

OTAGO REGIONAL COUNCIL

Agenda for a meeting of the Finance and Corporate Committee to be held in the Council Chamber, 70 Stafford Street, Dunedin on Wednesday 22 March 2017, following the Policy Committee

Membership:

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

Apologies:

In attendance:

**Please note that there is an embargo on agenda items until 8.30 am on
Monday 20 March 2017**

CONFIRMATION OF AGENDA

CONFLICT OF INTEREST

PUBLIC FORUM

- Presentation of a petition to retain the Centre City New World bus stop for the Mosgiel bus services. Speaker – Lynne Hill
- Address to councillors on the impacts of the Port Otago Ltd operations on the Port Chalmers environment. Speaker – Mary McFarlane.

MINUTES

The minutes of the meeting held on 8 February 2017, having been circulated, for adoption.

PART A – PRESENTATIONS

Item 1 Port Otago Ltd Interim Six Month report

PART B - RECOMMENDATIONS

Page Nos.

Item 2

2017/0686 **2017-18 Draft Annual Plan and Consultation Document.** DCS, 06/03/17 -

The Draft Annual Plan (draft plan) is presented to the Finance and Corporate Committee for adoption, so that it may be made available on the ORC website as supporting documentation to the consultation document.

The consultation document is also presented for consideration and adoption, so that it may be distributed to the Otago community, inviting comment on our proposed activities for the 2017/18 year.

The full *Draft Annual Plan 2017/18* and the *Draft Annual Plan 2017/18 consultation document* are circulated separately with the agenda.

The full Castalia Ltd report entitled “*Economic Assessment of the Lower Waitaki River Control Scheme*” is circulated separately with the agenda.

Item 3

2017/0682 **Leith Flood Protection Scheme, Union Street to Leith Footbridge Construction** DES, 15/03/17 -

This report provides an update on the Union Street to Leith Footbridge stage of the Leith Flood Protection Scheme. Council approval is sought to award the contract for the construction of this stage to Downer New Zealand Limited (Downer) for the sum of \$2,497,034.74 (excluding GST).

Item 4

2017/0700 **Director’s report – March 2017.** DCS, 09/03/17 -

The report outlines the Irrigation Scheme Rates and account payments for endorsement.

PART C – FOR NOTING

Item 5

2017/0687 **Financial Report to 31 January 2017.** DCS, 06/03/17 -

The report provides information in respect of the overall Council finances for the seven months ended 31 January 2017.

PART D- RESOLUTION TO EXCLUDE THE PUBLIC

I move that the public be excluded from the following parts of the proceedings of this meeting, namely:

Item 6

2017/0707 Replacement Ticketing System – Update, DCS, 10/03/17

This report provides Council with an update on the progress of the procurement of the Regional Integrated Ticketing System (RITS) interim solution as part of the Transport Agency National Ticketing Programme (NTP). The report seeks Council’s approval to participate in the implementation of the ticketing system with the preferred supplier identified through the collective procurement process, and to act as the lead agency for the implementation, and the operation of the new system.

Item 7

2017/0708 Designation Notice of Requirement – Authority, DCS 10/03/17

The report requests for Council to delegate to the Chief Executive authority to lodge a Notice of Requirement with the Dunedin City Council for the construction, implementation and ongoing operation of the Central City Bus Hub/Interchange in Great King Street between St Andrew Street and Moray Place.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item 6 – Replacement Ticketing System - Update	enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). <i>Section 7 (2)(i)</i>	Section 48 (1) (a) Section 7(2)(i)
Item 7 – Designation Notice of Requirement - Authority for the Central City Bus Hub	enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). <i>Section 7 (2)(i)</i>	Section 48(1)(a) Section 7(2)(i)

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

- Item 6 enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).
Section (2)(i)
- Item 7 enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).
Section (2)(i)

I also move that staff be permitted to remain in this meeting, after the public has been excluded, because of their knowledge of the: Regional Integrated Ticketing System (RITS); Transport Agency National Ticketing Programme (NTP), and the Notice of Requirement with the Dunedin City Council.

OTAGO REGIONAL COUNCIL

Minutes of a meeting of the Finance and Corporate Committee held in the Council Chamber, 70 Stafford Street, Dunedin on Wednesday 8 February 2017, commencing at 1:09pm

Membership:

- Cr Doug Brown (Chairperson)
- Cr Andrew Noone (Deputy Chairperson)
- Cr Graeme Bell
- Cr Michael Deaker
- Cr Carmen Hope
- Cr Trevor Kempton
- Cr Michael Laws
- Cr Maggie Lawton
- Cr Sam Neill
- Cr Gretchen Robertson
- Cr Bryan Scott
- Cr Stephen Woodhead

Apologies:

- Cr Sam Neill
Apology was noted and accepted.

In attendance:

- Peter Bodeker (CEO)
- Nick Donnelly
- Gavin Palmer
- Fraser McRae
- Caroline Rowe
- Scott MacLean
- Gerard Collings (Item 1)
- Lauren McDonald (Committee Secretary)

CONFIRMATION OF AGENDA

There were no changes to the agenda.

CONFLICT OF INTEREST

No conflicts of interest advised.

PUBLIC FORUM

No public forum was held.

MINUTES

The minutes of the meeting held on 23 November 2016, having been circulated, were adopted on the motion of Crs Woodhead and Deaker.

PART A - RECOMMENDATIONS

Item 1

2017/0610 **Waverley-Belleknowes - Petition** DCS, 27/01/17

The report provided staff comment on the petition received by Council at its 7 December 2016 Council meeting, relating to the Waverley–Belleknowes services introduced on 15 August 2016. The petition received, raised five matters where change to the current network services was requested.

Cr Noone advised he had been invited and had met with some of the affected bus users in the area detailed within the petition. He suggested that Council give consideration to targeted consultation with this community again, as the RPTP consultation was held in 2014 and there had been a significant level of residential development in that area since that time.

He advised his proposed motion was as an amendment to the staff recommendation b (iii) of the report, that there be no change to the existing route in response to the petition request to “restore the previous route through lower City Rise to service Canongate, Russell Street and Arthur Street.”

Moved Cr Noone

Seconded Cr Deaker

That Council undertake targeted consultation on the possible reintroduction of the Canongate, Russell and Arthur Streets, service as an amendment to the RPTP.

Discussion was held on the implications of making the changes requested in the petition, including:

- impact on the network and other bus routes
- alignment to the design principles within the RPTP (which have been endorsed by Council)
- creation of precedence in the network
- provision of a higher level of service for one area of the city more than other areas (anomaly).

Mr Collings, Support Services Manager, advised the implications for Council would include:

- Financial -which would require negotiations with the operator
- A timing adjustment - in relation for the provisions of services
- Investigation - as to how this would affect other interactions of the other services in and around the Bus Hub.

Moved Cr Noone

Seconded Cr Deaker

Amendment to recommendation b(iii)

That Council undertake targeted consultation on the possible reintroduction of the Canongate, Russell and Arthur Streets, service as an amendment to the RPTP.

