



ANNUAL REPORT

1 JULY 2018 - 30 JUNE 2019

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ISBN 978-0-908324-56-9
Published Oct 2019

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Purpose, Vision and Priorities

The Council adopted the following purpose, vision, strategic priorities and roles in its Long-Term Plan 2018-28 and this applied to activity undertaken in the 2018-19 financial year.

<p>Our purpose What we do and who we do it for</p>	<p>Caring for Otago’s environment: enabling communities to thrive</p>
<p>Our vision What we aspire to achieve</p>	<p>For our Future – a sustainable and prosperous future for Otago</p>

Strategic priorities: -

Environment	Community	Future Focus	Operational Efficiency
Maintain and enhance the natural environment	<p>Resilient communities; engaged and connected to the Otago Regional Council</p> <p>Otago Regional Council is accountable and responsible to the communities it serves</p>	<p>Readiness for change; anticipate change, don’t just react to the detrimental effects</p> <p>Proactive approach; future focused with Otago Regional Council being seen as a thought leader</p> <p>Risk focused; offer solutions through our education process, not just information</p>	<p>Internal systems and processes; efficient and fit for purpose</p> <p>Capable people; able to deliver the changing nature of the work of Otago Regional Council</p>

Roles:

Funder	Making a financial investment in programmes and activities
Service provider	Carrying out programmes and activities using its own resources
Regulator	Developing and enforcing rules and regulations
Monitor	Gathering information
Advocator	Trying to persuade others to act
Facilitator	Bringing various parties together to carry out a programme or activity
Educator	Providing information and advice



Cr Stephen Woodhead
Chairperson

Overview from the Chairman and Chief Executive



Sarah Gardner
Chief Executive

It is with pleasure that we bring you the Otago Regional Council (ORC) Annual Report for the year ended 30 June 2019. It highlights the key activities and significant events during that period.

The context for this year is important, because we have altered priorities and work programmes in some areas throughout the year. This means we did a few things differently than anticipated at the time of adopting the Long-term Plan (LTP) for 2018-28. The result was that some work has been accelerated and some put on a slower track.

Change and transition have been a theme at ORC as a result of Sarah's initial assessment of the organisation and stocktake of ORC's compliance or progress with different work programmes. This work identified that some obligations had not been met and adjustments to the work programme were required. This was most acute in the delivery of Resource Management Act 1991 (RMA) compliant policy, and also in the approach being taken to replace deemed water permits to bring them into the RMA framework.

A significant development was a change in ORC's position on its compliance with the National Policy Statement for Freshwater. Until mid-2018, Council had considered that its Regional Water Plan complied with the National Policy Statement for Freshwater Management. That is why the LTP was focused around plan changes in subject areas, such as urban stormwater, because the work programme was arranged using an all-of-Otago approach by topic.

The true position was that the Water Plan does not comply with the National Policy Statement for Freshwater, as at 2018. This meant a full Water Plan review needed to commence, and ORC needed to drive towards compliance with the National Policy Statement by having an operative Water Plan by 2025.

The key difference this made to the work programme is that the region-wide approach to plan changes by topic was no longer appropriate, as water quality and quantity must be managed through the national framework in Freshwater Management Units (FMUs - similar to catchments). Specific policy, including limits on water quality and quantity, need to be developed through community value and objective setting for each FMU. Importantly with this new understanding, ORC submitted to the Ministry for the Environment, within timeframe expectations, a new progressive implementation programme that sets out the work programme for achieving compliance with the National Policy Statement by 2025.

While making adjustments to the work programme to deliver on the National Policy Statement obligations, ORC was also fast approaching the 2021 expiry of deemed permits across the region. While hundreds of permits have been through consenting processes to bring them into alignment with the RMA, the more challenging catchments, where water is either allocated up to or beyond what present-day science suggests is appropriate, are yet to have deemed permits considered for replacement.

A fast-track approach to achieving replacement by 2021 was proposed to Council for the Manuherehia, Cardrona and Arrow catchments in 2018, which would have met some but not all National Policy Statement obligations, with time to revisit those not met before 2025. While initially there was informal agreement with Council to pursue the development of only a minimum flow in those catchments, Council later resolved to undertake the full suite of considerations required under the National Policy Statement for Freshwater as plan changes that would form part of the full Water Plan review. This includes the consideration of allocation,

objective and limit setting, and water quality management. Subsequently, a substantial repositioning of the work programme and reallocation of resources to have any possibility of meeting the 2021 deadline was required.

These efforts were highlighted and critically important when the Hon. David Parker, the Minister for the Environment, appointed Peter Skelton to investigate if ORC is meeting its obligations under the Resource Management Act, with a particular focus on freshwater and deemed permits. Peter Skelton will report to the Minister on ORC's progress by 1 October 2019.

This new direction meant that ORC needed to programme new and different work to some of that planned in the LTP. For example, over the summer months we carried out a new and previously-unprogrammed project in the Manuherekiā. This involved gathering data to help ORC understand the river flow and water quality better, so we can set appropriate water quality and quantity limits that provide for ecological and human health, and other values that the community is working with ORC to determine.

As part of this work, ORC monitored 23 sites for flow and/or temperature from above Falls Dam through to Alexandra, and fish habitat modelling was carried out in the lower reaches of the river. The project also involved concurrent gauging on the Manuherekiā mainstem and on the Dunstan, Thomsons, Lauder and Chatto creeks. ORC monitored sites from the upper reaches of the tributaries (the river's branches) to the convergence of the Manuherekiā. This will help ORC and stakeholders understand the gains and losses from the river and its tributaries as a result of water taken from the river systems and other influences such as rainfall.

Data like that collected over the summer will be used to populate the hydrological model that ORC has commissioned to assist in testing flow scenarios for the Manuherekiā River. Those scenarios will assist decision making on where to set minimum flows and other limits on water abstraction and water quality. This work will inform a plan change to the Water Plan, which is scheduled to be notified by the end of 2019.

Even as ORC's scientists responded to a changed work programme, some work continued as originally intended, such as increasing our water monitoring sites across Otago from 70 to over 100. As part of this work, we have installed one water quality monitoring buoy in Lake Hayes. This enables us to collect continuous data on lake conditions, which will inform our current work investigating remediation options for Lake Hayes. We plan to install two additional buoys in Lakes Wakatipu and Wanaka as soon as we receive them from the manufacturer. Importantly, over half our monitoring sites produced results that show water quality of a "good" or "excellent" standard.

These new monitoring sites mean we will have new data sets and more comprehensive pictures of water quality trends across our region, which will inform policy setting that includes our Water Plan review. We also continued work programmes, including that planned in the urban water quality area, even though how we use the outcomes may now be different based on the Freshwater Management Unit framework. That work involved key stakeholders meeting in workshops to further progress the discussion about this issue and its challenges.

Our climate change work occurs across the business, in particular around understanding its effects on natural hazards and the performance of the ORC flood protection and drainage schemes. This past year we also commenced work to grow our knowledge and understanding of the risks and opportunities associated with climate change in Otago. This work is focused on understanding the physical, economic and social vulnerabilities to climate change so that we can provide information to assist with adapting to it and preparing for it. This work continues in the 2019-20 financial year.

ORC's flood protection and drainage schemes were put to the test in November 2018 with flooding in the Taieri and Clutha as well as other catchments, and involved an immediate response as well as urgent work that followed soon after. This flooding came on the back of a serious event in July 2017 and confirmed the

importance of ORC's investigatory and planning work that informs future service level discussions – particularly with climate change adaptation in mind. When these situations occur we often find our flood recovery work overtakes our planned work programme and some of that did occur after our November flood.

Otago's Regional Pest Management Plan development involved work that was unbudgeted for, but necessary to undertake in order to meet our statutory obligations of updating the out-of-date plan. The Regional Pest Management Plan outlines management options for pest plants and animals throughout Otago to ensure healthy biodiversity so our ecosystems can thrive. The plan process was not completed this year but is anticipated to be complete by October 2019.

Dunedin's new bus hub was officially opened in March 2019, as a key step in our Regional Public Transport Plan to improve public transport in the city with a more connected journey for passengers. Orbus patronage in Dunedin grew by 8% in the 2018-19 financial year, more than double our growth target, and patronage in Queenstown grew 64% compared with the previous year, when the Queenstown Orbus service was launched.

The Otago Civil Defence and Emergency Management Group's programme to develop community response plans preparing people for potential natural and manmade disasters was accelerated, with plans now in place for 28 communities. This work supports individuals and communities to be ready to cope with the impacts of emergencies.

Council approval of the Air Quality Strategy meant we were able to focus efforts in this area. ORC launched a campaign to educate the community on best practice burning to help combat air pollution. The campaign focussed on Arrowtown with a view to extend to other Air Zone 1 areas in the future. During this campaign, a secondary message was targeted to households in Air Zone 1 and Milton that qualify for the Clean Heat Clean Air subsidy, to swap outdated burners for ultra-low emission heating appliances.

At a governance level, we moved into our new council chambers in Dunedin at the start of September and have benefitted from the efficiencies the new technology has provided. Some ORC staff are also housed in this location, as we continue to investigate the option for a new building to cater for all staff after outgrowing our Stafford Street building.

ORC covers a broad range of activity and some key work not mentioned above that stood out during 2018-19 included:

- The Otago Navigational Safety Bylaw 2019-2029 was completed, and the commissioning of the Harbourmaster vessel has enabled the Harbourmaster to give effect to this bylaw.
- Pollution response numbers reached a record number this financial year, with 2,053 incidents recorded; we expect to see this trend continuing as our community is better informed on environmental issues and populations continue to increase.

Acknowledgements

The Councillors and ORC staff thank the territorial authorities, other institutions, urban and rural industries, Ngāi Tahu and the communities of Otago for working constructively to ensure the best possible outcomes for our region and its people. We look forward to achieving great results as we progress through the Long-term Plan 2018-28.



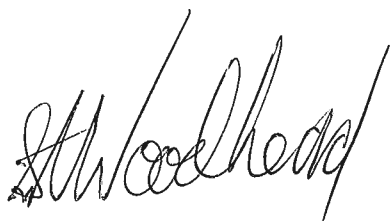
Stephen Woodhead
Chairperson



Sarah Gardner
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



Sarah Gardner
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 Limited¹ 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.

The acknowledged practice of Te Rūnanga o Ngāi Tahu is 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 Resource Management Act 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 when developing, reviewing and implementing Council’s regulatory plans, policies and strategies under the Local Government Act, Resource Management Act 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 Aukaha.

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.

¹ Now known as Aukaha

Service Statements by Significant Activity

This section reports the Council’s performance against service measures adopted in the Long-Term Plan 2018-28. Performance is reported under groups of significant activity. Funding impact statements that identify the costs and funding associated with each significant activity are also included.

Expenditure

Operating expenditure includes costs directly attributable to an activity such as payments to staff and suppliers, 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 based on 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.
- Civil Defence and Emergency Management.

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

The following table provides a key for understanding the reporting of performance against the significant activities.

	Target has been achieved.
	Target is in progress, or partially achieved.
	Target has not been achieved.
	Target start time deferred to a later date.

Policy and Planning

Regional plans and policies

Level of service	Measure & Target	Result
Establish and maintain a robust, integrated and consistent environmental planning framework	1. Comply with Resource Management Act legislative planning requirements <i>Target: Achieved</i>	
	2. Complete preparation of plan reviews and changes of resource management policies, plans and strategies in accordance with Council's publicised work programme <i>Target: Achieved</i>	

Comment on targets

- For the most part of the year the Regional Policy Statement (RPS) was progressing through the Environment Court process as planned and several parts of the RPS were approved by the Court and made operative by Council. As the last appeals were being progressed an interim judgement of the Court unexpectedly declared the RPS as a whole was not giving effect to the purpose and principles of the Resource Management Act. This effectively calls the legitimacy of the RPS into account, and as a result the ORC has appealed the judgement on a point of law to the High Court.

To further complicate the RPS process the government released planning standards during the year which now require the RPS to be redone to comply with them by 2023.





- A partially achieved result has been reported and reflects, on one hand the disruption and delay that occurred due to a change in Council's approach to freshwater regional planning, and on the other hand the progress made to agree and begin implementation of the new approach.

Until mid-2018 ORC's position was that only minor changes to the Regional Plan: Water would be required to fully give effect to the National Policy Statement Fresh Water Management (NPSFM). On that basis, the existing work programme of individual (river) plan changes continued from 2017/18. After more detailed consideration, it was determined that more substantial changes would be required to give effect to the NPSFM. The new work plan, called the 'Progressive Implementation Programme' (PIP) was adopted in October 2018. Work achieved under the PIP included the adoption of Freshwater Management Units (FMUs) in April 2019 and work to understand and inform prioritisation of FMU's. In addition, work in the Manuherekia, Arrow and Cardrona catchments while delayed for the fresh water planning programme revision, gained momentum towards the end of this financial year.

In 2018/19 the intention was to start Plan Change 3E: Lowburn; 5B Bengier Burn & Etrick Aquifer; 5F Clutha Mata-au and continue with Plan Changes 5C (Manuherekia), 5D (Cardrona) and 5E (Arrow). Plan Change's 5C, D and E all continued, but changes 3E, 5B and 5F were not commenced due to the change to an FMU approach. The Lindis Plan Change hearing recommenced in late January and February 2019.

Impact of results on community outcomes	
Regional Plans	This activity has an eye on the longer term and ensuring the community is empowered to be the champions and be custodians of their Otago environment. A strong economy is an important component of determining what is acceptable and sustainable.
Comment	This community outcome has a long-term focus. The results achieved this year do not impact the outcomes being achieved over the long-term but reflect a change in direction is now required and a delay in achieving the outcome will now occur.

Strategies and plans

Level of service	Measure & Target	Result
Establish controls over animal and plant pests in the Otago Region to maintain and enhance biodiversity and to protect productive capacity and community health	1. The Regional Pest Management Plan is appropriately developed and implemented <i>Target: Prepared</i>	
	2. Reducing trend in the pest plant and animal species across the Otago Region <i>Target: Operational Pest Plan implemented from 2019-20</i>	
With Environment Southland, prepare and implement robust integrated strategy, business case and programme for transport investment across the Otago and Southland Regions	3. Comply with the legislative requirements of the Land Transport Management Act and the requirements of the NZ Transport Agency <i>Target: Achieved</i>	
	4. To collaborate with Environment Southland and other South Island local authorities to establish and deliver on pan-regional priorities for transport investment <i>Target: Achieved</i>	

Comment on targets

1. The Council's intention was to have a new Regional Pest Management Plan (RPMP) adopted during 2018/19. The planning and decision-making process has taken longer than anticipated with adoption now expected mid 2019/20 financial year.
2. This target is planned to be delivered in late 2019/20 following adoption of the RPMP.

As general comment the Council has continued to achieve steady and ongoing progress across most priority areas under the old/existing RPMP. Over the financial year 4401 pest plant inspections were completed of which 73% recorded compliance. Major non-compliance represented 4% of inspections. Reporting on animal pests is provided in the 'Environment' section. A partially achieved result is reported which reflects the quality of the measure and target and the need to improve the basis of measurement.

- 3-4. Core legislative requirements were delivered on target however a partial result is reported for Transport Planning activity which reflects that while core legislative requirements were met and collaboration occurred to an acceptable level, the work programme lacked the robust and additional input of a senior land transport planner. This role was vacant during 2018/19 with an appointment made in the latter stages of the year.

Impact of results on community outcomes	
Strategies and Plans	This activity has an eye on the longer term and ensuring the community is empowered to be the champions and be custodians of their Otago environment. A strong economy is an important component of determining what is acceptable and sustainable.
Comment	This community outcome has a long-term focus. The results achieved this year do not impact the outcomes being achieved over the long-term but reflect a change in direction is now required and a delay in achieving the outcome will now occur.

Funding Impact Statement – Policy and Planning



Funding Impact Statement for the year ended 30 June 2019.

	Actual 2018/19 \$000	Long Term Plan 2018/19 \$000	Actual 2017/18 \$000	Long Term Plan 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charge and rate penalties	1,911	1,902	-	-
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies and grants for operating purpose	29	175	-	-
Fees, charges and targeted rates for water supply	-	-	-	-
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	2,089	2,077	-	-
Total operating funding (A)	4,029	4,154	-	-
Applications of operating funding				
Payments to staff and suppliers	2,781	826	-	-
Finance costs	-	-	-	-
Internal charges and overheads applied	1,454	3,328	-	-
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	4,235	4,154	-	-
Surplus (deficit) of operating funding (A-B)	(206)	-	-	-
Sources of capital funding				
Subsidies and 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	-	-	-	-
Total sources of capital funding (C)	-	-	-	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(206)	-	-	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	(206)	-	-	-
Surplus (deficit) of capital funding (C-D)	206	-	-	-
Funding balance ((A-B) + (C-D))	-	-	-	-

The accompanying notes form part of these financial statements.

Environment

Water

Level of service	Measure & Target	Result
Water quality across Otago is maintained and improved	1. Assessments are carried out to determine that water quality meeting the limits set out in the Regional Plan: Water continue to meet those limits, and that water quality previously not meeting the limits is improving <i>Target: Achieved</i>	
	2. Increase the number of catchments included in catchment monitoring programmes by five catchments every two years. <i>Target: Achieved</i>	

Comment on targets

- While the planned data collection work for SOE monitoring and reporting water quality was completed to programme, other aspects of science work needed to support regional planning and implementation around the assessment of the data was not carried out. Staff capacity was a contributing issue with the science team operating below budgeted FTE over 2018/19. Importantly the science team started planning work to address capacity issues and align with the science requirements under the new freshwater framework.
- This target will be reported against at 30 June 2020. As background the direction under the new fresh water planning framework, discussed above under 'Regional Plans and Policies' will provide clarity on developing and implementing catchment monitoring.

Background information

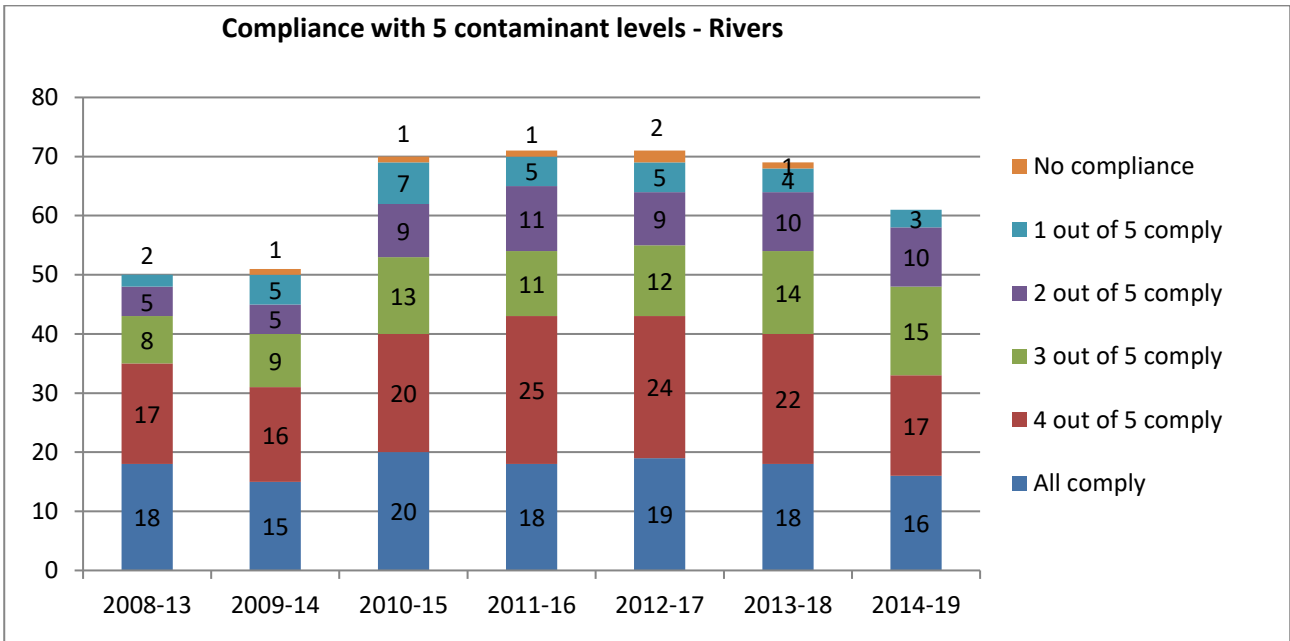
Fresh water implementation relates to Council activity that helps give effect to the regional water plan. For example, this includes work with rural and urban communities to influence practice and actions that impact water quality and availability.

