



COUNCIL MEETING PUBLIC AGENDA

Wednesday 25 September 2019

10:30 AM

Council Chamber, 144 Rattray St, Level 2
Philip Laing House, Dunedin

Members of the public are welcome to attend.

Meeting documents and attachments are available online at: www.orc.govt.nz

Membership

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

Attending

Sarah Gardner	<i>(Chief Executive)</i>
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Disclaimer

Please note that there is an embargo on agenda items until 48 hours prior to the meeting. Reports and recommendations contained in this agenda are not to be considered as Council policy until adopted.

For our future

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1. APOLOGIES

No apologies were made prior to circulation of the agenda.

2. ATTENDANCE

3. CONFIRMATION OF AGENDA

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

4. CONFLICT OF INTEREST

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

5. PUBLIC FORUM

Mr Peter Dowden, President of Dunedin Tramways Union, will speak to the Council about a petition requesting the Otago Regional Council to fund and require all its contractors to pay their workers the Living Wage. The petition was lodged in compliance with ORC Standing Orders 16.1 and 16.2, received at 12:20 p.m. on 18/09/2019.

6. PRESENTATIONS

No presentations to Council have been scheduled.

7. CONFIRMATION OF MINUTES

Recommendation

That the minutes of the (public portion of the) Council meeting held on 14 August 2019 be received and confirmed as a true and accurate record.

Attachments

1. Minutes - Council Meeting 20190814 [7.1.1 - 10 pages]



Minutes of an ordinary meeting of Council held in the Council
Chamber at Council Chamber on
Wednesday 14 August 2019, commencing at 2:00 pm

Membership

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

Welcome

Cr Woodhead welcomed Councillors, members of the public and staff to the meeting at 02:02 pm.

DRAFT MINUTES

For our future

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1. APOLOGIES

No apologies were noted.

2. LEAVE OF ABSENCE

No leave of absence was requested.

3. ATTENDANCE

Sarah Gardner	<i>(Chief Executive)</i>
Nick Donnelly	<i>(General Manager Corporate Services and CFO)</i>
Gavin Palmer	<i>(General Manager Operations)</i>
Sally Giddens	<i>(General Manager People, Culture and Communications)</i>
Peter Winder	<i>(Acting General Manager Regulatory)</i>
Andrew Newman	<i>(Acting General Manager Policy, Science and Strategy)</i>
Amanda Vercoe	<i>(Executive Advisor)</i>
Liz Spector	<i>(Committee Secretary)</i>
Peter Kelliher	<i>(Legal Counsel)</i>
Jean-Luc Payan	<i>(Manager Natural Hazards)</i>
James Adams	<i>(Senior Policy Analyst)</i>
Sylvie Leduc	<i>(Senior Policy Analyst)</i>
Mike Roesler	<i>(Manager Corporate Planning)</i>

4. CONFIRMATION OF AGENDA

The agenda was confirmed as circulated.

5. CONFLICT OF INTEREST

No conflicts of interest were advised.

6. PUBLIC FORUM

Shelley Sutherland, Andrew Sutherland, Jamie Prout and Jack Brazil spoke to the Council and asked that they declare a climate emergency. After a general discussion, Cr Woodhead thanked them for their comments.

7. PRESENTATIONS

Dr Trudi Webster, Conservation Scientist, Dr Eric Shelton, Board Chair, and Sue Murray, General Manager were present to speak to the Yellow-eyed Penguin Trust's annual report. Dr Webster gave an overview of the past year, stating the penguin weren't adapting well to their changing environment. She cited several reasons the birds are in distress, including adverse weather events, disease, and food chain changes potentially caused by sedimentation and pollution. She detailed work the Trust is doing to support the health and welfare of hoiho and cited partnerships with the Department of Conservation, Fisheries NZ and Ngai Tahu. Councillor Woodhead thanked the group for coming and wished them the best for next season.

Laura Gledhill and Erin Moogan from Queenstown Lakes District Council and Simonne Eldridge, an environmental consultant from Tonkin + Taylor provided an update on odour abatement works underway at the Victoria Flats Landfill near Gibbston. Ms Gledhill said twice-daily odour

monitoring is done at the landfill to look for trends. She said the landfill is no longer accepting biosolid loads and is working to install a gas capture system. She said during the work to implement the capture system, a temporary increase in odour is anticipated and residents of the area will be alerted to this. Ms Gledhill also said she has an open-door policy with the Gibbston community and will attend community meetings to provide information if requested. Cr Woodhead thanked the team for taking time to come to Dunedin and provide this information.

8. CONFIRMATION OF MINUTES

8.1. Minutes of the 26 June 2019 Council Meeting Resolution

That the minutes of the (public portion of the) Council meeting held on 26 June 2019 be received and confirmed as a true and accurate record.

Moved: Cr Hope
Seconded: Cr Robertson
CARRIED

8.2. Minutes of the 1 August 2019 Extraordinary Council Meeting Resolution

That the minutes of the (public portion of the) Extraordinary Council meeting held on 1 August 2019 be received and confirmed as a true and accurate record.

Moved: Cr Hope
Seconded: Cr Robertson
CARRIED

9. ACTIONS (STATUS OF COUNCIL RESOLUTIONS)

Status report on the resolutions of the Council Meeting

11.3 Delegations	3 April 2019	Direct CE to bring a review of delegations to the next Council Meeting	IN PROGRESS
11.1 Policy Committee Appointment of Iwi Representation	15 May 2019	Review and define partnerships of the 2003 MoU and Protocol between ORC and Ngai Tahu/Kai Tahu for Effective Consultation and Liaison	IN PROGRESS
11.3 Disposal of Poison Services Assets	15 May 2019	ORC to consult with community on proposed sale of poison services assets and include the Galloway land as part of a proposed sale	ASSIGNED
11.1 Annual Plan 2019/20	26 June 2019	Provide an updated report on status of reserves to an upcoming F & C committee meeting	ASSIGNED
11.3 Finalise	26 June 2019	Develop business case options for	ASSIGNED

Biodiversity Action Plan		resourcing biodiversity and biosecurity activities to inform the next LTP (2021 - 2031) and enable implementation of the Biodiversity Action Plan.	
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10. CHAIRPERSON'S AND CHIEF EXECUTIVE'S REPORTS

10.1. Chairperson's Report

10.2. Chief Executive's Report

Resolution

That the Chairperson's and Chief Executive's reports be received.

Moved: Cr Woodhead

Seconded: Cr Noone

CARRIED

Cr Scott left the meeting at 03:05 pm.

Cr Scott returned to the meeting at 03:07 pm.

Cr Laws left the meeting at 03:04 pm.

Cr Laws returned to the meeting at 03:07 pm.

11. MATTERS FOR COUNCIL DECISION

11.1. Reserves and Other Lands Disposal Acts

Legal Counsel Peter Kelliher was present to answer questions about the recommended response to Land Information New Zealand's proposal to repeal various sections of outdated land-related legislation applicable to the Otago region. The report states LINZ considers the Acts suitable for repeal in part or in whole and is asking if ORC has any current or future need for any of them to remain in the statute book. Cr Scott asked if LINZ had gone through any public consultation processes on any of the legislation repeals. Mr Kelliher said he was not aware of any public consultation on the repeal of the three specific sections of historic legislation. There were no further questions and Cr Deaker moved the motion.

Resolution

That the Council:

- 1) **Receives** this report.
- 2) **Approves** the following response to Land Information New Zealand, regarding consultation on repealing outdated land-related legislation:
 - a. *"The Otago Regional Council does not object to the repeal of the following sections that apply to the Otago Region, subject to preserving all estates, interests, authorisations and titles in the land:*
 - i. *Section 69 of the Reserves and Other Lands Disposal and Public Bodies Empowering Act 1920;*
 - ii. *Section 136 of the Reserves and Other Lands Disposal and Public Bodies Empowering Act 1922; and*

iii. Section 136 of the Reserves and Other Lands Disposal and Public Bodies Empowering Act 1922.

Moved: Cr Deaker
Seconded: Cr Laws
CARRIED

11.2. ORC Climate Change Response Summary

General Manager Operations Dr Gavin Palmer and Senior Policy Analyst James Adams were present to answer questions about the climate change response report. Cr Deaker said the paper provided good information on what is happening in the region in response to climate change. He said he thinks the issue is too serious to be treated as a symbolic declaration of climate emergency and he moved:

That the council:

- 1. Notes this paper*
- 2. Agrees that Otago must continue to prepare for the certainty that climate change will present emergency situations in many areas of our region*
- 3. Will therefore continue to give high priority to adaptation to climate change, especially in our flood and drainage schemes and in South Dunedin, and to minimising our carbon emissions.*

Debate was conducted on the motion. Cr Scott suggested the Council should declare a climate change emergency. He said it could be an accountability measure to keep the Council engaged on the issue. Cr Robertson said she appreciated Cr Deaker's motion and that the ORC should be held accountable, however, declaring a climate emergency does not do that and she would not support the resolution. She said the community should hold the ORC accountable for what it is or is not doing, then look at how things can be implemented in the future. Cr Robertson said the paper clearly defines the investment already made by ORC into climate change and thinks declaring an emergency confuses the issue with other legislated emergencies declared by the Council, such as civil defence emergencies.

Cr Lawton said she would like to have an independent expert group established to investigate adaptation. She said climate change is an important global movement and she then foreshadowed a motion she had drafted earlier. The foreshadowed motion was:

The Otago Regional Council recognises the importance of and urgent need to address climate change for the benefit of current and future generations. The science is irrefutable – climate change is already impacting ecosystems and communities around the world, with increasingly frequent and severe storms, floods and droughts; melting polar ice sheets; sea level rise and coastal inundation and erosion; and impacts on biodiversity including species loss and extinction. The IPCC's Special Report in October 2018 stated that we have twelve years to turn greenhouse gas emissions around to limit global warming to the Paris Agreement target of 1.5-degrees or face an uncertain future. This requires 'rapid and far-reaching transitions in energy, land, urban and infrastructure (including transport and

buildings), and industrial systems. Everyone has a role to play in delivering the change required.

As such, Otago Regional Council declares a climate emergency and commits to:

1. **Drive** an ambitious science work programme to better understand the impacts of climate change across all of Otago;
2. **Robustly and visibly incorporate** climate change considerations into Council work programmes and decisions;
3. **Provide** local government leadership in the face of climate change, including working with regional partners (iwi, district and city councils, industry and business partners and community) to ensure a collaborative response;
4. **Advocate** for greater Central Government leadership and action on climate change;
5. **Increase** the visibility of our climate change work, including through quarterly updates to council and translating it into accessible information on our website; and,
6. **Lead** by example in monitoring and reducing Council's greenhouse gas emissions.

