
2016 – 17

Annual Report

Summary





Summary Annual Report

For the Period

1 July 2016 to 30 June 2017

Contents

Overview from the Chairman and Chief Executive	1
Significant Activities	4
Environment	4
Community.....	8
Regulatory	9
Flood Protection & Control Works	11
Safety and Hazards.....	12
Transport	13
Summary Financial Report for the Year Ended 30 June 2017	14
Notes to the Summary Annual Report	19
Independent Auditor's Report	23

Overview from the Chairman and 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 activity, 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 website, 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 (approximately \$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. This resulted 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

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.

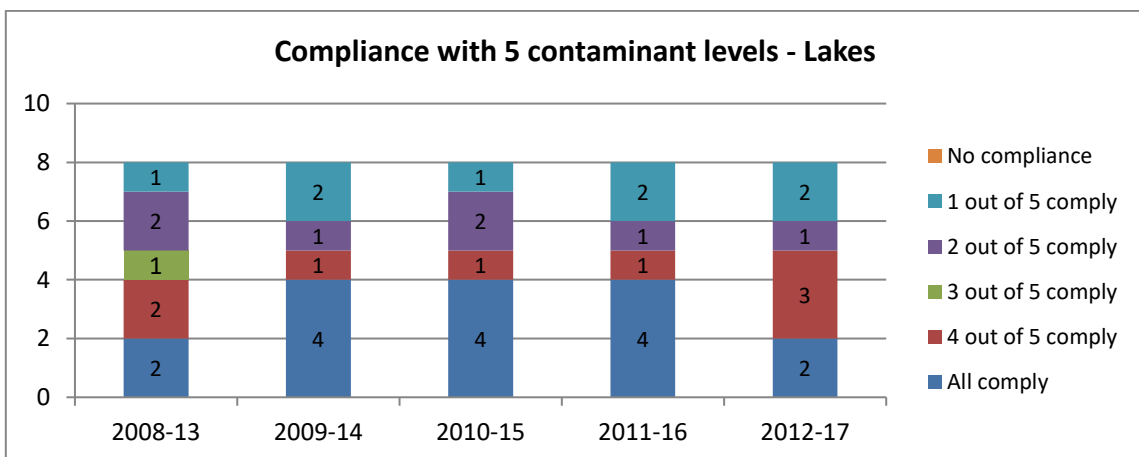
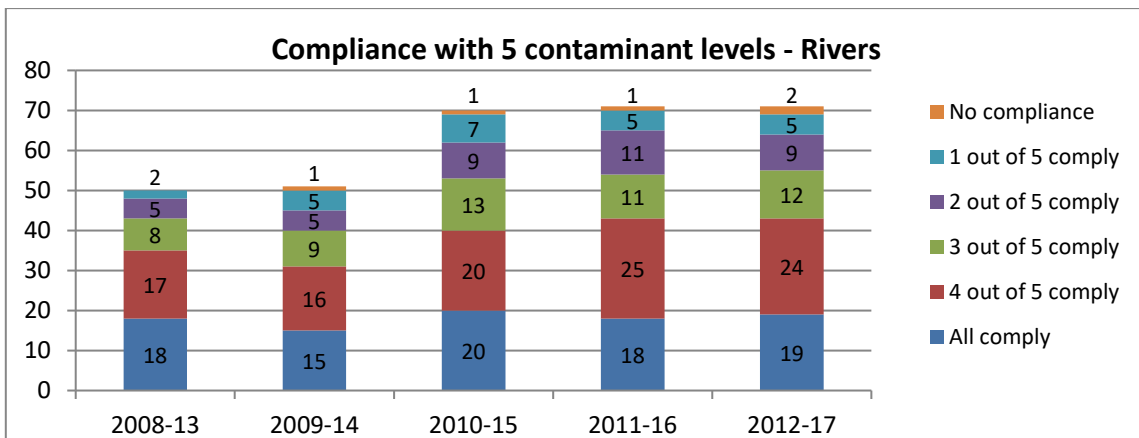
Water Quality

For water quality we have rules around what level of contaminants may be discharged into our waterways. 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.

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



Water Quantity

The availability of water and its allocation for irrigation is a major issue. 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.

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. 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 monitoring results show an obvious deterioration of water quality, compliance work is undertaken to investigate its cause and remedy the situation.

