



Otago  
Regional  
Council

# Annual Report

2019 - 2020

**Otago Regional Council**

# **Annual Report**

1 July 2019 to 30 June 2020



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## Message from our Chair & Chief Executive

As we head into this next phase of council activities, we reflect on what we've achieved over the past 12 months; a time of change and disruption for everyone in Otago. Our councillors understand their work is for all of Otago. Council needs to be agile in these times, to do what is right for our environment and our community.

Our strategic purpose is 'For Our Future: working together for a sustainable Otago'. We want a healthy environment, a connected community, a strong economy, an engaged and proud community, and a resilient region. The past year, and in particular the COVID-19 pandemic, has highlighted our role in community resilience and our broader remit across the four wellbeings outlined in the Local Government Act: social, cultural, environmental and economic.

Our purpose guides our strategic priorities. We are working towards improved water quality and stopping further degradation in all our waterways. Regarding water quantity, we are working on the remainder of rivers and aquifers in Otago that



require minimum flows. We are also working towards helping to build resilient communities in the face of climate change, guiding sustainable urban development practices, protecting Otago's biodiversity and managing biosecurity impacts.

Once again, this past year has challenged us. Our work programme altered part way through the year as we responded to a new governance team, government intervention and COVID-19. This meant we had to refocus and ramp up effort in the second half of the year, particularly on water policy and science, and as we mounted our emergency response to the pandemic.

In October 2019, local body elections resulted in six new councillors joining the governance team. Following nine years of stable leadership, we had a new Chair. This level of change has required significant adjustment to committee and governance arrangements and challenged previous council views and policy on issues and work programmes. Partly as a result, we grew our staffing numbers to meet the growing expectations of what ORC needs to deliver during the year.

It was clear early on that water quality and quantity was a key priority for the new Council, who arrived during the Minister for the Environment's investigation into our handling of water matters and deemed permit replacement by Professor Peter Skelton. The investigation began in May 2019, and the Hon. David Parker, Minister for the Environment, received Professor Skelton's report and responded to it in November 2019. Minister Parker set us recommendations under his powers through the Resource Management Act 1991 and a timeframe of milestones for revising our water management policy framework for Otago. It required immediate action on plan changes for water quality and quantity, with a new Regional Policy Statement and review of the Land and Water Plan consistent with national direction to be operative by 2025. Council wrote to the Minister in December 2019 to confirm that we accepted his recommendations and committed to achieving the milestones set. We immediately acted on the report by adjusting our work programme, and four plan changes were notified soon after to manage issues with the current state of our Regional Plan: Water, which Professor Skelton found was not fit for purpose.

With the support of new internal resources and skilled consultants, three key plan changes for water quality and quantity were prepared quickly. The Water Quantity or "Water Permits Plan Change" was prepared over the summer and notified in March 2020 after consultation with the community, including a public forum on 7 January 2020. The Minister for the Environment directed that the Water Permits Plan Change, which had been notified, and also the Water Quality (Omnibus) Plan Change, which had not yet been notified, were considered matters of national significance. Utilising his power under Section 143 (1) (a) of the RMA, he called them both in on 8 April 2020, to be heard and decided on by the Environment Court.

The Minister for the Environment's recommendations tasked ORC with developing a fit for purpose Regional Policy Statement compliant with National Planning Standards for notification by November 2020. Consultation on this has commenced and early

chapter drafts are being progressed. In addition, we continue to resolve appeals on the previous Regional Policy Statement and to participate in extensive mediation on the Dunedin City Council's Second Generation Plan and the Queenstown Lakes District Council District Plan, which has taken a substantial amount of time and resources.

At the same time as we began to navigate the Minister's recommendations, we were all about to encounter the global pandemic of COVID-19. This situation changed the way we work and interact with each other and our communities. It also introduced new unplanned work across our emergency management function, and also in other areas that saw us responding to the government's recovery plans like Jobs for Nature and the Crown Infrastructure funding opportunity.

All ORC staff worked from home during Levels 3 and 4, except those responding through our Civil Defence and Emergency Management function, and at least 50% worked from home during Level 2, while the rest social distanced in our offices. The response to COVID-19 under CDEM was substantial and diverted resources from across the organisation, particularly as we became responsible for delivering welfare for the large number of foreign nationals living in our region when the lockdown began. While some costs are reimbursed by the National Emergency Management Agency, others are absorbed by ORC and its ratepayers. In April, we had the added complication of coastal flooding, which required a local response.

During the lockdown period, staff diverted efforts to preparing a funding bid for flood protection infrastructure to the Crown Infrastructure funding available for "shovel ready" projects. This required substantial accelerated effort by our engineering team to prepare the necessary documentation, and resulted in 60% of the funding requested, or \$5.44m, being awarded for this work from the fund. This amounts to a significant saving for ratepayers.

Further, the concept of green jobs or Jobs for Nature was borne in recognition of the displacement of workers and failure of the tourism industry in NZ, particularly in Queenstown. This has diverted resources to assist both in funding a pilot programme with the Department of Conservation, Queenstown Lakes District Council and tourism businesses to re-task tourism workers in green jobs while still employed by their employer, and to provide a gateway for catchment groups and others to make bids to government for projects to support green jobs and outcomes.

COVID-19 has highlighted the need to build resilient communities, and our work this year has focused also on building resilience in the face of climate change. To inform our climate change response, we've undertaken a regionwide Climate Change Risk Assessment, looking at localised risks and opportunities within our region to highlight information gaps and help us prioritise the identified risks to better inform adaptation plans. This assessment has had the input of our district councils, local iwi and industry stakeholders. We also embarked on initial work to understand our own carbon footprint and that of our region during the year.

The need for resilience was further highlighted by the two significant rainfall and flood events we experienced in December and February, then the COVID-19 lockdown period with only essential works allowed to be carried out and our engineering team being under-resourced has all impacted on our work programmes, delaying some annual activities that need to be done at specific times of the year. The major flood events we have experienced over the last five years have been more frequent and also weakened and damaged infrastructure meaning our team must prioritise flood response and recovery to reduce the risk to our communities around the region.

Two years of comprehensive work reached a milestone this year, when our biodiversity and biosecurity teams completed our Regional Pest Management Plan, Biodiversity Strategy and the Otago Biosecurity Operational Plan, and all were adopted by Council. We have also reached the point where our biodiversity mapping of Otago is almost complete – one of the first of its kind in New Zealand. This is significant and will form the basis of our future biodiversity work programme and our monitoring of flora and fauna in Otago over time to identify changes. An inter-agency working group was also developed to achieve collaborative biodiversity outcomes in Otago, and we continued our ECO Fund grant scheme to provide funding for community driven biodiversity projects across the region.

As public transport providers, our transport team continues to partner with territorial authorities and Waka Kotahi NZ Transport Agency in the partnerships known as Connecting Dunedin and Wakatipu Way to Go. The intent of this work is to provide people in Dunedin and Queenstown, where the Orbus services run, with a more holistic approach to transport and roading that supports public transport and a multi-modal approach. Business cases toward improved options are being progressed for Queenstown and critical issues like the impact of the Dunedin Hospital on State Highway One are being consulted on. This year, these arrangements also successfully delivered a new express bus service between Lake Hayes and the Queenstown CBD, and prepared a business case and trial proposal for consultation for a water ferry service on Lake Wakatipu. Late in the year, we installed new technology in our buses to support the implementation of our new Bee Card ticketing system. That system is to be rolled out in September 2020.

COVID-19 impacted our public transport networks and we maintained the service throughout. We worked with government and our Orbus public transport operators in Dunedin and Queenstown to ensure buses were still able to run, fare free, for all our essential workers to get to and from work, and those who relied on public transport could get to the pharmacy and buy groceries. This required comprehensive and consistent communications, a change to timetables and provision for safe physical distancing on buses. The public transport team also worked with local schools to help our children get back to school safely when we moved into Alert Level 2. This experience has allowed us to think about how we deliver these services in the future, starting with a trial of reduced, flat fares during the Bee Card implementation.



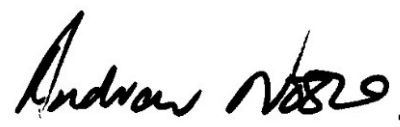


Chief Executive, Sarah Gardner and Chair, Andrew Noone keeping a safe distance when New Zealand was at Alert Level 2 during the COVID-19 pandemic.

While this provides a snapshot of our highlights, challenges and progress, it does not represent all of the fantastic work of our staff and communities working together. Every day we see the difference that we can make when we work in partnerships with others. Examples where we do that are with our iwi partners across a range of resource management issues and in making governance decisions, with those who have particular interest in the issues we manage, and with our communities, rural and urban.

We applaud the efforts of Team ORC and our wider team – the people of Otago. We look forward to progressing our important work and our team remains dedicated to the work they do because they are working together for a sustainable Otago: For our Future.

  
Sarah Gardner  
CEO

  
Andrew Noone  
Chair

## Councillors and their constituencies

Your elected Otago Regional Councillors represent the region's four constituencies – Dunedin, Dunstan, Moeraki and Molyneux.

Cr Andrew Noone



**Chair**

Cr Hilary Calvert



Cr Michael Deaker



### Dunedin

There are six councillors who represent the Dunedin constituency. Dunedin is comprised of central Dunedin and the Waikouaiti Coast, West Harbour, Otago Peninsula and Saddle Hill community board areas located within the Dunedin City territorial area.

Cr Marian Hobbs



Cr Gretchen Robertson



Cr Bryan Scott



Cr Michael Laws



**Deputy Chair**

Cr Alexa Forbes



Cr Gary Kelliher



### Dunstan

There are three councillors who represent the Dunstan constituency. Dunstan is comprised of the Central Otago District and Queenstown Lakes District territorial areas.

### Moeraki

Cr Kevin Malcolm



There is one councillor who represents the Moeraki constituency. Moeraki is comprised of the Otago portion of Waitaki District territorial area, being part of the Ahuriri and Corriedale wards, and the entirety of the Oamaru and Waihemo wards.

### Molyneux

Cr Carmen Hope



Cr Kate Wilson



There are two councillors who represent the Molyneux constituency. Molyneux is comprised of the Clutha District territorial area and the Mosgiel-Taieri and Strath-Taieri community board areas located within the Dunedin City territorial area.

## Strategic Plan and Values

Our strategic plan and values were released in October 2019, to set the direction for us as a regional council. They help guide us to deliver on our priorities for the good of the region.

### Our Mission

Working together for a sustainable Otago

### Our Vision

A healthy environment  
 A connected community  
 An engaged and proud community  
 A strong economy  
 A resilient region

### In everything we do, our focus is to

Protect  
 Connect  
 Enhance  
 Enable

## Before 2022, we will develop and strengthen our programmes for

### Effective water management

- ▶ Transitioning towards a robust, values-based, and integrated management framework
- ▶ Managing water allocation issues in catchments where water is scarce, for good economic, social and environmental outcomes
- ▶ Supporting and promoting water quality improvements in degraded catchments

### Safe and secure communities in the face of climate change

- ▶ Assess and communicate the effects of climate change in the region
- ▶ Assist climate change adaptation and risk mitigation

### Urban development strategy

- ▶ Set minimum targets for development capacity as required by NPS for urban development capacity
- ▶ Support city and district councils to ensure urban growth and development is environmentally sustainable

### Improving Otago's biosecurity and biodiversity

- ▶ Deliver a plan for how we do 'these functions' in the future
- ▶ Deliver an implementation plan for the pest strategy

## We will seek excellence on our core activities

- ▣ Environmental
- ▣ Regional leadership
- ▣ Regulatory
- ▣ Flood protection and river management
- ▣ Safety and hazards
- ▣ Transport



## Development of Māori capacity to contribute to decision-making

The Otago Regional Council (ORC) values its strong relationship with Papatipu Rūnanga. In 2019-2020 we continued to work with our iwi partners, to give effect to the Treaty of Waitangi partnership, strengthen it and acknowledge the unique, enduring relationship iwi have with this land. This is critical for delivering on outcomes for Otago and has been evident in our policy and planning work, resource consenting, and in biodiversity over the last 12 months.

### Highlights

At a governance level, after the inaugural council meeting of the 2019-2022 triennium for our newly elected Council, a partnership hui with Papatipu Rūnanga was held at Ōtākou Marae.

The new Council also voted to renew the invite for two iwi representatives to join the Strategy and Planning Committee, with full voting rights. Council are benefiting from their contributions at the decision-making table.

A governance arrangement for the development of the Land and Water Regional Plan (LWRP) was agreed (May 2020), which includes our iwi partners from the very start of the Plan's development. Iwi are also involved in the development of our Regional Policy Statement review.

At a management level, in November 2019 we entered into a new arrangement with Aukaha (the resource consultancy arm of Papatipu Rūnanga) to ensure that each organisation could fund and plan for delivery of shared work. A review of that arrangement is underway to ensure we can plan and fund the work required in the new financial year, and across the years of the Long-term Plan that are in the initial planning stages.

It is important for both organisations that we reach an arrangement to ensure the work we have ahead can be supported by resources and advice from our iwi partners. It is also important for Aukaha to have a clear understanding of what will be required and how that will be funded so that they can ensure they are best placed to work with us in partnership.

COVID-19 was an opportunity for Civil Defence and Emergency Management Otago to build a relationship with each of the Papatipu Rūnanga, and following a request, the Joint Committee, that holds the responsibility for governance for the CDEM group, is considering establishing iwi representation.

## Background

Council has in place a “Memorandum of Understanding and Protocol between Otago Regional Council, Te Rūnanga o Ngāi Tahu and Kāi Tahu ki Otago Limited<sup>1</sup> 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.

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

- ▶ Te Rūnanga Moeraki
- ▶ Kati Huirapa Rūnanga ki Puketeraki
- ▶ Te Rūnanga o Ōtākou
- ▶ Hokonui Rūnaka

Council has statutory responsibilities to consult with iwi and Māori 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

1 Now known as Aukaha

Management Act and Biosecurity Act. For such plans, policies and strategies, consultation and building of knowledge is mutually supported and facilitated through the Partnership Protocol between ORC and Aukaha, or in some cases, specific consultancy agreements.

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

Mana to Mana meetings are held each year with representatives from the four Papatipu Rūnanga, Te Rūnanga o Ngāi Tahu, and te ao Marama and discussions include ORC's work programmes and plans.

ORC is also a member of Te Rōpū Taiao hui which involves the Mayors and Chairs of Otago and Southland local authorities and local Rūnanga and is a key body for working towards strengthening collaboration and working together.

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## 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.



## Community outcomes

Community outcomes describe what is valued as important for a good quality of life in Otago. The delivery of the ORC's significant activities contributes to the following community outcomes

- **A healthy environment** — A place where people can enjoy their environment safely, productively and respectfully
- **A connected community** — Service delivery that puts the community first and ensures that the operations are customer driven, efficient and fit-for-purpose
- **An engaged and proud community** — Communities empowered to be the champions and custodians of their environment in Otago
- **A strong economy** — A region that prioritises sustainability as an economic measure whilst being attractive to industry
- **A future-proof region** — A region that is prepared for the future environmental challenges and that retains the characteristics that make Otago a great place for everyone

# Significant Activities

1 July 2019  
- 30 June 2020

## Environmental

1

Freshwater implementation



2

Biodiversity and biosecurity



3

Air

4

State of the environment reporting



## Regional leadership



5

Governance and community engagement

6

Regional planning and urban development

7

Consenting, monitoring, investigations and enforcement

## Regulatory



## Flood and river management

8

Flood and drainage schemes

## Safety and hazards



9

Rivers and waterway management

10

Civil Defence and Emergency Management

11

Natural hazards and climate change adaptation



## Transport



12

Transport planning and public passenger transport



## Overview of our activities

ORC groups its 12 significant activities under the following six result areas or groups of activities. The bullet points show the significant activities that contribute to the result areas.

### Environmental

'On the ground' action related to Otago's natural environment

1. Freshwater implementation\*
2. Biodiversity and biosecurity\*
3. Air
4. State of the environment reporting

### Regional leadership

Supporting informed decision making and an engaged community

5. Governance and community engagement
6. Regional planning and urban development strategy\*

### Regulatory

Professional service and action supporting the sustainable management of Otago's natural resources

7. Consenting, monitoring, investigations and enforcement

### Flood protection and river management

Professional services, action and infrastructure to protect our communities and environment

8. Flood and drainage schemes
9. Rivers and waterway management

### Safety and hazards

Professional services, planning and action to protect our communities and environment

10. Civil Defence and Emergency Management
11. Natural hazards and climate change adaptation\*

### Transport

Planning, contract management and action to provide choice and to support the regional economy

12. Transport planning and public passenger transport

\* Key priority areas for 2019-2020



### Statement of service provision

This section reports on ORC's performance against service measures adopted in the Long-term Plan 2018-28 and updated in subsequent Annual Plans. Performance is reported under groups of significant activity. Funding Impact Statements that identify the costs and funding associated with each significant activity are in the financial section of this Annual Report.

### 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



Target results **impacted by COVID-19**

Our activities in depth

# Environmental

‘On the ground’ action related to  
Otago’s natural environment

# Freshwater

Looking after Otago's water is our top priority and our biggest challenge.

We worked with local communities throughout our region to achieve good outcomes in managing water quality and quantity.

Through leadership, setting a clear direction and sharing our knowledge with others, we are building a positive future for our environment, for ourselves and for generations to come.

Behind our on-the-ground actions collaborating with communities to protect our water resource, sits the legal framework of central government requirements and regional planning processes.

We operate within the National Policy Statement for Freshwater Management (NPS FM), our Regional Plan: Water (RPW), and our Land and Water Plan.

This included working closely with identified catchments so they can meet permitted activity rules, and improve our monitoring of river flows and water takes where needed to inform future decision making. We are also working actively with community groups to encourage innovative practices to improve or maintain good water quality.

We're committed to playing our part to preserve Otago's precious freshwater resource.

There is one activity that makes up our significant activity, Freshwater:

- ▶ Freshwater Implementation



Photo courtesy of Jono Young © 2020

## Performance against levels of service targets

### SERVICE STATEMENT

## Water quality across Otago is maintained and improved

#### MEASURE

Assessments are carried out and reported annually to determine freshwater quality continues to meet RPW limits, and where previously not meeting limits is improving.

#### TARGET

Report annually where water quality continues to meet limits; and where previously not meeting the limits is improving.

#### RESULT



#### COMMENTS ON TARGET

This programme runs annually from July to June. Water quality and flow information was collected for the July 2019-June 2020 period then was collated and quality checked. A report, which includes results against seven measures across 120 sites around Otago, is available on the ORC website: <http://www.orc.govt.nz/plans-policies-reports/reports-and-publications/water-quality/annual-water-quality-reports>

Changes in trends are analysed once every five years and was not scheduled in the 2019-20 year. Water quality results are presented in the graphs below.

#### MEASURE

Increase the number of catchments included in catchment monitoring programmes by five catchments every two years.

#### TARGET

Five catchments every two years.

#### RESULT

N/A

#### COMMENTS ON TARGET

The wording of the measure does not reflect the programme. The programme identifies five new, alternative catchments for monitoring and engagement every two years.

2019-20 is year one of a two-year cycle and work was undertaken in all five current catchments programmes. The 2019-20 catchment programmes include Matukituki, Glendhu Bay, Luggate Creek, Mill creek and urban Wanaka areas. Water quality monitoring is on track and all catchment leaders have been identified and are engaged with the programme objectives.

#### MEASURE

Implement research and studies to advance the freshwater programme including prioritisation across freshwater management units and report progress by 30 June 2020.

#### TARGET

Progress is reported to Council.

#### RESULT



#### COMMENTS ON TARGET

The Manuherehia, Arrow and Cardrona (MAC) catchments were prioritised by Council and research programmes have progressed in these catchments. Reports related to the Freshwater programme were provided to Council's Strategy and Planning Committee at the January, May and July 2020 meetings; agendas and minutes are available on the ORC website. Information about Freshwater Management Units (FMU) and our work in the MAC catchments is also available online: <https://www.orc.govt.nz/plans-policies-reports/regional-plans-and-policies/water/freshwater-management-units>

The science team is currently working with NIWA and the Cawthron Institute to put in place an approach for the larger Freshwater Management Unit workstream. Reporting to Council on this programme was delayed and is due in November 2020.

### MEASURE

Develop and implement good management practice through regulatory and non-regulatory approaches to improve water quality.

### TARGET

Development initiatives and implementation progress are reported to Council including:

- Rural liaison & engagement
- Inspections & compliance monitoring
- Enforcement
- Plan review and change

### RESULT



### COMMENTS ON TARGET

A range of regulatory and non-regulatory approaches to good management practice have been undertaken in the past year. ORC actively supported individuals and community groups to improve water quality. Support encompassed water quality monitoring, technical advice, interpreting water quality results, advice on adaptive management practices, as well as direct funding to enable groups to be sustainable. Recognising the importance 'ground up' initiatives have for improving water quality, ORC established a Catchment Support Advisory Group to develop an overarching framework and to identify future options to support such initiatives. The ORC has also funded a project to reinstate a wetland area in a tributary of the Waipahi River to reduce nutrients in the stream and improve biodiversity in the area.

ORC regularly partnered with industry groups and technical experts over the past year to share good management practice, including providing information on good winter grazing practice to protect waterways.

Freshwater management has been aided by the establishment of a formal Good Water programme structure, providing strategic governance and operational oversight across ORC's regulatory and non-regulatory functions. Operational implementation plans have been created in response to proposed Council plan changes and to ensure responsiveness to government direction and policy (e.g. Action for Healthy Waterways).

A Memorandum of Understanding has recently been signed with the University of Otago to facilitate joint, evidence-based approaches to addressing environmental issues such as water quality degradation.

A report was prepared for presentation to Council but due to COVID-19 restrictions the report was circulated to councillors in May 2020.



### Rivers: Water Quality Compliance with Schedule 15 limits



- Water sample quantities were 2009-14: 54, 2010-15: 62, 2011-16: 63, 2012-17: 63, 2013-18: 63, 2014-19: 106, 2015-20: 106

### Lakes: Water Quality Compliance with Schedule 15 limits



- Water sample quantities were 8 for 2014-19 to 2015-20.

## Telling the performance story

Otago Regional Council (ORC), along with local governments throughout New Zealand, is grappling to implement new and proposed National Policy Statements in Freshwater Management (NPS FM). ORC also has additional challenges: replacing 400-600 deemed water permits with resource consents by 2021, reviewing its Regional Policy Statement and having the new one fully operative by 2022, and notifying a Land and Water Plan by 2023.

The Honourable David Parker commissioned the following investigation and report in 2019: Investigation of Freshwater Management and Allocation Functions at Otago Regional Council under Section 24A of the Resource Management Act 1991 (RMA) (Section 24A Report)<sup>1</sup>. This investigation was deemed necessary by the Government, to determine whether ORC is adequately carrying out its functions under the RMA in relation to Freshwater Management and allocation of resources.

The Section 24A Report cites a recent external review of ORC's Science team capability and capacity: "for a region the size of Otago, [the] number of scientists is quite inadequate to support all of the Council's critical resource management functions." ORC has begun to address this and reorganised its Science team. Four new scientists have been recruited in the 2019-20 year (two groundwater scientists, a freshwater ecologist and a coastal marine scientist).

ORC's science team's role is to build knowledge, and this is a cornerstone of the Regulatory, Planning and Community Engagement functions. The Science team is building capability to deliver the knowledge-base required for a new Land and Water Plan. Coastal Science is incorporated in both the NZ Coastal Policy Statement and NPS FM. Further information about the Coastal Science research programme will be presented to Council later in 2020.

## Community outcomes

- **A healthy environment** — A place where people can enjoy their environment safely, productively, and respectfully.
- **A future-proof region** — A region that is prepared for the future environmental challenges and that retains the characteristics that make Otago a great place for everyone.

Outcomes associated with Freshwater generally play out over the medium to long-term. The ORC is establishing new approaches to managing freshwater to achieve desired outcomes over the long run. As part of that challenge the ORC must draw a stronger connection between its ongoing work programme and broader long-term goals for freshwater. Considerable change is occurring at the local and national policy level about these goals and they will influence ORC's direction and future work.

<sup>1</sup> Section 24A Report: (<https://www.orc.govt.nz/media/7608/section-24a-otago-investigation-report-final-october-2019.pdf>)

# Biodiversity and biosecurity

Otago is home to unique species that we need to look after. We share and understand the community's aspirations to protect our region's indigenous plants and wildlife.

Our Regional Pest Management Plan (Pest Plan) sets out the framework for how pest plants and animals specified in the plan will be managed in Otago over the next 10 years. It is supported by a Biosecurity Strategy that looks at how we will work with other organisations and the community to achieve the goals set out in the pest plan. Our work to support Otago's biosecurity includes supporting the control of prolific pests such as wilding pines, wallabies and rabbits. We do this by educating our communities, facilitating compliance and sometimes funding community projects.

Maintaining our biodiversity is a huge challenge. Although ORC's work programme is in a developmental phase the biodiversity mapping which we have undertaken is an important step forward in prioritising actions that protect and support our plants and animals to thrive.

Our ECO Fund supports community projects that aim to protect, enhance or promote our local environment. We encourage and empower communities to take local action with the fund being fully subscribed this financial year.

There are five activities that make up our significant activity, Biosecurity and biodiversity:

- ▶ Environmental enhancement
- ▶ Biodiversity Strategy implementation
- ▶ Biocontrol of pests
- ▶ Pest Management Plan compliance
- ▶ Wilding pine

## Performance against levels of service targets

### SERVICE STATEMENT

Collaborate with the regional community to potentially invest and fund environmental enhancement projects that deliver good environmental and social outcomes.

#### MEASURE

The ECO Fund is administered to support community-led projects across Otago that protect and enhance the environment.

#### TARGET

Report to Council on the allocation of the fund, status of fund recipients and on project outcomes.

#### RESULT



#### COMMENTS ON TARGET

A funding pool of \$250,000 is split across two annual rounds. Applications remain steady and the total funds requested exceeded funds available. The allocation of the fund, status of fund recipients and project outcomes were reported to Council in June 2020. Summaries of 11 projects completed in the last year were included in the report. The ECO Fund recipients reported on the environmental benefits of their project, the number of volunteers involved, and accounted for how funds were spent. The 11 projects received funding in either the current or the previous financial year. Each project is given a reporting timeframe depending on the length of the project.

**FUNDING ALLOCATION:** The October 2019 funding round attracted 23 applications, totalling \$360,342. Eleven projects were supported totalling \$117,425.68. This was short of the \$125,000 allocated for this funding round and the balance was carried over to the March 2020 round. ORC received 24 applications in the March 2020 funding round and the total funding requested was \$323,312.63. Fourteen applicants were approved totalling \$132,573.78.

