

Otago Regional Council

Pre-election Report 2019



Chief Executive's Introduction

I am pleased to bring to you my Pre-election Report 2019 for the Otago Regional Council (ORC). This report is required under Section 99A of the Local Government Act and is intended to provide information that will promote public discussion on the issues the ORC is addressing.

In this report I have provided information on our major projects over the next three years. I have also included financial information such as our estimated expenditure and revenue over the same period, along with actual results from past years.

What we do

The Otago Regional Council is tasked with caring for Otago's environment in line with statutory obligations under the Resource Management Act and other legislation. Our vision is a healthy environment, a connected community, an engaged and proud community, a strong economy and a resilient region. Everything we do at Otago Regional Council is for the future of Otago.

Underpinning this vision, the Council (the Chair and Councillors) set the strategic direction and Long Term Plan/Annual Plan for the work of ORC, the organisation, and it also determines the policy direction that ORC implements under regulatory instruments like the Resource Management Act and Biosecurity Act. ORC staff, under the Chief Executive, implement the strategic direction and Council policy consistent with the relevant Long Term Plan or Annual Plan.

Some of the work staff at ORC undertake involves developing policy for Council to consider to sustainably manage our region's resources, making decisions on resource consents under our plans, policies and legislation and monitoring compliance with consents and the performance of policy based on environmental outcomes achieved. ORC staff also monitor environmental trends across Otago, respond to environmental incidents, plan for the region's transport needs and provide regional bus services in Dunedin and Queenstown, manage and protect communities from natural hazards through flood protection schemes and coordinating our emergency management function in partnership with city and district Councils within our region.

Essential to our success is our engagement with and collaboration with the Otago community and stakeholders. We aim to work constructively and in partnership with territorial authorities, other institutions, with urban and rural industries, with iwi and the communities of Otago to ensure the best possible outcomes for our region and its people.

The next triennium

On top of business as usual activities, the next triennium will see a significant policy and operational workload, including establishing a robust, values-based and integrated water management framework and transitioning the region's deemed water permits into permits under the Resource Management Act. Climate change is an area attracting focus globally. We're no different – we're fast-tracking work programmes in this area to ensure we as a community can plan and adapt for climate change. Strengthening our urban development strategy and ensuring we can respond to the environmental impacts of development and improving Otago's biosecurity and biodiversity functions are also priorities.

The ORC's external operating environment continues to change, with ongoing developments at the national policy level occurring at pace in several areas we work across, requiring ORC staff and Councillors to be flexible and responsive. Often this means we are delivering work at the same time we are developing our capability and we are continuously developing ORC's internal structure and culture, to ensure the organisation is future fit to meet the region's needs.

More detailed information on what we do and how much we estimate it will cost can be found in several our published documents, including the 2019-20 Annual Plan and the 2018-28 Long Term Plan. These can be found on our web site at www.orc.govt.nz.

Sarah Gardner
Chief Executive
Otago Regional Council

Key planned services and projects

Freshwater

Water is our number one priority, it's a precious resource with its quality and availability being critical to our way of life. At a broad level, our work is focused on ensuring Otago has a robust, integrated freshwater regional planning and regulatory framework, educating on best-practice and ensuring policies are followed to maintain and improve our waterways.

Importantly, the Council's approach to setting the policies and rules to manage water quality and availability in our aquifers, rivers and lakes is shifting. Since the adoption of the Long Term Plan (LTP) in June 2018, there have been several developments internally and nationally that shift the way in which we think about our work on freshwater. These are:

- The new government policy framework, 'Essentials for Freshwater' (or similar) that is signalling increased interest in the impact of sediment in waterways, farming practise, at-risk catchment management and water policy
- New government expectations for improved water quality in five years (2023)
- A revised Resource Management Act to deliver on water aspirations and a revised National Policy Statement for Freshwater Management (NPSFM)
- A proposed National Environmental Standard for activities such as winter grazing that impact water quality
- New Planning Standards that set requirements for how we arrange the content of our Regional Policy Statement and Plans
- New commitments by Council regarding the quality of rivers and lakes for swimming
- A revised position on the compliance of our current Regional Plan – Water to align with the National Policy Statement Freshwater Management (NPSFM)
- Recognition that more detailed implementation planning for the Good Water Programme is needed
- Process development for deemed permit renewals
- New risks emerging for water quality such as *E.coli* contamination