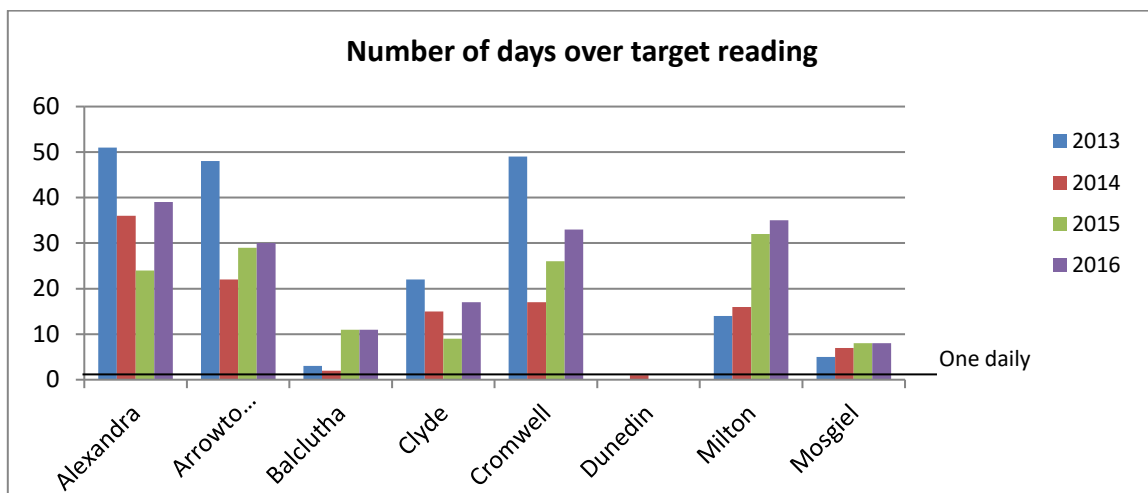
Air

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

A National Environmental Standard (NESAQ) for Air Quality sets a maximum allowable daily concentration for PM₁₀ of 50 micrograms per cubic metre of air. PM₁₀ refers to particulate matter less than 10 microns in diameter, and is measured in micrograms per cubic metre of air. The NESAQ allows up to three exceedances per year of the PM₁₀ standard by 2016, and full compliance (no more than one exceedance per year) by 2020.

Air monitors have been installed in selected Otago towns, so that we can measure air quality. Alexandra, Arrowtown, Clyde and Cromwell, record the poorest air quality in Otago, and Milton is also showing evidence of unacceptable levels of particulate pollution.

The graph below shows the number of days where the daily average reading of PM₁₀ was higher than 50 mg/m³, for the last four years.



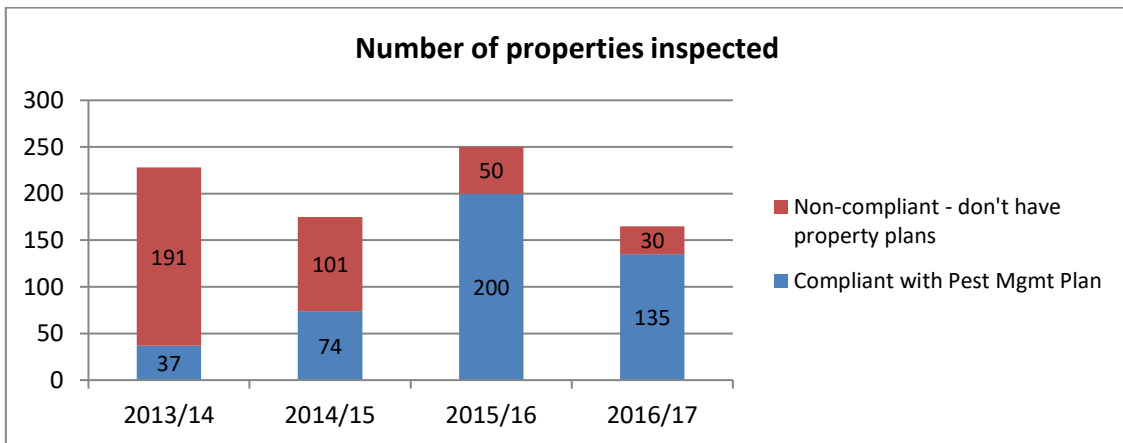
Land

Landholders are responsible for managing animal and plant pests on their land. Pests cause considerable damage to the environment.