Motion carried.

Moved Cr Woodhead
Seconded Cr Scott

That Council:

- (a) Receives this report.
- (b) Endorse the staff recommendations with regard to the petition as follows:
 - (i) *Petition: Eliminate the 37 minute delay halfway around the Waverley Loop*
Recommendation: No further action required
 - (ii) *Petition: Use that time to reinstate the twice an hour frequency of the Belleknowes end of the route*
Recommendation: Implement the change in frequency in July 2018 as programmed
 - (iii) *Amended recommendation: That Council undertake targeted consultation on the possible reintroduction of the Cannongate, Russell and Arthur Street, service as an amendment to the RPTP.*
 - (iv) *Petition: Add bus stops on Serpentine Avenue, Maclaggan Street and Somerville Street. (Note the Belleknowes petition also seeks bus stops in Lower York Place)*
Recommendation: The current actions be noted
 - (v) *Petition: Display bus signs only stating the destination*
Recommendation: The staff actions be noted

Motion carried

Cr Brown thanked the members of the public for their attendance and interest.

The meeting adjourned at 1:40pm and reconvened at 2:11pm.

The apology of Cr Noone was noted for the remainder of the Finance and Corporate Committee meeting.

Item 2

2017/0587 **Executive report – February 2017**. DCS, 18/01/17

The report outlined the rates collection and account payments for endorsement.

Moved Cr Woodhead
Seconded Cr Kempton

- (a) *That this report be received.*
- (b) *That the payments and investments summarised in the table above and detailed in the payment schedule, totalling \$26,775,985.47, be endorsed.*

Motion carried

PART B – FOR NOTING

Item 3

2017/0616 **Bus Hub Interchange - Community Engagement - Update.** DCS
30/01/17

The report provided a summary of the response received through the Community Engagement process undertaken late 2016. The detailed feedback is currently being reviewed by staff and our consultants who will consider the current design in the context of the feedback and make recommendations to Council on any changes prior to finalising the detailed design.

Moved Cr Brown
Seconded Cr Robertson

That Council receives this report.

Motion carried

Item 4

2017/0597 **Financial Report to 31 December 2016.** DCS, 25/01/17

The report provided information in respect of the overall Council finances for the six months ended 31 December 2016.

Moved Cr Robertson
Seconded Cr Hope

That this report be received.

Motion Carried

PART C – NOTICE OF MOTION

Moved by Cr Laws (and tabled in the agenda)

“That the Otago Regional Council engage with the territorial authorities in its region to collaborate in an independent study that will assess the merits and demerits of establishing unitary authorities in the Otago region, and disestablishing the Otago Regional Council. The findings of the study to be publicly published.”

Cr Brown advised that the Notice of Motion included in the agenda had been subsequently changed by Cr Laws and was detailed in the paper provided by Cr Laws.

Moved Cr Brown
Seconded Cr Robertson

For the amendment to the Notice of Motion as follows:

Moved Cr Laws
Seconded Cr Lawton

“That the Otago Regional Council invite territorial authorities in the Otago region to meet with it for the express purpose of determining the most effective and efficient governance structure for the aforesaid Otago region. That any results of these discussions be made publicly available and that the most appropriate process for public input be considered.”

Cr Laws as mover of the motion advised he wished to see ORC lead a review of the governance structure, rather than the possibility of the Local Government Commission doing so in the future. He advocated that ORC take the lead in reviewing the governance structure for the Otago region now, rather than take a “wait and see” approach.

Cr Lawton as seconder of the motion and advised her concerns included regional management of how the RMA is being applied and the existing gaps between the territorial authorities, particularly in regard to the management of water quality issues.

Discussion was held in regard to a review of the governance structure.

Comments in support of the motion included:

- A positive challenge and the opportunity to lift the “status quo” up for inspection with the guidance of an independent review group.

Comments against the motion included:

- The timing of the review was seen as an unnecessary distraction to the work ORC needs to be focused on such as water quantity, quality and pest management for the region.
- No benefit seen in splitting Otago up into smaller regions.
- Existing collaborative work already in place across regional boundaries, e.g. regional transport and pest management.
- Lack of confidence that the statements made in the discussion paper were all factually true.
- Sole focus on review of the governance structure without defining what the issues are to enable solutions to be sought.
- High cost and extended period of time required to undertake a review.
- That the DCC motion is unrelated to the Notice of Motion tabled.
- A review process already exists under Section 17A of the Local Government Act for better ways of the delivery of council services.
- Advice received from TLAs is there is no appetite to engage in a regional review.
- No mandate has been received from the community for this review.

- It was acknowledged that improved communication and collaboration with territorial authorities (TLAs) and agencies was already occurring and that the focus should be on engaging with communities and TLAs for issues such as the responsibility for the Otago Harbour and coastal areas.

The motion was lost.

The meeting was declared closed at 3:10pm.

Chairperson

REPORT

Document Id: A985153

Report Number: 2017/0686
Prepared For: Finance and Corporate
Prepared By: Manager Projects
Date: 6 March 2017

Subject: **2017-18 Draft Annual Plan and Consultation Document**

1. Précis

As part of its planning processes, Council has prepared a 2017/18 Draft Annual Plan (draft plan), which sets out the proposed work programme for the year, along with estimated expenditure and draft financial statements.

The purpose of this paper is to present to the Finance and Corporate Committee the consultation document for consideration and adoption, so that it may be distributed to the Otago community, inviting comment on our proposed activities for the 2017/18 year.

The Draft Annual Plan (draft plan) is also presented to the Finance and Corporate Committee for adoption, so that it may be made available on the ORC website as supporting documentation to the consultation document.

Following the consultation process, a final Annual Plan will be presented to Council for adoption in June.

2. Background

Section 95A of the Local Government Act 2002 (LGA) sets out the purpose of an annual plan consultation document. In summary, the consultation document must identify and explain significant or material differences between the proposed annual plan and the content of the Long Term Plan (LTP).

The LGA prescribes the content of the consultation document, and states that the document must not have attached to it the draft annual plan, a full draft of any policy, or any detailed information that is not necessary or desirable for meeting the purpose of the document.

It is proposed that our web site will have a copy of the draft plan as supporting information to the consultation documents. The LGA provides that council must adopt the information that is relied upon, before it adopts the consultation document.

3. Consultation document

The consultation document provides some background to our activities, and explains the differences between the LTP and the draft plan. It is intended that the document will be distributed to all households, in the same manner as our "Otago Wide" publication.

The consultation document will present our key consultation topics, and provide financial and rating information, to enable our community to understand the changes we are proposing and the financial impacts of those changes.

A summary of the differences presented in the consultation document are discussed below:

3.1 Emergency Management

During the year, the management structure for emergency management in Otago changed, so that Emergency Management Officers from the territorial authorities are now employed directly by the ORC, and report to the Group Controller/Regional Manager. Our draft plan provides for the transfer of the associated employment costs from the territorial authorities to the ORC. In addition, a proposal to increase staffing for training and community education are provided for, to increase our readiness and resilience to deal with any emergency situation that may arise.

