

OTAGO REGIONAL COUNCIL

Agenda for a meeting of the Finance and Corporate Committee to be held in the Council Chamber, 70 Stafford Street, Dunedin on Wednesday 2 August 2017, following the Regulatory Committee

Membership:

- Cr Doug Brown (Chairperson)
- Cr Andrew Noone (Deputy Chairperson)
- Cr Graeme Bell
- Cr Michael Deaker
- Cr Carmen Hope
- Cr Trevor Kempton
- Cr Michael Laws
- Cr Ella Lawton
- Cr Sam Neill
- Cr Gretchen Robertson
- Cr Bryan Scott
- Cr Stephen Woodhead

Apologies: Cr Noone

Leave of Absence: Cr Neill

In attendance:

**Please note that there is an embargo on agenda items until 8:30am on
Monday 31 July 2017**

CONFIRMATION OF AGENDA

CONFLICT OF INTEREST

PUBLIC FORUM

MINUTES

The minutes of the meeting held on 14 June 2017, having been circulated, for adoption.

ACTIONS

Status report on the resolutions of the Finance & Corporate Committee

Report No.	Meeting	Resolution	Status
2017/0781 Grants, Legal Cases and Personal Grievances	3/5/17	<i>That Council receive a report on the effectiveness and outcomes of each grant, including the bulk water grants at the end of this financial year, 30 June 2017.</i>	OPEN (schedule for report to F&C Committee 13/9/17)

PART A- RECOMMENDATIONS

Item 1

2017/0951 **Port Otago Ltd – Statement of Corporate Intent**. DCS, 18/7/17 -

The report summaries the Board of Port Otago Limited’s Draft Statement of Corporate Intent (SCI). The SCI is a requirement to provide to Council as shareholder for its comment and consideration.

The Draft Statement of Corporate Intent for the three years to June 2020 is circulated with the agenda.

Item 2

2017/0962 **Public Transport Update – July 2017** DCS, 25/07/17 -

This report provides staff response to the petition received and public forum comments made at Council’s 28 June meeting. It further provides an update on the designation process for the Dunedin Central Bus Hub and the introduction of Public Wi-Fi on both the Dunedin and Wakatipu networks.

Item 3

2017/0957 **Director’s Report – July 2017**. DCS, 19/07/17 -

The report provides the schedules of payments for May and June 2017 for Finance and Corporate Committee endorsement.

PART B – FOR NOTING

Item 4

2017/0945 **2018-2028 Long Term Plan (LTP) process and timetable** DCS, 14/07/17 -

The report outlines the 2018-2028 Long Term Plan (LTP) development process and the timetable for its completion.

Item 5

2017/0954 **Insurance Renewals 2017/18**. DCS, 21/07/17 -

The report outlines the renewal of Council’s existing insurance policies for the period 30 June 2017 to 30 June 2018.

Item 6

2017/0936 **Preliminary Financial Report for the year ended 30 June 2017**. DCS, 27/07/17 -

The report provides preliminary information in respect of the overall Council finances for the twelve months ended 30 June 2017.

OTAGO REGIONAL COUNCIL

Minutes of a meeting of the Finance and Corporate Committee held in the Council Chamber, 70 Stafford Street, Dunedin on Wednesday 14 June 2017, commencing at 12:12pm

Membership:

- Cr Doug Brown (Chairperson)
- Cr Andrew Noone (Deputy Chairperson)
- Cr Graeme Bell
- Cr Michael Deaker
- Cr Carmen Hope
- Cr Trevor Kempton
- Cr Michael Laws
- Cr Sam Neill
- Cr Gretchen Robertson
- Cr Bryan Scott
- Cr Stephen Woodhead

Apologies:

- Cr Deaker

The apology was accepted.

In attendance:

- Peter Bodeker (CEO)
- Nick Donnelly (DCS)
- Michele Poole (Acting DSHE)
- Gavin Palmer (DEHS)
- Scott MacLean (DEMO)
- Fraser McRae (DPPRM)
- Lauren McDonald (Committee Secretary)
- Sharon Bodeker
- Sean Geary
- Janelle Houliston
- Gerard Collings
- Eleanor Ross

Members of the public welcomed.

CONFIRMATION OF AGENDA

Cr Brown advised that the paper in regard to Elected Member reimbursements had been withdrawn from the agenda and will be tabled at an upcoming committee round.

CONFLICT OF INTEREST

No conflicts of interest were advised.

PUBLIC FORUM

No public forum held.

MINUTES

The minutes of the meeting held on 3 May 2017, having been circulated, were adopted on the motion of Crs Noone and Hope. **Carried.**

ACTIONS

Status report on the resolutions of the Finance & Corporate Committee

Report No.	Meeting	Resolution	Status
2017/0769 Director's Report	3/5/17	<i>That a response be made to Mary McFarlane on matters raised at Public Forum on 22 March 2017, in regard to the impact of the Port Otago Ltd operation on the Port Chalmers community and environment.</i>	CLOSED Letter sent by Director Corporate Services - 23/5/17

PART A- RECOMMENDATIONS

Item 1

2017/0838 **2017/18 Annual Plan - Recommendations from the Hearing Committee.**
DCS, 29/05/17

The report presented the Hearing Committee's recommendations in respect of the Draft Annual Plan. A summary of all submissions received to the 2017/18 Draft Annual Plan were circulated separately with the agenda.

Cr Brown summarised the Annual Plan hearing process and the covering report.

Discussion was held on the six key consultation topics.

Mr Bodeker responded to questions from councillors in regard to the rural water quality risk assessment programme. He advised a report would be presented to Council taking into consideration the Annual Plan submissions received.

Queenstown office

Discussion was held on the level of presence wanted for the Queenstown office, size and flexibility of the office space, level of services, staffing and its possible location.

Moved Cr Robertson
Seconded Cr Laws

That a full time presence and full time office be based in the Queenstown area with the CEO to establish staffing.

Motion Carried

New activities:

Additional comments made on sections:

3.7.2 - Lake restoration scoping work included:

- Review of priorities and principles around lake restoration in Otago.
- Review of legislative requirements
- “Full picture” look at priorities for the most at risk lakes.
- Consider additional Otago lakes for scoping work to be undertaken.

3.11 – Lagarosiphon

It was confirmed that the review of the Regional Plan: Pests would provide the opportunity for community input.

A suggestion was made that a regional rate rather than a sub-regional rate across CODC and QLDC for lagarosiphon control.

Moved Cr Bell
Seconded Cr Laws

That lagarosiphon control should be funded from a regional rate rather than on a sub-regional rate basis.

Motion Carried

The Hearing Panel members and staff were thanked for their efforts throughout the Annual Plan process.

Moved Cr Brown
Seconded Cr Woodhead

1. *That this report be received.*
2. *That the recommendations of the Hearing Committee within this report, and within the summary of submissions be endorsed.*
3. *That it is financially prudent to have an operating deficit in the 2017/18 financial year.*
4. *That the amendments to the Schedule of Fees and Charges be endorsed.*
5. *That the 2017/18 Annual Plan, incorporating the recommendations from the Hearing Committee be placed before the June Council meeting for adoption.*
6. *That the 2017/18 Rates Resolution be placed before the June Council meeting for adoption.*

Motion carried

Item 2

2017/0833 **Regional Public Transport Plan Otago 2014 Draft Addendum Concord – Green Island Community Link 2017**. Hearing Panel Chair, Cr Robertson, 29/05/17

The report provided a summary of the submissions received in response to the Concord – Green Island Community Link component of “The Otago Regional Council Regional Public Transport Plan 2014 draft Addendum: Wakatipu Basin and Green Island – Concord Link March 2017”.

The report included an overview of the hearing panel deliberations and the panel’s recommendation to adopt a draft addendum, as it related to the proposed Concord – Green Island Community Link with further amendments.

Three appendices to this report were circulated separately with the agenda, entitled:

Appendix 1 – Draft Addendum: Wakatipu Basin and Concord – Green Island Link

Appendix 2 – Summary of submissions received on the Green Island-Concord link

Appendix 3 – RPTP Addendum – Concord – Green Island Community Link– May 2017

Moved Cr Robertson

Seconded Cr Noone

- a) *That Council receive this report.*
- b) *That Council reinstate the Concord – Green Island community link as an extension to the Number 70 Brighton – Abbotsford bus service, Unit 5.*
- c) *That Council adopt “The Otago Regional Council Regional Public Transport Plan 2014 Addendum: Concord – Green Island Community Link - May 2017” attached as Appendix 3.*

Motion carried

Item 3

2017/0859 **Arthur Street, Canongate, Russell Street Community Survey – Bus Service**. DCS, 09/06/17

The report provided a summary of the results of a survey undertaken of residents and ratepayers in the Canongate Russell Street and Arthur Street area about the reinstatement of that portion of the bus service.

Appendices included with the report:

Appendix 1 – Copy of survey form.

Appendix 2 – Waverley–Belleknowes pre 15 August 2016.

Appendix 3 – Waverley–Belleknowes current.

Appendix 4 – Waverley–Belleknowes post Bus Hub/Interchange.

Mr Collings, Manager Support Services responded to questions from councillors on the survey results and the total mobility scheme.

A request was made for staff to provide a summary of the comments received on the survey form.