Council's Pest Management Strategy for Otago promotes a regionally co-ordinated approach to address the impacts of both pest animals and pest plants.

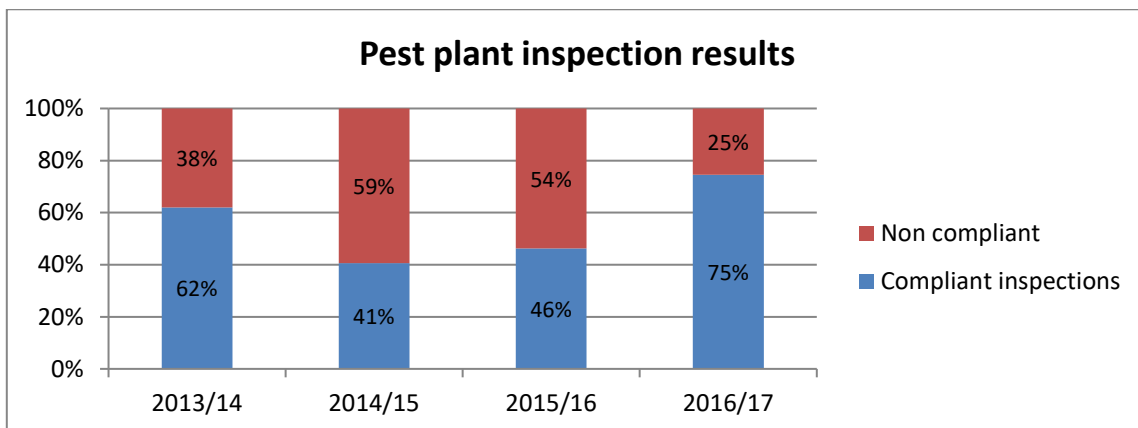
The Strategy includes rabbits, hares and rooks as pest animals. With respect to rabbits, the Strategy requires landowners to meet the MAL 3 level of compliance. MAL refers to the Modified MacLeans Scale, which is a nationally recognised 1 to 8 scale, measuring rabbit density. Considerable work has been undertaken, and will continue to be undertaken to achieve compliance with this level as soon as possible. Properties exceeding MAL 3 are required to prepare and implement a property management plan. Once MAL 3 is reached, secondary control methods must be implemented and will manage rabbit populations. These will include best practice night shooting, fumigation (with Magtoxin), helicopter shooting, gun and dog, with the support of rabbit-proof fencing.

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



The Pest Management Strategy has a list of 19 plants declared to be pests, and includes Gorse, Broom, Lagarosiphon and Ragwort. The Strategy has rules for landowners to destroy pest plants found on their land.

Council undertakes monitoring inspections of known sites, and will undertake control work (removal of plants) where necessary. Recovery of costs from the land owner will be sought. Where appropriate, enforcement action is undertaken. Results of inspections are shown below.



Rivers and Waterway Management

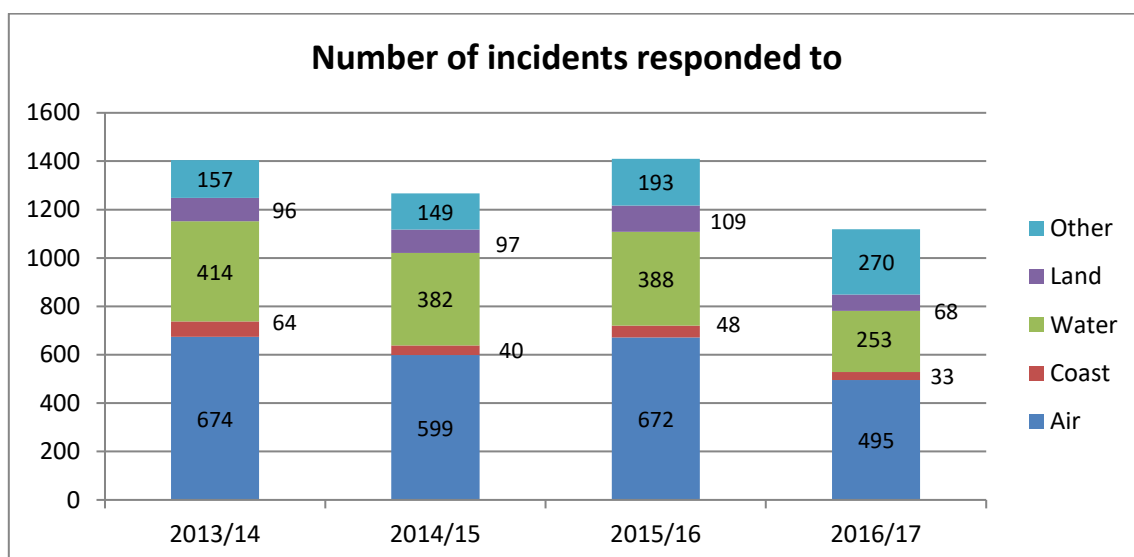
River and waterway management works are undertaken to maintain river and stream channel capacity. Such works include willow maintenance, vegetation control and the removal of obstructions and blockages. The primary purpose of this work is to prevent the loss of any channel capacity, so that should a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

