROJECT MANAGEMENT				
Further updates to Growth models, uncertainties, and assumptions document	28/07/2023	09/11/2023	In progress	We continue to update the Growth Models, uncertainties and assumptions document to reflect feedback, and intend to finalise this by 9 November.
ELT Meeting: First review of LTP Activity Build	29/09/2023	09/10/2023	In progress	Due today.
ELT Meeting: Second review of LTP Activity Build	09/10/2023	16/10/2023	Not due to start	Not due yet.
ELT Meeting: Session on Council feedback for LTP Activity Build	16/10/2023	01/11/2023	Not due to start	Not due yet.
ELT Meeting: Review estimates feedback from Council	07/11/2023	13/11/2023	Not due to start	Not due yet.
ELT Meeting: Review estimates after changes	13/11/2023	20/11/2023	Not due to start	Not due yet.
ELT Meeting: Review final changes to estimates	23/11/2023	27/11/2023	Not due to start	Not due yet.

Manager input schedule	Manager time commitment	Comment
CURRENT		
From 14 September to 10 October all managers will need to lead work programme and detailed budgeting work for their respective teams	Medium (some managers)	This is likely to have a significant collective impact on organisational capacity. GM's and managers need to plan for this. Will also be high impact on capacity of finance team in supporting this process.
UPCOMING		
After ELT reviews, managers will continue to incorporate feedback into LTP Activity Build templates	Medium (all managers)	Feedback from ELT into LTP Activity Build templates will not take significant time to incorporate into existing templates, but will need to be completed at pace to reflect the date window between ELT reviews.

LTP Project Workstreams GANTT Chart overview			
LTP WORKSTREAMS	Oct-23	Nov-23	Dec-23
Long Term Plan			
Engagement and Communications		Marketing and comms	LTP draft content approved
Partnering with Mana Whenua			Implementation of plan

Annex 1: Completed Milestones

Completed Milestones	Start date	End date	Health and Status	Commentary
Council presentation - Financial/funding: Introduction	11/05/2023	11/05/2023	Complete	Completed on 11/05/2023.
Council Briefing held: Current State presentation	14/06/2023	15/06/2023	Complete	Completed on 15/06/2023.
Council presentation - Financial/funding: Financial strategy	14/06/2023	29/06/2023	Complete	Completed on 29/06/2023.
Current State updated following Council feedback	16/06/2023	07/07/2023	Complete	Completed on 08/08/2023.

Council Agenda - 25 October 2023 - CHAIRPERSON AND CHIEF EXECUTIVE REPORTS

Lessons from OAG report documented and discussed with workstream lead and project sponsor	21/06/2023	20/07/2023	Completed	Have now been discussed with LTP governance sub-committee and incorporated into project plan. Completed on 02/08/2023.
Detailed planning of Infrastructure Strategy milestones and set up of regular meeting	17/07/2023	25/07/2023	Complete	Project lead has now met with IS team to confirm detailed planning and has invited IS team to regular project team meetings. Completed on 14/08/2023.
Clarity on process for Growth models, uncertainties, and assumptions document	04/07/2023	28/07/2023	Complete	Completed on 28/07/2023.
Council and Mana Whenua workshop. <i>Confirming our Strategic Directions</i>	03/07/2023	02/08/2023	Complete	Completed on 02/08/2023.
Council presentation - Financial/funding: Rating specifics	17/07/2023	02/08/2023	Complete	Completed on 02/08/2023.
First LTP governance sub-committee meeting	18/07/2023	02/08/2023	Complete	Completed on 02/08/2023.
Council and Mana Whenua workshop. <i>Future work programme possibilities</i>	03/07/2023	08/08/2023	Complete	Completed on 08/08/2023.
Regional Leadership Committee Paper. <i>Engagement Approach to LTP</i>	03/07/2023	10/08/2023	Complete	Completed on 10/08/2023.
Engagement approach for LTP consultation drafted	03/07/2023	10/08/2023	Complete	LTP content drafted into paper, next step is to confirm strategic stakeholders with ELT. Draft completed 10/08/2023.
Council Presentation – Framework, assessment of funding needs and analysis [Morrison & Low]	7/07/2023	24/08/2023	Complete	Completed on 24/08/2023.
Support 4 September ELT moderation session as required for 13 September Council Workshop	21/06/2023	04/09/2023	Complete	Completed on 04/09/2023.
Support managers ahead of 13 September Council Workshop	04/09/2023	13/09/2023	Complete	Completed on 13/05/2023.
Council and Mana Whenua workshop. <i>Implications of future work programme possibilities</i>	07/08/2023	13/09/2023	Complete	Completed on 13/05/2023.
Council workshop. <i>Identification of key issues in Infrastructure Strategy (paper)</i>	14/08/2023	13/09/2023	Complete	Completed on 13/05/2023.
Council Presentation – Financial/funding: high level options modelling	04/09/2023	21/09/2023	Complete	Completed on 21/09/2023.
Supporting managers through LTP Activity Build	18/09/2023	05/10/2023	Complete	Completed on 05/10/2023.

Statement of Comprehensive Revenue and Expense For the 3-months ended 30 September 2023

	Notes	YTD Actual Aug-2023 3 months	YTD Budget Aug-2023 3 months	Variance 3 months	Forecast Full Year 23/24 12 months	Budget Full Year AP 23/24 12 months	Variance 12 months
REVENUE							
Rates revenue		13,962	13,894	67	55,778	55,778	-
Subsidies and grant revenue		5,659	4,583	1,077	20,497	20,497	-
Other income		3,073	3,590	(517)	19,519	19,519	-
Dividends		3,918	3,570	168	15,000	15,000	-
Interest and investment income	1	2,048	2,563	(514)	10,250	10,250	-
TOTAL REVENUE		28,660	28,380	281	121,043	121,043	-
EXPENDITURE							
Employee benefits expense		(7,841)	(8,956)	1,114	(35,823)	(35,823)	-
Depreciation and amortisation		(1,027)	(1,053)	26	(4,211)	(4,211)	-
Finance costs	1	(2,289)	(2,376)	87	(9,500)	(9,500)	-
Other expenses		(16,690)	(15,688)	(1,002)	(71,789)	(71,789)	-
TOTAL OPERATING EXPENDITURE		(27,847)	(28,073)	225	(121,323)	(121,323)	-
OPERATING SURPLUS/(DEFICIT)		813	307	506	(281)	(281)	-
Other gains/(losses)	2	(610)	316	(926)	1,265	1,265	-
SURPLUS/(DEFICIT) BEFORE TAX		203	623	(420)	984	984	-
Income tax benefit/(expense)		-	-	-	-	-	-
SURPLUS/(DEFICIT) FOR THE YEAR		203	623	(420)	984	984	-
Revaluation gain/(loss) – shares in subsidiary	3	-	-	-	28,193	28,193	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		203	623	(420)	29,177	29,177	-

Notes

- Interest income and expense includes interest on LGFA lending on-lent to Port Otago Limited.
- Includes gains on long term managed fund (updated monthly) and revaluation of investment property (updated at year-end only).
- Revaluation shareholding in Port Otago Limited (updated at year-end only).

Comments

- Year to date surplus is \$420k below budget for the 3-month period (last month -\$199k).
- Revenue is \$281k up on budget and expenditure \$225k under budget creating an operating surplus variance of \$506k. This has been offset by a decrease in the value of the managed fund over the quarter.
- Variances to date are largely timing and will be assessed further when the first forecast is undertaken together with the Q1 reporting to the Finance Committee in November.

Statement of Financial Position

As at 30 September 2023

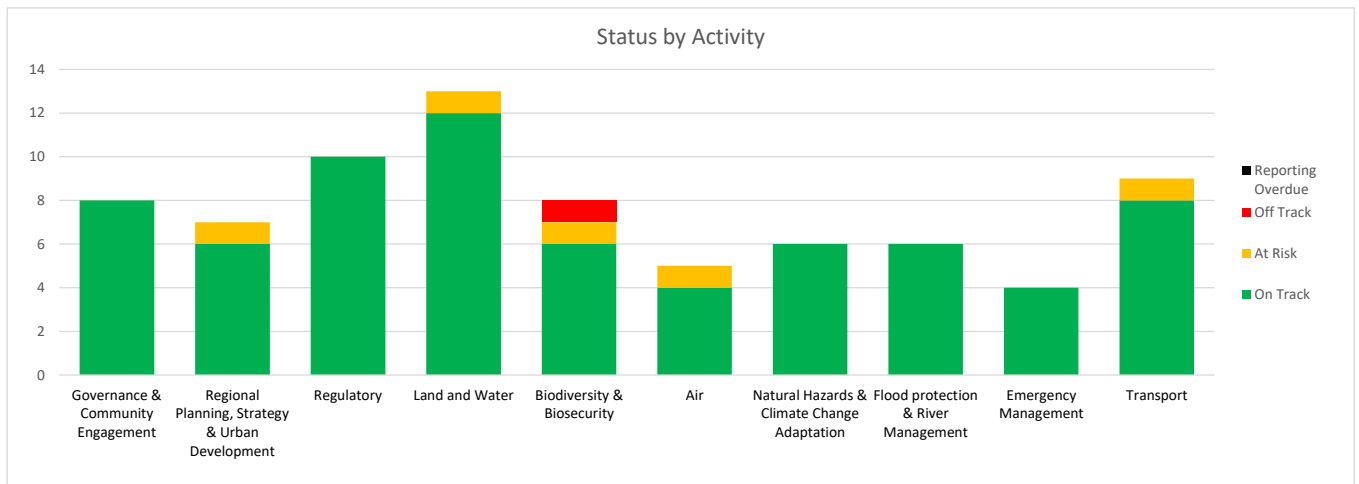
Notes	YTD Actual Aug-2023 3 months	Prior Year Actual Jun-2023*	Variance 3 months	Budget Full Year Jun-2024
CURRENT ASSETS				
Cash and cash equivalents	8,799	14,830	(6,031)	6,040
Trade receivables	57,780	14,802	42,978	12,126
Property held for sale	3,350	3,350	-	-
Other financial assets	24,790	25,262	(472)	25,426
Other current assets	1,229	1,433	(204)	883
TOTAL CURRENT ASSETS	95,949	59,677	36,272	44,475
NON-CURRENT ASSETS				
Property, plant and equipment	94,145	93,994	151	110,287
Investment property	16,795	16,795	-	17,131
Shares in subsidiary	723,890	723,890	-	753,013
Borrower notes	500	500	-	-
Deferred tax asset	-	-	-	98
Related party loan – Port Otago	126,128	125,088	1,040	99,960
Intangible asset	702	820	(118)	1,881
TOTAL NON-CURRENT ASSETS	962,160	961,087	1,073	982,370
TOTAL ASSETS	1,058,109	1,020,764	37,345	1,026,845
CURRENT LIABILITIES				
Trade and other payables	54,809	19,204	35,605	18,996
Borrowings	60,061	58,878	1,183	-
Provision	-	-	-	-
Employee entitlement	3,068	2,716	352	2,608
TOTAL CURRENT LIABILITIES	117,939	80,798	37,141	21,604
NON-CURRENT LIABILITIES				
Borrowings	91,438	91,438	-	37,200
Other financial instruments	-	-	-	87,956
TOTAL NON-CURRENT LIABILITIES	91,438	91,438	-	125,156
TOTAL LIABILITIES	209,376	172,236	37,141	146,760
NET ASSETS	848,732	848,528	204	880,085
EQUITY				
Reserves	748,089	747,994	95	771,427
Public Equity	100,643	100,534	109	108,658
TOTAL EQUITY AND RESERVES	848,732	848,528	204	880,085

Notes

* Draft / unaudited Year End 30 June 2023.

- Trade receivables have increase by \$42,978,000 from 30 June 2023 due to the timing of rates receivables with rates invoiced 1 September and due 31 October 2023.
- Trade payables has increased by \$35,605,000 from 30 June 2023 due to rates revenue received in advance and the timing of payables. Rates struck on 1 September are accrued as revenue in advance and released monthly during the year as revenue.

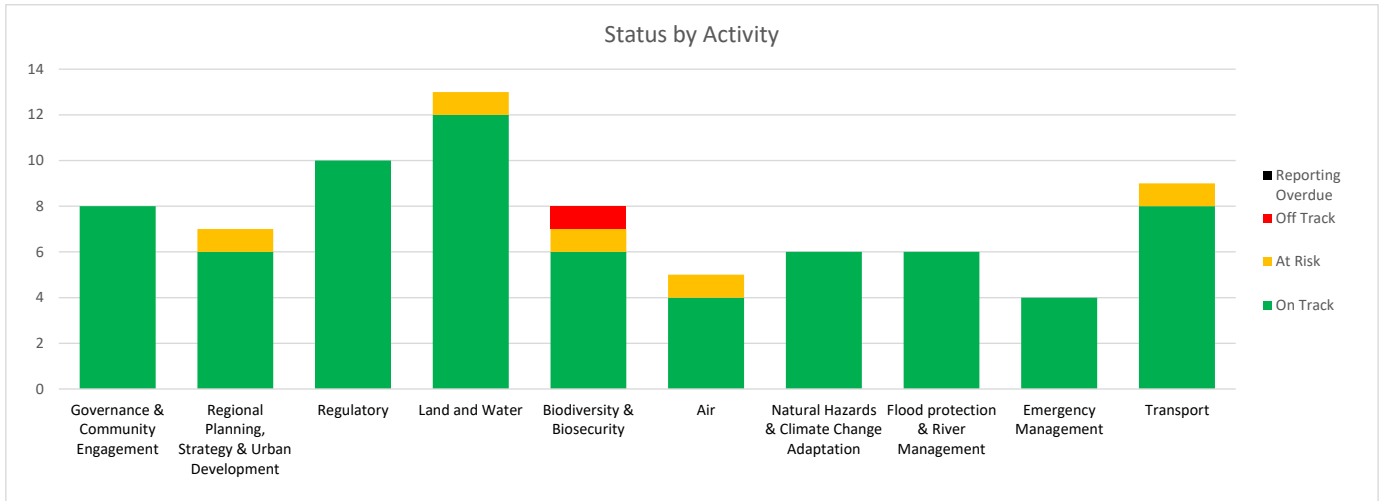
SEPTEMBER PERFORMANCE REPORTING - EXCEPTIONS TO AUGUST



Service Measure and Target			
REGIONAL LEADERSHIP			
Regional Planning, Strategy & Urban Development	AUG	SEPT	COMMENT
Develop an integrated planning framework that enables well managed urban growth across Otago - Target: Joint ORC and DCC/QLDC HBA updated and joint FDS completed by 30 June	On Track	At Risk	The Dunedin FDS is scheduled to go to the ORC 6 December Council meeting for approval to notify in January 2024 and as such meeting the timeframe. (Green) QLDC FDS: Issues regarding the HBCA will result in a delay of the FDS being notified this not meeting the timeframe. (Red)
ENVIRONMENT			
Land and Water	AUG	SEPT	COMMENT
Implement a regional coastal monitoring programme. Target: Annual report on monitoring programme completed and reported to Council	At Risk	At Risk	On-track for overall marine monitoring programme to be set up over the next 5 years. Ground truthing RFP was held up internally so can't progress until this is complete and then out to tender in FY 2023/24
Biodiversity & Biosecurity	AUG	SEPT	COMMENT
Develop and implement a regional indigenous biodiversity ecosystems monitoring programme. Target: Annual report on monitoring programme completed and reported to Council	Off Track	Off Track	Expect to report on current monitoring being undertaken. The recent release of the NPS-IB means monitoring requirements will need to be assessed and a substantially revised monitoring program may be required. If so implementation and reporting by year end may not be achieved.
Percentage of data from the biodiversity monitoring network that is captured quarterly - Target: ≥95% data capture achieved	At Risk	At Risk	This measure was introduced in this LTP with no percentage specified for years 1 and 2 as it was only scheduled to begin once the monitoring program under the NPS-IB had been developed. Ability to meet this target will depend on the timing of the above measure on development and implementation of the monitoring programme.
Air	AUG	SEPT	COMMENT
Air implementation strategy is scoped - Target: Reported to Council by 30 June	At Risk	At Risk	Not yet started, dependant on Regional Air Plan development.
TRANSPORT			
Transport	AUG	SEPT	COMMENT
Percentage of scheduled services on-time (punctuality) - Target: 95%	At Risk	At Risk	Services are heavily affected in Dunedin by extensive roadworks and road closures, whilst Queenstown continues to be affected by heavy congestion on the approaches in and out of central Queenstown/St Stanley Street at peak times. It is anticipated that Dunedin punctuality will improve significantly with the completion of the central city works.
The Regional Land Transport Plan (RLTP) is prepared and submitted in line with the Land Transport Management Act 2003 and any guidance issued by the New Zealand Transport Agency (NZTA) - Target: RLTP review completed and adopted by Council by 30 June Transport Committee.	At Risk	On Track	A new programme for the adoption of the RLTP will go to RTC in November due to new timeline for NLTP as of 16 October



SEPTEMBER PERFORMANCE REPORTING - EXCEPTIONS TO AUGUST



Service Measure and Target				
REGIONAL LEADERSHIP				
Governance & Community Engagement	JULY	AUG	SEPT	COMMENT
Percentage of official information requests responded to within statutory timeframes - Target: 100%	On Track			
Deliver our statutory requirements with acceptable process and deliverables to decision-makers and the community - Target: Unmodified audit reports received	On Track			
Percentage of council agendas are publicly available two working days or more before a meeting - Target: 100%	On Track			
Work done in partnership with iwi - Target: Maintain or increase the number of outputs and/or projects (from 2021-22 baseline result: 19)	On Track			
Build the bicultural competency of ORC staff and councillors - Target: ≥50 participants in programme	On Track			
Annual survey is conducted to understand and improve community awareness, perceptions and expectations of ORC - Target: Improved satisfaction levels with how ORC services the region	On Track			Assumed Green - Not Reported
Customers express high levels of satisfaction with customer service provision - Target: Conduct benchmarking of customer satisfaction	On Track			
Develop a Regional Climate Strategy - Target: Strategy finalised and reported to Council by 30 June	On Track			
Regional Planning, Strategy & Urban Development	JULY	AUG	SEPT	COMMENT
Develop an integrated planning framework that enables well managed urban growth across Otago - Target: Joint ORC and DCC/QLDC HBA updated and joint FDS completed by 30 June	On Track		At Risk	
Complete review of existing Regional Policy Statement (RPS) - Target: Make RPS operative	On Track			
Catchment Action Plans (CAP) are developed in collaboration with iwi and community. Target: Drafting of pilot CAP completed and drafting of second CAP commenced by 30 June	On Track			
Report on community wellbeing indicators - Target: Complete baseline report on wellbeing indicators and issues	On Track			
Information on climate change in Otago is shared with the community and stakeholders. Target: Coordinate the development and delivery of a regional sequestration study by December 2023	On Track			
Report on regional stakeholder engagement and collaboration on climate change. Target: Complete an annual report on regional climate change collaboration and report to Council	On Track			
Develop an integrated planning framework that enables well managed urban growth across Otago - Target: Mapping of highly productive land completed by 30 June	On Track			
Regulatory	JULY	AUG	SEPT	COMMENT
Maintain 24-hour/7 day a week response for environmental incidents - Target: Pollution hotline staff available/on call 24/7	On Track			
Maintain 20 appropriately trained responders for maritime oil pollution incidents - Target: 20 responders attend 3 exercises per year	On Track			
Percentage of resource consent applications processed in accordance with Resource Management Act 1991 legislative timeframes - Target: ≥98%	On Track			
Percentage of performance monitoring returns completed each year, as per the Compliance Audit and Performance Monitoring Schedule targets - Target: ≥90%	On Track			
Percentage of significant non-compliance identified where action is taken in accordance with Compliance Policy - Target: 100%	On Track			
Major incidents on Otago's Harbours and waterways will be responded to. Target: Major incidents and ORC's response are reported to Council quarterly	On Track			
Percentage of programmed inspections/audits completed each year, as per the Compliance Audit and Performance Monitoring Schedule targets - Target: ≥90%	On Track			
Maintain compliance with Port and Harbour Marine Safety Code - Target: External review is completed and deemed to be code consistent.	On Track			
On-water engagement, education of recreational users and safety campaigns are documented and reported annually - Target: Report to council by 30 June	On Track			
Percentage of public enquiries for consent information completed within 7 working days - Target: Maintain or increase (from 2021-22 baseline of 99%)	On Track			

ENVIRONMENT				
Land and Water	JULY	AUG	SEPT	COMMENT
Complete the Land and Water Regional Plan(LWRP) - Target: Notify LWRP by 30 June 2024				
Otago Catchment Communities is supported to meet deliverables and targets of funding agreement - Target: Report to Council on deliverables and targets achieved by 30 June				
Implement freshwater monitoring programme - Target: Annual report on monitoring programme completed and reported to Council				
Implement a regional coastal monitoring programme. Target: Annual report on monitoring programme completed and reported to Council				
Percentage of data from the water monitoring network that is captured quarterly - Target: ≥95% data capture achieved				
Develop and implement a regional land use monitoring programme. Target: Annual report on monitoring programme completed and reported to Council				
Otago Catchment Communities funding is administered as per agreement. Target: 100%				
Land owner/community led projects promoting best practice land management for soil conservation, water quality and the efficient use of water are identified and supported - Target: Three or more projects supported per year				
Identify: At least three site specific management plans for selected degraded waterbodies are developed, prioritised, and implemented - Target: Projects confirmed and actions identified by 30 September				
Undertake: At least three site specific management plans for selected degraded waterbodies are developed, prioritised, and implemented - Target: 90% of actions undertaken within specified timeframes				
Percentage of data from the land-use monitoring network that is captured quarterly. Target: 95% data capture achieved				
Implement estuarine monitoring programme - Target: Annual report on monitoring programme completed and reported to Council				
Complete a review of the Regional Plan Coast - Target: Issues and options papers developed and reported to Council by 30 June				
Biodiversity & Biosecurity	JULY	AUG	SEPT	COMMENT
Actions listed in the Biodiversity Action Plan (BAP) are prioritised and progressed - Target: 90% of current year actions achieved within timeframes specified				
Actions within the Biosecurity Operational Plan (BOP) are identified and progressed - Target: 90% of actions achieved within timeframes specified.				
(Funding of selected initiatives- includes EcoFund) Percentage of funding administered as per agreements - Target: 100%				
Complete a report on the initiatives and organisations supported and the key deliverables achieved (Funding of selected initiatives- includes EcoFund) - Target: Report to Council by 30 June.				
Engagement Activities: Biodiversity partnerships established and joint projects developed and progressed - Target: Maintain or increase number of partnership engagement activities and events and report to Council.				
Projects: Biodiversity partnerships established and joint projects developed and progressed - Target: Projects and progress against milestones reported to Council				
Develop and implement a regional indigenous biodiversity ecosystems monitoring programme. Target: Annual report on monitoring programme completed and reported to Council				
Percentage of data from the biodiversity monitoring network that is captured quarterly - Target: ≥95% data capture achieved				
Air	JULY	AUG	SEPT	COMMENT
Implement a regional air monitoring programme - Target: Annual report on monitoring programme completed and reported to Council				
Percentage of data from the air monitoring network that is captured quarterly - Target: ≥95% data capture achieved				
Complete review of the Regional Plan Air - Target: Issues and options papers developed by 31 December 2023				
Complete review of the Regional Plan Air - Target: Community engagement for development of Regional Plan Air completed by 30 June				
Air implementation strategy is scoped - Target: Reported to Council by 30 June				
SAFETY AND RESILIENCE				
Natural Hazards & Climate Change Adaptation	JULY	AUG	SEPT	COMMENT
Relevant and up to date natural hazards information is available via the web-based Otago Natural Hazards Database - Target: Database information is checked and updated monthly				
Percentage of flood warnings that are issued in accordance with the flood warning manual - Target: 100%				
Develop a regional natural hazards risk assessment and a regional approach for prioritising adaptation - Target: Complete natural hazard risk assessment and prioritization approach.				
Priority Works: Develop and implement prioritised natural hazard risks adaptation works - Target: Work in priority areas is delivered as per plan by 30 June				
Lake Wakatipu: Develop and implement prioritised natural hazard risks adaptation works - Target: The Head of Lake Wakatipu natural hazards adaptation strategy progresses as per annual work plan				
South Dunedin and Harbourside: Develop and implement prioritised natural hazard risks adaptation works - Target: ORC contribution to the South Dunedin Future programme progresses as per annual work plan.				
Flood protection & River Management	JULY	AUG	SEPT	COMMENT
Scheme Performance: Major flood protection and control works are maintained, repaired, and renewed to the key standards defined in relevant planning documents - Target: Schemes function to their constructed design standards				
Scheme renewals programme: Major flood protection and control works are maintained, repaired, and renewed to the key standards defined in relevant planning documents - Target: ≥90% of renewals programme completed				
Scheme maintenance programme: Major flood protection and control works are maintained, repaired, and renewed to the key standards defined in relevant planning documents - Target: ≥90% of planned maintenance programme completed				
Rivers: Percentage of identified and reported issues that have been investigated and appropriate action determined and communicated to affected landholders within 20 working days - Target: 100%				
Rivers: Percentage of planned maintenance actions achieved each year - Target: ≥90%				
Flood repair programme: Damage identified, prioritised and a repair programme communicated with affected communities in a timely manner - Target: Programme developed and communicated within 3 months of the event.				

Emergency Management	JULY	AUG	SEPT	COMMENT
Staffing: An adequate Emergency Coordination Centre (ECC) facility and staffing are available - Target: Adequate staff who are trained and available for any activation of the ECC.				
Facility: An adequate Emergency Coordination Centre (ECC) facility and staffing are available - Target: An appropriate facility is available for activation at all times.				
Support is provided to the Otago CDEM Group as per the CDEM Act and Otago CDEM Partnership Agreement - Target: Fulfil all requirements as the administering authority.				
Maintain response functionality to enable operational situational awareness when ECC activated - Target: Response solutions are checked as scheduled and any issues remedied.				
TRANSPORT				
Transport	JULY	AUG	SEPT	COMMENT
Percentage of scheduled services on-time (punctuality) - Target: 95%				
Overall passenger satisfaction with Dunedin Public Transport system at annual survey - Target 97%				
The Regional Land Transport Plan (RLTP) is prepared and submitted in line with the Land Transport Management Act 2003 and any guidance issued by the New Zealand Transport Agency (NZTA) - Target: RLTP review completed and adopted by Council by 30 June Transport Committee.				
Annual public transport boardings in Queenstown per capita - Target: increase				
Annual public transport boardings in Dunedin per capita - Target: increase				
Percentage of scheduled services delivered (reliability) - Target: 95%				
Overall passenger satisfaction with Wakatipu Public Transport system at annual survey - Target 97%				
Percentage of users who are satisfied with the provision of timetable and services information - Target: Maintain or increase (from 2022 baselines - DN: 70%, QWTN: 88%)				
Percentage of users who are satisfied with the overall service of the Total Mobility scheme- Target: maintain or increase (from 2022 baseline:87%)				

On Track	At Risk	Off Track	Not Measured	Reporting Overdue
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10.1. Annual Report 2022/2023

Prepared for: Council

Report No. CS2335

Activity: Governance Report

Author: Sarah Munro, Finance Manager - Reporting

Endorsed by: Nick Donnelly, General Manager Support Services and CFO

Date: 25 October 2023

PURPOSE

[1] To adopt Council's Annual Report for the period 1 July 2022 to 30 June 2023.

RECOMMENDATION

That Council:

- 1) **Receives** this report.
- 2) **Approves** and adopts the Annual Report for the year ended 30 June 2023.
- 3) **Authorises** the Chairperson and Chief Executive to sign the Annual Report and Representation Letter on behalf of Council.

BACKGROUND

- [2] The draft Annual report was presented to the Audit and Risk committee on 21 September 2023 for their review.
- [3] Council's Auditor, Mrs Heidi Rautjoki from Deloitte, is currently the appointed Auditor of the Council. Mrs Rautjoki and Mr Scott Hawkins, an Associate Director for Deloitte, attended the Audit and Risk Subcommittee meeting and discussed the audit process and their findings with the Audit and Risk Subcommittee.
- [4] Deloitte's audit opinion will be issued after Council approves the Annual Report and Financial Statements. Deloitte have indicated there are no matters that have arisen through the audit that warrant them issuing a modified audit opinion.
- [5] The Audit and Risk Subcommittee endorsed the draft Annual Report and Financial Statements for the year ended 30 June 2023, and recommended that they be presented to Council for adoption at the 25 October 2023 Council meeting.
- [6] The Annual report and representation letter will be circulated via email when available for consideration and approval of Council.
- [7] The Annual Report includes the Statement of Service Performance for each group of activities and Financial Statements for Council as a whole, and the Group. The Group comprises Council and its wholly owned subsidiary, Port Otago Limited, and its subsidiaries.

- [8] The draft Statement of Service Performance and preliminary financial result for the year were presented to the Finance Committee on 24 August 2023.

CHANGES IN THE ANNUAL REPORT FROM THE QUARTER 4 FINANCE REPORT

- [9] The preliminary financial result presented to the Finance Committee on 24 August 2023 excluded revaluations of Council’s shareholding in Port Otago and investment property.
- [10] These revaluations have now been completed and are included in the Financial Statements in the Annual Report.
- [11] There have been the following changes to the Statement of Comprehensive Revenue and Expenses from the Quarter 4 report presented to the Finance committee on 24 August 2023.

	\$'000
Surplus/(deficit) as per Finance Committee 24-Aug	(\$3,632)
Adjustments:	
Revaluation of investment property	(\$4)
Revaluation of Shares in Port Otago	\$23,600
Surplus/(deficit) as per Annual Report	\$19,963

- [12] There have been no other changes to the Financial Statements other than to also reflect the above in the Statement of Financial Position and some minor reclassification adjustments.
- [13] A number of results in the Statement of Service Performance have been amended since the draft results were presented to the Finance Committee. The following paragraphs outline the measures that have been amended or are still under review and discussion with audit.

Regional Leadership Activity

[14] The following measure was changed during the audit process from green to yellow.

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	TARGET	RESULT
Major incidents on Otago's harbours and waterways will be responded to.	2022/2023 Major incidents and ORC's response are reported to Council quarterly.	—
	2021/2022 Major incidents and ORC's response are reported to Council quarterly.	×

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

Environment Activity

[15] The following measure was changed during the audit process from green to red.

LEVEL OF SERVICE:

Provide a robust and integrated environment planning framework for Otago's land, water and coast resources.

PERFORMANCE MEASURE	TARGET	RESULT
Complete the Land and Water Regional Plan (LWRP).	2022/2023 Report to Council on proposed management options for 5 Rohe or FMU's by 30 June.	×
	2021/2022 Report to Council on proposed management options for 3 Rohe or FMUs by 30 June.	×

A change in approach has meant consultation was conducted in all Freshwater Management Units (FMUs) across the region in parallel, rather than working through the process with FUMs in sequence. The deadline for public notification of the proposed Land and Water Regional Plan has been extended to mid-2024. Work is progressing to meet this deadline.

[16] The following measure was changed during the audit process from yellow to red.

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.	2022/2023 90% of current actions achieved within time frames specified.	
	2021/2022 Priority actions achieved within timeframes specified in annual work plan.	

2022/2023: The Biodiversity Action Plan (2019-2024) consists of 15 actions. Of the 11 actions intended to be completed or underway by 2022-2023, six have progressed to the expected level and three related to information management have progressed but started late. Two actions related to the biodiversity strategy review were paused as they were dependent on the National Policy Statement for Indigenous Biodiversity, which came into being after the end of the financial year.

[17] The following measure was changed during the audit process from yellow to red.

LEVEL OF SERVICE:

Monitor the state of Otago's indigenous biodiversity ecosystems and make accurate, relevant and timely information publicly available.

PERFORMANCE MEASURE	TARGET	RESULT
Develop and implement a regional indigenous biodiversity ecosystems monitoring programme.	2022/2023 Develop monitoring programme* and report to Council by 30 June.	
	2021/2022 N/A no measure new measure in 2022/2023	

* including requirement of National Policy Statement on Indigenous Biodiversity (NPSIB). Work is underway to develop and implement a regional monitoring programme for Indigenous biodiversity. The recently published National Policy Statement – Indigenous Biodiversity will guide the further development of this programme.

[18] The following measure was changed during the audit process from yellow to red.

LEVEL OF SERVICE:

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

PERFORMANCE MEASURE	TARGET	RESULT
Actions within the Biosecurity Operational Plan (BOP) are identified and progressed.	2022/2023 90% of actions achieved within timeframes specified.	
	2021/2022 Priority actions achieved within timeframes specified in annual work plan.	

NOTE: While we are below target in only achieving 62.9% of the Biosecurity Operational Plan deliverables, almost all remaining deliverables have been partially completed, many substantially.

Safety and Resilience Activity

[19] The following measure was changed during the audit process from green to grey (not able to be measured).

LEVEL OF SERVICE:

Respond efficiently and effectively to damage from natural hazard events.

PERFORMANCE MEASURE	TARGET	RESULT
Damage identified, prioritised and a repair programme communicated with affected communities in a timely manner.	2022/2023 Programme developed and communicated within 3 months of the event.	
	2021/2022 Programme developed and communicated within 3 months of the event.	



NOTE: Not able to be measured as there were no flood events in 2022-23 or 2021/2022 which required a repair programme to be developed.

Transport Activity



[20] The following measures were changed from the Quarter 4 prior to audit as part of the finalisation of the Annual Report.

[21] All of these performance measures excluding “Percentage of scheduled services on-time (punctuality – to five minutes)” were green in the Quarter 4 Finance Report and have been changed to red in the Annual Report.

[22] The “Percentage of scheduled services on-time (punctuality – to five minutes)” was marked as yellow in the Quarter 4 Finance Report, but has been changed to red in the Annual Report.

PERFORMANCE MEASURE	TARGET	RESULT
Overall passenger satisfaction with Whakatipu public transport system at annual survey.	2022/2023 97%	 92%
	2021/2022 97%	 98%




Satisfaction level remain positive at 92% but have dropped due to service disruptions caused by the driver shortage and reduced timetables.

PERFORMANCE MEASURE	TARGET	RESULT
Overall passenger satisfaction with Dunedin public transport system at annual survey.	2022/2023 97%	 89%
	2021/2022 93%	 89%

Satisfaction level remain positive at 86% but have dropped due to service disruptions caused by the national driver shortage and reduced timetables.

LEVEL OF SERVICE:





Provide efficient, reliable and accessible public transport services that meet community needs.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of scheduled services delivered (reliability).	2022/2023 95%	 96% (DN)  86% (QTN)
	2021/2022 95%	 98%

Queenstown scheduled services were delivered 86% reliably. Queenstown services were acutely affected by the national driver shortage. Dunedin schedules services were delivered 96% reliably.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of scheduled services on-time (punctuality – to five minutes).	2022/2023 95%	
	2021/2022 95%	 96%

The annual percentage of scheduled service on-time is not available, due to the introduction of a new Real Time Information system. An annual figure will be produced for 2023/24.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of users who are satisfied with the provision of timetable and services information.	2022/2023	
	Maintain or increase (from 2022 baseline: 70% (DN), 88% (QTN).	 64% (DN)
		 81% (QTN)
	2021/2022	
Establish baseline.	 70% (DN)	
	 88% (QTN)	

The drop in satisfaction is likely influenced by the national driver shortage, reduced timetables and significant roadworks in Dunedin and Queenstown.

CONSIDERATIONS

Strategic Framework and Policy Considerations

[23] There are no strategic framework or policy considerations.

Financial Considerations

[24] There are no financial considerations other than those outlined in the paper.

Significance and Engagement Considerations

[25] There are no significance and engagement considerations.

Legislative and Considerations

[26] Under section 98 of the Local Government Act council is required to prepare and adopt an Annual Report within 4 months after the end of the financial year.

Climate Change Considerations

[27] There are no climate change considerations.

Communications Considerations

[28] There are no communications considerations.

NEXT STEPS

[29] None noted.

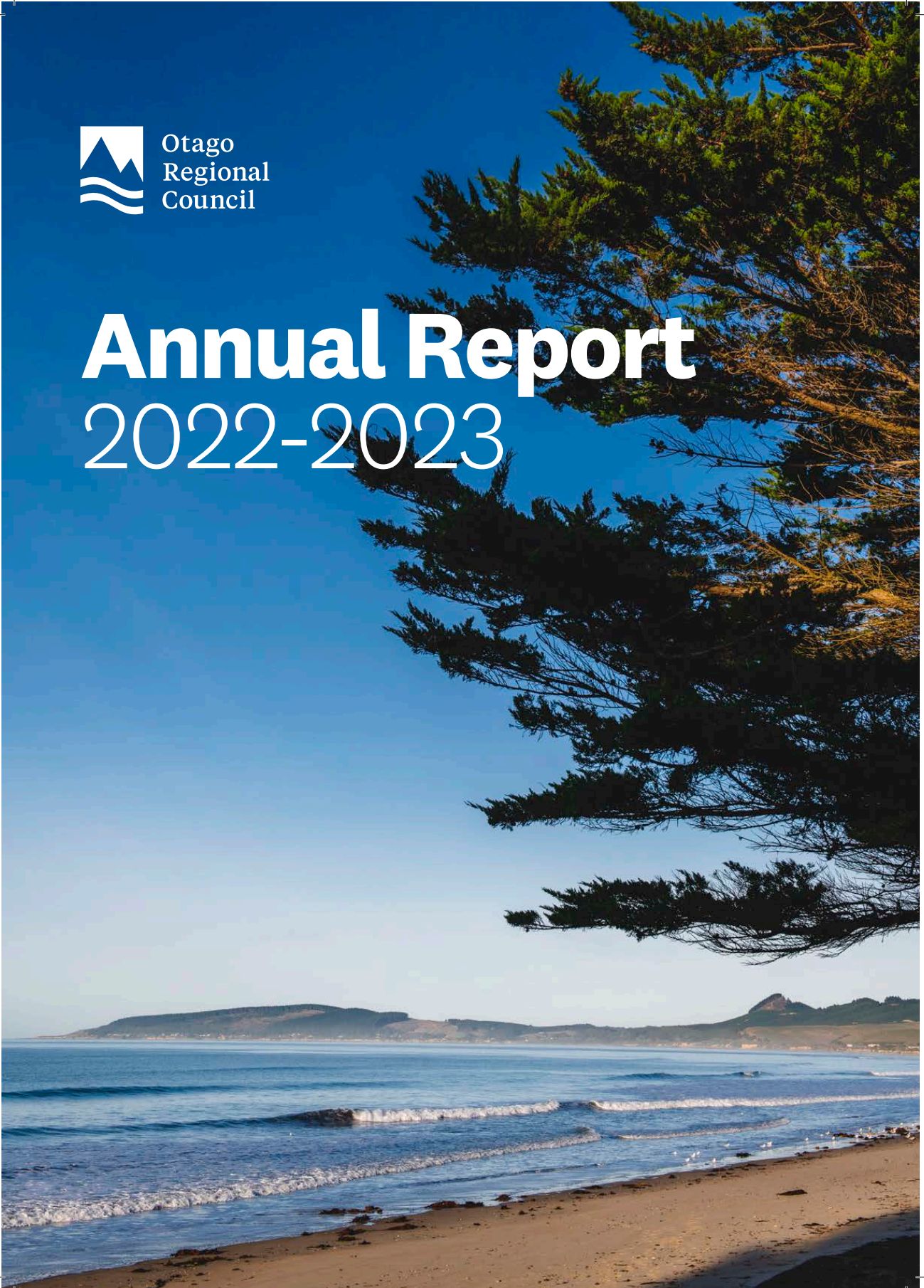
ATTACHMENTS

1. Annual Report for Council [**10.1.1** - 172 pages]



Otago
Regional
Council

Annual Report 2022-2023





Otago Regional Council Annual Report

1 July 2022 to 30 June 2023



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Message from our Chairperson and Chief Executive



Richard Saunders, Chief Executive & Gretchen Robertson, Chairperson

Message from our Chairperson and Chief Executive

Tēnā koutou katoa. This has been another extremely busy year for the Otago Regional Council (ORC) as we continued to deliver a substantial work programme. This includes our most significant piece of work, the new Land and Water Regional Plan for Otago.

A consistent theme throughout this and previous years is rising workload matched by increasing staff and resourcing needs. We continue to work closely with our communities to deliver new regulations relating to freshwater, and we acknowledge the work of our rural community who engaged so constructively with us.

Our Council remains on track to deliver official 'public notification' on the new land and water plan by 30 June 2024. This has required significant work from staff and

governance, and we are looking forward to engaging further with our community in late 2023. The umbrella policy of the LWRP, the Regional Policy Statement, required a new round of panel hearings but has progressed well throughout the year. We are looking forward to the certainty of direction this gives us around the way we manage precious natural resources.

After a particularly challenging beginning to the financial year with driver shortages and sickness, an increase in driver pay has made a big difference to the ability to deliver public transport in Queenstown and Dunedin. We thank our communities in Dunedin and Queenstown for their patience and for their support of public transport throughout this disruptive period. We

Message from our Chairperson and Chief Executive

look forward to electrification of our fleet in Dunedin, with the first of 14 electric buses arriving to start their routes in the next financial year. It is exciting to be able to provide more sustainable public transport just as patronage levels have become more positive.

Fulfilling our environmental monitoring and regulatory roles, proactive work continues at pace as data and information is collected at increasing numbers of collection points on the health of Otago's water, groundwater, air and land, and on the risks posed by natural hazards. Work has also continued with the monitoring of pests in the region and implementation of corresponding programmes such as targeting rooks, wallabies, wilding conifers and water-borne weeds.

In total, 1339 compliance audits and site inspections were completed, along with rising numbers of consent applications (957 resource consent applications compared to 603 the prior year). A significant Regulatory investment was the new environmental data portal launched on our website in March, collating data from more than 250 water monitoring sites around Otago and replacing existing flood and low-flow warning sites. The new system gives people access to a user-friendly map which includes improved information about the context of flows across Otago.

Showing how vulnerable climactic events can make us, our rivers and infrastructure were also tested by four high rainfall and one low-flow event last year, resulting in 71 sites for repairs – of these, 25 are still to be completed. Reactive works were also required in response to erosion, gravel build-up or vegetation blockages. As in other regions, these added costs can be unexpected but require greater investment than we can predict: climate change is making its presence felt everywhere.

In Glenorchy and South Dunedin, engagement around natural hazards continues and important reports were released on the extent of these hazards this year.

We also had several occasions, albeit unfortunate ones for other regions, to be immensely proud of our staff, many of whom were deployed to support national emergencies over the 2022-2023 financial year, including to Northland, Auckland, Gisborne, Hawke's Bay and the West Coast. We appreciate the efforts of these staff and the support they provided our fellow communities.

We have continued to focus strongly on engagement with Otago communities. This included a return to the Wanaka A & P show to explain the value of our work and talk through changes with our community; a well-attended public engagement around catchment plans in the Catlins; a packed earthworks event to educate developers and contractors in Queenstown; and effective Intensive Winter Grazing workshops. We are especially proud that our community engagement

around winter grazing consents was 'highly commended' at the Local Government conference in July this year.

Also this year, we launched a new regular, regional newsletter, Te Mātāpuna / The Source to communicate directly with our community, and a new methodology for collecting public feedback became embedded through Customer Support contact points. These initiatives reflect the council's commitment to both demonstrating value and listening to our communities- at every level of ORC.

As we look forward we are committed to continuing to strengthen our partnership with mana whenua, build and enhance relationships with our community, and deliver programmes of work that support a healthy environment and community.

Kā mihi nui,



Gretchen Robertson
CHAIRPERSON



Richard Saunders
CHIEF EXECUTIVE

Development of Māori Capacity to Contribute to Decision Making

Development of Māori Capacity to Contribute to Decision Making

He Mahi Rau Rika, the Council's Significance, Engagement and Māori Participation policy, expresses our intent to actively seek meaningful engagement with mana whenua and to support the Crown's intention to uphold the principles of te Tiriti o Waitangi / Treaty of Waitangi as prescribed in local government and Treaty settlement legislation.

Over 2022-2023 we worked with our iwi partners and their resource consultancy arms (Aukaha and Te Ao Mārama) to give effect to te Tiriti o Waitangi / 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
- Kāti Huirapa Rūnanga ki Puketeraki
- Te Rūnanga o Ōtākou
- Hokonui Rūnanga

Three Ngāi Tahu ki Murihiku Rūnanga have shared interests in the region:

- Awarua Rūnanga
- Waihopai Rūnanga
- Ōraka-Aparima Rūnanga

This year saw more engagement with Southland Rūnanga, with representatives attending Mana to Mana and the Land and Water Regional Plan Governance Group, and participating in Council's strategic refresh process. 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, a regular meeting of councillors and Rūnanga Chairs/Upoko to identify and agree key areas for engagement and to review the development of the partnership. A noho marae partnership hui was held at Ōtākou following

the election of a new Council in October 2022. This offered councillors and rūnanga an opportunity for whanaukataka and to better understand te taiao from a te ao Māori and Mātauraka Māori perspective. The ORC's new Chief Executive, Richard Saunders, was welcomed onto Ōtākou Marae by mana whenua when taking up his new role as a sign of the strength and importance of the partnership.

The Council has started a te Tiriti o Waitangi Audit, undertaken by Te Kura Taka Pini (TKTP) and supported by rūnanga. The audit will ascertain whether the ORC is operating in a manner consistent with its commitment to partner with mana whenua and whether a bicultural approach is demonstrated within its organisation.

At an operational level, we have increased our 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. Key opportunities in 2022-2023 are:

- Ongoing governance engagement in the partnership, via two meetings of Mana to Mana, the post-election partnership hui, and a tikaka learning session with mana whenua
- Iwi participation in the strategic directions refresh process
- Iwi representative as Co-Chair for the Environmental Science and Policy Committee
- Iwi representatives on the Environmental Science and Policy Committee and the Regional Leadership Committee
- Working with Aukaha and Te Ao Mārama through the Integrated Catchment Management Working Group to develop a collaboration framework and Catchment Action Plan framework for the Catlins pilot
- Land and Water Regional Plan Governance Group (ongoing)
- Membership of the Land and Water Regional Plan project team, including chapter development, community consultation and the Māori economy work programme (ongoing)



Development of Māori Capacity to Contribute to Decision Making

- Partnership with rūnaka in 'Jobs for Nature' funded projects, such as Te Hākapupu/Pleasant River restoration project (ongoing)
- Engagement and expertise provided to engineering, compliance, consent and civil defence and emergency management teams (ongoing)
- Co-design in the Council's Dunedin Whare Rūnaka (Council House) 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)
- Direct engagement between Civil Defence Emergency Management, rūnaka and iwi

Recognising the need to invest in building the bicultural competence of our staff, the ORC has an agreement with the Otago Polytechnic to provide bicultural competency training, which includes modules on Te Reo, Tikaka and te Tiriti o Waitangi / Treaty of Waitangi. There has been strong interest and uptake from staff this year.



Councillors and Constituencies

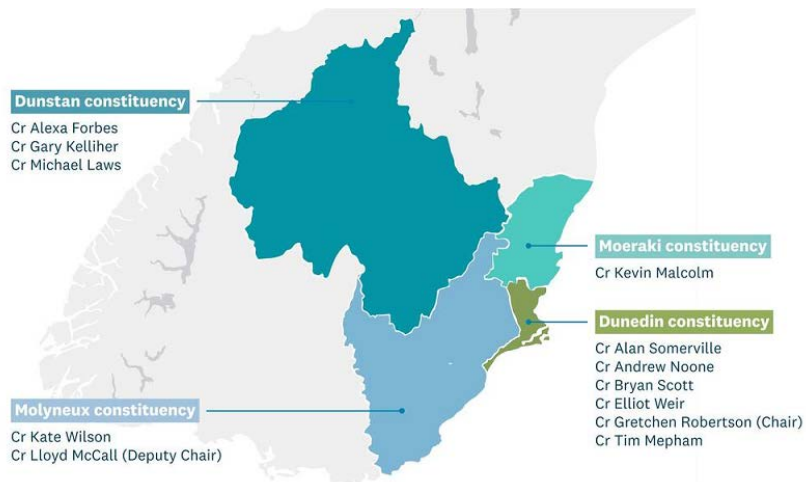
Councillors and Constituencies

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



Back row left to right: Cr Andrew Noone, Cr Alan Somerville, Cr Bryan Scott, Cr Elliot Weir, Cr Tim Mephram, Cr Michael Laws. Insert: Cr Gary Kelliher

Front row left to right: Cr Alexa Forbes, Cr Kevin Malcolm, Cr Gretchen Robertson (Chair), Cr Lloyd McCall (Deputy Chair), Cr Kate Wilson



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

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 mātauraka 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.



