

# **Annual Report**

**For the Period**

**1 July 2013 to 30 June 2014**

## **Mission Statement**

*"To promote the sustainable development and enhancement of Otago's resources."*

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

## **Mission Statement**

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

## **Goals**

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

## **Objectives**

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

## **Guiding Philosophies**

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

## Overview from the Chairperson and Chief Executive

It is with pleasure that we bring to you the Annual Report of the Otago Regional Council for the year ended 30 June 2014. We present to you here, a brief summary of some of the work we undertook during the year.

### Water

Water has been a major focus of this Council for many years, and will continue to be for years to come. It is fundamental to the way we live, and impacts on primary production, tourism, environmental, cultural and recreational values. It is important that we manage our water resource well, both in terms of water quality and the availability of water.

At the end of last year, we reported to you that issues arising through our consultation process on our Regional Plan: Water, Plan Change 6A in respect of water quality was progressing through mediation. We are delighted to report that all outstanding matters were resolved through that process, and that no appeals were made to the Environment Court. The plan change was approved by Council on 26 March 2014 and became operative from 1 May 2014. The plan change rules aim to ensure good quality water in rivers, lakes, wetlands and aquifers. We have committed to undertaking a number of initiatives as a result of mediation process, such as forming a stakeholder reference group and developing protocols for the implementation of certain rules in the plan change, and these are underway. We have also established a team within Council that is working with landholders to assist the implementation of the plan change.

Part of our work to improve and/or maintain our water quality includes visiting all of Otago's dairy farms to determine compliance with permitted activity rules around the discharge of dairy effluent. This year 435 farms were inspected, and 94% of those properties were found to be fully compliant. Enforcement action was undertaken on the 6% of non-complying farms, and included authorisation for prosecution and/or the issuing of infringement fines.

Council has also received over 400 calls to our environmental hotline on water incidents. This is a confidential service where members of the public can notify Council of incidents or activity of an environmental nature. All calls to the hotline are responded to by Otago Regional Council staff.

Work is also being undertaken on water availability and the allocation of water. It is important to achieve a balance between protecting our environment and meeting the needs of our community when taking water. We are very mindful of the fact that in 2021, existing mining privileges (a right to take water) will expire. These need to be replaced with resource consents to take water, and this process has commenced. We are working with communities, irrigators and individuals to assist with looking at options for group formation, developing protocols for effective water utilisation and providing support for investigations into what the infrastructure requirements would be for water storage.

In May 2014, a proposed plan change 4B on groundwater allocation was publicly notified. 16 submissions were received by June. The changes proposed are to assist the management of groundwater allocation and avoid over allocation of our Otago aquifers. Work on this plan change continues into the 2014/15 year.

During the year, a number of catchment studies were undertaken by our Science staff, and included looking at minimum flows, residual flows and water resource management. Minimum flows indicate the minimum level at which a river or its tributaries can flow whilst still ensuring the protection of its aquatic habitats and natural character. As part of this process, community consultation is also undertaken to assist identification of the economic, social and cultural values of the water bodies. During the year, a large number of communities were consulted through workshops and public meetings including those associated with the Cardrona, Lindis, Manuherikia and Pomahaka rivers.

### Regional Policy Statement

The Otago Regional Policy Statement (RPS) sets the direction for the future management of Otago's natural and physical resources, and it provides the foundation for the development of regional and district plans. The current RPS became operative in 1998, and so it is timely to do a full review of that RPS. It is our intention to have a new draft RPS available in December 2014, that we will fully consult on.

Given the importance of this Policy Statement, and its wide reaching impacts on the planning undertaken by the territorial authorities in Otago, Council has undertaken a series of pre-consultation workshops throughout the region, working with councillors and staff from the City and District Councils, with Maori, interest groups and key stakeholders. This work has considered high level issues, roles and responsibilities, and assessing matters of regional and national importance. Valuable input has been received through this pre-consultation work, and it is feeding into the draft RPS, which will be open to everyone for comment.

### **Leith Flood Protection Scheme**

Progress continued on the construction of the Leith Flood Protection Scheme. Construction works were completed on the Leith to Forth Street section, and construction works started on the section of river between St David Street to Union Street. This section of work is around 60% complete, and we expect it to be fully completed by mid-October 2014. Planning and design work has commenced for the Dundas Street to St David Street section. Overall, construction works are programmed to continue through to 2018/19, when the scheme will be completed.

### **Air Quality**

By 2016, we are required to comply with the Government's National Environmental Standard (NES) for air quality on all days except three a year. By 2020 we will only be allowed one day per year where we may not comply with those limits.

Air quality monitoring in Airzone 1 towns, (Alexandra, Arrowtown, Clyde, and Cromwell), and in Milton continued again during the year. Monitoring of air quality was also undertaken in Balclutha, Dunedin and Mosgiel. For the winter of 2013 our monitoring showed a number of particularly high readings including Alexandra with 47 days exceeding the limits, Cromwell with 33 days over, and Milton with 44 days over. These results are not as good as we would like, and we recognise that more work is needed in these areas to improve air quality.

Part of our work includes undertaking an annual programme of installing approved clean heating appliances. This programme started in 2008 and will continue in 2014/15. We have noticed a reduction in the level of uptake of clean heating appliances. This will be due in part to the number of clean heating appliances already installed, and the fact that this year we were no longer offering insulation with the retrofitting package. The insulation option ceased because Council was no longer receiving any Government funding for this, but are mindful of the social and economic situation home owners in the poor airzones face.

We are planning a review of our Air Strategy in 2014/15, taking into account our air quality monitoring results, to consider further initiatives that may assist improving air quality. We are committed to continuing our work in this area.

A full programme of work has been undertaken on all of Council's core activities including responding to public enquiries and incident complaints, processing resource consents, undertaking transport planning, keeping our rivers and waterways free of obstructions, monitoring our air, water and coast resources, and continuing our work on natural hazards. Full details of our activities and achievements are detailed in this Annual Report.

### **Financial Position**

The Council's reported operating result for the year ended 30 June 2014 is a surplus of \$5.16 million compared to a budgeted surplus of \$3.15 million, being \$2.01 million greater than budget. The key variations related to less expenditure incurred and more revenue received than budgeted for, and included the following:

- Grant income received was greater than budget by approximately \$825,000. The difference arose because the budget assumed grant funding would not be received on bus contracts tendered in early 2013 for services commencing on 1 July 2013. Resolution of this matter with New Zealand Transport Agency has meant that grant funding has been received on those contracts.
- Approximately \$900,000 of other gains (revenue) was recognised in respect of the revaluation of investment properties and changes in the fair value of financial assets held.
- The budget provided for an irrigation grant of \$1 million to be paid during the year, however no payments were made.

Total equity in the Council as at 30 June 2014 was \$520.1 million compared to \$505.7 million at 30 June 2013. The difference in equity relates to the surplus of \$5.16 million and to a revaluation of Council's shares held in Port Otago Ltd. These shares were revalued by \$9.27 million this year, bringing the valuation of the shares to \$370 million.

### **Acknowledgements**

The successful outcomes enjoyed during this year have been as a result of the combined efforts of the people of Otago, the elected regional councillors and the staff of the Council. We take this opportunity to thank you for your support, contributions and commitment given during the year towards protecting and promoting the sustainable use, development and enhancement of the magnificent environment we enjoy in Otago.



Stephen Woodhead  
**Chairperson**



Peter Bodeker  
**Chief Executive**



## Statement of Compliance

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



Stephen Woodhead  
**Chairperson**



Peter Bodeker  
**Chief Executive**

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

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

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

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

### **Port Otago Limited**

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

Each year Port Otago Limited produces a Statement of Corporate Intent, which is then formally approved by Council. As its owner, the Council does not participate in the management and operation of the company; this is left in the care of the Directors of Port Otago Limited and its management. Port Otago Limited reports to Council on a six monthly basis its performance results for the period. The results of Port Otago Limited for the year ended 30 June 2014 have been incorporated into the Group results included within these financial statements.

## Introduction to Service & Financial Statements

The financial statements on pages 85 to 156 report the results of the Otago Regional Council as a separate entity and the consolidated results of the group comprising the Council and Port Otago Limited.

### Group Activities

The Council's Group activities are reported on pages 13 to 84. These pages contain performance information including levels of service, targeted and actual measures of achievement along with funding impact statements.

Performance measures are those identified in the 2013/14 year of the 2012-22 Long Term Plan. The funding impact statements identify the costs and funding associated with each activity.

Matters affecting the quality of performance achieved include:

**(a) Preparation of Regional Plans**

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

**(b) Preparation of Internal Reports**

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

**(c) Capital Works**

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

**(d) Maintenance Works**

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

## Group Activity Funding Impact Statements

### *Expenditure*

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

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

### *Sources of Funding*

The sources of funding activity expenditure are as follows:

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

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

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

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

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

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

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

# Group Activities

## Water Resource

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

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

### Water Quality

At the start of the year Council was partway through a mediation process on the proposed Regional Plan: Water plan change on water quality (Plan Change 6A). All issues dealt with through the mediation process were resolved, and as a result, no appeals were made to the Environment Court. Council approved the plan change and it became operative on 1 May 2014. Instead of controlling land use activities through consenting processes, the focus is now on controlling contaminants discharging from land to water through permitted activity rules. Maximum discharge thresholds have been set for common rural contaminants and discharges from land must achieve those thresholds. Prohibited activity rules have also been established to control the effects of discharges from poor land management practices on water quality.

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

### Water Quantity

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

Once determined, the proposed minimum flow for a river must be incorporated into the Regional Plan: Water. A plan change is initiated and consulted on in accordance with the requirements of the Resource Management Act. Once adopted, monitoring is undertaken to ensure that the minimum flow is not breached, that is, the river flow (litres per second) does not fall below the minimum level established for that river.

Proposed plan change (4B) on groundwater allocation was publicly notified on 17 May 2014 and 16 submissions were received. A call for further submissions was made on 28 June 2014. Work on this plan change will continue into 2014/15.

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

### Monitoring

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

Water quality is monitored for the purposes of understanding the health status of Otago's rivers and lakes, and to ensure appropriate management of these resources. Over 100 monitoring sites have been established by Council, and are sampled for one or more of biological, chemical or trophic information. Biological sampling looks at invertebrates, algae and fish, chemical sampling looks at the quality of our water and trophic sampling on lakes measures their

nutrient status. Long term data is required before trends on water quality can be determined, and so the monitoring undertaken in our Surface Water Quality Monitoring project is ongoing. As trends are established, reports on the health of Otago's waterways are published and made available by Council. If however, monitoring results show an obvious deterioration of water quality, compliance work is undertaken to investigate its cause and remedy the situation.

### **Consents and Compliance Monitoring**

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

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

Compliance checks with permitted activity rules are carried out to ensure Otago's resources such as land and water are being looked after. Over the past few years Council has been focusing specifically on dairy farms, ensuring that the rules for discharging dairy effluent are being complied with, and Council does this by inspecting all farms. This work continued in 2013/14.

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

Grade 1: Compliant

Grade 2: Non-Compliant – Minor (no actual or potential adverse effects)

Grade 3: Non-Compliant – Significant (no actual or potential adverse effects)

Grade 4: Non-Compliant – Minor (actual or potential adverse effects)

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

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

This activity contributes to the following community outcomes:

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

## What we want to achieve

Level of Service - Maintain or improve water quality																									
<p><b>Measure 1</b> Water quality limits for surface and groundwater have been set in Schedule 15 of the Regional Plan: Water (Plan Change 6A). Contaminants measured are:</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; vertical-align: top;"> <p><b>Rivers</b></p> <ul style="list-style-type: none"> <li>• Nitrite-nitrate nitrogen</li> <li>• Dissolved reactive phosphorous</li> <li>• Ammoniacal nitrogen</li> <li>• E.coli</li> <li>• Turbidity</li> </ul> </td> <td style="width: 50%; vertical-align: top;"> <p><b>Lakes</b></p> <ul style="list-style-type: none"> <li>• Total nitrogen</li> <li>• Total phosphorous</li> <li>• Ammoniacal nitrogen</li> <li>• E.coli</li> <li>• Turbidity</li> </ul> </td> </tr> </table>		<p><b>Rivers</b></p> <ul style="list-style-type: none"> <li>• Nitrite-nitrate nitrogen</li> <li>• Dissolved reactive phosphorous</li> <li>• Ammoniacal nitrogen</li> <li>• E.coli</li> <li>• Turbidity</li> </ul>	<p><b>Lakes</b></p> <ul style="list-style-type: none"> <li>• Total nitrogen</li> <li>• Total phosphorous</li> <li>• Ammoniacal nitrogen</li> <li>• E.coli</li> <li>• Turbidity</li> </ul>																						
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Target Measures of Success	Actual Measure at 30 June 2014																								
<p>All monitoring to be compliant with Schedule 15 of the Regional Plan: Water.</p>	<p>The results of samples taken for 59 State of the Environment sites measuring the 5 contaminant levels for each site are shown below:</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="border: none;"></th> <th style="border: none; text-align: center;">2009-2014</th> <th style="border: none; text-align: center;">2008-2013</th> </tr> </thead> <tbody> <tr> <td style="border: none;">All comply</td> <td style="border: none; text-align: center;">19</td> <td style="border: none; text-align: center;">20</td> </tr> <tr> <td style="border: none;">4 out of 5 levels comply</td> <td style="border: none; text-align: center;">17</td> <td style="border: none; text-align: center;">19</td> </tr> <tr> <td style="border: none;">3 out of 5 levels comply</td> <td style="border: none; text-align: center;">9</td> <td style="border: none; text-align: center;">9</td> </tr> <tr> <td style="border: none;">2 out of 5 levels comply</td> <td style="border: none; text-align: center;">6</td> <td style="border: none; text-align: center;">7</td> </tr> <tr> <td style="border: none;">1 out of 5 levels comply</td> <td style="border: none; text-align: center;">7</td> <td style="border: none; text-align: center;">3</td> </tr> <tr> <td style="border: none;">None met</td> <td style="border: none; text-align: center;">1</td> <td style="border: none; text-align: center;">0</td> </tr> <tr> <td style="border: none;"><b>Total</b></td> <td style="border: none; text-align: center;"><b>59</b></td> <td style="border: none; text-align: center;"><b>58</b></td> </tr> </tbody> </table> <p>Plan Change 6A became operative during the 2013/14 year. The data shown for the 2008-13 years above is the benchmark for measuring improvement in water quality.</p> <p>Most of the sites with excellent water quality are in Central Otago and the upper Clutha, where land use tend to be low intensity sheep farming and/or dominated by tussock lands. Poorer water quality is found in river catchments with high intensity farming or in stream draining urban environments.</p>		2009-2014	2008-2013	All comply	19	20	4 out of 5 levels comply	17	19	3 out of 5 levels comply	9	9	2 out of 5 levels comply	6	7	1 out of 5 levels comply	7	3	None met	1	0	<b>Total</b>	<b>59</b>	<b>58</b>
	2009-2014	2008-2013																							
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None met	1	0																							
<b>Total</b>	<b>59</b>	<b>58</b>																							
<p>100% of dairy farms to comply with permitted activity rules for the discharge of dairy effluent each year (non-compliance measure is in respect of grade 4 &amp; 5 non-compliance only – Note 1).</p>	<p>Dairy inspection results were as follows:</p> <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th style="border: none;"></th> <th style="border: none; text-align: center;">2013/14</th> <th style="border: none; text-align: center;">2012/13</th> <th style="border: none; text-align: center;">2011/12</th> </tr> </thead> <tbody> <tr> <td style="border: none;">Inspections</td> <td style="border: none; text-align: center;">435</td> <td style="border: none; text-align: center;">417</td> <td style="border: none; text-align: center;">410</td> </tr> <tr> <td style="border: none;">Compliant</td> <td style="border: none; text-align: center;">407 (94%)</td> <td style="border: none; text-align: center;">382 (92%)</td> <td style="border: none; text-align: center;">387 (94%)</td> </tr> <tr> <td style="border: none;">Non-compliant</td> <td style="border: none; text-align: center;">28 (6%)</td> <td style="border: none; text-align: center;">35 (8%)</td> <td style="border: none; text-align: center;">23 (6%)</td> </tr> </tbody> </table>		2013/14	2012/13	2011/12	Inspections	435	417	410	Compliant	407 (94%)	382 (92%)	387 (94%)	Non-compliant	28 (6%)	35 (8%)	23 (6%)								
	2013/14	2012/13	2011/12																						
Inspections	435	417	410																						
Compliant	407 (94%)	382 (92%)	387 (94%)																						
Non-compliant	28 (6%)	35 (8%)	23 (6%)																						

**Note 1:** Grade 4 non-compliance – minor actual or potential adverse effects.  
Grade 5 non-compliance – significant actual or potential adverse effects.

**Level of Service – Ensure water is managed to meet Otago’s environmental, social, cultural and economic needs**

<b>Measure 1</b> Sustainable environmental flows and allocation limits set on rivers and streams to protect their environmental, economic, social and cultural values.																					
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2014</b>																				
No violation of minimum flows due to abstraction at any minimum flow site as set out in the Regional Plan: Water.	No violations of minimum flows have been observed. River levels have been high, and no low flow triggers have been met. (2012/13: Nil)																				
No violation of groundwater or lake minimum levels due to abstraction at any minimum level site as set out in the Regional Plan: Water.	No violations of minimum levels have been observed. Groundwater levels are high and no trigger levels have been reached. (2012/13: Nil)																				
<b>Measure 2</b> Maximum extraction volumes set on aquifers																					
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>																				
No violation of maximum abstraction volume and allocation limits from any aquifer as set out in the Regional Plan: Water.	Not measured – relates to North Otago Volcanic Aquifer – Schedule 4A.																				
<b>Measure 3</b> Performance monitoring (self-monitoring) returns on consents requiring self-monitoring, to show compliance with consent conditions.																					
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>																				
100% of performance monitoring returns to show compliance with consent conditions. (Non-compliance measure is in respect of grade 4 & 5 non-compliance only – Note 1).	Performance monitoring data processed during the period was as follows: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>2013/14</th> <th>2012/13</th> <th>2011/12</th> </tr> </thead> <tbody> <tr> <td>Data processed</td> <td>3,751</td> <td>2,965</td> <td>3,111</td> </tr> <tr> <td>Compliant</td> <td>3,530 (94%)</td> <td>2,626 (89%)</td> <td>2,844 (91%)</td> </tr> <tr> <td>Non-compliant</td> <td>221 (6%)</td> <td>323 (11%)</td> <td>267 (9%)</td> </tr> </tbody> </table>		2013/14	2012/13	2011/12	Data processed	3,751	2,965	3,111	Compliant	3,530 (94%)	2,626 (89%)	2,844 (91%)	Non-compliant	221 (6%)	323 (11%)	267 (9%)				
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90% or more of audits of consent conditions show compliance with consent conditions (non-compliance measure is in respect of grade 4 & 5 non-compliance only – Note 1).	Audits undertaken during the period were as follows: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>2013/14</th> <th>2012/13</th> <th>2011/12</th> </tr> </thead> <tbody> <tr> <td><b>Discharge consents:</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Compliant</td> <td>122</td> <td>123</td> <td>244</td> </tr> <tr> <td>Non-compliant</td> <td>97 (80%)</td> <td>85 (69%)</td> <td>167 (68%)</td> </tr> <tr> <td></td> <td>25 (20%)</td> <td>38 (31%)</td> <td>77 (32%)</td> </tr> </tbody> </table>		2013/14	2012/13	2011/12	<b>Discharge consents:</b>				Compliant	122	123	244	Non-compliant	97 (80%)	85 (69%)	167 (68%)		25 (20%)	38 (31%)	77 (32%)
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	<b>Ground/surface water takes:</b>		
	156	383	176
Compliant	118 (76%)	239 (62%)	116 (66%)
Non-compliant	38 (24%)	144 (38%)	60 (34%)
<p>In 2012/13 priority was given to auditing ground/surface water takes. The level of non-compliance is high due to water regulations for water metering coming into force in 2010. Compliance with these regulations is being phased in over 2012, 2014 and 2016.</p>			

Level of Service - Process resource consent applications for the use of water in a timely manner.																													
<b>Measure 1</b> Process applications in compliance with statutory procedures and timeframes set out in the RMA 1991.																													
Target Measure of Success	Actual Measure at 30 June 2014																												
Process 100% of applications within the given timeframes.	<p>457 consent applications were received, along with 146 variations, 73 of which related to varying the reporting date on water permits. Nine water exemptions from monitoring were received.</p> <p>Decisions were given on 476 consent applications, 85 variations, and eight exemptions as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Non Notified</th> <th style="text-align: center;">Limited Notified</th> <th style="text-align: center;">Notified</th> </tr> </thead> <tbody> <tr> <td><b>Time</b></td> <td></td> <td></td> <td></td> </tr> <tr> <td>In time</td> <td style="text-align: center;">431</td> <td style="text-align: center;">28</td> <td style="text-align: center;">17</td> </tr> <tr> <td>Exceed</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table> <p>Other decisions made were as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th></th> <th style="text-align: center;">Certificate Compliance</th> <th style="text-align: center;">Variations</th> </tr> </thead> <tbody> <tr> <td><b>Time</b></td> <td></td> <td></td> </tr> <tr> <td>In time</td> <td style="text-align: center;">1</td> <td style="text-align: center;">85</td> </tr> <tr> <td>Exceed</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> </tr> </tbody> </table>		Non Notified	Limited Notified	Notified	<b>Time</b>				In time	431	28	17	Exceed	0	0	0		Certificate Compliance	Variations	<b>Time</b>			In time	1	85	Exceed	0	0
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### ***What we achieved to 30 June 2014***

Objective 1 Monitor State of the Environment surface and groundwater quality and quantity, and publicise the results.	
Key Activities	Achievement to 30 June 2014
<b>Activity 1</b> Undertake monitoring programme for State of the Environment reporting (surface water quality and freshwater, wetlands, including contact recreational activities, groundwater aquifer levels, and groundwater quality at selected sites.	<p>Monitoring was undertaken on the selected sites during the reporting period. Contact recreation sampling at key sites was undertaken as required.</p> <p>Site data trends are reported through State of the Environment reporting every five years, the last being completed in 2012.</p>

<b>Objective 2 Encourage environmentally and legally sound water management, which minimises adverse effects of land management on water health, achieve effective community water management and the adoption of efficient water use.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Encourage environmentally and legally sound water management which achieves effective community water management and the adoption of efficient water use, by undertaking the following:</p> <ul style="list-style-type: none"> <li>Undertake catchment based programmes to develop community awareness of water use in the Arrow, Manuherikia, Upper Taieri, Cardrona /Wanaka Plains, Lowburn, Lindis and Bannockburn catchments.</li> <li>Liaise with irrigator groups and irrigation companies to explain regulatory requirements /opportunities around water metering, water user group joint action, in Teviot/Roxburgh, Pisa /Queensberry, and Hawea.</li> </ul>	<p>Work undertaken during the year included the following:</p> <p><b>Arrow</b> – no activity during the year.</p> <p><b>Manuherikia</b> – visits to farmers and community leaders were undertaken to discuss water takes, storage options and irrigation development. In November, the Manuherikia Catchment Water Strategy Group launched its feasibility study on future irrigation in the area. Staff liaised closely with the Group to ensure the work complements Council’s strategy for water quantity and quality.</p> <p><b>Upper Taieri</b> – assistance was given to the irrigators in the Kyeburn subcatchment who are developing a future water management regime. Staff met with the Hawkdun – Idaburn Irrigation Co., and the Upper Taieri Water Management Group during the period. Staff attended a meeting of the Upper Taieri Water Users group to discuss high E.coli results in the Taieri River at Waipiata.</p> <p><b>Cardrona</b> – assistance was given to the Cardrona Landcare group, and the Cardrona Farms open day.</p> <p><b>Lowburn &amp; Lindis</b> – no activity during the year.</p> <p><b>Bannockburn</b> – Farmers met with staff to discuss water measurement installation progress, and introduced the idea of community managed water.</p> <p>No progress this reporting period.</p>
<p><b>Activity 2</b> Encourage environmentally and legally sound water management, which minimises adverse effects of land management on water health, by undertaking the following:</p> <ul style="list-style-type: none"> <li>Undertake catchment based programmes to develop community awareness of land use and stream interactions from land management practices in the Lower Taieri, Tokomairiro/Tuakitoto, South Otago, Owaka, Lakes District, Kakanui /Waianakarua, and the Waitaki Plains catchments.</li> </ul>	<p>Work undertaken during the period included the following:</p> <p><b>Lower Taieri</b> – discussions were held with Fonterra Sustainable Dairying on issues such as grazing on flood banks and leased land near significant wetlands. Staff presented at a workshop on dairy basics, and met with a farmer to discuss the upgrade of dated systems and managing environmental risk.</p> <p><b>Tuakitoto</b> – work was undertaken to formalise an operating regime for the management of Lake Tuakitoto. Staff met with farmers to discuss the proposed management regime. Staff assisted with a Beef and Lamb farm plan workshop at which 15 farmers attended. Identifying environmental risks on property, mitigation strategies and how the new 6A rules apply were discussed.</p> <p><b>Tokomairiro</b> – field days were held to discuss stream and winter stock management, to achieve good water quality. Meetings held included with the planner and forester of the Glendhu Forestry</p>

<p>Visit all farms planning a dairy conversion to assist knowledge of and compliance with the Regional Plan: Water requirements.</p> <p>Implement pilot projects which assist the understanding of the effects of land management on water quality:</p> <ul style="list-style-type: none"> <li>• Nitrate movement in free draining soils.</li> <li>• Water quality of farm tile or open drains.</li> </ul>	<p>block to discuss forestry operations and good practice options, with a forest owner to explore options to fell and extract trees surrounding a regionally significant wetland, and Federated Farmers to discuss the water plan. ORC had a stall at the Tokomairiro A &amp; P Show.</p> <p><b>South Otago</b> – meetings held included with Clinton farmers to discuss options to improve Kuriwao stream bank erosion, and Waipahi farmers re a winter round of sampling of ten sites. ORC met a group to discuss riparian management, river bank erosion and gravel extraction. A Pomahaka stakeholder group field day was held to discuss water plan issues. Staff spoke at a Trees of Farm workshop at Paretai, attended by 50 people, to discuss Plan Change 6A.</p> <p><b>Owaka</b> – meetings were held with two dairy farmers on improving water quality.</p> <p><b>Lakes District</b> – assistance was given to the Glenorchy Landcare Group, to identify suitable waterways to monitor water quality. Eighteen waterways are being measured with three rounds of monitoring to be undertaken. Staff met with consultants and farmers to discuss setting up the N leaching project for the Lakes District, this being an outcome from mediation on plan change 6A.</p> <p><b>Kakanui</b> – meetings held included Ravensdown Environmental re nutrient budgeting and the reduction of nitrogen loss. Staff participated in fortnightly NOSLaM meetings to assist with water quality challenges and a model for achieving change. Staff presented to a meeting of all the Kakanui River irrigators re a nitrogen leaching sensitive aquifer zone along the Kakanui River. Farmers were visited to discuss improvements of discharges under 6A, and harvesting water for storage using “capture dams”.</p> <p><b>Waitaki Plains</b> – a Memorandum of Understanding in respect of plan change 6A was signed with the lower Waitaki irrigators collective. Working with the community on how to implement 6A will commence in 2014/15.</p> <p>Ten properties were visited during the period, to work through dairy conversion assessments with the farmers. Three enquiries were received about converting to dairy in the Manuherikia Valley.</p> <p>Dairy farms in the Waiareka catchment were visited to find effluent ponds suitable for trialling the addition of alum to effluent ponds to assist phosphorus application rates. Two farms were chosen and a series of sampling and dosing runs were undertaken to bind the phosphorus to the sediment. This trial has since been discontinued as early results showed that the alum dosing rates were not going to improve phosphorus retention outcomes.</p> <p>A pilot project has been initiated on a property near Milton to check the effectiveness of a constructed wetland on improving water quality from a tile drain. Ongoing measuring of water quality is undertaken when the weather is wet enough for the</p>
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<ul style="list-style-type: none"> <li>Irrigation on rolling country, nutrient movement and effects on water quality in the Lindis catchment</li> </ul>	<p>drain to run.</p> <p>Work was undertaken in North Otago rather than the Lindis this year. Staff participated in a Sustainable Farming Fund hill country irrigation teleconference. The aim is to make recommendations, based on topography and soil type, on application rates and depths for irrigation in North Otago rolling country.</p>
<p><b>Activity 3</b></p> <p>To assist knowledge of and compliance with the Regional Plan: Water, hold in association with stakeholders and user groups at least 20 local community study/discussion days on land management and locally significant environmental issues. Events to be held on Sheep, Beef and Deer Farming, Dairy farming and urban issues.</p>	<p>Work undertaken during the year included the following:</p> <ul style="list-style-type: none"> <li>Staff spoke at eight field days during the period, on topics including the Water Plan schedules 15 and 16, prohibited and permitted activities, nitrogen loading, in-stream values, and biological farming systems. More than 240 people attended the field days.</li> <li>Discussions were held with Ravensdown on nitrogen leaching, and staff spoke at a seminar for masters' students at the University of Otago.</li> <li>A meeting was held with Dairy NZ, Fonterra, Open Country Guardians and Federated Farmers to discuss 6A implementation strategies and opportunities to work together.</li> <li>Staff met with the Alexandra scouts for a practical water quality measuring exercise, and to present on good water quality.</li> <li>Staff attended public meetings, expos, discussion groups, school groups and stakeholder meetings, primarily about water quality and plan change 6A.</li> </ul>
<p><b>Activity 4</b></p> <p>Assist with community group projects such as Sustainable Farming Fund programmes and Beef and Lamb Monitor Farms.</p>	<p>Assistance was given to a group of farmers wishing to study environmental, productive and logistical aspects of dairy grazing in Central Otago.</p> <p>Staff liaised with National Beef and Lamb to ensure they have appropriate water plan information for their Otago farm plan templates.</p> <p>Staff met with AgResearch and Environment Southland to explore developing a joint wintering impact project, as wintering stock on crop or grass is a high risk activity for discharging contaminants to waterways.</p>
<p><b>Activity 5</b></p> <p>Develop published and website material on best management practice to achieve environmental protection, to include a booklet on water quality self-assessment and best practice recommendations for sheep, beef and deer.</p>	<p>Assistance was given to producing the Guide to 6A, a guide on how to take water samples. Work continues on developing fact sheets on "What is a river" and 6A interpretation fact sheets to assist all industries.</p> <p>An environmental consideration booklet for wetlands is currently being developed.</p>
<p><b>Activity 6</b></p> <p>Identify those catchments and subcatchments that are at high risk of not being compliant with Plan Change 6A, and review current land use practices within those catchments.</p>	<p>An implementation team consisting of science, community liaison and enforcement has collected geographical and other information that identifies higher risk catchments. This information will inform the ongoing 6A implementation work.</p>

<p><b>Activity 7</b> Hold appropriate communication activities on what represents best practice in relation to improving water quality, on topics including land use activities, climate, soil types and topography for the high risk catchments.</p>	<p>Field days, presentations and meetings have been undertaken about what represents best practice in relation to improving water quality; however a full education programme will commence in 2014/15.</p>
<p><b>Activity 8</b> Identify options (including their costs and benefits) that may be used to assist compliance with Plan Change 6A.</p>	<p>Some mitigation options have been identified. Work on this will continue through 2014/15.</p>
<p><b>Activity 9</b> Establish work with community groups to test the efficiency and effectiveness of key options identified.</p>	<p>A technical advisory group has been set up to assist with this target. Work will commence in the 2014/15 year.</p>

**Objective 3 Collect and analyse surface and groundwater resource information as needed for the implementation of, and future changes to, the Regional Plan: Water.**