These points have influenced Council's decision to commit to a full review of the Regional Plan: Water, and our Progressive Implementation Plan (PIP), when submitted to government signals our shifting approach to water. Until recently, our policy approach has been topic focused, e.g. urban stormwater and rural water quality. We now need to work more in a spatial or catchment construct. This reflects the NPSFM framework of Freshwater Management Units (FMU). These are spatial representations of catchments of like values or characteristics where holistic water management occurs inside that unit. In Otago we have five FMUs, with the Clutha Mata-au being split into five sub-units, or rohe.

This will result in less conversation on a whole-of-region basis and more targeted policy development inside these spatial units covering all aspects of water quality and quantity. That is not to say that more than one FMU could not end up with similar values, objectives and limits for water management. What is critical, however, is that communities engage in value setting for their FMUs because those values are the foundation for how we plan for water in those areas.

In this shift, the Council has not lost sight of the critical 'availability of water' issue and its allocation for irrigation. The process focused on priority catchments, including the Arrow, Cardrona, and Manuharekia rivers, continues with urgency because they have Deemed Permits existing since the Gold Rush days that expire soon. In order to bring those activities under current legislation and

policy when new applications to replace these permits are made, we need to accelerate our work on changes to our Regional Plan: Water to ensure we make informed and appropriate decisions on water abstraction. Consents for water use are an important part of our work programme and tied closely to the review of the Regional Plan: Water. The priority catchments have been identified to escalate review work that will provide more certainty to communities and the region about water use and the quality of Otago's natural environment. In the meantime, the Council will maintain a compliance and monitoring programme based on the current planning regime, though a degree of pragmatism is expected while we transition to new policies and rules. As low flows and drought situations are becoming more frequent, the LTP provides for a new initiative to monitor and provide forecast information on low-flow situations.

We also have a commitment to government to focus on our identified 'at-risk' catchments. Those catchments are the Pomahaka, Kaikorai and the Upper Clutha Catchment (including Lake Hayes). This targeted approach will assist in maximising compliance with our permitted activity rules under this policy by 2020.

Our science work programme, including freshwater monitoring, is essential for understanding this resource and enabling Council and communities to move forward with informed decision-making and policy to guide future water management.

Special projects to manage unique water issues such as water quality at Lake Hayes will continue, however a funding decision will need to be made for implementation of proposed solutions.

Other coastal implementation related work identified in the LTP, while important, is subject to prioritisation with freshwater matters taking precedence.

Adaptation to Climate Change

An initiative to consider the physical, economic and social impacts associated with climate change is to be accelerated this year. This work focuses on improving the understanding of risk, particularly in relation to assets and infrastructure and will provide information to assist local authorities, communities and others to make informed decisions to prepare and adapt to climate change. Recognising that climate change is here now, we understand the urgency around this work, hence our desire to do it quicker than planned.

Urban Development Strategy

While ORC's Regional Policy Statement includes direction for urban development, it does not fully implement the National Policy Statement for Development Capacity.

Urban development is an important emerging issue for ORC. In 2019-20, we plan to:

- Address gaps in our Regional Policy Statement
- Review capability
- Determine shared responsibilities
- Increase capacity to manage land-use change and growth

Our current activity of Regional Land Transport Planning has an important relationship to urban development where we attempt to set a framework for how we will manage challenges such as the congestion in Queenstown. Urban development is also changing the landscape in parts of our region, consequently having an impact on water quality. For example, land converted from farming to housing many no longer have nutrient discharges to water but may have a greater level of sediment discharge to water. This is where our consenting and compliance monitoring is important, as are the

rules we make for managing changing land uses and the impacts of those activities on the environment.

