

## Council Meeting - 27 September 2017 Attachments

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## OTAGO REGIONAL COUNCIL

### Minutes of an ordinary meeting of Council held in the Council Chambers at Otago Regional Council on Wednesday 16 August 2017, commencing at 10:28am

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

#### **Welcome**

Cr Woodhead welcomed attendees to the meeting.

**Apologies:** Nil

**Leave of Absence:** Cr Kempton

**In attendance:** Peter Bodeker (CEO)  
Nick Donnelly (DCS)  
Tanya Winter (DPPRM)  
Michele Poole (Acting DSHE)  
Gavin Palmer (DEHS)  
Scott MacLean (DEMO)  
Sally Giddens (DP&C)  
Fraser McRae  
Lauren McDonald (Committee Secretary)

#### **CONFIRMATION OF AGENDA**

The agenda was confirmed.

#### **CONFLICT OF INTEREST**

No conflicts of interest advised.

## PUBLIC FORUM

Jenny Coatham spoke on behalf of the group Generation Zero on public transport and its governance, specifically on the motion made by the DCC “*That the Dunedin City Council: Seeks agreement from the Otago Regional Council for a joint public consultation to clarify public preference for public transport governance. Motioned carried (AP/2017/008)*”. Ms Coatham acknowledged that ORC had not been informed by DCC of this motion.

She outlined the youth lead environmental group’s focus and their aims for Dunedin public transport, to promote more sustainable, accessible and desirable transport, with options suitable for a 21<sup>st</sup> century city. Ms Coatham spoke on the DCC resolution made on public transport and advised she was awaiting clarification from DCC on the intent of the motion. She understood that the DCC resolution was to promote joint consultation on public transport issues between the two councils.

Generation Zero sought more information and better collaboration and communication between the DCC and ORC with greater transparency and efficiency for public transport for the city and for consideration of transfer of public transport governance to the DCC.

*Cr Laws left the room at 10:33am and returned at 10:35am.*

Ms Coatham requested that ORC show leadership and initiative in seeking improvements to public transport and that a timeline be provided on the ORC goals for improvement.

Ms Coatham responded to questions from councillors.

*Public forum concluded at 10:41am.*

## MINUTES

The minutes of the public portion of the meeting of Council held on 28 June 2017, having been circulated, were adopted on the motion of Crs Hope and Robertson. **Carried.**

## ACTIONS

Status report on the resolutions of Council

| Report No. | Report Title             | Presented to | Date of meeting | Resolution  | Status   |
|------------|--------------------------|--------------|-----------------|---|--|
| 2017/0902  | Chief Executive’s Report | Council      | 28/6/17         | <i>That the Chief Executive be tasked with providing Council with a formal overview of ORC funding of the Manuherikia Irrigation project.</i> | Closed<br><br>To be reported to the F&C Committee<br>13/9/17 |

## PART A - CHAIRPERSON'S AND CHIEF EXECUTIVE'S REPORTS

### Item 1

#### **2017/0995 Chairperson's report.** Chair, 10/08/17

The report provided an overview of the Chairperson's activities for the period to August 2017, including the Local Government New Zealand (LGNZ) Conference, 21-22 July flood event, residual flow consultation meetings and the Mayoral Forum held on 11 August.

Cr Woodhead provided additional updates on:

- Pre LGNZ conference tour of Enviroschools in Northland, which provided a very good example of linking the learning and the syllabus work by pupils with local communities.
- Mayoral Forum, Te Roopu Taiao and Civil Defence meetings held at QLDC on 10/11 August.
  - A presentation by Robyn Zink, Enviroschools Regional Co-ordinator. It was confirmed that the Waitaki District Council are looking to support the Enviroschools programme in the next financial year.  
A Council workshop on Enviroschools to be held before the end of the year.
  - Wood energy scoping project – progressing to identify and establish a plan for transition from coal burners to wood. EECA are supporting this, with the Mayoral Forum acting as a steering group.
  - Presentation from the Tourism NZ CEO on work developing a scenic touring route e.g. the road link from Queenstown to Dunedin, including the inland route through Ranfurly.
  - Paul Evans, CEO of Waste Minimisation NZ (WasteMINZ) provided an independent report looking at waste management in NZ including recommendations to the crown with some implications to regional councils. It was confirmed that joint waste management work is underway with councils under the Section 17A reviews
- Heritage NZ advised of a joint project which has commenced in Northland, with the Ministry of Culture, Department of Conservation and Heritage NZ. The project is to identify landmarks and other tourist based awareness programmes. The second region to be involved in the project is Otago.

Otago Te Roopu Taiao - QLDC became a member through the formal signing of the governance charter by Mayor Boulton and Edward Ellison. Discussion was held on Maori representation and Cr Woodhead confirmed that TLAs are working through a representative review this year with the Mayoral Forum leading the interaction with rununga. An update was provided from Councils on significant upcoming LTP projects to enable KTKO to liaise on these programmes.

A question was raised on the WasteMinz report. Mr Bodeker confirmed that staff will review the report in regard to an increasing role for regional councils.

It was confirmed that the LGNZ Conference for 2018 is to be held on 15-17 July in Christchurch.

## Item 2

### **2017/0988 Chief Executive's Report, CE, 10/08/17**

The report provided a summary of the Chief Executive's activities for the period to August 2017. The report detailed the: ORC and CDEM flood response on 21-22 July; "Gearing Up" programme; Queenstown Governance Transport Group; South Island Regional Council CE's meeting; Health and Safety activity and smokey chimney complaint procedures.

Flood response - Mr Bodeker confirmed a full and detailed report on the flood response would be provided to Council once river gauging, establishing the size of the event, was completed. He advised from a performance perspective that ORC had done extremely well with good feedback received. A follow up was underway on the joint initiative with DCC for the residents of Dukes Road, North Taieri and also with CODC for impacts from the Manuherikia River on Omakau and Ophir.

Mr Bodeker confirmed that ORC would meet with the affected farmers/landowners in the flood schemes from the Taieri, once the full report is completed and that farmers and landowners' perspective would be sought.

Mr Bodeker advised the flood event had been the first time that the CDEM had activated for a region wide response. The July 2015 event had seen the CDEM role as a 'watching brief'.

#### Learnings from the event:

- talking to media accurately
- Staffing – the ability to actively support the staffing of the centres within the local government family in Otago.
- The need to ensure there is a response team within ORC to do the ORC work as well.

#### Other matters within the CE report:

- Gearing Up progressing well.
- South Island Regional CEs meeting – discussion held on areas in common for delivery of services collectively including: harbourmaster activities; natural hazard management, regional land transport planning.
- Smokey chimney complaints as requested from the 2 August Committee round.
- Health and Safety – confirmed that ORC continues to operate safely.

#### Air quality

Mr Bodeker confirmed air quality compliance and monitoring information requested for Milton and Arrowtown would be provided to the 13 September committee round. A full report would be provided to Council once the air quality winter monitoring had concluded.

DCC boil water notice – Mr Bodeker confirmed that there had been no breach of the ORC resource consent by the DCC.

Discussion was held on ORC role in with flood prone areas such as Henley.

Moved Cr Woodhead  
Seconded Cr Noone

*That the Chair's and Chief Executives reports be received.*

#### **Motion carried**

*The meeting adjourned at 11:24am and recommenced at 11:46am*

## PART B – RECOMMENDATIONS

### Item 3

#### **2017/0986 Electoral Systems and Maori Constituencies, DCS, 08/06/17**

The report provided details of the Local Electoral Act 2001 legislation under which local elections and polls are held. Council considered options to retain or change the voting system.

Discussion was held on Maori constituencies and the suggestion was made to invite rununga to speak with Council at workshop to discuss issues they wish to raise, with the meeting venue and frequency to be at the discretion of iwi.

Councillors were supportive of an approach and avenue to allow dialogue with the rununga on their terms.

Cr Woodhead confirmed a formal structure is in place with Te Roopu Taio through the Mayoral Forum to allow for iwi to converse with all leaders of all the region's councils. He advised that ORC has a formal meeting with the Mana to Mana group each triennium to avoid duplication of discussions.

Discussion held on the three electoral system options noted in the report. Mr Donnelly clarified the implications for each option and advised that electors can demand a poll at any point (5% of electors required). If a poll was taken after 28 February 2018, the result would not apply until the 2022 and 2025 elections.

Moved Cr Brown  
Seconded Cr Bell

*1. That Council resolve to retain FPP.*

**Motion carried**

Moved Cr Deaker  
Seconded Cr Brown

*2. That Council give notice of the right of electors to demand a poll on the electoral system by 19 September 2017.*

*3. That Council consult with Maori with respect to Maori constituencies.*

*4. That Council notes the requirement for a review of representation.*

**Motion Carried**

### Item 4

#### **2017/0935 Delegation under the Local Government Act 2002 and Resource Management Act 1991, Legal Counsel, 25/07/17**

The report outlined the background to the amendments required to allow the approval of disposal of non integral components that form part of the flood protection and drainage schemes to be delegated to appropriate Council staff.

Dr Palmer confirmed that staff were not seeking to disestablish scheme assets but that the timing of a decision was important to allow negotiations to continue around the detail of

disposal of non integral assets. He advised that negotiations were not imposed and will be held with a willing participant, to the mutual benefit of the ratepayer for disposal of an asset.

Moved Cr Woodhead  
Seconded Cr Brown

*That the Council:*

- a) *Approve delegation to any of the Director Engineering Hazards and Science and the Chief Executive, to dispose of the ownership or control of separate component(s) of the Flood Protection and Drainage Schemes that are neither integral to the Scheme nor do they substantially affect the operation of the Scheme and*
- b) *Approve delegation to the Director Policy, Planning and Resource Management to amend designations that may be identified as being appropriate as a result of further consultation between the Otago Regional Council and the following land owners (including successors, occupiers and other persons having an interest in the land):*
  - a. *the Otago Racing Club Incorporated*
  - b. *Owhiro River Limited*
  - c. *Otago Business Park; and*
  - d. *Michael and Amy Brough*

**Motion carried**

Item 5

**2017/0985 Elected Members Remuneration from 1 July 2017, DCS 07/08/17**

The report outlined the determination from the Remuneration Authority's annual review and the staff recommendations for increase in remuneration for elected members from 1 July 2017, and the adoption of the Expenses, Reimbursements and Allowances Policy.

Mr Donnelly confirmed that Remuneration Authority determination included:

- Increased remuneration for the base councillor positions 1.7%.
- Revision of some of the allowances and expense reimbursements
- Change in mileage rate and removal of the 30km limit/day threshold
- Travel allowances for Chairpersons
- Communications allowances

Discussion held on the recommendations of the report and the issue of claimable attendance by elected members. A request was made for clarity on a definition of Council business.

*Cr Laws left the room at 12:30pm and returned at 12:32pm.*

Moved Cr Robertson  
Seconded Cr Hope

*That:*

- a) *The report is received.*
- b) *The Council notes the Determination from the Remuneration Authority and increase remuneration from 1 July 2017*
- c) *That Council adopt the attached Expenses, Reimbursements and Allowances Policy*
- d) *That Council generated events are claimable by elected members.*

**Motion carried**

Discussion was held on elected member's attendance at other meeting (not generated by ORC) be claimable on approval by the Chairperson/Chief Executive.

Moved Cr Scott  
Seconded Cr Noone

*For meetings not generated by ORC, that the decision regarding eligibility for reimbursement of allowances rests with the Chair/Chief Executive.*

**Motion carried**

**PART C– ITEMS FOR NOTING**

**Item 8      Reports from Councillors**

Cr Hope provided report back from LGNZ Conference (as tabled with the agenda) with additional comments made on speakers to the event:

- Dame Patsy Reddy spoke on the importance of rural and urban communities being united and working together.
- Dr David Worburn – CEO of Auckland Transport spoke on development of resilient technology for transport.
- Lianne Dalziel – Christchurch Mayor spoke on quick turn-around time on issues being addressed by Council.
- Lord Mayor of Melbourne, Robert Doyle – spoke on getting people back into the city by providing recreational spaces.
- Holly Ranson – spoke on the need for the younger generation and old generation in the work force to marry together to share the knowledge and acknowledging the differences in receipt of information, e.g. the younger generation not being readers of lengthy information.

Cr Scott attended:

- Attended irrigators meeting with Cr Hope and the Mosgiel flood meeting with Cr Robertson.
- Southern Dairy Hub – He advised the \$20 million dairy hub set up with the DairyNZ, AgResearch and Southland farmers. The hub is a viable farm, trialling different management practices with opportunities for water quality learnings on this farm.

Cr Lawton highlighted her attendance of:

- Otago University Queenstown Winter Symposium entitled “something in the water”. Presentation topics included: value of waters from mountains to coast; discussion pros and cons of charging for water; 5 point plan for saving lakes; the value of fresh water to NZ tourism market, and grandfathering of water rights, requirements on water users to prove good carers of water. Approximately 200 attendees.
- Meetings on Upper Clutha area and concerns on urban development on waterways in Wanaka.



## **PART D – RECOMMENDATIONS OF COMMITTEE MEETINGS**

- Item 8      **Recommendations of the Communications Committee meeting** held on 2 August 2017, for adoption

Moved Cr Deaker  
Seconded Cr Hope  
**Motion carried**

- Item 9      **Recommendations of the Policy Committee meeting** held on 2 August 2017, for adoption

Moved Cr Robertson  
Seconded Cr Bell  
**Motion carried**

- Item 10     **Recommendations of the Regulatory Committee meeting** held on 2 August 2017, for adoption

Moved Cr Scott  
Seconded Cr Lawton  
**Motion carried**

- Item 11     **Recommendations of the Finance & Corporate Committee meeting** held on 2 August 2017, for adoption

Moved Cr Brown  
Seconded Cr Robertson  
**Motion carried**

- Item 12     **Recommendations of the Technical Committee meeting** held on 2 August 2017, for adoption

Moved Cr Lawton  
Seconded Cr Hope  
**Motion carried**

## **PART E- RESOLUTION TO EXCLUDE THE PUBLIC**

Moved Cr Woodhead  
Seconded Cr Robertson

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

- Item 13  
2017/0      **Head Office Accommodation, DCS, 11/08/17**  
The report outlines the occupancy levels of the Dunedin Head Office and seeks Council approval for an interim housing solution by leasing commercial premises for the purposes of providing accommodation for Council meetings and some operational activity.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under [section 48\(1\)](#) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

| General subject of each matter to be considered | Reason for passing this resolution in relation to each matter  | Ground(s) under section 48(1) for the passing of this resolution |
|---|--|--|
| Item 13<br>Head Office<br>Accommodation         | <p>enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities;<br/><i>Section 7 (2)(h)</i></p> <p>Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).<br/><i>Section 7 (2)(i)</i></p> | Section 48 (1) (a)   |

This resolution is made in reliance on [section 48\(1\)\(a\)](#) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by [section 6](#) or [section 7](#) of that Act or [section 6](#) or [section 7](#) or [section 9](#) of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

*I also move that Mr Gerard Collings be permitted to remain at this meeting after the public has been excluded for Item 13, because of his knowledge of the leasing agreement. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to the matter because of his role with the leasing negotiations.*

### **Motion carried**

At the conclusion of discussion of Item 13, the meeting returned to public session on the motion of Crs Woodhead and Cr Robertson.

The meeting was declared closed at 1:30pm.

### **Chairperson**

## Status Report on resolutions of Council as at 16 August 2017

| Report No. | Report Title                               | Presented to | Date of meeting | Resolution  | Status  |
|------------|--|--------------|-----------------|---|---|
| 2017/0902  | Chief Executive's Report                   | Council      | 28/6/17         | <i>That the Chief Executive be tasked with providing Council with a formal overview of ORC funding of the Manuherikia Irrigation project.</i>   | CLOSED.<br>Provided to Finance & Corporate Committee<br>13/9/17 |
| 2017/0986  | Electoral Systems and Maori Constituencies | Council      | 16/8/17         | <i>That Council:<br/>Give notice of the right of electors to demand a poll on the electoral system by 19 September 2017.<br/><br/>Consult with Maori in regard to Maori constituencies.</i> | CLOSED.<br>Public notice given<br>16/9/17                       |



# PARKER CONSERVATION

## Research to inform the management of Kārearea / NZ falcon in Eastern Otago

Project Report (maps removed)

Field season one, summer 2016 /2017



Photo: Chifuyu Hawkesby

**Graham Parker**

**August 15, 2017**

**Note:** the version of this report made publicly available does not contain maps showing the location of breeding adult kārearea / NZ falcons. The species is still recorded as persecuted (shot) in New Zealand. Without knowing if persecution occurs in the area of this study we therefore consider it wise to not provide maps.

**This report has been provided to:**

Kāti Huirapa o Puketeraki, Brendan Flack and Justine Marshall

Te Rūnaka o Ōtakou, Nic Hedley

City Forests Ltd, Peter Oliver

Wenita Forest Products Ltd, James McEwan

Otago Regional Council, Peter Bodeker and Janice Coldicutt

Dunedin City Council, Garreth Kyle

Department of Conservation, Bruce McKinlay (Dunedin)

Ospri NZ, Brent Rohloff

Delta, Greg Johnson

## Executive Summary

The objective of this study is to better inform management of Kārearea / NZ falcon *Falco novaeseelandiae* in conifer plantations and adjacent conservation land in the greater South Island, and specifically in the coastal Otago area. The first field season of this project collected valuable information to better inform the conservation management of Kārearea in conifer plantations and surrounding conservation land in the greater Dunedin area.

This is the most comprehensive study to date researching Kārearea in plantation forests in the South Island and has already been successful in collecting data for six key objectives. A minimum sixteen pairs of breeding Kārearea were identified in conifer plantation and native forests surrounding a centre of farmland (the Taieri Plain) in an approximately 150,000 h area from the northwest to south of Dunedin. These records provide a baseline estimate of the breeding population to compare future population estimates to. Thirty Kārearea were captured and banded with metal and plastic leg bands. Twelve were breeding adults and the remaining 18 were juvenile birds. These banded individuals will enable survival rates to be estimated. Thirteen nests were located from 13 pairs and 24 chicks were produced. This data will be used in conjunction with data from field seasons two and three to estimate nest survival rates.

We will be working with forestry companies over the next two years to better understand the outcome of any conflict between breeding Kārearea and forestry operations, and if necessary, collaborate with all involved parties to develop practical methods to mitigate the impact of forestry operations on breeding Kārearea.

## Introduction

Kārearea / the New Zealand falcon *Falco novaeseeladiae* has recently been re-classified by the New Zealand Department of Conservation (DOC) Threat Classification System (Robertson et al. 2017) as Recovering (A: 1000–5000 mature individuals or total area of occupancy  $\leq$  100 ha (1 km<sup>2</sup>), and predicted increase > 10%, Data Poor). Prior to this year, Kārearea were classed as Threatened; Nationally Vulnerable (B: Moderate, stable population (unnatural)), (Data Poor, Stable). Eastern Kārearea are a poorly studied taxa, therefore the basis for the change in threat classification is based on increased geographical distribution only.

In greater Dunedin Kārearea are known to occur in conifer plantations (e.g. those of Wenita Forestry Products and City Forests in coastal Otago) and also in the surrounding conservation estate. However, very little is known about Kārearea in the South Island generally, particularly in conifer plantation forests: no detailed research to inform management has been conducted in conifer plantation forests in the South Island.

Currently the guidelines for managing Kārearea in conifer plantations are based entirely on Central North Island conifer plantation forestry, where the habitat is distinct to that in the eastern South Island, and anecdotal evidence suggests Kārearea ecology and behaviours may also differ.

Importantly, the following information for conservation management of Kārearea in the greater Coastal Otago region, and South Island generally, is unknown:

- 1. Population size and density**
- 2. Population trends (conservation)**
- 3. Breeding success / nest survival**
- 4. Survival rates of adults and juveniles**
- 5. Mitigation options based on site-specific information**

Due to the high threat classification status of the Kārearea, in 2016 Parker Conservation proposed to conduct a three year research project to establish important baseline information to address the five knowledge gaps listed above.

The objective of the study is to better inform management of Kārearea in conifer plantations and adjacent conservation land in the greater South Island, and specifically in the coastal Otago area. A specific objective of this research is to extend the depth of knowledge of managing Kārearea in conifer plantation forests beyond that currently used by DOC or the Forest Stewardship Council (FSC). The results of this work will also aid management of Kārearea generally, outside conifer plantation forests.

It is important to recognise the role of conifer plantation forestry as forest habitat in the greater Dunedin area. As is clear on the GIS map showing ground habitat categories (Fig.1), a significant portion of forested land area is plantation, far more than the conservation estate. In addition to providing habitat, plantation forests provide forest-bird dispersal corridors linking between forested native remnants that could otherwise be farmland.

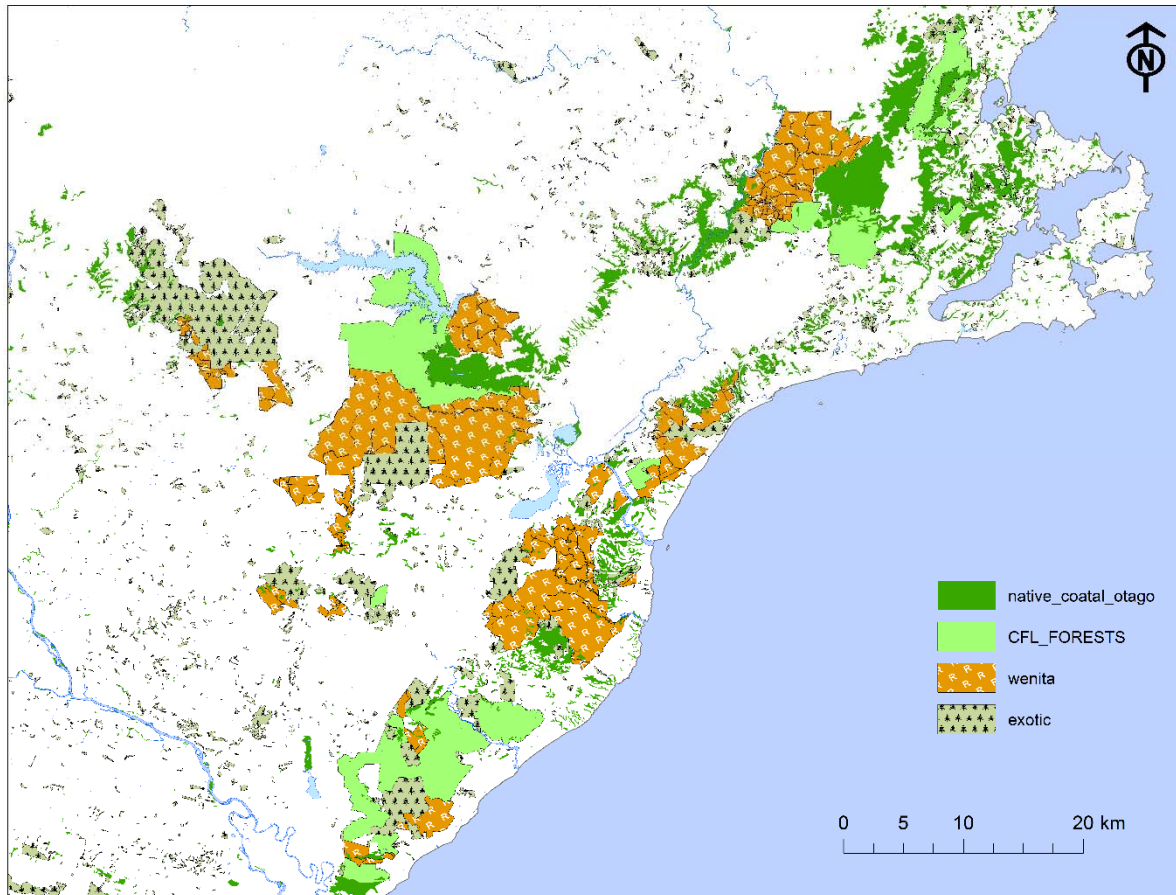


Figure one. Map showing conifer plantation land-cover (CFL, Wenita and exotic) in the greater Dunedin area compared to native vegetation.

## Season one summary

**Note:** the version of this report made publicly available does not contain maps showing the location of breeding adult kārearea / NZ falcons. The species is still recorded as persecuted (shot) in New Zealand. Without knowing if persecution occurs in the area of this study we therefore consider it wise to not provide maps.

This short report summarises the results from the first breeding season.

Chifuyu Hawkesby was contracted to conduct the majority of the fieldwork in the first season. Chifuyu last year successfully completed a PhD at Massey University researching Kārearea in central North Island plantation forests, over five field seasons. The location of Chifuyu's PhD study was in the area where the current Kārearea management guidelines used by Forest Stewardship Council (FSC) are derived from, Kaiangaroa (Seaton 2007). Because the habitat, forest management, and possibly Kārearea behaviours are different in the South Island, it was of great value to have Chifuyu contribute to the first year of this project to identify any important differences.

The first field season of this project collected valuable information to better inform the conservation management of Kārearea in conifer plantations and surrounding conservation land in the greater Dunedin area. This is the first detailed study to research Kārearea in plantation forests in the South Island and was successful in collecting data for all six key objectives, discussed below.



### **1. Population size and density (in the greater Dunedin area)**

Sixteen pairs of breeding Kārearea were identified in conifer plantation surrounding a centre of farmland (the Taieri Plain) and reserve land in native vegetation in an approximately 150,000 h area from the northwest to south of Dunedin (Fig. 1). A proportion of these breeding Kārearea were leg banded to allow individuals to be identified. A further four possible Kārearea territories were identified but breeding was not confirmed for birds occupying those areas in year one. Multiple pairs were nesting in more or less contiguous conifer plantation areas that form part of a landscape mosaic with areas of native forest and tussock vegetation, wetland, working farms and peri-urban lifestyle blocks on the far outskirts of Dunedin City. Kārearea have not previously been recorded using many of these areas. Areas of native vegetation were not surveyed thoroughly in year one but it is assumed that breeding Kārearea are holding territories in at least some of those areas and some of these areas will be surveyed next season.

An adult female Kārearea leg-banded whilst nesting at Hope Hill in January 2017 has been seen regularly in a recently clear-cut area adjacent to a lifestyle block in Abbotsford, approximately nine kilometres away from its' nesting site. The observers of the bird think it has been frequenting the area for the past one and a half years. Now that it is leg banded we can determine if the same bird does indeed keep visiting the same area.

### **2. Population trends**

Surveys conducted in the past field season revealed a minimum of 16 breeding pairs within the boundaries of the study, with up to six pairs in one discrete plantation forestry area. A further six single adult falcons (four males and two females) were located and had territories also but no mates were confirmed. These records provide a baseline estimate of the breeding population to compare future population estimates to. In the short term (from one year to the next) these observations allow insight into how static in a specific area territorial pairs are over the three breeding seasons of this study. The 2016/2017 breeding population estimate will be built upon in the 2017/ 2018 and 2018 /2019 breeding seasons, and likely reveal a larger breeding population than is currently mapped. This is because with some pairs already located greater effort can be put into surveying areas not yet thoroughly surveyed.

### **3. Breeding success / nest survival**

Thirteen nests were located from 13 pairs and all were followed to determine the nest fate. Three further apparent nesting attempts were investigated, but no nests were found (see Objective 5). Mitigation options based on site specific information). Twenty four chicks were produced from the thirteen nests found. This data will be used in conjunction with data from field seasons two and three to estimate nest survival rates that account for the positive bias associated with 'apparent' nest survival (nests that fledge chicks are active for longer than nests that fail, so have a higher probability of being found by a researcher).

### **4. Survival rates of adults and juveniles**

Thirty Kārearea were captured and banded with metal and plastic leg bands (Fig. 2). Twelve were breeding adults and the remaining 18 were juvenile birds. These banded individuals will enable

survival rates to be estimated for the adults, eventually. If sufficient repeated sightings of the juvenile birds are obtained this may potentially allow some insight into juvenile survival and dispersal from their natal territories. However due to emigration and likely a naturally high juvenile mortality rate, juvenile survival is much more difficult to estimate.



Figure two. An example of a leg-banded adult falcon at Berwick. In this example this male bird can be identified as left leg metal and right leg red, red (bands are read as the birds left leg first to the right leg second, and top band first then bottom band, M-RR).

### ***5. Mitigation options based on site-specific information***

Kārearea select recently clear-cut conifer plantation areas for nesting (Fig. 3). Because nests can be established before tree harvesting is completed in a given area, conflict between breeding Kārearea and forestry operations can occur. In the first year of this study, we received three reports of Kārearea from forestry harvesting companies (via the forestry company), describing behaviours conducive with Kārearea pairs defending nests. We investigated these three events as promptly as possible, but in the three occasions where this occurred it appeared that the continued timber harvesting activity disturbed the nesting birds sufficiently that the breeding attempt was abandoned. One of these pairs re-nested and abandoned a second nest whilst forestry operations occurred in close proximity. It is not yet clear if it is unusual to have three apparent nest failure events in a single season or if the rate is normal.

The Forest Steward Ship Council, of which both City Forests and Wenita are members, requires that forestry companies have management plans for 'rare, threatened and endangered (RTE)' species. The DOC Threat Classification (Robertson et al. 2013) until this year included Kārearea as an RTE species. The standard FSC management guidelines for Kārearea are that harvesting operations operate with a 200 m radius buffer centred on the nest.

A meeting with both forestry companies will be held after this report has been circulated. The purpose in part to discuss mitigation options and how to evaluate any developed in years two and three of the study.



Figure three. Example of conflict between forestry operations and Kārearea nesting attempt. The black arrow points to an excavator which is parked 15 m from a newly establish Kārearea nest that is located on the ground.

### **Engagement by others**

Eighteen people volunteered their time towards this project during the first field season (Fig. 4). Almost all the volunteers helped with capturing Kārearea and observed leg banding and taking measurements from the birds. Importantly, nine volunteers were directly from the plantation forestry industry, including senior managers, field staff and individuals from companies that are contracted for forestry harvesting, some bringing young family members with them. Other volunteers included four University of Otago students and five members of the Dunedin Branch of Birds NZ. This level of community engagement is an important part of this project.



Figure four. Some of the volunteers who contributed their time to assisting with Kārearea capture and leg-banding in the 2016 / 2017 summer.

## Looking ahead to field seasons two and three

### 1080

In the immediate future it is important to note that Ospri / TB Free NZ will be conducting a 1080 operation in the Silverstream area. It was communicated to Ospri in 2016 that this study would likely have leg-banded adult and juvenile Kārearea in the adjacent catchment to the area 1080 will be applied in 2017. Some of these banded Kārearea would undoubtedly also be hunting in the adjacent native forest, so are potentially good candidates for further investigating the potential occurrence or not of non-target mortality of Kārearea in 1080 operations. There are five banded adult Kārearea that nested close to the proposed baited area and would be expected to over-winter on those territories (Fig. 5). In addition eight Kārearea chicks were banded in the area last summer and some of those will likely stay in the area through the early winter (the baiting period). Last winter 1080 was applied to the Mt Allan conifer plantation area and Wenita Forestry Products funded pre- and post- 1080 surveys of non-leg-banded Kārearea at Mt Allan. The surveys found no clear evidence of non-target mortality of the species (Parker 2016). But as the birds were not individually marked (banded) the scientific inference is weak. Ospri have stated they would not contribute any funding to support pre- and post- 1080 surveys of leg-banded Kārearea in the 2017 1080 operation.

### Electrocution

Electrocution is a significant issue for Kārearea, with many records of it occurring (Gray et al. 2017). Delta, the company that manages the electricity network in the area of this study, have formed a partnership with DOC to better understand, and mitigate, the threat of electrocution to Kārearea. On the advice of Bruce McKinlay (DOC) the author has contacted DOC (Chris Hankin) multiple times

seeking further information and offering this project as an opportunity to address management questions and to date has had no response. Further efforts will be made to contact DOC as this study provides an excellent opportunity to gain insight into the occurrence of electrocution in Kārearea.

### **Funding**

Funding for each of the next two field seasons is currently at \$20,000. This consists of the base funding committed by City Forests Ltd, Wenita Forest Products and the Otago Regional Council. Encouragingly it is clear that more can be done with less next season now that baseline information is established, gear specific to the project has been purchased and we know roughly what to expect for fuel costs. But at least for some of the field season it would be ideal to raise further funding to enable a slightly longer field season, remuneration for planning and reporting work and to hire a field assistant to work with the main field biologist for at least a proportion of the field season. Funding applications are currently being completed and we welcome any suggestions for possible contributions.

The majority of funds in the first season was used to contract Chifuyu Hawkesby to conduct fieldwork. Remaining funds were used to purchase fuel, equipment and pay Graham for a proportion of his time contributed to the project.

## **Aims for the 2017-18 and 2018-19 field season**

Five objectives:

### **1. Population size and density**

All pairs located in 2016-17 will be surveyed for and if found followed through a second breeding season. In addition it is planned to both expand the area surveyed in the plantation area and include native habitat (tussock and forests). Results from surveys will allow a second season estimate of the size of the breeding population throughout the City Forests and Wenita estate, which builds on the work from the first year.

### **2. Population trends**

Surveys of breeding pairs identified in 2016-17, and all banded individuals, will be conducted. Territorial adults are assumed to remain on breeding territories. Juveniles are assumed to suffer high levels of mortality during the winter. The dispersal behaviours of juveniles away from the natal territory is not known but we hope to encounter at least some of the 18 leg-banded juveniles.

### **3. Breeding success / nest survival**

As many nests as possible will be located and followed through to completion (either chicks fledging or failure) to estimate nest survival rates. Cameras will be used on active nests to identify the occurrence of mammalian predators at nests. For nests that fledge chicks successfully the chicks will be monitored after fledging until it is clear they are likely to survive and become independent.

Emphasis will be placed on attending reports of Kārearea conflict with harvesting crews as soon as possible after activity is noted.

#### **4. Survival rates of adults and juveniles**

Banded adults and juveniles will be surveyed for. As many new adults and chicks will be captured and banded to increase the size of the banded population.

#### **5. Mitigation options based on site-specific information**

Cameras will be used to determine the level of impact introduced mammalian predators may have on nesting success. Forestry harvesting contractors will be urged to contact the respective forest company as soon as possible after Kārearea are observed displaying behaviours indicative of nesting.

### **Acknowledgements**

Ross Chambers, Peter Oliver (City Forest) and James McEwan (Wenita) supported the concept of this project and coordinated various aspects throughout the planning and implementation. Birds NZ, City Forests Ltd, Dunedin City Council, Otago Regional Council and Wenita Forest Products funded this work. The detailed observations and records made by Ross Chambers of City Forests over many years provided information that simply is not available anywhere else and provided a sound basis with which to propose and implement a study like this one. The work reported here could not have been achieved without the huge efforts of numerous volunteers who freely gave their time. I am extremely grateful to the following people for their valuable contribution to fieldwork over the past season; Bryony Alden, Fran Cunninghame, Marcia Dale, Rowena East, Brendan Flack, Georgia-Rae Flack, Serra Kilduff, Bruce McDowell, Claudia Mischler, Mike Mullan, James McEwan, Peter Oliver, Sam Thomas, Abbi Virens and Ken, Katy, Paula, Craig and Billy. GIS information of the forest areas were kindly provided by Ian Young (Wenita) and John McMecking (City Forests).

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# **Annual Report**

**For the Period**

**1 July 2016 to 30 June 2017**

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# Vision Statement, Goals and Measurements

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

## Goal One

**To achieve:**  
Active resource stewardship

### Measurement

Optimal water use – efficiency, irrigation

Sustainable land use and water quality

Ethical mineral use

Evidence-based decision making

Effective enforcement of plans, consents and rules

## Goal Two

**To achieve:**  
Active regional partnerships

### Measurement

Active and regular engagement with stakeholders

A well connected ORC working closely with stakeholders and partners

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

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

## Goal Three

**To achieve:**  
Realisation of new opportunities

### Measurement

An active programme of enablement by ORC around new resource opportunities

Active interest of private sector parties in opportunities in the region

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

## Goal Four

**To achieve:**  
The emergence of a “Brand Otago”

### Measurement

A growing distinctiveness associated with Otago both domestically and internationally

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

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



Cr Stephen Woodhead  
Chairperson

## Overview from the Chairman and Chief Executive



Peter Bodeker  
Chief Executive

It is with pleasure that we bring to you the Otago Regional Council's Annual Report for the year ended 30 June 2017. In this report we bring to you some of the highlights and significant events of the year.

### **Water**

For many years, water has been a major focus for this council, and it will be for years to come. Water is the lifeline for all of us, and so our work continued on both water availability and water quality.

We continued our work on developing minimum flows for a number of rivers, and allocation limits for various aquifers during the year, and this work will continue over the next few years. Our minimum flow work involves getting the balance right between the amount of water people are allowed to take for irrigation and other purposes, and protecting the aquatic habitats and natural character of our rivers. A decision for a minimum flow on the Lindis River was released in August, and this is now the subject of an appeal, and mediation. Minimum flow work (which takes a number of years for each river) continues on other rivers including the Cardrona, Manuherikia, Arrow and Clutha.

In Otago we have a unique situation in that we have several hundred irrigators with existing water use permits (mining privileges), many dating back to the goldmining days. These water use permits are due to expire in 2021. If these holders wish to continue to take water once their permits have expired, they will need to replace them with resource consents before they expire in 2021. We have been working with those holding these permits, encouraging them to form groups where practicable, and seek group resource consents to take water, as there will be many efficiencies to be gained, resulting in more sustainable water use. We held a forum for the permit holders during the year, and were delighted with the number that attended.

Our work on raising awareness and understanding of the rural water quality provisions in our Water Plan has continued throughout the year. These provisions set out the level of water quality that we want to have in our rivers, lakes and groundwater, and we have a target to meet those levels of water quality in 2025. We also have rules which come into effect in 2020 that limit the level of contaminants that may enter waterways from land use discharges. Our work this year has included our education and liaison actively which involves working with our rural community, industry groups and key stakeholders, attending workshops and field days, and holding a forestry forum.