Gretchen Robertson
CHAIRPERSON



Richard Saunders
CHIEF EXECUTIVE





Our Activities Cover

Our Activities and Performance



Overview of our Activities

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



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. We are working to better understand the climate change challenges and risks to the region – this supports 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 region-wide '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.

Statement of Service Provision

Statement of Service Provision

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

As part of preparing the forecast statement of service provision in the 2021/2023 Long-term Plan, Council made judgements in the selection of service performance measures for its groups or activities.

The measures and targets were selected to reflect the level of service Council planning to provide to the community. Considerations included national requirements for measurement, whether existing data was available to support a baseline state and whether the measures and targets were able to be monitored. Progress is reported quarterly to Council’s Finance committee along with the Annual Report.

The Long-term Plan contains 36 Level of Service statements, 64 measures and 72 targets; of these, 70 relate to activities delivered in the 2022-23 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.



Regional Leadership

This group of activities includes the following council activities:

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

Performance results



16



2



4



1



Community Outcomes

Our Regional Leadership activities contribute to:

✓	✓	✓	✓	✓	✓

Statement of Service Provision

Governance and Community Engagement



This activity supports Otago's elected regional council representatives to perform in their roles of decision making and connecting community. Enabling and strengthening our regional democracy is sought and is underpinned by these roles.

Work that supports decision making includes:

- Elected member committee structure, council meetings
- Secretariat support for the 'Otago Mayoral Forum'
- Partnership with Kāi Tahu and iwi liaison;
- Advice and information about community wellbeing in Otago

Council communications and engagement expertise supports connecting community in a timely and accessible way to Council decision making and work.

The key programmes that make up this activity are:

- Media and Communications
- Governance and Democracy

Performance and Delivery

Governance and Democracy

Local body elections were delivered in October 2022. A comprehensive “Stand” campaign took place to attract candidates to stand for election to the ORC, including staff attending candidate information evenings in all constituencies. This was followed by a “Vote” campaign, to encourage voters to participate in the local body elections.

The newly elected Council attended a noho marae at Ōtākou Marae following the inaugural Council meeting. In addition to creating new decision-making structures for the 2022-2025 triennium and allocating roles and responsibilities, the new Council was immediately focused on engaging with the second round of Land and Water Regional Plan public consultations, considering the ORC’s Annual Plan for 2023/24 and a recruitment process to appoint a permanent Chief Executive. From March to June 2023, refreshed Strategic Directions have been developed in partnership with mana whenua, which will be consulted on as part of the Long-term Plan. Council meetings have taken place in Cromwell and Balclutha, in addition to Dunedin, and meetings continue to be livestreamed to increase accessibility for the public. Agendas were available two days in advance of Council and Committee meetings.

Media and Communications

Public Transport communications during a period of travel disruption, with timetable changes required, and the Council’s engagement activities around freshwater, pests and educating landowners about new rules and consent requirements, dominated the publicity space for the Council this year. We also launched a new website project to replace the existing site with a new, more functional design next year. A wide-reaching campaign to promote public participation in the draft Land and Water Regional Plan resulted in good public participation in September/October 2022. Other significant activities included a successful resumption of ORC’s A&P show activity, the instigation of a new ORC newsletter – Te Mātāpuna / The Source – direct to letterboxes and a new brochure going out with redesigned rates notices to explain how rates are spent. Social media engagement is also up by just over 100 per cent year on year for our Facebook following, as our persistent focus on creating colourful and engaging content pays off.

ORC’s Community Survey was completed for the second year running in November last year, with a third survey planned for the end of 2023. An action plan created from this has identified 19 tasks for ORC teams to work

on, assisted by the Communications and Marketing team. This is progressing well, including some of the above tasks now completed.

Customer Experience

Our Customer Support team manages an average of approximately 6000 enquiries a month via phone, email and reception. As part of the level of service to establish a methodology for collecting customer feedback, enduring surveys have been embedded through our Customer Support team contact points (phone, email and reception) to establish how satisfied the public are with the customer support they receive from the ORC. The aim of this initiative is to ensure a consistent standard of customer service and give us a roadmap for improvements. It will also contribute to the creation of an ORC customer strategy. The initial results will show how we perform against industry standards and enable us to set a baseline and targets against which we can measure improvements to our customer service provision.

Wellbeing Framework

In collaboration with government agencies and community representatives, we developed Otago’s first wellbeing framework in late 2022. The framework is a tool to enable the ORC to identify appropriate indicators for wellbeing in Otago and measure progress against wellbeing outcomes. It will also help us incorporate wellbeing more effectively into our strategic planning and decision making.

The framework identifies seven key outcomes for wellbeing in Otago, grouped into three dimensions: People, Community and Place. From this, we produced an Otago Wellbeing Baseline Report in June 2023 to highlight performance against 33 indicators, comparing Otago against other areas and showing diversity within Otago. Our region performs particularly strongly in the dimensions of ‘healthy and fulfilled people’, ‘belonging and identity’ and ‘participation and governance’. There is room for improvement in ‘a good standard of living’ and ‘a healthy natural environment’.

Climate Change

The ORC released the first annual report for regional climate collaboration in June 2023. This report showcases our efforts to lead regional climate collaboration with the formation of the Otago Climate Officers’ Group and continued work on joint projects such as the Regional Greenhouse Gas Inventory and the upcoming Regional Climate Strategy.

We received a preliminary Regional Greenhouse Gas Inventory and Scenario Modelling, which highlights trends across the Otago region. This is still a work in

Statement of Service Provision

progress as we want to align methodology with local councils and ensure we are using up-to-date data for the region, so we were therefore unable to meet the target to report to Council by 30 June 2023. The ORC has a good track record of work on understanding regional greenhouse gas emissions, and the scenario modelling carried out in 2022-23 builds on this.

The combined inventory and scenario modelling will be publicly reported in September 2023.

Taken together, the annual report for regional climate collaboration and the updated regional greenhouse gas inventory and scenario modelling lay a solid platform for the regional climate strategy and subsequent work ahead.

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.	2022/2023 100%	✓ 100%
	2021/2022 100%	✓ 100%

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of official information requests responded to within 20 working days of being logged.	2022/2023 100%	✗ 98.5%
	2021/2022 100%	✗ 97.5%

NOTE: 135 requests received and 133 responded to within the statutory time frame. Two requests fell outside of 20 days due to issues with internal processes. One case was due to staff error and the other was delayed by the need to seek legal advice.

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.	2022/2023 Unmodified audit reports received.	✓
	2021/2022 Unmodified audit reports received.	✓

LEVEL OF SERVICE:

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

PERFORMANCE MEASURE	TARGET	RESULT
Work done in partnership with iwi; increase the number of outputs and groups working together on projects.	2022/2023 Maintain or increase numbers from 2021-22 baseline.	✓
	2021/2022 Establish baseline.	✓ 19

PERFORMANCE MEASURE	TARGET	RESULT
Build the bicultural competency of ORC staff and Councillors.	2022/2023 > 50 participants in programme per year.	✓ 167
	2021/2022 > 50 participants in programme per year.	✓ 57

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.

PERFORMANCE MEASURE	TARGET	RESULT
Annual survey is conducted to understand and improve community awareness, perceptions and expectations of ORC.	2022/2023 Survey results show increased community awareness and improved satisfaction with the performance of ORC.	–
	2021/2022 Survey completed to establish baselines and a report made public.	✓ 9 December 2021 Council Meeting

The community survey was completed in November 2022 and presented to Council, with satisfaction and awareness results being similar to the previous year. Work on actions arising from the survey is progressing.

PERFORMANCE MEASURE	TARGET	RESULT
Customers express high levels of satisfaction with customer service provision.	2022/2023 Determine methodology for establishing customer satisfaction.	✓
	2021/2022 Determine methodology for establishing customer satisfaction.	✗

2022/2023: Methodology was determined and agreed for the base of the survey to be completed in future periods.
2021/2022: Project was not progress and has been deferred until the next financial year due to staff turnover and prioritisation.

Statement of Service Provision

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.	2022/2023 Complete annual report on wellbeing indicators and issue report to Council by 30 June.	✓
	2021/2022 Develop baseline wellbeing indicators and report to Council.	✗

LEVEL OF SERVICE:

Collect and make publicly available, accurate, relevant and timely information on climate change in Otago.

PERFORMANCE MEASURE	TARGET	RESULT
Information on climate change in Otago is shared with the community and stakeholders.	2022/2023 Complete regional GHG (green house gas) inventory and report to Council by 30 June.	✗
	2021/2022 N/A no measure new target in 2022/2023.	⊘

While we received a preliminary Regional Greenhouse Gas Inventory and Scenario Modelling, reporting to Council has been delayed while further work is done to align methodology with local councils and ensure we are using up-to-date data for the region. The combined inventory and scenario modelling will be publicly reported in September 2023.

LEVEL OF SERVICE:

Lead a regional approach to climate change in partnership with local councils and iwi.

PERFORMANCE MEASURE	TARGET	RESULT
Report on regional stakeholder engagement and collaboration on climate change.	2022/2023 Complete annual report on regional climate change collaboration and report to Council by 30 June.	✓
	2021/2022 N/A no measure new target in 2022/2023.	⊘

Regional Planning



We set strategic direction on Otago's natural resources via a planning framework that guides how people interact with the environment. In this framework, our regional plans set objectives, policies and rules for sustainably using natural and physical resources in Otago, including water, land, air, and the coast.

Other strategies and plans are also needed 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. An integrative approach is sought via liaison with other ORC functions, such as engineering, hazards management, and transport planning.

The key programme that makes up this activity is:

- Regional Planning

Statement of Service Provision

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.

Regional Policy Statement

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. We are nearing the end of a long process to review the RPS. It was not operative by the target date of 30 June 2023, but we are progressing well through the hearings process.

Consistent with a High Court decision in July 2022, we separated the RPS into freshwater and non-freshwater parts. The hearing for the non-freshwater parts started in January 2023 and was completed in May. The hearing for freshwater parts is scheduled to start at the end of August 2023, and a decision on both parts may be issued by the end of the calendar year 2023. Once any appeals are resolved, the RPS will become operative.

Urban Development

The central government's National Policy Statement on Urban Development requires local authorities responsible for high and medium growth urban environments to have a Future Development Strategy (FDS). An FDS promotes long-term strategic spatial planning to make sure urban environments function well as they develop.

The ORC is jointly developing Future Development Strategies with the Dunedin City Council and the Queenstown Lakes District Council, in partnership with mana whenua. Work is progressing well and both strategies are due to be consulted on in early 2024. Community engagement is a key part of developing an FDS, to ensure it reflects the public's aspirations for their areas over the next 30 years. The ORC and DCC held a series of community workshops across Dunedin and surrounding settlements in April and May 2023.

Work on the development of a draft Urban Development Strategy was paused for two reasons: to allow staff to prioritise FDS work, and because it will likely be overtaken by both the FDS work and the regional spatial strategy to be developed under the new Spatial Planning Act.

Responding to Issues

Our teams respond to national reforms and legislative processes. In the last financial year, we made submissions on RMA reforms, as well as other central government regulations and strategies. We are also working towards incorporating two new sets of national direction into the proposed RPS: the National Policy Statement for Indigenous Biodiversity 2023 and the National Policy Statement on Greenhouse Gas Emissions from Industrial Heat Processes 2023.

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.	2022/2023 Develop draft regional Urban Development Strategy by 30 June	
	2021/2022 Establish partnership agreements with DCC and QLDC by 30 June 2022.	



Work on the development of a draft Urban Development Strategy was paused to allow staff to prioritise work on future development strategies with the Dunedin City Council and the Queenstown Lakes District Council, in partnership with mana whenua. The Urban Development Strategy will likely be overtaken by both the FDS work and the regional spatial strategy to be developed under the new Spatial Planning Act.

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).	2022/2023 Make RPS operative by 30 June.	
	2021/2022 Respond to hearing recommendations within specific timeframes.	

Consistent with a High Court decision in July 2022, the Regional Policy Statement was separated into freshwater and non-freshwater parts. It was not operative by the target date of 30 June 2023, but we are progressing well through the hearings process.

PERFORMANCE MEASURE	TARGET	RESULT
Lead the development, implementation and review of Integrated Catchment Plans (ICP), in collaboration with iwi and community.	2022/2023 N/A no measure	
	2021/2022 Commence development of an Integrated Catchment Planning programme and report to Council on progress by 30 June.	

Statement of Service Provision

Regulatory



Harbourmaster team, Lake Dunstan

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.

Enforcing rules is not the only- or in some cases, the best- 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
- Harbour and Waterway Management

Performance and Delivery

The Regulatory teams delivered a high volume of work over the last financial year, meeting all of their service level targets. The targets were met at a time of regulatory change, with increased implementation work as a result of new national and regional requirements. A wide range of engagement activities, including drop-in sessions and meetings, system improvements and resources have been developed alongside core business activities. There has also been an increased presence on the water by the Harbourmaster team with the addition of a second boat into the Otago region.

Consents

The Consents team received 957 resource consent applications over the financial year, consistently meeting required time frames. In comparison, 603 applications were received in the 2021/2022 financial year. This shows a significant increase in workload for the team, which it has handled well. Decisions were made on 1,260 individual consents (cumulative total) in the financial year; for context decisions were made on 665 individual consents in the 2021/2022 year. The main types of consents processed were for surface water takes, bores, general land use activities and discharges to land.

The processing of consents for intensive winter grazing was a focus for the Consents team. It was a key activity for rural communities, which was supported by awareness-raising and education-based sessions. The organisation won a Local Government New Zealand award for its engagement activity on intensive winter grazing. Consents for earthworks were a key part of the workload, especially in Central Otago.

Along with applications for these new consent types, the team has continued to process applications to replace expired deemed permits and water permits, with the bulk of these now complete.

One review of conditions of a consent was completed. This was a small-scale review of conditions on a consent related to hydroelectricity. Staff were involved in two appeals to consent decisions, which were both resolved through Environment Court mediation.

We received 3,109 public enquiries over the last financial year, a number that is consistently increasing. We answered 99.5% of enquiries within seven days, 88.0% of these within two days. The most common

enquiry types are requests for copies of documents and information about discharges to land, farming activities and bores.

Staff have worked on several initiatives to enhance our public enquiries service and other projects over the last financial year. The "Farmers Guide" is a new webpage that provides information for farmers on resource consents, useful links, relevant dates and FAQs. We have also developed a new online forms portal and recorded short videos on specific consent activities for the website.

Compliance Monitoring

Resource consents often require consent holders to submit performance monitoring returns, providing information that ranges from photographs of work to management plans to monthly water quality results. Staff graded a substantial number of these returns, with an increase from 6,945 in the 2021/22 year to 8,912 in the 2022/23 year. Performance monitoring helps the Compliance Team prioritise which consents require audits.

ORC carried out 1,339 compliance audit and site inspections – this total was made up of 1,009 consent audits and 293 dairy inspections. Staff followed up all instances of non-compliance and either took appropriate action or are continuing investigations.

For dairy farms, the ORC monitors the compliance of farm waste streams (offal pits and landfills) and animal effluent systems and discharges. In the last financial year, ORC inspected all high-risk farms, with some follow-up inspections. Compliance staff completed 293 on-site dairy inspections in the 2022/23 year.

In the plantation forestry area, ORC received 238 forestry notifications and 79 management plans. A compliance risk assessment was undertaken on forestry management plans, and on-site inspections were undertaken where appropriate to check compliance on the ground. Compliance staff completed 37 on-site forestry inspections in the 2022/23 year.

Low-flow conditions on water take consents were monitored during the 2022/23 summer. The team regularly communicated with affected consent holders, checked water takes daily, carried out monitoring inspections and provided media and stakeholder updates. The team also engaged with water user groups.

Monitoring compliance with permitted activity intensive winter grazing was undertaken in the 2022 and 2023 winter seasons. The monitoring focus for winter grazing in the 2023 season was on farms where IWG consents have not yet been applied for, and waterway disturbances.

Statement of Service Provision

Investigations and Enforcement

The ORC pollution hotline has been available 24/7 throughout the year. We received 1,407 service requests, relating to 1,203 incidents. The most common requests related to water pollution, outdoor burning and odour.

In the 2022/23 year, the ORC issued 151 formal enforcement actions, comprising 80 infringement notices, 55 abatement notices, eight formal warnings, seven prosecutions initiated, and one enforcement order sought. The most common RMA breaches that led to formal enforcement action related to contaminant discharges into water, discharges to land that could enter water, non-compliance with abatement notices, and alteration or disturbance of waterways.

Education and Engagement

A large part of Regulatory work is education and engagement with landowners, consent holders and the community. A focus this year has been changes to requirements for animal effluent storage and discharge, intensive winter grazing, residential earthworks and for nitrogen reporting. We held several winter grazing sessions for the public, where staff talked about how to meet the criteria in the new National Environmental Standards for Freshwater, grazing management plans and the consent process.

We ran a series of earthworks toolkit days with contractors, which were well received.

Harbour and Waterway Management

As with other parts of the Regulatory team, an important part of our role is to provide boating safety advice and information to the community. Our education and engagement with water users increased over the reporting year, using channels such as radio interviews, video and social media. Safety videos on using a kill cord, bar crossings and safe speeds, and monitoring your wash and wake were developed and provided in the online catalogue. We have also shared information and key safety messages through presentations and community sessions on the ground. The Brighton Gala Day, which attracted 15,000 people, was a great opportunity for people to meet the Harbourmaster team and see the vessel.

We responded to a major incident off the coast and another near the head of the harbour. Both incidents are currently under investigation by Maritime New Zealand.

Throughout the year, we had an organisation-wide team trained and ready to respond to oil spills. Fortunately, the team didn't require deployment but did complete the three required training exercises.

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.	2022/2023 ≥98%	✓ 100%
	2021/2022 ≥98%	✓ 100%

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of public enquiries for consent information completed within 7 working days.	2022/2023 Maintain or increase from 2021-22 baseline.	✓ 100%
	2021/2022 Establish 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.	2022/2023 ≥ 90%	✓ 178%
	2021/2022 ≥ 90%	✓ 116%

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of programmed inspections/audits completed each year, as per the Compliance Audit and Performance Monitoring Schedule targets.	2022/2023 ≥ 90%	✓ 139%
	2021/2022 ≥ 85%	✓ 116%

Statement of Service Provision

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of significant non-compliances identified where action is taken in accordance with Compliance Policy.	2022/2023 100%	✓ 100%
	2021/2022 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.	2022/2023 Pollution hotline staff available/on call 24/7.	✓
	2021/2022 Pollution hotline staff available/on call 24/7.	✓

PERFORMANCE MEASURE	TARGET	RESULT
Maintain 20 appropriately trained responders for maritime oil pollution incidents.	2022/2023 20 responders attend 3 exercises per year.	✓
	2021/2022 20 responders attend 3 exercises per year.	–

2021/2022: 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 impact 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	TARGET	RESULT
Maintain compliance with Port and Harbour Marine Safety Code.	2022/2023 Annual self-review is completed by ORC and POL and signed off by the Chief Executives.	✓
	2021/2022 Annual self-review is completed by ORC and POL and signed off by the Chief Executives.	✓

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	TARGET	RESULT
Major incidents on Otago’s harbours and waterways will be responded to.	2022/2023 Major incidents and ORC’s response are reported to Council quarterly.	–
	2021/2022 Major incidents and ORC’s response are reported to Council quarterly.	×

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

PERFORMANCE MEASURE	TARGET	RESULT
On-water engagement, education of recreational users and safety campaigns are documented and reported annually.	2022/2023 Report to Council by 30 June.	✓
	2021/2022 Report to Council by 30 June.	✓

Statement of Service Provision

Environment

This group of activities includes the following council activities:

- Land and Water
- Biodiversity and Biosecurity
- Air

Performance results



Matakaea / Shag Point

Community Outcomes

Our Environmental activities contribute to:



Land and Water



Albert Town Lagoon

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 resources 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

Statement of Service Provision

Performance and Delivery

Land and Water Planning

Our planning programme in 2022/23 has continued to focus on completing a new Land and Water Regional Plan (LWRP). It will align Otago with the new national regulatory frameworks for managing freshwater. The programme was adjusted to reflect an extension to the government deadline for public notification to mid-2024.

The LWRP has two workstreams: the first focuses on region-wide plan provisions and the second on specific provisions for Freshwater Management Units (FMUs). Most topics in the plan provisions have now been drafted and reviewed. We sought direction from governance on some specific topics through a workshop in mid-2023.

Community and stakeholder engagement is a substantive component of the work programme, with three stages planned to reach public notification. Council is on track, having completed stage two during 2022/23. This focused on environmental outcomes and options for achieving them. This work sets the basis for completing stage three engagement with communities on suggested actions and rationale early in the new financial year.

Science and Monitoring

Our Science and Monitoring teams carry out an extensive body of work to understand Otago's natural environment, with the scale of staff resource now stable as planned. Data captured by this activity informs policy/regional plan development and helps us track how effective that policy is. It also guides environmental restoration and management projects and is made publicly available through reports and online databases. We also launched a new web portal that provides near real-time data on water quality, river flow and rainfall.

A large part of our work in 2022/23 was to inform the development of the LWRP. Our land and soil science programme, re-established in early 2021, is designed to provide long-term information about how land use affects water quality, an important piece of the puzzle in understanding and setting policy to manage the health of our region's waterways. We reported on this programme to the Environmental Science and Policy Committee in April 2023.

In this financial year, we looked at how to improve the accuracy of the land use map compiled in 2021/22. A project is underway in collaboration with Manaaki Whenua - Landcare Research to map the soils of three large areas with high production capabilities: parts of the Catlins, Tuapeka West and Moa Flat. Field and laboratory work has been completed for the Catlins

area, and the soil maps will be available online later in 2023. We are establishing a long-term programme to monitor soil health across the region, and description and sampling of the 22 initial sites was completed in the last financial year – 10 new sites will be added later this year. Improvements were made to our soil moisture monitoring network, and we prioritised sites for future installations.

Extensive hydrology and ecology investigations have been carried out on the Manuhereki River as part of work to establish minimum flow levels. We monitor flow at 14 sites and rainfall at four sites. Water quality is also monitored monthly at nine sampling points.

In this financial year, we completed a study that analysed and reviewed the state and trends of water quality data for Otago's rivers, lakes, and groundwater between 2017 and 2022. The data was collected from our monitoring network for rivers (107 sites), lakes (34 sites/depths), and groundwater (55 sites). The results show that river and lake water quality varies across Otago, being best at high elevations under predominantly native land cover and poorer in urban streams in Dunedin, intensified catchments in North Otago and some tributaries in the Lower Clutha Rohe.

Our estuary, freshwater and contact recreation monitoring programmes provide an up-to-date picture of the state of Otago's waterways. Reports on these programmes were presented to Council in June 2023.

Adding Tahakopa, Waipati/Chaslands estuaries and Hoopers and Papanui Inlets to our estuary monitoring programme, we completed assessments of the state of health for all estuaries in Otago by the end of the 2022/23 field season. Fine-scale data was collected for the Pleasant River, Tautuku and Blueskin Bay estuaries, and sediment plate monitoring continued in all estuaries. Tidal conditions meant we were not able to fully map Hoopers Inlet and the Kaikorai Estuary – these will be completed in the next field season.

We are progressing well with the development of a marine monitoring programme designed to build our understanding of Otago's coastal environment in line with freshwater and land programmes. A desktop project to map significant ecological areas and key habitats/ecosystems on Otago's coastline was completed this year. Next steps are to develop a management framework for significant areas, verify findings through field work, and develop a more detailed coastal monitoring programme to fill gaps in our knowledge. We have also completed baseline reporting on kelp forests, but field work verification has been delayed. Both projects will inform the review of the Regional Plan: Coast for Otago, which is due for public notification in mid- 2026.

Land and Water Implementation

Part of our role is to support projects led by communities and landowners to conserve soils, improve water quality and use water efficiently – we also spend a lot of time on community education and engagement. A highlight is Toitū Te Hākapupu, a multi-year remediation project for Te Hākapupu | Pleasant River run in partnership with Kāti Huirapa Rūnaka ki Puketeraki. This project is progressing well – initial planning is complete, and planting and fencing are likely to start later in 2023. We contributed to intensive winter grazing workshops this year and are preparing for dairy effluent workshops early in the new financial year.

In collaboration with local communities, we have projects underway to develop, prioritise and implement management plans for Lake Tuakitoto, Tomohaka / Tomahawk Lagoon and Lake Hayes. In this financial year, we developed priority actions and began work to implement them. The priority action plans have been delivered as expected. Partnership with mana whenua and collaboration with communities in these areas is ongoing.

Integrated Catchment Management

The ORC set a pathway for an integrated catchment management programme in August 2022, establishing the ICM Working Group and selecting the Catlins as the pilot for a Catchment Action Plan to be developed in collaboration with mana whenua and the community. A framework for how the CAP will be developed through grassroots collaboration has been endorsed – this essentially is a way of working together to develop a plan for the area that everyone has ownership of. The Catchment Action Plan (CAP) is not another document that sits on a shelf. The CAP will be accessible online in a format that outlines the long-term goals, shows the current situation, ranks the pressures, and explains what we aim to do about them. This format also enables us to track progress in achieving the actions and adapt if we are off track. We have started the development of this online hub and expect to have a prototype by mid-2024. You can keep track of the ICM Programme and the CAP development [here](#).

Work on the pilot CAP is expected to start in October 2023, and an Integrated Catchment Group for the Catlins is being established following a community meeting held in mid-July.

We continue to fund the Otago Catchment Community and meet regularly to ensure our work programmes are aligned.



Routine water quality sampling near Glenorchy (gloves protect against the cold)

Statement of Service Provision

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.	2022/2023 Annual report on monitoring programme completed and reported to Council.	✓
	2021/2022 Develop regional coastal monitoring programme and report to Council.	—

PERFORMANCE MEASURE	TARGET	RESULT
Implement freshwater and estuarine environment monitoring programmes.	2022/2023 Annual report on monitoring programme completed and reported to Council.	✓
	2021/2022 Annual report on monitoring programme completed and reported to Council.	—

Estuary Programme progress, Contact Recreation, and the water quality monitoring programme reports were presented to the Science and Policy committee at the 29 June 2023 meeting.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of data from the water monitoring network that is captured quarterly.	2022/2023 ≥95% data capture achieved.	✓ 98%
	2021/2022 ≥ 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.	2022/2023 Annual report on monitoring programme completed and reported to Council.	✓
	2021/2022 Develop regional land-use monitoring programme and report to Council.	✓ Public briefing 8 December 2021

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of data from the land-use monitoring network that is captured quarterly.	2022/2023 ≥ 95% data capture achieved.	✓ 98%
	2021/2022 N/A no measure.	⊘

LEVEL OF SERVICE:

Provide a robust and integrated environment planning framework for Otago's land, water and coast resources.

PERFORMANCE MEASURE	TARGET	RESULT
Complete the Land and Water Regional Plan (LWRP).	2022/2023 Report to Council on proposed management options for 5 Rohe or FMU's by 30 June.	✗
	2021/2022 Report to Council on proposed management options for 3 Rohe or FMUs by 30 June.	✗

A change in 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. The deadline for public notification of the proposed Land and Water Regional Plan has been extended to mid-2024. Work is progressing to meet this deadline.

Statement of Service Provision

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
Integrated Catchment Action Plans (CAPs) are developed in collaboration with iwi and community.	2022/2023 One catchment Action Plan drafted.	
	2021/2022 N/A no measure.	

To allow for a more collaborative approach, the drafting of Catchment Action Plans will take longer than originally envisioned.

LEVEL OF SERVICE:

Support Catchment Group in Otago to deliver their environmental outcomes and objectives.

PERFORMANCE MEASURE	TARGET	RESULT
'Otago Catchment Communities' is supported to meet deliverables and targets of funding agreement.	2022/2023 Report to Council on deliverables and targets achieved by 30 June.	
	2021/2022 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.	2022/2023 Three or more projects supported per year.	 3
	2021/2022 Three or more projects supported per year.	 3

LEVEL OF SERVICE:

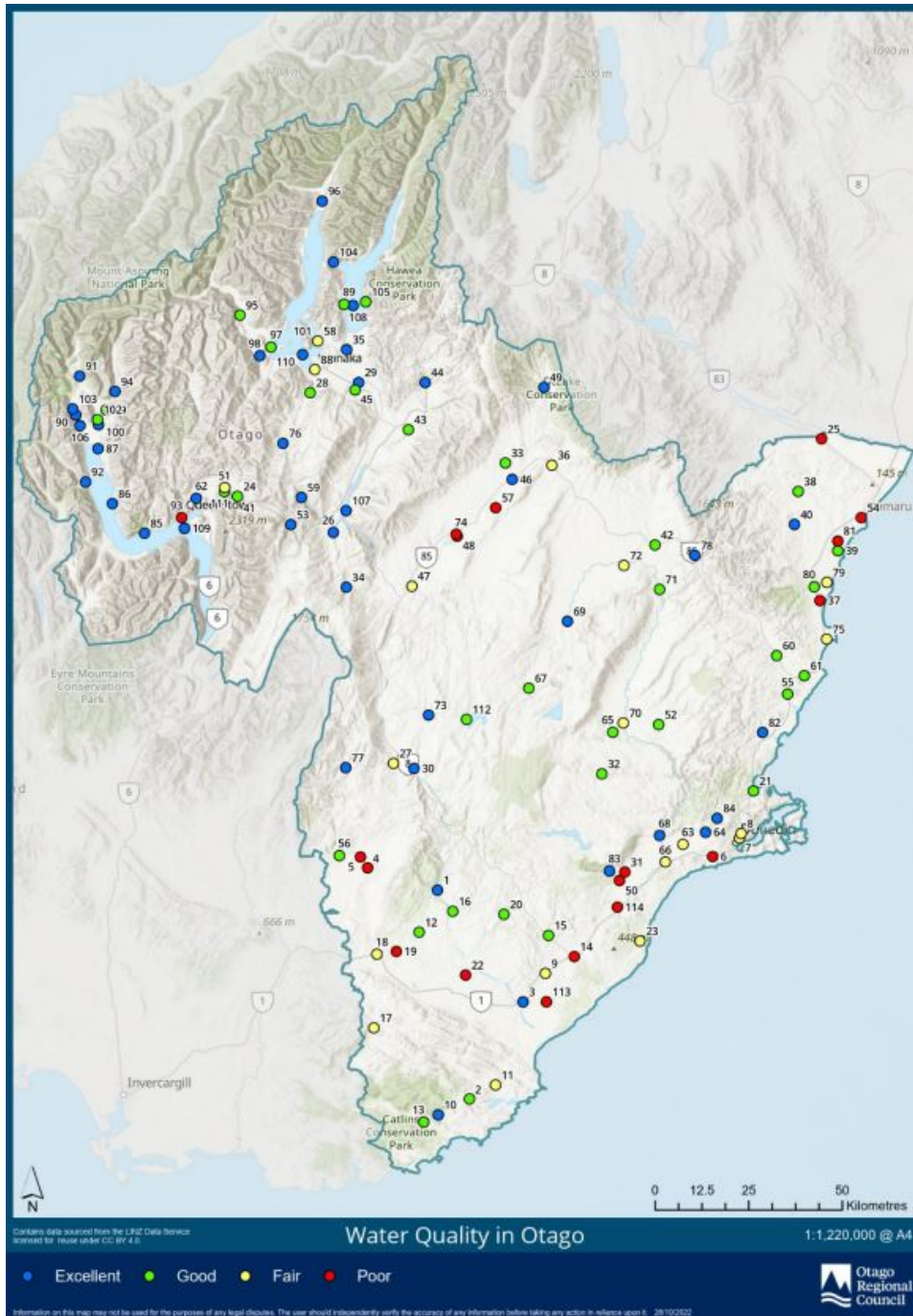
Collaborate with iwi, communities and landowners to develop and deliver a programme of actions to improve water quality and indigenous biodiversity in selected degraded water bodies.

PERFORMANCE MEASURE	TARGET	RESULT
At least three site specific action plans for selected degraded waterbodies are developed, prioritised, and implemented.	2022/2023 Projects confirmed and priority actions identified by 30 September.	✓
	90% of priority actions undertaken as scheduled.	✓
	2021/2022 Projects confirmed and priority actions identified by 30 September.	9 priority actions
	90% of priority actions undertaken as scheduled.	100%

Lake Tuakitoto, Tomohaka/Tomahawk Lagoon and Lake Hayes projects have been confirmed to continue for this financial year. Priority actions have been developed for this financial year.

Statement of Service Provision

Results of the State of Environment water-quality monitoring 2017-2022:



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 organisations and communities 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 developing. We are strengthening partnerships across the region and also encourage communities to help realise local initiatives via applying for support through our 'Eco Fund'.

The key programmes which make up this activity are:

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

Performance and Delivery

Biodiversity Implementation

The ORC's Biodiversity Action Plan: Te Mahi hei Tiaki i te Koiora (2019-2024) sets out a framework and work programme to maintain and enhance biodiversity in Otago. This programme centres on five components: to increase active management for the protection and improvement of indigenous biodiversity, engage in regional and national collaborations, better information and sharing for improved biodiversity management, provide advice and support for good management practices for indigenous biodiversity, and strengthen biodiversity outcomes through regulatory plans. Eleven actions were intended to be completed or underway by 2022/2023, of which six have progressed to the expected level and three related to information management have progressed but started late. The remaining two related to the biodiversity strategy review were paused as they were dependent on the National Policy Statement for Indigenous Biodiversity, which only came into being in August 2023.

Our funding programmes foster community-led projects that protect and enhance Otago's flora, fauna and environment. In the 2023 ECO and Incentives Fund rounds, 32 organisations received \$536,470 in grants, slightly under the total pool available of \$568,000. The funds were again oversubscribed, with 49 applications seeking a total of \$1.17 million. Environmental work supported by the funds includes water quality monitoring, trap purchases, animal and weed pest control, native plant nurseries and plantings, and biodiversity enhancement. Our Catchment Advisors support the funding process with site visits and advice. We also contributed financially to Predator Free Dunedin.

Biodiversity Partnerships

With the Environmental Implementation team becoming more established in 2022/23, we have increased our partnerships to maintain and enhance indigenous biodiversity in Otago.

We developed two new partnership projects in 2022/23 – with QEII (a charitable trust that partners with private landowners to protect ecologically significant sites) and Ngā Whenua Rāhui (a DOC programme to protect the natural integrity of Māori land). The partnerships involve sharing the cost of fencing to protect high value biodiversity. This year also saw the establishment of a working group with Te Rūnanga o Ōtākou and Kāti Huirapa Rūnaka ki Puketeraki to support site-led work in West Harbour/Mt Cargill, Quarantine Island, Goat Island and the Otago Peninsula. A new project has been started with Predator Free Dunedin to build on and learn from the possum control work in the West

Harbour Mt Cargill area. The learnings from this work will be used to develop more possum control with landowners in other parts of Otago.

Other engagement activities in this financial year included training for Hokonui Rūnanga in methods to monitor the outcomes of large pest control projects, a Halo Project field trip, meetings with partner organisations, and hui to improve public information on stormwater, biodiversity and the environment at Tomohaka/Tomahawk Lagoon.

Biodiversity Science and Monitoring

Work is underway to develop and implement a region-wide programme to monitor the Indigenous biodiversity of Otago's ecosystems. The recent publication of the National Policy Statement – indigenous Biodiversity (NPS IB) will guide the further development of this programme. We are working through a desktop inventory of biodiversity across the region while beginning several programmes.

In the terrestrial biodiversity domain, we received a report outlining the threatened species present in Otago and started a series of threat classification reports. We completed threat classifications for reptiles and bats, and have some regional monitoring in place for indigenous vegetation and some native birds. In this financial year, we also developed monitoring programmes to assess the extent and ecological integrity of two naturally rare and vulnerable ecosystems – inland salt pans and coastal turf. Otago has the highest number of coastal turf ecosystems in the country and the only inland salt pan; the monitoring programmes will inform work to protect them.

In the freshwater domain, fish surveys and habitat monitoring over the 2022/23 financial year gave us a better picture of the state of the environment and ecological activity, which we will build on in future seasons. The Environmental Monitoring team completed 16 state of the environment (SOE) fish surveys, monitored 44 ecological threshold sites, conducted monthly sampling for periphyton at 34 sites, and took an annual summer invertebrate sample at each of our SOE water quality sites.

A long-term project is investigating barriers to fish passage across the region. NIWA completed a desktop exercise, which highlighted around 13,000 fish passages to be assessed. We completed approximately 200 of these over the winter. Work was also done this year as part of multi-year projects to remove trout from Pissgah Creek near Kyeburn and Boundary Creek to reduce predation stress on threatened native non-migratory fish.

Biosecurity

The ORC’s Biosecurity Operational Plan (BOP) sets out the activities we intend to do each year to implement the Regional Pest Management Plan, which outlines how declared pests in Otago will be managed over a ten-year period from 2019 to 2029. Of the 62 key performance indicators (KPIs) in the 2022/23 plan, 39 were fully achieved (62.9%) and 19 were partially achieved (30.6%), many substantially. These rates are a small improvement on the previous year.

Over the last 18 months, we have done a lot of work to make our compliance and enforcement system more effective, consistent and defensible. A transition to the new system began in November 2022 and it was fully rolled out in April 2023. Where we did not achieve our targets, this was generally due to resourcing issues and delays associated with the transition to the new system. Our outcomes for compliance and enforcement are expected to improve once the new system has been operating for a full year (2023/24).

We completed 544 rabbit inspections (down from 800 in the previous year), focusing on areas with high rabbit population densities. We have also increased the support and education that we provide to communities around long term sustained rabbit management.

Overall, around half of inspected properties met the rules for rabbit density set in the Regional Pest Management Plan, a similar rate to the previous year. Improvements to our inspection programme will provide a clearer picture of progress in coming years. We are developing relationships with public land managers to discuss rabbit management and to share information.

We also completed 1,256 inspections for declared pest plants. Around 40% of inspected properties met the rules set in the Regional Pest Management Plan, a rate that is broadly similar to the previous year. Small infestations of lagarosiphon were found in Albert Town and Bullock Creek, and removal is being investigated. Our “Check, Clean, Dry” campaign was run over the summer to educate the public on preventing the transmission of aquatic weeds between waterways, particularly lagarosiphon.



Wilding Conifers

Otago’s landscapes are highly vulnerable to the invasion of wilding conifers, with the high country and tussock grasslands at particular risk. In the last financial year, we have developed a Regional Wilding Conifer Strategy to support the control of wilding conifers through community awareness, better information systems, consistent and clearer regulations, and lifting participation. The strategy and associated implementation plan were adopted by the Council in May 2023.

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.	2022/2023 90% of current actions achieved within time frames specified.	
	2021/2022 Priority actions achieved within timeframes specified in annual work plan.	 ≥ 85% met

2022/2023: The Biodiversity Action Plan (2019-2024) consists of 15 actions. Of the 11 actions intended to be completed or underway by 2022-2023, six have progressed to the expected level and three related to information management have progressed but started late. Two actions related to the biodiversity strategy review were paused as they were dependent on the National Policy Statement for Indigenous Biodiversity, which came into being after the end of the financial year.

Statement of Service Provision

PERFORMANCE MEASURE	TARGET	RESULT
2022/2023 Biodiversity and biosecurity partnerships established and joint projects developed and progressed.	2022/2023 Maintain or increase number of partnerships engagement activities and events and report to Council.	 6 projects
2021/2022 Partnerships established in line with the Biodiversity Action Plan and joint projects developed.	Projects and progress against milestones reported to Council	
	2021/2022 Establish baseline number of partnership engagement activities and events, and report to Council.	 Baseline 4
	Joint projects scoped and milestones identified and reported to Council.	

LEVEL OF SERVICE:

Monitor the state of Otago's indigenous biodiversity ecosystems and make accurate, relevant and timely information publicly available.

PERFORMANCE MEASURE	TARGET	RESULT
Develop and implement a regional indigenous biodiversity ecosystems monitoring programme.	2022/2023 Develop monitoring programme* and report to Council by 30 June.	
	2021/2022 N/A no measure new measure in 2022/2023	

* Including requirement of National Policy Statement for Indigenous Biodiversity (NPSIB). Work is underway to develop and implement a regional monitoring programme for indigenous biodiversity. The recently published National Policy Statement – Indigenous Biodiversity will guide the further development of this programme.

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.	2022/2023 Report to Council by 30 June.	
	2021/2022 Report to Council by 30 June.	

Statement of Service Provision

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of funding administered as per agreements.	2022/2023 100%	✓ 100%
	2021/2022 100%	✓ 100%

24 grants completed of the 25 approved. One of the 2022 grants was forfeited due to co-funding issues, which rendered the project unviable.

LEVEL OF SERVICE:

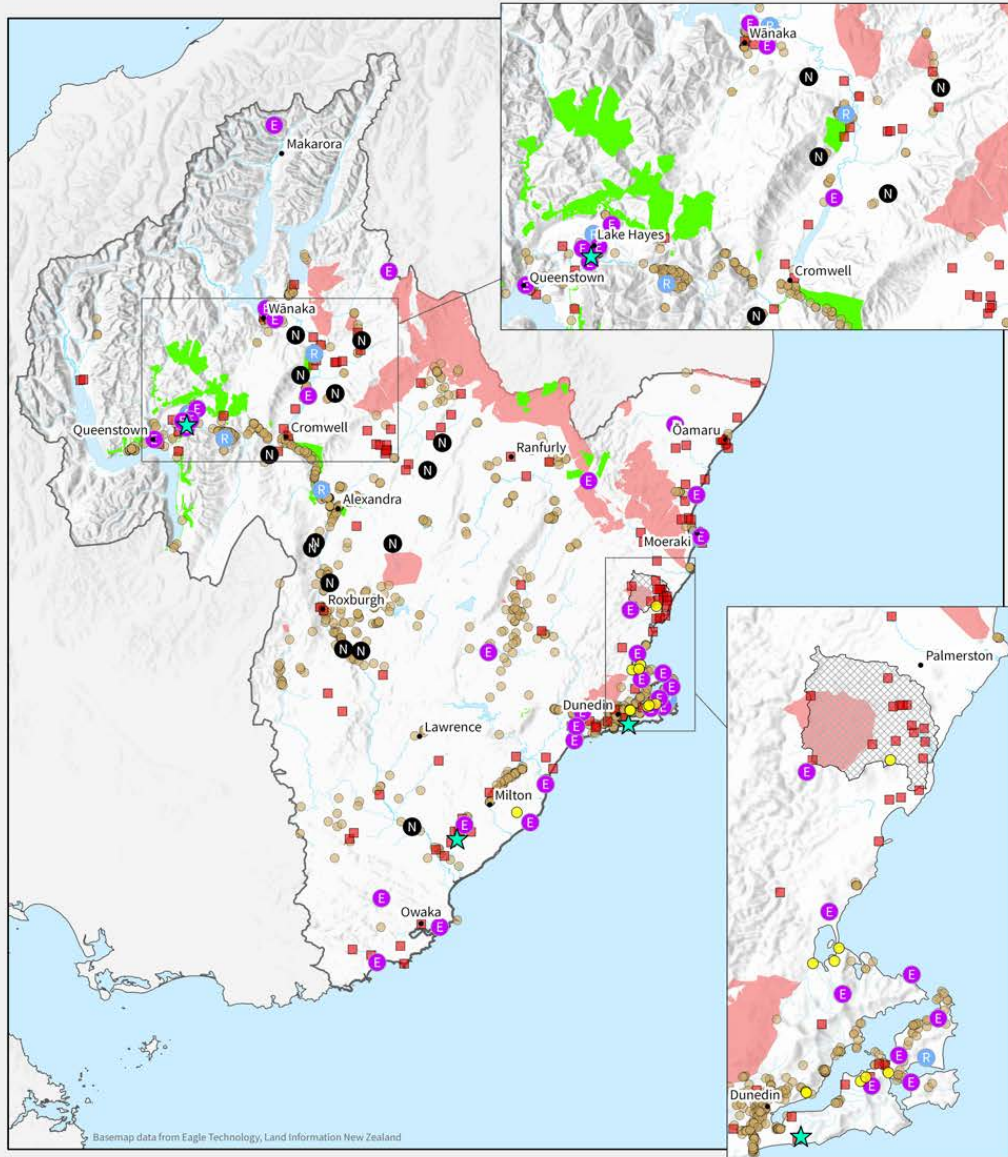
Develop and deliver practices and programmes that give effect to the Regional Pest Management Plan (RPMP).

PERFORMANCE MEASURE	TARGET	RESULT
Actions within the Biosecurity Operational Plan (BOP) are identified and progressed.	2022/2023 90% of actions achieved within timeframes specified.	✗
	2021/2022 Priority actions achieved within timeframes specified in annual work plan.	—

NOTE: While we are below target in only achieving 62.9% of the Biosecurity Operational Plan deliverables, almost all remaining deliverables have been partially completed, many substantially.

Statement of Service Provision

Environmental Implementation Team Activities (2022-2023)



- Otago Region
- QEII Covenant
- Catchment Team Site Visit
- Rabbit Night Count
- Te Hākapupu
- Wilding Conifer Control Operation
- Pest Inspection
- Community Rabbit Programme
- Wallaby Control Operation
- Degraded Water Bodies Restoration
- 2023 ECO Fund / Incentives Funding

Information on this map may not be used for the purposes of any legal disputes. The user should independently verify the accuracy of any information before taking any action in reliance upon it. This map was generated for A4 printing on 5/09/2023 at the scale of 1:1,600,000 (main map).



Air



Good air quality is necessary for health and well being. We are responsible for aligning our region 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. Council's implementation role and approach regarding air quality is 'on hold' with a planned strategic refresh. In the meantime, the Regional Air Plan review has been initiated and will assist direction on implementation.

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 PM_{2.5} pollutants. ORC also contributes to clean air and healthy homes as a Trustee of the Cosy Homes Trust.

The key programmes which make up this activity are:

- Air Monitoring
- Regional Plan: Air
- Air Strategy (Air Quality implementation programme paused)



Statement of Service Provision

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.

Otago's air quality is monitored at eight sites to assess pollution from burning, mainly produced by home heating. Data from our monitoring programme is publicly available on the LAWA website and all air quality exceedances (above the limits for PM₁₀, measured at four of the sites) are reported through news media over the winter. We reported on the monitoring programme and two additional projects to the Environmental Science and Policy Committee in April 2023.

While previous work to improve air quality has seen a long-term reduction in winter air pollution in Alexandra, Arrowtown, Cromwell, Clyde and Milton, significant reductions in emissions are still needed for the region to consistently comply with national standards. In the 2022 winter season, Alexandra, Arrowtown and Mosgiel all exceeded the national standards at times.

We are working through a network upgrade to include monitoring for PM_{2.5}, a finer particle size likely to be regulated in the updated National Environmental Standard for Air Quality (NESAQ). Full upgrades of the Mosgiel and Dunedin sites were completed in the 2022-23 financial year. A temporary site at Wānaka was also completed, with long-term monitoring sites planned for Wānaka and Frankton in the 2023-24 financial year. The Cromwell monitoring site was moved to a new location, and we carried out minor upgrades for Clyde, Cromwell and Milton.

Over the 2022 winter, we undertook two additional air quality projects. In central Dunedin, we monitored nitrogen dioxide (NO₂) and sulphur dioxide (SO₂), gas emissions related to transport and industry. Monitoring showed concentrations within national standards. We also tested ultra-low emission burners in seven homes in Arrowtown to accurately record emissions from real-life use of these burners, which are effectively the only type of wood burner that can be installed in Air Zone 1 (Alexandra, Arrowtown, Clyde and Cromwell) under the Air Plan. This study contributes to national understanding of the factors that influence emissions and wood burner efficiency and will enable better estimates of policy effectiveness during future Air Plan development.

Spatial studies have been done and are still ongoing in several towns using small PM_{2.5} monitors installed on power poles and lamp posts. These towns are Alexandra (in collaboration with NIWA), Clyde, South Dunedin, Ōamaru, Kingston, Lake Hawea, Luggate and Ranfurly. The aim of these studies is to find out where the peak PM_{2.5} concentrations are in these towns and to evaluate the need for long-term monitoring sites there.

Work has begun on the ORC's review of the Regional Plan: Air, which is due to be publicly notified in mid 2025. As reported, we are currently behind schedule due to staff vacancies and the reprioritisation of resource to the Regional Policy Statement.



A paper on the process and timeframes for review was taken to the Environmental Science and Policy Committee in June 2023. We are preparing an indicative time line and draft project plan, and will present an issues and options paper to the committee in the second half of 2023. Scientific and monitoring work to inform the planning process is on track, with one more report to complete this calendar year.

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.	2022/2023 Annual report on monitoring programme completed and reported to Council.	 Council 26 April 2023
	2021/2022 Annual report on monitoring programme completed and reported to Council.	 Data and Information Committee 9 March 2022

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of data from the air monitoring network that is captured quarterly.	2022/2023 ≥ 95% data capture achieved.	 88%
	2021/2022 ≥ 95% data capture achieved.	 97%

LEVEL OF SERVICE:

Provide a robust and integrated environmental planning framework for Otago's air resource.

