

FINANCE AND CORPORATE COMMITTEE AGENDA

WEDNESDAY 2 MAY 2018

8:30 am, Auditorium,
Toitū Museum, 31 Queens Garden, Dunedin

Membership

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

Disclaimer

Please note that there is an embargo on agenda items until 8:30 am on Monday 30 April 2018. Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

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1. APOLOGIES

2. LEAVE OF ABSENCE

Cr Graeme Bell

3. ATTENDANCE

4. CONFIRMATION OF AGENDA

Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

5. CONFLICT OF INTEREST

Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

6. PUBLIC FORUM

7. PRESENTATIONS

8. CONFIRMATION OF MINUTES

Recommendation

That the minutes of the (public portion of the) meeting held on 21 March 2018 be received and confirmed as a true and accurate record.

Attachments

1. Minutes of the public portion of the Finance and Corporate Committee - 21 March 2018 [8.1.1]

9. ACTIONS

Status report on the resolutions of the Finance and Corporate Committee.

Report No.	Meeting	Resolution	Status
10.2 Passenger Transport Update	21/3/18	<i>That the changes to the Waikari and Helensburgh services outlined in Option 5 are endorsed and implemented as soon as practicable</i>	Under action

Attachments

Nil

10. MATTERS FOR COUNCIL DECISION

10.1. Passenger Transport Update

Prepared for: Finance and Corporate Committee
Activity: Transport – Public Passenger Transport
Prepared by: Julian Phillips, Senior Transport Operations Officer
Gerard Collings, Manager Support Services
Date: 18 April 2018

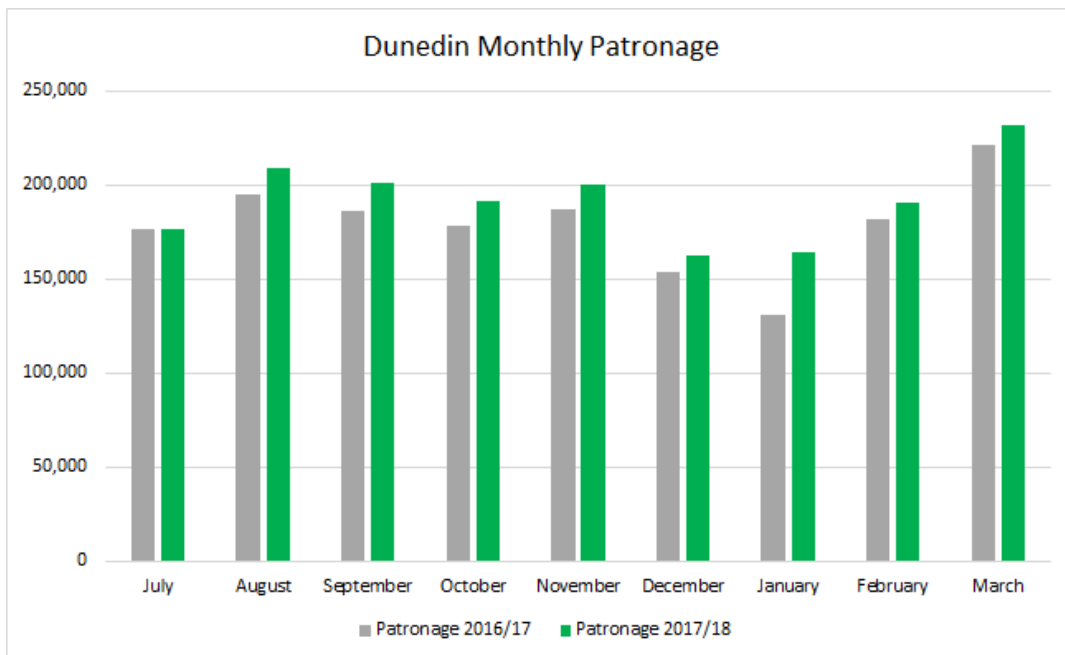
1. Précis

This report informs the Finance and Corporate Committee of patronage on the Dunedin and Wakatipu public transport networks and provides an update on significant public passenger transport activity.

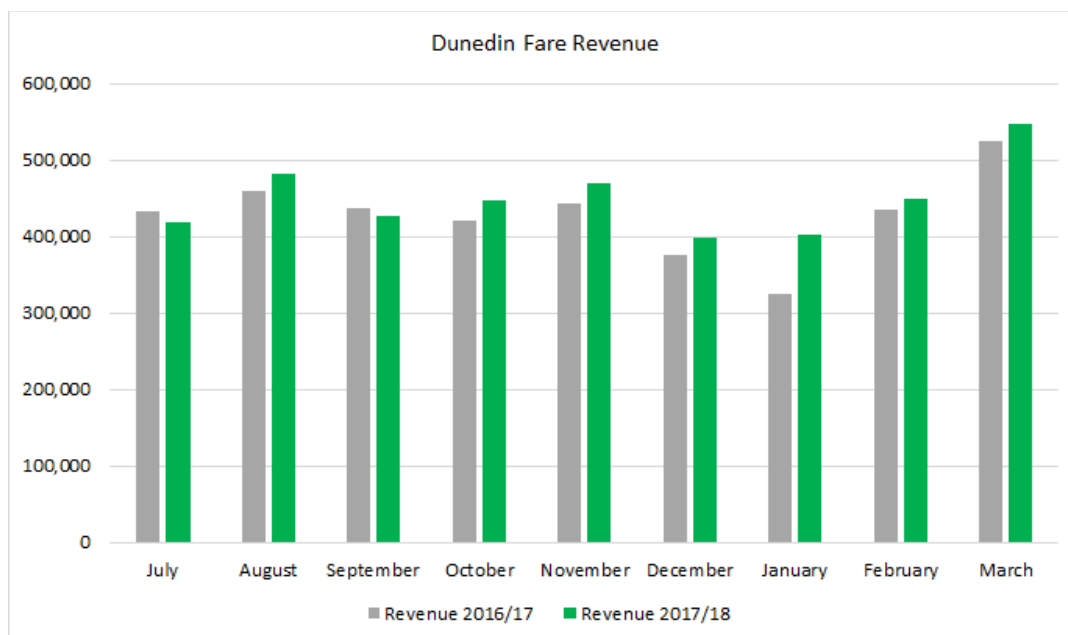
2. Dunedin Public Transport Network - Patronage

March patronage continues to reflect an increase on the corresponding period last year. The growth is reflected in a 7% increase in patronage and a 5% increase in revenue for the period 1 July 2017 to 31 March 2018, over the same period last year.