The majority of projects fall into either water or biodiversity/biosecurity, with roughly a 50:50 split between these areas. COVID-19 has delayed the start of some projects and we will stay in touch with successful recipients to monitor their progress.

### SERVICE STATEMENT

## Implement the Biodiversity Action Plan

#### MEASURE

Projects identified in the Biodiversity Action Plan (BAP)

#### TARGET

Progress against the BAP is reported to Council.

#### RESULT



#### COMMENTS ON TARGET

The target has not been fully met as progress to Council has been delayed until September 2020; however, progress against the measure has been achieved.

Biodiversity mapping and prioritisation of sites for active management is nearly completed. This has been held up by the availability of external expertise.

The Biodiversity Otago iwi and interagency hui was initiated and led by the ORC and has been actively discussing research priorities, data requirements and potential platforms to collate and share information and projects.

ORC has also undertaken work to understand the structure needed to implement its Biodiversity and Biosecurity strategies and action plans, and its response to the National Policy Statement for Indigenous Biodiversity. This work will be reported back to Council in September 2020.

A dedicated biodiversity role was not in place for the 2019-2020 year, but work implementing the Biodiversity Action Plan progressed with existing staff. Staff have continued to participate in regional and national level engagement to improve collaboration and coordinate effort. A Biodiversity Partnership Lead position has now been created and recruitment is underway.

**SERVICE STATEMENT**

Establish controls over animal and plant pests to maintain and enhance biodiversity, protect productive capacity and community health

**MEASURE**

The Regional Pest Management Plan is implemented.

**TARGET**

Complete the Regional Pest Operational Plan.

**RESULT**



**COMMENTS ON TARGET**

The Regional Pest Operational Plan was completed and approved by Council on 22 April 2020.

In accordance with the Biosecurity Act 1993, ORC’s Otago Pest Management Plan 2019-2029 (RPMP) was adopted in November 2019. The RPMP details the plants and animals that are declared pests in Otago, explains why they are pests, and outlines how each pest will be managed over a 10-year period.

A RPMP Operational Plan is required by law to detail the nature and scope of activities ORC intends to undertake in the annual implementation of the RPMP. The Plan details the range of pest implementation activities that ORC will carry out in two categories – pest plants and pest animals, and the five management programmes used to manage pests in Otago.

**MEASURE**

Reducing trend in the pest plant and animal species.

**TARGET**

Report to Council on plant and animal pest trends.

**RESULT**



**COMMENTS ON TARGET**

The measure is not able to be monitored as baseline data on the number of pest plants and animal species in the region does not exist, so it is not possible to report on trends. Staff have undertaken over 6,000 pest plant inspections in the 2019-2020 financial year. A total of 30 wallabies were sighted in 2019-2020 compared with 27 in the previous year. ORC actively encourages sightings to be reported to inform inspections and control work.

This indicator will be replaced in the next financial year by one which is able to be measured and better reflects the outcomes we are seeking.



**MEASURE**

The level of compliance is managed to the provisions of the Regional Pest Management Plan (RPMP).

**TARGET**

All properties with reported non-compliance of rabbit numbers over MAL3 (or MMS3) are contacted regarding the requirement to respond in accordance with the Regional Pest Management Plan.

**RESULT**

COVID-19



All reported non-compliance for pest plants will be followed up to ensure works to control pest plants have been carried out.



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.



**COMMENTS ON TARGET**

Delivery has been impacted by COVID-19 restrictions (April-June) and by the efficacy of ORC’s inspection regime. Following the adoption of the RPMP’s Operational Plan in April 2020, new standard inspection and compliance procedures have been developed and are now being actively used.

**Target 1** A total of 103 rabbit complaints were received for the year ended 30 June 2020, with 71 of these being investigated further.

**Target 2** A total of 272 pest plant complaints were received for the year ended 30 June 2020, 220 of these complaints were addressed by staff to determine compliance requirements.

**Target 3** For the year ended June 2020, a total of 48 complaints related to control within boundary areas were received and 28 were responded to within 10 working days. Where non-compliance has been sighted, property owners have been requested to undertake control work.

**MEASURE**

ORC supports government agencies conducting Lagarosiphon control in Lakes Dunstan and Wanaka.

**TARGET**

Agreed funding support to external partners for Lagarosiphon control in Lakes Dunstan, Wanaka and Wakatipu is provided.

**RESULT**



Key planning information is disclosed in a timely way.



**COMMENTS ON TARGET**

**Target 1:** The budgeted total of \$40,000 was provided to Land Information New Zealand (LINZ) to support Lagarosiphon control in Lakes Dunstan (\$25,000) and Lake Wanaka (\$15,000). The funding was provided to undertake weed and pest control programmes in each of these water bodies. There was no funding agreed to, or paid out, for Lake Wakatipu, which was mistakenly included in the target.

**Target 2:** Information from LINZ, which manages control in these two lakes, is shared regularly with ORC via six-monthly planning and delivery meetings. Over the past year, LINZ has increased surveillance and hand weeding of lake weed and improved the monitoring and evaluation of control activities such as hessian matting and herbicide spraying.

**MEASURE**

Collaborate with community groups and pest companies to carry out control activities to eradicate wallaby in Otago.

**TARGET**

Reported wallaby sightings investigated and responded to within three working days.

**RESULT****COMMENTS ON TARGET**

All reported wallaby sightings have been followed up by staff within three days. Staff liaise with community groups and pest companies such as Maniototo Pest Management (MPM) which has undertaken inspections on our behalf, assisted with poison operations and directly eliminated wallabies sighted in the area. A project is well underway to 'train' and install artificial intelligence thermal cameras to detect wallabies and track movement at Aviemore Dam.

**Telling the performance story****Environmental enhancement**

ORC administered funding to selected community-based organisations delivering environmental outcomes that align with our strategic objectives. This includes:

- Predator Free Dunedin (PFD) receives \$300,000 per annum for a five-year contract (2019-2023). Together with others, ORC is a funding partner to eradicate pests over 30,000ha in and around Dunedin.
- The Yellow Eyed Penguin Trust (YEPT) received \$75,000 from ORC. This contributes to funding a scientist who has been conducting penguin research.
- ORC provides \$100,000 each to the Wakatipu and Central Otago Wilding Conifer Groups. The two groups provide a community-led approach to co-ordinate the responsibilities of agencies involved in controlling wilding conifers.
- The ECO Fund of \$250,000 was fully allocated for the year and supported 25 community-led projects that will protect, enhance and promote Otago's environment.

**Biocontrol of pests**

Work programmes included:

- Gall mite harvesting and releases have been made at 45 sites
- ORC is assisting Manaaki Whenua - Landcare Research with the collection of information at biocontrol release sites for nodding thistle and ragwort that were set up 25-30 years ago to gauge the establishment and impact of the biocontrol agents.
- COVID -19 restrictions impacted on ORC's ability to deliver work scheduled for autumn.

**Regional Pest Management Plan (RPMP) compliance**

The RPMP details the regulatory and non-regulatory mechanisms that ORC will utilise for effective biosecurity leadership in Otago over the next 10 years. It contains pest control programmes, and objectives and rules to manage pests that cause harm to the wellbeing of Otago's people, economy and environment. The adoption of a new RPMP this year signals the potential for a broader operating scope with reviewed priorities and improved compliance measures from 2020-21.

Following the adoption of the RPMP in April 2020, new standard compliance procedures have been developed to address non-compliance of rabbit numbers over MAL3 (MMS3). Rabbit inspections were halted by COVID-19, so no occurrences of non-compliance have been reported since March. A comprehensive rabbit inspection programme has been developed for the 2020-21 year.

### Community Outcomes

- **A healthy environment** — A place where people can enjoy their environment safely, productively, and respectfully
- **A future-proof region** — A region that is prepared for the future environmental challenges and that retains the characteristics that make Otago a great place for everyone

Significant work has been undertaken over the past 12 months to develop effective rules and plans to guide biosecurity work for the next decade.

# Air

Good air quality is necessary for health and well-being.

We are responsible for making sure our region complies with the government's National Environmental Standard for Air Quality and, under the Resource Management Act, for controlling the discharge of contaminants into the air.

Meeting air quality standards is a particular challenge in localities with extremely cold winter weather and strong temperature inversions.

This activity is about implementing the Air Quality Strategy. We are interested in solutions that will continue to warm homes while improving air quality. As part of our Air Quality Strategy, we are reviewing our Clean Heat Clean Air (CHCA) programme so that we can create the best opportunities to achieve cleaner, healthier air.

There is one activity that makes up our significant activity, Air:

- ▶ Air Strategy Implementation



## Performance against levels of service targets

### SERVICE STATEMENT

In targeted towns we work to reduce PM10 emissions for ambient air quality

#### MEASURE

Monitor air quality to assess compliance with the National Environmental Standard requirement of no more than one daily average reading of PM10 per annum to be higher than 50 micrograms per cubic metre.

#### TARGET

Assessment completed.

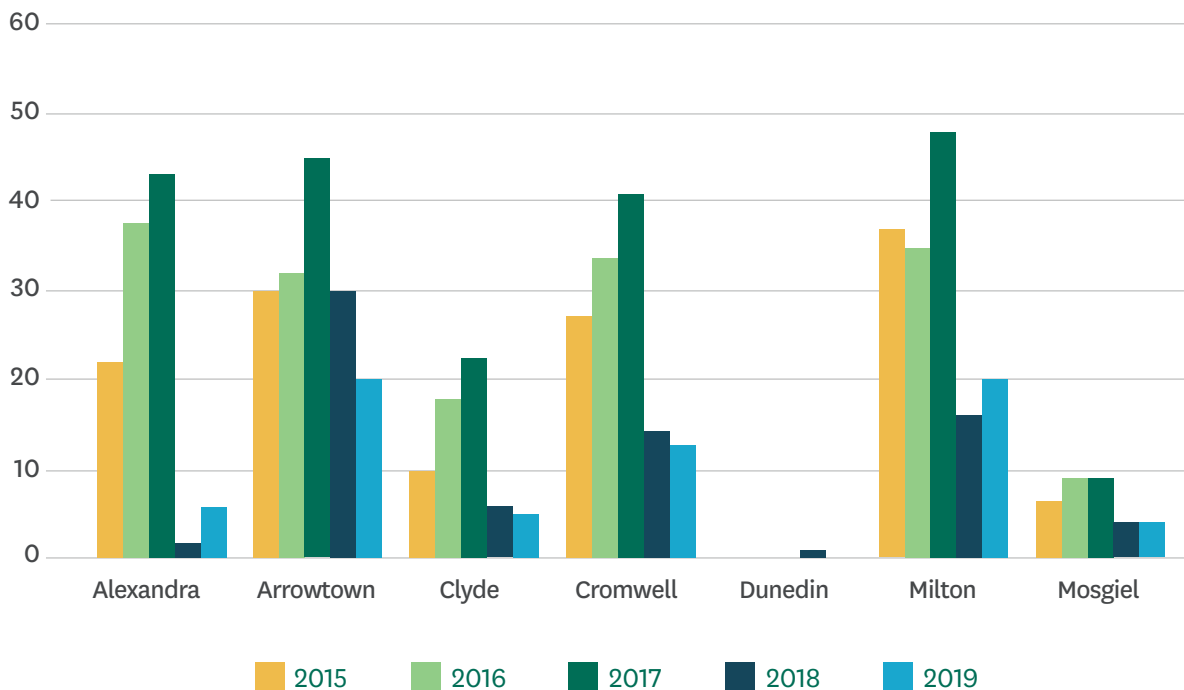
#### RESULT



#### COMMENTS ON TARGET

Assessments were completed. There are four continuous monitoring sites, and three winter-only sites. The monitoring network is expanding to include a new site in Wanaka, and older instruments are being replaced with newer ones to monitor pollutant, PM2.5. The following graph shows the air quality monitoring results for PM10 measured against the NESAQ requirement of no more than one exceedance per year. An exceedance occurs where the daily average concentration is greater than 50 micrograms per cubic metre. The monitoring results for 2019 show that Arrowtown, Cromwell and Milton breached this standard, however a greater number of exceedances were reported in 2017 for these towns. The total number of exceedances in 2019 was 68.

**Air Quality Monitoring: Number of Exceedances of NESAQ for PM<sub>10</sub>**





**MEASURE**

Administer the Clean Heat Clean Air fund for Air Zone 1 and Milton

**TARGET**

Achieved

**RESULT****COMMENTS ON TARGET**

ORC has fully allocated the funds committed in the current financial year to the Clean Heat Clean Air subsidies for installation of clean heat appliances. A total of 58 subsidies were approved in the current financial year; 51 of which were approved under the new scheme (\$2500 each) and seven under the old scheme (\$1500 each). A total of 54 subsidies have now been committed under the new scheme, including three which were paid out in the previous financial year. Of the 58 approved subsidies in the 2019-2020 financial year, 29 had been installed by 30 June and the remainder will be installed over the coming year.

- Locations of appliances: Alexandra: 12, Arrowtown: 33, Cromwell: 7, Milton: 6
- Type of heating appliance: Gas fire: 2, Heat pump: 3, Pellet fire: 2, Wood burner: 51

The higher uptake, especially in Arrowtown where 33 subsidies were approved, is attributed to multiple campaigns and community activities promoting responsible burning and the Clean Heat Clean Air subsidy.

The Cosy Homes Trust also received a \$45,000 contribution from ORC. The Trust assisted with education and undertook housing-efficiency related community work and enquiries.

**MEASURE**

Implement investigation and research programme to achieve goals under the Air Strategy including trialling options for low emission technologies.

**TARGET**

Progress is reported to Council.

**RESULT****COMMENTS ON TARGET**

Science and Communications teams conducted a pilot programme in Arrowtown for Air Strategy implementation during winter 2019. This work contributed to the majority of CHCA subsidy uptake occurring in Arrowtown, and has led to the development of future work plans for compliance and enforcement of the Air Plan. The communication and monitoring methods used are able to be used in other Air Zone 1 towns in Otago. Reporting to council was slightly delayed in order to present Air as a coherent topic by including alongside two other air quality papers and a guest speaker on air quality and health. Progress was reported to Council on 8 July 2020 for the Arrowtown Air Quality Implementation work. A trial of options for low emissions technologies will begin later in 2020 as other areas of the programme were prioritised in 2019-2020.

## Telling the performance story

Our Science and Communications teams implemented a pilot study in Arrowtown targeting better air quality outcomes through education and compliance. Science and the Environmental Monitoring teams are working towards upgrading the monitoring network to include PM<sub>2.5</sub> for the upcoming National Environmental Standards for Air Quality (NESAQ).

ORC is working with other agencies to revise and develop an implementation programme that will improve adoption and generate greater impact across the region.

## Community Outcomes

- **A healthy environment** — A place where people can enjoy their environment safely, productively and respectfully
- **A future-proof region** — A region that is prepared for the future environmental challenges and that retains the characteristics that make Otago a great place for everyone

While the implementation and engagement programme worked well for Arrowtown, translating into a significant uptake in Clean Heat Clean Air subsidies in 2019-2020, we believe that the implementation plan may not be easily transferrable to other Otago towns.

A transformative change to ORC's air quality implementation initiatives is likely to be required to enable compliance with the new NESAQ and lead to an improvement in Otago's air quality.

# State of the Environment reporting

It's important that we continually monitor water quality and quantity, and air quality.

Data are collated on the well-being of Otago's environment and reported on in the State of the Environment reporting processes.

These data support the development of policies and plans, and indicates how well our region is doing in complying with existing plans. It is also a measure of the ORC's performance in looking after the environment.

ORC hosts the project office for the national Environmental Monitoring and Reporting (EMaR) framework. The objective of EMaR is to become more consistent and integrated in the collection and presentation of environmental data. The EMaR project is a partnership between the regional sector, central government and the Cawthron Institute. A focus for the regional sector has been to get better at telling our own regional stories and make data more accessible to public and for national reporting purposes.

There are three activities that make up our significant activity, State of the Environment reporting:

- ▶ Ambient air quality monitoring
- ▶ Water quality and quantity monitoring
- ▶ Environmental Monitoring and Reporting (EMaR)

Photo courtesy of Jono Young © 2020



## Performance against levels of service targets

### SERVICE STATEMENT

Provide high quality and timely environmental information, indicators and advice to key decision makers and the community

#### MEASURE

Changes and trends in natural resource availability and quality are analysed and reported to Council as per the schedule entitled 'Monitoring Schedule for 2018-28 Long-term Plan'.

#### TARGET

Information available for the Annual Report 2018-19.

#### RESULT



#### COMMENTS ON TARGET

The Monitoring Schedule for the 2018-28 Long-term Plan sets out reporting timeframes for State of the Environment (SOE) monitoring of Air, Coast and Inland Water across various indicators. The results of annual monitoring are reported online via Land Air Water Aotearoa (LAWA) and are publicly available. The majority of indicators were monitored as per the schedule for 2019-20. However, the five-yearly lakeweed monitoring programme was only partially completed in February and the Coastal Estuarine Trophic Index (ETI) annual reporting was not completed.

Target is worded incorrectly and should reference 2019-20 Annual Report.

#### MEASURE

External audit shows good quality control of data collections and analysis as per the schedule entitled 'Monitoring Schedule for 2018-28 Long-term Plan'.

#### TARGET

External audit completed by 30 June 2020.

#### RESULT



#### COMMENTS ON TARGET

An external audit of the quality control and alignment to best practice was completed by NIWA on 7 November 2019. This is an annual audit requirement of the Environmental Teams ISO:9001:2016 Quality Management System. The result of the audit showed a high standard of practice both in the field and in office work. Some minor conditions relating to documentation and business manuals have since been addressed.

- 92% of data from sites in the SOE network have data quality that is fair or better
- 99% of all data was captured to archive

## Telling the performance story

Environmental monitoring of key parameters at a number of locations has provided quality assured data to support State of the Environment (SOE) reporting.

### Ambient air quality monitoring

Four monitoring stations continually measured the level of particulate matter less than 10 microns in the air throughout the year. An additional three stations operated



over the winter months. The data are displayed on the ORC and LAWA websites and reported through news media during the winter months.

### Water quality and quantity monitoring

Data measuring river flow and level, rainfall, and groundwater were collected from 130 permanent monitoring stations during 2019-20. Data are published on the ORC and LAWA websites for use by the public, rural communities, and water users. ORC uses this data for science, freshwater policy, flood warning and engineering design-related projects.

Water quality samples are collected at 107 surface water locations on a monthly cycle and key parameters tested. A further 50 samples are taken from groundwater bores every quarter to assess aquifer quality. Water sampling at our four major southern lakes is carried out monthly alongside quarterly sampling at Lakes Waihola and Waipori to determine their trophic lake index. Water samples are collected weekly at 24 bathing beaches during summer months to determine the safety of contact recreation. The public are informed of the results through the LAWA website and signs are used when levels are found to be unsafe for swimming and recreational activities.

Data are quality assured and archived to create long term datasets for a variety of purposes including State of the Environment trend analysis relating to minimum flow and flood frequency.

### Coastal science

During the 2019-20 summer, sediment parameters (mud content, sediment accumulation or erosion) were measured in the Shag estuary, the Catlin's estuary and the Waikouaiti estuary. Full fine scale monitoring (sediment parameters {mud content, nutrient levels, organic matter, heavy metals} and macroinvertebrate counts) was carried out at the Kaikorai estuary and the Tokomairiro estuary. A report written for these two estuaries covered the three-year fine scale baseline monitoring required when a new estuary is added into the SOE estuary network.

A review of the current SOE estuary monitoring network is underway, as are field trips to assess estuaries throughout Otago. This review and the site visits, combined with data from the current SOE estuary network, are being used to create a new improved estuary monitoring network. This will make sure that ORC has sufficient data and information to manage Otago's estuaries and meet its obligations. The draft of this SOE estuary network will be completed by the end of July, with the aim of rolling out the new monitoring programme over the summer of 2020-21.

Scoping work is currently underway to look at creating a monitoring program for the coastal waters of Otago, to monitor biodiversity and changes in Otago's marine habitats and ecosystems. This work is continuing and will involve workshops with other councils to ensure that a monitoring network is created based on proven methods. A marine biodiversity group including scientists from different stakeholder groups in Otago (iwi, the University of Otago's marine science department, Department of Conservation, Ministry of Primary Industries, NIWA) is being created to collaborate on coastal monitoring. The group will share resources, information and advice to create an effective monitoring network.

### National Environmental Monitoring and Reporting Framework (EMaR)

The EMaR work programme for 2019-20 was successfully completed for this year. Highlights include:

- ▶ release of the new LAWA Groundwater Quality topic featuring almost 800 well sites throughout New Zealand
- ▶ collaboration with the international Swim Guide platform to bring recreational bathing data and information collected by councils to an international audience
- ▶ efficiency gains by having a shared approach to collate and present regional sector data and information collected by the sector
- ▶ continued growth in LAWA users with more than 3.2 million page-views since launched in 2014

EMaR continues to play a key role strategically in the delivery of the regional sector's science, data and information programme through the LAWA platform, the National Environmental Monitoring Standards (NEMS) project (best practise data collection standards) and the Environmental Data Management System project (consistent approach to data management). It is closely aligned with the Ministry for the Environment's efforts to address the Parliamentary Commissioner for the Environment's recommendations on improving New Zealand's environmental reporting system. Information about the EMaR work programme is available on the LAWA platform: [www.lawa.org.nz](http://www.lawa.org.nz)

### Community Outcomes

- **A healthy environment** — A place where people can enjoy their environment safely, productively and respectfully

Results of monitoring are published on the LAWA and ORC websites to inform the public and communities of the condition of water bodies and airsheds, the risk of flooding and whether water can be abstracted. The SOE programme informs our environmental policy and regulatory activities.

Our activities in depth

# Regional Leadership

Supporting informed decision-making  
and an engaged community

# Governance and Community Engagement

We want voices around Otago to be heard through our elected representatives, and our consultation and engagement activities, and to provide quality leadership that benefits our region.

Our goal is to deliver governance support and process that enables a robust, transparent democratic practice for Council's elected members and for community participation.

There are four activities that make up our significant activity, Governance and Community Engagement:


- ▶ Governance and democracy
- ▶ Stakeholder engagement
- ▶ Response to external proposals
- ▶ Financial contributions



## Performance against levels of service targets


### SERVICE STATEMENT

Governance support and process that enables a robust and transparent democratic practice for Council's elected members and the community

MEASURE	TARGET	RESULT
Percentage of official information requests responded to within statutory timeframes.	100%	


#### COMMENTS ON TARGET

There were 138 official information requests received and 136 were fulfilled within statutory timeframes; 98.5% compliant. Timeliness of responses is reliant on multiple departments of ORC.

MEASURE	TARGET	RESULT
Percentage of council agendas that are publicly available two working days or more before a meeting.	100%	

#### COMMENTS ON TARGET

Agendas are routinely put on the ORC "Meetings and Agendas" webpage, ordered by most recent meeting dates, two working days in advance of meetings. Printed agendas are also available for inspection on request at ORC public offices, and on the day of meetings at the meeting venue.

MEASURE	TARGET	RESULT
Conduct meetings in accordance with Standing Orders and the Local Government Official Information and Meetings Act 1987.	All meetings	

#### COMMENTS ON TARGET

This financial year was split across two trienniums. For July–September (2016-2019 triennium) three council meetings and two rounds of committee meetings were held. For October-June (2019-2022 triennium) 16 council meetings and three rounds of committee meetings were held. COVID-19 required a rapid shift to hold meetings via videoconference in April, enabled by a change in the LGA 2002. Zoom was successfully used, and enabled meetings to be livestreamed to the ORC YouTube channel which resulted in little disruption to the governance work programme and increased our community participation.



**SERVICE STATEMENT**

Council has clearly articulated policy, purpose and activity to encourage participation in decision-making by the community

**MEASURE**

Council's Long-term Plan, Annual Plans and Annual Reports are fit for purpose and accessible.

**TARGET**

All Local Government Act statutory planning requirements and financial reporting standards are met.

**RESULT**

Unmodified independent audit report for the Long-term Plan and Annual Report.

**COMMENTS ON TARGET**

We met all of our statutory planning requirements and financial reporting standards for the year. The Annual Report 2018-19 was adopted with an unmodified audit opinion. Although there were no significant proposals to progress, we consulted on our Annual Plan. Our consultation covered the government review of ORC's consenting function and water planning, and a proposed trial of the Wakatipu water ferry service.

This year we have reported progress quarterly to Council, using an improved format.

**Telling the performance story****Communication and Engagement**

We continue to business partner across the organisation to act as a conduit between ORC and the community so we can inform, consult and engage. We have expanded our communications by using more digital channels and have measured an increase in engagement as a result. We communicate through both annual campaigns and one-off projects, ensuring two-way communications with Otago communities.

- The second half of the financial year saw significant engagement with stakeholders and the broader community through formal online consultation, community engagement sessions, and Council public forum sessions across a range of topics
- Key 'one-off' communications including: freshwater management/plan changes (Plan Change 6AA and the Water Permits Plan Change [Plan Change 7]), flood responses, COVID-19, community consultations (Annual Plan, Regional Policy Statement, Wakatipu ferry trial, sale of rabbit control assets)
- Initiatives included: launching the new Pest Hub and started Pest of the Month promotions, launched the Good Water in Otago website, launched a new climate change web page, launched a new natural hazards database and produced a 'how to' video, promoted the ECO Fund, corporate communications, public transport communications, EnviroSchools
- The Executive Leadership Team undertook a rural outreach tour across Otago in September 2019 to communicate key updates on water. Sessions were well attended and generated positive, robust discussion

### Financial Contributions

ORC donated \$350,000 to the Otago Rescue Helicopter Trust. In September 2019, the Trust reported that they had conducted 1,200 emergency patient retrievals in the 2018-19 year. Details of 2019-20 service delivery will be available in the Trust's next annual report.

### External proposals

A large component of work in this activity related to our input into the district plan reviews occurring at city and district councils of Otago. A regional perspective to these planning processes was expected and necessary. Other work included:

- Response to national proposals on Urban Development, Highly Productive Land, Freshwater and Resource Management Act changes
- Submissions on the Marine Protected Areas Bill, the revised NES for Air Quality
- Response to resource consents from the regions TA's

### Governance and Democracy

There has been significant demand for Council meetings since the start of the new triennium to support the high volume of ORC planning work.

Local body elections took place in October 2019 supported by ORC. Support was given to set up arrangements for the new triennium.