PERFORMANCE MEASURE	TARGET	RESULT
Complete review of the Regional Plan: Air	2022/23 Issues and options papers developed by 30 June.	
	2021/2022 N/A no measure	

Statement of Service Provision

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 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 an approach to assess risk across our communities 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

Over the last year, we have worked closely with Otago communities and relevant organisations to provide hazard information and technical support, and to guide adaptation to natural hazards. We made good progress on natural hazard and climate change projects and programmes in South Dunedin, Clutha Delta and the Head of Lake Whakatipu. We continued to gather data that improves our understanding of natural hazards, and to make this data easily accessible to the community.

Risk Assessment and Prioritisation Programme

Our work on hazard risk assessment and prioritisation progressed well this year. The ORC is undertaking a programme that will enable us to assess risks associated with natural hazards consistently across the Otago region, to see which areas have the highest risks, and to prioritise options for managing or adapting to natural hazards.

From previous work, we have a good understanding of the kinds of natural hazards (including those associated with climate change) in the Otago region and where they are. We progressed a preliminary region-wide risk analysis, calculating how likely each hazard is to occur and what its impact might be. We plan to report on this by June 2024 and make the data available.

Progress was also made towards more complex risk assessment work that builds on the above. In short, we are developing a methodology for assessing cumulative risks at community level. This work will inform decisions on where and how to act.

South Dunedin

The Otago Regional and Dunedin City Councils approved the South Dunedin Future programme plan in July 2022. The ORC supports this joint work programme through collaboration and funding, and it is a good example of the multi-disciplinary, cross-sector nature of climate change adaptation.

We lead the gathering and analysis of natural hazards information for the programme. Our work in this financial year has focused on continuing to monitor groundwater and sea levels and consolidating the

information we have about natural hazards so it can be integrated into programme workstreams and made available through community flyers, website updates and technical reports.

We have initiated projects this year to improve our understanding of groundwater, sea level, coastal inundation and vertical land movement in the area.

Glenorchy and Head of Lake Whakatipu

We are undertaking a long programme of work on liquefaction and floodplain hazards at the the Dart-Rees floodplain and Glenorchy township. Having built a good understanding of the hazards, we have focused this financial year on assessing potential approaches for managing these hazards. Reports on engineering approaches that could be used to manage risks related to liquefaction in Glenorchy and flooding and erosion at the Head of Lake Whakatipu have been completed and were presented to Council in May 2023.

Initial work and scoping have been done for a range of other assessments and investigations. A draft flood hazard assessment report for the Buckler Burn at Glenorchy has been completed and is being peer reviewed.

In conjunction with technical work, we have a sustained programme of community engagement as part of the process for developing a natural hazards adaptation strategy.

Clutha Delta and Other Areas

We have completed a gap analysis on the data and information we have about hazards in the Clutha Delta and have developed an initial programme plan. Over 2022/23, we continued investigating natural hazards, focusing on liquefaction and coastal hazards.

Progress on Roxburgh and Henley has been slow due to resourcing issues.

Data Capture

LiDAR mapping for the whole Otago coastal area – covering 4,250 square kilometres – was completed this financial year and made available through public websites. The mapping provides high-resolution, 3D ground elevation data and is a valuable tool for identifying, mapping and managing natural hazards, such as flooding, erosion and landslips. Data for a further almost 4,000 square kilometres around the Manuherekia catchment in Central Otago has also been captured and is being prepared for release later this year.

Otago Natural Hazards Database

The Otago Natural Hazards Database is an online portal that makes the information we have about the region's natural hazards publicly accessible so that people can make informed decisions. In the last financial year, we made the database more user friendly, improving its functionality, adding a tutorial video and updating the portal display to make it work better for people accessing the database on their mobile device. We also continued to update the database with new information.

Flood Response

Our flood management and response system operated without issue over this year. We issued 45 flood warnings as required.

The MetService's rain radar near Hindon gives us real-time information about where the rain is falling in the region, providing more certainty during heavy rainfall events. In the last year, we have engaged external support to convert this data into information about how much rain is falling in particular areas, further enhancing our ability to manage emergency responses. The rain radar works in conjunction with our network of rain gauges, and the data will be used to update our flood forecasting capabilities in the long term.



Statement of Service Provision

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.	2022/2023 Database information is checked and updated monthly.	✓
	2021/2022 Database information is checked and updated monthly.	✓

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of flood warnings that are issued in accordance with the flood warning manual.	2022/2023 100%	✓ 100%
	2021/2022 100%	✓ 100%

LEVEL OF SERVICE:

Collaborate with communities and stakeholders to develop and deliver natural hazards adaptation strategies.

PERFORMANCE MEASURE	TARGET	RESULT
2022/2023 Develop a regional natural hazards risks assessment and regional approach for prioritising adaption.	2022/2023 Report to Council on progress of natural hazard risk assessment and prioritisation approach.	✓
2021/2022 Complete regional natural hazards risks assessment (NHRA) and develop a regional approach for prioritising adaptation to inform adaptation planning and implementation.	2021/2022 Commence natural hazard risk assessment and investigation of prioritisation approach.	✓

Statement of Service Provision

PERFORMANCE MEASURE	TARGET	RESULT
Implement prioritised natural hazard risks adaptation works.	2022/2023 Work in priority areas* is delivered as per plan by 30 June 2023.	—
	The Head of Lake Whakatipu natural hazards adaptation strategy progresses as per annual work plan.	✓
	ORC contribution to the South Dunedin Future programme* progresses as per annual work plan.	✓
	2021/2022 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. Therefore, planned natural hazard investigation and management work for Roxburgh and Henley progressed more slowly than originally anticipated.

* The South Dunedin Future (SDF) programme is a joint partnership with DCC and will provide a framework for developing climate change adaptation options for South Dunedin and Harbourside.

Statement of Service Provision

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 43,000 ha 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.

The key programmes which make up this activity are:

- Flood Protection
- Drainage Schemes
- Rivers and Waterways
- Designations and Bylaws

Performance and Delivery

Area	Progress/Performance
ALEXANDRA FLOOD PROTECTION SCHEME	100% of planned maintenance completed. One capital works project: Progressed as planned.
LEITH FLOOD PROTECTION SCHEME	100% of planned maintenance completed. Two capital works projects: Both in scoping and investigations stage.
LOWER CLUTHA FLOOD PROTECTION AND DRAINAGE SCHEME	90% of planned maintenance completed. <ul style="list-style-type: none"> All scheduled mechanical drain cleaning completed, apart from a variation to remove two sites from the schedule and defer one site to year 3. Scheduled drain and floodbank spraying completed. Floodbank/drain mowing and tree maintenance completed. All inspections (drain, culvert, bridge, pump station, relief well) completed. Ten capital works projects: eight progressed as planned and two delayed.
LOWER TAIERI FLOOD PROTECTION SCHEME	100% of planned maintenance completed. <ul style="list-style-type: none"> Floodbank mowing completed in Q4. All noxious floodbank spraying completed in Q3. All floodbank inspections for the year completed. Six capital works projects: All progressed as planned.
WEST TAIERI DRAINAGE SCHEME	81% of planned maintenance completed. <ul style="list-style-type: none"> Mechanical drain cleaning mostly completed, except for two drains removed due to water quality issues. Scheduled drain spraying completed. All inspections (drain, culvert, bridge, pump station) for the year completed. Five capital works projects: four progressed as planned and one delayed.
EAST TAIERI DRAINAGE SCHEME	100% of planned maintenance completed. <ul style="list-style-type: none"> Scheduled drain cleaning and spraying completed. All inspections (drain, culvert, bridge, pump station) for the year completed. 7 capital works projects: 6 progressed as planned and 1 delayed.
TOKOMAIRARO DRAINAGE SCHEME	100% of planned maintenance completed. <ul style="list-style-type: none"> Scheduled drain cleaning and spraying completed. Planned tree maintenance completed. All inspections (drain, culvert, bridge) for the year completed.
DUNEDIN RIVERS AND WATERWAY MANAGEMENT	88% of planned maintenance completed. Most planned maintenance progressed within staff and contracting constraints.
CLUTHA RIVERS AND WATERWAY MANAGEMENT	73% of planned maintenance completed. Most planned maintenance works progressed within staff and contracting constraints. July 2022 flood remediation/repairs ongoing.
CENTRAL OTAGO RIVERS AND WATERWAY MANAGEMENT	70% of planned maintenance completed. Most planned maintenance progressed within staff and contracting constraints.
WHAKATIPU RIVERS AND WATERWAY MANAGEMENT	88% of planned maintenance completed. Most planned maintenance progressed within staff and contracting constraints.
WĀNAKA RIVERS AND WATERWAY MANAGEMENT	95% of planned maintenance completed. Most planned maintenance progressed within staff and contracting constraints.
WAITAKI RIVERS AND WATERWAY MANAGEMENT	49% of planned maintenance completed. Some planned maintenance progressed within staff and contracting constraints.

Statement of Service Provision

Flood Protection and Drainage Schemes Works

The ORC manages flood protection and drainage infrastructure for around 43,000 ha of rural and urban land in Otago. Our flood protection schemes are designed to protect people and their livelihoods in adverse weather, while our drainage schemes are about maintaining the productive capability of the land.

We completed 94% of the maintenance scheduled for the ORC's seven flood protection and drainage schemes in the last financial year, above the performance target of 85% (see table on page 56 for a breakdown of this work programme). A small number of drains set to be mechanically cleaned were deferred or removed, either because the cleaning was not needed or the work couldn't be done due to issues with the water quality. One pump in Kaitangata was out of service for unplanned maintenance for 28 days (April to May). The schemes continue to perform at the level they are designed for, with no breaches.

We fell slightly behind the performance target of 90% for planned capital renewals, delivering 87% or 27 out of 31 of our planned projects. Three of the projects that didn't meet their delivery target were associated with pump station upgrades in the Taieri, West Taieri and Lower Clutha drainage schemes. Each of these projects has been scoped and work is expected to get underway early in the 2023/24 financial year. Pump improvements at the Paretai Pump Station are in the early stages of investigation for scoping.

All schemes remained resilient in weather events, and deferring some renewals did not critically affect their performance.

Climate Resilience Projects

We have made considerable progress in delivering the Climate Resilience Programme of multi-year projects part-funded by the Ministry of Business, Innovation and Employment (MBIE). Two of the four projects are in the Lower Clutha flood protection scheme (Robson Lagoon and Riverbank Road), and two are in the Lower Taieri flood protection scheme (Outram and Contour Channel).

The Riverbank Road and Robson Lagoon projects were completed ahead of schedule in December 2021 and November 2022 respectively, and the Outram project was finished in June 2022. We expect to complete the Contour Channel project by June 2025 as planned. Stages 5, 6 and 7 of the floodbank works have been completed, and work is underway on Stage 8 and the bridge replacement.

Taieri Scheme Review

The review of the Taieri scheme started in 2021. Our focus for the last financial year was on risk analysis and assessment, with the risk assessment report due to be completed early in the next financial year.

River Management

The Council's river and waterway management programmes faced some challenges. There is a narrow window of time when we can do maintenance to support fish passage and biodiversity in waterways. Work in some catchments was also delayed due to weather and river conditions, low flows, accessibility, gravel consent requirements, contractor availability and staff shortages. As a result, we delivered 80% of our planned programme, below the 90% target for the year.

After several years of weather-related flooding, this year proved stable, with only the July/August rainfall events causing elevated flows across catchments in Otago, which resulted in some damage across rivers. This meant that, overall, less reactive and unplanned work was needed in some catchments than previous years, contributing in part to reduced expenditure. However, 55 additional reactive works were added to the work programme in response to erosion, gravel build-up or vegetation blockages due to a combination of low and elevated river levels, which can both contribute to these issues.

We had some challenges managing the 302 public queries we received about our flood protection schemes, drainage and rivers, refining our processes in the last quarter of the financial year to make sure queries are being appropriately tracked, monitored and actioned. We had a better track record in responding to the 135 queries about blockages and obstructions in rivers and waterways, assessing 95% of these within 20 days.

Flooding July/August 2022

Between 12 July and 8 August 2022, four weather events resulted in elevated flows in rivers across the region. Areas across central, coastal and south Otago were affected at different times, depending on the rainfall distribution of each event.

An interactive map of our flood repair and recovery programme is available online, showing repair sites, their programmed completion and their status (available [here](#)). The map is updated monthly, and the programme may change as we carry out investigations and repairs. We identified 71 sites for repairs following the 2022 flooding – of these, 25 are still to be completed. We also have two sites remaining from the 2020 flood recovery package, and these will be repaired in the 2023/24 construction season.

Bylaws

The ORC provides flood protection and land drainage across 43,000 ha of rural and urban land in Otago. The new Flood Protection Management Bylaw 2022, which safeguards flood protection and land drainage assets

owned or managed by the ORC, came into effect on 1 September 2022. We received 25 bylaw applications during the year, granting 21 and declining one.









Statement of Service Provision

Performance Results

LEVEL OF SERVICE:

Provide the standard of flood protection and control agreed upon with communities.

PERFORMANCE MEASURE	TARGET	RESULT
Major flood protection and control works are maintained, repaired, and renewed to the key standards defined in relevant planning documents.	2022/2023 ≥ 80% of planned maintenance programme completed.	 94%
	Schemes function to their constructed design standards.	
	≥ 90% of renewals programme completed.	 87%
	2021/2022 ≥ 80% of planned maintenance programme completed.	 80%
	Schemes function to their constructed design standards.	
	≥ 90% of renewals programme completed.	 30%

NOTE: We fell slightly behind our target for planned capital renewals, delivering 87% or 27 out of 31 of our planned projects. Three projects associated with pump station upgrades in the Taieri, West Taieri and Lower Clutha drainage schemes were not delivered as scheduled, but they have been scoped and work will get underway early in the 2023/24 financial year. Pump improvements at the Paretai Pump Station are in the early stages of investigation for scoping. The deferral of some renewals did not critically affect scheme performance in weather events.

LEVEL OF SERVICE:



Respond efficiently and effectively to damage from natural hazard events.

PERFORMANCE MEASURE	TARGET	RESULT
Damage identified, prioritised and a repair programme communicated with affected communities in a timely manner.	2022/2023 Programme developed and communicated within 3 months of the event.	
	2021/2022 Programme developed and communicated within 3 months of the event.	



NOTE: Not able to be measured as there were no flood events in 2022-23 or 2021/2022 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	TARGET	RESULT
Percentage of identified and reported issues that have been investigated and appropriate action determined and communicated to affected landholders within 20 working days.	2022/2023 100%	 95%
	2021/2022 100%	 94%

NOTE: We had some challenges managing public queries about our flood protection schemes, drainage and rivers, refining our processes in the last quarter of the financial year to make sure queries are being appropriately tracked, monitored and actioned.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of planned maintenance actions achieved each year.	2022/2023 ≥ 90%	 80.4%
	2021/2022 ≥ 90%	 78%

We delivered 80% of our planned programme for river and waterway management, below the 90% target. This work faces challenges with time constraints, weather and river conditions, low flows, accessibility, gravel consent requirements, contractor availability and staff shortages.

Statement of Service Provision

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, 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 Co-ordinating 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

Emergency Management is a critical activity – planning and preparing for emergencies, and leading the response and recovery effort when events happen. A focus this year has been on making sure our communities are ready to weather disasters. We have been involved in sector reform and deployed teams to support the responses to Auckland flooding and Cyclone Gabrielle.

Planning and Education

A large part of business as usual work for the Emergency Management Otago team is planning and education. Highlights in the 2022/2023 financial year are scientist delivery of our 'Clued Up Kids' programme in Clutha, Waitaki, Queenstown and Wānaka, a region-wide business continuity roadshow in collaboration with Resilient Organisations NZ, and continued support of the AF8 Project with roadshow presentations in Ōamaru, Cromwell and Balclutha.

Community Response Readiness and Resilience

Our staff support communities to build resilience and make sure they are ready to respond in disasters. In the last financial year, we overhauled the Community Response Group framework to embed a consistent approach across the region that aligns with national guidelines. We also developed 66 community resilience guides. These are community-driven documents that help people understand how to prepare for emergencies, how to support each other and where to find help.

We produced a monthly broadcast/podcast with Otago Access Radio with a broad focus on creating resilience. Speakers have included scientists, emergency services, budget advisors sharing tips on how to create an emergency kit on a budget, and the disability sector.

CDEM Facility

A full-time Emergency Coordination Centre (ECC) is set up and ready to be activated quickly in an emergency. All areas are functional and passed monthly equipment checks throughout the 2022/2023 financial year.

Staff and Training

Emergency Management Otago has a core staffing team and is able to draw on a wider group of trained personnel from the ORC and other councils in the region in an emergency.

While we actively manage an appropriate wider group of trained personnel, we have not been able to retain trained function leads and team members at our target level. This is in part due to staff resignations or role changes at contributing councils – when a trained person leaves, there is naturally a lag before their replacement can be trained. This was compounded by vacancies in the core Emergency Management Otago team and a lack of available external trainers.

We continue to take steps to attain and maintain our targets for trained staff – these include providing more regular training opportunities and documenting ECC responsibilities for relevant staff more clearly. Recruitment for more Emergency Management Otago staff also remains a priority.

Activations and Deployments

No emergencies were declared in Otago in the 2022/2023 financial year. The ECC was activated over three weeks in July 2022 for a series of heavy rain events and again in March 2023 for a heavy rain warning. These activations required monitoring and the sharing of flood information, rather than a full response.

Our staff were deployed to support several national emergencies over the 2022/2023 financial year. Six Emergency Management Otago staff were deployed to Auckland with the flooding in February 2023, and four went to the upper North Island following Cyclone Gabrielle. At the request of the National Emergency Management Agency (NEMA), the Group Manager Emergency Management Otago was deployed to the Far North District for seven days as Local Controller. Two staff were deployed to the West Coast to support lower Westland in August 2022 and again in May 2023.

Sector Reform

At a national level, a significant body of work is underway to reform the emergency management system and review the regulatory framework that emergency management operates within. The Emergency Management Otago team stays up to date on the reform process, leads consultations with partner organisations and works on submissions to the process.

Statement of Service Provision

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.	2022/2023 Fulfil all requirements as the administering authority.	✓
	2021/2022 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	TARGET	RESULT
An adequate Emergency Coordination Centre (ECC) facility and staffing are available.	2022/2023 Adequate staff who are trained and available for any activation of the ECC.	–
	An appropriate facility is available for activation at all times.	✓
	2021/2022 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, 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
<p>2022/2023 Maintain response functionality to enable operational situational awareness when ECC activated.</p>	<p>2022/2023 Response solutions are checked as scheduled and any issues remedied.</p>	
<p>2021/2022 ECC activated in a timely manner.</p>	<p>2021/2022 ECC activated within 1 hour of Group Controller's decision to activate.</p>	

NOTE: No emergency events which required the ECC to be activated 2022/2023; time frame not able to measured.



Statement of Service Provision

Transport

This group of activities includes the following council activities:

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

Performance results

✓	10
-	4
✗	1
⊘	0

Arrowtown

Community Outcomes

Our **Transport** activities contribute to:

				✓	✓

Transport Planning 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 region wide 'Total Mobility scheme' to assist eligible people who are unable to use public transport. These services sit under a wider umbrella of Regional Land Transport Planning and Regional Passenger Transport Planning that we are responsible for, working with Waka Kotahi, Environment Southland, and Council's in the Otago Region. Under these plans we have a role in facilitating some key transport projects in Otago.

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 future planned transport network improvements and forms the basis of funding applications to the National Land Transport Fund on a three-yearly cycle.

Key work programmes include:

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

Performance and Delivery

Transport activities in the 2022/2023 financial year continued to be dominated by Covid, specifically the post-Covid challenges of industry labour shortages (drivers, diesel mechanics and vehicle certifiers). The Dunedin buses ran to a reduced timetable from July 2022 to February 2023, and Queenstown buses ran on a reduced timetable for 11 months of the financial year (from July 2022 to June 2023).

Due to the labour industry shortages noted above – including the well-publicised nationwide driver shortages – the bus services suffered from unreliability, particularly in the second and third quarters, despite only offering reduced timetables.

The continuation throughout the year of the Government's half-price fares, the end of lockdowns and the easing of border restrictions saw passengers returning to buses and ferries in greater numbers, despite reduced timetables and periods of unreliability. In the 2022/2023 financial year, just over four million passenger trips were taken across the region. This was the most ever carried on the network, surpassing the previous (pre-Covid high) by 1%. The region-wide return to pre-Covid levels was driven by the Dunedin network, where passenger numbers increased by 18% from 2021/22 and are now 10% higher than in the 2018/19 year.

Passenger numbers for Queenstown are not yet back to the previous high, but are increasing year on year, with a 55% increase from 2021/22. Patronage on the Queenstown ferries was 74% higher than in 2021/22.

Improvements to support customer experience during the year focused on upgrading real-time information for the Orbus website and the Transit App. Real-time information was made available on screens at the Dunedin Hub, and screens at the Frankton Hub were also upgraded to display real-time information.

Positive results from our annual passenger surveys show high levels of satisfaction. Overall passenger satisfaction with Dunedin Public Transport decreased to 86% (from 89% in 2021/22), and decreased for Queenstown Public Transport to 92% (98% in 2021/22). This year, 99% of customers expressed their satisfaction with the Total Mobility scheme, compared with 87% in 2021/22.

In the second year of the Council's 2021-2031 Regional Land Transport Plan (RLTP), significant progress was made on two business cases looking at the public transport services required to support further patronage and population growth in Dunedin and Queenstown. Using the feedback provided in almost 1800 survey responses, the Dunedin Fares and Frequencies Business Case has assessed some 108 combinations of bus service frequencies and fare structures, which will inform Council's investment decision in the upcoming Long Term Plan. The Queenstown Public Transport Services Business Case is evaluating the best types of vehicles and routes to use to provide greater public transport options when major infrastructure projects, such as the Frankton BP roundabout, are completed over the next few years.

Performance and Results

LEVEL OF SERVICE:

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

PERFORMANCE MEASURE	TARGET	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).	2022/2023 RLTP implementation progress is reported annually to Regional Transport Committee.	✓
	2021/2022 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	TARGET	RESULT
Annual public transport boardings in Queenstown per capita.	2022/2023 Increase (2021-22: 806,802 total patronage and 52 trips per capita).	✓ Increase 55%
	2021/2022 Increase (from prior year).	✗ Decreased 9%

Queenstown bus patronage for 2022/23 is 1,252,982, a 55% increase from 2021/22. Trips per capita in 2022/23 were 79 trips.



PERFORMANCE MEASURE	TARGET	RESULT
Annual public transport boardings in Dunedin per capita.	2022/2023 Increase (2021-22: 2,367,099 total patronage and 23 trips per capita).	✓ Increase 18%
	2021/2022 Increase (from prior year).	✗ Decreased 13%

Dunedin bus patronage for 2022/23 is 2,797,300 a 18% increase from 2021/22. Trips per capita in 2022/23 were 27 trips.

Statement of Service Provision

PERFORMANCE MEASURE	TARGET	RESULT
Overall passenger satisfaction with Whakatipu public transport system at annual survey.	2022/2023 97%	 92%
	2021/2022 97%	 98%




Satisfaction levels remain positive at 92% but have dropped due to service disruptions caused by the driver shortage and reduced timetables.

PERFORMANCE MEASURE	TARGET	RESULT
Overall passenger satisfaction with Dunedin public transport system at annual survey.	2022/2023 97%	 89%
	2021/2022 93%	 89%



Satisfaction levels remain positive at 86% but have dropped due to service disruptions caused by the national driver shortage and reduced timetables.

LEVEL OF SERVICE:

Provide efficient, reliable and accessible public transport services that meet community needs.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of scheduled services delivered (reliability).	2022/2023 95%	 96% (DN)  86% (QTN)
	2021/2022 95%	 98%

Queenstown scheduled services were delivered 86% reliably. Queenstown services were acutely affected by the national driver shortage. Dunedin scheduled services were delivered 96% reliably.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of scheduled services on-time (punctuality – to five minutes).	2022/2023 95%	 96%
	2021/2022 95%	 96%

The annual percentage of scheduled service on-time is not available, due to the introduction of a new real time information system. An annual figure will be produced for 2023/24.

Statement of Service Provision

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of users who are satisfied with the provision of timetable and services information.	2022/2023 Maintain or increase (from 2022 baseline: 70% (DN), 88% (QTN).	❌ 64% (DN) ❌ 81% (QTN)
	2021/2022 Establish baseline.	✅ 70% (DN) ✅ 88% (QTN)

The drop in satisfaction is likely influenced by the national driver shortage, reduced timetables and significant roadworks in Dunedin and Queenstown.

PERFORMANCE MEASURE	TARGET	RESULT
Percentage of users who are satisfied with the overall service of the Total Mobility scheme.	2022/2023 Maintain or increase (from 2022 baseline: 87%).	✅ 99%
	2021/2022 Establish baseline.	✅ 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.**



Public Transport

Statement of Service Provision

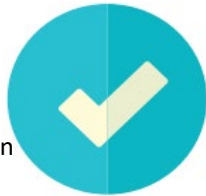
Satisfaction Survey Dunedin

Survey taken 19 – 21 April 2023

Overall satisfaction

86%

The overall level of satisfaction with the Dunedin public transport system has decreased in 2023.



▼ **89% in 2022**

▼ **94% in 2021**

Participants

24% aged 18 - 24 years

24% of participants were aged 18 – 24 years followed by 20% aged 25 – 34 years.



81% non supergold cardholders

81% of participants were not supergold cardholders.



38% travelling to work

38% of participants used the bus to get to work.



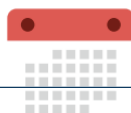
79% would recommend using the bus

79% of participants would likely or very likely recommend public transport to friends or colleagues.



36% 5 or more trips per week

36% of participants use the bus 5 or more trips per week.



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Passenger satisfaction

89% Exterior of the bus
89% in 2022 | 92% in 2021

92% Interior of the bus
91% in 2022 | 93% in 2021

68% The bus is on time
73% in 2022 | 89% in 2021

76% How often the service runs
82% in 2022 | 85% in 2021

98% Value for money of fare
97% in 2022 | 94% in 2021

95% Having enough seats available
93% in 2022 | 98% in 2021

94% Ease of getting on and off the bus
95% in 2022 | 95% in 2021

90% Comfort of the inside temperature
94% in 2022 | 92% in 2021

95% Helpfulness and attitude of driver
91% in 2022 | 92% in 2021

95% Personal security during trip
96% in 2022 | 95% in 2021

98% Satisfaction of current trip
96% in 2022 | 98% in 2021

64% Information about services and delays
70% in 2022 | 81% in 2021

94% Travel time
90% in 2022 | 92% in 2021

97% Convenience of paying
95% in 2022 | 95% in 2021

84% Ease of getting route information
86% in 2022 | 90% in 2021

Public Transport Satisfaction Survey Whakatipu

Survey taken 8 – 10 May 2023

Statement of Service Provision

Overall satisfaction

92%

The overall level of satisfaction with the Whakatipu public transport system has decreased in 2023.



▼ **98% in 2022** ▼ **96% in 2021**

Participants

40% aged 25 – 34 years

40% of participants were aged 25 – 34 followed by 21% aged 35 – 44 years.



98% non supergold cardholders

98% of participants were not supergold cardholders.



50% travelling to work

50% of participants used the bus to get to work.



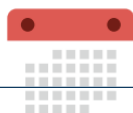
85% would recommend using the bus

85% of participants would likely or very likely recommend public transport to friends or colleagues.



30% 2 or more trips per day

30% of participants use the bus 2 or more trips per day.



ANNUAL REPORT 2023

Passenger satisfaction

94% Exterior of the bus
▼ **96% in 2022** | **88% in 2021**

90% Interior of the bus
▼ **92% in 2022** | **96% in 2021**

79% The bus is on time
▼ **80% in 2022** | **86% in 2021**

70% How often the service runs
▼ **74% in 2022** | **72% in 2021**

94% Value for money of fare
▼ **98% in 2022** | **89% in 2021**

96% Having enough seats available
▼ **98% in 2022** | **95% in 2021**

98% Ease of getting on and off the bus
▶ **98% in 2022** | **96% in 2021**

96% Comfort of the inside temperature
▼ **98% in 2022** | **95% in 2021**

92% Helpfulness and attitude of driver
▼ **93% in 2022** | **94% in 2021**

96% Personal security during trip
▶ **96% in 2022** | **99% in 2021**

98% Satisfaction of current trip
▶ **98% in 2022** | **96% in 2021**

81% Information about services and delays
▼ **87% in 2022** | **70% in 2021**

94% Travel time
▲ **92% in 2022** | **93% in 2021**

94% Convenience of paying
▼ **96% in 2022** | **86% in 2021**

90% Ease of getting route information
▼ **96% in 2022** | **88% in 2021**



Financial Statements

Financial Statements



Funding Impact Statements for Otago Regional Council

Council Funding Impact Statement for the year ended 30 June 2023

\$000s	Annual Plan 2021/22	Actual 2021/22	Annual Plan 2022/23	Actual 2022/23
Sources of Operating Funding				
General rates, uniform annual general charge, rates penalties	19,577	20,386	23,127	24,253
Targeted rates	20,462	20,555	24,101	24,168
Subsidies and grants for operating purposes	18,856	21,691	22,102	26,187
Fees and charges	6,158	4,150	6,861	4,286
Interest and dividends from investments	13,750	13,813	14,750	19,477
Local authorities fuel tax, fines, infringement fees and other receipts	11,231	6,234	9,128	7,255
Total Sources of Operating Funding (A)	90,034	86,829	100,069	105,626
Applications of Operating Funding				
Payments to staff and suppliers	88,217	85,886	98,547	101,304
Finance costs	350	224	350	5,203
Other operating funding applications	465	-	424	46
Total Applications of Operating Funding (B)	89,032	86,110	99,322	106,553
Surplus (deficit) of operating funding (A - B)	1,002	719	748	(927)
Sources of Capital Funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	15,000	-	10,000
Gross proceeds from sale of assets	410	255	420	874
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total Sources of Capital Funding (C)	410	15,255	420	10,874
Applications of Capital Funding				
To meet additional demand	-	-	-	-
To improve level of service	1,995	3,543	2,813	2,581
To replace existing assets	6,050	1,011	10,295	1,516
Increase / (Decrease) in reserves	(6,633)	11,420	(11,940)	5,850
Increase / (Decrease) in investments	-	-	-	-
Total Applications of Capital Funding (D)	1,412	15,974	1,168	9,947
Surplus / (Deficit) of Capital Funding (C - D)	(1,002)	(719)	(748)	927
Funding Balance ((A - B) + (C - D))	-	-	-	-

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.

Funding Impact Statements for Otago Regional Council

Reconciliation of Council Funding Impact Statement to Statement of Comprehensive Revenue and Expense for the year ended 30 June 2023

\$000s	Annual Plan 2021/22	Actual 2021/22	Annual Plan 2022/23	Actual 2022/23
Surplus/(deficit) of operating funding in Funding Impact Statement	1,002	719	748	(927)
Add/(deduct)				
Increase/(Decrease) in the fair value of investment property	-	305	-	(4)
Increase/(Decrease) in the fair value of investment portfolio	-	(2,412)	-	1,129
Gain/(Loss) on disposal of assets	740	196	-	381
Depreciation and amortisation	(3,574)	(3,949)	(4,356)	(4,140)
Impairment (loss)/reversal on property plant and equipment	-	(42)	-	-
Write-off of property plant and equipment work in progress	-	-	-	-
Other	399	(106)	1,422	(75)
Surplus/(deficit) before taxation in Statement of Comprehensive Revenue and Expense	(1,433)	(5,289)	(2,186)	(3,637)

Schedule of Capital Expenditure

\$000s	Annual Plan 2021/22	Actual 2021/22	Annual Plan 2022/23	Actual 2022/23
REGIONAL LEADERSHIP				
Compliance	30	1	-	21
Harbour management	20	2	120	121
Public Awareness	-	-	100	2
ENVIRONMENTAL				
Water Monitoring	1,295	629	1,563	899
Pest Management	-	-	-	6
Biodiversity	90	48	90	16
Air monitoring	45	150	90	78
SAFETY AND RESILIENCE				
Climate change	-	163	-	6
Emergency management	-	20	-	32
Hazards	470	-	-	-
Flood protection / drainage - Alexandra	-	-	20	-
Flood protection / drainage - East Taieri	380	-	180	22
Flood protection / drainage - Leith	-	-	250	-
Flood protection / drainage - Lower Clutha	1,000	607	680	181
Flood protection / drainage - Lower Taieri	1,865	996	950	1,449
Flood protection / drainage - Tokomairiro	30	-	20	-
Flood protection / drainage - West Taieri	350	34	1,130	35
River Management - Central Otago	-	-	-	-
River Management - Clutha	-	-	-	-
River Management - Dunedin	-	-	-	-
River Management - Lower Waitaki Scheme	-	-	-	-
River Management - Waitaki	-	-	-	-
River Management - Wakatipu	-	2	-	-
River Management - Wanaka	-	-	-	-
TRANSPORT				
Transport	-	3	-	-
CORPORATE				
Property	100	261	5,220	233
Motor Vehicles	675	972	675	667
Computers and software	1,625	625	1,950	265
Plant	20	41	20	64
Sundry	50	-	50	-
TOTAL	8,045	4,554	13,108	4,097

Funding Impact Statements for Otago Regional Council

Funding Impact Statement: Regional Leadership

Funding Impact Statement for the year ended 30 June 2023

\$000s	Long Term Plan 2021/22	Actual 2021/22	Long Term Plan 2022/23	Actual 2022/23
Sources of Operating Funding				
General rates, uniform annual general charge, rates penalties	15,706	16,125	16,340	17,002
Targeted rates (other than a targeted rate for water supply)	188	191	200	200
Subsidies and grants for operating purposes	75	43	75	65
Fees, charges and targeted rates for water supply	5,300	4,156	5,805	4,166
Internal charges and overheads recovered	-	40	-	75
Local authorities fuel tax, fines, infringement fees and other receipts	260	167	266	219
Total Sources of Operating Funding (A)	21,529	20,722	22,686	21,729
Applications of Operating Funding				
Payments to staff and suppliers	15,230	14,428	15,982	15,897
Finance costs	-	-	-	-
Internal charges and overheads applied	6,352	7,874	6,950	8,093
Other operating funding applications	8	-	8	880
Total Applications of Operating Funding (B)	21,590	22,302	22,940	24,869
Surplus (deficit) of operating funding (A - B)	(61)	(1,580)	(254)	(3,141)
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)	-	-	-	-
Applications of Capital Funding				
To meet additional demand	-	-	-	-
To improve level of service	30	3	-	144
To replace existing assets	20	-	51	-
Increase / (Decrease) in reserves	(111)	(1,583)	(305)	(3,285)
Increase / (Decrease) in investments	-	-	-	-
Total Applications of Capital Funding (D)	(61)	(1,580)	(254)	(3,141)
Surplus / (Deficit) of Capital Funding (C - D)	61	1,580	254	3,141
Funding Balance ((A - B) + (C - D))	-	-	-	-

Funding Impact Statement: Environment

Funding Impact Statement for the year ended 30 June 2023

\$000s	Long Term Plan 2021/22	Actual 2021/22	Long Term Plan 2022/23	Actual 2022/23
Sources of Operating Funding				
General rates, uniform annual general charge, rates penalties	13,938	14,309	17,079	17,374
Targeted rates (other than a targeted rate for water supply)	3,373	3,386	5,171	4,818
Subsidies and grants for operating purposes	3,877	6,160	2,536	5,442
Fees, charges and targeted rates for water supply	200	(29)	205	(0)
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	964	134	364	193
Total Sources of Operating Funding (A)	22,352	23,960	25,355	27,825
Applications of Operating Funding				
Payments to staff and suppliers	19,472	19,052	20,514	21,776
Finance costs	-	-	-	0
Internal charges and overheads applied	4,412	5,242	5,496	6,635
Other operating funding applications	-	-	-	643
Total Applications of Operating Funding (B)	23,884	24,294	26,010	29,054
Surplus (deficit) of operating funding (A - B)	(1,532)	(334)	(655)	(1,229)
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)	-	-	-	-
Applications of Capital Funding				
To meet additional demand	-	-	-	-
To improve level of service	1,090	521	1,293	747
To replace existing assets	340	306	486	252
Increase / (Decrease) in reserves	(2,962)	(1,160)	(2,434)	(2,228)
Increase / (Decrease) in investments	-	-	-	-
Total Applications of Capital Funding (D)	(1,532)	(334)	(655)	(1,229)
Surplus / (Deficit) of Capital Funding (C - D)	1,532	334	655	1,229
Funding Balance ((A - B) + (C - D))	-	-	-	-

Funding Impact Statements for Otago Regional Council

Funding Impact Statement: Safety and Resilience

Funding Impact Statement for the year ended 30 June 2023

\$000s	Long Term Plan 2021/22	Actual 2021/22	Long Term Plan 2022/23	Actual 2022/23
Sources of Operating Funding				
General rates, uniform annual general charge, rates penalties	3,116	3,199	3,859	4,055
Targeted rates (other than a targeted rate for water supply)	9,611	9,668	10,002	10,315
Subsidies and grants for operating purposes	1,700	1,230	1,558	1,125
Fees, charges and targeted rates for water supply	408	30	462	120
Internal charges and overheads recovered	-	524	-	941
Local authorities fuel tax, fines, infringement fees and other receipts	245	349	251	963
Total Sources of Operating Funding (A)	15,080	15,000	16,132	17,518
Applications of Operating Funding				
Payments to staff and suppliers	9,338	8,558	10,638	9,047
Finance costs	-	-	-	-
Internal charges and overheads applied	2,565	3,633	2,717	4,369
Other operating funding applications	-	-	-	335
Total Applications of Operating Funding (B)	11,903	12,191	13,355	13,751
Surplus (deficit) of operating funding (A - B)	3,177	2,809	2,777	3,767
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)	-	-	-	-
Applications of Capital Funding				
To meet additional demand	-	-	-	-
To improve level of service	100	1,345	102	892
To replace existing assets	3,995	478	3,855	833
Increase / (Decrease) in reserves	(918)	986	(1,180)	2,042
Increase / (Decrease) in investments	-	-	-	-
Total Applications of Capital Funding (D)	3,177	2,809	2,777	3,767
Surplus / (Deficit) of Capital Funding (C - D)	(3,177)	(2,809)	(2,777)	(3,767)
Funding Balance ((A - B) + (C - D))	-	-	-	-

Funding Impact Statement:

Transport

Funding Impact Statement for the year ended 30 June 2023

\$000s	Long Term Plan 2021/22	Actual 2021/22	Long Term Plan 2022/23	Actual 2022/23
Sources of Operating Funding				
General rates, uniform annual general charge, rates penalties	745	765	763	785
Targeted rates (other than a targeted rate for water supply)	7,290	7,309	8,756	8,766
Subsidies and grants for operating purposes	13,203	14,239	14,340	18,973
Fees, charges and targeted rates for water supply	250	-	256	-
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	8,517	4,522	9,293	4,542
Total Sources of Operating Funding (A)	30,005	26,835	33,408	33,066
Applications of Operating Funding				
Payments to staff and suppliers	31,572	27,988	34,417	34,515
Finance costs	-	-	-	-
Internal charges and overheads applied	727	710	843	883
Other operating funding applications	-	-	-	72
Total Applications of Operating Funding (B)	32,299	28,699	35,260	35,470
Surplus (deficit) of operating funding (A - B)	(2,294)	(1,863)	(1,852)	(2,404)
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)	-	-	-	-
Applications of Capital Funding				
To meet additional demand	-	-	-	-
To improve level of service	-	-	-	-
To replace existing assets	-	3	-	-
Increase / (Decrease) in reserves	(2,294)	(1,866)	(1,852)	(2,404)
Increase / (Decrease) in investments	-	-	-	-
Total Applications of Capital Funding (D)	(2,294)	(1,863)	(1,852)	(2,404)
Surplus / (Deficit) of Capital Funding (C - D)	2,294	1,863	1,852	2,404
Funding Balance ((A - B) + (C - D))	-	-	-	-

Financial Statements

Financial Statements

Dunedin

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; that is left in the case 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 2023 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 \$19.663 million comprises an operating deficit for the year of \$3.937 million and a revaluation gain of \$23.6 million. The deficit of \$3.937 million is \$1.750 million greater than the budgeted deficit of \$2.187 million.

The following major items contributed to this variance:

- Grants revenue and subsidies is \$4.085 million greater than budgeted revenue of \$22.102 million. The main factor causing this variance is the additional grant from Waka Kotahi NZTA of \$3.092 million to fund the 50% fare revenue discount scheme. This increase in grant funding has not resulted in an increase in overall revenue as the revenue was originally budgeted to be received as bus fare revenue which is classed as other revenue.
- Other revenue is \$3.412 million below budgeted revenue due to the following major factors:
 - Public transport revenue was \$1.839 million below budgeted revenue for Dunedin and Whakatipu. This decrease in fare revenue was caused by the continuation of the \$2 fares, the funding of 50% of the fare revenue in grant funding from Waka Kotahi NZTA and the Queenstown ferry being budgeted to be an operational route in the 2022/2023 financial year with Council receiving gross fare revenue. The ferry is still in trial phase with revenue being received under the contract by the operator and Council providing a net cost subsidy.
 - Consent processing is \$0.905 million below the \$3.887 million budgeted revenue.
 - Compliance monitoring and contaminated sites was \$0.613 million below budgeted revenue of \$1.780 million.
- Interest and investment revenue is \$4.258 million greater than budget due to the budget showing a net position of the Port Otago Limited loan interest. Port Otago Limited loan interest is required to be shown as interest income and expense for Council in the Statement of Comprehensive Revenue and Expense. This has resulted in a \$4.621 million increase to both interest and investment income and finance costs.
- Employee benefits expense is \$4.2985 million above budget due to vacancies in budgeted positions.
- Other expenses is \$6.963 million below budget due to the following:
 - \$3.765 million increased expenditure on external resources due to staff vacancies and specialist work required on the Regional Planning Statement (RPS) project.
 - Additional expenditure of \$0.673 million spent on biosecurity wilding pine removal due to increased grant funding from central government.
 - \$1.800 million increased expenditure on bus contractors due to increases in bus driver wages.
 - \$0.606 million increased legal expenses due to increased compliance court cases and RPS legal advice.

Revaluation gain

The revaluation gain of \$23.600 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited Group at 30 June 2023 and is less than the gain of \$24.531 million provided for in the budget by \$0.931 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.

Financial Statements

Statement of Financial Position**Total Assets**

Total assets at \$1,020.464 million exceeds budgeted assets of \$833.597 million by \$186.867 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 \$40.092 million and are \$1.247 million above the budget amount of \$38.845 million.
- Assets held for sale has increased from a nil budgeted balance \$3.350 million. This balance is the book value of Birch/Kitchener Street and has been reclassified as assets held of sale from property plant and equipment due to this property being intended to be sold in the next 12 months at year end.
- Shares in subsidiary: The valuation of the Council shareholding in Port Otago Limited at 30 June 2023 of \$723.890 million, exceeded the budgeted amount of \$657.795 million by \$66.095 million.
- Property plant and equipment is \$93.994 million and is \$12.071 million below budget amount of \$106.065 million. Property plant and equipment is below budget due to delays in flood protection capital projects from budget and delays in the supply or ordered plant. \$3.350 million property plant and equipment was transferred to assets held for sale at 30 June 2023.
- Intangible assets is \$0.820 million and is \$3.162 million below the budgeted amount of \$3.982 million. This variance is caused by the re classification as expenditure of some software projects no longer meeting the definition of an intangible asset.
- In 2022 financial year Council borrowed funds from the New Zealand Local Government Funding Agency (NZLGFA). In the current financial year Council has lent \$25.228 million to fund deficit reserves and \$125.088 million to provide loan facilities for Port Otago Limited. Borrowings are held as current borrowing of \$58.878 million and non current borrowing of \$91.438 million in the Datement 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 \$125.088 million are classified as 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 inline with budget.

Equity

Public Equity and reserves at \$848.2287 million exceed the budgeted amount of \$787.640 million by \$60.588 million. The major factor in the variance is the Port Share Revaluation Reserve, which records the accumulated revaluation gains on the annual revaluation of the Council's shareholding in Port Otago Limited.

The budget balance of the reserve at 30 June 2023 was \$637.796 million, whereas the actual balance is \$703.890 million.

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2023

\$000s	Notes	Council 2023	Council Budget	Council 2022	Group 2023	Group 2022
REVENUE FROM NON-EXCHANGE TRANSACTIONS						
Rates revenue	1	47,342	47,228	40,211	47,222	40,106
Grant revenue and subsidies		26,187	22,102	21,691	26,187	21,691
Other revenue	1	8,234	10,949	6,673	8,109	6,673
REVENUE FROM EXCHANGE TRANSACTIONS						
Dividends	16	14,469	14,000	13,469	469	469
Interest and investment revenue		5,008	750	344	386	209
Other revenue	1	4,343	5,040	4,441	115,475	92,397
TOTAL REVENUE		105,583	100,069	86,829	197,848	161,545
EXPENDITURE						
Employee benefits expense	2	(28,397)	(32,692)	(25,692)	(65,926)	(56,845)
Depreciation and amortisation expense	3	(4,140)	(4,356)	(3,949)	(16,306)	(15,924)
Finance costs	22	(5,203)	(250)	(224)	(4,399)	(3,012)
Other expenses	4	(72,986)	(66,022)	(60,299)	(101,242)	(82,903)
TOTAL OPERATING EXPENDITURE		(110,726)	(103,320)	(90,164)	(187,873)	(158,684)
Other gains / (losses)	5	1,506	1,064	(1,953)	1,998	59,115
SURPLUS / (DEFICIT) BEFORE TAX		(3,637)	(2,187)	(5,289)	11,973	61,976
Income tax benefit / (expense)	6	-	-	100	(6,280)	(9,757)
SURPLUS / (DEFICIT) FOR THE YEAR		(3,637)	(2,187)	(5,189)	5,693	52,219
OTHER COMPREHENSIVE REVENUE AND EXPENSES						
Items that may be reclassified to surplus / (deficit):						
Fair value through Other Comprehensive Revenue and Expense financial assets:						
Fair value gain/(loss) on shares in subsidiary	16	23,600	24,531	87,960	-	-
Cashflow hedges:						
Unrealised movement in hedging interest rate swaps		-	-	-	165	2,385
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		23,600	24,531	87,960	165	2,385
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		19,963	22,344	82,771	5,858	54,604

The accompanying notes form part of these financial statements.