The estimated cost of this activity is \$2,421,000, and we are consulting on how this should be paid for. The consultation document provides two options for consideration as follows:

Option 1 – Uniform targeted rate of around \$25.89 charged to all rating units across the region.

Option 2 – 50% uniform targeted rate and 50% general rate. The estimated rates payable for emergency management for this option for sample properties are shown in the table below:

Option 2: Emergency Management Rates	Capital value \$300,000	Capital value \$750,000	Capital value \$4,000,000
Central Otago district	\$20.56	\$26.89	\$72.61
Clutha district	\$20.81	\$27.51	\$75.91
Dunedin City	\$20.63	\$27.07	\$73.58
Queenstown Lakes district	\$22.50	\$31.75	\$98.51
Waitaki district	\$21.16	\$28.40	\$80.65

The consultation document notes that Option 1 is council's preference, as this activity is about people, not property.

3.2 Rural water quality

A significant increase in the level of work being undertaken is proposed, to assist the implementation of our rural water quality rules. We are planning to undertake an environmental risk assessment of every property that is charged the rural water quality rate over a three year period, noting there are approximately 6,300 properties. These assessments will help landowners understand what they need to do to comply with the provisions of the water plan by 2020, what risks to water quality might be present on their property, and how they may take steps to address those risks.

We are also proposing to increase the level of compliance work undertaken through a catchment monitoring programme. This programme aims to better understand the impact of land activities on water quality. Our monitoring will target the most at risk catchments first, and then move to the moderate and lower level risk catchments in future years.

The increase in rural water quality work is estimated to cost \$2.8 million compared to \$2 million in 2016/17. This increase of approximately \$800,000 is proposed to be funded by \$210,000 of general rates, \$39,000 of reserves, and \$551,000 of targeted rural water quality rates, which will bring the targeted rate to \$1,190,000 compared to \$639,000 in 2016/17.

Sample rural water quality rates payable by all rural land use type properties (all sizes), and lifestyle blocks that are 2 hectares or greater, are shown in the table below:

Rural Water Quality Rates	Capital value \$300,000	Capital value \$750,000	Capital value \$4,000,000
Central Otago district	\$20.68	\$51.69	\$275.68
Clutha district	\$21.86	\$54.65	\$291.44
Dunedin City	\$20.98	\$52.45	\$279.72
Queenstown Lakes district	\$29.65	\$74.12	\$395.28
Waitaki district	\$22.69	\$56.72	\$302.48

3.3 Dairy inspections

The targeted rates for dairy inspections are proposed to increase from \$325 (incl. GST) in 2016/17 to \$478 in 2017/18. We are proposing to change our inspection programme from every dairy farm being visited each year, to a risk based approach, which prioritises the farms most at risk of impacting water quality. Using this approach, some farms may get two or three visits a year, while a low risk farm may only get one visit, say every two years. Every dairy farm, regardless of the number of inspections made, will be charged the dairy inspection rate.

3.4 Minimum flows and deemed permit renewals

The draft plan provides for an accelerated programme of work to set minimum flows on a number of rivers and aquifers in Otago, and work in 2017/18 includes the Cardrona, Clutha Mata Au, Arrow and Manuherikia rivers.

Work is continuing on the deemed permit renewal activity, which involves our ongoing work with permit holders to form water groups in priority catchments, and providing information such as ecological flows and historic water use to assist permit renewal. This activity costs approximately \$526,000 and we are proposing to fund this work from the Water Management Reserve rather than from general rates.

3.5 Public transport in Wakatipu

The draft plan provides for contracting out bus services in the Wakatipu basin, where previously, commercial bus services have been running. This change follows a network review where it was agreed with Queenstown Lakes District Council and New Zealand Transport Agency that an integrated approach to the transport issues in this area was needed.

It is proposed that a flat bus fare of \$2 be introduced. Along with ORC targeted rates and New Zealand Transport Agency grants, Queenstown Lakes District Council will also contribute funding to assist the sustainability of a \$2 fare. It is proposed that the targeted transport rate for this area increase from \$55,000 in 2016/17, to \$600,000.

Bus services will be extending out to Jacks Point, and so it is also proposed that this area be brought into the targeted rating area.

3.6 Queenstown office

The draft plan provides \$150,000 for the cost of leasing office space in Queenstown that would accommodate four to five full time staff, and provide “hot desks” and meeting rooms. This would give ORC a better presence in this area, and the community better access to staff.

3.7 Lower Waitaki River scheme

The 2016/17 Annual Plan provided for an independent economic assessment of the public versus private benefits of the Lower Waitaki River scheme to be undertaken. Castalia were engaged to undertake the review, and their report is attached for information purposes. Castalia's findings on the allocation of benefits are shown in the table below.

Scheme	Castalia Public private ratio	Current public private ratio
Lower Waitaki River scheme	10:90	0:100

The impact of the Castalia review is that there should be a switch of 10% of funding (\$16,300) from targeted rates to general rates. Castalia's view is that there are greater benefits from this scheme to the wider community than is being recognised in our current revenue policy.

3.8 Lake Snow

The consultation document signals the proposal to provide \$100,000 towards research on Lake Snow. This is proposed to be funded from general rates.

3.9 Lake restoration

The consultation document discusses our proposal to work with local communities on technical options for Lake Hayes, and on setting environmental visions and plans for Lake Tuakiototo and Tomahawk Lagoon. It is proposed that this work, costing \$91,000, will be funded from general rates.

3.10 Clutha Shoreline Retreat

It is proposed that our natural hazards team undertake some work to scope potential options for responding to sea level rise and shoreline retreat on the Clutha Delta. It is further proposed that this work, which will cost \$69,000 be funded from the Kuriwao Reserve.

3.11 Wallaby control

During 2016/17, council recognised that ORC needed to be involved in the control of wallabies, as the wallaby population south of the Waitaki has been growing at a rate faster than anticipated. Council agreed to commence work during that year, but because this was not provided for in the 2016/17 Annual Plan, this would be funded from reserves. The 2017/18 draft plan provides for this work to continue, at a cost of \$274,000, and it is now proposed that it be funded from general rates.

4. Other matters

Other matters of interest are presented below:

4.1 Pest Management Plan review

The notification of a revised Pest Management Plan for Otago is provided for in both the LTP and draft plan.

4.2 Wilding trees

During 2016/17 the Government committed \$16 million over 4 years towards a national wilding conifer control programme, and has allocated some of this funding to the Otago region. ORC signed an agreement with MPI to administer the use of that funding for wilding conifer control works in designated management areas. The estimates for 2017/18 provide for a contribution from MPI of \$1.2 million towards this work.