COVID-19 required a rapid shift to holding meetings via videoconference in April. This meant there was little disruption to the governance work programme although we were unable to hold Council meetings in Queenstown and Oamaru as planned. Livestreaming the Council and Committee meetings has meant increased community engagement in relation to governance.

The end of the financial year saw nine councillors seek a meeting to remove the current Chair from Office. A meeting was scheduled for 8 July to vote on this, which resulted in a change of Chair.

### Otago Mayoral Forum

The Otago Mayoral Forum established a Secretariat hosted by the ORC to support its work and increasing regional collaboration. Four Mayoral Forum meetings were convened, and one joint Otago/Southland Mayoral Forum. Agreed priorities for the Forum include waste and three waters. Workstreams for each are progressing. Post COVID-19, the Mayoral Forum has also been considering recovery work.

## Community Outcomes

- **A connected community** – Service delivery that puts the community first and ensures that the operations are customer driven, efficient and fit for purpose
- **An engaged and proud community** – Communities empowered to be the champions and custodians of their Otago environment

Of all the issues that the Council is considering and managing, it is freshwater that perhaps stood out in 2019-20. The governance support provided to Councillors has assisted them to engage on this matter. Additionally, ORC communications & engagement activity has worked to connect communities, organisations and businesses on the issues, direction and relevant detail. This influences the quality of outcomes achieved over the medium and longer term.

Responding to official information requests reflects a high level of responsiveness to the community with only two responses outside of the targeted timeframe. On the whole our results in this area show that our service delivery is efficient, customer driven and promotes an engaged and connected community.

# Regional Planning and Urban Development Strategy

Our regional plans set out objectives, policies and rules for the sustainable use of natural and physical resources in Otago, including water, land, air, and the coast.

Establishing and maintaining a robust, integrated, and consistent environmental planning framework is the overarching goal. A Regional Policy Statement (RPS) sets the direction for future management of natural and physical resources. ORC's RPS is the foundation for the development of our regional and district plans. The RPS is currently under review, to be completed by November 2020.

The regional planning framework supports the management of Otago's freshwater and land resource and is ORC's top priority. Our approach to planning and consenting regarding freshwater has changed, we have accelerated our work programme over the 2019-20 year and will continue to build on this. As part of this work we have kept momentum on the critical availability of water and its allocation for irrigation. This involves the priority catchments of the Arrow, Cardrona and Manuhereki rivers. Looking after our region's natural and physical resources includes managing urban development. Urban development is an important emerging issue for Otago, as the number of people choosing to live in Queenstown and Central Otago continues to grow.

There are three activities that make up our significant activity, Regional Planning and Urban Development Strategy:

- ▶ Planning – freshwater and land
- ▶ Planning – air, water, coast, regional policy statement
- ▶ Urban development strategy

## Performance against levels of service targets

### SERVICE STATEMENT

Establish and maintain a robust, integrated and consistent environmental planning framework

#### MEASURE

Deliver against the Council's adopted 'Progressive Implementation Programme' (PIP) that outlines the staged implementation of actions to implement the National Policy Statement Freshwater Management.

#### TARGET

Report progress against the PIP as published on ORC's website.

#### RESULT



#### COMMENTS ON TARGET

The PIP has been incorporated and superseded by the work programme agreed with the Minister for the Environment. Part of the agreement with the Minister includes reporting every six months. The first report to the Minister was provided to Council on 22 April and then sent to the Minister.

The work in the Manuherekia, Arrow and Cardrona (MAC) catchments has continued as the first priority from the PIP. A framework for the full Water Plan Review has been developed.

Other plan changes and reviews were progressed during 2019-20:

- Regional Plan: Waste - review commenced
- Regional Plan: Water - review commenced
- PC6AA is now operative
- Plan Change 7 was notified by ORC in March and re-notified by the EPA on 6 July 2020
- Plan Change 8 to the Water Plan was notified by the EPA on 6 July 2020
- Plan Change 1 to the Waste Plan was notified by the EPA on 6 July 2020
- The framework for the Land and Water Regional Plan is developed
- Appeals to the Lindis Plan Change are progressing

### SERVICE STATEMENT

Develop with our key partners an Urban Development Strategy

#### MEASURE

Provide region-wide direction on urban development in conjunction with the Territorial Local Authorities.

#### TARGET

Report development to Council on the preparation of an urban development strategy.

#### RESULT



#### COMMENTS ON TARGET

The Urban Development Strategy has not been progressed because both Queenstown Lakes District Council and Dunedin City Council are sufficiently advanced in their own urban development programmes. The Urban Development team did not start with ORC until late November 2019 and from then, work focused on supporting the Territorial Authorities through their urban work programmes, as well as providing expert input into significant urban plan changes in Central Otago.



Some of the resources were reallocated to advance parts of the RPS review, namely in relation to Highly Productive Land, which is the companion National Policy Statement to the NPS UDC, and Heritage provisions.

The ORC will be reviewing urban development goals and revising a work programme to prevent duplication of work already underway by Territorial Authorities.

## Telling the performance story

### Regional Plan: Water

The Water Permits Plan Change has been notified, and both the Water Permits and Omnibus Plan Change have been called in by the Minister for the Environment.

The agreed work programme, which incorporates and supersedes the PIP, has been advanced, with the review of the Regional Plan: Water underway and the project plan being developed. The short-term plan changes and the water quality plan changes are all underway, with notification to occur in early July 2020 (re-notification in the case of Plan Change 7 – Water Permits) by the Environmental Protection Authority.

Work on the Manuherekia, Arrow and Cardrona limit setting process is continuing, and a work programme to cover the remaining Freshwater Management Units has been prepared. A governance group to oversee the development of the regional framework for the Land and Water Regional Plan has been established with iwi and is set to meet in early July.

### Regional Policy Statement

The Regional Policy Statement (RPS) review was the focus for this work group. While the review of the RPS is both unbudgeted and unplanned it aligns with the Minister for the Environment's recommendations that were adopted by Council in November 2019 and is on track to notify by November 2020. Specialist reference groups were established in June and five sessions across a range of topics were held in the last week of June, with the remaining topics scheduled to take place in the new financial year.

The review of the RPS will ensure consistency with the National Planning Standards and give effect to all relevant national policy statements.

### Regional Plans: Air, Waste, Coast

No work was specifically proposed for 2019-2020 on the Regional Plan: Coast or the Regional Plan: Air. The review of the Regional Plan: Waste is underway.

### Urban Development Strategy

The National Policy Statement for Urban Development Capacity (NPSUDC) requires integrated and well managed urban growth and has particular requirements for regions or districts with a high and/or medium growth town. Because the two fastest growing territorial authorities — Queenstown Lakes and Dunedin City — were well advanced in satisfying the requirements of the NPSUDC, ORC has instead focused on providing inputs into small scale developments across the region, through submissions. In addition, the Urban Development team leader has focused on establishing relationships with the territorial authorities and has been providing guidance to Queenstown Lakes District Council for their Future Development Strategy.

## Community Outcomes

- **An engaged and proud community** – Communities empowered to be the champions and custodians of their Otago environment
- **A strong economy** – A region that prioritises sustainability as an economic measure whilst being attractive to industry
- **A healthy environment** – A place where people can enjoy their environment safely, productively and respectfully

The Freshwater and Land work programme has contributed towards a healthy environment, in particular through the short-term plan changes that address water quality, and through the development of a framework to manage historic deemed permits.

The RPS programme achieves across the community outcomes, including being future focused and delivering a strong economy.

Although an Urban Development Strategy was not progressed, the focus of the urban workstream on establishing relationships with Territorial Authorities aims to contribute to a future-proofed region and a healthy environment.

Our activities in depth

# Regulatory

Professional service and action  
supporting the sustainable management  
of Otago's natural resources

# Consenting, Monitoring, Investigations and Enforcement

As a regulatory authority we provide services to ensure that activities in Otago are consistent with both national and regional rules.

Our functions include processing and monitoring consents, investigating activities that don't comply with the rules, and oversight of navigational safety on our waterways.

Regulation is not the only way to get results. We collaborate with Otago communities in education and awareness campaigns to increase the community's knowledge and understanding of environmental matters. Working together, we can achieve good outcomes that maintain and improve our environment.

There are five activities that make up our significant activity, Consenting, Monitoring, Investigations and Enforcement:

- ▶ Consent processing
- ▶ Compliance monitoring
- ▶ Harbour and waterway management
- ▶ Response, investigation and enforcement
- ▶ Contaminated sites





## Performance against levels of service targets

### SERVICE STATEMENT

Deliver consenting processes efficiently and effectively under the Resource Management Act 1991 to enable the lawful use of natural and physical resources

#### MEASURE

Percentage of resource consent applications processed within Resource Management Act 1991 legislative timeframes.

#### TARGET

100%

#### RESULT



#### COMMENTS ON TARGET

We were 99.7% compliant with our 100% target for applications to be processed within timeframes. Only one consent application out of the total of 317 processed wasn't issued within the required timeframe. This was due to workload issues. A timeframe extension could not be secured from the applicant and there were no special circumstances that warranted extending the timeframe without their permission. The 100% target is aspirational as there are many factors at play in the consent process that can affect timeframes.

An average of 38 applications for resource consents were received per month with slightly lower numbers received in April 2020 due to COVID-19 impacts. There were a total of 265 applications in progress, as at the end of June 2020. This is an increase from 232 in the system in July 2019 and reflects the process of replacing deemed and water permits that expire in 2021. It is anticipated that workloads will increase in the 2020-21 period due to changes at the national and regional level introducing more consent requirements. This increased workload could affect overall timeframe compliance in the upcoming period.

### SERVICE STATEMENT

Administering and assessing performance monitoring data provided by consent holders

#### MEASURE

Percentage of performance returns received that will be assessed for compliance with consent conditions.

#### TARGET

100%

#### RESULT



#### COMMENTS ON TARGET

During the financial year ORC received 4805 performance monitoring returns. The total number of performance monitoring returns graded for compliance was 5012. However, as ORC only achieved a result of 84% against this measure in the previous financial year a backlog of work was carried over. Of the returns assessed this year, 3229 were received this financial year with the remainder received before 1 July 2019, meaning the result for this measure is 67%. The backlog of work was compounded by staff turnover which affected productivity in the first half of the financial year.



**SERVICE STATEMENT**

## Acting on non-compliances identified through consent audit or performance monitoring returns

**MEASURE**

Percentage of non-compliances found that have been followed up with enforcement action.

**TARGET**

100%

**RESULT****COMMENTS ON TARGET**

There were 3017 non-compliances identified through performance monitoring and audits. Of those 2371 were low risk, 560 were moderate and 140 were categorised as significant. Enforcement action is not always appropriate; therefore the target is not correct and has been revised in the 2020-21 Annual Plan. In all cases, consent holders were notified of their breach and the action they needed to take to correct it. There have been 50 separate enforcement actions recorded this year.

**SERVICE STATEMENT**

## Investigations and response to notifications of non-compliance and incidents

**MEASURE**

Maintain 24-hour/7 day a week response for environmental incidents.

**TARGET**

100%

**RESULT****COMMENTS ON TARGET**

The Pollution Hotline was staffed 24/7 and online pollution reporting was available and checked during business hours. This response continued throughout the COVID-19 restrictions.

The categories and numbers of calls to the pollution hotline were:

Water pollution	370
Outdoor burning	278
Odour	244
Domestic chimneys	112

**MEASURE**

Average time taken to respond to oil spills no more than 1.5 hours.

**TARGET**

Achieved

**RESULT****COMMENTS ON TARGET**

There is still no change to the systems which would allow us to report on this, however staff remain confident that any response to oil spills will be undertaken within 1.5 hours of reporting.

**MEASURE**

Facilitate/carry out appropriate response training for staff and contractors.

**TARGET**

Hold at least one pollution incident response training exercise for each of the following:

- desktop exercise
- a field exercise for pollution incident response
- an equipment training day

Hold at least one marine oil spill incident response training for each of the following:

- desktop exercise
- a field exercise for marine oil incident response.

**RESULT****COMMENTS ON TARGET**

An oil spill exercise was undertaken in November 2019 as part of our Maritime NZ response capability. Training of on-water deployment of gear was carried out and familiarisation of the different types of equipment was undertaken with staff. Maritime NZ attended the exercise on-site and re-validated a number of staff.

**SERVICE STATEMENT**

Enable safe use and navigation for all users of Otago harbour. Take appropriate action in response to notifications of non-compliance and incidents

**MEASURE**

Average time taken to respond to notification from harbour control of any incidents in Otago harbour.

**TARGET**

No more than 1 hour.

**RESULT****COMMENTS ON TARGET**

There is no way of accurately measuring this however we remain confident that the response time has been met in all cases. Separate incident records are kept.

**MEASURE**

Percentage of enforcement action taken when there are breaches of the Otago Maritime Safety Bylaw.

**TARGET**

100%

**RESULT****COMMENTS ON TARGET**

No enforcement action has been taken for breaches of the Maritime Safety Bylaw. Alignment of the infringement framework is underway and estimated to be in place by December 2020.

## Telling the performance story

### Consent processing

The key level of service target for the Consents team is the processing of consent applications within timeframes. However, there is a significant volume of other work that is completed by the team that ensures that this target is met. This additional work over the performance period has included:

- Reviewing forms, training staff and updating procedures
- Preparing for, providing feedback on and implementing plan changes such as Plan Change 7 and 8 to the Water Plan and Plan Change 1 to the Waste Plan ('Omnibus')
- Preparing for the gazettal of the Action Plan for Healthy Waterways
- Implementing the final recommendations of the consents function review
- Training and supporting five new staff that were recruited in this period

The Consents team also carries out the processing of approvals under the Flood Management Bylaw, applications for Building Consent under the Building Act and provides advice and information to the public and other teams about consent requirements. This work is undertaken in parallel with consent processing.

### Contaminated sites

31 sites have been registered with the relevant Territorial Local Authority from 1 July 2019 to 30 June 2020. There has been a decrease in the number of enquiries about contaminated land since a Contaminated Sites mapping tool was added to ORC's website in February 2020.

### Response, investigation and enforcement

Incident response staff continue to provide a high level of service on the Pollution Hotline. Calls have remained high. Response service was impacted by COVID-19 restrictions, with only public safety and significant environmental incidents responded to during Alert Level 3 and 4.

A significant investigation was conducted into non-compliant Wastewater Treatment Plants in the Clutha district.

### Harbours and water management

Work to update the navigation and safety bylaw has been completed with a final report going to Council in late July 2020. Significant progress has been made on improving navigation aids around the region and visitor moorings have been established in Otago harbour, they've been well received.

## Community Outcomes

- **A healthy environment** - A place where people can enjoy their environment safely, productively, and respectfully
- **A connected community** - Service delivery that puts the community first and ensures that the operations are customer driven, efficient and fit for purpose

- **An engaged and proud community** – Communities empowered to be the champions and custodians of their Otago environment

The 2019-20 year was significant for ORC's Regulatory group in that it initiated change in its ability to meet core government and community expectations on resource consenting. Previous activity relating to consenting was not sufficiently contributing to community outcomes — significant steps have been taken to rectify this.

Resource consents have been processed within timeframes and a high number of incidents and pollution calls have been responded to.

Engagement with the community has increased through the work of the Harbourmaster. This has included engagement over the new Navigational Safety Bylaw and consultation on the delegation of Lake Dunstan returning to ORC.

Our activities in depth

# Flood Protection and River Management

Professional services, action and infrastructure  
to protect our communities and environment



# Flood and drainage schemes

Large developed areas of Otago are low-lying river flats that are often close to sea-level.

This means that protecting people's wellbeing and livelihoods from flooding is a vital aspect of our work, as is maintaining and improving use of productive land through drainage and control of groundwater levels.

We manage eight flood and drainage schemes across Otago. This includes, ensuring bridges are maintained to a safe standard through a bridge inspection programme. Sea-level rise predicted over the next 30 years may increase flooding and drainage risks. To prepare, we're investigating these risks to determine future service and infrastructure needs.

Increasingly, we're seeking to collaborate with communities as we do this work.

There are nine activities that make up our significant activity, Flood Protection and Drainage Schemes:

- ▶ Alexandra flood protection
- ▶ Leith flood protection
- ▶ Lower Clutha flood and drainage
- ▶ Lower Taieri flood protection
- ▶ West Taieri drainage
- ▶ East Taieri drainage
- ▶ Tokomairiro drainage
- ▶ Shotover River delta
- ▶ Designations and bylaws

## Performance against levels of service targets

### SERVICE STATEMENT

Manage flood risk to people and property. Maintain, repair and renew drainage assets to maintain and improve the productive capacity of land

#### MEASURE

Flood protection, control works and assets are maintained, repaired and renewed in line with the Infrastructure Strategy, and the defined standards set out in the operations and maintenance manuals for each scheme and primary assets.

#### TARGET

Performance against defined standards of the flood protection schemes and primary scheme assets reported annually.

Planned renewal works completed on programme and budget, and progress reported quarterly.

Planned maintenance works completed on programme and budget, and progress reported quarterly.

Complete review including recommendations on the performance of the Lower Taieri River and primary tributaries.

#### RESULT

COVID-19



COVID-19



COVID-19



COVID-19



#### COMMENTS ON TARGET

Target 1: Response and recovery works relating to the December 2019 and February 2020 flood events were prioritised. An annual report of performance against defined standards was not reported to Council, however reports were presented in March on the response to the flood events and a follow up report on flood recovery and repairs was presented in May.  
 Target 2: Minor works have occurred, but most major works have been delayed until summer 2020-21. As a result, most planned works have incurred a budget shortfall.  
 Target 3: Most maintenance works proceeded; however, some work was delayed due to the reasons outlined below.  
 Target 4: This work has not been completed, due to the reasons outlined below. The review work has been prepared to be issued as an RFQ to engineering consultants during 2020-2021.

#### MEASURE

Drainage assets are maintained and renewed in line with defined standards set out in the operations and maintenance manuals for each asset.

#### TARGET

Performance against defined standards of the drainage schemes and primary scheme assets reported annually.

Planned renewal works completed on programme and budget, and progress reported quarterly.

Planned maintenance works completed on programme and budget, and progress reported quarterly.

#### RESULT

COVID-19



COVID-19



COVID-19



**COMMENTS ON TARGET**

Targets 1 and 2: The engineering workstreams for 2019-20 have been affected greatly by seasonal effects (flooding in December 2019 and February 2020), the COVID-19 pandemic and limited resources within the Engineering team to provide infrastructure management support.

Target 3: The volume of planned maintenance works that were completed reflects the interruptions throughout the year.

**Telling the performance story**

At a general level service delivery under this significant activity has been negatively impacted by the following factors:

- ▶ The Engineering team is undergoing a transformation relating to function and structure, including a focus on infrastructure, asset management and analysis. The team has been critically under-resourced (up to 40%) for most of 2019-20. Development has progressed in asset management and reporting.
- ▶ Work programmes have faced the seasonal effects of increased rainfall and flooding (December 2019 and February 2020). This has caused the delay in completing, in full, some annual activities that need to be done at specific times of the year. Major flood events have been occurring within the last five-year period at a higher return rate than expected. They have caused damage to infrastructure that requires immediate remediation. Consequently, engineering resources have been prioritised on flood response and recovery which delays programmed scheme and across schemes work.
- ▶ The COVID-19 restrictions prevented the Engineering team from completing key activities prior to winter 2020. These will need to be completed in 2020-21. The full assessment of the programme delay is being undertaken.

**Scheme work completed:****Alexandra flood protection**

The planned programme was delivered and included:

- Flood protection scheme has been maintained and inspected regularly with no major issues by contractor, Downer NZ Ltd
- Minor rock work was placed around the left bank outlet structure for further stabilisation after flooding in December 2020
- New outlet grills and platforms were installed at the outlet structure in October 2019

**Leith flood protection**

The planned programme was delivered and included:

- Dundas Street phase of the Leith Amenities Project completed
- Survey and modelling of Union Street to Clyde Street for completion of performance verification of Leith Flood Protection scheme

- Survey and modelling of Forth Street to Otago Harbour to complete the Leith Amenity Project
- Concepts for Forth Street to Otago Harbour, including adaption adjustment for climate change is in development

#### Lower Clutha flood protection and drainage

As an indication, approximately 60% of the planned programme was completed and included:

- Scheduled vegetation management in drains for invert spraying, and gorse/broom spraying, completed
- Scheduled vegetation management on flood banks for thistle spraying, completed
- Scheduled mechanical drain cleaning, partially completed
- Scheduled riparian pole willow planting and tree pruning maintenance
- Flood bank inspection/maintenance and pump station monitoring/maintenance by staff, completed
- Flood bank rabbit shooting by contractors, completed
- Flood assessment and repairs are ongoing in the Lower Clutha
- Puerua flood bank remedial work completed, stabilisation by top soiling
- Tree saw pruning by contractor, completed
- Roadside mowing by contractor, completed

#### Lower Taieri flood protection

As an indication approximately 60% of the planned programme was completed and included:

- Flood bank inspections completed on Taieri river scheme by staff
- Flood bank inspections on the Waipori scheme ongoing by staff
- Flood bank inspections on contour channel ongoing by staff
- Flood bank maintenance on Taieri and Silverstream rivers completed, including rabbit hole repairs and mowing
- Capital works: Riverside Road spillway: Investigation and design of interim strengthening works completed
- Capital works: Outram flood bank investigation; cost estimate of preliminary design for mitigating piping flow risk under the flood bank, completed
- Capital works: Waipori Pump Station power supply resilience investigation, completed. Power factor correction equipment design, completed. Request for tender being prepared
- Capital works: Waipori Pump Station investigation to operate pumps overspeed to increase flow, completed
- Capital works: Waipori Pump Station investigation to install remote pump monitoring and warning systems, ongoing

### West Taieri drainage

As an indication approximately 80% of the planned programme was completed and included:

- Scheduled mechanical drain cleaning, partially completed
- Vegetation maintenance spray programme, completed
- Bridge 4 on contour, tendered and programmed for removal in 2020-21
- Pump station inspections and maintenance carried out
- Henley Pump Station controls updated
- Henley mini bank top-up completed and investigating further works in infrastructure improvements
- Culvert replacement completed drain 13

### East Taieri drainage

As an indication approximately 80% of the planned programme was completed and included:

- Scheduled drain invert spraying and gorse/broom spraying
- Scheduled mechanical drain cleaning, partially completed
- Mill Creek Pump Station repair: procurement complete, contract awarded to Fulton Hogan, works on hold due to COVID-19

### Tokomairiro drainage

As an indication approximately 80% of the planned programme was completed and included:

- Scheduled drain invert spraying and gorse/broom spraying

### Shotover River delta

The planned programme was delivered and included:

- Regular inspections of training line and delta. No work required

### Designations and bylaws

- The Engineering team contributed to more than 25 bylaws, designations and consents.

### Multi-scheme delivery and actions

- Attended to all requests to manage blockages and/or obstructions in drains or floodways.
- Coastal mouths were monitored and opened as required
- Complaints and customer enquiries were all attended to as received
- Mechanical drain cleaning partially completed
- Vegetation maintenance: spraying, partially completed
- Pump station inspections and equipment servicing completed
- Outflow and bridge structures inspected, and maintenance as required



## Community Outcomes

- **A strong economy** – A region that prioritises sustainability as an economic measure whilst being attractive to industry
- **A future-proof region** – A region that is prepared for the future environmental challenges and that retains the characteristics that make Otago a great place for everyone
- **A connected community** – Service delivery that puts the community first and ensures that the operations are customer driven, efficient and fit for purpose

ORC completed significant flood protection and flood recovery work which directly impacted on community outcomes. ORC's community engagement has increased to provide awareness through the flooding events and COVID-19 to explain the workstreams affected, and how workstreams will recover.

A focus on community communications to build trust, by confirming actions and providing transparency in work plans aims to ensure the social and economic wellbeing of the communities that the Engineering team has a responsibility to.

# Rivers and Waterway Management

Looking after our rivers and waterways sustainably is more than simply managing the risk of floods. It's also about meeting community expectations for the safe, enjoyable, and respectful use of rivers and streams.

Many of Otago's major rivers have a river and riparian management plan. This sets out the community's river values, river management objectives — including maintaining river form and riparian margins — and the roles of ORC, iwi, landholders, and stakeholders.

Working together with the community, our goal is to prepare for future environmental challenges and retain the characteristics of our rivers and waterways that make Otago a great place for everyone.

There are eight activities that make up our significant activity, rivers and waterway management:

- ▶ Dunedin rivers and waterways
- ▶ Clutha rivers and waterways
- ▶ Central Otago rivers and waterways
- ▶ Wakatipu rivers and waterways
- ▶ Wanaka rivers and waterways
- ▶ Waitaki rivers and waterways
- ▶ Lower Waitaki River Control scheme (Environment Canterbury)
- ▶ Non-scheme management

## Performance against levels of service targets

### SERVICE STATEMENT

Achieve a balance between maintaining channel capacity, channel stability and environmental outcomes in scheduled rivers and waterways

#### MEASURE

Investigate all reported blockages and obstructions along scheduled rivers and waterways and determine appropriate action within 20 working days.

#### TARGET

Report annual status of scheduled rivers and waterways.

100% of investigations have action determined within 20 days.

#### RESULT

COVID-19



#### COMMENTS ON TARGET

Target 1: The flooding in December 2019 and February 2020 has caused a delay in some scheduled maintenance and access to rivers due to the focus on flood response and repairs. The main river systems affected were Clutha rivers, Wakatipu rivers, Wanaka rivers and the Waitaki river.

Target 2: All reported blockages and obstructions in scheduled rivers and waterways, including flood blockages, were assessed and attended to within 20 days.

### Telling the performance story

Engineering has experienced a challenging year through extenuating weather events and a national pandemic. This has collectively reduced our workstreams programme by four months due to flood response and recovery (which is ongoing) spanning December 2019 and February 2020. The COVID-19 restrictions reduced the Engineering team's work to essential services only, which also resulted in seasonal windows for working in our rivers being missed during autumn 2020.

The Engineering team is also undergoing a change of structure to better align its river engineering function to its level of service in river management responsibilities. This will take effect during 2020-21.

The Engineering team has responded to all public enquiries relating to river maintenance and/or obstructions and coordinated timely removal and maintenance of river channels in 2019-20.