Financial Statements

Statement of Financial Position as at 30 June 2023

\$000s	Notes	Council 2023	Council Budget	Council 2022	Group 2023	Group 2022
CURRENT ASSETS						
Cash and cash equivalents	7	14,830	2,049	13,243	14,885	13,323
Trade and other receivables	8	18,192	9,304	11,140	36,279	22,690
Investment property inventories	13	-	-	-	15,507	16,428
Other financial assets	15	25,262	36,796	23,434	25,262	23,434
Property held for sale	17	3,350	-	-	3,350	2,060
Other financial instruments	23	-	-	-	2,149	1,128
Other current assets		1,433	698	883	4,495	3,593
TOTAL CURRENT ASSETS		63,067	48,847	48,700	101,927	82,656
NON-CURRENT ASSETS						
Shares in subsidiary	16	723,890	657,795	700,290	-	-
Property, plant and equipment	11	93,994	106,065	97,032	332,480	321,706
Intangible assets	14	820	3,982	1,450	5,025	5,698
Non current related party receivable	16	125,088	-	99,960	-	-
Investment property	12	16,795	16,810	16,795	621,709	588,980
Other financial instruments	23	-	-	-	2,430	3,153
Borrower notes	21	500	-	-	2,588	1,210
Deferred Tax Asset	33	-	98	98	-	-
TOTAL NON-CURRENT ASSETS		961,087	784,750	915,625	964,232	920,747
TOTAL ASSETS		1,024,154	833,597	964,325	1,066,159	1,003,403
CURRENT LIABILITIES						
Trade and other payables	9	22,594	18,614	18,196	37,735	27,017
Borrowings	21	58,878	-	67,956	64,418	76,206
Employee entitlements	10	2,716	2,343	2,408	8,795	7,145
Other financial instruments	23	-	-	-	23	-
Tax payable		-	-	-	4,715	848
TOTAL CURRENT LIABILITIES		84,188	20,957	88,560	115,686	111,216
NON-CURRENT LIABILITIES						
Employee entitlements	10	-	-	-	861	903
Borrowings	21	91,438	-	47,200	101,438	47,200
Deferred tax liabilities	33	-	-	-	19,473	21,357
Other financial instruments	23	-	25,000	-	115	-
TOTAL NON-CURRENT LIABILITIES		91,438	25,000	47,200	121,887	69,460
TOTAL LIABILITIES		175,626	45,957	135,760	237,573	180,676
NET ASSETS		848,528	787,640	828,565	828,586	822,727
EQUITY						
Reserves	18	747,994	666,120	723,546	450,367	449,811
Public equity	19	100,534	121,520	105,019	378,219	372,916
TOTAL EQUITY		848,528	787,640	828,565	828,586	822,727

Statement of Changes in Net Assets/Equity for the year ended 30 June 2023

\$000s	TOTAL COUNCIL 2023					
	Opening Balance 1 July 2022	Other Comp. Revenue and Expense	Transfers In	Transfers Out	Closing Balance 30 June 2023	Council Budget
EQUITY						
General Rate Equity	61,221	(3,637)	64,303	(62,616)	59,270	78,607
Targeted Rate Equity	43,798	-	58,735	(61,269)	41,264	42,913
TOTAL PUBLIC EQUITY	105,019	(3,637)	123,038	(123,885)	100,534	121,520
RESERVES						
Asset Replacement Reserve	2,540	-	2,656	(2,297)	2,899	754
Asset Revaluation Reserve	14,734	-	(4)	-	14,730	14,749
Port Share Revaluation Reserve	680,290	23,600	-	-	703,890	637,796
Building Reserve	13,840	-	355	(113)	14,082	1,938
Emergency Response Reserve	4,563	-	117	-	4,680	4,611
Water Management Reserve	684	-	16	(228)	472	5
Kuriwao Endowment Reserve	6,857	-	689	(318)	7,228	6,258
Environmental Enhancement Reserve	38	-	302	(327)	13	9
TOTAL RESERVES	723,546	23,600	4,131	(3,283)	747,994	666,120
TOTAL EQUITY AND RESERVES	828,565	19,963	127,169	(127,168)	848,528	787,640

\$000s	TOTAL GROUP 2023					
	Opening Balance 1 July 2022	Other Comp. Revenue and Expense	Transfers In	Transfers Out	Closing Balance 30 June 2023	
EQUITY						
General Rate Equity	329,118	5,693	64,303	(62,159)	336,955	
Targeted Rate Equity	43,798	-	58,735	(61,269)	41,264	
TOTAL PUBLIC EQUITY	372,916	5,693	123,038	(123,428)	378,219	
RESERVES						
Asset Replacement Reserve	2,540	-	2,656	(2,297)	2,899	
Asset Revaluation Reserve	419,340	-	(462)	-	418,878	
Building Reserve	13,840	-	355	(113)	14,082	
Emergency Response Reserve	4,563	-	117	-	4,680	
Hedging Reserve	1,950	165	-	-	2,115	
Water Management Reserve	684	-	16	(228)	472	
Kuriwao Endowment Reserve	6,857	-	689	(318)	7,228	
Environmental Enhancement Reserve	38	-	302	(327)	13	
TOTAL RESERVES	449,811	165	3,673	(3,283)	450,367	
TOTAL EQUITY AND RESERVES	822,727	5,858	126,711	(126,711)	828,586	

The accompanying notes form part of these financial statements.

Financial Statements

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

\$000s	TOTAL COUNCIL 2022					
	Opening Balance 1 July 2021	Other Comp. Revenue and Expense	Transfers In	Transfers Out	Closing Balance 30 June 2022	Council Budget
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
Port Share 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
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	TOTAL GROUP 2022					
	Opening Balance 1 July 2021	Other Comp. Revenue and Expense	Transfers In	Transfers Out	Closing Balance 30 June 2022	
EQUITY						
General Rate Equity	334,015	52,219	56,963	(114,079)	329,118	
Targeted Rate Equity	46,411	-	50,704	(53,317)	43,798	
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	
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)	499,811	
TOTAL EQUITY AND RESERVES	768,121	54,606	171,292	(171,292)	822,727	

The accompanying notes form part of these financial statements.

Cash Flow Statement for the year ended 30 June 2023

\$000s	Notes	Council 2023	Council Budget	Council 2022	Group 2023	Group 2022
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from exchange transactions						
Receipts from customers		43,608	47,228	38,086	111,173	91,242
Grant income and subsidies		26,187	22,102	21,691	26,187	21,691
Other receipts		8,234	15,997	6,673	8,234	6,673
Receipts from non-exchange transactions						
Interest and investment income		4,643	750	153	4,643	153
Rental income		1,147	-	1,145	35,009	32,519
Subvention payment		100	-	100	-	-
Dividends		14,000	14,000	13,000	-	-
Other receipts		3,219	-	2,613	3,219	2,613
Payments to suppliers and employees		(99,377)	(98,714)	(85,085)	(154,936)	(132,766)
Payments to suppliers and employees		-	-	-	-	(283)
Interest and other costs of finance paid		(5,203)	(250)	(224)	(8,815)	(3,135)
Income tax received / (paid)		-	-	-	(4,361)	(3,878)
Donations		(350)	-	(350)	(350)	(350)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		(3,792)	1,113	(2,198)	20,003	14,479
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest capitalised		-	-	-	(1,041)	(159)
Proceeds from the sale of Property, Plant and Equipment		1	420	255	5,714	569
Proceeds from the sale of intangibles		190	-	-	190	-
Sale of investment property		-	-	-	2,596	214
Purchase of improvements to investment property		(5)	-	-	(31,915)	(29,912)
Purchase of Property, Plant and Equipment		(4,284)	(11,258)	(4,315)	(35,002)	(19,792)
Purchase of intangible assets		(55)	(1,850)	(75)	(55)	(86)
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		(4,153)	(12,688)	(4,135)	(59,513)	(49,166)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds from borrowings		35,160	-	115,156	213,262	223,411
Lending to Port Otago Ltd		(25,628)	-	(99,960)	-	-
Repayment of borrowings		-	-	-	(172,190)	(180,305)
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES		9,532	-	15,196	41,072	43,106
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,587	(11,575)	8,863	1,562	8,419
CASH AND CASH EQUIVALENTS AS AT 1 JULY 2022		13,243	13,624	4,380	13,323	4,621
CASH AND CASH EQUIVALENTS AS AT 30 JUNE 2023		14,830	2,049	13,243	14,885	13,040

The accompanying notes form part of these financial statements.

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 to Net Cash Flows from Operating Activities

\$000s	Notes	Council 2023	Council 2022	Group 2023	Group 2022
SURPLUS / (DEFICIT) FOR THE YEAR		(3,637)	(5,189)	5,693	52,219
ADD / (LESS) NON-CASH ITEMS					
Depreciation and amortisation		4,140	3,949	16,307	15,924
(Gain) / loss on sale of property, plant and equipment		(381)	(196)	(1,378)	(296)
Write off of intangible assets		-	-	-	-
Provision for doubtful debts		50	(12)	50	(12)
Bad debts written off		(51)	-	(51)	-
(Gain) / loss on revaluation of investment property		4	(305)	462	(60,070)
Net change in fair value of derivative financial instruments		-	-	47	-
Net change in fair value of financial instruments		(1,129)	2,412	(1,129)	(1,203)
Share of surpluses retained by joint ventures		-	-	-	2,412
Unrealised foreign currency (gains) losses		-	-	23	-
Movement in non-current employee entitlements		-	-	(42)	-
Deferred tax		-	-	(1,948)	53
Impairment of property, plant and equipment		-	42	-	4,026
Write-off of property, plant and equipment work in progress		(25)	-	(25)	42
		(1,029)	701	18,009	13,095
Movement in working capital					
Trade and other receivables		(7,054)	(2,822)	(10,199)	3,559
Inventories		-	-	(921)	(5,067)
Other current assets		(552)	(185)	902	(1,362)
Trade and other payables		4,399	1,165	7,279	3,037
Provisions		-	(783)	-	(783)
Employee entitlements		308	265	1,650	830
Tax payable		-	-	3,867	848
Movement in working capital items classified as investment activities		137	(539)	(584)	605
		(2,762)	(2,899)	1,994	1,667
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		(3,791)	(2,198)	20,003	14,762

Notes to the Financial Statements

Blue Lake St Bathans

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 2023 and were authorised for issue by Council on 25 October 2023.

Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 (Financial reporting and Prudence) Regulations 2014 (LG(FRP)R), which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

Financial Statements

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 a going concern basis.

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.

PBE IPSAS 41 Financial Instruments

The external Reporting Board (XRB) issues PBE IPSAS 41 Financial Instruments, which supersedes both PBE IFRS 9 Financial Instruments and PBE IPSAS 29 Financial Instruments Recognition and Measurement.

The main changes between PBE IPSAS 29 and PBE IPSAS 41 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses.
- Revised hedger account requirement to better reflect the management of risks.

PBE IPSAS 41 amended the financial instruments disclosure, the table below outlines the change in classification.

Financial Assets	Classification PBE IPSAS 29	Classification PBE IPSAS 41
Cash and cash equivalents	Loans and Receivables	Amortised cost
Trade and other receivables	Loans and Receivables	Amortised cost
Related party receivable	Loans and Receivables	Amortised cost
Borrower notes	Loans and Receivables	Amortised cost
Other Financial Instruments	FVTSD	FVTSD
Other financial assets	FVTSD	FVTSD
Other current assets	Loans and Receivables	Amortised cost
Shares in subsidiary	FVTOCRE	FVTOCRE

FVTOCRE = Fair value through Other Comprehensive Revenue and Expense

FVTSD = Fair value through Surplus or Deficit

There has been no measurement adjustment on transition to PBE IPSAS 41.

Standards and interpretations issued and not yet adopted

PBE Standard and interpretations that have recently been issues or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2023 are outlined below:

- Amendments to PBE IPSAS 1 – Disclosure of Fee for Audit Firms’ Services; effective for periods commencing 30 June 2024

Council expects to adopt the above standard in the period in which it becomes mandatory. Council anticipates that the above standard is 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.

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



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. Schedule of Depreciation and Amortisation**
- 4. Other Expenses**
- 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 2023	Council 2022	Group 2023	Group 2022
Revenue from exchange transactions				
Port Revenue	-	-	77,350	56,582
Consents and regulatory fees	3,196	3,296	3,158	3,296
Investment property rental income	804	810	34,624	32,184
Other property rental income	343	335	343	335
	4,343	4,441	115,475	92,397
Revenue from non-exchange transactions				
Consents and regulatory fees	1,241	962	1,241	962
Other activity fees and charges	6,993	5,711	6,868	5,711
	8,234	6,673	8,109	6,673

Rates Revenue

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
Rate revenue:				
General rates	23,174	19,656	23,143	19,627
Targeted rates	24,168	20,555	24,079	20,479
	47,342	40,211	47,222	40,106

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 2023	Council 2022	Group 2023	Group 2022
Employee benefits expense:				
Salaries and wages	27,168	24,187	64,697	55,340
Defined Contribution Plans	1,182	1,077	1,182	1,077
Termination payments	47	428	47	428
	28,397	25,692	65,926	56,845

Financial Statements

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	Council 2023	Council 2022	Group 2023	Group 2022
Depreciation and Amortisation				
Depreciation of property plant and equipment	3,659	3,450	14,877	14,118
Amortisation of intangible assets	481	499	1,212	1,641
Amortisation of leasing costs	-	-	217	165
	4,140	3,949	16,306	15,924

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	Actual 2022/2023	Annual Plan 2022/23	Actual 2021/22	Long Term Plan 2021/22
Depreciation and Amortisation				
Environment	359	392	277	350
Regional Leadership	174	175	166	121
Safety & Resilience	938	984	948	1,011
Transport	783	788	786	580
Corporate	1,886	2,017	1,772	1,512
	4,140	4,356	3,949	3,574

4. Other Expenses

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
Other expenses				
Net bad and doubtful debts	50	(12)	50	(12)
Donations	350	350	811	612
Company Directors' remuneration	-	-	490	500
Minimum lease payments	648	651	2,365	1,923
Fuel and Electricity	575	442	4,975	4,082
Purchased materials and services	71,336	58,750	92,024	75,680
Other	27	118	27	118
	72,986	60,299	101,242	82,903

Remuneration of Auditors

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
Audit fees for financial statements audit	182	120	182	120
Other services - Debenture Trust Reporting	6	6	6	6
	188	126	188	126
Audit fees to other auditors for audit of financial statements of group entities	-	-	184	223
Audit fees for Pleasant River Te Hākapupu Project	5	-	5	6
Audit fees to other auditors for other services to group activities	-	-	3	62
	5	-	192	291
	193	126	380	417

The auditor for an 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	Council 2023	Council 2022	Group 2023	Group 2022
Other Gains / (Losses)				
Gain / (loss) on revaluation of investment property	(4)	305	(462)	60,070
Gain / (loss) on disposal of property, plant and equipment	381	154	1,378	254
Net change in fair value of financial assets carried at fair value through the profit and loss	1,129	(2,412)	1,129	(2,412)
Fair value change in forward start interest rate swaps	-	-	(47)	1,203
	1,506	(1,953)	1,998	59,115
GAINS	1,510	459	2,507	61,527
LOSSES	(4)	(2,412)	(509)	(2,412)

Financial Statements

6. Income Taxes

Income Tax Recognised in Statement of Comprehensive Revenue and Expense

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
INCOME TAX (EXPENSE) / BENEFIT COMPRISES:				
Current year - current tax	-	-	(8,160)	(5,816)
Current year - deferred tax	-	100	1,909	(4,026)
Prior period adjustment current tax	-	-	(29)	85
INCOME TAX (EXPENSE) / BENEFIT REPORTED IN THE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	-	100	(6,280)	(9,757)
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	(3,637)	(5,289)	11,973	61,976
	(3,637)	(5,289)	11,973	61,976
Income tax expense (credit) calculated at 28%	(1,102)	(1,481)	3,352	17,353
Non-deductible expenses	31,003	25,146	30,953	25,184
Non-assessable income	(25,981)	(20,125)	(26,191)	(20,154)
Unrealised change in investment property	-	-	(2,673)	(13,146)
Deferred tax expense relating to the origination and reversal of temporary differences	-	-	869	505
Prior period adjustment	-	-	(30)	15
Imputation credits utilised	(3,920)	(3,640)	-	-
	-	(100)	6,280	9,757

Council entered into an agreement for the Council to transfer 2022 tax year losses to its subsidiary Port Otago Limited. In conjunction with the tax loss transfer of \$257,276 (2022 tax year: \$257,364), by way of a tax loss offset, Port Otago Limited made a subvention payment of \$100,051 (2022 tax year: \$100,086) 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 2023	Group 2022
BALANCE AT END OF YEAR	55,903	47,211



Financial Statements

Notes to the Financial Statements:

Working Capital



Shotover River, Central Otago

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**



Financial Statements

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 2023	Council 2022	Group 2023	Group 2022
CASH AND CASH EQUIVALENTS:				
Cash at bank and on hand	6,830	13,243	6,885	13,323
Term deposits with maturities less than 3 months	8,000	-	8,000	-
	14,830	13,243	14,885	13,323

8. Trade and Other Receivables

Trade and other receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and Group apply the simplified ECL model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivable have been grouped into rates receivables, and other receivables, and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

Rates are "written off"

- When remitted in accordance with the Council's rates remission policy and
- In accordance with the write-off criteria of sections 90A (where rates cannot be reasonable recovered) and 90B (in relation to Maori freehold land) of the Local Government (Rating) Act 2002.

Other receivables are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than two years overdue.

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS				
Trade receivables	2,295	2,277	20,426	14,207
Expected credit loss allowance	(75)	(75)	(119)	(455)
	2,220	2,202	20,307	13,752
Goods and Services Tax receivable	935	975	935	975
	3,155	3,177	21,242	14,727
TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
Trade receivables	8,032	4,774	8,032	4,774
Expected credit loss allowance	(79)	(28)	(79)	(28)
	7,953	4,746	7,953	4,746
Accrued income	7,084	3,217	7,084	3,217

	15,037	7,963	15,037	7,963
TOTAL	18,192	11,140	36,279	22,690

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

The Chief Executive approved the write off rates receivables during the year under Local Government (Rating) Act 2022 as follows:

Section 90 A Nil (2022: Nil)

Section 90 B Nil (2022: Nil)

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 2023	Council 2022	Group 2023	Group 2022
Trade payables for Exchange transactions	15,140	10,867	30,281	19,688
Other accrued charges	7,454	7,329	7,454	7,329
	22,594	18,196	37,735	27,017

(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 2023	Council 2022	Group 2023	Group 2022
Accrued salary and wages	555	395	2,087	1,342
Annual leave	2,150	2,002	6,568	5,659
Long service leave	-	-	685	866
Retiring allowances	11	11	48	48
Sick leave	-	-	130	133
	2,716	2,408	9,518	8,048
Disclosed in the financial statements as:				
Current	2,716	2,408	8,795	7,145
Non-current	-	-	861	903
	2,716	2,408	9,656	8,048



Financial Statements

Notes to the Financial Statements:

Investments and Long-Term Assets

Poolburn, Central Otago

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 2023

\$000s	Cost 01 July 2022	Additions	Disposals	Transfers	Reclass	Cost 30 June 2023
COUNCIL OPERATIONAL ASSETS						
Land	12,550	-	-	(3,350)	-	9,200
Endowment Land	780	-	(295)	-	-	485
Buildings	7,542	87	-	73	-	7,702
Plant and Vehicles	11,511	1,987	(386)	99	-	13,211
Capital Work-in-Progress	361	278	-	(172)	-	467
TOTAL OPERATIONAL ASSETS	32,744	2,352	(681)	(3,350)	-	31,065
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	28,470	24	-	-	-	28,494
Protection Works	9,741	-	-	-	-	9,741
Structures	43,443	35	-	1	-	43,479
Drains	3,760	-	-	-	-	3,760
Bridges	1,455	-	-	-	-	1,455
Culverts	1,965	117	-	30	-	2,112
Transport Infrastructure & Hardware	5,235	-	-	-	-	5,235
Capital Work-in-Progress	1,612	1,769	-	(31)	-	3,350
TOTAL INFRASTRUCTURAL ASSETS	95,681	1,946	-	-	-	97,627
TOTAL COUNCIL PROPERTY, PLANT AND EQUIPMENT	128,425	4,298	(681)	(3,350)	-	128,692

\$3,350,000 was transferred from land and property plant and equipment to property held for sale refer to note 17.

Financial Statements

\$000s	Accumulated Depreciation and Impairment Charges 01 July 2022	Impairment Charges	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Accumulated Depreciation and Impairment Charges 30 June 2023	Book Value 30 June 2023
COUNCIL OPERATIONAL ASSETS						
Land	-	-	-	-	-	9,200
Endowment Land	-	-	-	-	-	485
Buildings	(2,519)	-	(400)	-	(2,919)	4,783
Plant and Vehicles	(5,748)	-	(1,546)	354	(6,940)	6,271
Capital Work-in-Progress	-	-	-	-	-	467
TOTAL OPERATIONAL ASSETS	(8,267)	-	(1,946)	354	(9,859)	21,206
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	(44)	-	-	-	(44)	28,450
Protection Works	-	-	-	-	-	9,741
Structures	(20,106)	-	(905)	-	(21,011)	22,468
Drains	-	-	-	-	-	3,760
Bridges	(1,128)	-	(44)	-	(1,172)	283
Culverts	-	-	-	-	-	2,112
Transport Infrastructure & Hardware	(1,847)	-	(765)	-	(2,612)	2,623
Capital Work-in-Progress	-	-	-	-	-	3,350
TOTAL INFRASTRUCTURAL ASSETS	(23,125)	-	(1,714)	-	(24,839)	72,788
TOTAL COUNCIL PROPERTY, PLANT AND EQUIPMENT	(31,392)	-	(3,659)	354	(34,698)	93,994

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.

11. Property, Plant and Equipment

COUNCIL 2022

\$000s	Cost 01 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

Financial Statements

\$000s	Accumulated Depreciation and Impairment Charges 01 July 2021	Impairment Charges	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Accumulated Depreciation and Impairment Charges 30 June 2022	Book Value 30 June 2022
COUNCIL OPERATIONAL ASSETS						
Land	-	-	-	-	-	12,550
Endowment Land	-	-	-	-	-	780
Buildings	(2,135)	-	(384)	-	(2,519)	5,023
Plant and Vehicles	(6,338)	-	(1,335)	1,925	(5,748)	5,763
Capital Work-in-Progress	-	-	-	-	-	361
TOTAL OPERATIONAL ASSETS	(8,473)	-	(1,719)	1,925	(8,267)	24,477
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	(44)	-	-	-	(44)	28,426
Protection Works	-	-	-	-	-	9,741
Structures	(19,190)	-	(916)	-	(20,106)	23,337
Drains	-	-	-	-	-	3,760
Bridges	(1,085)	-	(43)	-	(1,128)	327
Culverts	-	-	-	-	-	1,965
Transport Infrastructure & Hardware	(1,088)	-	(772)	13	(1,847)	3,387
Capital Work-in-Progress	-	-	-	-	-	1,612
TOTAL INFRASTRUCTURAL ASSETS	(21,407)	-	(1,731)	13	(23,126)	72,555
TOTAL COUNCIL PROPERTY, PLANT AND EQUIPMENT	(29,880)	-	(3,450)	1,938	(31,392)	97,032

IPSAS 21 Impairment of a non-cash generating asset requires an impairment assessment if there is any indication that an asset may be impaired. No assessment was required in 2022/2023 and 2022/2021.

11. Property, Plant and Equipment

GROUP 2023

\$000s	Cost 01 July 2022	Additions	Disposals	Transfers	Reclass	Cost 30 June 2023
OPERATIONAL ASSETS						
Land	12,550	-	-	(3,350)	-	9,200
Endowment Land	780	-	(295)	-	-	485
Buildings	7,541	87	-	73	-	7,701
Plant and Vehicles	11,511	1,987	(386)	99	-	13,211
Capital Work-in-Progress	361	278	-	(172)	-	467
Land- Port	36,205	3,385	-	-	-	39,590
Buildings and improvements- Port	90,887	3,506	(44)	-	-	94,349
Wharves and berths dedging- Port	91,335	5,851	(5,713)	-	-	91,473
Plant, Equipment and vehicles- Port	122,587	4,150	(2,593)	-	-	124,144
Capital work in progress- Port	13,349	32,497	-	(18,606)	-	27,240
TOTAL OPERATIONAL ASSETS	387,106	51,741	(9,031)	(21,956)	-	407,860
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	28,470	24	-	-	-	28,494
Protection Works	9,741	-	-	-	-	9,741
Structures	43,443	35	-	1	-	43,479
Drains	3,760	-	-	-	-	3,760
Bridges	1,455	-	-	-	-	1,455
Culverts	1,965	117	-	30	-	2,112
Transport Infrastructure & Hardware	5,235	-	-	-	-	5,235
Capital Work-in-Progress	1,612	1,769	-	(31)	-	3,350
TOTAL INFRASTRUCTURAL ASSETS	95,681	1,945	-	-	-	97,626
TOTAL COUNCIL PROPERTY, PLANT AND EQUIPMENT	482,787	53,686	(9,031)	(21,956)	-	505,486

Financial Statements

\$000s	Accumulated Depreciation and Impairment Charges 01 July 2022	Impairment Charges	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Accumulated Depreciation and Impairment Charges 30 June 2023	Book Value 30 June 2023
OPERATIONAL ASSETS						
Land	-	-	-	-	-	9,200
Endowment Land	-	-	-	-	-	485
Buildings	(2,519)	-	(400)	-	(2,919)	4,782
Plant and Vehicles	(5,748)	-	(1,546)	354	(6,940)	6,271
Capital Work-in-Progress	-	-	-	-	-	467
Land- Port	-	-	-	-	-	39,590
Buildings and improvements- Port	(31,503)	-	(3,218)	11	(34,710)	59,639
Wharves and berths dedging- Port	(29,013)	-	(1,836)	-	(30,849)	60,624
Plant, Equipment and vehicles- Port	(69,174)	-	(6,164)	2,589	(72,749)	51,395
Capital work in progress- Port	-	-	-	-	-	27,240
TOTAL OPERATIONAL ASSETS	(137,957)	-	(13,164)	2,954	(148,167)	259,693
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	(44)	-	-	-	(44)	28,450
Protection Works	-	-	-	-	-	9,741
Structures	(20,106)	-	(905)	-	(21,011)	22,468
Drains	-	-	-	-	-	3,760
Bridges	(1,128)	-	(44)	-	(1,172)	283
Culverts	-	-	-	-	-	2,112
Transport Infrastructure & Hardware	(1,847)	-	(765)	-	(2,612)	2,623
Capital Work-in-Progress	-	-	-	-	-	3,350
TOTAL INFRASTRUCTURAL ASSETS	(23,124)	-	(1,714)	-	(24,839)	72,787
TOTAL COUNCIL PROPERTY, PLANT AND EQUIPMENT	(161,081)	-	(14,877)	2,954	(173,006)	332,480

11. Property, Plant and Equipment

GROUP 2022

\$000s	Cost 01 July 2021	Additions	Disposals	Transfers	Reclass	Cost 30 June 2022
OPERATIONAL ASSETS						
Land	12,550	-	-	-	-	12,550
Endowment Land	780	-	-	-	-	780
Buildings	7,287	188	-	66	-	7,541
Plant and Vehicles	10,890	2,482	(1,968)	107	-	11,511
Capital Work-in-Progress	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 dedging- 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 COUNCIL PROPERTY, PLANT AND EQUIPMENT	467,064	19,907	(4,091)	(11)	(82)	482,787

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\$000s	Accumulated Depreciation and Impairment Charges 01 July 2021	Impairment Charges	Depreciation Expense	Accumulated Depreciation Reversed on Disposal	Accumulated Depreciation and Impairment Charges 30 June 2022	Book Value 30 June 2022
OPERATIONAL ASSETS						
Land	-	-	-	-	-	12,550
Endowment Land	-	-	-	-	-	780
Buildings	(2,135)	-	(384)	-	(2,519)	5,022
Plant and Vehicles	(6,338)	-	(1,335)	1,925	(5,748)	5,763
Capital Work-in-Progress	-	-	-	-	-	361
Land- Port	-	-	-	-	-	36,205
Buildings and improvements- Port	(29,032)	-	(3,001)	530	(31,503)	59,384
Wharves and berths dedging- Port	(27,174)	-	(1,839)	-	(29,013)	62,322
Plant, Equipment and vehicles- Port	(64,661)	-	(5,828)	1,315	(69,174)	53,413
Capital work in progress- Port	-	-	-	-	-	13,349
TOTAL OPERATIONAL ASSETS	(129,340)	-	(12,387)	3,770	(137,957)	249,149
COUNCIL INFRASTRUCTURAL ASSETS						
Floodbanks	(44)	-	-	-	(44)	28,426
Protection Works	-	-	-	-	-	9,741
Structures	(19,190)	-	(916)	-	(20,106)	23,337
Drains	-	-	-	-	-	3,760
Bridges	(1,085)	-	(43)	-	(1,128)	327
Culverts	-	-	-	-	-	1,965
Transport Infrastructure & Hardware	(1,088)	-	(772)	14	(1,846)	3,389
Capital Work-in-Progress	-	-	-	-	-	1,612
TOTAL INFRASTRUCTURAL ASSETS	(21,407)	-	(1,731)	14	(23,124)	72,557
TOTAL COUNCIL PROPERTY, PLANT AND EQUIPMENT	(150,747)	-	(14,118)	3,784	(161,081)	321,706

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.

Infrastructure 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
Buildings- Council	10- 50 years
Plant and vehicles- Council	3 -20 years
Buildings and improvements- Port	10- 50 years
Wharves- Port	15- 70 years
Vessels and floating plant- Port	5 -30 years
Plant, equipment and vehicles- Port	3 - 30 years

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Infrastructural Assets	Life
Floodbanks	Unlimited
Protection works	Unlimited
Drains	Unlimited
Culverts	Unlimited
Structures	8- 100 years
Bridges	33- 100 years
Transport infrastrucutre 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

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 2023	Council 2022	Group 2023	Group 2022
BALANCE AT BEGINNING OF YEAR		16,795	16,490	588,980	495,780
Subsequent capital expenditure		4	-	31,611	28,661
Interest capitalised		-	-	573	110
Net movement in incentives		-	-	(104)	376
Net movement in prepaid leasing costs		-	-	(26)	512
Transfer to investment property inventories	13	-	-	1,137	5,531
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	(4)	305	(462)	60,070
BALANCE AT END OF YEAR		16,795	16,795	621,709	588,980

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
Valuation Analysis				
VALUED AT 30 JUNE BALANCE DATE AS DETERMINED BY:				
Jones Lang LaSalle	-	-	119,956	65,936
Bayleys Valuations Limited	-	-	269,760	248,755
CVAS (NZ) Limited (Colliers)	-	-	178,000	209,350
CBRE Limited (CBRE)	-	-	30,900	31,900
Tay and Tay Limited	16,795	16,795	16,795	16,795
	16,795	16,795	615,411	572,736
Plus: investment property under construction carried at cost	-	-	6,298	16,244
	16,795	16,795	621,709	588,980

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.

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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 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)	4.8%	7.0%	4.5%	10.0%
Market rental (\$ per Sqm)	(ii)	\$47	\$245	\$12	\$420
Discount rate (%)	(iii)	6.5%	8.5%	6.3%	11.0%
Rental growth rate (%)	(iv)	2.0%	25.0%	2.0%	3.8%
Terminal capitalisation rate (%)	(v)	5.0%	8.5%	4.6%	10.3%
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.

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 2023	Council 2022	Group 2023	Group 2022
BALANCE AT BEGINNING OF YEAR		-	-	16,428	21,495
Transfer from investment property	12	-	-	-	-
Transfer to investment property	12	-	-	(1,137)	(5,531)
Land acquired from joint venture partner		-	-	-	-
Disposals		-	-	-	-
Subsequent capital expenditure		-	-	216	464
Interest capitalised		-	-	-	-
BALANCE AT END OF YEAR		-	-	15,507	16,428

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
COMPRISING:				
Development land for sale	-	-	15,507	16,428
Units and warehouse developments	-	-	-	-
	-	-	15,507	16,428

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.

Disposals are recorded in revenue as sales of property inventories with the cost of sales recorded in operating expense as cost of sales of property inventories.

Developed Land for Sale

The \$15.5 million carrying value at balance date reflects the cost of 6.7 hectares of developed land for sale. In their June 2023 valuation, Jones Lang LaSalle stated a net realisable value of \$37.1 million for this land on hand. At June 2022, the \$16.4 million carrying value of developed land reflected the Groups 7.3 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 2022 of \$42.1 million.

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14. Intangible Assets

\$000s	Council Computer Software	Council Total	Group Computer Software	Group Resource Consents	Group Total
GROSS CARRYING AMOUNT					
Balance as at 30 June 2021	5,880	5,880	14,526	5,650	20,176
Additions	75	75	75	-	75
Capital WIP additions	-	-	-	-	-
Capital WIP write offs	-	-	-	-	-
Transfer to complete asset	-	-	-	-	-
Transfer to Property plant and equipment	(14)	(14)	(4)	-	(4)
Disposals	-	-	-	-	-
BALANCE AT 30 JUNE 2022	5,941	5,941	14,597	5,650	20,247
Additions	-	-	-	-	-
Capital WIP additions	-	-	-	688	688
Capital WIP write offs	-	-	-	-	-
Transfer to complete asset	-	-	-	-	-
Disposals	(190)	(190)	(190)	-	(190)
BALANCE AT 30 JUNE 2023	5,751	5,751	14,407	6,338	20,745
ACCUMULATED AMORTISATION AND IMPAIRMENT					
Balance as 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)	(2,197)	(14,549)
Amortisation expense	(481)	(481)	(872)	(340)	(1,212)
Disposals	41	41	41	-	41
BALANCE AT 30 JUNE 2023	(4,931)	(4,931)	(13,183)	(2,537)	(15,720)
NET BOOK VALUE					
AS AT 30 JUNE 2022	1,450	1,450	2,245	3,453	5,698
AS AT 30 JUNE 2023	820	820	1,224	3,801	5,025

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 2023	Council 2022	Group 2023	Group 2022
CARRIED AT FAIR VALUE				
Current:				
Managed funds - cash	2,541	1,713	2,541	1,713
Managed funds - bonds	11,264	10,340	11,264	10,340
Managed funds - equities	11,457	11,381	11,457	11,381
	25,262	23,434	25,262	23,434

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through Other Comprehensive Revenue and Expenses (FVTOCRE); and
- fair value through Surplus and Deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless it has been designated at FVTSD, in which case it is recognised in surplus and deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cashflows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost of FVTOCRE are subsequently measured at FVTSD. However, the Council and Group may elect at initial recognition to the designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Financial Statements

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- Level 1 - Quoted market price - Financial instruments with quoted prices for identical instruments in active markets.
- Level 2 - Valuation technique using observable inputs - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 - Valuation techniques with significant non-observable inputs - Financial instruments valued using models where one or more significant inputs are non-observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the Statement of Financial Position.

\$000s	Council				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
2023								
Financial assets at FVTSD: Other financial assets	25,262	-	-	25,262	25,262	-	-	25,262
2022								
Financial assets at FVTSD: Other financial assets	23,434	-	-	23,434	23,434	-	-	23,434

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 designated at Fair Value Through Other Comprehensive Revenue and Expenses (FVTOCRE). 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 2023 was based on cashflows discounted using a weighted average cost of capital of 7.8% (2022: 8.6%), terminal growth rate 2.5% (2022: 3%) and discount for lack of marketability 3% (2022: 3%). Refer to Note 12 for revaluation inputs associated with the investment properties.

Sensitivity to WACC

- A decrease of 0.5% in WACC to 7.3% would result in a \$34.950 million increase in fair value
- An increase of 0.5% in WACC to 8.3% would result in a \$28.846 million decrease in fair value

Sensitivity to terminal growth rate

- A decrease of 0.5% in the terminal growth rate to 2.0% would result in a \$18.178 million decrease in fair value
- An increase of 0.5% in the terminal growth rate to 3.0% would result in a \$21.965 million increase in fair value

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
Balance at beginning of year	700,290	612,330	-	-
Gain / (loss) recognised in Other Comprehensive Revenue and Expense	23,600	87,960	-	-
BALANCE AT END OF YEAR	723,890	700,290	-	-

Financial Statements

Related Party Transactions

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

\$000s	Council 2023	Council 2022
REVENUE TRANSACTIONS		
Dividend payment made to Council	14,000	13,000
Rates	138	104
Other	206	46
Interest on borrowings	4,621	134
EXPENDITURE TRANSACTIONS		
Harbour Control Centre and other costs	60	60
Finance costs	125	45

During the 2022 year Council and Port Otago Limited, entered into an agreement whereby Council provides an unsecured related party loans facility of up to a maximum of \$100 million. This was increase to \$150 million during 2023. The related party loan amounts, interest rates and repayment dates ranging from November 2023 - April 2030 (2022: August 2022 to June 2029) 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 2023 Otago Regional Council had advanced loans of \$125,088,000 to Port Otago Limited (2022: \$99,960,000). 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 outlined 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:

SUBSIDIARIES	Principal activities	OWNERSHIP INTEREST	
		2023 %	2022 %
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

\$000s	Notes	Council 2023	Council 2022	Group 2023	Group 2022
BALANCE AT BEGINNING OF YEAR		-	-	2,060	-
Transfer from / (to) investment property	12	-	-	-	2,060
Transfer from / (to) land	11	3,350	-	3,350	-
Disposals		-	-	(2,060)	-
BALANCE AT END OF YEAR		3,350	-	3,350	2,060

Property classified as held for sale is measured at the lower of carrying amount and fair value less costs to sell. 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

Purakaunui Falls, Catlins

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. Borrowings

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.

PORT SHARE REVALUATION RESERVE

The Port share 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.

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.

COUNCIL

	Port share Revaluation Reserve	Asset Replacement Reserve	Emergency Response Reserve	Kuriwao Endowment Reserve	Asset Revaluation Reserve	Water Management Reserve	Building Reserve	Environmental Enhancement Reserve	Hedging Reserve	Total Reserves
\$000s										
BALANCES 30 JUNE 2021	592,330	2,937	4,476	6,962	14,429	905	13,573	9	-	635,621
TRANSFERS IN:										
General rate equity	-	2,465	-	63	-	-	-	470	-	2,998
Interest received	-	49	87	134	-	18	267	2	-	557
Revaluation gain	87,960	-	-	-	305	-	-	-	-	88,265
BALANCES 30 JUNE 2022	680,290	2,540	4,563	6,856	14,734	684	13,840	38	-	723,545
TRANSFERS IN:										
General rate equity	-	(2,911)	-	(53)	-	(239)	-	(443)	-	(3,646)
Targeted rate equity	-	-	-	(250)	-	-	-	-	-	(250)
BALANCES 30 JUNE 2023	703,890	2,899	4,680	7,228	14,730	472	14,082	13	-	747,994
TRANSFERS OUT:										
General rate equity	23,600	-	-	(317)	(4)	16	355	302	-	23,596
General rate equity	(2,297)	(2,297)	(67)	(250)	(228)	(113)	(327)	(3,032)	-	(250)
Targeted rate equity	-	(2,297)	-	(317)	(228)	(113)	(327)	(3,282)	-	(3,282)
BALANCES 30 JUNE 2023	703,890	2,899	4,680	7,228	14,730	472	14,082	13	-	747,994

GROUP

	Port share Revaluation Reserve	Asset Replacement Reserve	Emergency Response Reserve	Kuriwao Endowment Reserve	Revaluation Reserve	Asset Revaluation Reserve	Water Management Reserve	Building Reserve	Environmental Enhancement Reserve	Hedging Reserve	Total Reserves
BALANCES 30 JUNE 2021	-	2,937	4,476	6,962	359,270	905	13,573	9	(438)	387,694	
TRANSFERS IN:											
General rate equity	-	2,465	-	63	-	-	-	470	2,388	5,386	
Interest received	-	49	87	134	-	18	267	2	-	557	
Revaluation gain	-	-	-	-	60,070	-	-	-	-	60,070	
BALANCES 30 JUNE 2022	-	2,514	87	197	60,070	18	267	472	2,388	66,013	
TRANSFERS OUT:											
General rate equity	-	(2,911)	-	(53)	-	(239)	-	(443)	-	(3,646)	
Targeted rate equity	-	-	-	(250)	-	-	-	-	-	(250)	
BALANCES 30 JUNE 2022	-	2,540	4,563	6,856	419,340	684	13,840	38	1,950	449,811	

GROUP

	Port share Revaluation Reserve	Asset Replacement Reserve	Emergency Response Reserve	Kuriwao Endowment Reserve	Asset Revaluation Reserve	Water Management Reserve	Building Reserve	Environmental Enhancement Reserve	Hedging Reserve	Total Reserves
\$000s										
TRANSFERS IN:										
General rate equity		2,586	-	505	-	-	-	297	165	3,553
Interest received		70	117	184	-	16	355	5	-	747
Revaluation gain		-	-	-	(462)	-	-	-	-	(462)
		2,656	117	689	(462)	16	355	302	165	3,838
TRANSFERS OUT:										
General rate equity		(2,297)		(67)		(228)	(113)	(327)	-	(3,032)
Targeted rate equity				(250)					-	(250)
		(2,297)	-	(317)	-	(228)	(113)	(327)	-	(3,282)
BALANCES 30 JUNE		2,899	4,680	7,228	418,878	472	14,082	13	2,115	450,367
2023		-								

19. Public Equity

Public Equity – General Rates

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
BALANCE AT BEGINNING OF YEAR	61,221	63,761	329,118	334,015
NET SURPLUS / (DEFICIT)	(3,637)	(5,189)	5,693	52,219
TRANSFERS IN:				
Asset replacement reserve	2,297	2,911	2,297	2,911
Asset revaluation reserve	-	-	-	-
Building reserve	113	-	113	-
Environmental enhancement reserve	327	443	327	443
Kuriwao endowment reserve	67	53	67	53
Transfers from public equity - targeted rates	61,270	53,317	61,270	53,317
Water management reserve	228	239	228	239
	64,302	56,963	64,302	56,963
TRANSFERS OUT:				
Asset replacement reserve	(2,656)	(2,514)	(2,656)	(2,514)
Asset revaluation reserve	4	(305)	462	(60,070)
Building reserve	(355)	(267)	(355)	(267)
Emergency response reserve	(117)	(87)	(117)	(87)
Environmental enhancement reserve	(302)	(472)	(302)	(472)
Kuriwao endowment reserve	(689)	(197)	(689)	(197)
Transfers to public equity - targeted rates	(58,485)	(50,454)	(58,485)	(50,454)
Water management reserve	(16)	(18)	(16)	(18)
	(62,616)	(54,314)	(62,158)	(114,079)
BALANCE AT END OF YEAR	59,270	61,221	336,955	329,118

Public Equity - Targeted Equity

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
BALANCE AT BEGINNING OF YEAR	43,798	46,411	43,798	46,411
TRANSFERS IN:				
Kuriwao endowment reserve	250	250	250	250
Transfers from public equity - general rates	58,485	50,454	58,485	50,454
	58,735	50,704	58,735	50,704
TRANSFERS OUT:				
Transfers to public equity - general rates	(61,269)	(53,317)	(61,269)	(53,317)
	(61,269)	(53,317)	(61,269)	(53,317)
BALANCE AT END OF YEAR	41,264	43,798	41,264	43,798

Financial Statements

Total Public Equity

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
BALANCE AT BEGINNING OF YEAR	105,019	110,172	372,916	380,426
NET SURPLUS / (DEFICIT)	(3,637)	(5,189)	5,693	52,219
Transfers	(848)	36	(390)	(59,729)
BALANCE AT END OF YEAR	100,534	105,019	378,219	372,916

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

\$000s	Council and Group - 2023				Council and Group - 2022			
	Opening balance 01 July 2022	Transfers In	Transfers Out	Closing balance 30 June 2023	Opening balance 01 July 2021	Transfers In	Transfers Out	Closing balance 30 June 2022
RIVER MANAGEMENT RESERVES								
Central Otago river	434	352	(380)	406	434	335	(335)	434
Clutha river	(47)	391	(738)	(394)	183	363	(593)	(47)
Dunedin river	1,260	209	(424)	1,045	1,380	320	(440)	1,260
Queenstown river	794	262	(260)	796	707	229	(142)	794
Shotover delta flood mitigation	256	6	-	262	249	7	-	256
Stoney creek	159	4	-	163	154	5	-	159
Waitaki river	801	423	(237)	987	529	422	(150)	801
Wanaka river	(203)	260	(197)	(140)	(274)	224	(153)	(203)
FLOOD AND DRAINAGE SCHEME RESERVES								
Alexandra flood	(88)	464	(316)	60	56	122	(266)	(88)
East Taieri drainage	303	719	(954)	68	454	820	(971)	303
Leith flood	(14,368)	1,641	(953)	(13,680)	(14,976)	1,699	(1,091)	(14,368)
Lower Clutha flood	(631)	2,137	(1,931)	(425)	(687)	2,557	(2,501)	(631)
Lower Taieri flood	2,296	3,472	(2,653)	3,115	1,337	3,065	(2,106)	2,296
Lower Waitaki flood	(30)	191	(208)	(47)	(6)	190	(214)	(30)
Tokomairiro drainage	150	163	(221)	92	243	184	(277)	150
West Taieri drainage	(2,112)	1,022	(1,103)	(2,193)	(1,909)	1,058	(1,261)	(2,112)
OTHER RESERVES								
Biosecurity	(648)	4,911	(5,439)	(1,176)	-	4,135	(4,783)	(648)
Clean Heat Clean Air	-	-	-	-	-	-	-	-
Dairy monitoring	14	200	(235)	(21)	74	193	(253)	14
Dunedin transport services	(8,786)	20,259	(23,226)	(11,753)	(6,489)	17,348	(19,645)	(8,786)
Emergency management	(101)	3,407	(3,211)	95	(434)	2,997	(2,664)	(101)
Infrastructural assets	65,984	1,687	(911)	66,760	65,273	1,639	(928)	65,984
Lake Hayes restoration	(450)	243	(376)	(583)	(369)	219	(300)	(450)
Queenstown transport services	(1,674)	10,281	(10,714)	(2,107)	(843)	7,704	(8,535)	(1,674)
Rural water quality	903	2,750	(3,214)	439	1,614	734	(1,445)	903
Wilding pines	(418)	3,281	(3,369)	(506)	(289)	4,135	(4,264)	(418)
	43,798	58,735	(61,270)	41,264	46,411	50,704	(53,317)	43,798

Financial Statements

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

\$000s

	Amount borrowed as at 30 June 2022	Funds borrowed during the year	Funds repaid during the year	Interest Charged	Amount borrowed as at 30 June 2023
COUNCIL 2023					
Flood protection and control works	17,265	5,234	(6,105)	424	16,818
Environment	1,516	9,357	(8,635)	47	2,285
Safety and hazards	97	3,215	(3,312)	-	-
Transport	10,461	33,641	(30,540)	300	13,862
	29,339	51,447	(48,592)	771	32,965

	Amount borrowed as at 30 June 2022	Funds borrowed during the year	Funds repaid during the year	Interest Charged	Amount borrowed as at 30 June 2023
COUNCIL 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

21. Borrowings

New Zealand Local Government Funding Agency

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
CURRENT				
Secured borrowings	58,878	67,956	58,878	67,956
Unsecured borrowings	-	-	-	-
	58,878	67,956	58,878	67,956
NON-CURRENT				
Secured borrowings	91,438	47,200	91,438	47,200
Unsecured borrowings	-	-	-	-
	91,438	47,200	91,438	47,200
TOTAL BORROWINGS	150,316	115,156	150,316	115,156
FIXED RATE BORROWINGS	58,878	100,095	58,878	100,095
FLOATING RATE BORROWINGS	91,438	15,061	91,438	15,061

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 Statement of Comprehensive Revenue and Expense 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.

Council is a guarantor of the New Zealand Local Government Funding Agency (NZLGFA) as a guarantor. The NZLGFA was incorporated in December 2011 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 2023, Otago Regional Council is one of 31 local authority shareholders and 71 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 2023, NZLGFA had borrowings totalling \$17,684 million (2022: \$15,795 million).

Financial reporting standards require Otago Regional Council to recognise the guarantee liability by applying the 12 month expected credit loss model (as fair value could not be reliably measured) and subsequently at the higher of the provision for impairment at balance date determined by the expected credit loss model and the amount initially recognised. At the end of the financial year, the Council have assess the 12 month expected credit losses for the guarantee liability, based on market information of the underlying assets held by the NZLGFA. The estimated 12 month expected credit losses are immaterial due to the extremely low probability of default by the NZLGFDA in the next 12 months, and therefore the Council have not recognised a liability.

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 2023 Council had subscribed to borrower notes totalling \$500,000 (2022: nil), the Group had subscribed to borrower notes totalling \$2,588,460 (2022: \$1,210,255). The borrower notes on issue are as follows:

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Borrower notes in issue 2023

Maturity Date	Amount	Interest Rate
01-28-2024	\$130,769	5.62%
03-23-2025	\$205,128	5.79%
01-28-2026	\$205,128	5.75%
03-18-2026	\$130,769	5.89%
06-10-2029	\$128,205	6.08%
11-30-2023	\$179,487	5.76%
03-11-2027	\$230,769	5.94%
12-12-2027	\$372,564	6.00%
12-12-2025	\$147,436	5.90%
12-12-2026	\$105,000	5.96%
04-15-2025	\$125,000	5.71%
04-15-2026	\$125,000	5.30%
04-15-2027	\$125,000	5.85%
05-15-2028	\$125,000	5.30%
03-20-2028	\$125,000	6.04%
04-14-2029	\$51,282	6.10%
04-14-2030	\$76,923	6.15%
	2,588,460	

Borrower notes on issue 2022

Maturity Date	Amount	Interest Rate
11-30-2023	\$179,000	3.02%
06-10-2029	\$231,000	3.33%
01-28-2024	\$131,000	2.72%
03-23-2025	\$205,000	3.26%
01-28-2026	\$205,000	2.86%
03-18-2026	\$131,000	3.34%
06-10-2029	\$128,000	3.47%
	1,210,000	

Borrowing - Bank

\$000s	Council 2023	Council 2022	Group 2023	Group 2022
CURRENT				
Secured borrowings	-	-	5,540	8,250
Unsecured borrowings	-	-	-	-
	-	-	5,540	8,250
NON-CURRENT				
Secured borrowings	-	-	10,000	-
Unsecured borrowings	-	-	-	-
	-	-	10,000	-
TOTAL BORROWINGS	-	-	15,540	8,250
FIXED RATE BORROWINGS	-	-	15,540	8,250
FLOATING RATE BORROWINGS	-	-	-	-

The Group has a \$31 million (2022: \$31 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 2025 (2022: 1 July 2024). In addition the Group has a revolving \$29 million (2022: \$29 million) Commercial Flexi Facility with ANZ which is subject to an annual review. The next review is due on 30 November 2023 (2022: 30 November 2022).