### **Civil defence and emergency management (CDEM)**

This year we undertook a review of how CDEM services across Otago were being delivered. We found that there was a low level of service delivery, primarily because CDEM officers around the region were employed separately by each of the local authorities within Otago. This division in delivery meant that working collaboratively in an integrated and co-ordinated way as intended by the CDEM legislation was not happening as well as it should. Working together with the city and district councils, we have now changed the structure, so that all of the CDEM officers are employed directly by ORC, and as one entity, operate under "Emergency Management Otago". This is helping us work more efficiently and effectively together, ensuring no duplication of effort between the six Otago councils, and it will help ensure that we are better prepared to respond as effectively as possible to an emergency situation.

### **Wilding Trees**

During the year, central government committed around \$16 million, over a four year period, towards controlling wilding trees across New Zealand. In this first year of funding, the Ministry for Primary Industries (MPI) allocated approximately \$1.1 million to Otago, and we were tasked with administering this funding. We will be receiving further funding from MPI each year over the next three years for the continuation of this control work. We acknowledge the commitment of the community groups we are working with in the Queenstown and Central Otago areas that are dedicated to working toward the eradication of these trees.

## **Wallabies**

During 2016, council made a decision to respond to an increase in wallaby sightings in and around Otago. Wallabies are a huge threat to our environment. They are a pest, impacting agriculture by competing with livestock for pasture, damaging fences, destroying crops, and they adversely impact on our native plant species. We are working with Environment Canterbury to develop a wallaby buffer zone along the Waitaki border, and control works are being undertaken as wallaby are found. It is our aim to ensure wallaby do not become established in Otago, and so this work will continue on into future years.

## **Environmental Enhancement Fund**

During the year we received a number of requests from community groups and organisations, asking for contributions from our Environmental Enhancement Fund, to help support very worthy initiatives. The primary focus of these requests was to enhance and protect areas of biodiversity, through undertakings such as pest control works, protecting our wildlife, and restoring areas of value through revegetation. We were delighted to contribute around \$230,000 towards this valuable work this year. We applaud the commitment and care of these groups, whose works contribute to making our region a more beautiful place.

## **Regional Policy Statement**

The Regional Policy Statement (RPS) provides for managing our natural and physical resource, and sets the context and direction for all regional and district planning in Otago. We took a review of the original RPS, and developed a draft new RPS which was publicly notified in May 2015. Following the submissions process, hearings and deliberations, Council released its decisions on the policy on 1 October 2016. Appeals were received on the policy, and council is now in a mediation process, working to resolve all matters. We will make the RPS operative as soon as possible, following this appeal process. Considerable work has gone into the development of this policy, and we thank everyone who has contributed.

## **Leith Flood Protection Scheme**

The construction of the Leith flood protection scheme continued during the year. A contract for construction works for the Union street to Leith Street section, including the Leith Street bridge and the ITS building/bend has been awarded, and construction commenced. Hydraulic modelling and preliminary design for the Dundas Street bridge is also underway.

## **Public passenger transport**

Our project to construct a central bus hub in Dunedin continued during the year. Public consultation and design work has been undertaken, and construction will commence during the 2017/18 year. We are also planning the implementation of a national electronic bus ticketing system, in conjunction with New Zealand Transport Agency and other local government public transport providers. A contract is in place, and the development of a ticketing system has commenced.

In addition to the work in Dunedin, a review of the Wakatipu network to define the PTOM framework for this area was undertaken. With the assistance of New Zealand Transport Agency and Queenstown Lakes District Council, new services and a flat bus fare for GoCard users will be introduced during the 2017/18 year.

## **Elections**

The local authority elections held in October 2016 saw the retirement of councillors Louise Croot and David Shepherd, and the replacement of Gerrard Eckhoff and Gary Kelliher. We are appreciative of the commitment that these councillors gave to the Otago Regional Council and the Otago community during their time on council. Four new councillor representatives were elected in October - Carmen Hope, Michael Laws, Maggie Lawton, and Andrew Noone. It is with great sadness that we acknowledge the passing away of Maggie Lawton in March this year. A subsequent by-election saw Maggie's daughter Ella Lawton being elected onto our Council.

## **Other activities**

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

- pest plant and pest animal work including undertaking property inspections of rabbit populations and pest plant infestations, undertaking enforcement action where our rules in the Pest Management Plan have not been complied with;
- maintaining our waterways to ensure any obstructions are cleared, and water can flow without any impediment;
- responding to environmental incidents reported through our pollution hotline;
- providing information through our web site, video's, brochures, and social media etc.;

- undertaking the regional co-ordination role for Enviroschools in Otago;
- processing consent applications (approximately 500 applications were received during the year), variations to consents, and transfers, and undertaking monitoring to ensure consent conditions are being complied with; and
- continuing our work on natural hazards, including supporting the Dunedin City Council on the South Dunedin Futures project.

We have advised previously that our Dunedin head office is not suitable for our needs, and so we have been working on different options to resolve this issue. Part of that work has included Council identifying a preferred site for the construction of a new building, and looking at other options such as leasing. We plan to consult during 2017/18, once we have sufficient information on what it would cost to build or lease, and we have funding recommendations for each option. We will look forward to receiving your feedback which will help us make an informed decision on this important matter.

### **Financial position**

The Council's reported operating result for the year ended 30 June 2017 is a deficit of \$841,000 compared to a budgeted deficit of \$3.4 million. The budgeted deficit included the following items:

- Procurement of the national electronic ticketing system and the development of the bus hub (approx. \$2 million),
- Use of general reserves for activities such as the construction of a stock truck effluent disposal site, and the development of a regional economic development strategy.

The deficit was lower than budgeted due primarily to timing issues, such as for the bus hub and electronic ticketing, and the construction of a new stock truck effluent disposal site in the Central Otago district.

- resulting in an under spend of approximately \$1.8 million. Note is made that the bus hub is a three year project and the under expenditure is a matter of timing.
- Other gains relating to the fair value of assets held (unrealised gains) were approximately \$500,000 greater than that budgeted.

Total equity in the Council as at 30 June 2017 was \$593 million compared to \$573 million at 30 June 2016. The difference in equity relates to the deficit of \$841,000 and a revaluation of Council's shares held in Port Otago Limited. These shares were revalued by approximately \$21 million this year, bringing the valuation of the shares to \$439 million.

### **Acknowledgements**

The vision we have for Otago is "For our future - a prosperous and sustainable future for Otago". We know that we cannot do it alone, and so we recognise and thank you, the people of Otago, the elected regional councillors and the staff of the council for your support, contributions and commitment given during the year towards looking after our beautiful region, and working toward our vision for 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**

## **Development of Maori Capacity to Contribute to Decision Making**

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

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

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

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

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

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

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

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

### **Port Otago Limited**

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

Each year Port Otago Limited produces a Statement of Corporate Intent, which is then formally approved by Council. As its owner, the Council does not participate in the management and operation of the company; this is left in the care of the Directors of Port Otago Limited and its management. Port Otago Limited reports to Council on a six monthly basis its performance results for the period. The results of Port Otago Limited for the year ended 30 June 2017 have been incorporated into the Group results included within these financial statements.

# Introduction to Service & Financial Statements

The financial statements on pages 48 to 116 report the results of the Otago Regional Council as a separate entity and the consolidated results of the group comprising the Council and Port Otago Limited.

## Group Activities

The Council's Group activities are reported on pages 11 to 47. These pages contain performance information including levels of service, targeted and actual measures of achievement along with funding impact statements.

Performance measures are those identified in the 2016/17 Annual 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.
- Rural water quality, to assist achieving water quality targets.
- Dairy inspection to visit every dairy farm for compliance with permitted and prohibited activity rules.
- Wilding trees to support voluntary groups working to control this pest plant.





**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.

### **Key for Significant Activities Achievement (pages 11 to 46)**

|   |  |
|---|--|
|  | <b>Target has been achieved</b>                      |
|  | <b>Target is in progress, or partially achieved.</b> |
|  | <b>Target has not been achieved.</b>                 |
|  | <b>Target start time deferred to a later date.</b>   |



# Significant Activities

## Environment

### *Water*

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

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

#### **Water Quality**

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

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

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

Council is aware that there are other contaminant discharges affecting our water quality, from septic tanks, storm water discharges, industrial and trade waste, and hazardous substances. We plan to address these issues through a series of proposed plan changes to the Regional Plan: Water, and this work started in 2016/17 with the development of a water quality strategy.

#### **Water Quantity**

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

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

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

There are approximately 360 mining privileges currently issued in Otago. Our Regional Plan: Water has provisions to assist transitioning these from mining privileges to resource consents, through the formation of groups. Group management of our water resource will help achieve efficient and sustainable water use.

#### **Monitoring**

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

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

nutrient status. Long term data is required before trends on water quality can be determined, and so the monitoring undertaken in our Surface Water Quality Monitoring project is ongoing. As trends are established, reports on the health of Otago’s waterways are published and made available by Council through State of the Environment reporting every five years, the last being completed in 2012. If however, monitoring results show an obvious deterioration of water quality, compliance work is undertaken to investigate its cause and remedy the situation.

This activity contributes to the following community outcomes:

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

### **Water Quality**

| <b>Level of service – Maintain or improve water quality</b> |   | <b>Achieved</b> |
|---|---|-----------------|
| <b>Measure:</b>   | State of the Environment monitoring.  | ●               |
| <b>Performance target:</b>                                  | Assess that water quality that meets the limits set out in the Regional Plan: Water continues to be met, and that water quality previously not meeting limits is improving, and report results. |                 |
| <b>Achievement to June:</b>                                 | Schedule 15 monitoring work was undertaken during the year to assess compliance with the Regional Plan: Water provisions. The results are shown in the graphs below.                            |                 |

Water quality limits for surface and groundwater have been set in Schedule 15 of the Regional Plan: Water.

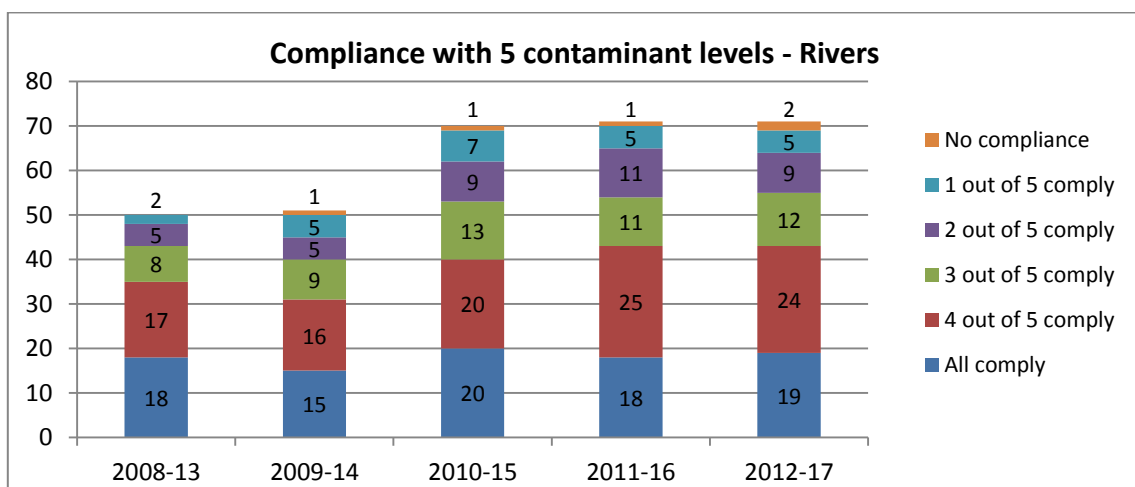
The contaminants measured for rivers are:

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

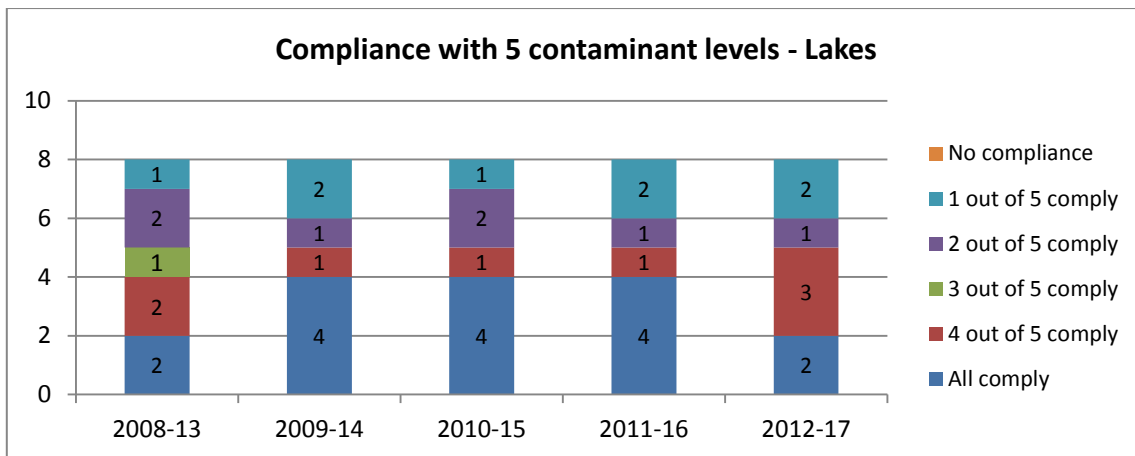
The contaminants measured for lakes are:

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

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



Of the 71 sites monitored, 62 sites maintained the same level of water quality grading as in the 2011-16 period, six sites improved one grade, and 3 sites degraded one grade. Because Otago experienced such a wet year this year, the number of samples taken that were available for analysis were limited, the bulk of samples having been taken when the flows were above median levels.



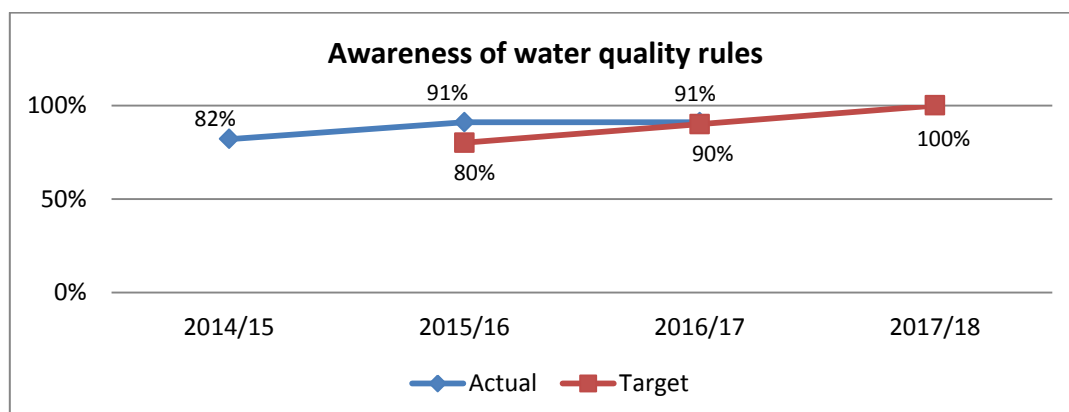
Of the eight lakes monitored, six lakes maintained their water quality grade, and two lakes degraded by one grade as follows:

- Lake Wanaka dropped a grade for Total Phosphorus. Last year the 80<sup>th</sup> percentile was 0.0048 mg/litre compared to 0.0056 mg/litre this year. 65% of samples taken during the year were below the detection limit of 0.004 mg/litre.
- Lake Hawea dropped a grade for Total Phosphorus. Last year the 80<sup>th</sup> percentile was 0.005 mg/litre compared to 0.0056 mg/litre this year. 56% of samples taken during the year were below the detection limit of 0.004 mg/litre.

The cut-off grade for excellence for Total Phosphorus is 0.005 mg/litre. It is noted that the level of uncertainty for Total Phosphorus analysis at low detection levels is extremely large, i.e. 0.002 mg/litre has a greater than 40% level of uncertainty.

| Level of service – Maintain or improve water quality |  | Achieved |
|--|--|----------|
| <b>Measure:</b>                                      | Awareness survey.  | ●        |
| <b>Performance target:</b>                           | Landholder awareness of Regional Plan Water rules at 90%. in 2016/17, increasing to 100% by 2017/18. |          |
| <b>Achievement to June:</b>                          | The survey is complete and landholder awareness is at 91%.   |          |

Awareness surveys were undertaken during the last three financial years, and results are shown below.

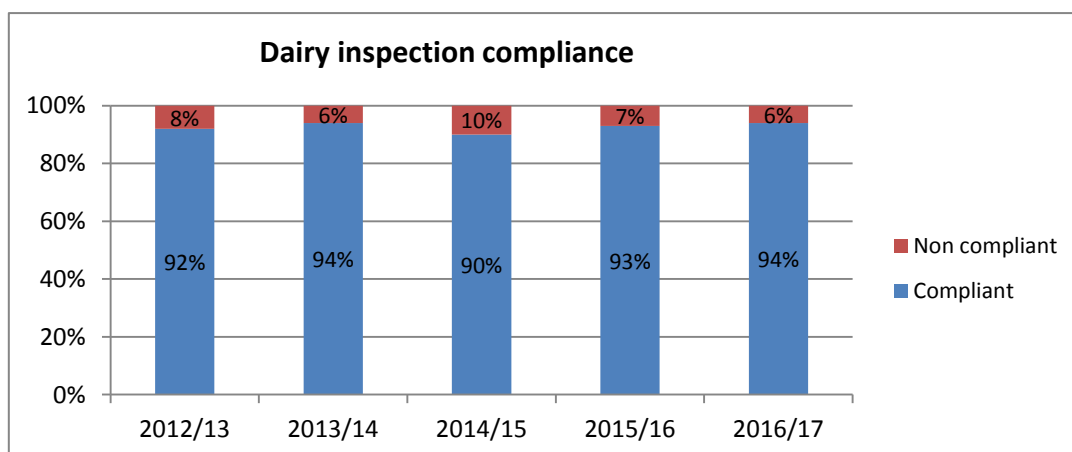


Activities undertaken during the period to promote awareness of the rules included:

- Production of On-Stream, our monthly e-newsletter
- Good Water in Otago, an ORC Facebook page
- Attending workshops and field days.
- Actively working with industry groups, including Dairy NZ, Beef & Lamb, Federated Farmers, Deer NZ, forestry industry and irrigation companies.
- Holding a forestry forum with contractors and industry representatives.

| Level of service – Maintain or improve water quality |  | Achieved |
|--|--|----------|
| <b>Measure:</b>                                      | Dairy inspection and other farm monitoring.  | ●        |
| <b>Performance target:</b>                           | Every dairy farm will be visited and assessed for compliance with prohibited activity rules in the Regional Plan: Water.   |          |
| <b>Achievement to June:</b>                          | All dairy farms (465) were inspected during the year, and assessed for compliance with the prohibited activity rules in the Regional Plan: Water. Compliance results are shown in the graph below. |          |

Compliance results compared to previous years are as follows:



**Specific areas of work**



1. Commence plan changes to address urban discharges to water.


|   |   |
|---|---|
| An audit of current water plan provisions for urban discharges to water, in relation to their effectiveness and efficiency, is being finalized. | ● |
|---|---|

**Other initiatives undertaken to promote water quality include:**

- Water quality data collection has been completed for the Waiwera catchment and has been reported on.
- Monitoring for the Manuherikia catchment is in progress.
- Audits of high risk activities were completed for the year, particularly within the forestry activity.
- The first draft of an updated guidebook for water quality rules has being developed.





### **Water Quantity**

| <b>Level of service – Water is managed to meet the needs of the Otago community</b> |   | <b>Achieved</b>  |
|---|---|--|
| <b>Measure:</b>   | Sustainable environmental flows and allocation limits set on rivers levels, streams, and groundwater resources.   | <br><br> |
| <b>Performance target:</b>  | Publish science work for setting minimum flows/ environmental levels for the Clutha and Manuherikia rivers.   |  |
| <b>Achievement to June:</b>   | <p>Clutha science work (bioenergetics) was undertaken in March 2017 by Cawthron. This was originally planned for summer 2015-16, but work was delayed due to low flows. Hydraulic modelling field work has been completed by NIWA and results received. Cawthron is to deliver a bioenergetics report by late 2017.</p> <p>A science report for the Manuherikia River has been published and presented to a committee of council.</p> |  |

|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | Sustainable environmental flows and allocation limits set on rivers levels, streams, and groundwater resources.   |  |
| <b>Performance target:</b>  | Monitor compliance with set minimum flows/environmental levels.   |   |
| <b>Achievement to June:</b> | Compliance of set minimum flows for SOE sites within the Kakanui, Waianakarua, Shag, Leith, Luggate, Lake Hayes, Manuherikia, Waitahuna and Lake Tuakitoto catchments was monitored during the year. Two minor breaches occurred at Taieri at Waipiata on 13 and 17 January 2017. All other sites were compliant. |   |

#### **Specific areas of work:**

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

|                         |  |   |
|-------------------------|--|---|
| <i>Lindis</i>           | Council decision for a minimum flow on the Lindis was released on 13 August 2016. One appeal was received with 13 parties to the appeal. Mediation started in December. On request, further science work was undertaken and reported back to the Environment Court in April 2017. Court facilitated expert conferencing of the science witnesses took place in June 2017. Further mediation occurred 4 July. |  |
| <i>Cardrona</i>         | Project Execution Plan, Terms of Reference, Gant Charts and Risk Register have been prepared and provided to the Water Governance Group (WGG). Science work has commenced on this project.   |  |
| <i>Waikouaiti River</i> | An ecological assessment has been completed for the Waikouaiti Estuary study.  |  |
| <i>Ettrick</i>          | Science work is in progress. A bore has been installed, and monitoring is underway. Survey elevations of sites have been completed.  |  |

|   |  |   |
|---|--|---|
| <i>Manuherikia</i>                      | First round of consultation with the community was undertaken in August, and a second round was completed during March. A science report for the Manuherikia River has been published and presented to a committee of council. | ● |
| <i>Clutha</i>                           | Instream values and habitat modelling has been completed. Bioenergetics study was undertaken. A report will be delivered in late 2017.   | ● |
| <i>Arrow</i>                            | The first round of consultation was completed 26 and 27 June 2017.   | ● |
| <i>Flow requirements on water takes</i> | The first stage of consultation was completed in February. Further consultation is programmed for 7 to 10 August 2017.   | ● |

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

|  |   |
|--|---|
| Funding support was provided to the Manuherikia and Strath Taieri irrigation groups. | ● |
|--|---|

**Other initiatives undertaken to manage water quantity include:**

- Approximately 35 meetings have been held with groups of water users who are looking to replace their expiring mining privileges.
- Water Users Guide has been completed and is available to the public.
- Work is continuing on encouraging the replacement of deemed permits, which expire in 2021, into consents, and supporting group formations.
- Water forum was held on 29 March in Alexandra and 140 people attended.

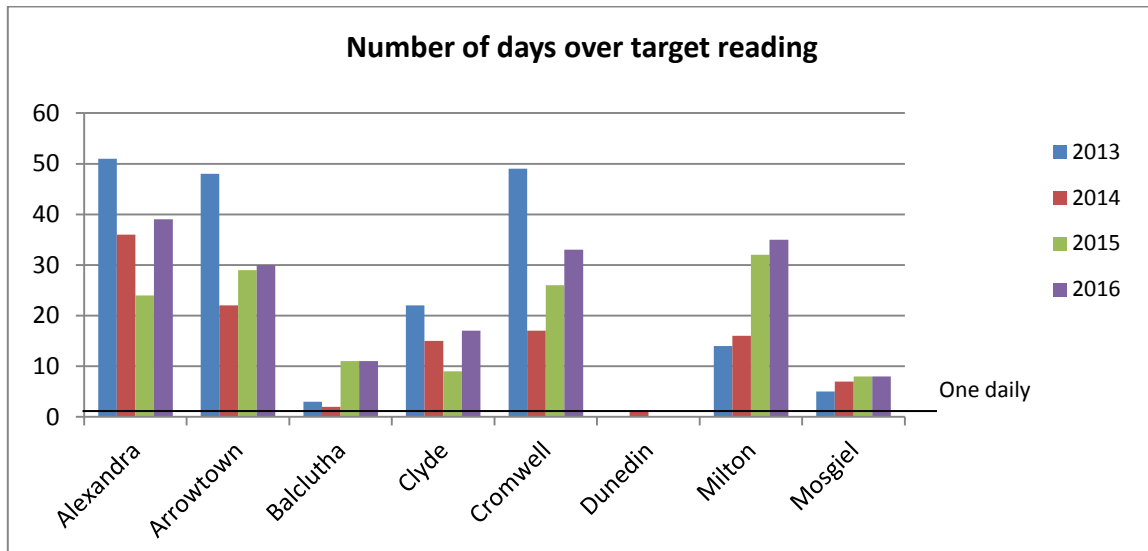
**Air**

| Level of service – Improve air quality |   | Achieved |
|--|---|----------|
| <b>Measure:</b>                        | Ambient (PM <sub>10</sub> ) air quality in targeted towns.  | ●        |
| <b>Performance target:</b>             | Monitor air quality to assess compliance with NES requirement of no more than one daily average reading of PM10 per annum to be higher than 50 micrograms per cubic meter.          |          |
| <b>Achievement to June:</b>            | Air quality is being monitored at eight sites in Otago. Four sites are monitored all year, and four over the winter months (Apr-Sept) only. Winter monitoring for 2017 is underway. |          |

Ambient air quality has been monitored for the winter of 2016 (April to September) in the following targeted towns:

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

The requirement of no more than one daily above 50 mg/m<sup>3</sup> was not achieved in any location except for Dunedin, which had no readings above 50 mg/m<sup>3</sup>. The graph below shows the number of days where the daily average reading of PM<sub>10</sub> was higher than 50 mg/m<sup>3</sup>, for the last four years.



**Specific areas of work:**

1. Complete the development of an Air Strategy for Otago.

|   |   |
|---|---|
| A draft Air Strategy has been prepared. | <span style="color: yellow; font-size: 2em;">●</span> |
|---|---|

2. Support through funding, the installation of clean heating appliances in targeted towns (Airzone 1 and Milton).

|   |  |
|---|--|
| Support is provided as applications are received. 44 clean heating appliances were installed during the period. | <span style="color: green; font-size: 2em;">●</span> |
|---|--|

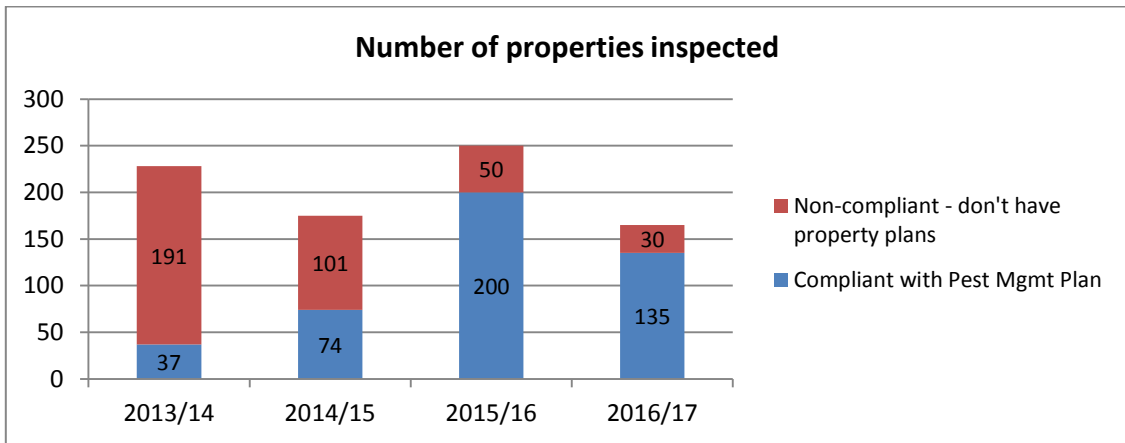
3. Identify research needs and opportunities in relation to low emission solid fuel burners and promote that research.

|  |   |
|--|---|
| The scope was extended to include air quality issues generally. A draft report has been prepared for review. | <span style="color: yellow; font-size: 2em;">●</span> |
|--|---|

**Land**

| Level of service – Require control of pest animals and pest plants |   | Achieved   |
|--|---|--|
| <b>Measure:</b>  | Level of rabbit populations in rabbit prone areas.  | <span style="color: green; font-size: 2em;">●</span> |
| <b>Performance target:</b>   | Non-compliance found of rabbit numbers over MAL3 will be followed up to ensure a property management plan is in place to reduce rabbit numbers. |  |
| <b>Achievement to June:</b>  | Follow up and requests for Rabbit Control Plans was undertaken as non-compliance was found.   |  |

The graph below shows the number of properties inspected and their results:



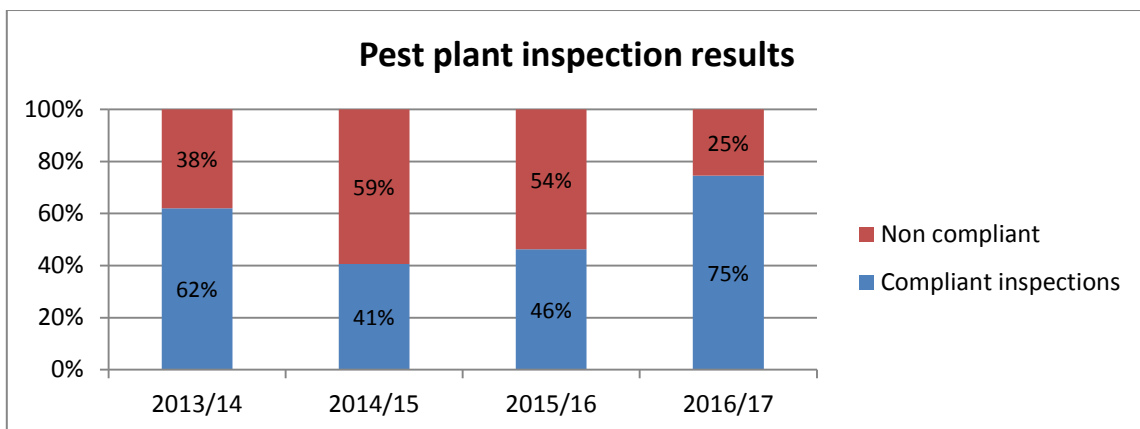
165 inspections covering approximately 26,500 ha were undertaken. Property management plans were requested, or amendments to existing property plans, from the 30 non-compliant inspections. Inspection numbers have decreased due to staff time being used to prepare for a release of the K5 virus.

| Level of service – Require control of pest animals and pest plants |  | Achieved |
|--|--|----------|
| <b>Measure:</b>  | Level of pest plants found at known sites.   | ●        |
| <b>Performance target:</b>   | Non-compliance found for pest plants will be followed up to ensure control works to remove pest plants have been undertaken. |          |
| <b>Achievement to June:</b>  | Inspections were completed with follow-up inspections and enforcement action initiated where necessary.                      |          |

During the period plant inspections included the following:

|   | 2016/17      | 2015/16      | 2014/15    | 2013/14    |
|---|--------------|--------------|------------|------------|
| Bomarea                                     | 472          | 447          | 153        | 338        |
| Old Man's Beard                             | 3,390        | 1,140        | 499        | 125        |
| Contorta                                    | 12           | 61           | 14         | 0          |
| <b>Total number of properties inspected</b> | <b>3,874</b> | <b>1,648</b> | <b>666</b> | <b>463</b> |

Results of these inspections are shown below.



80 notices of direction were issued in respect of old man's beard.



Other pest plant work undertaken included the following:

- 19,500 ha were inspected for Nassella Tussock, with 1,051 plants removed.
- 62 new sites of Cape Ivy were found and are now being controlled.
- 365 Boneseed plants were removed from Anderson Bay in Dunedin.
- One new African Love Grass site was found and 38 plants were destroyed.
- 18 properties were inspected for gorse and broom, and 12 were found to be non-compliant.

Reinspections on non-compliant properties were undertaken as required.

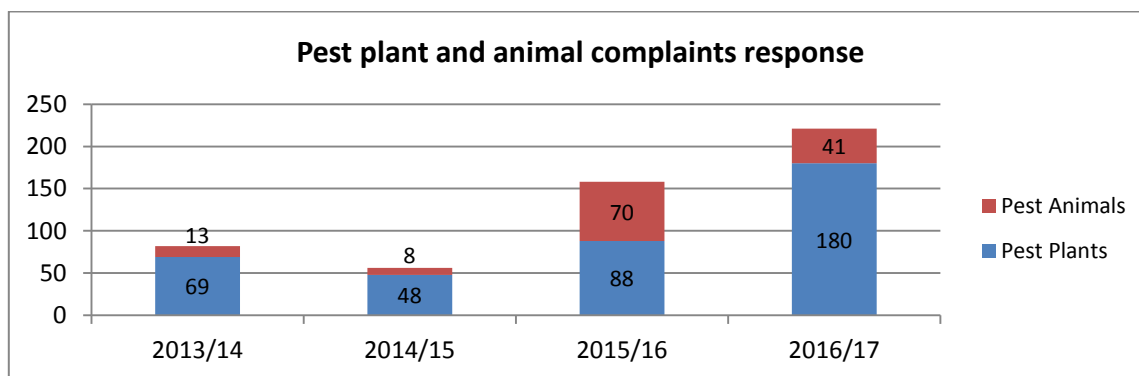
**Specific areas of work:**

1. Develop a Biodiversity Strategy for Otago.

|   |   |
|---|---|
| A Biodiversity Strategy Options report has been received from Wildlands Consultants, but is yet to be considered by the Biodiversity Reference Group. | ● |
|---|---|

**Other initiatives undertaken include:**

- Staff responded to pest complaints as follows:




Complaints received related to the following:

|              | 2016/17    | 2015/16    | 2014/15   | 2013/14   |
|--------------|------------|------------|-----------|-----------|
| Pest plants  | 180        | 88         | 48        | 69        |
| Rabbits      | 21         | 41         | 7         | 13        |
| Wallabies    | 19         | 25         | 1         | -         |
| Rooks        | 1          | 2          | -         | -         |
| Possums      | -          | 2          | -         | -         |
| <b>Total</b> | <b>221</b> | <b>158</b> | <b>56</b> | <b>82</b> |


Pest plant complaints related predominantly to old man’s beard. All complaints have been followed up where a breach of the Pest Management Plan has been identified.

### **Rivers & Waterway Management**


| <b>Level of service – Ensure waters can flow without obstruction</b> |  | <b>Achieved</b>   |
|--|--|---|
| <b>Measure:</b>  | Time taken to investigate and action reported blockages.   |  |
| <b>Performance target:</b>   | Investigate all reported blockages obstructing scheduled rivers within 10 working days and action appropriately. |   |
| <b>Achievement to June:</b>  | All reported blockages were investigated within 10 days.   |   |

**Specific areas of work:**

1. Develop River Morphology and Riparian Management Plans, for the Cardrona, Waianakarua and Shag rivers.

|   |   |
|---|---|
| <p>Work is in progress on all three plans. Public values have been collected and field work completed. River corridor/fairway contract work has been received. Community meetings to present draft strategy and start the feedback process were held in April and planning meetings were held with major stakeholders. Work with KTKO started in July to present Maori values.</p> <p>Cardrona public consultation will be held alongside Policy consultation on minimum flows scheduled in the 2017/18 year.</p> <p>Shag and Waianakarua plans will be presented to the October Technical Committee.</p> |  |
|---|---|


2. Implement the maintenance strategies for non-flood scheme assets.

|   |   |
|---|---|
| Maintenance of non-flood scheme assets is being undertaken. |  |
|---|---|

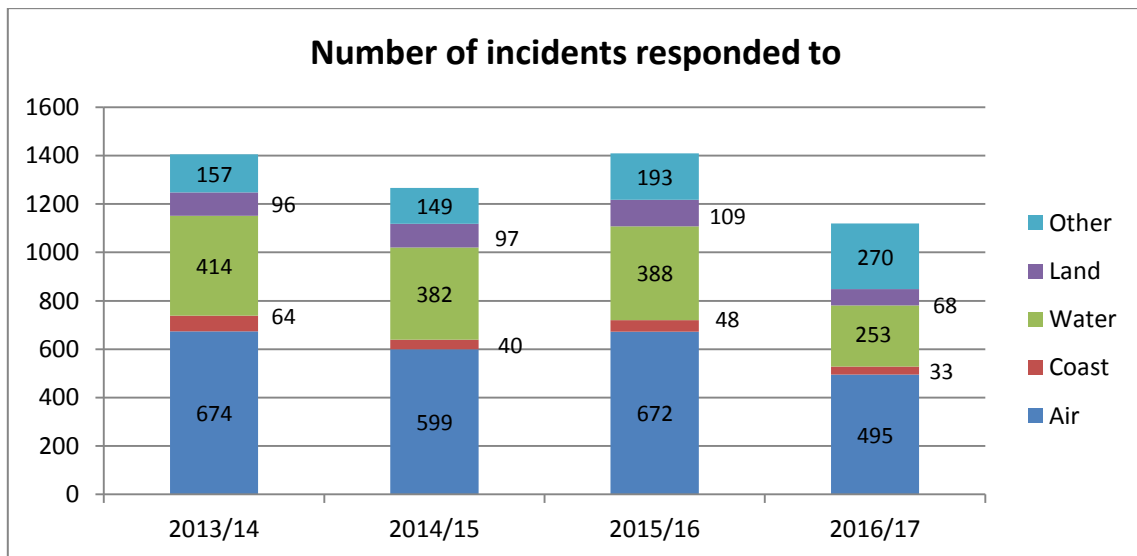
**Other initiatives undertaken include:**

- Reports on the trends and changes in river morphology for the following rivers have been completed:
  - the Clutha River between Clyde and the mouth
  - Cardrona River
  - Rees River at the Rees Bridge and at Glenorchy
- An independent economic assessment of the private versus public benefits of the Lower Waitaki River Scheme was completed, and as a result, the revenue policy for this scheme has been amended to recognise some public benefit.