Biodiversity and Biosecurity

ORC has a Biodiversity Strategy and biosecurity is viewed as a subset of biodiversity. The ORC currently delivers a substantive biosecurity programme driven by our Pest Management Plan (RPMP) – a plan that is currently being reviewed and programmed for adoption in the 2019-20 financial year.

The management of plant and animal pests under the RPMP has a positive impact on both commercial production values (agri-related pests) and biodiversity values. The latter has occurred as a secondary but positive consequence of a commercial/production focus. In addition, the ORC partners with groups and agencies to assist with specific issues, e.g. Lagarosiphon (lake weed).

Since the adoption of the LTP, ORC's thinking about the importance of biosecurity and biodiversity and our role has continued to develop. Influencing factors include:

- The scale and growth of community aspirations about our indigenous flora and fauna
- Desire to better integrate ORC activity acknowledging relationships with water quality, importance of our eco-systems and their relationship to our wellbeing (social, cultural, environmental, economic)
- Maintaining gains from the OSPRI TB eradication programme
- Desire to better align our operational approach to NZ best practice

In response, ORC is working to improve how our biodiversity and biosecurity activity integrates to enhance service and results. This year we have committed to essentially a year of further planning for implementation which will include completion of a business case during 2019-20 to present options for what we could deliver in the future. The community will be engaged to consider that future service.

In the meantime, ORC continues to support biodiversity actions through the ECO Fund with the initial emphasis being:

- Citizen science initiatives
- Tomahawk Lagoon restoration group
- Catchment groups
- Funding support to the Yellow-Eyed Penguin Trust

Other work also planned includes, funding support to Predator Free Dunedin, the site-specific restoration projects of Lake Tuakitoto and Tomahawk Lagoon, and various tasks outlined in the Biodiversity Action Plan.

Wilding pines are considered a significant concern by many in the Otago community. Our 2019-20 Annual Plan signals additional grant funding from central government for wilding pine eradication (*an increase of \$1,369 million*). We will continue to administer the allocation of this funding across the Otago region.

Other Environmental Matters

Air Quality

The Otago winter is known for cold temperatures, clear skies, and calm winds. This combination of weather conditions can create strong temperature inversions. These layers can trap smoke particles,

particularly from home heating appliances like wood burners, near the ground and can lead to poor air quality. An Air Quality Strategy was adopted in June 2018 which coincided with the launch of a new heating subsidy by EECA (as part of Warmer Kiwi Homes). This created an opportunity to review ORC's existing Clean Heat Clean Air programme.

This review will be done in stages, in the short term, a strategic realignment of the subsidy, within the current Long Term Plan funding. A more comprehensive review of alternative types of subsidies, and future funding sources, will be undertaken in future years. There is no doubt that the Central Otago climate adds complexity to implementing solutions that are pragmatic and affordable.

A small increase in funding was budgeted in the Annual Plan 2019-20 to enable pilot research related to community engagement on 'Clean Heat Clean Air'.

State of the Environment Monitoring (SOE)

ORC's State of the Environment monitoring programme covers water quality and quantity, along with air quality. Council is required to undertake this monitoring under the Resource Management Act and the National Policy Statement for Freshwater Management.

Evidence-based decision-making is a big part of our role. We collect data to inform our work across many activities of ORC, assisting with developing policy and planning, compliance with plans, and evaluating how we are doing in maintaining or improving our environment. We have increased our monitoring sites over the past twelve months from 72 to 137 and are also in the process of installing new technology in monitoring buoys in some of our lake environments.

We support the Environmental Monitoring and Reporting Project, a joint project with regional councils across New Zealand, the Ministry for the Environment and the Cawthron Institute. It involves developing and operating regional and national environmental data collection and providing information for all New Zealanders. Council administers the project on behalf of partners in Otago.

Incident Response, Investigations & Enforcement

We provide 24-hour response to environmental incidents and resource management complaints that we attend and, as necessary, investigate. Action is taken where remedial measures are required and investigations can result in enforcement action ranging from formal warnings to fines and prosecution. Enforcement action can also occur from Council compliance monitoring activity associated with resource consents and pest management. Nationally we have a good record for both taking prosecutions and succeeding in achieving guilty verdicts.