Dunedin rivers and waterways

- Coastal mouths monitored and maintained as required
- Waitati river Harvey Street riverbank repair
- Taieri river willow pole riparian planting

### Clutha rivers and waterways

- Weatherson Creek (Lawrence) rock repairs carried out in Lawrence
- Scope of works for flood repairs to Lower Clutha and Pomahaka rivers, flooding erosion and damage, completed
- Lower Clutha (December 2019 and February 2020) post flood debris blockage removal, completed
- Lower Clutha and Pomahaka rivers, damage assessments from December 2019 and February 2020 flooding, completed
- Post February 2020 some flooding erosion repairs to the Lower Clutha riverbanks were undertaken. Remaining erosion repairs to be undertaken in 2020-21
- Tree saw pruning by contractor, completed
- Riparian willow pole planting by staff, completed
- River mouth opening (Tokomariro)
- Riparian willow pole planting and willow spraying by boat (Matau, Koau branches upstream to Barnego)
- Pomahaka flood debris clearing from February 2020 flood

### Central Otago rivers and waterways

- Removal of a major tree obstruction from Albert Town
- Manuhereikia riverbank at Leasks, repair and stabilisation underway
- High river levels through December resulted in localised bank erosion and monitoring
- Ida Burn bank reinstatement
- Debris dam removal from various waterways

### Wakatipu rivers and waterways

- Rees river flooding into Glenorchy lagoon, investigation on-going
- Dart river impacting Kinloch Road, assisting Queenstown Lakes District Council to remedy
- Arrow river debris dam removal
- Community meeting held in Glenorchy to address post-February 2020 flooding event and river channel works

### Wanaka rivers and waterways

- Cardrona riverbank repair and obstruction removal
- Matukituki river obstruction removal
- Albert Town willow maintenance

### Waitaki rivers and waterways

- Flooding in the Canterbury and North Otago area in December 2019 and February 2020 has delayed works. Flood mitigation and protection works in rivers has occurred with Environment Canterbury (ECan)

#### Lower Waitaki River Control scheme (ECan)

- Flooding in the Canterbury and North Otago area in December 2019 and February 2020 has delayed works. Flood mitigation and protection works in rivers has occurred with ECan

#### Multi-scheme delivery and actions

- Engineering's Global River Consents annual reports and compliance have been a focus, and reports submitted to Compliance
- Asset management of our river work plans, standards and specifications continue
- River Management strategy framework across Otago rivers and waterways continues
- Annual aerial river surveys completed
- Community meetings and consultation across Otago to discuss river management issues and work plans

### Community Outcomes

- **A strong economy** – A region that prioritises sustainability as an economic measure whilst being attractive to industry
- **A future-proof region** – A region that is prepared for the future environmental challenges and that retains the characteristics that make Otago a great place for everyone
- **A healthy environment** - A place where people can enjoy their environment safely, productively, and respectfully
- **A connected community** – Service delivery that puts the community first and ensures that the operations are customer driven, efficient and fit for purpose.

The flooding events in 2019 and 2020 highlighted the vulnerability of communities during flood events, including the Lower Clutha which was declared a State of Emergency under the direction of the Clutha District Council.

Responding to flood events and repairs of damage from flood events, is critical to communities' social, economic and environmental resilience.



Our activities in depth

# Safety and Hazards

Professional services, planning and action  
to protect our communities and environment

# Civil Defence and Emergency Management

Maintaining and improving our communities' resilience to emergencies is the fundamental reason for ORC's work in emergency management.

Together with territorial authorities, we have responsibilities under the Civil Defence Emergency Management Act 2002 to ensure Otago's exposure to hazards is reduced, we are prepared to respond to emergencies, and we can recover effectively from them.

In our service delivery, we put the community first and manage operations that are geared to their needs, efficient and fit-for-purpose. We provide Civil Defence and Emergency Management (CDEM) programmes across the region centred on the national CDEM priorities of reduction, readiness, response, and recovery.

There is one activity that makes up our significant activity, Civil Defence and Emergency Management:

- ▶ Civil Defence and Emergency Management



## Performance against levels of service targets

### SERVICE STATEMENT

Provide a region-wide coordinated response in the event of civil defence emergency to reduce the impacts on people

#### MEASURE

Time taken for the Group Emergency Coordination Centre to be activated in response to a civil defence event or emergency.

#### TARGET

60 minutes

#### RESULT



#### COMMENTS ON TARGET

Activation of the Group Emergency Coordination Centre can occur remotely/online within 60 minutes. Activation is achieved when the Group Controller, Response Manager and the Group Public Information Manager have been mobilised and are engaged in the response. Physical activation of the ECC cannot currently be achieved in one-hour 24/7 because of the time required to relocate staff and set up the ECC.

#### MEASURE

A Group CDEM controller or alternate controller is available to respond 24 hours, 7 days a week, for 365 days a year.

#### TARGET

Achieved

#### RESULT



#### COMMENTS ON TARGET

Otago has one designated Group Controller and two alternate Controllers. The group controller or alternative is available on call at all times, 24 hours, 7 days a week, for 365 days a year.

### SERVICE STATEMENT

Prepare and implement robust integrated suite of issue focused and community-based plans and strategies

#### MEASURE

An operative Group CDEM Plan is reviewed within statutory timeframes and fully implemented.

#### TARGET

Achieved

#### RESULT



#### COMMENTS ON TARGET

Approved Otago CDEM Group Plan in place. The Plan has a three-year review cycle with the first review due in 2021.

**MEASURE**

Full suite of community plans across the region is in place and remains under continuous review.

**TARGET**

Status and progress on the plans are reported to the Co-ordinating Executive Group and Council.

**RESULT****COMMENTS ON TARGET**

Status and progress on the plans were reported to the Co-ordinating Executive Group (CEG). The target is incorrectly worded as reporting to Council is not required. CEG and Joint Committee oversee the CDEM group, with responsibilities outlined in legislation. Community Response Plans are in place for all the highest priority communities identified by each of the TLAs; 36 plans complete and another 18 are in draft form.

**MEASURE**

Agreed regionwide issues plans are in place and reviewed according to each plan.

**TARGET**

Status and progress on the agreed issues plans are reported to the Co-ordinating Executive Group and Council.

**RESULT****COMMENTS ON TARGET**

Status and progress of regionwide issues plans were reported to the Co-ordinating Executive Group (CEG) and CDEM Joint Committee. The target is incorrectly worded as reporting to Council is not required. CEG and Joint Committee oversee the CDEM group, with responsibilities outlined in legislation.

- The Regional Animal Emergency Plan (Stage One) is complete.
- A formal region wide Dam Failure Plan is yet to be developed but priority dams have plans in place prepared by the operators.
- Coastal tsunami plan has begun.

## Telling the performance story

All of Emergency Management Otago's programmed activities were suspended from 15 March, when the Group activated in response to the COVID-19 pandemic and did not fully resume until 1 July. During that period the Emergency Coordination Centre was permanently activated and staffed in support of the Health-led response. Each TLA's Emergency Operation Centre activated to provide welfare and operational support to its communities. Activities included arranging accommodation for travellers and residents required to self-isolate, and providing direct welfare support – food, essential supplies and emergency accommodation – for those impacted by the Alert Level 4 lockdown restrictions. The most intense and sustained activity was in the Queenstown Lakes District, where over 7,000 individuals registered for assistance. Outside the pandemic response, the Group also activated in response to high lake levels and flooding in the Queenstown Lakes, Central Otago and Clutha districts in November, and significant flooding in Queenstown Lakes and Clutha districts in February.

Other activities:

- The review of Emergency Management Otago was received and considered by the Co-ordinating Executive Group in February

- Recruitment for a new Director/Group Manager of Emergency Management Otago will commence once the Coordinating Executive Group and Joint Committee have agreed the outcomes of the Group's review
- Community Response Plans are in place for all the highest priority communities identified by each of the TLAs
- Implementation of the D4H operational system enabled each EOC to function virtually when required during the pandemic response, and provided the unified information sharing that the ECC required to coordinate the response on a regionwide basis

### Community Outcomes

- **A connected community** – Service delivery that puts the community first and ensures that the operations are customer driven, efficient and fit for purpose
- **A future-proof region** – A region that is prepared for the future environmental challenges and that retains the characteristics that make Otago a great place for everyone.

Emergency Management Otago's response to the COVID-19 pandemic helped our communities to ride out the emergency by supporting the Southern District Health Board to manage the health impacts and coordinating the regionwide efforts to provide welfare assistance to those in need, alongside national and local agencies.



# Natural hazards and climate change adaptation

We identify, monitor, and investigate natural hazards to support the safety of our communities.

Under the Resource Management Act, we're required to investigate and provide information on natural hazards in Otago. We assess their scale and significance and through collaborative initiatives, assist territorial authorities and communities with managing natural hazards in their areas.

Our work includes monitoring rainfall, river, and lake levels, and flow forecasting to manage flood events.

We're working to understand more about the future impacts of climate change so that we can work with territorial authorities and communities to prepare and adapt.

There are three activities that make up our significant activity, natural hazards and climate change adaptation:

- ▶ Natural hazards
- ▶ Flood and low flow risk management
- ▶ Climate change adaptation



## Performance against levels of service targets

### SERVICE STATEMENT

## Delivering information to the community and decision-makers about natural hazards

#### MEASURE

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

#### TARGET

Achieved

#### RESULT



#### COMMENTS ON TARGET

All public information systems (Otago Natural Hazard database) operated to agreed service levels. The natural hazards database has had a huge overhaul this year so that it is more intuitive to navigate and more visually appealing.

We continue to provide natural hazards information to the district and city councils.

### SERVICE STATEMENT

## Investigate and respond to priority natural hazard events

#### MEASURE

Natural hazard events and consequences are properly and timely reported on so that appropriate measures to reduce risk are taken.

#### TARGET

Procedural review is completed and reported within six months of any significant event.

#### RESULT



#### COMMENTS ON TARGET

Reports were completed after investigating natural hazards events. These reports generally described the nature, location and scale of events and additional work such as monitoring, further investigations or mitigation measures, if required.

A report about the December 2019 and February 2020 flood events was presented to the Infrastructure Committee in March 2020.

Our response to natural hazard events included data and information collection after the December 2019 and February 2020 flood events in the Clutha river catchment, initial investigations of large bank erosion damage in Albert Town, erosion damage along the Dart River banks, flooding in Glenorchy in February 2020 and a debris flow in February 2020 in Gibbston Valley.

### SERVICE STATEMENT

## Provide timely warnings of potential flood events

#### MEASURE

Accurate and reliable rainfall, lake levels, and river flow information is provided\* to potentially affected groups and communities and is provided in an efficient and timely fashion.

#### TARGET

All flood warnings that exceed trigger levels are published on ORC's website when notified.

#### RESULT



\* Agreed trigger levels determine when flood alerts and warnings are required/notified.

**COMMENTS ON TARGET**

A 24-hour flood management and response system operated during emergency events. Timely forecasts, warnings and relevant information were efficiently provided to Civil Defence, district and city councils and to the public during the December 2019 and February 2020 flood events and for smaller heavy rainfall events during the year. Notable efforts were made to keep the flood management and response system operative (considered an essential service), safe and efficient during the COVID-19 restrictions, including during Alert Level 4 (lockdown). This was achieved.

**SERVICE STATEMENT**

## Assist communities to understand and adapt to the effects of climate change

**MEASURE**

Knowledge and understanding of the likely effects of climate change in Otago is increased to inform decision-makers and the community.

**TARGET**

Initial Otago climate change risk assessment complete with summary report presented to Council.

**RESULT**

COVID-19

**COMMENTS ON TARGET**

Knowledge and understanding of the likely effects of climate change in Otago have increased. A report on climate variables and scenarios is now publicly available for the region and can be accessed via the ORC website: [www.orc.govt.nz/media/7591/niwa\\_climatechangereport\\_2019\\_final.pdf](http://www.orc.govt.nz/media/7591/niwa_climatechangereport_2019_final.pdf) Engagement and public information sessions on climate change and adaptation were held during the year. We have also engaged extensively and shared information on climate change and its risks with a wide range of organisations.

The delivery and presentation of the final report for the Otago climate change risk assessment has been delayed due to COVID-19 restrictions and to ensure alignment with the National Climate Change Risk Assessment due later this year, while also allowing further feedback and engagement from Iwi representatives.

### Telling the performance story

This financial year was marked by two very large flood events in the Clutha river catchment in December 2019 and February 2020. Timely, accurate and reliable warning information, and rainfall, flows and water levels information were provided to potentially affected groups and communities, in particular in Queenstown, Wanaka and for the lower Clutha area (Balclutha). An improved flood forecasting model for the lower Clutha, completed earlier in the financial year, provided valuable assistance for the flood response during both events.

The flood management and response system was considered an essential service throughout all levels of restrictions due to the COVID-19 pandemic. Notable efforts were made by ORC to keep the system and service operative, safe and efficient at all times.

The dissemination of natural hazards information to the public and interested groups has been improved this year by an overhauled, more intuitive and more visually appealing publicly accessible natural hazards database.



Monitoring and investigations of natural hazards have continued this year with a focus on Roxburgh debris flow, Wanaka's seismic hazard, South Dunedin geology and groundwater, and coastal erosion in the Clutha delta. The investigation and monitoring included examining bank erosion in Albert Town following the December 2019 flood event. The results of this investigation and monitoring are being used to design bank protection works.

Due to the scale of the December 2019 and February 2020 flood events, specific monitoring and observations (e.g. debris marks, cross sections surveys, visual inspections) were conducted during and after the events. The data and information collected have assisted investigations of repair work for the Lower Clutha flood protection and drainage scheme and guided various post-flood river management activities, for example in the Dart and Rees rivers. The data and information collected is also used to investigate river management improvements and to assess the performance of the Lower Clutha flood protection and drainage scheme planned for the next financial year.

We continue to collaborate and provide natural hazards information to district and city councils, with a focus on assisting the Waitaki District Council to inform the district plan review currently underway, and the Dunedin City Council as part of its second-generation district plan process.

In 2019-20, we made a significant effort to improve our knowledge and understanding of the likely effects of climate change in Otago. For example, a comprehensive report describing changes in climate variables for various climate change scenarios is now publicly available for the region. We've engaged extensively and shared information on climate change and its risks with a wide range of organisations and added a new climate change section to the ORC website. The development of a climate change risk assessment for Otago was initiated this financial year and is now in its final stage. The delivery and presentation of the final report has been delayed due to COVID-19 restrictions and to ensure alignment with the National Climate Change Risk Assessment due later this year.

Engagement and public information sessions on climate change and adaptation were held during the year.

Collaboration with district and city councils on adaptation continued and strengthened during the financial year, particularly for South Dunedin and for the area at the head of Lake Wakatipu (including Glenorchy and Kinloch) where notable progress has been made on gaining a better understanding of the physical environment and natural hazards. Collaboration with central government on climate change matters has continued, including participation in the Ministry for the Environment's National Climate Change Risk Assessment.

## Community Outcomes

- **A future-proof region** – A region that is prepared for the future environmental challenges and that retains the characteristics that make Otago a great place for everyone

By identifying, investigating and monitoring natural hazards and by disseminating natural hazard and climate change information, we are assisting communities to be more resilient and better adapted to changes to the environment, including but not limited to, climate change.

The report on climate variables and scenarios has enabled Otago communities potentially impacted by climate change to better prepare through having more informed discussion and decision-making. The summary report for the Otago climate change risk assessment will be presented in the new financial year and will align with the National Climate Change Risk Assessment due in 2020.



Our activities in depth

# Transport

Planning, contract management and action to provide choice and support the regional economy

# Transport Planning and Public Passenger Transport

Planning, contract management and action to provide choice and support the regional economy

We're responsible for implementing public transport provisions in Otago. Our aim is to provide efficient, reliable public transport services that meet community needs. Through contracted operators, we provide public passenger transport services in Dunedin and Queenstown.

We also provide a regionwide Total Mobility Scheme to assist eligible people with long-term impairments, who may be unable to access public transport, to access appropriate transport.

We prepare a Regional Land Transport Plan in collaboration with Environment Southland.

There are three activities that make up our significant activity, Transport:

- ▶ Regional Land Transport Plan
- ▶ Public transport
- ▶ Stock truck effluent disposal



## Performance against levels of service targets

### SERVICE STATEMENT

To provide efficient and reliable public transport services that meet community needs

#### MEASURE

Reliability of service – percentage of monitored services that leave the terminus on time.

#### TARGET

95%

#### RESULT

COVID-19



#### COMMENTS ON TARGET

Real-time tracking was installed and operational in the Queenstown bus fleet prior to the COVID-19 pandemic. At that time, it was also installed (but not operational) in 50% of the Dunedin fleet.

One outcome of the pandemic was the Council decision to bring forward the new electronic ticketing system. In the new financial year, this system will enable better contract performance monitoring and will give ORC a much higher level of confidence and accuracy in service monitoring. This will help to address concerns identified at previous Waka Kotahi NZ Transport Authority audits.

#### MEASURE

Vehicle quality – percentage of vehicles that comply with Regional Passenger Transport Vehicle quality standard.

#### TARGET

100%

#### RESULT

COVID-19



#### COMMENTS ON TARGET

The Dunedin fleet is 100% compliant and the Queenstown inspection process is underway. All current vehicles were due to be inspected and compliant by 30 April 2020, with new vehicle deliveries and inspections by July. Timelines were impacted by COVID-19 restrictions.

#### MEASURE

Public satisfaction – percentage of bus users that are satisfied with the overall standard of service.

#### TARGET

85%

#### RESULT

COVID-19



#### COMMENTS ON TARGET

Orbus Dunedin scored 88% and Orbus Queenstown came in at 97% for overall passenger satisfaction, in the Waka Kotahi NZ Transport Authority surveys in the last quarter of the 2018-19 financial year. The 2019-20 survey was originally planned for the final quarter of the 2019-20 financial year, however COVID-19 alert levels restricted our ability to conduct the required face-to-face survey. We intend to conduct the next survey in the second half of 2020-21, after the new ticketing system is operational.

**MEASURE**

Patronage in Dunedin – percentage growth on contracted services above 2017-18 levels.

**TARGET**

3%

**RESULT**

COVID-19

**COMMENTS ON TARGET**

The COVID-19 pandemic impacted Dunedin patronage, especially due to the lockdown and progression back through alert levels. Total patronage for Dunedin in 2019-20 was about 2.2 million compared to the 2017-18 total of 2.35 million (about 150,000 variance).

Prior to the impacts of COVID-19 we were on track to meet the 3% growth target. Patronage from July 2019 to February 2020 was 4.7% higher compared to the same period in the previous financial year.

**MEASURE**

Patronage in Queenstown – percentage growth increase on contracted services

**TARGET**

5%

**RESULT**

COVID-19

**COMMENTS ON TARGET**

The COVID-19 pandemic impacted Queenstown patronage, especially due to the lockdown and progression back through the alert levels. Total patronage for Queenstown for 2019-20 was about 1.25 million compared to the 2018-19 total of 1.47 million.

Prior to the impacts of COVID-19 we were on track to meet the 5% growth target. Patronage from July 2019 to February 2020 was 6.9% higher compared to the same period in the previous financial year.

**SERVICE STATEMENT**

Facilitate and support prioritised investment in Otago's transport network by local and central government

**MEASURE**

The Regional Land Transport Plan (RLTP) is prepared and submitted in line with the Land Transport Management Act 2003 and any guidance issued by Waka Kotahi NZ Transport Authority.

**TARGET**

Initial strategic review has commenced.

**RESULT****COMMENTS ON TARGET**

Initial strategic review has commenced. On 17 March the Otago and Southland Regional Transport Committees met to participate in an investment logic mapping exercise to review the current Regional Land Transport Plan problems, benefits and objectives. Since that time, staff from both councils have been drafting the strategic section for the document.

**MEASURE**

Collaborate with Environment Southland and other South Island local authorities to establish and deliver on pan-regional priorities for transport investment.

**TARGET**

Achieved

**RESULT**

### COMMENTS ON TARGET

On 5 May 2020, the Chairs of the Otago and Southland Regional Transport Committees met remotely, supported by staff, to review a draft joint submission to the Government Policy Statement on Land Transport Funding.

### Telling the performance story

ORC delivered bus services in Dunedin and Queenstown throughout the COVID-19 alert levels, especially to support essential workers and others needing to access essential services through Levels 3 and 4 (this necessitated ORC to provide Easter bus services in Dunedin, which are usually provided by a third party). To support the return to school under Level 2, ORC also provided a number of additional school-only and backup/duplicate vehicles to cater for demand given the distancing requirements in effect at that level.

Queenstown network: responding to community feedback, a Lake Hayes direct to Queenstown Town Centre service was launched in January 2020.

We completed community consultation on a Wakatipu Ferry Service – a first round to amend the Regional Public Transport Plan and a second consultation to gauge the community's willingness to pay for a trial service.

The initial strategic review of the RLTP has commenced.

### Community Outcomes

- **A connected community** – Service delivery that puts the community first and ensures that the operations are customer driven, efficient and fit for purpose
- **A strong economy** – A region that prioritises sustainability as an economic measure whilst being attractive to industry.

Service delivery has supported a connected community and a strong economy through-out the year. Public transport services have responded to COVID-19 restrictions and adapted in order to provide safe and efficient transport through-out all alert levels.



# **Financial statements**

## Funding impact statements for Otago Regional Council activities

The council is required to include Funding Impact statements 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 or some of the terms used in this statement.

### Funding Impact Statement for the year ended 30 June 2020

	Actual 2019-20 \$000	Annual Plan 2019-20 \$000	Actual 2018-19 \$000	Long-term Plan 2018-19 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge and rate penalties	11,762	11,180	9,210	8,808
Targeted rates (other than a targeted rate for water supply)	15,191	15,183	14,434	14,366
Subsidies and grants for operating purpose	12,235	12,133	14,686	9,790
Fees, charges and targeted rates for water supply	2,894	3,570	1,465	3,310
Interest and dividends from investments	10,393	9,412	9,088	9,962
Local authorities fuel tax, fines, infringement fees and other receipts	10,572	10,493	11,783	9,985
<b>Total operating funding (A)</b>	<b>63,047</b>	<b>61,971</b>	<b>60,666</b>	<b>56,221</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	63,447	61,670	62,520	56,998
Finance costs	-	104	1	124
Other operating funding applications	-	52	-	58
<b>Total applications of operating funding (B)</b>	<b>63,447</b>	<b>61,826</b>	<b>62,521</b>	<b>57,180</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(400)</b>	<b>145</b>	<b>(1,855)</b>	<b>(959)</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	72	410	485	500
Lump sum contributions	-	-	175	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>72</b>	<b>410</b>	<b>660</b>	<b>500</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	3,616	1,933	10,717	4,417
- to replace existing assets	1,308	3,341	1,576	3,244
Increase (decrease) in reserves	(5,252)	(4,719)	(13,488)	(7,850)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(328)</b>	<b>(555)</b>	<b>(1,195)</b>	<b>(459)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>400</b>	<b>(145)</b>	<b>1,855</b>	<b>959</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Reconciliation of Funding Impact Statement to Statement of Comprehensive Revenue and Expense for the year ended 30 June 2020

	Actual	Annual Plan	Actual	Long-term Plan
	2019-20	2019-20	2018-19	2018-19
	\$000	\$000	\$000	\$000
Surplus/(deficit) of operating funding in Funding Impact Statement	(400)	266	(1,855)	(959)
Add/(deduct)				
Increase in the fair value of investment property	1,386	-	2,425	-
Increase in the fair value of investment portfolio	416	-	1,245	-
Gain/(loss) on disposal of assets	54	345	144	-
Depreciation and amortisation	(2,841)	(2,516)	(2,510)	(2,402)
Impairment loss on property plant and equipment	(298)	-	-	-
Write-off of property plant and equipment work in progress	(2,380)	-	(4,731)	335
Other	(44)	(165)	(34)	(404)
Surplus/(deficit) before taxation in Statement of Comprehensive Revenue and Expense	(4,107)	(2,070)	(5,316)	(3,430)

## Schedule of capital expenditure

	Actual	Annual Plan	Actual	Long-term Plan
	2019-20	2019-20	2018-19	2018-19
	\$000	\$000	\$000	\$000
Flood protection and control works				
Alexandra flood	12	-	-	50
East Taieri drainage	-	339	71	225
Leith flood protection	1,587	1,202	2,802	2,671
Lower Clutha flood and drainage	37	68	38	217
Lower Taieri flood protection	42	802	421	727
Tokomairiro	-	95	-	51
West Taieri drainage	6	450	47	294
Environmental				
Air monitoring	41	51	84	80
Water monitoring sites	430	445	285	638
Pest management	3	5	-	5
Harbour management	36	-	178	-
Environmental enhancement	-	-	150	-
Transport				
Dunedin/Wakatipu	575	-	6,224	-
Stock truck effluent disposal sites	82	-	173	-
Corporate				
Property	184	50	269	60
Motor vehicles	541	677	893	810
Computers and software	1,128	1,017	649	1,371
Plant	210	21	4	140
Sundry	11	51	5	50
Total	4,925	5,273	12,293	7,391

## Funding Impact Statement: Environmental

Funding Impact Statement for the year ended 30 June 2020.

	Actual 2019-20 \$000	Long-term Plan 2019-20 \$000	Actual 2018-19 \$000	Long-term Plan 2018-19 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge and rate penalties	3,669	4,394	2,771	3,447
Targeted rates (other than targeted rate for water supply)	1,547	1,543	1,507	1,501
Subsidies and grants for operating purposes	1,790	824	748	705
Fees, charges and targeted rates for water supply	-	376	-	370
Internal charges and overheads recovered	305	-	299	-
Local authorities fuel tax, fines, infringement fees and other receipts	3,926	4,682	3,671	4,753
<b>Total operating funding (A)</b>	<b>11,237</b>	<b>11,819</b>	<b>8,996</b>	<b>10,776</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	6,991	4,895	6,377	4,729
Finance costs	-	-	-	-
Internal charges and overheads applied	3,257	7,731	3,457	7,363
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>10,248</b>	<b>12,626</b>	<b>9,834</b>	<b>12,092</b>
<b>Surplus (deficit) of capital funding (A-B)</b>	<b>989</b>	<b>(807)</b>	<b>(838)</b>	<b>(1,316)</b>
<b>Sources of capital funding</b>				
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	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	367	136	393	385
- to replace existing assets	81	346	113	338
Increase (decrease) in reserves	541	(1,289)	(1,344)	(2,039)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>989</b>	<b>(807)</b>	<b>(838)</b>	<b>(1,316)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(989)</b>	<b>807</b>	<b>838</b>	<b>1,316</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding Impact Statement: Regional Leadership

Funding Impact Statement for the year ended 30 June 2020.