Moved Cr Kempton
Seconded Cr Woodhead

That Council:

- (a) *Receives this report.*
- (b) *That Canongate, Russell Street and Arthur Street **are not** included in Route 19.*

Voting was held by division.

For: 6, Against: 4

Motion carried

The meeting adjourned 2:25pm and recommenced at 4:16pm.

Item 4

2017/0853 **Director's Report – June 2017**. DCS, 01/06/17

The report provided detail on the Dunstan Ward By-election and account payments for endorsement. Polling Day was confirmed as Tuesday, 20 June.

Moved Cr Hope
Seconded Cr Neill

- a) *That this report be received.*
- b) *That the payments and investments summarised in the table above and detailed in the payment schedule, totalling \$3,673,184.26, be endorsed.*

Motion carried

PART B – FOR NOTING

Item 5

2017/0872 **Public Transport Update – June 2017** DCS, 09/06/17

The report provided Council with an update on the recent award of contracts for Unit 1, Unit 2, and the trial Ridge Runner services to Ritchies Transport Holdings Limited and Go Bus Transport Limited.

Moved Cr Kempton
Seconded Cr Scott

That Council receives this report.

Motion carried

Item 6
2017/0858 **Financial Report to 30 April 2017**. DCS, 08/06/17

The report provided information in respect of the overall Council finances for the ten months ended 30 April 2017.

Moved Cr Kempton
Seconded Cr Woodhead

That the report be received.

Motion carried

The meeting was declared closed at 4:20pm

Chairperson

REPORT

Document Id: A1021316

Report No: 2017/0951
Prepared for: Finance and Corporate
Prepared by: Director Corporate Services
Date: 18 July 2017

Subject: **Port Otago - Statement of Corporate Intent**

1. Précis

Each year the Board of Port Otago Limited is required to provide, for the comment of Council as shareholder, a Draft Statement of Corporate Intent (SCI). The Draft Statement of Corporate Intent for the three years to June 2020 has been received and is attached for Council's consideration.

2. Draft Statement of Corporate Intent

The Draft Statement of Corporate Intent sets out the objectives of the group, and the intended nature and scope of activities for the three-year period to 30 June 2020. The three-year scenario covered by the Draft Statement is reviewed annually on a rolling basis. The Deputy Chair and Chief Executive of Port Otago Limited will be in attendance to answer any questions.

The Statement of Corporate Intent process is the formal opportunity for Council, as 100% shareholder of the Port Otago Group, to have input into the intended activities of the company and its subsidiaries.

Key aspects of the objectives include:

- a) Quality service.
- b) Continuous customer service improvement.
- c) Appropriate return on assets.
- d) Recognition of environmental sensitivity of the Otago harbour and impact on local communities.
- e) A safe and satisfying working environment.
- f) Good corporate citizenship.
- g) Communication.
- h) Active property management.

Specific activities for the year ending 30 June 2018 include:

- a) Actively review activities to focus on customer service and optimum utilisation of resources.
- b) Actively promote a positive and safe working environment with continuous improvement in health and safety performance.
- c) Actively seek shipping and port related business development opportunities.
- d) Commence the 140 metre extension to the multi-purpose wharf at Port Chalmers.

- e) Complete deepening the existing shipping channel to Port Chalmers to 14 metres.
- f) Continue with the upgrade to the electrical power supply to the Port Chalmers container terminal, through the upgrade of substations on site.
- g) Identify an appropriate location for the excavated material from Flagstaff Hill, including making material available for the Dunedin to Port Chalmers cycleway.
- h) Take delivery of two new diesel electric straddle carriers and two new empty container handlers.
- i) Develop a long term plan for the Dunedin slipway including the appropriate location and work required to meet best practice operating procedures.
- j) Continue with the acoustic treatment programme within the Blue (60 dBA to 65 dBA) and Yellow (55 dBA to 60 dBA) noise zones at Port Chalmers. Actively progress, as approached by property owners, acoustic treatment applications for properties situated within the noise zones. Continue to measure and monitor noise and implement, where possible, new initiatives to minimise the effect of port noise on the community.
- k) Work constructively with the community through the Port Environment/Noise Liaison Committee by continuing to update and implement the Port Environment Plans. Maintain the landscaped areas at Flagstaff Hill, Back Beach and Boiler Point.
- l) In conjunction with the Port Environment/Noise Liaison Committee review the effectiveness of the Committee and identify opportunities to improve community engagement. As part of the review take into account changes required, if any, arising from the Dunedin City District Plan review.
- m) Continue to work constructively with the community consultative groups including Manuwhenua Consultation Group, the Next Generation Technical Group, Project Consultative Group and Dredging Working Party. Where possible, implement recommendations arising from the work of the consultative groups.
- n) Work with the community to complete a beach renourishment project at Te Rauone Beach.
- o) Continue the ongoing programme of identifying business and environmental risks faced by the Group and review the effectiveness of policies and procedures in place to minimise and manage the risk.
- p) Continuation of dredging in the harbour to facilitate safe access of ships to berths.
- q) Continue to evaluate and take up opportunities for property investment, divestment and development to improve asset quality, values, rates of return and future portfolio growth potential.
- r) Consider sales opportunities of Dunedin leasehold land, where a sale advances economic development within Dunedin city.
- s) Complete an office/warehouse development at Oak Road, Auckland.
- t) Continue with the development and realisation, through land sales, of the Te Rapa Gateway property development in Hamilton.
- u) Complete construction and leasing of the six-unit industrial office/warehouses within the Te Rapa Gateway industrial development.
- v) Complete construction and leasing of two 1,300m² warehouses within the Te Rapa Gateway industrial development
- w) Continue to work with other stakeholders to develop opportunities to facilitate the re-development of the Harbourside area in Dunedin.

3. Performance Targets

Performance targets in relation to trade, container terminal productivity, environmental, health and safety, and financial measurement and performance are also set out in the document.

4. Shareholders' Funds

The expected level of shareholders' funds as at June 2018 is \$443 million.

5. Recommendation

That the attached Draft Statement of Corporate Intent for Port Otago Limited and its subsidiaries for the three years to 30 June 2020 be endorsed.

Nick Donnelly
Director Corporate Services

Attachment: Port Otago Ltd- Draft Statement of Corporate Intent (SCI) 1 to 30 June 2020



Statement of Corporate Intent

for the three years to 30 June 2020

Port Otago Limited

Statement of Corporate Intent

This statement is presented by the Directors of Port Otago Limited in accordance with the requirements of Section 9 of the Port Companies Act 1988 and reflects the intentions of Port Otago Limited, its subsidiaries and associates ("the Group") for the three years of the Company's operations from July 2017 to June 2020.

(a) Objectives of the Group

1. To provide a quality service to cargo owners and shipping lines by way of a competitive choice in the supply chain.
2. To continue to review activities and services focusing on continuous customer service improvements and optimum utilisation of staff and resources to meet the demands of changing trade patterns.
3. To implement pricing and cost management strategies so that long term profits are earned to give shareholders an appropriate return on the port infrastructure and to provide funds for future development of the Group.
4. To recognise in all aspects of the Group's activities the environmental sensitivity of the Otago Harbour and the impact on local communities.
5. To provide staff with secure employment, a safe working environment, satisfying rewards and opportunities and training for increased responsibilities and advancement within the Group.
6. To conduct itself as a good corporate citizen consulting on matters of public interest.
7. To communicate the Company's plans and achievements to staff, shareholders and the wider community and to be receptive to constructive comment.
8. To manage the investment property portfolio through active acquisition, development and, at times, divestment to produce a diversified portfolio by property type and location. To manage investment property holdings to achieve the best long-term value gain while limiting exposure to undeveloped land.

(b) Nature and scope of activities

- (I) The activities of the Company, its subsidiaries and associates are to comprise generally:
1. The efficient operation and promotion of the Port of Otago.
 2. Provision of integrated container and cargo handling, warehousing and container depot services.
 3. Provide pilotage and towage services to facilitate the safe navigation of commercial shipping requiring pilotage within the Otago Harbour and Fjordland.

4. Grow the investment property portfolio, evaluate and take up new investment and development opportunities to improve asset values, and rates of return.
5. Sales of leasehold land will be considered where a sale advances development and employment opportunities in Dunedin.
6. Evaluate opportunities considered likely to add value to, or enhance the competitiveness of, the Company.
7. Such other actions that may be required to meet the objectives of the Company recorded under item (a) above.

(II) The following table details the company's trading subsidiaries and joint ventures:

Name	Percentage owned	Principal Activity
<i>Subsidiaries</i>		
Chalmers Properties Limited	100%	Property investment
Te Rapa Gateway Limited	100%	Property investment
Fiordland Pilot Services Limited	100%	Shipping services
South Freight Limited	100%	Transport investment
<i>Joint ventures and associates</i>		
HarbourCold Dunedin	50%	Cold store operation
Icon Logistics Limited	50%	Transport company
Hamilton Porter Joint Venture	66.6%	Property investment

(III) The specific activities of the Group for the three years under review to June 2020 are expected to include the following:

Year ending June 2018

Port Otago – port operations

- 1.1 Actively review activities to focus on customer service and optimum utilisation of staff and resources to meet the demands of changing trade patterns. Review pricing to ensure service charges provide an appropriate return on the port infrastructure.
- 1.2 Actively promote a positive and safe working environment for staff through a team focus, providing opportunities for career advancement and emphasising safety in all activities. Seek continuous improvement in health and safety performance.
- 1.3 Actively seek shipping and port related business development opportunities. Continue to evaluate opportunities to expand the Group's warehousing, transport and logistics services.
- 1.4 Commence the 140 metre extension to the Multi-Purpose wharf at Port Chalmers.
- 1.5 Complete deepening the existing shipping channel to Port Chalmers to 14 metres.
- 1.6 Continue with the upgrade to the ~~electricial~~ **electrical** power supply to the Port Chalmers container terminal, through the upgrade of substations on site.