Cr Kempton said an important point in Cr Lawton's foreshadowed motion was that ORC should be internally doing meaningful things and measuring our own carbon footprint. Cr Woodhead said he struggles with using the term "emergency". He stated policies which have impacts on budgets and work plans should not be developed on the fly, however, a plan to minimise our contribution to climate change could be a meaningful goal. He said it would provide an opportunity to look at our emissions, contractors, public transport, etc. Cr Neill reminded the Councillors that there was a motion on the floor that had been moved and seconded. He said the ORC is already working on issues related to climate change as it should be. He suggested Cr Lawton's foreshadowed motion was too restrictive on what staff have to do. CE Gardner noted that ORC does not have a dedicated climate change team. She said there are people working on climate change-related issues, but no further resources or budget is available in the Annual Plan to address the work as outlined in the foreshadowed motion by Cr Lawton.

Cr Laws left the meeting at 3:44 p.m.

Cr Woodhead read through Cr Deaker's motion and put it to a vote:

Resolution

That the council:

- 1) **Notes** this paper
- 2) **Agrees** that Otago must continue to prepare for the certainty that climate change will present emergency situations in many areas of our region
- 3) **Will therefore continue** to give high priority to adaptation to climate change, especially in our flood and drainage schemes and in South Dunedin, and to minimising our carbon emissions.

Moved: Cr Deaker

Seconded: Cr Bell

A division was called:

Vote

For: Cr Kempton, Cr Neill, Cr Noone, Cr Bell, Cr Deaker, Cr Brown, Cr Hope, Cr Woodhead
Against: Cr Robertson, Cr Lawton, Cr Scott
Abstained: nil

Cr Woodhead declared the motion carried.

The meeting was adjourned at 3:51 p.m. and called back into order at 4:09 p.m.

12. MATTERS FOR NOTING

12.1. Council Activity Review FY2019

General Manager Finance and Corporate Nick Donnelly and Manager Corporate Services Mike Roesler were present to answer questions about the activity review. After a general discussion, Cr Woodhead asked for a motion.

Resolution

That the Council:

- 1) **Receives** the Council Activity Review for the period 1 July 2018 to 30 June 2019.

Moved: Cr Brown
Seconded: Cr Hope
CARRIED

12.2. Provisional Financial Report to 30 June 2019

General Manager Finance and Corporate Nick Donnelly was present to respond to questions on the draft financial report for fiscal year 2019. After a general discussion, Cr Woodhead asked for a motion.

Resolution

That the Council:

- 1) **Receives** the Provisional Financial Report for the 12 Months to 30 June 2019.

Moved: Cr Noone
Seconded: Cr Neill
CARRIED

12.3. Otago Regional Economic Wellbeing Strategic Framework

Senior Policy Analyst Sylvie Leduc provided context for the report, stating the initial workflow arose in response to Provincial Growth Fund (PGF) opportunities by Dunedin City Council. She said a working group comprised of members from across the Otago region's councils was put together to create the document which was endorsed by the Otago Mayoral Forum group members on 12 June 2019. The group is working to identify economic development objectives and strategic priorities for the region and will assist with applications to the PGF.

Cr Lawton said the document provides information about the biggest issues for the future but she would like to see information on emissions baselines for the region included. CE Gardner said she would follow up on this at the next meeting of the Mayoral Forum. Cr Deaker said the document is very informative and should be provided to incoming council members post-election. Cr Deaker suggested to amend the suggested resolution to include a recommendation about the emissions baseline. After additional discussion, Cr Woodhead moved the following:

Resolution

That the Council:

1. **Receives** this report.
2. **Notes** the final Otago Regional Economic Development Strategic Framework 2019.
3. **Notes** Government funding of \$200,000 per annum available for two years (2019/20 - 20/21) to build capacity, portfolio-manage and support Provincial Growth Fund (PGF) activities across the Otago region.
4. **Notes** the approval from Otago council chief executives to appoint two advisors for two years:
 - a) A Coastal Otago portfolio advisor covering Clutha, Dunedin, Waitaki and hosted by Enterprise Dunedin (Dunedin City Council)
 - b) An Inland Otago Portfolio advisor covering Central Otago and Queenstown Lakes, and hosted by Central Otago District Council.
5. **Recommends** that the Otago Mayoral Forum consider commissioning a greenhouse gas emissions baseline for the Otago region.

Moved: Cr Woodhead

Seconded: Cr Deaker

CARRIED

12.4. Documents Signed under Council Seal

After a general discussion, Cr Robertson moved the following:

Resolution

That the Council:

- 1) **Notes** this report.

Moved: Cr Robertson

Seconded: Cr Noone

CARRIED

Meeting adjourned at 4:39 p.m.

Meeting reconvened at 4:53 p.m.

13. REPORT BACK FROM COUNCILLORS

Cr Hope, Cr Lawton, Cr Noone, Cr Deaker, Cr Robertson and Cr Bell each gave brief updates on meetings and events they attended during the previous month.

14. RECOMMENDATIONS ADOPTED AT COMMITTEE MEETINGS

14.1. Recommendations of the 31 July 2019 Communications Committee

Resolution

That the Council:

- 1) **Adopts** the resolutions of the 31 July 2019 Communications Committee.

Moved: Cr Deaker

Seconded: Cr Hope

CARRIED

14.2. Recommendations of the 31 July 2019 Regulatory Committee

Resolution

That the Council:

- 1) **Adopts** the resolutions of the 31 July 2019 Regulatory Committee.

Moved: Cr Scott

Seconded: Cr Hope

CARRIED

14.3. Recommendations of the 31 July 2019 Policy Committee

Resolution

That the Council:

- 1) **Adopts** the resolutions of the 31 July 2019 Policy Committee.

Moved: Cr Robertson

Seconded: Cr Woodhead

CARRIED

14.4. Recommendations of the 1 August 2019 Finance and Corporate Committee

Resolution

That the Council:

- 1) **Adopt** the resolutions of the 1 August 2019 Finance and Corporate Committee.

Moved: Cr Brown

Seconded: Cr Noone

CARRIED

14.5. Recommendations of the 1 August 2019 Technical Committee

Resolution

That the Council:

- 1) **Adopt** the resolutions of the 1 August 2019 Technical Committee.

Moved: Cr Noone

Seconded: Cr Deaker

CARRIED

14.6. Recommendation of the 14 August 2019 Policy Committee

Resolution

That the Council:

- 1) **Adopts** the resolution of the 14 August 2019 Policy Committee

Moved: Cr Robertson

Seconded: Cr Noone

CARRIED

15. RESOLUTION TO EXCLUDE THE PUBLIC

The following resolution was made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest(s) protected by Section 7 of that Act. On the grounds that matters will be prejudiced by the presence of members of the public during discussions on the following items, it was **resolved**:

1. **That** the following item was considered with the public excluded:

1. Leith Flood Protection Scheme, Leith Dundas Construction Project, [Sec 7(2)(h) and 7(2)(i)]

Resolution

Moved: Cr Woodhead

Seconded: Cr Hope

CARRIED

DRAFT MINUTES

Resolution

That the meeting resume in public session at 05:14 pm.

Moved: Cr Woodhead

Seconded: Cr Hope

CARRIED

16. CLOSURE

The meeting was declared closed at 05:14 pm.

Chairperson

Date

8. ACTIONS (STATUS OF COUNCIL RESOLUTIONS)

11.3 Delegations	3 April 2019	Direct CE to bring a review of delegations to the next Council Meeting	IN PROGRESS
11.1 Policy Committee Appointment of Iwi Representation	15 May 2019	Review and define partnerships of the 2003 MoU and Protocol between ORC and Ngai Tahu/Kai Tahu for Effective Consultation and Liaison	IN PROGRESS
11.3 Disposal of Poison Services Assets	15 May 2019	ORC to consult with community on proposed sale of poison services assets and include the Galloway land as part of a proposed sale	ASSIGNED
11.1 Annual Plan 2019/20	26 June 2019	Provide an updated report on status of reserves to an upcoming F & C committee meeting	COMPLETE. Presented to F & C on 11/9/2019
11.3 Finalise Biodiversity Action Plan	26 June 2019	Develop business case options for resourcing biodiversity and biosecurity activities to inform the next LTP (2021 - 2031) and enable implementation of the Biodiversity Action Plan.	ASSIGNED
12.3 Otago Regional Economic Wellbeing Strategic Framework	14 August 2019	Recommend the OMF consider commissioning a greenhouse gas emissions baseline for the Otago region.	COMPLETE – the ORED Working Group was provided the recommendation.

9. CHAIRPERSON'S AND CHIEF EXECUTIVE'S REPORTS

9.1. Chairperson's Report

Prepared for:	Council
Activity:	Governance Report
Author:	Cr Stephen Woodhead, Chairperson
Endorsed by:	Cr Stephen Woodhead, Chairperson
Date:	18 September 2019

OTAGO MAYORAL FORUM

- [1] Pete Hodgson and Leonie Williamson updated on the Dunedin Hospital rebuild and the planning underway for the demand in the workforce.
- [2] The concept design for the smaller ambulatory services building would be completed in September. Housing the outpatient facilities and day surgery; the aim is to have it open 2023/24 and is expected to be joined by a bridge to a larger building on the former Cadbury site. A concept design for the larger acute services building was expected to be completed by November.
- [3] Ms Williamson is the workforce development advisor and is doing a lot of work to understand the number of people in the construction workforce, what apprentices are coming through the system, where the gaps are, and looking at opportunities to incentivise new entrants into the industry.
- [4] Mayor of Selwyn District, Sam Broughton, updated on South Island Destination Management Plan. The purpose of this project undertaken by Stafford Strategy was to:
 - develop a South Island visitor destination management plan that:
 - recognises how domestic and international visitors flow through all our regions;
 - identifies the infrastructure and attractions we need to cater for, current and projected visitor flows;
 - establishes agreed priorities for local and central Government infrastructure investment;
 - ensures that tourism, and the infrastructure provided for visitors and host communities, benefits our communities and maintains a 'social licence to operate';
 - leverage this plan to secure additional central Government investment in infrastructure to support sustainable South Island tourism. The work clearly shows tourism flows and provides the opportunity to put aside regional differences and coordinate promotion and marketing to benefit the South Island.
- [5] Discussion on a paper prepared by Amanda Vercoe with respect to the strategic priorities for the Forum, (regional economic development, Iwi partnership, environmental, housing, tourism, workforce issues) and how resourcing and operational style might change next triennium, including a new format for the triennial agreement, have provided some guidance for preparation work to occur for the next triennium.