4.3 ORC head office replacement

The draft plan provides for further work to be undertaken to progress a proposal for a new head office building. Approximately \$665,000 has been set aside for this work which will include design, costings, and consultation, and this will be funded by the Building Reserve. Once enough information on possible location, design, costings and funding is available, we will consult with our community on this matter, which may take place during the 2017/18 year.

5. Financial implications

A summary of the estimated cost of completing our activities (both operating and capital) is shown in the table below:

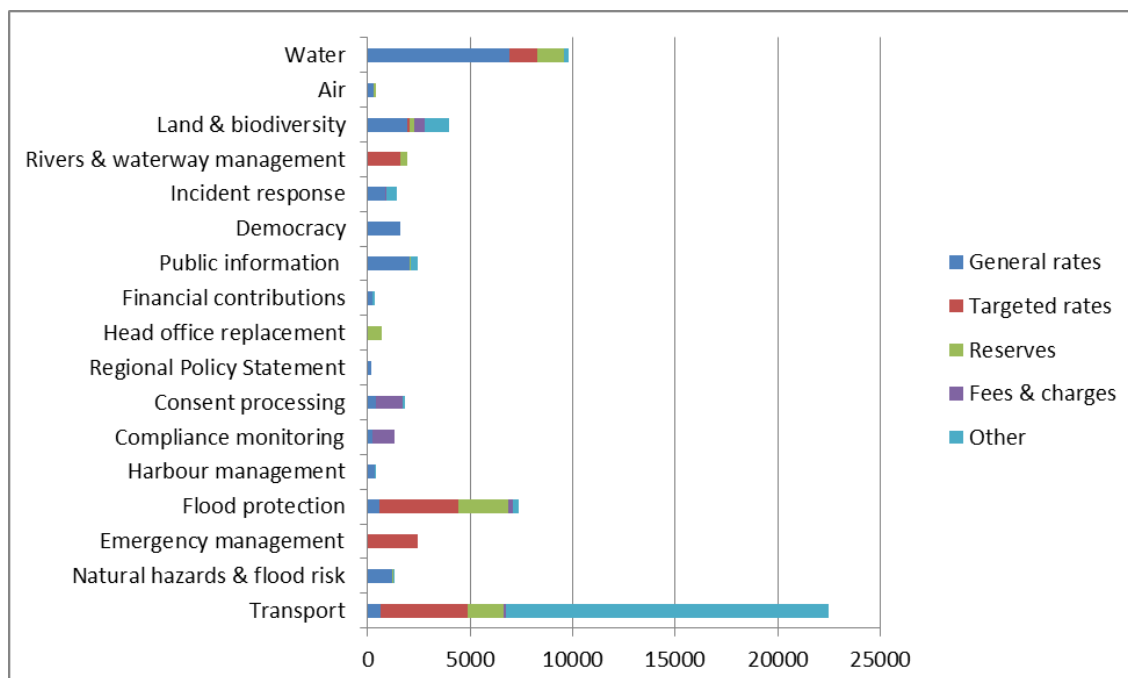
LTP 2017/18 \$000s	Activity	Draft plan 2017/16 \$000s	Annual Plan 2016/17 \$000s
Environmental			
7,564	- Water	9,820	7,653
267	- Air	422	451
2,500	- Land	3,981	1,982
1,925	- Rivers & waterway management	1,920	1,822
1,339	- Environmental incident response	1,406	1,263
Community			
1,437	- Democracy	1,567	1,548
2,096	- Public information and awareness	2,442	2,037
596	- Financial contributions	350	350
-	- Head office replacement	665	2,317
Regulatory			
-	- Regional policy statement	191	176
1,959	- Consent processing	1,791	1,549
1,383	- Compliance monitoring	1,283	1,162
307	- Harbour management	405	273
Flood protection and control works			
6,943	- Flood and drainage schemes	7,385	9,131
Safety and hazards			
533	- Emergency management	2,421	702
1,640	- Natural hazards & flood risk mgmt.	1,325	1,261
Transport			
176	- Regional transport planning	316	168
11,448	- Public passenger transport	21,653	16,322
76	- Stock truck effluent disposal	509	495
42,189	Total Expenditure	59,852	50,662

The variations in activities have been discussed in section 3 and 4 of this report.

The sources of revenue budgeted to cover the cost of our activities are as follows:

LTP 2017/18 \$000s	Activity	Draft plan 2017/16 \$000s	Annual Plan 2016/17 \$000s
5,846	General rates	7,250	6,341
10,570	Targeted rates	13,560	9,602
6,532	Grants	11,055	9,575
7,500	Dividends	9,000	7,400
3,868	Fees & charges	3,416	2,968
3,813	Reserves	7,013	11,368
4,060	Interest & Other income	8,558	3,408
42,189	Total revenue	59,852	50,662

Below is a graph showing the funding sources for each activity for the 2017/18 financial year.



5.1 General rates

The general rate increase is \$909,000, or 14%, as shown below:

	Draft annual plan 2017/18 \$000s	Long term plan 2017/18 \$000s	Annual Plan 2016/17 \$000s
General rates for activities	17,381	15,306	15,715
Less dividend from Port Otago Ltd	(7,500)	(7,500)	(7,400)
Less interest and other income	(1,131)	(1,960)	(1,974)
Less special dividend	(1,500)	-	-
General rates payable	7,250	5,846	6,341
% increase on 2016/17	14%		

Each year Council receives a dividend from its subsidiary company, Port Otago Ltd., and it is used to reduce the general rate requirement.

Our work programme is increasing, and the work we are proposing to do is necessary and important for our region. This level of work is going to continue into the future, and so we are proposing to increase our general rates each year over the next three years, at a similar level to the proposed increase this year, to get it to a level that will support our work programme.

To help manage the proposed increase in general rates in 2017/18, ORC will receive a special dividend of \$1.5 million from Port Otago Ltd, and it is proposed that a further special dividend will be received in the 2018/19 year, so that by 2019/20 our general rates will be at a sustainable level.

Interest and other income are lower than estimated in our LTP and 2016/17 Annual Plan. Interest rates have decreased since our original planning in 2015, and so the estimates have been reduced to reflect current market rates.

The LTP provided that general rates would be \$5.8 million in the 2017/18 year. Throughout the draft plan there are small variations over a large number of activities. However, the primary reasons for the increase in rates of \$2.9 million (before applying the special dividend) above that provided for in year three of the LTP are as follows:

	\$000s	Reason for increase
Increase in 2016/17 previously consulted on	740	Natural hazards, rural water quality, Castalia review of flood and drainage schemes, harbour management
Water	999	Minimum flows, urban water quality, Lake Snow research, Coastal SOE network and strategy
Land	762	Wallabies, pest management plan review, lake restoration, pest plan implementation
Community	144	Enviroschools, public awareness, LTP planning
Regulatory	237	Harbour management, consent administration

The general rate impact on individual properties in dollar terms is small. For example, it is estimated that a \$900,000 home in Queenstown will be charged general rates of \$114 compared to \$100 in 2016/17, an increase of \$14. Both Central Otago and Dunedin capital values were revalued during the year, and so comparison is difficult, but as an example a \$290,000 home in Dunedin, that was valued at \$245,000 in 2016/17, will be charged \$52 compared to \$42 in 2016/17, an increase of \$10.