- 1.7 Identify an appropriate location for the ~~evcavated~~excavated material from Flagstaff Hill, including making material available for the Dunedin to Port Chalmers cycleway. If possible, commence the excavation works and start the process to realign the road and rail line to Back Beach.
- 1.8 Take delivery of two new diesel electric straddle carriers and two new empty container handlers.
- 1.9 Develop a long term plan for the Dunedin slipway including the appropriate location and work required to meet best practice operating procedures.
- 1.10 Continue with the acoustic treatment programme within the Blue (60 dBA to 65 dBA) and Yellow (55 dBA to 60 dBA) noise zones at Port Chalmers. Actively progress, as approached by property owners, acoustic treatment applications for properties situated within the noise zones.

Continue to measure and monitor noise and implement, where possible, new initiatives to minimise the effect of port noise on the community.

- 1.11 Work constructively with the community through the Port Environment/Noise Liaison Committee by continuing to update and implement the Port Environment Plans. Maintain the landscaped areas at Flagstaff Hill, Back Beach and Boiler Point.
- 1.12 In conjunction with the Port Environment/Noise ~~Laisien~~Liaison Committee review the effectiveness of the Committee and identify ~~opportunitites~~opportunities to improve community engagement. As part of the review take into account changes required, if any, arising from the Dunedin City District Plan review.
- 1.13 Continue to work constructively with the community consultative groups including Manuwhenua Consultation Group, the Next Generation Technical Group, Project Consultative Group and Dredging Working Party. Where possible implement recommendations arising from the work of the consultative groups.
- 1.14 Work with the community to complete a beach renourishment project at Te Rauone Beach.
- 1.15 Continue the ongoing programme of identifying business and environmental risks faced by the Group and review the effectiveness of policies and procedures in place to minimise and manage the risk.
- 1.16 Continuation of dredging in the harbour to facilitate safe access of ships to berths.

Chalmers Properties Limited, subsidiary and joint ventures

- 1.17 Continue to evaluate and take up opportunities for property investment, divestment and development thereby improving the asset quality, values, rates of return and future portfolio growth potential.
- 1.18 In line with the Port Otago Group investment strategy consider sales opportunities of Dunedin leasehold land, where a sale advances economic development within Dunedin city.
- 1.19 Complete an office/warehouse development at Oak Road, Auckland.
- 1.20 Continue with the development and realisation, through land sales, of the Te Rapa Gateway property development in Hamilton.

- 1.21 Complete construction and leasing of the six unit industrial office/warehouses within the Te Rapa Gateway industrial development.
- 1.22 Complete construction and leasing of two 1,300m² warehouses within the Te Rapa Gateway industrial development.
- 1.23 Continue to work with other stakeholders to develop opportunities to facilitate the re-development of the Harbourside area in Dunedin.

Year ending June 2019

Port Otago – port operations

- 2.1 Review the port and port related activities to focus on customer service and optimum utilisation of resources to address changing trade patterns.
- 2.2 Continue to provide staff with a positive, safe and rewarding working environment.
- 2.3 Continue to seek new shipping opportunities and continue to evaluate opportunities to expand the Group's warehousing, transport and logistics services.
- 2.4 Conclude the Next Generation port development projects with the completion of the extension to the Multi-Purpose wharf and wharf sheetpiling.
- 2.5 Commence the Boiler Point fishing wharf at Port Chalmers.
- 2.6 Commence the upgrade of the yard and entrance at the South Freight container depot at Strathallan Street.
- 2.7 Commence the development of the container hub site at Dukes Road, Mosgiel.
- 2.8 Commence planning for the redevelopment of the Port Otago Head Office at Port Chalmers.
- 2.9 Subject to being able to conclude agreements to take the ~~excavated~~ excavated material from the Flagstaff Hill conclude the project to realign the road and rail line to Back Beach.
- 2.10 Continue ongoing programme of identifying business and environmental risks faced by the Group and review the effectiveness of policies and procedures in place to minimise and manage the risk.
- 2.11 Continue to work constructively with community consultative groups. Continue to review and refreshing, when required, community engagement. Continue to review the Noise Management Plan and where possible achieve further improvements to noise abatement procedures. Continue to monitor total port noise.

Chalmers Properties Limited, subsidiary and joint ventures

- 2.12 Continue to implement the strategy for enhancement of the property portfolio.
- 2.13 Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- 2.14 Continue with the development and realisation, through land sales, of the Te Rapa Gateway property development in Hamilton.

- 2.15 Continue to work with other stakeholders to develop opportunities to facilitate the re-development of the Harbourside area in Dunedin.

Year ending June 2020

Port Otago – port operations

- 3.1 Continue to review the port, warehousing and related activities to focus on customer service and optimum utilisation of resources to address changing trade patterns.
- 3.2 Continue to provide staff with a positive, safe and rewarding working environment.
- 3.3 Continue to manage and monitor total port noise.
- 3.4 Complete the development of the container hub site at Dukes Road, Mosgiel.
- 3.5 Continue to redevelop the South Freight container depot at Strathallan Street, Dunedin.
- 3.6 Continue programme of business and environmental risk, evaluation and management.
- 3.7 Continue to work constructively with community consultative groups. Continue to review and refreshing, when required, community engagement. Continue to review the Noise Management Plan and where possible achieve further improvements to noise abatement procedures. Continue to monitor total port noise.
- 3.8 Continuation of dredging in the harbour to facilitate the safe access of ships to berths.

Chalmers Properties Limited, subsidiary and joint ventures

- 3.9 Continue to implement an active property investment and management strategy.
- 3.10 Continue to implement strategies for the sale or redevelopment of leasehold land in Dunedin.
- 3.11 Continue with the development and realisation, through land sales, of the Te Rapa Gateway property development in Hamilton.
- 3.12 Continue to work with other stakeholders to develop opportunities to facilitate the re-development of the Harbourside area in Dunedin.

(c) **Ratio of Consolidated Equity to Total Assets**

Financial Year ending 30 June	Actual or estimate	Consolidated Shareholders funds	Total assets	Ratio of Shareholders Funds to Total Assets
2016	Actual	\$402m	\$497m	81%
2017	Estimate	\$432m	\$535m	81%
2018	Estimate	\$443m	\$554m	80%
2019	Estimate	\$450m	\$563m	80%
2020	Estimate	\$457m	\$571m	80%

Equity comprises the issued and paid up capital together with retained earnings, the property revaluation reserve and any other reserves. Total assets represent all assets of the Group determined in accordance with the accounting policies as set out in the 2017 Annual Report.

The preferred range over time for the equity ratio is between 70% and 85%. The timing of capital expenditure, the income yields on Company investments and prevailing market conditions may mean it is prudent for the Company to operate outside the preferred equity ratio range for periods of time.

(d) **Accounting Policies**

The Company's accounting policies are detailed in the 2017 Annual Report which is available from the Company's website located at <http://www.portotago.co.nz>

(e) **Performance Targets**

The performance of the Company in relation to its objectives may be judged by comparing actual results with budgeted targets of the following nature:

Trade

Port Otago's 2018 financial year budgeted container throughput is 180,000 twenty foot equivalent units (TEU) and the budgeted conventional cargo throughput is 1.6 million tonnes.

The expected number of vessel arrivals in the year to 30 June 2018 is 487 vessels.

Container terminal productivity

The Company aims to achieve gross container crane productivity for the year ending 30 June 2018 of 27.5 lifts per crane hour.

Environmental

Incidents leading to pollution of Harbour
Full compliance with all resource consent conditions

Performance target

- Nil
- Nil breaches of resource consent conditions

Health & Safety

The Company has a Zero Harm strategy in place and it endeavours to be an industry leader in setting new standards of safety. With the involvement of every team member it is planned, through a process of continuous improvement, to progressively improve health and safety performance.

The performance measures to be used are:

- maintain Workplace Safety Management Practice (WSMP) tertiary status;
- maintain compliance with the Australian and New Zealand health and safety standard AS/NZS 4804:2001

The Total Injury Frequency Rate (TIFR) target for the year to June 2018 is 9 for every 1 million work hours. This compares to a TIFR of 15.6 for every 1 million work hours for the year to 30 June 2017.

Financial measurement and performance

The performance measures to be used are:

Earnings before interest and taxation (EBIT) return on average total assets.