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

Environmental Incident Response

Council operates a 24 hour Pollution Hotline. Pollution incidents, oil spills and other resource management complaints are investigated, and action is taken, to ensure appropriate remedial measures are undertaken. Enforcement action is undertaken where adverse effects on the environment have occurred that support such action.

Council responded to all incidents within 0.5 hours of receipt during the period as follows:



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

Financial Results – Environment

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000
Total revenue	12,744	11,830	10,847
Total expenditure	(13,432)	(12,760)	(11,052)
Net operating surplus/(deficit)	(688)	(930)	(205)
Capital expenditure	273	265	203

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.

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.

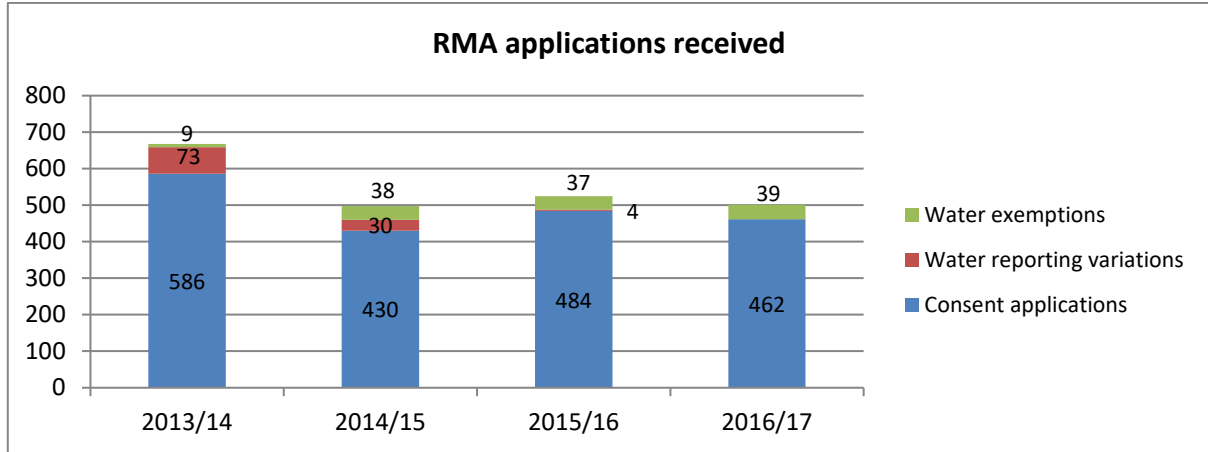
Financial Results – Community

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000
Total revenue	4,238	3,835	3,847
Total expenditure	(4,579)	(3,935)	(4,477)
Net operating surplus/(deficit)	(341)	(100)	(630)
Capital expenditure	144	-	-