The table below shows the general rates that we estimate are payable for the capital values shown within each district of Otago, inclusive of a UAGC of \$19.20, and GST.

General Rates	Capital value \$300,000	Capital value \$750,000	Capital value \$4,000,000
Central Otago district	\$42.10	\$76.46	\$324.56
Clutha district	\$45.00	\$83.69	\$363.16
Dunedin City	\$52.38	\$102.15	\$461.60
Queenstown Lakes district	\$50.01	\$96.23	\$430.00
Waitaki district	\$43.85	\$80.82	\$347.84

Council's financial strategy sets rates affordability benchmarks, in terms of total rates and rate increases. The strategy advises that general rates will not exceed \$6.2 million in each year of the LTP, and that general rate increases will be capped at 6.9% per annum. Council will not comply with its financial strategy for the 2017/18, and this will require disclosure in its 2017/18 Annual Report.

5.2 Targeted rates

Targeted rates are made up as follows:

	Draft annual plan 2017/18 \$000s	Long term plan 2017/18 \$000s	Annual Plan 2016/17 \$000s
Air quality	-	100	-
Emergency management	2,421	-	-
Wilding trees	100	-	100
Water quality rates			
Rural water quality	1,190	774	639
Dairy inspection	186	136	129
Transport rates			
Transport – Dunedin	3,632	3,633	3,429
Transport - Queenstown	600	55	55
River management rates			
Central Otago District	300	350	300
Clutha District	265	275	265
Dunedin City	150	150	150
Wakatipu	150	200	200
Wanaka	167	167	167
Waitaki District	400	400	350
Flood & drainage scheme rates			
East Taieri Drainage	425	483	390
Leith Flood	1,365	1,365	1,275
Lower Clutha	600	708	548
Lower Taieri	700	780	640
Lower Waitaki District*	146	118	145
Shotover Delta	150	200	253
Tokomairiro	95	95	80
West Taieri Drainage	517	580	488
Total	13,560	10,570	9,602

With respect to the air quality rate, rather than continuing to rate Airzone 1 and Milton properties as provided for in the LTP, the clean heat initiative of providing subsidy for clean heating appliances is now being funded from its reserve.

*The targeted rates for this scheme has been adjusted to reflect the Castalia findings.

Ratepayers will be able to visit our web site and view our rate calculator which will provide rates payable for their properties, by rate type and in total.

6. Balancing the budget

We are required to ensure that our estimated revenue is sufficient to cover our estimated operating costs. We can however set our revenue at a different level, if Council resolves that it is financially prudent to do so. It is estimated that for the 2017/18 year, the estimated revenue will not cover estimated operating costs. We are estimating an operating deficit of approximately \$537,000.

The primary reason for the shortfall in revenue is the use of reserves to fund operating expenditure. General reserves are to be used for:

General reserves	\$000s
Biodiversity fund	250
STED's	209
Research & development	171
Total general reserves	630

The Water Management Reserve is being used to fund the deemed permit renewal project, at an estimated cost of \$526,000.

7. Fees and Charges

The schedule of fees and charges has been reviewed to update the scale of charges in relation to the actual cost of staff time, and make minor amendments to the charges for performance monitoring. The amendments proposed are as follows:

	Proposed 2017/18	Actual 2016/17
Scale of Charges:	\$	\$
Staff time per hour:		
* Technical/Scientist	120.00	115.00
Performance monitoring charges (amendments only)		
Structures:		
Structural integrity reports	80.00	-
Discharge to Water, Land and Coast		
Installation producer statements (septic tanks)	60.00	-
Inspection reports for small dams	130.00	-
Inspection reports for large dams	260.00	-
General		
Provision of photos	60.00	-

The proposed amendments to the performance monitoring charges are to include charges that have been missing from the existing schedule. These are not new activities, as compliance work is undertaken for these, but no specific charges have been established for these activities to date.

8. Bus fares

The annual plan provides the schedule of bus fares for both Dunedin and Wakatipu. Dunedin bus fares will remain unchanged from 2016/17.

The draft plan proposes a flat \$2 fare for all zones in the Wakatipu transport area.

9. Consultation

The communication strategy for the consultation document and the opportunity for the community to have its say include the following:

- Mass communication – an Otago Wide consultation publication going to every home, radio advertising, website and social media.
- Community meetings
 - Dunedin (2)
 - Balclutha
 - Oamaru
 - Queenstown
 - Wanaka
 - Alexandra
 - Cromwell
 - Ranfurly
- Detailed briefings – with key media, territorial authorities, and key stakeholders.

It is recommended that a subcommittee be formed to consider all submissions received. Submissions will close on 12 May and hearings will be held during the week commencing 22 May 2017.

10. Recommendations

1. That the Draft Annual Plan be adopted as the information relied upon to support the consultation document, and that it be made available on council's web site.
2. That the consultation document be adopted for consultation purposes, subject to any minor editorial amendments.
3. That changes to the Revenue Policy be adopted for consultation purposes.
4. That it is financially prudent to have an operating deficit in the 2017/18 year.
5. That submissions on the consultation document will close on 12 May 2017, and hearings will be held during the week commencing 22 May 2017.
6. That a Hearing sub-committee be appointed.

Nick Donnelly
Director Corporate Services

REPORT

Document Id: A984851

Report Number: 2017/0682
Prepared For: Finance and Corporate Committee
Prepared By: Gavin Palmer, Director Engineering, Hazards and Science
Date: 15 March 2017

Subject: **Leith Flood Protection Scheme, Union Street to Leith
Footbridge Construction**

1. Précis

This report provides an update on the Union Street to Leith Footbridge stage of the Leith Flood Protection Scheme. A contract for the construction of this stage has been awarded to Downer New Zealand Limited (Downer) for the sum of \$2,497,034.74 (excluding GST). Downer commenced site establishment during the week beginning 6 March, with construction expected to commence the following week. The works are scheduled to be completed in August. Staff are liaising closely with the university regarding site establishment and are implementing the joint communications plan for the works.

2. Background

The Leith Flood Protection Scheme is being constructed in eight stages. The fifth stage to be constructed is from the Union Street Bridge to the Leith Footbridge. Provision for the works has been made in the 2016/17 Annual Plan and the works were provided for in the 2015-25 Long Term Plan.

The proposed works include widening of the channel on the eastern side and construction of a new concrete retaining wall, raising of the existing wall on the western side of the channel and regrading and armouring of the river bed with rock riprap. The works will reduce the likelihood of floodwater spilling out of the channel at this location.

The works were explained to Councillors and executive staff at a workshop on 21 July 2016 and during site visits on 15 September 2015 and 3 November 2016.

3. Construction Contract

Tenders for construction of the works were invited on 4 November 2016 through an open public tender process. Tenders closed on 6 December 2016 and one tender was received (from Downer). Their tender proposed the use of subcontractors for some of the work.