Key Activities	Achievement to 30 June 2014
<p><b>Activity 1</b> Undertake and report on catchment studies for minimum flow, residual flow and water resource management in the Low Burn, Pisa Range, 12 Mile Creek, Kaihiku and Lindis subcatchments (residual flow).</p>	<p>A technical report for the Low Burn and Tuapeka River have been completed and published. Temporary flow records were installed and recorded flows in 12 Mile Creek and the Kaihiku Stream. The data collected will be reported on during the 2014/15 financial year. Flows were recorded in a number of tributaries of the Lindis River during the 2013/14 irrigation season. This information has been published in the form of a report card and is available to the public.</p>
<p><b>Activity 2</b> Carry out investigations and report on water quality in the Shag, Lake Tuakitoto and Lindis catchments.</p>	<p>Water quality reports have been completed on the Shag River and Lake Tuakitoto. The Shag River report findings included the following:</p> <ul style="list-style-type: none"> <li>• Water quality is generally good;</li> <li>• Results from the State of the Environment sites and the 2012-13 survey were compared to the receiving water limits in plan change 6A, and this showed that all seven sites were likely to comply with limits for ammoniacal nitrogen (NH<sub>4</sub>-N), dissolved reactive phosphorus (DRP) and turbidity.</li> <li>• The Goodwood Pump site nears the DRP limit.</li> <li>• The upper Shag River sites (Collins Bridge and The Grange) were only sites likely to comply with the nitrate-nitrite nitrogen (NNN) limits.</li> <li>• The mid to lower Shag River sites (Craigs Road, Deepdell Creek and Goodwood Pump) complied with the E.coli limit, while most other sites were close to the limit.</li> </ul> <p>The Lake Tuakitoto report findings included the following:</p> <ul style="list-style-type: none"> <li>• All 13 sites in the catchment met the Schedule 15 water quality limits for NH<sub>4</sub>-N and DRP.</li> <li>• The receiving water quality limit for NNN was exceeded at all</li> </ul>

	<p>sites in Stony Creek and at the upper sites in Lovells Creek.</p> <ul style="list-style-type: none"> <li>• The receiving water quality limit for E.coli was met at the upper Frasers Stream site, Lovells Creek east branch and Lake Tuakitoto at the outlet.</li> <li>• Lake Tuakitoto at the outlet exceeded the receiving water quality limit for turbidity.</li> </ul> <p>Water quality sampling is underway at fortnightly intervals at a number of sites in the Lindis catchment, and will be reported on in the 2014/15 financial year.</p>
<p><b>Activity 3</b> Carry out investigations and report on groundwater resource management for the Pomahaka, Wairuna and Kuriwao/Clydevale aquifers.</p>	<p>A report on the groundwater resources of the Pomahaka, Wairuna, Kuriwao and Clydevale aquifers has been completed. The main findings of the report were:</p> <ul style="list-style-type: none"> <li>• The South Otago aquifers have been wrongly classified as alluvial aquifers; they are fractured rock aquifers which differ significantly from alluvial-gravel aquifers. Rock aquifers rely on discontinuities such as joints, fractures and crevices to transmit water. Water availability is therefore localised. It is not possible to manage the hard rock aquifer at a regional or even aquifer scale.</li> <li>• The current groundwater management regime for the Pomahaka and Kuriwao basins may be overly restrictive. The water plan should be amended to reflect the aquifer type (Fractured rock).</li> <li>• In general, the piezometric surface (water table) follows the contours of the land. The groundwater levels are generally higher than the river levels, suggesting that the surface water bodies are discharge points for groundwater.</li> <li>• Groundwater quality suggest that the groundwater may not be aesthetically pleasing as the pH and total iron levels are generally outside of the New Zealand Drinking Water Guideline (2005).</li> <li>• Faecal coliform bacteria are present in seven bores located in the Pomahaka, Wairuna and Kuriwao basins, probably due to local contaminants and/or poor well-head protection.</li> </ul>
<p><b>Activity 4</b> Monitor and report on bacteriological water quality for marine and freshwaters for contact recreational purposes.</p>	<p>Weekly monitoring commenced in December, the beginning of the bathing season, and continued to the end of March. Results were made available on the Council website. Taieri at Waipiata showed elevated levels of E.coli. Potential sources of contamination were investigated with a number of sources identified and reduced or removed.</p>
<p><b>Activity 5</b> Aid the development of protocols for effective water utilisation in the Upper Taieri, Manuherikia, Lindis, and Cardrona catchments.</p>	<p>Work is ongoing in the Upper Taieri, specifically in the Kyeburn and Swinburn catchments, aiding the transition from deemed permits to RMA permits. Work continues in the Lindis and Cardrona River, mostly around minimum flow and allocation limit setting.</p>

<p><b>Activity 6</b> Identify and install appropriate monitoring bores for long term State of the Environment monitoring.</p>	<p>Four monitoring bores were installed during the year.</p>
<p><b>Activity 7</b> Complete an efficient irrigation application report for all of Otago to aid the consents group in allocation of Otago's water resource.</p>	<p>Aqualinc was contracted to produce an irrigation application report for all of Otago to aid the consents group in allocation of Otago's water resource. The report is still to be received.</p>
<p><b>Activity 8</b> Model Kakanui groundwater surface water interaction with respect to Nitrate losses and effects on the Kakanui River.</p>	<p>Attempts have been made to model this system but it has been found it to be very complicated. A report commissioned from Lincoln Environmental has concluded that further data is needed to make any modelling possible.</p> <p>As a result, resources have been directed to real time nitrate flow and groundwater monitoring to collect the data set needed to build a robust model of the Kakanui catchment. Two real time nitrate and flow sites have been installed in the Kakanui and eight monitoring bores from which fortnightly water quality samples will be taken. It is expected that this data collection will run for 12 months before attempting to produce a model of the system.</p>

<b>Objective 4 Monitor and review the effectiveness of the Regional Plan: Water</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Notify proposed plan changes through to the release of decisions on submission for the Pomahaka, Waiwera and Waikouaiti Rivers, the Cardrona River and Wanaka- Cardrona Aquifer, the Bengier Burn and Ettrick Aquifer, and the Lindis River and connected aquifers.</p>	<p>Briefings and field trips with KTKO Ltd and Te Ao Marama Inc have been undertaken for catchments where minimum flows are being proposed. In December 2013, a joint field trip was undertaken for the Lindis and Cardrona catchments, and in February 2014, a field trip was undertaken for the Waiwera, Pomahaka and Bengier Burn catchments.</p> <p>Pomahaka River: A third community workshop was held at Tapanui in May 2014, evaluating a preferred option for the minimum flow and allocation regime. The Consultation Draft of Proposed Plan Change 3B (Pomahaka catchment minimum flow) was released for comment on 4 June 2014. Feedback was received from seven parties.</p> <p>Waiwera River: The Consultation Draft for a proposed plan change is being finalised, following a third community workshop held at Clinton in May 2014, which evaluated a preferred option for a minimum flow and allocation regime.</p> <p>Waikouaiti River: A hui was held in October 2013 to identify tangata whenua values for the catchment and share information on the river with the wider community. The health of the estuary remains a primary concern for the runanga, although any minimum flow will have limited effect on this value because of the dominance of tidal flows. A third community workshop was held at Waikouaiti in April 2014, evaluating a preferred option for the minimum flow and allocation regime. Further work is being done on this proposal in the light of feedback received.</p>

	<p>Cardrona River and Wanaka-Cardrona Aquifer: Over the winter of 2013, two workshops, a field trip and an open session were held to consider options for surface and ground water management. A further scientific study was undertaken over the summer of 2013/14. The preferred option for the minimum flow and aquifer allocation is now being prepared.</p> <p>Benger Burn and Ettrick Aquifer: The preferred option for managing the aquifer and Benger Burn was discussed at a community workshop in Ettrick in March 2014. As a consequence of issues raised during that workshop, more scientific work will be undertaken on the aquifer and understanding its connectivity with the Clutha River/Mata-Au before the proposed plan change is progressed.</p> <p>Lindis River and connected aquifers: The preferred option for managing surface and groundwater resources in the Lindis was presented to a community workshop in April 2014, and the Consultation Draft of the proposal was released later that month. Feedback was received from 24 parties, and as a consequence, the proposal is now being amended before being presented for notification.</p>
<p><b>Activity 2</b> Consult communities on catchment values associated with flow and allocation options for the Manuherikia River.</p>	<p>Background information about the Manuherikia has been assembled in preparation for the first plan-change related workshop on community values.</p> <p>A meeting was held with the technical group supporting the Manuherikia Water Strategy in November 2013, outlining the minimum flow and allocation consultation process. Staff suggested an initial Council-facilitated workshop on catchment values could be held early in 2014, to complement the Strategy timeframes. However, the Strategy Group has not yet indicated they are ready to hold the values workshop.</p>
<p><b>Activity 3</b> Prepare and consult communities on water quality limits for the North Otago Volcanic Aquifer, and Kakanui-Kauru Alluvial Aquifer.</p>	<p>No progress has been made on this project, as further technical work is being undertaken first.</p>
<p><b>Activity 4</b> Notify proposed plan changes through to release of decisions on submissions for proposed plan changes addressing permitted water transfers and groundwater management.</p>	<p>Proposed Plan Change 4B (Groundwater allocation) was publicly notified on 17 May 2014. Sixteen submissions were received, and the Summary of Decisions Requested and Call for Further Submissions was made on 28 June 2014.</p> <p>The permitted water transfers proposal has been placed on hold, pending further discussion with Council on how this may better support Plan Change 1C (Water Allocation and Use).</p>



<b>Objective 5 Ensure compliance with Regional Plan: Water rules, regulatory and resource consent requirements, through consent process advisory and enforcement processes.</b>																			
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>																		
<p><b>Activity 1</b> Process 100% of consent applications, surrenders, transfers, lapsing, cancellations and expiries in accordance with the Council's Consent Procedure Manual and the Resource Management Act 1991.</p>	100% of all application types received were processed in accordance with the Council's Consent Procedure Manual and the Resource Management Act.																		
<p><b>Activity 2</b> Begin the review of consents for a catchment, subcatchment or an aquifer within two months of a minimum flow or a level or water quality standard being operational.</p>	No reviews were required to be undertaken during the year.																		
<p><b>Activity 3</b> Investigate and undertake enforcement procedures on breaches of rules, resource consents and regulations of water.</p>	<p>Five infringement notices were issued during the period, for the following:</p> <ul style="list-style-type: none"> <li>Discharging contaminants to land where it may enter water (one); and</li> <li>Discharging contaminants to land in breach of a regional rule (four).</li> </ul> <p><i>(2012/13: 15 infringement notices issued; 2011/12: 21 infringement notices issued).</i></p> <p>Eight abatement notices were issued requiring the following:</p> <ul style="list-style-type: none"> <li>To cease taking water in breach of a resource consent; and</li> <li>To cease taking water in breach of the Resource Management (Measurement and Reporting of Water Takes) Regulations 2010.</li> </ul> <p><i>(2012/13 &amp; 2011/12: Nil abatement notices issued).</i></p> <p>Six prosecutions were authorised during the period for discharging contaminants to land where it may enter water.</p> <p><i>(2012/13: 3 prosecutions authorised; 2011/12: 13 prosecutions authorised).</i></p>																		
<p><b>Activity 4</b> Uphold compliance of resource consents and rules in the Regional Plan: Water for Otago by processing all performance monitoring returns, 90% of which will be within one month of receipt.</p>	All monitoring returns (3,356) were processed within one month of receipt.																		
<p><b>Activity 5</b> Investigate and report on breaches about water quality and quantity.</p>	<p>Reported water related incidents were as follows:</p> <table border="1"> <thead> <tr> <th></th> <th><b>2013/14</b></th> <th><b>2012/13</b></th> <th><b>2011/12</b></th> </tr> </thead> <tbody> <tr> <td>Total Incidents</td> <td>414</td> <td>403</td> <td>309</td> </tr> <tr> <td>Water Quantity</td> <td>36</td> <td>43</td> <td></td> </tr> <tr> <td>Water Quality</td> <td>378</td> <td>360</td> <td></td> </tr> </tbody> </table>				<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	Total Incidents	414	403	309	Water Quantity	36	43		Water Quality	378	360	
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Water Quantity	36	43																	
Water Quality	378	360																	

<p><b>Activity 6</b> Undertake audits of:</p> <ul style="list-style-type: none"> <li>• 100% of animal waste collection systems.</li> <li>• 90% of newly installed water metering installations.</li> <li>• 50% of discharges to land and water.</li> <li>• 100% of newly built waterway structures.</li> <li>• 100% of operational gravel extractions.</li> <li>• 100% of active and 30% of closed landfills.</li> </ul>	<p>Audits undertaken during the year were as follows:</p> <ul style="list-style-type: none"> <li>• 435 (100%) dairy farms were inspected. 28 (6%) were found to be non-compliant.</li> <li>• 99 out of 278 (36%) of newly installed water meters were inspected. 4 (4%) were found to be non-compliant.</li> <li>• 122 out of 1,004 (12%) discharge consents were monitored. 25 (20%) were found to be non-compliant.</li> <li>• Six structures (excluding bores) out of 49 (12%) were inspected. All were compliant.</li> <li>• Seven gravel extractions were monitored and found to be compliant.</li> <li>• Two out of 11 (18%) of active landfills and nine out of 44 (20%) of closed landfills were monitored. The active landfills were all compliant. 1 (11%) of closed landfills was non-compliant.</li> </ul>
<p><b>Activity 7</b> Undertake investigations of compliance with permitted activity rules in the following areas:</p> <ul style="list-style-type: none"> <li>• Urban storm water discharges into Lake Wakatipu around the Queenstown/-Frankton Arm area, Lake Wanaka and Silverstream.</li> <li>• On site waste water discharges into streams, lakes and rivers, around Kingston and Arrowtown.</li> </ul>	<p><b>Lake Wakatipu (Horne Creek) &amp; Lake Wanaka</b> – Pollution complaints were reviewed and reported locations compared with storm water and foul water infrastructure. The land use types in Queenstown have been digitized, and compared against the complaints database and infrastructure to identify outfalls for further investigation. Dry and wet weather inspections of discharges into Horne Creek were undertaken, suggesting no particular issues that require further investigation. Potential areas for inspection around Lake Hawea have been identified and inspections are being planned.</p> <p><b>Silverstream</b> – Significant stormwater outfalls and clusters of septic tanks in areas where stormwater is reticulated have been identified.</p> <p><b>Water of Leith – Lindsay Creek</b> – Work continued on Lindsay Creek from 2012/13. The length of the creek was inspected, and faecal contamination located in a particular section of the Creek. Investigations suggest an animal source for pollution. Further inspections have not been made.</p> <p><b>Kingston and Arrowtown</b> –mapping the location of houses from aerial photography has been undertaken.</p> <p><b>Septic Tanks</b> – a region wide report on Septic Tanks was completed in June.</p>

## Water Resource

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	1,907	1,952	1,944
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies & grants for operating purpose	-	-	-
Fees, charges and targeted rates for water supply	914	1,820	1,747
Internal charges & overheads recovered	705	596	577
Local authorities fuel tax, fines, infringement fees & other receipts	3,965	3,836	3,844
<b>Total operating funding (A)</b>	<b>7,491</b>	<b>8,204</b>	<b>8,112</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	3,557	4,925	4,869
Finance costs	-	-	-
Internal charges & overheads applied	3,903	3,918	3,878
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>7,460</b>	<b>8,843</b>	<b>8,747</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>31</b>	<b>(639)</b>	<b>(635)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	29	-	-
- to replace existing assets	72	79	185
Increase (decrease) in reserves	(70)	(718)	(820)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>31</b>	<b>(639)</b>	<b>(635)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(31)</b>	<b>639</b>	<b>635</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Air

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

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

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

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

Council is working in Air Zone 1 and Milton to improve air quality. It issues newsletters, which include information on clean heating practices, and it holds expos on air quality issues. A retrofitting programme involving the provision of clean heating appliances in homes has been run for a number of years, and continues. Up until 2013/14 the retrofitting programme included the provision of insulation, however this stopped at the start of the year.

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

Winter of:	2010 PM <sub>10</sub>	2011 PM <sub>10</sub>	2012 PM <sub>10</sub>	2013 PM <sub>10</sub> Onwards
Alexandra	125	123	68	50
Arrowtown	124	122	68	50
Clyde	65	64	54	50
Cromwell	93	93	60	50
Milton	54	52	51	50

The weather has a strong influence on pollution levels, particularly in Central Otago towns where cold and calm conditions often lead to smoke being trapped in the 'breathing zone'. In order to assess whether Council air quality management strategies are working, the role of the weather must be taken into account. Using weather measurements, Council has developed a trend analysis to identify those days each winter when pollution levels should be their highest. They are referred to as "high-pollution potential" days (HPP days), when the National Environmental Standard is likely to be exceeded.

An analysis of the PM<sub>10</sub> characteristics in Arrowtown showed that winter averages and maximum PM<sub>10</sub> levels have continued to decrease on those HPP days. Overall, the model indicated that 34 days had weather conducive to high pollution; however, the NESAQ was exceeded on only 17 days. In Alexandra, any improvement in PM<sub>10</sub> levels appeared to have stalled in 2013, with more days exceeding the NESAQ (47 days) than predicted (40 days). Other factors that may have influenced this result include changes in emissions near the monitor, and/or an increased use of high emission fuels.

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

A grading system for measuring compliance is in place as follows:

Grade 1: Compliant

Grade 2: Non-Compliant – Minor (no actual or potential adverse effects)

Grade 3: Non-Compliant – Significant (no actual or potential adverse effects)

Grade 4: Non-Compliant – Minor (actual or potential adverse effects)

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

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

This activity contributes to the following community outcomes:

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

### ***What we want to achieve***

<b>Level of Service – Improve air quality.</b>			
<b>Measure 1</b> PM <sub>10</sub> micrograms per cubic metre in a 24 hour period.			
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>		
No more than one reading of PM <sub>10</sub> per annum (winter months) in all Air Zones in Otago, to be higher than 50 micrograms per cubic meter.	For the winter of 2013, the breaches and highest readings in all Air Zones in Otago were as follows:		
		<b>2013</b>	
	<b>Target Reading</b>	<b>No. Days Over</b>	<b>Highest Reading</b>
	Alexandra	50	47
	Arrowtown	50	17
	Balclutha	50	4
	Clyde	50	10
	Cromwell	50	33
	Dunedin	50	0
	Milton	50	44
	Mosgiel	50	5
		<b>2012</b>	
	<b>Target Reading</b>	<b>No. Days Over</b>	<b>Highest Reading</b>
	Alexandra	68	8
	Arrowtown	68	7
	Balclutha	50	13
	Clyde	54	5
	Cromwell	60	11
	Dunedin	50	1
	Lawrence	50	2
	Milton	51	26

	<b>Target Reading</b>	<b>2011 No. Days Over</b>	<b>Highest Reading</b>
Alexandra	123	1	144
Arrowtown	122	0	115
Balclutha	50	4	93
Clyde	64	12	107
Cromwell	93	2	100
Dunedin	50	14	70
Lawrence	50	3	57
Milton	52	18	137

Air quality is impacted each year by variable climatic conditions, and emissions to air. Long term trends are needed to determine the success of Council's initiatives and policies for improving air quality.

### Level of Service – Ensuring air discharges conform to the rules of the Regional Plan: Air and regulatory requirements.

<b>Measure 1</b>			
Performance monitoring (self-monitoring) returns on consents requiring self-monitoring, to show compliance with consent conditions.			
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>		
100% of performance monitoring returns to show compliance with consent conditions (non-compliance measure is in respect of grade 4 and 5 non-compliance only – Note 1).	Performance monitoring data processed during the year was as follows:		
	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
	Data processed	248	221
	Compliant	231 (93%)	208 (94%)
	Non-compliant	17 (7%)	13 (6%)
		244	232 (95%)
		12 (5%)	
<b>Measure 2</b>			
Audits of consents of all high risk sites to show compliance with consent conditions.			
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>		
90% or more of audits of consent conditions show compliance with consent conditions (non-compliance measure is in respect of grade 4 and 5 non-compliance only – Note 1).	46 discharge consents were audited as follows:		
	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
	Audits	46	60
	Compliant	39 (85%)	51 (85%)
	Non-compliant	7 (15%)	9 (15%)
		102	95 (93%)
		7 (7%)	

**Note 1:** Grade 4 non-compliance – minor actual or potential adverse effects.  
Grade 5 non-compliance – significant actual or potential adverse effects.

**Level of Service – Process resource consent applications for the discharge to air in a timely manner.**

<b>Measure 1</b> Process applications in compliance with statutory procedures and timeframes set out in the Resource Management Act 1991.																
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>															
Process 100% of applications within the given timeframes.	20 resource consent applications and four variations were received, and decided on as follows:  <table border="1"> <thead> <tr> <th>Time</th> <th>Variations</th> <th>Non Notified</th> <th>Limited Notified</th> <th>Notified</th> </tr> </thead> <tbody> <tr> <td>In time</td> <td>4</td> <td>16</td> <td>0</td> <td>4</td> </tr> <tr> <td>Exceed</td> <td>0</td> <td>0</td> <td>0</td> <td>0</td> </tr> </tbody> </table>	Time	Variations	Non Notified	Limited Notified	Notified	In time	4	16	0	4	Exceed	0	0	0	0
Time	Variations	Non Notified	Limited Notified	Notified												
In time	4	16	0	4												
Exceed	0	0	0	0												

***What we achieved to 30 June 2014***

<b>Objective 1 Measure air quality in key air quality zones and publicise the results.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Continuously measure PM <sub>10</sub> at sites in Dunedin and Alexandra, and measure during winter months Mosgiel, Arrowtown, Palmerston, Clyde, Cromwell, and Milton.	All sites were measured for air quality in accordance with State of the Environment monitoring requirements.
<b>Activity 2</b> Report air quality measurements: <ul style="list-style-type: none"><li>As collected on Council’s website.</li><li>In weekly summary reports</li><li>By weekly public notices of breaches of the NESAQ, and</li><li>Publishing an annual report card on the state and trends in air quality at the measurement sites by 1 December.</li></ul>	Reporting undertaken was as follows: <ul style="list-style-type: none"><li>All data was reported on the Council’s website.</li><li>17 weekly reports were produced and distributed by email and posted on the website.</li><li>Six monthly public notices of all NESAQ breaches were published.</li><li>The annual report card was completed, and presented at the January 2014 Council meeting.</li><li>13 Air Watch reports were published by the ODT.</li></ul>
<b>Activity 3</b> Undertake and report studies that define the winter spatial distribution of particulate air quality in Arrowtown and Wanaka.	A report detailing the results of the spatial PM <sub>10</sub> studies for Arrowtown and Wanaka was finalised and presented to the Technical Committee in June 2014. The report noted that Arrowtown’s highest PM <sub>10</sub> levels are consistently seen in the eastern part of the town. Burner age, fuel use and topography all contribute to these high figures. For Wanaka, there are times and places when PM <sub>10</sub> is elevated however due to the location and layout of the area, it is considered unlikely that the NESAQ limit will be exceeded under normal winter conditions. Wanaka is in Air Zone 2, and the study indicates that this is the correct zone designation.

<p><b>Activity 4</b> Undertake and report on studies that identify any need for monitoring of air quality in any further Air Zone 3 towns in Otago.</p>	<p>The purpose of this project was to identify if there were any remaining towns that might need to be monitored and possibly gazetted.</p> <p>While some preliminary work has been done on this project, it has not been completed. This is partly due to the delay in Census data release, a key component required for the analysis. Additionally, NIWA analysis that was to be used was also delayed until the next financial year.</p> <p>In November 2013, it was decided to delay this project and have it become part of the new air quality management strategy included in the 2014/15 Draft Annual Plan. By that time, all data will have been released and a fuller analysis will be possible.</p>
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**Objective 2 Advance the use of cleaner air technologies in homes, industries and land uses of Otago, and assist home heating technology changes in air quality zones not meeting the AQNES.**

Key Activities	Achievement to 30 June 2014
<p><b>Activity 1</b> Co-ordinate the replacement of approved clean heating appliance in 160 homes across Arrowtown, Alexandra, Cromwell, Clyde and Milton.</p>	<p>During the period 84 clean heating appliances were installed in Air Zone 1 towns. This is the first year that Council has operated without the supporting insulation package. Incentive may not be sufficient to encourage remaining home owners to change.</p>

**Objective 3 Uphold compliance with air quality regulatory requirements, resource consents and permitted activity rules through education, advisory and enforcement processes.**

Key Activities	Achievement to 30 June 2014
<p><b>Activity 1</b> Process 100% of consent applications, surrenders, transfers, lapsing, cancellations and expiries in accordance with the Council's Consent Procedure Manual and the Resource Management Act 1991.</p>	<p>100% of all applications received were processed in accordance with the Council's Consents Procedure Manual and the Resource Management Act 1991.</p>
<p><b>Activity 2</b> Investigate and undertake enforcement procedures on breaches of resource consents conditions and rules in the Regional Plan: Air.</p>	<p>15 infringement notices were issued for discharging contaminants to air in breach of the Regional Plan: Air.</p> <p>Three prosecutions were authorised for the following:</p> <ul style="list-style-type: none"> <li>• Burning prohibited materials; and</li> <li>• Burning prohibited materials and burning at a landfill.</li> </ul> <p><i>(2012/13: 10 infringement notices issued for outdoor burning).</i></p>



<p><b>Activity 3</b> Uphold compliance of resource consents and rules in the Regional Plan: Air for Otago by processing all performance monitoring returns, 90% of which will be within one month of receipt.</p>	<p>All performance monitoring returns received (248) were assessed within one month of receipt.</p>														
<p><b>Activity 4</b> Investigate and report on breaches about air quality in the Otago region.</p>	<p>674 air quality incidents throughout the region were responded to during the year. The incidents were as follows:</p> <table border="0"> <tr> <td>Backyard burning</td> <td>90</td> </tr> <tr> <td>Burning incidents, e.g., rural</td> <td>130</td> </tr> <tr> <td>Domestic chimney</td> <td>206</td> </tr> <tr> <td>Dust</td> <td>30</td> </tr> <tr> <td>Industrial air discharge</td> <td>26</td> </tr> <tr> <td>Odour</td> <td>180</td> </tr> <tr> <td>Spray drift</td> <td>12</td> </tr> </table>	Backyard burning	90	Burning incidents, e.g., rural	130	Domestic chimney	206	Dust	30	Industrial air discharge	26	Odour	180	Spray drift	12
Backyard burning	90														
Burning incidents, e.g., rural	130														
Domestic chimney	206														
Dust	30														
Industrial air discharge	26														
Odour	180														
Spray drift	12														
<p><b>Activity 5</b> Undertake audits of 75% of industrial air discharges.</p>	<p>A total of 46 air discharge consents (23%) out of 199 consents were audited.</p>														
<p><b>Activity 6</b> Produce over the winter months, monthly Airzone brochures and distribute to Air Zone 1 and Milton residents.</p>	<p>Three Airzone brochures were produced over the winter months and distributed to Airzone 1 and Milton residents.</p>														
<p><b>Activity 7</b> Begin a review of consents within 2 months of an air quality standard being operational.</p>	<p>No reviews have been required to be undertaken.</p>														

<p><b>Objective 4 Assess, update and advance policy governing air quality controls in Otago, including consent requirements and restrictions.</b></p>	
<p><b>Key Activities</b></p>	<p><b>Achievement to 30 June 2014</b></p>
<p><b>Activity 1</b> Notify a proposed plan change for Milton and Lawrence.</p>	<p>Work on a plan change addressing re-zoning Milton and Lawrence is deferred until an Air Strategy direction is agreed.</p>

## Air Quality

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	185	269	260
Targeted rates (other than a targeted rate for water supply)	228	236	228
Subsidies & grants for operating purpose	110	836	810
Fees, charges and targeted rates for water supply	133	1,093	1,062
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	427	687	667
<b>Total operating funding (A)</b>	<b>1,083</b>	<b>3,121</b>	<b>3,027</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	548	2,663	2,575
Finance costs	-	-	-
Internal charges & overheads applied	378	441	422
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>926</b>	<b>3,104</b>	<b>2,997</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>157</b>	<b>17</b>	<b>30</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	10
Increase (decrease) in reserves	157	17	20
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>157</b>	<b>17</b>	<b>30</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(157)</b>	<b>(17)</b>	<b>(30)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Coast

The Otago coastline stretches approximately 470 km from the Waitaki River in the north to Wallace Beach in the south. The coastal marine area extends out to sea 22.2 km (12 nautical miles).

Monitoring of coastal and estuarine water quality is undertaken by Council, and these results are publicised.

Resource consents are issued by Council, allowing the controlled discharge of contaminants to the coastal marine area, and allowing for coastal structures such as moorings, jetties, and coastal protection works. Consent conditions are imposed to ensure the rules and objectives of the Regional Plan: Coast are met.

Once consents are granted, compliance monitoring is undertaken by Council to ensure consent conditions are being complied with. If not, enforcement action will be undertaken.

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

This activity contributes to the following community outcomes:

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

### *What we want to achieve*

Level of Service – Protect the coastal marine area.			
<b>Measure 1</b>			
Performance monitoring (self-monitoring) returns on consents requiring self-monitoring, to show compliance with consent conditions.			
Target Measure of Success	Actual Measure at 30 June 2014		
100% of performance monitoring returns to show compliance with consent conditions (non-compliance measure is in respect of grade 4 and 5 non-compliance only – Note 1).	Performance monitoring data processed during the period was as follows:		
	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
	Data processed	147	230
	Compliant	138 (94%)	224 (97%)
	Non-compliant	9 (6%)	70 (26%)
		6 (3%)	119 (74%)
	Note is made that all non-compliance over the three years was Grade 4 only. The high level of non-compliance in 2011/12 was in respect to the 5 yearly Structural Integrity Inspections of boat sheds that fell due that year. The high level of performance monitoring returns in the prior two years related to the 5 yearly inspections.		

<b>Measure 2</b> Audits of consent of all high risk sites to show compliance with consent conditions.					
<b>Target Measure of Success</b>		<b>Actual Measure at 30 June 2014</b>			
90% or more of audits of consent conditions show compliance with consent conditions (non-compliance measure is in respect of grade 4 and 5 non-compliance only – Note 1).		20 coastal discharge consents were audited as follows:			
			<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>
		Audits	20	46	26
		Compliant	18 (90%)	41 (89%)	23 (88%)
	Non-compliant	2 (10%)	5 (11%)	3 (12%)	

**Note 1:** Grade 4 non-compliance – minor actual or potential adverse effects.  
Grade 5 non-compliance – significant actual or potential adverse effects.

<b>Level of Service – Safe navigation for all users of Otago’s harbours.</b>	
<b>Measure 1</b> Number of harbour incidents.	
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>
No major harbour incidents (collision in the shipping channel).	There were no major harbour incidents during the period.

<b>Level of Service – Process resource consent applications for coastal activities in a timely manner.</b>					
<b>Measure 1</b> Process applications in compliance with statutory procedures and timeframes set out in the Resource Management Act.					
<b>Target Measure of Success</b>		<b>Actual Measure at 30 June 2014</b>			
Process 100% of applications within the given timeframes.		30 resource consent applications and two variations were received during the period.			
		28 application decisions and three variations were given as follows:			
			<b>Non Notified</b>	<b>Limited Notified</b>	<b>Notified</b>
		<b>Time</b>	<b>Variations</b>		
	In time	3	15	0	
	Exceed	0	0	0	

## What we achieved to 30 June 2014

Objective <b>Ensure compliance with Coast Plan regional rules, regulatory and resource consent requirements through consent process, compliance monitoring, enforcement processes and advisory.</b>	
Key Activities	Achievement to 30 June 2014
<b>Activity 1</b> Process 100% of consent applications, surrenders, transfers, lapsing, cancellations and expiries in accordance with the Council's Consent Procedures Manual and the Resource Management Act 1991.	All applications were processed according to procedures.
<b>Activity 2</b> Uphold compliance of resource consents and rules in the Regional Plan: Coast for Otago, by reviewing all performance monitoring returns, of which 90% will be achieved within one month of receipt.	A total of 147 performance monitoring data were assessed. All were processed within one month of receipt.
<b>Activity 3</b> Inspect 100% of newly built coastal structures.	No inspections were undertaken this reporting period.
<b>Activity 4</b> Audit 60% of discharges to the Coastal Marine Area.	10 discharge consents (19%) out of 54 current consents were audited. 8 (80%) were found to be compliant, and 2 (20%) were found to be non-compliant.  <i>(2012/13: 46 audits, 88% compliant, 11% non-compliant).</i>
<b>Activity 5</b> Investigate and undertake enforcement procedures on breaches of rules, resource consents and other regulations where necessary.	One infringement notice was issued during the period for unlawful occupation of the common marine and coastal area, and one abatement notice was issued to cease the display of advertising signage in the common marine and coastal area.  <i>(2012/13: No enforcement action required).</i>

Objective <b>Monitor State of the Environment coastal and estuarine water quality, and publicise the results.</b>	
Key Activities	Achievement to 30 June 2014
<b>Activity 1</b> Undertake long term monitoring programmes for State of the Environment network (estuarine and coastal quality including contact recreation activities at selected sites).	Contact recreation sampling was undertaken at selected sites during the summer months  Council continued to monitor sea level and tides from the Green Island wave recorder as required.

