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2016 – 17

# Annual Report



# **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. 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**

## 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

Level of service – Maintain or improve water quality		Achieved
<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.

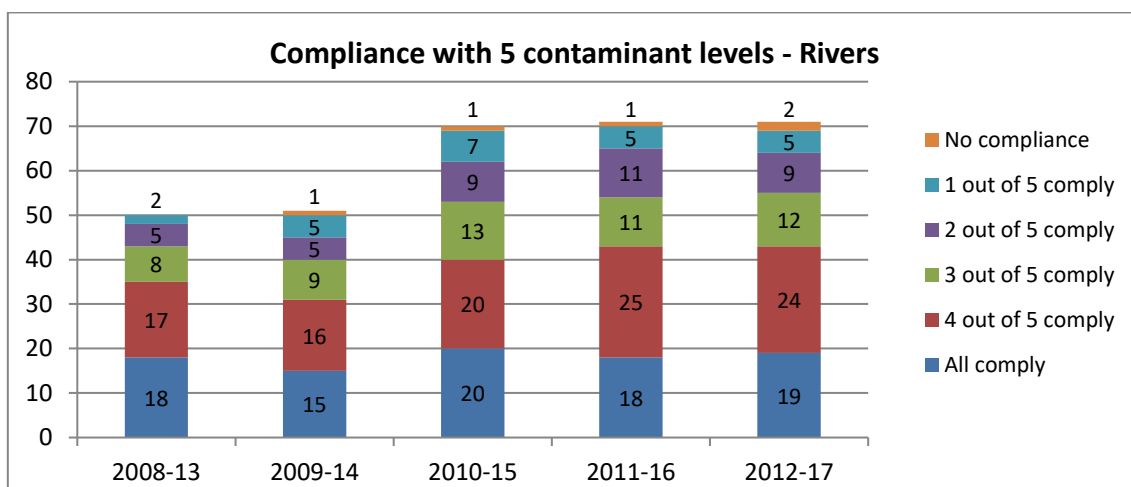
The contaminants measured for rivers are:

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

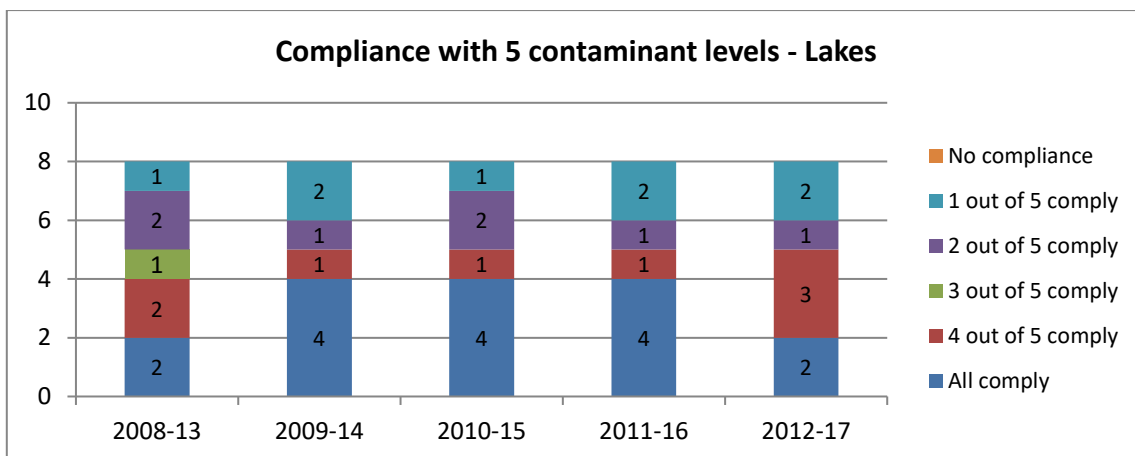
The contaminants measured for lakes are:

- 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.



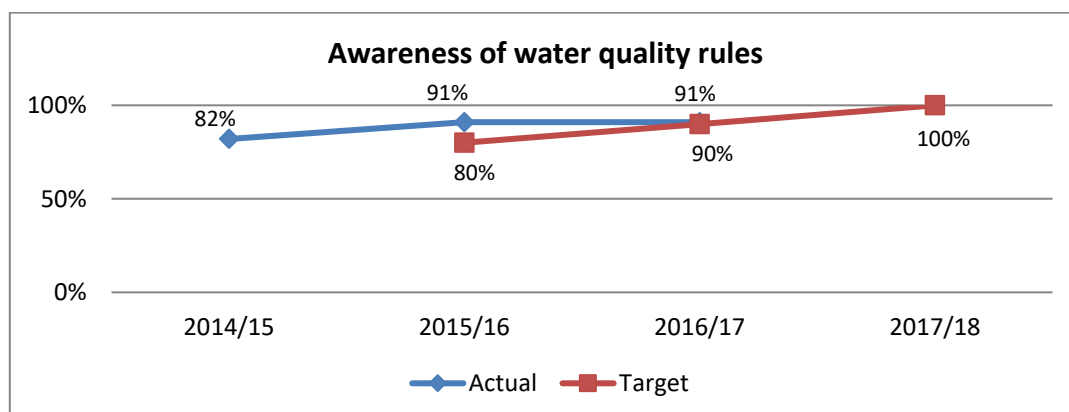
Of the eight lakes monitored, six lakes maintained their water quality grade, and two lakes degraded by one grade as follows:

- 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.

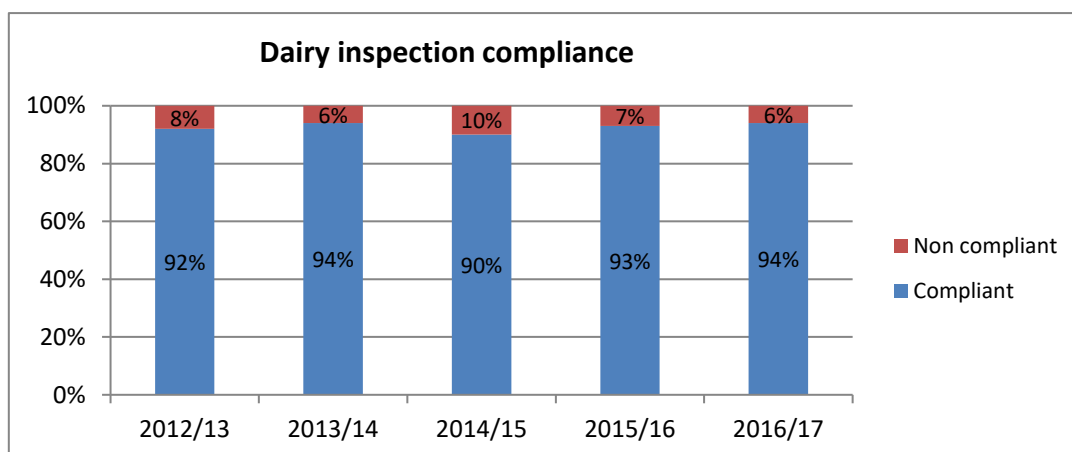


Activities undertaken during the period to promote awareness of the rules included:

- 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.	●
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### 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

Level of service – Water is managed to meet the needs of the Otago community		Achieved
<b>Measure:</b>	Sustainable environmental flows and allocation limits set on rivers levels, streams, and groundwater resources.	  
<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.	●
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**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.