Downer was the main contractor for construction of the two preceding stages of the scheme (St David to Union and Dundas to St David).

The tender was evaluated having regard to quality of service, experience, methodology, completeness of service offered, health and safety and tenderer's company track record.

The Downer tender price was compared with an estimate prepared by staff with support from Flanders Marlow Ltd (Dunedin-based quantity surveyors). The estimate and tender price compared favourably with the tender price, with the tender price being lower than the estimate.

The cost for completion of the Union Street to Leith Street reach is expected to be \$3,516,034 (ex GST) inclusive of design, project management, insurances and the \$400,000 contract contingency. The budget provision in the 2016/17 Annual Plan is \$4,200,000 (ex GST).

Downer's tender was based on a cast in-situ option for the north (left bank) wall. This required an alternative design to be prepared and a revision to the building consent application but saved some costs.

It is noted that the budget provision is based on the more extensive works that were envisaged prior to the value-engineering exercise undertaken last year. Final, actual costs for this stage of the scheme will depend on whether unplanned works arise or there is damage associated with weather events. Further, the contract is a measure and value contract and so the actual cost will depend on actual quantities of work and materials rather than the estimates on which the tender is based. There is also the possibility of additional costs arising from changes in the programming of the works, in particular if in-stream works have to be suspended during fish spawning (May to September). Staff have been liaising with stakeholders regarding this matter.

The University of Otago is not making a financial contribution to the proposed works as the works do not involve amenity enhancements additional to what is necessary and desirable for the flood scheme.

The contract sum is within the delegated authority of the Chief Executive for this particular contract and the contract was awarded to Downer on 17 February.

The project commencement meeting was held with Downer on 2 March and health and safety plans and other preliminaries are being finalised by ORC and the University of Otago.

Given the time taken to finalise insurance cover between ORC, the university and the contractor there was a delay in the award of the contract. The contractor has agreed to expedite tasks where practicable and safe to do so.

4. Recommendation

1. This report is received;
2. The award of a construction contract to Downer New Zealand Limited for the sum of \$2,497,034.74 (excluding GST) for construction of the Union Street to Leith Footbridge stage of the Leith Flood Protection Scheme is noted.

Gavin Palmer
Director Engineering, Hazards and Science

REPORT

Document Id: A986216

Report Number: 2017/0700
Prepared For: Finance and Corporate
Prepared By: Director Corporate Services
Date: 9 March 2017

Subject: **Director Report - March 2017**

1. Irrigation Scheme Rates

On 1 July 2015 a ruling was made to amend the use of the utility assets category to include irrigation schemes (ruling number LINZ300000). Based on the Valuer General's ruling Quotable Value (QV) valued all irrigation schemes in New Zealand. Due to insufficient documentation some irrigation schemes in the Central Otago District were not identified by QV and were not rated in the 2015/16 period.

QV corrected this omission and included an additional 10 irrigation schemes in the district valuation roll. It is ORC's legal responsibility under the Local Government (Rating) Act 2002 to set rates on all rateable properties on the district valuation roll. The Local Government (Rating) Act 2002 provides for circumstances where omission are made and allows the striking rates on the omitted irrigation schemes for the 2015/2016 period. ORC struck rates on these irrigation schemes and issued invoices to that effect.

ORC subsequently received requests from two irrigation companies in Central Otago to remit their rates. The irrigation companies disputed the valuation performed by QV and discussions were ongoing as to the correct valuation. Central Otago District Council and Waitaki District Council made the decision to remit rates for these entities and ORC was asked to consider doing the same.

As with previous requests of this nature Council policy is to follow S41A of the Local Government (Rating) Act 2002 and refer the ratepayer back to QV to review the valuation. Council requires payment of the rates as struck and invoiced however if the valuations are amended Council will adjust the rates and refund accordingly.

The Officer of the Valuer General has now made a decision on the irrigation companies valuation methodology. They have changed the methodology from optimised depreciated replacement cost (ODRC) to optimised deprival valuation (ODV) and therefore the valuation of the companies has dropped. As advised previously we will re strike rates for the 2015/16 and 2016/17 years for these properties and issue refunds as required.

The total amount to be refunded is \$3,071.73. The largest refund is \$848.27 and 11 of the 17 refunds are under \$100.

2. Account Payments

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

Payment Category	January 2017	February 2017	Total
Trade payments	2,562,171.66	2,877,761.02	5,439,932.68
Payroll	705,516.87	728,591.89	1,434,108.76
Investments	0.00	4,200,000.00	4,200,000.00
Total	3,267,688.53	7,806,352.91	11,074,041.44

3. Recommendations

- a) That this report be received.
- b) That the payments and investments summarised in the table above and detailed in the payment schedule, totalling \$11,074,041.44, be endorsed.

Nick Donnelly
Director Corporate Services

REPORT

Document Id: A985160

Report Number: 2017/0687

Prepared For: Finance and Corporate Committee

Prepared By: Finance Manager

Date: 06 March 2017

Subject: **Financial Report to 31 January 2017**

The following information is provided in respect of the overall Council finances for the seven months ended 31 January 2017.

1. Statement of Comprehensive Revenue and Expense, Statement of Financial Position and Activity Expenditure Summary

**Otago Regional Council
Statement of Comprehensive Revenue and Expense
For the seven months to 31 January 2017**

	Note Ref.	\$000s			
		Annual Budget	Year to date to 31 January 2017		
			Budget	Actual	Variance Note *
Revenue:					
Rate revenue		15,940	9,300	9,307	7
Government subsidies	Note 1	9,575	4,375	3,924	(451)
Other revenue	Note 2	3,892	2,364	3,014	650
Dividend income from Port Otago Ltd	Note 3	7,400	4,317	4,317	-
Interest and investment income	Note 4	2,150	1,254	1,077	(177)
Rental income	Note 5	1,111	648	596	(52)
Gain in value of investment Property	Note 6	313	-	-	-
Total Revenue		40,381	22,258	22,235	(23)
Less Expenses:					
Operating expenses		30,034	14,763	13,883	880
Employee benefits expense		12,133	7,000	6,945	55
Depreciation/Amortization charge	Note 7	1,761	1,027	1,101	(74)
Total Expenses		43,928	22,790	21,929	861
Surplus/(deficit)		(3,547)	(532)	306	838
Income tax benefit		115	57	57	-
Surplus/(deficit) after tax		(3,432)	(475)	363	838
Revaluation gain – shares in subsidiary	Note 8	10,000	-	-	-
Net comprehensive revenue		6,568	(475)	363	838

Note *

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

Note 1 – Government Subsidies

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

Subsidy income from the Public Passenger Transport project is down \$340,000 on the budget of \$4,152,000.

The major individual variances where the subsidy income is less than budgeted, are the Dunedin Bus Contracts activity with a variance of \$280,000, the Electronic Ticketing System Replacement project with a variance of \$171,000, and the Real-time Information Dunedin project with a variance of \$106,000.