## Coast

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	61	95	93
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies & grants for operating purpose	-	-	-
Fees, charges and targeted rates for water supply	9	65	63
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	140	191	191
<b>Total operating funding (A)</b>	<b>210</b>	<b>351</b>	<b>347</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	148	251	245
Finance costs	-	-	-
Internal charges & overheads applied	62	100	102
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>210</b>	<b>351</b>	<b>347</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Regional Policy Statement

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

This activity contributes to the following community outcomes:

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

### *What we achieved to 30 June 2014*

<b>Objective</b> Assess and update the Regional Policy Statement and advance policy governing the management of the natural and physical resources of the Otago region.	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Complete preliminary consultation on issues and options for the proposed Regional Policy Statement (RPS).</p>	<p>A region-wide workshop for Otago territorial authority mayors and councillors, KTKO Ltd and Te Ao Marama Inc. was held in Alexandra in September 2013. 30 people attended.</p> <p>The workshop built on desired outcomes for quality of life, resilience and a good natural environment and the factors that contribute to, or hinder, achieving these outcomes. Topics included land use change, use of productive land, landscape and tourism, coastal development and hazard management. This work fed into issues and options for consultation.</p> <p>Further workshops were held in December 2013 and March 2014, prior to consulting on issues and options. The manawhenua working group met in January and June 2014.</p> <p>There are four main areas of jurisdictional overlap between regional and local levels of governance: coast, natural hazards, waste and indigenous biodiversity. Roles and responsibilities will be clarified. Common processes are being considered for assessing some matters of national importance, including outstanding natural features and landscapes, whenua tupuna (cultural landscapes) and areas of significant indigenous vegetation and significant habitats of indigenous fauna.</p> <p>Consultation on high level issues and options commenced in May 2014. Comments were received from 114 individuals, businesses and stakeholder groups. There was a level of general support for the direction that Council has been taking, and a number of requests were made for specific outcomes. Regulation was identified as an important role for the Council, as well as encouragement, protection and enforcement.</p> <p>The consultation draft of the reviewed RPS is underway.</p>

## Regional Policy Statement

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	265	127	30
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies & grants for operating purpose	-	-	-
Fees, charges and targeted rates for water supply	-	-	-
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	470	234	55
<b>Total operating funding (A)</b>	<b>735</b>	<b>361</b>	<b>85</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	325	175	63
Finance costs	-	-	-
Internal charges & overheads applied	410	186	22
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>735</b>	<b>361</b>	<b>85</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.



## Governance and Community

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

This process also involves holding local government elections on a three yearly basis, and at the October 2013 local government elections, 12 councillors were elected for the Otago Regional Council.

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

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

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

This activity contributes to the following community outcomes:

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

### *What we want to achieve*

Level of Service – Effective, open and transparent democratic Council processes.	
<b>Measure 1</b> Completion of statutory public accountability processes.	
Target Measure of Success	Actual Measure at 30 June 2014
Completion of statutory planning and reporting documents (Long Term Plan, Annual Plans and Annual Reports) within statutory requirements.	The Annual Report was completed in September 2013, and the 2014/15 Annual Plan was completed in June, both within the statutory reporting timeframe.
<b>Measure 2</b> All Council meetings conducted in compliance with statutory requirements.	
Target Measures of Success	Actual Measure at 30 June 2014
Public notices given for all meetings of Council and Committees, and agendas for all Council and Committee meetings to be made available on the Council's website prior to the meeting.	Eight Council meetings and 36 committee meetings were held during the period and public notice was given for all. Details were also made available on the Council's website prior to the meetings.

## What we achieved to 30 June 2014

Objective 1 Provide information to raise awareness of Council activities and policies.	
Key Activities	Achievement to 30 June 2014
<p><b>Activity 1</b> Provide regular information to the media about the activities of Council.</p>	<p>75 media releases were distributed during the year about the activities of Council.</p>
<p><b>Activity 2</b> Make available to the public, environmental and resource management information through the production of:</p> <ul style="list-style-type: none"> <li>• Pamphlets and information sheets,</li> <li>• Resource reports,</li> <li>• Presentations to interest groups,</li> <li>• website information.</li> </ul> <p>Information provided to include:</p> <ul style="list-style-type: none"> <li>• Compliance with consents and permitted activity rules.</li> <li>• Pollution problems</li> <li>• <b>grow</b>OTAGO mapping information.</li> <li>• Policy and plan information</li> <li>• Resource consent processes</li> <li>• Monthly key climatic information.</li> </ul>	<p>Information produced included the following:</p> <p><b>Pamphlets, Information Sheets &amp; Newsletters:</b></p> <ul style="list-style-type: none"> <li>• Four flood information sheets</li> <li>• Rabbit control brochure</li> <li>• Toxic algae brochure</li> <li>• Farm landfill and offal pit brochure</li> <li>• Seven issues of the Leader’s Brief</li> <li>• Two issues of Airzone</li> <li>• Four issues of Waterlines.</li> </ul> <p><b>Resource Reports</b></p> <ul style="list-style-type: none"> <li>• Four recreational water quality summary reports.</li> <li>• Waianakarua, Waikouaiti River, Bannockburn, Kakanui River, Tokomairiro, and Shepherd Creek water quality reports.</li> <li>• Channel Morphology of the Rees, Kakanui and Kauru rivers.</li> </ul> <p><b>Presentations to Interest Groups</b></p> <ul style="list-style-type: none"> <li>• 11 schools (Elm Grove, Mt Aspiring College, John McGlashan, Tahuna Intermediate, Macandrew Bay, Arthur Street, Warrington, George St, Otago Boys, Port Chalmers, and Grants Braes schools).</li> <li>• Ballance Farm awards.</li> <li>• Four community meetings on flood hazard in Glenorchy, Kingston, Wanaka and Queenstown.</li> <li>• Promotion of GoBus student fare trial during Orientation week.</li> <li>• 93 businesses in Queenstown and 74 in Wanaka were given flood hazard information.</li> </ul> <p><b>Website Information</b></p> <ul style="list-style-type: none"> <li>• The website is updated on a daily basis.</li> <li>• New pages introduced include Proposed Plan Change 4B (Groundwater allocation), surveys for six bus routes under evaluation, Regional Policy Statement review, and Lake Tuakitoto catchment programme.</li> <li>• The bus journey planner was implemented.</li> <li>• Design changes were made to the homepage to improve presentation.</li> </ul>

<b>Objective 2 Support Kai Tahu ki Otago and other Maori participation in natural resource management.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Hold at least two meetings each year with Iwi representatives.	Meetings held with Iwi during the period included six meetings with Te Roopu Taiao, two Mana to Mana meetings, one KTKO meeting and one TRoNT meeting.
<b>Activity 2</b> Provide assistance with the development of a Kai Tahu ki Otago Resource Inventory.	Kai Tahu ki Otago have advised that they no longer require any assistance from ORC on this matter.

<b>Objective 3 Contribute funding and/or support for projects that promote the sustainable use of resources in Otago.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Provide funding assistance for projects undertaken by external parties, including: <ul style="list-style-type: none"> <li>• Otago Rescue Helicopter</li> <li>• Animal Health Board</li> <li>• Graduate research projects.</li> </ul>	Funding assistance of approximately \$794,000 was provided and included the following: <ul style="list-style-type: none"> <li>• Otago Rescue Helicopter \$350,000</li> <li>• Animal Health Board \$150,000</li> <li>• Lower Waitaki River works \$185,000</li> <li>• Graduate research projects \$67,000</li> </ul> <p><b>Graduate Research Projects</b></p> <p>The PhD studentship on growth dynamics and behaviour of braided river deltas was completed in August. Some of the research was incorporated into the assessment of the morphology of the Dart/Rees Rivers.</p> <p>The PhD on the effect of land use on nutrient inputs, nutrient cycling and water quality in Lake Wanaka is nearing completion. A draft report detailing the work undertaken was received.</p> <p>The PhD looking at landscape management has moved into completion phase. The research has identified landscape management principles and grouped these into substantive, constructive and procedural, and dimensions relating to material, social and symbolic. The thesis is due for completion in January 2015.</p>
<b>Activity 2</b> Provide technical and funding support for community led investigations of infrastructure requirements for bulk rural water.	Funding of \$175,000 has been provided in respect of feasibility studies for the water management of the Manuherikia catchment.
<b>Activity 3</b> Assist through a facilitative role, wilding conifer control, by encouraging community groups and landholders to undertake control in a co-ordinated manner.	Council continued to provide an active advocacy role for the Central Otago Wilding Conifer group. Staff attended meetings to provide advice on wilding control options.  Mapping the spread of wilding conifer in the Central Otago area on the Kakanui Ranges near Naseby, to assist the group's wilding

	<p>pine control strategy was completed.</p> <p>Advice is also provided to the Queenstown Lakes Wilding conifer group when requested.</p> <p>The Chairperson has signed a Trust Deed as an advisory member of the Otago Wilding Tree Trust.</p> <p>Staff recently identified Contorta present in Upper Clutha. Those properties have been requested to supply management plans.</p> <p>Audits on two properties in the Queenstown area that have management plans, identified a lack of control works and further enforcement action will be taken.</p>
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Objective 4 Respond to issues, activities, and queries on matters that require a regional perspective or impact on regional resource management functions.	
Key Activities	Achievement to 30 June 2014
<p><b>Activity 1</b> Submit on the following, where they affect Council's responsibilities and functions:</p> <ul style="list-style-type: none"> <li>• National policies and significant legislation</li> <li>• Regional and district plans and policies, plan changes and consent applications</li> <li>• Conservation plans and strategies</li> <li>• Codes of practice, standards and guidelines.</li> </ul>	<p>Submissions made included the following:</p> <ul style="list-style-type: none"> <li>• Ministry for the Environment re proposed changes to the Exclusive Economic Zone and Continental Shelf Act and Proposed amendments to the National Policy Statement for Freshwater Management 2011;</li> <li>• Department of Conservation's Conservation Management Strategy for Otago;</li> <li>• Proposed amendments to the National Policy Statement for Freshwater Management;</li> <li>• DCC's draft Energy Plan;</li> <li>• Subdivision proposals at Northlake and Lowburn, Wanaka on rabbit control, transport, storm water management, and a supermarket development proposal at Frankton re the proposed site storm water management.</li> </ul>

## Governance and Community

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	1,191	1,111	1,136
Targeted rates (other than a targeted rate for water supply)	2,992	2,716	2,979
Subsidies & grants for operating purpose	-	10	10
Fees, charges and targeted rates for water supply	-	116	99
Internal charges & overheads recovered	362	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	2,195	2,045	7,090
<b>Total operating funding (A)</b>	<b>6,740</b>	<b>5,998</b>	<b>11,314</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	2,961	2,614	2,826
Finance costs	492	555	555
Internal charges & overheads applied	806	826	814
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,259</b>	<b>3,995</b>	<b>4,195</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2,481</b>	<b>2,003</b>	<b>7,119</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	(10,000)	(10,000)	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(10,000)</b>	<b>(10,000)</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	(7,519)	(7,997)	7,119
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(7,519)</b>	<b>(7,997)</b>	<b>7,119</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,481)</b>	<b>(2,003)</b>	<b>(7,119)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Flood Protection & Control Works

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

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

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

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

Stage 1	Pre 2012/13	Cumberland Street to Dundas Street	Completed.
Stage 2	2012/13	Leith Street to Forth Street	Major construction works completed; minor finishing works are outstanding.
Stage 3	2013/14	St David Street to Union Street	60% complete; completion expected mid October 2014.
Stage 4	2014/15	Dundas Street to St David Street	Planning and design work commenced.
Stage 5	2015/16	Union Street to Leith Street or Clyde Street	
Stage 6	2016/17	ITS building/bend	
Stage 7	2017/18	Dundas Street bridge	
Stage 8	2018/19	Forth Street to Harbour	

Delays in completing the St David Street to Union Street stage were in part due to the complexity of the services encountered, and to the delays in receiving permission from the University of Otago to commence work. Stage 3 is expected to be completed mid October 2014.

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

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

This activity contributes to the following community outcomes:

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

## **What we want to achieve**

<b>Level of Service - Reduce the flood risk to people and property by maintaining flood protection works to agreed standards.</b>	
<b>Measure 1</b> <ul style="list-style-type: none"> <li>New flood mitigation works are designed and built to agreed performance standards.</li> <li>Existing flood mitigation works perform to agreed standards.</li> <li>Existing flood mitigation works are monitored and maintained to agreed standards.</li> </ul>	
<b>Target Measure of Success – Leith Flood Protection Scheme</b>	<b>Actual Measure at 30 June 2014</b>
By 2018/19, increase capacity to 171 m <sup>3</sup> /s (measured at St David Street footbridge). Represents 1 in 100 year flood with freeboard.	Progress during the period included completing construction of the Leith Street to Forth Street section, with the exception of minor flood damage that occurred in April 2014, the partial completion of the next stage of work (St David Street to Union Street) and the investigation, design and documentation preparation work associated with the fourth stage through / adjacent to the University campus.
<b>Target Measure of Success – Alexandra Flood Protection Scheme</b>	<b>Actual Measure at 30 June 2014</b>
Convey all floods with no failure of any scheme floodbank.	No failure of the Alexandra floodbank network occurred during the period.
Contain all floods up to 142.75 metres (above mean sea level) at Alexandra Bridge with 0.5m freeboard, corresponding with a flood flow of approximately 4,350 m <sup>3</sup> /s and being equivalent to the greatest recorded flood (in 1878), but with the Hawea control gates closed.	The highest level reached by the Clutha River over the period was 134.9m above mean sea level, recorded on 25 October 2013.
<b>Target Measure of Success – Lower Clutha Flood &amp; Drainage Scheme</b>	<b>Actual Measure at 30 June 2014</b>
Convey all floods with no failure of any scheme floodbank.	No failure of any scheme floodbank occurred. Overtopping of a couple of sections of floodbank close to the Matau Mouth occurred on 20 and 21 April (attributable to storm related partial blockage of the Matau mouth) but no failure occurred.
No flooding of Barnego in all floods up to 2,850 m <sup>3</sup> /s, Kaitangata, Inch Clutha and Paretai up to 4,000 m <sup>3</sup> /s and Balclutha up to 5,400 m <sup>3</sup> /s (all flows measured at Balclutha) based on past observed floods.	No flooding of Barnego, Kaitangata, Inch Clutha, Paretai or Balclutha occurred. Flow in the Clutha River (as measured at Balclutha) peaked at 1,549 cubic metres a second on 8 July 2013; river levels at Balclutha peaked at 6.66m above mean sea level, compared with the adjacent Balclutha floodbank crest height of 10.6m above mean sea level.
<b>Target Measure of Success – Lower Taieri Flood Protection Scheme</b>	<b>Actual Measure at 30 June 2014</b>
Convey all floods with no failure of any scheme floodbank.	No failures of the Lower Taieri floodbank network occurred during the period.

<p>No flooding of the East Taieri Upper Ponding area from Taieri River flows up to 800 m<sup>3</sup>/s, or Silver Stream flows up to 160 m<sup>3</sup>/s.</p>	<p>The Upper Pond remained partly inundated over the first ten days of the year primarily due to spill from the Taieri River during the June 2013 flood event. No Taieri River spill to the Upper Pond occurred. Minor spill from the Silver Stream occurred on 18 April 2014.</p> <p>The highest recorded flow in the Taieri River (as measured at Outram) occurred on 19 April 2014, with flow peaking at 378 cubic metres per second. The highest recorded flow in the Silver Stream (as measured at the Gordon Road bridge) also occurred on 18 April 2014, with flow peaking at 128 cubic metres per second.</p> <p>Taieri River cross-sections were re-surveyed which confirmed that following the June 2013 flood event the Scheme can still meet design standards.</p>
<p>No flooding of the East Taieri Lower Ponding area from Taieri River flows up to 2,500 m<sup>3</sup>/s or Silver Stream flows up to 260 m<sup>3</sup>/s.</p>	<p>The Upper Pond remained partly inundated over the first fifteen days of the year primarily due to spill from the Owhiro Stream in June 2013. No Taieri River or Silver Stream discharge to the Lower Pond occurred over the period.</p> <p>See above for highest recorded flow during the period.</p>
<p>No flooding of West Taieri from Taieri River flows up to 2,500 m<sup>3</sup>/s.</p>	<p>No flooding of the West Taieri area from the Taieri River occurred during the year.</p> <p>The highest recorded flow in the Taieri River (as measured at Outram) occurred on 19 April 2014, with flow peaking at 378 cubic metres per second.</p>
<p>No flooding of Mosgiel from Silver Stream flows up to 260 m<sup>3</sup>/s.</p>	<p>No flooding of Mosgiel from the Silver Stream occurred; the highest recorded flow in the Silver Stream (as measured at the Gordon Road bridge) occurred on 18 April 2014, with flow peaking at 128 cubic metres per second.</p>

**Level of Service – Improve the productive capability of land by maintaining land drainage works to agreed standards.**

**Measure 1**

- Existing land drainage works perform to agreed standards.
- Existing land drainage works are monitored and maintained to agreed standards.

<b>Target Measure of Success – Lower Clutha Flood &amp; Drainage Scheme</b>	<b>Actual Measure at 30 June 2014</b>
<p>Provide drainage modulus of 7.5mm per day pumped drainage capacity for Matau District, 9mm per day for Inch Clutha and 10mm per day for Paretai District.</p>	<p>The moduli were generally provided over the period; some planned maintenance work took place to both the Kaitangata and Paretai Pump Stations. The Paretai maintenance had no effect on levels of service but the Kaitangata maintenance had a minimal impact on levels of service in April. Daily rainfall (as measured at Balclutha) exceeded:</p> <ul style="list-style-type: none"> <li>• 7.5mm per day on 28 occasions over the period,</li> <li>• 9mm per day on 24 occasions over the period,</li> <li>• 10mm per day on 19 occasions over the period.</li> </ul>



Target Measure of Success – West Taieri Drainage Scheme	Actual Measure at 30 June 2014
Provide drainage modulus of 10mm per day pumped drainage capacity.	<p>The modulus of 10mm per day was largely provided over the period; the Henley station had outages totalling three days while Waipori and Lake Ascog stations had no outages. The new F pumps were operable but not required over the period.</p> <p>Daily rainfall (as measured at Riccarton Road) exceeded 10mm per day on 25 occasions over the period, with only three exceedances during the first five months.</p>
Target Measure of Success – East Taieri Drainage Scheme	Actual Measure at 30 June 2014
Provide drainage modulus of 8mm per day pumped drainage capacity for East Taieri Upper Ponding area and 18mm per day for East Taieri Lower Ponding area.	<p>The moduli of 8mm and 18mm for the Upper and Lower Ponds were provided over the period. No station outages occurred.</p> <p>Daily rainfall (as measured at Riccarton Road) exceeded 8mm per day on 29 occasions, mostly from December 2013 to June 2014. A daily total of 18mm was exceeded on five occasions over the period, once in December, twice in February and twice in April.</p>

### ***What we achieved to 30 June 2014***

<b>Objective 1 Leith Flood Protection Scheme</b> <b>To manage the risk of Dunedin city between Malvern Park and Otago Harbour being flooded by the Water of Leith.</b>	
Key Activities	Achievement to 30 June 2014
<b>Activity 1</b> Undertake flood hazard mitigation work for the Water of Leith between St David Street and Union Street.	Work completed included investigation and design work, tender processes, commencement/ completion of enabling works (modifications/ relocation of in-ground services impacted by the works), commencement of the main construction contract and ongoing liaison with University of Otago staff. The main construction is 60% complete. The works between the St David and Union Street bridges were not completed because delays both in starting construction and during construction, due in part to the complexity of the services encountered, but mostly due to the delays in receiving permission from the University to commence work, and changing requirements as the works have proceeded.
<b>Activity 2</b> Inspect, operate, and maintain scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.	The scheme asset management plan is being developed, and the Operations Manual is still to be developed.  The boulder traps were routinely inspected but were free of debris and required no maintenance. Significant amounts of rubbish and litter dumped in the Leith were removed.

<b>Objective 2 Alexandra Flood Protection Scheme</b> To manage the risk of the Clutha River / Matu-Au flooding Alexandra.	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Operate and maintain the scheme assets.	Scheme assets were inspected and maintained in accordance with the Operations and Maintenance Manual during the year.

<b>Objective 3 Lower Clutha Flood &amp; Drainage Scheme</b> Manage flood risk by constructing, renewing, replacing, altering, operating and maintaining Clutha Flood Protection Scheme flood protection and control works.	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Report twice yearly to the Scheme Liaison Committee on scheme performance, activities and work programme.	A meeting of the Lower Clutha Scheme Liaison Committee was held in February. The Committee considered a range of technical and financial reports relating to scheme activity.
<b>Activity 2</b> Inspect, operate and maintain scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.	Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.  Night shooting on the floodbanks took place over several nights during the reporting period.  Tide and wind conditions during Easter lead to a sandbar forming at the mouth of the Matau branch of the Clutha river. Staff and volunteers worked together sandbagging areas while contractors worked on opening the mouth to release the build-up of water. Level sensors are to be installed at Rutherfords to trigger an alert if water starts to back up, indicating that the mouth may be starting to block.
<b>Activity 3</b> Investigate and design improvements to the Koau right floodbank at Factory Road that reduce the risk of floodbank failure at that location.	Site survey and affected party consultation took place over the period.

<b>Objective 4 Lower Clutha Flood &amp; Drainage Scheme</b> Manage land drainage by constructing, renewing, replacing, altering, operating and maintaining Clutha Flood Protection Scheme land drainage works.	
<b>Key Performance Targets</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Report twice yearly to the Scheme Liaison Committee on scheme performance, activities and planned work programmes.	A meeting of the Lower Clutha Scheme Liaison Committee was held in February. The Committee considered a range of technical and funding reports relating to scheme activity.

<p><b>Activity 2</b> Inspect, operate and maintain scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.</p>	<p>Scheme assets were inspected and maintained during this reporting period.</p> <p>All scheduled drains in the Paretai and Inch Clutha areas were sprayed.</p> <p>The Alexandra pump was sent to Kaitangata and installed to cover the pump while it was being serviced.</p> <p>Repairs were carried out on the Puerua outfall culverts. This included repairing the culvert pipes and reinstating the rockwork with a concrete finish.</p>
<p><b>Activity 3</b> Refurbish the Smith Road Pump Station so as to improve the reliability of the station.</p>	<p>Preliminary scoping and investigation work took place over the period.</p>
<p><b>Activity 4</b> Widen the screen cleaning platform at the Paretai Pump Station to improve the effectiveness and safety of the station.</p>	<p>During the period, design work was completed, and tenders were invited and closed during the year.</p>

<p><b>Objective 5 Lower Taieri Flood Protection Scheme</b> Manage flood risk by constructing, renewing, replacing, altering, operating and maintaining Lower Taieri Flood Protection Scheme flood protection and control works.</p>	
<p><b>Key Activities</b></p>	<p><b>Achievement to 30 June 2014</b></p>
<p><b>Activity 1</b> Reconstruct a 400m section of the Contour Channel floodbank between Otokia Road and bridge 11 (stage 5 of the programmed upgrade).</p>	<p>Resource Consent for this and the subsequent five stages was obtained from the Dunedin City Council and Otago Regional Council over the period. No further progress was made.</p>
<p><b>Activity 2</b> Commence obtaining approvals for constructing new upper/lower pond link spillways or the alternative option of relocating the floodbank(s) through the chute of the Taieri River.</p>	<p>No progress was made toward achieving this target over the period.</p>
<p><b>Activity 3</b> Conduct annual information meetings for landholders within the Taieri flood protection scheme area to explain the function and operation of the scheme.</p>	<p>Staff met with Henley residents on 24 October 2013 to discuss matters including an explanation of the function and operation of the scheme. A wider information meeting was held in April 2014.</p>

<p><b>Activity 4</b> Inspect, operate and maintain scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.</p>	<p>Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.</p> <p>Contractors were engaged to undertake more robust repairs to a damaged section of floodbank on the western shore of Lake Waihola during this reporting period. This involved excavating material locally and using it to plug holes in a number of sections along the floodbank. A longer term options paper is being prepared for this floodbank.</p> <p>Contour channel bridge abutments were cleared of debris as necessary.</p> <p>Routine maintenance tasks such as night shooting for rabbits on the floodbanks, was undertaken during this reporting period.</p>
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<b>Objective 6 West Taieri Drainage Scheme Manage land drainage for West Taieri by constructing, renewing, replacing, altering, operating and maintaining West Taieri Drainage Scheme land drainage works.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Report twice yearly to the Scheme Liaison Committee on scheme performance, activities and work programme.</p>	<p>A meeting of the West Taieri Liaison Committee took place in February. The meeting considered a variety of technical and financial reports related to scheme operations.</p>
<p><b>Activity 2</b> Inspect, operate and maintain scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.</p>	<p>Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.</p> <p>Both the mechanical drain cleaning programme and drain spray programme were undertaken during the period. Approximately 140 km of drain inverts was sprayed to ensure optimum hydrological function.</p> <p>Aerial spraying of willows on the Waipori delta was completed and willow trimming at the Chute was undertaken during the year.</p>
<p><b>Activity 3</b> Replace Bridge Number 3 on the Main Drain.</p>	<p>No progress has been made this reporting period.</p>

<b>Objective 7 East Taieri Drainage Scheme</b> <b>Manage land drainage for East Taieri by constructing, renewing, replacing, altering, operating and maintaining East Taieri Drainage Scheme land drainage works.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Inspect, operate and maintain scheme assets in accordance with the scheme Asset Management Plan and Operations Manual.</p>	<p>Scheme assets were inspected and maintained in accordance with the Operations and Maintenance manual.</p> <p>The mechanical drain cleaning and drain invert spray programmes were completed and approximately 127km of drain invert was sprayed.</p> <p>All outfall structures and flap gates were inspected and maintained as necessary.</p>

<b>Objective 8 Tokomairiro Drainage Scheme</b> <b>Manage land drainage for the Tokomairiro flood plain by constructing, renewing, replacing, altering, operating and maintaining Tokomairiro Drainage Scheme land drainage works.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Inspect and maintain the Tokomairiro Drainage Scheme land drainage works.</p>	<p>Scheme assets were inspected and maintained in accordance with the Operations and maintenance manual. The drain spray programme and the pest plant programme were both completed during the year.</p> <p>Scheme Levels of Service are currently being developed as part of the Asset Management Planning work currently being undertaken.</p>

## Flood Protection & Control Works

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	67	66	76
Targeted rates (other than a targeted rate for water supply)	2,960	2,932	2,786
Subsidies & grants for operating purpose	-	-	-
Fees, charges and targeted rates for water supply	93	39	38
Internal charges & overheads recovered	3	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	494	377	428
<b>Total operating funding (A)</b>	<b>3,617</b>	<b>3,414</b>	<b>3,328</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	1,289	1,075	1,050
Finance costs	-	267	290
Internal charges & overheads applied	882	553	582
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,171</b>	<b>1,895</b>	<b>1,922</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>1,446</b>	<b>1,519</b>	<b>1,406</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	(400)	4,624
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>(400)</b>	<b>4,624</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	4,372	5,878	2,755
- to replace existing assets	339	198	1,491
Increase (decrease) in reserves	(3,265)	(4,957)	1,784
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,446</b>	<b>1,119</b>	<b>6,030</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(1,446)</b>	<b>(1,519)</b>	<b>(1,406)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Rivers & Waterway Management

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

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

This activity contributes to the following community outcomes:

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

**Table 1 - Rivers requiring inspection**

Central Otago SRD	Annual Inspections	Inspections Following Event/Compliant
Taieri River	Hores Bridge – Kokonga	Styx Basin
Manuherikia River	Galloway Bridge – Clutha River confluence	Loop Road – Galloway
Kyeburn		Danseys Pass Hotel – Taieri River confluence
Sowburn		Through Patearoa
Hogburn		Through Naseby
Idaburn		Through Oturehua
Dunstan Creek		Loop Road – Manuherikia River confluence
Fraser River		Fraser Domain – Clutha River confluence
Lindis River		Morven Hills – Clutha River confluence

Clutha SRD	Annual Inspections	Inspections Following Event/Compliant
Clutha River	Barnego – Clydevale	Barnego – Clydevale
Pomahaka River	Kelso – Dusky	Kelso – Dusky
Herriot Burn River	At Herriot township	At Herriot township
Tuapeka River	Confluence Clutha River upstream for 4 km	Confluence Clutha River upstream for 4 km
Waitahuna River	Confluence Clutha River upstream for 4 km	Confluence Clutha River upstream for 4 km
Tokomairiro North	Upstream of Milton for 5 km	Upstream of Milton for 5 km
Tokomairiro East	Upstream of Milton for 5 km	Upstream of Milton for 5 km

Dunedin SRD	Annual Inspections	Inspections Following Event/Compliant
Taieri River	Daisybank – Hyde Ngapuna – Sutton Outram – Waipori River confluence	
Waipori River	Lake Waipori – Taieri River confluence	
Silverstream	Three Mile Hill Rd – Taieri River confluence	Scout Camp – Three Mile Hill Road
Waitati River	SH No. 1 bridge – Blueskin Bay	McIntosh Road – SH No. 1 Bridge
Waikouaiti River	Orbells Crossing – Karitane	Bucklands Crossing – Orbells Crossing
Water of Leith	Rockside Rd – Otago Harbour	
Lindsay Creek	Bethune’s Gully/Leith confluence	
Kaikorai Stream	Brockville Road intersection – Green Island – Waldronville Road Bridge	
March Creek		SH No. 87 Bridge – Cemetery

Queenstown SRD	Annual Inspections	Inspections Following Event/Compliant
Kawarau River	From the lake downstream to Smith Falls	From the lake downstream to Smith Falls
Shotover River	Confluence Kawarau to lower Shotover Gorge	Confluence Kawarau to lower Shotover Gorge
Mill Creek	From Lake Hayes upstream for 2.5 km	From Lake Hayes upstream for 2.5 km
Arrow River	Around Arrowtown	Around Arrowtown
Horn Creek	Through Queenstown with QLDC	Through Queenstown with QLDC
Bucklerburn River	Upstream to the Road Bridge	Upstream to the Road Bridge
Hayes Creek	Lake Hayes downstream to Kawarau River	
Kingston Creek	At Kingston	

Waitaki SRD	Annual Inspections	Inspections Following Event/Compliant
Pleasant River	Mt Royal – Goodwood	Mount Royal – Goodwood
Shag River	Waynestown – SH No. 1 Bridge	
Kakanui River	Clifton Falls Bridge – Kakanui township	
Waikoura Creek	SH (83 Bridge) – Waitaki River confluence	
Hilderthorpe Floodway		Gray Road - Steward Road
Henderson Creek		SH.(83 bridge) – Waikoura Creek confluence
Muddy Creek (Oamaru)		Kennilworth Rd – Pacific Ocean
Oamaru Creek		Oamaru Gardens – Pacific Ocean
Waiareka Creek		Ngapara – Kakanui River confluence
Kauru River		Kauru Hill Rd bridge – Kakanui River confluence
Waianakarua River		North branch from Cosy Dell, South branch from O'Connors confluence
Island Stream		Kurihika – Kakanui River confluence
Big Kuri Creek		Upstream and downstream of SH 1

Wanaka SRD	Annual Inspections	Inspections Following Event/Compliant
Stoney Creek/Waterfall Creek	Headwaters to lake	Entire length
Cardrona River		Entire length

### ***What we want to achieve***

<b>Level of Service – Ensure waters can flow without undue obstruction.</b>	
<b>Measure 1</b> Number of inspections of rivers.	
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2014</b>
Complete annual inspections on all rivers specified in the annual plan, and undertake maintenance work on those rivers as necessary.	Routine annual inspections were carried out on rivers during the period.  Maintenance identified during these inspections was actioned accordingly, predominantly debris dams and in channel blockages.
Undertake inspections and maintenance work on the rivers specified in the annual plan, as necessary following a flood event or on receipt of a complaint.	Inspections were carried out after all flood events during the year.  A number of maintenance requirements were identified and actioned accordingly. These included removal of trees in the waterway, debris dam removal, boulder trap clearing where relevant and some in-stream works to put rivers back into their original channels after the high flows.  A number of complaints about rivers were responded to during the year. Most were about debris dams or willow growth / pest



	plants. Many complaints responded to revolved around river bank erosion or gravel aggradation. In these instances, staff provided education and advice on the options available to landowners wishing to deal with such matters.
<b>Measure 2</b> Difference between actual and target profiles for surface of Shotover River delta.	
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2014</b>
Surface of Shotover River delta is consistent with the target profile.	A full cross-section survey of the Shotover delta was undertaken in April. The difference between the actual and target profiles within the Stage 1 area has grown (on average) by approximately 300m since the last survey in May 2012, placing the actual profile further above the target profile. Conversely the left bank near the Kawarau River confluence has retreated by approximately 120m (the fairway width has widened due to bank erosion).