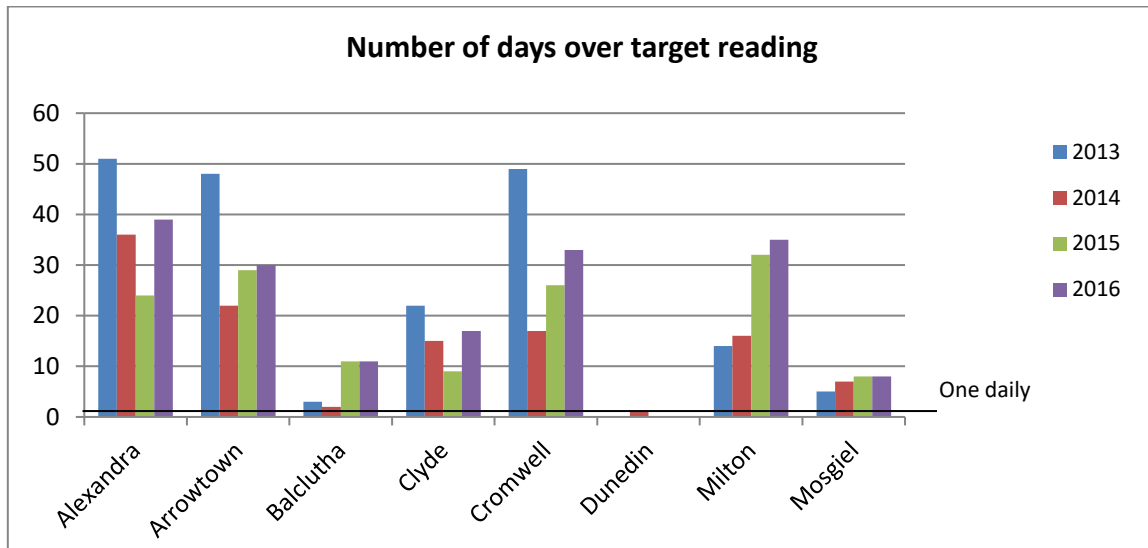
**Air**

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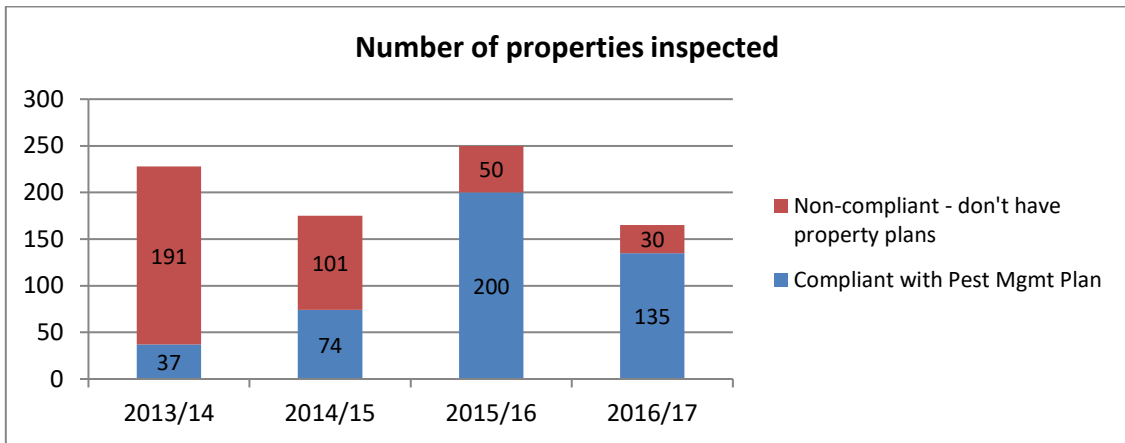
3. Identify research needs and opportunities in relation to low emission solid fuel burners and promote that research.

The scope was extended to include air quality issues generally. A draft report has been prepared for review.	●
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**Land**

Level of service – Require control of pest animals and pest plants		Achieved
<b>Measure:</b>	Level of rabbit populations in rabbit prone areas.	●
<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:



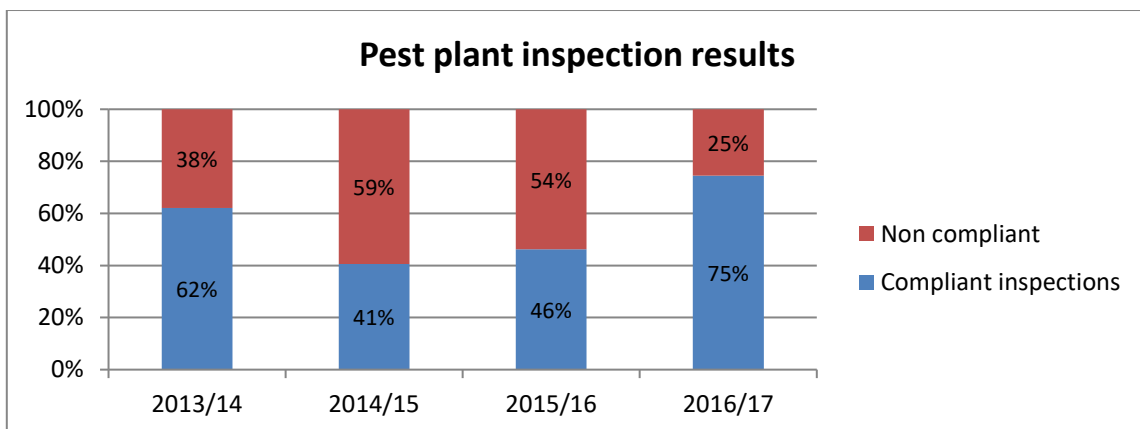
165 inspections covering approximately 26,500 ha were undertaken. Property management plans were requested, or amendments to existing property plans, from the 30 non-compliant inspections. Inspection numbers have decreased due to staff time being used to prepare for a release of the K5 virus.

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.

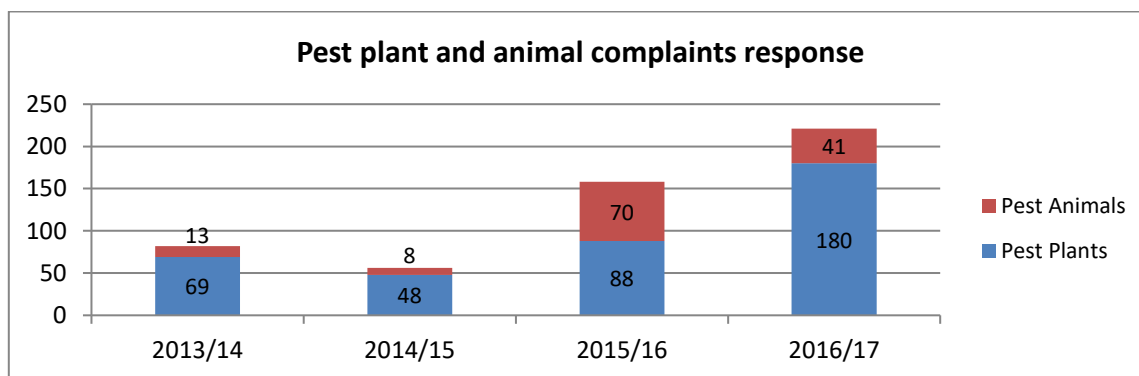
**Specific areas of work:**

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

Maintenance of non-flood scheme assets is being undertaken.	
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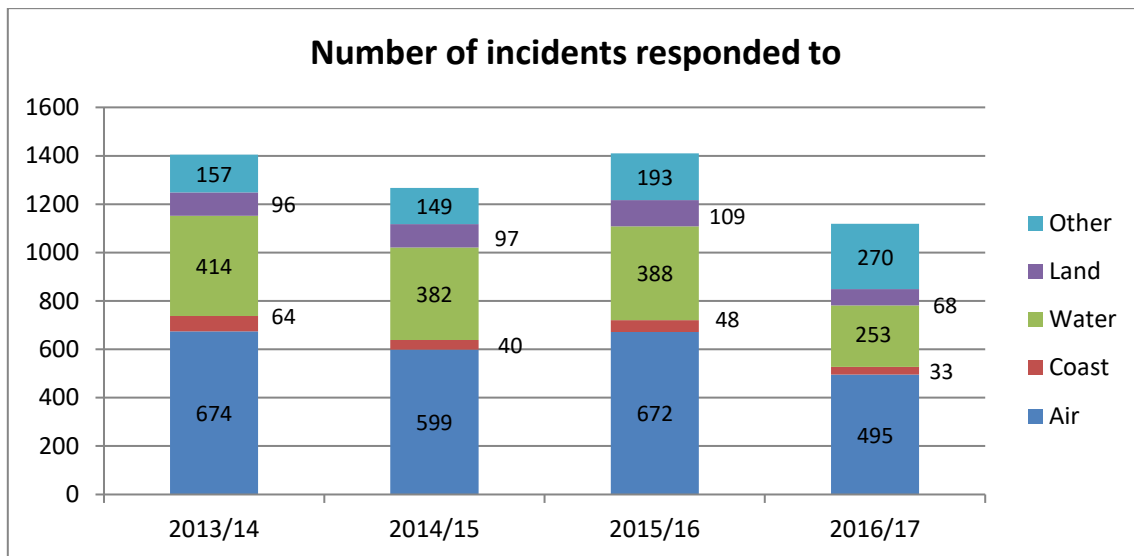
### **Other initiatives undertaken include:**

- 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>	
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## Funding Impact Statement - Environment

Funding Impact Statement for the year ended 30 June 2017.