During 2018/19 implementation activity to influence 'on the ground' behaviours and practice associated to maintaining or improving fresh water quality, such as the Good Water Project' was ongoing. Importantly the new fresh water planning framework will positively impact on future implementation activity. For example, an immediate component that Council began working on is improving 'Plan Change 6A' relating to the rules regarding freshwater. This work will underpin future implementation activity, providing greater clarity and support to the community about what's required, and clarity to Council's regulatory function.





The graph below supplements the measures above by showing the trend in river quality across monitored river sites. The number of sites varies across the periods reflecting their operational status – for example flood damage in 2018.

Note that for the Lakes, the Council significantly improved its analysis approach in 2016. At this early stage trend analysis cannot be reported as per rivers, but in the near future it will be. As it stands the science strongly suggests that the trend in water quality for the 'Lakes' is static, with some uncertainty on turbidity.

Impact of results on community outcomes	
Water	<p>A place where people can enjoy their environment safely, productively and respectfully</p> <p>A region that is prepared for future environmental challenges and that retains the characteristics that make Otago a great place for everyone</p>
Comment	These outcomes are generally achieved over the long-term and the results reflect short-term resourcing and capacity issues that will be addressed without impact on the long-term outcomes.



Air

Level of service	Measure & Target	Result
Ambient air quality (PM ₁₀) in targeted towns.	1. Monitor air quality to assess compliance with the National Environmental Standard requirement of no more than one daily average reading of PM ₁₀ per annum to be higher than 50 micrograms per cubic metre <i>Target: Assessment completed</i>	
Financial contributions	2. Administer the clean heat, clean air fund for Air Zone 1 and Milton <i>Target: Achieved</i>	
Investigations and research	3. Implement priority Year 1-3 projects to achieve goals under the Air Strategy <i>Target: Outcomes and issues for outdoor burning around urban areas are identified</i>	
Local air quality programmes	4. Develop local air quality programmes and implement <i>Target: Completed by 30 June 2021</i>	

Comment on targets

1. The graph below provides a summary of the assessment of compliance with the National Environment Standards (NES) requirements.
3. A partially achieved result is reported for 'Investigations and Research' with, on one hand, piloting work involving the Arrowtown community to explore clean burning practices being achieved, but reprioritisation of staff meaning that that work hasn't been applied to other areas such as Milton. ORC launched a campaign to educate the community on best practice burning to help combat air pollution. The campaign focussed on Arrowtown with a view to extend to other Air Zone 1 areas in the future. During this campaign, a secondary message was targeted to households (in Air Zone 1 and Milton) that qualify for the Clean Heat Clean Air subsidy, to swap outdated burners for ultra-low emission heating appliances.

Background information

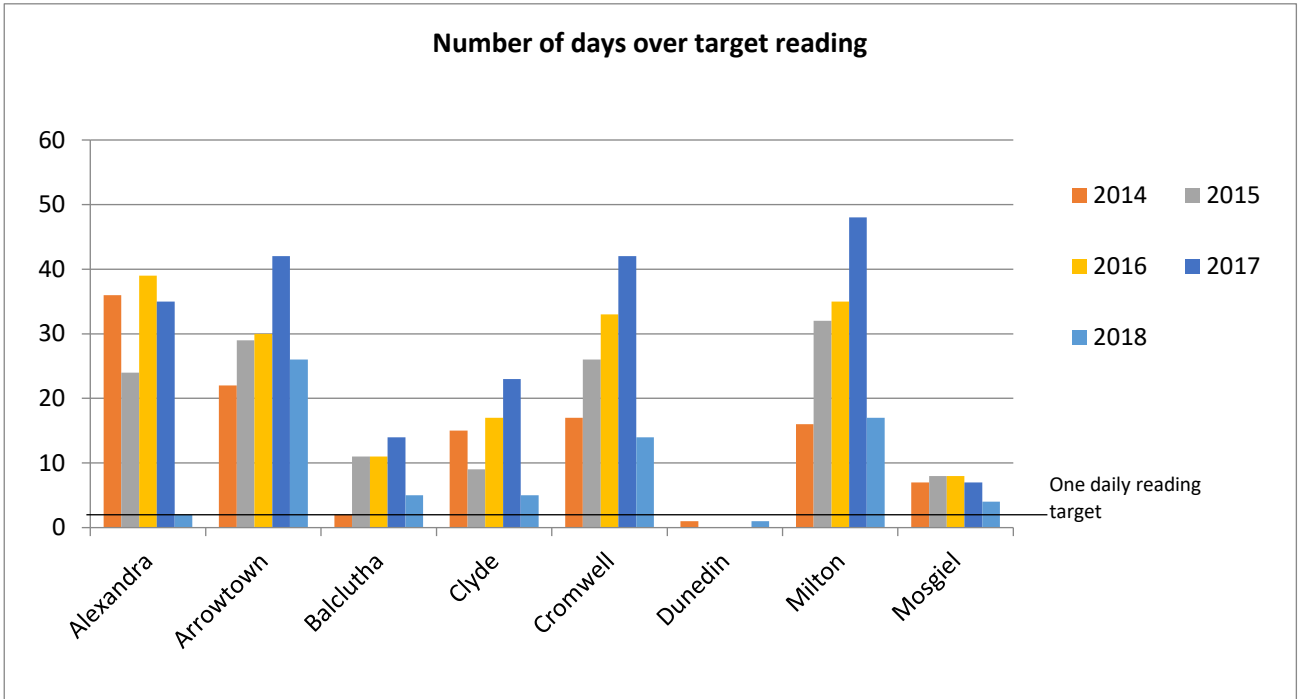
During 2018/19 options for implementing the Air Strategy were presented to Council. Importantly Council prioritised this activity against other funding needs, such as freshwater activity. The agreed options resulted in the continuation of the planned work programme including work with Cosy Homes Trust (eg MoU signed) and the Clean Heat Clean Air programme.

Winter 2018 monitoring programme was completed to programme and the winter 2019 programme commenced.

Additional sites were on-stream from May 2019 including a new PM_{2.5} monitor in Dunedin.

The graph below shows the results for air quality as measured against the NES requirement of no more than one daily average reading of PM₁₀ per annum to be higher than 50 micrograms per cubic metre. For winter 2018 the results show that Arrowtown, Cromwell and Milton are significantly over the national standard.

Impact of results on community outcomes	
Air	A place where people can enjoy their environment safely, productively and respectfully. A region that is prepared for future environmental challenges and that retains the characteristics that make Otago a great place for everyone.
Comment	Good progress was made towards the outcomes with the Arrowtown pilot completed and the partial result only reflects that the full program roll out to other areas is yet to be implemented.






Coast

Development of the Coastal Strategy was deferred in the LTP to Year 4 being 2022-23. In the meantime, plan change work for discharges of wastewater and stormwater to the coastal marine area, were progressed as part of the parallel work for discharges into the freshwater environment. In addition, a draft stocktake of the Regional Coastal Plan against the NZCPS was completed.

Studies and Reports associated with the health of the Tokomairiro and Kaikorai estuaries were completed.

State of the Environment




Level of service	Measure & Target	Result
Provide high quality and timely information, indicators and advice to key decision makers and the community	1. Changes and trend in natural resource availability and quality are analysed and reported to the Council as per the schedule entitled "Monitoring Schedule for 2018-28 Long Term Plan" <i>Target: Achieved</i>	
	2. External audit* shows good quality control of data collections and analysis as per the schedule entitled "Monitoring Schedule for 2018-28 Long Term Plan" <i>Target: Achieved</i> <i>*Council engages an independent company to audit its approach to managing, collecting and analysis of data</i>	
	3. Lead research into methods to manage the effects of lake snow on water quality <i>Target: Achieved</i>	

Comment on targets

1. A not achieved result is reported and reflects that while the core elements of the State of the Environment programme (monthly water quality sampling at each SOE site) were delivered, the analysis and reporting was not delivered and not all of the new or development aspects were delivered as planned. The new work related to the installation of lake buoys with one of the planned three buoys made operational by 30 June 2019. The delay was caused by a combination of the manufacturers being unable to provide three buoys in 2018/19 and Council being overly ambitious regarding the timing of this rollout.
2. The annual audit by Telarc NZ on the Environmental Monitoring Teams Quality Management System found it was compliant with its data management systems. While the data collection and analysis occurred, the monitoring schedule was not completed.
3. Work related to 'lake snow' while initiated in 2018/19 is subject to a decision on a co-ordinated approach between Councils' of the region.

Impact of results on community outcomes	
State of the Environment	A region that is prepared for future environmental challenges and that retains the characteristics that make Otago a great place for everyone Communities empowered to be the champions and custodians of their Otago environment
Comment	The partial and not achieved results reflect delays to both of those pieces of work and long-term the community outcomes will still be achieved.

Biodiversity

Level of service	Measure & Target	Result
Collaborate with the regional community to potentially invest and fund environmental enhancement projects that deliver good environmental and social outcomes.	At least 75% of annual funding allocated to the fund has been granted to suitable projects and activities <i>Target: Achieved</i>	
	The outcome(s) of all projects and activities have been reported back to Council within the timeframes specified in the funding agreement <i>Target: Achieved</i>	
	Projects and activities funded achieve milestones as per the funding agreement <i>Target: 100%</i>	

Background information

Implement a significant wetlands compliance monitoring programme - A new compliance monitoring programme has not been developed due to the reprioritisation of staff time. The existing programme involved 26 'Regionally Significant Wetland' inspections. Three sites have been graded as non-compliant minor due to gorse control needing to be undertaken. The annual target of 70 inspections was not met due to the reprioritisation of staff time.







Develop and disseminate information on good management practices for indigenous biodiversity - This work was not completed. It needs to follow the completing of strategy and implementation work, which was well advanced, and in some cases complete, at 30 June 2019.

Work that was completed included the promotion of specific elements of the biodiversity programmes (e.g. broom gall mite) and the ECO Fund and associated projects. The importance of pest management to support biodiversity, with emphasis on rabbits, wallabies & Old Man's Beard, has also been promoted.

Develop and publicly consult on options for Lake Tuakitoto and Tomahawk Lagoon - Two workshops and online consultation for potential projects for Lake Tuakitoto was completed. The work programme for 2019/20 was determined. Reporting back to community will occur in the 2019/20 year.

Work was performed to develop and publicly consult on technical and funding proposals for the remediation of Lake Hayes and initiate the first action relating to piped water to Mills Creek in year 1 LTP. GHC Consulting was engaged to manage the project planning to develop technical and funding work to level requested by Council. Waiting on modelling and other advice regarding options from University of Waikato. Pipe to Mill Creek and discharge structure was installed with the discharge structure requiring a 'insitu' design change. Report on options was presented at the March 2019 Technical Committee and subsequent direction relevant to future planning years.

Pests





Level of service	Measure & Target	Result
Manage the level of compliance with the provisions of the Regional Pest Management Plan	1. All properties with reported non-compliances of rabbit numbers over MAL3 are contacted regarding the requirement to respond in accordance with the Regional Pest Management Plan <i>Target: Achieved</i>	
	2. All reported non-compliances for pest plants will be followed up to ensure works to control pest plants have been carried out <i>Target: Achieved</i>	
	3. All complaints about boundary control of pest plants and pest animals will be responded to within 10 working days, and where necessary control works will be required to be carried out. <i>Target: Achieved</i>	
Support Lagarosiphon management plans and efforts to control Lagarosiphon in southern lakes (Lakes Dunstan, Wanaka and Wakatipu)	4. The Council advocates for the community to government agencies conducting Lagarosiphon control in Lakes Dunstan and Wanaka <i>Target: Key planning information is disclosed in a timely way</i>	
	5. Lagarosiphon has not established in Lake Wakatipu <i>Target: Achieved</i>	
Collaborate with community groups and pest companies to carry out control activities to eradicate Wallaby in Otago	6. Reported Wallaby sightings are investigated and responded to within 3 working days <i>Target: Achieved</i>	

Comment on targets

Inspection work on pest plant and animal species was completed in accordance with the operational plans. Complaint levels were steady throughout the year and were responded to in accordance with Council operational requirements.

1. A total of 105 Rabbit inspections were completed resulting in 77 being compliant and 28 being non-compliant. Work was initiated to set-up winter 2019 community meetings to consider control options.
2. A total of 306 complaints relating to pest plants were all followed up with a request for work to be undertaken to achieve compliance (includes 18 complaints that were not listed in our RPMP).
3. A total of 233 pest plant boundary complaints were followed up on. A total of 6 pest animal complaints were received.
- 4-5. ORC is a member of three lagarosiphon groups, Dunstan, Wanaka, and Wakatipu/Kawarau. The groups meet twice a year and are well represented by government agencies, Councils and the wider community. ORC, LINZ and their contractors have a very good working relationship and are in regular contact. LINZ has agreed to come to ORC at upcoming workshop to provide an update. LINZ and Boffa Miskell are presenting to Council on 1 August 2019.
6. All Wallaby sightings were followed-up by the Council.

Environmental incident response

Level of service	Measure & Target	Result
Take appropriate action in response to notifications of non-compliance and incidents	1. Maintain 24-hour/7 day a week response for environmental incidents <i>Target: 100%</i>	
	2. Average time taken to respond to oil spills no more than 1.5 hours. <i>Target: Achieved</i>	
Facilitate/carry out appropriate response training for staff and contractors	3. Hold at least one pollution incident response training exercise for each of the following: <ul style="list-style-type: none"> • desktop exercise • a field exercise for pollution incident response • an equipment training day. <i>Target: Achieved</i>	
	4. Hold at least one marine oil spill incident response training for each of the following: <ul style="list-style-type: none"> • desktop exercise; • a field exercise for marine oil incident response. <i>Target: Achieved</i>	

Comment on targets

2. A not achieved result reflects that while Council captures information to record incidents, the ability to verify response time is not consistently available.

Background information

Incident response numbers were the highest recorded number in a financial year with 2,053 incidents. Reprioritisation of staff time was required to achieve service delivery.

MNZ and pollution exercises were carried out on 12 February and 27-28 February and 28 May 2019. A draft report was completed on improving and formalising incident receipt procedures. This work will support future efficiency and effectiveness in service delivery. Work was also initiated to develop a Compliance/Consents Strategy.

Impact of results on community outcomes	
Environment Incident Response	A place where people can enjoy their environment safely, productively and respectfully. A region that prioritises sustainability as an economic measure whilst being attractive to industry.
Comment	The not achieved result reflects that the response time is not consistently verifiable which does not negatively impact on the achievement of the underlying community outcomes.

Funding Impact Statement – Environment





Funding Impact Statement for the year ended 30 June 2019.

	Actual 2018/19 \$000	Long Term Plan 2018/19 \$000	Actual 2017/18 \$000	Long Term Plan 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charge and rate penalties	3,182	3,447	3,935	2,962
Targeted rates (other than a targeted rate for water supply)	1,507	1,501	3,140	2,671
Subsidies and grants for operating purpose	820	705	1,193	12
Fees, charges and targeted rates for water supply	-	370	7	959
Internal charges and overheads recovered	299	-	244	785
Local authorities fuel tax, fines, infringement fees and other receipts	4,383	4,753	6,186	5,194
Total operating funding (A)	10,191	10,776	14,705	12,583
Applications of operating funding				
Payments to staff and suppliers	7,321	4,729	10,556	8,181
Finance costs	-	-	1	-
Internal charges and overheads applied	4,253	7,363	5,416	5,087
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	11,574	12,092	15,973	13,268
Surplus (deficit) of operating funding (A-B)	(1,383)	(1,316)	(1,268)	(685)
Sources of capital funding				
Subsidies and 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	-	-	-	-
Total sources of capital funding (C)	-	-	-	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	396	385	200	-
- to replace existing assets	113	338	142	156
Increase (decrease) in reserves	(1,892)	(2,039)	(1,610)	(841)
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	(1,383)	(1,316)	(1,268)	(685)
Surplus (deficit) of capital funding (C-D)	1,383	1,316	1,268	685
Funding balance ((A-B) + (C-D))	-	-	-	-

The accompanying notes form part of these financial statements.

Community

Governance and leadership

Level of service	Measure & Target	Result
Provide governance processes that are robust and transparent for the community and where the community can participate	1. Percentage of official information requests responded to within statutory timeframes <i>Target: 100%</i>	
	2. Percentage of council agendas that are publicly available two working days or more before a meeting <i>Target: 100%</i>	
	3. All meetings conducted in accordance with <i>Standing Orders</i> and the <i>Local Government Official Information and Meetings Act 1987 (LGOIMA)</i> <i>Target: Achieved</i>	
Produce high quality, fit for purpose and accessible long-term plans and annual plans to encourage participation in decision making by the community	4. Long term plans, annual plans and annual reports receive unmodified audit opinions <i>Target: Achieved</i>	

Comment on targets

1. 89% of requests were managed in the required timeframe.

Background information

The 'Public Awareness and Education' work is also an important contributor to this significant activity. It is tasked with clearly articulating council policies, purpose and activities, enabling conversations and providing clear information through the production of:

- Media
- Newsletters, pamphlets, information sheets
- Social media and digital media
- Public events and engagement
- Web

Throughout 2018/19 there was an ongoing multi-channel communication approach to articulating council policies, purpose and activities. This included newsletters, pamphlets, info sheets, social media, media releases, web-based information, public events and advertising across key services.

Impact of results on community outcomes	
Democracy	Service delivery that puts the community first and ensures that operations are customer driven, efficient, and fit for purpose. Communities empowered to be the champions and custodians of their Otago environment
Comment	The partially achieved result reflects of a small number of LGOIMA requests that were finalised outside of the required time which has not impacted on the community outcomes being achieved.

Funding Impact Statement – Community




Funding Impact Statement for the year ended 30 June 2019.

	Actual 2018/19 \$000	Long Term Plan 2018/19 \$000	Actual 2017/18 \$000	Long Term Plan 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charge and rate penalties	1,606	1,643	1,556	1,471
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies and grants for operating purpose	2	-	129	-
Fees, charges and targeted rates for water supply	-	131	-	207
Internal charges and overheads recovered	-	-	15	-
Local authorities fuel tax, fines, infringement fees and other receipts	1,806	1,804	2,455	2,451
Total operating funding (A)	3,414	3,578	4,155	4,129
Applications of operating funding				
Payments to staff and suppliers	3,592	1,935	3,245	3,016
Finance costs	-	-	-	-
Internal charges and overheads applied	1,402	1,918	1,450	1,113
Other operating funding applications	-	6	-	-
Total applications of operating funding (B)	(4,994)	3,860	4,695	4,129
Surplus (deficit) of operating funding (A-B)	(1,580)	(282)	(540)	-
Sources of capital funding				
Subsidies and 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	-	-	-	-
Total sources of capital funding (C)	-	-	-	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	-	5	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(1,580)	(282)	(545)	-
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	(1,580)	(282)	(540)	-
Surplus (deficit) of capital funding (C-D)	1,580	282	540	-
Funding balance ((A-B) + (C-D))	-	-	-	-

The accompanying notes form part of these financial statements.