### ***What we achieved to 30 June 2014***

<b>Objective 1 To manage the risk to Lake Wakatipu communities of flooding associated with the Shotover River Delta and its interaction with the Kawarau River.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Manage the target surface profile and vegetation cover on the Shotover River Delta through targeted gravel extraction.	Council staff directed extraction by three consent holders over the period. Total volume extracted over the period is estimated to be 40,000 cubic metres.
<b>Activity 2</b> Inspect and maintain the Shotover Delta training line and Queenstown Lakes District Council's wastewater disposal field revetment.	Minor repairs to the revetment line (addition of rock to address a minor amount of toe scour near the training line junction that occurred early in the period) took place during the year.  Repairs to the training line (placement of a bulk fill weighting blanket to address foundation seepage) were undertaken.
<b>Objective 2 To inform and support decision making on the need, benefits and effects of activities that serve a river management purpose or might affect habitat protection, flood protection, structure disturbance and the protection of property.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Undertake a repeat survey of the Shag and Waianakarua Rivers and report on trends and changes in river morphology.	The repeat surveys of the Shag and Waianakarua rivers have been completed. Reports were completed, describing recent and long term changes in channel morphology.

<p><b>Activity 2</b> Prepare and consult communities on river form.</p>	<p>The findings of a report describing changes in the channel morphology of the Kakanui and Kauru rivers were presented at a public meeting in September in Maheno, which was attended by approximately 30 people.</p> <p>A separate meeting was held with asset management staff from Waitaki District Council to present the findings of the same report.</p> <p>A working group is being established to help create a river management plan for this catchment.</p>
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<p><b>Objective 3 To evaluate erosion protection works required from the inspection and monitoring undertaken jointly with Contact Energy Ltd, as required under the conditions of resource consents for the Clyde and Roxburgh dams and the Hawea River control structure.</b></p>	
<p><b>Key Activities</b></p>	<p><b>Achievement to 30 June 2014</b></p>
<p><b>Activity 1</b> With Contact Energy Ltd, evaluate erosion protection works required from an inspection undertaken jointly with Contact Energy Ltd, as required under the conditions of resource consents, for the Clyde and Roxburgh dams and the Hawea River control structure.</p>	<p>A joint inspection by Council and Contact Energy Limited staff of the Hawea River and Clutha River from Clyde to Alexandra took place during the period. The inspection concluded that no erosion protection works are required.</p>

## Rivers & Waterway Management

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	19	11	8
Targeted rates (other than a targeted rate for water supply)	1,285	1,282	1,286
Subsidies & grants for operating purpose	-	-	-
Fees, charges and targeted rates for water supply	-	54	-
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	63	19	14
<b>Total operating funding (A)</b>	<b>1,367</b>	<b>1,366</b>	<b>1,308</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	780	870	804
Finance costs	-	-	-
Internal charges & overheads applied	230	221	226
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,010</b>	<b>1,091</b>	<b>1,030</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>357</b>	<b>275</b>	<b>278</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	357	275	278
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>357</b>	<b>275</b>	<b>278</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(357)</b>	<b>(275)</b>	<b>(278)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Biosecurity

Landholders are responsible for managing animal and plant pests on their land. Pests cause considerable damage to the environment. The Pest Management Strategy for Otago promotes a regionally co-ordinated approach in addressing the biosecurity impact of pests, both plants and animals, on Otago’s environment.

The Pest Management Strategy for Otago includes rabbits, hares and rooks as pest animals, however the focus is largely on rabbits and hares.

With respect to rabbits, the Pest Management Strategy requires landowners to meet the MAL 3 level of compliance. MAL refers to the maximum allowable level of rabbit infestation. Those landowners not complying with MAL 3 are required to submit to Council a management plan showing how their rabbit problem will be addressed. Once MAL 3 is reached, simple control methods should be sufficient to manage rabbit populations. Considerable work has been undertaken, and will continue to be undertaken, to achieve compliance with this level as soon as possible.

The Pest Management Strategy has a list of 19 plants declared to be pests, and includes Gorse, Broom, Lagarosiphon and Ragwort. Rules have been established in the plan for landholders to destroy the pest plants on their land. Monitoring includes annual inspections of known sites, ground surveys, and maintaining a record of responses to complaints received. Enforcement action may be taken, where there is a failure by land occupiers to meet their obligations.

Council’s role in promoting compliance with the Strategy is firstly to take an education role, promoting awareness and advising landowners of their obligations. Assistance is given to landholders with the identification, collection and distribution of biological control agents that can be used on pests.

The Otago Regional Council’s business unit “Regional Services” undertakes contract work, mainly on eradicating animal and plant pests within Otago.

This activity contributes to the following community outcomes:

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

### *What we want to achieve*

<b>Level of Service – Adequate control of pest animals and pest plants.</b>													
<b>Measure 1</b>													
Level of rabbit populations in rabbit prone areas.													
Target Measure of Success	Actual Measure at 30 June 2014												
Achieve MAL 3 rabbit population or have approved property management plans in operation, to comply with the Regional Pest Management Strategy by June 2014.	<p>228 properties covering 18,340 ha were inspected for compliance. Of this area, approximately 2,400 ha were found to be non-compliant in respect of MAL3. Rabbit control plans were requested as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Properties requiring rabbit control plans</td> <td style="text-align: right;">228</td> </tr> <tr> <td style="padding-left: 20px;">Rabbit plans due 2013/14</td> <td style="text-align: right;">191</td> </tr> <tr> <td style="padding-left: 20px;">Rabbit plans received</td> <td style="text-align: right;">130</td> </tr> <tr> <td style="padding-left: 40px;">• Approved</td> <td style="text-align: right;">119</td> </tr> <tr> <td style="padding-left: 40px;">• Rejected</td> <td style="text-align: right;">8</td> </tr> <tr> <td style="padding-left: 40px;">• Approval in progress</td> <td style="text-align: right;">3</td> </tr> </table> <p>The high number reflects the number of smaller properties within</p>	Properties requiring rabbit control plans	228	Rabbit plans due 2013/14	191	Rabbit plans received	130	• Approved	119	• Rejected	8	• Approval in progress	3
Properties requiring rabbit control plans	228												
Rabbit plans due 2013/14	191												
Rabbit plans received	130												
• Approved	119												
• Rejected	8												
• Approval in progress	3												

	<p>the area under inspection.</p> <p>A number of properties in Otago are now achieving Modified McLean Scale (MMS) MAL3, or less due to implementation of their Rabbit Control Programme (RCP). Some properties are still implementing multi-year programmes in a rotational manner to allow farming activities to be incorporated into their rabbit control activities.</p> <p>Where work is being carried out but the entire property is not at or below MAL3, requests have been made for amended control plans to ensure that landholders continue to implement a programme in a timely and effective manner.</p>
<p><b>Measure 2</b> Levels of pest plants found at known sites for the following:</p> <ul style="list-style-type: none"> <li>• Nassella Tussock</li> <li>• Bomarea</li> <li>• Boneseed</li> <li>• Spartina</li> <li>• Gorse and Broom</li> <li>• Old Man's Beard</li> <li>• Lagarosiphon</li> </ul>	
<p><b>Target Measure of Success</b></p>	<p><b>Actual Measure at 30 June 2014</b></p>
<p>80% of properties inspected show a decrease in the levels of pest plant infestations found, through control works undertaken by the land occupier.</p> <ul style="list-style-type: none"> <li>• Nassella Tussock</li> <li>• Bomarea</li> <li>• Boneseed</li> <li>• Spartina</li> <li>• Gorse and Broom</li> <li>• Old Man's Beard</li> <li>• Lagarosiphon</li> </ul>	<p>Work undertaken during the year included the following:</p> <p><b>Nassella Tussock</b> – inspections have been carried out in the Cardrona Valley and Roxburgh areas. Indications are that this programme needs to be continued to ensure gains made to date are maintained, and that levels of infestation are reduced over time. Other sites monitored indicate that levels of infestation are being maintained at or below previous levels.</p> <p><b>Bomarea</b> – all known sites have been inspected. Of the 338 inspections undertaken, 87 were re-inspected due to non-compliance. On re-inspection, 70% were found to be compliance, 29% were graded as minor non-compliant, and one property was still found to be major non-compliant. Enforcement action is being considered.</p> <p><b>Boneseed</b> – inspections around Dunedin have been completed, with 22 properties inspected. 60% of properties were found to be compliant, 36% with minor non-compliance and one found with major non-compliance. This location will require long term monitoring and control.</p> <p><b>Spartina</b> – all species in the Karitane, Pleasant River and Waikouaiti River estuarine areas in East Otago were monitored and controlled as part of the annual control programme. There was a marked decrease in the level of plant found compared to the previous year.</p> <p><b>Gorse and Broom</b> – 53 landowners in the Earnsclough block of the Gorse and Broom Free Area were visited. Four properties had no gorse or broom, 46 had minor infestations and are being controlled, and three had an increase, but control is being undertaken.</p>

	<p><b>Old Man's Beard</b> – inspections concentrated on areas of known previous non-compliance. 125 property inspections found 37 properties to be compliant, 68 had minor non-compliance and 20 had major non-compliance. 52 non-compliant properties were revisited, and all were found to be compliant. Further re-inspections are to take place.</p> <p><b>Lagarosiphon</b> – monitoring has been completed for the year. One third of Lake Wanaka was inspected, and all areas showed good compliance. There is some concern about an infestation in the Kawarau River. A clump of Lagarosiphon was removed from Lake Wakatipu, believed to have come from the Kawarau River. Follow up work will be undertaken.</p>
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### **What we achieved to 30 June 2014**

<b>Objective 1 Implement Pest Management Strategy (PMS) through education, advisory and inspections.</b>																	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>																
<p><b>Activity 1</b> Inspect and report on rabbit and rook populations in Otago, and report on areas of risk including MAL being exceeded. Where possible, Council will eradicate identified rooks and rookeries through recognised control methods.</p>	<p>A MAL inspection program has been undertaken, ensuring at risk or “prone” areas are receiving priority. Where appropriate, Council has actively promoted landholder’s collective action to ensure correct implementation of Rule 5.2.4(e) which requires control programs to be compatible or jointly undertaken where lack of a barrier exists. This has required notices of direction to be issued in a small number of cases.</p> <p>The quality of rabbit control programs being submitted has improved through the implementation of new procedures to supply landholder with better information of Council’s requirements.</p> <p>Poisoning of nests and shooting of rooks took place during the year. The resident population of rooks in Otago is estimated to be 59 birds.</p>																
<p><b>Activity 2</b> Respond to complaints about boundary control of pest plants and animals within 10 working days, and where necessary, require control plans to be developed within 30 working days of response or as defined by Council policies.</p>	<p>Complaints received were responded within 10 working days as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><b>2013/14</b></th> <th style="text-align: center;"><b>2012/13</b></th> <th style="text-align: center;"><b>2011/12</b></th> </tr> </thead> <tbody> <tr> <td>Pest Plants</td> <td style="text-align: center;">69</td> <td style="text-align: center;">74</td> <td style="text-align: center;">84</td> </tr> <tr> <td>Rabbits</td> <td style="text-align: center;">13</td> <td style="text-align: center;">9</td> <td style="text-align: center;">6</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>82</b></td> <td style="text-align: center;"><b>83</b></td> <td style="text-align: center;"><b>90</b></td> </tr> </tbody> </table> <p>Control plans for pest animals were requested and 68% were received within 30 days.</p>		<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>	Pest Plants	69	74	84	Rabbits	13	9	6	<b>Total</b>	<b>82</b>	<b>83</b>	<b>90</b>
	<b>2013/14</b>	<b>2012/13</b>	<b>2011/12</b>														
Pest Plants	69	74	84														
Rabbits	13	9	6														
<b>Total</b>	<b>82</b>	<b>83</b>	<b>90</b>														
<p><b>Activity 3</b> Promote public awareness through field days and publications, encouraging landholders/-community groups to identify the presence of animal and pest plants, and to advocate fresh water pest control.</p>	<p>Four field days were held during the year, all in rabbit prone areas, at Lake Hayes (2 field days), Queensberry and Hawea flat. All four field days were well attended. Participants were informed of best practice rabbit controls, selecting the most effective primary control option, secondary control, follow up options and working together to achieve effective rabbit control.</p>																

<p><b>Activity 4</b> Provide to Council an annual compliance report for the previous year by 31 October on the effectiveness of implementing the Regional Pest Management Strategy.</p>	<p>Regular updates on the effectiveness of implementing the Pest Management Plan have been provided to Council through Committee reporting.</p>
<p><b>Activity 5</b> Continue to undertake rabbit control trials in association with Landcare Research.</p>	<p>Landcare control trials were carried out over the 2013 winter months.</p> <p>Due to some anomalies in the effectiveness of the trials, a fourth year of trial work will be carried out to develop a more robust dataset. Results to date are however encouraging.</p>

<b>Objective 2 Establish environmentally acceptable and cost effective biological control agents for pests in Otago.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Monitor and report on the establishment, spread and persistence of the biological control agents in Otago.</p>	<p>One sample of 12 cadavers was sent to Landcare Research. All showed positive for RHD, and this is currently being type assessed. The sample was from areas of Hawea to Alexandra.</p>
<p><b>Activity 2</b> Undertake RHD biannual sampling to determine the effectiveness of RHD as a biocontrol tool.</p>	<p>As RHD bi-annual sampling was carried out in the 2012/13 financial year, no RhD sampling was required in the 2013/14 year.</p>

<b>Objective 3 Undertake enforcement actions on landowners for the control of plant and animal pests to comply with the Pest Management Strategy.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Undertake enforcement action where there is a failure by land occupiers to meet their obligations under the Regional Pest Management Strategy.</p>	<p>Two notices of direction were issued on land occupiers during the year. Both notices required rabbits on the properties to be destroyed.</p> <p><i>(2012/13: 2 prosecutions were authorised; 2011/12: 23 notices of direction issued)</i></p>

<b>Objective 4 Carry out rabbit control work that is cost effective and beneficial for Otago land occupiers, and undertake AHB work that is cost effective and provides a commercial return to the Council.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Contract work is carried out in accordance with current level technical and safety requirements.</p>	<p>A total of 344 rabbit control contracts (ranging from very small ground jobs to large aerial jobs) were completed during the year. All were completed successfully and to best practice, legal and safety standards.</p> <p><i>(2012/13: 110 contracts completed; 2011/12: 26 contracts completed).</i></p> <p>15 TBfree New Zealand contracts were carried out in accordance with current level technical and safety requirements.</p> <p><i>(2012/13: 13 AHB contracts completed; 2011/12: 9 AHB contracts completed).</i></p> <p>One private possum contract has commenced.</p> <p><i>(2012/13: 1 possum contract completed; 2011/12: Nil).</i></p>
<p><b>Activity 2</b> Commercial returns to be achieved on contracts entered into.</p>	<p>In total, positive returns were achieved on contracts entered into.</p>



## Biosecurity

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	294	240	232
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies & grants for operating purpose	-	-	-
Fees, charges and targeted rates for water supply	-	1,562	1,514
Internal charges & overheads recovered	12	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	1,797	440	430
<b>Total operating funding (A)</b>	<b>2,103</b>	<b>2,242</b>	<b>2,176</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	1,133	1,184	1,143
Finance costs	-	-	-
Internal charges & overheads applied	883	957	940
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,016</b>	<b>2,141</b>	<b>2,083</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>87</b>	<b>101</b>	<b>93</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>		-	-
- to meet additional demand	-	-	-
- to improve the level of service	1	-	-
- to replace existing assets	-	-	93
Increase (decrease) in reserves	86	101	-
Increase (decrease) of investments	-	-	93
<b>Total applications of capital funding (D)</b>	<b>87</b>	<b>101</b>	<b>93</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(87)</b>	<b>(101)</b>	<b>(93)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Environmental Incident Response

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

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

This activity contributes to the following community outcomes:

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

### *What we want to achieve*

Level of Service – Council will be ready to respond to all environmental incidents including oil spills, and ensure restoration as required.																															
Measure 1 Respond to incidents in a timely manner.																															
Target Measure of Success	Actual Measure at 30 June 2014																														
Respond to incidents throughout the region within 0.5 hours of receipt of notice.	Council responded to all incidents within 0.5 hours of receipt during the year as follows: <table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">2013/14</th> <th style="text-align: right;">2012/13</th> <th style="text-align: right;">2011/12</th> </tr> </thead> <tbody> <tr> <td>Air</td> <td style="text-align: right;">674</td> <td style="text-align: right;">618</td> <td style="text-align: right;">540</td> </tr> <tr> <td>Coast</td> <td style="text-align: right;">64</td> <td style="text-align: right;">37</td> <td style="text-align: right;">44</td> </tr> <tr> <td>Land</td> <td style="text-align: right;">96</td> <td style="text-align: right;">62</td> <td style="text-align: right;">65</td> </tr> <tr> <td>Water</td> <td style="text-align: right;">414</td> <td style="text-align: right;">403</td> <td style="text-align: right;">309</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">157</td> <td style="text-align: right;">136</td> <td style="text-align: right;">115</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>1,405</b></td> <td style="text-align: right;"><b>1,256</b></td> <td style="text-align: right;"><b>1,073</b></td> </tr> </tbody> </table>				2013/14	2012/13	2011/12	Air	674	618	540	Coast	64	37	44	Land	96	62	65	Water	414	403	309	Other	157	136	115	<b>Total</b>	<b>1,405</b>	<b>1,256</b>	<b>1,073</b>
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Respond to reported marine oil spills in accordance with the Otago Marine Oil Spill Contingency Plan, and where possible, within 1.5 hours of receiving the report.	During the period 20 marine oil spills were reported, however a full maritime response was not required. Incidents were responded to immediately.																														

### *What we achieved to 30 June 2014*

Objective 1 Respond to environmental incidents, including oil spills in the Otago area.	
Key Activities	Achievement to 30 June 2014
<b>Activity 1</b> Hold one desk top and one field exercise per year for marine oil and pollution, and one equipment training day involving the use of pollution equipment, vehicles and people.	One marine oil spill equipment exercise, and one marine oil spill exercise, involving the deployment of gear were held in March 2014.  No environmental pollution equipment or field exercises were held during the year.

<p><b>Activity 2</b> Operate a 24 hour incidents hotline throughout Otago.</p>	<p>Council continued to operate a 24 hour pollution hotline response system.</p>																																																																
<p><b>Activity 3</b> Undertake enforcement actions where effects on the environment have occurred.</p>	<p>Infringement notices were issued for the following offences during the year:</p> <table border="1" data-bbox="683 450 1396 707"> <thead> <tr> <th></th> <th>2013/14</th> <th>2012/13</th> <th>2011/12</th> </tr> </thead> <tbody> <tr> <td>Discharges:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- to air</td> <td>15</td> <td>10</td> <td>9</td> </tr> <tr> <td>- to land</td> <td>2</td> <td>2</td> <td>3</td> </tr> <tr> <td>Disturbing:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- bed of river</td> <td>2</td> <td>4</td> <td>2</td> </tr> <tr> <td>Other</td> <td>4</td> <td>1</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>23</b></td> <td><b>17</b></td> <td><b>14</b></td> </tr> </tbody> </table> <p>Prosecutions were initiated for the following offences:</p> <table border="1" data-bbox="683 775 1396 1032"> <thead> <tr> <th></th> <th>2013/14</th> <th>2012/13</th> <th>2011/12</th> </tr> </thead> <tbody> <tr> <td>Discharges:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- to air</td> <td>3</td> <td>0</td> <td>0</td> </tr> <tr> <td>- to land</td> <td>2</td> <td>3</td> <td>5</td> </tr> <tr> <td>Disturbing:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>- bed of river</td> <td>2</td> <td>0</td> <td>4</td> </tr> <tr> <td>Other</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>7</b></td> <td><b>4</b></td> <td><b>9</b></td> </tr> </tbody> </table> <p>Three abatement notices were issued, for the display of advertising signage in the common marine and coastal area, and an earth embankment dam.</p> <p><i>(2012/13: 2 abatement notices; 2011/12: 1 abatement notice).</i></p> <p>One enforcement order was authorised for the discharge of contaminants to land where it may enter water, and one search warrant was executed, authorising obtaining evidential material with respect to offending against Section 13 of the Resource Management Act.</p> <p><i>(2012/13 and 2011/12: Nil).</i></p>		2013/14	2012/13	2011/12	Discharges:				- to air	15	10	9	- to land	2	2	3	Disturbing:				- bed of river	2	4	2	Other	4	1	0	<b>Total</b>	<b>23</b>	<b>17</b>	<b>14</b>		2013/14	2012/13	2011/12	Discharges:				- to air	3	0	0	- to land	2	3	5	Disturbing:				- bed of river	2	0	4	Other	0	1	0	<b>Total</b>	<b>7</b>	<b>4</b>	<b>9</b>
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<b>Objective 2 Reduce risks to the environment by investigating and managing priority contaminated sites in Otago.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Register the findings of a contaminated site investigation with the appropriate TLA for inclusion on the Land Information Memoranda (LIM) within one month of completing the investigation.</p>	<p>During the year, five site investigations were received. Assessments were completed, and results provided to the site owner, and relevant TLA's, all within one month of receiving the investigations.</p> <p>Five underground petroleum storage system removal reports and three groundwater investigations by oil industry companies were received. Assessments were completed and results provided to the relevant parties for all but one case within one month of receiving the investigations. In one case, dialogue with the oil company and TLA continues re the adequacy of the investigation and remediation.</p>
<p><b>Activity 2</b> Respond to information about potentially contaminated sites within 15 working days of receiving the information and undertake initial hazard assessment within 30 working days.</p>	<p>No information about potentially contaminated sites was received during the year.</p>
<p><b>Activity 3</b> Undertake investigations on selected high risk industrial sites to determine if further detailed investigations into contamination issues by the landowner are required.</p>	<p>No high risk industrial sites were selected for investigation during the year.</p>
<p><b>Activity 4</b> All new high ranking contaminated sites to implement management strategies for restoration within one year.</p>	<p>No new high ranking contaminated sites were identified during the reporting period.</p> <p>Physical remediation was completed at a former timber treatment site in Oamaru, and this site is now suitable for recreational land use.</p> <p>Remedial works were completed at a closed landfill in the Clutha district.</p> <p>Remediation options for a property in Dunedin have been identified, and initial discussions held regarding remedial options for a former gasworks site.</p>

## Environmental Incidents Response

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	235	198	189
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies & grants for operating purpose	119	50	49
Fees, charges and targeted rates for water supply	-	61	59
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	417	365	352
<b>Total operating funding (A)</b>	<b>771</b>	<b>674</b>	<b>649</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	381	346	335
Finance costs	-	-	-
Internal charges & overheads applied	388	328	314
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>769</b>	<b>674</b>	<b>649</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	2	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	-
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>2</b>	<b>-</b>	<b>-</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Natural Hazards

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

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

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

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

This activity contributes to the following community outcomes:

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

### *What we want to achieve*

<b>Level of Service – Provision of adequate and timely information, policy and regulatory framework on natural hazards to enable communities to make informed decisions about the risks associated with those hazards.</b>	
<b>Measure 1</b> Information to be available on Natural Hazards in Otago.	
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>
Provide natural hazards information to the public via the web based Otago Natural Hazards Database.	Presentations to real estate and law firms, consultants, and others continued during the year, to help increase awareness of natural hazards in Otago, and how information can be accessed through the database. The database is used regularly as a tool by Council to assist in interactions with the public.  Between July 2013 and June 2014, the average number of users accessing the database per week was 36, with approximately 58 separate visits per week.

<b>Level of Service –Provision of accurate and timely flood warnings.</b>	
<b>Measure 1</b> Warnings of flood events in a timely manner to potentially affected parties.	
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>
Rainfall and river flow information is disseminated to the public when flood levels reach alarm status.	Three significant flood events were responded to with information passed to the public, media and TLA’s.

## What we achieved to 30 June 2014

<b>Objective 1 Gather and publish information on natural hazards to enable communities to make informed decisions about the risks associated with those hazards.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Collate and report on currently available information on seismic risks in Dunedin, Wanaka, and the Alexandra and Wakatipu Basins.</p>	<p>A series of information gathering sessions were held with geological hazards staff at Environment Canterbury and Greater Wellington Regional Council, GNS Science, and consultants and territorial authorities, in both Canterbury and Otago. The sessions helped determine what sort of information should be collated, and how this could best be utilised by territorial authorities and other agencies.</p>
<p><b>Activity 2</b> Assist Otago's territorial authorities to integrate natural hazards information into District Plans.</p>	<p>A joint Otago Regional Council / Dunedin City Council project to incorporate natural hazards provisions into the Dunedin City District Plan made considerable progress. A series of technical reports were prepared, assessing flood, liquefaction, landslide and coastal hazards. This information will help inform a land-use planning response which aims to reduce the vulnerability of communities to natural hazards. The joint Otago Regional Council / Dunedin City Council staff working group led a series of 12 community consultation sessions, commencing in June 2014. These sessions summarised Council's assessment of hazards, the Dunedin City Council's proposed planning response, and explained the links between these two components. More than 400 people attended these sessions, and a significant amount of feedback and additional information has been received.</p> <p>Discussions were also held with planning staff from the Central Otago, Waitaki and Clutha district council's regarding work which has been completed, or is underway to assess natural hazards, and how this information could be incorporated into their District Plan review processes.</p>
<p><b>Activity 3</b> Improve the availability of natural hazards information through the Otago Natural Hazards Database, and integrate lifelines and hazards related resource consents information into the database.</p>	<p>Changes to the format of the database home page were made to:</p> <ul style="list-style-type: none"> <li>• Provide easier access to the database,</li> <li>• Explain how to overcome difficulties with its functionality;</li> <li>• Explain important information that users should be aware of; and</li> <li>• Link to the series of reports completed as part of a project to incorporate natural hazards provisions into the Dunedin City District Plan.</li> </ul> <p>Initial work was undertaken to improve the functionality of the database, and enable additional information (including lifelines and hazards related resource consent information) to be provided.</p>

<b>Objective 2 Provide policy and regulatory methods to address impacts of climate-induced hazards on community health, safety and wellbeing.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Prepare a consultation draft of objectives, policies and regional rules to address natural hazards that will be used to assist the Regional Policy Statement.</p>	<p>This project is now being undertaken as part of the review of the Regional Policy Statement.</p>

<b>Objective 3 Advocate good decision making on Resource Management Act approvals and plan changes where natural hazards are a relevant consideration.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Submit on publicly notified Resource Management Act approvals and plan changes where natural hazards are a relevant consideration.</p>	<p>Submissions were made on nine publicly notified Resource Management Act approvals in relation to a range of natural hazards including land instability / rockfall, seismic hazard, alluvial fan hazard, flooding, and coastal hazards (storm surge and tsunami).</p> <p>A submission was made on Local Government New Zealand's Managing Natural Hazards in New Zealand discussion document, advocating for good leadership using a principles-based approach to risk management, making better use of information already available and collaborating with communities to achieve safe and affordable solutions to these risks.</p>

<b>Objective 4 Ensure integrity of Council owned flood mitigation works is not compromised by activities on adjacent land.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Make decisions on applications for approvals under the Otago Flood Protection Management Bylaw within 15 working days of receiving the application.</p>	<p>14 applications for Bylaw Approval were received during the period. Decisions on six were processed within 15 working days, six were not processed within 15 working days and two applications were withdrawn.</p>



<b>Objective 5 Mitigate the effects of flooding through the provision of warnings and information on actual and expected rainfall and river levels.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Operate a 24 hour Flood Management and Response System throughout the year.	Council continued to operate a 24 hour flood management and response system during the period.
<b>Activity 2</b> Develop and implement flood forecasting models, utilising appropriate software packages.	Work is ongoing with continual maintenance and improvement of flood models.

## Natural Hazards

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	405	562	531
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies & grants for operating purpose	-	-	-
Fees, charges and targeted rates for water supply	-	5	5
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	728	1,035	987
<b>Total operating funding (A)</b>	<b>1,133</b>	<b>1,602</b>	<b>1,523</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	424	669	616
Finance costs	-	-	-
Internal charges & overheads applied	709	925	899
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>1,133</b>	<b>1,594</b>	<b>1,515</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>-</b>	<b>8</b>	<b>8</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	8	8
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>8</b>	<b>8</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>(8)</b>	<b>(8)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Emergency Management

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

This activity contributes to the following community outcomes:

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

### *What we want to achieve*

<b>Level of Service – Be ready to respond to civil defence emergencies and assist with recovery after such events.</b>	
<b>Measures</b>	
Timeliness in response to a civil defence event / emergency.	
<b>Target Measure of Success</b>	<b>Actual Measure at 30 June 2014</b>
The Group Emergency Co-ordination Centre (GECC) can be fully operational within one hour of activation.	The GECC was in a state of readiness to be activated at all times.
Respond immediately upon notification of a civil defence event / emergency.	There were no notifications or test notifications during the period.

### *What we achieved to 30 June 2014*

<b>Objective 1 Act as the administering authority for the Otago CDEM Group and the Co-ordinating Executive Group (CEG)</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Provide CDEM Group Office services in accordance with the memorandum of understanding between the Otago Regional Council and the CEG.	Administration support in arranging meetings, agendas and workshop sessions was provided.
<b>Activity 2</b> Maintain the Otago CDEM Group website containing relevant and up to date information about civil defence and emergency management in the Otago CDEM Group area.	The website was regularly updated with Otago Group CDEM activity and other public Civil Defence preparedness information. CDEM meeting and training opportunities were listed and updated.

<b>Objective 2 Ensure continuous operational capability of the Group Emergency Co-ordination Centre (GECC) through the provision of appropriate resources and regular testing of readiness.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Maintain the GECC in a state of operational readiness at all times.	Operational readiness was maintained throughout the period.
<b>Activity 2</b> Monitor Group skills and capability through participation in national and Group exercises.	No Exercises were held during period. Staff attended the National Exercise Governance meeting which confirmed the National 10 year CDEM exercise programme.
<b>Activity 3</b> Test the Group Warning System at least once.	The Group warning system was tested as part of the national warning system testing on 4 November 2013, 4 March and 15 June 2014.

<b>Objective 3 Ensure that the local response to emergencies is co-ordinated across the Otago CDEM area, and that a national response is appropriately supported.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> In the event of an emergency, activate and operate the GECC in accordance with the operations manual.	No activation response was required during the period.

<b>Objective 4 Undertake projects and participate in activities as determined through work programmes of the Otago CDEM Group.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Support the work programmes of the Otago CDEM Group Reduction Committee, Readiness and Response Committee, Recovery Committee and the Welfare Advisory Group.	Completed and gained CDEM Group adoption of the Group Emergency Welfare Plan.
<b>Activity 2</b> With the Territorial Authorities, implement the Otago CDEM Group Risk Reduction Strategy.	The draft Risk Reduction Plan was refined by the Risk Reduction committee. Background and supporting information was prepared for a workshop to further develop the draft Plan.
<b>Activity 3</b> Manage the Group's lifelines study.	Project planning was completed, a project consultant selected, briefings with lifeline utilities held, and initial lifeline utilities workshop organised. A series of workshops were held to identify interdependencies, and work on rating the criticality of assets has been undertaken.