### **Environmental Incident Response**


| <b>Level of service – Council will be ready and able to respond to all environmental incidents</b> |   | <b>Achieved</b>   |
|--|---|---|
| <b>Measure:</b>  | Time taken to respond.  |  |
| <b>Performance target:</b>   | Acknowledge and assess the necessary actions of reported incidents within 0.5 hours of receipt. |   |
| <b>Achievement to June:</b>  | Council received 1,119 incidents during the year, and all were responded to within 0.5 hours.   |   |

The incidents received during the period related to the following:



**Specific areas of work:**

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

|   |   |
|---|---|
| <p>A central contaminated sites database has been established. This database is accessible by all TLA's and provides summary information on over 1,000 sites in Otago. Work continues to align the database with information held by the territorial authorities.</p> |  |
|---|---|

## Funding Impact Statement - Environment

Funding Impact Statement for the year ended 30 June 2017.

|   | Actual<br>2016/17<br>\$000 | Annual<br>Plan<br>2016/17<br>\$000 | Long Term<br>Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Long Term<br>Plan<br>2015/16<br>\$000 |
|---|----------------------------|------------------------------------|---------------------------------------|----------------------------|---------------------------------------|
| <b>Sources of operating funding</b>                                   |                            |                                    |                                       |                            |                                       |
| General rates, uniform annual general charge & rate penalties         | 3,318                      | 3,307                              | 2,763                                 | 2,608                      | 2,587                                 |
| Targeted rates (other than a targeted rate for water supply)          | 2,445                      | 2,445                              | 2,037                                 | 1,838                      | 1,751                                 |
| Subsidies & grants for operating purpose                              | 1,140                      | -                                  | 13                                    | 19                         | 13                                    |
| Fees, charges and targeted rates for water supply                     | 1                          | 570                                | 939                                   | 243                        | 919                                   |
| Internal charges & overheads recovered                                | 216                        | 217                                | 766                                   | 882                        | 747                                   |
| Local authorities fuel tax, fines, infringement fees & other receipts | 5,624                      | 5,291                              | 4,930                                 | 5,257                      | 4,734                                 |
| <b>Total operating funding (A)</b>                                    | <b>12,744</b>              | <b>11,830</b>                      | <b>11,448</b>                         | <b>10,847</b>              | <b>10,751</b>                         |
| <b>Applications of operating funding</b>                              |                            |                                    |                                       |                            |                                       |
| Payments to staff & suppliers   | 8,406                      | 7,769                              | 7,843                                 | 6,037                      | 7,722                                 |
| Finance costs   | -                          | -                                  | -                                     | -                          | -                                     |
| Internal charges & overheads applied                                  | 5,026                      | 4,991                              | 4,474                                 | 5,015                      | 4,096                                 |
| Other operating funding applications                                  | -                          | -                                  | -                                     | -                          | -                                     |
| <b>Total applications of operating funding (B)</b>                    | <b>13,432</b>              | <b>12,760</b>                      | <b>12,317</b>                         | <b>11,052</b>              | <b>11,818</b>                         |
| <b>Surplus (deficit) of operating funding (A-B)</b>                   | <b>(688)</b>               | <b>(930)</b>                       | <b>(869)</b>                          | <b>(205)</b>               | <b>(1,067)</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>-</b>                   | <b>-</b>                              |
| <b>Application of capital funding</b>                                 |                            |                                    |                                       |                            |                                       |
| <i>Capital expenditure:</i>   |                            |                                    |                                       |                            |                                       |
| - to meet additional demand   | -                          | -                                  | -                                     | -                          | -                                     |
| - to improve the level of service                                     | 171                        | -                                  | -                                     | 132                        | -                                     |
| - to replace existing assets  | 102                        | 265                                | 214                                   | 71                         | 303                                   |
| Increase (decrease) in reserves                                       | (961)                      | (1,195)                            | (1,083)                               | (408)                      | (1,370)                               |
| Increase (decrease) of investments                                    | -                          | -                                  | -                                     | -                          | -                                     |
| <b>Total applications of capital funding (D)</b>                      | <b>(688)</b>               | <b>(930)</b>                       | <b>(869)</b>                          | <b>(205)</b>               | <b>(1,067)</b>                        |
| <b>Surplus (deficit) of capital funding (C-D)</b>                     | <b>688</b>                 | <b>930</b>                         | <b>869</b>                            | <b>205</b>                 | <b>1,067</b>                          |
| <b>Funding balance ((A-B) + (C-D))</b>                                | <b>-</b>                   | <b>-</b>                           | <b>-</b>                              | <b>-</b>                   | <b>-</b>                              |

The accompanying notes form part of these financial statements. The Long Term Plan 2016/2017 amounts provided for expenditure of \$486,000 in respect of water plan compliance work within the Regulatory Funding Impact Statement, however the actual cost and work performed are reported upon within the Environment activity.

# Community

## *Democracy, Public Information and Awareness*

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

Every three years an election of councillors is held, and an election was held in October 2016.

Council undertakes a number of activities to educate, consult and encourage community participation in decision making, and to promote awareness of our plans, policies and activities. To help promote community participation, we provide regular information to the media about our activities, and make information publicly available through newsletters, web-based information, social media, public events and so on.

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


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


Council contributes funding towards initiatives undertaken by community groups and others that promote the sustainable use of resources in Otago, and to the Otago Emergency Rescue Helicopter.

Work on the development of a Regional Economic Strategy commenced during the year. The purpose of the strategy is to identify key economic drivers for the region, the barriers to achieving economic growth, and identifying ways those barriers may be overcome.

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.

| <b>Level of service – Effective, open and transparent democratic council processes</b> |  | <b>Achieved</b>   |
|--|--|---|
| <b>Measure:</b>  | Completion of statutory public accountability processes.   |  |
| <b>Performance target:</b>   | Complete all planning and reporting within statutory timeframes and requirements.  |   |
| <b>Achievement to June:</b>  | Annual report was completed and adopted by Council on 28 September 2016, within the statutory timeframe. Work on the 2017/18 draft annual plan was adopted on 29 June, within the statutory timeframe. |   |


|  |   |   |
|--|---|---|
| <b>Level of service – Provide information to enable the public to be informed of council and committee meetings.</b> |   | <b>Achieved</b>   |
| <b>Measure:</b>  | Time for making meeting agendas available to the public.  |  |
| <b>Performance target:</b>   | All meeting agendas to be available at least two working days prior to each meeting.  |   |
| <b>Achievement to June:</b>  | 38 committee and 11 Council meetings were held during the year. All meeting agendas were made available two days prior to each meeting. |   |

### Specific areas of work:


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

|  |   |
|--|---|
| Meetings held during the period included with the Te Kāhano Aotearoa Trust, three Te Roopu Taiao meetings, a Mana to Mana meeting and attendance at the Waitangi Day celebrations. |  |
|--|---|

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

|  |   |
|--|---|
| Responses made included to the Department of Conservation re Proposed Marine Protected Areas, CODC consent re natural hazards risks, and QLDC consents re flooding risk and discharge of storm water, and special housing areas. |  |
|--|---|

3. Develop a regional economic development strategy for the Otago region.

|  |   |
|--|---|
| Development of this strategy is in progress. Work is continuing on information gathering and undertaking a programme of interviews with key regional stakeholders. Key emerging themes were presented to the Otago Mayoral Forum in May 2017. Recommendations on regional opportunities, plan structure and potential governance for developing and implementing a strategy are to be presented to the Otago Mayoral Forum in August 2017. |  |
|--|---|

### Other initiatives undertaken for our community include:

- Information has been made available to the public through issuing media releases, social media postings and keeping the ORC website updated.
- Responded to request for presentations to the Millars Flat Scout Group camp, Queens High School, and an Otago/Southland geography teachers meeting.
- Queenstown/Wanaka drop in sessions and business walk arounds were held.
- Financial contributions were made to the Otago Rescue Helicopter.

## Funding Impact Statement – Community

Funding Impact Statement for the year ended 30 June 2017.

|   | Actual<br>2016/17<br>\$000 | Annual<br>Plan<br>2016/17<br>\$000 | Long Term<br>Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Long Term<br>Plan<br>2015/16<br>\$000 |
|---|----------------------------|------------------------------------|---------------------------------------|----------------------------|---------------------------------------|
| <b>Sources of operating funding</b>                                   |                            |                                    |                                       |                            |                                       |
| General rates, uniform annual general charge & rate penalties         | 1,486                      | 1,484                              | 1,430                                 | 1,359                      | 1,361                                 |
| Targeted rates (other than a targeted rate for water supply)          | -                          | -                                  | 145                                   | 141                        | 145                                   |
| Subsidies & grants for operating purpose                              | 79                         | -                                  | -                                     | -                          | -                                     |
| Fees, charges and targeted rates for water supply                     | 1                          | 131                                | 134                                   | -                          | 131                                   |
| Internal charges & overheads recovered                                | 49                         | -                                  | -                                     | -                          | -                                     |
| Local authorities fuel tax, fines, infringement fees & other receipts | 2,623                      | 2,220                              | 2,482                                 | 2,347                      | 2,405                                 |
| <b>Total operating funding (A)</b>                                    | <b>4,238</b>               | <b>3,835</b>                       | <b>4,191</b>                          | <b>3,847</b>               | <b>4,042</b>                          |
| <b>Applications of operating funding</b>                              |                            |                                    |                                       |                            |                                       |
| Payments to staff & suppliers   | 3,181                      | 2,766                              | 3,189                                 | 3,013                      | 3,071                                 |
| Finance costs   | -                          | -                                  | -                                     | -                          | -                                     |
| Internal charges & overheads applied                                  | 1,398                      | 1,162                              | 1,007                                 | 1,464                      | 973                                   |
| Other operating funding applications                                  | -                          | 7                                  | -                                     | -                          | -                                     |
| <b>Total applications of operating funding (B)</b>                    | <b>4,579</b>               | <b>3,935</b>                       | <b>4,196</b>                          | <b>4,477</b>               | <b>4,044</b>                          |
| <b>Surplus (deficit) of operating funding (A-B)</b>                   | <b>(341)</b>               | <b>(100)</b>                       | <b>(5)</b>                            | <b>(630)</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>-</b>                   | <b>-</b>                              |
| <b>Application of capital funding</b>                                 |                            |                                    |                                       |                            |                                       |
| <i>Capital expenditure:</i>   |                            |                                    |                                       |                            |                                       |
| - to meet additional demand   | -                          | -                                  | -                                     | -                          | -                                     |
| - to improve the level of service                                     | 3                          | -                                  | -                                     | -                          | -                                     |
| - to replace existing assets  | 141                        | -                                  | -                                     | -                          | -                                     |
| Increase (decrease) in reserves                                       | (485)                      | (100)                              | (5)                                   | (630)                      | (2)                                   |
| Increase (decrease) of investments                                    | -                          | -                                  | -                                     | -                          | -                                     |
| <b>Total applications of capital funding (D)</b>                      | <b>(341)</b>               | <b>(100)</b>                       | <b>(5)</b>                            | <b>(630)</b>               | <b>(2)</b>                            |
| <b>Surplus (deficit) of capital funding (C-D)</b>                     | <b>341</b>                 | <b>100</b>                         | <b>5</b>                              | <b>630</b>                 | <b>2</b>                              |
| <b>Funding balance ((A-B) + (C-D))</b>                                | <b>-</b>                   | <b>-</b>                           | <b>-</b>                              | <b>-</b>                   | <b>-</b>                              |

The accompanying notes form part of these financial statements.

# Regulatory

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

A review and update of the RPS commenced in 2013/14 and was consulted on during the 2015/16 year. Appeals were received, and mediation has taken place to resolve these. At the end of June most matters have either been resolved in principle, or close to resolution.

Resource consents are issued by Council allowing the use of our natural resources, or discharging into water, air, coast and land resources. We strive to meet the processing timeframes in which consents should be processed as set out in the Resource Management Act 1991.

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

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

Grade 1: Compliant

Grade 2: Non-compliant – minor (no actual or potential adverse effects)

Grade 3: Non-compliant – significant (no actual or potential adverse effects)

Grade 4: Non-compliant – minor (actual or potential adverse effects)

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

Where it is found that that consent conditions and permitted activity rules are not being complied with (Grade 4 or 5), enforcement action will be undertaken.

Council's activities in respect of dam safety include having an adopted policy on Dangerous Dams, Earthquake Prone and Flood Prone Dams, maintaining a register for dams in Otago, and processing building consent applications for building associated with dams. This Council is accredited and registered as a Building Consent Authority. In addition to Otago, Council undertakes certain dam safety and building control functions for dams in the Southland and West Coast regions under transfer agreements.

Council is also responsible for harbour safety and navigation in the Otago and Karitane harbours, and includes ensuring a prompt response to harbour incidents, and notifying relevant authorities if required. We are also responsible for responding to any oil spills that may occur in the Otago area.

This activity contributes to the following community outcomes:

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



## Policy Development

### Specific areas of work:

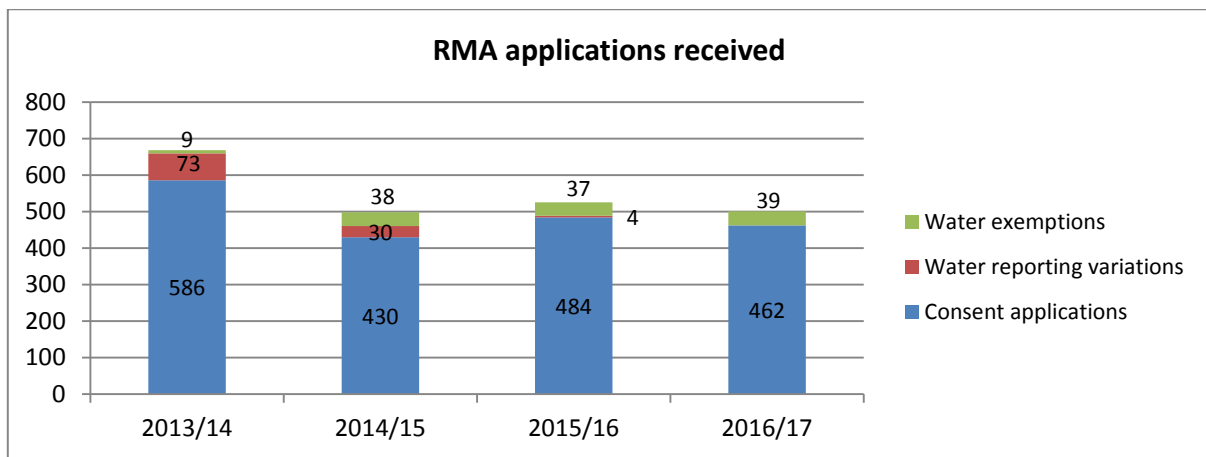
1. Address any appeals made on the Regional Policy Statement and make operative.

|   |   |
|---|---|
| A third week of Court assisted mediation was undertaken 19-23 June. At the end of that week, most matters were either resolved in principle or close to resolution. | ● |
|---|---|

## Consents & Compliance

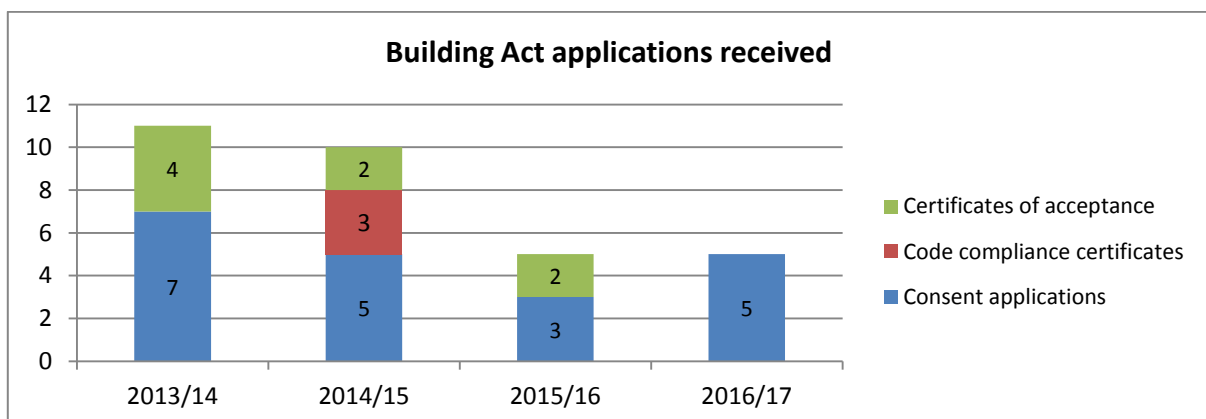
|  |                 |
|--|-----------------|
| <b>Level of service – Process resource consent applications in a timely manner.</b>        | <b>Achieved</b> |
| <b>Measure:</b> RMA and Building Act statutory time frames.                                | ●               |
| <b>Performance target:</b> 100% of consents are processed within the statutory timeframes. |                 |
| <b>Achievement to June:</b> All consents processed within statutory timeframes             |                 |


The graph below shows the trend in numbers of RMA applications received.




In addition to the consent applications received, council received 263 consent transfer applications, and nine S417 certificate requests.

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

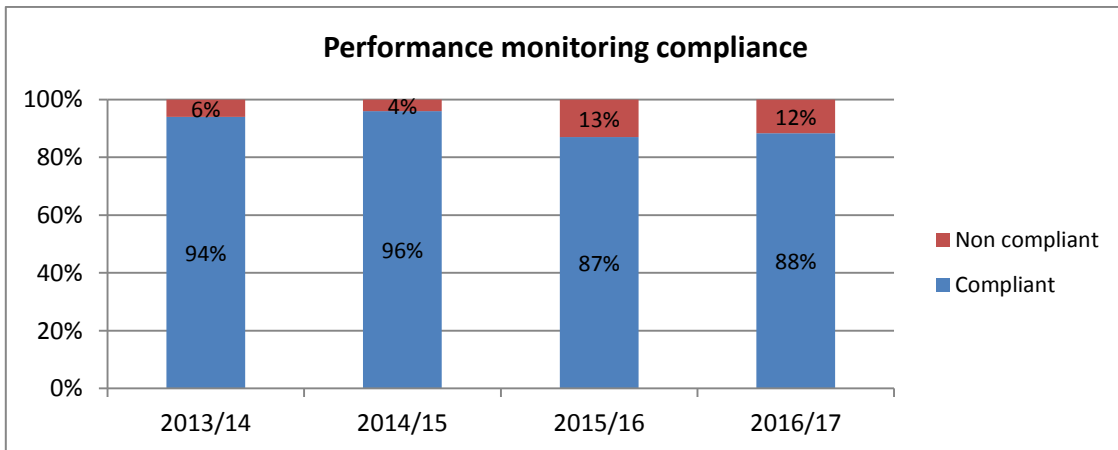


|                             |  |   |
|-----------------------------|--|---|
| <b>Measure:</b>             | Biannual customer satisfaction survey.               |  |
| <b>Performance target:</b>  | 80% customer satisfaction with process.              |   |
| <b>Achievement to June:</b> | Target achieved with customer satisfaction at 81.4%. |   |

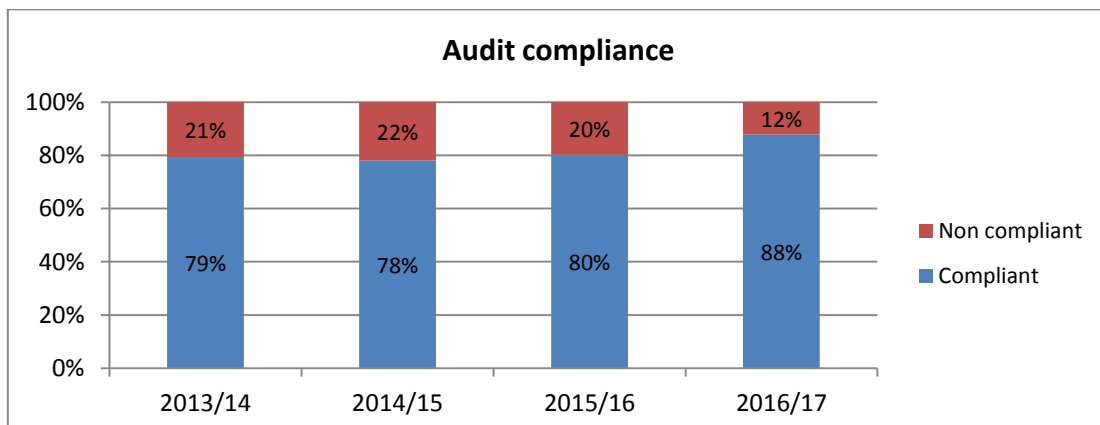
|   |  |   |
|---|--|---|
| <b>Level of service – Ensure consent conditions for the use of Otago’s air, water and coastal resources are complied with</b> |  | <b>Achieved</b>   |
| <b>Measure :</b>  | Performance monitoring returns show compliance with consent conditions.                                    |  |
| <b>Performance target:</b>  | 100% of performance monitoring data received will be assessed for compliance with consent conditions.      |   |
| <b>Achievement to June:</b>   | All performance monitoring data received to date has been assessed for compliance with consent conditions. |   |


5,299 performance monitoring returns were assessed for compliance (2015/16: 4,086 returns; 2014/15: - 3,616 returns; 2013/14: - 4,146 returns).

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




744 audits have been undertaken (2015/16: - 1,099 audits; 2014/15: - 420 audits; 2013/14: - 344 audits). The graph below shows the level of compliance with consent conditions in respect of audits undertaken.




|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | Enforcement of non-compliance.  |  |
| <b>Performance target:</b>  | All non-compliance found (grade 4 and 5) will be followed up and enforced in accordance with Council procedures.  |   |
| <b>Achievement to June:</b> | 70 performance monitoring returns were graded significant non-compliance. After follow up, no enforcement action was necessary.<br><br>33 audits and inspections were graded as significant non-compliance, of which 14 were dairy inspections and 19 were consent audits.<br><br>Enforcement action was initiated on the dairy inspections. Formal warnings were issued on five of the RMA audits. |   |

### Specific areas of work

1. Review consents for a catchment, subcatchment or aquifer within two months of a minimum flow or water quality standard being operational to assess water allocation.


|  |   |
|--|---|
| Target has been met for the Waiwera with consent reviews being completed. The Lindis will be the next operational minimum flow, but these permits will not be reviewed until 2021. |  |
|--|---|

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


|  |   |
|--|---|
| Investigations and enforcement action was undertaken on breaches of resource consent conditions and Regional Plan rules. Results are shown in the table below. |  |
|--|---|


|                         | <b>2016/17</b> | <b>2015/16</b> | <b>2014/15</b> | <b>2013/14</b> |
|-------------------------|----------------|----------------|----------------|----------------|
| Infringement notices    | 40             | 14             | 19             | 21             |
| Prosecutions authorised | 14             | 3              | 6              | 9              |
| Abatement notices       | 3              | -              | 2              | 8              |

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

|   |   |
|---|---|
| Four Notices to Fix were issued during the year. One required a person to remove or repair a dam. |  |
|---|---|

### **Harbour Management**

|  |  |   |
|--|--|---|
| <b>Level of service – Safe recreational use and navigation for all users of the Otago harbour.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>  | Number of harbour incidents.   |  |
| <b>Performance target:</b>   | No major (collision) harbour incidents.  |   |
| <b>Achievement to June:</b>  | A moderate incident occurred when a small fishing vessel ran aground at the entrance to Oamaru Harbour. Harbour masters investigated along with Maritime NZ. An oil spill response was initiated resulting in no noticeable environmental impacts. |   |


|  |  |   |
|--|--|---|
| <b>Level of service – Council will be ready to respond to oil spills and ensure restoration.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>  | Respond to oil spills in a timely manner.  |  |
| <b>Performance target:</b>   | Respond within 1.5 hours of notification.  |   |
| <b>Achievement to June:</b>  | A total of three marine oil spills were reported during the year. One oil spill resulted in a maritime response in Oamaru. |   |

**Specific areas of work:**

1. Complete Port Harbour safety review.

|  |   |
|--|---|
| Navigational safety policy drafting has commenced. |  |
|--|---|

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

|   |   |
|---|---|
| <p>A land based familiarisation field equipment exercise on Fryatt Street wharf was held on 2 December 2016. This involved all qualified staff and deployment of oil spill gear, booms, container systems, pump operations, and rope knot methods etc., on the wharf.</p> <p>On 31 May 2017 a full field exercise, including deployment of equipment, was held at the X/Y Wharf in the inner harbour. MNZ National On Scene Commander was present and re-validated all staff.</p> |  |
|---|---|

**Other initiatives undertaken for our community include:**

- Extra signage and reflective marking have been put in eastern channel in the Otago Harbour.

## Funding Impact Statement – Regulatory

Funding Impact Statement for the year ended 30 June 2017.

|   | Actual<br>2016/17<br>\$000 | Annual Plan<br>2016/17<br>\$000 | Long<br>Term Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Long<br>Term Plan<br>2015/16<br>\$000 |
|---|----------------------------|---------------------------------|---------------------------------------|----------------------------|---------------------------------------|
| <b>Sources of operating funding</b>                                   |                            |                                 |                                       |                            |                                       |
| General rates, uniform annual general charge & rate penalties         | 273                        | 371                             | 416                                   | 403                        | 519                                   |
| Targeted rates (other than a targeted rate for water supply)          | -                          | -                               | 217                                   | 90                         | 187                                   |
| Subsidies & grants for operating purpose                              | 71                         | 55                              | 35                                    | 53                         | 35                                    |
| Fees, charges and targeted rates for water supply                     | 1,482                      | 2,038                           | 2,387                                 | 1,452                      | 2,240                                 |
| Internal charges & overheads recovered                                | 4                          | 131                             | 131                                   | -                          | 131                                   |
| Local authorities fuel tax, fines, infringement fees & other receipts | 659                        | 548                             | 815                                   | 893                        | 1,003                                 |
| <b>Total operating funding (A)</b>                                    | <b>2,489</b>               | <b>3,143</b>                    | <b>4,001</b>                          | <b>2,891</b>               | <b>4,115</b>                          |
| <b>Applications of operating funding</b>                              |                            |                                 |                                       |                            |                                       |
| Payments to staff & suppliers   | 2,172                      | 1,563                           | 2,364                                 | 1,741                      | 2,509                                 |
| Finance costs   | -                          | -                               | -                                     | -                          | -                                     |
| Internal charges & overheads applied                                  | 1,530                      | 1,461                           | 1,691                                 | 1,965                      | 1,761                                 |
| Other operating funding applications                                  | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total applications of operating funding (B)</b>                    | <b>3,702</b>               | <b>3,024</b>                    | <b>4,055</b>                          | <b>3,706</b>               | <b>4,270</b>                          |
| <b>Surplus (deficit) of operating funding (A-B)</b>                   | <b>(1,213)</b>             | <b>119</b>                      | <b>(54)</b>                           | <b>(815)</b>               | <b>(155)</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>-</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  | -                          | -                               | 77                                    | -                          | 60                                    |
| Increase (decrease) in reserves                                       | (1,213)                    | 119                             | (131)                                 | (815)                      | (215)                                 |
| Increase (decrease) of investments                                    | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total applications of capital funding (D)</b>                      | <b>(1,213)</b>             | <b>119</b>                      | <b>(54)</b>                           | <b>(815)</b>               | <b>(155)</b>                          |
| <b>Surplus (deficit) of capital funding (C-D)</b>                     | <b>1,213</b>               | <b>(119)</b>                    | <b>54</b>                             | <b>815</b>                 | <b>155</b>                            |
| <b>Funding balance ((A-B) + (C-D))</b>                                | <b>-</b>                   | <b>-</b>                        | <b>-</b>                              | <b>-</b>                   | <b>-</b>                              |

The accompanying notes form part of these financial statements. The Long Term Plan 2016/2017 amounts provided for expenditure of \$486,000 in respect of water plan compliance work within the Regulatory Funding Impact Statement, however the actual cost and work performed are reported on within the Environment activity.

## Flood Protection & Control Works

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

A significant flood event occurred on 21 and 22 July in the Lower Taieri area. This event occurred after the period of this report, and as such, will be included in the 30 June 2018 Annual Report.

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

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

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


|         |             |  |   |
|---------|-------------|--|---|
| Stage 1 | Pre 2012/13 | Cumberland Street to Dundas Street           | Completed.  |
| Stage 2 | 2012/13     | Leith Street to Forth Street                 | Major construction works completed; minor finishing works are outstanding.  |
| Stage 3 | 2013/14     | St David Street to Union Street              | Completed.  |
| Stage 4 | 2014/15     | Dundas Street to St David Street             | Completed enabling works (underground services) and construction works.   |
| Stage 5 | 2015/16     | Union Street to Leith Street or Clyde Street | Contract for construction work has been awarded. Delays have occurred due to unexpected ground conditions and a number of weather events. |
| Stage 6 | 2016/17     | ITS building/bend                            |   |
| Stage 7 | 2017/18     | Dundas Street bridge                         | Investigations commenced.   |
| Stage 8 | 2018/19     | Forth Street to Harbour                      |   |


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


This activity contributes to the following community outcomes:

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

### *Alexandra flood protection*

|   |  |   |
|---|--|---|
| <b>Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>   | Respond to flood events or damage.                 |  |
| <b>Performance target:</b>  | Flood damage identified, prioritised and repaired. |   |
| <b>Achievement to June:</b>   | No flood events occurred during the period.        |   |

|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | Maintain and renew flood mitigation works to ensure design standards are met.   |  |
| <b>Performance target:</b>  | Contain all floods up to 142.75m (above mean sea level) at Alexandra Bridge with 0.5m freeboard, corresponding with a flood flow of approximately 4,350 m <sup>3</sup> /s and being equivalent to the greatest recorded flood (in 1878) but with the Lake Hawea control gates closed. |   |
| <b>Achievement to June:</b> | No flood events occurred during the period. The highest flow level reached was 133.48m on 23 January 2017.  |   |

|                             |  |   |
|-----------------------------|--|---|
| <b>Measure:</b>             | Maintain and renew flood mitigation works to ensure design standards are met.                            |  |
| <b>Performance target:</b>  | Pump capacity will be available 360 out of 365 days per annum (excluding times of planned maintenance*). |   |
| <b>Achievement to June:</b> | Left bank pump #1 check valve was out being re-manufactured for 2 months from 12 May to 14 July 2017.    |   |


\*Planned maintenance on pumps will require the pump to be out of service during the maintenance period, timing of which will be managed through risk assessment.


#### Specific areas of work:

1. Overhaul the Left Bank pump.


|   |   |
|---|---|
| The Left Bank pump overhaul has been completed. |  |
|---|---|


### *Leith flood protection*


| <b>Level of service – Reduce the flood risk to people and property by maintaining flood protection works to agreed standards.</b> |   | <b>Achieved</b>   |
|---|---|---|
| <b>Measure:</b>   | By 2019/20, increase capacity to 171 m <sup>3</sup> /s (measured at St David Street footbridge). Represents 1 in 100 year flood with freeboard.   |  |
| <b>Performance target:</b>  | Undertake works between Union Street and Leith Street (including Leith Street bridge and the ITS building/bend).  |   |
| <b>Achievement to June:</b>   | Contract for works has been awarded to Downer Ltd. Calibre has been engaged to project manage this work. Delays in works were due to unexpected ground conditions and a number of weather events. |   |

|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | By 2019/20, increase capacity to 171 m <sup>3</sup> /s (measured at St David Street footbridge). Represents 1 in 100 year flood with freeboard.   |  |
| <b>Performance target:</b>  | Complete investigations and design works at Dundas Street bridge.   |   |
| <b>Achievement to June:</b> | Hydraulic modelling and preliminary design for the Dundas Street Bridge is underway. A civil and structural design contract for the project has been awarded to Opus Consultants Ltd. Consultation with affected parties including adjacent property owners and DCC is continuing. New consents are being sought. |   |


### ***Lower Clutha flood and drainage***


|   |   |  |
|---|---|--|
| <b>Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.</b> |   | <b>Achieved</b>  |
| <b>Measure:</b>   | Respond to flood events or damage.  |  |
| <b>Performance target:</b>  | Flood damage identified, prioritised and repaired.  |  |
| <b>Achievement to June:</b>   | Flooding occurred in November 2016. Repair of a wash out on the true right of the Matau Branch of the Clutha River was made. The infill repair work is being monitored. |  |

|                             |  |   |
|-----------------------------|--|---|
| <b>Measure:</b>             | Maintain and renew flood mitigation works to ensure design standards are met.  |  |
| <b>Performance target:</b>  | No flooding of Barnego in all flows 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. |   |
| <b>Achievement to June:</b> | The highest flow recorded was 1,339 cumecs on 24 Jan 2017.   |   |

|  |   |   |
|--|---|---|
| <b>Level of service –Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.</b> |   | <b>Achieved</b>   |
| <b>Measure:</b>  | Respond to events or damage.  |  |
| <b>Performance target:</b>   | Damage identified, prioritised and repaired.  |   |
| <b>Achievement to June:</b>  | Inch Clutha Centre Road slips reported - none significant enough to warrant action before the planned cleanout. |   |




|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | Maintain and renew drainage works to ensure design standards are met.   |  |
| <b>Performance target:</b>  | 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.  |   |
| <b>Achievement to June:</b> | The drainage moduli were provided over the period. Daily rainfall, (all measured at Balclutha): <ul style="list-style-type: none"> <li>exceeded 7.5mm on 33 days for Matau District</li> <li>exceeded 9 mm on 19 days for Inch Clutha District</li> <li>exceeded 10mm on 15 days for Paretai District.</li> </ul> |   |

|                             |  |   |
|-----------------------------|--|---|
| <b>Measure:</b>             | Maintain and renew drainage works to ensure design standards are met.  |  |
| <b>Performance target:</b>  | Pump capacity will be available at each station 363 out of 365 days per annum, excluding times of planned maintenance.*  |   |
| <b>Achievement to June:</b> | During the year, there were 20 days where pumps were not available as they have tripped for various reasons. Actions area being undertaken to address the issue. |   |


\*Planned maintenance on pumps will require the pump to be out of service during the maintenance period, timing of which will be managed through risk assessment.

#### Specific areas of work:


1. Complete altering the drainage infrastructure of Lake Tuakitoto/Robsons Lagoon to improve wetland ecosystem values.


|  |   |
|--|---|
| Detailed plan has been prepared, and Consultants have been engaged. A meeting was held with landholders about options. The feasibility of an automatic weir option is being considered at the request of landowners. |  |
|--|---|

2. Obtain landholder agreement and consenting (if required) of the improvements to the Koau right floodbank at Factory Road (Paratai).

|   |   |
|---|---|
| A technical options report has been received from consultant. Geosolve has been engaged to support the landholder consultation process and complete the consent application for proposed works. |  |
|---|---|

#### ***Lower Taieri flood protection***


|   |  |   |
|---|--|---|
| <b>Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>   | Respond to flood events or damage.                                 |  |
| <b>Performance target:</b>  | Flood damage identified, prioritised and repaired.                 |   |
| <b>Achievement to June:</b>   | Flooding occurred 23 January 2017. No flood damage was identified. |   |

|                             |  |   |
|-----------------------------|--|---|
| <b>Measure:</b>             | Maintain and renew flood mitigation works to ensure design standards are met.  |  |
| <b>Performance target:</b>  | 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.*<br><br>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.<br><br>No flooding of West Taieri from Taieri River flows up to 2,500 m <sup>3</sup> /s.<br><br>No flooding of Mosgiel from Silver Stream flows up to 260 m <sup>3</sup> /s. |   |
| <b>Achievement to June:</b> | No flooding occurred in any area arising from the Taieri River and Silver Stream flows. Peak flows at Outram reached 286 cumecs on 18 Nov 2016 and the Silverstream reached 34 cumecs on 14 April 2017.  |   |


\*Taieri River flows measured at Outram, Silver Stream flows measured at Gordon Road), being equivalent to the 1980 flood, nominally a 100 year event.

### Specific areas of work:


1. Continue investigations and consult on technical proposals and funding of new upper/lower pond link spillways or the alternative option of relocating the floodbank(s) through the chute of the Taieri River.

|   |   |
|---|---|
| A report has been completed by ORC engineering (hydraulic modelling and GeoSolve), and will now be peer reviewed. |  |
|---|---|


2. Design and consenting (if required) of the re-profiling of the Taieri right and left bank crest between Outram and Otokia, of the improvement to the Lower Pond threshold of operation to ensure the spillway will operate as designed, and of the relocation of the Taieri right floodbank super design spillway (Outram).


|   |   |
|---|---|
| A draft report has been completed, and will now be peer reviewed. |  |
|---|---|


3. Construct a weighting blanket beside the Taieri River right floodbank at Otokia to reduce the likelihood of foundation piping and floodbank failure at that location.

|   |   |
|---|---|
| GeoSolve have been commissioned to complete design and oversee implementation onsite of relief wells. |  |
|---|---|


### *West Taieri drainage*

|  |  |   |
|--|--|---|
| <b>Level of service –Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>  | Respond to events or damage.                                       |  |
| <b>Performance target:</b>   | Damage identified, prioritised and repaired.                       |   |
| <b>Achievement to June:</b>  | Flooding occurred 23 January 2017. No flood damage was identified. |   |


|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | Maintain and renew drainage works to ensure design standards are met.   |  |
| <b>Performance target:</b>  | Provide drainage modulus of 10mm per day pumped drainage capacity.  |   |
| <b>Achievement to June:</b> | The drainage moduli were provided over the period. Daily rainfall exceeded 10mm on 22 days, measured at Riccarton Road. |   |


|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | Maintain and renew drainage works to ensure design standards are met.   |  |
| <b>Performance target:</b>  | Pump capacity for Waipori will be available 360 out of 365 days per annum, excluding times of planned maintenance*. |   |
| <b>Achievement to June:</b> | The Waipori pumps have been available for more than 360 days during the year.                                       |   |


\*Planned maintenance on pumps will require the pump to be out of service during the maintenance period, timing of which will be managed through risk assessment.

|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | Maintain and renew drainage works to ensure design standards are met.   |  |
| <b>Performance target:</b>  | Pump capacity will be available at Ascog and Henley 355 out of 365 days per annum, excluding times of planned maintenance*.   |   |
| <b>Achievement to June:</b> | The Ascog pumps have been available for less than 355 days this year due to high line voltage blowing up soft starters and a pump terminal block failure. Delta has addressed high line voltage issues.<br><br>Target met for Henley. |   |

### ***East Taieri drainage***

|  |  |   |
|--|--|---|
| <b>Level of service –Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>  | Respond to events or damage.                                       |  |
| <b>Performance target:</b>   | Damage identified, prioritised and repaired.                       |   |
| <b>Achievement to June:</b>  | Flooding occurred 23 January 2017. No flood damage was identified. |   |


|                             |  |   |
|-----------------------------|--|---|
| <b>Measure:</b>             | Maintain and renew drainage works to ensure design standards are met.  |  |
| <b>Performance target:</b>  | 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.   |   |
| <b>Achievement to June:</b> | Drainage moduli has been provided for throughout the period. Daily rainfall exceeded 8mm on 30 days, measured at Riccarton Road. Daily rainfall exceeded 18 mm on 7 day, measured at Riccarton Road. |   |

|                             |  |   |
|-----------------------------|--|---|
| <b>Measure:</b>             | Maintain and renew drainage works to ensure design standards are met.  |  |
| <b>Performance target:</b>  | Pump capacity will be available 355 days out of 365 days per annum, excluding times of planned maintenance.* |   |
| <b>Achievement to June:</b> | Target achieved. No issues for the period.   |   |


\*Planned maintenance on pumps will require the pump to be out of service during the maintenance period, timing of which will be managed through risk assessment.