- Return on equity - Profit, including unrealised fair value movements, divided by average shareholders' equity.
- Equity ratio - The percentage that shareholders' funds represent of total assets with the target range between 70% and 85%.
- Debt servicing ratio - The number of times interest is covered by the profit before tax, interest, unrealised fair value movements and unrealised impairment charges. Unrealised fair value movements include investment property revaluations, changes in the value of interest rate swaps and changes in the value of foreign exchange contracts.

The budgeted targets for Port Operations, Chalmers Properties Ltd (excluding property revaluations) and the Port Otago Group for the year ending 30 June 2018 are:

	Port Operations
EBIT return on assets	6.5%
Return on equity	9.2%
Equity ratio at 30 June 2018	78%
Debt servicing ratio	12 times

	Chalmers Properties Ltd
EBIT return on assets	4.9%
Return on equity	3.7%
Equity ratio at 30 June 2018	82%
Debt servicing ratio (Property revaluations not included)	6 times

	Port Otago Group
EBIT return on assets	5.6%
Return on equity	4.5%
Equity ratio at 30 June 2018	80%
Debt servicing ratio	8 times

(f) **Dividend Policy**

1. The return to the shareholders from shares held in Port Otago Limited will include dividends from trading profits earned.
2. The intention is to maintain ordinary dividends at least at \$7.5 million, increasing over time to within the range of 50% to 70% of the group's normalised operating surplus after tax.
3. Subject to meeting the required solvency tests, pay a special dividend of \$1.5 million for the year ended 30 June 2018 and \$0.75 million for the year ended 30 June 2019.

(g) **Information for Shareholders**

Sufficient information will be made available to the Company's shareholders so that they may properly assess the value of their investment in the Company, in particular any change in value.

An Interim Report covering the six months to 31 December of each year shall be provided by 28 February. The report shall include a commentary on activities and unaudited financial statements for the period.

The Annual Report for each year ending 30 June shall be provided by 30 September of each year. The annual report shall include a commentary on activities, a comparison with performance targets set out in the Statement of Corporate Intent and audited financial statements for the year.

In conjunction with the Interim and Annual Reports the Company shall report to the shareholder on progress with implementing the Objectives and the Specific Activities set out in the Statement of Corporate Intent.

(h) **Procedures for business acquisition**

The Group will only invest in shares of another company or business if the acquisition will produce shareholder added value over the longer term.

If any Company within the Group intends to subscribe for or otherwise acquire a financial interest in any company or business where the cost of that interest or acquisition exceeds 10% of Group shareholders funds it will have prior consultation with its shareholders.

(i) **Activities subject to Compensation**

The Company will provide the following services for the Otago Regional Council for which the company expects to be remunerated or reimbursed by the Regional Council:

- a) Assistance in matters of good navigation and safety on Otago Harbour.
- b) Provision of such services as may be requested by the Regional Council.

REPORT

Document Id: A1022489

Report No: 2017/0962
Prepared for: Finance and Corporate
Prepared by: Director Corporate Services
Date: 25 July 2017

Subject: **Public Transport Update - July 2017**

1. Précis

This report provides staff response to the petition received and public forum comments made at Council's 28 June meeting. It further provides an update on designation process for the Dunedin Central Bus Hub which is currently being publicly notified by the DCC.

The report confirms the introduction of Public Wi-Fi on both the Dunedin and Wakatipu networks by the end of this calendar year.

An update on the tender process for the Wakatipu Services confirms a targeted implementation date of 20 November 2017, and the Finance and Corporate Committee are asked to authorise the Chief Executive to award the necessary Public Transport service contracts.

2. Bus Stop Petition

At the 28 June Council meeting, BusGo presented a petition seeking bus stops be placed in the vicinity of the Public Library and Bracken Court (Lower Moray Place) (appendix 1).

Public Library

Upper Moray Place (in the vicinity of the Library) is currently not serviced by the Public Transport Network. This section of Moray Place will remain without a service once the Bus Hub becomes operational. With the proposed location of the Hub in Great King Street, it is approximately a 250m walk to the Library.

Bracken Court

With the location of the Bus Hub in Great King Street, bus services will no longer access Princes and George Streets between Moray Place South and Saint Andrew Street. This will result in approximately 540m between the Princes Street/Dowling Street stop and Great King Street.

The road layout, proximity to pedestrian crossings and number of vehicle entrances, make it difficult to provide for stops in this location. The matter will be raised with DCC for consideration.

During the presentation, BusGo referred to Council's policy regarding bus stop placing contained in the Regional Public Transport Plan which states;

"Policy 18

(a) In built-up urban areas, spacing between bus stops of 300 and 400m are desirable in most situations, certainly no more than 500m apart and no less than 200m apart."

The policy sets guidance for staff for network planning as new routes are introduced, and work is undertaken in discussion with DCC regarding the placement of new stops and infrastructure changes. BusGo specifically referred to the distance between the Rattray/Arthur Street stops and Princes Street. This particular instance is known to staff. Prior to the petition regarding the Canongate extension, staff were actively engaged in the required consultation process with affected residents for the placement of stops in the vicinity of the Rattray Street/Smith Street intersection. This was suspended until Council resolved its position with regard to the Belleknowes Service. The process will now be reactivated.

3. Public Forum Council 28 June

At the June Council meeting, two members of the public addressed Council with concerns regarding the provision of public transport in Dunedin as follows;

Lynne Hill

Council Meeting extract – *“Mrs Lynne Hill requested that Council reassess decisions made about public transport against ORC mission statement and objectives. She advised after discussion and feedback from other bus users that she did not believe decisions about bus route changes and bus stop removals were being achieved in a transparent manner, that they were being imposed at short notice and without adequate consultation.*

She felt the public transport services did not take into account the social concerns, such as the change of bus routes and bus stops adversely affecting the elderly, those with limited mobility and passengers with young children. Passengers using strollers and walking frames etc. were being disadvantaged as not all of the “kneeling buses” lowered to the level of the pavement, impacting passengers with limited mobility. She requested that Council reconsider the route changes in relation to social needs rather than just focussing on faster and more direct routes. She highlighted that the elderly community were an increasing demographic, needing the bus services most and that making buses more difficult to reach and to get on and off, was not looking to the future.”

Staff response: Council has consulted on its public transport proposals in a full and transparent manner. Council is now implementing the programme of improvements adopted in the Regional Public Transport Plan (RPTP). The revised network and improvement programme is seeking to improve access to the services and accessibility of all aspects of public transport. For example, in adopting NZTA’s standard “Requirements for Urban Buses” (RUB), Council has adopted the accepted standard for kneeling buses, wheelchair accessibility, priority seating for those with disabilities, and standards for the visually impaired. All buses are assessed against RUB prior to being allowed to enter service on the network. The new buses that have entered the fleet are compliant with the NZTA standard, and varying kerb heights throughout the city are a factor in the ability of buses to meet the kerb.

Ann McWhirter

Council Meeting extract – *“Ann McWhirter spoke to the Bus Route No. 19 – Belleknowes section. She advised she wished to remind decision-makers of the wider goals and policies underpinning the Regional Public Transport Plan.*

Ms McWhirter referenced parts of the Otago Southland Land Transport Plan 2015-2021 (OSLTP) in regard to the main aims of the transport system: to meet social needs; that access in the network is in a manner that is convenient and affordable to funders and users; provides infrastructure which is affordable and appropriate to function, and that transport planning takes a journey-based, customer-focussed approach.

She requested that Council apply the principles and strategies of the OSLTP to the City Rise area by amending the No. 19 service on the city route so that it would turn left at the Harvey Norman site intersection (re-joining the Smith Street route) and on the return journey, to continue up Maclaggan Street to Canongate. She believed the re-inclusion could occur without major expenditure and could also proceed as a trial route until introduction of the Bus Hub. She concluded by advising that the City Rise area could cope without bus shelters rather than no service."

Staff Response: Staff consider that the RPTP, the Dunedin network improvement programme, and the Total Mobility Scheme are consistent with the aims and policies of the OSLTP. The OSLTP through its aims, objectives and policies consider the network as a whole, including all transport modes and commercial and subsidised transport providers. Council's programme of improvements have already seen a significant improvement in the quality, accessibility, and age of the fleet.

In implementing the Bus Hub and new infrastructure, technology and printed media accessibility is a key focus. In adopting the new network, Council have taken an entire journey approach including consideration of all bus users, which also includes other modes of travel including walking and cycling.

4. Bus Hub

The designation process for the Bus Hub has been publicly notified by the DCC with submissions closing with the City on 18 August 2017. DCC will advise its hearing schedule in due course. Once submissions have been heard by the DCC, it will make recommendation to Council for ORC to make its decision.

5. Wi-Fi

Staff are finalising details with the bus operators regarding implementation of public Wi-Fi on all bus services on the Dunedin network. It is expected that this will be operational late September early October of this year. Wi-Fi will also be available on the new Wakatipu network.

6. Wakatipu

Tenders are currently being called for Units 6 and 7 of the Wakatipu Public Transport network. Unit 7 is by way of an open tender. The Unit 6 is procured by way of a structured procurement process (approved and observed by NZTA), involving a negotiated contract (as required by the Land Transport Management Act) with the incumbent operator.

Funding for the new services is included within the 2017/18 Annual Plan.

To meet the targeted implementation date of 20 November 2017, a timely tender award is required. As such, Council are asked to delegate the Chief Executive authority to award the necessary contracts for Unit 6 and Unit 7 in consultation with the Chairperson and the Chair of the Finance and Corporate Committee.