## Emergency Management

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	105	106	104
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies & grants for operating purpose	-	16	15
Fees, charges and targeted rates for water supply	-	-	-
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	189	196	194
<b>Total operating funding (A)</b>	<b>294</b>	<b>318</b>	<b>313</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	178	161	157
Finance costs	-	-	-
Internal charges & overheads applied	116	157	154
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>294</b>	<b>318</b>	<b>311</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	2
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>-</b>	<b>2</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>-</b>	<b>(2)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Dam Safety

Council's activities in respect of dam safety include having an adopted policy on Dangerous Dams, Earthquake Prone and Flood Prone Dams, maintaining a register of dams in Otago, and processing building consent applications for building work associated with dams. Council will also receive Potential Impact Classifications, Dam Safety Assurance Programmes and Annual Dam Compliance Certificates submitted by dam owners if the Government implements the dam safety scheme prescribed in the Building Act. This Council is accredited and registered as a Building Consent Authority. In addition to Otago, Council undertakes certain dam safety and building control functions for dams in Southland and West Coast regions under transfer agreements.

This activity contributes to the following community outcomes:

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

### *What we want to achieve*

Level of Service – Reduce the risks to people and property that are associated with the safety of dams.	
Measures	
Compliance with Building Act 2004, and Building Regulations.	
Target Measure of Success	Actual Measure at 30 June 2014
All large dams in Otago, Southland and West Coast are managed by their owners in accordance with the dam safety scheme set out in the Building Act 2004 and the Building (Dam Safety) Regulations 2008 (once Central Government finalises regulations).	The scheme was expected to become operative on 1 July 2014 (having been delayed twice by the government). In March the government advised that the scheme had been delayed until 31 March 2015 and then on 25 June advised it had been further delayed until 1 July 2015.
All known dams constructed in Otago after 1 July 1992 comply with the building code (Building Regulations 1992).	Refer Activity 2 and 3 below.
All known large dams constructed in Southland and West Coast after 1 July 2008 comply with the building code (Building Regulations 1992).	Refer Activity 2 and 3 below.

## **What we achieved to 30 June 2014**

<b>Objective 1 Dams in Otago, Southland and West Coast comply with the building and safety standards prescribed in the Building Act 2004.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Maintain a register of all known dams in Otago containing information on location, depth, storage volume and compliance status under the Building Act 2004.</p>	<p>A register was maintained. Work continued on developing the content of the register in consultation with other regional councils.</p>
<p><b>Activity 2</b> Undertake Building Act functions for dams in Otago, Southland and West Coast in accordance with the quality standards and timeframes prescribed in the Act.</p>	<p>During the year five applications for building consents and four certificates of acceptance from Otago, and two applications for building consents from the West Coast were received. Five building consents and one certificate of acceptance were granted.</p>
<p><b>Activity 3</b> Investigate dams in Otago likely to be non-compliant with the building code and take enforcement action where necessary.</p>	<p>Eight Notices to Fix were issued with respect to earth embankment dams in Otago. Four Notices required the dam's owners to make an application for a certificate of acceptance for the construction of the dams, two were to undertake building work to address non-compliance with the Building Act 2004 and regulations under that Act, one was to remove building work, and one was to provide a report to Council on the remedial work required to ensure the dam is compliant with the Building Act 2004, and regulations under that Act.</p>

<b>Objective 2 No dam in Otago is defined as dangerous dam under the Building Act 2004.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Work with owners of dams in Otago to implement Council's policy on dangerous dams.</p>	<p>The policy is not yet operative as the necessary supporting regulations have not been promulgated by the government.</p>

## Dam Safety

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	55	19	11
Targeted rates (other than a targeted rate for water supply)	-	-	-
Subsidies & grants for operating purpose	-	-	-
Fees, charges and targeted rates for water supply	156	284	265
Internal charges & overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	166	73	59
<b>Total operating funding (A)</b>	<b>377</b>	<b>376</b>	<b>335</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	213	212	181
Finance costs	-	-	-
Internal charges & overheads applied	164	153	131
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>377</b>	<b>365</b>	<b>312</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>-</b>	<b>11</b>	<b>23</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	11	23
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>-</b>	<b>11</b>	<b>23</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>-</b>	<b>(11)</b>	<b>(23)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.



## Transport

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

With respect to public passenger transport in Dunedin, Council has continued to work on its vision to attract a substantial and sustained increase in patronage.

Discussions were held with the Dunedin City Council on the possible transfer of the passenger transport services function. Council will be retaining responsibility for passenger transport services at this stage.

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

This activity contributes to the following community outcomes:

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

### *What we want to achieve*

<b>Level of Service – Provide an appropriate level and quality of passenger transport services in Dunedin.</b>	
<b>Measure 1</b> Continuity and reliability of bus services.	
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2014</b>
95% of contracted bus services to arrive/depart within three minutes of the scheduled timetable.	A survey was undertaken which showed 94% of trips taken were on time, 1% of trips were early, and 5% of trips were late.
<b>Measure 2</b> Affordability of services.	
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2014</b>
Fare revenue to cover 50% of the cost of running the Dunedin network services.	The farebox recovery for the year was 50% across the Dunedin network.
<b>Measure 3</b> Patronage growth.	
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2014</b>
Patronage will grow by 3% per annum in Dunedin.	Patronage was down 0.78% compared to the same period in 2012/13. The loss of passengers on the Corstorphine service was the significant contributing factor to this decline in patronage.

<b>Measure 4</b> Accessibility and usability of public timetable information.	
<b>Target Measures of Success</b>	<b>Actual Measure at 30 June 2014</b>
Journey planner, maps of routes and bus stops, and specific timetables are made available through the web.	Journey planner, maps of routes and bus stops, and timetables were made available on the Council's website.
At least one form of timetable produced in a portable form is made available to all bus users.	No new timetables were produced during the year as there were no changes to bus routes or services.

### ***What we achieved to 30 June 2014***

<b>Objective 1 Monitor and review the effectiveness of the Regional Land Transport Strategy, the Regional Land Transport Programme, and the Regional Public Transport Plan.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Amend the Regional Public Transport Plan 2012 to give effect to changes to the Land Transport Management Act and provide for application of the new public transport operating model in that Act.	Work on a draft Regional Public Transport Plan is substantively complete and will be publicly notified in July 2014.
<b>Activity 2</b> Respond promptly to any requests to vary the Regional Land Transport Programme.	Council received one application to vary the programme in respect of Dunedin cycleways, which was processed promptly and approved by New Zealand Transport Agency.

<b>Objective 2 Plan and manage public transport networks in urban Dunedin and the Wakatipu Basin meeting community needs and growing patronage.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<b>Activity 1</b> Complete a review of the Dunedin bus network and bus stops, and an implementation plan for achieving the optimum network.	Significant progress has been made on the network review, with proposed routes and frequencies out for public consultation through the draft Regional Public Transport Plan in July 2014. The bus stop review will commence after the Regional Public Transport Plan is adopted by Council.
<b>Activity 2</b> Undertake a review of the fare structure, fare concessions and a range of ticketing products for the Dunedin public transport network.	The draft fare structure will be consulted on as part of the Regional Public Transport Plan in early 2014/15. Sensitivity testing on the proposed new structure continues and a decision on the final structure will occur later this year. Fare concessions and ticketing products will receive further investigation on completion of the fare structure decisions and annual planning process.

<p><b>Activity 3</b> Reconfigure the Corstorphine bus service on renewal of its contract.</p>	<p>Negotiations have commenced with the operator to implement changes to the Corstorphine Services prior to the scheduled contract expiry date.</p>
<p><b>Activity 4</b> Install ten or more new bus shelters in the Dunedin area.</p>	<p>Due to the delay in the network review a consolidated programme for the 2013/14 and 2014/15 allocation has commenced. Public consultation is underway and DCC are currently obtaining the necessary statutory approvals. Shelters will be installed in the 2014/15 financial year.</p>
<p><b>Activity 5</b> Provide necessary technology infrastructure to support passenger transport services in the Wakatipu Basin.</p>	<p>A ticketing system is contracted for the Wakatipu Basin with preparations being made for a replacement system before existing contracts expire.</p>
<p><b>Activity 6</b> Maintain ticketing data for the public passenger transport networks.</p>	<p>Ticketing data has been maintained.</p>

<b>Objective 3 Register commercial public transport services operating within and between Otago centres.</b>	
<b>Key Activities</b>	<b>Achievement to 30 June 2014</b>
<p><b>Activity 1</b> Process all applications for registration of 'exempt' public transport services, including variations, within statutory processes and timeframes.</p>	<p>No applications were received during the year.</p>
<p><b>Activity 2</b> Maintain a register of public services on line.</p>	<p>No new registrations were received during the year.</p>

## Transport

Funding Impact Statement for the year ended 30 June 2014.

	Actual 2013/14 \$000	Long Term Plan 2013/14 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charge & rate penalties	216	153	150
Targeted rates (other than a targeted rate for water supply)	3,265	3,226	3,738
Subsidies & grants for operating purpose	4,880	4,997	5,077
Fees, charges and targeted rates for water supply	-	15	21
Internal charges & overheads recovered	5	-	-
Local authorities fuel tax, fines, infringement fees & other receipts	792	281	278
<b>Total operating funding (A)</b>	<b>9,158</b>	<b>8,672</b>	<b>9,264</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	8,249	8,512	8,631
Finance costs	-	-	-
Internal charges & overheads applied	501	386	402
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,750</b>	<b>8,898</b>	<b>9,033</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>408</b>	<b>(226)</b>	<b>231</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>			
<i>Capital expenditure:</i>			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	408	(226)	231
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>408</b>	<b>(226)</b>	<b>231</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(408)</b>	<b>226</b>	<b>(231)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Financial Statements

### *Funding Impact Statement for the Year Ended 30 June 2014 (Whole of Council)*

	Actual 2013/14 \$000	Annual Plan 2013/14 \$000	Actual 2012/13 \$000	Long Term Plan 2012/13 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge & rate penalties	5,236	4,974	5,042	4,835
Targeted rates (other than a targeted rate for water supply)	10,731	10,728	11,042	11,018
Subsidies & grants for operating purpose	5,109	4,284	6,022	5,961
Fees, charges and targeted rates for water supply	1,304	4,173	1,588	4,872
Interest & dividends from investments	9,532	8,285	14,162	13,352
Local authorities fuel tax, fines, infringement fees & other receipts	3,275	1,624	3,192	1,476
<b>Total operating funding (A)</b>	<b>35,187</b>	<b>34,068</b>	<b>41,048</b>	<b>41,514</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	28,462	29,192	27,773	31,034
Finance costs	492	581	489	866
Other operating funding applications	-	58	-	121
<b>Total applications of operating funding (B)</b>	<b>28,954</b>	<b>29,831</b>	<b>28,262</b>	<b>32,021</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>6,233</b>	<b>4,237</b>	<b>12,786</b>	<b>9,493</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	(10,000)	(10,000)	-	4,624
Gross proceeds from sale of assets	479	-	120	1,000
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>(9,521)</b>	<b>(10,000)</b>	<b>120</b>	<b>5,624</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	5,099	6,213	3,673	2,756
- to replace existing assets	1,055	1,044	2,628	4,100
Increase (decrease) in reserves	(9,442)	(13,020)	6,605	8,261
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(3,288)</b>	<b>(5,763)</b>	<b>12,906</b>	<b>15,117</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(6,233)</b>	<b>(4,237)</b>	<b>(12,786)</b>	<b>(9,493)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

### *Schedule of Internal Borrowing*

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

<b>Council 2013</b>	<b>Amount borrowed as at 30 June 2012 \$000</b>	<b>Funds borrowed during the year \$000</b>	<b>Funds repaid during the year \$000</b>	<b>Interest charged \$000</b>	<b>Amount borrowed as at 30 June 2013 \$000</b>
Governance and community	631	565	(7,976)	43	(6,737)
Flood protection and control works	1,040	3,149	(1,749)	91	2,531
Rivers and waterways	993	69	(252)	47	857
Transport	194	949	(1,155)	5	(7)
	<b>2,858</b>	<b>4,732</b>	<b>(11,132)</b>	<b>186</b>	<b>(3,356)</b>

**Schedule of Capital Expenditure for the Year Ended 30 June 2014**

	<b>Actual 2013/14 \$000</b>	<b>Annual Plan 2013/14 \$000</b>	<b>Actual 2012/13 \$000</b>
<b>Flood Protection and Control Works</b>			
Leith flood protection	4,271	5,497	1,673
Lower Clutha flood and drainage	234	584	447
East Taieri drainage	-	20	1
Lower Taieri flood protection	26	148	441
West Taieri drainage	180	21	1,016
Tokomairiro drainage	-	-	1
<b>Water</b>			
Monitoring site upgrades	101	105	129
<b>Air</b>			
Monitoring site upgrades	-	12	-
<b>Transport</b>			
Queenstown transport	-	130	
<b>Emergency management</b>	-	-	35
<b>Governance and community</b>	-	-	1
<b>Biosecurity</b>	1	-	-
<b>Environmental response</b>	2	-	-
<b>Corporate</b>			
Land	-	-	15
Dunedin office	54	100	1,219
Other offices	834	30	40
Cars and stationwagons	153	240	344
Furniture and equipment	67	20	69
Computers	84	65	9
Network enhancements	-	170	10
Software	147	50	757
Plant	-	50	80
Sundry	-	15	14
<b>Total</b>	<b>6,154</b>	<b>7,257</b>	<b>6,301</b>

**Reconciliation of Whole of Council Funding Impact Statement to  
Statement of Comprehensive Income for the Year Ended 30 June 2014**

	Actual 2013/14 \$000	Annual Plan 2013/14 \$000	Actual 2012/13 \$000
<b>Surplus/(deficit) of Operating Funding in Funding Impact Statement</b>	6,233	4,237	12,786
<b>Add/(deduct)</b>			
Increase in the fair value of investment property	478	241	750
Increase in the fair value of investment portfolio	425	-	298
Gain in fair value of financial instruments	138	-	144
Profit/(Loss) on disposal of assets	(100)	-	82
Depreciation and amortisation	(1,281)	(1,341)	(1,236)
Increase in provision for doubtful debts	(78)	-	(63)
Write-off of property plant and equipment work in progress	(751)	-	-
Other	-	20	-
<b>Surplus before taxation in Statement of Comprehensive Income</b>	<b>5,064</b>	<b>3,157</b>	<b>12,761</b>



## Statement of Comprehensive Income for the Year Ended 30 June 2014

	Notes	Council 2014 \$000	Council Budget \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Income</b>						
Rates revenue	2(a)	15,650	15,632	15,814	15,650	15,814
Subsidies and grant revenue		5,109	4,284	6,022	5,109	6,022
Other revenue	2(a)	14,427	14,102	19,212	84,973	85,186
Other gains/(losses)	2(b)	941	241	1,274	17,917	24,108
<b>Total income</b>		<b>36,127</b>	<b>34,259</b>	<b>42,322</b>	<b>123,649</b>	<b>131,130</b>
<b>Expenditure</b>						
Employee benefits expense	2(c)	(11,315)	(10,436)	(10,675)	(36,986)	(36,454)
Depreciation and amortisation expense	2(d)	(1,281)	(1,341)	(1,236)	(8,936)	(8,684)
Finance costs	2(e)	(492)	(556)	(489)	(6,623)	(5,955)
Other expenses	2(f)	(17,975)	(18,769)	(17,161)	(35,966)	(35,345)
<b>Total operating expenditure</b>		<b>(31,063)</b>	<b>(31,102)</b>	<b>(29,561)</b>	<b>(88,511)</b>	<b>(86,438)</b>
Share of profit from associates		-	-	-	250	259
<b>Surplus/(deficit) before tax</b>		<b>5,064</b>	<b>3,157</b>	<b>12,761</b>	<b>35,388</b>	<b>44,951</b>
Income tax benefit/(expense)	3(a)	103	-	103	(5,497)	(5,996)
<b>Surplus for the year</b>		<b>5,167</b>	<b>3,157</b>	<b>12,864</b>	<b>29,891</b>	<b>38,955</b>
<b>Other comprehensive income</b>						
Will be reclassified subsequently to profit or loss when specific conditions are met						
<i>Available-for-sale financial assets:</i>						
Revaluation gain/(loss) – shares in subsidiary		9,271	7,420	69,849	-	-
Unrealised increase/(decrease) in the value of share investments		-	-	-	5,539	13,454
<i>Cashflow hedges:</i>						
Unrealised movement in hedging interest rate swaps		-	-	-	369	3,365
Income tax relating to components of other comprehensive income		-	-	-	(103)	(942)
<b>Total other comprehensive income</b>		<b>9,271</b>	<b>7,420</b>	<b>69,849</b>	<b>5,805</b>	<b>15,877</b>
<b>Total comprehensive income</b>		<b>14,438</b>	<b>10,577</b>	<b>82,713</b>	<b>35,696</b>	<b>54,832</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position as at 30 June 2014

	Notes	Council 2014 \$000	Council Budget \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Current assets</b>						
Cash and cash equivalents	27(a)	3,911	691	1,893	4,479	3,123
Trade and other receivables	6	3,236	4,437	4,137	12,962	13,955
Inventories – other		65	65	65	802	738
Property held for sale	7	320	320	320	17,838	1,890
Property in development	8	-	-	-	6,295	6,150
Other financial assets	9	52,053	48,278	62,869	102,695	62,869
Finance leases	23(d)	-	-	-	171	154
Other current assets		89	98	180	674	755
<b>Total current assets</b>		<b>59,674</b>	<b>53,889</b>	<b>69,464</b>	<b>145,916</b>	<b>89,634</b>
<b>Non-current assets</b>						
Shares in subsidiary		370,535	304,135	361,264		-
Investment in associates	13	-	-	-	1,159	1,039
Other financial assets	9	-	-	-	90	45,139
Derivative financial instruments		-	-	-	205	-
Property, plant and equipment	11	83,810	86,585	80,196	243,689	233,230
Intangible assets	12	1,820	1,683	1,893	7,581	6,396
Investment property	14	10,024	9,273	9,546	242,683	226,756
Finance leases	23(d)	-	-	-	344	515
Property held for sale	7	-	-	-	8,023	1,420
Deferred tax asset	3(b)	98	-	98	-	-
<b>Total non-current assets</b>		<b>466,287</b>	<b>401,676</b>	<b>452,997</b>	<b>503,774</b>	<b>514,495</b>
<b>Total assets</b>		<b>525,961</b>	<b>455,565</b>	<b>522,461</b>	<b>649,690</b>	<b>604,129</b>
<b>Current liabilities</b>						
Trade and other payables	15	4,493	6,264	5,379	10,653	11,467
Employee entitlements	16	1,331	1,204	1,245	4,908	4,976
Other financial instruments	31	-	-	138	772	1,601
Provisions	10	-	-	-	260	-
Tax payable		-	-	-	1,143	1,939
Borrowings (secured)	17	-	-	10,000	11,852	10,762
<b>Total current liabilities</b>		<b>5,824</b>	<b>7,468</b>	<b>16,762</b>	<b>29,588</b>	<b>30,745</b>
<b>Non-current liabilities</b>						
Employee entitlements	16	-	38	-	1,124	1,524
Borrowings	17	-	-	-	107,730	94,830
Deferred tax liabilities	3(b)	-	-	-	16,764	17,102
Other financial instruments	31	-	282	-	45	1,185
<b>Total non-current liabilities</b>		<b>-</b>	<b>320</b>	<b>-</b>	<b>125,663</b>	<b>114,641</b>
<b>Total liabilities</b>		<b>5,824</b>	<b>7,788</b>	<b>16,762</b>	<b>155,251</b>	<b>145,386</b>
<b>Net assets</b>		<b>520,137</b>	<b>447,777</b>	<b>505,699</b>	<b>494,439</b>	<b>458,743</b>
<b>Equity</b>						
Reserves	19	379,169	312,245	362,513	200,865	175,307
Public equity	20(a)	140,968	135,532	143,186	293,574	283,436
<b>Total equity</b>		<b>520,137</b>	<b>447,777</b>	<b>505,699</b>	<b>494,439</b>	<b>458,743</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity for the Year ended 30 June 2014

	Notes	TOTAL COUNCIL 2014					TOTAL GROUP 2014				
		Opening Balance 1 July 2013 \$000	Other Comprehensive Income \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2014 \$000	Opening Balance 1 July 2013 \$000	Other Comprehensive Income \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2014 \$000
<b>Equity</b>											
General Rate Equity		76,218	5,167	6,595	(8,067)	79,913	216,468	29,891	30,403	(44,243)	232,519
Targeted Rate Equity		66,968	-	20,967	(26,880)	61,055	66,968		20,967	(26,880)	61,055
<b>Total Public Equity</b>		<b>143,186</b>	<b>5,167</b>	<b>27,562</b>	<b>(34,947)</b>	<b>140,968</b>	<b>283,436</b>	<b>29,891</b>	<b>51,370</b>	<b>(71,123)</b>	<b>293,574</b>
<b>Reserves:</b>											
Asset Replacement Reserve		4,633	-	202	(432)	4,403	4,633	-	202	(432)	4,403
Asset Revaluation Reserve		7,485	-	478	-	7,963	154,672	-	15,455	(2,609)	167,518
Available for Sale Revaluation Reserve		341,264	9,271	-	-	350,535	8,159	5,539		-	13,698
Building Reserve		-		5,214	-	5,214	0	-	5,214	-	5,214
Emergency Response Reserve		3,425	-	146	-	3,571	3,425	-	146	-	3,571
Hedging Reserve		-	-	-	-	-	(1,288)	266	-	-	(1,022)
Irrigation Grant Reserve		206	-	1,257	-	1,463	206	-	1,257	-	1,463
Kuriwao Endowment Reserve		5,500	-	770	(250)	6,020	5,500	-	770	(250)	6,020
<b>Total Reserves</b>		<b>362,513</b>	<b>9,271</b>	<b>8,067</b>	<b>(682)</b>	<b>379,169</b>	<b>175,307</b>	<b>5,805</b>	<b>23,044</b>	<b>(3,291)</b>	<b>200,865</b>
<b>Total Equity and Reserves</b>		<b>505,699</b>	<b>14,438</b>	<b>35,629</b>	<b>(35,629)</b>	<b>520,137</b>	<b>458,743</b>	<b>35,696</b>	<b>74,414</b>	<b>(74,414)</b>	<b>494,439</b>

	Notes	TOTAL COUNCIL 2013					TOTAL GROUP 2013				
		Opening Balance 1 July 2012 \$000	Other Comprehensive Income \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2013 \$000	Opening Balance 1 July 2012 \$000	Other Comprehensive Income \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2013 \$000
<b>Equity</b>											
General Rate Equity		73,209	12,864	19,277	(29,132)	76,218	210,913	38,955	19,277	(52,677)	216,468
Targeted Rate Equity		57,097	-	26,418	(16,547)	66,968	57,097	-	26,418	(16,547)	66,968
<b>Total Public Equity</b>		<b>130,306</b>	<b>12,864</b>	<b>45,695</b>	<b>(45,679))</b>	<b>143,186</b>	<b>268,010</b>	<b>38,955</b>	<b>45,695</b>	<b>(69,224)</b>	<b>283,436</b>
<b>Reserves:</b>											
Asset Replacement Reserve		5,848	-	1,506	(2,721)	4,633	5,848	-	1,506	(2,721)	4,633
Asset Revaluation Reserve		6,735	-	750	-	7,485	130,377	-	24,295	-	154,672
Available for Sale Revaluation Reserve		271,415	69,849	-	-	341,264	(5,295)	13,454	-	-	8,159
Building Reserve		0	-	0	-	0	0	-	0	-	0
Emergency Response Reserve		3,285	-	140	-	3,425	3,285	-	140	-	3,425
Hedging Reserve		-	-	-	-	0	(3,711)	2,423	-	-	(1,288)
Irrigation Grant Reserve		0	-	206	-	206	0	-	206	-	206
Kuriwao Endowment Reserve		5,397	-	362	(259)	5,500	5,397	-	362	(259)	5,500
<b>Total Reserves</b>		<b>292,680</b>	<b>69,849</b>	<b>2,964</b>	<b>(2,980)</b>	<b>362,513</b>	<b>135,901</b>	<b>15,877</b>	<b>26,509</b>	<b>(2,980)</b>	<b>175,307</b>
<b>Total Equity and Reserves</b>		<b>422,986</b>	<b>82,713</b>	<b>48,659</b>	<b>(48,659)</b>	<b>505,699</b>	<b>403,911</b>	<b>54,832</b>	<b>72,204</b>	<b>(72,204)</b>	<b>458,743</b>

## Cash Flow Statement for the Year ended 30 June 2014

	Notes	Council 2014 \$000	Council Budget \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Cash flows from operating activities</b>						
Receipts from customers		25,569	24,598	26,561	88,317	90,451
Interest received		2,403	1,085	1,704	2,890	1,751
Dividends received		7,100	7,200	12,000	317	95
Rental income		1,015	1,144	1,035	15,452	13,421
Subvention payment		103	-	3,072	-	-
Payments to suppliers and employees		(29,012)	(29,206)	(28,657)	(73,418)	(70,781)
Interest and other costs of finance paid		(492)	(556)	(489)	(6,597)	(5,999)
Income tax received/(paid)		-	-	-	(6,736)	(4,569)
Donations		(350)	-	(350)	(350)	(350)
Net cash inflow/(outflow) from operating activities	27(b)	6,336	4,265	14,876	19,875	24,019
<b>Cash flows from investing activities</b>						
Interest capitalised		-	-	-	(582)	(584)
Proceeds from sale of property, plant and equipment		479	-	120	662	120
Property deposits received		-	-	-	-	514
Sale of investment property		-	-	-	9,566	-
Advances (to)/from subsidiaries		-	-	-	(188)	-
Proceeds from other financial assets		11,217	-	-	11,217	-
Advances repaid		-	-	-	-	1,500
Investments in associates		-	-	-	-	-
Purchase of/improvements to investment property		-	-	-	(31,748)	(1,347)
Purchase of other financial assets		-	-	(14,293)	-	(14,293)
Purchase of property, plant and equipment		(5,698)	(7,207)	(5,450)	(21,417)	(18,914)
Purchase of intangible assets		(316)	(50)	(580)	(316)	(580)
Repayment of lease improvements		-	-	-	154	139
Net cash inflow/(outflow) from investing activities		5,682	(7,257)	(20,203)	(32,652)	(33,445)
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		-	-	-	49,747	19,950
Repayment of borrowings		(10,000)	(10,000)	-	(35,614)	(15,300)
Net cash inflow/(outflow) from financing activities		(10,000)	(10,000)	-	14,133	4,650
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,018</b>	<b>(12,992)</b>	<b>(5,327)</b>	<b>1,356</b>	<b>(4,776)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>1,893</b>	<b>13,683</b>	<b>7,220</b>	<b>3,123</b>	<b>7,899</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b>3,911</b>	<b>691</b>	<b>1,893</b>	<b>4,479</b>	<b>3,123</b>

The accompanying notes form part of these financial statements.

## **Notes to the Financial Statements For the Year ended 30 June 2014**

### **1. Summary of Accounting Policies**

#### **Reporting Entity**

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

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

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. The principal activities of the Group entities are described in Note 24. Accordingly, the Council has designated itself and the Group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The Financial Statements of Council are for the year ended 30 June 2014, and were authorised for issue by Council on 15 October 2014.

#### **Statement of Compliance**

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

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for public benefit entities.

All available public benefit entity reporting exemptions under NZ IFRS have been adopted.

#### **Basis of Preparation**

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and in future periods if the revision affects both current and future periods.

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

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

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

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

### **Adoption of New and Revised Standards and Interpretations**

#### **Standards and interpretations effective in the current period**

There were no new or revised Standards or Interpretations effective in the current period that had a material impact on the annual report of Council or Group.

#### **Standards and interpretations on issue but not yet adopted**

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means the Council expects to transition to the new standards in preparing its 30 June 2015 financial statements.

The XRB and New Zealand Accounting Standards Board (NZASB) are proposing changes to the accounting standards that apply, distinguishing between 'for-profit' entities, public benefit entities (PBEs) in the public sector and PBEs that are not-for-profit. The Council falls into the category of PBE.

A new suite of standards (PBE International Public Sector Accounting Standards) were approved for PBEs on 23 May 2013 and will be applicable to the public sector for reporting periods beginning on or after 1 July 2014. Early adoption is not permitted to ensure consistency of reporting in the public sector.

Although the new standards apply to reporting periods beginning on or after 1 July 2014, comparative information will be required which means an opening balance sheet will need to be established at 1 July 2013. In addition, budgeted information for the 2014/15 year will need to be prepared by Council in accordance with the new standards ahead of 1 July 2014.

The Council is in the process of assessing the implications of the new Accounting Standards Framework at this time.

## ***Significant Accounting Policies***

### **Revenue Recognition**

#### **Rates Revenue**

Rates are recognised as income when levied.

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

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

#### **Other Revenue**

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

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

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

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

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

##### **(b) Interest Revenue**

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

##### **(c) Dividend Revenue**

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

#### **Other Gains and Losses**

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

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

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

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

### **Grant Expenditure**

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

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



## Leasing

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

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

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

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

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

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

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

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

**(c) Lease Incentives**

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

## Taxation

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

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

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

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

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

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

## **Goods & Services Tax**

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

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

## **Statement of Cash Flows**

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

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

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

## **Financial Instruments**

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

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

### **Financial Assets**

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

#### **(a) Effective Interest Method**

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

#### **(b) Financial Assets at Fair Value Through Profit or Loss**

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

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

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

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

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

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

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

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

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

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

**(e) Loans and Receivables**

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

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

Deposits are included within this classification.

**(f) Impairment of Financial Assets**

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

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

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

## **Financial Liabilities**

### **(a) Trade & Other Payables**

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

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

### **(b) Borrowings**

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

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

## **Derivative Financial Instruments**

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

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

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

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

The Group designates hedges of highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in other comprehensive income 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 income statement. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the surplus/(deficit).

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

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

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

**(a) Fair Value Estimation**

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

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

## **Inventories**

### **Other Inventories**

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

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

## **Property held for Sale**

Property classified as held for sale is measured at:

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

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

## **Property in Development**

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

## Property, Plant & Equipment

Property, plant and equipment consist of:

### Operational Assets

Operational assets include:

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

### Infrastructural Assets

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

### Restricted Assets

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

#### (a) Cost

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

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

#### (b) Depreciation

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

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

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

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

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

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

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

**(c) Disposal**

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

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

### **Investment Property**

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

### **Intangible Assets**

#### **Computer Software**

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

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

#### **Other Intangible Assets**

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

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

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

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

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

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

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

### **Employee Benefits**

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

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

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

### **Defined Contribution Schemes**

Contributions to defined contribution superannuation schemes are expensed when incurred.

### **Superannuation Schemes**

#### **Defined Benefit Schemes**

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

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

### **Provisions**

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



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

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

## **Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its subsidiaries as defined in NZ IAS-27 '*Consolidated and Separate Financial Statements*'. A list of subsidiaries appears in Note 24 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary 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 subsidiary from the date on which the Council obtains control and until such time as the Council ceases to control the subsidiary.

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

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

## **Subsidiaries**

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

## **Joint Ventures**

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

## **Jointly Controlled Entities**

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

## **Equity**

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

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

### **Restricted & Council Created Reserves**

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

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

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

### **Foreign Currency**

#### **Foreign Currency Transactions**

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

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

### **Budget Amounts**

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

### **Allocation of Overheads**

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

Direct costs are those costs that are directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

### **Critical Accounting Estimates and Assumptions**

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

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

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

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

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

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

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

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

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

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

### **Property, Plant and Equipment**

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

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

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

The Group has not made significant changes to past assumptions concerning useful lives and residual values. The carrying amount of plant and equipment is disclosed in Note 11.

## **Critical Judgements**

Management has exercised the following critical judgements in applying the Council's and Group's accounting policies for the year ended 30 June 2014:

### **Classification of Property**

#### **(a) Council and Group**

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

**(b) Group only**

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

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

## Changes in Accounting Policies

The accounting policies applied are consistent with those of the Annual Report for the year ended 30 June 2013.