Graph 1: Dunedin Network Patronage July – March



Graph 2: Dunedin Fare Revenue July – March



3. Easter Weekend Trading Services

ORC transport staff worked with transport operators, Dunedin City Council (DCC), NZTA, Dunedin Venues Management Limited and other key stakeholders, to extend the hours of operation for public transport services during Easter weekend, in support of the Ed Sheeran concerts. The concerts took place 29 March, 31 March and 1 April (Easter Sunday).

One of Council's two contracted operators, Ritchies, was able to extend all of their bus routes (representing approximately 40% of usual public transport services) to 2am for all three nights. This included operating services into the early hours of Good Friday. The other operator, Go Bus, was unable to resource sufficiently to support an extension of their services on this occasion. Staff worked with Ritchies to design two temporary 'Northern' and 'Southern' suburb services, covering the majority of the areas that would usually be serviced by Go Bus. These services also operated until 2am for the three nights. On Easter Sunday, which is usually a day that public transport doesn't operate, Ritchies operated their usual weekend services from 3pm until 2am, as well as running the Northern and Southern suburb services.

In addition to the extended timetable bus services, a direct shuttle service (free of charge for concert ticket holders) between the Octagon and Forsyth Bar Stadium was in operation from 4pm on all three nights, with a return service after the concert from 10:30pm. A train service between Mosgiel and Dunedin was also operated and jointly-chartered by DCC and ORC.

The services were well publicised by all stakeholders via social media and a dedicated 'Ed by Bus' page within the ORC transport website.

Transport staff were invited to a debrief meeting on 6 April at the Stadium, where the feedback received was very positive. It is anticipated that a similar extended service model will be implemented for future significant events at the stadium.

4. Petition North East Valley Stop

Council have received complaints and a petition regarding the stop at 17 North Road, North East Valley. The petition seeks the relocation of the stop to 45 North Road.

At the time of writing this report staff have undertaken an initial review of the issue and consider that a review of its location is merited. It is recommended that the review should be aligned with the reconfiguration of the key stop in Bank Street to service the Pine Hill, Opho and North Road routes.

5. Dunedin City Council Request

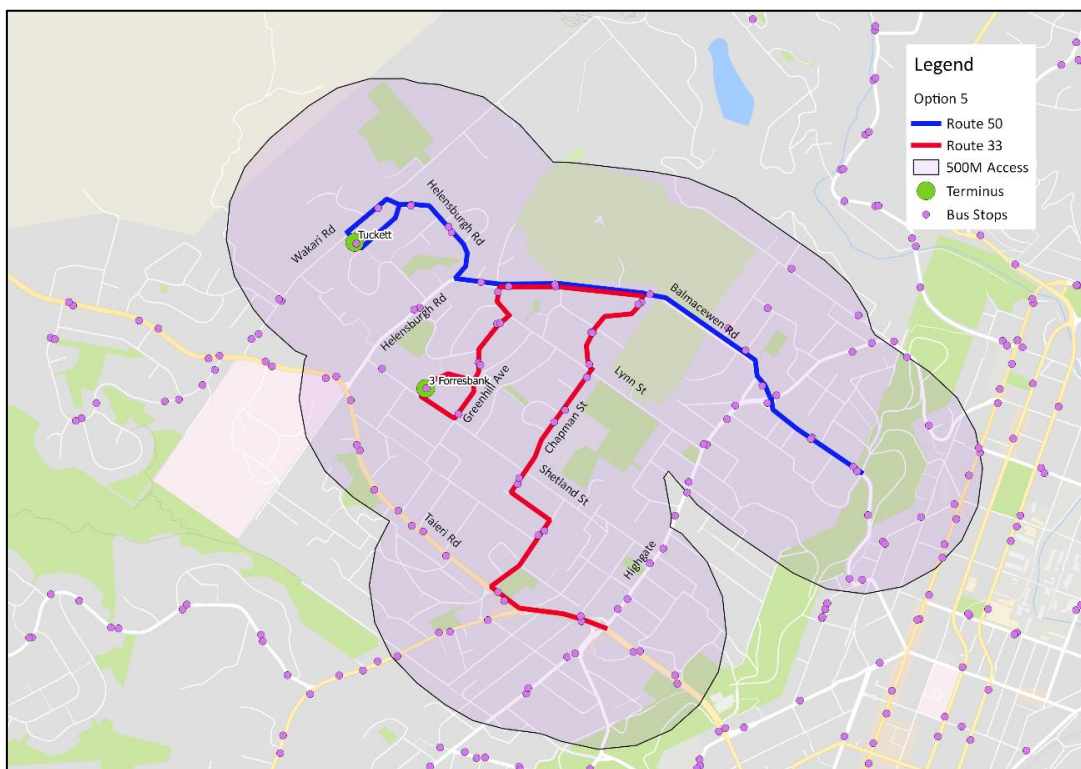
DCC have requested that Council consider a \$2 fare, similar to the Queenstown network. In addition to the fare change, DCC have also requested Council give consideration to a central city orbiter type service.

Staff are in the process of having the feasibility of both options considered by an external consultant. Staff expect to be able to report back to Council's June meeting.