7. Recommendation

That the Finance and Corporate Committee;

- a. *Receives this report.*
- b. *Authorise the Chief Executive, in consultation with the Chairperson and the Chair of the Finance and Corporate Committee, to award the necessary Public Transport service contracts for the Wakatipu Public Transport Network being Unit 6 and Unit 7.*

Nick Donnelly
Director Corporate Services

Appendix 1 - Bus Go petition

To the Otago Regional Council, we the undersigned bus users ask that you please...

Name and address

1 Alison Lewis
447 Taleri Rd
Dun. 9010

2 Grace Cameron-Taylor
grace.cameron.taylor@gmail.com

3 Molly Roffey
mfruffey@gmail.com

4 Marilyn Power
colinm Marilyn extra.co.nz

5 Friederike Schmalte
15 Reservoir Rd Warrington

6 S.C. White 3. Solomon St
Dunedin

7 Kay Murray 45 Norman St DN.

8 Robert Farringer 91 Malville St DN part contact me

9 Dorothy Taylor 140A Kenmore Rd DN

10 A Gardiner 10a Queen St DN.

11 G McWhirter 21 Carnarvon St DN

12 Marion Rae 49 Signal Hill Rd DN.

13 Shirley McIndyeh 135 Moturua Rd.
Taveri Road

14 Rosemary Kape 346 Bay View Rd DN.

15 Mary Cumming 191a Gilmore St Dunedin



Name and address

16 Geoff Thompson
2 Raleigh St
Dun

17 G. Fitzgerald

18 Brady Concord

19 Melketwell Concord

20 Thom Kaitorai

21 Jay Alderson - Muir
Roslyn

22 Jo Howel 5th DN
Memington 2016

23 ~~Jo Howel~~

24 The Hotel Tackle bar

25 Marika Jeanne - St. Kilda

26 Rhina Chan - Bay View Road, South Dunedin

27 Wayne Johnson - Ocean Grove

28 Kaylee Halfway Bush

29 Angus Gallagher NEV

30 Phil Greenwood Portabella

To the Otago Regional Council, we the undersigned bus users ask that you please..

Name and address

- 1 *Dawson Smith
6 Northumberland St.*
- 2 *Mal Seay
100 Easter Cres
Dn*
- 3 *AVALIZA O'BORN
CENTRAL CITY*
- 4 *Sue Small
19 Derwent St
Helensburgh*
- 5 *Sen Pupuradi
32 Glen Rd Warrington*
- 6 *Hania Taha
Brockville*
- 7 *~~Doje-Dempster~~
Halfway bush*
- 8 *Quintin Still
Waikanae*
- 9 *Ty Rasmussen - Waikanae*
- 10 *Zeneke McNeill Waitaki*
- 11 *Wharero Harewini Harewini*
- 12 *Joseph Hancock*
- 13 *Josh Dick*
- 14 *Tahira*
- 15



Name and address

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To the Otago Regional Council, we the undersigned bus users ask that you please...

Name and address

- 1 Danielle Halfway bush
- 2 Phillip Don central
- 3 Alice Carlton Hill
- 4 W. Kerney "N.E.V."
- 5 W. Treadwell Brackenlee
- 6 Chris McFelin
- 7 Dale Beaton Mornington
- 8 Blake Diggan Concord
- 9 Eryn Wairori
- 10 Becca Wairori
- 11 Peter Dowden, Woodhouse
- 12 Telagi Papau Shiel Hill
- 13
- 14
- 15



Name and address

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To the Otago Regional Council, we the undersigned bus users ask that you please..

Name and address

- 1 *Caryne Boeie - Halfway Bush.*
- 2 *Keegan Gray
Ta Brod Kulle*
- 3 *Mitchell Barnes
Helensburgh*
- 4 *Den Hannagan Wakari
2 Jimmy Coversham*
- 5 *H. Cumming Wakari*
- 6 *Mary Cumming Wakari near Bracken Court*
- 7 *Kelsey Bradshaw Halfway Bush*
- 8 *Murray Mein Burnside 9018*
- 9 *Nigel Bensen, South Dn.*
- 10 *Kejawa, Maryhill*
- 11 *Wesley Maryhill*
- 12 *D. Makara. Musselburgh*
- 13 *G. Spilner (Anderson Bay)*
- 14 *H. Tupi My Waverley*
- 15



Name and address

- 16 *Shandelle Taylor NEV.*
- 17 *Wagner Kaitiaki*
- 18 *W. H. Winstone
Constonplumie*
- 19 *Clive McNeill
Balclutha.*
- 20 *Barrie McInnes
Kiaherua*
- 21 *P. Ellender WAKARI*
- 22 *Minda (North East Otago)*
- 23 *Devel Hoogweg Brackville*
- 24 *Lucy Livingston Wakari*
- 25 *Terre Hall City Rise*
- 26 *Ken Reichelt Kaitiaki Louisiana, USA*
- 27 *Carol Baird Sea Cliff (NEV)*
- 28 *Francis Nelson coversham*
- 29 *Michael Wards Gickland*
- 30 *Jarlin Takumu*

To the Otago Regional Council, we the undersigned bus users ask that you please...

Name and address

- 1 Jocelyn Marans
17 Forbury Rd.
- 2 S Mason
48 P Rowell - Sr. Tainui
- 3 MIKE MURDOCK
3/63 GELPIMAWA
- 4 OWEN MORRIS 52 Allenby Ave
- 5 Ron Cairns 91 Coleridge
- 6 Madeline Broadsfoot
38 Coleridge Ave
Jeremy Belcher, Dunedin.
- 8 Linda Clapham, New, Dn
- 9 Darlene McRay Kenmore Dn.
- 10 Ruby Kyle Mornington
- 11 Sophia McKenzie Saintclair
- 12 Phebe Dunedin
- 13 Rebecca Lawrence Woodhaugh
- 14 HANNAH PHILLIPS DUNEDIN
- 15 MIKAL NEL.



Name and address

- 16 Am Latta
NE valley
- 17 Lucy Mynne
North east valley
- 18 Jewell South Dunedin
- 19 BR North Dunedin
- 20 KIM SENG TAN
ROSLYN
- 21 Sam Davidson
Caversham
- 22 Beefull (Sth Dunedin)
- 23 Josh Lee (Mornington)
- 24 Donald Scott - Christchurch
- 25 Vol Kussel Bellbraes
- 26 R. Stephen Lockout Point.
- 27 Sofia Amer St Clair.
- 28 Sam Donkin Balaclara
- 29 Kathleen Laine Mornington
- 30 Maria Skera Haifway Bush

To the Otago Regional Council, we the undersigned bus users ask that you please...

Name and address

- 1 Peter Williams 322 Chain Hills Road RD1, Dunedin
- 2 Matthew Farmer 24 Bark St Agd
- 3 Tranna Farmer 24 Bark St
- 4 Tina Elkins Brockville
- 5 Courtney Elkins Brockville
- 6 David Foote Mornington
- 7 Michaela Cole St Clair
- 8 Sam Cairns Halfway Bush
- 9 Alan G Hains Glenleith
- 10 Ricky Dearyman DUN CITY
- 11 W. Harbo
- 12 Jonathan Kay Brockville
- 13
- 14 Fraser Brockville Sarah Fraser
- 15 Geoffrey White South Dunedin



Name and address

- 16 121 Staircase
- 17 Sophie 84 Spottiswoode
- 18 W Bracken 41 Little Bowden Rd Roslyn
- 19 D Allan 77 Dunedin
- 20 H Walker
- 21 V Wall
- 22 Susan Pryde Kaikorai
- 23 Mount Cassill
- 24 City Centre
- 25 Pine Hill
- 26 St Clair
- 27 Andy Bay
- 28 Mohammed Mottur Kew
- 29 Mohammed ALHALLAQ High St
- 30 Lama Tarawia Kew

REPORT

Document Id: A1021580

Report No: 2017/0957
Prepared for: Finance and Corporate
Prepared by: Director Corporate Services
Date: 19 July 2017

Subject: **Director Report - July 2017**

1. Account Payments

Schedules of payments made are referred to the Finance and Corporate Committee for endorsement. The financial commitments and payment authorisation are made in accordance with Council's financial delegations and internal control procedures.

Payment Category	May 2017	June 2017	TOTAL
Trade payments	3,187,961.57	4,702,890.49	7,890,852.06
Payroll	761,912.63	748,118.00	1,510,030.63
Investments	1,000,000.00	1,400,000.00	2,400,000.00
Total	4,949,874.20	6,851,008.49	11,800,882.69

2. Recommendations

- 2.1 That this report be received.
- 2.2 That the payments and investments summarised in the table above and detailed in the payment schedule, totalling \$11,800,882.69, be endorsed.

Nick Donnelly
Director Corporate Services

REPORT

Document Id: A1020375

Report No: 2017/0945
Prepared for: Finance and Corporate
Prepared by: Manager Projects
Date: 14 July 2017

Subject: **Long Term Plan Process and Timetable**

1. Précis

Planning is underway for the development of the 2018-28 Long Term Plan (LTP). The purpose of this paper is to inform the Finance and Corporate Committee of how the LTP will be developed and the timetable for its completion. Note is made that the LTP and its consultation document will be audited.