Regulatory

Consents and compliance

Level of service	Measure & Target	Result
Deliver consenting processes efficiently and effectively under the Resource Management Act 1991 to enable the lawful use of natural and physical resources	1. Percentage of resource consent applications processed within Resource Management Act 1991 legislative timeframes <i>Target: 100%</i>	
Receive and appropriately assess performance monitoring data provided by consent holders	2. Percentage of performance returns received that will be assessed for compliance with consent conditions <i>Target: 100%</i>	
Take appropriate action when non-compliances have been identified either through consent audit or performance monitoring returns	3. Percentage of non-compliances found that have been followed up with enforcement action <i>Target: 100%</i>	

Comment on targets



1. A partially achieved result was reported for the percentage of resource consent applications processed within Resource Management Act 1991 legislative timeframes. One hundred percent is an aspirational target and Council achieved 98% compliance. All decisions on consents, except four, were given within RMA mandated timeframes. Consenting on water permits, including 'Deemed Permits' progressed.
2. Compliance monitoring and auditing progressed however service delivery for the year was partial with a backlog and subsequent catch-up in performance monitoring data and auditing of consent needed. There were 5,621 performance monitoring returns received in 2018/19 of which 84% were graded.
3. In all there were 2,633 non compliances recorded through compliance audits and PM return checks. Non-compliance can be recorded for a number of reasons including lateness of data or an incomplete return. Of the 2,633 non compliances identified 2,083 were recorded as Low Risk, 479 were recorded as Moderate, 71 were recorded as Significant. The level of service states that the Council should take "appropriate action" when non-compliances are identified. In all cases consent holders were notified of their breach and the action they needed to take to correct it. A total of 19 cases were flagged for further investigation to determine whether enforcement action was appropriate, of those 10 were referred for enforcement.

Background information

The regulatory activity plays an important role in supporting broader objectives across the environmental domains, particularly freshwater implementation. While its environmental inspection, compliance and enforcement work was ongoing throughout 2018/19, it was delivered at reduced levels. This was largely due to staff capacity with the activity operating below budgeted FTE. The dairy farm inspection programme, while not meeting council internal targets, did inspect the farms identified from the risk assessment exercise. Importantly work associated with implementing the Council's forestry compliance project was advanced.

Impact of results on community outcomes	
Consents and compliance	A place where people can enjoy their environment safely, productively and respectfully.
Comment	The targets assume a 100% achievement rate which is aspirational. Actual results remain high and the partial non-achieved results do not impact the overall community outcome being achieved.

Harbour management

Level of service	Measure & Target	Result
Enable safe use and navigation for all users of Otago Harbour	Average time taken to respond to notification from harbour control of any incidents in Otago Harbour will be no more than 1 hour. <i>Target: Achieved</i>	
Take appropriate action in response to notifications of non-compliance and incidents	Percentage of enforcement action taken when there are breaches of the Otago Maritime Safety Bylaw <i>Target: Achieved</i>	

Background information

Harbour and Waterway Management Activity consolidated throughout the year with completion of the Navigational Bylaw, and the commissioning of the Harbourmaster vessel.

Funding Impact Statement – Regulatory




Funding Impact Statement for the year ended 30 June 2019.

	Actual 2018/19 \$000	Long Term Plan 2018/19 \$000	Actual 2017/18 \$000	Long Term Plan 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charge and rate penalties	551	650	391	364
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies and grants for operating purpose	5	-	72	35
Fees, charges and targeted rates for water supply	1,472	2,262	1,490	2,474
Internal charges and overheads recovered	22	-	3	131
Local authorities fuel tax, fines, infringement fees and other receipts	713	719	686	646
Total operating funding (A)	2,763	3,631	2,642	3,650
Applications of operating funding				
Payments to staff and suppliers	2,018	443	2,227	1,887
Finance costs	-	-	-	-
Internal charges and overheads applied	1,751	3,179	1,676	1,666
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	3,769	3,622	3,903	3,553
Surplus (deficit) of operating funding (A-B)	(1,006)	9	(1,261)	97
Sources of capital funding				
Subsidies and 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	-	-	-	-
Total sources of capital funding (C)	-	-	-	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	178	-	8	-
- to replace existing assets	-	120	-	-
Increase (decrease) in reserves	(1,184)	(111)	(1,269)	97
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	(1,006)	9	(1,261)	97
Surplus (deficit) of capital funding (C-D)	1,006	(9)	1,261	(97)
Funding balance ((A-B) + (C-D))	-	-	-	-

The accompanying notes form part of these financial statements.

Flood Protection and Control Works, and River Management

Flood and drainage schemes

Level of service	Measure & Target	Result
Manage flood risk to people and property	Flood protection, control works and assets are maintained, repaired and renewed in line with the Infrastructure Strategy and defined standards set out in the operations and maintenance manuals for each asset <i>Target: Achieved</i>	
Manage flood hazard on the Shotover River delta to 1999 flood level	The Shotover River delta is managed to ensure the surface profile of the river is consistent with the target profile for the delta <i>Target: Achieved</i>	
Maintain, repair and renew drainage assets to maintain and improve the productive capacity of land	Drainage assets are maintained and renewed in line with defined standards set out in the operations and maintenance manuals for each asset <i>Target: Achieved</i>	

Background information

Summary comment: A significant quantum of the 2018/19 work programme was delivered and or advanced, including the drainage maintenance program and the planned engineering works. However, important work particularly related to planned projects was delayed or deferred. This occurred on the back of new management reviewing priorities and work allocation during 2018/19. This resulted in the engineering teams work programme being refocused. Part of this refocus was considering the Council's staff capacity to deliver the current programme. Consideration will be required regarding the impact of events like the November 2018 flood on the capacity of flood assets to deliver the core service requirements. These events have occurred with frequency over recent years and have a significant impact on delivering the core work programme.

The following provides a summary against the flood and drainage schemes

Alexandra Flood Protection: Programme largely on target, including routine maintenance, and completion of installation of new outfall screens and asset condition assessment.

Leith Flood Protection Scheme: Channel structures review was initiated and programmed for completion in 2019/20. Design and consenting of Lower Leith Amenity still at a preliminary stage with significant engagement on direction still required with the Polytech.

Lower Clutha Flood & Drainage Scheme: Routine programmes generally on track, however progression of the capital programme and several development works was much more limited. Lower Clutha Scheme had more limited Engineering input and action during 2018/19.

Survey of Clutha River channel substantially complete this financial year and in preparation for performance assessment in the coming year.

A number of key projects were delayed.

Lower Taieri Flood Protection Scheme: Busy and disrupted year on the Taieri Scheme with floods in November, but projects (both budgeted and unbudgeted) being progressed, and performance reviews on the Taieri River and other tributaries.

Routine maintenance programmes largely on track.

Key projects -

- Performance reviews underway on Taieri River, Silver Stream, and Owhiro stream, and initiated on the Contour Canal. They indicate systems are not performing to standard in areas
- Floodbank integrity repairs at Silver Stream Pump Station completed and Mill Creek Pump Station so the design for final repairs is complete and ready for construction in 2019/20
- Outram weighting blanket - preliminary design work undertaken
- Contour Canal stage 5 deferred and Stage 6 completed
- Riverside Spillway repairs - damage from floods investigated and design for initial repairs complete

West Taieri Drainage Scheme: Routine maintenance programmes on track, with some delay to key projects due to flood, engineering resourcing, and other priorities. Key actions included:

- Report on Waipori pump station power supply, identifies clear status and recommended actions.
- Programme prepared for investigation and improvement of Waipori pump station and initial actions.
- Refurbishment of Henley Pump Station completed, at a substantially reduced cost.
- Waipori D pump and Henley pump refurbishment completed.
- Progress on bridge removal initiated (removal of bridge 13 undertaken, and preparation for removal of bridge 4 and Alistair Kerr bridge), but behind programme.

East Taieri Drainage Scheme: Silver Stream Pump Station repairs completed, including repair of 18/20 discharge pipeline connection, refurbishment of the 18/20 pump unit, recompaction and sealing of embankment and floodwall.

Ponding zone drainage and emptying of the pond is primarily a function of the gravity outlets (A1 and Silver Stream gates), and associated Taieri R levels. Need to consider in conjunction with the Taieri Scheme review.

Significant Operational response required to the November flood, with re-excavation and clearing of drains throughout the area.


Extensive flooding and affected landowners across the area to the west of Silver Stream - requires a significant review of the network and key issues.

Tokomairiro Drainage Scheme: Maintenance programmes on track. Limited Engineering oversight and asset management focus this year. Limited progress on planning and implementation of bridge refurbishment and removal.

Shotover River Delta: No major flood or gravel extraction occurred this financial year and very little maintenance was required. No issues seen during inspection of training line and revetment line. Currently gravel, and trees providing good buffer zone during high flows. Cross sections and long section survey to confirm the surface profile of the river is consistent with the target profile is planned mid 2019 (early 2019/20 financial year).

Impact of results on community outcomes	
Flood and Drainage Schemes	<p>A region that prioritises sustainability as an economic measure whilst being attractive to industry.</p> <p>A region that is prepared for future environmental challenges and that retains the characteristics that make Otago a great place for everyone.</p>
Comment	Partial achievement of the targets above does not materially impact the overall community outcomes across the flood and drainage schemes.

Rivers and waterway management

Level of service	Measure & Target	Result
Achieve a balance between maintaining channel capacity, channel stability and environmental outcomes in scheduled rivers and waterways	Investigate all reported blockages and obstructions along scheduled rivers and waterways and determine appropriate action within 20 working days <i>Target: Achieved</i>	

Background information

Operational work largely progressed as planned, albeit additional resource and some reprioritisation was required in relation to the November 2018 flood event.

The following provides a summary against the river schemes

Dunedin Rivers & Waterway Management: Operations work progressed as planned. Unplanned work in Engineering (Kaikorai Stream stilling basin) was progressed this year (ie Kaikorai Stream stilling basin). Smaller projects or investigations (Natural hazards) have been delayed due to commitment to other priority work not in 2018/19 budget and response to large flood events

Clutha Rivers & Waterway Management: Operations work ongoing with no major intervention (Operations team) in this period. Natural Hazards work was on-going and delivered to programme.

Central Otago Rivers & Waterway Management: Operations work was on-going with work in Manuherikia (bank protection US Omakau) completed. Natural hazards team work on-going, with Roxburgh creeks and Manuherikia River flooding key focus. The November 2018 flood presented challenges, and post-flood assessment have required unplanned work (in particular on the Manuherikia River). Roxburgh debris-flow assessment underway, but planned survey work to start early 2019/20.

Wakatipu Rivers & Waterway Management: Operations work on-going with the Rees/Dart river being a focus (short-term and long-term). Extremely heavy rain in March 2019 has resulted in additional work (survey and investigation). Natural Hazards work on the preparing an adaptation strategy started and will continue in 2019/20.

Wanaka Rivers & Waterway Management: No large intervention required during this period. Cardrona River Management River Morphology Plans (RMRMP) development continues. Cross section surveys delayed and planned for early next financial year. Operational work on-going with no major issue expected. Cross section survey delayed but with limited consequences on the work programme.

Waitaki Rivers & Waterway Management: No large intervention required during this period. Implementation work for Kakanui, Shag and Waianakarua RMRMP in progress. Likely to be underspent mainly due to less Natural Hazards staff time spent than budgeted, delayed survey work, and less maintenance work required.

Lower Waitaki River Control Scheme: Work with Environment Canterbury continues from last year. Meeting to discuss scheme and ORC involvement in Dec 2018.

Non-Scheme Management:

- Kakanui Flood bank repair completed.
- Kaikorai investigation and design was progressed with direction still to be confirmed following peer review by Damwatch.
- Investigation on stabilisation work near Albert Town was initiated.
- Mapping of non-scheme assets and river management issues completed.

Funding Impact Statement – Flood Protection and Control Works






Funding Impact Statement for the year ended 30 June 2019.

	Actual 2018/19 \$000	Long Term Plan 2018/19 \$000	Actual 2017/18 \$000	Long Term Plan 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charge and rate penalties	221	315	187	91
Targeted rates (other than a targeted rate for water supply)	5,744	5,717	3,866	4,211
Subsidies and grants for operating purpose	-	-	-	-
Fees, charges and targeted rates for water supply	-	312	97	195
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	588	589	540	394
Total operating funding (A)	6,553	6,933	4,690	4,891
Applications of operating funding				
Payments to staff and suppliers	4,473	3,555	3,365	2,096
Finance costs	-	-	-	-
Internal charges and overheads applied	1,544	2,219	993	879
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	6,017	5,774	4,358	2,975
Surplus (deficit) of operating funding (A-B)	536	1,159	332	1,916
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	-	743	-
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	-	-	743	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	3,134	2,671	3,587	2,408
- to replace existing assets	421	1,565	8	672
Increase (decrease) in reserves	(3,019)	(3,078)	(2,520)	(1,164)
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	536	1,159	1,075	1,916
Surplus (deficit) of capital funding (C-D)	(536)	(1,159)	(332)	(1,916)
Funding balance ((A-B) + (C-D))	-	-	-	-

The accompanying notes form part of these financial statements.

Safety and Hazards

Emergency management

Level of service	Measure & Target	Result
Provide a region-wide coordinated response in the event of civil defence emergency to reduce the impacts on people	1. Time taken for the Group Emergency Coordination Centre to be activated in response to a civil defence event or emergency <i>Target: 60 minutes</i>	
	2. A Group CDEM controller or alternate controller is available 24 hours, 7 day a week response for 365 days a year <i>Target: Achieved</i>	
Prepare and implement robust integrated suite of issue focused and community-based plans and strategies	3. An operative Group CDEM Plan is reviewed within statutory timeframes and fully implemented <i>Target: Achieved</i>	
	4. Full suite of community plans across the region is in place and remain under continuous review <i>Target: Achieved</i>	
	5. Full suite of region-wide issues plans to in place and reviewed according to each plan. These will include: <ul style="list-style-type: none"> • Regional Dam Failure Plan • Regional Animal Response Plan • South Island Alpine Fault Plan • Coast Tsunami Plan <i>Target: Achieved</i>	

Comment on targets

1. No region-wide group ECC was activated for the reporting period.
2. A partially achieved was reported. As while the CDEM group has the capacity to respond (ie. green) it is currently reliant on contingency arrangements. While this is acceptable for the short term – the Council is working to resolve resourcing issues.

Background information





The Otago Emergency Management team progressed on key projects with some coming to fruition. Training in the first three months of this year was lacking due to non-availability of national funding from Min Civil Defence Emergency Management (MCDEM) and absence of a training adviser, however progress was made to ensure training was ongoing.

Projects included:

- Operational systems development & integration (D4H and radio communications).
- Completion of the Group Plan, Group Welfare Plan, and stage 1 of the Group Animal Emergency Management Plan.
- implementation of some priority activities required by the Project AF8 SAFER Framework.
- Significant progress around community engagement and planning.
- Improved public information and education via upgraded website, revised community public education plan, and more usable collateral for public events.

Impact of results on community outcomes	
Emergency Management	Service delivery that puts the community first and ensures that operations are customer driven, efficient, and fit for purpose.
Comment	The partially achieved result did not have an impact on the community outcome as no group activation occurred during the reporting period.

Natural hazards

Level of service	Measure & Target	Result
Provide timely and high quality information and understanding about natural hazards and work proactively with territorial authorities and the community to improve understanding of the risks natural hazards pose so that informed decision and responses can be made	1. Natural hazard information is available to the public and to communities via an effective web-based Otago Natural Hazards Database 24 hours a day/7 days a week <i>Target: Achieved</i>	
Investigate and response if required to natural hazards events as they occur to reduce the risk where warranted	2. Natural hazards events and consequences are properly and timely reported on so that appropriate measures to reduce risk are taken <i>Target: Achieved</i>	
Provide timely warnings of potential flood events	3. Accurate and reliable rainfall and river flow information is provided to territorial authorities and the community, and is provided in an efficient and timely fashion <i>Target: Achieved</i>	
Assist communities to understand and adapt to the effects of climate change	4. Knowledge and understanding of the likely effects of climate change in Otago are properly and timely disseminated so that informed decisions and responses can be made <i>Target: Achieved</i>	

Comment on targets

- Climate change risk assessment methodology completed in June 2019 and enables the risk assessment to start in July 2019. Report on potential physical effects of climate change in Otago delayed due to staff time and for better coordination with the results of risk assessment (\$100k) work. Drilling programme in South Dunedin and Harbour side completed and data is being processed and analysed in the new financial year. Work with DCC on South Dunedin adaptation was on-going and will continue in 2019/20. Work on Clutha Delta delayed due to staff time (mainly involved in Natural Hazard N1 activities) and was initiated in June 2019.

Background information

A large organisational response to November flooding was initiated. While the response was positive improving our response is on-going with the number of flood managers extended to support the 24/7 roster and large events.

Significant progress was made on updating the 'Flood Procedures Manual' and process. Improving flood forecasting models and setting up new models progressed well. Training provided to staff to run flood models to ensure redundancy if key staff away. Low flow forecasting programme was initiated with a focus on Lower Clutha.

Data and information was provided to public via Natural Hazards Database as planned. Some unbudgeted priority work on Roxburgh debris flow and November 2018 flood debris-mark survey required the deferral of some lower priority projects. This included; land instability monitoring programme, assessment of mapped landslide, and data collection programme in anticipation of an Alpine fault earthquake

Impact of results on community outcomes	
Climate Change Adaptation	A region that is prepared for future environmental challenges and that retains the characteristics that make Otago a great place for everyone
Comment	Work progressed on climate change which has a long-term focus therefore the community outcome was not impacted this year but will be delivered in the long-term.

Funding Impact Statement – Safety and Hazards






Funding Impact Statement for the year ended 30 June 2019.

	Actual 2018/19 \$000	Long Term Plan 2018/19 \$000	Actual 2017/18 \$000	Long Term Plan 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charge and rate penalties	603	621	485	773
Targeted rates (other than a targeted rate for water supply)	2,464	2,454	2,371	-
Subsidies and grants for operating purpose	-	-	-	-
Fees, charges and targeted rates for water supply	-	-	-	-
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	709	727	779	1,400
Total operating funding (A)	3,776	3,802	3,635	2,173
Applications of operating funding				
Payments to staff and suppliers	2,129	1,290	2,338	1,151
Finance costs	-	-	-	-
Internal charges and overheads applied	1,702	2,730	1,856	1,020
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	3,831	4,020	4,194	2,171
Surplus (deficit) of operating funding (A-B)	(55)	(218)	(559)	2
Sources of capital funding				
Subsidies and 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	-	-	-	-
Total sources of capital funding (C)	-	-	-	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	17	-	9	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(72)	(218)	(568)	2
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	(55)	(218)	(559)	2
Surplus (deficit) of capital funding (C-D)	55	218	559	(2)
Funding balance ((A-B) + (C-D))	-	-	-	-

The accompanying notes form part of these financial statements.

Transport

Public passenger transport

Level of service	Measure & Target	Result
To provide efficient and reliable public transport services that meet community needs	1. Reliability of service – percentage of monitored services that leave the terminus on time <i>Target: 95%</i>	
	2. Vehicle quality – percentage of vehicles that comply with Regional Passenger Transport Vehicle quality standard <i>Target: 100%</i>	
	3. Public Satisfaction – percentage of bus users that are satisfied with the overall standard of service <i>Target: 85%</i>	
	4. Patronage in Dunedin – percentage growth on contracted services above 2017/18 levels <i>Target: 3%</i>	
	5. Patronage in Queenstown – percentage growth increase on contracted services <i>Target: 105% above 2017 levels</i>	

Comment on targets

- A 'not achieved' is reported for the measure 'Vehicle quality – percentage of vehicles that comply with Regional Passenger Transport Vehicle quality standard'. The compliance check for the Queenstown bus service was not completed by 30 June 2019. Subsequent steps have been taken and compliance checking initiated.

Background information

Both networks experienced growth in patronage and revenue. The significant projects included the Dunedin Central Bus Hub (implemented) and the replacement ticketing system (on-going).

Other planned projects were also advanced, including:

- Implementing increased off-peak services in Dunedin and Queenstown;
- additional services to support major events in Dunedin and Queenstown;
- Consider the feasibility, implementation and operation of a small ferry service on Lake Wakatipu;
- Investigate the feasibility of a Dunedin city to airport service;
- Investigate mass transit options for increased passenger transport capacity between Queenstown and Frankton.

Impact of results on community outcomes	
Public Passenger Transport	Service delivery that puts the community first and ensures that operations are customer driven, efficient, and fit for purpose. A region that prioritises sustainability as an economic measure whilst being attractive to industry
Comment	The non-achieved result had a short-term impact on the quality of service delivered to customers but is being remedied with no long-term impact on community outcomes expected.

Funding Impact Statement – Transport

Funding Impact Statement for the year ended 30 June 2019.