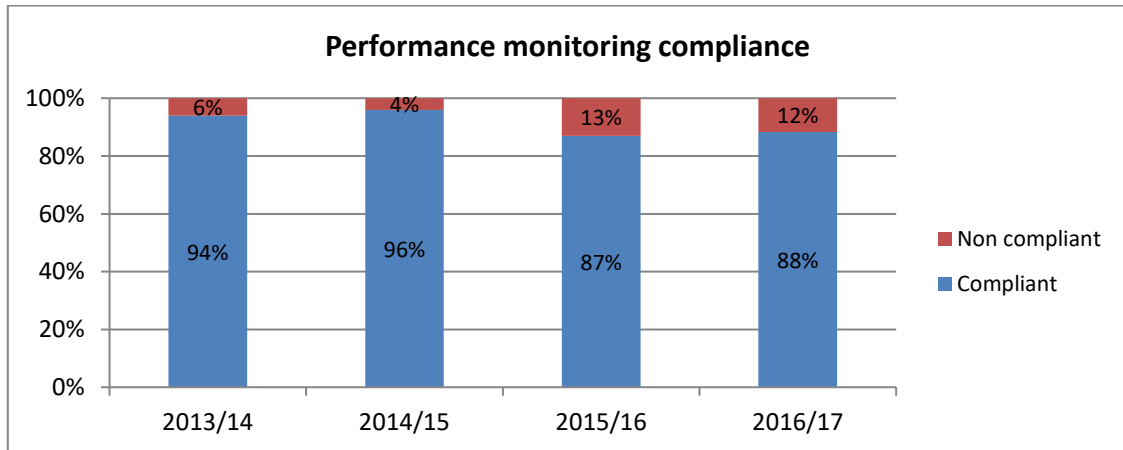
Regulatory

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.

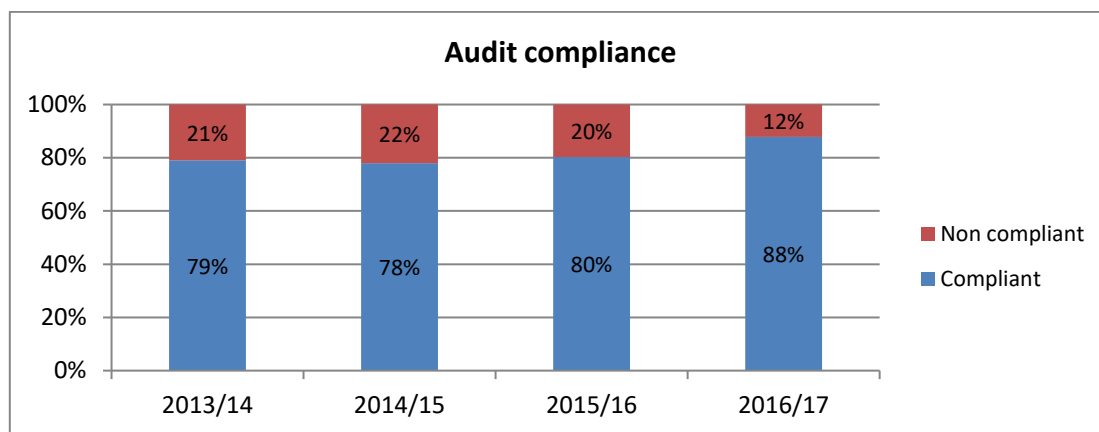
Resource consents are issued by Council allowing the use of our natural resources, or discharging into water, air, coast and land resources. All applications received were processed within the statutory timeframes. The graph below shows the trend in numbers of RMA applications received.



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 performance monitoring information to be sent in to Council for review. The graph below shows the level of compliance with consent conditions in respect of performance monitoring returns.



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. The graph below shows the level of compliance with consent conditions in respect of audits undertaken.



Where it is found that consent conditions are not being complied with, enforcement action may be undertaken, and may involve issuing infringement notices, abatement notices or prosecuting.

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. Potential Impact Classifications are submitted to the Council by owners of 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.

Financial Results – Regulatory

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000
Total revenue	2,489	3,143	2,891
Total expenditure	(3,702)	(3,024)	(3,706)
Net operating surplus/(deficit)	(1,213)	119	(815)
Capital expenditure	-	-	-

Flood Protection & Control Works

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 to ensure the safety and integrity of the scheme.

Council continued working on the construction of a flood protection scheme for the Water of Leith in Dunedin City. The major construction works between Union Street to Leith Street, including the ITS building/bend, commenced during the year. Investigations have commenced on the Dundas Street Bridge.

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

Financial Results – Flood protection and control works

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000
Total revenue	4,153	4,712	4,454
Total expenditure	(2,607)	(2,999)	(2,708)
Net operating surplus/(deficit)	1,546	1,713	1,746
Capital expenditure	1,876	5,533	1,853

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.

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. ORC is also working with the DCC to scope the issues associated with natural hazards in South Dunedin.