2. Background

Under the Local Government Act (LGA), all local authorities are required to produce a 10 year long term plan every three years. The next LTP will cover the period 2018 through to 2028, it must be adopted by 30 June 2018, and will commence on 1 July 2018.

3. Content of the LTP

Part 1 of Schedule 10 of the LTP sets out the information required to be included in an LTP. In summary, the LTP must contain the following information:

- **Community outcomes** - describe the community outcomes for the region.
- **Groups of activities** – identify activities within groups of activities, provide rationale for delivery of those activities, and any significant negative effects an activity may have on the community.
- **Capital expenditure** – identify expenditure budgeted to meet additional demand, improve the level of service, and replace existing assets.
- **Statement of service performance** – for each group of activities, identify levels of service, measures and performance targets, and any intended level of change to levels of service provided for in the year before the LTP commences.
- **Funding impact statements** – for each group of activities, and for council as a whole, showing expenditure and sources of funding.
- **Development of Maori capacity to contribute to decision making processes** – set out steps to foster this development.
- **Strategies and policies** – as follows:
 - Financial strategy.
 - Infrastructure strategy – covering a 30 year period.
 - Revenue and financing policy.
 - Significance and engagement policy – a summary of this policy.
- **Financial statements** – forecast for the 10 year period, and previous year comparisons.
- **Statement regarding balancing of the budget** – if a deficit is proposed for Council's operating budget for any year of the plan, a statement for reasons and implications.

- **Rating base information** – projected number of rating units.
- **Reserve funds** – purpose of funds, and movements over the 10 year period.
- **Significant forecasting assumptions** – including life cycle of significant assets sources of funds for future replacement of those assets, and the level of uncertainty around the assumptions.

4. Consultation

Section 93A of the LGA requires Council to use the special consultative procedure to adopt the LTP. It also requires the preparation of a consultation document, and the draft LTP must not be used as an alternative.

The consultation document must provide a fair representation of matters proposed in the LTP, describing issues and options for each issue.

5. LTP Process

Council's strategic plan provides the direction for Council activities over the next 10 years. It will be the key driver for the preparation of the LTP.

The Executive Leadership Team (ELT) has met to give consideration to the LTP, and its development, and key process points identified included the following:

- Council involvement throughout the process is critical.
- For managers to plan their work programmes, clear direction that comes out of the strategic direction needs to be given from the executive.
- Staff to engage with the territorial authorities about their significant assumptions such as population growth and how they may affect ORC's activities, and any other matters for consideration over the 10 year period of the LTP.
- Examine ORC activities, their purpose and their scope, and the connectivity between projects.

5.1 Community Outcomes

We are proposing to undertake a review of Council's community outcomes, giving consideration to the outcomes presented in the Regional Policy Statement, and the work undertaken previously. We consider that the current outcomes could be presented in a more community focused manner. Recommendations will be taken to a Council workshop.

5.2 Activities and Projects

Developing the work programme for the next 10 years will involve the following steps:

- Meeting with managers to provide direction by ELT.
- Each activity will be assigned a director sponsor, and a project owner (director or manager).
- Project meetings will be held, e.g., water quality implementation, where all managers involved in the delivery of this will meet, along with the director sponsor, to consider purpose, scope, what needs to be delivered, how, and when.
- Proposals will be checked for alignment with the strategic plan.
- Assumptions will be documented.
- Identification of resources needed (hours, skill sets etc.) to deliver the work programme, along with other estimated expenses will be prepared.
- The Revenue Policy will be applied to determine how expenditure will be funded.
- Council workshops will be held to discuss proposals, and confirm direction.

5.3 *Strategies and Policies*

Reviewing and updating Council's strategies and policies is a piece of work, separate from the activity/project planning exercise, and will be undertaken at an early stage in the process. Recommendations will be presented to councillors at workshops to discuss proposals and confirm direction.

5.4 *Fees and Charges*

A review of compliance fees is being proposed, to ensure the adequacy and appropriateness of our charges. In addition, a full review of council's schedule of fees charges will be undertaken to ensure charges comply with the revenue policy.

6. **Timetable**

Set out below is the timetable for completing the development of the LTP and consultation document.

Task	Involvement	Date	Workshop/Council/ Committees	Date
1. Directors to meet with managers to guide preparation of activities and projects.	ELT Managers	3 July 2017		
	Council		2. Council review of strategic plan	11-12 July 2017
			3. Council workshop on the strategic plan. Brainstorm high level strategic priority activities.	2 August 2017
4. Engagement with territorial authorities on significant assumptions etc.	CE, DCS DSE Manager Projects	July to September 2017		
5. Activity / project meetings and estimates preparation	Director sponsors Managers	August to early October 2017		
			6. Council workshop on <ul style="list-style-type: none"> • Activity framework – clarity on key issues • significant assumptions 	13 Sept 2017
7. Review community outcomes wording	DSE Manager Projects	August / Sept 2017		
			8. Council workshop on introduction to the financial strategy, and community outcomes	27 Sept 2017

9. Review of Revenue Policy	Manager Projects	August / Sept 2017	10. Council workshop on Revenue Policy	18 October 2017
11. ELT review of activities and projects	ELT	16 October 2017	12. Council workshop on activities and projects	1 Nov 2017
13. Initial audit visit on progress	Deloitte	November 2017*		
			14. Council workshop on activities and estimates	29 Nov 2017
15. Review of fees and charges	Manager Projects Management Accountant	October / November 2017	16. Council workshop on fees and charges	13 Dec 2017
17. Preparation of the Infrastructure Strategy	Manager Engineering	November 2017	18. Council workshop on the Infrastructure Strategy	13 Dec 2017
19. Review of Financial Strategy	Manager Projects	January 2018	20. Council workshop on Financial Strategy	31 January 2018*
21. Develop a communications & engagement plan	DSE Snr Strategic Coms & Engagement Advisor	February 2018	22. Council workshop on communications & engagement plan	21 February 2018*
23. Prepare draft LTP and Consultation document	Manager Projects Comms	December 2017 to February 2018	24. Council workshop on draft LTP and consultation document	21 February 2018*
25. Audit of LTP	Deloitte	February 2018*		
26. OAG hot review	Deloitte Manager Projects	End of February 2018*		
	Deloitte Audit & Risk Committee		27. Auditors report to Audit & Risk Committee	7 Mar 2018*
	Council or Finance & Corporate Committee		28. Endorsement of the LTP Consultation Document	21 March 2018*
29. Submissions close		9 May 2018*		
	Hearing committee		30. LTP hearings	23 May – 29 May 2018*
	Finance & Corporate Committee		31. Recommendations from hearing committee to Finance & Corporate Committee	13 June 2018*
	Council		32. Adoption of the final LTP	27 June 2018*

* Dates subject to confirmation of meeting schedule for 2018

7. Recommendation

That this report be noted.

Nick Donnelly
Director Corporate Services

REPORT

Document Id: A1021519

Report No: 2017/0954
Prepared for: Finance and Corporate Committee
Prepared by: Manager Support Services
Date: 21 July 2017

Subject: Insurance Renewals 2017/18

1. Précis

Council staff have finalised renewal of Council's insurance cover, with an overall premium increase of 12%. Factors influencing the increase include increased property values, increase in vehicle fleet numbers, value and claim history, and increased staff numbers.

2. Renewal Update

Staff have completed the renewal of Council's existing insurance policies for the period 4 pm 30 June 2017 to 4 pm 30 June 2018.

This year there has been an increase in most of Council's policies. Key factors influencing premiums are as follows;

Material Damage – increased asset values and recent adverse natural events and disasters. Increases in this policy have been offset somewhat by a rebate on the Fire Service Levy of approximately \$2,000. With the current market and the significant projected increases in Fire Service Levies, Council should expect further increases for the premiums for 2018/19.

Motor Vehicles – increased fleet numbers and value, including the vehicles required for civil defence. The premium also reflects Council's claims profile which over the couple of years has been unfavourable.

It is also noted that Council's Professional Indemnity and Public Liability Insurance cover has increased from \$200,000,000 to \$300,000,000 with no increase in premium.

Council now no longer carry marine hull insurance having disposed of its oil spill response craft in favour of hiring appropriately equipped and skippered vessels to respond to marine oil spills.

Harbourmaster and wreck removal cover is provided under Council's Professional Indemnity and Public Liability Insurance cover.

3. Summary of cover

The insurance categories and a comparison of premiums between the 2016/17 and 2017/18 years are scheduled below:

Cover	Premium		
	Excess \$	2016/17 \$ excl. GST	2017/18 \$ excl. GT
Material Damage (property, contents)	See note i)	63,862	65,186*
Business Interruption	5,000	3,424	3,704
Motor Vehicle	1,000	30,740	45,959
Fidelity Guarantee	25,000	7,950	8,550
Personal Accident	Nil	4,128	4,364
Marine Hull	500	927	-
Professional Indemnity and Public Liability Insurance	5,000/10,000	29,400	29,400
Employers and Statutory Liability and Defence costs		7,865	9,530
Travel		800	900
Total		149,096	166,693

*includes Fire Service Levy rebate

Notes:

i) The excess of Material Damage claims are as follows:

Subsidence and Landslip:	\$50,000.
Natural Disasters (as defined in the policy):	5-10% of the Material Damage site. Sum insured minimum \$5,000.
All other claims:	\$5,000 per claim.

ii) Fidelity, the level of cover at \$2,000,000.

iii) Public Liability and Professional Indemnity Limit increased from \$200,000,000 - \$300,000,000

iv) Harbourmasters' liability at \$25,000,000.

v) Employer's and Statutory Liability at \$2,000,000.

vi) Defence Costs associated and additional to v) above at \$1,000,000.