Safety & Natural Hazards

Natural hazard identification work involves assessing the scale and significance of natural hazards in Otago, including seismic, tsunami and flood. The information obtained is published in the Otago natural hazards database, maintained by ORC. In addition, we have systems in place to continually monitor and provide warnings and information on rainfall and river and lake levels. In the case of an event, interested and potentially affected parties are provided direct information in a timely manner which helps to avoid damage or injury to animals, people and property.

We will continue to support city and district councils throughout Otago with the management of natural hazards in their areas, including the Wakatipu/Wanaka flood study, the Milton 2060 Strategy, and the South Dunedin investigations. Community feedback to the LTP highlighted issues associated with the Dart and Rees Rivers. In response, ORC in collaboration with QLDC and affected communities and stakeholders, is preparing a Long Term natural hazards adaptation strategy for the wider area located at the northern end of Lake Wakatipu. This two-year project (2019-20 and

2020-21) is considering the area in a strategic and holistic way including future climate change, multiple hazards, and pressure for land use intensification.

Emergency Management

ORC, together with the city and district councils across Otago and emergency services, plan for and provide civil defence emergency management programmes to ensure continued public safety of our communities. This is achieved through a wide range of activities focused on the national priorities of Reduction, Readiness, Response and Recovery. Programmes include identifying and reducing risks, broad-based community planning, maintaining effective communication links across all sectors of CDEM, conducting training exercises and contributing towards the welfare of our community in a meaningful way.

All emergency management staff for the Otago Region are employed by ORC, even though they are embedded across the region in the offices of our city and district councils as well as at ORC, enabling us to be better prepared to respond, both locally and regionally, to emergency situations with greater efficiency and effectiveness.

Harbours & Waterways Management

ORC is responsible for the regulation of ports, harbours, waters, and maritime-related activities in Otago under the Maritime Transport Act. The bylaw covers maritime safety in almost all inland waters and all coastal waters out to the 12-nautical mile limit of the territorial sea of Otago.

Responsibility for the waters of the Queenstown Lakes District and Lake Dunstan continues to lie with Queenstown Lakes District Council (QLDC) and Central Otago District Council (CODC), having previously been transferred by Otago Regional Council. This summer will be the first in which we have a dedicated and purpose-built vessel on the water.

Infrastructure

Flood and drainage schemes

Flood protection works carried out by ORC include constructing and maintaining flood banks, swales, bunds and spillways. Some works are necessary to ensure the safety and integrity of the scheme. Drainage scheme works also include the review and maintenance of drainage pumps and outfall structures. Recent floods have required us to carefully assess the condition and performance of specific infrastructure. As a result, some planned work has been accelerated to reduce risk of asset failure.

ORC is also well advanced with construction of the Leith Flood Protection Scheme in Dunedin. Construction works are programmed to be completed in 2019-20, with repayment of the scheme taking place over twenty years through to 2030-31.

Predicted sea level rise over the next 30 years may generate additional flooding and drainage risks, particularly for the Taieri and Lower Clutha flood and drainage schemes. ORC is currently investigating this risk, via its Climate Change Adaptation Programme. The results of this investigation will inform further work on the consequences for levels of service and future infrastructure requirements.

There is a degree of complexity in terms of the nature of future impacts, solutions to issues, the cost of service options, who pays and how. Community feedback has clearly signalled to us that improved communication and engagement is required on these matters. Scheme performance reviews are underway on Taieri River, Silver Stream, and Owhiro stream, and initiated on the Contour Canal – they are indicating that some systems are not performing to standard.

Across our flood and drainage schemes, there are many bridges that were built around 85 years ago. Some are reaching the end of their useful lives. Council is undertaking a programme of bridge inspections that look at safety standards, load capacity, railings and signage. A maintenance replacement programme for these bridges is provided for in the LTP.