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Long Term Plan 2016/17 \$000	Actual 2015/16 \$000	Long Term Plan 2015/16 \$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.	
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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.	
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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.	
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### 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 2016/17 \$000	Annual Plan 2016/17 \$000	Long Term Plan 2016/17 \$000	Actual 2015/16 \$000	Long Term Plan 2015/16 \$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:

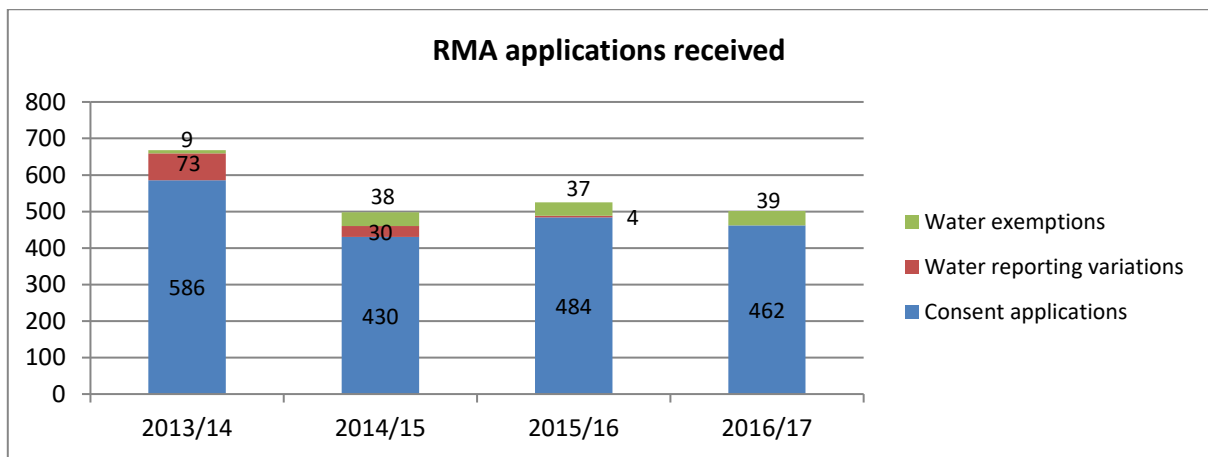
1. Address any appeals made on the Regional Policy Statement and make operative.

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.	●
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## Consents & Compliance

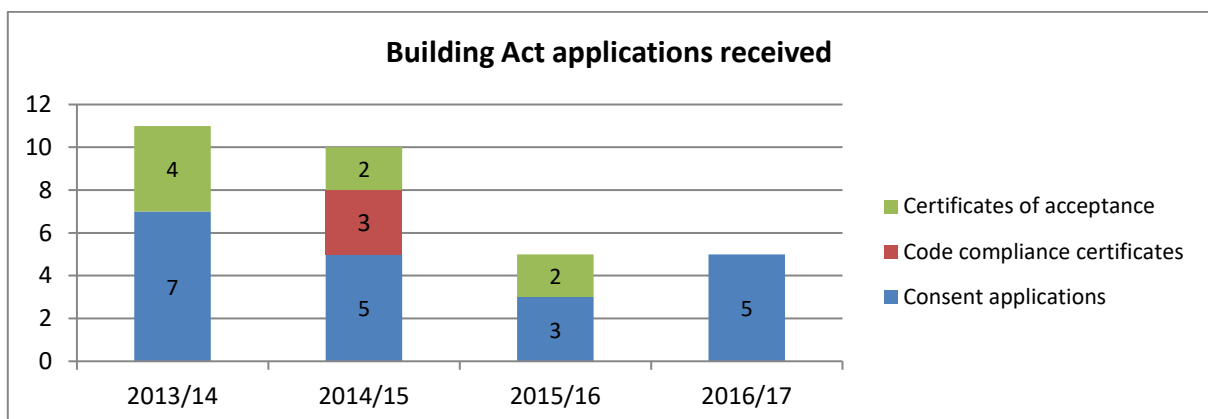
<b>Level of service – Process resource consent applications in a timely manner.</b>	<b>Achieved</b>
<b>Measure:</b> RMA and Building Act statutory time frames.	●
<b>Performance target:</b> 100% of consents are processed within the statutory timeframes.	
<b>Achievement to June:</b> All consents processed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

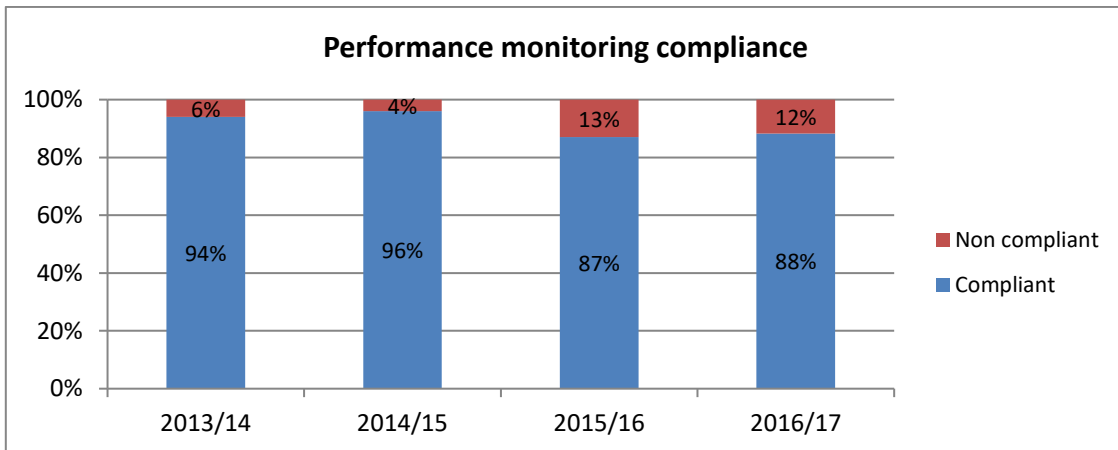


<b>Measure:</b>	Biannual customer satisfaction survey.	●
<b>Performance target:</b>	80% customer satisfaction with process.	
<b>Achievement to June:</b>	Target achieved with customer satisfaction at 81.4%.	