The net variance on the remaining projects within the Public Passenger Transport activity amounts to \$218,000 in excess of the budgeted subsidy level.

Subsidy income related to the Stock Truck Effluent Disposal Site capital expenditure in Central Otago is budgeted at \$147,000. The project is currently in the initial planning phase with the consequential effect that the budgeted subsidy income is not yet claimable.

Note 2 – Other Revenue

The amount of other revenue earned of \$3,014,000 exceeds the budgeted amount of \$2,364,000 by \$650,000.

The major reason for revenue exceeding budget is the receipt of unbudgeted gross contract bus fare revenue of \$761,000. Bus contracts were fully budgeted on a net contract basis where the Council makes payments to operators net of fare revenue. Some contractual arrangements are now on a gross basis, where Council pays the gross amount to operators and receives fare revenue from the operators. This change in arrangement results in higher than budgeted expenditure and revenue, in respect of the gross contracts.

Note 3 – Dividend Income from Port Otago Limited

Dividend income is accrued during the year based on the budgeted dividend level set in the Annual Plan.

The timing of dividend payments expected to be received are interim dividends in the months of February and June 2017, with a final dividend expected in September 2017.

Note 4 – Interest and Investment Income

This revenue line comprises interest earned on term deposits and bank accounts of \$783,000 and an increase in fair value of the managed fund portfolio of \$294,000.

Interest earned on the term deposit portfolio for the seven months to 31 January 2017, amounts to a weighted average interest rate of 3.49%.

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

Note 5 – Rental Income

The prime reason for rental income being less than budget is that the budget provided for income on property that has been disposed of subsequent to formulation of the budget. This includes properties formerly held for the Leith Flood Protection Scheme and sub-lease income on the Queenstown office, formerly leased by Council.

Note 6 – Gain in Value of Investment Property

Investment Property is revalued annually, with the next revaluation date being 30 June 2017. Accordingly the year to date budget and actual amounts reflect nil values.

Note 7 – Depreciation and Amortization

The total of the depreciation and amortization charge of \$1,101,000 exceeds the budgeted amount by \$74,000.

A significant factor in this variance is additional depreciation on flood protection and drainage scheme assets – with the Leith scheme accounting for \$36,000 of the overall variance, and the Lower Clutha Scheme \$13,000. Additional depreciation charges on computer hardware, and amortization charges on consents and compliance and general software systems, accounts for a further \$16,000 of the variance.

Depreciation and amortization charges are a non-cash charge, and may vary from budget due to several factors including cost and timing of acquisition.

Note 8 – Revaluation Gain – Shares in Subsidiary

The annual budget makes provision for an increase in the valuation of the Council's 100% shareholding in Port Otago Limited. The shares are valued annually, with the next revaluation date being 30 June 2017. Accordingly, the year to date budget and actual amounts reflect nil values.

**Otago Regional Council
Statement of Financial Position as at 31 January 2017**

		31 January 2017 \$000's	30 June 2016 \$000's
Current Assets			
Cash and cash equivalents	Note 1	4,081	2,540
Other financial assets	Note 1	57,047	56,198
Trade and other receivables	Note 2	4,576	3,298
Other current assets		307	207
Property held for sale and inventory		1,284	1,284
Dividends Receivable	Note 3	3,517	-
		70,812	63,527
Non-Current Assets			
Property plant and equipment		84,709	84,138
Intangible assets (computer software)		1,692	1,800
Investment Property	Note 4	10,785	10,785
Deferred tax asset		155	98
Shares in subsidiary Port Otago Ltd	Note 5	418,239	418,239
		515,580	515,060
Total Assets		586,392	578,587
Current Liabilities			
Trade and other payables		4,001	4,134
Employee entitlements		1,062	1,483
Revenue in advance	Note 2	7,999	-
		13,062	5,617
Non-current Liabilities			
		-	-
Total Liabilities		13,062	5,617
Net Assets		573,330	572,970
Total Equity and Reserves			
Public equity		134,637	137,205
Reserves			
Available-for-sale revaluation reserve	Note 5	398,239	398,239
Asset revaluation reserve	Note 4	8,724	8,724
Building reserve	Note 6	13,777	10,997
Asset replacement reserve		6,127	5,987
Emergency response reserve		3,973	3,891
Water management reserve		1,463	1,433
Kuriwao endowment reserve		6,323	6,271
Environmental Enhancement Reserve	Note 7	67	223
		438,693	435,765
Total Equity and Reserves		573,330	572,970

Note 1 – Cash and Cash Equivalents and Other Financial Assets

Funds surplus to the Council's immediate and short term requirements are managed on Council's behalf by the BNZ. An Investment Portfolio and term deposits with durations of 4-12 months are included in the classification Other Financial Assets. Current bank balances and term deposits with durations of less than 4 months are included in Cash and Cash Equivalents.

Note 2 – Trade and other Receivables and Revenue in Advance

The following two items have a significant affect on the above two Statement of Financial Position line items.

Rates Revenue and Receivables

The receivables amount of \$4,576,000 includes rates outstanding of \$1,308,000. This is the remaining balance outstanding following issue of the Council's rate assessments of \$18,385,000 in September and subsequent payments.

The portion of rate revenue that will be released to the Statement of Revenue and Expenses in the following months amounting to \$6,662,000 is included in the Revenue in Advance amount of \$7,999,000.

Ministry of Primary Industries Funding

The Council has received funding of \$1,171,000 (excl GST) from MPI in respect of funding related to Wilding Conifer Control work in the Otago region.

The funding will be released to revenue when work is performed and the parties participating in the arrangement become eligible to receive the funding.

Until this eventuates, the net funding of \$1,171,000 is reflected in the Revenue in Advance amount of \$7,999,000.

Note 3 – Dividends Receivable

The dividend receivable amount reflects the accrual of expected dividends from Port Otago Limited for the period of this report, less the final dividend for the June 2016 year of \$800,000 received in September 2016.

Note 4 – Investment Property and Asset Revaluation Reserve

Investment property is revalued annually and is included at the 30 June 2016 valuation. The asset revaluation reserve reflects the revaluation amount of the investment property at 30 June 2016.

Note 5 – Shares in Port Otago Ltd and Available-for-Sale Revaluation Reserve

The shares in Port Otago Ltd are included at the 30 June 2016 valuation, and the Available-for-Sale Revaluation Reserve reflects the revaluation amount of the shares. The shares will next be revalued as at 30 June 2017.

Note 6 – Building Reserve

The 2016/17 Annual Plan provides for the transfer to the reserve of \$2,500,000 from public equity. The transfer is fully reflected in the reserve balance to 31 January 2017, along with interest earned to date.

Note 7 – Environmental Enhancement Reserve

Note is made that three grants amounting to \$159,000 were made to organisations in November/December in support of community projects contributing to the enhancement of the local environment, the purpose for which the reserve was established.