## 2. Surplus from Operations

**(a) Revenue**

Revenue consisted of the following items:

	Notes	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Rates revenue</b>					
General rates		4,919	4,772	4,919	4,772
Targeted rates		10,731	11,042	10,731	11,042
		15,650	15,814	15,650	15,814
<b>Other revenue</b>					
<i>Service revenue:</i>					
Port revenue		-	-	63,214	65,251
<i>Fees and charges:</i>					
Consents and regulatory		1,377	1,886	1,377	1,886
Regional services		1,266	1,051	1,266	1,051
Other		1,237	1,078	1,181	1,046
		3,880	4,015	67,038	69,234
<i>Rental revenue:</i>					
Investment property		512	512	14,187	13,220
Other		503	523	503	523
		1,015	1,035	14,690	13,743
<i>Interest revenue:</i>					
Financial assets at amortised cost		2,432	2,162	2,928	2,209
		2,432	2,162	2,928	2,209
<i>Dividend revenue (available-for-sale investments):</i>					
Subsidiaries		7,100	12,000	-	-
Other dividends		-	-	317	-
		7,100	12,000	317	-
		14,427	19,212	84,973	85,186

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

	Notes	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Gain/(loss) on revaluation of investment property		478	750	16,052	24,295
Gain/(loss) on disposal of investment property		-	-	628	-
Gain/(loss) on disposal of property, plant & equipment		(100)	82	(142)	82
Net change in fair value of financial assets carried at fair value through profit or loss		425	298	425	298
Net foreign exchange gain/(loss)		-	-	8	(23)
Net change in fair value of derivative financial instruments classified at fair value through profit or loss (interest rate swaps)		138	144	1,803	(544)
Gain/(loss) on future value of investment property sale		-	-	(260)	-
Impairment loss property in development		-	-	(597)	-
		941	1,274	17,917	24,108
Gains		1,041	1,274	18,916	24,675
Losses		(100)	-	(999)	(567)

**(c) Employee Benefits Expense**

	Notes	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Salaries and wages		10,862	10,238	35,369	34,904
Defined contribution plans		453	437	1,617	1,550
		11,315	10,675	36,986	36,454

**(d) Depreciation and Amortisation Expense**

	Notes	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Depreciation of property, plant and equipment	11	1,052	1,048	8,348	8,061
Amortisation of intangible assets	12	229	188	501	525
Amortisation of leasing costs		-	-	87	98
		1,281	1,236	8,936	8,684

**(e) Finance Costs**

	Notes	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Interest on loans		492	489	6,623	5,955
		492	489	6,623	5,955

**(f) Other Expenses**

	Notes	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Net bad and doubtful debts		78	64	78	60
Donations		350	350	374	376
Operating lease rental expenses:					
- Minimum lease payments		117	104	1,012	1,143
Operating expenses of investment properties		117	111	117	111
Company Directors' remuneration		-	-	343	294
Purchased materials and services		16,125	16,134	29,554	29,407
Fuel and electricity		437	398	3,737	3,954
Write-off of property plant and equipment work in progress		751	-	751	-
		17,975	17,161	35,966	35,345

The Council fuel and electricity cost of \$437,000 (2013, \$398,000) includes the cost of operating drainage scheme pump stations and water and air monitoring equipment.

The number of kilometres travelled by Council vehicles was 970,401 (2013: 979,741).

**3. Income Taxes****(a) Income Tax Recognised in Statement of Comprehensive Income**

	Notes	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Income tax (expense)/benefit comprises:</b>					
Current year – current tax			3,073	(5,944)	(6,279)
Current year – deferred tax		98	(2,975)	442	-
Prior period adjustment current tax		103	-	5	283
Prior period adjustment deferred tax		(98)	5	-	-
<b>Income tax (expense)/benefit reported in the Statement of Comprehensive Income</b>		<b>103</b>	<b>103</b>	<b>(5,497)</b>	<b>(5,996)</b>
<i>The prima facie income tax expense on pre-tax accounting surplus reconciles to the income tax expense in the financial statements as follows:</i>					
Surplus/(deficit) before income tax		5,064	12,761	35,388	44,951
Imputation credits		-	-	174	36
		5,064	12,761	35,562	44,987
Income tax expense (credit) calculated at 28%		1,418	3,573	9,958	12,596
Non-deductible expenses		8,600	8,179	9,024	9,118
Non-assessable income		(8,128)	(8,490)	(8,275)	(8,536)
Unrealised change in investment property		-	-	(4,329)	(6,286)
Deferred tax expense relating to the origination and reversal of temporary differences		-	-	(702)	(855)
Prior period adjustment		(5)	(5)	(5)	(5)
Imputation credits utilised		(1,988)	(3,360)	(174)	(36)
Income tax expense (credit)		(103)	(103)	5,497	5,996

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

Taxable and deductible temporary differences arising from the following:

<b>COUNCIL 2014</b>	<b>Council Opening Balance \$000</b>	<b>Council Charged to Income \$000</b>	<b>Council Charged to Equity \$000</b>	<b>Council Closing Balance \$000</b>
<b>Gross deferred tax asset:</b>				
Other financial assets	-	-	-	-
Property, plant and equipment	-	-	-	-
Investment property	-	-	-	-
Tax losses	98	-	-	98
	98	-	-	98

<b>COUNCIL 2013</b>	<b>Council Opening Balance \$000</b>	<b>Council Charged to Income \$000</b>	<b>Council Charged to Equity \$000</b>	<b>Council Closing Balance \$000</b>
<b>Gross deferred tax asset:</b>				
Other financial assets	-	-	-	-
Property, plant and equipment	-	-	-	-
Investment property	-	-	-	-
Tax losses	3,068	(2,970)	-	98
	3,068	(2,970)	-	98

<b>GROUP 2014</b>	<b>Group Opening Balance \$000</b>	<b>Group Charged to Income \$000</b>	<b>Group Charged to Equity \$000</b>	<b>Group Closing Balance \$000</b>
<b>Gross deferred tax liability:</b>				
Other financial assets	(737)	479	104	(154)
Property, plant and equipment	14,895	(615)	0	14,280
Investment property	4,760	(394)	-	4,366
Other	(1,816)	88	-	(1,728)
	17,102	(442)	104	16,764

<b>GROUP 2013</b>	<b>Group Opening Balance \$000</b>	<b>Group Charged to Income \$000</b>	<b>Group Charged to Equity \$000</b>	<b>Group Closing Balance \$000</b>
<b>Gross deferred tax liability:</b>				
Other financial assets	(1,486)	(193)	942	(737)
Property, plant and equipment	15,370	(475)	-	14,895
Investment property	4,180	580	-	4,760
Other	(1,621)	(195)	-	(1,816)
	16,443	(283)	942	17,102

**(c) Imputation Credit Account Balances**

	<b>Group 2014 \$000</b>	<b>Group 2013 \$000</b>
Balance at end of year	19,841	16,551

Imputation credit balances available directly and indirectly to the Council through subsidiaries are \$19,841,000 as at 30 June 2014 and \$16,551,000 at 30 June 2013.

#### 4. Key Management Personnel Compensation

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

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Short-term employee benefits	1,775	1,820	3,541	3,716
Post-employment benefits	80	103	80	103
Directors' fees	-	-	343	294
Termination benefits	158	-	158	-
	2,013	1,923	4,122	4,113

#### 5. Remuneration of Auditors

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Audit fees for financial statement audit	85	83	85	83
Audit fees for LTP audit and LTP amendment	-	24	-	24
Other assurance services	8	-	8	-
Fees for tax and advisory services - Council	11	11	11	11
Fees for tax compliance and advisory services – entities not audited by Deloitte	-	-	89	68
	104	118	193	186
Audit fees to other auditors for audit of financial statements of group entities	-	-	124	135
	-	-	124	135
	104	118	317	321

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

#### 6. Trade & Other Receivables

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Trade receivables (i)	1,693	2,284	11,419	12,102
Allowance for doubtful debts	(330)	(376)	(330)	(376)
	1,363	1,908	11,089	11,726
Sundry accruals	1,530	1,761	1,530	1,761
Goods and Services Tax receivable	343	468	343	468
	3,236	4,137	12,962	13,955
<i>Disclosed in the financial statements as:</i>				
Current	3,236	4,137	12,962	13,955
Non-current	-	-	-	-
	3,236	4,137	12,962	13,955

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



## 7. Property held for sale

	Note	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Balance at beginning of year		320	320	3,310	1,740
Transfer from investment property	14	-	-	22,306	1,620
Development costs		-	-	4	-
Unrealised change in the value of property held for sale		-	-	2,208	(50)
Property sold		-	-	(1,967)	-
Balance at end of year		320	320	25,861	3,310
<i>Disclosed in the Financial Statements as:</i>					
Current		320	320	17,838	1,890
Non-current		-	-	8,023	1,420
		320	320	25,861	3,310

### Council:

The Council has approved for sale a property identified as surplus to operational requirements, and expects to realise a sale of the property, located within the Tarras area, within 12 months from 30 June 2014.

### Group:

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

The Group holds a 50% interest in the Hamilton Joint Venture (HJV) which has contracted to sell 10% of the original Newby 1 block to a related party. Note 25 contains details of the contract terms. This land is classified as property held for sale since the land is to be sold in the ordinary course of business.

During the year settlement for 1.0 hectares of the land was concluded. The balance remaining of \$1.02 million (2013: \$1.42 million) is expected to be recovered in more than 12 months after 30 June 2014.

#### Sale of land to Hamilton City Council

The Group holds a 50% interest in the Hamilton Joint Venture (HJV) which holds a 1.3 hectare area of land that is to vest as road and be acquired by Hamilton City Council. The selling price of the land has been agreed to be \$0.85 million. The group's share of the sales proceeds is \$0.42 million.

Settlement of the transaction occurred on 9 September 2014.

#### Sale of land to Tainui Development Limited

The Group holds a 50% interest in the Hamilton JV N3 (HJVN3). During June 2013 the joint operation entered into an unconditional sales and purchase agreement for the sale of 10.2 hectares of land. This was subsequently reduced to 9.2 hectares after completion of a survey as required by the agreement.

The investment property held for sale has been fair valued at \$45/m<sup>2</sup>, with a provision for loss on contract of \$0.52 million (Group 50% share \$0.26 million, of which is the difference between the present value of the sales price (\$3.63 million – Group 50% share \$1.81 million) and the fair value (\$4.15 million – Group 50% share \$2.07 million). The contracted sales price is \$3.69 million (Group 50% share \$1.84 million) equates to \$40/m<sup>2</sup>. Settlement is to occur on 31 October 2014 (2013: 20 June 2015).

#### Sale of 11 Dalgety Drive, Wiri, Auckland

During June 2014 a marketing campaign for the sale of the Auckland investment property at 11 Dalgety Drive was commenced by way of a deadline sales campaign which was due to close on 23 July 2014.

The property was valued on 30 June 2014 by Colliers International NZ Limited at a fair value of \$12.85 million which included capital works in progress at balance date. The carrying value of \$12.4 million is net of expected selling costs and capital works in progress.

Subject to a Code of Compliance being issued for the completed capital works, settlement for the sale of 11 Dalgety Drive is expected to occur on 7 November 2014 for \$12.85 million.

#### **Sale of Dunedin ground lease**

During May 2014 Chalmers Properties Limited entered into 2 unconditional sales and purchase agreements, with 2 separate parties for the sale of land within the Dunedin ground lease portfolio. The sales of the blocks of 0.5 hectares and 1.4 hectares respectively will be sold for a total agreed sales price of \$9.85 million. The carrying value for the 2 land blocks of \$9.58 million reflects the fair value as determined by Colliers International NZ Limited.

Settlement in respect of the sales transactions are expected to occur within the period 31 March 2015 and 1 August 2015.

## **8. Property in Development**

	Note	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Balance at beginning of year		-	-	6,150	-
Transfer (to) from investment property	14	-	-	(455)	5,539
Property sold		-	-	(1,734)	-
Development costs		-	-	2,748	1,007
Capitalised borrowing costs		-	-	183	104
Impairment of inventory		-	-	(597)	(500)
<b>Balance at end of year</b>		<b>-</b>	<b>-</b>	<b>6,295</b>	<b>6,150</b>

#### **Impairment adjustments**

During the year inventories were written down for impairment by \$597,000 (2013: \$500,000). This impairment was to record the inventories at their net realisable value which was lower than the inventories cost.

#### **Developed land for sale**

The Group holds a 50% interest in the Hamilton Joint Venture (HJV) and a 33.3% interest in The Hamilton Porter JV (HPJV). During the year the development works for the first stage of an industrial subdivision was completed within the respective joint operations.

In HJV upon completion 5.6 hectares of developed land for sale was generated from the subdivision. A sale of 1.3 hectares was settled during June 2014. The balance of the land totalling 4.3 hectares is being actively marketed by the joint operation. The carrying value of the land of \$5.79 million (Group 50% share \$2.9 million) reflects a net realisable value based upon \$135/m<sup>2</sup> as determined by Seagars and Partners in their June 2014 valuation.

In HPJV upon completion 6.0 hectares of developed land for sale was generated from the subdivision. A sale of 0.8 hectares was settled during June 2014. The balance of the land totalling 5.2 hectares is being actively marketed by the joint operation. The carrying value of the land of \$7.07 million (Group 33.3% share \$2.4 million) reflects a net realisable value based upon \$135/m<sup>2</sup> as determined by Seagars and Partners in their June 2014 valuation.

#### **Land in development**

During the previous year The Hamilton Joint Venture and The Hamilton Porter JV commenced development activities for stage 1 of the industrial subdivision. The development has realised 11.6 hectares of developed land.

At balance date the carrying value represents 2.4 hectares of land which is subject to further works prior to its completion. All costs to completion have been accrued. Once complete a further 1.9 hectares of land will be available for sale.

In their valuation at 30 June 2014 the Seagar and Partners valuation of the investment property in development is based on \$135/m<sup>2</sup> (30 June 2013: \$84/m<sup>2</sup>).

## 9. Other Financial Assets

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Held for trading – carried at fair value</b>				
<i>Current:</i>				
Managed funds – cash (i)	1,832	1,778	1,832	1,778
Managed funds – bonds (i)(ii)	3,470	3,540	3,470	3,540
Managed funds – equities (i)	2,851	2,434	2,851	2,434
	8,153	7,752	8,153	7,752
<b>Available-for-sale investments carried at fair value</b>				
<i>Current:</i>				
Shares in listed companies	-	-	50,642	45,103
	-	-	50,642	45,103
<b>Loans and receivables carried at amortised cost</b>				
<i>Current:</i>				
Short-term deposits with maturities of 4-12 months	43,900	55,117	43,900	55,117
<i>Non-current:</i>				
Prepaid lease costs	-	-	90	36
	43,900	55,117	43,990	55,153
	52,053	62,869	102,785	108,008
<i>Disclosed in the financial statements as:</i>				
Current	52,053	62,869	102,695	62,869
Non-current	-	-	90	45,139
	52,053	62,869	102,785	108,008

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

## 10. Provisions

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Balance at beginning of the year	-	-	-	-
Provision for future sales contract	-	-	260	-
Balance at end of year	-	-	260	-

A joint venture in which the Group has a 50% share has entered into a long term unconditional contract for the sale of 9.2 hectares of bare land. At 30 June 2014, the investment property has been fair valued which results in a provision for the difference between the present value of the sales price and the fair value.

## 11. Property Plant and Equipment

### COUNCIL ONLY – 2014

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

**COUNCIL ONLY 2013**

	Cost 1 July 2012 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2013 \$000	Accumulated Depreciation And Impairment Charges 1 July 2012 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers \$000	Accumulated Depreciation And Impairment Charges 30 June 2013 \$000	Book Value 30 June 2013 \$000
<b>Council operational assets</b>												
Land	14,229	15	-	-	14,244	-	-	-	-	-	-	14,244
Endowment land	1,675	-	-	-	1,675	-	-	-	-	-	-	1,675
Buildings	4,959	1,064	-	1,019	7,042	(708)	-	(112)	-	-	(820)	6,222
Plant and vehicles	6,983	908	(378)	-	7,513	(5,669)	-	(485)	343	-	(5,811)	1,702
Capital work in progress	1,019	-	-	(1,019)	-	-	-	-	-	-	-	-
<b>Total operational assets</b>	<b>28,865</b>	<b>1,987</b>	<b>(378)</b>	<b>-</b>	<b>30,474</b>	<b>(6,377)</b>	<b>-</b>	<b>(597)</b>	<b>343</b>	<b>-</b>	<b>(6,631)</b>	<b>23,843</b>
<b>Council infrastructural assets</b>												
Floodbanks	27,526	-	-	-	27,526	-	-	-	-	-	-	27,526
Protection works	4,185	430	-	2	4,617	-	-	-	-	-	-	4,617
Structures	27,669	-	-	-	27,669	(14,153)	-	(410)	-	-	(14,563)	13,106
Drains	3,288	-	-	-	3,288	-	-	-	-	-	-	3,288
Bridges	1,482	11	(5)	-	1,488	(787)	-	(41)	4	-	(824)	664
Culverts	1,249	6	(2)	-	1,253	-	-	-	-	-	-	1,253
Capital work in progress	2,774	3,127	-	(2)	5,899	-	-	-	-	-	-	5,899
<b>Total infrastructural assets</b>	<b>68,173</b>	<b>3,574</b>	<b>(7)</b>	<b>-</b>	<b>71,740</b>	<b>(14,940)</b>	<b>-</b>	<b>(451)</b>	<b>4</b>	<b>-</b>	<b>(15,387)</b>	<b>56,353</b>
<b>Total Council property, plant and equipment</b>	<b>97,038</b>	<b>5,561</b>	<b>(385)</b>	<b>-</b>	<b>102,214</b>	<b>(21,317)</b>	<b>-</b>	<b>(1,048)</b>	<b>347</b>	<b>-</b>	<b>(22,018)</b>	<b>80,196</b>

**GROUP – 2014**

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

**GROUP – 2013**

	Cost 1 July 2012 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2013 \$000	Accumulated Depreciation And Impairment Charges 1 July 2012 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers \$000	Accumulated Depreciation And Impairment Charges 30 June 2013 \$000	Book Value 30 June 2013 \$000
<b>Operational assets</b>												
Land – Council	14,229	15	-	-	14,244	-	-	-	-	-	-	14,244
Endowment land – Council	1,675	-	-	-	1,675	-	-	-	-	-	-	1,675
Buildings – Council	4,959	1,064	-	1,019	7,042	(708)	-	(112)	-	-	(820)	6,222
Plant and vehicles - Council	6,983	908	(378)	-	7,513	(5,669)	-	(485)	343	-	(5,811)	1,702
Capital work in progress - Council	1,019	-	-	(1,019)	-	-	-	-	-	-	-	-
Land – Port	33,992	312	-	-	34,304	-	-	-	-	-	-	34,304
Buildings and improvements – Port	37,683	1,232	-	-	38,915	(9,347)	-	(1,380)	-	-	(10,727)	28,188
Wharves and berths dredging – Port	49,814	1,866	-	-	51,680	(10,811)	-	(1,486)	-	-	(12,297)	39,383
Plant, equipment and vehicles – Port	79,590	727	(1)	-	80,316	(36,127)	-	(4,147)	-	-	(40,274)	40,042
Capital work in progress – Port	2,540	13,450	(4,873)	-	11,117	-	-	-	-	-	-	11,117
<b>Total operational assets</b>	<b>232,484</b>	<b>19,574</b>	<b>(5,252)</b>	<b>-</b>	<b>246,806</b>	<b>(62,662)</b>	<b>-</b>	<b>(7,610)</b>	<b>343</b>	<b>-</b>	<b>(69,929)</b>	<b>176,877</b>
<b>Council infrastructural assets</b>												
Floodbanks	27,526	-	-	-	27,526	-	-	-	-	-	-	27,526
Protection works	4,185	430	-	2	4,617	-	-	-	-	-	-	4,617
Structures	27,669	-	-	-	27,669	(14,153)	-	(410)	-	-	(14,563)	13,106
Drains	3,288	-	-	-	3,288	-	-	-	-	-	-	3,288
Bridges	1,482	11	(5)	-	1,488	(787)	-	(41)	4	-	(824)	664
Culverts	1,249	6	(2)	-	1,253	-	-	-	-	-	-	1,253
Capital work in progress – Council	2,774	3,127	-	(2)	5,899	-	-	-	-	-	-	5,899
<b>Total infrastructural assets</b>	<b>68,173</b>	<b>3,574</b>	<b>(7)</b>	<b>-</b>	<b>71,740</b>	<b>(14,940)</b>	<b>-</b>	<b>(451)</b>	<b>4</b>	<b>-</b>	<b>(15,387)</b>	<b>56,353</b>
<b>Total Group property, plant and equipment</b>	<b>300,657</b>	<b>23,148</b>	<b>(5,259)</b>	<b>-</b>	<b>318,546</b>	<b>(77,602)</b>	<b>-</b>	<b>(8,061)</b>	<b>347</b>	<b>-</b>	<b>(85,316)</b>	<b>233,230</b>

## 12. Intangible Assets

	Council Computer Software \$000	Council Resource Consents \$000	Council Total \$000	Group Computer Software \$000	Group Resource Consents (ii) \$000	Group Total \$000
<b>Gross carrying amount</b>						
Balance at 1 July 2012	2,388	-	2,388	7,739	3,297	11,036
Additions	741	-	741	951	608	1,559
Balance at 30 June 2013	3,129	-	3,129	8,690	3,905	12,595
Additions	156	-	156	388	1,298	1,686
Disposals	(123)	-	(123)	(767)	-	(767)
Balance 30 June 2014	3,162	-	3,162	8,311	5,203	13,514
<b>Accumulated amortisation and impairment</b>						
Balance at 1 July 2012	(1,048)	-	(1,048)	(5,674)	-	(5,674)
Amortisation expense (i)	(188)	-	(188)	(525)	-	(525)
Disposals	-	-	-	-	-	-
Balance at 30 June 2013	(1,236)	-	(1,236)	(6,199)	-	(6,199)
Amortisation expense (i)	(229)	-	(229)	(501)	-	(501)
Disposals	123	-	123	767	-	767
Balance 30 June 2014	(1,342)	-	(1,342)	(5,933)	-	(5,933)
<b>Net book value</b>						
As at 30 June 2013	1,893	-	1,893	2,491	3,905	6,396
As at 30 June 2014	1,820	-	1,820	2,378	5,203	7,581

- (i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the Statement of Comprehensive Income.
- (ii) Resource consents relate to the granting of the Next Generation consents which will allow Port Otago to deepen and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers. Consents were granted in January 2013 and were not activated as at 30 June 2014. Amortisation of the carrying amounts will commence on the activation of the consents and will be amortised over the life of the consents which vary from 10 and 20 years.

## 13. Investment in Associates

	Note	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Balance at beginning of year		-	-	1,039	875
Share of profit from joint ventures recognised in the Statement of Comprehensive Income		-	-	250	259
Distributions from associates		-	-	(130)	(95)
Balance at end of year		-	-	1,159	1,039

The Group has a 50% shareholding in Icon Logistics Limited (2013: 50%) with Harbour Logistics Limited holding the remaining 50%.



## 14. Investment Property

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Balance at beginning of year	9,546	8,796	226,756	208,093
Acquisitions	-	-	27,358	-
Property improvements during the period	-	-	1,479	364
Capitalised borrowing costs	-	-	214	406
Property sold	-	-	(5,300)	-
Net movement in incentives	-	-	122	179
Net movement in prepaid leasing costs	-	-	61	28
Transfer to property held for sale (Note 7)	-	-	(22,306)	(1,620)
Transfer (to)/from property in development (Note 8)	-	-	455	(5,539)
Net gain/(loss) from fair value adjustments	478	750	13,844	24,845
Balance at end of year	10,024	9,546	242,683	226,756

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Valuation analysis</b>				
<i>Valued at 30 June balance date as determined by:</i>				
At discounted contract selling price	-	-	-	1,860
Colliers International	10,024	9,546	166,194	206,584
Seagar & Partners (Manukau) Limited	-	-	18,073	18,312
CBRE Limited	-	-	58,416	-
	10,024	9,546	242,683	226,756

The fair value of the Council's and Group's investment property at 30 June 2014 has been arrived at on the basis of valuations carried out at that date by independent registered valuers not related to the Group.

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

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

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

Included within the gross values for investment properties are capitalised leasing costs. These costs represent expenditure incurred by the Group in relation to letting of property. These costs are initially recorded as an asset and amortised over the life of the lease they relate to. At balance date \$302,000 (2013: \$241,000) of capitalised leasing costs are included in the gross balance of investment properties.

There were no significant contractual obligations of a capital and/or maintenance nature relating to the current investment property portfolio at balance date (2013: none).

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

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Otago Region</b>				
Lease term	2.47-6.76 years	1.3-4 years	0-21 years	0-21 years
Capitalisation rate	6.00%-6.75%	5.25%-7.32%	0%-9.5%	0%-9.3%
Occupancy rate	100%	100%	0%-100%	16%-100%
<b>Auckland Region</b>				
Lease term	-	-	3-14 years	1-12 years
Capitalisation rate	-	-	6.3%-9.5%	6.3%-9.3%
Occupancy rate	-	-	78%-100%	83%-100%

### 15. Trade & Other Payables

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Trade payables (i)	3,203	4,041	7,429	8,803
Other accrued charges	1,290	1,338	2,575	2,664
Property deposits received	-	-	649	-
	4,493	5,379	10,653	11,467

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

### 16. Employee Entitlements

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Accrued salary and wages	255	198	727	681
Annual leave	1,054	1,025	4,111	4,208
Long service leave	-	-	731	716
Retiring allowances	22	22	176	251
Sick leave	-	-	49	65
Related party incentives (Note 25)	-	-	238	579
	1,331	1,245	6,032	6,500
<i>Disclosed in the financial statements as:</i>				
Current	1,331	1,245	4,908	4,976
Non-current	-	-	1,124	1,524
	1,331	1,245	6,032	6,500

## 17. Borrowings

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Secured – at amortised cost</b>				
Bank borrowings	-	10,000	119,582	105,592
	-	10,000	119,582	105,592
<i>Analysed as:</i>				
Current	-	10,000	11,852	10,762
Non-current	-	-	107,730	94,830
	-	<b>10,000</b>	<b>119,582</b>	<b>105,592</b>

The Group has a \$130 million committed facility with ANZ National Bank Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 31 December 2016. The security for the facility is a cross guarantee between Port Otago Limited and Chalmers Properties Limited in favour of the lender, general security agreement over the assets of Port Otago Limited Group and registered first ranking mortgage over land.

### Hamilton Joint Venture Facility

The Group has a 50% interest in The Hamilton Joint Venture (HJV) which has an \$18 million (2013: \$18 million) committed facility with ANZ National Bank Limited at an effective interest rate of 5.19% per annum (2013: 5.21%). HJV may draw funding for terms ranging from call to the termination of the facility, which is 31 December 2014. At 30 June 2014 HJV had drawn \$18 million under its facility (2013: \$18 million), with the Group's 50% share amounting to \$9.0 million, (2013: \$9.0 million).

Security for bank advances under the Hamilton Joint Venture facility is as follows:

- A first registered mortgage over various joint venture land holdings.
- A general security agreement over the assets of both joint venture participants. Perpetual Property Limited is the Group's joint venture participant.
- Guarantees (each limited to \$21 million) from the owners of both joint venture participants. Chalmers Properties Limited is the owner of the Group's joint venture participant.

### Hamilton Porter Joint Venture Facility

The Group has a 33.3% interest in The Hamilton Porter Joint Venture (HPJV) which has a \$7.5 million (2013: \$7.5 million) committed facility with ANZ National Bank Limited, at an effective interest rate of 5.71% per annum (2013: 4.71%). HPJV may draw funding for terms ranging from call to the termination of the facility, which is 31 December 2014. At 30 June 2014 HPJV had drawn \$7.5 million under its facility (2013: \$7.5 million), with the Group's 33.3% share amounting to \$2.5 million (2013: \$2.5 million).

In addition, the HPJV has a \$6.5 million short term advances facility with the ANZ National Bank Limited. The joint operation was previously able to draw against the facility based upon development expenditure incurred as part of the industrial subdivision development being undertaken by the HPJV and HJV. At 30 June 2014 HPJV had drawn \$1.06 million (2013: \$1.86 million) of the short term advances facility, with the Group share amounting to \$0.352 million. The termination date of the facility is 20 November 2014.

Security for bank advances under the Hamilton Porter Joint Venture facility is as follows:

- A first registered mortgage over various joint venture land holdings.
- A general security agreement over the assets of the joint venture participants. Perpetual Property Limited is the Group's joint venture participant.
- Guarantees (each limited to \$15 million) from the owners of the joint venture participants. Chalmers Properties Limited is the owner of the Group's joint venture participant.

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

## 18. Capitalised Borrowing Costs

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Borrowing costs capitalised during the financial year	-	-	582	584
Weighted average capitalisation rate on funds borrowed generally	-	-	5.59%	5.69%

## 19. Reserves

COUNCIL	Available for Sale Revaluation Reserve \$000	Asset Replacement Reserve \$000	Emergency Response Reserve \$000	Kuriwao Endowment Reserve \$000	Asset Revaluation Reserve \$000	Water Manage- ment Reserve \$000	Building Reserve \$000	Total Reserves \$000
<b>Opening balances 1 July 2012</b>	271,415	5,848	3,285	5,397	6,735	-	-	292,680
<b>Transfers in:</b>								
Transfers from general rate equity	-	1,288	-	135	-	200	-	1,623
Interest received	-	218	140	227	-	6	-	591
Revaluation gain	69,849	-	-	-	750	-	-	70,599
	<b>69,849</b>	<b>1,506</b>	<b>140</b>	<b>362</b>	<b>750</b>	<b>206</b>	-	<b>72,813</b>
<b>Transfers out:</b>								
Transfers to general rate equity	-	(2,721)	-	(9)	-	-	-	(2,730)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	(250)
	-	<b>(2,721)</b>	-	<b>(259)</b>	-	-	-	<b>(2,980)</b>
<b>Closing balances 30 June 2013</b>	<b>341,264</b>	<b>4,633</b>	<b>3,425</b>	<b>5,500</b>	<b>7,485</b>	<b>206</b>	-	<b>362,513</b>
<b>Transfers in:</b>								
Transfers from general rate equity	-	-	-	524	-	1,200	5,000	6,724
Interest received	-	202	146	246	-	57	214	865
Revaluation gain	9,271	-	-	-	478	-	-	9,749
	<b>9,271</b>	<b>202</b>	<b>146</b>	<b>770</b>	<b>478</b>	<b>1,257</b>	<b>5,214</b>	<b>17,338</b>
<b>Transfers out:</b>								
Transfers to general rate equity	-	(432)	-	-	-	-	-	(432)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	(250)
Revaluation gain/loss	-	-	-	-	-	-	-	-
	-	<b>(432)</b>	-	<b>(250)</b>	-	-	-	<b>(682)</b>
<b>Closing balances 30 June 2014</b>	<b>350,535</b>	<b>4,403</b>	<b>3,571</b>	<b>6,020</b>	<b>7,963</b>	<b>1,463</b>	<b>5,214</b>	<b>379,169</b>

GROUP	Available for Sale Revaluation Reserve \$000	Asset Replacement Reserve \$000	Emergency Response Reserve \$000	Kuriwao Endowment Reserve \$000	Asset Revaluation Reserve \$000	Water Management Reserve \$000	Building Reserve \$000	Hedging Reserve \$000	Total Reserves \$000
<b>Opening balances 1 July 2012</b>	<b>(5,295)</b>	<b>5,848</b>	<b>3,285</b>	<b>5,397</b>	<b>130,377</b>	<b>-</b>	<b>-</b>	<b>(3,711)</b>	<b>135,901</b>
<b>Transfers in:</b>									
Transfers from general rate equity	-	1,288	-	135	-	200	-	-	1,623
Interest received	-	218	140	227	-	6	-	-	591
Revaluation gain	13,454	-	-	-	24,295	-	-	-	37,749
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	3,365	3,365
	<b>13,454</b>	<b>1,506</b>	<b>140</b>	<b>362</b>	<b>24,295</b>	<b>206</b>	<b>-</b>	<b>3,365</b>	<b>43,328</b>
<b>Transfers out:</b>									
Transfers to general rate equity	-	(2,721)	-	(9)	-	-	-	-	(2,730)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	(942)	(942)
	<b>-</b>	<b>(2,721)</b>	<b>-</b>	<b>(259)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(942)</b>	<b>(3,922)</b>
<b>Closing balances 30 June 2013</b>	<b>8,159</b>	<b>4,633</b>	<b>3,425</b>	<b>5,500</b>	<b>154,672</b>	<b>206</b>	<b>-</b>	<b>(1,288)</b>	<b>175,307</b>
<b>Transfers in:</b>									
Transfers from general rate equity	-	-	-	524	-	1,200	5,000	-	6,724
Interest received	-	202	146	246	-	57	214	-	865
Revaluation increment	5,539	-	-	-	15,455	-	-	-	20,994
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	370	370
	<b>5,539</b>	<b>202</b>	<b>146</b>	<b>770</b>	<b>15,455</b>	<b>1,257</b>	<b>5,214</b>	<b>370</b>	<b>28,953</b>
<b>Transfers out:</b>									
Transfers to general rate equity	-	(432)	-	-	(2,609)	-	-	-	(3,041)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	(104)	(104)
	<b>-</b>	<b>(432)</b>	<b>-</b>	<b>(250)</b>	<b>(2,609)</b>	<b>-</b>	<b>-</b>	<b>(104)</b>	<b>(3,395)</b>
<b>Closing balances 30 June 2014</b>	<b>13,698</b>	<b>4,403</b>	<b>3,571</b>	<b>6,020</b>	<b>167,518</b>	<b>1,463</b>	<b>5,214</b>	<b>(1,022)</b>	<b>200,865</b>

### Available-for-Sale Revaluation Reserve

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

The Group available-for-sale revaluation reserve has a balance of \$13.698 million (2013: \$8.159 million). This reflects the difference at balance date between the market price of listed shares held by Port Otago Limited and their cost.