	Actual 2018/19 \$000	Long Term Plan 2018/19 \$000	Actual 2017/18 \$000	Long Term Plan 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charge and rate penalties	231	230	266	185
Targeted rates (other than a targeted rate for water supply)	4,719	4,694	4,260	3,688
Subsidies and grants for operating purpose	13,830	8,910	9,500	6,485
Fees, charges and targeted rates for water supply	-	236	-	32
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	10,077	8,028	6,776	560
Total operating funding (A)	28,857	22,098	20,802	10,950
Applications of operating funding				
Payments to staff and suppliers	27,235	23,161	20,104	11,369
Finance costs	-	2	-	-
Internal charges and overheads applied	948	1,073	699	330
Other operating funding applications	-	-	-	-
Total applications of operating funding (B)	28,183	24,236	20,803	11,699
Surplus (deficit) of operating funding (A-B)	674	(2,138)	(1)	(749)
Sources of capital funding				
Subsidies and 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	-	-	-	-
Total sources of capital funding (C)	-	-	-	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	6,398	-	1,865	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(5,724)	(2,138)	(1,866)	(749)
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	674	(2,138)	(1)	(749)
Surplus (deficit) of capital funding (C-D)	(674)	2,138	1	749
Funding balance ((A-B) + (C-D))	-	-	-	-

The accompanying notes form part of these financial statements.

Financial Statements

This section reports 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.

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 2019 have been incorporated into the Group results included within these financial statements.

Overview of Financial Performance

Statement of Comprehensive Revenue and Expenses

The total comprehensive revenue and expense of \$40.509 million comprises a deficit for the year of \$5.218 million and a revaluation gain of \$45.727 million. The deficit of \$5.218 million is \$1.788 million more than the budgeted deficit of \$3.430 million. The primary cause of the higher than budgeted deficit relates to projects that were deferred in prior years being completed in the current year.

Revaluation Gain

The revaluation gain of \$45.727 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited Group at 30 June 2019 and exceeds the gain of \$7.000 million provided for in the budget by \$38.729 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

Total assets at \$694.200 million exceeds the budgeted amount of \$613.928 million by \$80.272 million.

The major factor in this variance is the valuation of the Council shareholding in Port Otago Limited at 30 June 2019 of \$534.235 million, exceeding the budgeted amount of \$456.037 million by \$78.198 million.

Cash and cash equivalents and other financial assets with a combined amount of \$37.934 million are \$5.771 million down on the budget of \$43.705 million. This variance is primarily due to a higher level of funding requirements in the year to fund previously deferred projects.

Trade and other receivables at \$9.604 million are up \$6.048 million on the budget of \$3.556 million. This variance is largely due to receivables related to the transport activity, and in particular NZTA subsidy claims and receivables associated with the Electronic Ticketing System consortium.

Property, Plant and Equipment at \$94.441 million is \$0.989 million more than the budgeted amount of \$93.452 million.

Equity

Public equity and reserves at \$680.058 million exceed the budgeted amount of \$605.104 million by \$74.954 million.

The major factor in the variance is the Available for Sale revaluation reserve, which records the accumulated revaluation gains on the annual revaluations of the Council's shareholding in Port Otago Limited. The budgeted balance of the reserve at 30 June 2019 was \$436.037 million, whereas the actual balance is \$514.235 million, a variance of \$78.198 million. This variance comprises a favourable budget variance on the June 2019 revaluation of \$45.727 million.

Funding Impact Statement for the Year Ended 30 June 2019 (Whole of Council)

	Actual 2018/19 \$000	Long-Term Plan 2018/19 \$000	Actual 2017/18 \$000	Annual Plan 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charge and rate penalties	9,210	8,808	7,570	7,275
Targeted rates (other than a targeted rate for water supply)	14,434	14,366	13,636	13,635
Subsidies and grants for operating purpose	14,686	9,790	10,893	11,926
Fees, charges and targeted rates for water supply	1,465	3,310	1,594	3,426
Interest and dividends from investments	9,088	9,962	10,069	10,512
Local authorities fuel tax, fines, infringement fees and other receipts	11,783	9,985	8,656	9,140
Total operating funding (A)	60,666	56,221	52,418	55,914
Applications of operating funding				
Payments to staff and suppliers	62,520	56,998	54,097	55,555
Finance costs	1	124	3	138
Other operating funding applications	-	58	-	52
Total applications of operating funding (B)	62,521	57,180	54,100	55,745
Surplus (deficit) of operating funding (A-B)	(1,855)	(959)	(1,682)	169
Sources of capital funding				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	485	500	928	-
Lump sum contributions	175	-	-	-
Other dedicated capital funding	-	-	-	-
Total sources of capital funding (C)	660	500	928	-
Application of capital funding				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	10,717	4,417	7,308	3,548
- to replace existing assets	1,576	3,244	403	3,281
Increase (decrease) in reserves	(13,488)	(7,850)	(8,465)	(6,660)
Increase (decrease) of investments	-	-	-	-
Total applications of capital funding (D)	(1,195)	(459)	(754)	169
Surplus (deficit) of capital funding (C-D)	1,855	959	1,682	(169)
Funding balance ((A-B) + (C-D))	-	-	-	-

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 2019**

	Actual 2018/19 \$000	Long-Term Plan 2018/19 \$000	Actual 2017/18 \$000	Annual Plan 2017/18 \$000
Surplus/(deficit) of Operating Funding in Funding Impact Statement	(1,855)	(959)	(1,682)	169
Add/(deduct)				
Increase in the fair value of investment property	2,425	-	312	333
Increase in the fair value of investment portfolio	1,245	-	1,529	-
Gain/(Loss) on disposal of assets	144	-	(90)	-
Depreciation and amortisation	(2,510)	(2,402)	(2,082)	(2,014)
Write-off of property plant and equipment work in progress	(4,731)	335	(929)	-
Other	(34)	(404)	(8)	119
Surplus/(deficit) before taxation in Statement of Comprehensive Revenue and Expense	(5,316)	(3,430)	(2,950)	(1,393)

Schedule of Capital Expenditure

	Actual 2018/19 \$000	Long-Term Plan 2018/19 \$000	Actual 2017/18 \$000	Annual Plan 2017/18 \$000
Flood Protection and Control Works				
Alexandra flood	-	50	-	-
East Taieri drainage	71	225	-	117
Leith flood protection	2,802	2,671	3,445	2,553
Lower Clutha flood and drainage	38	217	132	755
Lower Taieri flood protection	421	727	10	20
Tokomairiro	-	51	-	45
West Taieri drainage	47	294	6	268
Civil Defence Emergency Management				
Computers and plant	-	-	9	-
Environmental				
Air monitoring	84	80	70	35
Water Monitoring sites	285	638	240	186
Pest management	-	5	27	15
Harbour Management	178	-	-	-
Environmental Enhancement	150			
Transport				
Dunedin/Wakatipu	6,224		1,760	-
Stock truck effluent disposal sites	173		95	426
Corporate				
Property	269	60	1,079	300
Cars and station wagons	893	810	312	360
Computers and software	649	1,371	508	1,675
Plant	4	140	5	25
Sundry	5	50	13	50
Total	12,293	7,391	7,711	6,830

**Statement of Comprehensive Revenue and Expense
for the Year Ended 30 June 2019**

	Notes	Council 2019 \$000	Council Budget \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Revenue from non-exchange transactions						
Rates revenue	3	23,283	23,173	20,908	23,250	20,883
Grant revenue and subsidies		14,686	9,790	10,893	14,686	10,893
Other revenue	3	11,297	10,735	7,473	11,297	7,473
Revenue from exchange transactions						
Dividends	2	8,450	8,450	9,000	-	-
Interest and investment revenue		638	1,512	1,069	835	1,069
Other revenue	3	2,312	2,561	3,076	106,247	99,189
Total revenue		60,666	56,221	52,419	156,315	139,507
Expenditure						
Employee benefits expense	22	(14,901)	(17,561)	(15,542)	(49,103)	(47,549)
Depreciation and amortisation expense	11	(2,510)	(2,402)	(2,083)	(12,548)	(11,306)
Finance costs	15	(1)	(2)	-	(2,848)	(2,926)
Other expenses	19	(52,384)	(40,021)	(39,495)	(78,207)	(62,947)
Total operating expenditure		(69,796)	(59,986)	(57,119)	(142,706)	(124,728)
Share of surplus from equity accounted joint ventures		-	-	-	165	205
Other gains/(losses)	4	3,814	335	1,750	30,550	24,913
Surplus/(deficit) before tax		(5,316)	(3,430)	(2,950)	44,324	39,897
Income tax benefit/(expense)	18	98	-	101	(8,589)	(8,130)
Surplus/(deficit) for the year		(5,218)	(3,430)	(2,849)	35,735	31,767
Other comprehensive revenue and expenses						
Items that may be reclassified to surplus/(deficit):						
<i>Available-for-sale financial assets:</i>						
Revaluation gain/(loss) – shares in subsidiary	2	45,727	7,000	49,471	-	-
Available for sale financial asset gains reclassified to surplus/(deficit) during the year		-	-	-	-	-
<i>Cashflow hedges:</i>						
Unrealised movement in hedging interest rate swaps		-	-	-	(838)	(333)
Income tax relating to components of other comprehensive revenue and expenses		-	-	-	-	-
Total other comprehensive revenue and expense		45,727	7,000	49,471	(838)	(333)
Total comprehensive revenue and expense		40,509	3,570	46,622	34,897	31,434

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2019

	Notes	Council 2019 \$000	Council Budget \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Current assets						
Cash and cash equivalents		15,432	148	8,125	15,574	8,377
Trade and other receivables	12	9,604	3,556	8,709	24,642	25,380
Property held for sale	8	-	1,093	214	2,105	214
Investment property inventories	9	-	-	-	28,829	31,190
Other financial assets	5	22,502	43,557	40,311	22,502	40,311
Other financial instrument		-	-	-	-	-
Other current assets		442	261	231	1,824	1,539
Total current assets		47,980	48,615	57,590	95,476	107,011
Non-current assets						
Shares in subsidiary	2	534,235	456,037	488,508	-	-
Joint ventures accounted for using the equity method	27	-	-	-	2,003	1,631
Other financial assets	5	-	-	-	-	13
Derivative financial instruments		-	-	-	-	-
Property, plant and equipment	6	94,441	93,452	90,212	307,267	299,417
Intangible assets	10	3,884	4,233	2,724	9,779	7,875
Investment property	7	13,562	11,493	11,137	347,682	328,927
Deferred tax asset	18	98	98	98	-	-
Total non-current assets		646,220	565,313	592,679	666,731	637,863
Total assets		694,200	613,928	650,269	762,207	744,874
Current liabilities						
Trade and other payables	13	12,503	7,159	9,019	24,454	18,072
Provisions		-	-	-	267	2,433
Borrowings	15	-	-	-	930	-
Employee entitlements	14	1,639	1,665	1,701	7,131	6,685
Other financial instruments	30	-	-	-	636	437
Tax payable		-	-	-	3,052	4,812
Total current liabilities		14,142	8,824	10,720	36,470	32,439
Non-current liabilities						
Employee entitlements	14	-	-	-	943	910
Borrowings	15	-	-	-	54,750	77,635
Deferred tax liabilities	18	-	-	-	14,597	14,305
Other financial instruments	30	-	-	-	1,534	571
Total non-current liabilities		-	-	-	71,824	93,421
Total liabilities		14,142	8,824	10,720	108,294	125,860
Net assets		680,058	605,104	639,549	653,913	619,014
Equity						
Reserves	16	555,621	475,392	509,050	274,479	251,634
Public equity	17(a)	124,437	129,712	130,499	379,434	367,380
Total equity		680,058	605,104	639,549	653,913	619,014

The accompanying notes form part of these financial statements.

Statement of Changes in Net Assets/Equity for the Year ended 30 June 2019

Notes	TOTAL COUNCIL 2019					TOTAL GROUP 2019				
	Opening Balance 1 July 2018 \$'000	Other Comprehensive Revenue and Expense \$'000	Transfers In \$'000	Transfers Out \$'000	Closing Balance 30 June 2019 \$'000	Opening Balance 1 July 2018 \$'000	Other Comprehensive Revenue and Expense \$'000	Transfers In \$'000	Transfers Out \$'000	Closing Balance 30 June 2019 \$'000
Equity										
General Rate Equity	69,929	(5,218)	51,677	(43,906)	72,482	306,810	35,735	51,677	(66,743)	327,479
Targeted Rate Equity	60,570	-	39,237	(47,852)	51,955	60,570	-	39,237	(47,852)	51,955
Total Public Equity	130,499	(5,218)	90,914	(91,758)	124,437	367,380	35,735	90,914	(114,595)	379,434
Reserves:										
Asset Replacement Reserve	6,070	-	1,270	(2,306)	5,034	6,070	-	1,270	(2,306)	5,034
Asset Revaluation Reserve	9,076	-	2,425	-	11,501	220,895	-	25,264	-	246,159
Available for Sale Revaluation Reserve	468,508	45,727	-	-	514,235	-	-	-	-	-
Building Reserve	13,248	-	441	(584)	13,105	13,248	-	441	(584)	13,105
Emergency Response Reserve	4,182	-	143	-	4,325	4,182	-	143	-	4,325
Hedging Reserve	-	-	-	-	-	(727)	(838)	-	-	(1,565)
Water Management Reserve	1,039	-	34	(198)	875	1,039	-	34	(198)	875
Kuriwao Endowment Reserve	6,432	-	334	(294)	6,472	6,432	-	334	(294)	6,472
Environmental Enhancement Reserve	495	-	272	(693)	74	495	-	271	(694)	74
Total Reserves	509,050	45,727	4,919	(4,075)	555,621	251,634	(838)	27,757	(4,076)	274,479
Total Equity and Reserves	639,549	40,509	95,833	(95,833)	680,058	619,014	34,897	118,670	(118,670)	653,913

Statement of Changes in Net Assets/Equity for the Year ended 30 June 2018

Notes	TOTAL COUNCIL 2018				TOTAL GROUP 2018					
	Opening Balance 1 July 2017 \$'000	Other Comprehensive Revenue and Expense \$'000	Transfers In \$'000	Transfers Out \$'000	Closing Balance 30 June 2018 \$'000	Opening Balance 1 July 2017 \$'000	Other Comprehensive Revenue and Expense \$'000	Transfers In \$'000	Transfers Out \$'000	Closing Balance 30 June 2018 \$'000
Equity										
General Rate Equity	71,846	(2,849)	40,396	(39,464)	69,929	295,603	31,767	40,396	(60,956)	306,810
Targeted Rate Equity	61,703	-	36,359	(37,492)	60,570	61,703	-	36,359	(37,492)	60,570
Total Public Equity	133,549	(2,849)	76,755	(76,956)	130,499	357,306	31,767	76,755	(98,448)	367,380
Reserves:										
Asset Replacement Reserve	5,820	-	1,730	(1,480)	6,070	5,820	-	1,730	(1,480)	6,070
Asset Revaluation Reserve	8,764	-	312	-	9,076	199,091	-	21,804	-	220,895
Available for Sale Revaluation Reserve	419,037	49,471	-	-	468,508	-	-	-	-	-
Building Reserve	13,614	-	498	(864)	13,248	13,614	-	498	(864)	13,248
Emergency Response Reserve	4,033	-	149	-	4,182	4,033	-	149	-	4,182
Hedging Reserve	-	-	-	-	-	(394)	(333)	-	-	(727)
Water Management Reserve	1,427	-	45	(433)	1,039	1,427	-	45	(433)	1,039
Kuriwao Endowment Reserve	6,361	-	351	(280)	6,432	6,361	-	351	(280)	6,432
Environmental Enhancement Reserve	322	-	270	(97)	495	322	-	270	(97)	495
Total Reserves	459,378	49,471	3,355	(3,154)	509,050	230,274	(333)	24,847	(3,154)	251,634
Total Equity and Reserves	592,927	46,622	80,110	(80,110)	639,549	587,580	31,434	101,602	(101,602)	619,014

Cash Flow Statement for the Year ended 30 June 2019

	Notes	Council 2019 \$000	Council Budget \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Cash flows from operating activities						
<i>Receipts from non-exchange transactions</i>						
Receipts from customers		22,142	23,174	19,191	104,894	91,557
Grant income and subsidies		14,686	9,790	10,893	14,686	10,893
Other receipts		-	-	-	-	-
<i>Receipts from exchange transactions</i>						
Interest and investment income		638	1,512	1,069	835	1,080
Rental income		1,020	-	1,051	17,539	15,185
Subvention payment		101	-	101	-	-
Dividends		8,450	8,450	9,000	-	-
Other receipts		13,032	13,301	6,060	13,032	6,060
Payments to suppliers and employees		(59,589)	(57,582)	(52,744)	(118,814)	(105,148)
Interest and other costs of finance paid		(1)	(2)	-	(2,034)	(2,550)
Income tax received/(paid)		-	-	-	(9,830)	(6,254)
Donations		(350)	-	(350)	(350)	(350)
Net cash inflow/(outflow) from operating activities		129	(1,357)	(5,729)	19,958	10,473
Cash flows from investing activities						
Interest capitalised		-	-	-	(861)	(373)
Proceeds from sale of property, plant and equipment		426	500	1,124	647	1,542
Proceeds from sale of intangible assets		-	-	-	-	-
Sale of held for sale assets		-	-	879	-	879
Sale of investment property		-	-	-	37,605	25,735
Advances (to)/from subsidiaries		-	-	-	1,951	737
Proceeds from other financial assets		19,054	500	15,275	19,054	15,275
Purchase of/improvements to investment property		-	-	-	(22,399)	(15,500)
Purchase of other financial assets		-	-	-	-	-
Purchase of property in development		-	-	-	-	-
Purchase of property, plant and equipment		(10,660)	(6,075)	(6,739)	(23,843)	(43,466)
Purchase of intangible assets		(1,642)	(1,316)	(1,118)	(2,960)	(1,118)
Repayment of lease improvements		-	-	-	-	-
Net cash inflow/(outflow) from investing activities		7,178	(6,391)	9,421	9,194	(16,269)
Cash flows from financing activities						
Proceeds from borrowings		-	-	-	14,600	20,965
Repayment of borrowings		-	-	-	(36,555)	(11,750)
Net cash inflow/(outflow) from financing activities		-	-	-	(21,955)	9,215
Net increase/(decrease) in cash and cash equivalents		7,307	(7,748)	3,692	7,197	3,419
Cash and cash equivalents at the beginning of the financial year		8,125	7,896	4,433	8,377	4,958
Cash and cash equivalents at the end of the financial year		15,432	148	8,125	15,574	8,377

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 include 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 are reconciled to the related items in the Statement of Financial Position as follows:

	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
<i>Cash and cash equivalents:</i>				
Cash at bank and on hand	9,932	6,125	10,074	6,377
Term deposits with maturities less than 3 months	5,500	2,000	5,500	2,000
	15,432	8,125	15,574	8,377

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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Surplus/(deficit) for the year	(5,218)	(2,849)	35,763	31,767
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	2,510	2,083	12,548	11,306
(Gain)/loss on sale of property, plant and equipment	(144)	90	(591)	82
Write off of intangible assets	-	-	-	-
Provision for doubtful debts	(36)	11	(36)	11
(Gain)/loss on revaluation of investment property	(2,425)	(312)	(25,264)	(21,804)
Loss/(gain) on disposal of investment property	-	-	(3,450)	(1,641)
Net change in fair value of derivative financial instruments	-	-	-	-
Net change in fair value of financial instruments	(1,245)	(1,529)	(1,245)	(1,529)
Non-current employee entitlements	-	-	33	-
Share of surpluses retained by joint ventures	-	-	(193)	(205)
Gain on sale of available for sale investments	-	-	-	-
Deferred tax	98	-	614	(1,185)
Write-off of property plant and equipment work in progress	4,273	-	4,273	-
	(2,187)	343	22,452	(14,965)
<i>Movement in working capital:</i>				
Trade and other receivables	(895)	(5,152)	(738)	(8,449)
Inventories	-	-	(2,361)	(112)
Other current assets	(211)	30	(285)	30
Trade and other payables	3,484	1,863	6,382	2,840
Provisions	-	-	(2,166)	2,433
Employee entitlements	(62)	36	445	102
Tax Payable	-	-	(1,760)	2,922
Movement in working capital items classified as investing activities	-	-	(2,011)	(6,095)
	2,316	(3,223)	(2,494)	(6,329)
Net cash inflow/(outflow) from operating activities	129	(5,729)	19,958	10,473

Notes to the Financial Statements For the Year ended 30 June 2019

1. Statement of Accounting Policies

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 2019 and were authorised for issue by Council on 25 September 2019.