	Actual 2019-20 \$000	Long-term Plan 2019-20 \$000	Actual 2018-19 \$000	Long-term Plan 2019-18 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge and rate penalties	4,854	4,296	3,437	1,643
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies and grants for operating purposes	25	157	2	-
Fees, charges and targeted rates for water supply	-	133	-	131
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	4,694	3,620	3,806	1,804
<b>Total operating funding (A)</b>	<b>9,573</b>	<b>8,206</b>	<b>7,245</b>	<b>3,578</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	7,585	3,030	6,312	1,935
Finance costs	-	-	-	-
Internal charges and overheads applied	3,208	5,270	2,783	1,918
Other operating funding applications	-	6	-	6
<b>Total applications of operating funding (B)</b>	<b>10,793</b>	<b>8,306</b>	<b>9,095</b>	<b>3,860</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(1,220)</b>	<b>(100)</b>	<b>(1,850)</b>	<b>(282)</b>
<b>Sources of capital funding</b>				
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	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	-	21	-	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(1,220)	(121)	(1,850)	(282)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(1,220)</b>	<b>(100)</b>	<b>(1,850)</b>	<b>(282)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>1,220</b>	<b>100</b>	<b>1,850</b>	<b>282</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Funding Impact Statement: Regulatory

Funding Impact Statement for the year ended 30 June 2020.

	Actual 2019-20 \$000	Long-term Plan 2019-20 \$000	Actual 2018-19 \$000	Long-term Plan 2018-19 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge and rate penalties	1,770	916	962	650
Targeted rates (other than a targeted rate for water supply)	-	-	-	-
Subsidies and grants for operating purpose	65	-	77	-
Fees, charges and targeted rates for water supply	2,894	2,425	1,472	2,262
Internal charges and overheads recovered	-	-	22	-
Local authorities fuel tax, fines, infringement fees and other receipts	1,857	780	1,426	719
<b>Total operating funding (A)</b>	<b>6,586</b>	<b>4,121</b>	<b>3,959</b>	<b>3,631</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	4,613	369	2,959	443
Finance costs	-	-	-	-
Internal charges and overheads applied	3,417	3,741	2,549	3,179
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>8,030</b>	<b>4,110</b>	<b>5,508</b>	<b>3,622</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(1,444)</b>	<b>11</b>	<b>(1,549)</b>	<b>9</b>
<b>Sources of capital funding</b>				
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	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	36	-	181	-
- to replace existing assets	11	21	-	120
Increase (decrease) in reserves	(1,491)	(10)	(1,730)	(111)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(1,444)</b>	<b>11</b>	<b>(1,549)</b>	<b>9</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>1,444</b>	<b>(11)</b>	<b>1,549</b>	<b>(9)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding Impact Statement: Flood Protection and River Management

Funding Impact Statement for the year ended 30 June 2020.

	Actual 2019-20 \$000	Long-term Plan 2019-20 \$000	Actual 2018-19 \$000	Long-term Plan 2018-19 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge and rate penalties	181	332	221	315
Targeted rates (other than a targeted rate for water supply)	5,928	5,992	5,744	5,717
Subsidies and grants for operating purpose	-	-	-	-
Fees, charges and targeted rates for water supply	-	239	-	312
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	602	525	588	589
<b>Total operating funding (A)</b>	<b>6,712</b>	<b>7,088</b>	<b>6,553</b>	<b>6,933</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	3,060	3,268	4,473	3,555
Finance costs	-	-	-	-
Internal charges and overheads applied	1,145	2,227	1,544	2,219
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,205</b>	<b>5,495</b>	<b>6,017</b>	<b>5,774</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2,507</b>	<b>1,593</b>	<b>536</b>	<b>1,159</b>
<b>Sources of capital funding</b>				
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	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	1,610	1,195	3,134	2,671
- to replace existing assets	72	1,214	421	1,565
Increase (decrease) in reserves	825	(816)	(3,019)	(3,078)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>2,507</b>	<b>1,593</b>	<b>536</b>	<b>1,159</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,507)</b>	<b>(1,593)</b>	<b>(536)</b>	<b>(1,159)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding Impact Statement: Safety and Hazards

Funding Impact Statement for the year ended 30 June 2020.

	Actual 2019-20 \$000	Long-term Plan 2019-20 \$000	Actual 2018-19 \$000	Long-term Plan 2018-19 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge and rate penalties	934	613	603	621
Targeted rates (other than a targeted rate for water supply)	2,474	2,416	2,464	2,454
Subsidies and grants for operating purpose	90	-	-	-
Fees, charges and targeted rates for water supply	-	-	-	-
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	900	530	709	727
<b>Total operating funding (A)</b>	<b>4,398</b>	<b>3,559</b>	<b>3,776</b>	<b>3,802</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	2,609	1,153	2,129	1,290
Finance costs	-	-	-	-
Internal charges and overheads applied	1,953	2,628	1,702	2,730
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,562</b>	<b>3,781</b>	<b>3,831</b>	<b>4,020</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(164)</b>	<b>(222)</b>	<b>(55)</b>	<b>(218)</b>
<b>Sources of capital funding</b>				
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	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	26	-	17	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(190)	(222)	(72)	(218)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(164)</b>	<b>(222)</b>	<b>(55)</b>	<b>(218)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>164</b>	<b>222</b>	<b>55</b>	<b>218</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Funding Impact Statement: Transport

Funding Impact Statement for the year ended 30 June 2020.

	Actual 2019-20 \$000	Long-term Plan 2019-20 \$000	Actual 2018-19 \$000	Long-term Plan 2018-19 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge and rate penalties	352	264	311	230
Targeted rates (other than a targeted rate for water supply)	5,242	5,229	4,719	4,694
Subsidies and grants for operating purpose	10,265	9,206	13,859	8,910
Fees, charges and targeted rates for water supply	-	241	-	236
Internal charges and overheads recovered	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	8,986	8,492	10,165	8,028
<b>Total operating funding (A)</b>	<b>24,845</b>	<b>23,432</b>	<b>29,054</b>	<b>22,098</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	24,752	24,275	27,299	23,161
Finance costs	-	2	-	2
Internal charges and overheads applied	986	1,009	1,019	1,073
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>25,738</b>	<b>25,285</b>	<b>28,318</b>	<b>24,236</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(893)</b>	<b>(1,853)</b>	<b>736</b>	<b>(2,138)</b>
<b>Sources of capital funding</b>				
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	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	658	-	6,398	-
- to replace existing assets	-	-	-	-
Increase (decrease) in reserves	(1,551)	(1,853)	(5,662)	(2,138)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(893)</b>	<b>(1,853)</b>	<b>736</b>	<b>(2,138)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>893</b>	<b>1,853</b>	<b>(736)</b>	<b>2,138</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 2020 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 loss of \$1.877 million comprises a deficit for the year of \$4.006 million and a revaluation gain of \$2.129 million. The deficit of \$4.006 million is \$1.731 million more than the budgeted deficit of \$2.275 million. The primary cause of the higher than budgeted deficit relates to increased service being performed from what was budgeted in the Annual Plan on water policy and science and our emergency response to the Covid pandemic.

#### Revaluation Gain

The revaluation gain of \$2.129 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited Group at 30 June 2020 and is lower than the gain of \$7.000 million provided for in the budget by \$4.871 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 \$690.31 million exceeds the budgeted amount of \$658.56 million by \$31.750 million.

The major factor in this variance is the Shares in Subsidiaries balance, with the valuation of the Council shareholding in Port Otago Limited at 30 June 2020 of \$536.36 million, exceeding the budgeted amount of \$502.51 million by \$33.85 million.

Cash and cash equivalents and other financial assets with a combined amount of \$31.33 million are \$3.91 million down on the budget of \$35.24 million. This variance is primarily due to a higher level of funding requirements in the year to fund previously deferred projects and the increases level of services.

All other assets and liabilities are in line with budget.



**Equity**

Public equity and reserves at \$678.181 million exceed the budgeted amount of \$647.844 million by \$30.337 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 2020 was \$482.507 million, whereas the actual balance is \$516.364 million, a variance of \$33.85 million.

## Statement of Comprehensive Revenue and Expense for the year ended 30 June 2020

	Notes	Council 2020 \$000	Council Budget \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Revenue from non-exchange transactions						
Rates revenue	3	26,501	26,363	23,283	26,465	23,250
Grant revenue and subsidies		12,235	12,133	14,686	12,235	14,686
Other revenue	3	10,350	11,385	11,297	10,350	11,297
Revenue from exchange transactions						
Dividends	2	9,830	7,900	8,450	330	-
Interest and investment revenue		563	1,512	638	999	835
Other revenue	3	3,567	2,678	2,312	104,580	106,247
<b>Total revenue</b>		<b>63,046</b>	<b>61,971</b>	<b>60,666</b>	<b>154,959</b>	<b>156,315</b>
Expenditure						
Employee benefits expense	22	(18,089)	(18,496)	(14,901)	(52,814)	(49,103)
Depreciation and amortisation expense	11	(2,841)	(2,531)	(2,510)	(13,855)	(12,548)
Finance costs	15 (b)	-	(2)	(1)	(2,716)	(2,848)
Other expenses	19	(47,780)	(43,561)	(52,384)	(72,230)	(78,207)
<b>Total operating expenditure</b>		<b>(68,710)</b>	<b>(64,590)</b>	<b>(69,796)</b>	<b>(141,615)</b>	<b>(142,706)</b>
Share of surplus from equity accounted joint ventures		-	-	-	203	165
Other gains/(losses)	4	1,557	344	3,814	30,948	30,550
<b>Surplus/(deficit) before tax</b>		<b>(4,107)</b>	<b>(2,275)</b>	<b>(5,316)</b>	<b>44,495</b>	<b>44,324</b>
Income tax benefit/(expense)	18	101	-	98	(7,444)	(8,589)
<b>Surplus/(deficit) for the year</b>		<b>(4,006)</b>	<b>(2,275)</b>	<b>(5,218)</b>	<b>37,051</b>	<b>35,735</b>
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	2,129	7,000	45,727	-	-
Available for sale financial asset gains reclassified to surplus/(deficit) during the year		-	-	-	-	-
<i>Cashflow hedges:</i>						
Unrealised movement in hedging interest rate swaps		-	-	-	(471)	(838)
Income tax relating to components of other comprehensive revenue and expenses		-	-	-	-	-
<b>Total other comprehensive revenue and expense</b>		<b>2,129</b>	<b>7,000</b>	<b>45,727</b>	<b>(471)</b>	<b>(838)</b>
<b>Total comprehensive revenue and expense</b>		<b>(1,877)</b>	<b>4,725</b>	<b>40,509</b>	<b>36,580</b>	<b>34,897</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position as at 30 June 2020

	Notes	Council 2020 \$000	Council Budget \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
<b>Current assets</b>						
Cash and cash equivalents		7,898	432	15,432	8,205	15,574
Trade and other receivables	12	9,412	8,697	9,604	24,522	24,642
Property held for sale	8	-	214	-	-	2,105
Investment property inventories	9	-	-	-	27,554	28,829
Other financial assets	5	23,436	34,811	22,502	23,436	22,502
Other financial instrument		-	-	-	-	-
Other current assets		514	231	442	1,951	1,824
<b>Total current assets</b>		<b>41,260</b>	<b>44,385</b>	<b>47,980</b>	<b>85,668</b>	<b>95,476</b>
<b>Non-current assets</b>						
Shares in subsidiary	2	536,364	502,508	534,235	-	-
Joint ventures accounted for using the equity method	28	-	-	-	-	2,003
Derivative financial instruments		-	-	-	-	-
Property, plant and equipment	6	92,945	95,505	94,441	318,321	307,267
Intangible assets	10	4,699	4,252	3,884	9,961	9,779
Investment property	7	14,948	11,816	13,562	393,437	347,682
Deferred tax asset	18	98	98	98	-	-
<b>Total non-current assets</b>		<b>649,054</b>	<b>614,179</b>	<b>646,220</b>	<b>721,719</b>	<b>666,731</b>
<b>Total assets</b>		<b>690,314</b>	<b>658,564</b>	<b>694,200</b>	<b>807,387</b>	<b>762,207</b>
<b>Current liabilities</b>						
Trade and other payables	13	10,318	9,019	12,503	18,426	24,454
Provisions		-	-	-	228	267
Borrowings	15	-	-	-	5,140	930
Employee entitlements	14	1,815	1,701	1,639	7,500	7,131
Other financial instruments	31	-	-	-	1,009	636
Tax payable		-	-	-	590	3,052
<b>Total current liabilities</b>		<b>12,133</b>	<b>10,720</b>	<b>14,142</b>	<b>32,893</b>	<b>36,470</b>
<b>Non-current liabilities</b>						
Employee entitlements	14	-	-	-	1,057	943
Borrowings	15	-	-	-	67,150	54,750
Deferred tax liabilities	18	-	-	-	13,747	14,597
Other financial instruments	31	-	-	-	2,047	1,534
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>84,001</b>	<b>71,824</b>
<b>Total liabilities</b>		<b>12,133</b>	<b>10,720</b>	<b>14,142</b>	<b>116,894</b>	<b>108,294</b>
<b>Net assets</b>		<b>678,181</b>	<b>647,844</b>	<b>680,058</b>	<b>690,493</b>	<b>653,913</b>
<b>Equity</b>						
Reserves	16	557,650	521,766	555,621	301,851	274,479
Public equity	17(a)	120,531	126,078	124,437	388,642	379,434
<b>Total equity</b>		<b>678,181</b>	<b>647,844</b>	<b>680,058</b>	<b>690,493</b>	<b>653,913</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Net Assets/Equity for the year ended 30 June 2020

	Notes	TOTAL COUNCIL 2020					TOTAL GROUP 2020				
		Opening Balance 1 July 2019 \$'000	Other Comprehensive Revenue and Expense \$'000	Transfers In \$'000	Transfers Out \$'000	Closing Balance 30 June 2020 \$'000	Opening Balance 1 July 2019 \$'000	Other Comprehensive Revenue and Expense \$'000	Transfers In \$'000	Transfers Out \$'000	Closing Balance 30 June 2020 \$'000
Equity											
General rate equity		72,482	(4,006)	43,526	(39,355)	72,647	37,051	43,526	(67,298)	340,758	
Targeted rate equity		51,955	-	36,444	(40,515)	47,884	-	36,444	(40,515)	47,884	
Total Public Equity		124,437	(4,006)	79,970	(79,870)	120,531	37,051	79,970	(107,813)	388,642	
Reserves											
Asset replacement reserve		5,034	-	1,302	(2,580)	3,756	-	1,302	(2,580)	3,756	
Asset revaluation reserve		11,501	-	1,386	-	12,887	-	29,329	-	275,488	
Available for sale revaluation reserve		514,235	2,129	-	-	516,364	-	-	-	-	
Building reserve		13,105	-	337	(2)	13,440	-	337	(2)	13,440	
Emergency response reserve		4,325	-	111	(535)	3,901	-	111	(535)	3,901	
Hedging reserve		-	-	-	-	-	(471)	-	-	(2,036)	
Water management reserve		875	-	22	-	897	-	22	-	897	
Kuriwao endowment reserve		6,472	-	285	(360)	6,397	-	285	(360)	6,397	
Environmental enhancement reserve		74	-	253	(319)	8	-	253	(319)	8	
Total Reserves		555,621	2,129	3,696	(3,796)	557,650	(471)	31,639	(3,796)	301,851	
Total Equity and Reserves		680,058	(1,877)	83,666	(83,666)	678,181	36,580	111,609	(111,609)	690,493	

The accompanying notes form part of these financial statements.

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

	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

The accompanying notes form part of these financial statements.

## Cash Flow Statement for the year ended 30 June 2020

	Notes	Council 2020 \$000	Council Budget \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Cash flows from operating activities						
<i>Receipts from non-exchange transactions</i>						
Receipts from customers		31,092	26,363	22,142	102,396	104,894
Grant income and subsidies		12,235	12,133	14,686	12,235	14,686
Other receipts		-	11,391	-	-	-
<i>Receipts from exchange transactions</i>						
Interest and investment income		563	1,512	638	998	835
Rental income		1,056	-	1,020	24,073	17,539
Subvention payment		101	-	101	-	-
Dividends		9,830	7,900	8,450	330	-
Other receipts		8,458	2,678	13,032	8,458	13,032
Payments to suppliers and employees		(65,257)	(62,057)	(59,589)	(126,285)	(118,814)
Interest and other costs of finance paid		-	(2)	(1)	(2,347)	(2,034)
Income tax received/(paid)		-	-	-	(10,674)	(9,830)
Donations		(350)	-	(350)	(350)	(350)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(2,272)</b>	<b>(82)</b>	<b>129</b>	<b>8,834</b>	<b>19,958</b>
Cash flows from investing activities						
Interest capitalised		-	-	-	(567)	(861)
Proceeds from sale of property, plant and equipment		182	410	426	855	647
Proceeds from sale of intangible assets		-	-	-	-	-
Sale of held for sale assets		-	-	-	-	-
Sale of investment property		-	-	-	20,744	37,605
Advances (to)/from subsidiaries		-	-	-	(2,162)	1,951
Proceeds from other financial assets		(518)	5,000	19,054	(518)	19,054
Purchase of/improvements to investment property		-	-	-	(25,609)	(22,399)
Purchase of other financial assets		-	-	-	-	-
Purchase of property in development		-	-	-	-	-
Purchase of property, plant and equipment		(3,688)	(4,313)	(10,660)	(24,131)	(23,843)
Purchase of intangible assets		(1,238)	(960)	(1,642)	(1,425)	(2,960)
Repayment of lease improvements		-	-	-	-	-
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(5,262)</b>	<b>137</b>	<b>7,178</b>	<b>(32,813)</b>	<b>9,194</b>
Cash flows from financing activities						
Proceeds from borrowings		-	-	-	116,915	14,600
Repayment of borrowings		-	-	-	(100,305)	(36,555)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>16,610</b>	<b>(21,955)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(7,534)</b>	<b>55</b>	<b>7,307</b>	<b>(7,369)</b>	<b>7,197</b>
Cash and cash equivalents at the beginning of the financial year		15,432	377	8,125	15,574	8,377
<b>Cash and cash equivalents at the end of the financial year</b>		<b>7,898</b>	<b>432</b>	<b>15,432</b>	<b>8,205</b>	<b>15,574</b>

The accompanying notes form part of these financial statements.



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

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

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

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

For the purposes of the cash flow statement, cash and cash equivalents 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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
<i>Cash and cash equivalents:</i>				
Cash at bank and on hand	7,898	9,932	8,205	10,074
Term deposits with maturities less than 3 months	-	5,500	-	5,500
	7,898	15,432	8,205	15,574

**(b) Reconciliation of Surplus for the Year to Net Cash Flows from Operating Activities**

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Surplus/(deficit) for the year	(4,006)	(5,218)	37,051	35,763
<i>Add/(less) non-cash items</i>				
Depreciation and amortisation	2,841	2,510	13,855	12,548
(Gain)/loss on sale of property, plant and equipment	(53)	(144)	(77)	(591)
Write off of intangible assets	15	-	15	-
Provision for doubtful debts	4	(36)	4	(36)
(Gain)/loss on revaluation of investment property	(1,386)	(2,425)	(29,329)	(25,264)
Loss/(gain) on disposal of investment property	-	-	(1,656)	(3,450)
Net change in fair value of derivative financial instruments	-	-	232	-
Net change in fair value of financial instruments	(416)	(1,245)	(416)	(1,245)
Non-current employee entitlements	-	-	114	33
Share of surpluses retained by joint ventures	-	-	(203)	(193)
Gain on sale of available for sale investments	-	-	-	-
Deferred tax	-	98	(667)	614
Impairment of property plant and equipment	298	-	298	-
Write-off of property plant and equipment work in progress	2,324	4,273	2,324	4,273
	(379)	(2,187)	(15,506)	22,452
<i>Movement in working capital</i>				
Trade and other receivables	192	(895)	(120)	(738)
Inventories	-	-	(1,275)	(2,361)
Other current assets	(72)	(211)	127	(285)
Trade and other payables	(2,189)	3,484	(6,028)	6,382
Provisions	-	-	(39)	(2,166)
Employee entitlements	176	(62)	369	445
Tax Payable	-	-	(2,462)	(1,760)
Movement in working capital items classified as investing activities	-	-	(3,283)	(2,011)
	(1,893)	2,316	(12,711)	(2,494)
Net cash inflow/(outflow) from operating activities	(2,272)	129	8,834	19,958

## Notes to the Financial Statements for the Year ended 30 June 2020

### 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 28. 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 2020 and were authorised for issue by Council on 30 September 2020.

#### **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**

All mandatory new or amended accounting standards and interpretations were adopted in the current year, including:

- 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

None had a significant impact on these financial statements.

### **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 40: PBE Combinations
- PBE IPSAS 41: 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 35 Consolidated Financial Statements*. A list of controlled entities appears in Note 28 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements incorporate the financial statements of the Council and entities controlled by the Council and its subsidiaries. Control is achieved when the Council:

- Has power over the other entity
- Has exposure, or rights, to variable benefits from its involvement with the other entity
- Has the ability to use its power over the other entity to affect the nature or amount of the benefits from its involvement with the other entity

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council and its subsidiaries as defined by *PBE IPSAS 35: Consolidated Financial Statements*. Consistent accounting policies are employed in the preparation and presentation of the Group 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

The Group makes estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results and are continually being evaluated based on historical experience and other factors, including expectations of future events that are expected to be reasonable under the circumstances. Other than the COVID-19 impacts, referred to below, there are no estimates or assumptions in the view of Directors that have a risk of causing a significant adjustment to the carrying amounts of assets or liabilities within the next financial year.

Further information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is disclosed in the relevant notes:

- Fair value measurements of property portfolio assets refer to Note 7
- Property, plant and equipment refer to Note 6

Refer to Note 26 for the impact of COVID-19 on estimates and judgements.

## 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 2020 was based on cashflows discounted using a weighted average cost of capital of 7.2% (2019: 7.6%), terminal growth rate 2% (2019: 2%) and discount for lack of marketability 5% (2019: 5%). Refer to Note 7 for revaluation inputs associated with the investment properties.

### **Significant market uncertainty**

As at the valuation date, the valuer has considered there is significant market uncertainty provided by COVID-19 and circumstances can change rapidly during a period of material valuation uncertainty (see Note 7). This requires a higher degree of caution to be attached to the valuation than would be applied in more normal circumstances. Given the significant market uncertainty the valuation is current at the date of the valuation only.



### Sensitivity to WACC

- A decrease of 0.5% in WACC to 6.7% would result in a \$32.409m increase in fair value
- An increase of 0.5% in WACC to 7.7% would result in a \$26.716m decrease in fair value

### Sensitivity to growth rate

- A decrease of 0.5% in the terminal growth rate to 1.5% would result in a \$17.524m decrease in fair value
- An increase of 0.5% in the terminal growth rate to 2.5% would result in a \$21.187 increase in fair value

### Material valuation uncertainty

As at the valuation date, the valuer has considered there is significant valuation uncertainty provided by COVID-19 and that a higher degree of caution should be attached to the valuation than would be applied in more normal circumstances. The value assessed may change significantly and unexpectedly over a relatively short period of time and historical transactional data may not be reflective of how markets might move under differing economic, monetary and fiscal conditions. It is recommended by the valuer that the valuation uncertainty is noted and the valuation be reviewed periodically.

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Balance at beginning of year	534,235	488,508	-	-
Gain/(loss) recognised in other Comprehensive Revenue and Expense	2,129	45,727	-	-
Balance at end of year	536,364	534,235	-	-

### Related party transactions

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

	Council 2020 \$000	Council 2019 \$000
Dividend payment made to Council	9,500	8,450
Harbour Control Centre and other costs	(60)	(60)
Other expenses	90	85

## 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. 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.

Grants and subsidies are recognised upon entitlement, as conditions pertaining to 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 on the date of the dividend declaration.

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.

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 and enforcement work.

### Rates Revenue

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Rates revenue comprises:				
General rates	11,311	8,849	11,275	8,816
Targeted rates	15,190	14,434	15,190	14,434
	26,501	23,283	26,465	23,250

## Other Revenue

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Revenue from exchange transactions				
Port revenue	-	-	76,768	81,704
Consents and regulatory fees	2,511	1,200	2,511	1,200
Regional services revenue	-	92	-	92
Investment property rental income	693	663	18,161	17,890
Other property rental income	363	357	7,140	5,361
	3,567	2,312	104,580	106,247
Revenue from non-exchange transactions				
Consents and regulatory fees	432	428	432	428
Other activity fees and charges	9,918	10,869	9,918	10,869
	10,350	11,297	10,350	11,297

## 4. Other Gains/(Losses)

	Notes	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Unrealised net change in value of investment property and property in development	7	1,386	2,425	29,329	25,264
Gain/(loss) on disposal of investment property		-	-	1,656	3,450
Gain/(loss) on disposal of property, plant and equipment		53	144	77	591
Net change in fair value of financial assets carried at fair value through surplus or deficit		416	1,245	416	1,245
Impairment of Property, plant and equipment	6	(298)		(298)	
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)		-	-	(232)	-
<b>Total other gains/(Losses)</b>		1,557	3,814	30,948	30,550
Gains		1,855	3,814	31,478	30,550
Losses		(298)	-	(530)	-

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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Held for trading - carried at fair value				
Current:				
Managed funds - cash (i)	3,192	3,247	3,192	3,247
Managed funds - bonds (i)(ii)	8,741	8,414	8,741	8,414
Managed funds - equities (i)	11,503	10,841	11,503	10,841
	23,436	22,502	23,436	22,502

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

### Loans and Receivables at Amortised Cost

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

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

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

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

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

- (i) The Council and Group have classified their managed funds held for trading. The Group holds a portfolio of floating and fixed interest deposits, bonds and equity securities that is managed externally. This classification has been determined as all assets within this category are available for trading at any point. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the surplus/(deficit).
- (ii) The Group holds fixed interest bonds via its managed fund portfolio, the maturity dates range between 2022-2030.