### Asset Replacement Reserve

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

### Emergency Response Reserve

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

**Kuriwao Endowment Reserve - Restricted**

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

**Asset Revaluation Reserve**

This reserve arises on the revaluation of investment property.

**Water Management Reserve**

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

**Hedging Reserve**

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

**Building Reserve**

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

## 20 (a) Public Equity

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<b>Public Equity – General Rates</b>				
<b>Balance at beginning of year</b>	<b>76,218</b>	<b>73,209</b>	<b>216,468</b>	<b>210,913</b>
<b>Net surplus</b>	<b>5,167</b>	<b>12,864</b>	<b>29,891</b>	<b>38,955</b>
<b>Transfers in</b>				
Transfer from Public Equity Targeted Rates	27,362	16,547	27,362	16,547
Kuriwao endowment reserve	-	9	-	9
Asset replacement reserve	432	2,721	432	2,721
Asset revaluation reserve	-	-	2,609	-
	<b>27,794</b>	<b>19,277</b>	<b>30,403</b>	<b>19,277</b>
<b>Transfer out</b>				
Transfer to Public Equity Targeted Rates	(21,199)	(26,168)	(21,199)	(26,168)
Kuriwao endowment reserve	(770)	(362)	(770)	(362)
Asset replacement reserve	(202)	(1,506)	(202)	(1,506)
Emergency response reserve	(146)	(140)	(146)	(140)
Asset revaluation reserve	(478)	(750)	(15,455)	(24,295)
Water management reserve	(1,257)	(206)	(1,257)	(206)
Building Reserve	(5,214)	-	(5,214)	-
	<b>(29,266)</b>	<b>(29,132)</b>	<b>(44,243)</b>	<b>(52,677)</b>
<b>Balance at end of year</b>	<b>79,913</b>	<b>76,218</b>	<b>232,519</b>	<b>216,468</b>
<b>Public Equity - Targeted Rates</b>				
<b>Balance at beginning of year</b>	<b>66,968</b>	<b>57,097</b>	<b>66,968</b>	<b>57,097</b>
<b>Transfers in</b>				
Transfer from Public Equity General Rates	21,199	26,168	21,199	26,168
Kuriwao endowment reserve	250	250	250	250
	<b>21,449</b>	<b>26,418</b>	<b>21,449</b>	<b>26,418</b>
<b>Transfers out</b>				
Transfer to Public Equity General Rates	(27,362)	(16,547)	(27,362)	(16,547)
	<b>(27,362)</b>	<b>(16,547)</b>	<b>(27,362)</b>	<b>(16,547)</b>
<b>Balance at end of year – refer note 20 (b)</b>	<b>61,055</b>	<b>66,968</b>	<b>61,055</b>	<b>66,968</b>
<b>Total Public Equity</b>				
<b>Balance at beginning of year</b>	<b>143,186</b>	<b>130,306</b>	<b>283,436</b>	<b>268,010</b>
<b>Net surplus</b>	<b>5,167</b>	<b>12,864</b>	<b>29,891</b>	<b>38,955</b>
Transfers	(7,385)	16	(19,753)	(23,529)
<b>Balance at end of year</b>	<b>140,968</b>	<b>143,186</b>	<b>293,574</b>	<b>283,436</b>

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

	Council and Group - 2014				Council and Group - 2013			
	Opening balance 1 July 2013 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2014 \$000	Opening balance 1 July 2012 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2013 \$000
<b>Targeted Rating District Equity</b>								
<b>River Management Reserves</b>								
Central Otago River Management	335	164	(161)	338	317	164	(146)	335
Clutha River Management	390	201	(206)	385	373	200	(183)	390
Dunedin River Management	2,059	236	(180)	2,115	2,015	238	(194)	2,059
Queenstown River Management	172	261	(101)	332	83	256	(167)	172
Waitaki River Management	118	135	(133)	120	125	135	(142)	118
Wanaka River Management	211	178	(101)	288	160	168	(117)	211
Shotover Delta Flood Mitigation	(858)	254	(79)	(683)	(993)	252	(117)	(858)
Stoney Creek	118	6	(1)	123	104	15	(1)	118
<b>Flood and Drainage scheme reserves</b>								
Alexandra Flood Protection	525	117	(81)	561	464	110	(49)	525
East Taieri Drainage	125	375	(235)	265	(22)	352	(205)	125
Leith Flood Protection	(1,380)	1,304	(4,702)	(4,778)	(763)	1,260	(1,877)	(1,380)
Lower Clutha Flood and Drainage	240	892	(967)	165	391	862	(1,013)	240
Lower Taieri Flood Protection	38	599	(500)	137	213	585	(760)	38
Lower Waitaki Flood Protection	39	159	(189)	9	51	157	(169)	39
Tokomairiro Drainage	156	52	(41)	167	169	51	(64)	156
West Taieri Drainage	(1,151)	353	(533)	(1,331)	(277)	488	(1,362)	(1,151)
<b>Other Reserves</b>								
Clean Heat Clean Air	288	363	(191)	460	155	1,102	(969)	288
Dunedin Transport Services	4,235	7,372	(6,836)	4,771	3,892	7,312	(6,969)	4,235
Forsyth Barr Stadium	6,737	3,334	(10,568)	(497)	(631)	7,976	(608)	6,737
Queenstown Transport Services	7	230	(171)	66	(194)	1,155	(954)	7
Infrastructural Assets	54,564	4,864	(1,386)	58,042	51,465	3,580	(481)	54,564
	<b>66,968</b>	<b>21,449</b>	<b>(27,362)</b>	<b>61,055</b>	<b>57,097</b>	<b>26,418</b>	<b>(16,547)</b>	<b>66,968</b>



**River Management Reserves**

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

**Flood and Drainage Scheme Reserves**

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

**Transport Reserves**

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

**Forsyth Barr Stadium Reserve**

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

**Clean Heat Clear Air Reserve**

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

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

**(a) Capital Expenditure Commitment**

At 30 June 2014 the Group had commitments for capital expenditure of \$7.12 million (2013: \$13.04 million). Included in the above amounts are Council commitments of \$2.7 million (2013: \$0.69) relating to property, plant and equipment acquisitions and contracts for capital expenditure.

Included within Group capital commitments is capital expenditure of \$4.42 million (2013: \$12.35 million) relating to purchases and refurbishment of port assets.

**(b) Lease Commitments**

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

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

### **Council Only**

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

The Council has been advised of potential claims in relation to the issue of resource consents. The Council does not expect any material uninsured liability to arise from these potential claims, (2013: \$nil).

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

As at 31 March 2013, the date of the latest available information, the scheme had a past service surplus of \$17.4 million (7.7% of the liabilities), (as at 31 March 2012: \$19.833 million). This amount is exclusive of Specified Superannuation Contribution Withholding Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19.

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

## Group

### Guarantees

The Group has a 50% interest in The Hamilton Joint Venture (HJV). As part of funding arrangements the Group has guaranteed joint operation borrowings from ANZ National Bank Limited to a limit of \$21 million.

The Group has a 33.3% interest in the Hamilton Porter Joint Venture (HPJV). As part of funding arrangements the Group has guaranteed joint operation borrowings from ANZ Bank New Zealand Limited to a limit of \$15 million.

### Tax deductibility of acoustic treatment expenditure

Port Otago incurs expenditure to acoustically treat residential properties in Port Chalmers to comply with obligations under the Port Noise Mitigation Plan. This expenditure has been claimed as deductible for income tax purposes as the ongoing programme minimises the environmental impact of the existing port activity on the local community. Port Otago has obtained professional taxation advice to support the deductibility of the expenditure.

The Inland Revenue Department has indicated it considers the expenditure to be capital in nature. Assuming the Inland Revenue Department maintains this view and Port Otago is not successful following a formal dispute resolution process, an estimated additional income tax of \$250,000 excluding interest and penalties, if any, would be payable.

### Dredging and reclamation works performance security bond

Port Otago has entered into a contract to provide dredging services to Lyttelton Port Company Limited for a five year period. A \$300,000 performance bond has been provided by Port Otago Limited, the principal, to Lyttelton Port Company Limited, the beneficiary, for the due performance of all obligations and liabilities under the contract. The expiry date of the performance bond is 21 December 2017. As at 30 June 2014, no claim under this bond has been received by the Guarantor, ANZ Bank New Zealand Limited.

## 23. Leases

### Disclosures for lessees

#### (a) Leasing Arrangements

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

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

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Not longer than 1 year	102	81	229	181
Longer than 1 year and not longer than 5 years	119	14	184	114
Longer than 5 years	-	-	-	-
	221	95	413	295

## Disclosures for Lessor

### (c) Leasing Arrangements

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

### (d) Finance Lease Receivable

	Group Minimum Future Lease Payments		Group Present Value of Minimum Future Lease Receivables	
	2014 \$000s	2013 \$000s	2014 \$000s	2013 \$000s
Not longer than 1 year	214	214	171	154
Longer than 1 year and not longer than 5 years	374	587	344	515
Longer than 5 years	-	-	-	-
Minimum future lease payments	588	801	515	669
Less unearned finance income	(73)	(132)	-	-
Present value of minimum lease payments	515	669	515	669
<i>Disclosed in the financial statements as:</i>				
Current			171	154
Non-current			344	515
			515	669

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

### (e) Operating Lease Commitments as Lessor

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

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

GROUP	2014 \$000	2013 \$000
<b>Rentals receivable</b>		
Within one year	14,662	13,128
After one year but not more than five years	45,275	40,287
More than five years	77,410	63,796
<b>Minimum future lease receivable</b>	<b>137,347</b>	<b>117,211</b>

## 24. Subsidiaries, Associates and Joint Ventures

	Country of Incorporation	Ownership Interest	
		2014 %	2013 %
Council – Otago Regional Council	New Zealand		
Subsidiaries – Port Otago Limited	New Zealand	100	100

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

The principal activities of the entities are:

### (a) Subsidiaries (100% owned)

- Port Otago Limited - Port facilities, cargo handling and warehousing.
- Chalmers Properties Limited - Property investment.
- Perpetual Property Limited - Property investment.
- South Freight Limited - Dormant (non-trading).
- Fiordland Pilot Services Limited - Shipping services.

### (b) Associates (50% owned)

- Hamilton JV Investment Company Limited – Property trustee (non-trading).
- Ormiston Road JV Company Limited – Property trustee (non-trading).
- Hamilton JV (N3) Limited – Property trustee (non-trading).
- ICON Logistics Limited – Container transport and warehousing services

### (c) Associates (33.3% owned)

- Hamilton Porter JV Company Limited – Property trustee (non-trading).

Joint ventures are joint arrangements with other parties in which the Group has several liabilities in respect of costs and joint and several in respect of liabilities. The Group's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Group's financial statements on a line-by-line basis. The Group's interests in the jointly controlled entities are detailed in (d) and (e) below.

### (d) Joint Ventures (50% owned)

- Harbourcold Dunedin – Cold store operation.
- The Hamilton Joint Venture – Property investment.
- Hamilton JV (N3) – Property investment.
- Ormiston Road Joint Venture - Property investment.

### (e) Joint Ventures (33.3% owned)

- Hamilton Porter JV – Property investment.

All companies in the Group have 30 June balance dates.

The Group's investment in the associate is accounted for in the Group financial statements using the equity method.

The financial statements include the relevant interest in each joint venture's assets and liabilities at 30 June 2014 along with the share of trading for the relevant period.

## Jointly Controlled Entities

Summarised financial information of jointly controlled entities:

	Group 2014 \$000	Group 2013 \$000
Current assets	14,389	9,080
Non-current assets	18,099	22,278
	32,488	31,358
Current liabilities	(17,030)	(1,812)
Non-current liabilities	(238)	(12,079)
	(17,268)	(13,891)
<b>Net assets</b>	<b>15,220</b>	<b>17,467</b>

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

## 25. Related Party Disclosures

### Council

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

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

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

In the ordinary course of business and during the financial period covered by this report, services valued at \$4,000 were provided to Alliance Group Limited (2013: \$5,000), services valued at \$380,000 were purchased from Delta Utility Services Limited and supplies valued at \$3,600 were purchased from Meenan Wine and Spirits Limited.

As at June 2014, the amount owing to the Council by Alliance Group Limited was \$NIL (2013: \$80,000) and the amounts owing to Delta Utility Services Limited and to Meenan Wines and Spirits Limited were \$4,900 and \$180 respectively (2013: \$NIL).

### Equity Interests in Related Parties

#### Equity Interests in Subsidiaries

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

### Transactions with Related Parties

#### Transactions Involving the Council

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

## Port Otago Limited

	Council 2014 \$000	Council 2013 \$000
Dividend payment made to Council	7,100	12,000
Harbour Control Centre and other costs	(67)	(69)
Other expenses	56	94

During the year the Council and Port Otago Limited entered into an agreement for the Council to transfer tax losses to the company. In conjunction with the tax loss transfer, Port Otago Limited made a subvention payment of \$103,175 to the Council (2013: \$3,072,206).

### Other Transactions Involving Related Parties

#### Financial Arrangement – Hamilton Joint Ventures

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

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

- Sale price of \$2.84 million (plus GST if any) with deposits totalling \$0.28 million payable when certain conditions are met and the balance payable on the vendor providing title.
- The Hamilton Joint Venture participants will pay land development costs up to a maximum of \$0.84 million plus tax, which amounts to \$1.25 million after payroll taxes are added (the Group's share is \$0.63 million) with \$0.991 million incurred in the 2014 financial year (the Group's share: \$0.495 million).

During the year the sale of the first tranche of net developed land from this agreement was settled. The sale concluded the first 0.98 hectares of the total 3.5 hectares per this contract leaving 2.52 hectares remaining to be settled. At 30 June 2014 a Statement of Financial Position provision (refer Note 16) reflects the Group's share of:

- the difference between the \$2.02 million nominal sale proceeds and the net present value of the sales proceeds, and
- the earned portion of the net present value of incentives to be reimbursed by The Hamilton Joint Venture participants. The discounted incentives are recognised as earned on a straight-line basis over the period from February 2008 to March 2016 (2013: February 2008 to June 2014).

There were no other transactions with related parties.

### Transactions Eliminated on Consolidation

Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.

## 26. Subsequent Events

### Dividends

On 17 September 2014, the directors of Port Otago Limited declared a final dividend of \$1,900,000 payable to the Council for the year ended 30 June 2014. Combined with interim dividends totalling \$5,200,000, this brings dividends paid and declared to \$7,100,000 for the full financial year (2013: \$12,000,000).

Dividend revenue of \$7,100,000 reflected in these financial statements comprises 2014 interim dividends of \$5,200,000, and the final dividend of \$1,900,000 for the 2013 year received in September 2013.

## Shares in Listed Companies

At balance date, the fair value of the Port Otago Limited investment of shares held in Lyttelton Port Company Limited, was valued at the quoted selling price, being \$3.30 per share, and amounted to \$52.224 million.

On 1 August 2014, Port Otago entered into a lock-up agreement with Christchurch City Holdings Limited to sell its shareholding in Lyttelton Port Company Limited for \$3.95 per share subject to a \$0.20 dividend declared and paid by Lyttelton Port Company Limited.

Following receipt of a \$3,165,095.40 fully imputed dividend from LPC on 18 September 2014, Port Otago accepted the offer from CCHL. On 26 September 2014, \$62,510,634.15 was received from CCHL in accordance with the offer document and full acceptance by Port Otago.

## 27. Notes to the Cash Flow Statement

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

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

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<i>Cash and cash equivalents:</i>				
Cash at bank and on hand	3,911	893	4,479	2,123
Term deposits with maturities less than 3 months	-	1,000	-	1,000
	3,911	1,893	4,479	3,123

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

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

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Surplus/(deficit) for the year	5,167	12,864	29,891	38,955
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	1,281	1,236	8,936	8,684
(Gain)/loss on sale of property, plant and equipment	100	(82)	142	(82)
(Gain)/loss on revaluation of investment property	(478)	(750)	(15,455)	(24,295)
Loss/(gain) on disposal of investment property	-	-	(628)	-
Net change in fair value of derivative financial instruments	(138)	(144)	(1,803)	544
Net change in fair value of financial instruments	(425)	(298)	(425)	(298)
Non-current employee entitlements	-	(38)	(400)	83
Share of surpluses retained by associates	-	-	(120)	(164)
Deferred tax	103	2,970	(339)	(283)
Write-off of property plant and equipment work in progress	751	-	751	-
	6,361	15,758	20,550	23,144
<i>Movement in working capital:</i>				
Trade and other receivables	901	316	993	(1,163)
Inventories	-	-	(65)	(29)
Other current assets	91	(82)	81	(105)
Trade and other payables	(886)	(885)	(873)	1,122
Employee entitlements	86	41	(68)	269
Income tax		-	(796)	1,710
Movement in working capital items classified as investing activities	(217)	(272)	53	(929)
	(25)	(882)	(675)	875
Net cash inflow/(outflow) from operating activities	6,336	14,876	19,875	24,019

**28. Severance Payments (Council Only)**

For the year ended 30 June 2014, the Council made one (2013: NIL) severance payment of \$56,250 (2013: NIL).

**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 2014	Number of Employees 30 June 2013
Full-time employees	126	123
Full-time equivalent number of other employees	8.9	5

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 2014	Total Annual Remuneration	Number of Employees 30 June 2013
Less than \$60,000	50	Less than \$60,000	47
\$60,000 to \$79,999	42	\$60,000 to \$79,999	39
\$80,000 to \$99,999	22	\$80,000 to \$99,999	18
\$100,000 to \$119,999	16	\$100,000 to \$119,999	14
\$120,000 to \$199,999	7	\$120,000 to \$179,999	8
\$200,000 to \$279,999	1	\$180,000 to \$279,999	4
	<b>138</b>		<b>130</b>

#### Chief Executive Remuneration

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

During the year to 30 June 2014, the Chief Executive received salary payments amounting to \$260,480 (19 November 2012 to 30 June 2013: \$151,420).

The total cost including fringe benefit tax of the remuneration package received by the Chief Executive during the year to 30 June 2014 is calculated at \$283,858 (19 November 2012 to 30 June 2013: \$165,289).

#### Elected Representatives' Remuneration

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

Councillor	Council 2014 \$000	Council 2013 \$000
Stephen Woodhead (Chairperson)	117,043	120,068
Gretchen Robertson (Deputy Chairperson)	58,911	48,580
David Shepherd (Deputy Chairperson until October 2013)	51,616	61,186
Douglas Brown	41,297	38,303
Louise Croot	45,202	42,175
Michael Deaker	43,955	47,879
Gerrard Eckhoff	41,717	39,548
Trevor Kempton	48,861	38,371
Sam Neill	47,939	38,451
Bryan Scott	50,768	48,480
Duncan Butcher	13,811	56,484
Graeme Bell	31,106	-
Gary Kelliher	30,862	-
	<b>623,088</b>	<b>579,525</b>

### 30. Explanation of Major Variances from Budget

Explanation of major variations from Council's estimated figures in the 2013/14 Annual Plan are as follows:

#### Statement of Comprehensive Income

The total comprehensive income of \$14.438 million comprises a surplus for the year of \$5.167 million and a revaluation gain of \$9.271 million.

The surplus for the year of \$5.167 million exceeds the budget by \$2.010 million. The significant contributors to this variance are additional government subsidy income related to the transport activity of \$0.709 million and gains in the revaluation of investment property and the managed fund portfolio exceeding that provided for in the budget by \$0.662 million.

The revaluation gain of \$9.271 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited group at 30 June 2014 and exceeds the amount of the gain provided for in the budget by \$1.851 million.

## **Statement of Financial Position**

### **Total Assets**

The amount of total assets at \$525.961 million exceeds the budgeted amount of \$455.565 million by \$70.396 million, primarily due to the valuation of the Council shareholding in Port Otago Limited at 30 June 2014 of \$370.535 million exceeding the budgeted amount of \$304.135 million by \$60.400 million.

### **Total Liabilities**

Total liabilities at \$5.824 million are \$1.964 million less than the budgeted amount of \$7.788 million, largely due a decrease in trade and other payables from that budgeted.

### **Equity**

Public equity and reserves at \$520.137 million exceed the budgeted amount of \$477.777 million by \$42.360 million. The impact of the variances from budget referred to in the above sections of this note relating to the valuation of the Shares in Port Otago Limited is the primary significant factor contributing to the variance in Reserves and equity.

## **31. Financial Instruments**

### **Financial Risk Management Objectives**

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

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

### **Significant Accounting Policies**

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

## Categories of Financial Instruments

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

	Loans and Receivables \$000	Fair Value Through Profit or Loss – Held for Trading \$000	Fair Value Through Equity \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<b>COUNCIL 2013</b>					
<i>Financial Assets</i>					
Cash and cash equivalents (note 27(a))	1,893	-	-	-	1,893
Trade and other receivables (note 6)	4,137	-	-	-	4,137
Other financial assets (note 9)	55,117	7,752	-	-	62,869
Shares in subsidiary	-	-	361,264	-	361,264
	<b>61,147</b>	<b>7,752</b>	<b>361,264</b>	<b>-</b>	<b>430,163</b>
<i>Financial Liabilities</i>					
Trade and other payables (note 15)	-	-	-	5,379	5,379
Other financial instruments	-	138	-	-	138
Borrowings (secured)	-	-	-	10,000	10,000
	<b>-</b>	<b>138</b>	<b>-</b>	<b>15,379</b>	<b>15,517</b>

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

<b>GROUP 2013</b>	<b>Loans and Receivables \$000</b>	<b>Fair Value Through Profit or Loss – Held for Trading \$000</b>	<b>Fair Value Through Equity \$000</b>	<b>Financial Liabilities at Amortised Cost \$000</b>	<b>Total \$000</b>
<i>Financial Assets</i>					
Cash and cash equivalents (note 27(a))	3,123	-	-	-	3,123
Trade and other receivables (note 6)	13,955	-	-	-	13,955
Other financial assets (note 9)	55,153	7,752	45,103	-	108,008
Finance leases (note 23(d))	669	-	-	-	669
	<b>72,900</b>	<b>7,752</b>	<b>45,103</b>	<b>-</b>	<b>125,755</b>
<i>Financial Liabilities</i>					
Other financial instruments	-	2,786	-	-	2,786
Trade and other payables (note 15)	-	-	-	11,467	11,467
Borrowings (secured) (note 17)	-	-	-	105,592	105,592
		<b>2,786</b>	<b>-</b>	<b>117,059</b>	<b>119,845</b>

### Market Risk

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

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

#### (a) Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk in relation to the purchase of certain capital items denominated in foreign currencies. Foreign currency forward purchase contracts are used to manage the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments. The Council is exposed to currency risk in relation to the investments denominated in foreign currencies forming part of the managed fund portfolio. The policy governing Managed Funds places restrictions on the currencies in which the fund manager may invest, and the amount of exposure to any one currency.

#### Amount of exposure to currency risk

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

	<b>Council 2014 \$000</b>	<b>Council 2013 \$000</b>	<b>Group 2014 \$000</b>	<b>Group 2013 \$000</b>
Managed funds	1,177	1,157	1,177	1,157
	1,177	1,157	1,177	1,157

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 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 2014 would have the impact of increasing the carrying value of the Managed funds, and the Council surplus, by \$131,000 (2013: \$129,000), and an unfavourable movement of 10% would impact unfavourably to the extent of \$107,000 (2013: \$105,000).

## (b) Interest Rate Risk

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

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

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

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

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

### Sensitivity to Interest Rate Risk

GROUP	2014				2013			
	Profit -100bps \$000	Other Equity -100bps \$000	Profit +100bps \$000	Other Equity +100bps \$000	Profit -100bps \$000	Other Equity -100bps \$000	Profit +100bps \$000	Other Equity +100bps \$000
<i>Financial Liabilities</i>								
Borrowings	1,196	-	(1,196)	-	1,055	-	(1,055)	-
Derivatives – hedge accounted	-	(1,105)	-	25	-	(1,424)	-	811
Derivatives – non-hedge accounted	(386)	-	378	-	(346)	-	338	-
<b>Total sensitivity to interest rate risk</b>	<b>810</b>	<b>(1,105)</b>	<b>(818)</b>	<b>25</b>	<b>709</b>	<b>(1,424)</b>	<b>(717)</b>	<b>811</b>

### Equity Price Risk

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

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

#### Exposure to Equity Price Risk

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
<i>Financial Assets</i>				
Other financial assets	2,647	2,434	53,289	47,537
<b>Exposure to equity price risk</b>	<b>2,647</b>	<b>2,434</b>	<b>53,289</b>	<b>47,537</b>

## Sensitivity to Equity Price Risk

COUNCIL	2014				2013			
	-10% Profit \$000	-10% Other Equity \$000	+10% Profit \$000	+10% Other Equity \$000	-10% Profit \$000	-10% Other Equity \$000	+10% Profit \$000	+10% Other Equity \$000
<i>Financial Assets</i>								
Other financial assets	(265)	-	265	-	(243)	-	243	-
<b>Total sensitivity equity price risk</b>	<b>(265)</b>	<b>-</b>	<b>265</b>	<b>-</b>	<b>(243)</b>	<b>-</b>	<b>243</b>	<b>-</b>

GROUP	2014				2013			
	-10% Profit -100bps \$000	-10% Other Equity -100bps \$000	+10% Profit +100bps \$000	+10% Other Equity +100bps \$000	-10% Profit -100bps \$000	-10% Other Equity -100bps \$000	+10% Profit +100bps \$000	+10% Other Equity +100bps \$000
<i>Financial Assets</i>								
Other financial assets	(5,329)	-	5,329	-	(4,754)	-	4,754	-
<b>Total sensitivity equity price risk</b>	<b>(5,329)</b>	<b>-</b>	<b>5,329</b>	<b>-</b>	<b>(4,754)</b>	<b>-</b>	<b>4,754</b>	<b>-</b>

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

## Credit Risk

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

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

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

The Managed Fund is managed by a professional funds management company. The Council Treasury Management Policy details the objectives, policies and restrictions for management of the fund. The policy includes the key objective of capital preservation, placing restrictions on the exposure to credit risk.

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

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

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

### Maximum Exposure to Credit Risk

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

	<b>Council 2014 \$000</b>	<b>Council 2013 \$000</b>	<b>Group 2014 \$000</b>	<b>Group 2013 \$000</b>
Cash at bank and term deposits	47,811	57,010	48,469	58,240
Trade and other receivables	3,236	4,137	12,962	13,955
Managed funds (Note 9)	8,153	7,752	8,153	7,752
Finance leases	-	-	515	669
Shares in listed companies	-	-	50,642	45,103
Shares in subsidiary	370,535	361,264	-	-
	<b>429,735</b>	<b>430,163</b>	<b>120,741</b>	<b>125,719</b>

### Liquidity Risk Management

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

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

## Contractual Maturity Analysis of Financial Instruments

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

	COUNCIL 2014					COUNCIL 2013				
	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows		Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows	
				Less Than 1 Year \$000	1 Year or Greater \$000				Less Than 1 Year \$000	1 Year or Greater \$000
<b>Financial Assets</b>										
<i>Cash and cash equivalents</i>										
Cash and call deposits	2.97	3,911	3,911	3,911	-	2.75	893	893	893	-
Term deposits (up to three months)	-	-	-	-	-	3.60	1,000	1,004	1,004	-
<b>Trade and other receivables</b>	-	3,236	3,236	3,236	-	-	4,137	4,137	4,137	-
<i>Other financial assets</i>										
Term deposits	4.37	43,900	44,583	44,583	-	4.23	55,117	56,065	56,065	-
<i>Managed fund:</i>										
Cash and call deposits	2.97	1,832	1,832	1,832	-	2.75	1,778	1,778	1,778	-
Fixed interest securities	5.88	3,470	4,437	800	3,637	5.88	3,540	4,348	315	4,033
Equity securities	-	2,851	2,851	2,851	-	-	2,434	2,434	2,434	-
<b>Shares in subsidiary</b>	-	370,535	370,535	-	370,535	-	361,264	361,264	-	361,264
<b>Total financial assets</b>		<b>429,735</b>	<b>431,385</b>	<b>57,213</b>	<b>374,172</b>		<b>430,163</b>	<b>431,923</b>	<b>66,626</b>	<b>365,297</b>
<b>Financial liabilities</b>										
Trade and other payables	-	(4,493)	(4,493)	(4,493)	-	-	(5,379)	(5,379)	(5,379)	-
Secured loans	-	-	-	-	-	3.36	(10,000)	(10,336)	(10,336)	-
Net settled derivative liabilities	-	-	-	-	-	0.89	(138)	(89)	(89)	-
<b>Total financial liabilities</b>		<b>(4,493)</b>	<b>(4,493)</b>	<b>(4,493)</b>	<b>-</b>		<b>(15,517)</b>	<b>(15,804)</b>	<b>(15,804)</b>	<b>-</b>



	GROUP 2014					GROUP 2013				
	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows		Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows	
				Less Than 1 Year \$000	1 Year or Greater \$000				Less Than 1 Year \$000	1 Year or Greater \$000
<b>Financial Assets</b>										
<i>Cash and cash equivalents</i>										
Cash and call deposits	3.25	4,479	4,479	4,479	-	2.75	2,123	2,123	2,123	-
Term deposits (up to three months)	-	-	-	-	-	3.6	1,000	1,004	1,004	-
<b>Trade and other receivables</b>	-	12,962	12,962	12,962	-	-	13,955	13,955	13,955	-
<i>Other financial assets</i>										
Shares in listed companies	-	50,642	50,642	50,642	-	-	45,103	45,103	45,103	-
Term deposits	4.37	43,900	44,583	44,583	-	4.23	55,117	56,065	56,065	-
<i>Managed fund:</i>										
Cash and call deposits	3.25	1,832	1,832	1,832	-	2.75	1,778	1,778	1,778	-
Fixed interest securities	5.88	3,470	4,437	800	3,637	5.88	3,540	4,348	315	3,033
Equity securities	-	2,851	2,851	2,851	-	-	2,434	2,434	2,434	-
<i>Other items:</i>										
Property deposit										
Finance leases	12.0	515	588	214	374	12.0	669	801	214	587
Secured advances										
<b>Total financial assets</b>	-	<b>120,651</b>	<b>122,374</b>	<b>118,363</b>	<b>4,011</b>	-	<b>125,719</b>	<b>127,611</b>	<b>122,991</b>	<b>3,620</b>
<b>Financial liabilities</b>										
Trade and other payables	-	(10,653)	(10,653)	(10,653)	-	-	(11,467)	(11,467)	(11,467)	-
Secured loans	5.4	(119,582)	(129,205)	(63,803)	(65,402)	5.44	(105,592)	(119,335)	(31,118)	(88,217)
Net settled derivative liabilities	-	(817)	(715)	(944)	229	5.96	(2,786)	(3,095)	(1,903)	(1,192)
<b>Total financial liabilities</b>		<b>(131,052)</b>	<b>(140,573)</b>	<b>(75,400)</b>	<b>(65,173)</b>		<b>(119,845)</b>	<b>(133,897)</b>	<b>(44,488)</b>	<b>(89,409)</b>

## Fair Value of Financial Instruments

### *Fair value measurements recognised in the Statement of Comprehensive Income.*

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

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

	COUNCIL 2014				COUNCIL 2013			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<i>Financial assets at FVTPL:</i>								
Other financial assets	8,153	-	-	8,153	7,752	-	-	7,752
Shares in subsidiary	-	-	370,535	370,535	-	-	361,264	361,264
	8,153	-	370,535	378,688	7,752	-	361,264	369,016
<i>Financial liabilities at FVTPL:</i>								
Other financial instruments	-	-	-	-	-	138	-	138

	GROUP 2014				GROUP 2013			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
<i>Financial assets at FVTPL:</i>								
Other financial assets	8,153	-	-	8,153	7,752	-	-	7,752
Shares in listed companies	50,642	-	-	50,642	45,103	-	-	45,103
	58,795	-	-	58,795	52,855	-	-	52,855
<i>Financial liabilities at FVTPL:</i>								
Other financial instruments	-	817	-	817	-	2,786	-	2,786

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

	Council 2014 \$000	Council 2013 \$000	Group 2014 \$000	Group 2013 \$000
Balance at beginning of year	361,264	291,415	-	-
Gain/(loss) recognised in other Comprehensive Income	9,271	69,849	-	-
Balance at end of year	370,535	361,264	-	-

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

- Level 1 - the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Financial assets in this category include managed fund equities and shares in listed companies.
- Level 2 - the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

- Level 3 - the financial statements include holdings in unlisted shares which are measured at fair value. Fair value is estimated using a discounted cash flow model, which includes some assumptions that are not supportable by observable market prices or rates. If the factors applied in the model were higher/lower the carrying amount of the shares would vary accordingly.