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:

- PBE IPSAS 34: Separate Financial Statements
- PBE IPSAS 35: Consolidated Financial Statements
- PBE IPSAS 36: Investment in Associates and Joint Ventures
- PBE IPSAS 37: Joint Arrangements
- PBE IPSAS 39: Employee Benefits
- PBE IPSAS 40: PBE Combinations
- PBE IPSAS 41: Financial Instruments
- PBE IFRS 9: Financial Instruments
- PBE FRS 48: Service Performance Reporting

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, 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 net tangible assets approach based on information provided by the entity and investment property valuations. The fair value of the shares in subsidiaries at 30 June 2019 was based on cashflows discounted using a weighted average cost of capital of 7.6% (2018: 7.6%), terminal growth rate 2% (2018: 2%) and discount for lack of marketability 5% (2018: 5%). Refer to Note 7 for revaluation inputs associated with the investment properties.

Sensitivity to WACC

- A decrease of 0.5% in WACC to 7.1% would result in a \$30.281m increase in fair value
- An increase of 0.5% in WACC to 8.1% would result in a \$25.325m decrease in fair value

	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Balance at beginning of year	488,508	439,037	-	-
Gain/(loss) recognised in other Comprehensive Revenue and Expense	45,727	49,471	-	-
Balance at end of year	534,235	488,508	-	-

Related party transactions

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

	Council 2019 \$000	Council 2018 \$000
Dividend payment made to Council	8,450	9,000
Harbour Control Centre and other costs	(60)	(65)
Other expenses	85	86

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 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.

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 and plant 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.

Rates Revenue

	Notes	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Rates revenue comprises:					
General rates		8,849	7,272	8,816	7,247
Targeted rates		14,434	13,636	14,434	13,636
		23,283	20,908	23,250	20,883

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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Revenue from exchange transactions					
Port revenue		-	-	81,704	80,666
Consents and regulatory fees		1,200	1,893	1,200	1,893
Regional services revenue		92	132	92	132
Investment property rental income		663	663	17,890	16,110
Other property rental income		357	388	5,361	388
		2,312	3,076	106,247	99,189
Revenue from non-exchange transactions					
Consents and regulatory fees		428	240	428	240
Other activity fees and charges		10,869	7,233	10,869	7,233
		11,297	7,473	11,297	7,473

4. Other Gains/(Losses)

	Notes	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Unrealised net change in value of investment property and property in development	7	2,425	312	25,264	22,323
Gain/(loss) on disposal of investment property		-	-	3,450	-
Impairment and impairment reversals of property in development	9	-	-	-	(557)
Gain/(loss) on disposal of property, plant and equipment		144	(91)	591	1,618
Net change in fair value of financial assets carried at fair value through surplus or deficit		1,245	1,529	1,245	1,529
Impairment of held for sale assets	8	-	-	-	-
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)		-	-	-	-
Gain/(loss) on future value of investment property sale		-	-	-	-
Gain/(loss) on available for sale assets		-	-	-	-
		3,814	1,750	30,550	24,913
Gains		3,814	1,841	30,550	25,004
Losses		-	(91)	-	(91)

Gains or losses on the sale of investment property and property, plant and equipment are recognised when an unconditional contract is in place, 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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Held for trading – carried at fair value				
<i>Current:</i>				
Managed funds – cash (i)	3,247	1,173	3,247	1,173
Managed funds – bonds (i)(ii)	8,414	9,163	8,414	9,163
Managed funds – equities (i)	10,841	10,975	10,841	10,975
	22,502	21,311	22,502	21,311
Loans and receivables carried at amortised cost				
<i>Current:</i>				
Short-term deposits with maturities of 4-12 months	-	19,000	-	19,000
<i>Non-current:</i>				
Prepaid lease costs	-	-	-	13
		19,000	-	19,013
	22,502	40,311	22,502	40,324
<i>Disclosed in the financial statements as:</i>				
Current	22,502	40,311	22,502	40,311
Non-current	-	-	-	13
	22,502	40,311	22,502	40,324

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 2019-2028.

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
2019								
<i>Financial assets at FVTSD:</i>								
Other financial assets	22,502	-	-	22,502	22,502	-	-	22,502
2018								
<i>Financial assets at FVTSD:</i>								
Other financial assets	21,311	-	-	21,311	21,311	-	-	21,311

6. Property, Plant and Equipment

COUNCIL ONLY 2019

	Cost 1 July 2018 \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Cost 30 June 2019 \$'000	Accumulated Depreciation and Impairment Charges 1 July 2018 \$'000	Depreciation Expense \$'000	Accumulated Depreciation Reversed on Disposal \$'000	Transfers \$'000	Accumulated Depreciation and Impairment Charges 30 June 2019 \$'000	Book Value 30 June 2019 \$'000
Council operational assets											
Land	12,545	-	-	-	12,545	-	-	-	-	-	12,545
Endowment land	1,495	-	-	-	1,495	-	-	-	-	-	1,495
Buildings	6,195	162	-	674	7,031	(1,221)	(281)	-	-	(1,502)	5,529
Plant and vehicles	7,973	1,603	(1,074)	320	8,822	(5,031)	(880)	953	-	(4,958)	3,864
Capital work in progress	1,288	339	(226)	(994)	407	-	-	-	-	-	407
Total operational assets	29,496	2,104	(1,300)	-	30,300	(6,252)	(1,161)	953	-	(6,460)	23,840
Council infrastructural assets											
Floodbanks	27,560	-	-	(12)	27,548	-	-	-	-	-	27,548
Protection works	8,971	-	-	412	9,383	-	-	-	-	-	9,383
Structures	39,324	140	(6)	585	40,042	(16,618)	(769)	1	-	(17,386)	22,657
Drains	3,288	-	-	472	3,760	-	-	-	-	-	3,760
Bridges	1,531	-	(22)	-	1,509	(1,016)	(45)	18	-	(1,043)	466
Culverts	1,267	-	-	-	1,267	-	-	-	-	-	1,267
Transport Infrastructure & hardware	-	276	-	2,022	2,298	-	(53)	-	-	(53)	2,245
Capital work in progress	2,661	8,140	(4,047)	(3,479)	3,276	-	-	-	-	-	3,276
Total infrastructural assets	84,602	8,556	(4,075)	-	89,083	(17,634)	(867)	19	-	(18,482)	70,601
Total Council property, plant and equipment	114,098	10,660	(5,375)	-	119,383	(23,886)	(2,028)	972	-	(24,942)	94,441

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.

Included in the infrastructure capital disposals are assets which were vested to Dunedin City Council and Aurora.

COUNCIL ONLY 2018

	Cost 1 July 2017 \$000	Additions \$000	Disposals \$000	Transfers \$000	Transfers to Held for Sale Assets \$000	Cost 30 June 2018 \$000	Accumulated Depreciation and Impairment Charges 1 July 2017 \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers \$000	Accumulated Depreciation and Impairment Charges 30 June 2018 \$000	Book Value 30 June 2018 \$000
Council operational assets												
Land	12,545	-	-	-	-	12,545	-	-	-	-	-	12,545
Endowment land	1,495	-	-	-	-	1,495	-	-	-	-	-	1,495
Buildings	6,107	71	-	17	-	6,195	(1,041)	(173)	-	(7)	(1,221)	4,974
Plant and vehicles	7,073	1,206	(289)	(17)	-	7,973	(4,489)	(697)	148	7	(5,031)	2,942
Capital work in progress	290	998	-	-	-	1,288	-	-	-	-	-	1,288
Total operational assets	27,510	2,275	(289)	-	-	29,495	(5,530)	(870)	148	-	(6,252)	23,244
Council infrastructural assets												
Floodbanks	27,560	-	-	-	-	27,560	-	-	-	-	-	27,560
Protection works	8,249	-	-	722	-	8,971	-	-	-	-	-	8,971
Structures	34,327	-	-	4,997	-	39,324	(15,910)	(708)	-	-	(16,618)	22,706
Drains	3,288	-	-	-	-	3,288	-	-	-	-	-	3,288
Bridges	1,531	-	-	-	-	1,531	(971)	(45)	-	-	(1,016)	515
Culverts	1,267	-	-	-	-	1,267	-	-	-	-	-	1,267
Capital work in progress	4,993	4,316	(929)	(5,719)	-	2,661	-	-	-	-	-	2,661
Total infrastructural assets	81,215	4,316	(929)	-	-	84,602	(16,881)	(753)	-	-	(17,634)	66,968
Total Council property, plant and equipment	108,725	6,591	(1,218)	-	-	114,097	(22,411)	(1,623)	148	-	(23,886)	90,212

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.

GROUP – 2019

	Cost 1 July 2018 \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Cost 30 June 2019 \$'000	Accumulated Depreciation and Impairment Charges 1 July 2018 \$'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 2019 \$'000	Book Value 30 June 2019 \$'000
Operational assets												
Land – Council	12,545	-	-	-	12,545	-	-	-	-	-	-	12,545
Endowment land – Council	1,495	-	-	-	1,495	-	-	-	-	-	-	1,495
Buildings – Council	6,195	162	-	674	7,031	(1,221)	-	(281)	-	-	(1,502)	5,529
Plant and vehicles – Council	7,973	1,603	(1,074)	320	8,822	(5,031)	-	(880)	953	-	(4,958)	3,864
Capital work in progress – Council	1,288	339	(226)	(994)	407	-	-	-	-	-	-	407
Land – Port	35,291	-	(10)	-	35,281	-	-	-	-	-	-	35,281
Buildings and improvements – Port	70,299	2,473	(3)	-	72,769	(21,346)	-	(2,734)	1	-	(24,079)	48,690
Wharves and berths dredging – Port	62,258	27,376	-	-	89,634	(20,471)	-	(1,855)	-	-	(22,326)	67,308
Plant, equipment and vehicles – Port	105,949	10,720	(2,146)	-	114,523	(52,155)	-	(4,768)	1,959	-	(54,964)	59,559
Capital work in progress – Port	29,380	-	(27,392)	-	1,988	-	-	-	-	-	-	1,988
Total operational assets	332,673	42,673	(30,851)	-	344,495	(100,224)	-	(10,518)	2,913	-	(107,829)	236,666
Council infra-structural assets												
Floodbanks	27,560	-	-	(12)	27,548	-	-	-	-	-	-	27,548
Protection works	8,971	-	-	412	9,383	-	-	-	-	-	-	9,383
Structures	39,324	140	(6)	585	40,042	(16,618)	-	(769)	1	-	(17,386)	22,657
Drains	3,288	-	-	472	3,760	-	-	-	-	-	-	3,760
Bridges	1,531	-	(22)	-	1,509	(1,016)	-	(45)	18	-	(1,043)	466
Culverts	1,267	-	-	-	1,267	-	-	-	-	-	-	1,267
Transport Infrastructure & hardware	-	276	-	2,022	2,298	-	-	(53)	-	-	(53)	2,245
Capital work in progress – Council	2,661	8,140	(4,047)	(3,479)	3,276	-	-	-	-	-	-	3,276
Total infrastructural assets	84,602	8,556	(4,075)	-	89,083	(17,634)	-	(867)	19	-	(18,482)	70,601
Total Group property, plant and equipment	417,275	51,229	(34,926)	-	433,578	(117,858)	-	(11,385)	2,932	-	(126,311)	307,267

GROUP – 2018

	Cost 1 July 2017 \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Cost 30 June 2018 \$'000	Accumulated Depreciation and Impairment Charges 1 July 2017 \$'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 2018 \$'000	Book Value 30 June 2018 \$'000
Operational assets												
Land – Council	12,545	-	-	-	12,545	-	-	-	-	-	-	12,545
Endowment land – Council	1,495	-	-	-	1,495	-	-	-	-	-	-	1,495
Buildings – Council	6,107	71	-	17	6,195	(1,042)	-	(173)	-	(7)	(1,221)	4,974
Plant and vehicles – Council	7,073	1,206	(289)	(17)	7,973	(4,489)	-	(697)	148	7	(5,031)	2,942
Capital work in progress – Council	290	998	-	-	1,288	-	-	-	-	-	-	1,288
Land – Port	34,342	949	-	-	35,291	-	-	-	-	-	-	35,291
Buildings and improvements – Port	67,734	2,608	(43)	-	70,299	(18,841)	-	(2,548)	43	-	(21,346)	48,953
Wharves and berths dredging – Port	61,492	766	-	-	62,258	(18,916)	-	(1,555)	-	-	(20,471)	41,787
Plant, equipment and vehicles – Port	102,096	6,427	(2,575)	-	105,948	(50,141)	-	(4,520)	2,506	-	(52,155)	53,794
Capital work in progress – Port	3,685	25,695	-	-	29,380	-	-	-	-	-	-	29,380
Total operational assets	296,859	38,720	(2,907)	-	332,672	(93,428)	-	(9,493)	2,697	-	(100,224)	232,449
Council infra-structural assets												
Floodbanks	27,560	-	-	-	27,560	-	-	-	-	-	-	27,560
Protection works	8,249	-	-	722	8,971	-	-	-	-	-	-	8,971
Structures	34,327	-	-	4,997	39,324	(15,910)	-	(708)	-	-	(16,618)	22,706
Drains	3,288	-	-	-	3,288	-	-	-	-	-	-	3,288
Bridges	1,531	-	-	-	1,531	(971)	-	(45)	-	-	(1,016)	515
Culverts	1,267	-	-	-	1,267	-	-	-	-	-	-	1,267
Capital work in progress – Council	4,993	4,316	(929)	(5,719)	2,661	-	-	-	-	-	-	2,661
Total infrastructural assets	81,215	4,316	(929)	-	84,602	(16,881)	-	(753)	-	-	(17,634)	66,968
Total Group property, plant and equipment	378,074	43,036	(3,836)	-	417,274	(110,309)	-	(10,246)	2,697	-	(117,858)	299,417

Property, Plant and 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.

Transport infrastructure assets and hardware deliver benefits to the transport bus network.

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
Operational Assets	
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
Infrastructural Assets	
Floodbanks	Unlimited
Protection works	Unlimited
Drains	Unlimited
Culverts	Unlimited
Structures	8-100 years
Bridges	33-100 years
Transport infrastructure and hardware	5-15 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 or 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

	Note	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Balance at beginning of year		11,137	10,825	328,927	313,262
Acquisitions		-	-	-	-
Subsequent capital expenditure		-	-	6,304	645
Interest capitalised		-	-	62	-
Disposals		-	-	(11,380)	(3,710)
Net movement in incentives		-	-	(125)	124
Net movement in prepaid leasing costs		-	-	34	88
Transfer to property held for sale	8	-	-	(2,105)	-
Transfer to investment property inventories	9	-	-	(2,438)	(11,659)
Transfer from investment property inventories	9	-	-	3,139	7,854
Net gain/(loss) from fair value adjustments		2,425	312	25,264	22,323
Balance at end of year		13,562	11,137	347,682	328,927

	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Valuation analysis				
<i>Valued at 30 June balance date as determined by:</i>				
Jones Lang LaSalle	-	-	142,100	85,050
Colliers International	-	-	192,020	232,740
Tay and Tay Limited	13,562	11,137	13,562	11,137
	13,562	11,137	347,682	328,927

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 2019 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)	4.5%	6.5%	5.0%	8.5%
Market rental (\$ per Sqm) (ii)	\$40	\$108	\$8.70	\$450
Discount rate (%) (iii)	7.23%	9.08%	7.0%	10%
Rental growth rate (%) (iv)	2%	2%	1.5%	3.5%
Terminal capitalisation rate (%) (v)	5%	7%	5.0%	8.5%
Profit and risk rate (vi)	N/A	N/A	15%	15%
Development sell down period (years) (vii)	N/A	N/A	4	4

- (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 valuer assessment of the net market income that 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 providing 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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Balance at beginning of year		214	1,093	214	3,238
Transfer from (to) investment property	7	-	-	2,105	-
Transfer from property, plant and equipment		-	-	-	-
Transfer (to) property in development	9	-	-	-	-
Subsequent capital expenditure		-	-	-	-
Unrealised change in value of property held for sale		-	-	-	-
Disposals		(214)	(879)	(214)	(3,024)
Balance at end of year		-	214	2,105	214
<i>Disclosed in the Financial Statements as:</i>					
Current		-	214	2,105	214
Non-current		-	-	-	-
		-	214	2,105	214

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 nor amortised while it is classified as held for sale.

Group:

During the year, the Group entered into an unconditional sales and purchase agreement for the sale of 8,094m² of land within its Dunedin Ground Lease Portfolio. The land was valued by Colliers on 30 June 2019 at a fair value of \$2.11million.

9. Investment Property Inventories

	Note	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Balance at beginning of year		-	-	31,190	25,696
Transfer from investment property	7	-	-	2,438	11,659
Transfer (to) from property held for sale	8	-	-	-	-
Transfer to investment property	7	-	-	(3,139)	(7,854)
Acquisitions		-	-	2,080	2,714
Disposals		-	-	(17,347)	(16,263)
Subsequent capital expenditure		-	-	13,096	15,633
Interest capitalised		-	-	511	162
Impairment and impairment reversals		-	-	-	(557)
Balance at end of year		-	-	28,829	31,190

	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Comprising				
Developed land for sale	-	-	19,282	8,230
Units and warehouse developments	-	-	2,821	2,408
Land in development	-	-	6,726	20,552
	-	-	28,829	31,190

Transfers from investment property to investment property inventories occur when there is a change in use evidenced by the commencement of a development with a view to sale. Future development stages that have not yet commenced and are being held for capital appreciation are accounted for in investment property.

Investment property inventories are accounted for as inventory and initially recognised at deemed cost represented by the fair value at the time of commencement of the development. Further costs directly incurred through development activities are capitalised to the cost of the investment property inventories.

Investment property inventories are valued annually and are measured at the lower of cost and fair value. Where costs exceed the fair value of the investment property inventories the resulting impairments are included in the Income Statement in the period in which they arise.

Developed Land for Sale

The \$19.3 million carrying value of developed land at balance date reflects the cost of the 10.0 hectares (Group share: 9.2 hectares) remaining developed land. In their June 2019 valuation, Jones Lang LaSalle stated a net realisable value of \$28.1 million (Group share: \$26.1 million).

At the previous balance date the \$8.2 million carrying value of developed land reflected the cost of the 6.8 hectares (Group share: 4.8 hectares) on hand. In their June 2018 valuation, Jones Lang LaSalle stated a net realisable value of \$17.0 million (Group share: \$12.0 million) for the remaining developed land on hand.

Units and Warehouse Developments in Progress

During the year the Group commenced development of a further six units as well as the development of a further warehouse, at Te Rapa, Hamilton. A warehouse that was developed in the previous year, was tenanted during the year and thus has now been transferred to Investment property.

Land in Development

In their June 2019 valuation, Jones Lang LaSalle stated a net realisable value of \$13.8 million (Group share: \$13.8 million) for land in development within the industrial subdivision at Te Rapa in Hamilton. Upon completion the land will provide a further 6.3 hectares (Group share: 6.3 hectares) of developed land for sale.

At the previous balance date, Jones Lang La Salle stated a net realisable value of \$22.9 million (Group share: \$20.6 million) for the land being developed to yield a further 21.4 hectares of developed land for sale (Group share: 20.2 hectares).