6. Changes to the Wakari and Helensburgh Routes

Staff are currently working through the contractual, and timetable modifications necessary to make the changes to the Wakari and Helensburgh routes.

The revised route is shown below, and the change is planned for implementation in May 2018.



Revised Route 33 and Route 50

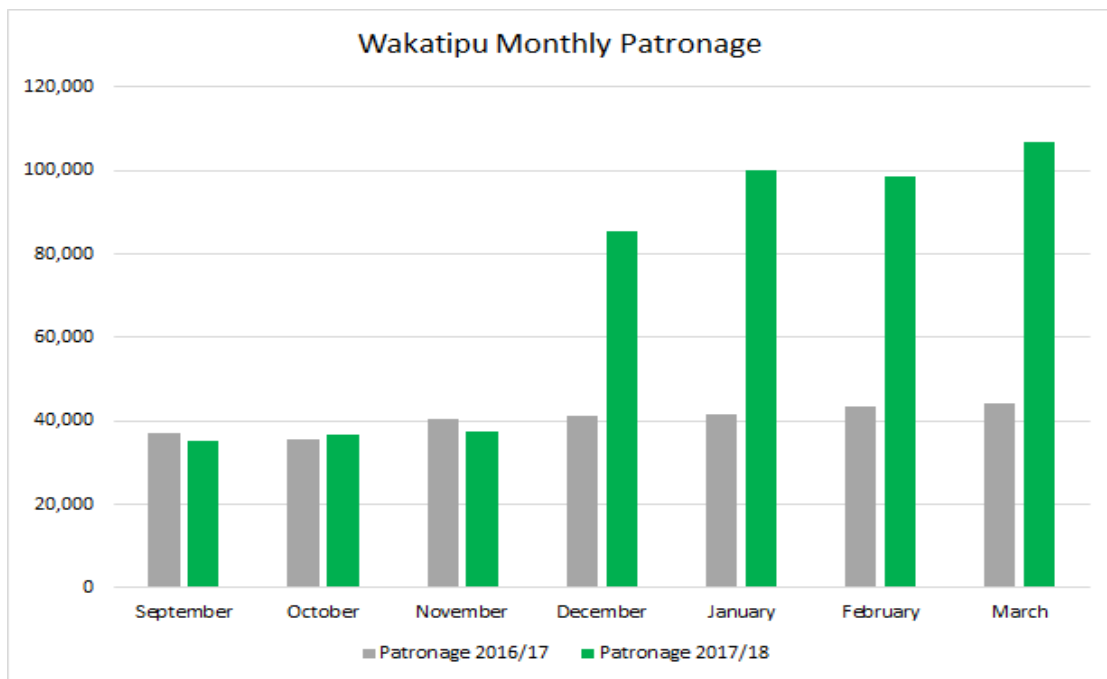
7. Wakatipu Public Transport Network - Patronage

The new Wakatipu Public Transport Network was launched on 20 November 2017. As reported previously, the initial patronage uptake was encouraging with a 107% lift in December 2017 compared to the same month in the previous year. This trend has continued over January, February and March with those months showing patronage increases of 141%, 126% and 141% respectively.

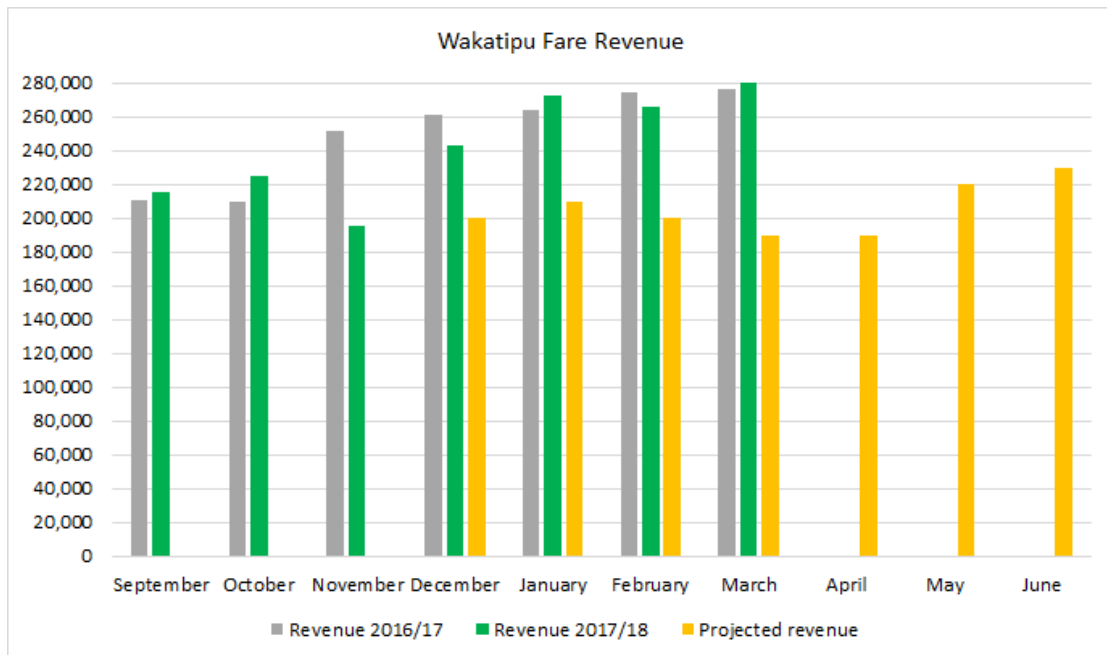
Revenue for the four months (December to March) is 32% ahead of target.

It is important that the strong momentum is maintained therefore. Staff are in the process of reviewing with the operator which of the next service level improvements might be able to be accommodated at this time. It is anticipated that a recommendation on options will be bought back to this Committee at the June meeting.

Graph 3: Wakatipu Network Patronage September – March



Graph 4: Wakatipu Network Fare Revenue September – March



8. Recommendation

- a) That this report be received.