The financial undertakings provided to the ANZ are an adjusted equity % (shareholder investment/total tangible assets) of greater or equal to 50% and interest cover ratio (EBIT : interest costs) greater or equal to 2.50 : 1. All financial undertakings were in compliance as at 30 June 2023.

The security for advances is a cross guarantee and indemnity between subsidiaries 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 2023	Council 2022	Group 2023	Group 2022
Interest on loans	5,203	223	5,366	3,171
Capitalised borrowing costs	-	-	(1,041)	(159)
Other	-	1	74	-
	5,203	224	4,399	3,012

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.



Financial Statements

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 Risk**
- 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 other comprehensive revenue and expenses', and 'amortised cost'. 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.

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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 relevant financial institution based on the reporting date of 30 June 2023.

\$000s	Council				Group			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
2023								
Financial assets at FVTSD: Other financial assets	25,262	-	-	25,262	25,262	-	-	25,262
Financial assets at FVTSD: Other financial instruments	-	-	-	-	-	4,579	-	4,579
Financial liabilities at FVTSD: Other financial instruments	-	-	-	-	-	138	-	138
2022								
Financial assets at FVTSD: Other financial assets	23,434	-	-	23,434	23,434	-	-	23,434
Financial assets at FVTSD: Other financial instruments	-	-	-	-	-	4,281	-	4,281

COUNCIL 2023

\$000s	Amortised Cost	Fair Value Through Surplus or Deficit	Fair value though Other Comprehensive Revenue and Expense	Total
FINANCIAL ASSETS				
Cash and cash equivalents	14,830	-	-	14,830
Trade and other receivables	18,192	-	-	18,192
Related party receivable	125,088	-	-	125,088
Borrower notes	500	-	-	500
Other financial assets	-	25,262	-	25,262
Other current assets	1,433	-	-	1,433
Shares in subsidiary	-	-	726,890	726,890
TOTAL FINANCIAL ASSETS	160,043	25,262	726,890	912,195
FINANCIAL LIABILITIES				
Trade and other payables	22,595	-	-	22,595
Borrowing	150,316	-	-	150,316
Provisions	-	-	-	-
TOTAL FINANCIAL LIABILITIES	172,911	-	-	172,911

COUNCIL 2022

\$000s	Amortised Cost	Fair Value Through Surplus or Deficit	Fair value though Other Comprehensive Revenue and Expense	Total
FINANCIAL ASSETS				
Cash and cash equivalents	13,243	-	-	13,243
Trade and other receivables	11,140	-	-	11,140
Related party receivable	99,960	-	-	99,960
Borrower notes	-	-	-	-
Other financial assets	-	23,434	-	23,434
Other current assets	883	-	-	883
Shares in subsidiary	-	-	700,290	700,290
TOTAL FINANCIAL ASSETS	125,226	23,434	700,290	848,950
FINANCIAL LIABILITIES				
Trade and other payables	18,196	-	-	18,196
Borrowing	115,156	-	-	115,156
Provisions	-	-	-	-
TOTAL FINANCIAL LIABILITIES	133,352	-	-	133,352

Financial Statements

GROUP 2023

\$000s	Amortised Cost	Designated at Fair Value Through Surplus or Deficit	Fair value though Other Comprehensive Revenue and Expense	Total
FINANCIAL ASSETS				
Cash and cash equivalents	14,885	-	-	14,885
Trade and other receivables	36,279	-	-	36,279
Related party receivable	-	-	-	-
Borrower notes	2,588	-	-	2,588
Other financial instruments *	-	4,579	-	4,579
Other financial assets	-	25,262	-	25,262
Other current assets	4,495	-	-	4,495
Shares in subsidiary	-	-	-	-
TOTAL FINANCIAL ASSETS	58,247	29,841	-	88,088
FINANCIAL LIABILITIES				
Trade and other payables	37,735	-	-	37,735
Other financial instruments	-	138	-	138
Borrowing	165,856	-	-	165,856
Provisions	-	-	-	-
TOTAL FINANCIAL LIABILITIES	203,591	138	-	203,729

* Mandatorily at fair value.

GROUP 2022

\$000s	Amortised Cost	Designated at Fair Value Through Surplus or Deficit	Fair value though Other Comprehensive Revenue and Expense	Total
FINANCIAL ASSETS				
Cash and cash equivalents	13,323	-	-	13,323
Trade and other receivables	22,690	-	-	22,690
Related party receivable	-	-	-	-
Borrower notes	1,210	-	-	1,210
Other financial instruments *	-	4,281	-	4,281
Other financial assets	-	23,434	-	23,434
Other current assets	3,593	-	-	3,593
Shares in subsidiary	-	-	-	-
TOTAL FINANCIAL ASSETS	40,816	27,715	-	68,531
FINANCIAL LIABILITIES				
Trade and other payables	27,017	-	-	27,017
Borrowing	123,406	-	-	123,406
Provisions	-	-	-	-
TOTAL FINANCIAL LIABILITIES	150,423	-	-	150,423

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 value of the Group's assets, liabilities and operating cashflow will fluctuate. 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 2023	Council 2022	Group 2023	Group 2022
Managed funds	7,415	8,092	7,415	8,092
TOTAL MANAGED FUNDS	7,415	8,092	7,415	8,092

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 2023 would have the impact of increasing the carrying value of the managed funds, and the Council surplus, by \$823,578(2022: \$898,876), and an unfavourable movement of 10% would impact unfavourably to the extent of \$673,895 (2022: \$735,929).

(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 and forward start swaps. 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.

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Sensitivity to Interest Rate Risk

COUNCIL	2023				2022			
	Profit +100bps	Other Equity +100bps	Profit -100bps	Other Equity -100bps	Profit +100bps	Other Equity +100bps	Profit -100bps	Other Equity -100bps
\$000s								
FINANCIAL LIABILITIES								
Borrowings	1,475	-	(1,475)	-	(1,261)	-	1,335	-
TOTAL SENSITIVITY TO INTEREST RATE RISK	1,475	-	(1,475)	-	(1,261)	-	1,335	-

GROUP	2023				2022			
	Profit +100bps	Other Equity +100bps	Profit -100bps	Other Equity -100bps	Profit +100bps	Other Equity +100bps	Profit -100bps	Other Equity -100bps
\$000s								
FINANCIAL LIABILITIES								
Borrowings	1,630	-	(1,630)	-	(1,470)	-	1,470	-
Derivatives - hedge accounted	-	5,204	-	949	-	3,655	-	1,797
Derivatives - non-hedge accounted	1,860	-	1,224	-	1,993	-	1,142	-
TOTAL SENSITIVITY TO INTEREST RATE RISK	3,490	5,204	(406)	949	523	3,655	2,612	1,797

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 2023	Council 2022	Group 2023	Group 2022
FINANCIAL ASSETS				
Other financial assets	14,393	13,575	14,393	13,575
EXPOSURE TO EQUITY PRICE RISK	14,393	13,575	14,393	13,575

Sensitivity to Equity Price Risk

Council and Group	2023				2022			
	-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	(1,439)	-	1,439	-	(1,358)	-	1,358	-
TOTAL SENSITIVITY TO EQUITY PRICE RISK	(1,439)	-	1,439	-	(1,358)	-	1,358	-

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 \$125.088 million (2022:\$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.

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Group

Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances, trade and other receivables, derivative financial instruments and other financial assets.

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 high quality financial institutions 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 2023	Council 2022	Group 2023	Group 2022
Cash at bank and term deposits	14,830	13,243	14,885	13,323
Trade and other receivables	18,192	11,140	36,279	22,690
Related party receivable	125,088	99,960	-	-
Other financial assets	25,262	23,434	25,262	23,434
Other financial instrument - asset	-	-	4,579	4,281
Other financial instrument - liability	-	-	138	-
Shares in Subsidiary	723,890	700,290	-	-
	907,262	848,067	81,143	63,728

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 2023

\$000s	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	AGEING OF CASH FLOWS		
				Less than 1 Year	1-5 Years	Greater than 5 Years
FINANCIAL ASSETS						
Cash and cash equivalents		14,830	14,830	14,830	-	-
Trade and other receivables		18,192	18,192	18,192	-	-
Related party receivable	6.18	125,088	143,564	59,962	72,563	11,039
Shares in subsidiary		723,890	723,890	-	-	723,890
Managed fund:						
Cash and call deposits		2,541	2,541	2,541	-	-
Fixed interest securities	3.69	11,264	11,571	2,936	7,426	1,209
Equity securities		11,456	11,456	11,456	-	-
TOTAL FINANCIAL ASSETS		907,261	926,044	109,917	79,989	736,138
FINANCIAL LIABILITIES						
Trade and other payables		(22,595)	(22,595)	(22,595)	-	-
Borrowing	6.16	(150,316)	(172,543)	(66,212)	(95,292)	(11,039)
Provision		-	-	-	-	-
TOTAL FINANCIAL LIABILITIES		(172,911)	(195,138)	(88,807)	(95,292)	(11,039)

Financial Statements

COUNCIL 2022

\$000s	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	AGEING OF CASH FLOWS		
				Less than 1 Year	1-5 Years	Greater than 5 Years
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	854,760	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)

GROUP 2023

\$000s	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	AGEING OF CASH FLOWS		
				Less than 1 Year	1-5 Years	Greater than 5 Years
FINANCIAL ASSETS						
Cash and cash equivalents		14,885	14,885	14,885	-	-
Trade and other receivables		36,279	36,279	36,279	-	-
Managed fund:						
Cash and call deposits		2,541	2,541	2,541	-	-
Fixed interest securities	3.69	11,264	11,571	2,936	7,426	1,209
Equity securities		11,456	11,456	11,456	-	-
TOTAL FINANCIAL ASSETS		76,425	76,732	68,097	7,426	1,209
FINANCIAL LIABILITIES						
Trade and other payables		(37,735)	(37,735)	-	-	-
Borrowing (secured)	6.16	(165,856)	(188,083)	(71,752)	(105,292)	(11,039)
Provision		-	-	-	-	-
Other financial instruments		4,441	5,019	2,430	2,443	146
TOTAL FINANCIAL LIABILITIES		(199,150)	(220,799)	(69,322)	(102,849)	(10,893)

Financial Statements

GROUP 2022

\$000s	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	AGEING OF CASH FLOWS		
				Less than 1 Year	1-5 Years	Greater than 5 Years
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	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)

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.



Financial Statements

Notes to the Financial Statements:

Other Disclosures

Queenstown

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**



Financial Statements

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 2023	Council 2022	Group 2023	Group 2022
MANAGEMENT PERSONNEL				
Short-term employee benefits	1,401	1,843	5,621	5,544
Post-employment benefits	-	-	-	-
	1,401	1,843	5,621	5,544
Full-time equivalent number of key management personnel	5	6	23	24
GOVERNING PERSONNEL				
Councillors remuneration	887	862	887	862
Directors' fees	-	-	490	500
	887	862	1,377	1,362

Key management personnel of Council does not include the interim Chief Executive Dr Pim Borren who was not employed directly by Council. Disclosure of payments made to Dr Pim Borren are included in Note 29. Remuneration.

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 2023	Number of Employees 30 June 2022
Full-time employees	269	259
Full-time equivalent number of employees	22.2	20.8

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 2023	Number of Employees 30 June 2022
Less than \$60,000	26	35
\$60,000 to \$79,999	87	90
\$80,000 to \$99,999	86	79
\$100,000 to \$119,999	54	48
\$120,000 to \$139,999	24	20
\$140,000 to \$159,999	13	8
\$160,000 to \$259,999	11	8
\$260,000 to \$300,000	2	-
\$360,000 to \$379,000	1	-
\$620,000 to \$639,000	-	1
	304	289

Chief Executive Remuneration

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

Dr Pim Borren was appointed interim Chief Executive on 7 June 2022 and was compensated through a 3rd party as a consultant. During the period 1 July 2022 to 31 May 2023 Council made total payments of \$595,924 in relation to compensation for the services of Dr Borren including travel and accommodation costs. (2022: \$55,093).

Richard Saunders was employed as Chief Executive from 1 June 2023. During the period 1 June 2023 to 30 June 2023, total remunerations (including any non-financial benefits) paid or payable to the Chief Executive was \$30,093. (2022: nil).

2022: Sarah Gardner was employed as Chief Executive from 1 July 2021 to 18 May 2022. During the period to 30 June 2022 the Chief Executive, Sarah Gardner received total payments of \$636,384 (including any non-financial benefits). Included within this amount was accrued annual leave of \$73,978 and severance payments of \$192,106.

Financial Statements

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 2023

COUNCILLOR	Meetings attended / eligible meetings	Remuneration \$	Meeting fees \$	Allowance and mileage \$	Other \$	Total
Gretchen Robertson - Chairperson (appointed 15 October 2022)	39/39	125,529	-	798	3,224	129,550
Andrew Noone - Chairperson (to 14 October 2022)	39/41	87,674	-	1,501	1,396	90,572
Lloyd McCall - Deputy Chairperson (appointed 10 November 2022)	23/25	59,012	-	7,372	-	66,384
Kevin Malcolm - Deputy Chairperson (to 14 October 2022)	39/43	72,499	-	16,709	-	89,208
Alexa Forbes	34/41	66,185	-	11,446	464	78,096
Gary Kelliher	40/41	66,185	-	6,118	-	72,304
Michael Laws	34/39	66,185	-	2,423	-	68,608
Timothy Mepham	25/27	46,250	-	1,117	-	47,367
Bryan Scott	32/39	66,185	-	610	119	66,914
Alan Somerville	24/25	46,250	-	275	-	46,525
Elliot Weir	19/25	46,250	-	1,005	59	47,314
Kate Wilson	39/43	66,185	-	6,953	609	73,747
Hilary Calvert	16/16	19,935	-	275	-	20,210
Michael Deaker	11/14	19,935	-	275	-	20,210
Carmen Hope	14/14	19,935	-	798	-	20,733
		874,197	-	57,674	5,870	937,742

Council Remuneration 2022

COUNCILLOR	Meetings attended / eligible meetings	Remuneration \$	Meeting fees \$	Allowance and mileage \$	Other \$	Total
Andrew Noone - Chairperson	50/52	142,260	-	550	5,937	148,747
Kevin Malcolm - Deputy Chairperson (appointed 25 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 (to 1 November 21)	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 Douglas 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

Severance Payments

For the year ended 30 June 2023, the Council had two (2022: four) severance payments of; \$24,500 and \$98,000 (2022: \$10,000, \$10,000, \$21,000 and \$192,106). Included in the 2022 severance payments was \$192,106 made to the CEO.

30. Subsequent Events

On 5 September 2023 the Directors of Port Otago declared a final dividend of \$1.0 million for the year ended 30 June 2023. 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 2023 the Group had commitments for capital expenditure of \$17.3 million (2022: \$47 million). Included in the above amounts are Council commitments of \$3.2 million (2022: \$0.3 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure. Port Otago Limited had commitments for capital expenditure of \$14.1 million (2022: \$46.8 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

Otago Regional Council was previously a member of the New Zealand Mutual Liability Riskpool scheme ("Riskpool"). The Scheme is in wind down, however the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by re insurance), and to fund the ongoing operation of the scheme. The likelihood of any call in respect of historical claims diminishes with each year as limitation periods expire.

However, as a result of the Supreme Court decision on 1 August 2023 in Napier City Council v Local Government Mutual Funds Trustee Limited, it has been clarified that Riskpool has a liability for that member's claim in relation to non-weather-tight defects (in a mixed claim involving both weather-tight and non-weather-tight defects). Riskpool has advised that it is working through the implications of the Supreme court decision. At this point any potential liability is unable to be quantified.

The Council has also 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, (2022: \$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 does not have any contingent assets as at 30 June 2023. In the prior year the Council at 30 June had a contingent assets for bus trips which have been paid for but were not performed from the bus operators in June 2022.

Group

There are no other contingent liabilities or assets at 30 June 2023 (30 June 2022: \$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 2023

\$000s	Opening Balance	Charged to Surplus / (Deficit)	Charged to Other Comprehensive Revenue and Expenses	Closing Balance
GROSS DEFERRED TAX ASSET:				
Tax Losses	98		(98)	-
	98	-	(98)	-

Council 2022

\$000s	Opening Balance	Charged to Surplus / (Deficit)	Charged to Other Comprehensive Revenue and Expenses	Closing Balance
GROSS DEFERRED TAX ASSET:				
Tax Losses	98	-	-	98
	98	-	-	98

Group 2023

\$000s	Opening Balance	Charged to Surplus / (Deficit)	Charged to Other Comprehensive Revenue and Expenses	Closing Balance
GROSS DEFERRED TAX LIABILITIES:				
Other financial assets	1,200	148	64	1,412
Property, plant and equipment	10,249	(497)	-	9,752
Investment property	11,864	(1,045)	-	10,819
Other	(1,956)	(554)	-	(2,510)
	21,357	(1,948)	64	19,473

Group 2022

\$000s	Opening Balance	Charged to Surplus / (Deficit)	Charged to Other Comprehensive Revenue and Expenses	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

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.

Financial Statements

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 2023	Council 2022	Group 2023	Group 2022
Less than 1 year	648	653	1,093	1,153
1 - 2 years	648	653	1,093	1,098
2 - 3 years	355	390	800	835
3 - 4 years	163	246	608	691
4 - 5 years	125	161	570	603
Longer than 5 years	228	338	1,278	1,832
	2,167	2,441	5,442	6,212

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 2023	Group 2022
RENTALS RECEIVABLE		
Within one year	32,728	28,766
1 - 2 years	30,639	27,011
2 - 3 years	29,571	24,828
3 - 4 years	23,875	23,835
4 - 5 years	21,642	18,452
More than five years	102,979	84,905
MINIMUM FUTURE LEASE RECEIVABLE	241,434	207,797

35. Related Party Disclosures

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.

Council 2023

During the 30 June 2023 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 ENTITIES	Relationship to related party entity	Total paid by the entity to Council	Total paid to the Entity by Council	Outstanding balance owed by Entity	Outstanding balance owed
Councillor Alan Somerville					
Forest & Bird	Member		21,700	-	-
Councillor Alexa Forbes					
Otago Polytech	Employee	180,544	63,882	-	-
Councillor Andrew Noone					
Farmlands Co-operative Limited	Shareholder	-	6,387	-	-
Morfazan Limited	Shareholder	992	-	-	-
Ravensdown Co-operative Limited	Shareholder	26,118	89,260	3,374	-
Silver Fern Farms Co-operative Limited	Shareholder	56,007	-	3,335	-
Councillor Bryan Scott					
Otago Catchment Community Incorporated	Member	-	426,938	-	-
Councillor Elliot Weir					
Monarch Wildlife Cruises	Employee	15,204	1,954	1,294	-
Councillor Gary Kelliher					
Manuherikia Irrigation Co-operative Society	Ultimate Shareholder	1,050			
Springvale Downs Limited	Director & Shareholder	97	-	-	-
Springvale Water Supply Company Limited	Director	225	-	-	-
Councillor Kate Wilson					
Alliance Group Co-operative Limited	Shareholder	43,907	-	17,586	-
Farmlands Co-operative Limited	Shareholder	-	6,387	-	-
Otago Central Rail Trail Network Trust	Chairperson	27,783	-	-	-
PGG Wrightson Limited	Shareholder	-	241,203	-	15,854
Silver Fern Farms Co-operative Limited	Shareholder	56,007	-	3,335	-
Strath Taieri Agriculture and Rural Tourism Trust	Trustee	295	-	-	-

Strathburn Limited	Director & Shareholder	225	-	-	-
Councillor Kevin Malcolm					
J & E Soper Family Trust	Trustee	225	-	-	-
Lower Waitaki Irrigation Company Limited	Shareholder	4,000	-	3,174	-
Poltalloch South Trust	Trustee	225	-	-	-
Councillor Lloyd McCall					
Kelso Dairy Limited	Director & Shareholder	275	-	-	-
Otago Catchment Community Incorporated	Member	-	426,938	-	-
Councillor Tim Mepham					
Yellow-eyed Penguin Charitable Trust	Member	-	19,655	-	-

Council 2022

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.

	Relationship to related party entity	Total paid by the entity to Council	Total paid to the Entity by Council	Outstanding balance owed by Entity	Outstanding balance owed
RELATED PARTY ENTITIES					
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					
Straith Taieri Agriculture and Rural Tourism Trust	Trustee	325	-	-	-
Councillor Kevin Malcolm					
J & E Soper Family Trust	Trustee	225	-	-	-
Poltalloch South Trust	Trustee	225	-	-	-

Financial Statements

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 year ending 30 June 2023

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

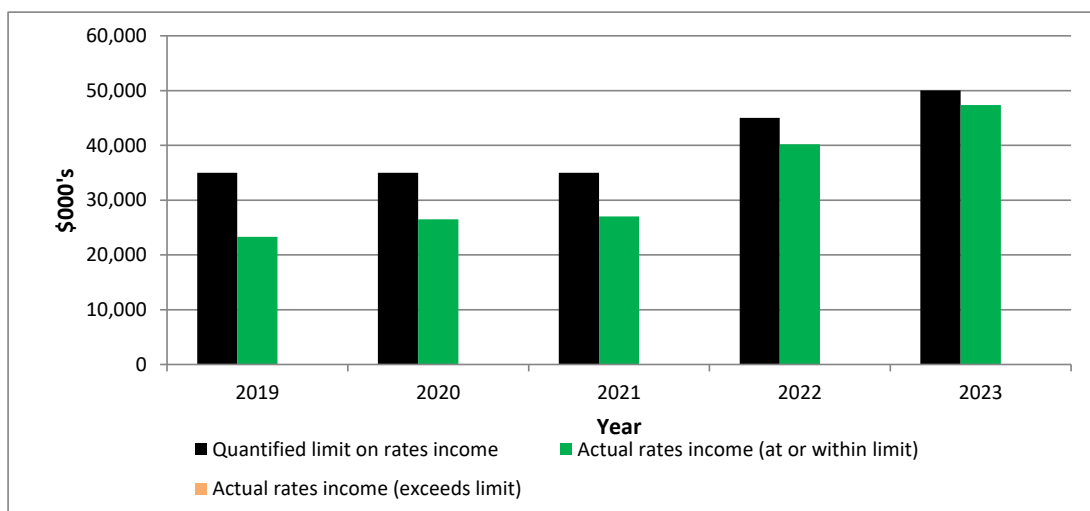
The Council meets the rates affordability benchmark if:

- 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.

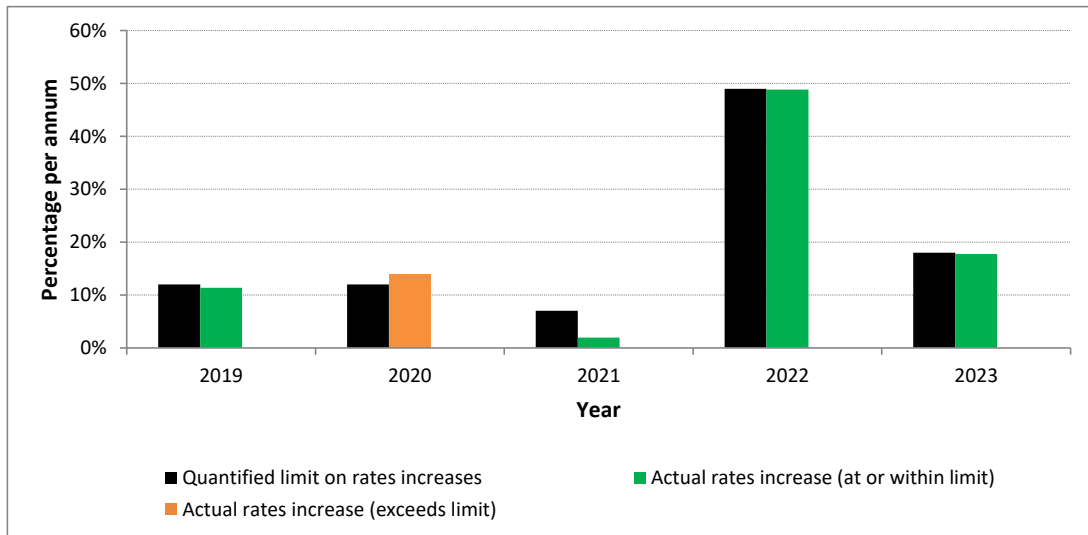
The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits for rates are from the long-term plan 2018-2028. The quantified limit for 30 June 2023 is \$35 million or 50% of total revenue.



Annual Report Disclosure Statement for year ending 30 June 2023

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 18% per annum, (2022: 49%, 2021: 7%, 2019 - 2020: 12%).



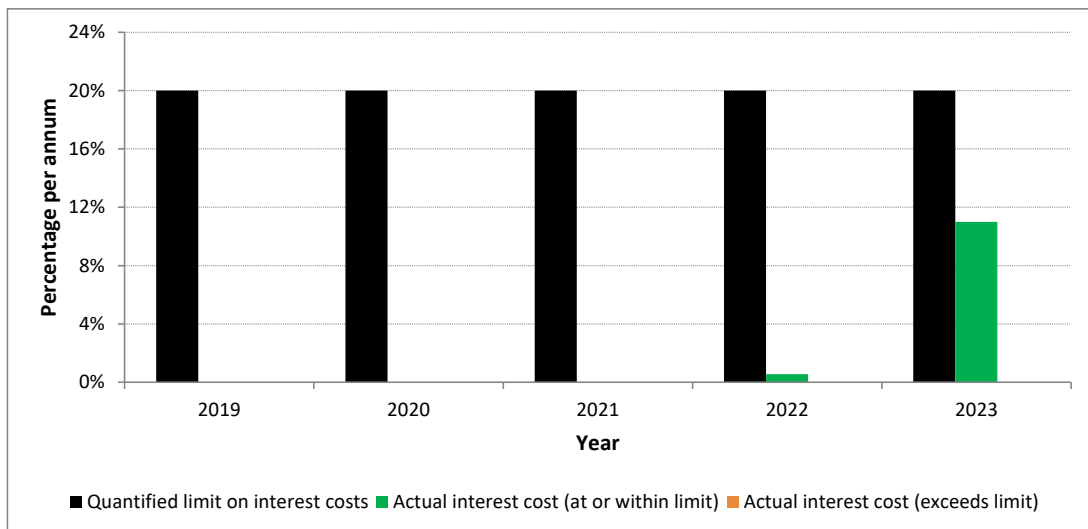
RATES AFFORDABILITY COMMENTARY

The Rates (increases) affordability graph shows the quantified limit was exceeded in 2020. The quantified limit included in the Long-Term Plan was an increase of 12% in 2020, and the actual amount of the increase was 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.

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, (2019-2022 20%).

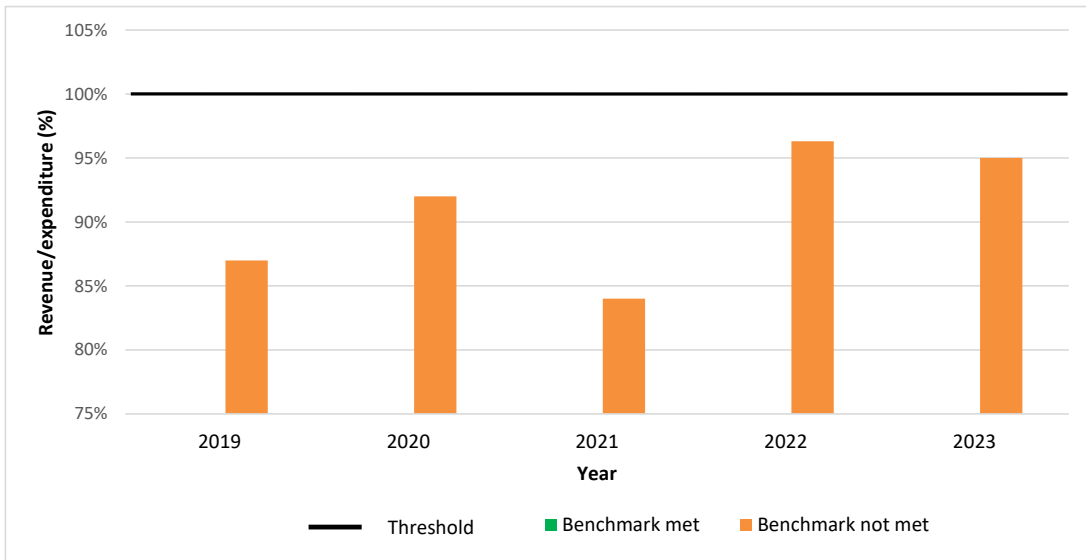


Annual Report Disclosure Statement for year ending 30 June 2023

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 2019- 2023, 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.

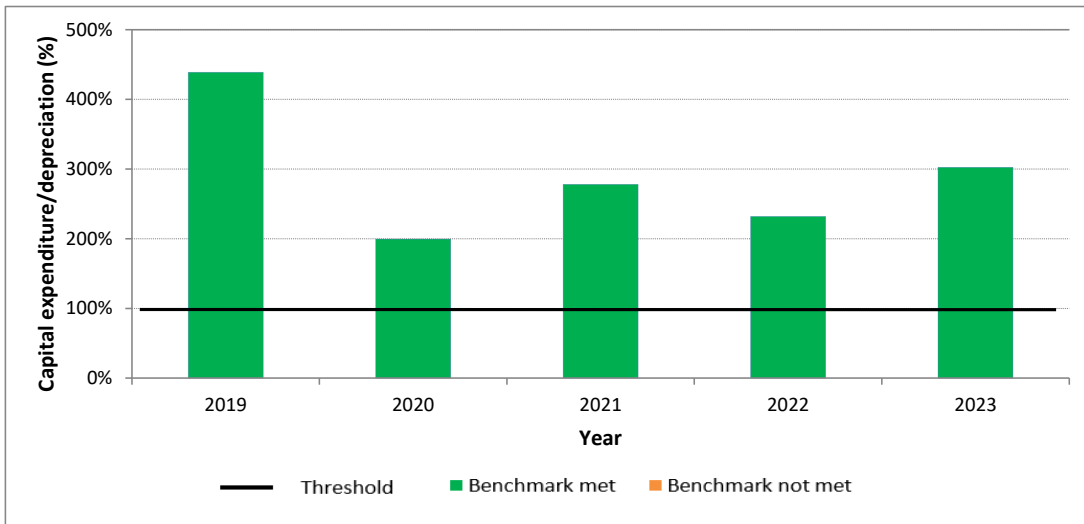
In the 2019-2023 years, Council resolved to fund costs associated with particular activities from reserves, with the activities most affected being the Environmental, Community and Transport activities.

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.

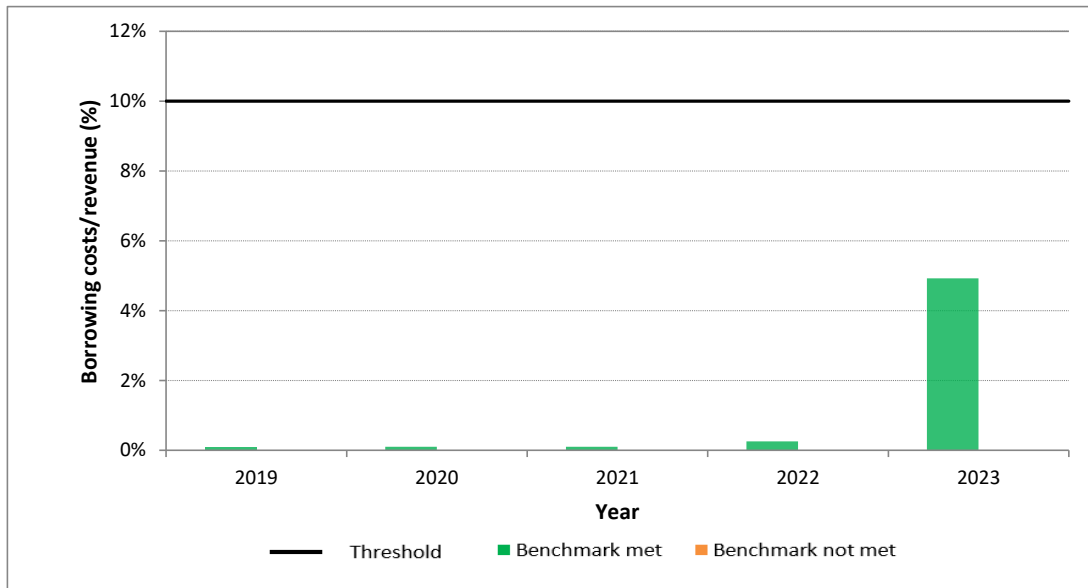


Annual Report Disclosure Statement for year ending 30 June 2023

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.

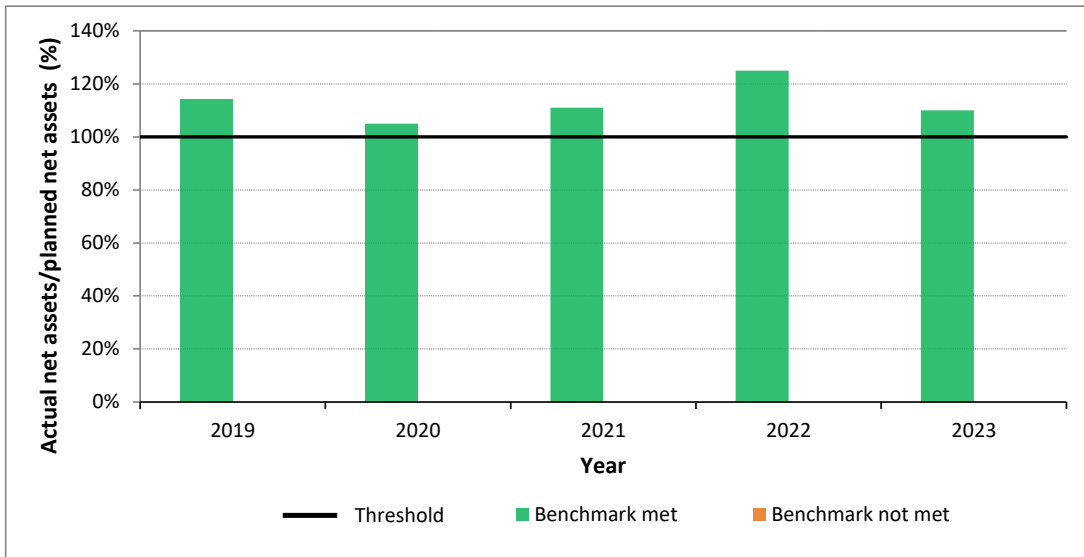


Debt Control Benchmark

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. For the purposes of this graph Port Otago Limited receivable has been netted against total debt to remove borrowing that was on lent to Port Otago Limited and is received as a intercompany receivable.

During the period 2018/19 to 2020/21, Council had budgeted net assets rather than net debt. During the 2021/2022 Council borrowed \$15 million which was increased to \$25 million in 2022/23.

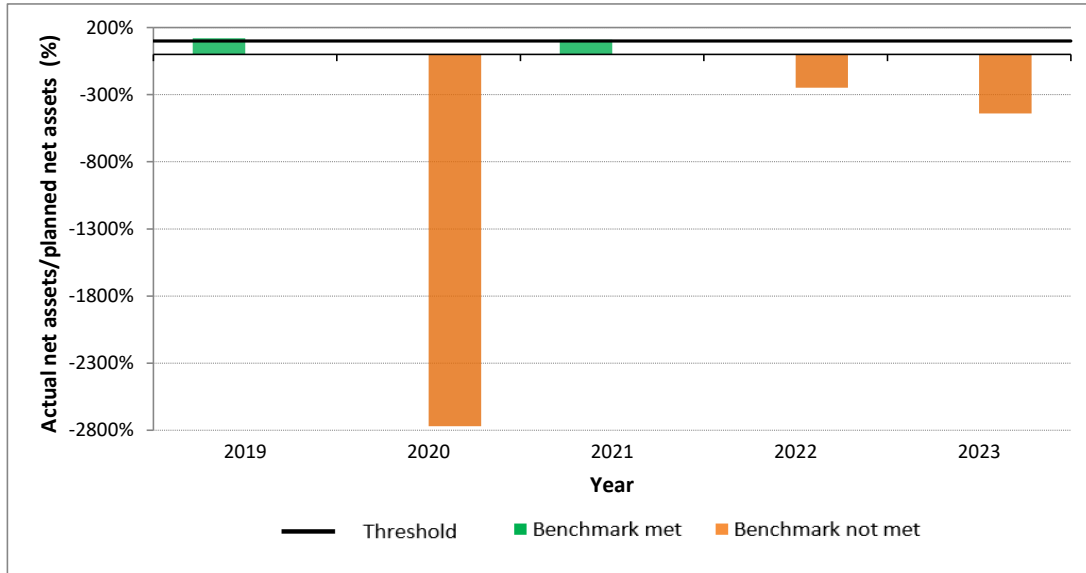


Annual Report Disclosure Statement for year ending 30 June 2023

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 2023 year, the actual cash flow from operations was a new outflow of \$3,792,000 compared to the planned new inflow of \$1,113,000. The major cause of this variance was caused by additional unbudgeted expenditure on the Regional Policy Statement (RPS) and fees and charges revenue being received than budgeted.

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.

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 2023	Rating Base Information for the Year Ended 30 June 2022
Total number of rating units	133,195	120,313
Total capital value of rating units	\$148,574,794,340	\$105,375,181,640
Total land value of rating units	\$84,653,814,590	\$54,940,034,640

Insurance of Assets

The total carrying value of all assets of the Council as at 30 June 2023 that are covered by insurance contracts amounts to \$17.553 million (2022: \$17.928 million) and the maximum amount to which they are insured is \$59.835 million (2022: \$49.591 million).

The total value of all assets of the Council as at 30 June 2023 that are self-insured amounts to \$97.106 million (2022:\$97.349 million).

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$66.913 million (2022: \$65.167 million), land of \$28.750 million (2022: \$29.344 million), transport infrastructural assets and hardware of \$0.623 million (2022: \$1.388 million) and software of \$0.820 million (2022: \$1.450 million). Flood protection and drainage infrastructural assets include floodbanks, protection works, 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.

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 2023 the Council had not entered into any financial risk sharing arrangement for any assets held (2022:\$Nil).

Directory

Directory

Otago Regional Council Councillors

Chairperson	Gretchen Robertson	Dunedin Constituency
Deputy Chairperson	Lloyd McCall	Molyneux Constituency
Regional Councillors	Tim Mepham	Dunedin Constituency
	Andrew Noone	Dunedin Constituency
	Bryan Scott	Dunedin Constituency
	Alan Somerville	Dunedin Constituency
	Elliott Weir	Dunedin Constituency
	Kate Wilson	Molyneux Constituency
	Alexa Forbes	Dunstan Constituency
	Gary Kelliher	Dunstan Constituency
	Michael Laws	Dunstan Constituency
	Kevin Malcolm	Moeraki Constituency

Otago Regional Council Executive Staff

Chief Executive	Richard Saunders Pim Borren	1 June 2023 to Current 7 June 2022 to 31 May 2023
General Manager Corporate Services and Chief Financial Officer	Nick Donnelly	
General Manager Strategy, Policy and Science	Anita Dawe	
General Manager Operations	Gavin Palmer	
General Manager Regulatory and Communications	Joanna Gilroy (Acting) Richard Saunders	1 June 2023 to Current 3 March 2021 to 31 May 2023
General Manager Governance, Culture and Customer	Amanda 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	Tim Gibson	January 2023 to Current
Deputy Chairperson	Pat Heslin	
Directors	Tom Cambell	
	Bob Fulton	
	Becky Lloyd	
	Chris Hopkins	
	Anne McLeod	July 2023 to Current
	Kate Faulks	
Chief Executive	Kevin Winders	

Office and Depot Locations

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 9092

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

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.

Richard Saunders
CHIEF EXECUTIVE

Gretchen Roberston
CHAIRPERSON





10.2. Treasury Management Policy and Statement of Investment Policy and Objectives

Prepared for: Council

Report No. CS2334

Activity: Governance Report

Author: Nick Donnelly, General Manager Corporate Services and CFO

Endorsed by: Audit and Risk Subcommittee

Date: 25 October 2023

PURPOSE

- [1] To consider and approve amendments to Council's Treasury Management Policy and Statement of Investment Policy and Objectives to include considerations regarding ethical investing as recommended by the Audit and Risk Subcommittee.

EXECUTIVE SUMMARY

- [2] The Audit and Risk Subcommittee considered options for inclusion of a responsible investment policy at the Subcommittee meeting on 21 September 2023. The recommended options from that meeting have been included in the attached Treasury Management Policy ("TMP") and Statement of Investment Policy and Objectives ("SIPO") for Council's consideration and approval.
- [3] Options the Audit and Risk Subcommittee considered are outlined in this paper. The Subcommittee's preferred option has been incorporated in a responsible investment policy section (4.2) in the attached draft SIPO. This section outlines investments that will be excluded based on Council's responsible investing criteria.
- [4] Since the Audit and Risk Subcommittee meeting, Council's Investment Manager, JB Were has reviewed the recommendation and noted that if the intention is to exclude fossil fuels then an additional category "Fossil fuel power generation" should also be excluded. That would remove a further 394 companies and increase the number of companies excluded from the investible universe to 17.8%. That exclusion has been added to the responsible investment policy in the attached draft SIPO.
- [5] JB Were has reiterated that reducing the investible universe reduces diversification ability which means the portfolio is likely to exhibit higher levels of volatility. They also note that this impact is more likely to be more pronounced in smaller, less diversified, and less liquid markets, like New Zealand and Australia.
- [6] Staff have also undertaken a review of the entire SIPO and TMP and made a number of administrative changes as well as proposed amendments to align with current treasury processes. That includes clarifying what investments are covered under the short-term liquidity, the long-term investment portfolio and on-call cash management sections of the TMP.

- [7] Marked up copies of the TMP and SIPO are attached. JB Were will attend the meeting online to answer any questions Councillors may have in relation to the proposed exclusions in the recommended responsible investment policy.
- [8] Once a revised SIPO incorporating a responsible investment policy is approved by Council, JB Were, will ensure those exclusions are applied and the Portfolio conforms to those parameters.

RECOMMENDATION

That the Council:

- 1) **Receives** this report and the attached Treasury Management Policy and Statement of Investment Policy and Objectives.
- 2) **Notes** the inclusion of a responsible investment policy in the Statement of Investment Policy and Objectives.
- 3) **Approves** the Treasury Management Policy and Statement of Investment Policy and Objectives.

BACKGROUND

- [9] Prior to the 22 June 2023 Audit and Risk Subcommittee meeting, Council's Investment Manager, JB Were conducted a workshop on ethical or "ESG" (environmental, social and governance) investing.
- [10] At the Audit and Risk Subcommittee meeting that followed that workshop it was resolved that staff and JB Were would prepare options for ethical investing considerations that could be incorporated in the SIPO.
- [11] A new section has been added to the SIPO to include a responsible investment policy. This is section 4.2 in the attached draft SIPO. Options for this section were considered by the Audit and Risk Subcommittee at their meeting on 21 September 2023. Section 4.2 of the attached SIPO reflects the investment exclusions recommended by the Audit and Risk at that meeting.
- [12] Staff have also taken this opportunity to review the TMP and remainder of the SIPO and have made a number of other changes to tidy up administrative aspects of the documents and to better reflect Council's current treasury processes.
- [13] Currently the SIPO is embedded within the TMP itself. This is administratively cumbersome and can create confusion for readers of the document. The TMP is intended to meet Council's legislative requirements under section 102 of the Local Government Act 2002. That requires Council to have a Liability Management Policy and an Investment Policy. These do not have to be separate documents. It is permitted to combine them, and Council has done so under a combined Treasury Management Policy. This is common in local government and a number of other Council's also follow this approach.

- [14] The SIPO is not required under legislation but is a document commonly used in investment management. It provides the framework for the management of Council's long-term investment portfolio which is permitted under section 4.8 of the TMP.

DISCUSSION

- [15] Amendments to the TMP and SIPO are discussed below. This discussion covers the substantive changes to the documents and doesn't cover simple administrative and formatting changes. The attached drafts are in marked up form and those changes are clearly highlighted.

Treasury Management Policy

Section 4 – Internal Debt Management

- [16] Has been amended to state that the interest rate used on internal borrowing will be set in advance for the year through the Long-term Plan (LTP) and Annual Plan (AP) processes.
- [17] The current policy states the rate will reflect the rate Council would have earned if those funds had been invested ie opportunity cost, which is effectively term deposit rates.
- [18] This issue with this approach is that these rates can move significantly in line with market movements and that in turn may result in a significant reallocation of interest from general purpose reserves to targeted reserves that are in deficit which is not planned for or sustainable.
- [19] Setting the rate in advance will ensure rates are being used to reduce reserve balances rather than only being sufficient to service debt.
- [20] Reserves available for internal borrowing has been redefined to mean total equity excluding revaluation reserves. Total equity as at 30 June 2023 is \$848M and the revaluation reserves are \$704M (Port Revaluation) and \$14M (Asset Revaluation). These are non-cash reserves and excluding them reduces total equity to \$130M. That would allow an internal borrowing limit of \$65M. Current internal borrowing (reserve deficits) as at 30 June 2023 is \$33M

Section 4.7 – Short Term Liquidity

- [21] The definition has been clarified to state this refers to term deposits up to 365 days. On-call funds are dealt with in section 5 and investments greater than 1 year are covered in section 4.8
- [22] Investments are limited to retail bank deposits at institutions that are rated at least "A-" S&P (or equivalent). This is consistent with the debt counterparty parameter in section 3.4 which requires an "A-" rating although that is not limited to retail banks and applies to any NZ registered bank or financial institution.
- [23] Currently the above parameter would limit short term deposits to ANZ, ASB, BNZ, Kiwibank, Rabobank, TSB and Westpac. It would exclude Heartland Bank, SBS and the Co-operative Bank as they are "BBB" rated. Also excluded are non-retail institutions which do hold credit ratings of "A-" or better being Bank of China, China Construction, Citibank and JPMorgan Chase.

- [24] The draft policy requires no more than 50% of total deposits or \$10M, whichever is the greater, to be with any one institution. Current policy is no more than 30% but that isn't workable especially if only small amounts are to be deposited or deposits reduce but remainders are still locked into specific institutions and terms.
- [25] The deposition of revenue section has been amended to reflect the internal interest allocation process now that external debt has been introduced and aligns with the internal debt management section above.

Section 4.8 – Long Term Investment Portfolio

- [26] This section has not been amended other than for administrative tidy ups. It covers equity and fixed interest investments held to periods greater than 1 year. Revenue earned remains allocated to offset general rates.

Section 5 – Cash Management

- [27] Amendments reflect how cash is actually managed. On-call funds are the primary source of cash for payments. A bank overdraft has been utilised in the past prior to Council going the Local Government Funding Agency (LGFA) however it is not retained when cashflow forecasts indicate it is no longer required. This reduces ongoing fees, and the facility can be reinstated quickly as required. Council also has access to short term debt through the LGFA which can also be accessed quickly so there is no need to maintain a committed overdraft and incur fees for doing so.

Appendix 1 – Approved Credit Ratings and Limits

- [28] These tables have been amended to align to the parameters included in the SIPO and make it clear that they relate to Long-Term Investment Portfolio.
- [29] Investment in irrigation schemes has been amended to clarify that 10% is of the total income assets held in the Long-Term Investment Portfolio. Even though these investments would be held outside that portfolio it sets an investment limit that is benchmarked off the long-term portfolio.

Statement of Investment Policies and Objectives

Section 1 – Purpose and Section 2.1 - Introduction

- [30] Have been amended to clarify that this relates solely to the Long-Term Investment Portfolio as the only investments outside of that are short-term or specifically covered in other sections of the TMP.

Section 4.2 – Responsible Investment Policy

- [31] This section has been added to the SIPO. In the attached draft the text highlighted in yellow reflects the investment exclusions recommended by the Audit and Risk Subcommittee.
- [32] The options considered by the Audit and Risk Subcommittee are outlined in the Options section below. The recommended exclusions are summarised following the options considered.