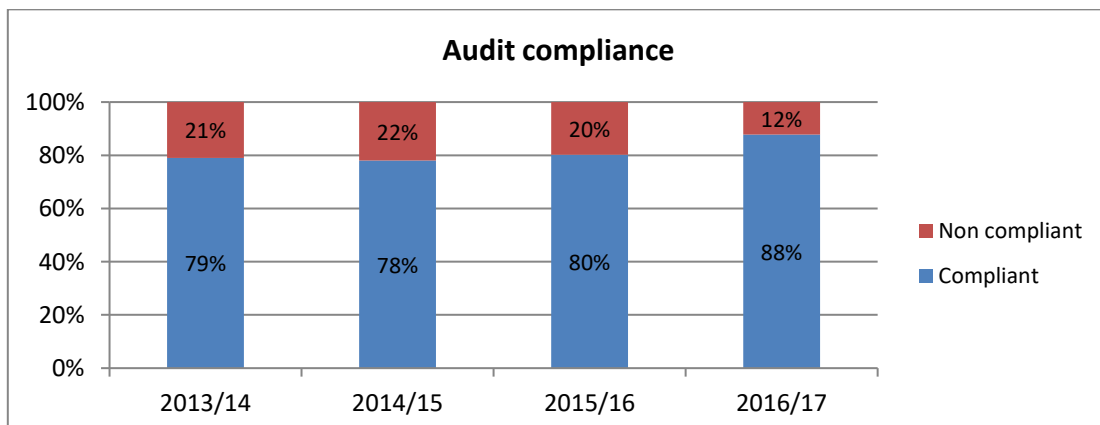
<b>Level of service – Ensure consent conditions for the use of Otago’s air, water and coastal resources are complied with</b>		<b>Achieved</b>
<b>Measure :</b>	Performance monitoring returns show compliance with consent conditions.	●
<b>Performance target:</b>	100% of performance monitoring data received 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.  33 audits and inspections were graded as significant non-compliance, of which 14 were dairy inspections and 19 were consent audits. 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.	
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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.	
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	<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.	
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### **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.	
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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>	
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**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 2016/17 \$000	Annual Plan 2016/17 \$000	Long Term Plan 2016/17 \$000	Actual 2015/16 \$000	Long Term Plan 2015/16 \$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.	
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***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.	
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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.	
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#### ***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.* 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. No flooding of West Taieri from Taieri River flows up to 2,500 m <sup>3</sup> /s. 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.	
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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.	
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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.	
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### *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.  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.	
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***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 2016/17 \$000	Annual Plan 2016/17 \$000	Long Term Plan 2016/17 \$000	Actual 2015/16 \$000	Long Term Plan 2015/16 \$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.	
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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.	
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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.	
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***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.	
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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.	
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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.	
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## Funding Impact Statement – Safety and Hazards

Funding Impact Statement for the year ended 30 June 2017.

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Long Term Plan 2016/17 \$000	Actual 2015/16 \$000	Long Term Plan 2015/16 \$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.

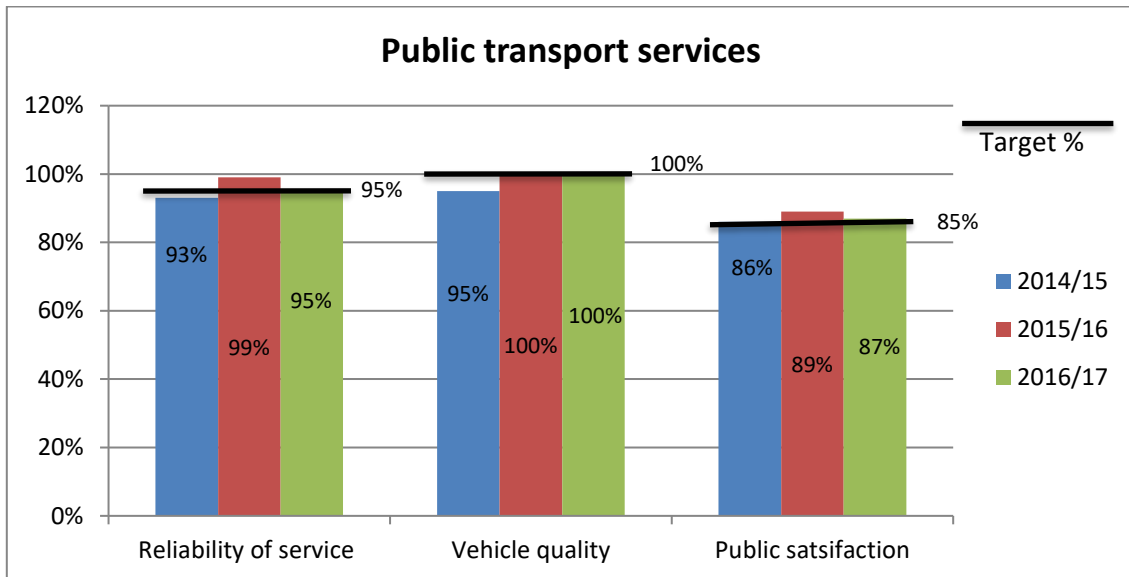
This activity contributes to the following community outcomes:

- 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.	
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2. Complete the implementation of a replacement ticketing system.

A contract is in place and development of the replacement ticketing system has commenced.	
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3. Procure and implement real time tracking in Dunedin and Wakatipu.

Tender process complete and contracts have been awarded.	
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## Transport

Funding Impact Statement for the year ended 30 June 2017.

	Actual 2016/17 \$000	Annual Plan 2016/17 \$000	Long Term Plan 2016/17 \$000	Actual 2015/16 \$000	Long Term Plan 2015/16 \$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 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000	Long Term Plan 2015/16 \$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 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000	Annual Plan 2015/16 \$000
<b>Surplus/(deficit) of Operating Funding in 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 in progress	(30)	-	-	-
Other	(177)	89	162	(658)
<b>Surplus/(deficit) before taxation in Statement of 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 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$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 2017 \$000	Council Budget \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council Budget \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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	1,457	1,424
<b>Total current assets</b>		<b>63,412</b>	<b>50,695</b>	<b>63,527</b>	<b>105,992</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>696,226</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>587,580</b>	<b>556,534</b>
<b>Equity</b>						
Reserves	16	459,378	442,652	435,765	230,274	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>587,580</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 1 July 2016 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2017 \$000	Opening Balance 1 July 2016 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2017 \$000
<b>Equity</b>										
General Rate Equity	72,956	(841)	23,792	(24,061)	71,846	285,641	30,100	23,792	(43,930)	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>42,291</b>	<b>(64,975)</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	-	19,909	-	199,091
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>946</b>	<b>25,681</b>	<b>(2,997)</b>	<b>230,274</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>67,972</b>	<b>(67,972)</b>	<b>587,580</b>

	Notes	TOTAL COUNCIL 2016					TOTAL GROUP 2016				
		Opening Balance 1 July 2015 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2016 \$000	Opening Balance 1 July 2015 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2016 \$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 2017 \$000	Council Budget \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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)	(72)	(128)
(Gain)/loss on revaluation of investment property	(40)	(661)	(19,909)	(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 that are 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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 \$000	Council 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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>				
Current	54,057	56,198	54,057	56,198
Non-current	-	-	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.

- 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).
- 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 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$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 1 July 2016 \$000	Additions \$000	Disposals \$000	Transfers out of Work in Progress \$000	Transfers to Held for sale assets \$000	Cost 30 June 2017 \$000	Accumulated Depreciation and Impairment Charges 1 July 2016 \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers to Held for sale assets \$000	Accumulated Depreciation and Impairment Charges 30 June 2015 \$000	Book Value 30 June 2017 \$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, 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 1 July 2015 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2016 \$000	Accumulated Depreciation and Impairment Charges 1 July 2015 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers \$000	Accumulated Depreciation and Impairment Charges 30 June 2016 \$000	Book Value 30 June 2016 \$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, 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 1 July 2016 \$000	Additions \$000	Disposals \$000	Transfers \$000	Transfers to held for sale \$000	Cost 30 June 2017 \$000	Accumulated Depreciation and Impairment Charges 1 July 2016 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers to held for sale \$000	Transfers \$000	Accumulated Depreciation and Impairment Charges 30 June 2017 \$000	Book Value 30 June 2017 \$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 1 July 2015 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2016 \$000	Accumulated Depreciation and Impairment Charges 1 July 2015 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers \$000	Accumulated Depreciation and Impairment Charges 30 June 2014 \$000	Book Value 30 June 2016 \$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 - Council	35	43	-	(35)	43	-	-	-	-	-	-	43
Land – Port	34,395	396	(449)	-	34,342	-	-	-	-	-	-	34,342
Buildings and improvements – Port	49,156	14,199	(81)	-	63,274	(14,762)	-	(1,995)	25	-	(16,732)	46,542
Wharves and berths dredging – Port	55,303	6,017	-	-	61,320	(15,724)	-	(1,642)	-	-	(17,366)	43,954
Plant, equipment and vehicles – Port	93,530	2,525	(2,823)	-	93,232	(45,342)	-	(4,172)	1,561	-	(47,953)	45,279
Capital work in progress – 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 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 – 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 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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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		10,825	10,785
	10,825		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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000</b>	<b>Council 2016 \$000</b>	<b>Group 2017 \$000</b>	<b>Group 2016 \$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 Computer Software \$000	Council Total \$000	Group Computer Software \$000	Group Resource Consents \$000	Group Other Intangibles \$000	Group Total \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2016/17 \$000	Annual Plan 2016/17 \$000	Actual 2015/16 \$000	Long Term Plan 2015/16 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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