Stock Truck Effluent Disposal (STED)

ORC has installed a small number of STED sites in strategic points around the region. They manage a potential environmental and safety hazard. ORC is planning to install an additional STED on State Highway 8 on the Tarris Lindis Peaks Straight.

Transport

Public Transport – Dunedin & Wakatipu

Council has committed to consider increasing the level and frequency of services, particularly in the first three years of this LTP. Initiatives identified in the LTP include:

- Implementing increased off-peak services in Dunedin and Queenstown
- Providing additional services to support major events in Dunedin and Queenstown
- Considering the feasibility, implementation and operation of a small ferry service on Lake Wakatipu
- Investigating the feasibility of a Dunedin CBD to airport service
- Investigating a Malaghans Road loop service into the Queenstown network between Arrowtown and Queenstown
- Investigating mass transit options for increased passenger transport capacity between Queenstown and Frankton

Re-tendering expiring contracts starts from 2021-22 onwards. ORC will seek to extend services where viable and appropriate as part of any tendering process.

Community feedback to the LTP also resulted in the Council:

- Considering the Regional Public Transport Plan and current policy on school bus services under that plan
- Exploring with Dunedin City Council and NZTA, the establishment of a joint governance group for the public transport bus service, Connecting Dunedin

Public Transport – Regional

ORC administers the Total Mobility Scheme in Otago to meet the transport needs of those with disabilities that are unable to access public transport.

Regional Land Transport Plan

This plan will be prepared in collaboration with Environment Southland, to produce a single document for both regions. This will be completed by year three of the current LTP.

Regional Leadership and the organisation

Head office

The ORC, while experiencing some disappointing setbacks regarding site acquisition, is exploring options to provide a new head office in Dunedin. It is anticipated that once a site has been agreed upon for the premises, construction will commence following the 2019 Local Body Elections.

Financial Information

The financial information presented in this report comprise actual amounts from the 2016-17 and 2017-18 Annual Reports and forecast amounts from the 2019-20 Annual Plan and the 2018-28 Long Term Plan (LTP). The annual reports and the LTP have been audited, however the 2019-20 Annual Plan is not subject to audit. The amounts included in the Funding Impact Statement and Summary Statement of Financial Position for the 2018-19 year are estimated amounts only and have not been audited.

Funding Impact Statements For the three years preceding the election

	2016-17 Annual Report \$000s	2017-18 Annual Report \$000s	2018-19 Estimated \$000s
Sources of Operating Funding:			
General rates, UAGC & rate penalties	6,567	7,570	9,210
Targeted rates	9,616	13,636	14,434
Subsidies & grants	8,471	10,893	14,840
Fees & charges	1,497	1,594	1,465
Interest & dividends from investments	9,142	10,069	9,113
Fines, infringement fees & other	5,027	8,656	11,783
Total Operating Funding	40,320	52,418	60,845
Application of Operating Funding:			
Payments to staff & suppliers	40,114	54,097	67,458
Finance costs	-	3	1
Total Application of Operating Funding	40,114	54,100	67,459
Surplus (Deficit) of Operating Funding	206	(1,682)	(6,614)
Sources of Capital Funding:			
Gross proceeds from sale of assets	176	928	486
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total Sources of Capital Funding	176	928	486
Application of Capital Funding:			
Capital expenditure:			
- to improve the level of service	3,360	7,308	11,035
- to replace existing assets	1,212	403	1,576
Increase (decrease) in reserves	(4,190)	(8,465)	(18,739)
Total Applications of Capital Funding	382	(754)	(6,128)
Surplus (Deficit) of Capital Funding	(206)	1,682	6,614
Funding Balance	-	-	-