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.

Financial Results – Safety and Hazards

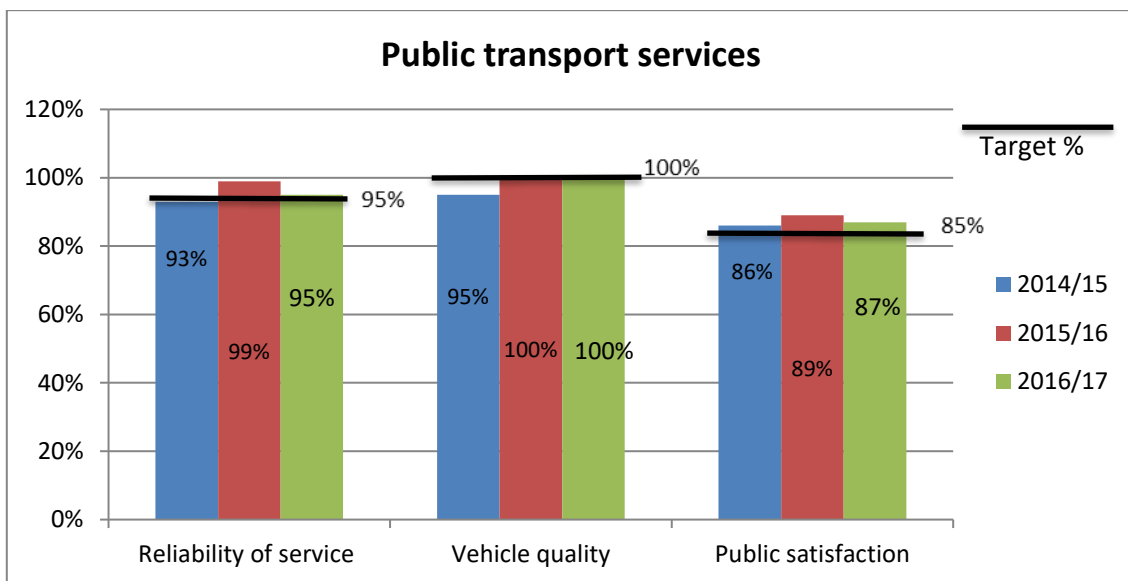
	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000
Total revenue	2,373	1,963	1,669
Total expenditure	(2,599)	(1,961)	(1,998)
Net operating surplus/(deficit)	(226)	2	(329)
Capital expenditure	35	-	17

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.

A survey of bus users was undertaken during the year, showing the following results



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.

Financial Results – Transport

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000
Total revenue	13,132	13,786	9,534
Total expenditure	(13,958)	(16,549)	(8,891)
Net operating surplus/(deficit)	(826)	(2,763)	643
Capital expenditure	337	426	-

Summary Financial Report for the Year Ended 30 June 2017

Summary Statement of Comprehensive Revenue and Expense For the year ended 30 June 2017	Council Actual 2017 \$000	Council Budget 2017 \$000	Council Actual 2016 \$000	Group Actual 2017 \$000	Group Actual 2016 \$000
Revenue from non-exchange transactions					
Rates revenue	15,963	15,940	14,424	15,940	14,388
Subsidies and grant revenue	8,471	9,575	4,802	8,471	4,802
Other revenue	3,490	2,581	2,525	3,490	2,525
Revenue from exchange transactions					
Dividends	7,800	7,400	7,250	-	-
Interest and investment revenue	1,342	2,150	1,574	1,502	1,906
Other revenue	3,112	2,538	2,641	87,038	80,948
Other gains/(losses)	805	313	1,951	20,715	22,014
Operating expenditure	(41,925)	(43,929)	(33,374)	(102,734)	(91,407)
Share of surplus from equity accounted joint ventures	-	-	-	80	279
Surplus/(deficit) before tax	(942)	(3,432)	1,793	34,502	35,455
Income tax benefit/(expense)	101	-	76	(4,402)	(6,734)
Surplus/(deficit) for the year	(841)	(3,432)	1,869	30,100	28,721
Other comprehensive income					
Available for sale financial assets	20,798	10,000	10,946	-	-
Other Comprehensive Income	-	-	-	946	(475)
Income tax relating to components of other comprehensive income	-	-	-	-	133
Total Comprehensive Revenue and Expenditure	19,957	6,568	12,815	31,046	28,379