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

1. Petition North East Valley Stop [10.1.1]

10.2. Director's Report

Prepared for: Finance and Corporate Committee
Activity: Governance Report
Prepared by: Nick Donnelly, Director Corporate Services
Date: 19 April 2018

1. Précis

This report informs the Finance and Corporate Committee of significant financial and corporate activity and presents account payments to the Committee for endorsement.

2. Peninsula Bus Service

I attended a meeting with schools regarding the Peninsula bus service. The meeting was attended by the principals (or assistant principals) and board of trustee representatives of Tahuna Normal Intermediate, Kings' High School, Queens' High School and Bayfield High School as well as Cr Woodhead, Cr Kempton, Cr Deaker, Mrs Gardner and myself from ORC.

The agenda covered four key areas:

- An overview of the Regional Passenger Transport Plan and the rationale behind the service changes that have occurred as it is being implemented.
- We explained ORC's intention to review timetables and implement any changes in line with the operational introduction of the bus hub.
- We sort an understanding from the schools around their decision to withdraw their contracted service.
- Communications with the community.

The meeting was productive from ORC's perspective, as it gave us an opportunity to ensure the school representatives were aware of how the public transport system can and should be used effectively and it allowed us to discuss the rationale behind their decision to withdraw the service they contracted for Term 4 of 2017 and Term 1 of 2018.

Some of the key points of that discussion as well as the facts around the peninsula service are summarised below.

2.1. Regional Public Transport Plan (RPTP)

This plan was adopted in 2014 and the route changes that occurred in September 2017 were a key part of it's implementation. The plan aims to simplify the previous confusing route structure, which included numerous route variations, and provides a more direct, frequent and consistent service with an underlying aim of increasing public transport use. This is achieved through routes and frequencies that are stable and simple to remember. Since the changes in September 2017 the service has achieved that aim with patronage up 7% on the corresponding period last year.

It has been stated that the September 2017 changes have decreased services on the Peninsula. This is incorrect as services have been significantly increased.

The table below shows the number of trips and frequency before and after the September 2017 changes.

	Before	After
--	--------	-------

No of trips (daily each way):		
Mon-Thurs	13	20
Fri	13	21
Sat	10	16
Sun	4	13
Total per week	79	130
Frequency	Varied (25 to 90 minutes from Portobello) and inconsistent	Regular 30 to 60 minutes at the same time past the hour or half hour
Variations	Variation at Macandrew Bay/Collinswood Inbound route used Portobello Road and outbound used Midland Street	Same route in both directions for all trips
Earliest: Inbound Outbound	7.00am 7.35am	6.57am 7.38am
Latest: Inbound Outbound	6.45pm 8.15pm, Fri 9.15pm	9.59pm, Fri 10.59pm 10.38pm, Fri 11.38pm
Harrington Point / Harwood	3 inbound, 2 outbound 2 of above inbound had a variation through Harwood and 1 outbound	4 inbound, 4 outbound (5 on Friday) All of these 4 (or 5) service Harwood
Key times for school commuters: Inbound (Portobello) Outbound (City)	7.00, 7.45, 8.10 2.45, 3.45, 16.50	6.57, 7.27, 7.57, 8.27 2.38, 3.38, 4.08, 4.38

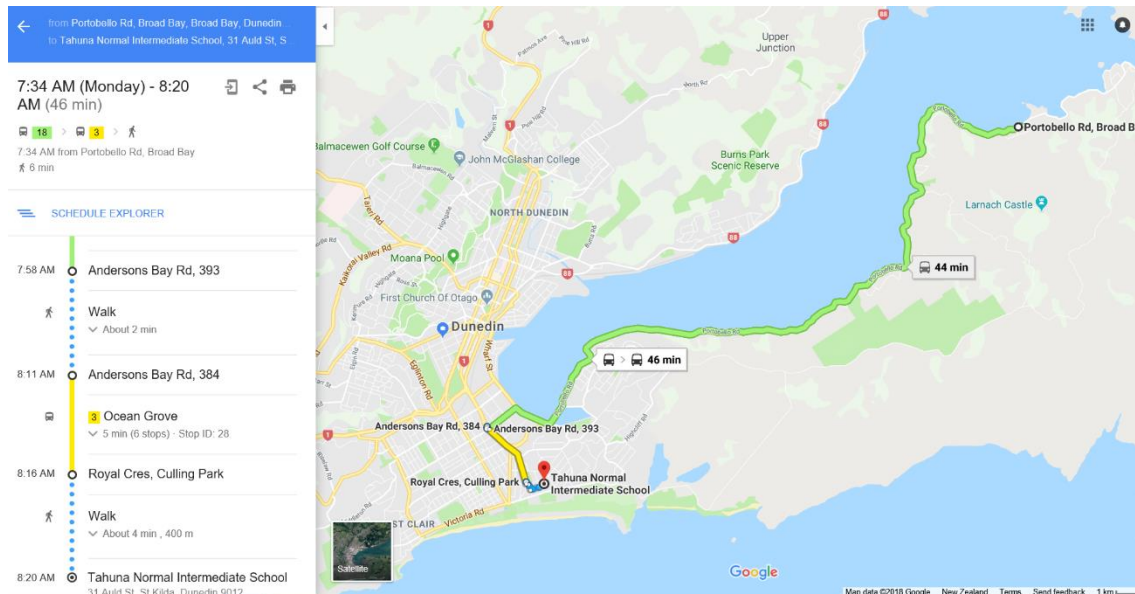
Apart from the changes to the route structure there are other significant initiatives signalled in the RPTP that are underway and these will further enhance the service. They include the bus hub, a new electronic ticketing system that includes tag on / tag off functionality and real time information. All of these will improve the efficiency of the network especially in relation to transfers between routes.