OPTIONS

- [33] Three options for the responsible investing policy (section 4.2 of the SIPO) were outlined below for the Subcommittee.
- [34] The options are based on the level of exclusions Council wishes to introduce. The more exclusions (or the lower the thresholds for those exclusions) the higher the number of companies in the “investible universe” excluded as investment options.
- [35] Decreasing the number of companies available for investment will impact diversification of the portfolio which in turn is likely to increase volatility particularly over the short term. Over the long-term returns may be impacted but this impact is unlikely to be material.
- [36] The table below outlines the common ESG exclusions and shows the impact of those exclusions on the companies available to invest in (the investible universe). Exclusions can be based on a category and/or factors within that category. The total number of companies in the global investment universe for each category is shown in the first column and the remaining 4 columns provide the number of companies that would be excluded if 5% to 20% revenue thresholds are applied.
- [37] The total number of companies in the global investment universe is 14,500 so the percentage of companies excluded depends on the category and factor selected eg if tobacco producers are selected 78 of 14,500 or 0.005% of companies are excluded. If companies with any involvement in tobacco are selected 905 of 14,500 or 6.2% are excluded. If a 10% revenue threshold is applied, excluded companies decreases to 568 or 3.9%.

Impact of Exclusion Screens and Thresholds

General Description	Factor Name	# Companies Exceeding Rev. Threshold				
		0%	5%	10%	15%	20%
Controversial Weapons	Any Tie (T/F)	33				
Nuclear Weapons	Any Tie (T/F)	54				
Civilian Firearms	Producer - Automatic (T/F)	0				
	Producer - Semi-Automatic (T/F)	8				
	Producer - Ammunition (T/F)	8				
Conventional Weapons	Producer (% of Revenue)	437	434	429	426	422
Tobacco	Producer (T/F)	78				
	Producer (% of Revenue)	77	77	77	77	77
	Total Involvement (% of Revenue)	905	721	568	561	545
Recreational Cannabis	Produce and/or Retail (T/F)	116				
Nuclear Power	Utility (% of Revenue)	102	102	100	100	100
Thermal Coal	Extraction & Production (% of Revenue)	106	101	101	101	101
Oil & Gas	Extraction & Production (% of Revenue)	255	252	249	245	244
	Equipment and Services (% of Revenue)	156	151	151	151	149
	Pipelines & Transportation (% of Revenue)	257	254	254	254	252
	Refining (% of Revenue)	96	96	96	96	96
	Distribution / Retail (% of Revenue)	292	290	288	287	286
Controversies	All Related Activities (% of Revenue)	833	828	826	823	820
	Environment (Flag)	1				
	Governance (Flag)	5				
Gambling	Social (Flag)	0				
	Operations (% of Revenue)	265	257	239	238	234
Alcohol	All Related Activities (% of Revenue)	418	406	381	379	375
	Producer (% of Revenue)	442	431	423	421	416
Pornography	All Related Activities (% of Revenue)	2640	2448	2284	2265	2184
	Producer (T/F)	12				
Predatory Lending	Direct Link to Predatory Lending (T/F)	40				
No. Companies Excluded Out of 14,500 <i>Percentage of global investment universe excluded</i>						

Option 1 – Status Quo

[38] This option would leave the SIPO unchanged with no Responsible Investing Policy section added. JB Were is a member of the Responsible Investment Association Australasia (RIAA) and already integrates ESG considerations in its own investment processes.

[39] While this provides Council with a level of assurance regarding ESG it may not meet the level of screening Council desires, and this isn't formally documented in the SIPO. Even if Council was happy with this as the level of exclusions it should still be included in the SIPO (which is effectively Option 2).

Option 2 – Common Exclusions

- [40] This option adds a list of common exclusions into a RIP section in the SIPO. This reflects the table show in the attached draft SIPO and excludes:
- cannabis – recreational
 - civilian firearms – producer
 - controversial weapons – any tie
 - nuclear weapons and – any tie
 - tobacco – producer
- [41] Adding this level of exclusions is simple and effectively already reflected in the portfolio as this aligns with JB Were’s own ESG exclusions. It will exclude 2% of companies from the global investible universe and won’t impact volatility or returns beyond what is already inherent in the current portfolio.
- [42] Variations on this option would be to exclude tobacco based on total involvement / % of revenue and exclude producers of conventional weapons. Each of these exclusions would remove approximately 3% of companies from the global investible universe (based on a 10% revenue threshold).

Option 3 – Common Plus Additional Exclusions

- [43] This option is option 2 plus any other additional exclusions Council wants to exclude. Additional exclusions and the impact on the investible universe are:
- ESG controversy, pornography and predatory lending – don’t materially impact the investible universe, approximately 1% excluded in total.
 - Nuclear power, thermal coal and oil and gas – excluding these based on a 10% of revenue would exclude approximately 7% of investible companies.
 - Gambling and alcohol may have a material impact depending on the level of involvement and thresholds applies.
 - Gambling operations would exclude 1.6% (at a 10% revenue threshold) and all related activities would exclude 2.6% (at a 10% revenue threshold).
 - Alcohol producer would exclude 2.9% (at a 10% revenue threshold) and all related activities would exclude 15.8% (at a 10% revenue threshold).
- [44] Council could choose to add exclusions relating to any or all of the above.
- [45] The other criteria Council could also consider is a “Council Discretion” exclusion ie a list of any companies that Council identifies and wishes to prohibit investment in.

Recommended

- [46] Following discussion on the above options the Subcommittee resolved to recommend the following exclusions and thresholds:
- Controversial weapons – any tie
 - Nuclear weapons and – any tie
 - Civilian firearms – producer
 - Tobacco – producer
 - Cannabis – recreational

- Nuclear power – utility
- Thermal coal – extraction and productions
- Oil and gas – all related activities
- ESG controversies – flag
- Pornography – producer
- Predatory lending – direct link
- Gambling – all related activity (threshold greater than 10% of revenue)
- Alcohol – producer (threshold greater than 10% of revenue)

[47] The above recommended parameters will exclude approximately 15.2% of the investible universe.

[48] Since the Audit and Risk Subcommittee meeting, JB Were has reviewed the recommendation and noted that if the intention is to exclude fossil fuels then an additional category “Fossil fuel power generation” should also be excluded. That would remove a further 394 companies and increase the amount of investible universe that is excluded to 17.8%.

[49] JB Were has also noted that reducing the investible universe reduces diversification ability which means the portfolio is likely to exhibit higher levels of volatility. They also note that this impact is more likely to be more pronounced in smaller, less diversified, and less liquid markets, like New Zealand and Australia.

CONSIDERATIONS

Strategic Framework and Policy Considerations

[50] Investment activities are covered by Council’s Treasury Management Policy and Statement of Investment Policy and Objectives.

Financial Considerations

[51] A more restrictive investment policy may impact returns as it may limit diversification of the portfolio.

Significance and Engagement

[52] Changes to the TMP and SIPO outlined in this paper do not trigger Council’s He Mahi Rau Rika: Significance, Engagement and Māori Participation Policy.

Legislative and Risk Considerations

[53] There are no legislative considerations.

[54] There is inherent risk associated with investment decisions. The TMP and SIPO are designed to manage and mitigate that risk.

Climate Change Considerations

[55] Climate change is a key consideration in including a responsible investing policy in the SIPO.

Communications Considerations

[56] There are no communication consideration.

NEXT STEPS

[57] Staff will make any changes as directed by Council and the revised SIPO will be sent to JB Were for implementation.


ATTACHMENTS

1. Treasury Management Policy - October 2023 DRAFT marked up [10.2.1 - 24 pages]
2. Statement of Investment Policy and Objectives - October 2023 DRAFT marked up [10.2.2 - 21 pages]



Otago Regional Council
Treasury Management Policy
incorporating
Liability Management Policy and
Investment Policy

March 2022 October 2023

	Document Name: Treasury Management Policy
	Document Owner: Manager-General Manager Corporate Services and CFO
	Authorised By: Chief Executive
	Implementation Date: March 2022 <u>October 2023</u>
	Review Period: xxxxx <u>3</u> Yearly
	Last Reviewed: xxxxx <u>March 2022</u>
Next Review: xxxxx <u>October 2026</u>	

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1. INTRODUCTION

Section 102 (2) of ~~The~~ the Local Government Act 2002 requires local authorities to adopt a Liability Management Policy and an Investment Policy. The Otago Regional Council's ("Council") prepared policies have been combined into one document called the Treasury Management Policy.

The Liability Management Policy is designed to provide a framework for prudent debt management and sets out how Council may wish to use debt as a funding mechanism.

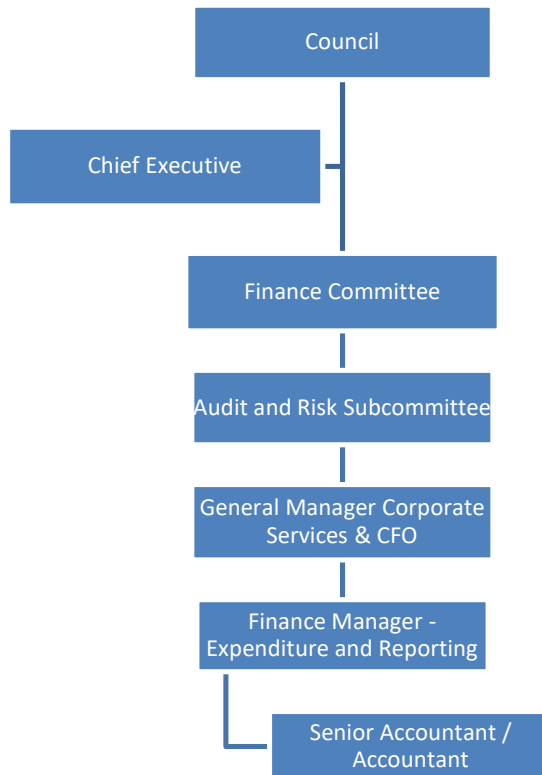
The Investment Policy is designed to ensure that the financial resources of the Council are managed in an efficient and effective way. It sets out how Council can utilise funds from the sale of assets and what should be done with the investment income.

Council has set up a structure of responsibilities and reporting lines to ensure the appropriate management and accountability of the liability management and investment management activities.

2. STRUCTURE

2.1 Introduction

The organisation chart for the treasury and investment activity is as follows:



2.2 Treasury and Investment Responsibilities

The key responsibilities of the above positions are as follows:

Council

The primary responsibilities of Council are planning, policy and governance:

- Approve and adopt the Liability Management and Investment Policies.
- Review at least on a three yearly basis the Liability Management and Investment Policies, and approve any revisions or amendments as required.
- Approve by resolution all external Council borrowing.
- To encourage the appointment of Audit and Risk Subcommittee members with the relevant experience and competencies to achieve the stated objectives.
- To ensure that the roles and responsibilities of all parties are documented and clearly defined.
- Reviewing and assessing budgets during the budget review process.
- Appointment of Investment Managers.

- Reviewing investment performance and investment reports periodically throughout the year and at year end.
- Approve any transaction that falls outside the guidelines of the ~~IP-[Investment Policy](#)~~ and Statement of Investment Policy and Objectives (“SIPO”).

Finance ~~and Corporate~~ Committee

The Council has established the Finance ~~and Corporate~~ Committee and has delegated such powers and duties to the Committee as the Council sees fit. The Finance ~~and Corporate~~ Committee operates as per the Council’s constitution. Members serving on the Finance ~~and Corporate~~ Committee are appointed by the Council. ~~The Audit and Risk Subcommittee is a subcommittee of the Finance and Corporate Committee.~~

Audit and Risk Subcommittee

The Council has established the Audit and Risk Subcommittee and has delegated such powers and duties to the ~~Committee-Subcommittee~~ as the Council sees fit. The Audit and Risk Subcommittee operates as per the Council’s constitution. Members serving on the Audit and Risk Subcommittee are appointed by the Council.

- To provide guidance and leadership on the appointment, management, monitoring and review of appropriate Investment Managers.
- Reviewing all matters concerning the SIPO, considering any changes or amendments to the SIPO and making appropriate recommendations
- Regularly reviewing the Investment Managers reports and reporting exceptions.
- Ensuring that all parties overseeing, advising and managing ORC’s investments disclose any potential conflicts of interest. In the event that conflicts of interest arise the policies and procedures for managing these are to be clearly defined, although, in principle, such conflicts should be avoided.
- Ensuring that an appropriate SIPO is developed and maintained.
- Ensuring that contracts for investment advisory/management, custodial and consultancy services are reviewed at least every three years.
- To recommend the appointment and removal of Investment Managers as appropriate.
- Ensuring investment portfolios are prudently diversified to meet the agreed risk/return profile.
- Approving the asset classes and sub-asset classes to be included in any investment portfolios.
- Ensuring that all service agreements and contracts are in writing and are consistent with fiduciary standards of care.
- To ensure that the practices and policies set out in the SIPO are adhered to.
- To follow formal criteria to monitor, evaluate and compare the investment performance results achieved against relevant benchmarks and objectives on a regular basis.
- To confirm on an annual basis that best practice with respect to execution, brokerage, money sweep facilities, foreign currency spreads, transaction costs and management fees is being applied.

General Manager Corporate Services and CFO

- Responsible for setting investment, borrowing and risk management strategy in conjunction with the Finance Manager ~~and the Manager Projects~~.
- Responsible for recommending the level of cash available for investment and that held for working capital purposes.
- Recommend to Council amendments to the Liability Management Policy and Investment ~~Policies~~ Policy as required.
- Manages the funding and liquidity activities of the Council.
- Determines the level of future core debt is to be used for interest rate risk management purposes.
- Maintains lender relationships with the banks and the capital markets including the LGFA.
- Monitors and reviews the ongoing treasury risk management performance of the Council to ensure compliance with the policy parameters.
- Review internal audit reports and approve as appropriate any recommendations made.
- Administering and attending to the day-to-day financial matters associated with the management of investment portfolios, including serving as the primary point of contact for the Investment Manager.

Finance Manager – Expenditure and Reporting

- Responsible for all activities relating to the daily implementation and maintenance of the Liability Management Policy and Investment ~~Policies~~ Policy.
- To control and account for all investment, recordkeeping and administrative expenses associated with management of the funds.
- Prepares quarterly treasury reports.
- To report at least annually to the Audit and Risk ~~Sub-committee~~ Subcommittee 'Total cost of Delivery' being the sum of:
 - Investment Advisory Fees,
 - Custodial Fees,
 - Administration Fees, and
 - Total Fund Fees – made up of; annual management fees (including annual management fees of underlying investments), performance-based fees (including performance based fees of underlying investments), and any other fees and costs.
- Assist in determining the most appropriate sources and terms for borrowing and investing.
- Negotiate investment and borrowing transactions.
- Responsible for keeping the General Manager Corporate Services & CFO informed of significant treasury activity and market trends.
- Responsible for reviewing/approving the weekly cashflow and cash management transaction requirements completed by the Senior Accountant / Accountant.
- Responsible for confirming adherence to Liability Management Policy and Investment ~~Policies~~ Policy, through internal audit reviews, to be performed on an annual basis. Reports findings to the General Manager Corporate Services & CFO.
- Assist in identifying amendments to the investment, borrowing and risk management strategy, which may require amendment of the Liability Management Policy and Investment ~~Policies~~ Policy.

Senior Accountant / Accountant

- Prepare and manage Council's cashflow and cash requirements.
- Report to the Finance Manager on the weekly cashflow position and resulting cash management transactions required.

Council may also appoint an Independent Treasury Advisor ("ITA") to advise on the management of the treasury risks.

3. LIABILITY MANAGEMENT POLICY

3.1 General Liability Management Policy

The Council, on such terms and conditions as it considers appropriate and by resolution, exercises its borrowing powers pursuant to [sections 113 to 116 of](#) the Local Government Act 2002.

Council may borrow for the following primary purposes:

- Fund special one-off type projects.
- Fund expenditure for items of an intergenerational nature.
- Short-term borrowing to manage timing differences between cash inflows and outflows.
- On-lending to Port Otago Limited.

Council can borrow from external sources utilising the following borrowing mechanisms:

- Committed bank facilities.
- The capital markets using Commercial Paper (“CP”), Floating Rate Notes (“FRN”) and Fixed Rate Bonds (“FRB”), also referred to as Medium Term Notes (“MTN”)
- The Local Government Funding Agency using standby facilities, CP, FRNs and FRBs, also referred to as MTNs.

When evaluating new borrowings, the Council will take into consideration the following:

- The impact on its borrowing limits (refer Section 3.5).
- The impact on its interest rate exposure limits (refer Section 3.2).
- The available terms of borrowing including interest rates, level and timing of repayments and security.
- The size and economic life of the asset / project being funded.
- The level and timing of earnings which may flow from the asset / project.
- The advantages and disadvantages of various borrowing mechanisms including the relevant margins under each borrowing source.
- Council’s overall debt maturity profile, to ensure concentration of debt is avoided at reissue / rollover time.
- Consistency with the Council’s long-term financial strategy.
- Legal documentation and financial covenants.
- The Council cannot borrow in foreign currencies.

3.2 Interest Rate Exposure Policy

Interest rate risk management has the objective of managing Council's interest rate exposures in order to:

- Give a sufficient level of certainty to Council's funding costs while, at the same time, allowing Council to participate if interest rates and credit spreads move favourably.
- Control variations in interest expense for the debt portfolio from year to year, taking into consideration relevant budgetary assumptions.
- Recognise Council's exposure to the local and international economies and maintain sufficient flexibility in its interest rate risk management profile to enable TDH to respond as appropriate.

Hedging controls relate to the level of core debt. Core debt is defined as the level of current and projected future debt as determined by the [General Manager Corporate Services and CFO](#). Core debt projections should be supported by appropriate budgetary analysis.

Council will maintain fixed interest rate cover for core debt within the control limits detailed in the table below. Fixed rate debt is defined as all debt that has at least one more rate reset outstanding (typically quarterly) or has more than three months to maturity in the case of a fixed rate term loan. Compliance with these parameters is at the discretion of the [General Manager Corporate Services and CFO](#) if core debt is less than \$10.0 million. Any hedging in excess of 8 years must be approved by the full Council.

The following interest rate risk management parameters apply if debt (excluding debt obtained for on-lending to Port Otago Limited) is greater than \$10.0 million:

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0-2 years	40%	100%
2-4 years	20%	80%
4-8 years	0%	60%

The approved interest rate risk management instruments are as follows:

- Fixed interest rate swaps, including forward starting swaps.
- Interest rate options – includes caps, swaptions and collars. For a collar the amount of the sold option must match the amount of the purchased option.
- Fixed rate term loans.

Options that hedge floating rate debt with an exercise rate greater than 1.50% above the equivalent period fixed interest rate at the time of inception cannot be included as part of the fixed rate cover percentage calculation. For example, a two-year cap at 2.00% would only count as a fixed rate hedge if the underlying two-year swap rate at the time of inception was higher than 0.50%.

3.3 Liquidity and Funding Risk Management

Liquidity risk is the risk that an unforeseen event or miscalculation in the required liquidity level may lead to Council being unable to meet its day-to-day obligations.

Liquidity risk management has the objective of ensuring that adequate liquid assets and funding sources are available at all times to meet both the short and long-term commitments of TDH as they arise, in an orderly manner. The two main sources of liquidity requirements are for working capital and material adverse business events.

To manage liquidity risk Council must maintain a liquidity percentage of 110% above the projected peak borrowing requirement over the following twelve months e.g. if debt was \$25 million, the Council must maintain liquidity of at least \$2.5 million. Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

Appropriate cash flow reporting mechanisms must also be maintained to monitor Council's estimated liquidity position over the next twelve months.

Funding risk is defined as an inability to secure access to external lines of credit sufficient to enable the Council to achieve its strategic short term and long-term objectives where the financial requirements to achieve those goals exceed the funds being generated from operating activities.

Funding risk covers both working capital requirements and core debt.

- The Council must approve all new debt funding facilities and/or revision to the parameters of existing debt funding facilities.
- To ensure that all of the Council's debt is not exposed to excessive refinancing risk at any one time, no more than 40% of all debt facilities should mature within a rolling twelve-month period. Compliance with this provision is not required if total external debt is less than \$10.0 million and excludes debt obtained for on-lending to Port Otago Limited.
- The [General Manager Corporate Services and](#) CFO must renegotiate/replace maturing bank funding facilities on a timely basis. Specifically, the [General Manager Corporate Services and](#) CFO must obtain an indicative letter of offer no later than three months before the maturity of any bank facility.

3.4 Credit Risk Management

The management of counterparty credit risk in relation to the Council's borrowing and interest rate risk management activities has the objective of minimising financial loss through the default of a financial counterparty, usually a financial institution, due to the financial insolvency of the counterparty, the inability of the counterparty to perform due to country decree, or any other circumstance such as an adverse market event. The purpose of counterparty credit limits is to limit the loss that the Council may incur if a counterparty was to default or be unable to meet its obligations.

The Council's exposure to counterparty credit risk will be managed by entering into financial market transactions and funding arrangements with only approved counterparties. Approved counterparties are defined as follows:

- An approved counterparty must be a New Zealand Registered Bank or financial institution with a long term credit rating of 'A-' or above by Standard & Poor's ("S&P"), or the Moody's Investors Service ("Moody's) or Fitch Ratings ("Fitch") equivalents.

3.5 External Borrowing Limits

In managing its borrowings, the Council will adhere to the following limits (based on the Council's latest financial statements):

- **Net debt will not exceed 175% of total revenue (if Council maintains a long-term credit rating of 'A' equivalent or higher net debt will not exceed 280% of total revenue).**
- **Net interest will not exceed 20% of total revenue.**
- **Net interest will not exceed 25% of annual rates income (if Council maintains a long-term credit rating of 'A' equivalent or higher net interest will not exceed 30% of annual rates income).**
- **Liquidity will not be less than 110%.**

"Total revenue" is defined as cash earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).

"Net debt" is defined as total debt less liquid financial assets and investments.

"Liquidity" is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

"Net Interest" is defined as the amount equal to all interest and financing costs less interest income for the relevant period.

"Annual rates income" is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received from other local authorities for services provided (and for which the other local

authorities rate).

Financial covenants are measured on a Council only basis and not a consolidated group basis. Both borrowing and loan amounts associated with on-lending from Council to Port Otago Limited will be included in covenant calculations and may be offset if in covenant calculations if permitted under LGFA covenant calculation rules.

3.6 Local Government Funding Agency

The Council may borrow from the New Zealand Local Government Funding Agency (“LGFA”) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA.
- Provide guarantees of the indebtedness of the LGFA.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Subscribe for shares and uncalled capital in the LGFA and Secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council’s rates and rates revenue.

3.7 On-lending to Port Otago

This section applies while Port Otago Limited remains a subsidiary of the Council.

To better achieve the strategic and commercial objectives of the group, Council may provide financial support in the form of debt funding to Port Otago Limited.

On-lending terms and conditions are expected to mirror the underlying loan obtained for that purpose. Council will not provide on-lending on terms and conditions that are more favourable than those Council has obtained in the underlying loan to on-lend.

Any agreement to on-lend to Port Otago must be approved by Council and the following should be considered:

- Credit risk profile of Port Otago Limited, and the ability to repay interest and principal amounts on due dates.
- Impact on Council’s credit standing, lending covenants with the LGFA and other lenders and Council’s future borrowing capacity.
- Whether the loan is unsecured or if secured, the form and quality of any security arrangements provided.
- On-lending arrangements must be recorded in a legally enforceable loan contract (and any associated transaction documentation).
- Accounting and taxation impact of the arrangement.

3.8 Security

It is Council policy to offer security for its borrowing by way of a charge over its rates. In the normal course of business, Council policy is not to offer security over any of the other assets of the Council. However, in special circumstances and if it is considered appropriate, Council may resolve to offer such security on a case-by-case basis.

3.9 Repayment

The Council repays borrowings from rates, surplus funds, investment income, proceeds from the sale of investments and assets, or from specific sinking funds.

4.0 Internal Debt Management

When considered appropriate, the Council uses accumulated reserves as a borrowing mechanism, thereby reducing the level of external borrowings. The following operational guidelines apply to the use of reserves for funding rather than external borrowings:

- Interest is charged on the month end loan balances.
- The internal interest rate charged ~~is equivalent to what Council would earn if it had been invested~~ will be set in advance in Council's Long-term Plan and Annual Plan.
- Reserves available for internal borrowing are limited to 50% of total reserves (total equity) ~~excluding revaluation reserves~~.

4. INVESTMENT POLICY

4.1 General Investment Policy

Guiding Principles

The guiding principles which govern ~~ORC's Council's~~ equity and financial market investment activities are as follows:

- ~~ORC's Council's~~ time horizon is long term, i.e. it is greater than 15 years, and it intends to hold investments for the long term.
- There is a positive relationship between risk and return, higher expected returns means higher risk.
- Every investment has an associated level of risk. This risk is best mitigated by diversification.
- Investors who have a Strategic Asset Allocation (“SAA”), and a Statement of Investment Policy and Objectives (“SIPO”) which they follow, generally outperform investors who do not.
- Frequent trading, completely liquidating all investments, or allocating all investments to one specific sector which is predicted to outperform is speculation, not investment.
- Periodic rebalancing back to SAA target weights is likely to enhance investment returns over the long term.
- Periodic review of ~~IP-Investment Policy~~ and the SIPO is likely to ensure that any material changes in circumstances are captured and reflected in the management of the portfolio. Reviews should occur not less than three yearly.

Objectives

Council's primary objective when investing is the protection of its initial investment. Accordingly, the risk profile of all investment portfolios must be conservative (see Appendix 1).

Within the approved credit limits contained in Appendix 1, the Council also seeks to:

- Maximise investment returns.
- Manage potential capital losses due to interest rate movements, currency movements and price movements.
- Maintain the real value of investment assets in perpetuity.
- Ensure that the real value of distributions can be maintained.
- Maintain intergenerational equity between current and future ratepayers of Otago Regional Council.

4.2 Risk Tolerance

The Council recognises and acknowledges that some risk must be assumed in order to achieve the long-term investment objectives.

Risk tolerance is affected by three factors:

- Capacity to accept risk,
- Willingness to accept risk, and
- Required rate of return.

Capacity to Accept Risk

~~ORC's Council's~~ capacity to accept risk is a function of its investment time horizon, prospective future contributions, current financial condition, level of funding requirements and reserve facilities.

Time Horizon

~~ORC Council~~ is expected to exist in perpetuity. The investment time horizon of ~~ORC Council~~ is therefore long term. This increases capacity to accept risk.

Financial Capacity

~~ORC's Council's~~ current financial condition and level of funding requirements imply reasonable capacity to tolerate short to medium term volatility in the value of its investments. This increases capacity to accept risk.

Based on the combination of time horizon and financial circumstances, ~~ORC's Council's~~ overall capacity to accept risk is assessed as ~~Medium-medium~~ to ~~Highhigh~~.

Willingness to Accept Risk

~~ORC Council~~ is a risk averse entity. The Council seeks, where possible, to minimise volatility or risk. Notwithstanding this risk aversion, the Council, Finance ~~and Corporate~~ Committee and Audit and Risk Subcommittee, acknowledge that investing solely in capital stable investments exposes the Council's asset base to the risk of inflation and is willing to accept some risk in order to increase expected return, subject to ~~ORC's Council's~~ capacity to accept risk.

Required Rate of Return

Careful consideration of cash flow requirements is essential to determine the required rate of return. In order to achieve the desired level of contributions to cash flow, while maintaining the real value of ~~ORC's Council's~~ capital over time, the real (i.e. inflation adjusted) required return for ~~ORC Council~~ must be greater than the spending rate.

Based on a spending rate of \$2,000,000 per annum and an assumed investment asset base of \$40,000,000 to \$50,000,000, inflation expectations of 2.0% per annum, a return of 2.0% to 3.0% may be sufficient to meet ~~ORC's Council's~~ objectives.

4.3 Investment Mix

The Council has a significant portfolio of investments that may be comprised of the following:

- Strategic equity investments-
- ~~Strategic property~~Property investments-
- Kuriwao endowment-
- Short term liquidity-
- ~~Long term fixed interest~~
- Long term investment portfolio
- Investment in irrigation schemes
- Local Government Funding Agency
- On-lending to Port Otago Limited (refer to section 3.7)

4.4 Strategic Equity Investments – Port Otago

Nature of Investments and Rationale for Holding

The Council owns 100% of Port Otago Limited.

Port Otago is a significant strategic asset held by the Council on behalf of the regional community, with its activities complementing and supporting the economic development of the region.

Review of Holding

The Council will from time to time review the equity held in Port Otago Limited, and may, if considered strategically appropriate, amend the percentage shareholding held.

Disposition of Revenue

Port Otago Limited has consistently paid a dividend to the Council. The company's Statement of Corporate Intent, produced annually, specifies the level of dividend that will be paid. These dividends are to be used to subsidise general rate funding. Special dividends received may be used towards special projects of a one-off nature.

Risk Management

The Council's investment in Port Otago Limited is not without risk. Dividends receivables are driven by the level of profitability that Port Otago can continue to generate, and ultimately, the value of the Council's investment in the company.

The Council's risk management procedures include:

- Appointing external directors with appropriate expertise to Port Otago Limited's Board of Directors.
- Reviewing / approving on an annual basis Port Otago Limited's Statement of Corporate Intent.
- Regular reporting to Council as specified in the Company's Statement of Corporate Intent.

Management Reporting Procedures

Management reporting ~~issues-procedures~~ have been noted under risk management issues above.

4.5 Property Investment

Nature of Investment and Rationale for Holding

The Council owns investment properties within Dunedin City, the land having been gifted to the Council. The land is leased on commercial terms.

Council considers that holding this investment is in the interests of residents and ratepayers, because the return by way of rentals is at commercial rates.

Review of Holding

The Council will from time to time review the investment properties, and may, if considered strategically appropriate, reduce the holdings.

Disposition of Revenue

Revenue earned from investment properties is used to subsidise general rate funding.

Proceeds from the sale of investment properties would be allocated to the Asset Replacement Reserve.

Risk Management

The risk in respect of holding investment property is evaluated as low given the location of the property and its current and long-term use. A valuation of the property is carried out on an annual basis by an Independent Registered Valuer, with gains or losses in value being taken directly to the ~~property-asset~~ revaluation reserve.

Rental income earned from investment properties is considered low risk, due to the fixed and long-term nature of the lease agreements. Lease rental is negotiated at the time that the leases expire, with independent and expert advice being obtained on the market conditions.

Management Reporting Procedures

Returns from investment properties are monitored on a regular basis.

On an annual basis, the market value of the investment properties is recorded and reported on in the Council's financial statements.

4.6 Kuriwao Endowment

Nature of Investments and Rationale for Holding

This land was vested in the Council by the Otago Regional Council (Kuriwao Endowment Lands) Act 1994 ("the Act"). The Otago Regional Council leases the land to private individuals.

Disposition of Revenue

The Act allows the Council to sell the land if it so desires but stipulates that sales proceeds and any earnings from those proceeds must be used for the benefit of the Lower Clutha district.

In accordance with the Act, rental income from the leases is also used for the benefit of the Lower Clutha district, and is used primarily for catchment works in that district.

Risk Management

The risk in respect of holding investment property is evaluated as low given the location of the property and its current and long-term use.

Rental income earned from endowment land is considered low risk, due to the fixed and long-term nature of the lease agreements. Lease rental is negotiated at the time that the leases expire, with independent and expert advice being obtained on the market conditions.

Management Reporting and Procedures

Returns from the leased land are monitored on a regular basis.

The value of the land is recorded and reported on in the Council's financial statements.

4.7 Short Term Liquidity

Nature of Investment and Rationale for Holding

This type of investment will be in the form of cash term deposits held for various periods ~~from "on call" up to 365 days or longer.~~ It will be held for working capital purposes, emergency funds and as an investment when deemed appropriate. This excludes "on-call" funds held for immediate working capital purposes and cash deposits or fixed interest investment of less than 1 year that are held as part of a Long-Term Investment Portfolio.

Disposition of Revenue

Revenue earned on cash holdings is added to the general reserve balance ~~that the cash holdings relate to, e.g. Emergency Response Reserve. When earned on general cash held from rate takes and other external funding sources it is used to subsidise general rates and used to offset external debt borrowing costs.~~ The net interest amount is allocated over all reserves using an internal interest rate set in advance in Council's Long-term Plan and Annual Plan. Any surplus revenue is used to subsidise general rates.

Risk Management

Investments are only to be held with ~~financial institutions as approved by the General Manager Corporate Services and CFO, and in accordance with the limits set out in Appendix 1~~ New Zealand Registered Retail Banks with a long term credit rating of 'A-' or above by Standard & Poor's ("S&P"), or the Moody's Investors Service ("Moody's) or Fitch Ratings ("Fitch") equivalents.

- No more than ~~30~~50% of total term deposits or \$10.0M, whichever is the greater, of cash is to be invested at any one time with any one institution, ~~unless this is the diversified cash management portfolio managed by a fund manager when 100% can be invested (see Appendix 1).~~

Management Reporting

Cash holdings are managed as part of the Council's daily operational procedures (refer section 5).

4.8 Long Term Investment Portfolio

Nature of Investment and Rationale for Holding

The Council has established a Long-Term Investment Portfolio in order to assist with the subsidising of rates and maintaining intergenerational equity between current and future ratepayers.

Council considers that holding this investment is in the interests of residents and ratepayers, because it provides the opportunity to earn higher investment returns through income and capital growth than is achievable through short term liquidity or long-term fixed interest and it provides a greater chance of maintaining the real value of ~~ORC's Council's~~ asset base in the face of inflation.

Review of Holding

The Council will from time to time review the Long-Term Investment Portfolio, and may, if considered strategically appropriate, reduce or increase the amount of funds allocated to the Long-Term Investment Portfolio.

Disposition of Revenue

Revenue earned from the Long-Term Investment Portfolio is used to subsidise general rates funding.

Risk Management

The Council's investment in the Long-Term Investment Portfolio is not without risk. The income and capital growth likely to be achieved from the Long-Term Investment Portfolio will vary and may not meet Council's expectations in any one quarter or financial year.

The Council's risk management procedures include:

- Appointing an independent Investment Manager with appropriate expertise to manage the Long-Term Investment Portfolio.
- Requiring the Investment Manager to adhere to a Statement of Investment Policies and Objectives ("SIPO") which defines the nature of the investment management mandate including restrictions, exclusions and minimum reporting requirements.
- Requiring the Investment Manager to report compliance with the SIPO.
- Requiring the Investment Manager to report formally against appropriate benchmarks quarterly, and peer group at least annually.

- The Council will conduct a formal review of incumbent Investment Managers not less than three yearly. This may result in a tender process for the Investment Management of the Council's Long-Term Investment Portfolio.

Management Reporting and Procedures

Long-Term Investment Portfolio returns, and portfolio characteristics are monitored on a quarterly basis against relevant benchmarks and compliance reporting criteria established in the SIPO.

On an annual basis, portfolio returns are benchmarked against an appropriate peer group.

4.9 Investment in Irrigation Schemes

Nature of Investment and Rationale for Holding

This type of investment would be in the form of equities in irrigation schemes. Such investments could only be entered into where an equity holding by Council will enable a scheme to proceed, if committed supply contracts alone are not sufficient to enable this, and where an equity holding will enable wider community benefits in water management.

Any consideration of an equity investment will only occur after normal corporate loan and equity funding had been diligently explored by the developers of the irrigation scheme, and reasons for rejection identified.

Any proposed investment in an irrigation scheme must be consulted on before proceeding with the investment.

Disposition of Revenue

Revenue earned from equity investment in irrigation schemes is to be used to subsidise general rates.

Proceeds from the sale of equities will be allocated to the general reserve.

Risk Management

Investment in Irrigation Schemes is assessed as having a high risk. Returns on this type of equity investment may not be earned until such time as the investment is sold, or may not be at levels that may be returned on other types of investment.

Further there is a risk that there will be no readily available option for selling the investment, should the Council wish to do so.

The Council's risk management procedures include:

- Requiring a full business plan that shows a commercial return on investment, and a real opportunity to sell the investment.
- Being entitled to having a representative on the Board of the irrigation scheme company.
- Requiring regular reporting to Council of the activities and progress of the scheme, and the uptake of shares by farmers joining the scheme.

Investments are to be held in accordance with the limits set out in Appendix 1.

Management Reporting

The value of equity investment in irrigation schemes is to be recorded and reported annually in the Council's financial statements.

4.10 Local Government Funding Agency

Council may invest in shares and other financial instruments of the [Local Government Funding Agency \(“LGFA”\)](#) and may borrow to fund that investment. The Council’s objective in making any such investment will be to:

- Obtain a return on the investment; and
- Ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially higher than the return it could achieve with alternative investments.

If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

5. CASH MANAGEMENT

The finance department is responsible for managing the Council's cash surpluses and deficits as they arise. These may arise due to a mismatch of daily receipts and payments.

Council maintains ~~weekly-monthly~~ cashflow forecasts and reviews cash payment requirements weekly. These cashflows determine the level of cash required for working capital purposes, any surpluses available for investment, and any deficits that may require short-term borrowing. Any surplus cash to be invested ~~for longer than 12 months~~ is covered by sections 4.7 for short-term surpluses and 4.8 for long-term surpluses of this policy document.

The following operational guidelines apply to the cash management processes:

- On-call funds may be held with Council's transactional bank to meet the immediate short term funding requirements.
- Cashflow surpluses will be invested in accordance with section 4.7 and section 4.8 of this document.
- A committed bank overdraft facility ~~will~~ may be maintained, to meet interim cash and liquidity requirements, as approved by the General Manager Corporate Services and CFO.

~~Dedicated cash held in respect of special rating districts or special funds will accumulate interest on those funds to an amount equivalent to that earned by the Otago Regional Council on its cash deposits.~~

APPENDIX 1:**Approved Credit Ratings and Limits****Approved Credit ~~Ratings~~Rating Guidelines**

S&P Rating band (or Moody's or Fitch equivalent)	Maximum Percentage of NZ Fixed Interest Asset Class
AAA to BBB AA-	100%
A+ to BBB A-	55%
BBB+ to BBB-	15%
Sub-investment Grade/Unrated	0%
Government	100%
Equities in Irrigation Schemes*	10%

* Subject to consultation and Council approval as per section 4.9

Maximum Individual Security Guidelines

S&P Rating band (or Moody's or Fitch equivalent)	Individual Security Maximum Percentage of NZ Fixed Interest Asset Class
AAA	15%
AA	10%
A	10%
BBB	5%
Sub-investment Grade/Unrated	0%
Equities in Irrigation Schemes*	10%

* Subject to consultation and Council approval as per section 4.9

Note the above tables provides guidelines for assessing the Long Term Investment Portfolio and an individual security~~securities~~ within that portfolio.


Section 4.7 of the Investment Policy sets the risk management limit on maximum issuer exposure for Short Term Liquidity and Section 4.4 of the SIPO provides further diversification guidelines to manage ~~maximum issuer exposure for~~ the Long-Term Investment Portfolio.

Equities in Irrigation Schemes do not form part of the Long Term Investment Portfolio and the limit above provides a maximum percentage relative to other investments held in the Long Term Investment Portfolio.



Otago Regional Council Statement of Investment Policy and Objectives

~~September 2019~~ October 2023

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1. PURPOSE

The purpose of this Statement of Investment Policy and Objectives (SIPO) is to provide the policy framework for Otago Regional Council (the Council) to effectively supervise, monitor and evaluate the management of the investment activities undertaken through of the Council's Long Term Investment Portfolio.

The SIPO defines the key responsibilities and the operating parameters within which the investments Long Term Investment Portfolio and their-it's ongoing management are to operate. The SIPO should at all times encourage the use of methodologies and processes that reflect industry best practice, encompass the principles of good corporate governance, and reflect the corporate vision of Otago Regional Council.

2. OBJECTIVES

2.1 Introduction

Section 102 (2) of The the Local Government Act 2002 requires local authorities to adopt an Investment Policy to ensure that the financial resources of the Council are managed in an efficient and effective way. That Investment Policy is incorporated in Council's Treasury Management Policy. The SIPO is an associated document to the TMP and provides guidance specifically related to Council's Long Term Investment Portfolio.

2.2 Objectives

Otago Regional Council's primary investment objectives are:

- To protect and maintain the purchasing power of the current investment assets and all future additions to the investment assets.
- To maximise investment returns within reasonable and prudent levels of risk.
- To maintain an appropriate asset allocation in order to make distributions as required while preserving the real value of the Council's capital from the effects of inflation.

2.3 Time Horizon

The investment guidelines are based upon an investment horizon of greater than seven years. Therefore, interim fluctuations should be viewed with appropriate perspective.

2.4 Risk Tolerance

The Otago Regional Council is a risk-averse entityentity, but some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, given there are uncertainties and complexities associated with investment markets. It is the express desire of the Council to minimise portfolio volatility through the adoption of prudent portfolio management practices. Overall, a conservative investment approach is to be adhered to.

2.5 Performance Expectations

~~Otago Regional~~ Council aims to earn a net real return on the portfolio of 2.3-3.1% per annum after investment management costs and inflation (assumed to average 2.0% per annum), on average over five years.

The Council recognises that the target rate of return is a long term one and will not be achieved in every measurement period.

2.6 Risk Summary and Selection of Asset Allocation

The table below summarises the Council's level of risk tolerance as measured by the three risk factors:

Risk Measure	Level of Risk
Capacity to accept risk	Medium to High
Willingness to accept risk	Low to Medium
Required rate of return	Inflation plus 2.3% - 3.1% (net)

Over the long term, the average rate of investment return is related to the level of risk within the portfolio, as illustrated in the table below:

Estimated Rate of Return (net of fees) Inflation plus:	Estimated Gross Return	Level of Investment Risk	Growth Asset Strategy
1.5% - 2.3%	6.0% - 6.5%	Low	20% to 40%
2.3% - 3.1%	6.5% - 7.2%	Low to medium	40% to 60%
3.1% - 3.8%	7.2% - 7.8%	Medium to high	60% to 80%
3.8% - 4.3%	7.8% - 8.1%	High	80% to 90%

Returns above are per annum. The table comprises estimates based on standard portfolio and custodial fees and assumes a tax rate of 0%. Estimated gross returns increase as the portfolio allocation to growth assets increases. Actual returns may be higher or lower than those detailed above.

Based on ~~ORC's Council's~~ required rate of return, capacity and willingness to accept risk, it is recommended that a portfolio incorporating 40% to 60% growth assets is adopted which is suitable for a low to medium level of risk. Aim is to achieve 50% income assets ,50% growth assets.

2.7 Policy Setting and Management

The Council may from time to time approve/amend the policy parameters set in relation to ~~Otago Regional~~ Council's investment activities. These changes will be minuted and incorporated into the SIPO and the dates of the changes noted.

3. DUTIES AND RESPONSIBILITIES

3.1 The Council

The primary responsibilities of the Council are planning, policy and governance.

The Council will take cognisance of the prudent person and duty of care rules as set out in the Trustee Amendment Act 1988.

As fiduciaries, the primary responsibilities of the Council are:

- To state in a written document the Council' attitudes to risk, expectations, objectives and guidelines for the investment of their assets.
- To review this SIPO on a regular basis.
- To ensure ~~Otago Regional~~ Council's investment assets are prudently diversified to meet the agreed risk/return profile.
- To establish formal criteria to select, monitor, evaluate and compare the investment performance results achieved by the investment adviser and the overall portfolio against agreed benchmarks, peer groups and ~~Otago Regional~~ Council's objectives on a regular basis.
- To avoid prohibited transactions and conflicts of interest.
- To encourage effective communications between the Council and parties involved with investment management decisions.
- To encourage the appointment of Audit and Risk Subcommittee members with the relevant experience and competencies to achieve the stated objectives.
- To ensure that the roles and responsibilities of all parties are documented and clearly defined.
- Appointment of Investment Managers.
- Reviewing investment performance and investment reports periodically throughout the year and at year end.
- Approve any transaction that falls outside the guidelines of the SIPO.

3.2 The Audit and Risk Subcommittee

The Council has established the Audit and Risk Subcommittee and has delegated such powers and duties to the Committee as the Council sees fit. The Audit and Risk Subcommittee operates as per the Council's constitution. Members serving on the Audit and Risk Subcommittee are appointed by the Council.

- To provide guidance and leadership on the appointment, management, monitoring and review of appropriate Investment Managers.
- Reviewing all matters concerning the SIPO, considering any changes or amendments to the SIPO and making appropriate recommendations.
- Regularly reviewing the Investment Managers reports, and reporting exceptions.
- Ensuring that all parties overseeing, advising and managing ~~Otago Regional~~ Council's investments disclose any potential conflicts of interest. In the event that conflicts of interest arise the policies and procedures for managing these are to be clearly defined, although, in principle, such conflicts should be avoided.

- Ensuring that an appropriate SIPO is developed and maintained.
- Ensuring that contracts for investment advisory/management, custodial and consultancy services are reviewed at least every three years.
- To recommend the appointment and removal of Investment Managers as appropriate.
- Approving the asset classes and sub-asset classes to be included in any investment portfolios.
- Ensuring that all service agreements and contracts are in writing and are consistent with fiduciary standards of care.
- To ensure that the practices and policies set out in the SIPO are adhered to.
- To follow formal criteria to monitor, evaluate and compare the investment performance results achieved against relevant benchmarks and objectives on a regular basis.
- To confirm on an annual basis that best practice with respect to execution, brokerage, money sweep facilities, foreign currency spreads, transaction costs and management fees is being applied.

3.3 Custodian

Custodians are responsible for the safekeeping of ~~Otago Regional~~ Council's investment assets. The specific duties and responsibilities of the custodian are to:

- Value all investment assets.
- Collect all income and dividends owed to the portfolio.
- Settle all transactions (buy/sell orders) initiated by the Investment Manager.
- Provide monthly reports that detail transactions, cash flows, securities held and their current value. The report should also detail the change in value of each security and the overall portfolio since the previous report.
- Maintaining separate accounts.

3.4 Investment Advisor

The Council may retain an objective, third-party investment adviser to assist the Council in managing the overall investment process. The adviser will be responsible for guiding the Council through a disciplined and rigorous investment process to enable the Council to prudently manage their fiduciary duties and responsibilities. The investment adviser will:

- Provide advice on appropriate strategic asset allocation, security and fund manager selection.
- Periodically monitor the SIPO and its appropriateness, (in conjunction with the Council).
- Specify and advise on asset and sub-asset class allocation strategies.

3.5 Investment Manager

The Council will appoint an ~~investment~~ Investment Manager to manage the assets under their supervision in accordance with the guidelines and objectives outlined in the SIPO and in their service agreements. The ~~investment~~ Investment Manager will:

- Periodically review the custodial arrangements and make recommendations.
- Provide instructions to each fund manager with respect to the lodging or withdrawing of funds placed.
- Oversee and monitor the performance of the fund managers.
- Appoint and remove fund managers.
- Deliver quarterly reports to the Council which detail the following:
 - Portfolio valuation,
 - Fixed Interest Portfolio duration,
 - Compliance reporting,
 - Portfolio Performance Summary for the portfolio and by asset class,
 - Performance against benchmarks,
 - Asset transactions summary, and
 - Cash transactions.
- Make available appropriate personnel to attend meetings as agreed between the Council and the adviser.
- Report to the Council annually as to the total expenses incurred and tax paid in managing ~~Otago Regional~~ Council's investment portfolio.
- Communicate to the Council all significant changes pertaining to the portfolio it manages or the adviser's firm itself. Changes in ownership, organisational structure, financial condition and professional staff are examples of changes to the firm in which the Council are interested.
- Use the same care, skill, prudence and due diligence under the prevailing circumstances that an experienced investment professional, acting in a like capacity and fully familiar with such matters, would use in like activities for like portfolios with like aims in accordance with all applicable laws, rules and regulations.
- Ensure that "expected" and "modelled" returns for asset classes are based on sound return and risk premium assumptions.
- Outline expected returns and risk, or volatility, within the selected strategies.
- Recommend a Custodian to hold and report on investment assets.
- Rebalance individual investments and asset class groups to within agreed benchmarks as described in the rebalancing policy contained in the SIPO.
- To effect all transactions for the portfolio at the best price.
- Regularly report on compliance exceptions with the SIPO.
- Disclose any potential conflicts of interest and steps taken to mitigate such conflicts.

3.6 Fund Managers

Fund Managers are utilised by the Investment Manager to manage a part of the Long-Term Investment Portfolio.

- To manage an allocated part of the portfolio on terms and conditions consistent with their mandate.

4. INVESTMENT POLICY AND IMPLEMENTATION

4.1 Asset Class Guidelines

Long-term investment performance is primarily a function of strategic asset allocation and asset class mix.

History shows that while interest-generating investments, such as fixed interest portfolios, have the advantage of relative stability of capital value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments have a significantly higher expected return but have the disadvantage of much greater year-on-year variability of return. From an investment decision-making point of view, this year-on-year variability may be worth accepting, provided the time horizon for the equity portion of the portfolio is sufficiently long, (10 years or greater).

Authorised Investments

The following investments, within New Zealand and internationally, are authorised by the Council:

- Cash – term deposits, cash on call, cash funds.
- NZ fixed interest – NZ Government, local authority and NZ State-Owned Enterprise bonds, corporate bonds, fixed interest funds.
- International fixed interest – either direct, if appropriate or via managed funds.
- Listed property companies, property funds and direct property investments.
- Equities, either via managed funds or directly.