## 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
<i>2020</i>								
<i>Financial assets at FVTSD:</i>								
Other financial assets	23,436	-	-	23,436	23,436	-	-	23,436
<i>2019</i>								
<i>Financial assets at FVTSD:</i>								
Other financial assets	22,502	-	-	22,502	22,502	-	-	22,502

\*FVTSD: Fair value through surplus or deficit

6. Property, Plant and Equipment

	Cost 1 July 2019 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2020 \$000	Accumulated Depreciation and Impairment Charges 1 July 2019 \$000	Impairment Losses Charged in Profit or Loss \$1,000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers \$000	Accumulated Depreciation and Impairment Charges 30 June 2020 \$000	Book Value 30 June 2020 \$000
<b>Council 2020</b>												
<b>Council operational assets</b>												
Land	12,545	5	-	-	12,550	-	-	-	-	-	-	12,550
Endowment land	1,495	-	-	-	1,495	-	-	-	-	-	-	1,495
Buildings	7,031	117	-	24	7,172	(1,502)	-	(314)	-	-	(1,816)	5,356
Plant and vehicles	8,822	1,478	(507)	(253)	9,540	(4,958)	-	(992)	423	87	(5,440)	4,100
Capital work in progress	407	117	(40)	(147)	337	-	-	-	-	-	-	337
<b>Total operational assets</b>	<b>30,300</b>	<b>1,717</b>	<b>(547)</b>	<b>(376)</b>	<b>31,094</b>	<b>(6,460)</b>	<b>-</b>	<b>(1,306)</b>	<b>423</b>	<b>87</b>	<b>(7,256)</b>	<b>23,838</b>
<b>Council infrastructural assets</b>												
Floodbanks	27,548	-	-	-	27,548	-	(165)	-	-	-	(165)	27,383
Protection works	9,383	-	-	358	9,741	-	-	-	-	-	-	9,741
Structures	40,042	199	-	1,555	41,796	(17,386)	(133)	(821)	-	-	(18,340)	23,457
Drains	3,760	-	-	-	3,760	-	-	-	-	-	-	3,760
Bridges	1,509	-	-	-	1,509	(1,043)	-	(45)	-	-	(1,087)	422
Culverts	1,267	15	(4)	-	1,278	-	-	-	-	-	-	1,278
Transport infrastructure & hardware	2,298	82	-	343	2,723	(53)	-	(262)	-	(87)	(402)	2,320
Capital work in progress	3,276	1,674	(2,324)	(1,880)	746	-	-	-	-	-	-	746
<b>Total infrastructural assets</b>	<b>89,083</b>	<b>1,970</b>	<b>(2,328)</b>	<b>376</b>	<b>89,101</b>	<b>(18,482)</b>	<b>(298)</b>	<b>(1,128)</b>	<b>-</b>	<b>(87)</b>	<b>(19,994)</b>	<b>69,107</b>
<b>Total Council property, plant and equipment</b>	<b>119,383</b>	<b>3,687</b>	<b>(2,875)</b>	<b>-</b>	<b>120,195</b>	<b>(24,942)</b>	<b>(298)</b>	<b>(2,433)</b>	<b>423</b>	<b>-</b>	<b>(27,250)</b>	<b>92,945</b>

Council infrastructural assets represent Flood Protection and Control Works as defined in the Local Government (Financial Reporting and Prudence) Regulations 2014. All infrastructure assets acquired during the year were constructed by Council. There were no infrastructural assets transferred to the Council from external entities. Included in the infrastructure capital disposals are assets which were vested to Dunedin City Council and Aurora.

IPSAS 21 Impairment of a non-cash generating assets requires an impairment assessment if there is any indication that an asset may be impaired. During the February 2020 flood, flood protection assets in the Clutha and Queenstown regions were damaged. The book value of the damaged flood assets have been impaired using the restoration cost approach. Refer to note 25 contingent liability and contingent asset for estimated restoration costs and estimated insurance proceeds.



Council 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
<b>Total operational assets</b>	<b>29,496</b>	<b>2,104</b>	<b>(1,300)</b>	<b>-</b>	<b>30,300</b>	<b>(6,252)</b>	<b>(1,161)</b>	<b>953</b>	<b>-</b>	<b>(6,460)</b>	<b>23,840</b>
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
<b>Total infrastructural assets</b>	<b>84,602</b>	<b>8,556</b>	<b>(4,075)</b>	<b>-</b>	<b>89,083</b>	<b>(17,634)</b>	<b>(867)</b>	<b>19</b>	<b>-</b>	<b>(18,482)</b>	<b>70,601</b>
<b>Total Council property, plant and equipment</b>	<b>114,098</b>	<b>10,660</b>	<b>(5,375)</b>	<b>-</b>	<b>119,383</b>	<b>(23,886)</b>	<b>(2,028)</b>	<b>972</b>	<b>-</b>	<b>(24,942)</b>	<b>94,441</b>

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

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

Group 2020	Cost 1 July 2019 \$000	Additions \$000	Disposals \$000	Transfers \$000	Cost 30 June 2020 \$000	Accumulated Depreciation and Impairment Charges 1 July 2019 \$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 2020 \$000	Book Value 30 June 2020 \$000
Operational assets												
Land – Council	12,545	5	-	-	12,550	-	-	-	-	-	-	12,550
Endowment land – Council	1,495	-	-	-	1,495	-	-	-	-	-	-	1,495
Buildings – Council	7,031	117	-	24	7,172	(1,502)	-	(314)	-	-	(1,816)	5,356
Plant and vehicles – Council	8,322	1,478	(507)	(253)	9,540	(4,958)	-	(992)	423	87	(5,440)	4,100
Capital work in progress – Council	407	117	(41)	(147)	337	-	-	-	-	-	-	337
Land – Port	35,281	1,019	-	-	36,300	-	-	-	-	-	-	36,300
Buildings and improvements – Port	72,769	14,142	(655)	-	86,256	(24,079)	-	(2,919)	408	-	(26,590)	59,666
Wharves and berths dredging – Port	89,634	1,404	(8)	-	91,030	(22,326)	-	(2,009)	8	-	(24,327)	66,703
Plant, equipment and vehicles – Port	114,523	3,506	(1,145)	-	116,884	(54,964)	-	(5,181)	1,123	-	(59,022)	57,862
Capital work in progress – Port	1,988	2,857	-	-	4,845	-	-	-	-	-	-	4,845
<b>Total operational assets</b>	<b>344,495</b>	<b>24,645</b>	<b>(2,356)</b>	<b>(375)</b>	<b>366,409</b>	<b>(107,829)</b>	<b>-</b>	<b>(11,415)</b>	<b>1,962</b>	<b>87</b>	<b>(117,195)</b>	<b>249,214</b>
Council infra-structural assets												
Floodbanks	27,548	-	-	-	27,548	-	(165)	-	-	-	(165)	27,383
Protection works	9,383	-	-	357	9,741	-	-	-	-	-	-	9,741
Structures	40,042	199	-	1,555	41,796	(17,386)	(133)	(821)	-	-	(18,340)	23,547
Drains	3,760	-	-	-	3,760	-	-	-	-	-	-	3,760
Bridges	1,509	-	-	-	1,509	(1,043)	-	(45)	-	-	(1,087)	422
Culverts	1,267	15	(4)	-	1,278	-	-	-	-	-	-	1,278
Transport Infrastructure & hardware	2,298	82	-	343	2,723	(53)	-	(262)	-	(87)	(402)	2,320
Capital work in progress – Council	3,276	1,674	(2,324)	(1,880)	746	-	-	-	-	-	-	746
<b>Total infrastructural assets</b>	<b>89,083</b>	<b>1,970</b>	<b>(2,328)</b>	<b>375</b>	<b>89,101</b>	<b>(18,482)</b>	<b>(298)</b>	<b>(1,128)</b>	<b>-</b>	<b>(87)</b>	<b>(19,994)</b>	<b>69,107</b>
<b>Total Group property, plant and equipment</b>	<b>433,578</b>	<b>26,615</b>	<b>(4,684)</b>	<b>-</b>	<b>455,510</b>	<b>(126,311)</b>	<b>(298)</b>	<b>(12,543)</b>	<b>1,962</b>	<b>-</b>	<b>(137,189)</b>	<b>318,321</b>

	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
Group 2019												
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	(5,937)	-	(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

**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 in Queenstown and Dunedin.

## 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:

Operational Assets	Life
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

Infrastructural Assets	Life
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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Balance at beginning of year		13,562	11,137	347,682	328,927
Acquisitions		-	-	-	-
Subsequent capital expenditure		-	-	16,059	6,304
Interest capitalised		-	-	394	62
Disposals		-	-	(426)	(11,380)
Net movement in incentives		-	-	(57)	(125)
Net movement in prepaid leasing costs		-	-	107	34
Transfer to property held for sale	8	-	-	(2,719)	(2,105)
Transfer to investment property inventories	9	-	-	-	(2,438)
Transfer from investment property inventories	9	-	-	3,068	3,139
Net gain/(loss) from fair value adjustments	4	1,386	2,425	29,329	25,264
Balance at end of year		14,948	13,562	393,437	347,682

		Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Valuation Analysis					
<i>Valued at 30 June balance date as determined by:</i>					
Jones Lang LaSalle		-	-	173,994	142,100
Colliers International		-	-	204,495	192,020
Tay and Tay Limited		14,948	13,562	14,948	13,562
		14,948	13,562	393,437	347,682

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.

Due to the uncertainty related to the COVID-19 pandemic leading to a reduction in the number of real estate transactions impacting the availability of market data relating to conditions as at June 2020, the independent valuations of Port Otago's portfolio as at 30 June 2020 have been reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. The valuations have been determined at 30 June 2020 based on a certain set of assumptions used by the valuers, however these could change in a short period due to ongoing property market transactions.

### **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 2020 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 Level 3 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.

#### MATERIAL VALUATION UNCERTAINTY

The outbreak of COVID-19 was declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020. Since that time there has been increased volatility in global financial markets. There have been travel restrictions implemented by most countries and economic stimulus packages announced and implemented by most governments. Market activity is being impacted in almost every sector and there is a major reduction in liquidity across all investment markets. In terms of the property markets it is difficult at the current time to determine if this is a short-term liquidity issue or a longer term concern. The illiquidity in property markets means there will be a time delay in establishing transactional evidence to demonstrate actual pricing and what the adjustment from pre-pandemic values is with certainty. As at the valuation date, the valuer has considered it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The current response to COVID-19 means that the valuer is faced with an unprecedented set of circumstances on which to base a judgement. The valuations are therefore reported on the basis of "material valuation uncertainty". Consequently, less certainty (and a higher degree of caution) should be attached to the valuations than would normally be the case. Dependent upon how the economy and subsequent property market responds, there is more potential for downside than upside.

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)	4.0%	7.0%	4.0%	8.0%
Market rental (\$ per Sqm) (ii)	\$40	\$148	\$10.50	\$430
Discount rate (%) (iii)	8.47%	9.0%	6.1%	9.5%
Rental growth rate (%) (iv)	2.0%	25%	0.5%	25%
Terminal capitalisation rate (%) (v)	4.5%	7.0%	5.0%	8.3%
Profit and risk rate (vi)	N/A	N/A	7.5%	7.5%
Development sell down period (years) (vii)	N/A	N/A	3	3

- (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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Balance at beginning of year		-	214	2,105	214
Transfer from (to) investment property	7	-	-	2,719	2,105
Disposals		-	(214)	(4,824)	(214)
Balance at end of year		-	-	-	2,105

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 prior year, the Group entered into an unconditional sales and purchase agreement for the sale of 8,094m<sup>2</sup> 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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Balance at beginning of year		-	-	28,829	31,190
Transfer from investment property	7	-	-	-	2,438
Transfer (to) from property held for sale	8	-	-	-	-
Transfer to investment property	7	-	-	(3,068)	(3,139)
Acquisitions		-	-	-	2,080
Disposals		-	-	(6,974)	(17,347)
Subsequent capital expenditure		-	-	8,594	13,096
Interest capitalised		-	-	173	511
Impairment and impairment reversals		-	-	-	-
Balance at end of year		-	-	27,554	28,829

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Comprising				
Developed land for sale		-	21,720	19,282
Units and warehouse developments		-	5,834	2,821
Land in development		-	-	6,726
		-	27,554	28,829

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 \$21.7 million carrying value of developed land at balance date reflects the cost of the 11.9 hectares (Group share: 11.1 hectares) remaining developed land. In their June 2020 valuation, Jones Lang LaSalle stated a net realisable value of \$33.8 million (Group share: \$31.7 million).

At the previous balance date the \$19.3 million carrying value of developed land reflected the cost of the 10.0 hectares (Group share: 9.2 hectares) on hand. In their June 2019 valuation, Jones Lang LaSalle stated a net realisable value of \$28.1 million (Group share: \$26.1 million) for the developed land on hand.

### Units and Warehouse Developments in Progress

During the year the Group completed development of a further six warehouse units as well as the development of a further warehouse, at Te Rapa, Hamilton. A warehouse which was subsequently tenanted was transferred to investment property.

### Land in Development

During the year the group completed the development of a further 6.3 hectares (Group share: 6.3 hectares) from within the industrial subdivision at Te Rapa in Hamilton, with the land subsequently transferred to developed land for sale. At the previous balance date, Jones Lang LaSalle stated a net realisable value of \$13.8 million (Group share: \$13.8 million) for the land being developed to yield a further 6.3 hectares of developed land for sale (Group share: 6.3 hectares).

## 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 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
Additions	302	302	485	4	489
Capital WIP additions	1,136	1,136	1,136	-	1,136
Capital WIP write off	(15)	(15)	(15)	-	(15)
Transfer to complete asset	(200)	(200)	(200)	-	(200)
Disposals	(32)	(32)	(62)	-	(62)
Balance at 30 June 2020	8,358	8,358	16,090	5,645	21,735
Accumulated amortisation and impairment					
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 30 June 2019	(3,283)	(3,283)	(9,179)	(1,430)	(10,609)
Amortisation expense	(408)	(408)	(970)	(257)	(1,227)
Disposals	32	32	62	-	62
Balance at 30 June 2020	(3,659)	(3,659)	(10,087)	(1,687)	(11,774)
Net book value					
As at 30 June 2020	4,699	4,699	6,003	3,958	9,961
As at 30 June 2019	3,884	3,884	5,568	4,211	9,779

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 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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Depreciation of property, plant and equipment	6	2,433	2,028	12,543	11,385
Amortisation of intangible assets	10	408	482	1,227	1,056
Amortisation of leasing costs		-	-	85	107
		2,841	2,510	13,855	12,548

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

	Notes	Actual 2019-2020 \$000	Annual Plan 2019-20 \$000	Actual 2018-19 \$000	Long-term Plan 2018-19 \$000
Environment		225	234	285	229
Regional Leadership		47		49	-
Regulatory		211	212	103	9
Flood Protection and Control Works		843	831	810	805
Safety and Hazards		15	20	21	20
Transport		271	72	128	40
Corporate		1,229	1,163	1,114	1,300
		2,841	2,532	2,510	2,402



## 12. Trade and Other Receivables

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Trade and other receivables from exchange transactions				
Trade receivables (i)	5,132	379	20,353	15,461
Provision for doubtful debts	(86)	(77)	(197)	(121)
	5,046	302	20,156	15,340
Sundry accruals	97	97	97	97
Goods and Services Tax receivable	290	640	290	640
	5,433	1,039	20,543	16,077
Trade and other receivables from non-exchange transactions				
Trade receivables (i)	2,222	6,994	2,222	6,994
Provision for doubtful debts	(18)	(23)	(18)	(23)
	2,204	6,971	2,204	6,971
Accrued Income	1,775	1,594	1,775	1,594
Goods and Services Tax receivable	-	-	-	-
	3,979	8,565	3,979	8,565
Total	9,412	9,604	24,522	24,642

(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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Trade payables for Exchange transactions (i)	6,548	7,924	10,623	18,426
Other accrued charges	3,770	4,579	7,803	5,918
Property deposits received	-	-	-	110
	10,318	12,503	18,426	24,454

- (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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Accrued salary and wages	145	417	1,356	1,729
Annual leave	1,648	1,200	6,013	5,274
Long service leave	-	-	1,016	888
Retiring allowances	22	22	64	77
Sick leave	-	-	108	106
	1,815	1,639	8,557	8,074
<i>Disclosed in the financial statements as:</i>				
Current	1,815	1,639	7,500	7,131
Non-current	-	-	1,057	943
	1,815	1,639	8,557	8,074

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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Secured – at amortised cost				
Bank borrowings	-	-	72,290	55,680
	-	-	72,290	55,680
<i>Analysed as:</i>				
Current	-	-	5,140	930
Non-current	-	-	67,150	54,750
	-	-	72,290	55,680

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 Short Term Advances Facility with ANZ Bank New Zealand Limited which 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 \$29 million Commercial Flexi Facility with ANZ Bank New Zealand Limited which is subject to an annual review at 30 June 2021.

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 Port Otago Limited and Chalmers Properties Limited the Group and registered first-ranking mortgages over land.

### 15 (b) Finance Costs

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Interest on loans	-	-	3,283	3,707
Capitalised borrowing costs	-	-	(567)	(860)
Other	-	1	-	1
	-	1	2,716	2,848

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

	Available for Sale Revaluation Reserve \$000	Asset Replacement Reserve \$000	Emergency Response Reserve \$000	Kuriwao Endowment Reserve \$000	Asset Revaluation Reserve \$000	Water Management Reserve \$000	Building Reserve \$000	Environmental Enhancement Reserve	Total Reserves \$000
<b>COUNCIL</b>									
Opening balance at 1 July 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
Transfers in:									
Transfers from general rate equity	-	1,183	-	121	-	-	-	250	1,554
Interest received	-	119	111	164	-	22	337	3	756
Revaluation gain	2,129	-	-	-	1,386	-	-	-	3,515
	2,129	1,302	111	285	1,386	22	337	253	5,825
Transfers out:									
Transfers to general rate equity	-	(2,580)	-	(110)	-	-	(2)	(319)	(3,011)
Transfers to targeted rate equity	-	-	(535)	(250)	-	-	-	-	(785)
	-	(2,580)	(535)	(360)	-	0	(2)	(319)	(3,796)
Closing balances 30 June 2020	516,364	3,756	3,901	6,397	12,887	897	13,440	8	557,650

	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
<b>GROUP</b>										
Opening balances at 1 July 2018	-	6,070	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)
	-	1,270	143	334	25,264	34	441	272	(838)	26,920
Transfers out:										
Transfers to general rate equity	-	(2,306)	-	(44)	-	(198)	(584)	(693)	-	(3,825)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	-	-	-
Realised on sale of assets	-	-	-	-	-	-	-	-	-	-
	-	(2,306)	-	(294)	-	(198)	(584)	(693)	-	(4,075)
Closing balances 30 June 2019	-	5,034	4,325	6,472	246,159	875	13,105	74	(1,565)	274,479
Transfers in:										
Transfers from general rate equity	-	1,183	-	121	-	-	-	250	-	1,554
Interest received	-	119	111	164	-	22	337	3	-	756
Revaluation gain	-	-	-	-	29,329	-	-	-	-	29,329
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	(654)	(654)
	-	1,302	111	285	29,329	22	337	253	(654)	30,985
Transfers out:										
Transfers to general rate equity	-	-	-	(110)	-	-	(2)	(319)	-	(431)
Transfers to targeted rate equity	-	(2,580)	(535)	(250)	-	-	-	-	183	(3,182)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	-	-	-
Realised on sale of assets	-	-	-	-	-	-	-	-	-	-
	-	(2,580)	(535)	(360)	-	-	(2)	(319)	183	(3,613)
Closing balances 30 June 2020	-	3,756	3,901	6,397	275,488	897	13,440	8	(2,036)	301,851

**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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
<b>Public Equity – General Rates</b>				
Balance at beginning of year	72,482	69,929	327,479	306,810
Net surplus	(4,006)	(5,218)	37,051	35,735
<b>Transfers in</b>				
Transfer from Public Equity Targeted Rates	40,515	47,852	40,515	47,852
Kuriwao endowment reserve	110	44	110	44
Asset replacement reserve	2,580	2,306	2,580	2,306
Asset revaluation reserve	-	-	-	-
Water Management Reserve	-	198	-	198
Environmental Enhancement Reserve	319	693	319	693
Building Reserve	2	584	2	584
	43,526	51,677	43,526	51,677
<b>Transfer out</b>				
Transfer to Public Equity Targeted Rates	(35,659)	(38,987)	(35,659)	(38,987)
Kuriwao endowment reserve	(285)	(334)	(285)	(334)
Asset replacement reserve	(1,302)	(1,270)	(1,302)	(1,270)
Emergency response reserve	(111)	(143)	(111)	(143)
Asset revaluation reserve	(1,386)	(2,425)	(29,329)	(25,262)
Water management reserve	(22)	(34)	(22)	(34)
Building Reserve	(337)	(441)	(337)	(441)
Environmental Enhancement Reserve	(253)	(272)	(253)	(272)
Available-for-sale asset gains reclassified to surplus/-(deficit)	-	-	-	-
	(39,355)	(43,906)	(67,298)	(66,743)
Balance at end of year	72,647	72,482	340,758	327,479
<b>Public Equity – Targeted Rates</b>				
Balance at beginning of year	51,955	60,570	51,955	60,570
<b>Transfers in</b>				
Transfer from Public Equity General Rates	35,659	38,987	35,659	38,987
Kuriwao endowment reserve	250	250	250	250
Emergency response reserve	535		535	
	36,444	39,237	36,444	39,237
<b>Transfers out</b>				
Transfer to Public Equity General Rates	(40,515)	(47,852)	(40,515)	(47,852)
	(40,515)	(47,852)	(40,515)	(47,852)
Balance at end of year – refer note 17 (b)	47,884	51,955	47,884	51,955
<b>Total Public Equity</b>				
Balance at beginning of year	124,437	130,499	379,434	367,380
Net surplus	(4,006)	(5,218)	37,051	35,735
Transfers	100	(844)	(27,843)	(23,681)
Balance at end of year	120,531	124,437	388,642	379,434

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 – 2020			Council and Group – 2019				
	Opening balance 1 July 2019 \$'000	Transfers in \$'000	Transfers out \$'000	Closing balance 30 June 2020 \$'000	Opening balance 1 July 2018 \$'000	Transfers in \$'000	Transfers out \$'000	Closing balance 30 June 2019 \$'000
<b>Targeted Rating District Equity</b>								
River Management Reserves								
Central Otago River Management	395	315	(248)	460	387	316	(308)	395
Clutha River Management	38	333	(188)	183	112	303	(377)	38
Dunedin River Management	1,479	287	(304)	1,462	1,768	254	(543)	1,479
Queenstown River Management	684	170	(109)	745	753	176	(245)	684
Waitaki River Management	222	411	(121)	512	143	416	(337)	222
Wanaka River Management	571	234	(234)	571	505	199	(133)	571
Shotover Delta Flood Mitigation	133	86	(15)	204	57	84	(8)	133
Stoney Creek	148	4	0	152	143	5	-	148
Flood and Drainage scheme reserves								
Alexandra Flood Protection	231	99	(184)	146	306	95	(170)	231
East Taieri Drainage	199	485	(338)	346	386	493	(680)	199
Leith Flood Protection	(14,665)	1,629	(2,698)	(15,734)	(11,925)	1,647	(4,387)	(14,665)
Lower Clutha Flood and Drainage	(197)	1,639	(1,543)	(101)	(149)	1,097	(1,145)	(197)
Lower Taieri Flood Protection	632	839	(516)	955	1,060	927	(1,355)	632
Lower Waitaki Flood Protection	(9)	162	(149)	4	(77)	158	(150)	(9)
Tokomairiro Drainage	150	129	(35)	244	155	111	(116)	150
West Taieri Drainage	(1,844)	664	(746)	(1,926)	(1,577)	647	(914)	(1,844)
Other Reserves								
Clean Heat Clean Air	209	3	(165)	47	350	9	(150)	209
Dunedin Transport Services	(2,539)	16,030	(17,995)	(4,504)	2,930	18,883	(24,352)	(2,539)
Queenstown Transport Services	(188)	7,096	(7,267)	(359)	83	7,311	(7,582)	(188)
Rural Water Quality	509	1,167	(487)	1,189	284	1,121	(896)	509
Dairy Monitoring	74	190	(184)	80	25	190	(141)	74
Wilding Pines	(144)	1,892	(1,953)	(205)	(63)	211	(292)	(144)
Emergency Management	(63)	2,564	(3,170)	(669)	(140)	2,466	(2,389)	(63)
Lake Hayes Restoration	(372)	16	(9)	(365)	-	-	(372)	(372)
Infrastructural Assets	66,304	0	(1,857)	64,447	64,994	2,118	(810)	66,304
	51,955	36,444	(40,515)	47,884	60,570	39,237	(47,852)	51,955

### 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 2020	Amount borrowed as at 30 June 2019 \$000	Funds borrowed during the year \$000	Funds repaid during the year \$000	Interest charged \$000	Amount borrowed as at 30 June 2020 \$000
Flood Protection and Control Works	16,706	4,555	(3,932)	432	17,761
Environment	516	1,949	(1,908)	13	570
Community	9	149	(162)	0	(4)
Safety and Hazards	63	3,161	(2,564)	9	669
Transport	2,727	25,167	(23,126)	90	4,858
	20,021	34,981	(31,692)	544	23,854

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

## 18. Income Taxes

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

	Council 2020	Council 2019	Group 2020	Group 2019
Notes	\$000	\$000	\$000	\$000
Income tax (expense)/benefit comprises:				
Current year – current tax	-	-	(6,885)	(8,073)
Current year – deferred tax	101	98	667	(617)
Prior period adjustment current tax	-	-	(108)	101
Prior period adjustment deferred tax	-	-	-	-
Income tax (expense)/benefit reported in the Statement of Comprehensive Revenue and Expense	101	98	(7,444)	(8,589)
<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	(4,107)	(5,316)	44,495	44,324
Imputation credits	-	-	-	-
	(4,107)	(5,316)	44,495	44,324
Income tax expense (credit) calculated at 28%	(1,150)	(1,488)	12,459	12,410
Non-deductible expenses	19,141	19,444	19,178	19,478
Non-assessable income	(15,429)	(15,688)	(15,950)	(16,699)
Unrealised change in investment property	-	-	(6,998)	(5,557)
Deferred tax expense relating to the origination and reversal of temporary differences	-	-	(326)	(1,043)
Reinstatement of tax depreciation on buildings	-	-	(919)	-
Prior period adjustment	-	-	-	-
Imputation credits utilised	(2,660)	(2,366)	-	-
Income tax expense (credit)	(101)	(98)	7,444	8,589

Council entered into an agreement for the Council to transfer 2019 tax year losses to its subsidiary Port Otago Limited. In conjunction with the tax loss transfer of \$359,850 (2019 tax year: \$258,592), by way of a tax loss offset, Port Otago Limited made a subvention payment of \$100,758 (2019 tax year: \$100,564) 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 2020				
Gross deferred tax asset:				
Tax losses	98	3	-	101
	98	3	-	101

	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

	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to Other Comprehensive Revenue and Expense \$000	Group Closing Balance \$000
GROUP 2020				
Gross deferred tax liability:				
Other financial assets	(606)	(65)	(183)	(854)
Property, plant and equipment	12,498	(1,133)	-	11,365
Investment property	4,559	551	-	5,110
Other	(1,854)	(20)	-	(1,874)
	14,597	(667)	(183)	13,747

	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to Other Comprehensive Revenue and Expense \$000	Group Closing Balance \$000
GROUP 2019				
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

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 2020 \$000	Group 2019 \$000
Balance at end of year	45,993	41,432

Imputation credit balances available directly and indirectly to the Council through subsidiaries are \$46,091,000 as at 30 June 2020, and \$41,530,000 as at 30 June 2019.