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

Fair value is determined by employing the discounted cashflow methodology for Port Otago's port operations, net tangible assets approach for Chalmers Properties Limited and the market value as listed on the NZ Stock Exchange for shares held in Lyttelton Port Company Limited.

The fair value of the shares in subsidiary as at 30 June 2014 was based on cashflows discounted using a weighted average cost of capital of 8.2% (2013: 8.1%) and an assumed growth rate of 2.5% (2013: 2.5%).

## **32. Local Government (Financial Reporting and Prudence) Regulations 2014 Annual Report Disclosure Statement for year ending 30 June 2014**

### **Purpose of this statement**

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

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

### **Rates affordability benchmark**

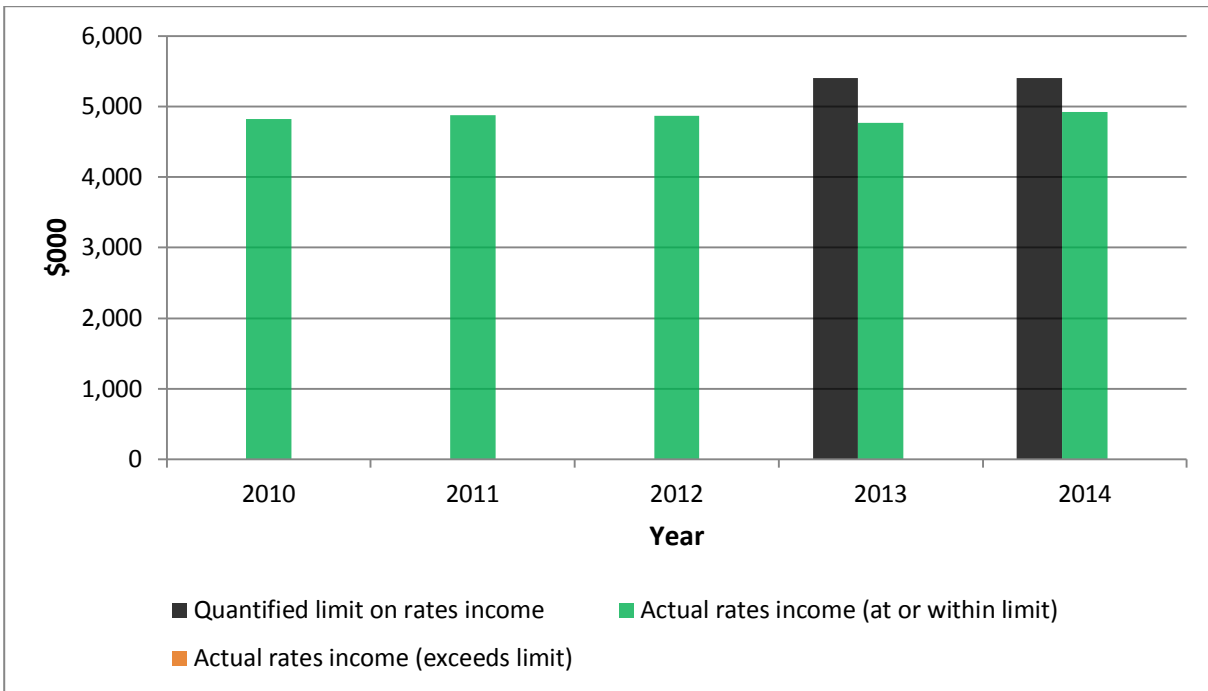
The Council meets the rates affordability benchmark if—

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

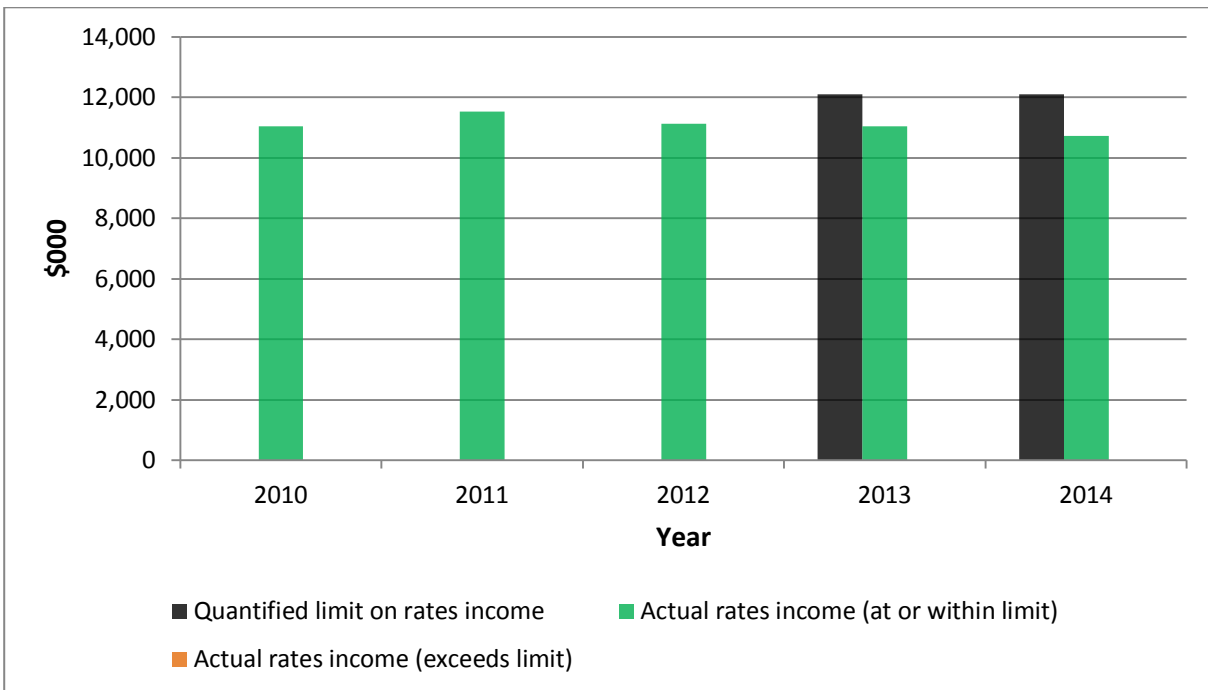
The Council specifies separate quantified limits for general rates and for targeted rates.

**Rates (income) affordability**

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

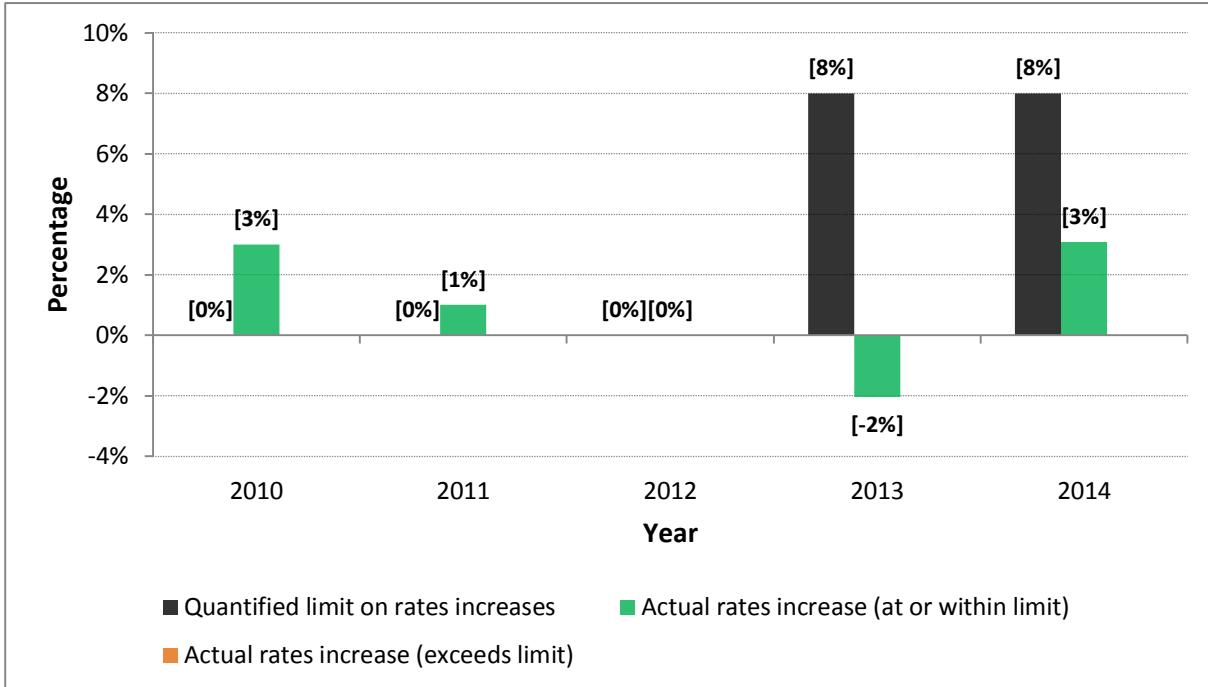


The following graph compares the Council’s actual targeted rates income with a quantified limit on targeted rates contained in the financial strategy included in the Council’s Long Term Plan. The quantified limit is \$12,100,000.

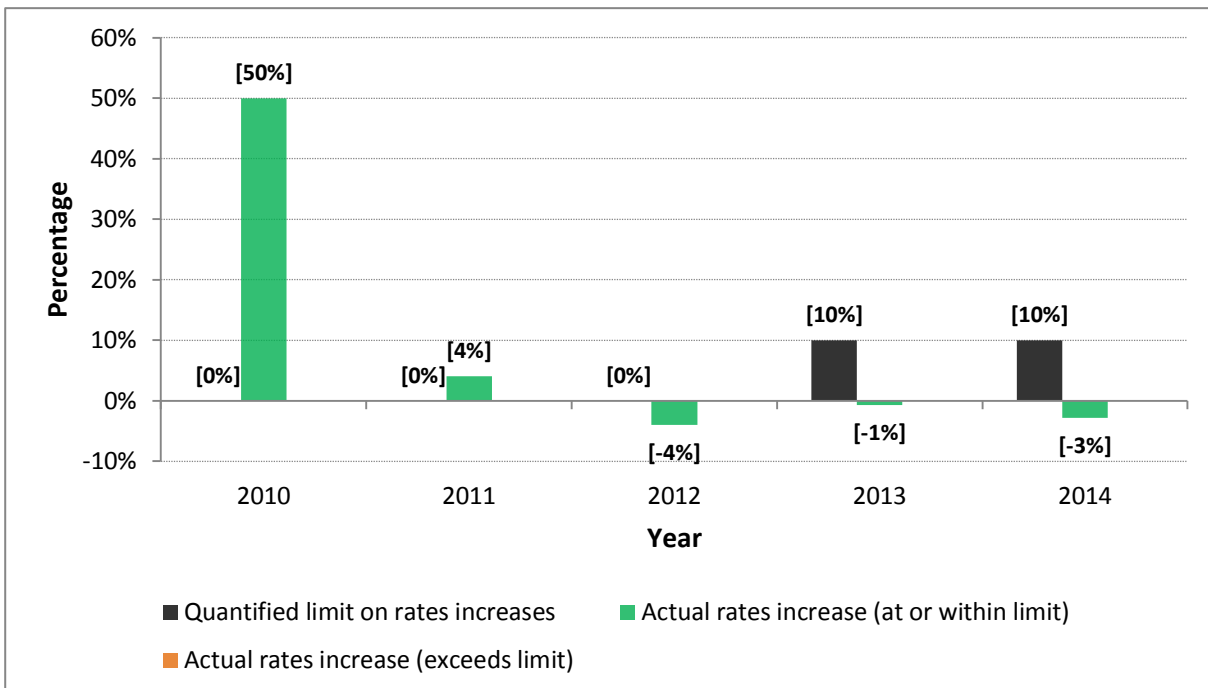


### Rates (increases) affordability

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



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



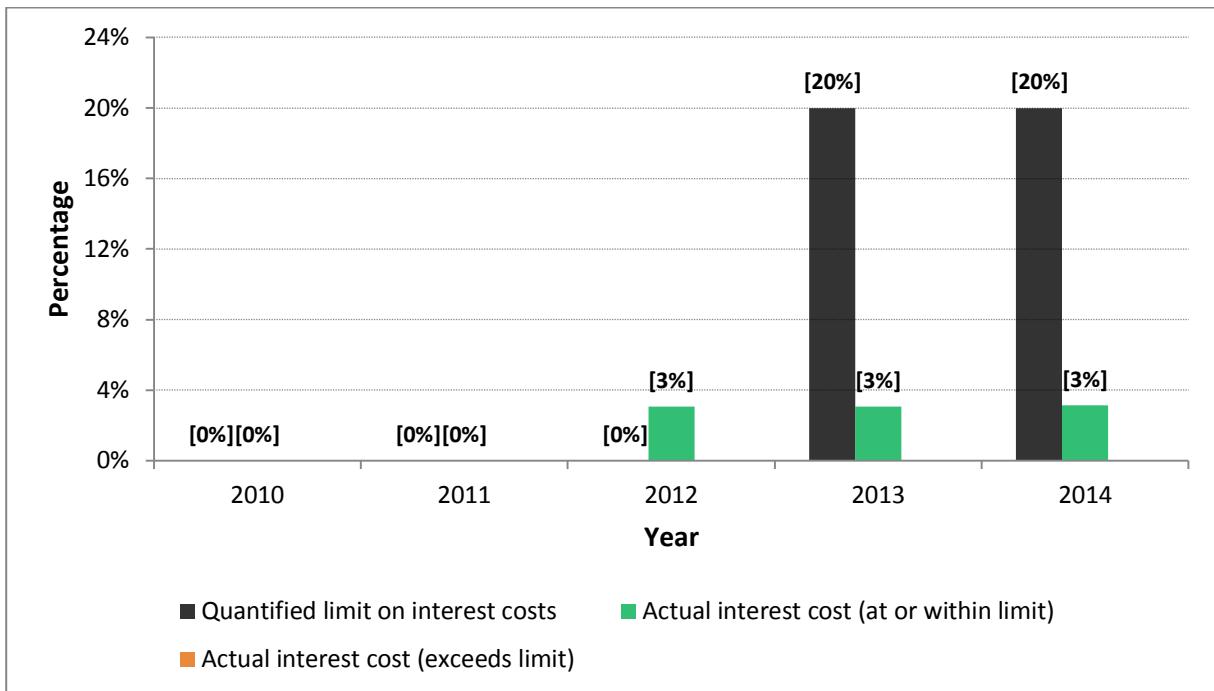
## Debt affordability benchmark

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

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

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

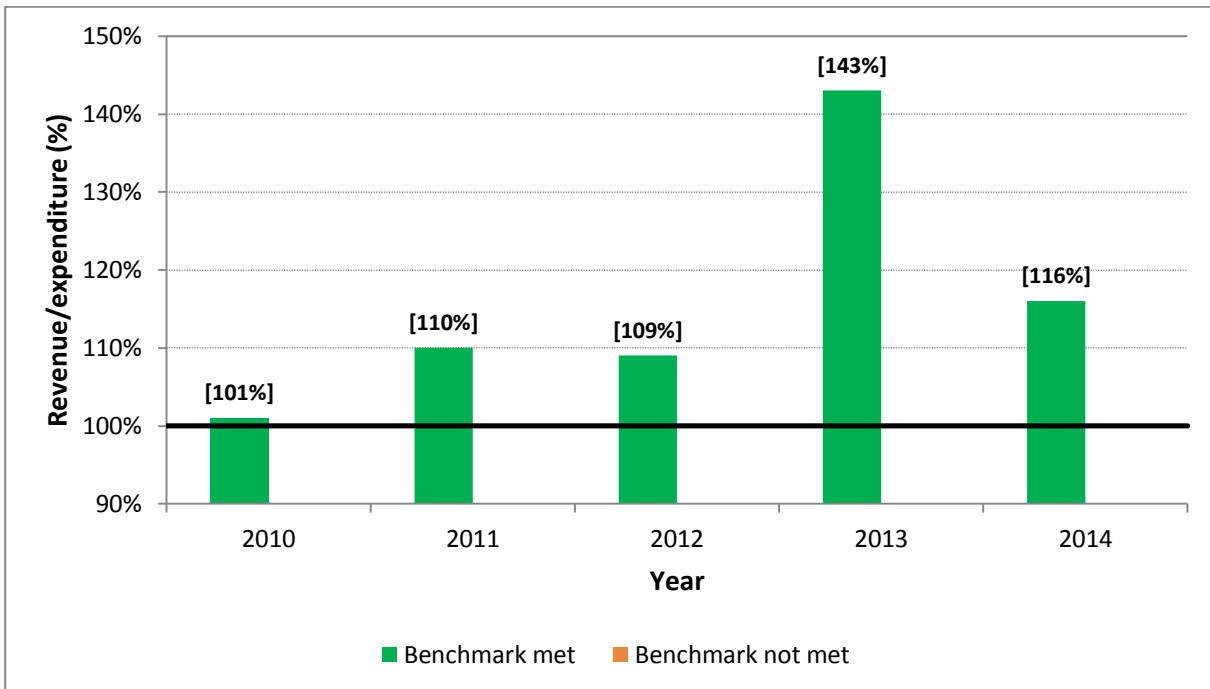
The quantified limit is interest costs being a maximum of 20% of rates income.



### Balanced budget benchmark

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

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

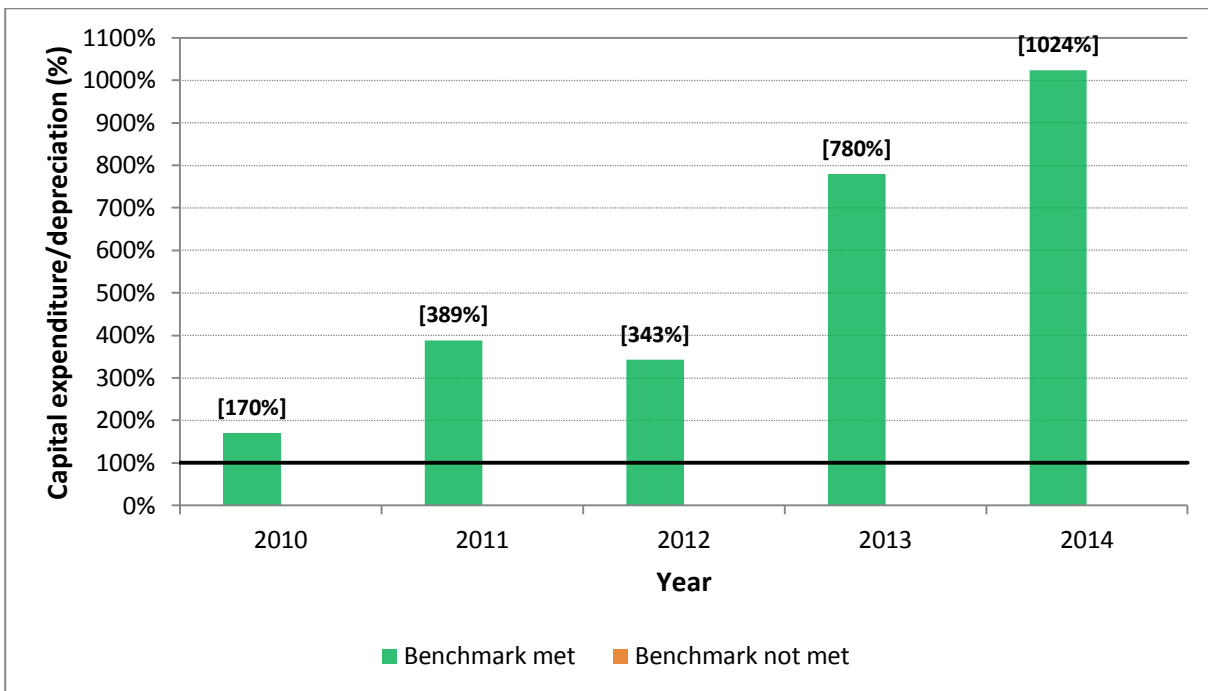


### Essential services benchmark

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

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

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

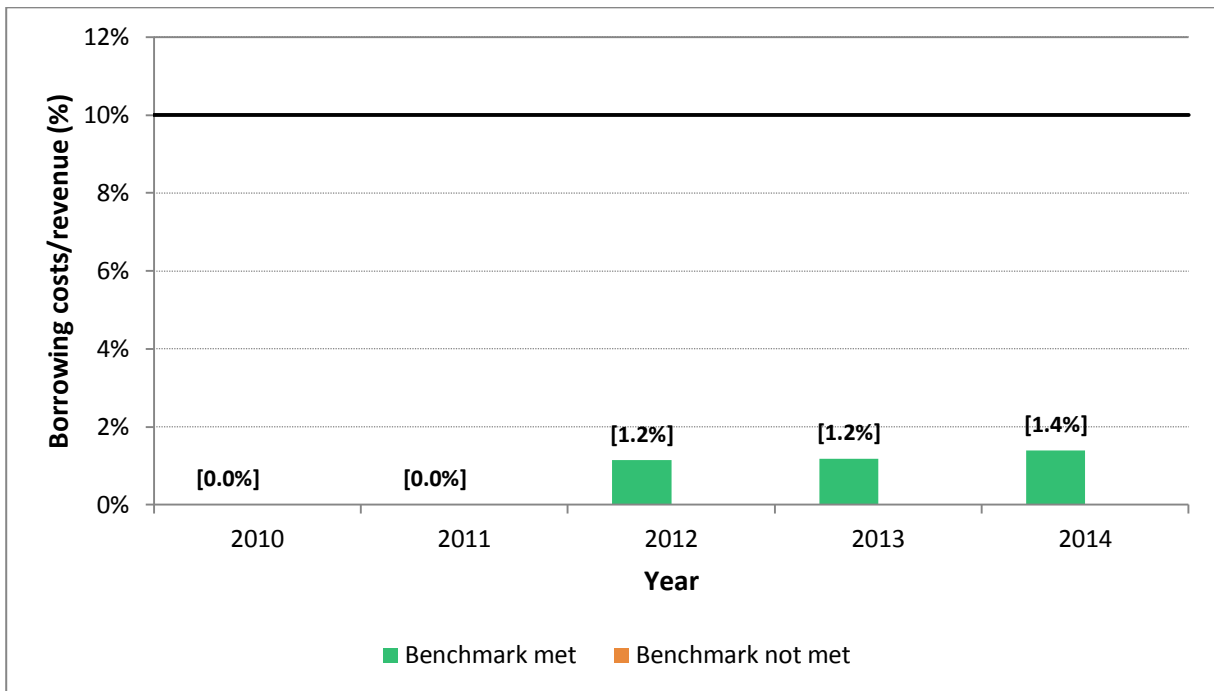




## Debt servicing benchmark

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

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

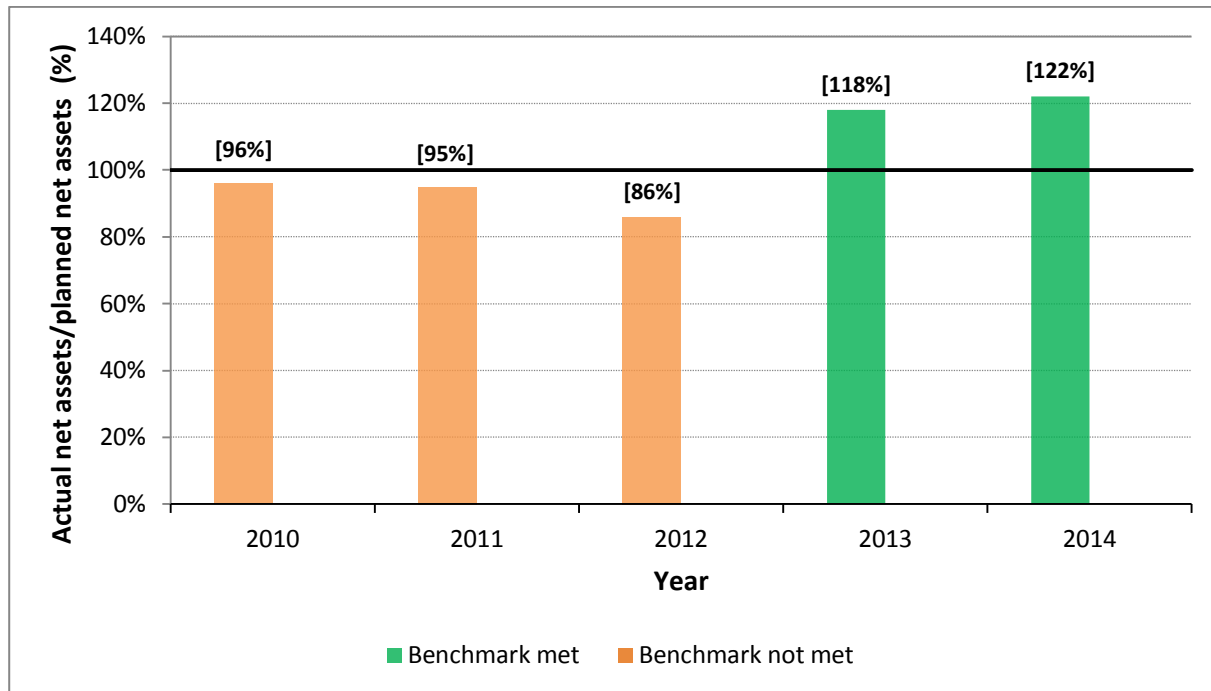


## Debt control benchmark

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

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

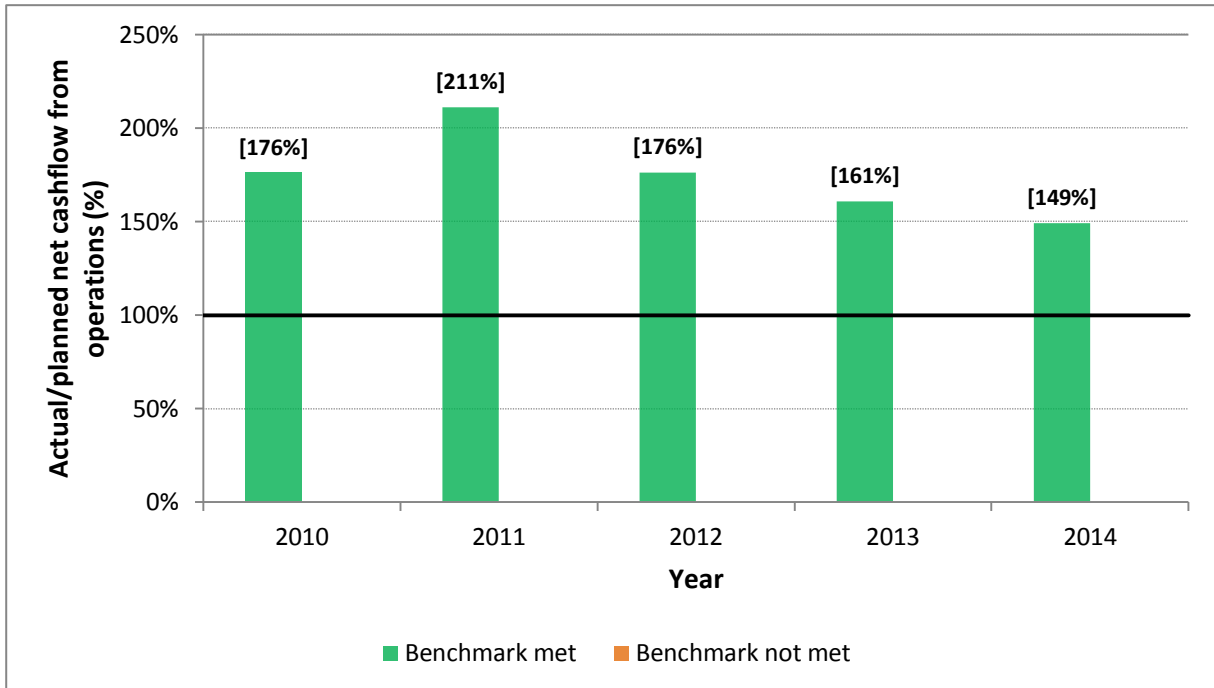
During the period 2009/10 to 2013/14, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets/excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



## Operations control benchmark

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

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



## Additional information or comment

### Quantified Limits

The Rates Affordability benchmark and the Debt Affordability benchmark require a comparison of actual performance against quantified limits set in the Council's financial strategy. Quantified limits were not set by the Council for the 2010, 2011 and 2012 years. Actual performance only is shown in the graphs for these benchmarks.

### Rates affordability benchmark

The Rates (increases) affordability graph for targeted rates shows a 50% increase in targeted rates in the 2010 year. New targeted rates set for the first time in the 2010 year account for 45% of the increase, with the Forsyth Barr Stadium rate accounting for 39% of the overall increase.

### Balanced budget benchmark

The balanced budget benchmark graph shows that the benchmark was not met in the 2010 year.

The prime reason for the benchmark not being met was that a donation to the Forsyth Barr Stadium of \$10,000,000 was made in that year, funded from borrowing, a funding source that is excluded from the balanced budget benchmark calculation.

### Debt control benchmark

The Council planned for and achieved a net asset position rather than a net debt position in the years reported upon in this disclosure statement. Accordingly, the benchmark is reflected in the graph as being met to the extent of 100% in each year.

## 33. Rating Base Information

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

Otago Region	Rating Base Information for the year ended 30 June 2014	Rating Base Information For the year ended 30 June 2013
Total number of rating units	112,804	112,171
Total capital value of rating units	\$52,686,265,892	\$51,753,477,942
Total land value of rating units	\$26,739,722,531	\$26,489,676,246

## 34. Insurance of Assets

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

Included in the carrying value of assets and the sum insured amount is infrastructural asset capital work in progress of \$1.927 million for which the insurance cover is held as part of the external contracting company's insurance cover for contracts in progress.

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

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$52.343 million, land of \$25.089 million and software licences of \$1.820 million.

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

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

As at 30 June 2014 the Council had not entered into any financial risk sharing arrangement for any assets held.

## **Statement of Equal Employment Opportunity**

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

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

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

# Directory

## Otago Regional Council

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

## Otago Regional Council Executive Staff

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

## Otago Regional Council

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

## Port Otago Limited

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

## **Office & Depot Locations & Contact Telephone Numbers**

### **Principal Office**

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

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

### **Regional Offices & Depots**

#### **Alexandra Office**

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

#### **Queenstown Office**

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

#### **Balclutha Depot**

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