TE ROOPU TAIAO

- [6] Verbal updates on all Councils' planning processes were given.
- [7] It was agreed the current Governance Charter is due to be updated to reflect the partnership and scale of the workload. This will be progressed for next triennium.
- [8] Waitangi Day celebrations are to be hosted at Otakou Marae in 2020.

CIVIL DEFENCE

Following receipt of a letter from the Minister of CDEM advising he was satisfied the plan met the intent of the Act, the 2018/2028 Group Plan was approved.

- [9] The 2018/2019 Annual Report was approved and has been circulated.
- [10] Following earlier Annual Plan decision to add another staff member to the team in the Central Otago/Queenstown Lakes area, an Upper Clutha officer position will be filled prior to Christmas.
- [11] An Otago/Southland Regional Fuel Plan has been completed and the Air Operations Plan and specifically an MOU with aircraft operators is still in progress.
- [12] The Otago Risk register is being updated and will be presented to CEG and Group in November.
- [13] Mr Richard Saunders was appointed as a Deputy Group Controller.

REGIONAL SECTOR

- [14] The Metro Sector has written to LGNZ to ask it to add to its business plan an investigation to allow the transfer of public transport functions to territorial councils or alternative governance arrangements, and that LGNZ immediately lobby Government to review PTOM.

THREE WATERS UPDATE

- [15] Cabinet has recently agreed to a package of three waters regulatory reform proposals, including establishing a new drinking water regulator, and some new centralised information gathering and capability capacity development functions for storm and wastewater.
- [16] In September, Cabinet will make further decisions on the institutional arrangements needed to deliver these functions, including options/proposals relating to:
 - The scope of the regulator, including whether the new regulatory functions should be co-located in the same organisation (a three waters regulator), or provided by different organisations; and
 - The institutional form of the regulator(s) including whether to use an existing organisation or create a new one.

[17] A new National Environmental Standard (NES) setting a minimum standard for waste and stormwater discharges is being consulted on as part of the Essential Freshwater proposals.

FRESH WATER

[18] The Government's proposed freshwater package is significant and comprehensive and combined with climate change legislation and upcoming changes to the RMA, could have sweeping unintended consequences if not considered as a whole. While there is sound support for the intent to make a step change in improving land use impacts and improving freshwater ecosystems, the Regional Sector is doing a lot of work to help understand the impacts on regional councils and our communities to ensure the Ministry for the Environment and the Government actually understand the impacts of what is proposed. It is crucial that these changes are based on sound science and allow communities to adapt without social dislocation.

[19] This sector's work on the freshwater package is outlined below.

[20] The sector has done some Economic Impact Assessment of the Essential Fresh Water (EFW) proposals. The first part looked at issues in Southland and Waikato and has been passed onto the Ministers.

[21] Part 2 is underway and takes a broader look at the economic impacts of the EFW proposals, to get a better understanding of regional variability and how all of the parts of the package interconnect. This phase incorporates additional case studies.

[22] *Implementation:* The Ministry for the Environment is preparing an implementation plan, including support for councils. Separate but complementary to the Crown's implementation plan, the sector wants to understand the specific implementation challenges and costs for the sector and has commissioned Christina Robb to prepare a Regional Sector Implementation Plan. The plan will use accurate and appropriate information from councils to present a combined view of implementation priorities.

[23] The Sector Plan will outline additional or revised activities for councils arising from the package in each of the following areas:

- 1) Science including freshwater accounting:
 - Supporting systems and tools, including databases and information management.
 - Supporting capability required, including advice to landowners and catchment groups.
 - Plan making – impact on processes already complete, those underway and those still to start.
 - Plan implementation including consents and compliance.
 - Monitoring.
 - Iwi relationships.
 - On-the-ground action and non-statutory implementation programmes.

- 2) Provide rough estimates of cost and FTE implications for councils of the additional activities.

- 3) Describe capacity and capability constraints both within the regional sector and in other sectors such as the farm advisory sector, scientific expertise on catchment mitigation options, iwi advice, and highlighting inter-dependencies on factors such as Overseer© rationalisation, or availability of hearing panel given demands across the country.
- 4) Identify opportunities for national investment and interventions that would increase likelihood of success.
- 5) Present a combined view across councils of priorities for national investment, including those where national funding could drive and/support cross-council co-ordination.
- 6) Provide advice to Government on its ongoing monitoring and evaluation framework for assessing this package (and implementation of the NPS-FM).
- 7) Provide information into the economic analysis and ensure the alignment of assumptions and consistency in aspects such as number of farm environment plans, fencing, rates increases.

[24] We had updates from Ray Smith, Director General MPI, who is keen to be more outwardly focused. Acknowledged they need to invest in better equipment, systems and processes to handle the increased imports, cruise ships, airport traffic etc.

[25] I closed my previous Chair's Report by noting ORC has been through some challenging times - there is a solid workload in front of the organisation that will need careful prioritisation. Mrs Gardner and the General Managers are making good progress across all aspects of ORC operations. I look forward to observing the outputs from the transformation that is occurring in partnership with our community.

[26] It has been a privilege to serve the people of Otago. I wish you all the best for the future.

ATTACHMENTS

Nil

9.2. Chief Executive's Report

Prepared for: Council
Activity: Governance Report
Author: Sarah Gardner, Chief Executive
Endorsed by: Sarah Gardner, Chief Executive
Date: 17 September 2019

KEY MEETINGS ATTENDED

- [1] Friday 16 August – attended Environmental Extension Group meeting.
- [2] Tuesday 20 August – attended regular catch-up meeting with CEO of Dunedin CC; CEO Forum via Skype; and regular catch-up by phone with CEO of Waitaki DC.
- [3] Thursday 22 August –attended Otago CDEM Joint Committee meeting; attended Otago Mayoral Forum dinner.
- [4] Friday 23 August – attended Otago Mayoral Forum meeting, and Te Rōpū Taiao Otago meeting.
- [5] Tuesday 27 August – with Nick Donnelly, attended a meeting of U3A Dunedin to give an introduction to ORC.
- [6] Wednesday 28 August – travelled to Alexandra with the Executive Leadership Team for the launch of Strategic Plan to Central Otago staff.
- [7] Thursday 29 August – along with DCC CEO, met with Andrew Sutherland and others from Extinction Rebellion; launch of Strategic Plan to Dunedin staff; met with Tom Samuel (H&S Consultant).
- [8] Friday 30 August – met with Bruce Robertson and Robert Buchanen re the CDEM Review.
- [9] Wednesday 4 September –met with a ratepayer regarding a stormwater issue.
- [10] Thursday 5 September –met with Edward Ellison and Nicola Morand of Aukaha.
- [11] Friday 6 September – Otago CEO’s meeting followed by an Otago CDEM CEG meeting.
- [12] Monday 9 September –met with Mike Hanff from Friends of Lake Hayes.
- [13] Friday 13 September – opened the Biodiversity Otago Iwi and Interagency Hui.
- [14] Monday 16 September – met with Rural Banking Sector.
- [15] Tuesday 17 September – met with local community members and catchment group members in Ranfurly with the ORC Executive Team for an outreach session.

- [16] Wednesday 18 September – Executive rural outreach sessions in Wanaka and Henley.
- [17] Thursday 19 September – regular catch-up phone call with CEO of QLDC; and attended Audit & Risk meeting.
- [18] Friday 20 September – travelled to Oamaru for Executive rural outreach session with NOSLaM and the ORC Executive Team.
- [19] Tuesday 24 September – attended Mana to Mana meeting.

RECOMMENDATION

That the Council:

- 1) ***Receives*** this report.

KEY ISSUES AND ENGAGEMENT

Rural Banking Sector Meeting

- [20] For the first time, at the request of Westpac, we brought together the Otago Rural Banking Sector leaders for a session to share ORC's programme of water work, and to understand the impacts or considerations the banking sector makes in respect of policy shifts. By coincidence we were also able to discuss the Essential Freshwater package from Government and what the impacts of that might be on the community.
- [21] We discussed deemed permit replacement and the recent decision of Council to prepare a plan change to address the 2020 timeframe in Plan Change 6A of the Water Plan. In particular, it was useful to get a financial perspective on how unique each farming operation is and how impacts can be very different for farmers, when policies change, depending on a number of factors, including what they farm, how they farm, and the debt commitments they have.
- [22] Feedback after the session was that it was a useful engagement and the banking sector would be appreciative of further networking.

Rural Outreach Sessions with the Executive Leadership Team of ORC

- [23] At the time of writing, myself and the Executive Leadership Team had completed three visits to our communities in Ranfurly, Wanaka and Henley as an outreach to introduce the team and to connect on ORC's current work programme and new Government policy. It was our first opportunity to introduce Richard Saunders and Gwyneth Elsum in their new General Manager roles, and a great way for them to be inducted to ORC's diverse region and its communities. These sessions were well attended and hosted kindly in Ranfurly by the Upper Taieri Catchment Group, and in Wanaka by the Upper Clutha Lakes Trust.
- [24] It was a very useful exercise to engage with our community in this way, to receive their feedback and understand their issues with regard to the environment and farming particularly. We shared our four priorities and discussed our water work programme and what proposed Government policy for water, urban development and highly

productive land means for ORC, while at the same time hearing what the key issues for farming and communities were likely to be.

- [25] It is pleasing to hear that ORC is making good efforts across the region, and communities are noticing some positive change in our approach and the work we deliver. It was also clear however, that ORC and our communities are facing a lot of change and expectation and that how we support our communities is something people are looking for clarity on.

Emergency Management Otago

- [26] The Coordinated Executive Group (CEG) for Emergency Management in Otago met on Friday 6 September. I chair the Group. The agenda included updates on the Fuel Plan for Otago, the implementation of the new D4H system which is a shared online system that provides support for communications and information during emergency responses, and shared a draft business plan for the year that is based largely on implementing the Group Civil Defence Plan adopted recently.
- [27] We also took the opportunity to approve the appointment of our new General Manager Regulatory, Richard Saunders as a Group Controller. Richard brings a ready skill base through his experience as a controller during events when he was at Dunedin City Council.
- [28] The Group also noted the success of Michele Poole, from our Emergency Management Otago Team, who is Emergency Management Otago's first member of the new NZ Emergency Management Assistance Team after successfully completing 12 days of intensive training tailor-made for the competencies required in this kind of function.