2.2. Transfers

The RPTP operates as an integrated network of routes under a hub and spoke model. In order for this to operate efficiently and to achieve maximum coverage transfers are a fundamental requirement. Under this type of model it is unlikely the majority of journeys will be completed with the use of only one bus or exclude some portion of the journey on foot. It is unrealistic to expect a door to door service from public transport, especially when that service is expected to be heavily subsidised by all ratepayers and NZTA. Door to door services are available in the form of chartered buses, taxi's and private vehicles however as with any service that increases convenience and shortens journey time there will be a corresponding increase in cost if those modes are chosen.

Using transfers, the public transport system currently provides options to get to schools across the city. The screenshot below shows the recommended journey for travel from Broad Bay to Tahuna Intermediate. This option leaves Broad Bay at 7.34am on the no.18 Peninsula service and transfers to the no.3 Ocean Grove service at Andersons Bay

Road. There is a 13 minute transfer wait and a 400m walk after disembarking at Royal Crescent and an arrival time at Tahuna Intermediate of 8.20am. The use of the transfer eliminates the need for a 20 minute walk from Andersons Bay Road, however this option may still be preferred by some as it results in an arrival 2 minutes earlier at 8.18am.



Based on discussion at the meeting, school representatives appear disinterested in the use of transfers, regardless of the fact this would successfully eliminate any requirement for children to walk along Andersons Bay Road and cross other roads they claim are unacceptably dangerous. Under Ministry of Education (MoE) criteria students are not deemed eligible for school transport assistance if public transport is deemed suitable. MoE criteria states that a service that doesn't require a student to change buses more than once on a journey, is deemed suitable.

It is ultimately the responsibility of parents to ensure their children arrive safely at school. Many schools play a part in this via initiatives like walking buses and operating school crossings. It should also be noted that intersections and pedestrian crossings are the responsibility of the applicable roading control authority.

There also appears to be a desire from the community catch the 8.04am bus rather than the 7.34am (as shown in the example above). The journey planner is quite clear this will result in an 8.50am arrival time at Tahuna Intermediate using the transfer to the no.3 and 8.48am walking from Andersons Bay Road.

It is unclear why the 8.04am service is being considered as the journey planner shows the arrival time will be after school has started. There may be an expectation that departure times can be as late as they would be using private transport, or that the bus service should optimise their individual journey so they arrive at the precise time they require. These expectations are unreasonable and unachievable across a network that provides approximately 2.5 million trips per annum. Arriving at 8.20am for a school start time anywhere between 8.30 and 9.00am is acceptable.

It should also be noted schools have different start and finish times which would further complicate scheduling if there is a community expectation that all schools should have services scheduled around their hours of operation. MoE criteria considers public transport suitable if the student won't have to be picked up before 7am and can get to school on time. The public service meets both these criteria.

2.3. Commercial and chartered school services

The RPTP also signalled that contracted school bus services would be withdrawn with the expectation that students would use the public transport network and there would be no need for separate school bus services.

Prior to term 4 in 2017 there was a commercial school service that transported students from the Peninsula to Bayfield, Tahuna, Kings and Queens. It has been stated or implied that this service was provided by ORC. This is incorrect, ORC was not providing dedicated school services on the Peninsula. ORC stepped in and assisted the schools to contract their own service in Term 4 of 2017 (and provided funding to do so) due to the short notice the previous operator provided prior to withdrawing that service. The schools have continued to contract that service at their own cost for Term 1 of 2018 and have now made their own commercial decision to cease doing so.

Based on the discussion at the meeting with school representatives their decision is due to a lack of patronage. They advised the service requires 79 students per day to break even and is not achieving that. Council has not been provided with the exact numbers using the service in term 1 but the numbers for Term 4 2017 were as follows:

- October (11 days) 57.2 per day
- November (22 days) 46.6
- December (11 days) 29.3

The December numbers can largely be ignored as there will be a decrease as high school attendance is impacted by exams but based on the other two months between 46 and 57 trips were taken per day across the inbound and outbound service. The schools have indicated that numbers in Term 1 were of that order and that the numbers are weighted towards the outbound service as a number of students utilise other modes to get to school and mostly use the service to get home.

Given that there is a relatively small shortfall for the schools to underwrite Council was interested to understand the reasoning for dropping the service and why they couldn't wait until after Council has undertaken its signalled timetable review. The schools indicated the numbers would drop significantly in Terms 2 and 3 as students undertook extra curricular activity before and after school thereby making the service even less commercially viable.

This reduces any argument for the variation to the route that has been proposed as it will be only used by a small handful of students. In fact the current public service which offer increased frequency and consistency will be of far more benefit to these students who will now be starting and finishing over longer and more varied times which the public service caters better for.

It has been widely claimed there are 124 Peninsula families, who are impacted and cannot use the public service as it is and that there are significant numbers who will use the service if changes are made. The public service adequately services all four of those schools, if transfers are utilised, and there should be no expectation that the public service will directly replace the single bus to the gate that the contracted service has provided.

If there is an expectation to have the increased level of service that a contracted service provides then there should be a corresponding expectation that the cost will be higher than the public service. It is the parents choice as to which level of service they want and

what they are prepared to pay. Unfortunately the schools have removed the choice of the contracted service as low uptake made it uneconomic. It should be noted that, if 124 students had used the service it would have been oversubscribed and would probably still be offered.

Based on behaviour to date and information from the schools it is considered highly unlikely those who have said they will use an amended public service actually will if those changes are made. Even if the buses were full (80 students per day) for 40 weeks of the year it would amount to less than 1% (0.6%) of the 2.5m trips expected over the year so this request has to be taken in context of the network as a whole.

2.4. Timetable and route review

Council has indicated it will review timetables to see if improvements can be made. This was first signalled in an article published by the ODT on 11 February 2018 as staff are continuously monitoring and reviewing the network based on community feedback.