Summary Statement of Changes in Net Assets / Equity For the year ended 30 June 2017	Total Council				Total Group					
	Opening Balance 1 July 2016 \$000's	Other			Closing Balance 30 June 2017 \$000	Opening Balance 1 July 2016 \$000	Other			Closing Balance 30 June 2017 \$000
		Comprehensive	Net transfers	In / (out)			Comprehensive	Net transfers	In/(out)	
		Revenue and Expense \$000					Revenue and Expense \$000			
Equity:										
General Rate Equity	72,956	(841)	(269)	71,846	285,641	30,100	(20,138)	295,603		
Targeted Rate Equity	64,249	-	(2,546)	61,703	64,249	-	(2,546)	61,703		
Total Public Equity	137,205	(841)	(2,815)	133,549	349,890	30,100	(22,684)	357,306		
Reserves:										
Asset Replacement Reserve	5,987	-	(167)	5,820	5,987	-	(167)	5,820		
Asset Revaluation Reserve	8,724	-	40	8,764	179,182	-	19,909	199,091		
Available for sale Revaluation Reserve	398,239	20,798	-	419,037	-	-	-	-		
Building Reserve	10,997	-	2,617	13,614	10,997	-	2,617	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	-	(6)	1,427	1,433	-	(6)	1,427		
Kuriwao Endowment Reserve	6,271	-	90	6,361	6,271	-	90	6,361		
Environmental Enhancement Reserve	223	-	99	322	223	-	99	322		
Total Reserves	435,765	20,798	2,815	459,378	206,644	946	22,684	230,274		
Total Equity and Reserves	572,970	19,957	-	592,927	556,534	31,046	-	587,580		

Summary Statement of Financial Position As at 30 June 2017	Council	Council	Council	Group	Group
	Actual	Budget	Actual	Actual	Actual
	2017	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000
Total Equity	592,927	579,540	572,970	587,580	556,534
Current assets	63,412	50,695	63,527	105,992	101,158
Non-current assets	538,339	534,449	515,060	590,234	556,196
Total Assets	601,751	585,144	578,587	696,226	657,354
Current Liabilities	8,824	5,604	5,617	23,489	18,435
Non-current liabilities	-	-	-	85,157	82,385
Total Liabilities	8,824	5,604	5,617	108,646	100,820
Net Assets	592,927	579,540	572,970	587,580	556,534

Summary Cash Flow Statement For the year ended 30 June 2017	Council	Council	Council	Group	Group
	Actual	Annual Plan	Actual	Actual	Actual
	2017	2017	2016	2017	2016
	\$000	\$000	\$000	\$000	\$000
Net cash flows from Operating activities	3,173	(1,978)	2,277	21,219	14,511
Net cash flows from Investing activities	(1,280)	(8,285)	(3,965)	(25,914)	(43,549)
Net cash flows from Financing activities	-	-	-	6,020	7,700
Net cash inflow/(outflow)	1,893	(10,263)	(1,688)	1,325	(21,338)

Summary Funding Impact Statement (Whole of Council) For the year ended 30 June 2017	Council Only			
	Actual	Annual Plan	Actual	Long Term Plan
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
Sources of operating funding	40,320	40,184	33,216	37,790
Applications of operating funding	40,114	42,257	31,693	38,074
Surplus of operating funding	206	(2,073)	1,523	(284)
Sources of capital funding	176	-	2,033	605
Application of capital funding	382	2,073	3,556	321
(Deficit) of capital funding	(206)	(2,073)	(1,523)	284

Reconciliation of Summary Funding Impact Statement (Whole of Council) to Summary Statement of Comprehensive Revenue and Expenditure For the year ended 30 June 2017	Council Only			
	Actual	Annual Plan	Actual	Long Term Plan
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
Surplus of operating funding	206	(2,073)	1,523	284
Add net gain in fair value of assets and proceeds from the sale of assets	996	313	1,860	310
Deduct expenditure not reflected in the Summary Funding Impact Statement (Whole of Council)	(2,144)	(1,672)	(1,590)	(2,409)
Surplus before taxation in the Summary Statement of Comprehensive Revenue and Expenditure For the year ended 30 June 2017	(942)	(3,432)	1,793	(2,383)