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 Total \$000
Gross carrying amount					
Balance at 30 June 2017	4,408	4,408	10,438	5,621	16,059
Additions	453	453	687	20	707
Capital WIP additions	908	908	908	-	908
Capital WIP write off	-	-	-	-	-
Transfer to complete asset	(243)	(243)	(243)	-	(243)
Disposals	-	-	-	-	-
Balance at 30 June 2018	5,526	5,526	11,790	5,641	17,431
Additions	4	4	1,322	-	1,322
Capital WIP additions	1,637	1,637	1,637	-	1,637
Capital WIP write off	-	-	-	-	-
Transfer to complete asset	-	-	-	-	-
Disposals	-	-	(3)	-	(3)
Balance at 30 June 2019	7,167	7,167	14,746	5,641	20,387
Accumulated amortisation and impairment					
Balance 30 June 2017	(2,342)	(2,342)	(7,650)	(914)	(8,564)
Amortisation expense	(460)	(460)	(732)	(260)	(992)
Disposals	-	-	-	-	-
Balance 30 June 2018	(2,802)	(2,802)	(8,382)	(1,174)	(9,556)
Amortisation expense	(482)	(482)	(800)	(256)	(1,056)
Disposals	-	-	3	-	3
Balance at 30 June 2019	(3,283)	(3,283)	(9,179)	(1,430)	(10,609)
Net book value					
As at 30 June 2019	3,884	3,884	5,568	4,211	9,779
As at 30 June 2018	2,724	2,724	3,408	4,467	7,875

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 Port Otago Limited to deepen to 15 metres 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 spoil.

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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Depreciation of property, plant and equipment	6	2,028	1,623	11,385	10,246
Amortisation of intangible assets	10	482	460	1,056	992
Amortisation of leasing costs			-	107	68
		2,510	2,083	12,548	11,306

Depreciation and Amortisation by Activity (Council Only)

	Notes	Actual 2018/19 \$000	Long Term Plan 2018/19 \$000	Actual 2017/18 \$000	Annual Plan 2017/18 \$000
Environment		285	229	276	160
Community		47	-	37	-
Regulatory		103	9	100	119
Policy & Planning		2	-		
Flood Protection and Control Works		810	805	729	720
Safety and Hazards		21	20	20	8
Transport		128	40	10	7
Corporate		1,114	1,300	911	1,000
		2,510	2,402	2,083	2,014

12. Trade and Other Receivables

	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Trade and other receivables from exchange transactions				
Trade receivables (i)	379	-	15,461	16,671
Provision for doubtful debts	(77)	-	(121)	-
	302	-	15,340	16,671
Sundry accruals	97	314	97	314
Goods and Services Tax receivable	640	1,031	640	1,031
	1,039	1,345	16,077	18,016
Trade and other receivables from non-exchange transactions				
Trade receivables (i)	6,994	3,510	6,994	3,510
Provision for doubtful debts	(23)	(83)	(23)	(83)
	6,971	3,427	6,971	3,427
Accrued Income	1,594	3,937	1,594	3,937
Goods and Services Tax receivable	-	-	-	-
	8,565	7,364	8,565	7,364
<i>Disclosed in the financial statements as:</i>				
Current	9,604	8,709	24,642	25,380
Non-current	-	-	-	-
	9,604	8,709	24,642	25,380

(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 and Other Payables

	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Trade payables for Exchange transactions (i)	7,924	6,335	18,426	14,612
Other accrued charges	4,579	2,684	5,918	3,458
Property deposits received	-	-	110	2
	12,503	9,019	24,454	18,072

- (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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Accrued salary and wages	417	396	1,729	1,514
Annual leave	1,200	1,283	5,274	5,035
Long service leave	-	-	888	837
Retiring allowances	22	22	77	95
Sick leave	-	-	106	114
	1,639	1,701	8,074	7,595
<i>Disclosed in the financial statements as:</i>				
Current	1,639	1,701	7,131	6,685
Non-current	-	-	943	910
	1,639	1,701	8,074	7,595

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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Secured – at amortised cost				
Bank borrowings	-	-	55,680	77,635
	-	-	55,680	77,635
<i>Analysed as:</i>				
Current	-	-	930	-
Non-current	-	-	54,750	77,635
	-	-	55,680	77,635

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 \$81 million (2018: \$90 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 1 July 2022. In addition the Group has a \$19 million Commercial Flexi Facility with ANZ Bank New Zealand Limited which is subject to an annual review at 30 June 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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Interest on loans		-	-	3,707	3,297
Capitalised borrowing costs		-	-	(860)	(373)
Other		1	2	1	2
		1	2	2,848	2,926

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

16. Reserves

COUNCIL	Available for Sale Revaluation Reserve \$000	Asset 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
Opening balance at 1 July 2017	419,037	5,820	4,033	6,361	8,764	1,427	13,614	322	459,378
Transfers in:									
Transfers from general rate equity	-	1,510	-	118	-	-	-	250	1,878
Interest received	-	220	149	233	-	45	498	20	1,165
Revaluation gain	49,471	-	-	-	312	-	-	-	49,783
	49,471	1,730	149	351	312	45	498	270	52,826
Transfers out:									
Transfers to general rate equity	-	(1,480)	-	(30)	-	(433)	(864)	(97)	(2,904)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
	-	(1,480)	-	(280)	-	(433)	(864)	(97)	(3,154)
Closing balances 30 June 2018	468,508	6,070	4,182	6,432	9,076	1,039	13,248	495	509,050
Transfers in:									
Transfers from general rate equity	-	1,075	-	118	-	-	-	250	1,443
Interest received	-	195	143	216	-	34	441	22	1,051
Revaluation gain	45,727	-	-	-	2,425	-	-	-	48,152
	45,727	1,270	143	334	2,425	34	441	272	50,646
Transfers out:									
Transfers to general rate equity	-	(2,306)	-	(44)	-	(198)	(584)	(693)	(3,825)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
	-	(2,306)	-	(294)	-	(198)	(584)	(693)	(4,075)
Closing balances 30 June 2019	514,235	5,034	4,325	6,472	11,501	875	13,105	74	555,621

GROUP	Available for Sale Revaluation Reserve \$'000	Asset Replacement Reserve \$'000	Emergency Response Reserve \$'000	Kuriwao Endowment Reserve \$'000	Asset Revaluation Reserve \$'000	Water Management Reserve \$'000	Building Reserve \$'000	Environmental Enhancement Reserve	Hedging Reserve \$'000	Total Reserves \$'000
Opening balances at 1 July 2017	-	5,820	4,033	6,361	199,091	1,427	13,614	322	(394)	230,274
Transfers in:										
Transfers from general rate equity	-	1,510	-	118	-	-	-	250	-	1,878
Interest received	-	220	149	233	-	45	498	20	-	1,165
Revaluation gain	-	-	-	-	21,804	-	-	-	-	21,804
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	(333)	(333)
Transfers out:										
Transfers to general rate equity	-	1,730	149	351	21,804	45	498	270	(333)	24,514
Transfers to targeted rate equity	-	(1,480)	-	(30)	-	(433)	(864)	(97)	-	(2,904)
Deferred tax arising on fair value movement	-	-	-	(250)	-	-	-	-	-	(250)
Realised on sale of assets	-	-	-	-	-	-	-	-	-	-
Closing balances 30 June 2018	-	(1,480)	4,182	6,432	220,895	1,039	13,248	495	(727)	251,634
Transfers in:										
Transfers from general rate equity	-	1,075	-	118	-	-	-	250	-	1,443
Interest received	-	195	143	216	-	34	441	22	-	1,051
Revaluation gain	-	-	-	-	25,264	-	-	-	-	25,264
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	(838)	(838)
Transfers out:										
Transfers to general rate equity	-	1,270	143	334	25,264	34	441	272	(838)	26,920
Transfers to targeted rate equity	-	(2,306)	-	(44)	-	(198)	(584)	(693)	-	(3,825)
Deferred tax arising on fair value movement	-	-	-	(250)	-	-	-	-	-	(250)
Realised on sale of assets	-	-	-	-	-	-	-	-	-	-
Closing balances 30 June 2019	-	5,034	4,325	6,472	246,159	875	13,105	74	(1,565)	274,479

Restricted and 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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Public Equity – General Rates				
Balance at beginning of year	69,929	71,846	306,810	295,603
Net surplus	(5,218)	(2,849)	35,735	31,767
Transfers in				
Transfer from Public Equity Targeted Rates	47,852	37,492	47,852	37,492
Kuriwao endowment reserve	44	30	44	30
Asset replacement reserve	2,306	1,480	2,306	1,480
Asset revaluation reserve	-	-	-	-
Water Management Reserve	198	433	198	433
Environmental Enhancement Reserve	693	97	693	97
Building Reserve	584	864	584	864
	51,677	40,396	51,677	40,396
Transfer out				
Transfer to Public Equity Targeted Rates	(38,987)	(36,109)	(38,987)	(36,109)
Kuriwao endowment reserve	(334)	(351)	(334)	(351)
Asset replacement reserve	(1,270)	(1,730)	(1,270)	(1,730)
Emergency response reserve	(143)	(149)	(143)	(149)
Asset revaluation reserve	(2,425)	(312)	(25,262)	(21,804)
Water management reserve	(34)	(45)	(34)	(45)
Building Reserve	(441)	(498)	(441)	(498)
Environmental Enhancement Reserve	(272)	(270)	(272)	(270)
Available-for-sale asset gains reclassified to surplus/-(deficit)	-	-	-	-
	(43,906)	(39,464)	(66,743)	(60,956)
Balance at end of year	72,482	69,929	327,479	306,810
Public Equity – Targeted Rates				
Balance at beginning of year	60,570	61,703	60,570	61,703
Transfers in				
Transfer from Public Equity General Rates	38,987	36,109	38,987	36,109
Kuriwao endowment reserve	250	250	250	250
	39,237	36,359	39,237	36,359
Transfers out				
Transfer to Public Equity General Rates	(47,852)	(37,492)	(47,852)	(37,492)
	(47,852)	(37,492)	(47,852)	(37,492)
Balance at end of year – refer note 17 (b)	51,955	60,570	51,955	60,570
Total Public Equity				
Balance at beginning of year	130,499	133,549	367,380	357,306
Net surplus	(5,218)	(2,849)	35,735	31,767
Transfers	(844)	(201)	(23,681)	(21,693)
Balance at end of year	124,437	130,499	379,434	367,380

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 - 2019			Council and Group – 2018				
	Opening balance 1 July 2018 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2019 \$000	Opening balance 1 July 2017 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2018 \$000
Targeted Rating District Equity								
River Management Reserves								
Central Otago River Management	387	316	(308)	395	398	316	(327)	387
Clutha River Management	112	303	(377)	38	157	271	(316)	112
Dunedin River Management	1,768	254	(543)	1,479	1,955	217	(404)	1,768
Queenstown River Management	753	176	(245)	684	707	178	(132)	753
Waitaki River Management	143	416	(337)	222	6	405	(268)	143
Wanaka River Management	505	199	(133)	571	423	186	(104)	505
Shotover Delta Flood Mitigation	57	84	(8)	133	(67)	152	(28)	57
Stoney Creek	143	5	-	148	138	5	-	143
Flood and Drainage scheme reserves								
Alexandra Flood Protection	306	95	(170)	231	438	111	(243)	306
East Taieri Drainage	386	493	(680)	199	582	446	(642)	386
Leith Flood Protection	(11,925)	1,647	(4,387)	(14,665)	(9,423)	2,134	(4,636)	(11,925)
Lower Clutha Flood and Drainage	(149)	1,097	(1,145)	(197)	142	1,027	(1,318)	(149)
Lower Taieri Flood Protection	1,060	927	(1,355)	632	1,008	741	(689)	1,060
Lower Waitaki Flood Protection	(17)	158	(150)	(9)	(19)	126	(124)	(17)
Tokomairiro Drainage	155	111	(116)	150	155	100	(100)	155
West Taieri Drainage	(1,577)	647	(914)	(1,844)	(1,016)	597	(1,158)	(1,577)
Other Reserves								
Clean Heat Clean Air	350	9	(150)	209	413	14	(77)	350
Dunedin Transport Services	2,930	18,883	(24,352)	(2,539)	4,779	13,991	(15,840)	2,930
Queenstown Transport Services	83	7,311	(7,582)	(188)	(35)	6,642	(6,524)	83
Rural Water Quality	284	1,121	(896)	509	(54)	1,232	(894)	284
Dairy Monitoring	25	190	(141)	74	(75)	177	(77)	25
Wilding Pines	(63)	211	(292)	(144)	-	197	(260)	(63)
Emergency Management	(140)	2,466	(2,389)	(63)	-	2,440	(2,580)	(140)
Lake Hayes Restoration	-	-	(372)	(372)	-	-	-	-
Infrastructural Assets	64,994	2,118	(810)	66,304	61,091	4,654	(751)	64,994
	60,570	39,237	(47,852)	51,955	61,703	36,359	(37,492)	60,570

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 2019	Amount borrowed as at 30 June 2018 \$000	Funds borrowed during the year \$000	Funds repaid during the year \$000	Interest charged \$000	Amount borrowed as at 30 June 2019 \$000
Flood Protection and Control Works	13,651	5,943	(3,391)	503	16,706
Environment	63	655	(211)	9	516
Community	17	149	(158)	1	9
Safety and Hazards	140	2,386	(2,466)	3	63
Transport	(3,013)	31,932	(26,188)	(4)	2,727
	10,858	41,065	(32,414)	512	20,021

Council 2018	Amount borrowed as at 30 June 2017 \$000	Funds borrowed during the year \$000	Funds repaid during the year \$000	Interest charged \$000	Amount borrowed as at 30 June 2018 \$000
Flood protection and control works	10,365	6,280	(3,480)	430	13,595
Environment	54	1,156	(1,428)	(3)	(221)
Community	19	122	(125)	1	17
Regulatory	75	76	(177)	1	(25)
Safety and Hazards	-	2,576	(2,438)	2	140
Transport	35	6,524	(6,642)	-	(83)
	10,548	16,734	(14,290)	431	13,423

18. Income Taxes

Income Tax Recognised in Statement of Comprehensive Revenue and Expense

	Notes	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Income tax (expense)/benefit comprises:					
Current year – current tax		-	-	(8,073)	(9,179)
Current year – deferred tax		98	98	(617)	1,185
Prior period adjustment current tax		-	3	101	(136)
Prior period adjustment deferred tax		-	-	-	-
Income tax (expense)/benefit reported in the Statement of Comprehensive Revenue and Expense		98	101	(8,589)	(8,130)
<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		(5,316)	(2,950)	44,324	39,897
Imputation credits		-	-	-	-
		(5,316)	(2,950)	44,324	39,897
Income tax expense (credit) calculated at 28%		(1,488)	(826)	12,410	11,171
Non-deductible expenses		19,444	15,895	19,478	15,962
Non-assessable income		(15,688)	(12,647)	(16,699)	(13,127)
Unrealised change in investment property		-	-	(5,557)	(6,066)
Deferred tax expense relating to the origination and reversal of temporary differences		-	-	(1,043)	54
Prior period adjustment		-	(3)	-	136
Imputation credits utilised		(2,366)	(2,520)	-	-
Income tax expense (credit)		(98)	(101)	8,589	8,130

Council entered into an agreement for the Council to transfer 2018 tax year losses to its subsidiary Port Otago Limited. In conjunction with the tax loss transfer of \$258,592 (2018 tax year: \$259,279), by way of a tax loss offset, Port Otago Limited made a subvention payment of \$100,564 (2018 tax year: \$100,831) 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

Deferred tax comprise taxable and deductible temporary differences arising from the following:

	Council Opening Balance \$000	Council Charged to Surplus/(Deficit) \$000	Council Charged to other Comprehensive Revenue and Expense \$000	Council Closing Balance \$000
COUNCIL 2019				
Gross deferred tax asset:				
Tax losses	98	-	-	98
	98	-	-	98

COUNCIL 2018	Council Opening Balance \$000	Council Charged to Surplus/(Deficit) \$000	Council Charged to Other Comprehensive Revenue and Expense \$000	Council Closing Balance \$000
Gross deferred tax asset:				
Tax losses	98	-	-	98
	98	-	-	98

GROUP 2019	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to Other Comprehensive Revenue and Expense \$000	Group Closing Balance \$000
Gross deferred tax liability:				
Other financial assets	(281)	-	(325)	(606)
Property, plant and equipment	13,129	(631)	-	12,498
Investment property	4,017	542	-	4,559
Other	(2,560)	706	-	(1,854)
	14,305	617	(325)	14,597

GROUP 2018	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to Other Comprehensive Revenue and Expense \$000	Group Closing Balance \$000
Gross deferred tax liability:				
Other financial assets	(168)	17	(130)	(281)
Property, plant and equipment	13,122	7	-	13,129
Investment property	4,426	(409)	-	4,017
Other	(1,760)	(800)	-	(2,560)
	15,620	(1,185)	(130)	14,305

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 2019 \$000	Group 2018 \$000
Balance at end of year	41,432	36,581

Imputation credit balances available directly and indirectly to the Council through subsidiaries are \$41,530,000 as at 30 June 2019, and \$36,679,000 as at 30 June 2018.

19. Other Expenses

	Notes	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Net bad and doubtful debts		36	11	36	13
Donations		350	350	494	441
Operating lease rental expenses:					
- Minimum lease payments		292	147	292	147
Operating expenses of investment properties		-	-	977	967
Company Directors' remuneration		-	-	360	327
Purchased materials and services		46,567	37,633	68,211	56,817
Fuel and electricity		408	425	3,501	3,306
Write-off of property, plant and equipment work in progress		4,731	929	4,336	929
		52,384	39,495	78,207	62,947

Included in the write-off of property, plant and equipment work in progress are assets which were vested to Dunedin City Council and Aurora.

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 2019	Number of Employees 30 June 2018
Full-time employees	164	165
Full-time equivalent number of other employees	10.5	11.8

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 2019	Number of Employees 30 June 2018
Less than \$60,000	33	33
\$60,000 to \$79,999	68	70
\$80,000 to \$99,999	44	49
\$100,000 to \$119,999	17	11
\$120,000 to \$139,999	10	10
\$140,000 to \$199,999	4	6
\$200,000 to \$299,999	3	3
	179	182

Chief Executive Remuneration

The Chief Executive of the Council is appointed under Section 42 of the Local Government Act 2002.

Sarah Gardner commenced employment as Chief Executive on 29 January 2018. During the period to 30 June 2019 the Chief Executive received salary payments amounting to \$257,810 (2018: \$104,653), and the total cost including fringe benefit tax of the remuneration package received during that period is calculated at \$309,346 (2018: \$120,735).

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 2019

Councillor	Months in term	Meetings attended / eligible meetings ¹	Remuneration	Meeting fees	Allowances and mileage	Other	Total
Stephen Woodhead (Chairperson)	12	47/52	126,548	-	-	9,413	135,961
Gretchen Robertson (Deputy Chairperson)	12	49/52	69,700	4,000	2,083	274	76,057
Graeme Bell	12	54/54	49,786	-	9,628	601	60,015
Douglas Brown	12	48/52	57,254	-	2,990	35	60,279
Michael Deaker	12	50/52	57,254	-	1,496	-	58,750
Carmen Hope	12	50/52	49,786	-	8,120	391	58,297
Trevor Kempton	12	48/54	57,254	-	950	-	58,204
Michael Laws	12	46/52	49,786	-	9,520	719	60,025
Ella Lawton	12	50/52	49,786	3,360	13,404	1,674	68,224
Sam Neill	12	44/52	49,786	-	2,264	17	52,067
Andrew Noone	12	42/52	57,254	2,960	1,775	-	61,989
Bryan Scott	12	52/52	57,254	1,850	2,504	-	61,608
			731,448	12,170	54,734	13,124	811,476

¹ Eligible meetings include attendance at Council, Committee and RTC meetings.

Council Remuneration 2018

Councillor	Months in term	Meetings attended / eligible meetings ¹	Remuneration	Meeting fees	Allowances and mileage	Other	Total
Stephen Woodhead (Chairperson)	12	33/48	121,541	-	-	9,423	130,964
Gretchen Robertson (Deputy Chairperson)	12	47/48	67,676	1,641	943	193	70,453
Graeme Bell	12	43/51	48,340	-	3,572	142	52,054
Douglas Brown	12	48/48	55,591	-	6,170	688	62,449
Michael Deaker	12	42/48	55,591	-	1,750	-	57,341
Carmen Hope	12	48/48	48,340	-	7,676	270	56,286
Trevor Kempton	12	39/51	55,591	-	855	-	56,446
Michael Laws	12	38/48	48,340	-	7,941	166	56,447
Ella Lawton	12	48/48	48,340	1,313	14,368	3,198	67,219
Sam Neill	12	42/48	48,340	-	1,578	-	49,918
Andrew Noone	12	37/48	55,591	3,440	855	-	59,886
Bryan Scott	12	48/48	55,591	-	855	-	56,446
			708,872	6,394	46,563	14,080	775,909

¹ Eligible meetings include attendance at Council, Committee and RTC meetings.