Any changes that may occur as a result of this review will be implemented as part of the operational introduction of the bus hub. The review needs to consider the network as a whole and not a single route or trip in isolation. There are likely to be other timetable adjustments when the bus hub begins operation so making all changes at the same time is more efficient and minimises confusion for users.

Changing timetables across a network as complex as this is not as simple as has been implied. The flow on effects of any change has to be carefully considered as moving a bus departure to ensure one commuter arrives at their desired time might mean disruption to many others. The demand that the timetables and routes should be changed in a matter of weeks and in time for Term 2 is unrealistic.

A route review is not required as the schools in question are serviced in close proximity by the current routes providing transfers are utilised as intended. There are already two services (Shiel Hill and Waverley) travelling along Musselburgh Rise with the no.18 (Peninsula) and no.3 (Ocean Grove) services covering either side. Prior to September 2017 the outbound Peninsula service used Midland St, so the change is only to the inbound service, which now provides route consistency and ensures the Edgar Centre is serviced in both directions. There have been claims made that there isn't an inbound stop on Midland St, however, this is incorrect as there is a temporary stop in place and a permanent stop will be established in due course.

2.5. Communications with the community

At the meeting with the school representatives, Council had hoped to discuss ways to communicate the usability of the service, particularly the use of transfers, to the school communities. There wasn't a lot of discussion on this as it was apparent that they had little interest in promoting the transfer solution to their students and parents. This is disappointing especially as it is their decision to withdraw their service that has left the public service as the only bus option for their students.

Council has also tried to communicate the transfer option through the Otago Peninsula Board Chair Paul Pope, who has been provided with a detailed explanation of how the system works and advised of how transfers can be utilised to reach a range of schools from the peninsula. This option hasn't been mentioned in their interactions with the media and I am unsure whether they have passed any of the information regarding this solution onto the community as we had hoped they would.

Council will continue to promote the service through it's own communication channels to ensure the community is aware a simple solution to this issue is already available.

3. Account Payments

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

Payment Category	March 2018
Trade payments	5,128,574.49
Payroll	843,561.44
Total	5,972,135.93

4. Recommendation

- a) *That this report is received.*
- b) *That the payments summarised in the table above and detailed in the payments schedule, totalling \$5,972,135.93, be endorsed.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

11. MATTERS FOR NOTING

11.1. Financial Report to 31 March 2018

Prepared for: Finance and Corporate Committee
Activity: Financial report to 31 March 2018
Prepared by: Stuart Lanham, Finance Manager
Date: 24 April 2018

1. Précis

The purpose of this report is to provide a summary of the Council's financial performance compared to budget for the nine months ended 31 March 2018, and a summary of the financial position as at that date.

2. Statement of Comprehensive Revenue and Expenses

The following Statement of Comprehensive Revenue and Expenses shows income from all external revenue sources, and all external operating expenditure for the period of the report.

Otago Regional Council					
Statement of Comprehensive Revenue and Expenses					
for the nine months ended 31 March 2018					
<i>\$000's</i>					
Description	Note	Annual Budget	Year to date 31 March 2018		
			Budget	Actual	Variance
Revenue:					
Rate revenue		20,910	15,682	15,678	(4)
Government subsidies	2.1	11,926	9,107	6,804	(2,303)
Other revenue	2.2	11,449	8,354	7,557	(797)
Dividend from Port Otago Ltd	2.3	9,000	6,750	6,750	-
Interest & investment income	2.4	1,512	1,134	1,409	275
Rental income		1,002	751	790	39
Investment property revaluation gain	2.5	333	-	-	-
		56,132	41,778	38,988	(2,790)
Less expenses:					
Operating expenses	2.6	39,748	29,912	28,002	1,910
Employee benefits expense		15,311	11,483	11,348	135
Depreciation & amortisation		2,014	1,510	1,521	(11)
Finance expenses		2	2	2	-
		57,075	42,907	40,873	2,034
Surplus/(deficit)		(943)	(1,129)	(1,885)	(756)
Income tax benefit		115	86	73	(13)
Surplus/(deficit) after tax		(828)	(1,043)	(1,812)	(769)
Other comprehensive revenue and expense:					
Revaluation gain on POL shares	2.7	10,000	-	-	-
Net Comprehensive Revenue and Expense		9,172	(1,043)	(1,812)	(769)

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

Note 2.1 – Government subsidies

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

Subsidy income from the Public Passenger Transport project is down \$1,449,000 on the budget of \$7,606,000.

The main variance in this activity group is the electronic ticketing system replacement project. The annual budget anticipated the project would be funded from NZ Transport Agency subsidies of \$2,003,000 and drawings on transport reserves. This is a complex project involving a consortium of nine regional councils and the project is running behind the budgeted timeline. Consequently, revenue from government subsidies is down \$1,134,000 on the year to date budget of \$1,502,000.

The Dunedin bus contracts activity also has a lower level of subsidy than budgeted, with a variance of \$179,000 against a budget of \$3,251,000. This is a result of the new services in relation to units 1, 2 and part 3 commencing in September, but being budgeted from the start of the financial year.

The Wilding Pines project has actual income of \$404,000 against the budget of \$1,150,000 resulting in a variance of \$746,000. Funding from Ministry for Primary Industries (MPI) for the full year of \$1,185,000 (GST exclusive) has been received, however the amount of revenue reflected in the Statement of Revenue and Expenditure is only the amount required to match the project expenditure incurred to date, and currently expenditure is running behind the budgeted timeline.

Note 2.2 – Other revenue

The amount of other revenue earned of \$7,557,000 is \$797,000 less than the budgeted amount of \$8,354,000.

The budgeted other revenue income category largely comprises revenue that is directly related to the level of activity undertaken. The majority of the revenue variance is due to a lower level of activity performed within projects than was provided for in the budgets.