**Specific areas of work:**

1. Consult on technical proposals and funding of drainage improvements for the upper pond after inundation/flood, including options to improve the effectiveness of the Silver Stream pump station.


|  |   |
|--|---|
| A draft report has been completed and will now be peer reviewed. |  |
|--|---|

***Tokomairiro drainage***

|  |  |   |
|--|--|---|
| <b>Level of service –Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>  | Respond to events or damage.                 |  |
| <b>Performance target:</b>   | Damage identified, prioritised and repaired. |   |
| <b>Achievement to June:</b>  | No damage identified in the period.          |   |

|                             |  |   |
|-----------------------------|--|---|
| <b>Measure:</b>             | Existing land drainage works perform to agreed standards, and drainage works are monitored and maintained to agreed standards. |  |
| <b>Performance target:</b>  | The drains and channel flow paths within the scheme are maintained to ensure hydraulic capacity.                               |   |
| <b>Achievement to June:</b> | Drains are monitored and programmed for mechanical cleaning to ensure flow and channel capacity                                |   |

***Shotover River Delta***

|  |  |   |
|--|--|---|
| <b>Level of service –Ensure waters can flow without undue obstruction.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>  | Difference between actual and target profiles for surface.   |  |
| <b>Performance target:</b>   | Surface of Shotover river delta is consistent with the target profile.   |   |
| <b>Achievement to June:</b>  | Last survey completed in September/October 2016. Consents are currently being processed to allow extraction on Shotover River Delta to maintain the target profiles. |   |

## Funding Impact Statement – Flood Protection & Control Works

Funding Impact Statement for the year ended 30 June 2017.

|   | Actual<br>2016/17<br>\$000 | Annual Plan<br>2016/17<br>\$000 | Long<br>Term Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Long<br>Term Plan<br>2015/16<br>\$000 |
|---|----------------------------|---------------------------------|---------------------------------------|----------------------------|---------------------------------------|
| <b>Sources of operating funding</b>                                   |                            |                                 |                                       |                            |                                       |
| General rates, uniform annual general charge & rate penalties         | 75                         | 196                             | 86                                    | 102                        | 101                                   |
| Targeted rates (other than a targeted rate for water supply)          | 3,678                      | 3,671                           | 3,955                                 | 3,658                      | 3,665                                 |
| Subsidies & grants for operating purpose                              | -                          | -                               | -                                     | -                          | -                                     |
| Fees, charges and targeted rates for water supply                     | 14                         | 212                             | 176                                   | 98                         | 244                                   |
| Internal charges & overheads recovered                                | -                          | -                               | -                                     | -                          | -                                     |
| Local authorities fuel tax, fines, infringement fees & other receipts | 386                        | 633                             | 488                                   | 596                        | 520                                   |
| <b>Total operating funding (A)</b>                                    | <b>4,153</b>               | <b>4,712</b>                    | <b>4,705</b>                          | <b>4,454</b>               | <b>4,530</b>                          |
| <b>Applications of operating funding</b>                              |                            |                                 |                                       |                            |                                       |
| Payments to staff & suppliers   | 1,698                      | 2,044                           | 1,993                                 | 1,676                      | 2,140                                 |
| Finance costs   | -                          | -                               | -                                     | -                          | -                                     |
| Internal charges & overheads applied                                  | 909                        | 955                             | 901                                   | 1,032                      | 952                                   |
| Other operating funding applications                                  | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total applications of operating funding (B)</b>                    | <b>2,607</b>               | <b>2,999</b>                    | <b>2,894</b>                          | <b>2,708</b>               | <b>3,092</b>                          |
| <b>Surplus (deficit) of operating funding (A-B)</b>                   | <b>1,546</b>               | <b>1,713</b>                    | <b>1,811</b>                          | <b>1,746</b>               | <b>1,438</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                                    | -                          | -                               | 620                                   | 851                        | 605                                   |
| Lump sum contributions  | -                          | -                               | -                                     | -                          | -                                     |
| Other dedicated capital funding                                       | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total sources of capital funding (C)</b>                           | <b>-</b>                   | <b>-</b>                        | <b>620</b>                            | <b>851</b>                 | <b>605</b>                            |
| <b>Application of capital funding</b>                                 |                            |                                 |                                       |                            |                                       |
| <i>Capital expenditure:</i>   |                            |                                 |                                       |                            |                                       |
| - to meet additional demand   | -                          | -                               | -                                     | -                          | -                                     |
| - to improve the level of service                                     | 1,620                      | 5,006                           | 4,990                                 | 1,257                      | 4,514                                 |
| - to replace existing assets  | 256                        | 527                             | 425                                   | 596                        | 599                                   |
| Increase (decrease) in reserves                                       | (330)                      | (3,820)                         | (2,984)                               | 744                        | (3,070)                               |
| Increase (decrease) of investments                                    | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total applications of capital funding (D)</b>                      | <b>1,546</b>               | <b>1,713</b>                    | <b>2,431</b>                          | <b>2,597</b>               | <b>2,043</b>                          |
| <b>Surplus (deficit) of capital funding (C-D)</b>                     | <b>(1,546)</b>             | <b>(1,713)</b>                  | <b>(1,811)</b>                        | <b>(1,746)</b>             | <b>(1,438)</b>                        |
| <b>Funding balance ((A-B) + (C-D))</b>                                | <b>-</b>                   | <b>-</b>                        | <b>-</b>                              | <b>-</b>                   | <b>-</b>                              |

The accompanying notes form part of these financial statements.

# Safety and Hazards

## *Emergency Management*

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

During the year a change to the way emergency management services are delivered was made. Previously, emergency management officers in Otago were employed by each of the individual local authorities. Now, all of the officers are employed directly by the ORC, which means greater efficiency and effectiveness, to ensure we are better prepared to respond to an emergency situation.

This activity contributes to the following community outcomes:

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

## *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.


## *Emergency management*

|   |  |   |
|---|--|---|
| <b>Level of service – Be ready and able to respond to civil defence emergencies, assist with recovery after such events, and to co-ordinate and promote reduction through group strategies and plans.</b> |  | <b>Achieved</b>   |
| <b>Measure:</b>   | Timeliness in response to a civil defence event/emergency.                                       |  |
| <b>Performance target:</b>  | The Group Emergency Co-ordinating Centre can be fully operational within one hour of activation. |   |
| <b>Achievement to June:</b>   | GECC is capable of being activated within the required time frame.                               |   |


|                             |   |   |
|-----------------------------|---|---|
| <b>Measure:</b>             | Timeliness in response to a civil defence event/emergency.  |  |
| <b>Performance target:</b>  | A Group CDEM Controller is available 24/7, 365 days a year.   |   |
| <b>Achievement to June:</b> | Three trained regional controllers are in place and available for response. An additional Controller has been identified and will be included in future training. |   |

**Specific areas of work:**


1. Lead the review and development of the 2017-22 Otago CDEM Group Plan.

|   |   |
|---|---|
| The Group Long Term Plan is being reviewed and a new plan is being developed during the 2017 calendar year. A series of workshops have been held with each District Council in May and further workshops are planned. The Ministry has been advised of the process and time frames. |  |
|---|---|


2. Develop a group Alpine Fault Earthquake Response Plan and implement it.


|  |   |
|--|---|
| Work on the Alpine Fault plan is ongoing as part of Project AF8 (funded by the Ministry of Civil Defence). Engagement with dam owners is increasing and plans for dam failure will be developed over the coming 2 - 3 years. Additional plans required following the outcomes of the Alpine Fault Project are also underway such as an Integrated Otago/Southland Air Operations Plan. |  |
|--|---|

3. Complete the development of the Group Risk Reduction Strategy and implement it.

|  |   |
|--|---|
| Development of the Group Risk Reduction Strategy is now scheduled to be completed in the 2017/18 year. |  |
|--|---|


***Natural hazards***

|  |   |   |
|--|---|---|
| <b>Level of service – Work proactively with communities to improve understanding of the risks posed by natural hazards so that informed decisions and responses can be made.</b> |   | <b>Achieved</b>   |
| <b>Measure:</b>  | Information to be available.  |  |
| <b>Performance target:</b>   | Provide natural hazards information to the public via an effective web based Otago Natural Hazards database.  |   |
| <b>Achievement to June:</b>  | The database has been upgraded and is being kept up to date with new information. A full check of existing data is in progress, and includes identifying the origin of all the layers in the database. Updated information is required to be uploaded for some areas. |   |


| <b>Level of service – Provision of accurate and timely flood warnings.</b> |  | <b>Achieved</b>   |
|--|--|---|
| <b>Measure:</b>  | Warnings of flood events when alarm status is reached.   |  |
| <b>Performance target:</b>   | Provide rainfall and river flow information to the public when flood levels reach alarm status.  |   |
| <b>Achievement to June:</b>  | No large flood events occurred during the period, but information was still disseminated through water info and the flow phone. Heavy rain forecast in April was responded to accordingly. |   |

**Specific areas of work:**


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

|   |   |
|---|---|
| Contract is in place with GNS consultants to undertake this work, however, work has not yet commenced due to GNS commitments in respect of the Kaikoura earthquake. GNS expect to have completed February 2018. |  |
|---|---|

2. Assess the hazard significance of mapped landslide features for the Otago region.

|  |  |
|--|--|
| Not progressed due to GNS commitments with the Kaikoura earthquake. Project being partially done in house. |  |
|--|--|

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

|  |   |
|--|---|
| Visits to businesses in flood zone and drop in sessions in Wanaka and Queenstown were completed. Information on flood hazard and civil defence was provided to the public. |  |
|--|---|



## Funding Impact Statement – Safety and Hazards

Funding Impact Statement for the year ended 30 June 2017.

|   | Actual<br>2016/17<br>\$000 | Annual Plan<br>2016/17<br>\$000 | Long<br>Term Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Long<br>Term Plan<br>2015/16<br>\$000 |
|---|----------------------------|---------------------------------|---------------------------------------|----------------------------|---------------------------------------|
| <b>Sources of operating funding</b>                                   |                            |                                 |                                       |                            |                                       |
| General rates, uniform annual general charge & rate penalties         | 783                        | 793                             | 718                                   | 611                        | 614                                   |
| Targeted rates (other than a targeted rate for water supply)          | -                          | -                               | -                                     | -                          | -                                     |
| Subsidies & grants for operating purpose                              | -                          | -                               | -                                     | -                          | -                                     |
| Fees, charges and targeted rates for water supply                     | -                          | -                               | -                                     | 5                          | -                                     |
| Internal charges & overheads recovered                                | -                          | -                               | -                                     | -                          | -                                     |
| Local authorities fuel tax, fines, infringement fees & other receipts | 1,590                      | 1,170                           | 1,361                                 | 1,053                      | 1,053                                 |
| <b>Total operating funding (A)</b>                                    | <b>2,373</b>               | <b>1,963</b>                    | <b>2,079</b>                          | <b>1,669</b>               | <b>1,667</b>                          |
| <b>Applications of operating funding</b>                              |                            |                                 |                                       |                            |                                       |
| Payments to staff & suppliers   | 1,716                      | 1,145                           | 1,116                                 | 889                        | 1,155                                 |
| Finance costs   | -                          | -                               | -                                     | -                          | -                                     |
| Internal charges & overheads applied                                  | 883                        | 816                             | 961                                   | 1,109                      | 894                                   |
| Other operating funding applications                                  | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total applications of operating funding (B)</b>                    | <b>2,599</b>               | <b>1,961</b>                    | <b>2,077</b>                          | <b>1,998</b>               | <b>2,049</b>                          |
| <b>Surplus (deficit) of operating funding (A-B)</b>                   | <b>(226)</b>               | <b>2</b>                        | <b>2</b>                              | <b>(329)</b>               | <b>(382)</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>-</b>                   | <b>-</b>                              |
| <b>Application of capital funding</b>                                 |                            |                                 |                                       |                            |                                       |
| <i>Capital expenditure:</i>   |                            |                                 |                                       |                            |                                       |
| - to meet additional demand   | -                          | -                               | -                                     | -                          | -                                     |
| - to improve the level of service                                     | 34                         | -                               | -                                     | 15                         | -                                     |
| - to replace existing assets  | 1                          | -                               | -                                     | 2                          | -                                     |
| Increase (decrease) in reserves                                       | (261)                      | 2                               | 2                                     | (346)                      | (382)                                 |
| Increase (decrease) of investments                                    | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total applications of capital funding (D)</b>                      | <b>(226)</b>               | <b>2</b>                        | <b>2</b>                              | <b>(329)</b>               | <b>(382)</b>                          |
| <b>Surplus (deficit) of capital funding (C-D)</b>                     | <b>226</b>                 | <b>(2)</b>                      | <b>(2)</b>                            | <b>329</b>                 | <b>382</b>                            |
| <b>Funding balance ((A-B) + (C-D))</b>                                | <b>-</b>                   | <b>-</b>                        | <b>-</b>                              | <b>-</b>                   | <b>-</b>                              |

The accompanying notes form part of these financial statements.

## Transport

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

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




New initiatives planned for Dunedin passenger transport include the development of a central bus hub which will be completed in 2017/18, and implementing a new electronic ticketing system. These projects will be partly funded from NZTA and the remainder through transport reserves.

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

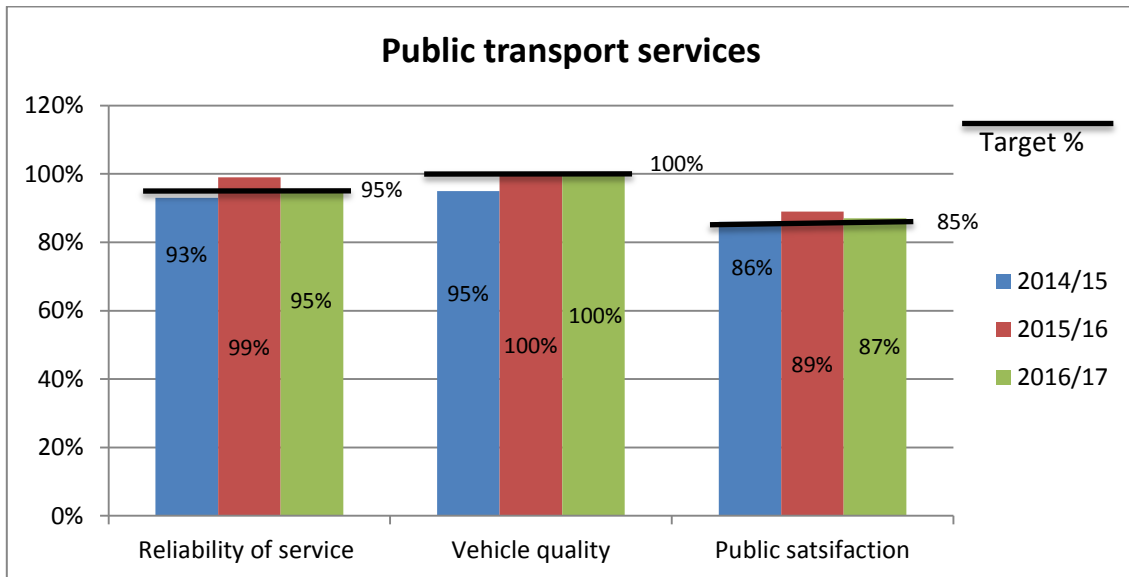
This activity contributes to the following community outcomes:

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

### *Regional transport planning & public passenger transport*

| <b>Level of service –Provide passenger transport services that meet community need.</b> |  | <b>Achieved</b>   |
|---|--|---|
| <b>Measure:</b>   | Reliability of service.  |  |
| <b>Performance target:</b>  | In Dunedin, 95% of services monitored depart from the terminus on time.  |   |
| <b>Achievement to June:</b>   | Target met. Survey undertaken late June / early July showed 95.26% of buses departed from the terminus on time.                        |   |
| <b>Measure:</b>   | Vehicle quality.   |  |
| <b>Performance target:</b>  | In Dunedin 100% of vehicles (PTOM contracts) comply with Regional Passenger Transport Plan Vehicle Quality standards.                  |   |
| <b>Achievement to June:</b>   | Target is being achieved, with 100% of buses complying with the quality standards.   |   |
| <b>Measure:</b>   | Public satisfaction.   |  |
| <b>Performance target:</b>  | In Dunedin, survey shows at least 85% of bus users are satisfied with overall standard of service.                                     |   |
| <b>Achievement to June:</b>   | Target met. Survey undertaken late June / early July 2017 showed 86.81% of bus users were satisfied with overall standard of services. |   |

The graph below shows the results for the 2016/17 year to date.



|                             |   |  |
|-----------------------------|---|--|
| <b>Measure:</b>             | Patronage growth.   |  |
| <b>Performance target:</b>  | In Dunedin, 3% growth.  |  |
| <b>Achievement to June:</b> | Patronage in Dunedin increased by 0.5% for the year. The target of 3% growth was ambitious given the number of changes made to the Dunedin network during the year. |  |

**Specific areas of work:**

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

|   |  |
|---|--|
| Public consultation and design work has been undertaken. Preparation of a Notice of Requirement is underway with lodgement expected in July 2017. |  |
|---|--|

2. Complete the implementation of a replacement ticketing system.

|   |  |
|---|--|
| A contract is in place and development of the replacement ticketing system has commenced. |  |
|---|--|

3. Procure and implement real time tracking in Dunedin and Wakatipu.

|  |  |
|--|--|
| Tender process complete and contracts have been awarded. |  |
|--|--|

## Transport

Funding Impact Statement for the year ended 30 June 2017.

|   | Actual<br>2016/17<br>\$000 | Annual Plan<br>2016/17<br>\$000 | Long<br>Term Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Long<br>Term Plan<br>2015/16<br>\$000 |
|---|----------------------------|---------------------------------|---------------------------------------|----------------------------|---------------------------------------|
| <b>Sources of operating funding</b>                                   |                            |                                 |                                       |                            |                                       |
| General rates, uniform annual general charge & rate penalties         | 190                        | 190                             | 166                                   | 170                        | 169                                   |
| Targeted rates (other than a targeted rate for water supply)          | 3,493                      | 3,484                           | 3,482                                 | 3,353                      | 3,345                                 |
| Subsidies & grants for operating purpose                              | 7,180                      | 9,520                           | 7,223                                 | 4,731                      | 8,212                                 |
| Fees, charges and targeted rates for water supply                     | -                          | 18                              | 24                                    | 1                          | 30                                    |
| Internal charges & overheads recovered                                | -                          | -                               | -                                     | -                          | -                                     |
| Local authorities fuel tax, fines, infringement fees & other receipts | 2,269                      | 574                             | 541                                   | 1,279                      | 553                                   |
| <b>Total operating funding (A)</b>                                    | <b>13,132</b>              | <b>13,786</b>                   | <b>11,436</b>                         | <b>9,534</b>               | <b>12,309</b>                         |
| <b>Applications of operating funding</b>                              |                            |                                 |                                       |                            |                                       |
| Payments to staff & suppliers   | 13,259                     | 16,203                          | 12,824                                | 8,537                      | 13,861                                |
| Finance costs   | -                          | -                               | -                                     | -                          | -                                     |
| Internal charges & overheads applied                                  | 699                        | 346                             | 291                                   | 354                        | 302                                   |
| Other operating funding applications                                  | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total applications of operating funding (B)</b>                    | <b>13,958</b>              | <b>16,549</b>                   | <b>13,115</b>                         | <b>8,891</b>               | <b>14,163</b>                         |
| <b>Surplus (deficit) of operating funding (A-B)</b>                   | <b>(826)</b>               | <b>(2,763)</b>                  | <b>(1,679)</b>                        | <b>643</b>                 | <b>(1,854)</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>-</b>                   | <b>-</b>                              |
| <b>Application of capital funding</b>                                 |                            |                                 |                                       |                            |                                       |
| <i>Capital expenditure:</i>   |                            |                                 |                                       |                            |                                       |
| - to meet additional demand   | -                          | -                               | -                                     | -                          | -                                     |
| - to improve the level of service                                     | 333                        | 426                             | -                                     | -                          | -                                     |
| - to replace existing assets  | 4                          | -                               | -                                     | -                          | -                                     |
| Increase (decrease) in reserves                                       | (1,163)                    | (3,189)                         | (1,679)                               | 643                        | (1,854)                               |
| Increase (decrease) of investments                                    | -                          | -                               | -                                     | -                          | -                                     |
| <b>Total applications of capital funding (D)</b>                      | <b>(826)</b>               | <b>(2,763)</b>                  | <b>(1,679)</b>                        | <b>643</b>                 | <b>(1,854)</b>                        |
| <b>Surplus (deficit) of capital funding (C-D)</b>                     | <b>826</b>                 | <b>2,763</b>                    | <b>1,679</b>                          | <b>(643)</b>               | <b>1,854</b>                          |
| <b>Funding balance ((A-B) + (C-D))</b>                                | <b>-</b>                   | <b>-</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 2017 (Whole of Council)

|   | Actual<br>2016/17<br>\$000 | Annual Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Long<br>Term Plan<br>2015/16<br>\$000 |
|---|----------------------------|---------------------------------|----------------------------|---------------------------------------|
| <b>Sources of operating funding</b>                                   |                            |                                 |                            |                                       |
| General rates, uniform annual general charge & rate penalties         | 6,567                      | 6,541                           | 5,546                      | 5,554                                 |
| Targeted rates (other than a targeted rate for water supply)          | 9,616                      | 9,599                           | 9,078                      | 9,092                                 |
| Subsidies & grants for operating purpose                              | 8,471                      | 9,575                           | 4,802                      | 8,259                                 |
| Fees, charges and targeted rates for water supply                     | 1,497                      | 2,968                           | 1,800                      | 3,565                                 |
| Interest & dividends from investments                                 | 9,142                      | 9,550                           | 8,824                      | 9,386                                 |
| Local authorities fuel tax, fines, infringement fees & other receipts | 5,027                      | 1,951                           | 3,166                      | 1,934                                 |
| <b>Total operating funding (A)</b>                                    | <b>40,320</b>              | <b>40,184</b>                   | <b>33,216</b>              | <b>37,790</b>                         |
| <b>Applications of operating funding</b>                              |                            |                                 |                            |                                       |
| Payments to staff & suppliers   | 40,114                     | 42,016                          | 31,690                     | 37,952                                |
| Finance costs   | -                          | 100                             | 3                          | 71                                    |
| Other operating funding applications                                  | -                          | 141                             | -                          | 51                                    |
| <b>Total applications of operating funding (B)</b>                    | <b>40,114</b>              | <b>42,257</b>                   | <b>31,693</b>              | <b>38,074</b>                         |
| <b>Surplus (deficit) of operating funding (A-B)</b>                   | <b>206</b>                 | <b>(2,073)</b>                  | <b>1,523</b>               | <b>(284)</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                                    | 176                        | -                               | 2,033                      | 605                                   |
| Lump sum contributions  | -                          | -                               | -                          | -                                     |
| Other dedicated capital funding                                       | -                          | -                               | -                          | -                                     |
| <b>Total sources of capital funding (C)</b>                           | <b>176</b>                 | <b>-</b>                        | <b>2,033</b>               | <b>605</b>                            |
| <b>Application of capital funding</b>                                 |                            |                                 |                            |                                       |
| <i>Capital expenditure:</i>   |                            |                                 |                            |                                       |
| - to meet additional demand   | -                          | -                               | -                          | -                                     |
| - to improve the level of service                                     | 3,360                      | 5,433                           | 2,254                      | 4,515                                 |
| - to replace existing assets  | 1,212                      | 2,852                           | 1,122                      | 2,323                                 |
| Increase (decrease) in reserves                                       | (4,190)                    | (10,358)                        | 180                        | (6,517)                               |
| Increase (decrease) of investments                                    | -                          | -                               | -                          | -                                     |
| <b>Total applications of capital funding (D)</b>                      | <b>382</b>                 | <b>2,073</b>                    | <b>3,556</b>               | <b>321</b>                            |
| <b>Surplus (deficit) of capital funding (C-D)</b>                     | <b>(206)</b>               | <b>(2,073)</b>                  | <b>(1,523)</b>             | <b>284</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.

**Reconciliation of Whole of Council Funding Impact Statement to  
Statement of Comprehensive Revenue and Expense  
for the Year Ended 30 June 2017**

|  | Actual<br>2016/17<br>\$000 | Annual Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Annual Plan<br>2015/16<br>\$000 |
|--|----------------------------|---------------------------------|----------------------------|---------------------------------|
| <b>Surplus/(deficit) of Operating Funding in<br/>Funding Impact Statement</b>                  | 206                        | (2,073)                         | 1,523                      | (284)                           |
| <b>Add/(deduct)</b>  |                            |                                 |                            |                                 |
| Increase in the fair value of investment property  | 40                         | 313                             | 661                        | 310                             |
| Increase in the fair value of investment portfolio   | 936                        | -                               | 1,051                      | -                               |
| Profit/(Loss) on disposal of assets  | 20                         | -                               | 148                        | -                               |
| Depreciation and amortisation  | (1,937)                    | (1,761)                         | (1,752)                    | (1,751)                         |
| Write-off of property plant and equipment work<br>in progress                                  | (30)                       | -                               |                            | -                               |
| Other  | (177)                      | 89                              | 162                        | (658)                           |
| <b>Surplus/(deficit) before taxation in Statement of<br/>Comprehensive Revenue and Expense</b> | <b>(942)</b>               | <b>(3,432)</b>                  | <b>1,793</b>               | <b>(2,383)</b>                  |

**Schedule of Capital Expenditure**

|   | Actual<br>2016/17<br>\$000 | Annual Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 |
|---|----------------------------|---------------------------------|----------------------------|
| <b>Flood Protection and Control Works</b> |                            |                                 |                            |
| Alexandra flood                           | 87                         | 25                              | 6                          |
| East Taieri drainage                      | 1                          | 122                             | -                          |
| Leith flood protection                    | 1,781                      | 4,611                           | 1,639                      |
| Lower Clutha flood and drainage           | 5                          | 465                             | 187                        |
| Lower Taieri flood protection             | -                          | 126                             | 19                         |
| Tokomairiro                               | -                          | 20                              | -                          |
| West Taieri drainage                      | 2                          | 166                             | 2                          |
| <b>Civil Defence Emergency Management</b> |                            |                                 |                            |
| Website development                       | 15                         | -                               | -                          |
| Computers & plant                         | 20                         | -                               | -                          |
| <b>Environmental</b>                      |                            |                                 |                            |
| Monitoring site upgrades – water          | 258                        | 265                             | 130                        |
| Pest management                           | 15                         | -                               | 6                          |
| Compliance monitoring                     | -                          | -                               | 65                         |
| <b>Transport</b>                          |                            |                                 |                            |
| Dunedin/Wakatipu                          | 310                        | -                               | -                          |
| Stock truck effluent disposal sites       | 26                         | 425                             | -                          |
| <b>Corporate</b>                          |                            |                                 |                            |
| Property                                  | 328                        | 1,050                           | 228                        |
| Cars and station wagons                   | 771                        | 320                             | 329                        |
| Computers & software                      | 947                        | 615                             | 735                        |
| Plant                                     | 4                          | 25                              | 6                          |
| Sundry                                    | 2                          | 50                              | 5                          |
| <b>Total</b>                              | <b>4,572</b>               | <b>8,285</b>                    | <b>3,375</b>               |

**Statement of Comprehensive Revenue and Expense  
for the Year Ended 30 June 2017**

|  | Notes | Council<br>2017<br>\$000 | Council<br>Budget<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|-------|--------------------------|----------------------------|--------------------------|------------------------|------------------------|
| <b>Revenue from non-exchange transactions</b>  |       |                          |                            |                          |                        |                        |
| Rates revenue  | 3     | 15,963                   | 15,940                     | 14,424                   | 15,940                 | 14,388                 |
| Grant revenue and subsidies  |       | 8,471                    | 9,575                      | 4,802                    | 8,471                  | 4,802                  |
| Other revenue  | 3     | 3,490                    | 2,581                      | 2,525                    | 3,490                  | 2,525                  |
| <b>Revenue from exchange transactions</b>  |       |                          |                            |                          |                        |                        |
| Dividends  | 2     | 7,800                    | 7,400                      | 7,250                    | -                      | -                      |
| Interest and investment revenue  |       | 1,342                    | 2,150                      | 1,574                    | 1,502                  | 1,906                  |
| Other revenue  | 3     | 3,112                    | 2,538                      | 2,641                    | 87,038                 | 80,948                 |
| <b>Total revenue</b>   |       | <b>40,178</b>            | <b>40,184</b>              | <b>33,216</b>            | <b>116,441</b>         | <b>104,569</b>         |
| <b>Expenditure</b>   |       |                          |                            |                          |                        |                        |
| Employee benefits expense  | 22    | (12,856)                 | (12,133)                   | (11,692)                 | (43,474)               | (40,984)               |
| Depreciation and amortisation expense  | 11    | (1,936)                  | (1,761)                    | (1,753)                  | (10,600)               | (9,879)                |
| Finance costs  | 15    | -                        | -                          | (3)                      | (2,834)                | (2,526)                |
| Other expenses   | 19    | (27,133)                 | (30,035)                   | (19,926)                 | (45,826)               | (38,018)               |
| <b>Total operating expenditure</b>   |       | <b>(41,925)</b>          | <b>(43,929)</b>            | <b>(33,374)</b>          | <b>(102,734)</b>       | <b>(91,407)</b>        |
| Share of surplus from equity accounted joint ventures                                      |       | -                        | -                          | -                        | 80                     | 279                    |
| Other gains/(losses)   | 4     | 805                      | 313                        | 1,951                    | 20,715                 | 22,014                 |
| <b>Surplus/(deficit) before tax</b>  |       | <b>(942)</b>             | <b>(3,432)</b>             | <b>1,793</b>             | <b>34,502</b>          | <b>35,455</b>          |
| Income tax benefit/(expense)   | 18    | 101                      | -                          | 76                       | (4,402)                | (6,734)                |
| <b>Surplus/(deficit) for the year</b>  |       | <b>(841)</b>             | <b>(3,432)</b>             | <b>1,869</b>             | <b>30,100</b>          | <b>28,721</b>          |
| <b>Other comprehensive revenue and expenses</b>  |       |                          |                            |                          |                        |                        |
| Items that may be reclassified to surplus/(deficit)  |       |                          |                            |                          |                        |                        |
| <i>Available-for-sale financial assets:</i>  |       |                          |                            |                          |                        |                        |
| Revaluation gain/(loss) – shares in subsidiary   | 2     | 20,798                   | 10,000                     | 10,946                   | -                      | -                      |
| Available for sale financial asset gains reclassified to surplus/(deficit) during the year |       | -                        | -                          | -                        | -                      | -                      |
| <i>Cashflow hedges:</i>  |       |                          |                            |                          |                        |                        |
| Unrealised movement in hedging interest rate swaps   |       | -                        | -                          | -                        | 946                    | (475)                  |
| Income tax relating to components of other comprehensive revenue and expenses              |       | -                        | -                          | -                        | -                      | 133                    |
| <b>Total other comprehensive revenue and expense</b>                                       |       | <b>20,798</b>            | <b>10,000</b>              | <b>10,946</b>            | <b>946</b>             | <b>(342)</b>           |
| <b>Total comprehensive revenue and expense</b>   |       | <b>19,957</b>            | <b>6,568</b>               | <b>12,815</b>            | <b>31,046</b>          | <b>28,379</b>          |

The accompanying notes form part of these financial statements.

## Statement of Financial Position as at 30 June 2017

|  | Notes | Council<br>2017<br>\$000 | Council<br>Budget<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|-------|--------------------------|----------------------------|--------------------------|------------------------|------------------------|
| <b>Current assets</b>                                |       |                          |                            |                          |                        |                        |
| Cash and cash equivalents                            |       | 4,433                    | 2,095                      | 2,540                    | 4,958                  | 3,633                  |
| Trade and other receivables                          | 12    | 3,568                    | 3,448                      | 3,298                    | 16,554                 | 15,800                 |
| Property held for sale                               | 8     | 1,093                    | 2,365                      | 1,284                    | 3,238                  | 3,330                  |
| Property in development                              | 9     | -                        | -                          | -                        | 25,696                 | 20,618                 |
| Other financial assets                               | 5     | 54,057                   | 42,560                     | 56,198                   | 54,057                 | 56,198                 |
| Finance leases                                       | 26    | -                        | -                          | -                        | -                      | 155                    |
| Other financial instrument                           |       | -                        | -                          | -                        | 32                     | -                      |
| Other current assets                                 |       | 261                      | 227                        | 207                      | 1,458                  | 1,424                  |
| <b>Total current assets</b>                          |       | <b>63,412</b>            | <b>50,695</b>              | <b>63,527</b>            | <b>105,993</b>         | <b>101,158</b>         |
| <b>Non-current assets</b>                            |       |                          |                            |                          |                        |                        |
| Shares in subsidiary                                 | 2     | 439,037                  | 427,293                    | 418,239                  | -                      | -                      |
| Joint ventures accounted for using the equity method | 27    | -                        | -                          | -                        | 1,427                  | 1,475                  |
| Other financial assets                               | 5     | -                        | -                          | -                        | 33                     | 52                     |
| Derivative financial instruments                     |       | -                        | -                          | -                        | 253                    | -                      |
| Property, plant and equipment                        | 6     | 86,313                   | 94,334                     | 84,138                   | 267,764                | 263,321                |
| Intangible assets                                    | 10    | 2,066                    | 2,075                      | 1,800                    | 7,495                  | 7,238                  |
| Investment property                                  | 7     | 10,825                   | 10,747                     | 10,785                   | 313,262                | 284,110                |
| Finance leases                                       | 26    | -                        | -                          | -                        | -                      | -                      |
| Deferred tax asset                                   | 18    | 98                       | -                          | 98                       | -                      | -                      |
| <b>Total non-current assets</b>                      |       | <b>538,339</b>           | <b>534,449</b>             | <b>515,060</b>           | <b>590,234</b>         | <b>556,196</b>         |
| <b>Total assets</b>                                  |       | <b>601,751</b>           | <b>585,144</b>             | <b>578,587</b>           | <b>696,227</b>         | <b>657,354</b>         |
| <b>Current liabilities</b>                           |       |                          |                            |                          |                        |                        |
| Trade and other payables                             | 13    | 7,159                    | 4,252                      | 4,134                    | 14,530                 | 10,645                 |
| Employee entitlements                                | 14    | 1,665                    | 1,352                      | 1,483                    | 6,561                  | 5,756                  |
| Other financial instruments                          | 31    | -                        | -                          | -                        | 648                    | 623                    |
| Tax payable  |       | -                        | -                          | -                        | 1,750                  | 1,411                  |
| <b>Total current liabilities</b>                     |       | <b>8,824</b>             | <b>5,604</b>               | <b>5,617</b>             | <b>23,489</b>          | <b>18,435</b>          |
| <b>Non-current liabilities</b>                       |       |                          |                            |                          |                        |                        |
| Employee entitlements                                | 14    | -                        | -                          | -                        | 932                    | 1,419                  |
| Borrowings   | 15    | -                        | -                          | -                        | 68,420                 | 62,400                 |
| Deferred tax liabilities                             | 18    | -                        | -                          | -                        | 15,620                 | 17,359                 |
| Other financial instruments                          | 31    | -                        | -                          | -                        | 185                    | 1,207                  |
| <b>Total non-current liabilities</b>                 |       | <b>-</b>                 | <b>-</b>                   | <b>-</b>                 | <b>85,157</b>          | <b>82,385</b>          |
| <b>Total liabilities</b>                             |       | <b>8,824</b>             | <b>5,604</b>               | <b>5,617</b>             | <b>108,646</b>         | <b>100,820</b>         |
| <b>Net assets</b>                                    |       | <b>592,927</b>           | <b>579,540</b>             | <b>572,970</b>           | <b>587,581</b>         | <b>556,534</b>         |
| <b>Equity</b>  |       |                          |                            |                          |                        |                        |
| Reserves   | 16    | 459,378                  | 442,652                    | 435,765                  | 230,275                | 206,644                |
| Public equity  | 17(a) | 133,549                  | 136,888                    | 137,205                  | 357,306                | 349,890                |
| <b>Total equity</b>                                  |       | <b>592,927</b>           | <b>579,540</b>             | <b>572,970</b>           | <b>587,581</b>         | <b>556,534</b>         |

The accompanying notes form part of these financial statements.