ATTACHMENTS

Nil

10. MATTERS FOR COUNCIL DECISION

10.1. Recommendations from the Hearing Panel on the Regional Pest Management Plan and Biosecurity Strategy Review

Prepared for:	Council
Report No.	EHS1863
Activity:	Environmental: Land
Author:	Lisa Miers, Senior Consultant, Mitchell Daysh
Endorsed by:	Gavin Palmer, General Manager Operations
Date:	17 September 2019

PURPOSE

- [1] The purpose of this report is to:
- present to the Council the recommendations from the Hearing Panel on the provisions of and submissions on the Otago Regional Pest Management Plan (“the Plan”) and Biosecurity Strategy (“the Strategy”); and
 - seek the Council’s approval to adopt the recommendations on the Plan in accordance with the Biosecurity Act 1993 and to adopt the recommendations on the Strategy; and
 - seek the Council’s approval to publicly notify the decisions on the Plan on 1 October 2019.

EXECUTIVE SUMMARY

- [2] Otago Regional Council’s Strategic Plan 2019-2022 lists the four key strategic priorities as: water, climate change, urban development and biosecurity/biodiversity. Improving Otago’s biosecurity and biodiversity is a key strategic Priority for Otago Regional Council.
- [3] The review of the Otago Pest Management Strategy 2009 commenced in October 2017, to fulfil the requirements of the Biosecurity Act 1993 (“The Act”) and comply with the National Policy Direction for Pest Management 2015.
- [4] On 31 October 2018, Council resolved to publicly notify the Plan for submissions and at the same time seek community feedback on the Strategy.
- [5] The Hearings Appointment Sub-Committee appointed Cr Gretchen Robertson, Cr Ella Lawton, Mr John Simmons and Cr Andrew Noone to the Hearing Panel to consider the 360 submissions that were received. The Hearing Panel heard submissions in four days of public hearings in June 2019.
- [6] After considering submissions and requesting information from ORC staff and submitters the Panel are satisfied with the contents of the Plan and Strategy and recommend that the decisions be accepted by Council, and the decisions on the Plan be publicly notified.

RECOMMENDATION

That the Council:

- Receive** the Report and Recommendations of the Hearing Panel titled *Decision Report on the Otago Regional Pest Management Plan and Biosecurity Strategy dated 25 September 2019*.

- b) **Adopt** the Report and Recommendations of the Hearing Panel as the Council's written report and decision on the Otago Regional Pest Management Plan under section 75 of the Biosecurity Act 1993 and as Council's decision on the Otago Biosecurity Strategy.
- c) **Resolves** to publicly notify the decision on the Otago Regional Pest Management Plan under section 75 of the Biosecurity Act 1993 on 1 October 2019.
- d) **Authorises** the Chief Executive to make alterations of minor effect or to correct any minor errors to the Otago Regional Pest Management Plan prior to the commencement of the Plan. This shall include any minor necessary alterations to ensure appropriate use of Te Reo Māori and the use of Kāi Tahu dialect.
- e) **Resolves** that following the period where submitters may make an application to the Environment Court, if no application is made, that the Otago Regional Council make the Plan by affixing the seal under section 77 of the Biosecurity Act 1993.

BACKGROUND

Preparation of Proposed Plan and Strategy

- [7] Biosecurity is important for the sustainable wellbeing of the Otago region and its communities. The Otago Regional Pest Management Plan is the Otago Regional Council's regulatory response to pests.
- [8] As the Otago Pest Management Strategy 2009 was set to expire in 2019, a new plan proposal was required to be notified before the Otago Pest Management Strategy 2009 expired.
- [9] Additionally, substantial changes to the Biosecurity Act 1993 were made in 2012. These changes, together with the National Policy Direction for Pest Management 2015, introduced new requirements for both the process of developing new regional pest management plans, and for their content.
- [10] The purpose of developing both the Proposed Pest Management Plan and the Proposed Biosecurity Strategy at the same time is to provide integration between the statutory responsibilities defined in the Plan, and the non-statutory biosecurity activities undertaken by Council and Otago's communities and stakeholders, to be outlined through the Strategy.
- [11] Otago Regional Council established a Councillor Pest Reference Group in 2017, chaired by Cr Andrew Noone. The project team reported directly to the Councillor Pest Reference Group on the development of Proposed Pest Management Plan and the Proposed Biosecurity Strategy. This included presenting several iterations of the draft documents to the Pest Reference Group for feedback, refinement and approval. The Proposed Pest Management Plan and the Proposed Biosecurity Strategy were taken to a full Council workshop and subsequent Council meeting (31 October 2018) to approve them for public notification.

Notification and submissions received

- [12] On 31 October 2018, Council resolved to publicly notify the Proposed Pest Management Plan for submissions and at the same time seek community feedback on the Proposed Biosecurity Strategy. For the Proposed Pest Management Plan this involved confirming the first three steps in Table 1 below.
- [13] The resolution also authorised the Hearings Appointment Sub-Committee to appoint a Hearing Panel to hear and make recommendations on submissions and the content of the Plan and Strategy.

- [14] The Hearings Appointment Sub-Committee appointed Cr Gretchen Robertson, and Cr Ella Lawton, Mr Edward Ellison and Mr John Simmons as members of the Hearing Panel on Tuesday 5 March 2019. The Hearings Appointment Sub-Committee appointed Cr Andrew Noone (to replace Hearing Panel member Edward Ellison who advised he would not be available) on Tuesday 9 April 2019.
- [15] The Plan and the Strategy were publicly notified and open for submissions on 1 November to 14 December 2018 for a period of six weeks. A total of 360 submissions were received, with 344 submissions made on the Plan and 14 submissions made on the Strategy.

Hearings and deliberations

- [16] The Hearing Panel heard submissions in four days of public hearings in June 2019. The hearings were held in both Dunedin and Queenstown. The Hearing Panel read all the written submissions and listened to the views of those who submitted in person during the hearing process. The Hearing Panel subsequently recommended that specific consultation be undertaken with additional property occupiers within the Cardrona Valley in relation to the proposed extension of new Gorse and Broom Free Areas. Council in its Decision on 1 August 2019 resolved that this additional consultation occur.
- [17] During their consideration of submissions in June to September 2019, the Hearing Panel issued several minutes requesting additional information from staff and submitters to inform their decision making to ensure that all submissions have been considered fully and the decision-making process is robust, transparent and evidence based.
- [18] The Hearing Panel have now confirmed their satisfaction that consultation required under section 72(1) has occurred and that the issues raised in all of the consultation undertaken have been considered in accordance with section 73(1) of the Biosecurity Act 1993.
- [19] The proposed Plan has been amended and updated as required by the Hearing Panel, and the Hearing Panel are satisfied that the Plan is in accordance with sections 73 and 74 of the Biosecurity Act 1993.
- [20] For completeness, a summary table of the key steps for making a regional pest management plan under the Biosecurity Act 1993 and the satisfaction of these steps is provided below:

Table 1: Regulatory requirements for the development of a regional pest management plan

Prior to public notification of the proposed Pest Management Plan	S70, First step	Plan is initiated by a proposal (s70 prescribes the matters that must be set out in the Proposal)	Resolution on 31 October to notify the proposal
	S71, Second step	Satisfaction on requirements (matters the Council must consider and be satisfied with when it approves the Proposal)	Resolution on 31 October regarding satisfaction of requirements
	S72, Third step	Council is satisfied with consultation, or requires further consultation to be undertaken (for example through public notification of the Proposal)	Resolution on 31 October regarding public notification
Public notification of the proposal, receipt of submissions			1 November – 14 December 2018

Hearing of submissions			June 2019
After public notification and the hearing on the proposed Pest Management Plan	S73, Fourth step	Approval of preparation of a plan and decision on the management agency (the hearing panel issues a minute)	Hearing Panel have confirmed their approval Council resolution anticipated on 25 September 2019
	S74, Fifth step	Satisfaction on contents of the plan and requirements (included in hearing panel report to Council as per sixth step)	Hearing Panel have confirmed their approval Council resolution anticipated on 25 September 2019
	S75, Sixth step	Hearing panel recommendations to Council on submissions and the plan. Council makes decision on plan.	Hearing Panel have confirmed their approval Council resolution anticipated on 25 September 2019

- [21] As set out in their Decision Report, the Hearing Panel is satisfied on the contents of the plan and its requirements and recommends to Council that the Plan and Decision Report be accepted by Council and the decisions on the Plan be publicly notified. The Plan will then be subject to appeal by those persons who made a submission.
- [22] The Hearing Panel is also satisfied that as they have considered and reported on the Strategy at the same time, they are satisfied that the Strategy be adopted by Council. It is noted that there are no appeal rights on the Strategy.

Content of the Strategy

- [23] The Biosecurity Strategy is a new strategic approach to meeting Otago Regional Council's biosecurity obligations, aiming to guide the delivery of all Otago Regional Council's biosecurity activities over the next 10 years.
- [24] The Strategy integrates Otago Regional Council's statutory and non-statutory functions, including the Plan and all other biosecurity activities such as monitoring and surveillance, research, incursion responses and collaborative action.
- [25] The Strategy includes four key priorities, with a range of actions and projects outlined and linked to each of those priorities. The priorities are:
1. Proactive Biosecurity management: Addressing issues before they become significant.
 2. Responsive and Flexible: Utilise the most efficient and effective methods to control harmful organisms.
 3. Integrated and Collaborative action: Working with parties at all levels.
 4. Landscape scale and Site scale: Target key areas for collaborative and coordinated control.

- [26] The Hearing Panel's recommended amendments to the Strategy as notified, are set out in Attachment 1 to the Decision Report on the Otago Regional Pest Management Plan and Biosecurity Strategy dated 25 September 2019. These largely seek to strengthen the Strategy by better recognising Kāi Tahu Ki Otago as a Treaty Partner, strengthening several of the Strategy actions, making minor amendments, strengthening how Council will implement the Strategy, and the inclusion of several additions to the Strategy projects:
- A marine pest scoping exercise to determine what management approaches may be appropriate in a future Pathway Management Plan; and
 - A project to compile a registry of shelterbelts across the Region that may act as seed sources for wilding conifer spread and prepare maps to record spatially existing shelterbelt locations and at-risk areas.