The projects contributing significantly to the variance, and being largely due to lower levels of activity, are the resource consents and compliance monitoring projects, with a combined variance of \$677,000 against budgets totaling \$1,767,000, and external pest contracting with a variance of \$250,000 against the budget of \$330,000 due lower demand in that activity.

Note 2.3 – Dividend income from Port Otago Limited

Interim dividends are usually received in February and June followed by a final dividend in September. Dividend income in the above statement is reported on an accrual basis based on the budgeted dividend level set in the Annual Plan.

Note 2.4 – Interest and investment income

This revenue line comprises interest earned on term deposits and bank accounts of \$851,000, and an increase in fair value of the managed fund portfolio of \$558,000.

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

Note 2.5 – Investment property revaluation gain

Investment property is revalued annually, with the next revaluation date being 30 June 2018. Accordingly, the year to date budget and actual amounts reflect nil values.

Note 2.6 – Operating expenses

Operating expenses are \$1.910 million less than the budgeted amount of \$29.912 million. This is largely the result of external project expenditure being less than budgeted. This variance will form part of the activity expenditure variances reported further on in section 4 of this report.

Note 2.7 – Revaluation gain on Port Otago Ltd shares

The annual budget makes provision for an increase in the valuation of the Council's 100% shareholding in Port Otago Limited. The shares are valued annually, with the next revaluation date being 30 June 2018. Accordingly, the year to date budget and actual amounts reflect nil values.

3. Statement of Financial Position

A Statement of Financial Position follows, and shows the Council's financial position at 31 March 2018, along with budgeted amounts for the financial position at 30 June 2018, and comparative amounts as at 30 June 2017.

**Otago Regional Council
Statement of Financial Position
as at 31 March 2018**

		\$000's		
Description	Note	Budget 30 June 2018	Actual 31 March 2018	Actual 30 June 2017
Current assets				
Other financial assets	3.1	41,198	48,660	54,057
Cash and cash equivalents	3.1	3,765	3,959	4,433
Trade and other receivables	3.2	3,286	5,442	3,568
Dividends receivable	3.3	-	2,750	-
Property held for sale		1,284	214	1,093
Other current assets		207	279	261
		49,740	61,304	63,412
Non-current assets				
Shares in Port Otago Ltd	3.4	438,239	439,037	439,037
Property plant and equipment		93,922	88,990	86,313
Investment property	3.5	11,431	10,825	10,825
Intangible assets		3,357	2,413	2,066
Deferred tax asset		98	71	98
		547,047	541,336	538,339
Total assets		596,787	602,640	601,751
Liabilities – all current				
Revenue in advance	3.6	-	6,170	-
Trade and other payables		4,134	3,792	7,159
Employee entitlements		1,483	1,588	1,665
		5,617	11,550	8,824
Net assets		591,170	591,090	592,927
Public equity and revaluation reserves				
Public equity		133,746	130,234	133,549
Available-for-sale revaluation reserve	3.4	418,239	419,037	419,037
Asset revaluation reserve	3.5	9,370	8,764	8,764
		561,355	558,035	561,350
Other reserves				
Building reserve		13,770	13,955	13,614
Kuriwao endowment reserve		6,339	6,416	6,361
Asset replacement reserve		4,560	6,845	5,820
Emergency response reserve		4,168	4,146	4,033
Water management reserve		736	1,148	1,427
Environmental enhancement reserve		242	545	322
		29,815	33,055	31,577
Total equity and reserves		591,170	591,090	592,927

Note 3.1 – Other financial assets and cash and cash equivalents

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

Note 3.2 – Trade and other receivables

The receivables amount at 31 March of \$5.442 million, includes rate receivables of \$1.238 million, and the accrual of \$1.744 million in transport subsidies from NZ Transport Agency.

Note 3.3 – Dividends receivable

The dividend receivable amount to 31 March 2018 reflects the accrual of expected dividends from Port Otago Limited for the nine-month period to that date, less the final dividend for the 2016/17 year received in September 2017.

Note 3.4 – Shares in Port Otago Ltd and available-for-sale revaluation reserve

The shares in Port Otago Ltd are revalued annually and are included at the 30 June 2017 valuation date. The available-for-sale revaluation reserve reflects the revaluation amount of the shares as at that date.

Note 3.5 – Investment property and asset revaluation reserve

Investment property is revalued annually and is included at the 30 June 2017 valuation. The asset revaluation reserve reflects the revaluation amount of the investment property at 30 June 2017.

Note 3.6 – Revenue in advance

Rate revenue is allocated evenly over the twelve-month period to 30 June 2018. The revenue in advance amount includes \$5.231 million being the portion of rate revenue invoiced in August 2017, that will be released to the statement of revenue and expenses over the remaining months of the financial year.

4. Activity Expenditure

The following Statement of Activity Expenditure includes capital and internal expenditure and summarises expenditure for the seven months ended 31 March 2018.

The notes to the Statement identify and provide brief comment on projects that have contributed significantly to the major overall activity variances.

**Otago Regional Council
Statement of Activity Expenditure
for the seven months ended 31 March 2018**

Activities	Note	\$000's			
		Annual Budget	Year to date 31 March 2018		
		Budget	Actual	Variance	
Environment					
Air		423	291	344	(53)
Environmental Incident Response		1,412	1,055	1,218	(163)
Land Rivers and Waterway Management	4.1	4,113	3,298	2,222	1,076
Water	4.2	1,889	1,557	1,178	379
		9,848	7,427	6,078	1,349
		17,685	13,628	11,040	2,588
Community					
Democracy		1,570	1,177	1,132	45
Public Information and Awareness		2,012	1,505	1,473	32
Financial Contributions		350	262	262	-
Land Air Water Aotearoa		427	321	383	(62)
Dunedin Head Office Replacement	4.3	665	500	38	462
Regional Economic Development		0	-	9	(9)
		5,024	3,765	3,297	468
Regulatory					
Policy Development		191	144	492	(348)
Consents		1,798	1,335	1,014	321
Compliance		1,289	960	781	179
Harbour Management		406	308	619	(311)
		3,684	2,747	2,906	(159)
Flood Protection & Control Works					
Leith Scheme	4.4	2,993	1,922	3,257	(1,335)
Taieri Schemes	4.5	2,014	1,537	2,250	(713)
Clutha Schemes		1,977	1,505	1,154	351
Other projects		398	316	220	96
		7,382	5,280	6,881	(1,601)
Safety and Hazards					
Emergency Management		2,412	1,802	1,963	(161)
Natural Hazards		1,329	1,001	1,206	(205)
		3,741	2,803	3,169	(366)
Transport					
Regional Land Transport Planning		318	238	233	5
Public Passenger Transport	4.6	24,357	17,895	16,373	1,522
Stock Truck Effluent Disposal Sites		508	292	109	183
		25,183	18,425	16,715	1,710
Total		62,699	46,648	44,008	2,640