Funding Impact Statements For the four years to 2022-23

	2019-20 Annual Plan \$000s	2020-21 LTP \$000s	2021-22 LTP \$000s	2022-23 LTP \$000s
Sources of Operating Funding:				
General rates, UAGC & rate penalties	11,180	11,545	11,845	12,118
Targeted rates	15,183	16,234	17,155	18,233
Subsidies & grants	12,133	9,145	8,941	8,912
Fees & charges	3,570	3,407	3,233	3,401
Interest & dividends from Investments	9,412	9,612	9,812	10,012
Fines, infringement fees & other	10,493	10,863	11,142	11,787
Total Operating Funding	61,971	60,806	62,128	64,463
Application of Operating Funding:				
Payments to staff & suppliers	61,670	59,311	59,122	61,233
Finance costs	104	129	132	135
Other operating funding applications	52	60	62	63
Total Application of Operating Funding	61,826	59,500	59,316	61,431
Surplus (Deficit) of Operating Funding	145	1,306	2,812	3,032
Sources of Capital Funding:				
Gross proceeds from sale of assets	410	420	429	439
Total Sources of Capital Funding	410	420	429	439
Application of Capital Funding:				
Capital expenditure				
- to improve the level of service	1,933	1,367	801	682
- to replace existing assets	3,341	4,061	1,945	2,648
Increase (decrease) in reserves	(4,719)	(3,702)	495	141
Total Applications of Capital Funding	555	1,726	3,241	3,471
Surplus (Deficit) of Capital Funding	(145)	(1,306)	(2,812)	(3,032)
Funding Balance	-	-	-	-

Summary Statements of Financial Position For the three years preceding the election

	2016-17 Annual Report \$000s	2017-18 Annual Report \$000s	2018-19 Estimated \$000s
Current Assets			
Cash & cash equivalents	4,433	8,125	9,932
Other financial assets	54,057	40,311	27,664
Other current assets	4,922	9,154	9,447
Total Current Assets	63,412	57,590	47,381
Non-current Assets			
Shares in subsidiary	439,037	488,508	495,508
Other non-current assets	99,302	104,171	110,142
Total Non-current Assets	538,339	592,679	605,650
Total Assets	601,751	650,269	653,031
Current Liabilities			
Borrowings	-	-	-
Other current liabilities	8,824	10,720	13,759
Total Current Liabilities	8,824	10,720	13,759
Non-current Liabilities	-	-	-
Total Liabilities	8,824	10,720	13,759
Net Assets	592,927	639,549	639,272
Total Equity	592,927	639,549	639,272

Summary Statements of Financial Position For the four years to June 2023

	June 2020 Annual Plan \$000s	June 2021 LTP \$000s	June 2022 LTP \$000s	June 2023 LTP \$000s
Current Assets				
Cash & cash equivalents	432	523	963	1,306
Other financial assets	34,811	35,557	35,557	35,557
Other current assets	9,142	4,898	4,892	4,886
Total Current Assets	44,385	40,978	41,412	41,749
Non-current Assets				
Shares in subsidiary	502,508	472,037	482,037	492,038
Other non-current assets	111,671	114,272	114,497	115,293
Total Non-current Assets	614,179	586,309	596,534	607,331
Total Assets	658,564	627,287	637,946	649,080
Current Liabilities				
Borrowings	-	-	-	-
Other current liabilities	10,720	8,824	8,824	8,824
Total Current Liabilities	10,720	8,824	8,824	8,824
Total Non-current Liabilities	-	-	-	-
Total Liabilities	10,720	8,824	8,824	8,824
Net Assets	647,844	618,463	629,122	640,256
Total Equity	647,844	618,463	629,122	640,256

The information in the following section compares rates, rate increases, borrowing and return on investments with quantified limits and targets specified in the ORC's financial strategy.

Rate amounts and rate increases

The following information compares rate levels and rate increases with quantified limits specified in the Financial Strategy - for the three years from 2016-17 to 2018-19.

2016-17 – General Rates

Rate amount:	Quantified limit \$6.200m	Actual amount \$6.347m
Percentage increase:	Quantified limit 7.00%	Actual increase 19.00%

The Annual Plan 2016-17 provided for additional general rate funded expenditure compared to the quantified limits reflected in the Long Term Plan.

The additional expenditure included Emergency Management, Natural Hazards and Rural Water Quality activities.