Excluded Investments

The following investments are not permitted:

- Preference shares.
- Leveraged investments.
- Options.
- Futures (excluding those employed as risk management strategies by fund managers).
- Commodities contracts.
- Precious metals.
- Hedge funds.
- Unlisted equity securities.
- Private equity investments.
- Illiquid investments.
- Investments in Council Controlled Organisations (other than those described in Section 4.4 of the [Investment-Treasury Management Policy](#)).

4.2 Responsible Investment Policy

Council is committed to incorporating Responsible Investment into its investment decision-making processes. Council’s approach to Responsible Investment is to seek close alignment of the following Responsible Investment Framework with our values. The ability to implement this policy is a factor in the appointment of our investment adviser/manager.

Council has resolved to use reasonable endeavours to avoid investment in entities that meet the following criteria of prohibited activities at or above the threshold level where relevant.

Responsible Investing Exclusion Table:

Exclusion	Nature of involvement	Threshold
Cannabis - Recreational	Companies that produce and/or retails cannabis for recreational use.	0%
Civilian Firearms	<p>Producer</p> <p>Automatic: Companies that manufacture firearms which automatically eject the cartridge case of a fired shot and load the next cartridge from the magazine allowing the gun user to fire more than one round of ammunition for every pull of the trigger.</p> <p>Semi-Automatic: Companies that manufacture firearms which automatically eject the cartridge case of a fired shot and load the next cartridge from the magazine allowing the gun user to fire one round of ammunition for every pull of the trigger.</p> <p>Ammunition: Companies that only manufacture small arms ammunition for the civilian market, including powder propelled, cartridge-based ammunition up to 20mm, which can be fired from weapons, such as revolvers and self-loading pistols, rifles and carbines, assault rifles, submachine guns, and light/general purpose machine guns</p>	0%
Controversial Weapons	<p>Any tie</p> <p>Companies that have any ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments</p>	0%
Nuclear Weapons	<p>Any tie</p> <p>Companies that have an industry tie to nuclear weapons</p>	0%
Tobacco	<p>Producer</p> <p>Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves</p>	0%
Nuclear Power	Companies that own or operate nuclear power plants.	0%
Thermal Coal	Companies involved in the mining of Thermal Coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties.	0%

Oil and Gas	Companies involved in oil & gas related activities, including distribution / retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining.	0%
Power Generation	Companies involved in fossil fuel (thermal coal, liquid fuel and natural gas) based power generation.	0%
ESG Controversies	Companies directly involved in one or more Very Severe ongoing controversies as defined by MSCI.	Red Flag
Pornography	Companies that produce, direct or publish adult entertainment materials that fall into the following six categories: Producer of X-rated films, Producer of Pay-per-view programming or channels, Producer of sexually explicit video games, Producer of books or magazines with adult content, Live entertainment of an adult nature, Producer of adults-only material on the internet.	0%
Predatory Lending	Companies that provide products and services associated with controversial lending practices, defined as those in which lenders take advantage of borrowers' lack of understanding and/or lack of access to more-traditional financial services to impose loan terms that place a disproportionately and often untenably high burden on the borrower. This is often done through deception, fraud or manipulation via aggressive sales tactics.	0%
Gambling	Companies that own or operate gambling facilities or provide key products or services fundamental to gambling industry.	10%
Alcohol	Companies that manufacture alcoholic products, including brewers, distillers and vintners. It also includes companies that own or operate wine vineyards.	10%

The % threshold figures relate to the maximum percentage of total revenue derived from the activity that is tolerated.

Implementation for Direct Security Investments

The Investment Manager will use reasonable endeavours to screen out directly held security investments in the Discretionary Portfolio involved in the prohibited activities as described in the responsible investing exclusion table above. The Investment Manager may rely on data from third party agencies when screening these directly held security investments, which will apply to the asset classes of Cash (NZ Registered Banks), NZ Fixed Interest, NZ Equities, Australian Equities and Global Equities.

Implementation for Indirect Pooled investments

In relation to indirect pooled investments (i.e. via investment in collective investment vehicles), the Investment Manager will from time to time use reasonable endeavours to screen for and avoid indirect exposure to entities involved in the prohibited activities as described in the responsible investing exclusion table above. Where identified and measurable, exposure to entities involved with these prohibited activities will be limited to a materiality representation threshold of 10% of the total value of each of these pooled investment products.

4.3 Asset Allocation

Academic research offers considerable evidence that the strategic asset allocation decision far outweighs security selection and market timing in its impact on portfolio variability and performance. On this basis the Council prefer to adopt a strategic asset allocation and passive strategy over an active and/or tactical asset allocation strategy.

The asset allocation benchmark is to be:

Asset Class	Target Allocation	Acceptable Range	
		Minimum	Maximum
Cash	5%	0%	25%
NZ Fixed Interest	35%	25%	45%
International Fixed Interest	10%	5%	15%
Defensive Total	50%	40%	60%
NZ Property	5%	2%	8%
NZ Equities	15%	10%	20%
Australian Equities	15%	10%	20%
International Equities	15%	10%	20%
Growth Total	50%	40%	60%
Total	100%		

Note target allocation is 50% income assets and 50% growth assets.

4.4 Rebalancing Guidelines

The percentage allocation to each asset class may vary depending upon market conditions.

The SAA has upper and lower limits for each asset class as set out in the table above. The limits are based on the following guidelines:

- Plus or minus 5% for an asset class comprising 20% or more of the SAA,
- Plus or minus 25% of the allocation to a single asset class, where that asset class comprises less than 20% of the SAA (e.g. an asset class comprising 4% of the SAA would have limits of plus or minus 1%).
- The result of the above formulas are then rounded to the nearest full percentage (minimum is round down and maximum is rounded up).

To remain consistent with asset allocation guidelines, the Investment Manager~~(s)~~ will periodically review the portfolio and each asset class. If the actual weighting has moved outside the tolerances described above, the Investment Manager~~(s)~~ shall rebalance the portfolio back towards the recommended weighting. This rebalancing is to be completed as required, at least annually, and reported to the Audit and Risk ~~Sub-committee~~Subcommittee.

Rebalancing tends to involve buying underperforming assets at relatively lower prices, and selling relatively higher priced assets.

4.5 NZ Fixed Interest Investment Guidelines

4.5.1 Portfolio Objectives for Direct NZ Fixed Interest

To gain a diversified exposure to the New Zealand Fixed Interest market through investing in direct securities with the following objectives identified below:

- Provide access to the market in a cost-effective manner,
- Provide a stable income and capital preservation (in nominal terms) over a full market cycle,
- Reduce overall volatility of a strategically diversified portfolio, and
- Provide a high level of transparency.

4.5.2 Portfolio Construction Guidelines

a. Diversification

The portfolio should be constructed to achieve appropriate diversification (in the constraints of the NZ market) relative to:

- New Zealand fixed interest issuers,
- The industries/sectors the issuers are involved with,
- The individual issue and overall portfolio duration, and
- Overall credit risk exposure of a portfolio.

The level of the diversification will be governed by the size of the fixed interest portfolio.

Credit ratings will have an impact on the level of diversification. Securities with lower credit ratings require a higher level of diversification.

b. Number of Securities

To achieve sufficient levels of diversification, a minimum of 15 securities where the size of the NZ Fixed Interest portfolio is more than \$1,000,000, and 10 securities where the size of the NZ Fixed Interest portfolio is less than \$1,000,000, is required. Where appropriate diversification cannot be achieved due to the size of the portfolio or availability in the market, surplus funds may be directed to money market instruments until availability improves.

c. Duration

The portfolio should be diversified across all durations to minimise the adverse effects of reinvestment risk on maturity. ~~Otago Regional~~ Council should be aware if the duration of their portfolio deviates from the benchmark duration by more than 1 year.

d. Liquidity

Although ~~Otago Regional~~ Council invests into the direct New Zealand fixed interest market with a “buy and hold” philosophy, over time its needs may change and greater levels of liquidity may be required.

The more liquidity is required, the more government and liquid (i.e. senior debt issues of \$150m or greater) corporate securities should be included in the portfolio.

e. Exposure Levels by Credit Rating

Guidelines for maximum security exposure levels for individual securities are set by credit rating. The following criteria should be considered when making decisions on exposure levels within a portfolio:

- Consideration should be given to excessive exposure to any single issuer,
- Consideration should be given to other asset class exposures ~~Otago Regional Council~~ may have to an issuer,
- The portfolio should be distributed across credit ratings, and
- The following table presents a set of guidelines that need be used when constructing a portfolio.

Approved Credit Rating Guidelines:

S&P Rating band (or Moody's or Fitch equivalent)	Overall maximum % of Income Assets
AAA to AA-	100%
A+ to A-	55%
BBB+ to BBB-	15%
Sub-Investment Grade / Unrated	0%
Government	100%

A maximum of 5% of floating rate/annual resettable securities is permitted in a portfolio. Where possible, the following maximum individual security guidelines should be followed to gain diversification whilst ensuring sound credit quality within portfolios.

Maximum Individual Security Guidelines:

S&P Rating band (or Moody's or Fitch equivalent)	Individual security maximum % of Income Assets
AAA	15%
AA	10%
A	10%
BBB	5%
Sub-Investment Grade / Unrated	0%

Note that the above table provides guidelines for assessing an individual security. Although there is no maximum issuer exposure specified, diversification guidelines described under the "Diversification" heading are to be followed.

f. Perpetual Securities

Given the equity structure (including potential imputation credits) of perpetual securities, this class of fixed interest is not to be used.

g. Structured credit

Due to the complexity of structured credit instruments and the lack of sophisticated monitoring systems required to provide ongoing assessment, ~~Otago Regional~~ Council should not include this type of investment in its NZ fixed interest portfolio. It is considered that the required fixed interest exposure can be adequately achieved by investing in securities with simple structures which possess typical fixed interest characteristics.

h. Ratings Downgrade

If a security is downgraded, the mandatory guidelines table should be revisited to ensure that the new rating falls within the ratings framework. A decision must be made by the Council in light of the downgrade as to the future holding of the security (which could potentially be outside the guidelines).

i. Reinvestment

Recommendations to reinvest the proceeds from a maturity should take into account all of the above portfolio construction guidelines.

Where it is uneconomical to gain a direct exposure to NZ or international fixed interest, investment may occur via a recommended managed fund in order to gain an appropriate level of diversification.

4.6 International Fixed Interest

4.6.1 Portfolio Objectives for International Fixed Interest

The inclusion of international fixed interest has the benefit of increasing diversification and reducing volatility by providing exposure to a greater range of issuers, credit ratings and yield curves than is achievable through domestic fixed interest.

4.6.2 Portfolio Construction Guidelines

Given the quantum of the allocation to international fixed interest this asset class must be invested in through one or more Collective Investment Vehicles (CIV's). CIV's must invest in diversified portfolios of fixed interest securities and have exposure limits, minimum credit ratings and policies and procedures acceptable to the Council.

International fixed interest investments must be 100% hedged to the New Zealand dollar.

4.7 Property Investment Guidelines

4.7.1 Portfolio Objectives for Property Investment

To provide an exposure to the New Zealand listed property sector.

4.7.2 Portfolio Construction Guidelines

For direct New Zealand property investments, the following rules shall apply:

- Investment in property entities that are listed on the New Zealand Stock Exchange.
- Investments in partly paid shares in respect of shares of the type referred to above are permitted following a formal submission from the Investment Manager and Audit and Risk Subcommittee approval.

- Not more than 25% of this asset class to be invested in any one entity.

4.8 New Zealand Equity Investment Guidelines

4.8.1 Portfolio Objectives for New Zealand Equity Investment

To provide a combination of capital growth and income via a broad exposure to the New Zealand equity market.

4.8.2 Portfolio Construction Guidelines

For direct New Zealand equity investments, the following rules shall apply:

- Investment in companies listed on the New Zealand Stock Exchange.
- Investments in partly paid shares in respect of companies of the type referred to above are permitted following a formal submission from the Investment Manager and Audit and Risk Subcommittee approval.
- Exposure limits for direct New Zealand equity investments (based on the dollar value of the NZ Equities sector of the Long-Term Investment Portfolio) are set out below:

Security Type	Minimum percentage of NZ equities	Maximum percentage of NZ equities
Companies not represented in the Benchmark	0%	20%
Individual company in the Benchmark	0%	Benchmark weight +/-8%
Individual company not in the Benchmark	0%	4%

4.9 Australian Equity Investment Guidelines

4.9.1 Portfolio Objectives for Australian Equity Investment

To provide a combination of capital growth and income via a broad exposure to the Australian equity market.

4.9.2 Portfolio Construction Guidelines

For direct Australian equity investments, the following rules shall apply:

- Investment in companies listed on the Australian Stock Exchange.
- Investments in partly paid shares in respect of companies of the type referred to above are permitted following a formal submission from the Investment Manager and Audit and Risk Subcommittee approval.
- Exposure limits for direct Australian equity investments (based on the dollar value of the Australian Equities sector of the Long-Term Investment Portfolio) are set out below:

Security Type	Minimum percentage of Aust equities	Maximum percentage of Aust equities
Companies not represented in the Benchmark	0%	20%

Individual company in the Benchmark	0%	Benchmark weight +/- 8%
Individual company not in the Benchmark	0%	4%

4.9 International Equity Guidelines

4.9.1 Portfolio Objectives for International Equity Investment

To provide an exposure to investments in the international equities sector.

4.9.2 Portfolio Construction Guidelines

For direct international equity investments, the following rules apply:

- Investment in international equities will be through one or more CIV's.
- International equity investments must be hedged in accordance with the requirements contained in Foreign Currency Management.
- CIV's in international equities must hold a broadly diversified portfolio of equity securities, be consistent with underlying benchmarks, be managed according to appropriate policies and procedures and impose reasonable exposure limits.
- Ensure that any investment is sufficiently liquid to enable exit from the investment at any time.

4.10 Foreign Currency Management

Historically, fluctuation of the New Zealand dollar against other major currencies has been significant and has resulted in additional portfolio volatility.

To minimise the risks associated with currency fluctuations the following policies apply:

- Holdings of international fixed interest investments are to be fully hedged back to NZ dollars at all times.
- When investing in international equities either directly or via managed funds, a neutral currency position is the preferred strategy however, 0% to 100% of the international equities being hedged back to NZ dollars is permitted at any one point in time. Any change to the actual hedging level should be disclosed to the General Manager Corporate Services & CFO and Audit and Risk Subcommittee and may require the Council's approval/endorsement.

4.11 Tax Policy

Any investment strategy employed needs to take into account ~~Otago Regional~~ Council's tax status, although this should not be to the detriment of the long-term strategic asset allocation.

Any tax leakage is to be quantified by the investment adviser and reported to the Council annually.

5. MONITORING AND EVALUATION

5.1 Performance Objectives

The Council acknowledges fluctuating rates of return characterise the securities markets, particularly during short time periods. Recognising that short-term fluctuations cause variations in performance; the Council intends to evaluate investment performance from a long-term perspective.

The Council is aware the ongoing review and analysis of the investment options is just as important as the due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the Council's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than annually, the Council will meet to review whether the ~~investment adviser~~ Investment Manager and the investment options selected continue to conform to the criteria outlined in the SIPO, specifically:

- Adherence to the asset allocation levels set with rebalancing occurring within the agreed parameters and in a timely fashion.
- Adherence to the agreed investment philosophy and constraints;
- The adherence of individual investments to investment guidelines;
- Material changes in the investment options, organisation, investment philosophy and/or personnel; and
- Any legal or other regulatory agency proceedings affecting the investment options.

5.2 Benchmarks

The Council has determined that performance objectives should be established for each investment option and for the overall investment portfolio. Investment Manager performance will be evaluated in terms of an appropriate market index and the relevant peer group. These are to be agreed to between the Council and the Investment Manager. Asset classes and relevant benchmarks:

Asset Class	Index
Cash (on call and securities less than 1 year to maturity)	S&P/NZX 90 Day Bank Bill Index
New Zealand Fixed Interest	S&P/NZX Corporate A Grade Bond Index
International Fixed Interest - \$NZD Hedged	Barclays Capital Global Aggregate Bond Index (NZD Hedged)
New Zealand Property	S&P/NZX All Real Estate Industry Group Index (Gross)
New Zealand Equities (Excluding NZ Listed Property)	S&P/NZX 50 Index (Gross)
Australian Equities	S&P/ASX 200 Accumulation Index (Unhedged)
International Equities	MSCI All Country World Index (Unhedged)
NZ Government Bonds	S&P/NZX NZ Government Stock Index

5.3 Compliance

The Council and Audit and Risk Subcommittee are aware that the ongoing review and analysis of investments is just as important as the due diligence process. Performance will be monitored on an ongoing basis and it is at the Audit and Risk Subcommittee's discretion to take corrective action by recommending the replacement of an Investment Manager at any time. The Council may direct the Audit and Risk Subcommittee to take such action if it deems this is required.

- Specifically, the following will be confirmed and reported to the Audit and Risk Subcommittee:
- Performance reporting as described in roles and responsibilities above.
- Adherence to the SAA and rebalancing within approved limits occurring in a timely fashion.
- Adherence to agreed investment philosophy and constraints.
- Adherence to investment guidelines.
- Material changes in the investment organisation, investment philosophy and/or personnel.
- Any legal or other regulatory proceedings affecting the Investment Manager's organisation and/or reputation.

5.4 Watch List Procedures

An investment option and/or Investment Manager may be placed on watch list and a thorough review and analysis may be conducted when:

- Performance is below median for their peer group over a one, three and/or five-year cumulative period;
- The three-year risk adjusted return falls below the peer group's median risk-adjusted return;
- There is a change in the professionals managing the investment;
- There is an indication the investment option and/or investment adviser is deviating from the stated style and/or strategy;
- There is an increase in fees and expenses;
- Any extraordinary event occurs that may interfere with the investment option and/or Investment ~~Adviser's Manager's~~ Investment Advisor's ability to prudently manage investment assets.

This process ~~is~~ may be delegated to the ~~investment adviser~~ Investment Advisor and/or a nominated third party and they will report to the Council at least annually.

5.5 Measuring Costs

The total portfolio delivery costs should be fair and reasonable. The appointed Investment Manager should offer a fee-only service with all commissions returned to ~~Otago Regional~~ Council.

The ~~investment adviser~~Investment Manager is to report to the Council annually on the breakdown and the total costs of delivery including:

- Administration/custodial reporting fees;
- Management expense ratios for managed fund investments;
- Advisory fees;
- Other brokerage or fees.

6. REVIEW OF THE STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

The Council will review this SIPO at least ~~annually~~ every 3 years to determine whether the stated investment objectives are still relevant and it is feasible that they will be achieved. It is not expected that the SIPO will change frequently. In particular, short-term changes in the financial markets should not require adjustment to the SIPO.

10.3. Port Otago Statement of Corporate Intent

Prepared for: Council
Report No. CS2336
Activity: Governance Report
Author: Nick Donnelly, General Manager Corporate Services and CFO
Endorsed by: Nick Donnelly, General Manager Corporate Services and CFO
Date: 25 October 2023

PURPOSE

- [1] To receive Port Otago's Statement of Corporate Intent for the three years to 30 June 2026.

EXECUTIVE SUMMARY

- [2] Each year the Board of Port Otago Limited is required to provide Council as shareholder, a Statement of Corporate Intent (SCI). The SCI for the three years to 30 June 2026 has been received and is attached.
- [3] The SCI sets out the objectives of the Port Otago group, and the intended nature and scope of activities for the three-year period to 30 June 2026. The three-year scenario covered by the SCI is reviewed annually on a rolling three-year basis.
- [4] The SCI process is the formal opportunity for Council, as 100% shareholder of Port Otago, to have input into the intended activities of the company and its subsidiaries.
- [5] In 2020 the Port substantially revised the SCI format to focus on sustainability and introduced a materially process. The SCI has continued to be refined over the last three years as Port Otago's has developed an integrated reporting framework.
- [6] The Port Board and management met with the Port Liaison Working Group on 25 August and the draft contents of the SCI were discussed. Feedback from that meeting has been incorporated in the attached SCI.

RECOMMENDATION

That the Council:

- 1) **Receives** this report and the attached Statement of Corporate Intent for Port Otago Limited to 30 June 2026.
- 2) **Endorses** the Statement of Corporate Intent for Port Otago to 30 June 2026.

PERFORMANCE TARGETS

- [7] Performance targets in relation to health, safety and wellbeing, financial, environmental, and compliance with the Port and Harbour Safety Code are set out on page 10 of the SCI.
- [8] The target level of shareholders' funds as at June 2024 is \$720 million rising to \$740 million at June 2026.
- [9] The dividend policy remains consistent with previous years. Dividends are:
"Based on the intention to pay dividends within the range of 50%-70% of the group's normalised operating surplus after tax".
- [10] Target dividend amounts are \$16m for the year ending 30 June 2024, \$16m for 2025 and \$17m for 2026. The proposed dividend for 2024 is \$1m higher than the amount indicated in last year's SCI and Councils current Annual Plan due to a change in the timing of the payment of the 2024 final dividend.
- [11] To date the final dividend has been paid in September and recognised in the following financial year. In 2024 the final dividend will be included in the second dividend payment paid in June. Excluding this timing difference proposed dividends remain in line with Council's Long-term Plan and are rising \$1m per year.

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [12] The dividend targets included in the SCI align to those included in Council's Financial Strategy with the exception of the additional \$1m for the 2024 year due to the change in timing of the final dividend payment as noted in this paper.

Financial Considerations

- [13] The dividend targets included in the SCI align to those included in Council's Long-Term Plan 2021-31 and Annual Plan 2022-23 with the exception of the additional \$1m for the 2024 year due to the change in timing of the final dividend payment as noted in this paper.

Significance and Engagement Considerations

- [14] There are no significance and engagement considerations.

Legislative and Risk Considerations

- [15] The Port Companies Act 1988 requires the Draft SCI to be delivered to Council within one month of the commencement of each financial year and for the completed document to be finalised within three months of the commencement of the financial year.
- [16] The primary risk is financial and relates to the Port's actual performance meeting the targets set out in the SCI and the Port's ability to pay dividends to Council. This includes underlying market risk which is inherent in the Port's commercial activities. Dividends levels outlined in the SCI are not guaranteed and are dependent upon the Port's underlying financial performance and Directors being satisfied the company will satisfy

the Companies Act 1993 solvency test requirements when those dividends are approved.

Climate Change Considerations

[17] Climate change is considered in the SCI (see page 7, number 5 in the top 12 material issues and page 9 goals for our harbour taoka and beyond).

Communications Considerations

[18] There are no communications considerations.

ATTACHMENTS

1. 2023 Port Otago Statement of Corporate Intent to June 2026 [**10.3.1** - 13 pages]



Statement of Corporate Intent

For FY2024, FY2025 and FY2026

Approved by the Port Otago Board

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Pat Heslin
Tom Campbell
Bob Fulton
Becky Lloyd
Chris Hopkins
Anne McLeod

Intern

Kate Faulks

Chief Executive

Kevin Winders

Introduction

This Statement of Corporate Intent (SCI) outlines our plans for the next three years, FY2024, FY2025 and FY2026. We encourage you to read this SCI in conjunction with our 2023 Integrated Report.

About Port Otago

It was from Port Chalmers that New Zealand's first cargo of frozen meat left for London aboard the refrigerated ship *Dunedin* in February 1882, signalling the start of our country's modern export trade. The Otago Harbour Board managed the port and harbour from 1874 until 1988, when the Port Companies Act 1988 saw the registration of Port Otago Limited and the company's shares vested in the Otago Regional Council (ORC).

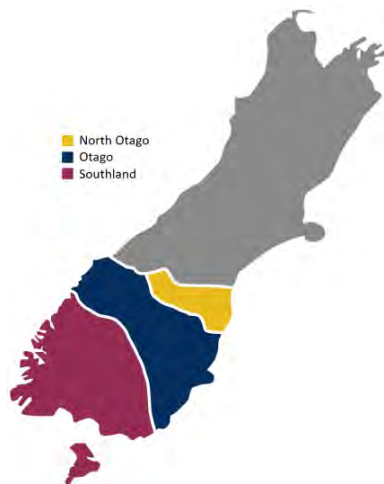
Port Otago remains 100% owned by the ORC and its stated principal objective is to operate as a successful and sustainable business that delivers value to shareholders in the form of both financial and non-financial returns on investment.

Port Otago is located on the Otago Harbour of the South Island of New Zealand. Port Otago benefits from a deep natural harbour, its strategic location for vessel rotation to and from deep-sea destinations and a large primary export cargo region.

Port Otago is a Lifeline Utility under the Civil Defence Emergency Management (Act) 2002, defined as entities that provide essential infrastructure services to the community. The company has a responsibility to ensure its ability to function at the fullest possible extent during and after a civil defence emergency.

Our region

Port Otago's role facilitating trade for the region's exporters and importers has a significant impact on the economic, as well as the social and environmental, well-being of the Otago-Southland region.



Our region has the infrastructure required for a successful port, including a fit-for-purpose road and rail network and a well-developed warehouse and cool storage sector.

Port Otago operates two wharf systems – Port Chalmers and Dunedin Bulk Port – within Otago Harbour. The lower harbour channel depth is 14.0m, while the upper harbour channel is 8.5m.

Port Chalmers is one of New Zealand's two deepest container ports and can service the largest container ships in the New Zealand. It can store more than 7000 containers and has one of the highest number of reefer points of any New Zealand port, with 1650.

The company has more than 38,000m² of covered warehousing at Port Chalmers, built to the high standards required by the dairy industry. It also has two wharf-side cold storage facilities in Dunedin, able to hold up to 10,500 tonnes of chilled product. This is used primarily to service fishing customers.

Port Otago provides 8.0 hectares of log storage area at Port Chalmers and Dunedin Bulk Port.

Port Chalmers is the primary South Island port for cruise ships and generally the port of call immediately before or after visiting Fiordland.

Economic contribution

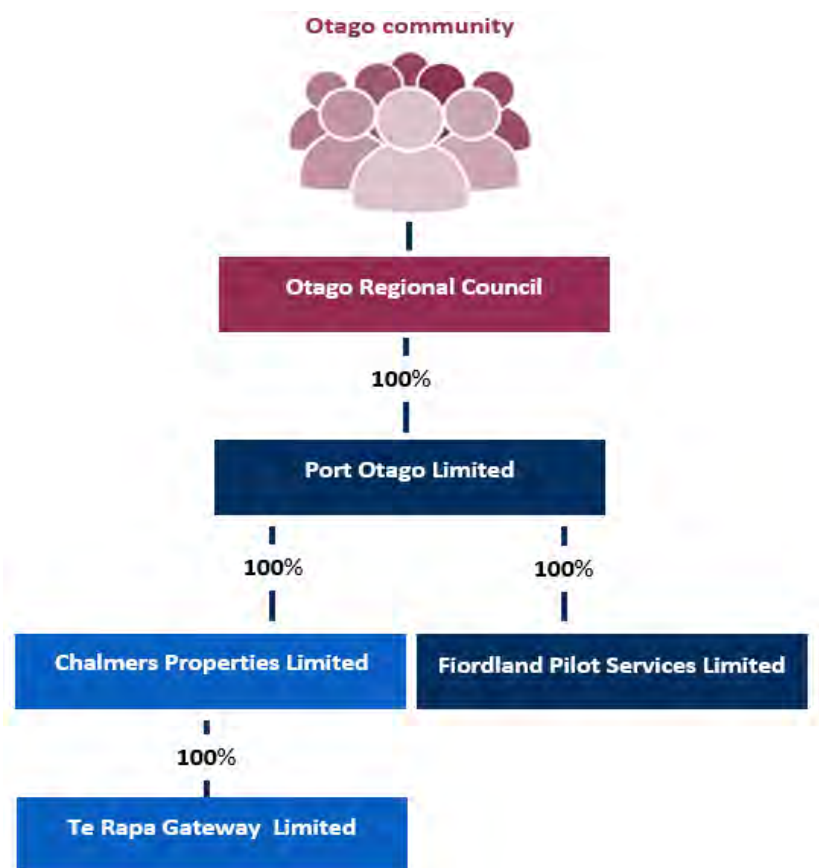
Port Otago operates across four sites: Port Chalmers, Dunedin Bulk Port, Dunedin Depot and Fiordland. It employs about 310 people and paid \$37.5 million in wages and salaries during 2022/23. Just under \$80 million was spent on materials and services, and capital projects.

Company structure

This SCI sets out Port Otago’s overall intentions and objectives. It also covers our wholly owned subsidiary companies, Chalmers Properties Limited, Fiordland Pilot Services Limited and Te Rapa Gateway Limited.

Port Otago and its subsidiaries are “Port Companies”, pursuant to the Port Companies (Act) 1988. This SCI has been prepared in accordance with this Act. Pursuant to section 5 of the Act, our principal objective is to operate as a successful business.

The company reviews and updates its SCI annually, in consultation with its shareholder. This SCI covers FY24, FY25 and FY26.



Integrated Sustainability Policy

Port Otago is committed to working with stakeholders to understand our material issues. We try to be open and honest about what we need to work on. Our commitments in this policy span the six capitals* and aim to create value, working hard to improve wherever we can.



* Integrated Reporting is based on creating value across the six capitals:

- | | |
|--|--|
| 1. <i>Human capital:</i> Our kaimahi. | 4. <i>Intellectual capital:</i> Our know how and skills. |
| 2. <i>Social and relationship capital:</i> Our wider team. | 5. <i>Manufactured capital:</i> Our assets. |
| 3. <i>Natural capital:</i> Our harbour taoka and beyond. | 6. <i>Financial capital:</i> Our financial value. |

Our value chain

The port's business model to create value

Inputs

Our kaimahi

- Our team of 310 people
- Trained in safety and relevant skills
- In-depth safety risk assessments and inspections

Our wider team

- Customer relationships
- Partnerships with shipping lines, landside operators and suppliers
- Community and iwi engagement

Our harbour taoka and beyond

- Use of air, land and water
- Consumption of energy and other resources
- Listening to community and iwi about any changes to our harbour taoka
- Climate change adaptation scenario modelling

Our know-how and skills

- Experienced people
- Quality new recruits
- Investment in upskilling
- Investment in secure technology

Our assets

- Assets owned and productivity optimised
- Land owned and space utilised efficiently
- Investment in long-term infrastructure
- Climate change adaptation scenario modelling

Our financial value

- Diverse and balanced portfolio
- Long-term agreements with customers, partners and suppliers

Our business activities & outputs



Outcomes

Our kaimahi

- A safety culture where our people look out for each other so that everyone goes home safely
- Employees who are proud to work for the port

Our wider team

- A good neighbour who respects our social licence to operate
- A strong central link in the value chain, connecting our customers, partners and suppliers from the lower South Island to the world, for mutual growth

Our harbour taoka and beyond

- A light touch that preserves and/or enhances our beautiful harbour
- Understanding we need to improve by listening to our community and iwi
- Reduced contribution to climate change and understanding and adapting to potential future climate change impacts

Our know-how and skills

- A considered approach to the future
- A talented workforce with individuals who are willing to learn and have a wealth of knowledge
- Improved productivity and resilience by embracing new, agile and efficient ways
- Effective processes to protect the port from cyber attacks

Our assets

- Continued investment in infrastructure to the benefit of the local, regional and national economy
- Proactive development of dynamic solutions to counter shipping volatility

Our financial value

- Consistent sustainable dividends for our shareholder, to support regional economic development and benefit our community
- A sustainable future built on solid investment in infrastructure and long-term customer, partner and supplier relationships

Work ons

- Workplace culture
- Wellness programme

- Customer relationships
- Multi-stakeholder approach

- Climate change targets
- Climate change adaptation
- Influencing our supply chain

- Digitisation
- Cyber security
- End-to-end supply chain innovation

- Efficient supply chains
- Responding to shipping volatility
- Responding to port network disruption
- Collaborating on future storage solutions
- Attracting more shipping services

- Building operational returns
- Property returns in a tight market
- Understanding and communicating our contribution to the regional economy

Progress



Our material issues

Port Otago is four years into Integrated reporting and identifying its material issues*. The first three years involved a survey and interviews with key stakeholders. From 2022/23, the full materiality process will be undertaken every two years (scheduled for 2023/24), with stakeholder engagement continuing in alternate years.

* Our materiality-related work is undertaken independently by Materiality Counts.

Top 12 material issues in order of priority

#1 Safety

Continuing our culture where safety is the number one priority and our team looks out for each other so that everyone goes home safely. Keeping the focus on improving safety performance of which our team can be proud. *2023 interviews: **Decreased** priority (safety remains our #1 priority)*

#2 Relationships

Building strong collaborative relationships with our customers, shipping lines, road and rail transport, peers, shareholder and government. Taking the time to understand the challenges faced, such as global container shortages and staffing impacts on customers' operations. Communicating effectively on the day-to-day and working together for a future of sustainable growth for us all. *2023 interviews: **Increased** priority.*

#3 Growth

Investing in opportunities to grow our business with a healthy balance sheet and cost efficiency. Investing in infrastructure and driving the best supply chain logistics in partnership with our shipping lines, road and rail transport and customers. *2023 interviews: **Decreased** priority.*

#4 Leadership

Leadership that is transparent, accountable, accessible and visible, with strong governance and ethics. Ensuring diversity and the right mix of skills to build sustainability into our strategy and continue to learn and adapt into the future. *2023 interviews: **Decreased** priority.*

#5 Climate change

Adapting to current and future impacts of climate change and understanding our carbon footprint, measuring and reporting progress. Identifying how to reduce our carbon emissions, both directly and with customers, to play our part in achieving New Zealand's goal of net zero carbon emissions by 2050. Working with our customers, shipping lines, road and rail transport and peers to explore more efficient technology, fuel and practices. *2023 interviews: **Same** priority.*

#6 Recruiting and retaining the best team for the job

Training our people for their roles and providing opportunities for them to grow with succession planning and recognition. Tackling skill shortages as best we can. *2023 interviews: **Increased** priority.*

#7 Shipping volatility

Shipping volatility continues with congestion at ports and disruption to shipping volumes and schedules. Collaborating with other ports, shipping lines and customers to reduce pressure on the supply chain. Working with our customers to boost container stocks and buffer storage space, drawing on our property business for warehouse capacity. Tackling the risk of shipping lines not coming into port by driving to be the leanest port that all ships want to visit. *2023 interviews: **Same** priority.*

#8 Financial returns

Generating financial returns and balance sheet strength with our diversified bulk, container, cruise and property business. Continuing our economic resilience in the face of ongoing shipping volatility, container shortages and challenges for our team. Maximising returns for our shareholder and the people of Otago, alongside contributing to the local, regional and national economy with jobs, supply chain spend and more.

2023 interviews: **Decreased** priority.

#9 Culture and wellbeing hauora

Building a workplace culture where everyone feels they belong. Prioritising mental wellbeing by listening to our people and valuing their diversity. Providing great facilities to bring our team together. Encouraging teamwork and open and honest communication, including with the unions. Working together for better work-life balance through our rosters and equipping our people as best we can for these times of change.

2023 interviews: **Decreased** priority.

#10 Innovation

Improving efficiency in our supply chain by introducing new technology, such as automation and digitisation, and collating better data for tailored performance reporting. As with our climate change response, working with our customers, shipping lines, road and rail transport and peers to innovate and become more efficient.

2023 interviews: **Increased** priority.

#11 Cyber security

Maintaining IT systems that protect cyber security and data privacy. Making cyber security part of every decision, like safety, and implementing well-rehearsed plans to respond to cyber attacks.

2023 interviews: **Decreased** priority.

#12 Wharf capacity and infrastructure

Increasing storage capacity through buffering storage space, relocation and investment in wharf infrastructure. Working with customers on their plans for the future, including the need to service larger ships.

2023 interviews: **Increased** priority.

Strategy for a better business

Our *Strategy for a better business* was developed back in 2021 to tackle our material issues and creates value for stakeholders and the port. Board meetings continue to be structured using “strategy blocks” based on the six capitals, reminding us to regularly review progress towards our goals.

Our Kaimahi

GOALS:	PROGRESS
<ul style="list-style-type: none"> Develop a culture where workforce safety is the number one priority and our team looks out for each other so that everyone goes home safely. 	
<ul style="list-style-type: none"> Build a workplace where the wellness of our team is supported through teamwork, accessible leadership, and open and honest communication. 	

Our know how and skills

GOALS:	PROGRESS
<ul style="list-style-type: none"> (New) Investigate the value in future resilient supply chain services, e.g. green corridors, cold ironing and alternative fuels, including the costs, benefits and local demand. Longer term 	
<ul style="list-style-type: none"> Improve our efficiency through automation and digitisation, such as systems for berth management, property management and supply chain connectivity. 	
<ul style="list-style-type: none"> Work with our supply chain partners to embrace new and agile ways of working landside. 	
<ul style="list-style-type: none"> Develop a strong platform to train and develop our team. 	
<ul style="list-style-type: none"> Establish effective processes to protect the port from cyber attacks and respond rapidly. 	

Our wider team

GOALS:	PROGRESS
<ul style="list-style-type: none"> Be a great neighbour by respecting what is important to our community and iwi and enhancing our social licence to operate. 	
<ul style="list-style-type: none"> Build stronger relationships with our customers, partners and suppliers to better understand them, measure progress and plan for the future. 	

Our harbour taoka and beyond

GOALS:	PROGRESS
<ul style="list-style-type: none"> (New) Agree our climate change aspirations and targets. Immediate 	
<ul style="list-style-type: none"> (New) Execute our climate change plan covering climate change risk assessment, adaptation/mitigation strategies, reporting framework and current baseline. Longer term 	
<ul style="list-style-type: none"> Understand and adapt to potential future climate change impacts on our assets. 	
<ul style="list-style-type: none"> Preserve our beautiful harbour and its biodiversity by listening to our community and iwi, taking care and monitoring these precious taoka closely. 	
<ul style="list-style-type: none"> Reduce our noise. 	

Our assets

GOALS:	PROGRESS
<ul style="list-style-type: none"> (New) Develop a capital asset plan with a 30-year view. Immediate 	
<ul style="list-style-type: none"> Grow the container business by investing in additional storage and depot capability. 	
<ul style="list-style-type: none"> Grow the bulk business by increasing storage capacity and enhancing shipping flexibility with Victoria Channel improvements. Relocate storage (where it makes sense), develop wharf replacement options and work with customers on fit-for-purpose infrastructure to meet future needs. 	
<ul style="list-style-type: none"> Respond dynamically to shipping volatility with storage and digital solutions. 	
<ul style="list-style-type: none"> Improve the quality of cruise business by engaging with the cruise industry, investing in Pilot accommodation, maintaining capability and a new pilot boat. 	
<ul style="list-style-type: none"> Continue to build a sustainable property portfolio as a fundamental part of the port's financial sustainability. 	

Our financial value

GOALS:	PROGRESS
<ul style="list-style-type: none"> (New) Develop a high-level scope to identify the economic impact of Port Otago on the wider region. Immediate 	
<ul style="list-style-type: none"> Provide consistent shareholder dividends with a portfolio that optimises returns, builds resilience and facilitates investment in the future. 	

Performance targets

Capital reference	Objectives	Key performance measures	Targets		
			2024	2025	2026
Our kaimahi	Health, safety and well-being	Critical Risk: Visible Leadership Conversations	1000	1000	1000
Our kaimahi	Health, safety and well-being	Total recordable incident frequency rate (per 1 million hours)	<10	<10	<10
Our financial value	Financial	EBIT	\$42m	\$45m	\$50m
Our financial value	Financial	Shareholders' funds (Equity) or Net Assets *	\$720m	\$730m	\$740m
Our financial value	Financial	Return on equity *	4.5%	4.5%	5.0%
Our financial value	Financial	Equity Ratio*	Between 70%-85%		
Our financial value	Financial	Interest cover ratio	7	7	7
Our financial value	Financial	Dividend **	\$16m ^	\$16m	\$17m
Capital reference	Objectives	Key performance measures	Targets		
			2024	2025	2026
Our harbour taoka and beyond	Environmental	Number of harbour spills caused by Port Otago	0	0	0
Our know-how and skills	Environmental	Percentage of resource consent compliance monitoring events achieving full compliance	100%	100%	100%
Our harbour taoka and beyond	Compliance with Port & Harbour Safety Code (PHSC)	The requirements of the PHSC continue to be met	Yes	Yes	Yes
Our know-how and skills	Compliance with Port & Harbour Safety Code (PHSC)	Risk assessments of new tasks or reviews post incident completed	Yes	Yes	Yes

*Excludes future unrealised fair value movements of investment properties and hedging interest rate swaps.

** Based on the intention to pay dividends within the range of 50-70% of the group's normalised operating surplus after tax.

^ Proposed 2024 dividend increased by \$1m from previous SCI due to timing of payment of final dividend. 2025 and 2026 proposed dividends remain consistent with the ORC Long-term plan 2021-2031

Financial performance measure	Definition
EBIT	Earnings before interest, taxation, realised and unrealised investment property gains
Return on equity	Profit divided by average shareholder's equity
Equity ratio	The percentage that equity represents of total assets within the target range between 70% and 85%
Interest cover ratio	The number of times interest is covered by the profit before tax, interest, unrealised fair value movements and unrealised impairment charges.

Governance and leadership

The board

Port Otago's shareholder appoints the directors to govern and direct the company's activities. The board is the overall and final body responsible for the proper direction and control of the company's activities and decision making. The board's responsibilities include the overall objectives, strategy, stewardship, performance and reporting of the company.

Statement of corporate intent (SCI)

The SCI is prepared based on the requirements within the Port Companies Act 1988. The board submits a draft SCI to the company's shareholder after due consultation with the shareholder and, after considering its comments, the board approves the final SCI and delivers it to the shareholder.

Board operation

The Port Otago board's operation is subject to the company's constitution and board charter, which sets out how the board and directors shall undertake their responsibilities.

The board chair leads the board and its relationship with the shareholder and other major stakeholders. The chair maintains a close professional relationship with the company's CE and, through the CE, the leadership team (LT).

New directors undertake an induction process to familiarise them with matters related to the company.

Conflicts of interest policy

These documents require all directors and employees to:

- Act with integrity, honesty, transparency, openness and in good faith
- Comply with the law, apply good judgment and proactively identify, disclose and manage conflicts of interest
- Promptly disclose or report any significant potential or perceived conflict or wrongdoing.

The company maintains an Interests Register that is reviewed at the start of every scheduled board meeting.

Policies

The board reviews the company's key policies at regular intervals.

Board performance and review

The board regularly reviews its performance and the performance of the CE. The reviews aim to identify opportunities and set plans for performance development and improvement.

Board meetings and committees

The board meets approximately 11 times per year. Additional meetings are convened as and when required. The board's annual work programme is set by the board before the start of each financial year. The board receives formal agenda papers and regular reports, generally a week in advance of meetings. Senior managers are regularly involved in board discussions. Directors also have other opportunities to obtain information and may seek independent expert advice.

The board delegates some responsibilities and tasks to board committees, but the board retains the ultimate responsibility and accountability for any committee's actions or inactions. Subject to any conflict issues, all directors receive agenda papers for committee meetings and all directors may attend committee meetings.

The board's four standing committees are:

- Health and Safety Committee (full governance committee) – which assists the board in discharging its responsibilities with respect to health, safety and well-being.
- Audit and Risk subcommittee – which liaises with the company's independent external auditor, and reviews the quality and reliability of internal controls and financial and regulatory information used by and issued by the board.
- People and Remuneration subcommittee – which reviews the company's remuneration policies and practices, and reviews and sets the remuneration of the company's CE and LT.
- Sustainability subcommittee – to help ensure the company is meeting its responsibilities around sustainable business practices.

Liability insurance and indemnity

Port Otago arranges comprehensive liability insurance policies for the company, directors and officers within the limits and requirements set out in the Companies Act 1993 and the company's constitution. The company also indemnifies directors and employees within the limits and requirements set out in the Act.

Legislative compliance

The board receives regular updates and representations from management on legislative compliance. Areas of relevant law include industry-specific regulation, health and safety, corporate, taxation, financial reporting, commercial, environmental, human resources and privacy.

Auditor

Ernst & Young, on behalf of the Auditor-General, is auditor of the company.

Our compliance with relevant legislation

Port Otago will continue its legislative compliance programmes and aim to ensure we meet our obligations under relevant legislation and regulations.

Reporting to our shareholders

Port Otago submits its draft SCI to its shareholder for consultation annually, as required under the Port Companies Act 1988. Where appropriate, we will submit a revised SCI to our shareholder. (See appendices for performance targets.)

We will submit an annual report to our shareholder. This annual report will include:

- Audited financial statements
- Performance relative to the targets set in this SCI
- Key issues and progress with sustainability
- Other information to enable an informed assessment of the group's performance and financial position.

Port Otago values shareholder communication facilitated by the Port Liaison Committee which enables periodic interchange with our shareholder

We will also submit an interim report to our shareholder. This report will contain unaudited information similar in content to our annual report and will comply with financial reporting standard NZ IAS 34 – Interim Financial Reporting.

Port Otago's accounting policies comply with applicable NZ IFRS standards and interpretations. We have applied the same accounting policies when preparing the SCI's financial forecasts, as for our audited financial statements for the year ended 30 June 2023. Our actual accounting policies during the three-year period of this SCI may change as a result of changes to NZ IFRS standards and interpretations.

No surprises policy

The company will endeavour to inform our shareholder prior to any significant decision being made public and will engage via the Port Liaison Group as required.

The commercial value of our shareholder's investment

Port Otago estimates the commercial value of its shareholder's investment in the group is at least that which is stated as shareholder's equity in our audited financial statements. This is reassessed annually, alongside our audited financial statements.

Activities subject to compensation

The company will provide the following services for the Otago Regional Council, for which Port Otago expects to be remunerated or reimbursed by the council:

- Assistance in matters of good navigation and safety on Otago Harbour.
- Provision of such services as may be requested by the Regional Council.
- Construction of a new office.

10.4. Annual Returns of Inactive Subsidiaries

Prepared for: Council
Report No. CS2326
Activity: Governance Report
Author: Sarah Munro, Finance Manager - Reporting
Endorsed by: Nick Donnelly, General Manager Corporate Services and CFO
Date: 25 October 2023

PURPOSE

- [1] To pass resolutions in lieu of holding annual general meetings for Council's three wholly owned inactive subsidiaries. The resolutions are to not hold an annual general meeting and then to not appoint an auditor for each company.

EXECUTIVE SUMMARY

- [2] Council is the sole shareholder of three inactive subsidiaries. These shareholdings are retained to ensure the company names cannot be used by anyone other than Council.
- [3] Under the Companies Act each company is required to have either an Annual General Meeting, or under Section 122 of the Companies Act the shareholders may pass a special resolution that it shall not be necessary for a company to hold an annual general meeting if everything required to be done at that meeting is done by resolution.
- [4] At an Annual General Meeting, the company must decide whether to appoint an auditor. A company need not appoint an auditor if a unanimous resolution is passed by all the shareholders.
- [5] Given that the companies are inactive, it is recommended that Council pass two resolutions for each of the companies, the first to not hold an Annual General Meeting, and the second to not appoint an auditor.

RECOMMENDATION

That the Council:

- 1) **Approves the following resolutions:**
 - a. That it shall not be necessary for Regional Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.
 - b. That no auditors be appointed for Regional Services Limited under section 196 (2) of the Companies Act 1993.
 - c. That it shall not be necessary for Regional Pest Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.

- d. That no auditors be appointed for Regional Pest Services Limited under section 196 (2) of the Companies Act 1993.
- e. That it shall not be necessary for Regional Monitoring Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.
- f. That no auditors be appointed for Regional Monitoring Services Limited under section 196 (2) of the Companies Act 1993.

BACKGROUND

- [6] Due to the significance and profile of Council's previous Regional Services Business Unit, the Council, solely for name protection purposes, registered the following companies in April 2006:
- Regional Services Limited;
 - Regional Pest Services Limited;
 - Regional Monitoring Services Limited.
- [7] The companies are inactive, and do not have constitutions. The companies are owned 100% by the Otago Regional Council, with a share issue of 100 shares in each company. It is considered important to retain these companies, as this will ensure that the names cannot be used by any other party. The use of these names would suggest a linkage to the Otago Regional Council.
- [8] Section 214 of the Companies Act 1993 requires that an Annual Return be completed for each of the above companies each year. The Annual Return includes providing information on shareholding, auditors and Annual General Meetings.

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [9] There are no strategic framework and policy considerations.

Financial Considerations

- [10] There are no financial considerations.

Significance and Engagement Considerations

- [11] There are no significance and engagement considerations.

Legislative and Risk Considerations

- [12] There are no legislative or risk considerations.

Climate Change Considerations

- [13] There are no climate change considerations.