Severance Payments

For the year ended 30 June 2019, the Council made three severance payments totalling \$50,000 (2018: one payment of \$6,500).

21. Key Management Personnel Compensation

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

	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Management personnel				
Short-term employee benefits	1,344	1,398	4,383	4,524
Post-employment benefits	-	-	-	-
	1,344	1,398	4,383	4,524
Full-time equivalent number of key management personnel	6	7	14	15
Governing personnel				
Councillors remuneration	763	776	763	776
Directors' fees	-	-	-	327
	763	776	763	1,103

22. Employee Benefits Expense

	Notes	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Salaries and wages		14,099	14,571	46,706	45,096
Defined contribution plans		636	661	2,231	2,143
Termination benefits		166	310	166	310
		14,901	15,542	49,103	47,549

Superannuation Schemes

Recognition and Measurement

Contributions to defined contribution superannuation schemes are expensed when incurred.

23. Subsequent Events

On 3 September 2019 the Directors of Port Otago Limited declared a final dividend of \$0.5 million for the year ended 30 June 2019. 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 2019 the Group had commitments for capital expenditure of \$24.62 million (2018: \$9.61 million). Included in the above amounts are Council commitments of \$2.28 million (2018: \$0.30 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure.

Included within Group capital commitments is capital expenditure of \$22.34 million (2018: \$9.31 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 and 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, (2018: \$Nil).

Group

There are no contingent liabilities at 30 June 2019 (30 June 2018: \$Nil) other than those arising in the normal course of business.

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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Not longer than 1 year	258	272	628	642
Longer than 1 year and not longer than 5 years	145	546	505	879
Longer than 5 years	-	-	133	434
	403	818	1,266	1,955

Disclosures for Lessor

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	2019 \$000	2018 \$000
Rentals receivable		
Within one year	21,291	20,315
After one year but not more than five years	62,173	66,551
More than five years	88,747	104,452
Minimum future lease receivable	172,211	191,318

27. Subsidiaries, Associates and Joint Ventures

	Country of Incorporation	Ownership Interest	
		2019 %	2018 %
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	
		2019 %	2018 %
Subsidiaries			
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
Joint Ventures and Associates			
Harbourcold Dunedin	Cold store operation	50	50
Hamilton Porter JV	Property investment	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 liabilities 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 2019 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. 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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Balance at beginning of year		-	-	1,631	1,427
Share of profit from joint ventures recognised in the Statement of Comprehensive Revenue and Expenses		-	-	165	204
Shareholder advances		-	-	207	-
Balance at end of year		-	-	2,003	1,631

The Group has a 50% shareholding in Icon Logistics Limited (2018: 50%). Icon Logistics Limited is allowed to use 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 jointly controlled entity.

Summarised financial information of jointly controlled entities:

	Group 2019 \$000	Group 2018 \$000
Current assets	8,753	10,080
Non-current assets	1,489	1,270
	10,242	11,350
Current liabilities	(595)	(1,007)
Non-current liabilities	-	-
	(595)	(1,007)
Net assets	9,647	10,343

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 Trevor Kempton is a director of Delta Utility Services Limited and Naylor Love Construction Limited. Councillor Andrew Noone is a Director of Morfazan Limited and was a director of Orokonui Ecosanctuary Limited, his directorship ceased on 29th August 2018.

In the ordinary course of business and during the financial period covered by this report, services valued at \$5,980 were purchased from Delta Utility Services Limited (2018: \$13,786), services valued at \$4,495 were purchased from Naylor Love Construction Limited (2018:\$Nil), services valued at \$1,000 were provided to Morfazan Limited (2018: \$Nil) and services valued at \$Nil were provided from Orokonui Ecosanctuary Limited (2018: \$10,000).

As at June 2019, the amount owed to Delta Utility Services Limited and Naylor Love Construction Limited was \$Nil (2018: \$Nil), and the amount owed to Orokonui Ecosanctuary Limited was \$Nil (2018: \$10,000). The amount owing from Morfazan was \$Nil (2018: \$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 2019 for property rentals and the purchase of materials and services was \$175,318 (2018: \$715,996) with \$Nil receivable at year end (2018: \$6,672). No dividend was received by Port Otago Limited from Harbourcold Dunedin during 2019 (2018: \$Nil).

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 2019 for property rentals and sale of services was \$140,059 (2018: \$106,209) with \$15,609 receivable at year end (2018: \$8,385).

Icon Logistics Limited also provides transport services to Port Otago Limited. The amount paid to Icon Logistics Limited during 2019 for the supply of transport services was \$1,507,330 (2018: \$958,964) with \$112,934 payable at year end (2018: \$121,367).

South Freight Limited provided a \$200,000 advance to Icon Logistics Limited during the year for the upgrade of yard space. The advanced amount is payable on demand and attracts an annual interest rate of 3.65% per annum. For the period ended 30 June 2019, interest revenue of \$5,660 was accrued.

Transactions with Hamilton Porter JV

Port Otago Limited has a 66.7% interest in the Hamilton Porter JV through its wholly owned subsidiary, Te Rapa Gateway Limited which has provided an advance to Hamilton Porter JV to fund its share of development costs. All amounts owing were repaid in full during the year (2018 balance due: \$102,000). 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. All remaining amounts to be compensated were fully paid during the year (2018 balance due: \$596,000).

In September 2018 Te Rapa Gateway Limited purchased 24,843 m² of developed land from Hamilton Porter JV for \$6,210,750 based upon a negotiated purchase price of \$250 m². In the previous year, Te Rapa Gateway Limited purchased 58,148 m² of undeveloped land from Hamilton Porter JV for \$8,140,720 at a negotiated purchase price of \$140m².

Chalmers Properties Limited provides accounting and administration services to Hamilton Porter JV for which \$10,000 (2018: \$10,000) was charged. At balance date the amount owing to Chalmers Properties Limited was nil (2018: \$12,000).

At June 2019, the Hamilton JV is owed \$6,382,762 from Te Rapa Gateway Limited as its share of land sales to external parties which settled just before balance date.

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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Audit fees for financial statement audit	121	117	121	117
Audit fees for audit of Annual Plan/Long-Term Plan	30	65	30	65
Other services	2	8	61	8
Fees for tax and advisory services – Council	10	7	10	7
Fees for tax compliance and advisory services – entities not audited by Deloitte	3	-	47	65
	166	197	269	262
Audit fees to other auditors for audit of financial statements of group entities	-	-	138	136
	-	-	138	136
	166	197	407	398

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. 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 2018.

	COUNCIL				GROUP			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2019								
<i>Financial liabilities at FVTSD:</i>								
Other financial instruments	-	-	-	-	-	2,170	-	2,170
2018								
<i>Financial liabilities at FVTSD:</i>								
Other financial instruments	-	-	-	-	-	1,008	-	1,008

Categories of Financial Instruments

COUNCIL 2019	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	15,432	-	-	-	15,432
Trade and other receivables (note 12)	9,604	-	-	-	9,604
Other financial assets (note 5)	-	22,502	-	-	22,502
Shares in subsidiary	-	-	534,235	-	534,235
	25,036	22,502	534,235	-	581,773
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	12,503	12,503
	-	-	-	12,503	12,503

COUNCIL 2018	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	8,125	-	-	-	8,125
Trade and other receivables (note 12)	8,709	-	-	-	8,709
Other financial assets (note 5)	19,000	21,311	-	-	40,311
Shares in subsidiary	-	-	488,508	-	488,508
	35,834	21,311	488,508	-	545,653
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	9,019	9,019
	-	-	-	9,019	9,019

GROUP 2019	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	15,574	-	-	-	15,574
Trade and other receivables (note 12)	24,642	-	-	-	24,642
Other financial assets (note 5)	-	22,502	-	-	22,502
Other financial instruments	-	-	-	-	-
	40,216	22,502	-	-	62,718
<i>Financial Liabilities</i>					
Other financial instruments	-	2,170	-	-	2,170
Trade and other payables (note 13)	-	-	-	24,454	24,454
Borrowings (secured) (note 15)	-	-	-	55,680	55,680
	-	2,170	-	80,134	82,304

GROUP 2018	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	8,377	-	-	-	8,377
Trade and other receivables (note 12)	25,380	-	-	-	25,380
Other financial assets (note 5)	19,013	21,311	-	-	40,324
Other financial instruments	-	-	-	-	-
	52,770	21,311	-	-	74,081
<i>Financial Liabilities</i>					
Other financial instruments	-	1,008	-	-	1,008
Trade and other payables (note 13)	-	-	-	18,072	18,072
Borrowings (secured) (note 15)	-	-	-	77,635	77,635
	-	1,008	-	95,707	96,715

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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Managed funds	5,967	3,333	5,967	3,333
	5,967	3,333	5,967	3,333

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 2019 would have the impact of increasing the carrying value of the Managed funds, and the Council surplus, by \$663,000 (2018: \$370,000), and an unfavourable movement of 10% would impact unfavourably to the extent of \$542,000 (2018: \$303,000).

(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	2019				2018			
	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	557	-	(557)	-	776	-	(776)	-
Derivatives – hedge accounted	-	(3,542)	-	(948)	-	(2,821)	-	572
Derivatives – non-hedge accounted	-	-	-	-	-	-	-	-
Total sensitivity to interest rate risk	557	(3,542)	(557)	(948)	776	(2,821)	(776)	572

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 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
<i>Financial Assets</i>				
Other financial assets	10,840	10,974	10,840	10,974
Exposure to equity price risk	10,840	10,974	10,840	10,974

Sensitivity to Equity Price Risk

COUNCIL and GROUP	2019				2018			
	-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	(1,084)	-	1,084	-	(1,097)	-	1,097	-
Total sensitivity equity price risk	(1,084)	-	1,084	-	(1,097)	-	1,097	-

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:

	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Cash at bank and term deposits	15,432	27,125	15,574	27,377
Trade and other receivables	9,604	8,709	24,642	25,380
Other financial assets (Note 5)	22,502	21,311	22,502	21,311
Shares in subsidiary	534,235	488,508	-	-
	581,773	545,653	62,718	74,068

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 2019				COUNCIL 2018					
	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	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
Financial Assets										
<i>Cash and cash equivalents</i>										
Cash and call deposits	3.39	15,432	15,432	15,432	-	-	8,125	8,125	8,125	-
Trade and other receivables										
Trade and other receivables	-	9,604	9,604	9,604	-	-	8,709	8,709	8,709	-
Other financial assets										
Term deposits	-	-	-	-	-	3.53	19,000	19,148	19,148	-
<i>Managed fund:</i>										
Cash and call deposits	-	3,247	3,247	3,247	-	-	1,173	1,173	1,173	-
Fixed interest securities	4.73	8,414	9,505	2,252	7,253	5.11	9,163	10,219	3,691	6,528
Equity securities	-	10,841	10,841	10,841	-	-	10,975	10,975	10,975	-
Shares in subsidiary										
Shares in subsidiary	-	534,235	534,235	-	534,235	-	488,508	488,508	-	488,508
Total financial assets		581,773	582,864	41,376	541,488		545,653	546,857	51,821	495,036
Financial liabilities										
Trade and other payables		(12,503)	(12,503)	(12,503)	-	-	(9,022)	(9,022)	(9,022)	-
Total financial liabilities		(12,503)	(12,503)	(12,503)	-	-	(9,022)	(9,022)	(9,022)	-

	GROUP 2019					GROUP 2018				
	Weighted Average 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
Financial Assets										
<i>Cash and cash equivalents</i>										
Cash and call deposits	3.39	15,574	15,574	-	-	8,377	8,377	8,377	-	-
Trade and other receivables										
Other financial assets										
Short term deposits	-	-	-	-	-	19,000	19,148	19,148	-	-
<i>Managed fund:</i>										
Cash and call deposits	-	3,247	3,247	-	-	1,173	1,173	1,173	-	-
Fixed interest securities	5.00	8,414	2,224	6,817	5.11	9,163	10,219	3,691	6,528	-
Equity securities	-	10,841	10,841	-	-	10,975	10,975	10,975	-	-
Other items:										
Finance leases	-	-	-	-	-	-	-	-	-	-
Total financial assets		62,718	63,345	6,817		74,068	75,272	68,744	6,528	
Financial liabilities										
Trade and other payables	-	(24,454)	(24,454)	-	-	(17,973)	(17,973)	(17,973)	-	-
Borrowings (secured)	3.70	(55,680)	(61,203)	(44,789)	4.00	(77,635)	(85,225)	(31,565)	(53,660)	-
Other financial instruments	2.89	(2,170)	(2,504)	(685)	-	(1,008)	(1,104)	(508)	(596)	-
Total financial liabilities		82,304	88,161	41,553		(96,616)	(104,302)	(50,046)	(54,256)	

Other Disclosures

Local Government (Financial Reporting and Prudence) Regulations 2014

Annual Report Disclosure Statement for year ending 30 June 2019

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.

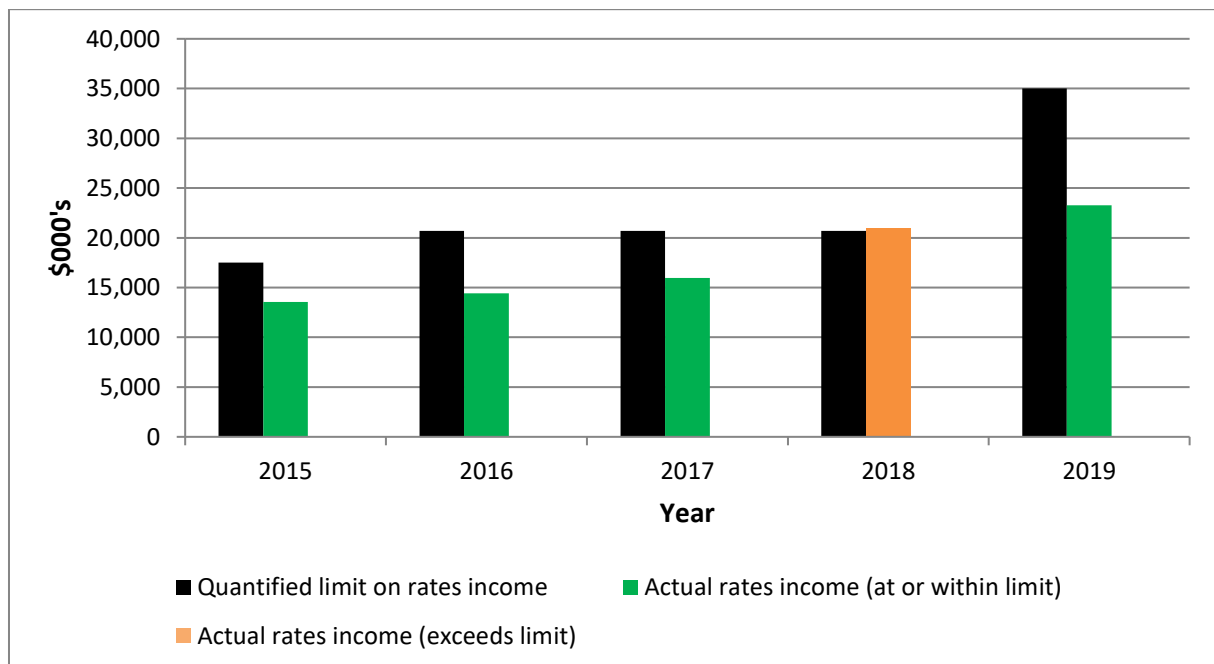
Rates affordability benchmark

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.

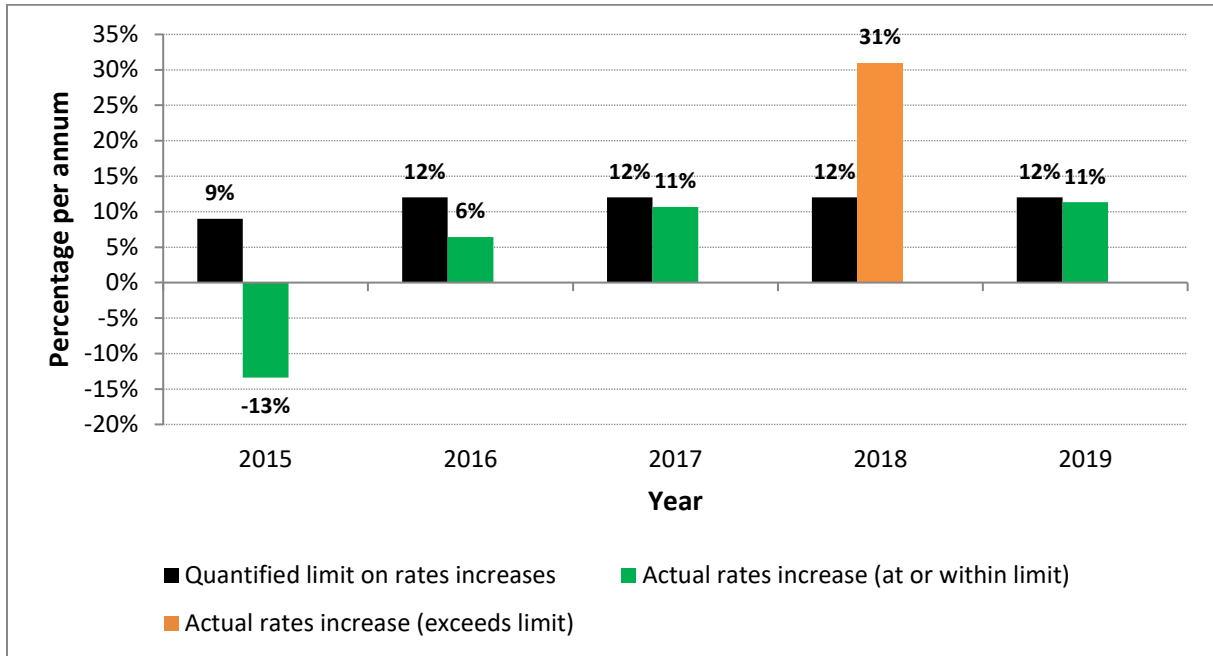
Rates (income) affordability

The following graph compares the Council's actual rate income with a quantified limit on rate contained in the financial strategy included in the Council's Long-Term Plan. The quantified limit is \$35,000,000 (2015 \$17,500,000, 2016, 2017 and 2018 \$20,700,000).



Rates (increases) affordability

The following graph compares the Council’s actual rate increases with a quantified limit on rate increases included in the financial strategy included in the Council’s Long-Term Plan. The quantified limit is an increase of 12% per annum, (2015 9%, 2016, 2017 and 2018 12%).



The Rates (Income) affordability graph shows the quantified limit was exceeded in 2018. The quantified limit included in the Long-Term Plan was \$20,700,000 and the actual amount of revenue was \$20,908,000 in 2018. The Annual Plan for 2017/18 budgeted for rates of \$20,910,000.

The Rates (increases) affordability graph shows the quantified limit was exceeded in 2018. The quantified limit included in the Long-Term Plan was an increase of 12% in 2018, and the actual amount of the increase was 31%.