The Annual Plan also reflected an increase in the general rate contribution to flood and drainage schemes over that provided for in the Long Term Plan and in the previous year's Annual Plan due to an increase in the assessed level of public benefit arising from those schemes.

2016-17 – Targeted rates

Rate amount:	Quantified limit \$14.500m	Actual amount \$9.616m
Percentage increase:	Quantified limit 14.00%	Actual increase 6.00%

2017-18 – General Rates

Rate amount:	Quantified limit \$6.200m	Actual amount \$7.272m
Percentage increase:	Quantified limit 7.00%	Actual increase 15.00%

The quantified limit included in the Long Term Plan was \$6,200,000, however the Annual Plan for 2017-18 budgeted for general rates \$7,275,000, providing for additional general rate funded expenditure, primarily in the Environmental activity area and specifically associated with the water programmes.

2017-18 – Targeted rates

Rate amount:	Quantified limit \$14.500m	Actual amount \$13.636m
Percentage increase:	Quantified limit 14.00%	Actual increase 42.00%

The statistics above show an increase in targeted rates of 42% compared with the quantified limit of 14%.

The Annual Plan 2017-18 provided for a new rate to fund Civil Defence and Emergency Management, which accounted for 60% of the increase over the quantified limit. The Annual Plan also provided for significant increases in rating levels for areas of increased activity and expenditure, with Wakatipu Transport and Rural Water Quality being significant increases.

2018-19 - Total rates

The 2018-28 Long Term Plan set quantified limits for total rates.

Quantified limit 1:

Maximum rate amount \$35.000m

Actual rate amount \$23.282m

Target met.

Quantified limit 2:

Rates not to exceed 50% of total revenue

Actual rates were 39.32% of total revenue.

Target met.

The 2018-19 rate and revenue amounts reflect estimated amounts only.

Borrowing

The following information compares external borrowing levels with quantified limits specified in the Financial Strategy - for the three years from 2016-17 to 2018-19.

The Financial Strategy sets a limit on the borrowing level based on interest costs as a percentage of total rate revenue.

Quantified limits

In each of the year's 2016-17, 2017-18 and 2018-19 the quantified limit was set at the level where interest costs were not to exceed 20% of total rate revenue.

Actual amounts

In each of the year's 2016-17, 2017-18 and 2018-19 the Council has not borrowed externally, and accordingly interest costs have been NIL.

The quantified limit set for each of the three years has not been exceeded.

Return on Investments

The following information compares the return on investments with the quantified targets identified in the Financial Strategy - for the three years from 2016-17 to 2018-19.

Port Otago Limited shares

The return on investment is expressed as the amount of dividend received for each year.

The following table summarises the returns for the three-year period:

Financial year	Targeted dividend	Actual dividend
2016-17	\$7.400m	\$7.500m
2017-18	\$7.500m	\$9.000m
2018-19	\$8.450m	\$8.450m

Notes

The actual dividends reported are the dividends declared and reported as income in each year – except in the 2016-17 year where the dividend declared was \$7.500m and the amount reported based on the timing of dividend receipts was \$7.800m.

In the 2017-18 year, the quantified target in the LTP financial strategy was \$7.500m. The 2018-18 Annual Plan budgeted the dividend at \$9.000m, to include an expected special dividend of \$1.500m to assist in managing the impact of the increased workplan on rates.

The 2018-19 dividend is the estimated dividend expected to be declared for that year.

Investment property

The Financial Strategy in the Long Term Plans does not include a targeted return on investment for Investment property but notes that returns in the form of rental income are at commercial rates. The actual returns received in each year reflect property rentals at commercial rates.

Managed funds

Managed Funds comprises a portfolio of interest-bearing and equity investments.

2016-17 and 2017-18

The Financial Strategy included an assumption of earnings of 5% pa.

The net returns, after taxation and fees, achieved in these two years amounted to 4.52% and 7.32% respectively.

2018-19

The Financial Strategy included an assumption of earnings between 3.1% and 4.1% pa.

During the year most of the investments were transitioned to control of a new fund manager. Due to the transition, an overall return achieved is not available.