Communications Considerations

- [14] There are no communications considerations.

NEXT STEPS

[15] Finance staff will file the Annual Return for the three subsidiary companies.

ATTACHMENTS

Nil

10.5. Dangerous dam policy

Prepared for:	Council
Report No.	REG2308
Activity:	Proposed Policy for Dangerous, Earthquake-prone and Flood-prone Dams
Author:	Rebecca Jackson, Team Leader Consents
Endorsed by:	Joanna Gilroy, Acting General Manager Regulatory
Date:	25 October 2023

PURPOSE

- [1] Council's policy for "Dangerous, Earthquake-prone and Flood-prone Dams" must be reviewed every five years. The purpose of this report is to approve consultation of the proposed Dangerous Dams Policy 2023 using Special Consultative Procedures under s83 of the Local Government Act 2002. Both the draft policy (Attachment 1) and the Statement of Proposal (Attachment 2) are to be approved as part of this process. This will allow the public the ability to submit on this policy through this consultation process for which approval is sought to undertake.

EXECUTIVE SUMMARY

- [2] Under the Building Act, every regional authority including Council is required to develop, maintain and review a policy on dangerous, earthquake-prone and flood-prone dams within the region. The purpose of the policy is to help prevent the catastrophic failure of a potentially dangerous dam, and to ensure deficiencies in an earthquake-prone or flood-prone dam are addressed. This requirement is separate to any consenting requirements for dams, which has been transferred to Environment Canterbury.
- [3] The policy must be reviewed at intervals of not more than 5 years. Council's Dangerous Dam Policy was last reviewed in 2011, so is overdue for review. With the recent introduction of the nationwide Building (Dam Safety) Regulations 2022 it is appropriate timing to review the policy as all regional authorities are undertaking a review. A draft policy has been prepared (Attachment 1) and a consultative process must take place to receive feedback on the draft, prior to finalising the policy.
- [4] In order to review the policy, there is a statutory process which must be followed. This includes a public consultation period for submissions on a draft policy and a Statement of Proposal (Attachment 2). Hearing(s) may be required, should persons wish to be heard on their submissions, and a sub-committee will be required to sit on these hearings and make the final decision on the Dangerous Dam Policy.

RECOMMENDATION

That the Council:

- 1) ***Receives the report.***
-

- 2) **Approves** the draft policy for consultation (Attachment 1).
- 3) **Adopts** the Statement of Proposal (Attachment 2).
- 4) **Approves** consultation of the proposed Dangerous Dams Policy 2023 using special consultative procedures under s83 of the Local Government Act 2002 subject to any minor editorial changes.
- 5) **Agree** to delegate to the Chair the appointment of the two suitable hearings panel members to consider the public submissions on the dam policy.

BACKGROUND

- [1] Under the Building Act, Council is required to develop and have a policy on dangerous, earthquake-prone and flood-prone dams. The purpose of the policy is to help prevent the catastrophic failure of a potentially dangerous dam, and to ensure deficiencies in an earthquake-prone or flood-prone dam are addressed.
- [2] Each policy must state the regional authority's approach for fulfilling and prioritising its functions around these dams. The functions relate to working with dam owners and the ability to direct and take action should issues with dams arise. The policy must also state how it will be applied to heritage dams and must be found on the regional authority's website.
- [3] In the past each regional authority developed their own dangerous, earthquake-prone, and flood-prone dam policy. With the recent introduction of the Building (Dam Safety) Regulations 2022 Regional Authorities have been working collaboratively to produce a policy that is fit for purpose nationwide. The policy presented in this report is a result of this work as a sector. There are clear benefits to the community for notifying at a similar time to all other Council's and having a similar policy for consistency throughout the country. This policy has been legally reviewed and confirmed to meet all requirements under Section 161 of the Building Act 2004.
- [4] There is a statutory process that this policy review must follow. This includes public consultation, a statement of proposal and a hearing.

DISCUSSION

- [1] As part of the Dam Safety Regulations (2022), dam owners will be required to notify Council about any dangerous, earthquake or flood prone dams. Whether these dams meet this criteria or not is based on definitions set out in the Building Act 2004. Council needs to ensure that a robust dangerous dam policy is in place to manage any potential issues that may arise as a result of these notifications.
- [2] The draft policy outlines Council's requirements to keep a register of dams which will record any that are dangerous, earthquake-prone or flood-prone. It outlines powers that Council may take should issues arise. There is also a list of priorities for Council based on potential risks.
- [3] The Local Government Act (2002) sets out requirements for the special consultative procedure. Council must:

- (a) Prepare, adopt and make publicly available a statement on proposal; and
- (b) Provide an opportunity for persons to present their views (in person, in written form or via audio or audiovisual link.

- [4] The Statement of Proposal (Attachment 2) has been prepared and outlines application of the policy, its purpose and principles and Council's approach to performing these functions. It also outlines Council's priorities in performing these functions. Furthermore, it outlines the submission process and includes a submission form for those that wish to provide input and/or comment on the draft policy. The submission process is open to anyone, not just dam owners. This document will be available on the website during the submission period.
- [5] Once submissions are received, it is anticipated that a hearing(s) will be held to allow persons to present their views, at which time a decision will be made on the policy. The number of hearings and their locations will be influenced by any submissions that are received but it is expected a hearing would take place in each District that submissions are received in, unless they can be grouped together.
- [6] It is recommended that the draft Dangerous Dams Policy be publicly notified as detailed below:
- 25 October 2023 – Consultation ratified by full Council
 - 13 November 2023 – Special Consultative Procedure begins
 - Proposed policy published on Council website
 - Information published in the Otago Daily Times and local papers
 - Information sent to stakeholders by means of email
 - 15 December 2023 - Special consultative procedure ends

OPTIONS

Option One (Recommended Option)

- [1] That the draft Dangerous Dams Policy (Attachment 1) and the Statement of Proposal (Attachment 2) is accepted; and
- [2] The draft Dangerous Dams Policy (Attachment 1) be notified for public submission through special consultative procedures under the Local Government Act.

Advantages

- [3] A Dangerous Dams Policy is a statutory requirement of the Building Act 2004. The current policy is overdue for a review and this must be done. There are clear benefits for notifying at a similar time to all other Council's and with a similar policy. Notifying the draft policy also reduces legal risk to Council as is the current policy is out of date. If there is an issue with a dam covered by the policy, then Council will have an up to date and fit for purpose policy in place to deal with a situation. This reduces risk to Council and the community.

Disadvantages

- [4] No identified disadvantages. However, this is unbudgeted work.

Option Two – Status Quo

- [5] No action

Advantages

- [6] None

Disadvantages

- [7] Council would continue to be in breach of their statutory requirements by not having an up-to-date policy. If a dangerous dam were to occur Council would be relying on an out-of-date policy not in line with the upcoming dam safety regulations, which would also limit the steps Council could take to address the matter.

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [8] The proposed policy fulfils the requirements of s161 of the Building Act 2004. There are no further policy considerations. The proposed public engagement will be consistent with the requirements of the special consultative process outlined in s83 of the Local Government Act 2002.

Financial Considerations

- [9] Updating the policy, undertaking consultation and holding a hearing is un-budgeted work. However, there is significant legal and reputational risks if the policy is not updated.

Significance and Engagement Considerations

- [10] Special consultative procedures under the Local Government Act 2002 will be followed.

Legislative and Risk Considerations

- [11] A policy on dangerous dams is required under s161 of Building Act 2004. If a policy is not adopted Council will be in breach of the statutory requirements. There is significant risk if Council does not update this policy.

Climate Change Considerations

- [12] There are no known climate change implications to this decision.

Communications Considerations

- [13] Special consultative procedures will be undertaken. A communications plan will be developed for the notification of the policy. As the policy is being updated as a result of national legislation changes, there are also general communications on Dams from MBIE that will be utilised.

NEXT STEPS

- [14] Should Council approve the Statement of Proposal and approves consultation of the proposed Dangerous Dams Policy 2023 using special consultative procedures under s83 of the Local Government Act 2002, notification of the draft policy will be undertaken using the dates in Paragraph 16.

ATTACHMENTS

Attachment 1 – Draft Policy - Dangerous Dams, Earthquake-Prone Dams and Flood-Prone Dams

Attachment 2 – S83 Statement of Proposal



**Otago
Regional
Council**

**S83 STATEMENT OF PROPOSAL
LOCAL GOVERNMENT ACT 2002**

**POLICY ON
DANGEROUS DAMS, EARTHQUAKE-PRONE DAMS
AND FLOOD-PRONE DAMS
2023**

Background

The Building Act 2004 introduced a regime for managing the safety of existing and new dams in New Zealand. Under this Act, Regional Councils must prepare a policy on how they will deal with dangerous dams, earthquake prone dams and flood prone dams in their region, and how the policy will apply to heritage dams. The Otago Regional Council is proposing changes to its existing Dangerous Dams, Earthquake-Prone Dams and Flood-Prone Dams Policy. Your feedback is an important part of the policy drafting process. Once all comments and submissions have been considered, Council will make a decision on whether to adopt the amended policy.

This document provides a summary of the proposed Policy on Dangerous Dams, Earthquake-Prone Dams and Flood-Prone Dams 2023 for your consideration.

Please do not hesitate to contact the Council if you would like a full version of the draft policy, and we will send a copy out to you.

Statement of Proposal of the Dangerous Dams, Earthquake-Prone and Flood-Prone Dams 2023

Application of the policy

This policy applies to dams defined in Section 7 of the Act¹.

The dam safety provisions in Subpart 7 of Part 2 of the Act, apply to:

1. Classifiable dams (defined in Regulation 5 of the Building (Dam Safety) Regulations 2022 (“the Regulations”) to be either:
 - a. 4 or more metres high and storing 20,000 or more cubic metres volume of water or other fluid; or
 - b. 1 or more metres high and storing 40,000 or more cubic metres volume of water or other fluid.
2. Referable dams as defined in the Regulations².
3. All dams but only for the purposes of Section 133B³ (height measurement of

¹(a) means an artificial barrier, and its appurtenant structures, that—

- (i) is constructed to hold back water or other fluid under constant pressure so as to form a reservoir; and
 - (ii) is used for the storage, control, or diversion of water or other fluid; and
 - (iii) *[Repealed]*
- (b) includes— a flood control dam; and
- (ii) a natural feature that has been significantly modified to function as a dam; and
 - (iii) a canal; but
- (c) does not include a stopbank designed to control floodwaters

² The current Regulations do not define a referable dam.

³ When measuring the height of the dam under this section, the crest of the dam includes any freeboard – refer Appendix A for the definition.

dams) and Section 157 and Section 158 (measures by a regional authority to avoid immediate danger) of the Act.

Purpose

This document sets out the Council's policy on dangerous dams, earthquake-prone dams and flood-prone dams adopted in accordance with Section 161 and Section 162 of the Act.

Principles

The Council will apply the following principles to the exercise of its dangerous dams, earthquake-prone dams and flood-prone dams functions under the Act:

1. Dam owners have the primary responsibility for identifying, monitoring and reporting on dangerous, earthquake-prone and flood-prone dams and for reducing or removing the risk of harm to people, property and the environment in a timely and effective manner.
2. An engineer engaged (by the owner) to provide a certificate for the purposes of Section 135(1)(b), Section 142(1)(b), or Section 150(2)(f) of the Act will notify the Council and the owner of the dam if he or she or they believe that the dam is dangerous.
3. The state of all dangerous, earthquake-prone and flood-prone dams (as defined in the Act and the Regulations) must be known (noting that other dam safety provisions in the Act apply to all dams) and this information, if known to the Council, will be made readily available by the Council, to all persons potentially affected by the safety risks of a dangerous, earthquake-prone or flood-prone dam.

The Council's approach to performing these functions

1. The Council will keep a register of all dams as required by Section 151 of the Act, recording the dangerous, earthquake-prone and flood-prone status of each classifiable dam. The Council will develop a monitoring procedure to maintain the register and inclusion of information on the relevant property file. Should the Council receive information about a dangerous, earthquake-prone and flood-prone dam within its regional boundary, the Council will notify the relevant Territorial Authority and the Otago Civil Defence and Emergency Management Group.
2. It is expected that owners of classifiable dams will know the status of their dams as a required under the Building (Dam Safety) Regulations 2022, and they will take the necessary steps to act on it responsibly. The Council will work with the owners of identified dangerous dams, earthquake-prone dams

and flood-prone dams to develop an action plan (with timeframes) with the goals of increasing the safety of the dam and eliminating or reducing the risks of the dam to people, property and the environment. When setting a timeframe for action, the Council will consider the state of the dam, and the likelihood and consequences of dam failure.

3. The Council may intervene if any dam is or likely to be a risk of immediate danger, or if any dangerous, earthquake-prone and flood-prone dam owner is not acting in accordance with the agreed action plan, does not have an agreed action plan, considers that the agreed action plan requires review or amendment, or where ownership is not known or is disputed.
4. If appropriate, the Council will notify potentially affected communities downstream of a dangerous, earthquake-prone or flood-prone dam. The Council will do this by publishing information about any dangerous, earthquake-prone or flood-prone dams in its region. The Council will also work with the Otago Civil Defence Emergency Management Group.
5. If the Council considers there is immediate danger, the Council may erect a hoarding or fence to prevent people from approaching the dam, attach a notice that warns people to not approach, and give written notice to the owner of the dam requiring work to be carried out on the dam within the time stated in the notice to remove or reduce the danger. In a situation where the Chief Executive of the Council considers that, because of the state of the dam, immediate danger to the safety of persons, property, or the environment is likely, the Chief Executive may cause any action necessary to remove the danger, and recover costs of taking any action from the dam owner.

The Council's priorities in performing these functions

The dangerous dams provisions of the Act will be used by the Council as a mechanism to remedy an unsatisfactory situation that has developed in Otago, rather than a means of responding to “emergencies” that arise in the future. The Council’s approach to dangerous dams is therefore tailored toward achieving a reduction in the pre-existing risk whilst still being able to deal with risks that emerge in the future.

The Council’s priorities when dealing with dangerous dams will be as follows:

- First priority: To minimise the risk to public safety at all times.
- Second priority: To minimise the risk to damage or loss of property.
- Third priority: To minimise the risk to other constituents of the environment

Application to heritage dams

Section 4(2)(l) of the Building Act recognises the “need to facilitate the preservation of buildings of significant cultural, historical, or heritage value”.

In this policy, a heritage dam includes all dams included on the New Zealand Heritage List/Rārangī Kōrero maintained under Section 65 of the Heritage New Zealand Pouhere Taonga Act 2014, or the National Historic Landmarks/Ngā Manawhenua o Aotearoa me ōna Kōrero Tūturu list maintained under Section 81 of the Heritage New Zealand Pouhere Taonga Act 2014

When dealing with heritage dangerous dams, earthquake-prone dams and/or flood-prone dams, the Council will seek advice from the Heritage New Zealand/Pouhere Taonga and the relevant territorial authority (if appropriate) before any actions are undertaken by the regional authority under the Act. The Council may also engage suitably qualified professionals with engineering expertise and heritage expertise to advise and recommend actions. When considering any recommendations, the Council will have regard to the priorities set out in clause 5 of this policy. Copies of all served notices for heritage dangerous dams, earthquake-prone dams and flood-prone dams will be provided to Heritage New Zealand/Pouhere Taonga.

The Council will record the heritage listing of all dangerous, earthquake-prone and flood-prone dams on its register of dams and supply this information to the relevant Territorial Authority for inclusion on any relevant Land Information Memorandum.

The Submission Process

If you would like to make a submission, please access and complete the online submission form on our website **(TBC)**, or alternatively send your completed submission form via email to damsafety@orc.govt.nz, or post a hard-copy of the attached submission form to:

Dangerous Dams Policy 2023
Otago Regional Council
70 Stafford Street
Private Bag 1954
Dunedin 9054

Submissions close on 15 December 2023

All submissions will be considered before considering whether to adopt a Policy on Dangerous Dams, Earthquake-Prone Dams and Flood-Prone Dams.

The Council should receive all submissions by 12 December 2023. Up until this close-off date, staff will be available to answer any queries, or to meet with individuals and groups to discuss the proposed policy.

If you wish to present your submission in person, please indicate this on the submission form. Hearings will be held during the week beginning **(TBC)** in **(TBC)**.

DRAFT

Submission Form

Proposed Policy on Dangerous Dams, Earthquake-Prone Dams and Flood-Prone Dams 2023

Please access and complete the online submission form on our website **(TBC)**, or alternatively send your completed submission form via email to damsafety@orc.govt.nz, or post a hard-copy of the attached submission form to:

Dangerous Dams Policy 2023
Otago Regional Council
70 Stafford Street
Private Bag 1954
Dunedin 9054

Name or representative: _____

Organisational name (if applicable): _____

Address: _____

Business hours telephone: _____ After hours telephone: _____

Email address: _____

Signature: _____ Date: _____

Tick if you would like to present your submission in person.
(Hearings will be held during the week beginning **(TBC)**).

10.6. Annual Report Back from Audit and Risk Co-Chair

Prepared for:	Council
Report No.	GOV2339
Activity:	Governance Report
Author:	Andrew Douglas, Audit and Risk Subcommittee Co-Chair
Endorsed by:	Andrew Douglas, Audit and Risk Subcommittee Co-Chair
Date:	25 October 2023

PURPOSE

- [1] To report back on the activities of the Audit and Risk Subcommittee for 2022/2023 as per the Terms of Reference of the Subcommittee.

EXECUTIVE SUMMARY

- [2] As attached.

RECOMMENDATION

That the Council:

- 1) *Notes this report.*

BACKGROUND

- [3] Nil.

DISCUSSION

- [4] Nil.

OPTIONS

- [5] Nil.

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [6] The work of the Audit and Risk Subcommittee aligns with ORC's strategic and policy framework.

Financial Considerations

- [7] Nil.

Significance and Engagement Considerations

- [8] Nil.

Legislative and Risk Considerations

- [9] Legislative and risk considerations for ORC were regularly reviewed by the Subcommittee.

Climate Change Considerations

[10] Nil.

Communications Considerations

[11] Nil.

NEXT STEPS

[12] An annual report back for 2023/2024 activities will be prepared in October 2024.

ATTACHMENTS

1. Audit and Risk Update To Council [**10.6.1** - 2 pages]

Paper prepared by

Paper prepared by Andrew Douglas, Co-Chair of Audit and Risk Committee.

Purpose

The Audit and Risk Subcommittee Terms of Reference states the Co-Chairs will report to Council annually on the activities of the Subcommittee.

Executive Summary

This is the only Subcommittee of the Council, and as such is not a Committee of the Whole Council, although Councilors often attend (but do not have voting rights). The Subcommittee has no general decision-making or financial delegations. The Subcommittee can make recommendations to the Council and/or the chief executive, and request information and advice through the chief executive when necessary.

Outlined here is a summary of some of the focus areas for the Subcommittee this year.

- Consideration of ethical investment criteria in the Council’s Managed Fund, Statement of Investment Policies and Objectives (SIPO).
- A focus on the management of risks within the Council, which includes a Council-wide risk management framework, risk register and also deep-dives into specific risk areas each Subcommittee meeting (Climate Change risk and Cyber risk have been reviewed).
- Continued focus on overseeing the Health & Safety activities of the organisation, including near-misses and critical risks.
- Review of the draft Annual Report including Statement of Services Performance and Financials, oversight of the external auditor process (Deloitte).
- Oversight of specific procedural audits, such as the Waka Kotahi. NZ Transport Agency’s Procedural Investment Audit
- Initial development of an Internal Audit programme.
- Monitoring the programme to review and update internal policies, and legislative compliance.

The table below provides the full Terms of Reference and activities of the Subcommittee.

Activity Table

Terms of Reference	Activity
Audit and Annual Report	Review the external Auditor’s audit plan, audit management letter and management response to any issues raised during the external audit
	Consider changes in accounting policies, standards or reporting requirements and make recommendations for Council adoption
	Oversee internal control processes and procedures including financial policies, delegations and sensitive expenditure.
	Review the draft Annual Report including the Statement of Service and

	Performance and Financial Statements and make recommendation for Council adoption.
	Oversee any internal audit functions or reviews and consider any matters referred to it by that function
Risk Management	Ensure a corporate risk management framework is in place and review risk reports
	Review Council’s insurance matters and annual renewal process
	Oversee liquidity and interest rate risk including compliance with the Treasury Management Policy and lending covenants
	Review the Treasury Management Policy and SIPO and recommend changes to Council
	Review Council’s business continuity and disaster recovery matters
Health, Safety and Wellbeing	Review Council’s adherence to the Health and Safety at Work Act 2015 including monitoring health and safety performance, incidents and response
Investment Management	Review the performance of Council’s investment portfolio including the long-term managed fund
	Oversee the performance of Council’s investment manager including compliance of the managed fund with the Statement of Investment Policies and Objectives (SIPO)
	Oversee the Investment Manager appointment process and make recommendations to Council on that appointment
Legal Compliance	Review Council’s adherence to legislation that affects Council
	Receive and consider updates on legislation that Council is required to operate under and/or enact
Other	Review any other financial matters referred to the Subcommittee by Council or the Finance Committee

10.7. LTP Community Engagement

Prepared for: Council
Report No. GOV2330
Activity: Community - Governance and Democracy
Author: Mike Roesler, Corporate Planning Manager
Endorsed by: Nick Donnelly, General Manager Corporate Services; Amanda Verco, General Manger Governance, Culture and Customer
Date: 12 October 2023

PURPOSE

- [1] This report provides an opportunity for Council direction on the scope of the region-wide community engagement for Otago Regional Council's Long Term Plan 2024-2034.
- [2] The region-wide community engagement is one component of a broader LTP engagement approach that was reported to the 10 August 2023 to the Regional Leadership Committee.

EXECUTIVE SUMMARY

- [3] The proposed scope of community engagement for the ORC LTP 2024-2034 aims to involve various stakeholders and the wider community in the decision-making process, by way of informing the community on the LTP proposals, then seeking and listening to feedback.
- [4] The engagement approach includes different components with mana whenua, strategic stakeholders, and region-wide community engagement. This report is focused on the region-wide community engagement.
- [5] The report outlines the legislative requirements and discretionary engagement components, which are elements that ORC can conduct in addition to its legal obligations. The report also discusses communication support required to LTP engagement activities.
- [6] The purpose of the LTP community engagement is to inform the community about the proposed LTP clearly and transparently (including priorities and impacts); and to promote wide public participation, ensuring diverse input and better LTP outcomes. There is also an opportunity to raise awareness of ORC's strategic priorities, purpose, role, and activities, while enhancing public understanding of the LTP process.
- [7] The report proposes a range of engagement activities, including:
 - Targeted community engagement
 - Engagement on the consultation document
 - Written submissions.
- [8] The report recommends that the Council notes the proposed scope of the LTP community engagement and seeks approval to direct staff to implement the

recommended community engagement approach. The report further notes that Council staff will provide updates on progress through the LTP Project Reporting.

RECOMMENDATION

That the Council:

- 1) **Notes** the proposed scope of the community engagement for the ORC Long Term Plan 2024-2034.
- 2) **Directs** staff to implement a community engagement approach for the Long Term Plan 2024-2034 based on the proposed scope presented in this report.
- 3) **Notes** that that Council staff will provide updates on progress through the established and programmed LTP Project Reporting.

BACKGROUND

- [9] A noting report was presented on 10 August 2023 to the Regional Leadership Committee, detailing the planned engagement approach for the ORC LTP 2024-2034, including:
- Mana whenua
 - Strategic stakeholders
 - Region-wide community engagement.
- [10] The region-wide community engagement component was identified for further consideration at the 25 October 2023 Council meeting.
- [11] The purpose of the LTP region-wide community engagement is determined by section 82 LGA Principles of Consultation and section 76AA Significance and engagement policy. The latter helps give effect to the principles by identifying how the ORC decides the significance of matters and consequently the appropriate engagement approach. Attachment 1 summaries section 82 LGA.
- [12] In addition, the LGA has specific requirements for engaging the community on an LTP that have been and are embodied in reporting to Council on this matter.
- [13] Attachment 2 provides a recap of the 10 August 2023 Committee meeting consideration of the region-wide community engagement approach. The three components included:
1. **Non-Discretionary engagement components** being legislative requirements related to providing a Special Consultative Procedure (SCP).
 2. **Discretionary components** where Council has scope to scale or 'add to' the legislative requirements.
 3. **Communication support** largely being marketing and promotion.
- [14] Engagement for the current Land and Water Regional Plan (LWRP) process remains a high priority for the Council and has been resourced to a level that reflects expectations. Experience from this process has been reflected on for the purpose of this LTP. Broad observations/learnings included:
- Engagement can require a significant level of staff time that impacts 'non-engagement' outputs.

- Considering more efficient methods for engagement (such as digital tools).
- Communities (particularly rural) will engage more fully when they understand the potential impact prior to attending any face-to-face/online sessions or completing an online survey.

DISCUSSION

[15] This section focuses on the discretionary engagement components and draws a link to communications support for each component. The latter is further developed as Council clarifies its understanding about the content of the LTP i.e., ‘what’ we are engaging on. At this stage, this report takes a high-level approach to engagement, which will be refined from mid-December 2023 once the LTP content is clearer, as well as more detailed tactical engagement plans being developed at that time.

Targeted Community Engagement

[16] As the Council develops more clarity about the content of the LTP and, prior to completing its consultation document, it can decide to engage on specific matters where there’s perceived value in doing so.

[17] Ideally, targeted engagement is used well in advance of the year a LTP is developed (e.g. prior to 2023). It is also important that the results of engagement are used in an authentic way in decision-making. Visibility of the results of engagement in subsequent decision-making is desirable.

[18] The table 1 provides scenarios or examples of why the Council might choose targeted engagement and the approach.

Table 1 – Targeted Engagement

Scenario/ Example	Reasons for Engaging	When and How
A service proposal or significant matter impacting at a regional level. Eg. Delivery and funding of Environmental Enhancement work.	Insights into the sentiment and perspectives across the region to help decide or refine options for the region. Understand who is most affected Vs benefiting. Provide political voice for a controversial matter.	Target specific groups impacted by LTP proposals and/or to generate more diverse feedback perspectives. Deliberate and separate activities for engagement with harder to reach communities, such as rural areas, who are likely to be more impacted by the LTP proposals (depending on what the proposals are) or areas which might be viewed as controversial.
A service proposal or significant matter associated with a district within the region. Eg. Dunedin or Queenstown Transport; a new targeted rate.	As above but just for a district.	Provide targeted pre-communications to rural stakeholders, as well as encourage participation via existing networks (including ORC catchment teams and rural supply networks). Hold drop-in sessions in rural locations, to provide communities with an opportunity to attend at a time convenient to them, and to connect with LTP content experts
A new fee or change in fee is being considered.	To better understand the customer perspective eg perceived value of the service, perceptions of	

	<p>efficiency.</p> <p>Provide economic voice on a controversial or sensitive user charge.</p> <p>To assist in refining or deciding consultation options.</p>	<p>and Councillors.</p> <p>Provide access to a survey, with both hardcopy or online options available for completion (on paper or laptops) at drop-in sessions, as well as feedback being captured by ORC staff and Councillors.</p> <p>For targeting youth perspectives, direct communications via University of Otago, Te Pūkenga and high schools, including sharing of online survey</p>
<p>Impacts of expenditure priorities, financial strategy scenarios, funding policy scenarios. Eg. Cost of living impacts; intergenerational impacts.</p>	<p>Insights on sentiment and perspectives at a demographic level.</p> <p>To assist in refining or deciding consultation options.</p>	

[19] If targeted engagement was used, then communications activities would depend on the detailed method to inform and raise awareness of the LTP process. For example, communications support would be more substantive if ORC is seeking to reach a broader audience and via multiple media, or there was a requirement to target specific geographic areas and/or impacted groups, in addition to region-wide engagement.

[20] When considering targeted approaches, it is either relating to a specific geography and/or demographic. The latter two (by demographic or by geography and demographic) would be most appropriately engaged via a nuanced regional approach.

Engagement on the consultation document

[21] ORC has an opportunity to showcase the Council’s refreshed strategic direction, taking an authentic approach, with a new vision and focus areas and 10-year priorities as part of this engagement.

[22] Historically, the ORC has offered people and organisations the opportunity to meet with Councillors and staff to hear about and provide their views on the Council’s consultation document. While there has been value in conducting face-to-face engagement, there is a resource cost for ORC, particularly where there is low community turnout, across many locations.

[23] Previously, this has taken the form of meetings at physical venues around the region with advertised dates that align with the formal consultation period (i.e., March/April 2024). In parallel, social media platforms have been used to host online forums involving Councillors supported by staff.

[24] Communication support to the above has seen Council staff developing and managing advertising campaigns to generate awareness and interest. These campaigns have directed people towards the consultation document (online/ hard copy). In previous LTP’s feedback from the younger persons demographic has been low (ie 16 to 25). Communications targeting youth (eg tertiary and high school) would encourage more diverse perspectives and ideally help increase engagement with young people.

[25] Previous Councils have considered the merits of region-wide distribution of hard copy, versus, digital provision of the consultation document. While there has been significant uptake in usage of digital channels since Covid, there are stakeholders who prefer to engage in more traditional ways (such as the elderly and rural communities with poor wi-fi connectivity). Otago’s mail distribution networks are also not currently sufficiently reliable or comprehensive enough to deliver large documents via un-addressed mail.

[26] Distribution channels will be considered as part of the Communications Plan. ORC will take a hybrid approach with most information being provided online; wherever possible, ORC will direct people to LTP content online, but have hard copies available at key distribution points and identify any ‘hard to reach’ communities/groups/individuals, to whom we circulate hard copies.

[27] Historically, ORC’s costs have been printing and distribution related, particularly where the consultation document was physically delivered to households. There is also significant Councillor and staff time and an associated opportunity cost.

[28] The table below shows how staff propose to progress this engagement component for the LTP. It reflects lessons learned via feedback from Councillors, staff attendance at sector forums, and external expertise assisting the recent LWRP engagement.

Table 2: Consultation Document Community Engagement

Considerations	Proposed Approach	Communications
<p>Level of interest /demand from the general community for face-to-face engagement as they do not understand the relevance and/or are not interested in the LTP proposals and implications.</p> <p>Consideration of value/relevance of engagement in locations across the region, depending on issues relevant to each location.</p>	<p>Ensure pre-information and advertising campaigns provide sufficient detail to the community on the LTP (relevance and impact).</p> <p>Conduct face-to-face drop-in sessions with community members. The intent is that community members have already read some of the proposed LTP content (online or in hard copy) and when they attend face-to-face sessions, they are able to ask follow-up questions to ORC LTP experts rather than taking a traditional ‘town hall’ approach of receiving all information at the face-to-face event.</p>	<p>Pre-communications (including internal within ORC), to adequately brief staff and the public on the LTP, its proposals and impacts and raise awareness of the LTP process.</p> <p>Region-wide marketing and communications campaign to inform communities about the LTP, the ‘so what,’ and to signpost stakeholders to opportunities to engage will be part of the Communications Plan.</p>
<p>Resource / capacity and availability of ORC staff for planning and execution of multiple location engagement activities.</p>	<p>If the public attend the face-to-face session without having accessed LTP content, there will be display stands around the venue with key information, as well as ORC staff available on hand to brief on key topics.</p> <p>The duration of the ‘drop-in’ spans</p>	<p>Leverage existing networks to raise awareness of the LTP process and encourage engagement (internal and external channels.)</p> <p>Leverage existing calendar events, for dissemination of information and campaign</p>

	<p>across the day, giving more breadth of times that people can attend to fit in with their busy lives. These events will have sufficient ORC team attendance and a well-coordinated session (staff and Councillor attendance).</p> <p>Optimise the number of locations (may be similar to the previous LTP) to maximise attendance at convenient places for communities and make the most of ORC resource. Depending on LTP regional issues/proposals will also determine locations in due course.</p> <p>These locations may align with locations used for the LWRP engagement, which ensured that each FMU/Rohe is included. As the LTP is developed, if certain issues are identified to be more impactful on different geographies, this can be applied to drop-in session locations.</p> <p>The timing of engagement to be at the commencement of the formal consultation period (i.e. week one of four during March 2024). This can also start prior to week one, to fit with other opportunities in the community.</p> <p>An online feedback survey to be available throughout the engagement period.</p>	<p>awareness, such as Wanaka A & P Show (8 - 9 March 2024), Sustainable Trails Conference in Cromwell (18 – 21 March 2024) or pop-up stands at local Farmers’ markets.</p>
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[29] Recommendation 2 of this report seeks the Council’s approval to commence planning the engagement component outlined in Table 2. The intention would be to utilise the external expertise that assisted with the recent LWRP engagement. The method and communication outlined above would be refined and developed, and Council updated on progress via the LTP Sub-Committee and the CE Update Report to Council.

Engagement on written feedback

[30] Historically, the ORC has provided formal, face-to-face ‘Hearings’ as the opportunity for people to meet with the Council and verbally support their written feedback submitted to the process (as individual submitters, or on behalf of an organisation). People can indicate in advance their wish to meet with Council, and they are in turn provided with a date and time.

[31] The ‘Hearings’ offer people a chance to highlight or impress upon the Council the salient points in their written feedback and any related context to assist Council’s understanding.

[32] From a Council perspective, these 'Hearings' are primarily for Council to listen and clarify, not for debate. Following the 'Hearings,' there is programmed time for the Council to deliberate on all the feedback it has received.

[33] Hearings are a 'go-to' method that are highly effective and acceptable to the community. However, they can be challenging when many people wish to meet with the Council, and the time constraint of adopting an LTP by 30 June 2024 reduces the ability to meet with people on a one-to-one basis.

[34] To manage the above risks, several contingencies are proposed, including alternative methods to 'Hearings.' Contingencies might include:

- Ensuring that only those individuals/organisations who have already made a formal, written submission and indicated their intention to also provide an oral submission are invited to the 'Hearings.'
- Reducing and proactively managing individuals' time slots at the 'Hearings' and being clear with those involved about how this will be managed in advance of the 'Hearings.'
- Group sessions where people can provide feedback in a topic-specific or broad topic setting. This would require independent facilitation and would need to be closely managed, to keep the topics on track. This option would not be easy to organise and may be hard to contain topics. While this is possible, would not recommend ORC employ this approach.
- Sessions could be held online concurrently, with separate ORC teams attending to expediate the process. ORC teams would require selection and training and adequate time following the 'Hearings,' to consolidation and consideration of feedback and the ORC teams' perspectives.
- Comprehensive briefings for ORC attendees prior to the events, so they understand their role in listening to feedback and that these are not forums for lengthy debate.

OPTIONS

[35] The table below summarises the discussion section of the report. It sets out the preferred approach for the discretionary community engagement components and the perceived or known advantages and disadvantages. While the LTP priorities have been confirmed, work continues refining the content. Therefore, it is recommended that as the LTP content is developed, the Council can assess the engagement approaches and explore options to best meet requirements.

Table 3: Summary of Region-Wide Community Engagement Recommendations

	Preferred Approach	Alternative
Targeted Community Engagement	At the point where Council directs staff on key proposals to include in the detailed LTP (i.e., by November 2023) - staff can report back on the perceived value of targeted community engagement, noting that targeted engagement should occur well in advance of the SCP.	A decision is made <i>now</i> not to conduct targeted engagement and to just focus on delivering a quality SCP, with any early communications to just inform the public of future engagement activities.
	<p>Advantages Council maintains flexibility, authenticity, and an openness to seeking feedback on specific matters prior to completing the consultation document.</p> <p>Council gains further information necessary for decision-making. Opportunity to transparently engage on a broad range of topics, priority LTP areas and financial/rates implications, to enhance public understanding.</p> <p>Opportunity to establish engagement mechanisms that not only can be used for LTP activities, but also (as appropriate) other ORC engagement processes. For example, with harder to reach rural stakeholders or youth community members. This could be achieved through face-to-face and/or online approaches.</p> <p>Disadvantages All the triple constraints of cost, time and quality are adversely impacted, with resources diverted from the planning and execution of engagement on the formal consultation documented.</p> <p>Unless targeted engagement is proactively managed, there is a risk that community groups might view this as an opportunity for providing feedback on topics outside the LTP, which could delay and/or distract the process.</p>	<p>Advantages Resources can be focused on delivering a high-quality SCP, potentially leading to more effective and efficient engagement with the community.</p> <p>Avoids the potential negative impacts on cost, time, and quality associated with targeted engagement.</p> <p>Disadvantages Council may miss out on valuable feedback and insights from specific stakeholders or communities that could inform decision-making.</p> <p>Reduced flexibility in seeking feedback on specific matters before finalising the consultation document, which may limit the Council's ability to address community concerns and priorities.</p> <p>Council might further miss opportunity to engage with communities in terms of informing them about the LTP process, as well as education on ORC strategic priorities and the four community wellbeings (social, economic, environmental, cultural).</p> <p>Depending on the LTP content, without sufficient understanding on potential challenging topics, communities may have a greater 'allergic reaction' to content if only engaged with at one time in the process. For example, if earlier engagement occurs on any rates increases or potentially contentious topics, as well as during the SCP, there is a</p>

		<p>higher chance of greater understanding and acceptance if the earlier engagement is used as part of a change management approach.</p>
<p>Engagement on the consultation document</p>	<p>Conduct drop-in sessions in localities around the region (potentially aligned with the LWRP locations) at the start of the formal consultation period, leveraging existing networks and industry connections to encourage participation. Locations would also be identified based on items within LTP and their potential impact.</p> <p>Drop-in sessions need careful organisation, with clear roles and responsibilities for ORC staff and Councillors attending the events, to deliver a positive experience for communities. Pre-briefings are recommended, with senior leaders in attendance at each session for consistency and oversight.</p> <p>Offer an online feedback survey throughout the engagement period.</p>	<p>Focus only on digital engagement methods, to gather feedback on the consultation document.</p> <p>Hosting less face-to-face locations on a more targeted approach, with online webinar briefings and open mic sessions as an option.</p>
	<p>Advantages Compliance with legislative requirements.</p> <p>Provides an opportunity for the community to give feedback on the LTP proposals, increasing transparency and public participation.</p> <p>Helps the Council to refine and improve the LTP based on community input.</p> <p>Disadvantages May require additional resources, including staff time, compared to just using digital engagement methods.</p> <p>May not reach all stakeholders or adequately represent diverse perspectives, if locations are limited.</p>	<p>Advantages Potentially more cost-effective and efficient than in-person engagement methods.</p> <p>Allows for broader reach and engagement with a wider audience.</p> <p>Disadvantages May miss out on valuable feedback and insights from specific stakeholders or communities that prefer in-person engagement, or do not have access to digital platforms/poor connectivity.</p> <p>Reduced opportunity for direct interaction and discussion between the community and the Council.</p>

<p>Engagement on the feedback received</p>	<p>Hold formal ‘hearings’ where individuals or organisations can meet with the Council to verbally support their written feedback submissions (either as individuals or on behalf of an organisation).</p> <p>People must indicate in advance their wish to meet with the Council, and they are in turn provided with a date and time.</p> <p>Feedback sessions could be held online or face to face, with separate ORC teams attending multiple meetings.</p>	<p>Implement only group sessions where participants can provide feedback in a topic-specific or broad topic setting, requiring Councillors and staff to listen to the feedback.</p> <p>Group sessions could be held online or face to face, with separate ORC teams attending multiple meetings.</p>
	<p>Advantages</p> <p>Allows the Council to better understand the community’s concerns and priorities, leading to more informed decision-making.</p> <p>Provides an opportunity for the community to clarify their feedback and engage in dialogue with the Council.</p> <p>If sessions are run concurrently, with different ORC times in attendance, this means time can be used more efficiently than just one panel.</p> <p>Disadvantages</p> <p>Can be time-consuming and resource intensive.</p> <p>May not be feasible if many participants wish to meet with the Council, given the time constraints for adopting the LTP by 30 June 2024.</p> <p>If more than one panel is used for concurrent ‘hearings,’ there needs to be quality pre-briefings, organisation and expectations, so submitters have a similar experience and feedback is captured in a consistent manner.</p>	<p>Advantages</p> <p>More efficient use of time and resources compared to individual ‘hearings.’</p> <p>Encourages dialogue and collaboration amongst community members.</p> <p>Disadvantages</p> <p>May not provide the same level of personal attention as individual ‘hearings.’</p> <p>Some participants may feel less comfortable sharing their feedback in a group setting.</p> <p>If more than one panel is used for concurrent ‘hearings,’ there needs to be quality pre-briefings, organisation and expectations, so submitters have a similar experience and feedback is captured in a consistent manner.</p>

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [36] The community engagement approach for the LTP aligns with the Council's strategic framework and policy objectives, ensuring that the community has an opportunity to provide input on key proposals and priorities.

Financial Considerations

- [37] Supplies budget previously allocated for the community engagement component of the LTP has been deployed to engage LTP project support. Further discussions with Finance will be necessary to determine if sufficient resource can be reallocated from other budgets.
- [38] Supplies budget considerations would include resource to support implementation of 'face to face' component, cost of design and printing of materials; development and implementation of communications activities (advertising and communications). Based on previous LTP engagement approaches, communications activities alone would cost approximately \$50,000.
- [39] The above scale of costs increases significantly if a regional 'hard copy to every household' is used. Distribution of the Consultation Document alone would be between \$150,000 – \$180,000.

Significance and Engagement Considerations

- [40] The community engagement approach for the LTP is significant, as it provides an opportunity for the public to participate in the decision-making process and influence the Council's priorities and initiatives for the next decade.
- [41] The above recommendations signal a step change in how ORC approaches LTP community engagement, taking a deliberate and authentic way to engage, as well as seeking opportunities to establish engagement channels that can be leveraged for other ORC engagement activities. Moving forward, consideration of how ORC can adopt a strategic, consistent, and aligned approach to all its engagement activities will mean simplifying processes for communities, better use of resources and leveraging insights from different engagement activities.
- [42] Development of any LTP engagement approach needs to align to He Mahi Rau Rika - ORC's Significance, Engagement and Māori Participation Policy, to ensure effective engagement with different stakeholder groups, as well as a consistent approach.

Legislative and Risk Considerations

- [43] The community engagement approach must comply with the legislative requirements outlined in the LGA, including the SCP. This involves providing a consultation document to the community, communicating the decision-making process, offering practical ways for people to provide feedback, and considering community feedback in the decision-making process. Further, ORC needs to ensure that collection of feedback is compliant with Privacy and Information Management legislation (Privacy Act 2020).
- [44] There are potential risks associated with the community engagement approach, such as insufficient resources, time constraints, and the possibility of not reaching all

stakeholders or adequately representing diverse perspectives. These risks should be carefully managed and mitigated through effective planning and implementation, ensuring compliance with the legislative requirements, and fostering a transparent and inclusive engagement process.

- [45] This report has been drafted noting there is still information outstanding (such as confirmed LTP content and timeframes). It is recommended therefore that while this report seeks a decision in principle, the approach is finalised later with a tactical plan developed.

Climate Change Considerations

- [46] The community engagement approach should consider the potential impacts of climate change on the region and ensure that the LTP addresses these challenges and incorporates appropriate adaptation and mitigation strategies.

Wellbeing

- [47] Council's inaugural Wellbeing Framework and Otago Wellbeing Baseline Report were completed over the past year. The Local Government Act 2002 section 10(1)(2) states that one of the purposes of local government is to "promote the social, economic, environmental, and cultural well-being of communities in the present and for the future." Wellbeing is also embedded in the purpose of the Resource Management Act 1991.

- [48] Council identified, through its Strategic Directions and previous LTP, that it needed to understand more about regional wellbeing to identify significant issues, consider its role, and take any appropriate actions. A Wellbeing Framework was subsequently developed to conceptualise wellbeing and allow structured measurement of wellbeing to occur.

- [49] As part of the recent strategic refresh, Council has adopted five¹ of the seven Wellbeing Framework outcomes as proposed LTP Community outcomes. Our communities will be invited to provide feedback on these outcomes via the LTP consultation process.

Communications Considerations

- [50] A detailed Communications Plan including the promotional and advertising campaign that supports community engagement, will be produced. The plan will be carefully integrated with the detailed planning and implementation requirements of the LTP engagement approach.

Community Feedback Collation and Analysis

- [51] Consideration needs to be given as to how all feedback and input (from all sources) is collated, analysed, and considered by ORC, to ensure that the process is robust. This would include ensuring that any online survey matches with the content captured at face-to-face sessions, ideally directing responders to complete feedback online. This makes for a more efficient process at the data analysis phase. As per the requirements under the LGA, consideration also needs to be given to how ORC will report back on LTP outcomes and decisions to all submitters.

¹ Healthy and fulfilled people, Connected communities, Participation and governance, A healthy and natural environment and Belonging and identity.

IAP2

[52] The IAP2 (International Association for Public Participation) has been used to inform development of engagement options.

Measuring effectiveness of engagement

[53] As with LWRP, time was built into the delivery programme to assess effectiveness of initial face to face and online sessions following completion of the first couple (feedback was gathered from ORC staff and Councillors). This meant that any final changes could be made, before proceeding with delivery of the remaining sessions. It is recommended for LTP that the same approach is used. Following completion of all the distinct phases of engagement, the following could be used to measure effectiveness of activities:

- Evaluation of the effectiveness of engagement against objectives, including feedback received (quantity, breadth of perspectives, how informed stakeholders were, understanding of LTP process).
- Assessment of methods used and effectiveness (face-to-face, online etc.)
- Comparison of engagement approaches and effectiveness compared with previous LTP processes.
- Observations from Councillors/ORC staff at events (organisation/logistics, engagement of the public, submissions, and 'hearings' etc.)

NEXT STEPS

[54] The next steps include:

1. Discussing the financial considerations with Amanda Vercoe and Nick Donnelly to determine the appropriate allocation of resources for the LTP community engagement.
2. Developing a detailed proposed Communications Plan to support the community engagement approach.
3. Refine and finalise the community engagement approach based on the proposed scope presented in this report, once the LTP content is further developed and engagement needs are confirmed.
4. Provide updates on progress through the established and programmed LTP Project Reporting.

ATTACHMENTS

1. 25 October 2023 Engagement Report Attachment 1 [**10.7.1** - 1 page]
2. 25 October 2023 Engagement Report Attachment 2 [**10.7.2** - 1 page]

Attachment 1 – Summary Consultation Principles (LGA2002)

(1) Consultation that a local authority undertakes in relation to any decision in accordance with the following principles:

- I. Reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons.
- II. Encourage participation.
- III. Clear information on the purpose of the consultation and the scope of the decisions.
- IV. Reasonable opportunity to present views.
- V. Receive views with an open mind and due consideration.
- VI. Access to a clear record or description of relevant decisions

(2) Processes in place for consulting with Māori.

(4) Procedural compliance considerations:

- I. Consideration of significance of decisions and subsequent approach to decision-making and engagement.
- II. Complying with [Part 1](#) of the Local Government Official Information and Meetings Act 1987
- III. the costs and benefits of any consultation process or procedure.

[Attachment 2 – Three components of community engagement](#) (recap of the 10 August 2023 Committee meeting)

The region-wide community engagement approach was reported to the 10 August 2023 Committee meeting as three components as outlined below.

1. **Non-Discretionary engagement components** are legislative requirements related to providing a Special Consultative Procedure (SCP). This is mandated under Part 6 of the Local Government Act 2002 (LGA), defining principles and practice for planning and consultation with communities. The SCP can be broken down into the following chronological parts:
 - i. Communicate Council’s delivery and funding intentions via a Consultation Document (CD).

The CD serves as a digestible summary of the LTP proposal, highlighting service priorities, delivery direction/change and associated financial and funding rationale. It must be accessible, enabling people to easily comprehend the key issues, choices/options and implications. It must also clearly state where underlying information can be accessed, including the draft financial strategy, funding policy, draft infrastructure strategy, proposed forecast financial statements, and service performance information.
 - ii. Communicate how the community can engage with Council on the CD.
 - iii. Consideration of community feedback.
 - iv. Communication of final decisions.
2. **Discretionary components** – Council has scope to scale or ‘add to’ the core requirements in the following ways.
 - i. Targeted engagement prior to the SCP.
 - ii. Engagement on the consultation document directly leading into and during the SCP feedback period, as concurrent activities.
 - iii. Additional engagement on the feedback received. While formal ‘Hearings’ and forums are the ‘go-to approach,’ there is flexibility under the LGA.
3. **Communication support** to engagement on the LTP. This comprises:
 - i. Communication of Council considerations prior to the SCP.
 - ii. Promotion and advertising leading into and during the SCP.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under [section 48\(1\)](#) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
3.3 EROAD Procurement	To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)	Section 48(1)(a): Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

This resolution is made in reliance on [section 48\(1\)\(a\)](#) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by [section 6](#) or [section 7](#) of that Act or [section 6](#) or [section 7](#) or [section 9](#) of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.