### 19. Other Expenses

Notes	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Net bad and doubtful debts	43	36	59	36
Donations	350	350	466	494
Operating lease rental expenses:				
- Minimum lease payments	341	292	829	1,269
Company Directors' remuneration	-	-	356	360
Purchased materials and services	44,249	46,567	64,985	68,211
Fuel and electricity	417	408	3,155	3,501
Write-off of property, plant and equipment work in progress	2,380	4,731	2,380	4,336
	47,780	52,384	72,230	78,207

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 2020	Number of Employees 30 June 2019
Full-time employees	186	164
Full-time equivalent number of other employees	20.6	10.5

Council regards one full-time equivalent as an employee who works 37.5 hours weekly.

### Employee Remuneration

The following table classifies the number of all employees employed on the last day of the financial year into remuneration bands, calculated as the total annual remuneration (including the value of non-financial benefits) being received as at the last day of the financial year.

Total Annual Remuneration	Number of Employees 30 June 2020	Number of Employees 30 June 2019
Less than \$60,000	36	33
\$60,000 to \$79,999	77	68
\$80,000 to \$99,999	55	44
\$100,000 to \$119,999	21	17
\$120,000 to \$139,999	14	10
\$140,000 to \$199,999	5	4
\$200,000 to \$299,999	5	3
\$300,000 to \$319,999	1	-
	214	179

### 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 2020 the Chief Executive received salary payments amounting to \$281,770 (2019: \$257,810), and the total cost including fringe benefit tax of the remuneration package received during that period is calculated at \$322,550 (2019: \$309,346).

### 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 2020

Councillor	Month in term	Meetings attended / eligible meetings <sup>1</sup>	Remuneration \$	Meeting fees \$	Allowances and mileage \$	Other \$	Total \$
Stephen Woodhead (Chairperson to 18 Oct 19)	4	14/14	40,494	-	-	3,814	44,308
Gretchen Robertson (Deputy Chairperson to 18 Oct 19)	12	39/40	65,469	8,053	1,354	422	75,298
Marian Hobbs (Chairperson from 24 Oct 19)	8	26/26	102,246	-	725	-	102,971
Michael Laws (Deputy Chairperson from 24 Oct 19)	12	37/40	74,033	-	10,918	321	85,272
Alexa Forbes	8	25/26	43,400	-	5,164	646	49,210
Graeme Bell	4	9/14	15,763	-	2,165	35	17,963
Douglas Brown	4	14/14	18,128	-	3,132	362	21,622
Michael Deaker	12	37/40	61,528	-	750	-	62,278
Gary Kelliher	8	24/26	43,400	-	6,631	-	50,031
Hilary Calvert	8	26/26	43,400	-	275	-	43,675
Carmen Hope	12	39/40	59,163	-	5,500	64	64,727
Kate Wilson	8	26/26	43,400	-	275	-	43,675
Trevor Kempton	4	14/14	18,128	-	475	-	18,603
Kevin Malcolm	8	26/26	43,400	-	1,214	-	44,614
Ella Lawton	4	11/14	15,763	4,187	4,079	455	24,484
Samuel Neill	4	14/14	15,763	-	475	-	16,238
Andrew Noone	12	37/40	61,528	4,837	1,646	108	68,119
Bryan Scott	12	40/40	61,528	520	1,196	27	63,271
			826,534	17,597	45,974	6,254	896,359

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

## Council Remuneration 2019

Councillor	Month in term	Meetings attended / eligible meetings <sup>1</sup>	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

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

## Severance Payments

For the year ended 30 June 2020, the Council was one (2019: three) severance payments totalling \$7,000 (2019: \$50,000).

## 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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Management personnel				
Short-term employee benefits	1,329	1,344	4,639	4,383
Post-employment benefits	-	-	-	-
	1,329	1,344	4,639	4,383
Full-time equivalent number of key management personnel	6	6	14	14
Governing personnel				
Councillors remuneration	858	763	858	763
Directors' fees	-	-	356	327
	858	763	1,214	1,103

## 22. Employee Benefits Expense

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Salaries and wages	17,133	14,099	50,230	46,706
Defined contribution plans	745	636	2,373	2,231
Termination benefits	211	166	211	166
	18,089	14,901	52,814	49,103

### Superannuation Schemes

#### Recognition and Measurement

Contributions to defined contribution superannuation schemes are expensed when incurred.

## 23. Subsequent Events

On 8 September 2020 the Directors declared a final dividend of \$1.0 million for the year ended 30 June 2020. As the final dividend was approved after balance date, the financial effect of the dividend payable of \$1.0 million has not been recognised in the Balance Sheet.

Council has received initial indications from the Provincial Development Unit that we will receive \$5.440 million for "shovel-ready projects".

## 24. Commitments for Expenditure

### Capital Expenditure Commitment

At 30 June 2020 the Group had commitments for capital expenditure of \$4.78 million (2019: \$24.62 million). Included in the above amounts are Council commitments of \$0.77 million (2019: \$2.28 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure.

## Lease Commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 27 to the financial statements.

## 25. Contingent Liabilities and Contingent Assets

### Council Only Contingent Liabilities

During the February 2020 flood event our flood assets on the Taieri and Lower Clutha performed to the expected level of service, however minor damage was incurred to these assets. Council performed urgent repairs of \$535,000 and recorded a \$289,000 impairment to the value of the flood protection fixed assets in the 30 June 2020 Statement of Comprehensive Income.

Council has performed an assessment of the damaged assets and forecasted that \$5,700,000 future costs are required to restore the flood protection assets back to their expected level of service. This forecasted cost is likely to be incurred in the 2021 financial period but is dependent on COVID-19 restrictions and river levels allowing work to proceed.

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, (2019: \$Nil).

### Council Only Contingent Assets

Council has assessed the insurance proceeds which are likely to be available in relation to the flood protection asset damaged from the February 2020 flood event. National Emergency Management Agency (NEMA) on preliminary insurance assessments has indicated that they will fund \$2,400,000 of the cost of repairs. Council's external insurance provider on preliminary assessments have indicated that they will fund the entire cost of repair to pump stations which is estimated to be \$177,000. Certainty on the insurance proceeds is dependent on repairs being performed and actual costs being determined and are likely to be received in 2021 financial period.

### Group

There are no contingent liabilities or assets at 30 June 2020 (30 June 2019: \$Nil) other than those arising in the normal course of business.

## 26. Impact of COVID-19 pandemic on Council

There has been a financial impact on Council as a result of COVID-19 pandemic.

During the period March to June 2020 the New Zealand Transport Agency (NZTA) required Council to provide free bus fares for all users (this continued into the 2021 financial period). Bus fare revenue was funded during this period directly by NZTA with \$2,300,000 received to compensate Council for lost bus fare revenue from customers. This was treated in the same

manner as bus fare revenue and was recorded as other income on the Statement of Comprehensive Income.

Council's subsidiary Port Otago Limited is held in Council financial statements at fair value. The valuation of Port Otago is based on current year performance and forecasted future performance. The global COVID-19 pandemic and resulting impacts on trade, the cruise industry and property markets has increased the level of uncertainty around certain estimates in the future performance of Port Otago. Refer to Note 2.

The impact COVID-19 has had on Council levels of service has been recorded in the Statement of Service Performance section.

### **Group**

An assessment of the impact of COVID-19 on the Group's Statement of Comprehensive Income and Statement of Financial Position is set out below, based on the information available at the time of preparing these financial statements.

#### **OTHER REVENUE**

The New Zealand government temporarily banned cruise ships from entering New Zealand waters from 14 March 2020 resulting in 10 cruise ship cancellations in the 2020 financial year. At this stage it is unlikely cruise ships will visit not known if the cruise ship ban will remain in place for the coming 2020/21 cruise ship season (2021 financial year).

Pursuant to contractual terms in existing commercial lease agreements certain tenants sought a fair reduction in rent where the business has suffered a loss of revenue due to COVID-19. Port Otago has made allowances to provide such tenants with rental support as a result of COVID-19, with an expected cost to the Group of \$0.38 million for the year ended 30 June 2020.

#### **INVESTMENT PROPERTY**

Due to the uncertainty related to the COVID-19 pandemic leading to a reduction in the number of real estate transactions and impacting the availability of market data relating to conditions as at June 2020, the independent valuations of Port Otago's portfolio as at June 2020 have been reported on the basis of 'material valuation uncertainty', meaning less certainty and a higher degree of caution should be applied. The opinion of value has been determined at the valuation date based on a certain set of assumptions used by the valuers, however these could change in a short period due to subsequent events. Refer to Note 7.

### **27. 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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Not longer than 1 year	346	258	702	628
Longer than 1 year and not longer than 5 years	385	145	551	505
Longer than 5 years	-	-	109	133
	731	403	1,362	1,266

### 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	2020	2019
	\$000	\$000
Rentals receivable		
Within one year	22,675	21,291
After one year but not more than five years	78,762	62,173
More than five years	91,146	88,747
Minimum future lease receivable	192,583	172,211

## 28. Subsidiaries, Associates and Joint Ventures

	Country of Incorporation	Ownership Interest	
		2020	2019
		%	%
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	
		2020	2019
		%	%
<b>Subsidiaries</b>			
Chalmers Properties Limited	Property investment	100	100
Te Rapa Gateway Limited	Property investment	100	100
South Freight Limited	Transport investment	-	100
Fiordland Pilot Services Limited	Shipping services	100	100
<b>Joint Ventures and Associates</b>			
Hamilton Porter JV	Property investment	66.7	66.7
Icon Logistics Limited	Container transport and warehousing services	-	50

All companies in the Group have 30 June balance dates.

### 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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results, assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method a joint venture is



initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the surplus or deficit and other comprehensive income of the joint venture. In assessing the Group's share of the surplus or deficit or other comprehensive income of the joint venture, the Group's share of any unrealised profits or losses on transactions between Group companies and the joint venture is eliminated. Dividends or distributions received from a joint venture reduce the carrying amount of the investment in that joint venture in the Group financial statements. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture, the Group discontinues its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture until the date it ceases to be a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in surplus or deficit in the period in which the investment is acquired.

On 30 April 2020 South Freight Limited, a subsidiary of Port Otago Limited, sold its 50% ownership interest in Icon Logistics Limited to Harbour Logistics Limited, the remaining shareholder. This investment was previously accounted for in the Group financial statements using the equity method. Icon Logistics Limited was 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.

On 30 June 2020 South Freight Limited and Port Otago Limited were amalgamated with Port Otago Limited becoming the amalgamated company. The shares of South Freight Limited were cancelled without payment or other consideration.

### Joint Ventures Accounted for Using the Equity Method

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Balance at beginning of year	-	-	2,003	1,631
Share of profit from joint ventures recognised in the Statement of Comprehensive Revenue and Expenses	-	-	203	165
Shareholder advances	-	-	-	207
Less net assets sold			(2,206)	
Balance at end of year	-	-	-	2,003

### Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Group's interest in joint arrangements is incorporated into the Group's financial statements and has been accounted in the Balance Sheet on the basis of the Group's proportionate interest

in the fair value of each of the assets and liabilities of the joint arrangements, and in the Statement of Comprehensive Income on the basis of the Group's proportionate interest in the income and expenses incurred in relation to the joint arrangement. In determining the fair value of its share of the net assets and its share of net income of the joint arrangement, the Group applies the accounting policies set out in these financial statements.

### Summarised financial information of the Group's share of joint operations

	Group 2020 \$000	Group 2019 \$000
Current assets	3,303	7,831
Non-current assets	5	6
<b>Total assets</b>	<b>3,308</b>	<b>7,837</b>
Current liabilities	(115)	(193)
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>(115)</b>	<b>(193)</b>
<b>Net assets</b>	<b>3,193</b>	<b>7,644</b>

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

## 29. 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 as part of a normal customer relationship, were involved in minor arm's length transactions with the Council. Rates payments are not included in the table below.

Related Party entity	Relationship to related party entity	Total paid by the entity to Council	Total paid to the entity by Council	Outstanding balance owed by Council
<b>Councillor Graeme Bell</b>				
Meridian Energy Limited	Shareholder	-	273,752	4,862
<b>Councillor Douglas Brown</b>				
Alliance Group Limited	Shareholder	3,301	-	
Contact Energy Limited	Shareholder	208,074	-	
Farmlands Co-operative Society	Shareholder	-	5,975	
Meridian Energy Limited	Shareholder	-	273,752	4,862
North Otago Irrigation Company Limited	Shareholder	1,070	-	
PGG Wrightsons Limited	Shareholder	-	720	1,072
Ravensdown Limited	Shareholder	7,366	-	
Auripo Holdings Limited	Shareholder	-	-	
<b>Councillor Gary Kelliher</b>				
Springvale Downs Limited	Director/ shareholder	76	-	
Springvale Water Supply Company Limited	Director	38	-	
<b>Councillor Trevor Kempton</b>				
Delta Utility Services Limited	Director	750	11,747	7,493
Naylor Love Limited	Director	-	61,133	
<b>Councillor Kevin Malcolm</b>				
J & E Soper Family Trust	Trustee	121	-	
Poltalloch South Trust	Trustee	5,142	-	
<b>Councillor Andrew Noone</b>				
Ravensdown Limited	Shareholder	7,366	-	
Silver Fern Farms Limited	Shareholder	15,436	-	
<b>Councillor Kate Wilson</b>				
Predator Free Dunedin	Trustee	-	-	350,000
Strath Taieri Agriculture and Rural Tourism Trust	Trustee	574	-	

### Group

Refer to Note 2 for disclosures of transactions with Port Otago Limited.

#### TRANSACTIONS WITH ICON LOGISTICS LIMITED

Port Otago Limited had a 50% interest in Icon Logistics Limited through its wholly owned subsidiary, South Freight Limited. This interest was sold on 30 April 2020.

Icon Logistics Limited is a tenant and purchaser of services from Port Otago Limited. The amount received from Icon Logistics Limited during 2020 for property rentals and sale of services was \$121,732 (2019: \$140,059) with \$684 receivable at year end (2019: \$15,609).

Icon Logistics Limited also provides transport services to Port Otago Limited. The amount paid to Icon Logistics Limited during 2020 for the supply of transport services was \$1,326,499 (2019:

\$1,507,330) with \$128,749 payable at year end (2019: \$112,934). South Freight Limited provided a \$200,000 shareholder advance to Icon Logistics Limited during the 2019 financial year. For the period ended 30 April 2020, interest revenue of \$5,340 was accrued (2019: \$5,660).

#### 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 and operating costs.

At June 2020, the balance of the advance totals \$103,000 (2019: nil). Hamilton Porter JV also has an accounts payable balance owing for recharged costs of \$2,842.

Chalmers Properties Limited provides accounting and administration services to Hamilton Porter JV for which \$5,000 (2019: \$10,000) was charged. At balance date the amount owing to Chalmers Properties Limited was nil (2019: nil).

#### 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.

### 30. Remuneration of Auditors

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Audit fees for financial statement audit	121	121	121	121
Audit fees for audit of Annual Plan/Long-Term Plan	-	30	-	30
Other services	-	2	-	61
Fees for tax and advisory services – Council	-	10	-	10
	121	163	121	222
Audit fees to other auditors for audit of financial statements of group entities	-	-	129	138
	-	-	129	138
	121	163	250	407

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

### 31. Financial Instruments

#### Financial Risk Management Objectives

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

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

### **Significant Accounting Policies for Financial Instruments**

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 of Financial Instruments

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	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<i>2020</i>								
<i>Financial liabilities at FVTSD:</i>								
Other financial instruments	-	-	-	-	-	3,056	-	3,056
<i>2019</i>								
<i>Financial liabilities at FVTSD:</i>								
Other financial instruments	-	-	-	-	-	2,170	-	2,170

## Categories of Financial Instruments

	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
<b>COUNCIL 2020</b>					
<i>Financial Assets</i>					
Cash and cash equivalents	7,898	-	-	-	7,898
Trade and other receivables (note 12)	9,412	-	-	-	9,412
Other financial assets (note 5)	-	23,436	-	-	23,436
Shares in subsidiary	-	-	536,364	-	536,364
<b>Total financial assets</b>	<b>17,310</b>	<b>23,436</b>	<b>536,364</b>	<b>-</b>	<b>577,110</b>
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	10,318	10,318

	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
<b>COUNCIL 2019</b>					
<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
<b>Total financial assets</b>	<b>25,036</b>	<b>22,502</b>	<b>534,235</b>	<b>-</b>	<b>581,773</b>
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	12,503	12,503
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,503</b>	<b>12,503</b>



	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
GROUP 2020					
<i>Financial Assets</i>					
Cash and cash equivalents	8,205	-	-	-	8,205
Trade and other receivables (note 12)	24,522	-	-	-	24,522
Other financial assets (note 5)	-	23,436	-	-	23,436
<b>Total financial assets</b>	<b>32,727</b>	<b>23,436</b>	<b>-</b>	<b>-</b>	<b>56,163</b>
<i>Financial Liabilities</i>					
Other financial instruments	-	3,056	-	-	3,056
Trade and other payables (note 13)	-	-	-	18,426	18,426
Borrowings (secured) (note 15)	-	-	-	72,290	72,290
<b>Total financial liabilities</b>	<b>-</b>	<b>3,056</b>	<b>-</b>	<b>90,716</b>	<b>93,772</b>

	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
GROUP 2019					
<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
<b>Total financial assets</b>	<b>40,216</b>	<b>22,502</b>	<b>-</b>	<b>-</b>	<b>62,718</b>
<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
<b>Total financial liabilities</b>	<b>-</b>	<b>2,170</b>	<b>-</b>	<b>80,134</b>	<b>82,304</b>

## Market Risk

The Group's activities expose it primarily to the financial risks of changes in market prices of other financial assets (principally Managed Funds – Equities and Shares in Listed Companies), foreign currency exchange rates and interest rates.

There has been no change during the year to the group exposure to market risks or the manner in which it manages and measures the risk.

### (a) Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk in relation to the purchase of certain capital items denominated in foreign currencies. Foreign currency forward purchase contracts are used to manage the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments. The Council is exposed to currency

risk in relation to the investments denominated in foreign currencies forming part of the managed fund portfolio. The policy governing Managed Funds places restrictions on the currencies in which the fund manager may invest, and the amount of exposure to any one currency.

### Amount of Exposure to Currency Risk

The Group's exposure to foreign currency risk for each class of financial instruments is as follows:

	Council 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Managed funds	7,014	5,967	7,014	5,967
Total Managed funds	7,014	5,967	7,014	5,967

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 2020 would have the impact of increasing the carrying value of the Managed funds, and the Council surplus, by \$780,000 (2019: \$663,000), and an unfavourable movement of 10% would impact unfavourably to the extent of \$638,000 (2019: \$542,000).

### (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	2020				2019			
	Profit -100bps	Other Equity -100bps	Profit +100bps	Other Equity +100bps	Profit -100bps	Other Equity -100bps	Profit +100bps	Other Equity +100bps
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<i>Financial Liabilities</i>								
Borrowings	723	-	(723)	-	557	-	(557)	-
Derivatives – hedge accounted	-	(4,435)	-	(1,478)	-	(3,542)	-	(948)
Derivatives – non- hedge accounted	(895)	-	373	-	-	-	-	-
Total sensitivity to interest rate risk	(172)	(4,435)	(350)	1,478	557	(3,542)	(557)	(948)

### 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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
<i>Financial Assets</i>				
Other financial assets	13,846	10,840	13,846	10,840
Exposure to equity price risk	13,846	10,840	13,846	10,840

### Sensitivity to Equity Price Risk

COUNCIL and GROUP	2020				2019			
	-10% Profit	-10% Other Equity	+10% Profit	+10% Other Equity	-10% Profit	-10% Other Equity	+10% Profit	+10% Other Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<i>Financial Assets</i>								
Other financial assets	(1,385)	-	(1,385)	-	(1,084)	-	1,084	-
Total sensitivity equity price risk	(1,385)	-	(1,385)	-	(1,084)	-	1,084	-

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 2020 \$000	Council 2019 \$000	Group 2020 \$000	Group 2019 \$000
Cash at bank and term deposits	7,898	15,432	8,205	15,574
Trade and other receivables	9,412	9,604	24,522	24,642
Other financial assets (Note 5)	23,436	22,502	23,436	22,502
Shares in subsidiary	536,364	534,235	-	-
	577,110	581,773	56,163	62,718

### 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 2020				
	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
<b>Financial Assets</b>					
Cash and cash equivalents	0.05	7,898	7,898	7,898	-
Trade and other receivables	-	9,412	9,412	9,412	-
<i>Managed fund:</i>					
Cash and call deposits	-	3,192	3,192	3,192	-
Fixed interest securities	3.00	8,741	9,632	2,342	7,290
Equity securities	-	11,503	11,503	11,503	-
Shares in subsidiary	-	536,364	536,364	-	536,364
<b>Total financial assets</b>		<b>577,110</b>	<b>578,001</b>	<b>34,347</b>	<b>543,654</b>
<b>Financial Liabilities</b>					
Trade and other payables		(10,318)	(10,318)	(10,318)	-
<b>Total financial liabilities</b>		<b>(10,318)</b>	<b>(10,318)</b>	<b>(10,318)</b>	<b>-</b>
	COUNCIL 2019				
	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
<b>Financial Assets</b>					
Cash and cash equivalents	3.39	15,432	15,432	15,432	-
Trade and other receivables	-	9,604	9,604	9,604	-
<i>Managed fund:</i>					
Cash and call deposits	-	3,247	3,247	3,247	-
Fixed interest securities	4.73	8,414	9,505	2,252	7,253
Equity securities	-	10,841	10,841	10,841	-
Shares in subsidiary	-	534,235	534,235	-	534,235
<b>Total financial assets</b>		<b>581,773</b>	<b>582,864</b>	<b>41,376</b>	<b>541,488</b>
<b>Financial Liabilities</b>					
Trade and other payables		(12,503)	(12,503)	(12,503)	-
<b>Total financial liabilities</b>		<b>(12,503)</b>	<b>(12,503)</b>	<b>(12,503)</b>	<b>-</b>

	GROUP 2020				GROUP 2019					
	Ageing of Cash Flows		Ageing of Cash Flows		Ageing of Cash Flows		Ageing of Cash Flows			
	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Less Than 1 Year \$000	1 Year or Greater \$000	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Less Than 1 Year \$000	1 Year or Greater \$000
<b>Financial Assets</b>										
Cash and cash equivalents	0.05	8,205	8,205	8,205	-	3.39	15,574	15,574	15,574	-
Trade and other receivables	-	24,522	24,522	24,522	-	-	24,642	24,642	24,642	-
<i>Managed fund:</i>										
Cash and call deposits	-	3,192	3,192	3,192	-	-	3,247	3,247	3,247	-
Fixed interest securities	3.00	8,741	8,752	2,342	6,410	5.00	8,414	9,041	2,224	6,817
Equity securities	-	11,503	11,503	11,503	-	-	10,841	10,841	10,841	-
<b>Total financial assets</b>		<b>56,163</b>	<b>56,174</b>	<b>49,764</b>	<b>6,410</b>		<b>62,718</b>	<b>63,345</b>	<b>56,528</b>	<b>6,817</b>
<b>Financial Liabilities</b>										
Trade and other payables	-	(18,426)	(18,426)	(18,426)	-	-	(24,454)	(24,454)	(24,454)	-
Borrowings (secured)	2.9	(72,290)	(77,148)	(44,140)	(33,008)	3.70	(55,680)	(61,203)	(16,414)	(44,789)
Other financial instruments	3.48	(3,056)	(3,160)	(1,112)	(2,048)	2.89	(2,170)	(2,504)	(685)	(1,819)
<b>Total financial liabilities</b>		<b>(93,772)</b>	<b>(98,734)</b>	<b>(63,678)</b>	<b>(35,056)</b>		<b>(82,304)</b>	<b>(88,161)</b>	<b>(41,553)</b>	<b>(46,608)</b>

## Annual Report Disclosure Statement for year ending 30 June 2020

### 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

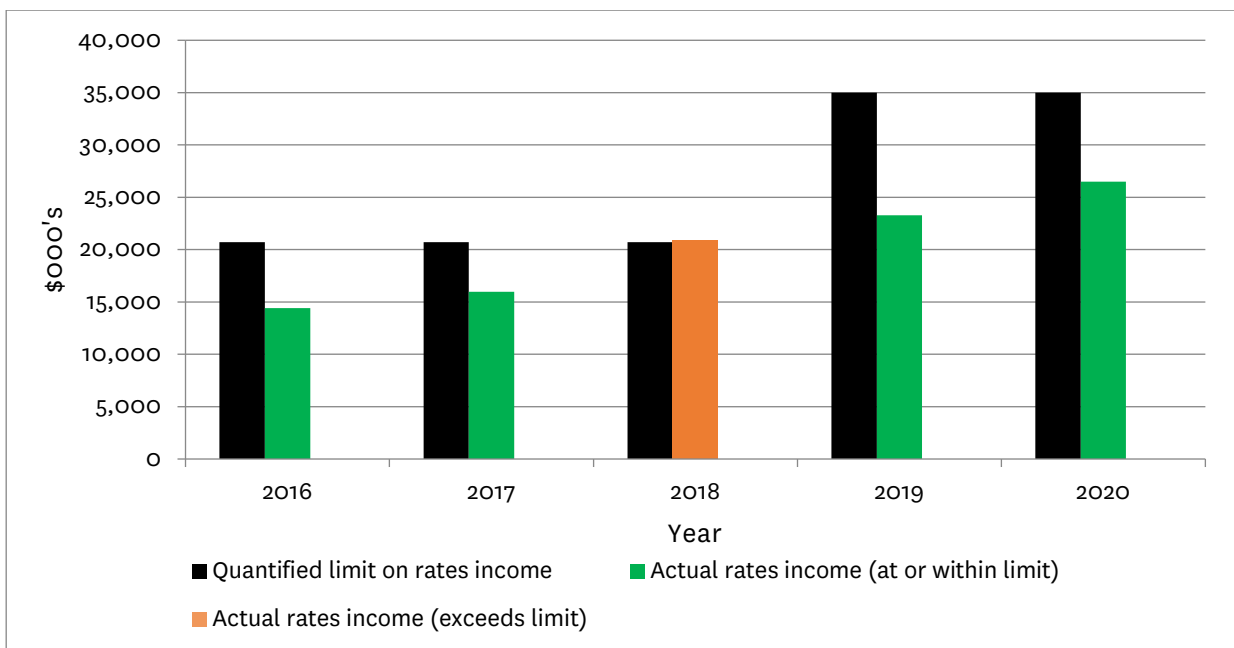
The Council meets the rates affordability benchmark if:

- 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.