**Statement of Changes in Net Assets/Equity for the Year ended 30 June 2017**

|  | Notes | TOTAL COUNCIL 2017                      |  |                          |                           |   | TOTAL GROUP 2017                        |  |                          |                           |   |
|--|-------|---|--|--------------------------|---------------------------|---|---|--|--------------------------|---------------------------|---|
|  |       | Opening Balance<br>1 July 2016<br>\$000 | Other Comprehensive<br>Revenue and<br>Expense<br>\$000 | Transfers<br>In<br>\$000 | Transfers<br>Out<br>\$000 | Closing<br>Balance<br>30 June 2017<br>\$000 | Opening Balance<br>1 July 2016<br>\$000 | Other Comprehensive<br>Revenue and<br>Expense<br>\$000 | Transfers<br>In<br>\$000 | Transfers<br>Out<br>\$000 | Closing<br>Balance<br>30 June 2017<br>\$000 |
| <b>Equity</b>                          |       |   |  |                          |                           |   |   |  |                          |                           |   |
| General Rate Equity                    |       | 72,956                                  | (841)  | 23,792                   | (24,061)                  | 71,846                                      | 285,641                                 | 30,100   | 23,443                   | (43,581)                  | 295,603                                     |
| Targeted Rate Equity                   |       | 64,249                                  | -  | 18,499                   | (21,045)                  | 61,703                                      | 64,249                                  | -  | 18,499                   | (21,045)                  | 61,703                                      |
| <b>Total Public Equity</b>             |       | <b>137,205</b>                          | <b>(841)</b>   | <b>42,291</b>            | <b>(45,106)</b>           | <b>133,549</b>                              | <b>349,890</b>                          | <b>30,100</b>  | <b>41,942</b>            | <b>(64,626)</b>           | <b>357,306</b>                              |
| <b>Reserves:</b>                       |       |   |  |                          |                           |   |   |  |                          |                           |   |
| Asset Replacement Reserve              |       | 5,987                                   | -  | 1,908                    | (2,075)                   | 5,820                                       | 5,987                                   | -  | 1,908                    | (2,075)                   | 5,820                                       |
| Asset Revaluation Reserve              |       | 8,724                                   | -  | 40                       | -                         | 8,764                                       | 179,182                                 | -  | 19,910                   | -                         | 199,092                                     |
| Available for Sale Revaluation Reserve |       | 398,239                                 | 20,798   | -                        | -                         | 419,037                                     | -                                       | -  | -                        | -                         | -   |
| Building Reserve                       |       | 10,997                                  | -  | 2,988                    | (371)                     | 13,614                                      | 10,997                                  | -  | 2,988                    | (371)                     | 13,614                                      |
| Emergency Response Reserve             |       | 3,891                                   | -  | 142                      | -                         | 4,033                                       | 3,891                                   | -  | 142                      | -                         | 4,033                                       |
| Hedging Reserve                        |       | -                                       | -  | -                        | -                         | -   | (1,340)                                 | 946  | -                        | -                         | (394)                                       |
| Water Management Reserve               |       | 1,433                                   | -  | 52                       | (58)                      | 1,427                                       | 1,433                                   | -  | 52                       | (58)                      | 1,427                                       |
| Kuriwao Endowment Reserve              |       | 6,271                                   | -  | 343                      | (253)                     | 6,361                                       | 6,271                                   | -  | 343                      | (253)                     | 6,361                                       |
| Environmental Enhancement Reserve      |       | 223                                     | -  | 339                      | (240)                     | 322   | 223                                     | -  | 339                      | (240)                     | 322   |
| <b>Total Reserves</b>                  |       | <b>435,765</b>                          | <b>20,798</b>  | <b>5,812</b>             | <b>(2,997)</b>            | <b>459,378</b>                              | <b>206,644</b>                          |  | <b>25,682</b>            | <b>(2,997)</b>            | <b>230,275</b>                              |
| <b>Total Equity and Reserves</b>       |       | <b>572,970</b>                          | <b>19,957</b>  | <b>48,103</b>            | <b>(48,103)</b>           | <b>592,927</b>                              | <b>556,534</b>                          | <b>31,046</b>  | <b>67,623</b>            | <b>(67,623)</b>           | <b>587,581</b>                              |

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

## Cash Flow Statement for the Year ended 30 June 2017

|  | Notes | Council<br>2017<br>\$000 | Council<br>Budget<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|-------|--------------------------|----------------------------|--------------------------|------------------------|------------------------|
| <b>Cash flows from operating activities</b>                      |       |                          |                            |                          |                        |                        |
| <i>Receipts from non-exchange transactions</i>                   |       |                          |                            |                          |                        |                        |
| Receipts from customers  |       | 15,802                   | 15,940                     | 14,438                   | 15,977                 | 14,402                 |
| Grant income and subsidies                                       |       | 8,471                    | 9,575                      | 4,801                    | 8,471                  | 4,801                  |
| Other receipts   |       | -                        | 1,476                      | -                        | -                      | -                      |
| <i>Receipts from exchange transactions</i>                       |       |                          |                            |                          |                        |                        |
| Interest and investment income                                   |       | 1,342                    | 2,150                      | 1,574                    | 1,502                  | 1,906                  |
| Rental income  |       | 1,051                    | 1,111                      | 1,078                    | 15,713                 | 14,413                 |
| Subvention payment   |       | 101                      | -                          | 98                       | -                      | -                      |
| Dividends  |       | 7,800                    | 7,400                      | 7,250                    | -                      | -                      |
| Other receipts   |       | 5,513                    | 2,538                      | 4,109                    | 72,348                 | 65,539                 |
| Payments to suppliers and employees                              |       | (36,557)                 | (41,818)                   | (30,696)                 | (83,919)               | (78,947)               |
| Interest and other costs of finance paid                         |       | -                        | -                          | (3)                      | (2,450)                | (1,614)                |
| Income tax received/(paid)                                       |       | -                        | -                          | (22)                     | (6,073)                | (5,639)                |
| Donations  |       | (350)                    | (350)                      | (350)                    | (350)                  | (350)                  |
| Net cash inflow/(outflow) from operating activities              |       | <b>3,173</b>             | <b>(1,978)</b>             | <b>2,277</b>             | <b>21,219</b>          | <b>14,511</b>          |
| <b>Cash flows from investing activities</b>                      |       |                          |                            |                          |                        |                        |
| Interest capitalised   |       | -                        | -                          | -                        | (462)                  | (854)                  |
| Proceeds from sale of property, plant and equipment              |       | 169                      | -                          | 612                      | 420                    | 2,382                  |
| Proceeds from sale of intangible assets                          |       | 7                        | -                          | -                        | 7                      | -                      |
| Sale of held for sale assets                                     |       | -                        | -                          | 1,386                    | -                      | 1,386                  |
| Sale of investment property                                      |       | -                        | -                          | -                        | 7,153                  | 2,293                  |
| Advances (to)/from subsidiaries                                  |       | -                        | -                          | -                        | 298                    | (316)                  |
| Proceeds from other financial assets                             |       | 3,077                    | -                          | 3,740                    | 3,077                  | 3,740                  |
| Purchase of/improvements to investment property                  |       | -                        | -                          | -                        | (19,328)               | (12,013)               |
| Purchase of other financial assets                               |       | -                        | -                          | (6,327)                  | -                      | (6,327)                |
| Purchase of property in development                              |       | -                        | -                          | -                        | (1,435)                | -                      |
| Purchase of property, plant and equipment                        |       | (3,762)                  | (7,950)                    | (2,690)                  | (14,492)               | (32,812)               |
| Purchase of intangible assets                                    |       | (771)                    | (335)                      | (686)                    | (1,307)                | (1,217)                |
| Repayment of lease improvements                                  |       | -                        | -                          | -                        | 155                    | 189                    |
| Net cash inflow/(outflow) from investing activities              |       | <b>(1,280)</b>           | <b>(8,285)</b>             | <b>(3,965)</b>           | <b>(25,914)</b>        | <b>(43,549)</b>        |
| <b>Cash flows from financing activities</b>                      |       |                          |                            |                          |                        |                        |
| Proceeds from borrowings   |       | -                        | -                          | -                        | 20,650                 | 17,650                 |
| Repayment of borrowings  |       | -                        | -                          | -                        | (14,630)               | (9,950)                |
| Net cash inflow/(outflow) from financing activities              |       | -                        | -                          | -                        | <b>6,020</b>           | <b>7,700</b>           |
| Net increase/(decrease) in cash and cash equivalents             |       | <b>1,893</b>             | <b>(10,263)</b>            | <b>(1,688)</b>           | <b>1,325</b>           | <b>(21,338)</b>        |
| Cash and cash equivalents at the beginning of the financial year |       | <b>2,540</b>             | <b>12,358</b>              | <b>4,228</b>             | <b>3,633</b>           | <b>24,971</b>          |
| Cash and cash equivalents at the end of the financial year       |       | <b>4,433</b>             | <b>2,095</b>               | <b>2,540</b>             | <b>4,958</b>           | <b>3,633</b>           |

The accompanying notes form part of these financial statements

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

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

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

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

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

|  | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|--------------------------|--------------------------|------------------------|------------------------|
| <i>Cash and cash equivalents:</i>                |                          |                          |                        |                        |
| Cash at bank and on hand                         | 4,433                    | 2,540                    | 4,958                  | 3,633                  |
| Term deposits with maturities less than 3 months | -                        | -                        | -                      | -                      |
|  | 4,433                    | 2,540                    | 4,958                  | 3,633                  |

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<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|--------------------------|--------------------------|------------------------|------------------------|
| Surplus/(deficit) for the year                                       | (841)                    | 1,869                    | 30,100                 | 28,721                 |
| <i>Add/(less) non-cash items:</i>                                    |                          |                          |                        |                        |
| Depreciation and amortisation  | 1,936                    | 1,752                    | 10,599                 | 9,879                  |
| (Gain)/loss on sale of property, plant and equipment                 | (20)                     | (148)                    | (54)                   | (316)                  |
| Write off of intangible assets                                       | (30)                     | -                        | (30)                   | -                      |
| Provision for doubtful debts   | (71)                     | (128)                    | (71)                   | (128)                  |
| (Gain)/loss on revaluation of investment property                    | (40)                     | (661)                    | (19,910)               | (20,618)               |
| Loss/(gain) on disposal of investment property                       | -                        | -                        | (34)                   | (597)                  |
| Net change in fair value of derivative financial instruments         | -                        | -                        | 30                     | 122                    |
| Net change in fair value of financial instruments                    | (936)                    | (1,051)                  | (936)                  | (1,051)                |
| Non-current employee entitlements                                    | -                        | -                        | (487)                  | 108                    |
| Share of surpluses retained by joint ventures                        | -                        | -                        | (80)                   | (279)                  |
| Gain on sale of available for sale investments                       | -                        | -                        | -                      | -                      |
| Deferred tax   | 101                      | 76                       | (2,107)                | 856                    |
| Write-off of property plant and equipment work in progress           | -                        | -                        | -                      | -                      |
|  | 99                       | 1,709                    | 17,020                 | 16,697                 |
| <i>Movement in working capital:</i>                                  |                          |                          |                        |                        |
| Trade and other receivables  | (270)                    | 163                      | (1,124)                | (3,350)                |
| Inventories  | -                        | -                        | 20                     | (124)                  |
| Other current assets   | (54)                     | 20                       | (54)                   | 20                     |
| Trade and other payables   | 3,025                    | (118)                    | 3,808                  | (947)                  |
| Employee entitlements  | 182                      | 131                      | 804                    | 479                    |
| Income tax   | -                        | -                        | 479                    | 220                    |
| Movement in working capital items classified as investing activities | 191                      | 372                      | 266                    | 1,516                  |
|  | 3,074                    | 568                      | 4,199                  | (2,186)                |
| Net cash inflow/(outflow) from operating activities                  | 3,173                    | 2,277                    | 21,219                 | 14,511                 |

## **Notes to the Financial Statements For the Year ended 30 June 2017**

### **Reporting Entity**

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

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

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. The principal activities of the Group entities are described in Note 27. Accordingly, the Council has designated itself and the Group as public benefit entities for financial reporting purposes.

The Financial Statements of Council are for the year ended 30 June 2017, and were authorised for issue by Council on 27 September 2017.

### **Statement of Compliance**

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

The financial statements comply with Public Benefit Entity Public Sector (PBE (PS)) standards. The financial statements have been prepared in accordance with Tier 1 PBE standards.

### **Basis of Preparation**

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

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

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

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the surplus/(deficit) in the period in which they arise.

The financial statements are stated exclusive of GST, except for receivables and payables in the Statement of Financial Position which are recognised inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows in the Cash Flow Statement.

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

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

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

### **Standards and interpretations issued and not yet adopted**

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

- 2016 omnibus amendments to PBE (PS) standards
- PBE IPSAS 34: Separate Financial Statements
- PBE IPSAS 35: Consolidated Financial Statements
- PBE IPSAS 38: Disclosure of Interest in Other Entities
- PBE IPSAS 9: Financial Instruments

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

### **Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its controlled entities as defined in PBE *IPSAS 6 Consolidated and Separate Financial Statements*. A list of controlled entities appears in Note 27 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Council obtains control and until such time as the Council ceases to control the entity.

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

### **Accounting Policies**

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

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

## **Critical Estimates and Assumptions and Judgements**

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

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

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

Property, Plant and Equipment – refer to Note 6

Classification of Property – refer to Note 7

## 2. Shares in Subsidiary and Dividend Income

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

### Recognition and measurement

The Council's investment in Port Otago Limited is carried at fair value in the Council entity's financial statements. At each balance date the Council obtains an annual valuation of the Council's shareholding in its subsidiary Port Otago Limited. The Port Otago group consists of Port Otago Limited, its subsidiaries, associates and joint ventures.

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

In assessing the valuation, the valuers adopt methodologies appropriate for the components of the Port Otago Limited group, employing the discounted cashflow methodology for Port Otago port operations and net tangible assets approach for Chalmers Properties Limited. Changes in forecast cashflows and property values and other factors that the fair value assessment is based on may result in the fair value of the shares in the subsidiary being different from previous estimates. The fair value is a level 3 fair value measurement as the valuation technique includes inputs that are not based on observable market data (unobservable inputs).

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

The valuation for the shares in Port Otago Limited is a combination of a discounted cashflow and assets approach based on information provided by the entity and investment property valuations. The fair value of the shares in subsidiaries at 30 June 2017 was based on cashflows discounted using a weighted average cost of capital of 7.3% (2016: 7.6%), terminal growth rate 2% (2016: 2%) and discount for lack of marketability 5% (2016: 5%).

### Sensitivity to WACC

- A decrease of 0.5% in WACC to 6.8% would result in a \$25.4m increase in fair value
- An increase of 0.5% in WACC to 7.8% would result in a \$21.0m decrease in fair value

|   | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|--------------------------|--------------------------|------------------------|------------------------|
| Balance at beginning of year                                      | 418,239                  | 407,293                  | -                      | -                      |
| Gain/(loss) recognised in other Comprehensive Revenue and Expense | 20,798                   | 10,946                   | -                      | -                      |
| Balance at end of year  | 439,037                  | 418,239                  | -                      | -                      |

### Related party transactions

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

|  | Council 2017<br>\$000 | Council 2016<br>\$000 |
|--|-----------------------|-----------------------|
| Dividend payment made to Council       | 7,800                 | 7,250                 |
| Harbour Control Centre and other costs | (60)                  | (69)                  |
| Other expenses                         | 88                    | 36                    |



### 3. Revenue

#### **Recognition and measurement**

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

#### **Revenue from exchange transactions**

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

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

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

Revenue from the rendering of services including relating to contracts and consent application that are in progress at balance date is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

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

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

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

#### **Revenue from non-exchange transactions**

Rates revenue is recognised as income when levied.

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

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

## Rates Revenue

|                                 | Notes | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---------------------------------|-------|--------------------------|--------------------------|------------------------|------------------------|
| <b>Rates revenue comprises:</b> |       |                          |                          |                        |                        |
| General rates                   |       | 6,347                    | 5,346                    | 6,324                  | 5,310                  |
| Targeted rates                  |       | 9,616                    | 9,078                    | 9,616                  | 9,078                  |
|                                 |       | 15,963                   | 14,424                   | 15,940                 | 14,388                 |

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

## Other Revenue

|   | Notes | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|-------|--------------------------|--------------------------|------------------------|------------------------|
| <b>Revenue from exchange transactions</b>     |       |                          |                          |                        |                        |
| Port revenue                                  |       | -                        | -                        | 67,670                 | 63,737                 |
| Consents and regulatory fees                  |       | 1,596                    | 825                      | 1,596                  | 825                    |
| Regional services revenue                     |       | 465                      | 738                      | 465                    | 738                    |
| Investment property rental income             |       | 658                      | 625                      | 15,419                 | 14,598                 |
| Other property rental income                  |       | 393                      | 453                      | 1,888                  | 1,050                  |
|   |       | 3,112                    | 2,641                    | 87,038                 | 80,948                 |
| <b>Revenue from non-exchange transactions</b> |       |                          |                          |                        |                        |
| Consents and regulatory fees                  |       | 230                      | 1,211                    | 230                    | 1,211                  |
| Other activity fees and charges               |       | 3,260                    | 1,314                    | 3,260                  | 1,314                  |
|   |       | 3,490                    | 2,525                    | 3,490                  | 2,525                  |

## 4. Other Gains/(Losses)

|  | Notes | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|-------|--------------------------|--------------------------|------------------------|------------------------|
| Unrealised net change in value of investment property and property in development  | 7     | 40                       | 661                      | 19,691                 | 20,816                 |
| Gain/(loss) on disposal of investment property   |       | -                        | -                        | 34                     | -                      |
| Impairment and impairment reversals of property in development   | 9     | -                        | -                        | 894                    | (198)                  |
| Gain/(loss) on disposal of property, plant & equipment   | 6     | 20                       | 148                      | 54                     | 376                    |
| Net change in fair value of financial assets carried at fair value through surplus or deficit  |       | 936                      | 1,051                    | 936                    | 1,051                  |
| Impairment of held for sale assets   | 8     | (191)                    | 91                       | (864)                  | 91                     |
| Net foreign exchange gain/(loss)   |       | -                        | -                        | -                      | -                      |
| Net change in fair value of derivative financial instruments classified at fair value through surplus or deficit (interest rate swaps) |       | -                        | -                        | (30)                   | (122)                  |
| Gain/(loss) on future value of investment property sale  |       | -                        | -                        | -                      | -                      |
| Gain/(loss) on available for sale assets   |       | -                        | -                        | -                      | -                      |
|  |       | 805                      | 1,951                    | 20,715                 | 22,014                 |
| Gains  |       | 1,043                    | 1,951                    | 21,626                 | 22,334                 |
| Losses   |       | (238)                    | -                        | (911)                  | (320)                  |

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

## 5. Other Financial Assets

|  | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|--------------------------|--------------------------|------------------------|------------------------|
| <b>Held for trading – carried at fair value</b>        |                          |                          |                        |                        |
| <i>Current:</i>  |                          |                          |                        |                        |
| Managed funds – cash (i)                               | 1,625                    | 879                      | 1,625                  | 879                    |
| Managed funds – bonds (i)(ii)                          | 10,931                   | 11,163                   | 10,931                 | 11,163                 |
| Managed funds – equities (i)                           | 7,301                    | 6,956                    | 7,301                  | 6,956                  |
|  | 19,857                   | 18,998                   | 19,857                 | 18,998                 |
| <b>Loans and receivables carried at amortised cost</b> |                          |                          |                        |                        |
| <i>Current:</i>  |                          |                          |                        |                        |
| Short-term deposits with maturities of 4-12 months     | 34,200                   | 37,200                   | 34,200                 | 37,200                 |
| <i>Non-current:</i>                                    |                          |                          |                        |                        |
| Prepaid lease costs                                    | -                        | -                        | 33                     | 52                     |
|  | 34,200                   | 37,200                   | 34,233                 | 37,252                 |
|  | 54,057                   | 56,198                   | 34,233                 | 56,250                 |
| <i>Disclosed in the financial statements as:</i>       |                          |                          |                        |                        |
| <i>Current</i>   | 54,057                   | 56,198                   | 54,057                 | 56,198                 |
| <i>Non-current</i>                                     | -                        | -                        | 33                     | 52                     |
|  | 54,057                   | 56,198                   | 54,090                 | 56,250                 |

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

### Loans and Receivables at Amortised Cost

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

### Financial Assets at Fair Value through Surplus of Deficit

Financial assets are classified as financial assets at fair value through surplus or deficit where the financial asset:

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

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

- (i) The Council and Group have classified their managed funds held for trading. The Group holds a portfolio of floating and fixed interest deposits, bonds and equity securities that is managed externally. This classification has been determined as all assets within this category are available for trading at any point. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the surplus/(deficit).
- (ii) The Group holds fixed interest bonds via its managed fund portfolio, the maturity dates range between 2017–2034.

**Fair Value**

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

Level 1 – the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Financial assets in this category include managed fund equities and shares in listed companies.

Level 2 – the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|                                   | COUNCIL          |                  |                  |                | GROUP            |                  |                  |                |
|-----------------------------------|------------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|
|                                   | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 |
| <b>2017</b>                       |                  |                  |                  |                |                  |                  |                  |                |
| <i>Financial assets at FVTPL:</i> |                  |                  |                  |                |                  |                  |                  |                |
| Other financial assets            | 1,689            | 17,262           | 906              | 19,857         | 1,689            | 17,262           | 906              | 19,857         |
| <b>2016</b>                       |                  |                  |                  |                |                  |                  |                  |                |
| <i>Financial assets at FVTPL:</i> |                  |                  |                  |                |                  |                  |                  |                |
| Other financial assets            | 1,743            | 16,314           | 941              | 18,998         | 1,743            | 16,314           | 941              | 18,998         |

## 6. Property Plant and Equipment

### COUNCIL ONLY 2017

|  | Cost<br>1 July 2016<br>\$000 | Additions<br>\$000 | Disposals<br>\$000 | Transfers out<br>of Work in<br>Progress<br>\$000 | Transfers to<br>Held for sale<br>assets<br>\$000 | Cost<br>30 June 2017<br>\$000 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>1 July 2016<br>\$000 | Depreciation<br>Expense<br>\$000 | Accumulated<br>Depreciation<br>Reversed on<br>Disposal<br>\$000 | Transfers to<br>Held for sale<br>assets<br>\$000 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>30 June 2015<br>\$000 | Book Value<br>30 June 2017<br>\$000 |
|--|------------------------------|--------------------|--------------------|--|--|-------------------------------|---|----------------------------------|---|--|--|-------------------------------------|
| <b>Council operational assets</b>                      |                              |                    |                    |  |  |                               |   |                                  |   |  |  |                                     |
| Land   | 12,545                       | -                  | -                  | -  | -  | 12,545                        | -   | -                                | -   | -  | -  | 12,545                              |
| Endowment land   | 1,495                        | -                  | -                  | -  | -  | 1,495                         | -   | -                                | -   | -  | -  | 1,495                               |
| Buildings  | 6,161                        | 35                 | (89)               | -  | -  | 6,107                         | (914)   | (173)                            | 45  | -  | (1,042)  | 5,065                               |
| Plant and vehicles                                     | 6,630                        | 1,288              | (883)              | 38   | -  | 7,073                         | (4,717)   | (557)                            | 785   | -  | (4,489)  | 2,584                               |
| Capital work in progress                               | 43                           | 285                | -                  | (38)   | -  | 290                           | -   | -                                | -   | -  | -  | 290                                 |
| <b>Total operational assets</b>                        | <b>26,874</b>                | <b>1,608</b>       | <b>(972)</b>       | <b>-</b>   | <b>-</b>   | <b>27,510</b>                 | <b>(5,631)</b>  | <b>(730)</b>                     | <b>830</b>  | <b>-</b>   | <b>(5,531)</b>   | <b>21,979</b>                       |
| <b>Council infrastructural assets</b>                  |                              |                    |                    |  |  |                               |   |                                  |   |  |  |                                     |
| Floodbanks   | 27,560                       | -                  | -                  | -  | -  | 27,560                        | -   | -                                | -   | -  | -  | 27,560                              |
| Protection works                                       | 8,249                        | -                  | -                  | -  | -  | 8,249                         | -   | -                                | -   | -  | -  | 8,249                               |
| Structures   | 34,236                       | 90                 | (5)                | 6  | -  | 34,327                        | (15,247)  | (663)                            | -   | -  | (15,910)   | 18,417                              |
| Drains   | 3,288                        | -                  | -                  | -  | -  | 3,288                         | -   | -                                | -   | -  | -  | 3,288                               |
| Bridges  | 1,542                        | -                  | (11)               | -  | -  | 1,531                         | (935)   | (45)                             | 9   | -  | (971)  | 560                                 |
| Culverts   | 1,267                        | -                  | -                  | -  | -  | 1,267                         | -   | -                                | -   | -  | -  | 1,267                               |
| Capital work in progress                               | 2,935                        | 2,064              | -                  | (6)  | -  | 4,993                         | -   | -                                | -   | -  | -  | 4,993                               |
| <b>Total infrastructural assets</b>                    | <b>79,077</b>                | <b>2,154</b>       | <b>(16)</b>        | <b>-</b>   | <b>-</b>   | <b>81,215</b>                 | <b>(16,182)</b>   | <b>(708)</b>                     | <b>9</b>  | <b>-</b>   | <b>(16,881)</b>  | <b>64,334</b>                       |
| <b>Total Council property,<br/>plant and equipment</b> | <b>105,951</b>               | <b>3,762</b>       | <b>(988)</b>       | <b>-</b>   | <b>-</b>   | <b>108,725</b>                | <b>(21,813)</b>   | <b>(1,438)</b>                   | <b>839</b>  | <b>-</b>   | <b>(22,412)</b>  | <b>86,313</b>                       |

Council infrastructural assets represent Flood protection and Control Works as defined in the Local Government (Financial Reporting and Prudence) Regulations 2014. All infrastructure assets acquired during the year were constructed by Council. There were no infrastructural assets transferred to the Council from external entities.

**COUNCIL ONLY – 2016**

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

Council infrastructural assets represent Flood Protection and Control Works as defined in the Local Government (Financial Reporting and Prudence) Regulations 2014. All infrastructural assets acquired during the year were constructed by Council. There were no infrastructural assets transferred to the Council from external entities.

**GROUP – 2017**

|  | Cost<br>1 July 2016<br>\$000 | Additions<br>\$000 | Disposals<br>\$000 | Transfers<br>\$000 | Transfers to<br>held for sale<br>\$000 | Cost<br>30 June 2017<br>\$000 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>1 July 2016<br>\$000 | Impairment<br>Losses<br>Charged in<br>Profit<br>or Loss<br>\$000 | Depreciation<br>Expense<br>\$000 | Accumulated<br>Depreciation<br>Reversed on<br>Disposal<br>\$000 | Transfers to<br>held for sale<br>\$000 | Transfers<br>\$000 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>30 June 2017<br>\$000 | Book Value<br>30 June 2017<br>\$000 |
|--|------------------------------|--------------------|--------------------|--------------------|--|-------------------------------|---|--|----------------------------------|---|--|--------------------|--|-------------------------------------|
| <b>Operational assets</b>                        |                              |                    |                    |                    |  |                               |   |  |                                  |   |  |                    |  |                                     |
| Land – Council                                   | 12,545                       | -                  | -                  | -                  | -                                      | 12,545                        | -   | -  | -                                | -   | -                                      | -                  | -  | 12,545                              |
| Endowment land – Council                         | 1,495                        | -                  | -                  | -                  | -                                      | 1,495                         | -   | -  | -                                | -   | -                                      | -                  | -  | 1,495                               |
| Buildings – Council                              | 6,161                        | 35                 | (89)               | -                  | -                                      | 6,107                         | (914)   | -  | (173)                            | 45  | -                                      | -                  | (1,042)  | 5,065                               |
| Plant and vehicles - Council                     | 6,630                        | 1,288              | (883)              | 38                 | -                                      | 7,073                         | (4,717)   | -  | (557)                            | 785   | -                                      | -                  | (4,489)  | 2,584                               |
| Capital work in progress - Council               | 43                           | 285                | -                  | (38)               | -                                      | 290                           | -   | -  | -                                | -   | -                                      | -                  | -  | 290                                 |
| Land – Port                                      | 34,342                       | -                  | -                  | -                  | -                                      | 34,342                        | -   | -  | -                                | -   | -                                      | -                  | -  | 34,342                              |
| Buildings and improvements – Port                | 63,274                       | -                  | -                  | 4,460              | -                                      | 67,734                        | (16,732)  | -  | (2,109)                          | -   | -                                      | -                  | (18,841)   | 48,893                              |
| Wharves and berths dredging – Port               | 61,320                       | -                  | -                  | 172                | -                                      | 61,492                        | (17,366)  | -  | (1,550)                          | -   | -                                      | -                  | (18,916)   | 42,576                              |
| Plant, equipment and vehicles – Port             | 93,232                       | -                  | (2,607)            | 11,471             | -                                      | 102,096                       | (47,953)  | -  | (4,404)                          | 2,216   | -                                      | -                  | (50,141)   | 51,955                              |
| Capital work in progress – Port                  | 9,066                        | 10,722             | -                  | (16,103)           | -                                      | 3,685                         | -   | -  | -                                | -   | -                                      | -                  | -  | 3,685                               |
| <b>Total operational assets</b>                  | <b>288,108</b>               | <b>12,330</b>      | <b>(3,579)</b>     | <b>-</b>           | <b>-</b>                               | <b>296,859</b>                | <b>(87,682)</b>   | <b>-</b>   | <b>(8,793)</b>                   | <b>3,046</b>  | <b>-</b>                               | <b>-</b>           | <b>(93,428)</b>  | <b>203,430</b>                      |
| <b>Council infrastructural assets</b>            |                              |                    |                    |                    |  |                               |   |  |                                  |   |  |                    |  |                                     |
| Floodbanks                                       | 27,560                       | -                  | -                  | -                  | -                                      | 27,560                        | -   | -  | -                                | -   | -                                      | -                  | -  | 27,560                              |
| Protection works                                 | 8,249                        | -                  | -                  | -                  | -                                      | 8,249                         | -   | -  | -                                | -   | -                                      | -                  | -  | 8,249                               |
| Structures                                       | 34,236                       | 90                 | (5)                | 6                  | -                                      | 34,327                        | (15,247)  | -  | (663)                            | -   | -                                      | -                  | (15,910)   | 18,417                              |
| Drains   | 3,288                        | -                  | -                  | -                  | -                                      | 3,288                         | -   | -  | -                                | -   | -                                      | -                  | -  | 3,288                               |
| Bridges  | 1,542                        | -                  | (11)               | -                  | -                                      | 1,531                         | (935)   | -  | (45)                             | 9   | -                                      | -                  | (971)  | 560                                 |
| Culverts   | 1,267                        | -                  | -                  | -                  | -                                      | 1,267                         | -   | -  | -                                | -   | -                                      | -                  | -  | 1,267                               |
| Capital work in progress – Council               | 2,935                        | 2,064              | -                  | (6)                | -                                      | 4,993                         | -   | -  | -                                | -   | -                                      | -                  | -  | 4,993                               |
| <b>Total infrastructural assets</b>              | <b>79,077</b>                | <b>2,154</b>       | <b>(16)</b>        | <b>-</b>           | <b>-</b>                               | <b>81,215</b>                 | <b>(16,182)</b>   | <b>-</b>   | <b>(708)</b>                     | <b>9</b>  | <b>-</b>                               | <b>-</b>           | <b>(16,881)</b>  | <b>64,334</b>                       |
| <b>Total Group property, plant and equipment</b> | <b>367,185</b>               | <b>14,484</b>      | <b>(3,595)</b>     | <b>-</b>           | <b>-</b>                               | <b>378,074</b>                | <b>(103,864)</b>  | <b>-</b>   | <b>(9,501)</b>                   | <b>3,415</b>  | <b>-</b>                               | <b>-</b>           | <b>(110,309)</b>   | <b>267,764</b>                      |

**GROUP – 2016**

|  | Cost<br>1 July 2015<br>\$000 | Additions<br>\$000 | Disposals<br>\$000 | Transfers<br>\$000 | Cost<br>30 June 2016<br>\$000 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>1 July 2015<br>\$000 | Impairment<br>Losses<br>Charged in<br>Profit<br>or Loss<br>\$000 | Depreciation<br>Expense<br>\$000 | Accumulated<br>Depreciation<br>Reversed on<br>Disposal<br>\$000 | Transfers<br>\$000 | Accumulated<br>Depreciation<br>and<br>Impairment<br>Charges<br>30 June 2014<br>\$000 | Book Value<br>30 June 2016<br>\$000 |
|--|------------------------------|--------------------|--------------------|--------------------|-------------------------------|---|--|----------------------------------|---|--------------------|--|-------------------------------------|
| <b>Operational assets</b>                            |                              |                    |                    |                    |                               |   |  |                                  |   |                    |  |                                     |
| Land – Council                                       | 13,049                       | -                  | (330)              | (174)              | 12,545                        | -   | -  | -                                | -   | -                  | -  | 12,545                              |
| Endowment land – Council                             | 1,495                        | -                  | -                  | -                  | 1,495                         | -   | -  | -                                | -   | -                  | -  | 1,495                               |
| Buildings – Council                                  | 6,071                        | 181                | (75)               | (16)               | 6,161                         | (768)   | -  | (172)                            | 15  | 11                 | (914)  | 5,247                               |
| Plant and vehicles - Council                         | 8,167                        | 583                | (2,120)            | -                  | 6,630                         | (6,281)   | -  | (499)                            | 2,063   | -                  | (4,717)  | 1,913                               |
| Capital work in progress -<br>Council                | 35                           | 43                 | -                  | (35)               | 43                            | -   | -  | -                                | -   | -                  | -  | 43                                  |
| Land – Port  | 34,395                       | 396                | (449)              | -                  | 34,342                        | -   | -  | -                                | -   | -                  | -  | 34,342                              |
| Buildings and improvements<br>– Port                 | 49,156                       | 14,199             | (81)               | -                  | 63,274                        | (14,762)  | -  | (1,995)                          | 25  | -                  | (16,732)   | 46,542                              |
| Wharves and berths<br>dredging – Port                | 55,303                       | 6,017              | -                  | -                  | 61,320                        | (15,724)  | -  | (1,642)                          | -   | -                  | (17,366)   | 43,954                              |
| Plant, equipment and<br>vehicles – Port              | 93,530                       | 2,525              | (2,823)            | -                  | 93,232                        | (45,342)  | -  | (4,172)                          | 1,561   | -                  | (47,953)   | 45,279                              |
| Capital work in progress –<br>Port                   | 2,086                        | 6,980              | -                  | -                  | 9,066                         | -   | -  | -                                | -   | -                  | -  | 9,066                               |
| <b>Total operational assets</b>                      | <b>263,287</b>               | <b>30,924</b>      | <b>(5,878)</b>     | <b>(225)</b>       | <b>288,108</b>                | <b>(80,877)</b>   | <b>-</b>   | <b>(8,480)</b>                   | <b>3,664</b>  | <b>11</b>          | <b>(87,682)</b>  | <b>200,426</b>                      |
| <b>Council infrastructural<br/>assets</b>            |                              |                    |                    |                    |                               |   |  |                                  |   |                    |  |                                     |
| Floodbanks   | 27,526                       | -                  | -                  | 34                 | 27,560                        | -   | -  | -                                | -   | -                  | -  | 27,560                              |
| Protection works                                     | 4,617                        | -                  | -                  | 3,632              | 8,249                         | -   | -  | -                                | -   | -                  | -  | 8,249                               |
| Structures   | 32,164                       | 18                 | (80)               | 2,134              | 34,236                        | (14,713)  | -  | (598)                            | 64  | -                  | (15,247)   | 18,989                              |
| Drains   | 3,288                        | -                  | -                  | -                  | 3,288                         | -   | -  | -                                | -   | -                  | -  | 3,288                               |
| Bridges  | 1,542                        | -                  | -                  | -                  | 1,542                         | (889)   | -  | (45)                             | -   | -                  | (935)  | 607                                 |
| Culverts   | 1,267                        | -                  | -                  | -                  | 1,267                         | -   | -  | -                                | -   | -                  | -  | 1,267                               |
| Capital work in progress –<br>Council                | 7,280                        | 1,865              | (410)              | (5,800)            | 2,935                         | -   | -  | -                                | -   | -                  | -  | 2,935                               |
| <b>Total infrastructural assets</b>                  | <b>77,684</b>                | <b>1,883</b>       | <b>(490)</b>       | <b>-</b>           | <b>79,077</b>                 | <b>(15,602)</b>   | <b>-</b>   | <b>(643)</b>                     | <b>64</b>   | <b>-</b>           | <b>(16,182)</b>  | <b>62,895</b>                       |
| <b>Total Group property, plant<br/>and equipment</b> | <b>340,971</b>               | <b>32,807</b>      | <b>(6,368)</b>     | <b>(225)</b>       | <b>367,185</b>                | <b>(96,480)</b>   | <b>-</b>   | <b>(9,123)</b>                   | <b>3,728</b>  | <b>11</b>          | <b>(103,864)</b>   | <b>263,321</b>                      |



## 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, culverts, bus hubs and shelters.

### 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 – Port                       | 15-70 years |
| Vessels and Floating Plant – Port    | 5-30 years  |
| Plant, equipment and vehicles - Port | 3-30 years  |

| Asset                         | Life         |
|-------------------------------|--------------|
| <b>Infrastructural Assets</b> |              |
| Floodbanks                    | Unlimited    |
| Protection works              | Unlimited    |
| Drains                        | Unlimited    |
| Culverts                      | Unlimited    |
| Structures                    | 8-100 years  |
| Bridges                       | 33-100 years |

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

**(c) Disposal**

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

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

**Critical judgements and assumptions**

**(a) Council and Group**

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

**(b) Group only**

Port Otago Limited owns a number of properties that are classified and accounted for as property, plant and equipment rather than investment property if the property is held to meet the strategic purposes of the port, or to form part of buffer zones to port activity, or to assist the provision of port services, or to promote or encourage the import or export of goods through the port.

**Impairment**

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

**Useful lives and residual values**

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

An incorrect estimate of the useful life of residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the surplus/(deficit), and carrying amount of the asset in the Statement of Financial Position. The Group minimises the risk of this estimation uncertainty by physical inspection of assets, asset replacement programmes and analysis of prior asset sales. The Group has not made significant changes to past assumptions concerning useful lives and residual values.