Content of the Plan

- [27] The Plan as notified was the result of a comprehensive review of the previous Otago Pest Management Strategy 2009, research regarding the known pest management issues in Otago, and engaging with stakeholders and communities. This included:
- Increasing the number of species declared as Pests from 23 to 49.
 - Addressing previous inconsistencies with the National Policy Direction for Pest Management 2015, including:
 - Objectives which address appropriate adverse effects and state intermediate outcomes;
 - Programmes which align with the National Policy Direction for Pest Management 2015 programme descriptors (exclusion, eradication, progressive containment, sustained control and site-led);
 - analysis of costs and benefits in accordance with the National Policy Direction requirements; and
 - 'Good Neighbour Rules' that meet new requirements, for gorse, broom, Russell lupin, ragwort, nodding thistle, rabbits, and wilding conifers.
 - Building and expanding on what is required of landowners, including:
 - Expanding the gorse and broom free areas.
 - More effective boundary rules for nodding thistle, gorse, broom, and ragwort.
 - Simpler rabbit control rules for better compliance.
 - Tackling wilding conifer spread throughout Otago to keep cleared areas clear.
 - New rules for Russell lupins.
 - New exclusion pests - African feather grass, Chilean needle grass, false tamarisk, moth plant.
 - Eradication pests - wallabies, rooks and spiny broom, and requirements to further reduce many other pest plants.
 - New collaborative site led programmes for Mt Cargill, West Harbour and Otago Peninsula that manage a range of additional plant and animal pests (Chilean flame creeper, Darwin's barberry, possums, mustelids etc).
 - More emphasis on ensuring monitoring is efficient and effective.
 - The structure of the Plan follows a nationally consistent approach.
- [28] The Hearing Panel's recommended amendments to the proposed Plan as notified are set out in Attachment 1 to the Decision Report on the Otago Regional Pest Management Plan and Biosecurity Strategy dated 25 September 2019. These largely seek to further strengthen the Plan by better recognising Kāi Tahu Ki Otago as a Treaty Partner, making

a number of minor amendments, and making a number of additions to the Plan programmes, as summarised below:

- The addition of egeria and hornwort as exclusion species in the Plan (increasing the number of pests to 51);
- The addition of a good neighbour rule for old man's beard to control spread across boundaries where properties adjoin crown land;
- The addition of a good neighbour rule for Russell lupin to control spread across boundaries where properties adjoin crown land, and the introduction of reduced planting setbacks from intermittent streams where the occupier has a Russell Lupin Management Plan in place;
- A pest agent rule to require the destruction of Pest Agent Conifers within 200m from a neighbouring boundary, where the neighbour had publicly funded wilding conifer control work undertaken; and
- Additions and amendments to the Dunedin site-led programmes to include a wider range of plant and animal species across the three sites.

Appeal period and implementation

- [29] Once a decision has been notified on the Regional Pest Management Plan, submitters have the opportunity to make an application (similar to an appeal) to the Environment Court on the matters set out in section 76(2) of the Biosecurity Act 1993. The application must be made within 15 working days of the notice of the decision.
- [30] The period for applications will be open from 1 October to 22 October 2019. Any applications received by the Environment Court will follow the process of the Court. If no applications are received the Plan can be 'made' under section 77 of the Biosecurity Act 1993 by the Council fixing its seal, meaning it will be operative and have full legal effect this year.
- [31] The Otago Pest Management Strategy 2009 will continue to have legal effect until the plan is 'made' at which time the Otago Pest Management Strategy 2009 will no longer apply. It is noted that the plan may be partially 'made' if there are matters that are subject to appeal that are 'severable' from the rest of the Plan.
- [32] Within 3 months of the Plan being 'made', Council must prepare an annual operational plan setting out how the Plan and Strategy will be delivered.

CONSIDERATIONS

Legal compliance and risk assessment

- [33] Internal and external legal advice has been provided during the hearings process to ensure that the processes followed comply with the Biosecurity Act 1993 and the Local Government Act 2002. An external legal review has also been undertaken of the Plan, Strategy and Decision Report, in particular to ensure that the Plan complies with the Biosecurity Act 1993 and National Policy Direction.

Council options

- [34] Council has two options in terms of responding to this report and recommendations. This first option is to accept the recommendations as set out in the Staff Recommendations above.
- [35] If Council decides not to accept the Hearing Panel's recommendations, the Council will then need to resolve to refer the *Report and Recommendations of the Hearing Panel titled Decision Report on the Otago Regional Pest Management Plan and Biosecurity Strategy dated 25 September 2019* back to the Hearing Panel for reconsideration.

Financial considerations

- [36] A best-estimate analysis of expected implementation costs was undertaken by ORC staff during the Plan development process.
- [37] It is anticipated that the estimated annual (full year) cost to the ORC for implementing the Plan will be \$1,897,000. Additional costs will be incurred for implementing programmes in the Biosecurity Strategy and in establishing surveillance programmes for Organisms of Interest.
- [38] New incursions or unforeseen range expansions may require further funding. Any additional budget required will be outlined at the time any new incursion occurs.
- [39] Any changes to the anticipated costs listed above will be documented through the future Annual Plan process(s) and will not be updated in the Plan.
- [40] The current Biosecurity budget for 2019/20 is \$1.32m and as per the revenue policy is 100% funded by general rates (except enforcement action where ORC can recover costs).
- [41] If the plan and strategy are adopted, then the forecast biosecurity expenditure at 30 June 2020 is expected to be \$1.71m.
- [42] Implementation will therefore result in an increase to the budget for biosecurity and biodiversity expenditure with likely changes for how biosecurity activities are rated.
- [43] Funding levels will be required to be set during subsequent Long Term Plan and Annual Plan processes so that the Plan and Strategy are appropriately funded for implementation. There will be a period of transition within this current financial year, with work commencing shortly to inform the 2020-2021 Annual Plan process.

Consistency with council policy

- [44] This report does not propose a departure from Council policy. Given the proximity of this decision to the upcoming local body election, a review against relevant Electoral legislation and policy has also been undertaken. There is no impediment to these recommended resolutions.

Communication

- [45] A Communication Plan has been prepared and will be implemented to support the public notification of the decisions Otago Regional Pest Management Plan and Biosecurity Strategy. This is appended as Attachment 2. The public notice is appended at Attachment 3.

ATTACHMENTS

1. Panel Decision [10.1.1 - 46 pages]

Appendices provided in separate document

1. Appendix 1a – Plan, Tracked Text Version
2. Appendix 1a – Strategy, Tracked Text Version
3. Appendix 1b – Plan
4. Appendix 1b – Strategy
5. Appendix 2 – Summary of Panel Recommendations
6. Appendix 3 – Panel Minutes
7. Appendix 4 – Assessment 73 74 of the Act



Decision Report

On the Otago Regional Pest Management Plan and Biosecurity Strategy

Under Section 75 of the Biosecurity Act 1993

25 September 2019

At its meeting on 25 September 2019 the Otago Regional Council adopted the attached written report and decision of the Hearing Panel on the Otago Regional Pest Management Plan and Biosecurity Strategy pursuant to section 75 of the Biosecurity Act 1993.

The Otago Regional Pest Management Plan and Biosecurity Strategy resulting from the Council's decision is set out in **Appendix 1**.

Hearing Panel:

Councillor Gretchen Robertson (Chair)

Councillor Ella Lawton

Councillor Andrew Noone

Independent Commissioner John Simmons

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INTRODUCTION

- [1] The Otago Regional Council (Council) appointed us as the Hearing Panel (the Panel) on the Proposal for an Otago Regional Pest Management Plan (the Proposal) and the Proposed Biosecurity Strategy (the Strategy).
- [2] In relation to the Proposal, the Council delegated to the Panel their powers, functions and duties set out in:
- a. Sections 72 to 74 (excluding section 72(5)) and sections 100D(6)(b) of the Biosecurity Act 1993 ('BSA', 'the Act'), in respect of the Proposal; and*
 - b. Sections 75(1) and (2) of the BSA to prepare a written report on the Plan.*
- [3] These include the powers, functions and duties of hearing submissions on the Proposal and of making recommendations to the Council on the Proposal. In addition, we have been delegated powers, functions and duties of hearing submissions and making recommendations to Council on any changes to the Proposed Biosecurity Strategy.
- [4] At its meeting on 1 August 2019 the Council further delegated to the Panel their powers, functions and duties set out in:
- c. Section 72(5) of the Biosecurity Act 1993 ('BSA', 'the Act') to consider any written views received from the Property Occupiers as part of its recommendations to Council as to the Council's decision on the Proposed Regional Pest Management Plan.*
- [5] The Otago Regional Pest Management Plan 2019-2029 (the Plan) replaces the Regional Pest Management Plan 2009. The Biosecurity Strategy (the Strategy) aims to provide integration between the statutory responsibilities defined in the Plan and the broader functions and non-statutory biosecurity activities undertaken by Council and Otago's communities and stakeholders.
- [6] Part 5 of the BSA sets out a six-step process that must be followed when making a regional pest management plan (set out in sections 70 to 75 of the BSA). The Council completed the first two steps at its meeting on 31 October 2018 and directed that further consultation be undertaken by publicly notifying the Proposal for a period of submissions followed by a hearing of submissions received. This

report addresses the remaining steps (3, 4, 5 and 6) of the process, including the Panel's recommendations on the Proposal, together with reasons for accepting or rejecting submissions lodged on the Proposal.

- [7] Copies of the Plan and Strategy incorporating our recommendations is attached as **Appendix 1.**
- [8] A table setting out the Panel's reasons for accepting or rejecting submissions lodged on the Proposal and on the Biosecurity Strategy is attached as **Appendix 2.** We note that where matters raised by submitters are referred to in this decision document, we reference the submission number and point (e.g. P123.1) as catalogued in the table in Appendix 2.
- [9] We determined many submission points to be out of scope and these are noted as such in Appendix 2. A few submissions received were invalid and these are also noted in Appendix 2.
- [10] The Formal Minutes (Minutes 1-7) of the Hearing Panel are included as **Appendix 3.**
- [11] We received various unsolicited correspondence outside of the formal hearings process. We have not considered the matters raised by these correspondents in this decision-making process.