<b>COUNCIL</b>	Available for Sale Revaluation Reserve \$000	Asset Replace- ment Reserve \$000	Emergency Response Reserve \$000	Kuriwao Endowment Reserve \$000	Asset Revaluation Reserve \$000	Water Manage- ment Reserve \$000	Building Reserve \$000	Environmental Enhancement Reserve	Total Reserves \$000
<b>Opening balance at 1 July 2015</b>	<b>387,293</b>	<b>4,865</b>	<b>3,739</b>	<b>6,167</b>	<b>8,063</b>	<b>1,532</b>	<b>8,072</b>	<b>-</b>	<b>419,731</b>
<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	-	-	-	-	19,909	-	-	-	-	19,909
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	946	946
	-	1,908	142	343	19,909	52	2,988	339	946	26,627
<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	199,091	1,427	13,614	322	(394)	230,274



### **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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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)	(19,909)	(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>
<b>Balance at end of year</b>	<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>
<b>Balance at end of year – refer note 17 (b)</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)
<b>Balance at end of year</b>	<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 balance 1 July 2016 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2017 \$000	Opening balance 1 July 2015 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017	Council Opening Balance \$000	Council Charged to Surplus/(Deficit) \$000	Council Charged to other Comprehensive Revenue & Expense \$000	Council Closing Balance \$000
<b>Gross deferred tax asset:</b>				
Tax losses	98	-	-	98
	98	-	-	98

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

	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to other Comprehensive Revenue & Expense \$000	Group Closing Balance \$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 Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to other Comprehensive Revenue & Expense \$000	Group Closing Balance \$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 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$000
Net bad and doubtful debts		(20)	(71)	(71)	(20)
Donations		350	350	413	385
Operating lease rental expenses:					
- 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 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 30 June 2017	Number of Employees 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 Remuneration	Number of Employees 30 June 2017	Total Annual Remuneration	Number of Employees 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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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

	Council 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$000
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 Minimum Future Lease Payments		Group only Present Value of Minimum Future Lease Receivables	
	2017 \$000s	2016 \$000s	2017 \$000s	2016 \$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 \$000	2016 \$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 %	2016 %
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 %	2016 %
<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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 \$000	Group 2016 \$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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$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 Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue and Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$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>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 Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue and Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$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>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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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 -100bps \$000	Other Equity -100bps \$000	Profit +100bps \$000	Other Equity +100bps \$000	Profit -100bps \$000	Other Equity -100bps \$000	Profit +100bps \$000	Other Equity +100bps \$000
<i>Financial Liabilities</i>								
Borrowings	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 2017 \$000	Council 2016 \$000	Group 2017 \$000	Group 2016 \$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% Profit \$000	-10% Other Equity \$000	+10% Profit \$000	+10% Other Equity \$000	-10% Profit \$000	-10% Other Equity \$000	+10% Profit \$000	+10% Other Equity \$000
<i>Financial Assets</i>								
Other financial assets	(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 2017 \$000</b>	<b>Council 2016 \$000</b>	<b>Group 2017 \$000</b>	<b>Group 2016 \$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

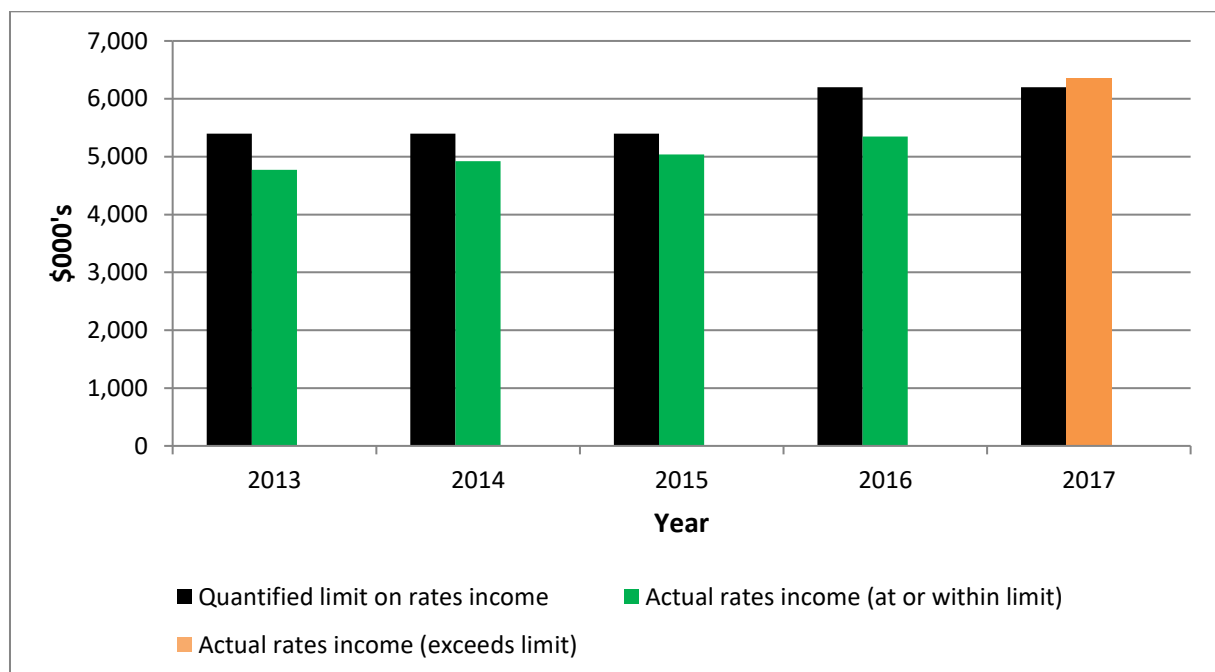
The Council meets the rates affordability benchmark if—

- 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.

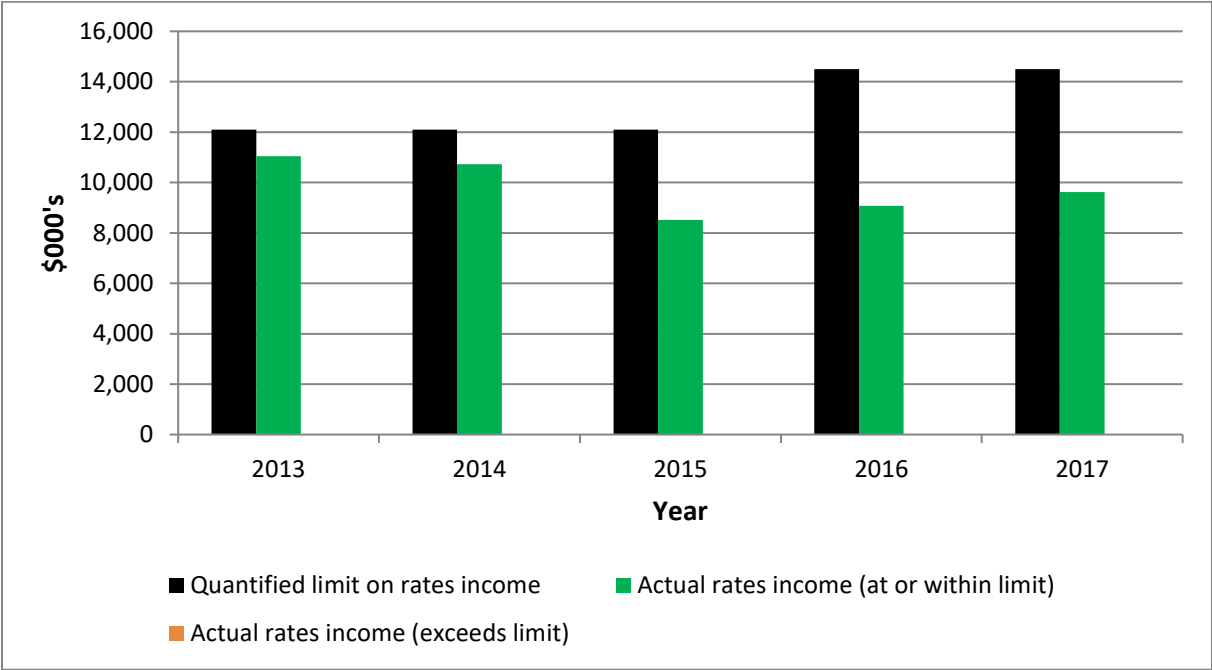
The Council specifies separate quantified limits for general rates and for targeted rates.