## 7. Investment Property

|   | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|--------------------------|--------------------------|------------------------|------------------------|
| Balance at beginning of year                        | 10,785                   | 10,124                   | 284,110                | 258,934                |
| Acquisitions  | -                        | -                        | -                      | 6,077                  |
| Subsequent capital expenditure                      | -                        | -                        | 9,415                  | 2,935                  |
| Interest capitalised                                | -                        | -                        | 182                    | 471                    |
| Disposals   | -                        | -                        | (155)                  | -                      |
| Net movement in incentives                          | -                        | -                        | 546                    | 101                    |
| Net movement in prepaid leasing costs               | -                        | -                        | (38)                   | 182                    |
| Transfer to property held for sale                  | -                        | -                        | (487)                  | -                      |
| Transfer (to)/from property in development (Note 9) | -                        | -                        | -                      | (5,406)                |
| Net gain/(loss) from fair value adjustments         | 40                       | 661                      | 19,689                 | 20,816                 |
| Balance at end of year                              | 10,825                   | 10,785                   | 313,262                | 284,110                |

|   | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|--------------------------|--------------------------|------------------------|------------------------|
| <b>Valuation analysis</b>                               |                          |                          |                        |                        |
| <i>Valued at 30 June balance date as determined by:</i> |                          |                          |                        |                        |
| Jones Lang LaSalle                                      | -                        | -                        | 74,855                 | -                      |
| Colliers International                                  | -                        | -                        | 85,117                 | 90,370                 |
| CBRE Limited  | -                        | -                        | 142,465                | 182,955                |
| Tay and Tay Limited                                     | 10,825                   | 10,785                   | 10,825                 | 10,785                 |
|   | 10,825                   | 10,785                   | 313,262                | 284,110                |

Investment property is property held to earn rentals and/or for capital appreciation. Investment property is measured initially at cost and subsequently at fair value. Gains or losses arising from changes in the fair value of investment property are reported in the surplus/(deficit) in the period in which they arise.

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

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

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

## Critical Judgements

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

The fair value of the Council's and Group's investment property at 30 June 2017 requires estimation and judgement and has been arrived at on the basis of valuations carried out at that date by independent registered valuers who conform with the New Zealand Property Institute Practice Standards. The valuers have extensive market knowledge in the types of investment properties owned by the Council and Group.

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

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

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

|  | Council                                  |       | Group                                    |       |
|--|--|-------|--|-------|
|  | Range of significant unobservable inputs |       | Range of significant unobservable inputs |       |
| Market capitalisation rate (%) (i)         | 6.07%                                    | 6.72% | 5.0%                                     | 8.6%  |
| Market rental (\$ per Sqm) (ii)            | \$41                                     | \$133 | \$8                                      | \$266 |
| Discount Rate (%) (iii)                    | 8.5%                                     | 8.5%  | 6.8%                                     | 14.0% |
| Rental growth rate (%) (iv)                | 2%                                       | 2%    | 0.9%                                     | 3.5%  |
| Terminal capitalisation rate (%) (v)       | 5.75%                                    | 7%    | 5.3%                                     | 8.5%  |
| Profit and risk rate (vi)                  | N/A                                      | N/A   | 20.0%                                    | 20.0% |
| Development sell down period (years) (vii) | N/A                                      | N/A   | 10                                       | 10    |

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

## 8. Property held for sale

|  | Note | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|------|--------------------------|--------------------------|------------------------|------------------------|
| Balance at beginning of year                         |      | 1,284                    | 2,365                    | 3,330                  | 4,411                  |
| Transfer from (to) investment property               | 7    | -                        | -                        | 487                    | -                      |
| Transfer from property plant and equipment           |      | -                        | 214                      | -                      | 214                    |
| Transfer (to) property in development                | 9    | -                        | -                        | (927)                  | -                      |
| Subsequent capital expenditure                       |      | -                        | -                        | 1,212                  | -                      |
| Unrealised change in value of property held for sale |      | (191)                    | 91                       | (864)                  | 91                     |
| Disposals  |      | -                        | (1,386)                  | -                      | (1,386)                |
| Balance at end of year                               |      | 1,093                    | 1,284                    | 3,238                  | 3,330                  |
| <i>Disclosed in the Financial Statements as:</i>     |      |                          |                          |                        |                        |
| Current  |      | 1,093                    | 1,284                    | 3,238                  | 3,330                  |
| Non-current  |      | -                        | -                        | -                      | -                      |
|  |      | 1,093                    | 1,284                    | 3,238                  | 3,330                  |

Property classified as held for sale is measured at:

- Fair value for items transferred from investment property, and
- Fair value less estimated costs of disposal, measured at time of transfer, for items transferred from property, plant and equipment.

Property is classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the property is available for immediate sale in its present state. There must also be an expectation of completing the sale within one year from the date of classification. Property is not depreciated or amortised while it is classified as held for sale.

### Group:

#### Sale of 130 Portsmouth Drive, Dunedin

During June 2017, Chalmers Properties Limited entered into an unconditional sales and purchase agreement for the above property. The property was valued by Jones Lang LaSalle Inc. on 30 June 2017 at a fair value of \$2.20 million. The carrying value of \$2.15 million is net of selling costs.

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

Note 28 contains details of the contract terms to sell 10% of the original Newby 1 block to a related party, the former Chalmers Properties Limited Chief Executive Officer. This land was previously classified as property held for sale. At the previous balance date the remaining property held for sale under the related party contract is \$2.05 million.

## 9. Property in Development

|   | Note | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|------|--------------------------|--------------------------|------------------------|------------------------|
| Balance at beginning of year              |      | -                        | -                        | 20,618                 | 13,409                 |
| Transfer (to) from investment property    | 7    | -                        | -                        | -                      | 5,406                  |
| Transfer (to) from property held for sale | 8    | -                        | -                        | 927                    | -                      |
| Acquisitions                              |      | -                        | -                        | -                      | 649                    |
| Disposals                                 |      | -                        | -                        | (5,322)                | (2,260)                |
| Subsequent capital expenditure            |      | -                        | -                        | 8,412                  | 3,536                  |
| Interest capitalised                      |      | -                        | -                        | 167                    | 76                     |
| Impairment and impairment reversals       |      | -                        | -                        | 894                    | (198)                  |
| Balance at end of year                    |      | -                        | -                        | 25,696                 | 20,618                 |

|                                     | <b>Council<br/>2017<br/>\$000</b> | <b>Council<br/>2016<br/>\$000</b> | <b>Group<br/>2017<br/>\$000</b> | <b>Group<br/>2016<br/>\$000</b> |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| <b>Comprising</b>                   |                                   |                                   |                                 |                                 |
| Developed land for sale             | -                                 | -                                 | 18,844                          | 10,617                          |
| Units and warehouse developments    | -                                 | -                                 | 6,852                           | -                               |
| Impairment and impairment reversals | -                                 | -                                 | -                               | 10,001                          |
|                                     | -                                 | -                                 | 25,696                          | 20,618                          |

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

Further costs directly incurred through development activities are capitalised to the cost of the property in development. Property in development is valued annually and is measured at the lower of carrying and fair value. Where cost exceeds the fair value of property in development the resulting losses are included in the surplus/(deficit) in the period in which they arise.

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

The Group \$18.8 million carrying value of developed land at balance date reflects the cost of the 14.3 hectares (Group share: 11.6 hectares) remaining developed land. In their June 2017 valuation, Jones Lang LaSalle stated a net realisable value of \$26.6 million (Group share: \$21.6 million).

At the previous balance date the Group \$10.6 million carrying value of developed land reflected the cost of the 8.3 hectares (Group share: 6.5 hectares) on hand. In their June 2016 valuation, Colliers stated a net realisable value of \$14.4 million (Group share: \$11.4 million) for the remaining developed land on hand.

#### **Land in development**

During the year the Group completed stage 2 of the industrial subdivision at Te Rapa in Hamilton. Stage 2 yielded 10.5 hectares of developed land (Group share: 9.0 hectares) which upon completion was transferred to developed land for sale. The carrying value of land in development at the previous balance date of \$11.94 million (Group share: \$10.00 million) reflected the cost of the land in development. Colliers in their June 2016 valuation stated a net realisable value of \$13.75 million (Group share: \$11.7 million).

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

## 10. Intangible Assets

|   | Council<br>Computer<br>Software<br>\$000 | Council<br>Total<br>\$000 | Group<br>Computer<br>Software<br>\$000 | Group<br>Resource<br>Consents<br>\$000 | Group<br>Other<br>Intangibles<br>\$000 | Group<br>Total<br>\$000 |
|---|--|---------------------------|--|--|--|-------------------------|
| <b>Gross carrying amount</b>                                |  |                           |  |  |  |                         |
| Balance 30 June 2015  | 3,275                                    | 3,275                     | 8,644                                  | 5,234                                  | 1,221                                  | 15,099                  |
| Transfer to investment property and property in development | -  | -                         | -                                      | -                                      | (1,219)                                | (1,219)                 |
| Additions   | 168                                      | 168                       | 455                                    | 244                                    | -                                      | 699                     |
| Capital WIP additions                                       | 517                                      | 517                       | 517                                    | -                                      | -                                      | 517                     |
| Disposals   | (256)                                    | (256)                     | (277)                                  | -                                      | -                                      | (277)                   |
| Balance at 30 June 2016                                     | 3,704                                    | 3,704                     | 9,339                                  | 5,480                                  | -                                      | 14,819                  |
| Additions   | 952                                      | 952                       | 1,347                                  | 141                                    | -                                      | 1,488                   |
| Capital WIP additions                                       | 337                                      | 337                       | 337                                    | -                                      | -                                      | 337                     |
| Capital WIP write off                                       | (30)                                     | (30)                      | (30)                                   | -                                      | -                                      | (30)                    |
| Transfer to complete asset                                  | (487)                                    | (487)                     | (487)                                  | -                                      | -                                      | (487)                   |
| Disposals   | (68)                                     | (68)                      | (68)                                   | -                                      | -                                      | (68)                    |
| Balance at 30 June 2017                                     | 4,408                                    | 4,408                     | 10,438                                 | 5,621                                  | -                                      | 16,059                  |
| <b>Accumulated amortisation and impairment</b>              |  |                           |  |  |  |                         |
| Balance 30 June 2015  | (1,722)                                  | (1,722)                   | (6,568)                                | (268)                                  | (331)                                  | (7,167)                 |
| Amortisation expense  | (439)                                    | (439)                     | (669)                                  | (354)                                  | 331                                    | (692)                   |
| Disposals   | 256                                      | 256                       | 277                                    | -                                      | -                                      | 277                     |
| Balance 30 June 2016  | (1,905)                                  | (1,905)                   | (6,960)                                | (622)                                  | -                                      | (7,582)                 |
| Amortisation expense  | (498)                                    | (498)                     | (751)                                  | (292)                                  | -                                      | (1,043)                 |
| Disposals   | 61                                       | 61                        | 61                                     | -                                      | -                                      | 61                      |
| Balance at 30 June 2017                                     | (2,342)                                  | (2,342)                   | (7,650)                                | (914)                                  | -                                      | (8,564)                 |
| <b>Net book value</b>                                       |  |                           |  |  |  |                         |
| As at 30 June 2017  | 2,066                                    | 2,066                     | 2,788                                  | 4,707                                  | -                                      | 7,495                   |
| As at 30 June 2016  | 1,800                                    | 1,800                     | 2,380                                  | 4,856                                  | -                                      | 7,238                   |

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

### Computer Software

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

### Resource Consents

For resource consents the amortisation periods range from 3 to 25 years. Where the periods of expected benefit or recoverable values have diminished, due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

Resource consents relate to the granting of the Next Generation consents which will allow the Group to deepen and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers. Consents were granted in January 2013 and were activated in March 2015. Amortisation of the carrying amounts commenced on the activation of the consents and will be amortised over the life of the consents which is either 3 years or 20 years. An additional 25 year consent was granted in June 2017 to undertake maintenance dredging and disposal of dredge soil.

### Other Intangible Assets

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

## Impairment

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

## 11. Schedule of Depreciation and Amortisation

|   | Notes | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|-------|--------------------------|--------------------------|------------------------|------------------------|
| Depreciation of property, plant and equipment | 6     | 1,438                    | 1,314                    | 9,501                  | 9,123                  |
| Amortisation of intangible assets             | 10    | 498                      | 439                      | 1,043                  | 692                    |
| Amortisation of leasing costs                 |       | -                        | -                        | 56                     | 64                     |
|   |       | 1,936                    | 1,753                    | 10,600                 | 9,879                  |

### Depreciation and Amortisation by Activity (Council Only)

|                                  | Notes | Actual<br>2016/17<br>\$000 | Annual Plan<br>2016/17<br>\$000 | Actual<br>2015/16<br>\$000 | Long<br>Term Plan<br>2015/16<br>\$000 |
|----------------------------------|-------|----------------------------|---------------------------------|----------------------------|---------------------------------------|
| Environment                      |       | 196                        | 146                             | 148                        | 131                                   |
| Community                        |       | 3                          | -                               | 3                          | -                                     |
| Regulatory                       |       | 99                         | 119                             | 96                         | 96                                    |
| Flood Protection & Control Works |       | 681                        | 617                             | 618                        | 703                                   |
| Safety and Hazards               |       | 13                         | 2                               | 3                          | 2                                     |
| Transport                        |       | 7                          | 7                               | 8                          | -                                     |
| Corporate                        |       | 937                        | 870                             | 877                        | 819                                   |
|                                  |       | 1,936                      | 1,761                           | 1,753                      | 1,751                                 |



## 12. Trade & Other Receivables

|  | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|--------------------------|--------------------------|------------------------|------------------------|
| <b>Trade and other receivables from exchange transactions</b>      |                          |                          |                        |                        |
| Trade receivables (i)  | -                        | -                        | 11,193                 | 10,563                 |
| Provision for doubtful debts                                       | -                        | -                        | -                      | -                      |
|  | -                        | -                        | 11,193                 | 10,563                 |
| Sundry accruals  | 592                      | 570                      | 2,385                  | 2,509                  |
| Goods and Services Tax receivable                                  | 433                      | 417                      | 433                    | 417                    |
|  | 1,025                    | 987                      | 14,011                 | 13,489                 |
| <b>Trade and other receivables from non- exchange transactions</b> |                          |                          |                        |                        |
| Trade receivables (i)  | 1,312                    | 1,728                    | 1,312                  | 1,728                  |
| Provision for doubtful debts                                       | (102)                    | (173)                    | (102)                  | (173)                  |
|  | 1,210                    | 1,555                    | 1,210                  | 1,555                  |
| Sundry accruals  | 1,333                    | 756                      | 1,333                  | 756                    |
| Goods and Services Tax receivable                                  | -                        | -                        | -                      | -                      |
|  | 2,543                    | 2,311                    | 2,543                  | 2,311                  |
| <i>Disclosed in the financial statements as:</i>                   |                          |                          |                        |                        |
| Current  | 3,568                    | 3,298                    | 16,554                 | 15,800                 |
| Non-current  | -                        | -                        | -                      | -                      |
|  | 3,568                    | 3,298                    | 16,554                 | 15,800                 |

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

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

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

## 13. Trade & Other Payables

|  | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|--------------------------|--------------------------|------------------------|------------------------|
| Trade payables for Exchange transactions (i) | 5,928                    | 2,758                    | 12,338                 | 8,311                  |
| Other accrued charges                        | 1,231                    | 1,376                    | 1,792                  | 2,118                  |
| Property deposits received                   | -                        | -                        | 400                    | 216                    |
|  | 7,159                    | 4,134                    | 14,530                 | 10,645                 |

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

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

## 14. Employee Entitlements

|  | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|--------------------------|--------------------------|------------------------|------------------------|
| Accrued salary and wages                         | 417                      | 386                      | 1,753                  | 1,191                  |
| Annual leave                                     | 1,226                    | 1,075                    | 4,682                  | 4,465                  |
| Long service leave                               | -                        | -                        | 839                    | 969                    |
| Retiring allowances                              | 22                       | 22                       | 115                    | 155                    |
| Sick leave                                       | -                        | -                        | 104                    | 78                     |
| Related party incentives (Note 28)               | -                        | -                        | -                      | 317                    |
|  | 1,665                    | 1,483                    | 7,493                  | 7,175                  |
| <i>Disclosed in the financial statements as:</i> |                          |                          |                        |                        |
| Current  | 1,665                    | 1,483                    | 6,561                  | 5,756                  |
| Non-current                                      | -                        | -                        | 932                    | 1,419                  |
|  | 1,665                    | 1,483                    | 7,493                  | 7,175                  |

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

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

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

## 15. Borrowings and Finance Costs

### 15 (a) Borrowings

|                                    | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|------------------------------------|--------------------------|--------------------------|------------------------|------------------------|
| <b>Secured – at amortised cost</b> |                          |                          |                        |                        |
| Bank borrowings                    | -                        | -                        | 68,420                 | 62,400                 |
|                                    | -                        | -                        | 68,420                 | 62,400                 |
| <i>Analysed as:</i>                |                          |                          |                        |                        |
| Current                            | -                        | -                        | -                      | -                      |
| Non-current                        | -                        | -                        | 68,420                 | 62,400                 |
|                                    | -                        | -                        | 68,420                 | 62,400                 |

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

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

The Group has a \$80 million (2016: \$80 million) committed facility with ANZ Bank New Zealand Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 31 December 2020.

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

**15 (b) Finance Costs**

|                             | Notes | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|-----------------------------|-------|--------------------------|--------------------------|------------------------|------------------------|
| Interest on loans           |       | -                        | 3                        | 3,296                  | 3,380                  |
| Capitalised borrowing costs |       | -                        | -                        | (462)                  | (854)                  |
|                             |       | -                        | 3                        | 2,834                  | 2,526                  |

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

## 16. Reserves

| COUNCIL                               | Available for Sale Revaluation Reserve \$000 | Asset Replacement Reserve \$000 | Emergency Response Reserve \$000 | Kuriwao Endowment Reserve \$000 | Asset Revaluation Reserve \$000 | Water Management Reserve \$000 | Building Reserve \$000 | Environmental Enhancement Reserve | Total Reserves \$000 |
|---------------------------------------|--|---------------------------------|----------------------------------|---------------------------------|---------------------------------|--------------------------------|------------------------|-----------------------------------|----------------------|
| <b>Opening balance at 1 July 2015</b> | 387,293                                      | 4,865                           | 3,739                            | 6,167                           | 8,063                           | 1,532                          | 8,072                  | -                                 | 419,731              |
| <b>Transfers in:</b>                  |  |                                 |                                  |                                 |                                 |                                |                        |                                   |                      |
| Transfers from general rate equity    | -  | 2,426                           | -                                | 117                             | -                               | 62                             | 2,500                  | 250                               | 5,355                |
| Interest received                     | -  | 219                             | 152                              | 248                             | -                               | -                              | 425                    | 10                                | 1,054                |
| Revaluation gain                      | 10,946                                       | -                               | -                                | -                               | 661                             | -                              | -                      | -                                 | 11,607               |
|                                       | <b>10,946</b>                                | <b>2,645</b>                    | <b>152</b>                       | <b>365</b>                      | <b>661</b>                      | <b>62</b>                      | <b>2,925</b>           | <b>260</b>                        | <b>18,016</b>        |
| <b>Transfers out:</b>                 |  |                                 |                                  |                                 |                                 |                                |                        |                                   |                      |
| Transfers to general rate equity      | -  | (1,523)                         | -                                | (11)                            | -                               | (161)                          | -                      | (37)                              | (1,732)              |
| Transfers to targeted rate equity     | -  | -                               | -                                | (250)                           | -                               | -                              | -                      | -                                 | (250)                |
|                                       | <b>-</b>                                     | <b>(1,523)</b>                  | <b>-</b>                         | <b>(261)</b>                    | <b>-</b>                        | <b>(161)</b>                   | <b>-</b>               | <b>(37)</b>                       | <b>(1,982)</b>       |
| <b>Closing balances 30 June 2016</b>  | <b>398,239</b>                               | <b>5,987</b>                    | <b>3,891</b>                     | <b>6,271</b>                    | <b>8,724</b>                    | <b>1,433</b>                   | <b>10,997</b>          | <b>223</b>                        | <b>435,765</b>       |
| <b>Transfers in:</b>                  |  |                                 |                                  |                                 |                                 |                                |                        |                                   |                      |
| Transfers from general rate equity    | -  | 1,693                           | -                                | 117                             | -                               | -                              | 2,500                  | 325                               | 4,635                |
| Interest received                     | -  | 215                             | 142                              | 226                             | -                               | 52                             | 488                    | 14                                | 1,137                |
| Revaluation gain                      | 20,798                                       | -                               | -                                | -                               | 40                              | -                              | -                      | -                                 | 20,838               |
|                                       | <b>20,798</b>                                | <b>1,908</b>                    | <b>142</b>                       | <b>343</b>                      | <b>40</b>                       | <b>52</b>                      | <b>2,988</b>           | <b>339</b>                        | <b>26,610</b>        |
| <b>Transfers out:</b>                 |  |                                 |                                  |                                 |                                 |                                |                        |                                   |                      |
| Transfers to general rate equity      | -  | (2,075)                         | -                                | (3)                             | -                               | (58)                           | (371)                  | (240)                             | (2,747)              |
| Transfers to targeted rate equity     | -  | -                               | -                                | (250)                           | -                               | -                              | -                      | -                                 | (250)                |
|                                       | <b>-</b>                                     | <b>(2,075)</b>                  | <b>-</b>                         | <b>(253)</b>                    | <b>-</b>                        | <b>(58)</b>                    | <b>(371)</b>           | <b>(240)</b>                      | <b>(2,997)</b>       |
| <b>Closing balances 30 June 2017</b>  | <b>419,037</b>                               | <b>5,820</b>                    | <b>4,033</b>                     | <b>6,361</b>                    | <b>8,764</b>                    | <b>1,427</b>                   | <b>13,614</b>          | <b>322</b>                        | <b>459,378</b>       |

| <b>GROUP</b>                                | <b>Available for Sale Revaluation Reserve \$000</b> | <b>Asset Replacement Reserve \$000</b> | <b>Emergency Response Reserve \$000</b> | <b>Kuriwao Endowment Reserve \$000</b> | <b>Asset Revaluation Reserve \$000</b> | <b>Water Management Reserve \$000</b> | <b>Building Reserve \$000</b> | <b>Environmental Enhancement Reserve</b> | <b>Hedging Reserve \$000</b> | <b>Total Reserves \$000</b> |
|---|---|--|---|--|--|---------------------------------------|-------------------------------|--|------------------------------|-----------------------------|
| <b>Opening balances at 1 July 2015</b>      | -   | 4,865                                  | 3,739                                   | 6,167                                  | 158,564                                | 1,532                                 | 8,072                         | -  | (998)                        | 181,941                     |
| <b>Transfers in:</b>                        |   |  |   |  |  |                                       |                               |  |                              |                             |
| Transfers from general rate equity          | -   | 2,426                                  | -                                       | 117                                    | -                                      | 62                                    | 2,500                         | 250                                      | -                            | 5,355                       |
| Interest received                           | -   | 219                                    | 152                                     | 248                                    | -                                      | -                                     | 425                           | 10                                       | -                            | 1,054                       |
| Revaluation gain                            | -   | -                                      | -                                       | -                                      | 20,618                                 | -                                     | -                             | -  | -                            | 20,618                      |
| Change in fair value of interest rate swaps | -   | -                                      | -                                       | -                                      | -                                      | -                                     | -                             | -  | (475)                        | (475)                       |
|   | -   | 2,645                                  | 152                                     | 365                                    | 20,618                                 | 62                                    | 2,925                         | 260                                      | (475)                        | 26,552                      |
| <b>Transfers out:</b>                       |   |  |   |  |  |                                       |                               |  |                              |                             |
| Transfers to general rate equity            | -   | (1,523)                                | -                                       | (11)                                   | -                                      | (161)                                 | -                             | (37)                                     | -                            | (1,732)                     |
| Transfers to targeted rate equity           | -   | -                                      | -                                       | (250)                                  | -                                      | -                                     | -                             | -  | -                            | (250)                       |
| Deferred tax arising on fair value movement | -   | -                                      | -                                       | -                                      | -                                      | -                                     | -                             | -  | 133                          | 133                         |
|   | -   | (1,523)                                | -                                       | (261)                                  | -                                      | (161)                                 | -                             | (37)                                     | 133                          | (1,849)                     |
| <b>Closing balances 30 June 2016</b>        | -   | 5,987                                  | 3,891                                   | 6,271                                  | 179,182                                | 1,433                                 | 10,997                        | 223                                      | (1,340)                      | 206,644                     |
| <b>Transfers in:</b>                        |   |  |   |  |  |                                       |                               |  |                              |                             |
| Transfers from general rate equity          | -   | 1,693                                  | -                                       | 117                                    | -                                      | -                                     | 2,500                         | 325                                      | -                            | 4,635                       |
| Interest received                           | -   | 215                                    | 142                                     | 226                                    | -                                      | 52                                    | 488                           | 14                                       | -                            | 1,137                       |
| Revaluation gain                            | -   | -                                      | -                                       | -                                      | 19,910                                 | -                                     | -                             | -  | -                            | 19,910                      |
| Change in fair value of interest rate swaps | -   | -                                      | -                                       | -                                      | -                                      | -                                     | -                             | -  | 946                          | 946                         |
|   | -   | 1,908                                  | 142                                     | 343                                    | 19,910                                 | 52                                    | 2,988                         | 339                                      | 946                          | 26,628                      |
| <b>Transfers out:</b>                       |   |  |   |  |  |                                       |                               |  |                              |                             |
| Transfers to general rate equity            | -   | (2,075)                                | -                                       | (3)                                    | -                                      | (58)                                  | (371)                         | (240)                                    | -                            | (2,747)                     |
| Transfers to targeted rate equity           | -   | -                                      | -                                       | (250)                                  | -                                      | -                                     | -                             | -  | -                            | (250)                       |
| Deferred tax arising on fair value movement | -   | -                                      | -                                       | -                                      | -                                      | -                                     | -                             | -  | -                            | -                           |
| Realised on sale of assets                  | -   | -                                      | -                                       | -                                      | -                                      | -                                     | -                             | -  | -                            | -                           |
|   | -   | (2,075)                                | -                                       | (253)                                  | -                                      | (58)                                  | (371)                         | (240)                                    | -                            | (2,997)                     |
| <b>Closing balances 30 June 2017</b>        | -   | 5,820                                  | 4,033                                   | 6,361                                  | 199,092                                | 1,427                                 | 13,614                        | 322                                      | (394)                        | 230,275                     |

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

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

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

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

### **Available-for-Sale Revaluation Reserve**

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

### **Asset Replacement Reserve**

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

### **Emergency Response Reserve**

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

### **Kuriwao Endowment Reserve - Restricted**

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

### **Asset Revaluation Reserve**

This reserve arises on the revaluation of investment property.

### **Water Management Reserve**

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

### **Hedging Reserve**

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

### **Building Reserve**

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

### **Environmental Enhancement Reserve**

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

## 17 (a) Public Equity

|   | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|--------------------------|--------------------------|------------------------|------------------------|
| <b>Public Equity – General Rates</b>                              |                          |                          |                        |                        |
| Balance at beginning of year                                      | 72,956                   | 77,658                   | 285,641                | 283,448                |
| Net surplus   | (841)                    | 1,869                    | 30,100                 | 28,721                 |
| <b>Transfers in</b>   |                          |                          |                        |                        |
| Transfer from Public Equity Targeted Rates                        | 21,045                   | 15,134                   | 21,045                 | 15,134                 |
| Kuriwao endowment reserve   | 3                        | -                        | 3                      | -                      |
| Asset replacement reserve   | 2,075                    | 1,523                    | 2,075                  | 1,523                  |
| Asset revaluation reserve   | -                        | -                        | -                      | -                      |
| Water Management Reserve  | 58                       | 161                      | 58                     | 161                    |
| Environmental Enhancement Reserve                                 | 240                      | 37                       | 240                    | 37                     |
| Building Reserve  | 371                      | -                        | 371                    | -                      |
|   | <b>23,792</b>            | <b>16,855</b>            | <b>23,792</b>          | <b>16,855</b>          |
| <b>Transfer out</b>   |                          |                          |                        |                        |
| Transfer to Public Equity Targeted Rates                          | (18,249)                 | (16,367)                 | (18,249)               | (16,367)               |
| Kuriwao endowment reserve   | (343)                    | (354)                    | (343)                  | (354)                  |
| Asset replacement reserve   | (1,908)                  | (2,645)                  | (1,908)                | (2,645)                |
| Emergency response reserve  | (142)                    | (152)                    | (142)                  | (152)                  |
| Asset revaluation reserve   | (40)                     | (661)                    | (19,910)               | (20,618)               |
| Water management reserve  | (52)                     | (62)                     | (52)                   | (62)                   |
| Building Reserve  | (2,988)                  | (2,925)                  | (2,988)                | (2,925)                |
| Environmental Enhancement Reserve                                 | (339)                    | (260)                    | (339)                  | (260)                  |
| Available-for-sale asset gains reclassified to surplus/-(deficit) | -                        | -                        | -                      | -                      |
|   | <b>(24,061)</b>          | <b>(23,426)</b>          | <b>(43,930)</b>        | <b>(43,383)</b>        |
| Balance at end of year  | <b>71,846</b>            | <b>72,956</b>            | <b>295,603</b>         | <b>285,641</b>         |
| <b>Public Equity - Targeted Rates</b>                             |                          |                          |                        |                        |
| Balance at beginning of year                                      | 64,249                   | 62,766                   | 64,249                 | 62,766                 |
| <b>Transfers in</b>   |                          |                          |                        |                        |
| Transfer from Public Equity General Rates                         | 18,249                   | 16,367                   | 18,249                 | 16,367                 |
| Kuriwao endowment reserve   | 250                      | 250                      | 250                    | 250                    |
|   | <b>18,499</b>            | <b>16,617</b>            | <b>18,499</b>          | <b>16,617</b>          |
| <b>Transfers out</b>  |                          |                          |                        |                        |
| Transfer to Public Equity General Rates                           | (21,045)                 | (15,134)                 | (21,045)               | (15,134)               |
|   | <b>(21,045)</b>          | <b>(15,134)</b>          | <b>(21,045)</b>        | <b>(15,134)</b>        |
| Balance at end of year – refer note 17 (b)                        | <b>61,703</b>            | <b>64,249</b>            | <b>61,703</b>          | <b>64,249</b>          |
| <b>Total Public Equity</b>  |                          |                          |                        |                        |
| Balance at beginning of year                                      | 137,205                  | 140,424                  | 349,890                | 346,214                |
| Net surplus   | (841)                    | 1,869                    | 30,100                 | 28,721                 |
| Transfers   | (2,815)                  | (5,088)                  | -                      | (25,045)               |
| Balance at end of year  | <b>133,549</b>           | <b>137,205</b>           | <b>357,306</b>         | <b>349,890</b>         |

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

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

## 17 (b) Public Equity Targeted Rates - Reserve Movements

|   | Council and Group - 2017                   |                       |                        |   | Council and Group – 2016                   |                       |                        |   |
|---|--|-----------------------|------------------------|---|--|-----------------------|------------------------|---|
|   | Opening<br>balance 1 July<br>2016<br>\$000 | Transfers in<br>\$000 | Transfers out<br>\$000 | Closing<br>balance 30<br>June 2017<br>\$000 | Opening<br>balance 1 July<br>2015<br>\$000 | Transfers in<br>\$000 | Transfers out<br>\$000 | Closing<br>balance 30<br>June 2016<br>\$000 |
| <b>Targeted Rating District Equity</b>    |  |                       |                        |   |  |                       |                        |   |
| <b>River Management Reserves</b>          |  |                       |                        |   |  |                       |                        |   |
| Central Otago River Management            | 321  | 314                   | (237)                  | 398   | 312  | 238                   | (229)                  | 321   |
| Clutha River Management                   | 163  | 272                   | (278)                  | 157   | 407  | 237                   | (481)                  | 163   |
| Dunedin River Management                  | 2,017                                      | 220                   | (282)                  | 1,955                                       | 2,154                                      | 232                   | (369)                  | 2,017                                       |
| Queenstown River Management               | 636  | 224                   | (153)                  | 707   | 528  | 224                   | (116)                  | 636   |
| Waitaki River Management                  | (30)                                       | 351                   | (315)                  | 6   | (14)                                       | 261                   | (277)                  | (30)  |
| Wanaka River Management                   | 366  | 181                   | (124)                  | 423   | 331  | 181                   | (146)                  | 366   |
| Shotover Delta Flood Mitigation           | (270)                                      | 252                   | (49)                   | (67)  | (483)                                      | 252                   | (39)                   | (270)                                       |
| Stoney Creek                              | 133  | 5                     | -                      | 138   | 129  | 4                     | -                      | 133   |
| <b>Flood and Drainage scheme reserves</b> |  |                       |                        |   |  |                       |                        |   |
| Alexandra Flood Protection                | 661  | 37                    | (260)                  | 438   | 642  | 129                   | (110)                  | 661   |
| East Taieri Drainage                      | 489  | 424                   | (331)                  | 582   | 337  | 419                   | (267)                  | 489   |
| Leith Flood Protection                    | (7,890)                                    | 1,388                 | (2,921)                | (9,423)                                     | (6,808)                                    | 1,546                 | (2,628)                | (7,890)                                     |
| Lower Clutha Flood and Drainage           | 226  | 999                   | (1,083)                | 142   | 152  | 1,011                 | (937)                  | 226   |
| Lower Taieri Flood Protection             | 753  | 704                   | (449)                  | 1,008                                       | 438  | 719                   | (404)                  | 753   |
| Lower Waitaki Flood Protection            | (8)  | 145                   | (156)                  | (19)  | 8  | 141                   | (157)                  | (8)   |
| Tokomairiro Drainage                      | 145  | 83                    | (73)                   | 155   | 165  | 66                    | (86)                   | 145   |
| West Taieri Drainage                      | (1,053)                                    | 578                   | (541)                  | (1,016)                                     | (1,205)                                    | 581                   | (429)                  | (1,053)                                     |
| <b>Other Reserves</b>                     |  |                       |                        |   |  |                       |                        |   |
| Clean Heat Clean Air                      | 487  | 16                    | (90)                   | 413   | 465  | 119                   | (97)                   | 487   |
| Dunedin Transport Services                | 5,423                                      | 10,860                | (11,504)               | 4,779                                       | 4,610                                      | 7,582                 | (6,769)                | 5,423                                       |
| Queenstown Transport Services             | 61   | 265                   | (361)                  | (35)  | 101  | 219                   | (259)                  | 61  |
| Rural Water Quality                       | (52)                                       | 863                   | (865)                  | (54)  | -  | 507                   | (559)                  | (52)  |
| Dairy Monitoring                          | (39)                                       | 128                   | (164)                  | (75)  | -  | 96                    | (135)                  | (39)  |
| Wilding Pines                             | -  | 100                   | (100)                  | -   | -  | -                     | -                      | -   |
| Infrastructural Assets                    | 61,710                                     | 90                    | (709)                  | 61,091                                      | 60,497                                     | 1,853                 | (640)                  | 61,710                                      |
|   | <b>64,249</b>                              | <b>18,499</b>         | <b>(21,045)</b>        | <b>61,703</b>                               | <b>62,766</b>                              | <b>16,617</b>         | <b>(15,134)</b>        | <b>64,249</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 Queenstown to fund the Council's costs associated with the provision of bus services.

### Clean Heat Clear Air Reserve

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

## Schedule of Internal Borrowing for Public Equity Targeted Rates - Reserve

| Council 2017                       | Amount borrowed as at 30 June 2016 \$000 | Funds borrowed during the year \$000 | Funds repaid during the year \$000 | Interest charged \$000 | Amount borrowed as at 30 June 2017 \$000 |
|------------------------------------|--|--------------------------------------|------------------------------------|------------------------|--|
| Flood Protection and Control Works | 9,213                                    | 2,824                                | (1,874)                            | 344                    | 10,507                                   |
| Environment                        | 82                                       | 1,175                                | (1,212)                            | 2                      | 47                                       |
| Community                          | 8  | 154                                  | (144)                              | 1                      | 19                                       |
| Regulatory                         | 39                                       | 160                                  | (126)                              | 2                      | 75                                       |
| Transport                          | (61)                                     | 361                                  | (265)                              | -                      | 35                                       |
|                                    | <b>9,281</b>                             | <b>4,674</b>                         | <b>(3,621)</b>                     | <b>349</b>             | <b>10,683</b>                            |

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

## 18. Income Taxes

### Income Tax Recognised in Statement of Comprehensive Revenue and Expense

|  | Notes | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|-------|--------------------------|--------------------------|------------------------|------------------------|
| <b>Income tax (expense)/benefit comprises:</b>   |       |                          |                          |                        |                        |
| Current year – current tax   |       | -                        | -                        | (6,509)                | (5,838)                |
| Current year – deferred tax  |       | 98                       | 98                       | 2,107                  | (877)                  |
| Prior period adjustment current tax  |       | 3                        | 76                       | -                      | (19)                   |
| Prior period adjustment deferred tax   |       | -                        | (98)                     | -                      | -                      |
| <b>Income tax (expense)/benefit reported in the Statement of Comprehensive Revenue and Expense</b>   |       | <b>101</b>               | <b>76</b>                | <b>(4,402)</b>         | <b>(6,734)</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  |       | (942)                    | 1,793                    | 34,502                 | 35,455                 |
| Imputation credits   |       | -                        | -                        | 50                     | 63                     |
|  |       | (942)                    | 1,793                    | 34,552                 | 35,518                 |
| Income tax expense (credit) calculated at 28%  |       | (264)                    | 502                      | 9,675                  | 9,945                  |
| Non-deductible expenses  |       | 11,637                   | 9,247                    | 11,734                 | 9,819                  |
| Non-assessable income  |       | (9,290)                  | (7,795)                  | (9,302)                | (7,754)                |
| Unrealised change in investment property   |       | -                        | -                        | (4,835)                | (4,756)                |
| Deferred tax expense relating to the origination and reversal of temporary differences   |       | -                        | -                        | (2,750)                | (476)                  |
| Prior period adjustment  |       | -                        | -                        | (70)                   | 19                     |
| Imputation credits utilised  |       | (2,184)                  | (2,030)                  | (50)                   | (63)                   |
| <b>Income tax expense (credit)</b>   |       | <b>(101)</b>             | <b>(76)</b>              | <b>4,402</b>           | <b>6,734</b>           |

Council entered into an agreement for the Council to transfer 2016 tax year losses to its subsidiary Port Otago Limited. In conjunction with the tax loss transfer of \$260,730 (2016 tax year: \$251,953), by way of a tax loss offset, Port Otago Limited made a subvention payment of \$101,395 (2016 tax year: \$97,981) to the Council.