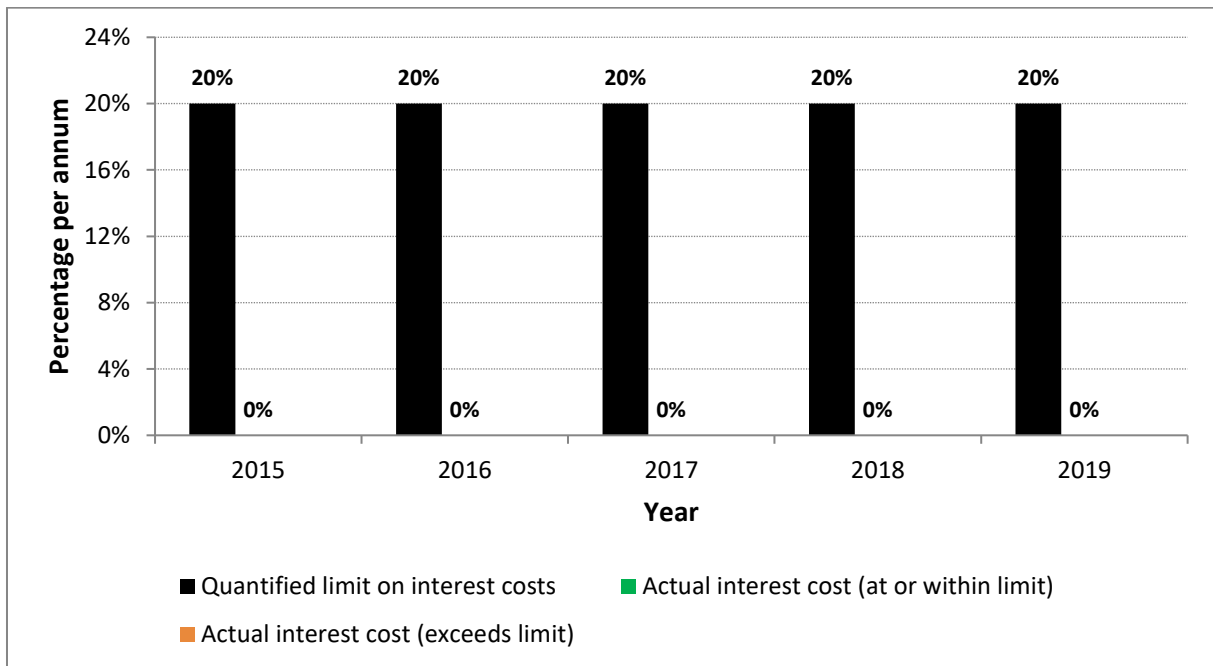
The Annual Plan 2017/18 provided for additional general rate funded expenditure, primarily in the Environmental activity area and specifically associated with the water programmes.

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 revenue (percentage of rates income in PY).

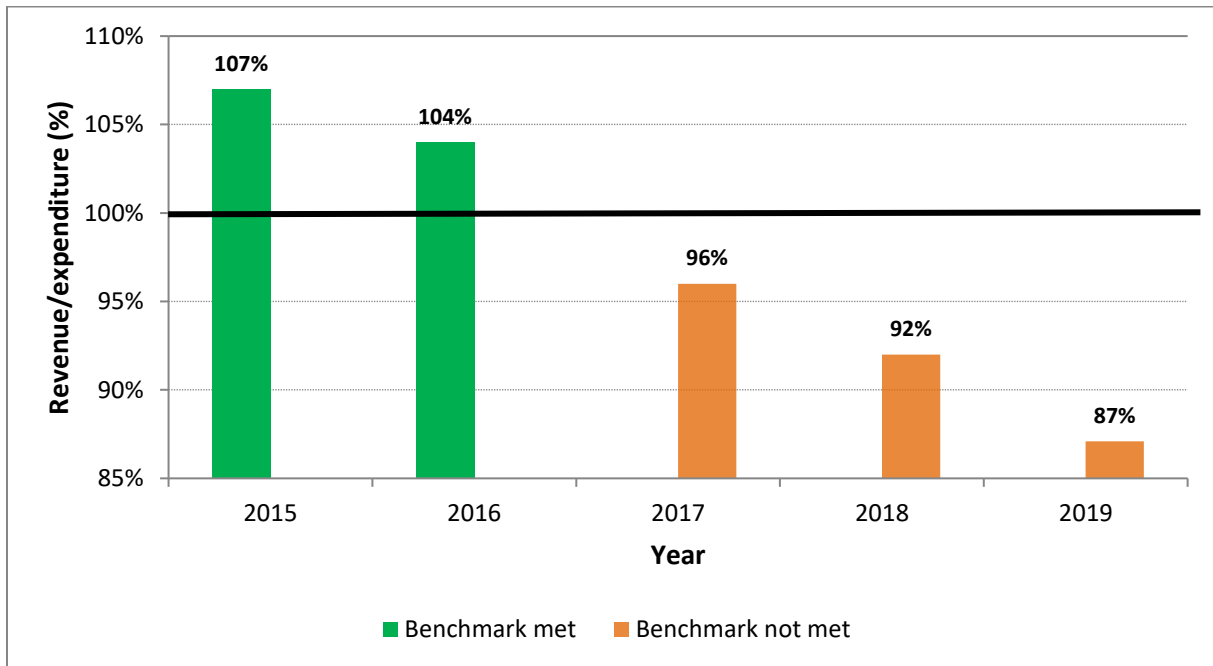
The following graph compares the Council's actual interest costs as a percentage of borrowing with a quantified limit specified in the financial strategy included in the Council's Long-Term Plan. The quantified limit is interest costs being a maximum of 20% of rates income, (2015-2018 20%).



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.



Balanced budget benchmark commentary

The balanced budget benchmark graph shows that in 2019, 2018 and 2017, Council's revenue was less than 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, including reserve funds.

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, stock truck effluent disposal sites and transport reserves for developmental transport activity.

In the 2018 year, Council resolved to fund costs associated with particular activities from reserves, with the activities most affected being the Environmental, Community and Transport activities.

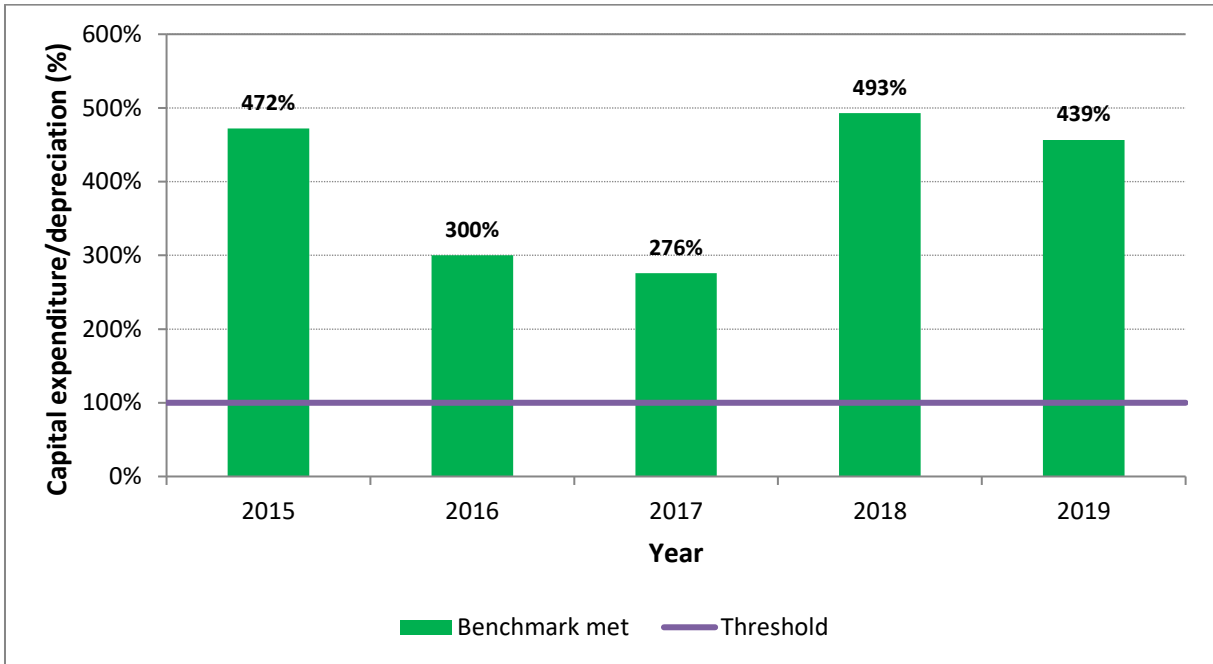
In the 2019 year, Council again resolved to fund costs associated with particular activities from reserves, with activities most affected being the Environmental, Flood Protection and Control Works, and River Management and Transport activities.

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.

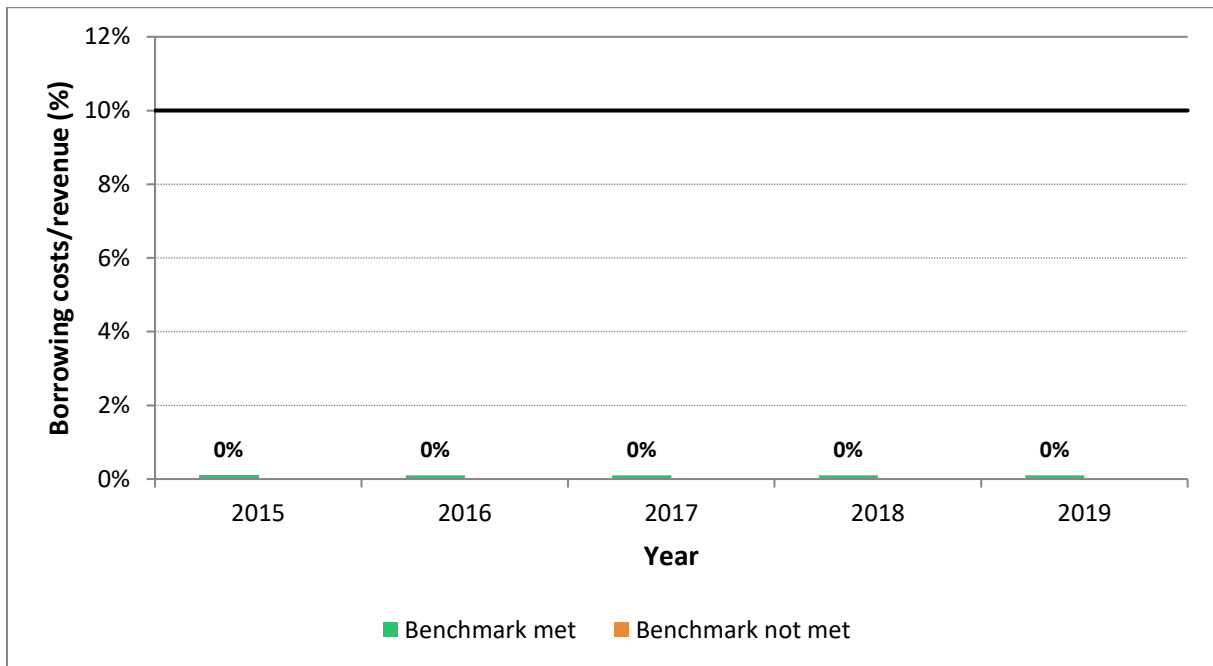
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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.

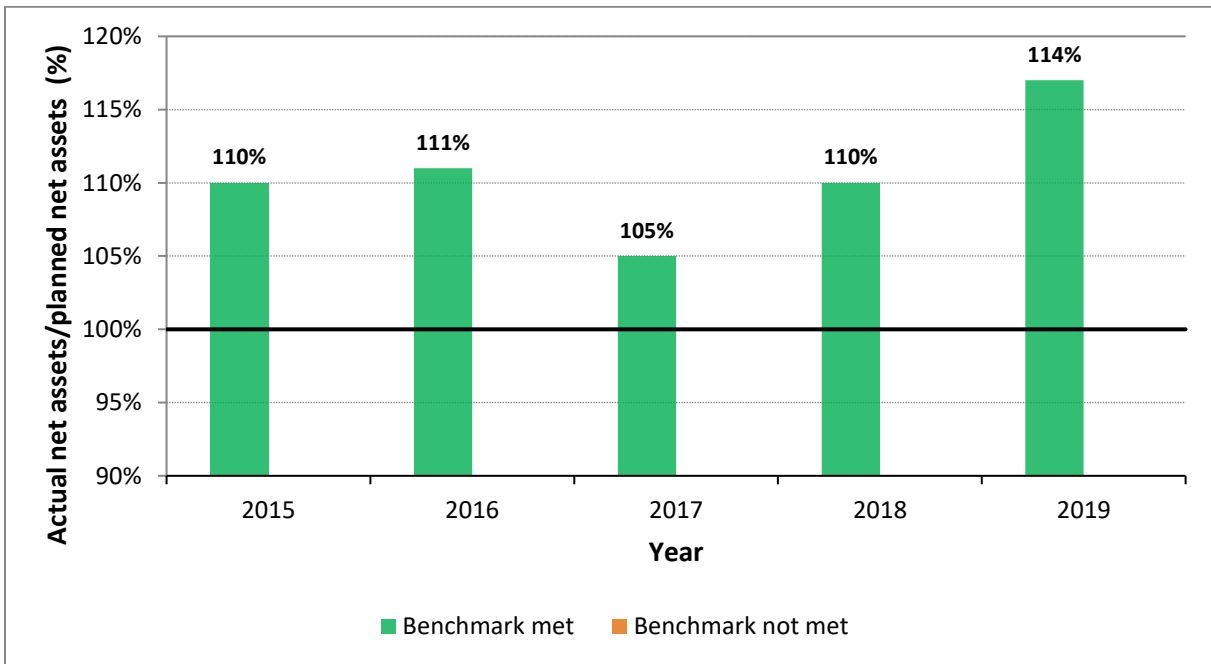


Debt control benchmark

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.

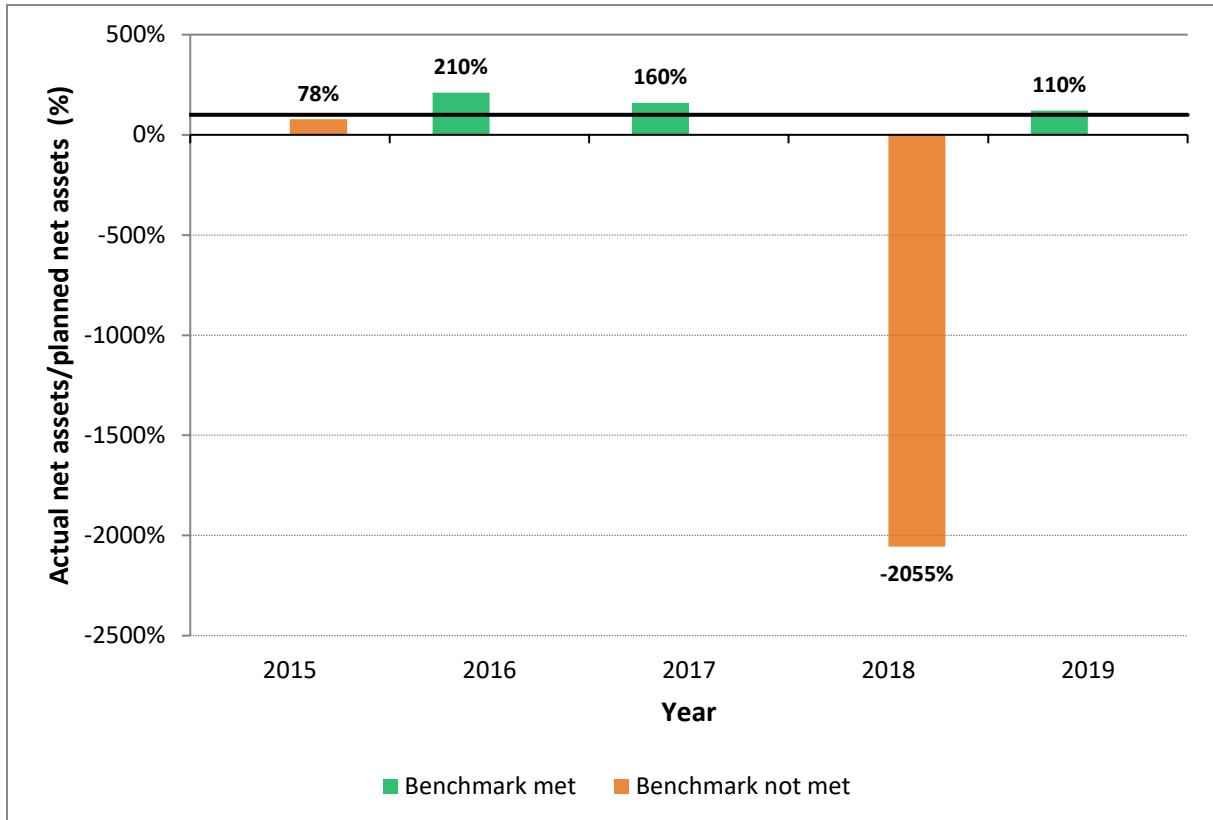
During the period 2014/15 to 2018/19, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets, excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



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.



Operations Control benchmark commentary

The Operations Control benchmark graph shows the actual net cash flow from operations as a percentage of the planned net cash flow from operations.

In the 2019 year, the actual cash flow from operations was a net inflow of \$129,000 compared to the planned net outflow of \$1,357,000. The major cause of this variance was an increase in spending on capital projects, investment activities, in the current year.

In the 2018 year, the actual net cash flow from operations was a net outflow of \$5,729,000 compared to the planned net inflow of \$293,000. The major cause of this variance is associated with a lower revenue level than budgeted and an increased level of receivables than budgeted, concentrated on receivables from a small number of major organisations associated with transport projects.

In the 2015, year the actual net cash flow from operations was 78% of the planned amount. The planned amount 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 2019	Rating Base Information for the Year Ended 30 June 2018
Total number of rating units	116,243	114,877
Total capital value of rating units	\$79,087,493,800	\$64,627,242,852
Total land value of rating units	\$41,507,541,550	\$31,979,722,850

Insurance of Assets

The total carrying value of all assets of the Council as at 30 June 2019 that are covered by insurance contracts amounts to \$17.695 million (2018: \$14.794 million) and the maximum amount to which they are insured is \$48.918 million (2018: \$49.991 million).

The total value of all assets of the Council as at 30 June 2019 that are self-insured amounts to \$94.193 million (2018: \$88.290 million).

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$63.354 million (2018: \$61.135 million), land of \$26.710 million (2018: \$24.464 million), transport infrastructural assets and hardware of \$0.245 million (2018: \$0.495 million) and software of \$3.884 million (2018: \$2.196 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 2019 the Council had not entered into any financial risk sharing arrangement for any assets held (2018: \$Nil).

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	S Gardner
General Manager Corporate Services and Chief Financial Officer	N Donnelly
General Manager Policy, Science and Strategy	A Newman
General Manager Operations	G Palmer
General Manager Regulatory	P Winder
General Manager People, Culture and Communications	S Giddens

Otago Regional Council

Bankers	Bank of New Zealand
Auditors	Deloitte Limited on behalf of the Auditor-General, Wellington
Solicitors	Ross Dowling Marquet and Griffin PO Box 1144, Dunedin

Port Otago Limited

Chairman	D Faulkner
Deputy Chairman	P Rea
Directors	T Campbell T Gibson P Heslin E Johnson (retired 31 December 2018) J Taylor (appointed 10 June 2019)
Chief Executive	K Winders

Office and Depot Locations and Contact Telephone Numbers

Principal Office

Regional House, 70 Stafford Street, Private Bag 1954, Dunedin
Website: www.orc.govt.nz

Ph: (03) 474 0827 Fax: (03) 479 0015 Pollution hotline: (0800) 800 033
Toll free phone: (0800) 474 082

Council Chambers, Level 2 Phillip Laing House 144 Rattray Street, Dunedin

Regional Offices and Depots

Alexandra Office

William Fraser Building
Dunorling Street, PO Box 44
Alexandra
Ph: (03) 448 8063 Fax: (03) 448 6112

Cromwell Depot

14 Rogers Street
Cromwell
Ph: (03) 445 0122

Balclutha Depot

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

Palmerston Depot

54 Tiverton Street
Palmerston
Ph: 0800 474 082

Oamaru Depot

32 Ribble Street
Oamaru
Ph: 0800 474 082

Wanaka Depot

185 Riverbank Road
Wanaka
Ph: 0800 474 082

Taieri Depot

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

Queenstown Office

Terrace Junction
1092 Frankton Road
Queenstown



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTAGO REGIONAL COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

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, Heidi Rautjoki, 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 25 September 2019. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 40 to 94:
 - present fairly, in all material respects:
 - the Regional Council and Group's financial position as at 30 June 2019;
 - 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 Standard;
- the funding impact statement on page 38, 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 36:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2019, 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 page 39, 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 13 to 36, 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 performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on page 95 to 103, 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 our 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, 37 and 104 to 105, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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.

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

A handwritten signature in blue ink, appearing to read "H Rautjoki".

A handwritten signature in blue ink, appearing to read "Deloitte Limited".

Heidi Rautjoki
Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand