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

Note 4.1 – Land

The most significant variance in the Land projects is the Wilding Pines project which is under-spent by \$700,000 against the budget of \$1,345,000. MPI funding for the project has been approved and received - further expenditure will occur as monitoring and control work proceeds and the budget is expected to fully expended by year end.

The other two significant variances are in the pest contracting and pest management strategy compliance monitoring activities which are under-spent by \$166,000 and \$205,000 respectively.

The pest contract work is underspent due to less rabbit contracts being undertaken. Pest management strategy compliance monitoring under-expenditure is largely attributable to staff vacancies earlier in the year which impacted the animal and rabbit work component of the project. This underspend will reduce as work is increased due to the release of the K5 virus

Note 4.2 – Water

Water related projects with expenditure of \$6,078,000 are \$1,349,000 under-expended against the budget of \$7,427,000.

The rural water quality implementation activity is under-expended by \$930,000 against the budget of \$2,277,000, with the two most significant areas of under-expenditure noted below.

Delays on delivery of the Good Water Project with a change in approach with developing a pilot for the onsite assessments and getting this delivered by an external consultant mean that this element of the project is behind budget. That work is progressing with desktop assessments in progress and the Shag River pilot project underway. Dairy farm inspections were deferred following the July 2017 flood event and the Mycoplasma Bovis outbreak.

The Regional Plan: Water project is under-expended by \$500,000, against the budget of \$838,000. Commencement of some plan changes has been reliant on the adoption of the Urban Water Quality Strategy which was delayed but is now progressing. Additionally, a timing variance with the science-related work, the majority of which is yet to be incurred, will reduce following the commencement of external contracts which have now been awarded.

The coastal strategy project is under-expended by \$366,000 against a budget of \$455,000. The priority of this activity has been reconsidered as part of the 2018-28 Long Term Plan and it is now proposed that preparation of the coastal strategy will be undertaken in later years.

The minimum flows project is over-expended by \$444,000 against the budget of \$1,548,000. This is due to an acceleration of work on the project over the timing reflected in the budget, and additional unbudgeted costs to ensure sufficient hydrological information is available.

Note 4.3 - Dunedin Head Office Replacement

The annual budgeted expenditure of \$665,000 was forecast to be incurred evenly throughout the year, with a year-to-date budget of \$500,000. The acquisition process for the Council's preferred site in Dowling Street has not proceeded in the timeframe

envisaged in the budget, and accordingly costs incurred to date have only amounted to \$38,000.

Note 4.4 – Leith Scheme

The Leith Scheme is over-expended by \$1,335,000 against the budget of \$1,922,000.

Expenditure of \$2,427,000 has been incurred on the ITS Bend section of the scheme, however the budget for all the ITS Bend work was included in the previous year's budget. In 2016/17 the budget was under-expended by \$2,622,000.

The Dundas Street Bridge section of the scheme is under-expended by \$1,264,000 against the budget of \$1,554,000. Construction work on this section of the scheme has been deferred until the following financial year.

Note 4.5 – Taieri Schemes

The West Taieri scheme is over-expended by \$416,000 against the budget of \$650,000 and the Lower Taieri scheme is over-expended by \$290,000 against the budget of \$378,000.

The main cause for the additional expenditure in the schemes is the unbudgeted costs incurred in responding to the significant flood event in late July 2017 and subsequent remediation work.

Repair costs were incurred in relation to the Mill Creek and Ascog pump stations, as well as additional portable pumping being deployed. The nature of flood events of this magnitude is that there is no budgetary provision for the costs of responding to such events. The costs are allocated to the appropriate scheme reserve and will be recovered over time.

Note 4.6 – Public Passenger Transport

The Public Passenger Transport project is under-expended by \$1,522,000 against the budget of \$17,895,000.

The most significant area of under-expenditure is in the cost of bus services, with Dunedin services costing \$805,000 less than the budgeted amount of \$9,375,000 and Wakatipu services costing \$731,000 less than the budgeted amount of \$2,700,000.

Bus services improvements were implemented in Dunedin in September 2017 and Wakatipu services commenced in November 2017. These were budgeted to occur in July and October respectively and the later commencement dates have resulted in the under-expenditure referred to above.

5. Recommendation

- a) *That this report is received.*

Endorsed by: Nick Donnelly
Director Corporate Services

Attachments

Nil

12. NOTICES OF MOTION

13. RESOLUTION TO EXCLUDE THE PUBLIC

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

Adoption of the minutes of the public excluded portion of the Finance and Corporate Committee meeting held on 21 March 2018

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Confirmation of the minutes of the public excluded portion of the Finance & Corporate meeting held on 21 March 2018.	enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). <i>Section 7 (2)(i)</i>	Section 48(1)(a); Section 7 2 (i) and 7 2 (h)
	to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities. <i>Section 7 (2) (h)</i>	

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

Adoption of the minutes of the public excluded portion of the Finance & Corporate meeting held on 21 March 2018.

14. CLOSURE