##### *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).

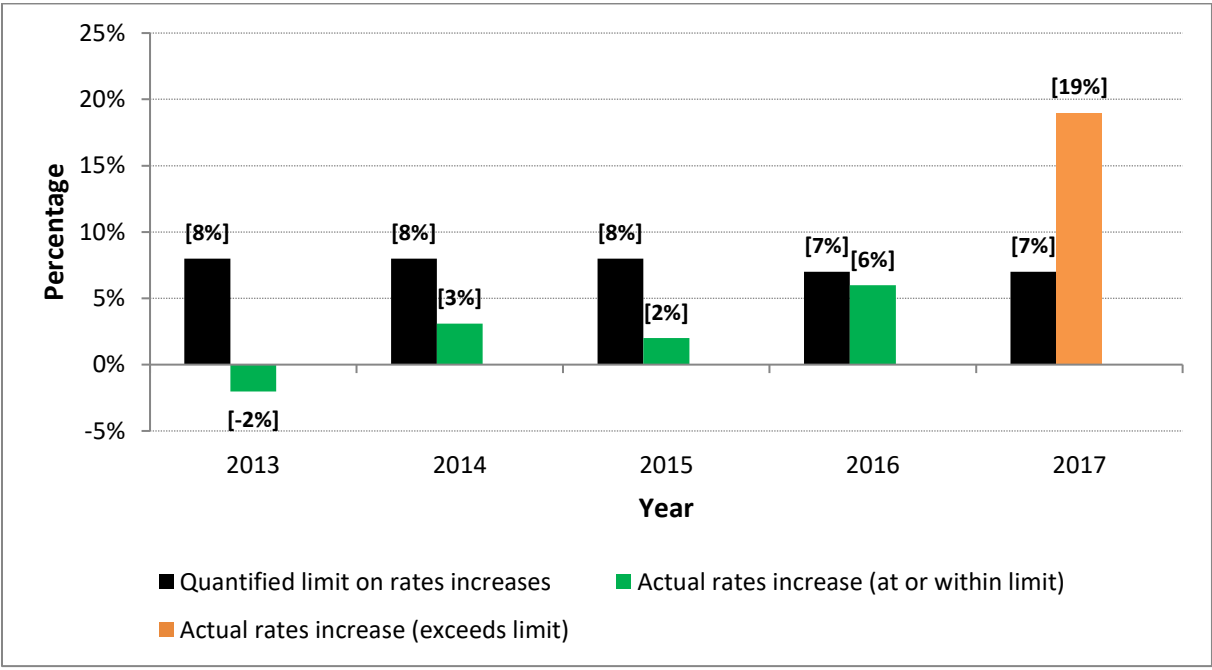


The following graph compares the Council’s actual targeted rates income with a quantified limit on targeted rates contained in the financial strategy included in the Council’s Long Term Plan. The quantified limit is \$14,500,000 (2013-2015 \$12,100,000, 2016 \$14,500,000).

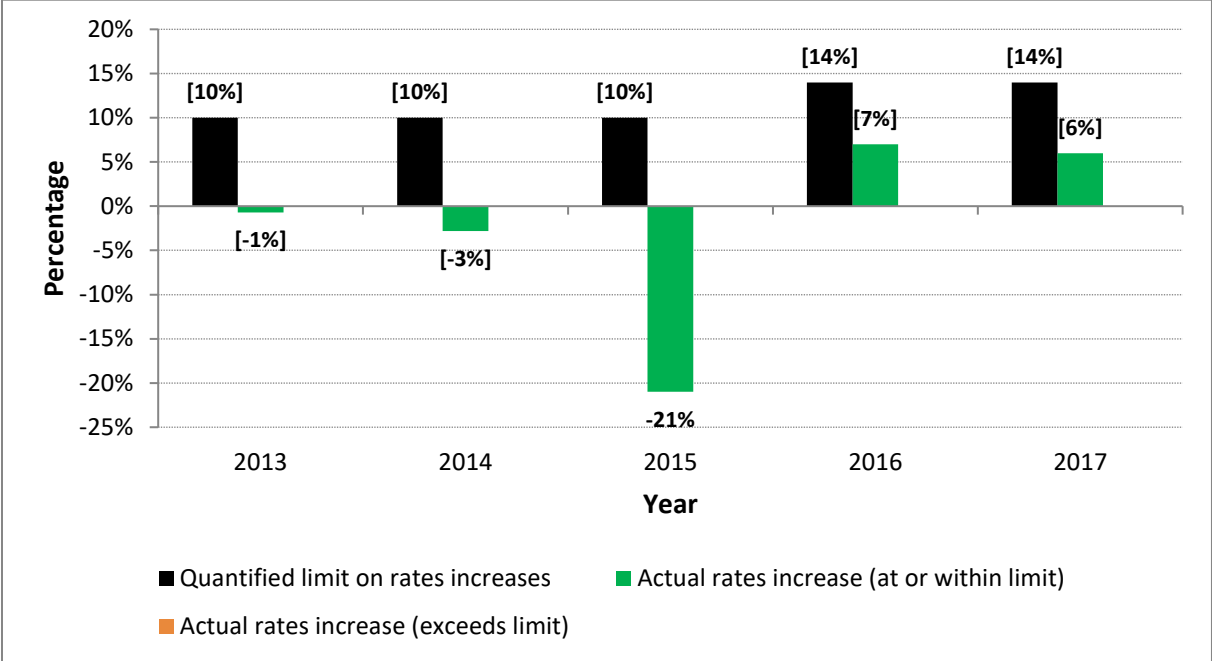


**Rates (increases) affordability**

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%).



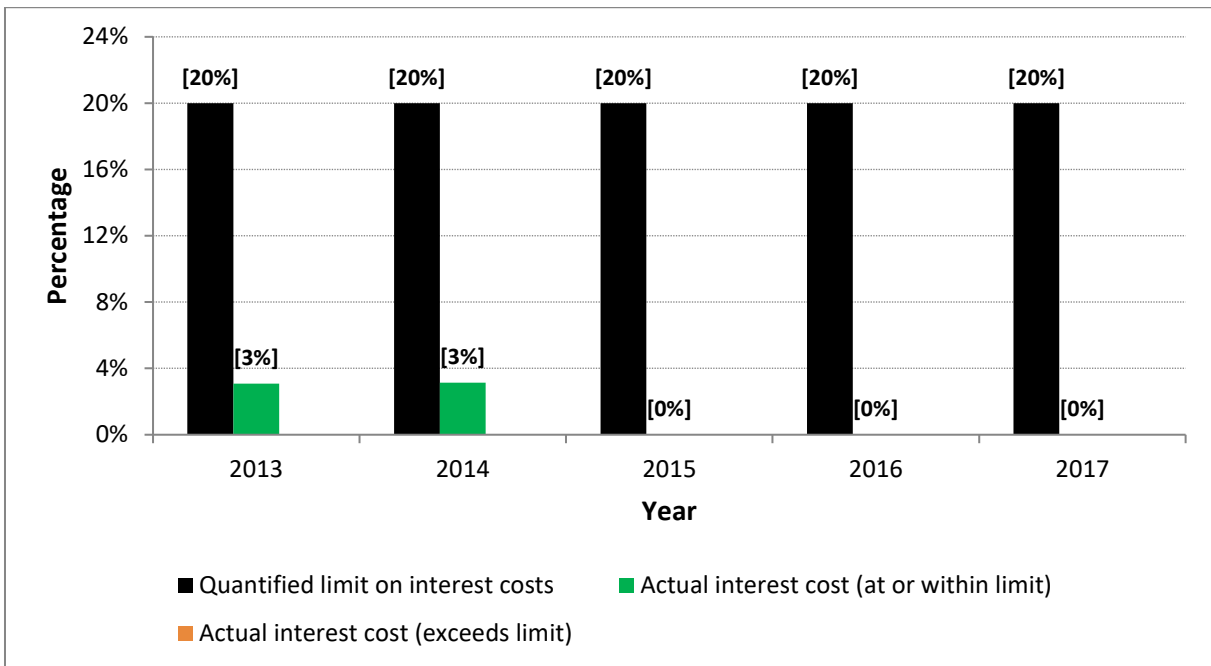
## Debt affordability benchmark

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.