THIRD STEP: SATISFACTION WITH CONSULTATION

- [12] Under Section 72(1) of the BSA the Panel is required to be satisfied:
- a. *that, if Ministers' responsibilities may be affected by the plan, the Ministers have been consulted;*
 - b. *that, if local authorities' responsibilities may be affected by the plan, the authorities have been consulted; and*
 - c. *that the tangata whenua of the area who may be affected by the plan were consulted through iwi authorities and tribal rūnanga; and*
 - d. *that, if consultation with other persons is appropriate, sufficient consultation has occurred.*
- [13] The consultation undertaken prior to the public notification of the Proposal is summarised in Section 2.5 of the Proposal and in Section 5 'Consultation

Requirements' of the Hearing Report dated 14 May 2019. Further, a 'Summary of Consultation' report was prepared in October 2018 and made available on the Otago Regional Council website.

[14] The Panel addresses each of the requirements of section 72(1) below.

Consultation with Ministers

[15] The responsibilities of the Minister for Primary Industries, the Minister of Conservation and the Minister of Land Information may be affected by the Plan.

[16] Each of these Ministers were consulted with prior to the public notification of the Proposal as set out in the Summary of Consultation Report.

[17] Following public notification of the Proposal, the Ministry for Primary Industries (MPI), the Department of Conservation (DOC) and Land Information New Zealand (LINZ) lodged submissions on the Proposal.

[18] Staff have liaised further with MPI, DOC and LINZ and have continued to liaise with these agencies in developing staff recommendations to submissions in response to Panel Minutes 3, 5 and 6.

[19] The Panel is satisfied, in accordance with section 72(1)(a) that the Ministers whose responsibilities may be affected by the Plan have been consulted.

Consultation with Local Authorities

[20] The responsibilities of local authorities in Otago and local authorities neighbouring Otago may be affected by the Plan. All district councils in Otago and all regional council neighbours were consulted with prior to the public notification of the Proposal. Regular meetings were held throughout development of the Proposal with these local authorities.

[21] Following public notification of the Proposal, Dunedin City Council (DCC), Queenstown Lakes District Council (QLDC), Environment Canterbury (ECAN), and Environment Southland (ES) lodged submissions on the Proposal.

[22] The Panel is satisfied, in accordance with section 72(1)(b) that the local authorities whose responsibilities may be affected by the Plan have been consulted.

Consultation with Tangata Whenua

- [23] A specific purpose of a regional pest management plan under the Act is to provide for the protection of the relationship between Māori and their ancestral lands, waters, sites, wāhi tapu, and taonga, and to protect those aspects from the adverse effects of pests. Meetings were held on 20 October 2017 and 24 May 2018 with Kāi Tahu (via Aukaha¹) with regard to rūnaka engagement. Kāi Tahu (via Aukaha) and Te Ao Marama were invited to attend stakeholder forums, were invited to provide initial feedback in November 2017, and were sent the draft Proposal in September 2018.
- [24] Staff have liaised further with Aukaha in developing staff recommendations to submissions in response to Panel Minutes.
- [25] The Panel is satisfied, in accordance with section 72(1)(c) that the tangata whenua of the area who may be affected by the Plan were consulted through the appropriate authority and tribal rūnaka.

Consultation with other persons

- [26] In considering whether the Panel is satisfied that sufficient consultation has occurred with other persons as required by subsection (1)(d), the Panel must have regard to the following matters under section 72(2) of the BSA:
- a. the scale of the impacts on persons who are likely to be affected by the Plan; and*
 - b. whether the persons likely to be affected by the Plan or their representatives have already been consulted and, if so, the nature of the consultation; and*
 - c. the level of support for, or opposition to, the proposal from persons who are likely to be affected by it.*
- [27] Details of the consultation processes have been provided as described in Paragraph 13 of this report.
- [28] Opportunity for feedback has been provided through the public notification of the Proposal and the Strategy where the community has had an opportunity to submit on the Proposal and Strategy and speak to their submission at the hearing.

¹ Consultancy service mandated by kā Rūnaka to work on behalf of Manawhenua ki Otago

- [29] Further opportunity for feedback has also been provided through additional consultation as directed in Panel Minutes 3, 5, 6 and 7 (published and available on the Otago Regional Council (ORC) website).
- [30] The Panel has considered the scale of impacts of the Proposal, which are wide ranging across the region and also impact on neighbouring local authorities and a range of stakeholders. We had submissions both in support, and in opposition to many of the matters in the Proposal and received helpful input from the public for identification of new pests and pest agents, as well as organisms of interest.
- [31] In accordance with the Council resolution as set out in Paragraph 4 of this report, the Panel directed in Minute 7 that staff undertake consultation on the Proposal with property occupiers affected by the proposed extension to the new Gorse and Broom Free Area in the Cardrona Valley. The proposed extension was a result of submissions received from the Cardona Residents and Ratepayers Society Inc (P252.1) and Mark Davis (P010.2) and is further discussed in Paragraph 141 of this Report. We did not receive any written views from property occupiers affected by the proposed extension to the new Gorse and Broom Free Area in response to Minute 7.
- [32] Submitters were also provided an opportunity to provide their written views on technical or workability matters relating to the recommended provisions by staff. We received the written views from two submitters in response to Minute 7, including George Collier (P254) and Ben and Vanessa Hore (P255). In the large the matters raised in the written views provided related to matters already raised in their original submissions. However, each raised a question around the appropriate timeframe that could be expected to relate to the proposed Russell lupin Management Plan (RLMP).
- [33] The Panel were able to respond to submissions and consider the further written views of submitters and refine a final Plan and Strategy.
- [34] We recorded numerous submission points to be out of scope. The reasons for determining these submissions to be out of scope are set out in **Appendix 2**.
- [35] Given the wide-ranging scale of impacts, the Panel is satisfied that undertaking notification and carrying out hearings enabled us to consider those impacts, and that the public generally, including those directly affected, had an opportunity to take part in an open and public process.

- [36] Having regard to the matters set out in section 72(2) of the BSA, the Panel is satisfied that the requirements of section 72(1)(d) have been met and sufficient consultation has occurred with other appropriate persons.

The hearing process

- [37] The Proposal and Strategy were notified for submissions on 1 November 2018 for a period of six weeks closing at 5pm on 14 December 2018. A total of 344 submissions were lodged on the Plan and 16 submissions were received on the Strategy. We issued directions for the hearing in Minute 1.
- [38] We recorded and accepted 14 late submissions in Minute 1.
- [39] We recorded acknowledgement of potential conflicts of interest in Minute 1 and in the Addendum to Minute 1. During the hearing we heard a submission from Maniototo Pest Management Inc (P329). We then responded to a procedural concern raised by a submitter as set out in Minute 4. We confirm that Councillor Robertson has taken no part in the hearing of submissions relating to the submissions by Ernslaw One Ltd (P285), and Dylan Robertson (P157). We note the Panel's decision for Councillor Robertson to vacate the Chair during deliberations relating to Ernslaw One Ltd (P285), Maniototo Pest Management Inc (P329), and Dylan Robertson (P157). No further concerns were raised regarding conflicts in the course of the hearing.
- [40] The public hearings occupied two days across 5-6 June in Dunedin, and two days across 17-18 June in Queenstown.
- [41] We provided the opportunity for the Council to present its opening and a summary of the Proposal and Strategy. It was followed by the submitters. During the hearing of submissions, we made a request for further information to assist our consideration of the Proposal in Minute 3.
- [42] The Council provided its reply, responding to submitters at the close of the hearing on the 18 June 2019.
- [43] The hearing process enabled submitters to present their submissions to us in a public forum. Where we had questions of submitters, we asked these, and provided for opportunities for clarification from the parties.

- [44] Following the completion of the hearings, having heard the parties and considered evidence presented to us, we directed in Minute 6 that further work be undertaken on cost benefit analysis (CBA) for provisions relating to egeria and hornwort, Old man's beard, Russell lupin and wilding conifer pest agent provisions. Upon receipt of the CBA and recommended provisions by staff in response to Minute 6, we directed in Minute 7 that submitters had an opportunity to provide written feedback on technical and workability matters relating to the recommended provisions.
- [45] We received the written views from two submitters in response to Minute 7, including George Collier (P254) and Ben and Vanessa Hore (P255). In the large, the matters raised in the written views provided related to matters already raised in their original submissions. However, each raised a question around the appropriate timeframe that could be expected to relate to the proposed Russell lupin Management Plan (RLMP). We considered the matter raised and set out our decision in Paragraphs 143-146 of this Report.
- [46] We also directed in Minute 6, that further work be undertaken to alter provisions relating to the new Gorse and Broom Free Area. Upon receipt of the information in response to Minute 6, we directed in Minute 7 that staff undertake consultation on the recommended provisions with property affected by the ~~proposed~~ proposed extension to the new Gorse and Broom Free Area in the Cardrona Valley. We received no written views from affected property owners in response to Minute 7.
- [47] We also sought staff views on the available management options for wilding conifers and directed in Minute 7 that submitters be provided an opportunity to provide their written feedback on technical and workability matters relating to the recommended provisions by staff. We received no written views from submitters in response to Minute 7.
- [48] We issued Minute 8 on 11 September 2019 that formally signalled to submitters that the hearing of submissions had officially closed and advised that the Panel aims to complete and present its recommendations to Council on 25 September 2019.
- [49] Having carefully considered the information provided by staff and the outcomes of further consultation we requested specific changes to be made to the Proposal and a final Plan has been prepared reflecting our directions and recommendations.

- [50] We are satisfied that no party has raised any additional procedural matters in relation to the process and hearings that would be required to be addressed in this report.
- [51] We are grateful for the assistance of both the Council officers and submitters in the hearing process for providing thoughtful, informed and useful information to us.
- [52] All correspondence relating to the above matters in paragraphs [37] – [49] has been published and is available on the Council’s website.
- [53] We received unsolicited correspondence from submitters outside the formal hearing of submissions. We have not considered the matters raised by these correspondents as to do so would compromise the principles of natural justice and fairness to other submitters taking part in the process.

Whether issues raised in consultation on the Proposal have been considered

- [54] The Panel is also required to be satisfied under section 73(1) of the BSA that all issues raised in all the consultation undertaken on the Proposal have been considered.
- [55] As set out in Section 2.5 of the Plan, issues raised during pre-notification consultation were considered by staff in the preparation of the Proposal and were addressed where appropriate throughout the Proposal.
- [56] The Hearing Panel, in Minute 1 entitled '*Directions of Hearing Panel on Preparation for Hearing of Submissions*' dated 29 April 2019, directed Council staff to prepare a report containing:
- a. *A summary of the Plan and Strategy;*
 - b. *A summary of the process undertaken to develop the Plan and Strategy;*
 - c. *A summary of the legal framework in the Biosecurity Act 1993 for making a regional pest management plan;*
 - d. *A summary of the consultation requirements in section 72 of the Act for making a regional pest management plan and the consultation undertaken during the development of the Plan and Strategy;*

e. A summary of the submissions received on the Plan and feedback provided on the Strategy, highlighting key issues raised in submissions, and providing staff recommendations in response to each submission.