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

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

#### Deferred Tax Balances Comprise:

Taxable and deductible temporary differences arising from the following:

|                                  | Council<br>Opening<br>Balance<br>\$000 | Council<br>Charged to<br>Surplus/(Deficit)<br>\$000 | Council<br>Charged to other<br>Comprehensive<br>Revenue & Expense<br>\$000 | Council<br>Closing<br>Balance<br>\$000 |
|----------------------------------|--|---|--|--|
| <b>COUNCIL 2017</b>              |  |   |  |  |
| <b>Gross deferred tax asset:</b> |  |   |  |  |
| Tax losses                       | 98                                     | -   | -  | 98                                     |
|                                  | 98                                     | -   | -  | 98                                     |

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

|                                      | Group<br>Opening<br>Balance<br>\$000 | Group<br>Charged to<br>Surplus/(Deficit)<br>\$000 | Group<br>Charged to other<br>Comprehensive<br>Revenue & Expense<br>\$000 | Group<br>Closing<br>Balance<br>\$000 |
|--------------------------------------|--------------------------------------|---|--|--------------------------------------|
| <b>GROUP 2017</b>                    |                                      |   |  |                                      |
| <b>Gross deferred tax liability:</b> |                                      |   |  |                                      |
| Other financial assets               | (496)                                | (41)  | 369  | (168)                                |
| Property, plant and equipment        | 13,525                               | (402)   | -  | 13,122                               |
| Investment property                  | 6,024                                | (1,598)   | -  | 4,426                                |
| Other                                | (1,694)                              | (66)  | -  | (1,760)                              |
|                                      | 17,359                               | (2,107)   | 369  | 15,620                               |

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

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

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

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

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

## Imputation Credit Account Balances

|                        | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|------------------------|------------------------|------------------------|
| Balance at end of year | 30,856                 | 27,329                 |

Imputation credit balances available directly and indirectly to the Council through subsidiaries are \$30,954,000 as at 30 June 2017, and \$27,427,000 as at 30 June 2016.

## 19. Other expenses

|   | Notes | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|-------|--------------------------|--------------------------|------------------------|------------------------|
| Net bad and doubtful debts                                    |       | (20)                     | (71)                     | (71)                   | (20)                   |
| Donations   |       | 350                      | 350                      | 413                    | 385                    |
| Operating lease rental expenses:<br>- Minimum lease payments  |       | 90                       | 134                      | 90                     | 134                    |
| Operating expenses of investment properties                   |       | -                        | -                        | 961                    | 859                    |
| Company Directors' remuneration                               |       | -                        | -                        | 331                    | 301                    |
| Purchased materials and services                              |       | 26,328                   | 19,464                   | 41,232                 | 33,423                 |
| Fuel and electricity  |       | 355                      | 349                      | 2,840                  | 2,936                  |
| Write-off of property plant and equipment work<br>in progress |       | 30                       | -                        | 30                     | -                      |
|   |       | 27,133                   | 19,926                   | 45,826                 | 38,018                 |

## 20. Remuneration (Council Only)

### Employee Staffing Levels

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

|  | Number of Employees<br>30 June 2017 | Number of Employees<br>30 June 2016 |
|--|-------------------------------------|-------------------------------------|
| Full-time employees                            | 151                                 | 130                                 |
| Full-time equivalent number of other employees | 11.2                                | 6.5                                 |

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<br>Remuneration | Number of Employees<br>30 June 2017 | Total Annual<br>Remuneration | Number of Employees<br>30 June 2016 |
|------------------------------|-------------------------------------|------------------------------|-------------------------------------|
| Less than \$60,000           | 35                                  | Less than \$60,000           | 39                                  |
| \$60,000 to \$79,999         | 62                                  | \$60,000 to \$79,999         | 46                                  |
| \$80,000 to \$99,999         | 39                                  | \$80,000 to \$99,999         | 26                                  |
| \$100,000 to \$119,999       | 11                                  | \$100,000 to \$119,999       | 11                                  |
| \$120,000 to \$139,999       | 14                                  | \$120,000 to \$139,999       | 13                                  |
| \$140,000 to \$319,999       | 5                                   | \$140,000 to \$299,999       | 6                                   |
|                              | <b>166</b>                          |                              | <b>141</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 2017, the Chief Executive received salary payments amounting to \$280,342 (2016: \$273,507). The total cost including fringe benefit tax of the remuneration package received by the Chief Executive during the year to 30 June 2017 is calculated at \$312,292 (2016: \$299,240).

### Elected Representatives' Remuneration

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

#### Council remuneration 2017

| Councillor                              | Months in term | Meetings attended / eligible meetings <sup>1</sup> | Remuneration   | Meeting fees  | Allowances and mileage | Other        | Total          |
|---|----------------|--|----------------|---------------|------------------------|--------------|----------------|
| Stephen Woodhead (Chairperson)          | 12             | 46/46  | 118,031        | -             | 193                    | 1,392        | 119,616        |
| Gretchen Robertson (Deputy Chairperson) | 12             | 46/46  | 66,283         | 4,450         | 697                    | 72           | 71,502         |
| Graeme Bell                             | 12             | 48/49  | 47,715         | -             | 6,694                  | 946          | 55,355         |
| Douglas Brown                           | 12             | 43/46  | 52,459         | -             | 6,579                  | 516          | 59,554         |
| Louise Croot                            | 3              | 13/13  | 13,894         | -             | 250                    | -            | 14,144         |
| Michael Deaker                          | 12             | 39/46  | 52,459         | -             | 500                    | -            | 52,959         |
| Gerrard Eckhoff                         | 3              | 13/13  | 13,894         | -             | 1,865                  | 67           | 15,826         |
| Carmen Hope                             | 9              | 33/33  | 33,821         | -             | 2,724                  | 255          | 36,800         |
| Gary Kelliher                           | 3              | 13/13  | 13,894         | 253           | 1,977                  | -            | 16,124         |
| Trevor Kempton                          | 12             | 45/49  | 55,585         | 6,700         | 500                    | -            | 62,785         |
| Michael Laws                            | 9              | 31/33  | 33,821         | -             | 4,926                  | -            | 38,747         |
| Ella Lawton                             | 1              | 1/1  | 914            | -             | -                      | -            | 914            |
| Margaret Lawton                         | 6              | 12/33  | 21,746         | -             | 2,814                  | -            | 24,560         |
| Sam Neill                               | 12             | 36/46  | 49,799         | -             | 667                    | -            | 50,466         |
| Andrew Noone                            | 9              | 31/33  | 33,903         | 250           | 430                    | -            | 34,583         |
| Bryan Scott                             | 12             | 46/46  | 54,589         | 317           | 500                    | -            | 55,406         |
| David Shepherd                          | 9              | 9/13   | 15,978         | -             | 3,074                  | -            | 19,052         |
|   |                |  | <b>678,785</b> | <b>11,970</b> | <b>34,390</b>          | <b>3,248</b> | <b>728,393</b> |

<sup>1</sup> Eligible meetings include attendance at Council, Committee and RTC meetings.

#### Council remuneration 2016

| Councillor                              | Months in term | Meetings attended / eligible meetings <sup>1</sup> | Remuneration   | Meeting fees  | Allowances and mileage | Other        | Total          |
|---|----------------|--|----------------|---------------|------------------------|--------------|----------------|
| Stephen Woodhead (Chairperson)          | 12             | 49/49  | 117,963        | -             | -                      | 2,687        | 120,650        |
| Gretchen Robertson (Deputy Chairperson) | 12             | 49/49  | 65,747         | 8,880         | 990                    | 1,166        | 76,783         |
| Graeme Bell                             | 12             | 51/52  | 46,958         | -             | 6,511                  | 643          | 54,112         |
| Douglas Brown                           | 12             | 44/49  | 46,958         | -             | 3,216                  | 440          | 50,614         |
| Louise Croot                            | 9              | 43/49  | 46,958         | 475           | 500                    | -            | 47,933         |
| Michael Deaker                          | 12             | 44/49  | 46,958         | -             | 500                    | -            | 47,458         |
| Gerrard Eckhoff                         | 9              | 42/49  | 46,958         | -             | 6,803                  | 80           | 53,841         |
| Gary Kelliher                           | 9              | 49/49  | 46,958         | 1,380         | 6,950                  | -            | 55,288         |
| Trevor Kempton                          | 12             | 47/52  | 56,350         | 5,100         | 500                    | -            | 61,950         |
| Sam Neill                               | 12             | 43/49  | 56,350         | 3,247         | 1,397                  | -            | 60,994         |
| Bryan Scott                             | 12             | 43/49  | 56,304         | 354           | 500                    | -            | 57,158         |
| David Shepherd                          | 12             | 44/49  | 56,350         | -             | 500                    | -            | 56,850         |
|   |                |  | <b>690,812</b> | <b>19,436</b> | <b>28,367</b>          | <b>5,016</b> | <b>743,631</b> |

<sup>1</sup> Eligible meetings include attendance at Council, Committee and RTC meetings.

### Severance Payments

For the year ended 30 June 2017, the Council made one severance payment of \$15,000 (2016: four payments, each of \$55,000, \$50,000, \$45,500 and \$30,000).

## 21. Key Management Personnel Compensation

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

|   | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|--------------------------|--------------------------|------------------------|------------------------|
| <b>Management personnel</b>                             |                          |                          |                        |                        |
| Short-term employee benefits                            | 1,256                    | 1,149                    | 3,750                  | 3,544                  |
| Post-employment benefits                                | -                        | 74                       | -                      | 74                     |
|   | 1,256                    | 1,223                    | 3,750                  | 3,618                  |
| Full-time equivalent number of key management personnel | 7                        | 7                        | 15                     | 15                     |
|   |                          |                          |                        |                        |
| <b>Governing personnel</b>                              |                          |                          |                        |                        |
| Councillors remuneration                                | 723                      | 718                      | 723                    | 718                    |
| Directors' fees   | -                        | -                        | 331                    | 301                    |
|   | 723                      | 718                      | 1,054                  | 1,019                  |

## 22. Employee Benefits Expense

|                            | Notes | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|----------------------------|-------|--------------------------|--------------------------|------------------------|------------------------|
| Salaries and wages         |       | 12,281                   | 10,889                   | 41,490                 | 38,847                 |
| Defined contribution plans |       | 560                      | 515                      | 1,969                  | 1,849                  |
| Termination benefits       |       | 15                       | 288                      | 15                     | 288                    |
|                            |       | 12,856                   | 11,692                   | 43,474                 | 40,984                 |

### Superannuation Schemes

#### Recognition and measurement

Contributions to defined contribution superannuation schemes are expensed when incurred.

#### Superannuation scheme contingent liability

The Council is a participating employer in the Defined Benefit Plan Contributors Scheme ("the scheme"), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting as it is not possible to determine from the terms of the Scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The Scheme is therefore accounted for as a defined contribution scheme. If the other participating employers ceased to participate in the scheme, the Council could be responsible for any deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Council could be responsible for an increased share of any deficit.

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

As at 31 March 2017, the scheme had a past service surplus of \$8.0 million (6.2% of the liabilities), (as at 31 March 2016: \$11.9 million). This amount is exclusive of Specified Superannuation Contribution Withholding Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.

## 23. Subsequent Events

On 21 July 2017 Otago had an extreme rain event which caused minor damage to some flood protection infrastructure assets. The assessment of repairs required to these assets and any cost recovery through insurance is ongoing and has not at the time of finalising the financial statements been quantified.

On 5 September 2017 the Directors of Port Otago Limited declared a final dividend of \$0.5 million for the year ended 30 June 2017. As the final dividend was approved after balance date, the financial effect of the dividend payable of \$0.5 million has not been recognised in the Balance Sheet.

## 24. Commitments for Expenditure

### Capital Expenditure Commitment

At 30 June 2017 the Group had commitments for capital expenditure of \$32.0 million (2016: \$12.9 million). Included in the above amounts are Council commitments of \$5.62 million (2016: \$1.43 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure.

Included within Group capital commitments is capital expenditure of \$26.32 million (2016: \$11.47 million) relating to purchases and refurbishment of port assets and investment property.

### Lease Commitments

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

## 25. Contingent Liabilities & Contingent Assets

### Council Only

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

The Council has been advised of potential claims in relation to the issue of resource consents. The Council does not expect any material uninsured liability to arise from these potential claims, (2016: \$Nil).

### Group

#### Dredging and reclamation works performance security bond

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

## 26. Leases

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

**Council and/or Group as Lessor**

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

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

**Council and/or Group as Lessee**

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

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

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

**Lease Incentives**

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

**Disclosures for lessees****Leasing Arrangements**

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

**Non-cancellable Operating Lease Payments**

|  | <b>Council<br/>2017<br/>\$000</b> | <b>Council<br/>2016<br/>\$000</b> | <b>Group<br/>2017<br/>\$000</b> | <b>Group<br/>2016<br/>\$000</b> |
|--|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Not longer than 1 year                         | 33                                | 54                                | 470                             | 238                             |
| Longer than 1 year and not longer than 5 years | 34                                | 60                                | 663                             | 256                             |
| Longer than 5 years                            | -                                 | -                                 | 465                             | -                               |
|  | 67                                | 114                               | 1,598                           | 494                             |

**Disclosures for Lessor****Leasing Arrangements**

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



## Finance Lease Receivable

|  | Group only<br>Minimum Future<br>Lease Payments |                | Group only<br>Present Value of Minimum Future<br>Lease Receivables |                |
|--|--|----------------|--|----------------|
|  | 2017<br>\$000s                                 | 2016<br>\$000s | 2017<br>\$000s   | 2016<br>\$000s |
| Not longer than 1 year                           | -  | 160            | -  | 155            |
| Longer than 1 year and not longer than 5 years   | -  | -              | -  | -              |
| Longer than 5 years                              | -  | -              | -  | -              |
| Minimum future lease payments                    | -  | 160            | -  | 155            |
| Less unearned finance income                     | -  | (5)            | -  | -              |
| Present value of minimum lease payments          | -  | 155            | -  | 155            |
| <i>Disclosed in the financial statements as:</i> |  |                |  |                |
| Current  | -  | -              | -  | 155            |
| Non-current                                      | -  | -              | -  | -              |
|  | -  | -              | -  | 155            |

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

### Operating Lease Commitments as Lessor

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

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

| GROUP                                       | 2017<br>\$000  | 2016<br>\$000  |
|---|----------------|----------------|
| <b>Rentals receivable</b>                   |                |                |
| Within one year                             | 20,417         | 19,273         |
| After one year but not more than five years | 64,852         | 63,782         |
| More than five years                        | 103,774        | 99,596         |
| <b>Minimum future lease receivable</b>      | <b>189,043</b> | <b>182,651</b> |

## 27. Subsidiaries, Associates and Joint Ventures

|                                   | Country of Incorporation | Ownership Interest |           |
|-----------------------------------|--------------------------|--------------------|-----------|
|                                   |                          | 2017<br>%          | 2016<br>% |
| Council – Otago Regional Council  | New Zealand              |                    |           |
| Subsidiaries – Port Otago Limited | New Zealand              | 100                | 100       |

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

The principal activities of the entities are:

|                                      | Principal activities                         | Ownership Interest |           |
|--------------------------------------|--|--------------------|-----------|
|                                      |  | 2017<br>%          | 2016<br>% |
| <b>Subsidiaries</b>                  |  |                    |           |
| Chalmers Properties Limited          | Property investment                          | 100                | 100       |
| Te Rapa Gateway Limited              | Property investment                          | 100                | 100       |
| South Freight Limited                | Transport investment                         | 100                | 100       |
| Fiordland Pilot Services Limited     | Shipping services                            | 100                | 100       |
| <b>Joint Ventures and Associates</b> |  |                    |           |
| Harbourcold Dunedin                  | Cold store operation                         | 50                 | 50        |
| Hamilton Porter JV                   | Property investment                          | 66.7               | 66.7      |
| Hamilton Porter JV Company Limited   | Property trustee (non-trading)               | 66.7               | 66.7      |
| ICON Logistics Limited               | Container transport and warehousing services | 50                 | 50        |

### Subsidiaries

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

### Joint Ventures

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

Joint ventures are joint arrangements with other parties in which the Group has several liabilities in respect of costs and joint and several in respect of liabilities. The Group's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Group's financial statements on a line-by-line basis.

The financial statements include the relevant interest in each joint venture's assets and liabilities at 30 June 2016 along with the share of trading for the relevant period.

With the exception of the investments in Icon Logistics Limited which is accounted for in the Group financial statements using the equity method, as this reflects the substance of the economic reality of the Group's interest in the joint venture controlled entity.

All companies in the Group have 30 June balance dates.

### Joint ventures accounted for using the equity method

|   | Note | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---|------|--------------------------|--------------------------|------------------------|------------------------|
| Balance at beginning of year  |      | -                        | -                        | 1,475                  | 1,358                  |
| Share of profit from joint ventures recognised in the Statement of Comprehensive Revenue and Expenses |      | -                        | -                        | 80                     | 279                    |
| Distributions from joint venture  |      | -                        | -                        | (128)                  | (162)                  |
| Balance at end of year  |      | -                        | -                        | 1,427                  | 1,475                  |

The Group has a 50% shareholding in Icon Logistics Limited (2016: 50%). Icon Logistics limited is allowed for using the equity method due to this better reflecting the substance of the economic reality of the Group's interest in the joint controlled entity Icon Logistics Limited. Harbour Logistics Limited holds the remaining 50% shareholding in Icon Logistics Limited.

## Jointly Controlled Entities

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

In certain circumstances, interests in jointly controlled entities are reported in the financial statements using the equity method of where the Group considers this better reflects the substance of the economic reality of the Group's interest in the joint controlled entity.

Summarised financial information of jointly controlled entities:

|                         | Group 2017<br>\$000 | Group 2016<br>\$000 |
|-------------------------|---------------------|---------------------|
| Current assets          | 9,668               | 10,581              |
| Non-current assets      | 6,887               | 6,236               |
|                         | 16,555              | 16,817              |
| Current liabilities     | (2,652)             | (3,183)             |
| Non-current liabilities | -                   | (1)                 |
|                         | (2,652)             | (3,184)             |
| <b>Net assets</b>       | <b>13,903</b>       | <b>13,633</b>       |

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

## 28. Related Party Disclosures

### Council

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

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

Councillor Douglas Brown was a Director of Alliance Group Limited until December 2015, Councillor Trevor Kempton is a director of Delta Utility Services Limited, Councillor Andrew Noone is a director of Orokonui Ecosanctuary Limited.

In the ordinary course of business and during the financial period covered by this report, services valued at \$Nil were provided to Alliance Group Limited (2016: \$3,300), services valued at \$16,068 were purchased from Delta Utility Services Limited (2016: \$22,400), services valued at \$225 were provided from Orokonui Ecosanctuary Limited (2016:\$Nil).

As at June 2017, the amount owing to the Council by Alliance Group Limited was \$Nil (2016: \$Nil) and Council owed Delta Utility Services Limited \$9,303 (2016:\$Nil).

### Group

#### Transactions with Harbourcold Dunedin

Port Otago Limited has a 50% interest in Harbourcold Dunedin. Harbourcold Dunedin is a tenant and purchaser of materials and services from Port Otago Limited. The amount received from Harbourcold Dunedin during 2017 for property rentals and the purchase of materials and services was \$643,900 (2016: \$783,389) with \$4,467 receivable at year end (2016: \$10,330). Port Otago Limited received a dividend from Harbourcold Dunedin during 2017 of \$30,000 (2016: \$80,000).

#### **Financial arrangement - Te Rapa Gateway Limited**

During the year a deed of cancellation was negotiated and settled with Mr Andrew Duncan, the former Chalmers Properties Limited Chief Executive Officer, to cancel a sale and purchase agreement entered into in 2008. The terms of the 2008 sale and purchase agreement required Te Rapa Gateway Limited to sell 3.5 hectares of land in Hamilton to Mr Duncan at a sales price of \$81 per m<sup>2</sup> plus a share of development costs. At 30 June 2016, 2.5 hectares remained to be settled. Under the deed of cancellation, a payment of \$400,000 was agreed and paid by the Group to Mr Duncan to cancel the 2008 sale and purchase agreement. The impact of the deed of cancellation on the Group income statement in the current year is an increase in profit before tax of \$293,000 with the reversal of previously provided Group share of development costs in relation to the unsettled property.

#### **Transactions with Icon Logistics Limited**

Port Otago Limited has a 50% interest in Icon Logistics Limited through its wholly owned subsidiary, South Freight Limited. Icon Logistics Limited is a tenant and purchaser of services from Port Otago Limited. The amount received from Icon Logistics Limited during 2017 for property rentals and sale of services was \$87,705 (2016: \$146,893) with \$1,359 receivable at year end (2016: \$1,903).

Icon Logistics Limited also provides transport services to Port Otago Limited. The amount paid to Icon Logistics Limited during 2016 for the supply of transport services was \$81,051 (2016: \$156,363) with \$8,814 payable at year end (2016: \$3,503).

#### **Transactions with Hamilton Porter JV**

Port Otago Limited has a 66.6% interest in the Hamilton Porter JV through its wholly owned subsidiary, Te Rapa Gateway Limited. During May 2017 a cash advance previously provided by Te Rapa Gateway to Hamilton Porter JV was repaid in full (2016: \$1,385,000). Te Rapa Gateway Limited provides an advance to Hamilton Porter JV to fund its share of development costs. At 30 June 2017 the balance of the advance was \$2,309,000 (2016: \$1,437,000). Hamilton Porter JV has also agreed to compensate Te Rapa Gateway Limited for a share of land utilised in the industrial subdivision for the subdivision's stormwater catchment management plan. At 30 June 2017 the balance to be compensated was \$1,098,000 (2016: \$1,197,000).

Te Rapa Gateway Limited earned interest on the cash advance provided to Hamilton Porter during the year of \$55,855 (2016:\$72,167).

Hamilton Porter JV reimburses Te Rapa Gateway Limited for its share of general operating costs. At balance date the amount owing to Te Rapa Gateway Limited was \$16,103 (2016: \$32,289)

In May 2017 Te Rapa Gateway Limited acquired from Hamilton Porter JV 4,891m<sup>2</sup> of developed land. Compensation of \$1,149,385 for the land was based upon a negotiated price of \$235m<sup>2</sup>.

Chalmers Properties Limited provides accounting and administration services to Hamilton Porter JV for which \$5,000 (2016: \$4,000) was charged. At balance date the amount owing to Chalmers Properties Limited was \$5,000 (2016: \$4,000).

There were no other transactions with related parties.

#### **Transactions Eliminated on Consolidation**

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

## 29. Remuneration of Auditors

|  | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--|--------------------------|--------------------------|------------------------|------------------------|
| Audit fees for financial statement audit   | 114                      | 90                       | 114                    | 90                     |
| Audit fees for audit of Long Term Plan   | -                        | -                        | -                      | -                      |
| Other assurance services   | -                        | 16                       | -                      | 16                     |
| Fees for tax and advisory services - Council                                     | 8                        | 13                       | 8                      | 13                     |
| Fees for tax compliance and advisory services – entities not audited by Deloitte | -                        | -                        | 135                    | 133                    |
|  | 122                      | 119                      | 257                    | 252                    |
| Audit fees to other auditors for audit of financial statements of group entities | -                        | -                        | 134                    | 131                    |
|  | -                        | -                        | 134                    | 131                    |
|  | 122                      | 119                      | 391                    | 383                    |

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

## 30. Explanation of Major Variances from Budget

### Statement of Comprehensive Revenue and Expenses

The total comprehensive revenue and expense of \$19.957 million comprises a deficit for the year of \$0.841 million and a revaluation gain of \$20.798 million.

### Deficit for the year

The deficit of \$0.841 million is \$2.591 million less than the budgeted deficit of \$3.432 million.

The variance is a net result of operating expenditure being \$1.862 million less than budget, and income from all revenue sources, other net gains and a tax benefit received, being \$0.729 million more than budgeted.

### Operating Expenditure

The significant individual instances of under-expenditure occurred in the Passenger Transport project with a variance of \$2.650 million and the proposed principal office replacement project with a variance of \$2.289 million, with these variances due to timing of project activity.

The significant individual instances of over-expenditure occurred in the Bio-diversity project with a variance of \$1.147 million relating to additional expenditure funded from the Ministry of Primary subsidy becoming available during the year to fund control of wilding trees, and the Harbour Management project with a variance of \$0.456 million relating to additional costs required to resource this function.

### Revenue

Two significant sources of unbudgeted revenue were received during the year. Revenue of \$1.473 million was received in relation to bus contracts that were operated on a “gross” basis, whereas the budgets assumed a net expenditure amount only, and secondly subsidy income of \$1.139 million became available from the Ministry of Primary Industries to fund control of wilding trees.

The dividend received from Port Otago Limited of \$7.800 million was \$0.400 million in excess of the budgeted amount, and other investment revenue and gains exceeded the budgeted amount by \$0.107 million.

Subsidy income from the NZ Transport Agency was \$2.432 million less than budget, largely as a result of some elements of subsidised transport development projects being deferred until the subsequent year.

### **Revaluation Gain**

The revaluation gain of \$20.798 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited group at 30 June 2017 and exceeds the amount of the gain provided for in the budget by \$10.798 million.

The budgeted increase is a nominal estimate only, as the major factors contributing to the valuation are not able to be forecast with any significant degree of accuracy. The quantum of the gain does not impact directly on the operations of the Council during the year.

### **Statement of Financial Position**

#### **Total Assets**

The amount of total assets at \$601.751 million exceeds the budgeted amount of \$585.144 million by \$16.607 million, with the major contributing factors being as follows:

The valuation of the Council shareholding in Port Otago Limited at 30 June 2017 of \$439.037 million exceeds the budgeted amount of \$427.293 million by \$11.744 million.

Other Financial Assets at \$54.057 million are up \$11.497 million up on the budget of \$42.560 million, primarily due to a higher level of funds held at the beginning of the 2016/17 year than assumed in the budget. The 2016/17 budgeted Cash Flow Statement anticipated a zero drawdown of the Other Financial Asset investments to fund operations, whereas the actual movement in Other Financial Assets during the 2016/17 year amounted to a drawdown of \$2.140 million.

Property Plant and Equipment at \$86.313 million is \$8.021 million less than the budgeted amount of \$94.334 million.

Actual capital expenditure of \$3.798 million was \$4.089 million less than the budgeted amount of \$7.887 million, primarily due to the Leith Flood Scheme project capital expenditure being \$2.830 million less than budgeted.

Additionally, the budget anticipated an opening Property Plant and Equipment balance of \$87.978 million, however the opening balance was \$3.840 million lower at \$84.138 million, largely reflecting less capital expenditure than budgeted brought forward from the previous year.

#### **Equity**

Public equity and reserves at \$592.927 million exceed the budgeted amount of \$579.540 million by \$13.387 million.

The major factor contributing to this variance is the higher than budgeted gain on the revaluation of the Council shares in Port Otago Limited. The revaluation gain of \$20.798 million exceeds the budgeted increase of \$10.000 million by \$10.798 million.

Secondly, the deficit of \$0.841 million is lower than the budgeted deficit of \$3.432 million by \$2.591 million, resulting in a lower reduction in public equity than provided for in the budget.

## **31. Financial Instruments**

### **Financial Risk Management Objectives**

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

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

## Significant Accounting Policies

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

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

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

### Impairment of Financial Assets

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

### Derivative Financial Instruments

The Council and Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates hedges of highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in other comprehensive revenue and expense and transferred to the cash flow hedge reserve in equity. The ineffective component of the fair value changes on the hedging instrument is recorded directly in the surplus/(deficit).

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the surplus/(deficit). When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the surplus or deficit. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the surplus/(deficit).

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

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

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

## Fair Value

The group carries interest rate derivatives (derivative financial instruments) at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate derivative fair values are valued and are calculated using a discounted cash flow model using FRA rates provided by ANZ Bank New Zealand Limited based on the reporting date of 30 June 2017.

|  | COUNCIL          |                  |                  |                | GROUP            |                  |                  |                |
|--|------------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|
|  | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 |
| <b>2017</b>                            |                  |                  |                  |                |                  |                  |                  |                |
| <i>Financial liabilities at FVTPL:</i> |                  |                  |                  |                |                  |                  |                  |                |
| Other financial instruments            | -                | -                | -                | -              | -                | -                | -                | -              |
| <b>2016</b>                            |                  |                  |                  |                |                  |                  |                  |                |
| <i>Financial liabilities at FVTPL:</i> |                  |                  |                  |                |                  |                  |                  |                |
| Other financial instruments            | -                | -                | -                | -              | -                | 1,830            | -                | 1,830          |

## Categories of Financial Instruments

| COUNCIL 2017                          | Loans and<br>Receivables<br>\$000 | Fair Value<br>Through<br>Surplus or<br>Deficit – Held<br>for Trading<br>\$000 | Fair Value<br>Through Other<br>Comprehensive<br>Revenue and<br>Expense<br>\$000 | Financial<br>Liabilities at<br>Amortised<br>Cost<br>\$000 | Total<br>\$000 |
|---------------------------------------|-----------------------------------|---|---|---|----------------|
| <i>Financial Assets</i>               |                                   |   |   |   |                |
| Cash and cash equivalents             | 4,433                             | -   | -   | -   | 4,433          |
| Trade and other receivables (note 12) | 3,568                             | -   | -   | -   | 3,568          |
| Other financial assets (note 5)       | 34,200                            | 19,857  | -   | -   | 54,057         |
| Shares in subsidiary                  | -                                 | -   | 439,037   | -   | 439,037        |
|                                       | <b>42,116</b>                     | <b>19,857</b>   | <b>439,037</b>  | <b>-</b>  | <b>501,095</b> |
| <i>Financial Liabilities</i>          |                                   |   |   |   |                |
| Trade and other payables (note 13)    |                                   |   |   | 7,159   | 7,159          |
|                                       |                                   |   |   | <b>7,159</b>  | <b>7,159</b>   |

| COUNCIL 2016                          | Loans and<br>Receivables<br>\$000 | Fair Value<br>Through<br>Surplus or<br>Deficit – Held<br>for Trading<br>\$000 | Fair Value<br>Through Other<br>Comprehensive<br>Revenue and<br>Expense<br>\$000 | Financial<br>Liabilities at<br>Amortised<br>Cost<br>\$000 | Total<br>\$000 |
|---------------------------------------|-----------------------------------|---|---|---|----------------|
| <i>Financial Assets</i>               |                                   |   |   |   |                |
| Cash and cash equivalents             | 2,540                             | -   | -   | -   | 2,540          |
| Trade and other receivables (note 12) | 3,298                             | -   | -   | -   | 3,298          |
| Other financial assets (note 5)       | 37,200                            | 18,998  | -   | -   | 56,198         |
| Shares in subsidiary                  | -                                 | -   | 418,239   | -   | 418,239        |
|                                       | <b>43,038</b>                     | <b>18,998</b>   | <b>418,239</b>  | <b>-</b>  | <b>480,275</b> |
| <i>Financial Liabilities</i>          |                                   |   |   |   |                |
| Trade and other payables (note 13)    | -                                 | -   | -   | 4,134   | 4,134          |
|                                       | -                                 | -   | -   | <b>4,134</b>  | <b>4,134</b>   |



| <b>GROUP 2017</b>                     | <b>Loans and Receivables \$000</b> | <b>Fair Value Through Surplus or Deficit – Held for Trading \$000</b> | <b>Fair Value Through Other Comprehensive Revenue &amp; Expense \$000</b> | <b>Financial Liabilities at Amortised Cost \$000</b> | <b>Total \$000</b> |
|---------------------------------------|------------------------------------|---|---|--|--------------------|
| <i>Financial Assets</i>               |                                    |   |   |  |                    |
| Cash and cash equivalents             | 4,958                              | -   | -   | -  | 4,958              |
| Trade and other receivables (note 12) | 16,571                             | -   | -   | -  | 16,571             |
| Other financial assets (note 5)       | 34,233                             | 19,857  | -   | -  | 54,090             |
| Other financial instruments           | -                                  | 286   | -   | -  | 286                |
|                                       | <b>55,762</b>                      | <b>20,143</b>   | -   | -  | <b>75,905</b>      |
| <i>Financial Liabilities</i>          |                                    |   |   |  |                    |
| Other financial instruments           | -                                  | 833   | -   | -  | 833                |
| Trade and other payables (note 13)    | -                                  | -   | -   | 14,537   | 14,537             |
| Borrowings (secured) (note 15)        | -                                  | -   | -   | 68,420   | 68,420             |
|                                       | -                                  | <b>833</b>  | -   | <b>82,957</b>  | <b>83,790</b>      |

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

|               | Council<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|---------------|--------------------------|--------------------------|------------------------|------------------------|
| Managed funds | 1,870                    | 1,677                    | 1,870                  | 1,677                  |
|               | 1,870                    | 1,677                    | 1,870                  | 1,677                  |

The only significant sensitivity the group has in relation to changes in foreign currency relates to the Council's Managed funds. The carrying value of investments in equity securities held in AUD, USD and Euro denominated currency may fluctuate with changes in the exchange rate between the New Zealand dollar and the foreign currency.

A favourable movement of 10% in the exchange rates at 30 June 2017 would have the impact of increasing the carrying value of the Managed funds, and the Council surplus, by \$208,000 (2016: \$186,000), and an unfavourable movement of 10% would impact unfavourably to the extent of \$170,000 (2016: \$152,000).

## (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  | 2017                       |                                     |                            |                                     | 2016                       |                                     |                            |                                     |
|--|----------------------------|-------------------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
|  | Profit<br>-100bps<br>\$000 | Other<br>Equity<br>-100bps<br>\$000 | Profit<br>+100bps<br>\$000 | Other<br>Equity<br>+100bps<br>\$000 | Profit<br>-100bps<br>\$000 | Other<br>Equity<br>-100bps<br>\$000 | Profit<br>+100bps<br>\$000 | Other<br>Equity<br>+100bps<br>\$000 |
| <i>Financial Liabilities</i>                   |                            |                                     |                            |                                     |                            |                                     |                            |                                     |
| Borrowings                                     | 684                        | -                                   | (684)                      | -                                   | 624                        | -                                   | (624)                      | -                                   |
| Derivatives – hedge accounted                  | -                          | (2,927)                             | -                          | 1,480                               | -                          | 2,973                               | -                          | 991                                 |
| Derivatives – non-hedge accounted              | -                          | -                                   | -                          | -                                   | (198)                      | -                                   | 212                        | -                                   |
| <b>Total sensitivity to interest rate risk</b> | <b>684</b>                 | <b>(2,927)</b>                      | <b>(684)</b>               | <b>1,480</b>                        | <b>426</b>                 | <b>2,973</b>                        | <b>(412)</b>               | <b>991</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<br>2017<br>\$000 | Council<br>2016<br>\$000 | Group<br>2017<br>\$000 | Group<br>2016<br>\$000 |
|--------------------------------------|--------------------------|--------------------------|------------------------|------------------------|
| <i>Financial Assets</i>              |                          |                          |                        |                        |
| Other financial assets               | 7,301                    | 6,956                    | 7,301                  | 6,956                  |
| <b>Exposure to equity price risk</b> | <b>7,301</b>             | <b>6,956</b>             | <b>7,301</b>           | <b>6,956</b>           |

### Sensitivity to Equity Price Risk

| COUNCIL and GROUP                          | 2017                    |                                  |                         |                                  | 2016                    |                                  |                         |                                  |
|--|-------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|-------------------------|----------------------------------|
|  | -10%<br>Profit<br>\$000 | -10%<br>Other<br>Equity<br>\$000 | +10%<br>Profit<br>\$000 | +10%<br>Other<br>Equity<br>\$000 | -10%<br>Profit<br>\$000 | -10%<br>Other<br>Equity<br>\$000 | +10%<br>Profit<br>\$000 | +10%<br>Other<br>Equity<br>\$000 |
| <i>Financial Assets</i>                    |                         |                                  |                         |                                  |                         |                                  |                         |                                  |
| Other financial assets                     | (730)                   | -                                | 730                     | -                                | (696)                   | -                                | 696                     | -                                |
| <b>Total sensitivity equity price risk</b> | <b>(730)</b>            | <b>-</b>                         | <b>730</b>              | <b>-</b>                         | <b>(696)</b>            | <b>-</b>                         | <b>696</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 counter party will default on its contractual obligations resulting in financial loss to the Group.

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

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

The Council Treasury Management Policy details the objectives, policies and restrictions for management of the fund. The policy includes the key objective of capital preservation, placing restrictions on the exposure to credit risk.

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

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

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

**Maximum Exposure to Credit Risk**

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

|                                | <b>Council<br/>2017<br/>\$000</b> | <b>Council<br/>2016<br/>\$000</b> | <b>Group<br/>2017<br/>\$000</b> | <b>Group<br/>2016<br/>\$000</b> |
|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Cash at bank and term deposits | 38,633                            | 39,740                            | 39,158                          | 40,833                          |
| Trade and other receivables    | 3,483                             | 3,298                             | 16,470                          | 15,800                          |
| Managed funds (Note 5)         | 19,857                            | 18,998                            | 19,857                          | 18,998                          |
| Finance leases                 | -                                 | -                                 | -                               | 155                             |
| Shares in listed companies     | -                                 | -                                 | -                               | -                               |
| Shares in subsidiary           | 439,037                           | 418,239                           | -                               | -                               |
|                                | <b>501,010</b>                    | <b>476,977</b>                    | <b>75,485</b>                   | <b>75,786</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.