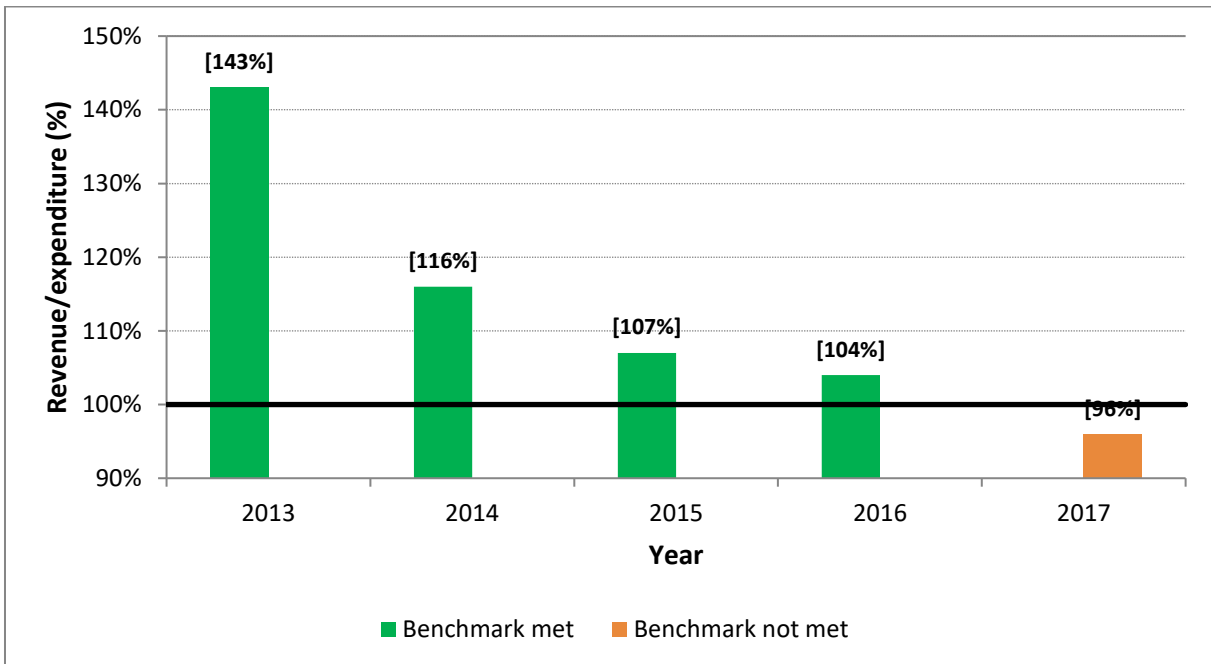
The quantified limit is interest costs being a maximum of 20% of rates income.



### 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.

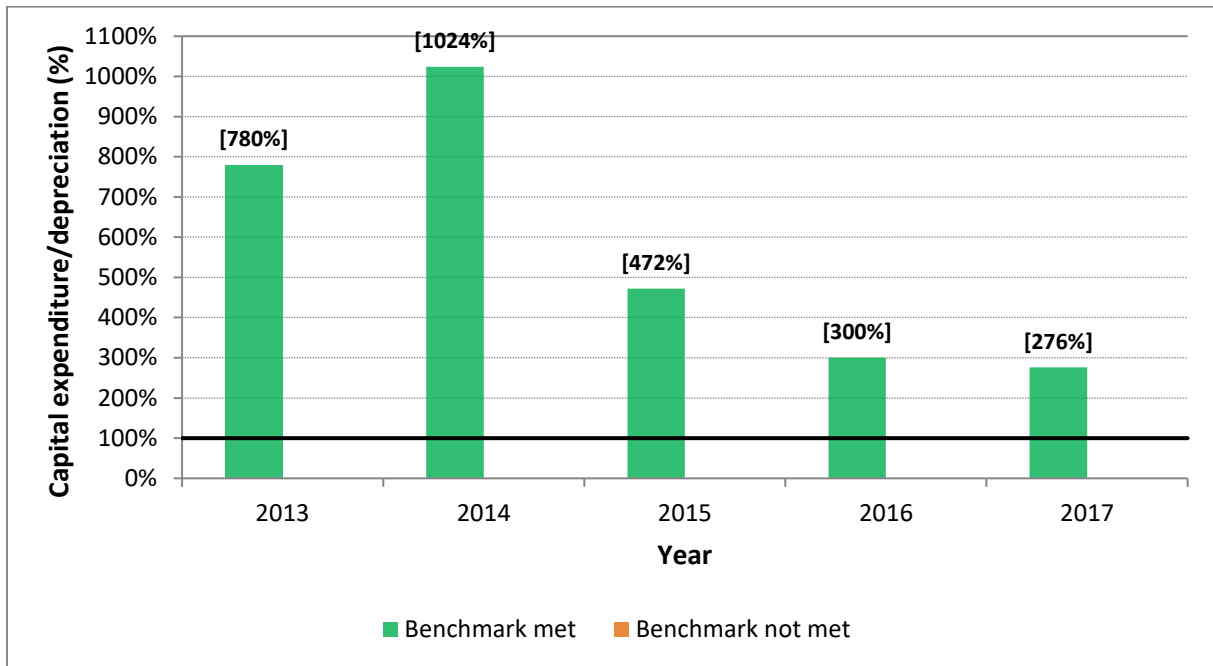


### Essential services benchmark

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.

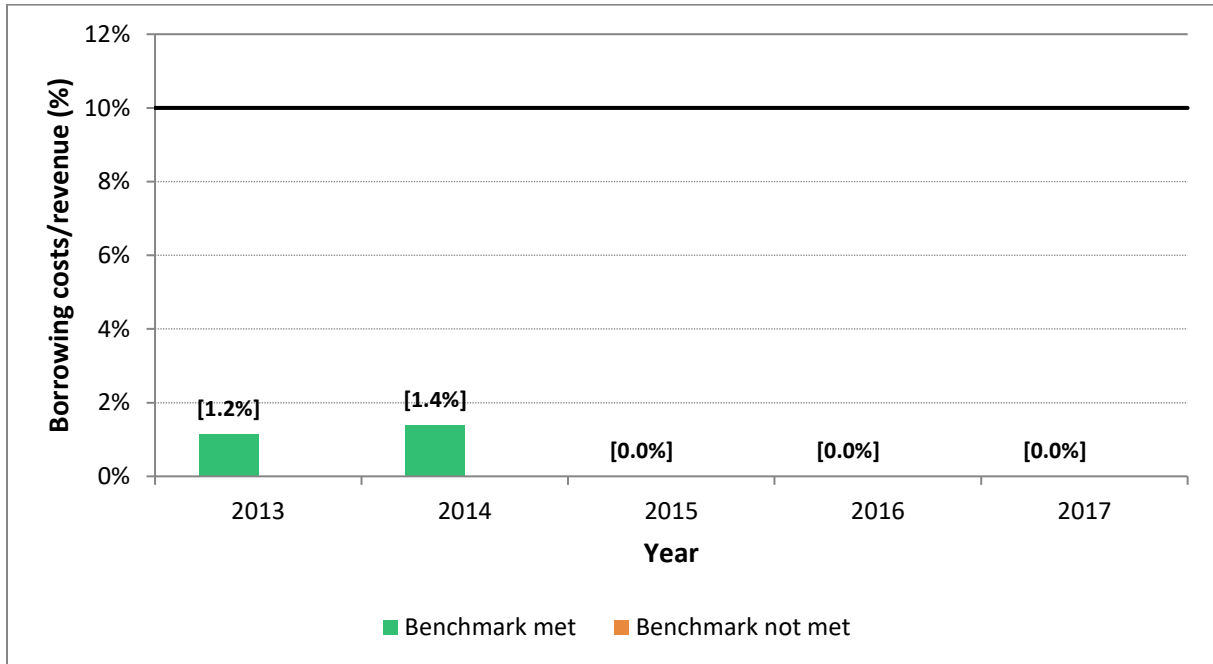
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