- [57] This Staff Report was provided to the Panel on 14 May 2019 and made available on the Council's website.
- [58] Following hearing of submissions, staff replied directly to matters raised throughout the hearing process in an open session held on 18 June 2019. The staff response is entitled 'Staff Closing Response to Submissions' dated 18 June 2019 and was made available on the Council's website.
- [59] The Panel further directed Council to prepare reports responding to key questions and requests for information arising from the hearing process in Panel Minutes 3, 5, 6 and 7. Staff reports were provided to the Panel and made available on the Council's website.
- [60] The Panel has carefully considered the issues raised in submissions together with the evidence lodged, oral presentations, written comments and any further matters raised at the hearing. Paragraphs [73] – [194] of this Report sets out our detailed response to the matters raised in submissions.
- [61] The Panel has recommended a package of recommendations to Council catalogued in a table setting out our reasons for accepting or rejecting submissions lodged on the Proposal and on the Biosecurity Strategy (**Appendix 2**) and a copy of the Plan and Strategy incorporating our recommendations (**Appendix 1**).

Conclusion on consultation

- [62] The Panel is satisfied that the consultation required by section 72(1) has occurred, and that all of the issues raised in all the consultation undertaken on the Proposal, have been considered in accordance with Section 73(1).
- [63] It is further noted that, although the Strategy is not a requirement under the Act, the Panel is also satisfied that consultation has occurred and that all issues raised during consultation on the Strategy has been appropriately considered (alongside the consultation undertaken on the Proposal).

OVERVIEW OF THE STRATEGY AND PLAN

[64] The Council provided an overview of the preparation and purpose of a regional pest management plan in its opening presentation. The Council's review of its approach to pest management has included the development of both a proposed regional pest management Plan (the Proposal) and a Biosecurity Strategy (the Strategy). The purpose of developing both documents is to provide integration between the statutory responsibilities defined in the Plan and the broader functions and non-statutory biosecurity activities undertaken by Council and Otago's communities and stakeholders.

[65] The Strategy represents the overarching approach to meeting the Council's biosecurity responsibilities, aiming to guide the delivery all Council's biosecurity activities, such as monitoring, surveillance, research, incursion responses and collaborative action. The Strategy prioritises a programme of action for effective biosecurity management across Otago. It acknowledges the biosecurity work of other agencies and groups at global, national, regional and local scales.

[66] The Plan sets out the regulatory framework for biosecurity, defining the pest species, rules relating to management, and compliance requirements on landowners/occupiers. The Plan is developed in accordance with the process set out in the BSA and has mandatory content as set out in that Act, as well as the National Policy Direction for Pest Management 2015 (NPD). It works alongside other plans and strategies developed by local authorities under other legislation such as the Resource Management Act 1991, the Local Government Act 2002, the Wild Animal Control Act 1977 and the Wildlife Act 1953.

[67] We note for ease of reference that the Plan utilises three classes of species, these are summarised below:

1. Pests - organisms that are specified in the Plan as pests, and which can cause adverse effects to production or to biodiversity.
2. Pest agent – any organism that helps a pest replicate, spread, survive, or that interferes with the management of a pest.
3. Organisms of Interest (OOI) - an organism that may, in the longer term, prove to be a pest, and for which site led approaches may be developed.

[68] A number of organisms have also been declared nationally as 'unwanted organisms' which means that these organisms are prohibited from sale, propagation and

distribution in accordance with sections 52 and 53 of the BSA. We note that where this restriction is considered sufficient for their management they have not been included as pests in this Plan. The list of 'unwanted organisms' is available on the MPI website.²

[69] Staff have refined the form of the Plan from its initiation as a Proposal, through to the final draft. We find the structure of the Plan is logical and sound and enables users to navigate the document with relative ease. It is compiled in three parts:

1. *Plan Establishment – including statutory background and responsibilities and obligations under the Plan.*
2. *Pest Management – including pest declarations, pest management framework and provisions, pest descriptions and programmes, and monitoring.*
3. *Procedures - including powers under the Plan (including exemptions) and cost allocation.*

[70] Combined, the Proposal sets out a number of responsibilities for the Council. It identifies the management agency for the management of pest species for the region, which in the case of Otago is the Otago Regional Council.

[71] Overall, we are satisfied that the Plan and Strategy structure, as refined in responses to submissions and questions from the Panel, is appropriate.

MATTERS RAISED IN SUBMISSIONS

[72] The following section sets out the key matters that were raised in submissions, along with evidence or oral submissions that were presented at the hearing. While only some of the submitters chose to be heard, we have considered all the submissions on the Plan and feedback on the Strategy and provided a response to each in **Appendix 2**. Our response includes careful consideration of the presentations by Council officers and reports we have received, together with evidence lodged and presentations by submitters in relation to each matter, and feedback from the further round of CBA and consultation on technical and workability matters. For the purposes of this Report, all submissions on the Plan

² <https://www.mpi.govt.nz>

and feedback on the Strategy are referred to as 'submission points' in the following sections.

[73] We have grouped the matters as follows:

- *General Matters*
- *Amendments to the Plan*
- *Amendments to the Strategy*
- *Requests for additional species*
- *Site led programmes*
- *Dunedin site led programmes*
- *Specific pests*
- *Pest management methods and implementation*
- *Requests for amendments to the Strategy*
- *Requests for amendments to the Plan*
- *Funding*

General Matters

[74] Submitters have raised a wide range of issues, most of which are within scope and clearly relate to the provisions and matters in the Plan and Strategy.

[75] We accept the staff recommendation that all submissions that offered generic support are accepted, and all submissions that offered generic opposition are rejected. This is because the species listed as pests in the Proposal cause economic, cultural, social, recreational and/or environmental effects and the Proposal seeks to manage the effects of these species.

[76] We note that where submissions focused on general and/or miscellaneous matters these have been noted and responded to appropriately.

[77] By the completion of the hearings and our subsequent inquiry into the provisions, we were largely satisfied with the recommendations from Council officers on all the matters before us. This is due to the iterative nature of the development of the document with the Plan review process having commenced in September 2017.

[78] We find staff recommendations to be comprehensive and based on extensive biosecurity expertise, surveillance and monitoring data, on-the-ground experience in pest management, staff involvement working with groups and organisations, tangata whenua, stakeholder and community knowledge, and local government policy and planning expertise.

[79] Unless otherwise noted in the remainder of this report, we have accepted the evidence and recommendations of Council officers.

Amendments sought to the Proposal

[80] A number of amendments have been sought from Kāi Tahu ki Otago. Most of these submission points are recommended to be accepted where they seek to make various amendments to more clearly reflect and provide for Kāi Tahu values. We support ensuring that the Plan and Strategy are amended where required to appropriately reflect the Kāi Tahu dialect. Some submission points seek clarification and responses to these have been provided in **Appendix 2**.

[81] Other submission points seek amendments to the programmes that relate to specific pests. Except where specifically addressed in paragraphs 82-87 below, where the submissions seek changes to the programmes in the Plan these are recommended to be rejected. The CBA undertaken prior to notification demonstrates that the programmes in the Plan has a higher risk adjusted net benefit than the programmes sought in the submissions.

[82] We considered the submission by LINZ (P312.8) requesting the inclusion of a Good Neighbour Rule (GNR) to control the spread of old man's beard across boundaries, and from Crown land onto private land. We directed in Panel Minute 6 that staff undertake a cost benefit analysis in accordance with the requirements of the Act and the NPD to enable us to consider the merits of this addition. Upon receipt of this information in a staff report dated 16 August 2019 we considered the CBA and find that there is merit to include a GNR for the progressive containment of old man's beard. On this basis we directed in Minute 7 that submitters had an opportunity to provide written feedback on technical and workability matters relating to the recommended provisions by staff. We did not receive any submitter views in response to Minute 7. We therefore recommend that the proposal to include a GNR to control old man's beard as a progressive containment species is accepted.

[83] We heard from the DCC (P201) requesting that ORC and DCC work together to manage mutual obligations and expectations in relation to the management of pests alongside roads within the Dunedin City boundary. We note and accept the staff response that no amendments to the Plan are recommended. KiwiRail operates nationally and there are cross boundary and pathway issues that ORC staff will work with KiwiRail on. DCC's responsibilities regarding road reserve are

set out in Sections 3.3.3 and 3.3.4 and these are consistent for all territorial local authorities (TLAs) in Otago. ORC staff can work with DCC regarding these obligations, but this is an operational matter and no amendment to the Plan is required to reflect this.

- [84] We note the submission from ECAN (P222) seeking an amendment to Rule 6.3.2.3 (bur daisy) to include a date by which control must be undertaken. We sought further advice from staff on this matter and we accept the information provided in the staff response to Minute 5 that as all control operations are timed to be undertaken prior to seeding as a matter of course, no further specificity is considered necessary.
- [85] In its submission, Forest and Bird (P258) supported the principal measures in Section 5.3 of the Plan except that when there are rules in a plan land occupiers or other persons should be required to act, otherwise it is not a rule. The staff response was that the requirement to act is already stated within the principal measures that relate to the Plan objectives. A further question that arose for the Panel was whether the wording 'may' was appropriate in this provision. Having considered the staff response and other submissions on this matter, we are of the view that amending the term 'may' in Section 5.3 to 'shall' is appropriate. We note that we accept the staff view that this alteration will not dilute the intent of the section and reinforces that landowners are required to act when directed to do so.
- [86] We considered the submission made by the Director General of Conservation (P289) requesting the Council give priority to the eradication of spartina and African love grass. We sought further information from the submitter and staff in Minute 5. Having considered the respective responses, we are satisfied that the CBA supports the approach adopted by staff, that a progressive containment programme has a higher net benefit than eradication for both species. In reaching this view, we note the considerable gains in controlling spartina made in recent years and the importance for Council to build on these gains by working effectively with other agencies with the longer term view of including this species as a candidate for eradication in the subsequent Pest Management Plan in 10 years' time. We recommend that this work be specifically included within the Strategy.
- [87] We considered the submission of Kāi Tahu ki Otago (P332) seeking to have consideration under 'Exemptions to Plan Rules' to exercise mana whenua rights to continue to customary harvest and use perennial nettle as part of customary gathering. We sought further information from staff to understand the request in

Minute 5. Staff sought further clarification from Kāi Tahu on this matter and the rūnaka have confirmed that it is in fact customary harvesting of taraonga/tree nettle that is undertaken by mana whenua, not perennial nettle. We are satisfied that no exemption is required as taraonga is a native species and is not a pest in the Plan. Further, we accept the staff recommendation that the Plan be amended to ensure ongoing consultation occurs and provides for customary harvesting of species.