4. Recommendation

That this report be noted.

Nick Donnelly
Director Corporate Services

REPORT

Document Id: A1018822

Report Number: 2017/0936
 Prepared For: Finance and Corporate
 Prepared By: Finance Manager
 Date: 27 July 2017

Subject: **Preliminary Financial Report for the year ended 30 June 2017**

The following preliminary information is provided in respect of the overall Council finances for the twelve months ended 30 June 2017. The information included in these financial statements is preliminary only, as certain year-end financial procedures have yet to be completed, and valuation information as at 30 June 2017 is yet to become available.

1. Preliminary Statement of Comprehensive Revenue and Expense and Preliminary Statement of Financial Position

**Otago Regional Council
 Preliminary Statement of Comprehensive Revenue and Expense
 For the year to 30 June 2017**

	Note Ref.	\$000s		
		Year to 30 June 2017		
		Budget	Actual	Variance Note *
Revenue:				
Rate revenue		15,940	15,963	23
Government subsidies	Note 1	9,575	8,444	(1,131)
Other revenue	Note 2	3,892	5,712	1,820
Dividend income from Port Otago Ltd	Note 3	7,400	7,800	400
Interest and investment income	Note 4	2,150	2,279	129
Rental income	Note 5	1,111	1,051	(60)
Gain in value of investment property	Note 6	313	-	(313)
Total revenue		40,381	41,249	868
Less expenses:				
Operating expenses		27,734	27,597	137
Employee benefits expense	Note 7	12,133	12,927	(794)
Depreciation/amortization charge	Note 8	1,761	1,937	(176)
Total expenses		41,628	42,461	(833)
Surplus/(deficit)		(1,247)	(1,212)	35
Income tax benefit		115	98	(17)
Surplus/(deficit) after tax		(1,132)	(1,114)	18
Revaluation gain – shares in subsidiary	Note 9	10,000	-	(10,000)
Net comprehensive revenue		8,868	(1,114)	(9,982)

Note *

In the above statement, bracketed variances indicate revenue less than the budgeted level, and expenditure in excess of the budgeted level.

Note 1 – Government Subsidies

The Council receives subsidies from Government agencies on eligible expenditure. The level of subsidy income is therefore directly related to the level of eligible expenditure.

Public Passenger Transport

Subsidy income from the Public Passenger Transport project is down \$2,194,000 on the budget of \$9,193,000.

Within this project, some individual variances are the result of lower than budgeted expenditure levels in respect of developmental work of a capital nature, resulting in a lower level of claimable subsidy at this time.

These subsidy variances are the Electronic Ticketing System Replacement project with a variance of \$1,261,000, the Real-time Information project with a variance of \$281,000, and the Bus Hub project with a variance of \$653,000.

Dunedin Bus Contracts activity also has a lower level of subsidy with a variance of \$364,000 against a budget of \$3,709,000 – reflecting a change from the budgeted basis and level of contract activity.

Stock Truck Effluent Disposal Site

Subsidy income related to the establishment of a Stock Truck Effluent Disposal site in Central Otago is budgeted at \$252,000, however the project has not yet advanced to the point of eligibility for significant subsidy funding, with only \$14,000 claimed to date, leaving a timing variance of \$238,000.

Biodiversity – Wildings

Unbudgeted subsidy income of \$1,114,000 was received from the Ministry of Primary Industries (MPI) to fund Wilding Tree Control work. The 2016/17 budget made allowance for work of \$100,000, fully funded from the Wilding Tree targeted rate, however the availability of the MPI funding during the year has enabled considerably more control work to be undertaken than provided for in the original budget.

Note 2 – Other Revenue

The amount of other revenue earned of \$5,712,000 exceeds the budgeted amount of \$3,892,000 by \$1,820,000.

The major reason for revenue exceeding budget is the receipt of unbudgeted gross contract bus fare revenue of \$1,473,000. Bus contracts were fully budgeted on a net contract basis where the Council makes payments to operators net of fare revenue. Some contractual arrangements are now on a gross basis, where Council pays the gross amount to operators and receives gross fare revenue from the operators. This change in arrangement results in higher than budgeted revenue and expenditure.

Note 3 – Dividend Income from Port Otago Limited

Dividend income is accrued during the year based on the budgeted dividend level set in the Annual Plan, being \$7.4 million for the June 2017 year.

Actual dividend revenue reported for the year comprises interim dividends received for the June 2017 year of \$7.0 million along with the final dividend of \$0.8 million for the preceding year received in September 2016. The variance is timing related as Port Otago has paid slightly higher interim dividends this year compared to previous years.

Note 4 – Interest and Investment Income

This revenue line comprises interest earned on term deposits and bank accounts of \$1,343,000 and an increase in fair value of the managed fund portfolio of \$936,000.

Interest earned on the term deposit portfolio for year to 30 June 2017, amounts to a weighted average interest rate of 3.55%.

The increase in fair value of the managed fund incorporates income received and changes in the market value of investments due to price changes, and foreign exchange rates where applicable. The overall change in fair value is subject to monthly fluctuations due to movements in the market valuation factors.

Note 5 – Rental Income

The primary reason for rental income being less than budget is that the budget provided for income on property that has been disposed of subsequent to formulation of the budget. This includes properties formerly held for the Leith Flood Protection Scheme and sub-lease income on the former Queenstown office.

Note 6 – Gain in Value of Investment Property

Investment Property is revalued annually as at 30 June 2017. At the time of preparation of this report, the revaluation amounts were yet to be received from the external valuer. Accordingly, in this report, the revaluation gain is shown as a zero amount. The revaluation gain will be reflected in the June 2017 Annual Report.

Note 7 – Employee Benefits Expense

A significant portion of the increased cost over that budgeted is related to the development of the new Civil Defence and Emergency Management structure, which includes the employment of the staff members based at the territorial local authorities. Amounts recovered from the TLA's are not offset in expenditure but are reflected in revenue. Additional resourcing within the Council operational directorates was also required, contributing to the overall increase in cost.

Note 8 – Depreciation and Amortization

The total of the depreciation and amortization charge of \$1,937,000 exceeds the budgeted amount by \$176,000. A significant factor in this variance is additional depreciation on flood protection and drainage scheme assets – with the Leith scheme accounting for \$59,000 of the overall variance, and the Lower Clutha Scheme \$20,000. Additional depreciation charges on computer hardware, and amortization charges on consents and compliance and general software systems, accounts for a further \$64,000 of the variance.

Note 9 – Revaluation Gain – Shares in Subsidiary

The annual budget makes provision for an increase in the valuation of the Council's 100% shareholding in Port Otago Limited. A revaluation of the shares as at 30 June 2017 is being undertaken, but will not be available until mid-August. Accordingly, in this report, the revaluation gain is shown as a zero amount. The revaluation gain will be reflected in the June 2017 Annual Report.

**Otago Regional Council
Preliminary Statement of Financial Position as at 30 June 2017**

	Note Ref.	30 June 2017 \$000's	30 June 2016 \$000's
Current Assets			
Cash and cash equivalents	Note 1	4,433	2,540
Other financial assets	Note 1	54,057	56,198
Trade and other receivables		3,484	3,298
Other current assets		261	207
Property held for sale and inventory	Note 2	1,291	1,284
		63,526	63,527
Non-Current Assets			
Property plant and equipment		85,731	84,138
Intangible assets (computer software)		2,019	1,800
Investment Property	Note 3	10,785	10,785
Deferred tax asset		98	98
Shares in subsidiary Port Otago Ltd	Note 4	418,239	418,239
		516,872	515,060
Total Assets		580,398	578,587
Current Liabilities			
Trade and other payables		7,229	4,134
Employee entitlements		1,289	1,483
Revenue in advance		57	-
		8,575	5,617
Non-current Liabilities			
		-	-
Total Liabilities		8,575	5,617
Net Assets		571,823	572,970
Total Equity and Reserves			
Public equity		132,827	137,205
Reserves			
Available-for-sale revaluation reserve	Note 4	398,239	398,239
Asset revaluation reserve	Note 3	8,724	8,724
Building reserve		13,985	10,997
Asset replacement reserve		5,903	5,987
Emergency response reserve		4,033	3,891
Water management reserve	Note 5	1,427	1,433
Kuriwao endowment reserve		6,361	6,271
Environmental Enhancement Reserve	Note 6	324	223
		438,996	435,765
Total Equity and Reserves		571,823	572,970

Note 1 – Cash and Cash Equivalents and Other Financial Assets

Funds surplus to the Council's immediate and short term requirements are managed on Council's behalf by the BNZ. An investment portfolio and term deposits with durations of 4-12 months are included in the classification Other Financial Assets. Current bank balances and term deposits with durations of less than 4 months are included in Cash and Cash Equivalents.