## 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.



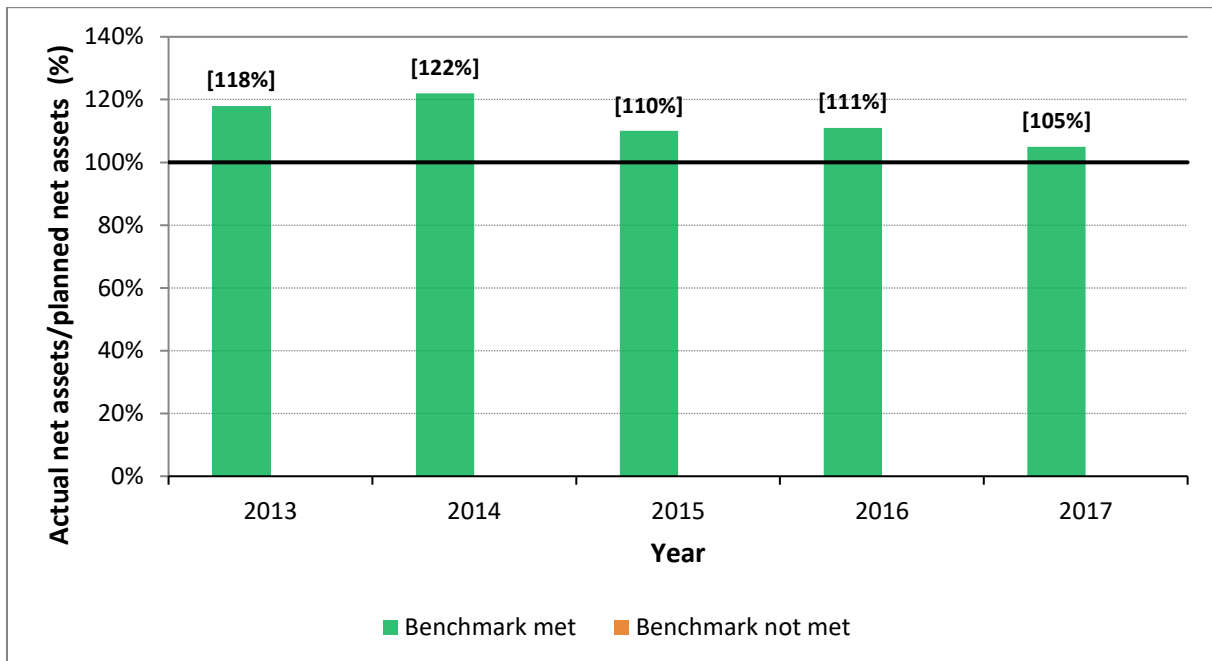


## Debt control benchmark

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.

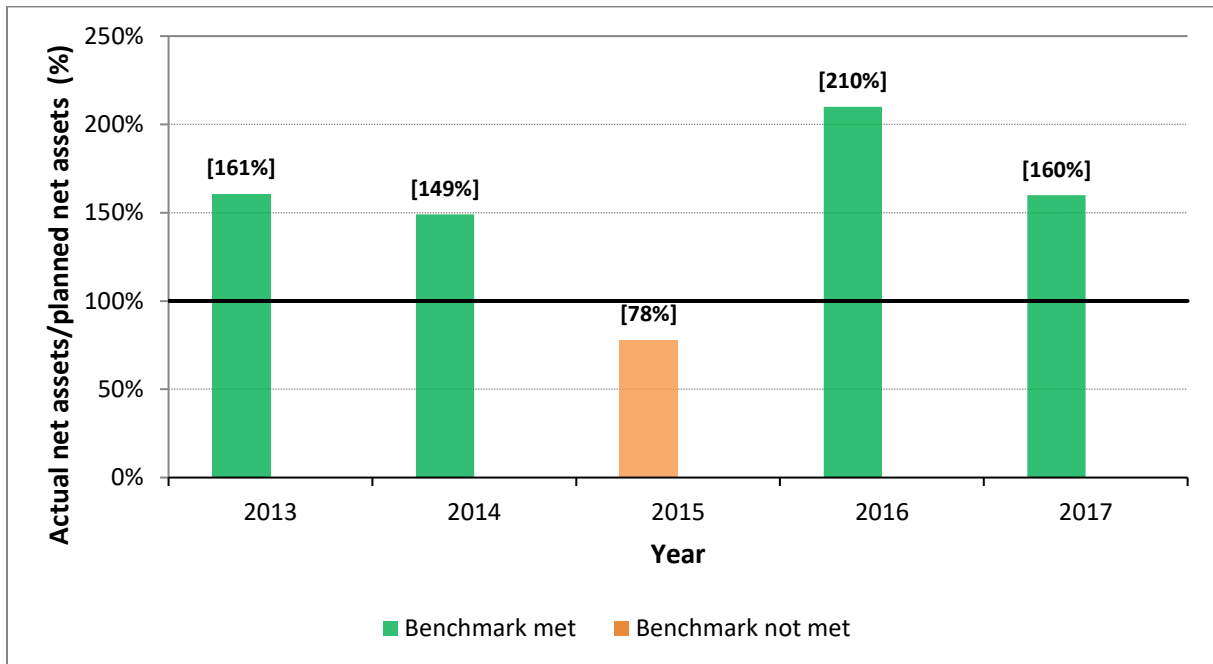
During the period 2012/13 to 2016/17, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets, excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



### 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 for the year ended 30 June 2017	Rating Base Information For the year ended 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 D Brown M Deaker C Hope T Kempton M Laws E Lawton S Neill A Noone 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 Auditor-General, Wellington
Solicitors.....	Ross Dowling Marquet & Griffin PO Box 1144, Dunedin

## Port Otago Limited

Chairman.....	D Faulkner
Deputy Chairman.....	P Rea
Directors.....	T Gibson J Harvey P Heslin 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

### Balclutha Depot

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

### Oamaru Depot

32 Ribble Street  
Oamaru  
Ph: 0800 474 082

### Taieri Depot

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

### Cromwell Depot

14 Rogers Street  
Cromwell  
Ph: (03) 445 0122

### Palmerston Depot

54 Tiverton Street  
Palmerston  
Ph: 0800 474 082

### Wanaka Depot

185 Riverbank Road  
Wanaka  
Ph: 0800 474 082

## Independent Auditors' Report

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

The Auditor-General is the auditor of Otago Regional Council (the Regional Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 27 September 2017. This is the date on which we give our report.

#### **Opinion on the audited information**

In our opinion:

- the financial statements on pages 47 to 104:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2017;
    - the results of the operations and cash flows for the year ended on that date;
  - and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 47, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan;
- the statement of service performance referred to as Significant Activities on pages 11 to 46:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2017, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;



- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 22 to 46, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 22 to 46, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

## **Report on the disclosure requirements**

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 105 to 115, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and Group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

## **Basis for opinion on the audited information**

We carried out our audit 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. We describe our responsibilities under those standards further in the "*Responsibilities of the auditor for the audited information*" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

## **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council and the Group or there is no realistic alternative but to do so.

## **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council's Long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

audit report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 3 to 10 and 116 to 118, but does not include the audited information and the disclosure requirements.



Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* 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