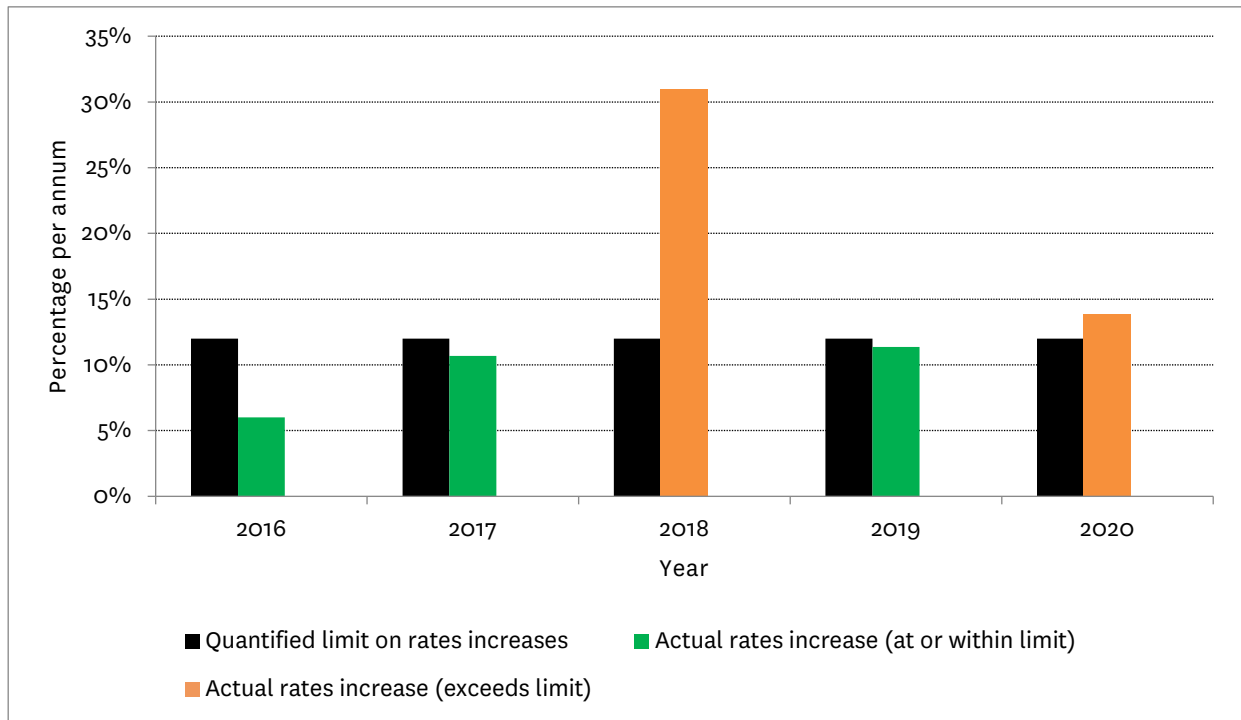
The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits for rates are from the long-term plan 2018-2028. The quantified limit is \$35 million or 50% of total revenue.





### 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, (2016, 2017 9%, and 2018, 2019 12%).



### Rates affordability commentary

The Rates (Income) affordability graph shows the quantified limit was exceeded in 2018 and 2020. 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.

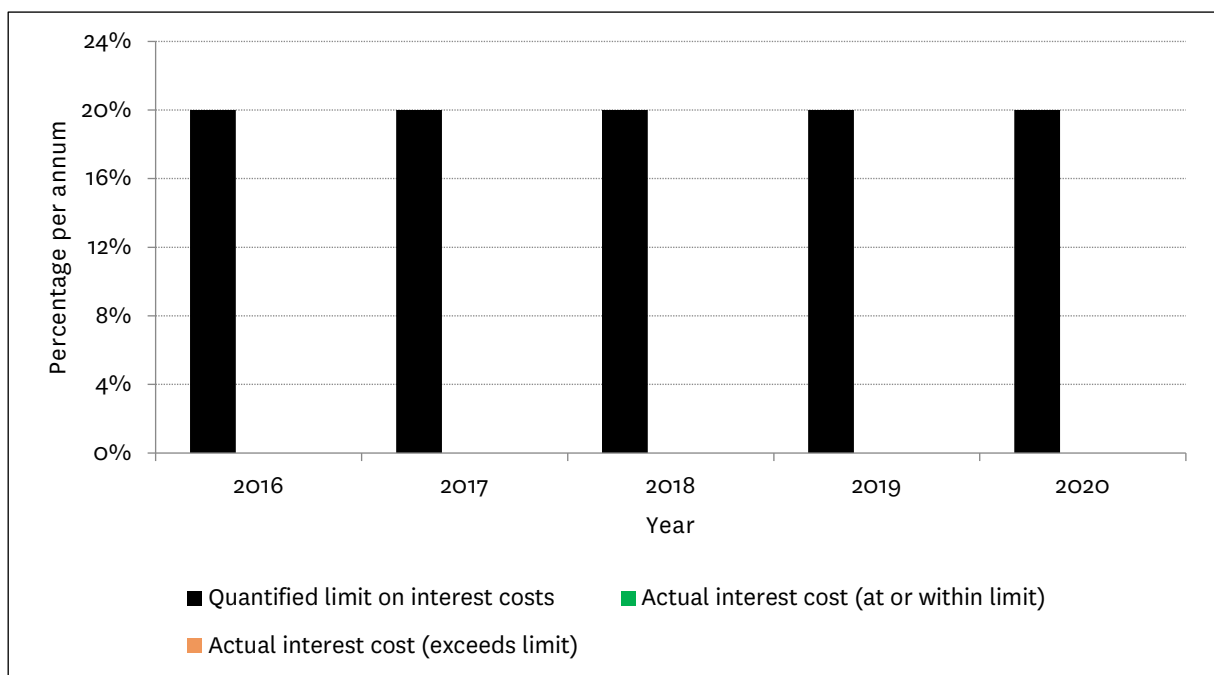
The Rates (increases) affordability graph shows the quantified limit was exceeded in 2018 and in the current year 2020. The quantified limit included in the Long-Term Plan was an increase of 12% in 2018 and 2020, and the actual amount of the increase was 31% and 14%.

The Annual Plan 2019/20 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).

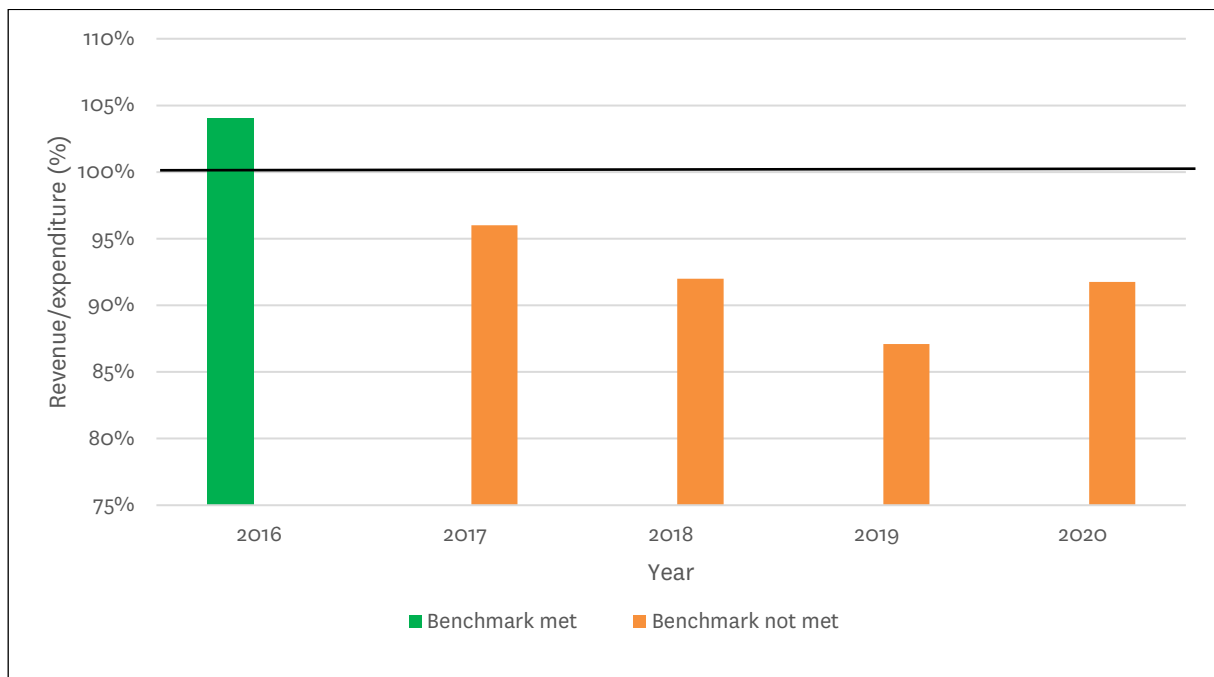
The following graph compares the Council's actual interest costs as a percentage of borrowing with a quantified limit specified in the financial strategy included in the Council's Long-Term Plan. The quantified limit is interest costs being a maximum of 20% of rates income, (2016-2019 20%).



### 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 2020, 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.

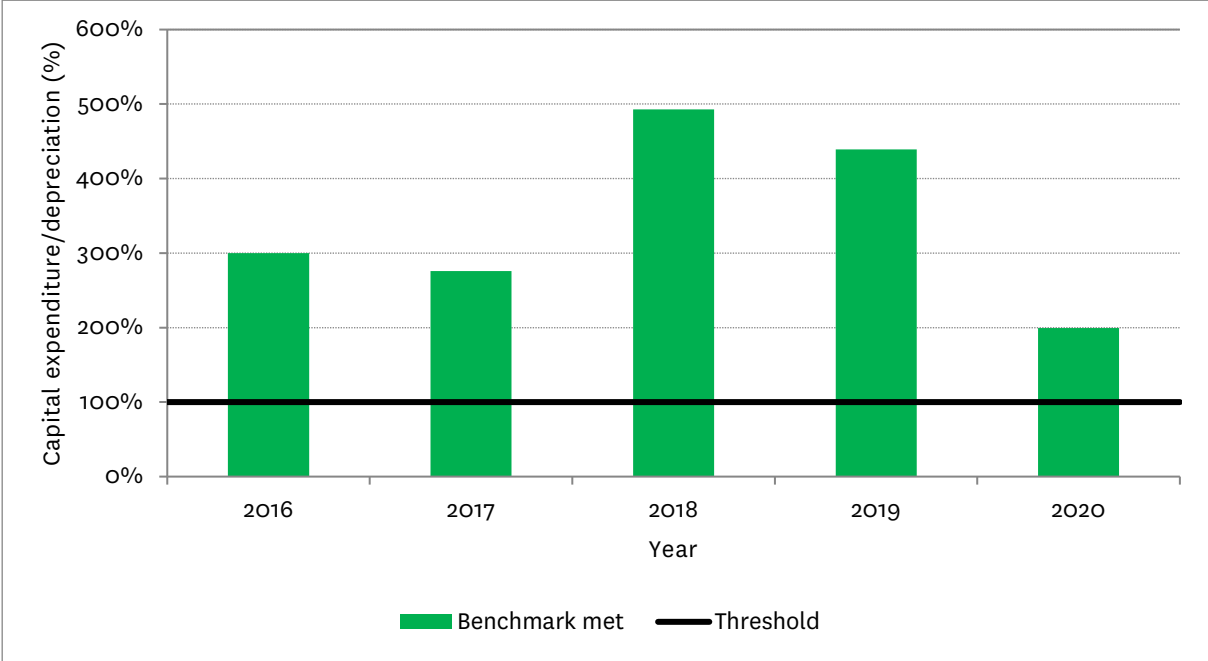
In the 2018, 2019 and 2020 year, Council resolved to fund costs associated with particular activities from reserves, with the activities most affected being the Environmental, Community and Transport activities.

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 river management.

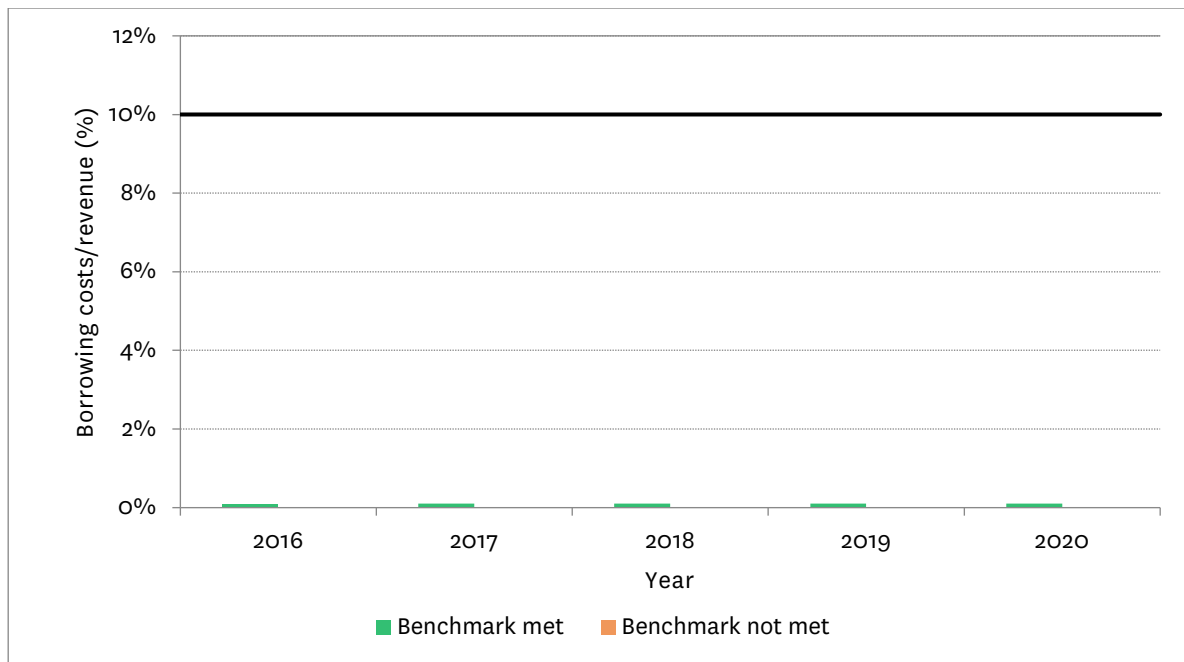
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### 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.

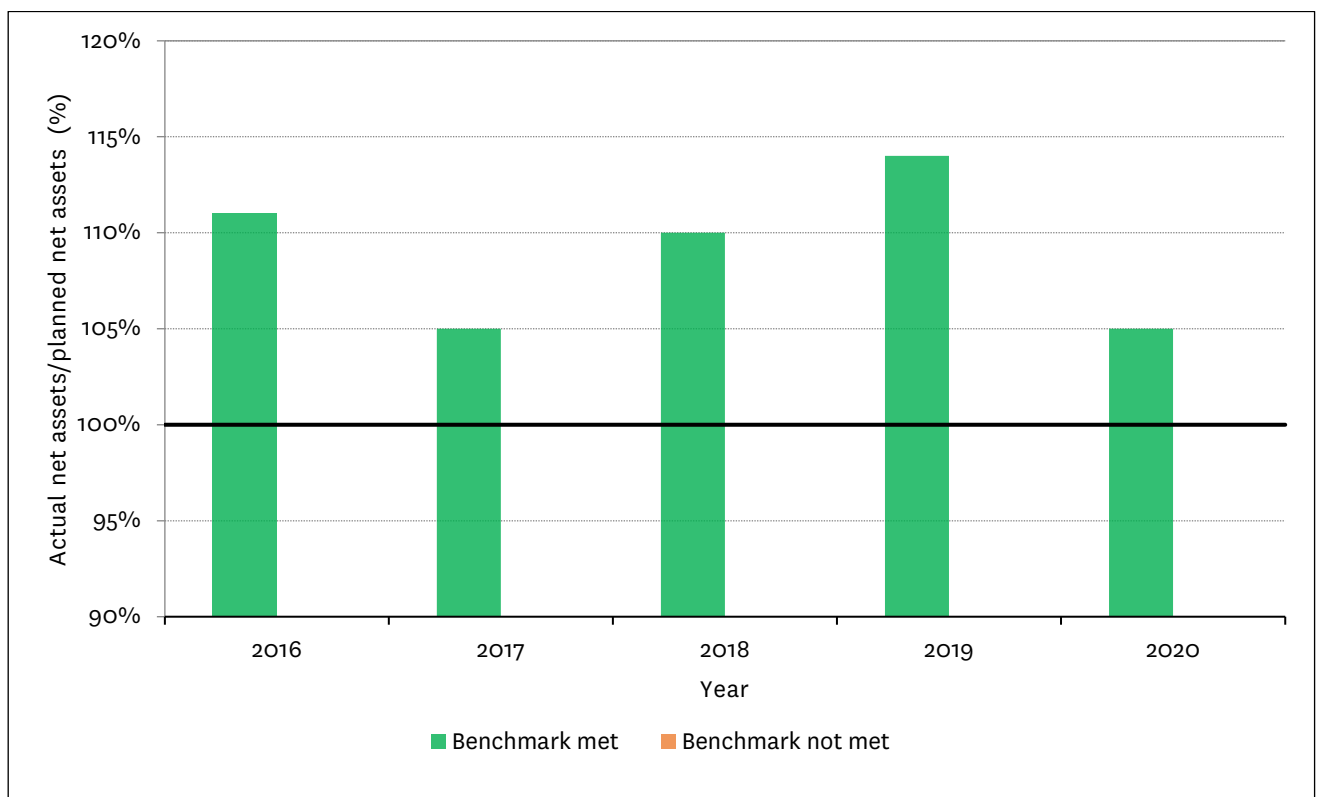


### Debt control benchmark

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.

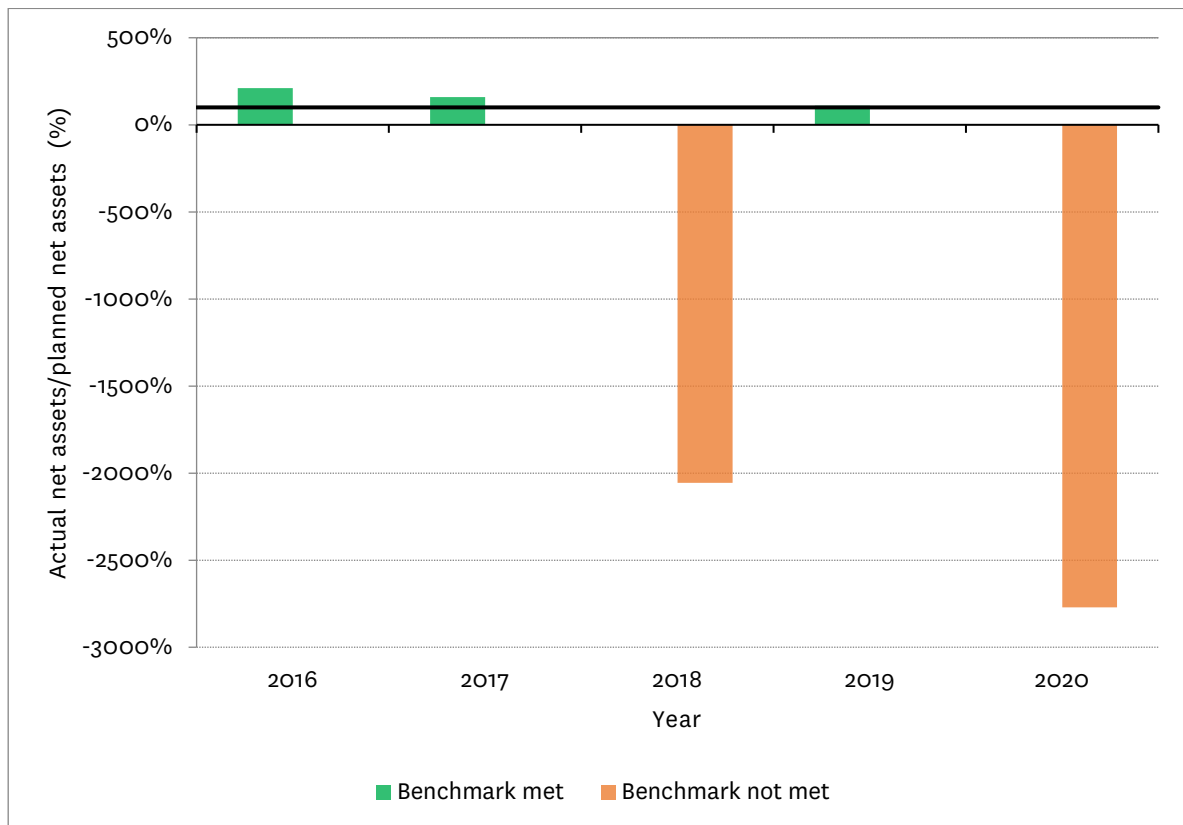
During the period 2015/16 to 2019/20, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets, excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



### 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 2020 year, the actual cash flow from operations was a net outflow of \$2,272,000 compared to the planned net outflow of \$82,000. The major cause of this variance was an increase in service on water policy, science, and our emergency response to the Covid-19 pandemic.

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.



## Additional information

### 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	Rating Base Information for the Year Ended 30 June 2020	Rating Base Information for the Year Ended 30 June 2019
Total number of rating units	117,753	116,243
Total capital value of rating units	\$80,888,981,000	\$79,087,493,800
Total land value of rating units	\$41,964,349,700	\$41,507,541,550

### Insurance of Assets

The total carrying value of all assets of the Council as at 30 June 2020 that are covered by insurance contracts amounts to \$16.535 million (2019: \$17.695 million) and the maximum amount to which they are insured is \$48.008 million (2019: \$48.918 million).

The total value of all assets of the Council as at 30 June 2020 that are self-insured amounts to \$96.056 million (2019: \$94.193 million).

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$62.822 million (2019: \$63.354 million), land of \$28.215 million (2019: \$26.710 million), transport infrastructural assets and hardware of \$0.321 million (2019: \$0.245 million) and software of \$4.699 million (2019: \$3.884 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 2020 the Council had not entered into any financial risk sharing arrangement for any assets held (2019: \$Nil).

## Directory

### Otago Regional Council councillors

Chairperson	M Hobbs	(October 2019 - July 2020)
Deputy Chairperson	M Laws	
Regional Councillors	H Calvert	
	M Deaker	
	A Forbes	
	C Hope	
	G Kelliher	
	A Noone	(Chairperson from July 2020)
	K Malcolm	
	G Robertson	
	B Scott	
	K Wilson	

### 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	G Elsum
General Manager Operations	G Palmer
General Manager Regulatory	R Saunders
General Manager People, Culture and Communications	S Giddens

### Otago Regional Council details

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
Principal office	Regional House, 70 Stafford Street, Private Bag 1954, Dunedin
Website	<a href="http://www.orc.govt.nz">www.orc.govt.nz</a>
Phone	0800 474 082 0800 800 033 (Pollution hotline)
Email	<a href="mailto:customerservices@orc.govt.nz">customerservices@orc.govt.nz</a>

### Port Otago Limited

Chairperson	Paul Rea
Deputy Chairperson	Pat Heslin
Directors	Tom Campbell Tim Gibson Jane Taylor
Chief Executive	Kevin Winders

## Office and depot locations

### Dunedin office

Monday to Friday, 8am to 5pm.  
Closed on public holidays.

Otago Regional Council  
70 Stafford Street  
Private Bag 1954  
Dunedin 9054

### Philip Laing House

Monday to Friday, 8am to 4:30pm.  
Closed on public holidays.

Level 2  
144 Rattray Street  
Dunedin 9016

### Alexandra office

Monday to Friday, 8:30am to 5pm.  
Closed on public holidays.

William Fraser Building  
Dunorling Street  
PO Box 44  
Alexandra 9340

### Queenstown office

Monday to Friday, 8:00am to 4.30pm.  
Closed on public holidays.

Terrace Junction  
1092 Frankton Road  
Queenstown 9300

## Depots

We have staff located at depots throughout the region.

Please note that depots do not service general enquiries or accept payments. Please contact us by email or phone for guidance or general enquiries.

### Balclutha

Hasborough Place  
Balclutha 9230

### Oamaru

32 Ribble Street  
Oamaru 9400

### Taieri

173 Dukes Road North  
North Taieri

### Cromwell

14 Rogers Street  
Cromwell 9310

### Palmerston

54 Tiverton Street  
Palmerston 9430

### Wanaka

185 Riverbank Road  
Wanaka 9382

## Statement of compliance

In accordance with Part 3 of Schedule 10, Clause 34 of the Local Government Act 2002, the Council and management of ORC confirm that all the statutory requirements in relation to the Annual Report have been complied with.



Andrew Noone  
Chairperson



Sarah Gardner  
Chief Executive

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF OTAGO REGIONAL COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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 30 September 2020. This is the date on which we give our report.

#### Opinion on the audited information

In our opinion:

- the financial statements on pages 89 to 149:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2020;
    - 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 79, 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 annual plan;
- the statement of service provision on pages 14 to 77:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2020, 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 80, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's annual plan; and
- the funding impact statement for each group of activities on pages 81 to 86, 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 150 to 158, 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.

### **Emphasis of Matter – impact of COVID-19**

Without modifying our opinion, we draw attention to the disclosure in note 26 about the impact of COVID-19 on Council and the Group as set out in the notes to the financial statements. We draw specific attention to the following matters due to the significant level of uncertainty caused by COVID-19:

- Valuation of Shares in Port Otago Limited  
Note 2 describes the significant market uncertainty highlighted by the valuers related to estimating the fair value of the Councils' investment in Port Otago Limited shares (in particular the port operations component).
- Investment Property  
Note 7 describes the material valuation uncertainties highlighted by the valuers related to estimating the fair value of the Council and Groups Investment Property assets.

### **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 Annual 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 1 to 13, 87 to 88 and 159 to 160, 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: *International 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.



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