## 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 2017                             |                       |                              |                        |                         | COUNCIL 2016                             |                       |                              |                        |                         |
|------------------------------------|--|-----------------------|------------------------------|------------------------|-------------------------|--|-----------------------|------------------------------|------------------------|-------------------------|
|                                    | 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             | 0.10                                     | 4,433                 | 4,433                        | 4,433                  | -                       | 0.55                                     | 2,540                 | 2,540                        | 2,540                  | -                       |
| <b>Trade and other receivables</b> | -  | 3,568                 | 3,568                        | 3,568                  | -                       | -  | 3,298                 | 3,298                        | 3,298                  | -                       |
| <i>Other financial assets</i>      |  |                       |                              |                        |                         |  |                       |                              |                        |                         |
| Term deposits                      | 3.71                                     | 34,200                | 34,707                       | 34,707                 | -                       | 3.59                                     | 37,200                | 37,715                       | 37,715                 | -                       |
| <i>Managed fund:</i>               |  |                       |                              |                        |                         |  |                       |                              |                        |                         |
| Cash and call deposits             | -  | 1,625                 | 1,625                        | 1,625                  | -                       | -  | 879                   | 879                          | 879                    | -                       |
| Fixed interest securities          | 5.39                                     | 10,931                | 12,420                       | 3,223                  | 9,197                   | 5.58                                     | 11,163                | 12,846                       | 3,282                  | 9,564                   |
| Equity securities                  | -  | 7,301                 | 7,301                        | 7,301                  | -                       | -  | 6,956                 | 6,956                        | 6,956                  | -                       |
| <b>Shares in subsidiary</b>        | -  | 439,037               | 439,037                      | -                      | 439,037                 | -  | 418,239               | 418,239                      | -                      | 418,239                 |
| <b>Total financial assets</b>      |  | <b>501,095</b>        | <b>503,091</b>               | <b>54,857</b>          | <b>448,234</b>          |  | <b>480,275</b>        | <b>482,473</b>               | <b>54,670</b>          | <b>427,803</b>          |
| <b>Financial liabilities</b>       |  |                       |                              |                        |                         |  |                       |                              |                        |                         |
| Trade and other payables           | -  | (7,159)               | (7,159)                      | (7,159)                | -                       |  | (4,134)               | (4,134)                      | (4,134)                | -                       |
| <b>Total financial liabilities</b> | -  | <b>(7,159)</b>        | <b>(7,159)</b>               | <b>(7,159)</b>         | -                       |  | <b>(4,134)</b>        | <b>(4,134)</b>               | <b>(4,134)</b>         | -                       |

|                                    | GROUP 2017                               |                       |                              |                        |                         | GROUP 2016                               |                       |                              |                        |                         |
|------------------------------------|--|-----------------------|------------------------------|------------------------|-------------------------|--|-----------------------|------------------------------|------------------------|-------------------------|
|                                    | 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             | 0.10                                     | 4,958                 | 4,958                        | 4,958                  | -                       | 0.55                                     | 3,633                 | 3,633                        | 3,633                  | -                       |
| <b>Trade and other receivables</b> | -  | 16,470                | 16,470                       | 16,470                 | -                       | -  | 15,800                | 15,800                       | 15,800                 | -                       |
| <i>Other financial assets</i>      |  |                       |                              |                        |                         |  |                       |                              |                        |                         |
| Short term deposits                | 3.71                                     | 34,200                | 34,707                       | 34,707                 | -                       | 3.59                                     | 37,200                | 37,715                       | 37,715                 | -                       |
| <i>Managed fund:</i>               |  |                       |                              |                        |                         |  |                       |                              |                        |                         |
| Cash and call deposits             | -  | 1,625                 | 1,625                        | 1,625                  | -                       | -  | 879                   | 879                          | 879                    | -                       |
| Fixed interest securities          | 5.39                                     | 10,931                | 12,420                       | 3,223                  | 9,197                   | 5.58                                     | 11,163                | 12,846                       | 3,282                  | 9,564                   |
| Equity securities                  | -  | 7,301                 | 7,301                        | 7,301                  | -                       | -  | 6,956                 | 6,956                        | 6,956                  | -                       |
| <i>Other items:</i>                |  |                       |                              |                        |                         |  |                       |                              |                        |                         |
| Finance leases                     | -  | -                     | -                            | -                      | -                       | 10.20                                    | 155                   | 160                          | 160                    | -                       |
| <b>Total financial assets</b>      |  | <b>75,485</b>         | <b>77,481</b>                | <b>68,284</b>          | <b>9,197</b>            |  | <b>75,786</b>         | <b>77,989</b>                | <b>68,425</b>          | <b>9,564</b>            |
| <b>Financial liabilities</b>       |  |                       |                              |                        |                         |  |                       |                              |                        |                         |
| Trade and other payables           | -  | (10,645)              | (10,645)                     | (10,645)               | -                       | -  | (10,742)              | (10,742)                     | (10,742)               | -                       |
| Borrowings (secured)               | 4  | (68,420)              | (78,390)                     | (13,227)               | (65,163)                | 5.10                                     | (62,400)              | (71,011)                     | (24,207)               | (46,804)                |
| Other financial instruments        | -  | (574)                 | 1,693                        | 1,577                  | 116                     | -  | (1,830)               | (2,068)                      | (784)                  | (1,284)                 |
| <b>Total financial liabilities</b> |  | <b>(79,639)</b>       | <b>(87,342)</b>              | <b>(22,295)</b>        | <b>(65,047)</b>         |  | <b>(74,972)</b>       | <b>(83,821)</b>              | <b>(35,733)</b>        | <b>(48,088)</b>         |

# Other Disclosures

## *Local Government (Financial Reporting and Prudence) Regulations 2014*

### Annual Report Disclosure Statement for year ending 30 June 2017

#### Purpose of this statement

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

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

#### Rates affordability benchmark

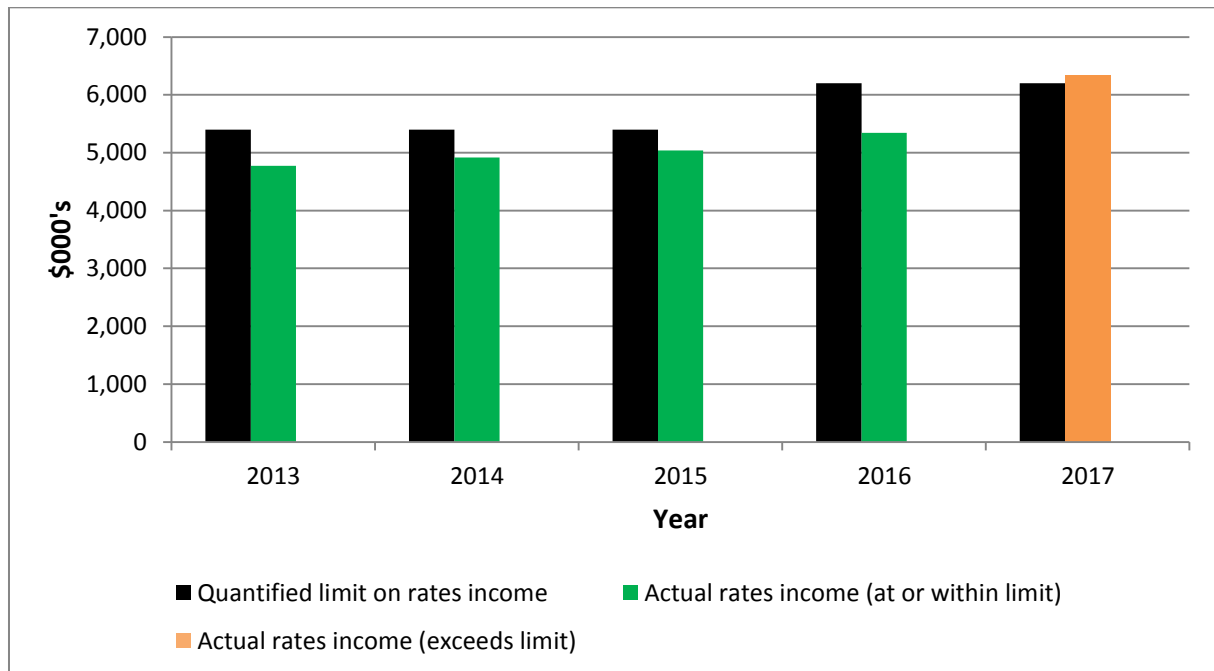
The Council meets the rates affordability benchmark if—

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

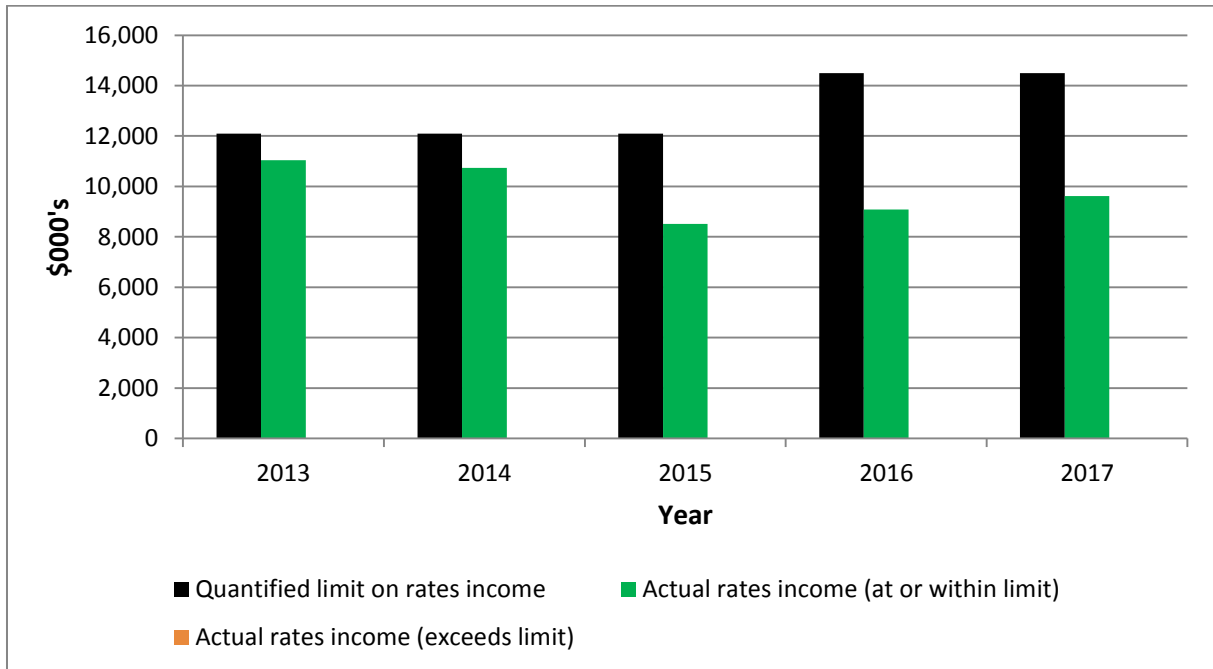
The Council specifies separate quantified limits for general rates and for targeted rates.

#### *Rates (income) affordability*

The following graph compares the Council's actual general rates income with a quantified limit on general rates contained in the financial strategy included in the Council's Long Term Plan. The quantified limit is \$6,200,000 (2013-2015 \$5,400,000, 2016 \$6,200,000).

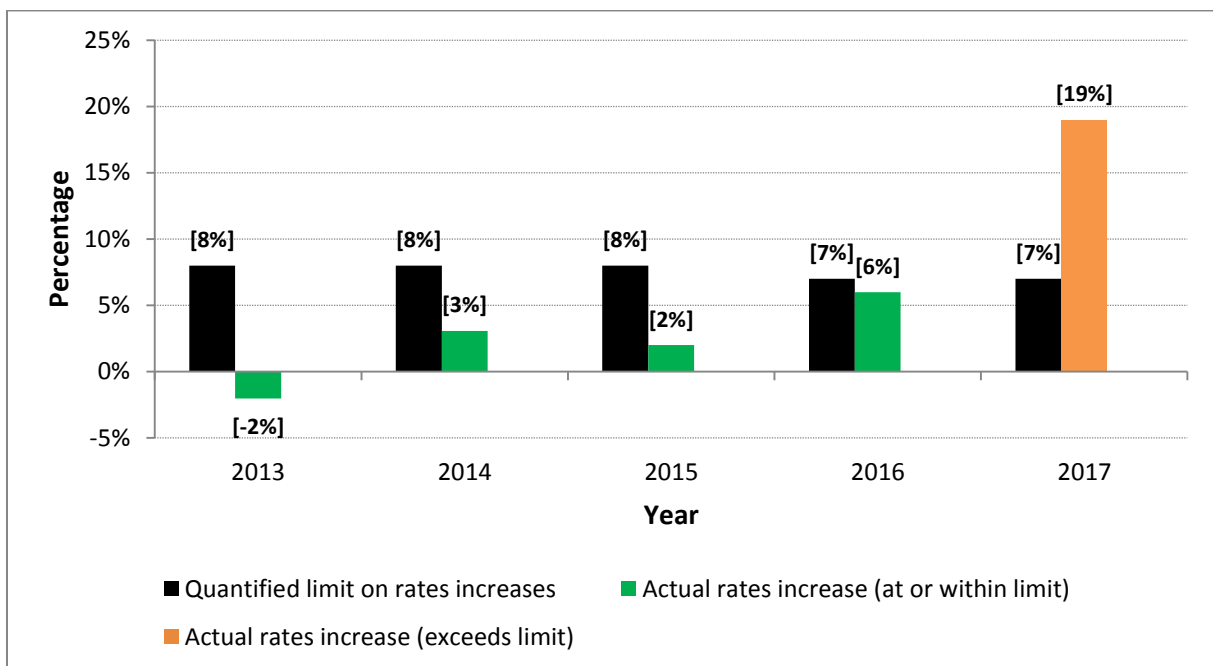


The following graph compares the Council's actual targeted rates income with a quantified limit on targeted rates contained in the financial strategy included in the Council's Long Term Plan. The quantified limit is \$14,500,000 (2013-2015 \$12,100,000, 2016 \$14,500,000).



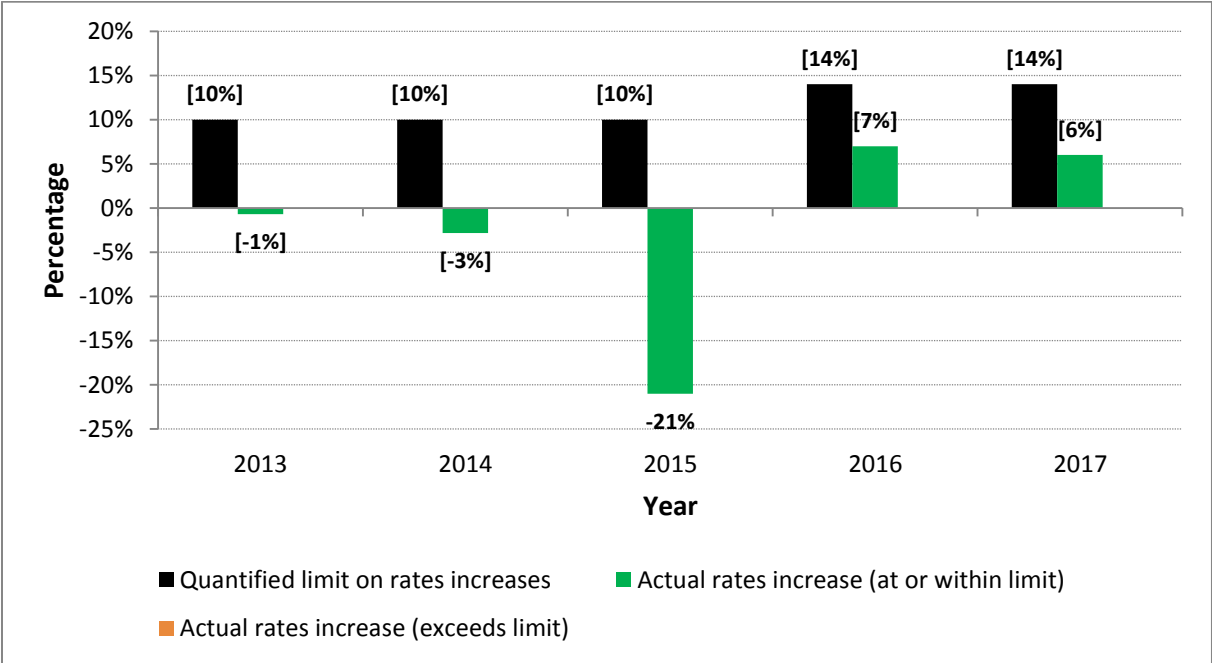
### ***Rates (increases) affordability***

The following graph compares the Council's actual general rates increases with a quantified limit on general rates increases included in the financial strategy included in the Council's Long Term Plan. The quantified limit is an increase of 7% per annum, (2013-2015 8%, 2016 7%).





The following graph compares the Council’s actual targeted rates increases with a quantified limit on targeted rates increases included in the financial strategy included in the Council’s Long Term Plan. The quantified limit is an increase of 14% per annum (2013-2015 10%, 2016 14%).



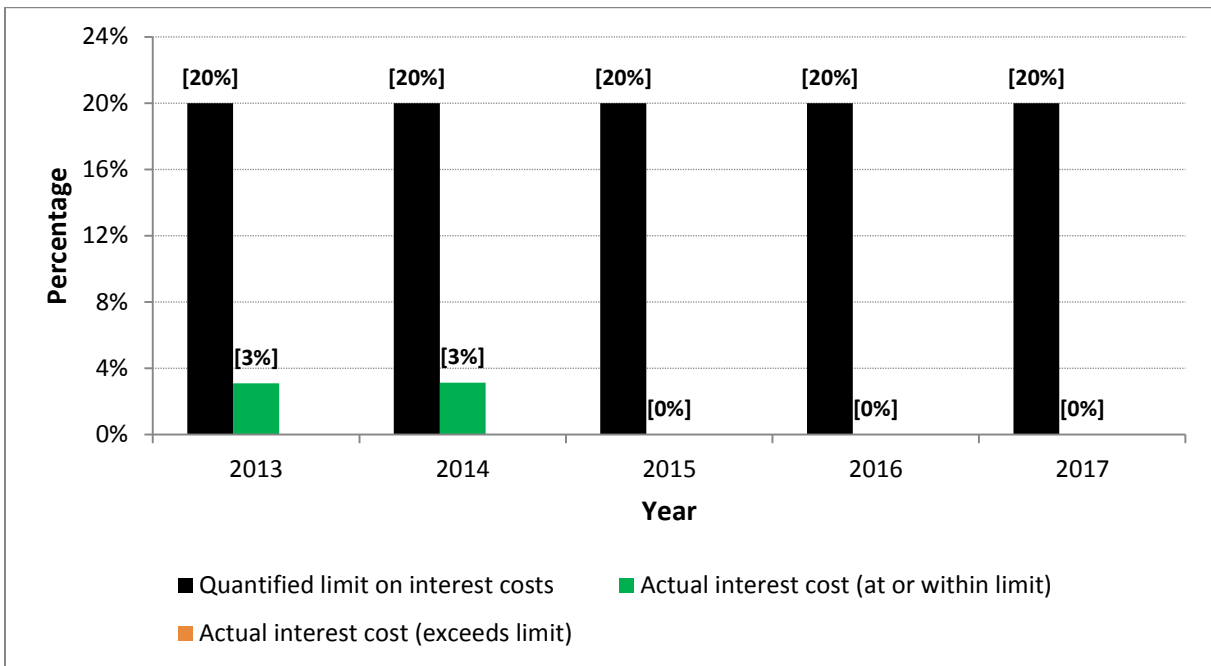
### Debt affordability benchmark

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.

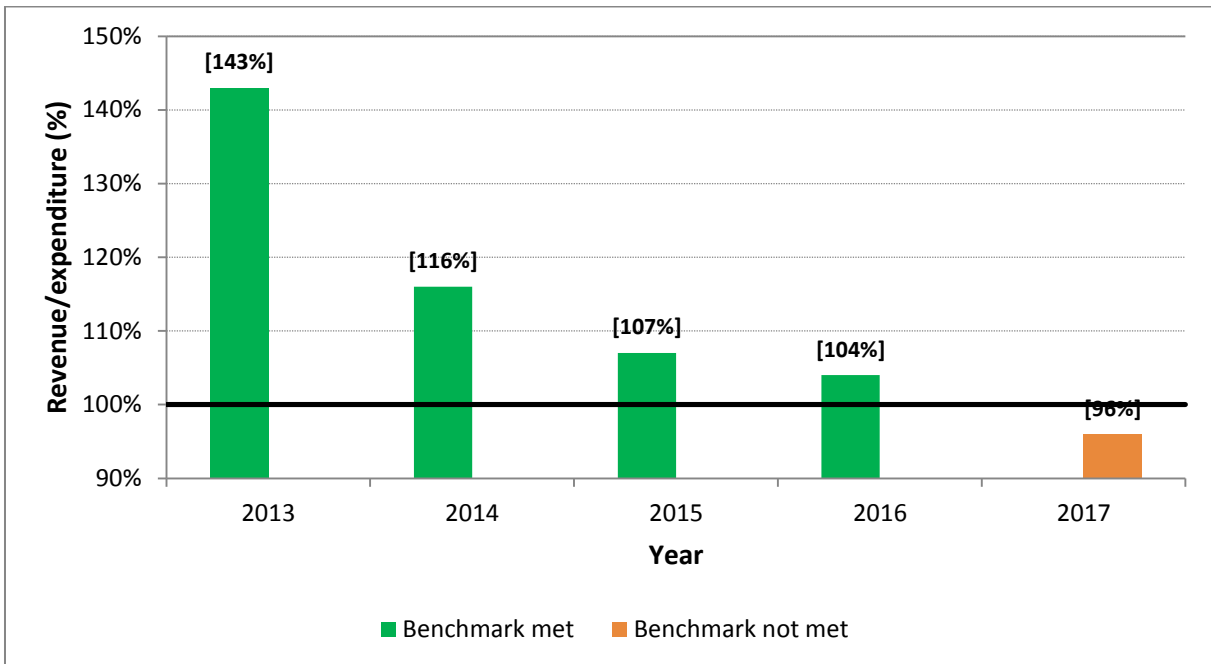
The quantified limit is interest costs being a maximum of 20% of rates income.



### 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.

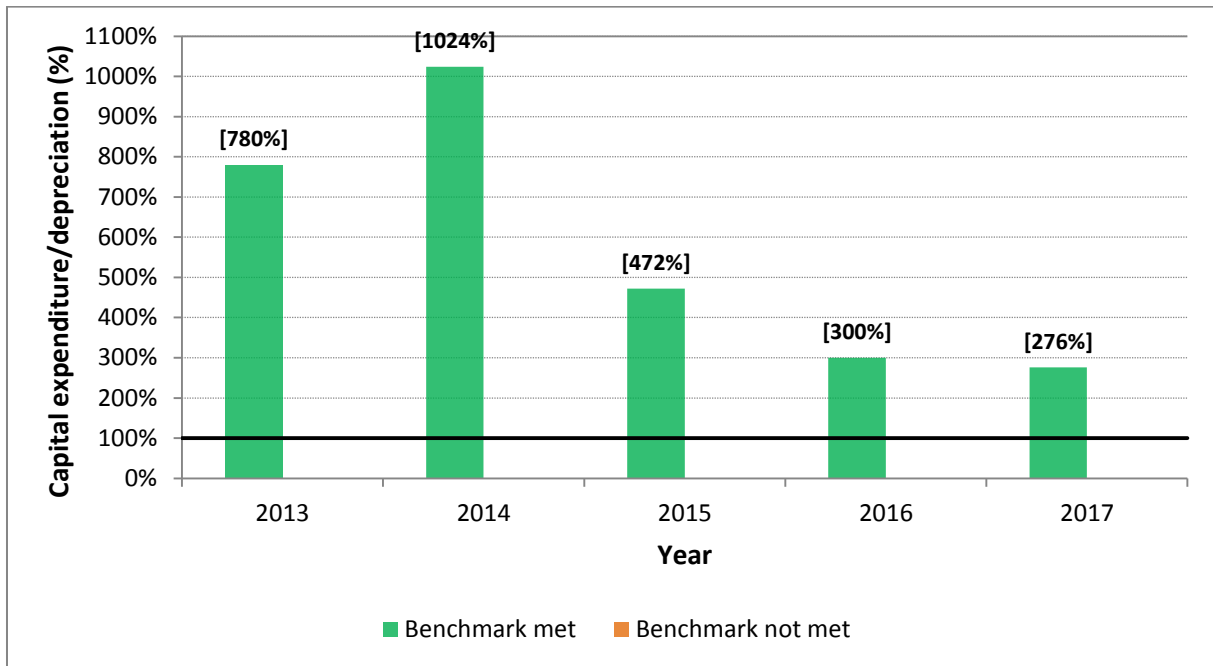


### Essential services benchmark

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.

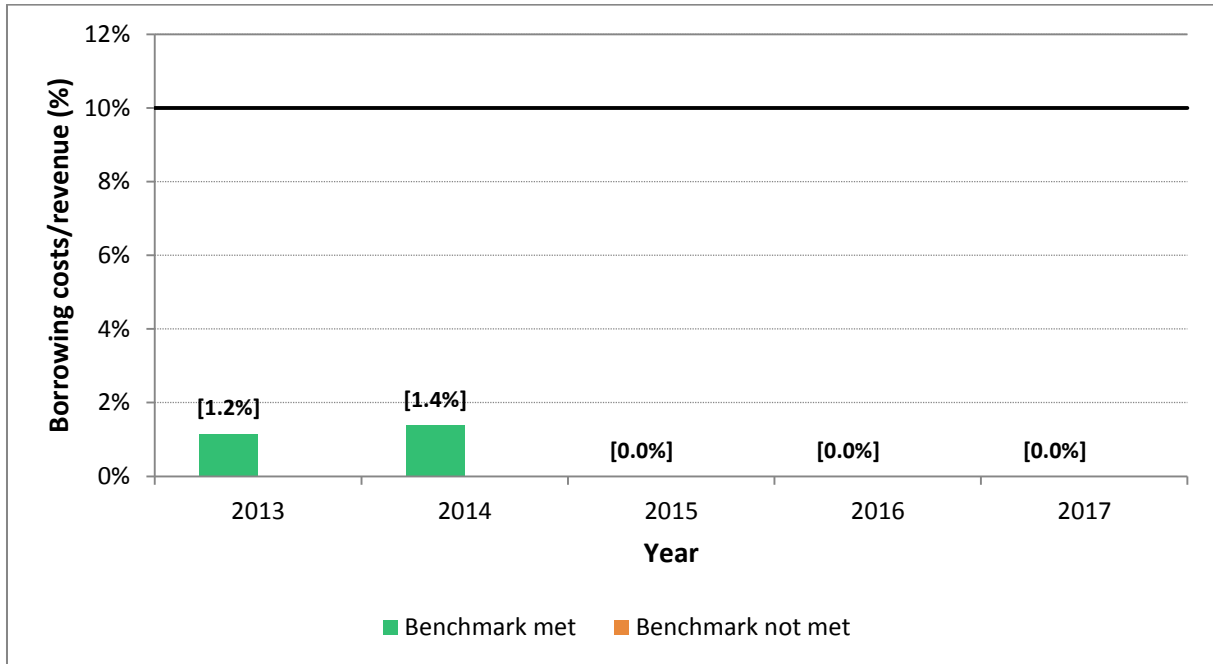
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### 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.

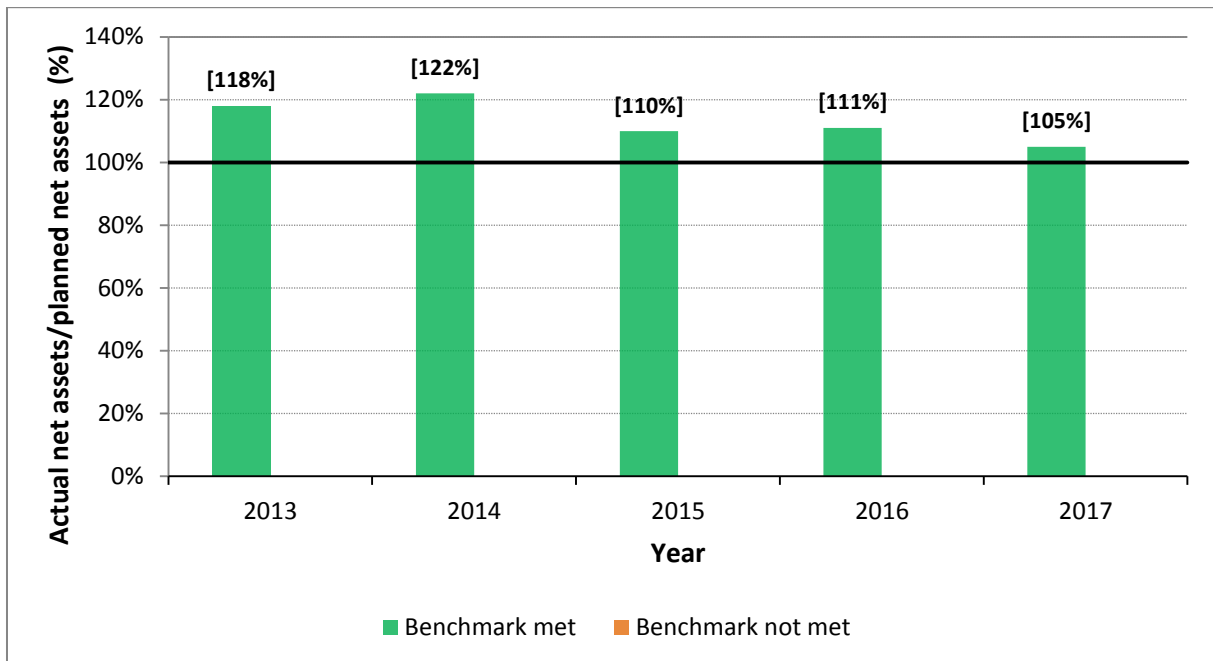


### Debt control benchmark

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.

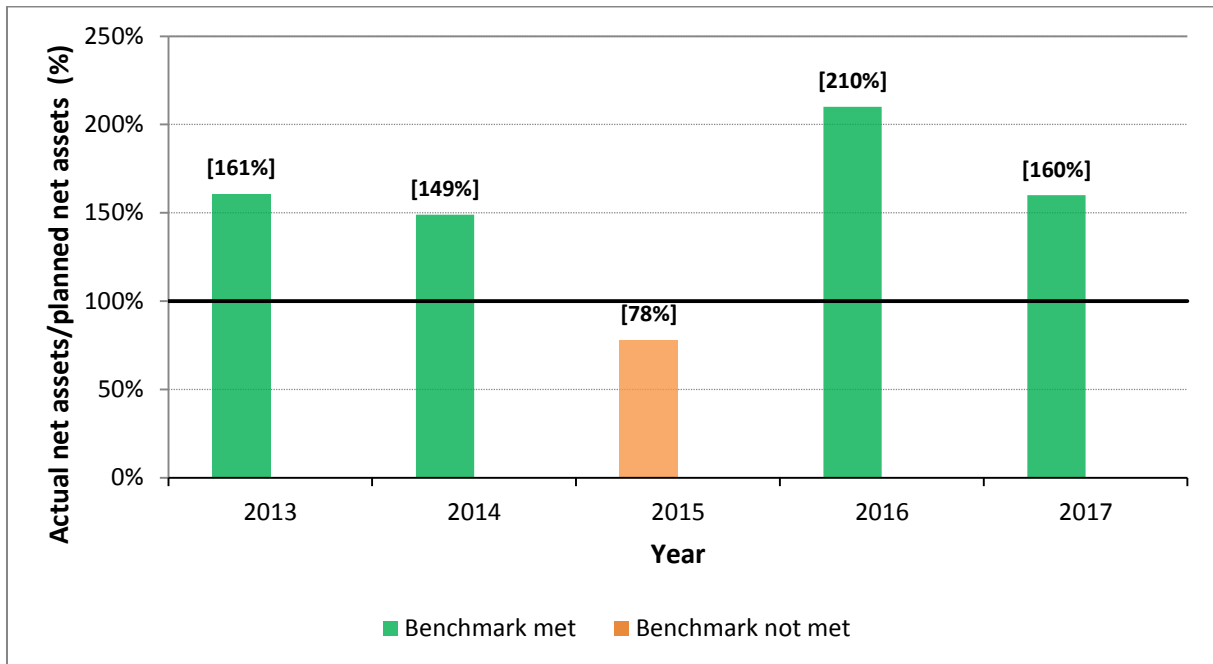
During the period 2012/13 to 2016/17, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets, excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



### 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**

### **Rates affordability benchmarks – General Rates**

The Rates (Income) affordability graph for general rates shows the quantified limit was exceeded in 2017. The quantified limit included in the Long Term Plan was \$6,200,000 and the actual amount of revenue was \$6,347,000. The Annual Plan 2016/17 budgeted for general rates of \$6,300,000.

The Rates (increases) affordability graph for general rates shows the quantified limit was exceeded in 2017. The quantified limit included in the Long Term Plan was an increase of 7% and the actual amount of the increase was 19%.

The Annual Plan 2016/17 provided for additional general rate funded expenditure, including additional expenditure in the Emergency Management, Natural Hazards and Rural Water Quality activities, compared to that reflected the Long Term Plan, with an associated increase in the general rate requirement. The Annual Plan also reflected an increase in the general rate contribution to flood and drainage schemes over that provided for in the Long Term Plan and in the previous year's Annual Plan due to an increase in the assessed level of public benefit arising from those schemes.

### **Rates affordability benchmarks – Targeted Rates**

The Rates (increases) affordability graph for targeted rates shows a 21% decrease in targeted rates in the 2015 year, due to the decrease in the Forsyth Barr Stadium rate of 21% from the previous year.

### **Balanced budget benchmark**

The balanced budget benchmark graph shows that in 2017, Council's revenue exceeded operating expenses.

The Council is required to ensure that estimated revenue is sufficient to cover estimated operating costs unless Council resolves that in any particular year, it is financially prudent to fund a portion of operating costs from other sources. In the 2017 year, Council resolved to fund costs associated with particular activities from reserve funds, including funding from the general reserve for regional economic development, research and development, biodiversity restoration and stock truck effluent disposal sites and transport reserves for developmental transport activity.

### **Operations Control benchmark**

The Operations Control benchmark graph shows that actual net cash flow from operations in the 2015 year was 78% of the planned net cash flow from operations. The planned net cash flow included subsidy income in relation to capital expenditure. Capital expenditure incurred and associated subsidy receipts were less than the level planned, significantly contributing to the lower than planned cash flow from operations. The overall net cash inflow for the 2015 year, including investing activities, amounted to \$317,000.



## Additional information or comment

### Rates Revenue

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

| Otago Region                        | Rating Base Information<br>for the year ended<br>30 June 2017 | Rating Base Information<br>For the year ended<br>30 June 2016 |
|-------------------------------------|---|---|
| Total number of rating units        | 114,877   | 114,542   |
| Total capital value of rating units | \$64,627,242,852  | \$58,303,474,300  |
| Total land value of rating units    | \$31,979,722,850  | \$27,926,771,350  |

### Insurance of Assets

The total carrying value of all assets of the Council as at 30 June 2017 that are covered by insurance contracts amounts to \$14.416 million (2016: \$14.157 million) and the maximum amount to which they are insured is \$50.043 million (2016: \$47.493 million).

The total value of all assets of the Council as at 30 June 2017 that are self-insured amounts to \$85.881 million (2016: \$83.189 million).

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$58.967 million (2016: \$57.516 million), land of \$24.563 million (2016: \$23.874 million), transport infrastructural assets of \$0.285 million (2016: \$Nil) and software licences of \$2.066 million (2016: \$1.8 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 2017 the Council had not entered into any financial risk sharing arrangement for any assets held (2016: \$Nil).

## **Statement of Equal Employment Opportunity**

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

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

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

# Directory

## Otago Regional Council

|                           |   |
|---------------------------|---|
| Chairperson.....          | S Woodhead  |
| Deputy Chairperson.....   | G Robertson   |
| Regional Councillors..... | G Bell<br>D Brown<br>M Deaker<br>C Hope<br>T Kempton<br>M Laws<br>E Lawton<br>S Neill<br>A Noone<br>B Scott |

## Otago Regional Council Executive Staff

|  |            |
|--|------------|
| Chief Executive.....   | P Bodeker  |
| Director Corporate Services and Chief Financial Officer..... | N Donnelly |
| Director Policy Planning & Resource Management.....          | T Winter   |
| Director Engineering, Hazards & Science.....                 | G Palmer   |
| Director Environmental Monitoring & Operations.....          | S MacLean  |
| Director Stakeholder Engagement.....                         | S Sutton   |
| Director People and Capability.....                          | S Giddens  |

## Otago Regional Council

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

## Port Otago Limited

|                      |   |
|----------------------|---|
| Chairman.....        | D Faulkner                                    |
| Deputy Chairman..... | P Rea   |
| Directors.....       | T Gibson<br>J Harvey<br>P Heslin<br>E Johnson |
| Chief Executive..... | K Winders                                     |

# 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

### Cromwell Depot

14 Rogers Street  
Cromwell  
Ph: (03) 445 0122

### Balclutha Depot

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

### Palmerston Depot

54 Tiverton Street  
Palmerston  
Ph: 0800 474 082

### Oamaru Depot

32 Ribble Street  
Oamaru  
Ph: 0800 474 082

### Wanaka Depot

185 Riverbank Road  
Wanaka  
Ph: 0800 474 082

### Taieri Depot

172 Dukes Road North  
East Taieri  
Ph: (03) 474 0827

## Independent Auditors' Report