Summary Schedule of Capital Expenditure For the year ended 30 June 2017	Council Only		
	Actual	Annual Plan	Actual
	2016/17	2016/17	2015/16
	\$000	\$000	\$000
All Group activities	2,520	6,225	2,072
Corporate	2,052	2,060	1,303
	4,572	8,285	3,375

Summary Schedule of Internal Borrowing For the year ended 30 June 2017	Council Only				
	Amount	Funds	Funds	Interest	Amount
	borrowed	borrowed	repaid	charged	borrowed
	as at the	during	during		as at the
	beginning	the year	the year		end
of the year				of the year	
\$000	\$000	\$000	\$000	\$000	\$000
All Group activities					
For the year ended 30 June 2017	9,281	4,674	(3,621)	349	10,683
For the year ended 30 June 2016	8,502	3,875	(3,384)	349	9,342

Notes to the Summary Annual Report

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 Council has designated itself and the Group as public benefit entities for financial reporting purposes.

The Summary Annual Report of Council is for the year ended 30 June 2017, and was authorised for issue by Council on 27 September 2017.

Full Annual Report

This Summary Annual Report has been extracted from the full audited Annual Report dated 27 September 2017, and authorised for issue by Council on that date. The Summary Annual Report does not include all the disclosures provided in the full Annual Report and cannot be expected to provide as complete an understanding as provided by the full Annual Report.

The full Annual Report has been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The full Annual Report complies with Public Benefit Entity Public Sector (PBE (PS)) standards and has been prepared in accordance with Tier 1 PBE standards.

The full audited Annual Report, which received an unqualified audit opinion, may be found in our Annual Report for the period 1 July 2016 to 30 June 2017, available by telephoning (03) 474-0827 or on our website www.orc.govt.nz.

This Summary Annual Report has been prepared in compliance with PBE (PS) FRS-43 Summary Financial Statements, and is presented in thousands of New Zealand dollars.

Commitments for Expenditure

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.

Contingent Liabilities and Contingent Assets

Council Only

The Council is involved in Environment, High and District Court proceedings as a planning and consenting authority, and has exposure to a contingent liability as a participating employer in the Defined Benefit Plan Contributors Scheme.

Group

The Port Otago Limited Group has contingencies in respect of joint venture guarantees, and a dredging and reclamation works performance security bond, and a commercial property tenancy.

Details of these contingent liabilities and contingent assets are included in the notes to the financial statements in the full Annual Report.

Related Party Transactions

The Council was involved in related party transactions with Port Otago Limited amounting to \$7.800 million (2016: \$7.250 million). The Port Otago Limited Group was involved in related party transactions in respect of joint venture financial arrangements.

Details of these transactions are included in the notes to the financial statements in the full Annual Report.

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 \$500,000 payable to the Council for the year ended 30 June 2017.

Explanation of Major Variances from Budget – Council only

Summary 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 and Revenue

The significant individual instances of under-expenditure occurred in the Passenger Transport project and the proposed principal office replacement project.

The significant individual instances of over-expenditure occurred in the Bio-diversity project and the Harbour Management project.

Two significant sources of unbudgeted revenue were received during the year, in relation to bus contracts that were operated on a “gross” basis, whereas the budgets assumed a net expenditure amount only, and subsidy income 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 in excess of the budgeted amount, and other investment revenue and gains exceeded the budgeted amount.

Subsidy income from the NZ Transport Agency was 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.

Summary 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 on the budget of \$42.560 million, and Property Plant and Equipment at \$86.313 million is \$8.021 million less than the budgeted amount of \$94.334 million.

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.

Local Government (Financial Reporting and Prudence) Regulations 2014

The Local Government (Financial Reporting and Prudence) Regulations 2014 require that the Council disclose its 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 regulations also require the disclosure of rating base information and information regarding the insurance of assets.

The information required by the regulations can be found in the Other Disclosures section of the full Annual Report.

Independent Auditor's Report

TO THE READERS OF OTAGO REGIONAL COUNCIL AND GROUP'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

The summary of the annual report was derived from the annual report of the Otago Regional Council (the Regional Council) and group for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 4 to 22:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance referred to as Significant Activities of the Regional Council and group.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: *Summary Financial Statements*.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2017 in our auditor's report dated 27 September 2017.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of tax services, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the Regional Council.



B E Tomkins
Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand
27 September 2017