Activity Expenditure Summary

		Annual Budget 30 June 2017 \$000's	Budget January 2017 \$000's	Actual January 2017 \$000's	Variance * Actual vs Budget \$000's
Environment	Note 1				
Air		451	259	240	19
Environmental Incident Response		1,263	767	684	83
Land		1,982	1,175	1,122	53
Rivers and Waterway Management		1,822	941	769	172
Water		7,654	4,494	3,910	584
		13,172	7,636	6,725	911
Community	Note 2				
Public Information and Awareness		1,937	1,113	1,291	(178)
Democracy		1,548	831	866	(35)
Financial Contributions		350	204	204	-
Regional Economic Development		100	58	3	55
		3,935	2,206	2,364	(158)
Regulatory	Note 3				
Policy Development		176	103	237	(134)
Consents and Compliance		2,712	1,567	1,570	(3)
Harbour Management		273	110	370	(260)
		3,161	1,780	2,177	(397)
Flood Protection & Control Works	Note 4				
Leith Scheme		5,020	679	1,143	(464)
Taieri Schemes		2,034	1,186	734	452
Clutha Schemes		1,810	1,042	595	447
Other projects		267	156	171	(15)
		9,131	3,063	2,643	420
Safety and Hazards	Note 5				
Natural Hazards		1,261	745	787	(42)
Emergency Management		702	404	791	(387)
		1,963	1,149	1,578	(429)
Transport	Note 6				
Regional Land Transport Planning		167	97	188	(91)
Public Passenger Transport		16,320	7,479	7,572	(93)
Stock Truck Effluent Disposal Sites		495	288	18	270
		16,982	7,864	7,778	86
		48,344	23,698	23,265	433

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

Activity Expenditure captures operating expenditure (external and internal) and capital expenditure.

Activity Expenditure is reported upon in detail in the Four, Eight and Twelve Month Review reports. In the periods between these reports, including this report to 31 January, brief comment only is provided on significant activity expenditure variances.

Accordingly, the following notes identify the projects that have significantly contributed to the major overall activity variances to 31 January 2017, as shown in the above table.

Note 1 – Environment

The Environmental Incident Response projects show net under-expenditure of \$83,000 against a budget of \$767,000. Incident response and enforcement action is dependent on the number of incidents/cases and actual costs will fluctuate compared to budget.

The Rivers and Waterway Management projects are under-expended by \$172,000 against a budget of \$941,000.

The Dunedin district is over-expended by \$80,000 against a budget of \$149,000 whereas the other districts currently record under-expenditure. Variances are largely due to the timing of actual work performed varying in comparison to the phasing of the annual budget.

The Water related projects with expenditure of \$3,910,000 are \$584,000 under budget. Projects showing significant variances shown below:

Rural Water Quality Implementation

This project is under-expended by \$260,000 against the budget of \$1,274,000. A large number of sub-projects are underway within this overall project, but a number of variations to planned activities has resulted in delays and/or reduced expenditure.

Implementation of Regional Plan Water (1C)

This project is under-expended by \$220,000 against the budget of \$444,000, mainly due to the re-organisation of staff groupings that has resulted in fewer staff performing this work than was provided for in the budget.

Coastal Strategy

This project is under-expended by \$189,000 against the budget of \$267,000 mainly due to the diversion of policy staff to higher priority project work, primarily the RPS.

Bulk Rural Water Fund

The budget provided for applications of \$143,000 to be paid by 31 January, however there were no applications received and paid in this 7 month period.

Minimum Flows and Allocation Units project

Additional expenditure of \$163,000 against the budget of \$709,000 was recorded, arising mainly from accelerated work programmes (timing) and an increase in monitoring requirements, resulting in increased work.

Water Quality and Quantity SOE project

This project is over-expended by \$136,000 against a budget of \$1,223,000, partly due to timing issues and unbudgeted expenditure incurred in respect of trophic lake monitoring.

Note 2 - Community

The Public Information and Awareness group of projects shows net over-expenditure of \$178,000 against a budget of \$1,113,000.

The primary cause of the variance is a change in the way the LAWA project is administered and accounted for, with expenditure of \$278,000 being recorded against the budget of \$9,000.

The Public Information project shows under-expenditure of \$71,000 against a budget of \$796,000, primarily due to the timing of the website upgrade planned for later in the year and some labour costs being diverted to other more specific projects.

The Regional Economic Development project is under-expended by \$56,000 against the budget of \$58,000. A consultant is underway with the preparation of a report, and expenditure will be recorded as invoices come to hand.

Note 3 – Regulatory

The Regional Policy Statement project was budgeted to be completed prior to this financial year, however, completion took longer than anticipated and the RPS was released in late September 2016.

The current year budget provides for annual expenditure of \$176,000 with \$103,000 anticipated to have been spent to 31 January. Actual expenditure incurred in the seven months to 31 January has amounted to \$237,000 resulting in over-expenditure of \$134,000.

The Harbour Management project is over-expended by \$260,000 against a budget of \$110,000. Harbourmaster services are currently being contracted out while permanent resourcing is pursued. The market rate of harbourmaster services is significantly higher than the cost anticipated when budgets were prepared.

Note 4 – Flood Protection and Control Works

The Flood Protection and Control activity overall is under-expended by \$420,000 against the budget of \$3,063,000.

The Taieri and Clutha schemes are under-expended by \$452,000 (budget \$1,186,000) and \$447,000 (budget \$1,042,000) respectively.

These variances comprise both timing issues in terms of work phasing and permanent savings on budget.

In respect of permanent savings, at the time of budget preparation there was uncertainty regarding the nature and extent of water quality improvement work necessary for the consenting of pumping stations. The budgets allowed for infrastructure improvement work – however it has transpired that changes to operational procedures at minimal cost will be sufficient.

The infrastructural improvement work allowed for in the year to date budgets amounts to \$118,000 in the Lower Clutha scheme, \$71,000 in the West Taieri scheme and \$73,000 in the East Taieri scheme.

The Leith Scheme is over-expended by \$464,000 against the budget of \$679,000. This is largely a result of capital expenditure being incurred earlier in the year than provided for in the budget phasing, and completing work that was provided for in the previous year budget.

Note 5 – Safety and Hazards

The Emergency Management project is over-expended by \$387,000 against the budget of \$404,000. The additional expenditure relates to the establishment of Emergency Management Otago, creation of a new EMO website and additional costs over that budgeted with the transition to an integrated staff structure, and other associated costs.

Note 6 – Transport

The Regional Land Transport Planning project is over-expended by \$91,000 against the budget of \$97,000, largely reflecting the fact that the work entailed in this project is significantly more comprehensive and costly than was provided for in the budget.

The Stock Truck Effluent Disposal Sites project is under-expended by \$270,000 against the budget of \$288,000. The project is currently in the initial planning phase whereas the budgeted timing anticipated a greater level of progression through the project at this point.

2. Recommendation

That this report be received.

Nick Donnelly
Director Corporate Services