Note 2 – Property held-for-sale

The fair value of Property held-for-sale as at 30 June 2017 and the resulting adjustment from the previous year valuation are yet to be confirmed. The updated valuation amount will be reflected in the June 2017 Annual Report.

Note 3 – Investment Property and Asset Revaluation Reserve

Investment property is revalued annually. A revaluation of properties as at 30 June 2017 is currently being undertaken, and as yet, is unavailable.

Once the revaluations are received, the value of the property and the revaluation reserve will be updated and the changes reflected in the June 2017 Annual Report.

Note 4 – Shares in Port Otago Ltd and Available-for-Sale Revaluation Reserve

The shares in Port Otago Ltd are included at the 30 June 2016 valuation. An external revaluation of the shares as at 30 June 2017 is currently being undertaken, and is expected to be available mid-August. Once the revaluation is received, the value of the shares and the revaluation reserve will be updated and the change reflected in the June 2017 Annual Report.

Note 5 – Water Management Reserve

Note is made that in the year ended 30 June 2017, grants amounting to \$58,000 have been made to water strategy and irrigation groups.

Note 6 – Environmental Enhancement Reserve

Note is made that in the year ended 30 June 2017, grants amounting to \$238,000 have been made from the fund to organisations in support of community projects contributing to the enhancement of the local environment, the purpose for which the reserve was established.

The reserve has been increased in the current year by the transfer of \$250,000 from general reserves, from monies received from an enforcement matter in the sum of \$75,000, and through interest earned on the fund balance.

2. Activity Expenditure – Preliminary Report

The table below summarises activity expenditure, including capital expenditure, for the year to 30 June 2017. The reported expenditure is preliminary only as certain year-end financial procedures have yet to be completed.

The notes that follow the table identify the projects that have significantly contributed to the major overall activity variances.

**Activity Expenditure Summary
Preliminary Report Only**

	Note Ref.	\$000s		
		Year to 30 June 2017		
		Budget	Actual	Variance Note *
Environment	Note 1			
Air		451	444	7
Environmental Incident Response		1,263	1,326	(63)
Land		1,982	3,307	(1,325)
Rivers and Waterway Management		1,822	1,543	279
Water		7,654	7,662	(8)
		13,172	14,282	(1,110)
Community	Note 2			
Public Information and Awareness		1,937	2,702	(765)
Democracy		1,548	1,778	(230)
Financial Contributions		350	350	-
Regional Economic Development		100	17	83
		3,935	4,847	(912)
Regulatory	Note 3			
Policy Development		176	571	(395)
Consents and Compliance		2,712	2,659	53
Harbour Management		273	709	(436)
		3,161	3,939	(778)
Flood Protection & Control Works	Note 4			
Leith Scheme		5,020	2,104	2,916
Taieri Schemes		2,034	1,288	746
Clutha Schemes		1,810	1,159	651
Other projects		267	305	(38)
		9,131	4,856	4,275
Safety and Hazards	Note 5			
Natural Hazards		1,261	1,297	(36)
Emergency Management		702	1,449	(747)
		1,963	2,746	(783)
Transport	Note 6			
Regional Land Transport Planning		167	357	(190)
Public Passenger Transport		16,320	14,013	2,307
Stock Truck Effluent Disposal Sites		495	66	429
		16,982	14,436	2,546
		48,344	45,106	3,238

* Variances – bracketed variances denote expenditure in excess of budget.

Note 1 – Environment

The Environment activity is over-expended by \$1,110,000 in total, against a budget of \$13,172,000. The two project groups contributing significantly to this overall variance are the Land and the Rivers and Waterway Management project groups.

Land

The two Land projects significantly over-expended are noted below.

The Biodiversity project is over-expended by \$993,000 against a budget of \$705,000. The project included budgetary provision of \$100,000 for Wilding Tree related work, however the provision of unbudgeted Ministry of Primary Industry funding allowed for work of \$1,288,000 to be undertaken – an additional \$1,188,000 of expenditure.

The Pest Management Strategy Implementation project is over-expended by \$456,000 against a budget of \$825,000 and mainly relates to additional expenditure on the Wallaby project, Velvet Leaf response and extra inspection work for Old Man's Beard throughout the region.

Rivers and Waterway Management

The Rivers and Waterway Management projects are *under-expended* by \$279,000 against a budget of \$1,822,000.

A significant contributing factor in the under-expenditure was the over-estimation in the budgets of the extent of the natural hazard work required.

Note 2 – Community

Public Information and Awareness

The Public Information and Awareness group of projects shows net over-expenditure of \$765,000 against a budget of \$1,937,000.

The primary cause of the variance is a change in the way the LAWA project is administered and accounted for, with expenditure of \$436,000 being recorded against the budget of \$15,000. This is offset by unbudgeted other income as this is a national initiative and is funded by contributions from other regional councils.

Additionally, the Public Information project is over-expended by \$224,000 against a budget of \$1,392,000, with a significant contributing factor being additional staff time on annual planning and reporting that wasn't separately budgeted for.

The Responses to Issues project is over-expended by \$197,000 against a budget of \$271,000 due to a large number of proposals and TLA applications for assessment and response, some of which have been complex, requiring additional resource and associated cost.

Democracy

The costs associated with the democratic function of Council are \$230,000 in excess of the budget of \$1,548,000, due largely to election costs exceeding the budgetary provision by \$139,000.

Regional Economic Development

The Regional Economic Development project is under-expended by \$83,000 against the budget of \$100,000.

A consultant has been engaged and is underway with the initial phase of this project, however some of the initial costs incurred have yet to come to hand.

Note 3 – Regulatory

The Regulatory activity overall is over-expended by \$778,000 against the budget of \$3,161,000.

Policy Development

The Regional Policy Statement project was budgeted to be completed prior to this financial year, however, completion took longer than anticipated and the RPS was released in late September 2016. The current year budget provides for annual expenditure of \$176,000 whereas actual expenditure incurred has amounted to \$571,000 resulting in over-expenditure of \$395,000.

Harbour Management

The Harbour Management project is over-expended by \$436,000 against a budget of \$273,000. Harbourmaster services are currently being contracted out until internal resourcing is in place. External harbourmaster resourcing comes at a higher cost than the budgeted internal resource basis of operation.

Note 4 – Flood Protection and Control Works

The Flood Protection and Control activity overall is under-expended by \$4,275,000 against the budget of \$9,131,000.

Leith Scheme

The Leith Scheme is under-expended by \$2,916,000 against the budget of \$5,020,000. The variance to this point is largely due to timing in respect of the ITS Bend section of the scheme which is progressing at a different rate than that provided for in the budget phasing. This work will be completed early in the 2017/18 financial year.

Taieri and Clutha schemes

The Taieri and Clutha schemes are under-expended by \$746,000 (budget \$2,034,000) and \$651,000 (budget \$1,810,000) respectively. These variances comprise both timing in terms of work phasing and permanent savings on budget.

In respect of permanent savings, at the time of budget preparation there was uncertainty regarding the nature and extent of water quality improvement work necessary for the consenting of pump stations. The budgets allowed for water quality infrastructure improvement work, however this is no longer required and changes to operational procedures at minimal cost will be sufficient.

The water quality infrastructural improvement work allowed for in the year to date budgets amounts to \$212,000 in the Lower Clutha scheme, \$121,000 in the West Taieri scheme, and \$127,000 in the East Taieri scheme.

Note 5 – Safety and Hazards

Emergency Management

The Emergency Management project is over-expended by \$747,000 against the budget of \$702,000. The additional expenditure relates to the establishment of Emergency Management Otago (EMO), creation of a new EMO website and additional costs over that budgeted associated with the transition to the new integrated staff structure.

Note 6 – Transport

Public Passenger Transport

The Public Passenger Transport project is under-expended by \$2,307,000 against the budget of \$16,320,000.

There are some significant individual sub-project variances within this project, however most of these are in respect of developmental work of a capital nature, and result from work progressing at a different rate than anticipated in the budget.

The significant areas of under-expenditure were in respect of the National Electronic Ticketing System replacement with a variance of \$1,940,000 (budget of \$3,228,000), the Real-time Information System with a variance of \$551,000 (budget of \$559,000), and the Bus Hub facility with a variance of \$1,281,000 (budget of \$1,718,000).

The significant areas of additional expenditure are in respect of the gross bus contracts where costs are \$760,000 in excess of the budgeted amount of \$7,272,000, and expenditure related to the replacement Total Mobility System with expenditure of \$243,000 carried over from the 2015/16 budget.

Regional Land Transport Planning

The Regional Land Transport Planning project is over-expended by \$190,000 against the budget of \$167,000, largely reflecting the fact that the work entailed in this project is significantly more comprehensive and costly than was provided for in the budget.

Stock Truck Effluent Disposal Sites

The Stock Truck Effluent Disposal Sites project is under-expended by \$429,000 against the budget of \$495,000. The project is tracking through the initial planning phases, including site selection. It is projected that construction (budgeted in the 2016/17 year) will carry over to the following financial year.

3. Recommendation

That this report be received.

Nick Donnelly
Director Corporate Services