Amendments to the Strategy

- [88] Approximately 35 submission points seek amendments to the Strategy. These are all relatively minor changes that seek to correct errors, recognise other organisations and strategies/plans that relate to biosecurity in Otago, recognise and provide for Kāi Tahu values and opportunities for partnership, and to correct inconsistencies. We accept the staff recommendation to make amendments to the Strategy in response to many of these submissions.
- [89] We considered Kāi Tahu's submission point S013.3 and we find the submitter's relief to be accepted in full. Mana whenua have the mandate to identify their own values and suggested changes by staff did not represent what was sought.
- [90] We sought further advice from staff about Kāi Tahu's submission point S013.4. We acknowledge and agree that cultural landscapes are an important consideration and upon receiving staff response to Minute 5 we support the alternative amendment recommended by staff.
- [91] We heard from Landscape Connections Trust Halo Project (P295) and Predator Free Dunedin (P298) who sought that the timeframes for Landscape Scale and Site Scale projects within the Strategy to be reduced. We sought further information through Minute 5 from staff as to whether the amended timeframes could be achieved. In response to Panel Minute 5, staff clarified these amended timeframes with the submitters who confirmed that the 'whole of site plans' are currently being prepared and that Predator Free Dunedin is ready for ORC to commence inputting into this process as soon as possible. On this basis we are satisfied the work identified in the first two key projects above can be undertaken in accordance with the timeframes sought in the submissions. It is recommended that these timeframes be amended, reduced to 6 months and 12 months respectively.

Requests for additional species

- [92] We received a range of requests for additional organisms to be included in the Plan, either in region-wide programmes (exclusion, eradication, progressive containment or sustained control) or in the OOI list. We note Table 2 in the Staff Hearing Report provides a list of the additional species sought in submissions, and Appendix 5 to that report provided a detailed inventory of the species, including whether the species is an unwanted organism in the National Pest Plant Accord.
- [93] When deciding whether to include those species in the Plan, we carefully considered the submissions, the presentation and evidence to us in the hearings, and the recommendations from Council officers in relation to those pests. We note that we considered submissions requesting additional organisms being added to site-led programmes separately in paragraphs [107] – [129] below.
- [94] We accept the staff recommendation that, in most cases, no amendments to the Plan to include additional species are required for the reasons set out on pages 16-18 of the Staff Hearing Report³. However, we note that in some cases, where staff do not have details of distribution or extent of a species and do not currently undertake surveillance, but are aware of its presence and impacts in the region, the species are recommended to be listed in the Plan as an OOI to be watch listed for ongoing surveillance and/or future control opportunities.
- [95] We heard from Sue Maturin (P258.10) representing Forest and Bird's request to add veldt grass as a progressive containment species in the Plan. We note in the staff closing response it is recommended that Veldt grass be added to the list of OOIs in the Plan. We accept this recommendation.
- [96] We heard from Sue Maturin (P258) representing Forest and Bird's request to include purple loosestrife as an exclusion pest and goldfish and heath rush as eradication pests in the Plan. We sought further information from Council officers and DOC in Minute 6 as described in turn below.
- [97] With regard to the inclusion of goldfish, we sought additional information from staff on DOC's regulatory authority in managing goldfish and where there is any evidence to suggest goldfish be included in the Plan. Based on the evidence before us, we agree with the staff response to Minute 6 we find there is no evidence to

³ *Hearing Report, dated 14 May 2019.*

suggest that goldfish be included in the Plan and accept the staff recommendation that the spread of goldfish is most appropriately managed under the Conservation Act 1987 and Freshwater Fisheries Regulations 1983 and therefore do not recommend the inclusion of goldfish in the Plan. We note that we support the staff recommendation that goldfish be included as an OOI in the Proposal to be watch listed for ongoing surveillance and/or future control opportunities in collaboration with other parties. Staff also recommend including goldfish to the list of species that ORC will prepare new guidance on within the new online 'pest hub' in Section 4.2 Priority Projects of the Strategy, and can work with DOC and QLDC on the preparation and distribution of educational material regarding goldfish in Otago. Staff can also support any ongoing coordinated approach to the management of goldfish at the Albert Town stormwater detention ponds where support from the other parties involved is needed.

[98] Overall, we find there is merit in including tree lupin, Japanese knotweed, Spanish heath, yellow bristle grass, purple loosestrife, goldfish, and heath rush as OOI in the Plan. We have taken a precautionary approach in relation to these organisms to ensure that potential pest species identified by the community are not overlooked, and that information is gathered in relation to them. Then in the next review, if there is sufficient evidence on the organism, these species can be added to the identified pests in the Plan following the appropriate processes under the Act. We accept staff recommended amendments to the Proposal in this regard. We further note and accept the staff response to Minute 6 affirming the merits of including purple loosestrife and heath rush as OOI in the Plan.

[99] We heard from Ian Morrison, representing the submission by Papatowai and District Community Association (P264.2), requesting the addition of English ivy, Japanese honeysuckle, woolly nightshade, wandering willie, buddleia, wild ginger, Darwin's barberry, climbing asparagus and banana passionfruit as regional pests within the Plan. During the Hearing we asked questions around the support requested, and Mr Morrison stated that more leadership is required by the ORC. Mr Morrison acknowledged he had not read the proposed Strategy in its entirety and noted that it went some way to address his concerns on ORC leadership and is on 'the right track'.

[100] Having considered the submission and staff recommendations we find that English ivy, Japanese honeysuckle, buddleia, wild ginger and climbing asparagus are widespread nationally and on this basis it is more appropriate to provide

information and advice on methods to control these species rather than taking a regulatory approach. We note that further site-led programmes to control Darwin's barberry and banana passionfruit may be established in the future where these are developed in accordance with Appendix 2 of the Strategy. We are satisfied that the Plan sufficiently recognises the importance of ORC providing leadership and facilitation support to communities and groups who are undertaking pest control activities in their area.

- [101] In reaching a view on the species to be included on the list of OOI, we note the Council will be preparing guidance on the identification, effects and control methods on the Council's proposed new online 'pest hub' with the aim of assisting people to control OOI on their land. We accept the staff recommendation to add hawthorn, rowan, boxthorn, purple loosestrife, briar and giant hogweed to the list of species that Council will prepare new guidance on.
- [102] We heard from LINZ (P312) and the Lake Dunstan Aquatic Weed Management Group (P331.1) that egeria and hornwort be classified as exclusion pests, be added to the Plan, and that the primary programme for these species be exclusion from the Otago region. We sought further information from the submitter and staff in Minute 3 on the nature and occurrence of pathway spread of these freshwater species by boat users between regions and risk of transfer into Otago. Following the completion of the hearing, having heard the parties and considered the evidence presented to us, we find there is a compelling case for the inclusion of these species as exclusion pests and directed in Minute 6 that further work be undertaken on a CBA for provisions relating to egeria and hornwort and requested that staff provide an opportunity for submitters to provide their written views on the proposed provisions in a subsequent Minute 7. Having considered the staff response to Minute 6, the CBA, and the outcomes of consultation, we accept that the management costs are anticipated as low, and on this basis accept the subsequent staff recommendation that benefits of the proposed exclusion programme for these species outweigh the costs. We therefore accept these submissions.
- [103] Several submitters specifically sought the addition of marine species to the Plan, including Asian paddle crab, Mediterranean fanworm, sea couch, sea squirts, and undaria. We note that these species are identified as OOI in Appendix 1 of the Plan. We note that staff acknowledge that marine biosecurity has received limited input by the Council to date, a situation not dissimilar to other regional councils

nationally (including two adjoining regional councils Environment Canterbury and West Coast Regional Council). We also note that at present there is insufficient knowledge to understand the risk of pathway spread of these species within and between regions, and that Local Government NZ has a working group developing guidelines for marine pathway plans.

[104] We acknowledge the evidence provided by submitters and recognise the Council's limited involvement and commitment to date in relation to these marine species. We accept the staff recommendation in the Strategy that the Council prioritises a pathway management plan in partnership with other regional councils within the next three years to respond to the threat these species pose to the region. This will allow time for the Council to establish a research and surveillance programme and partner with other councils to develop a pathway management plan.

[105] We support the staff recommendation to amend the Strategy to provide submitters with more certainty that these marine species are prioritised and to reflect that the Council commences biosecurity work in the marine space by undertaking an initial scoping exercise of marine pest threats in the Otago Harbour and the wider region.

[106] We consider that the recommended scoping exercise may provide a sufficient information base from which to investigate a review of the Plan in the future and we note this for Council to consider.

Site led programmes

[107] We note the staff response to many submissions about the rationale underpinning why certain species are included in the Plan as site-led pests only. Staff generally comment that site-led programmes are designed and implemented to protect identified values specific to particular sites, where there is demonstrable community support. We sought further information on the values in Minute 3 and Minute 6. Having considered staff responses to Minutes 3 and 6 we are satisfied that the biodiversity values and ecosystem values are set out in detail in the Strategy and that the site-led programmes are clearly designed and implemented to protect these specified values.

[108] We received 30 submissions seeking additional site-led programmes be added to the Plan. Most of these requested additional site-led programmes be included in the Plan to manage a range of additional pests in areas within Dunedin, the Catlins, Wakatipu, Kātiki and Moeraki Peninsula, Manuka Gorge, the Lindis Valley and

several other areas. Some sought site-led programmes to manage a specific species, others a range of species.

[109] We accept the staff recommendation that it is not appropriate to include any additional site-led programmes at this time, and in reaching this view, we are confident that ORC will consider such proposals by willing communities in the future where they have been developed in accordance with the Biosecurity Strategy Appendix 2 Criteria.

Dunedin Site led programmes

[110] We have considered a significant volume of submissions regarding the Dunedin site-led programmes at Mt Cargill–West Harbour, Otago Peninsula and Quarantine and Goat Islands. We note that most of these submissions were in support of the proposed site-led programmes and sought that they be broadened or strengthened to include additional species, rules and other amendments.

[111] When deciding whether to include those species in the Dunedin site-led programmes, we carefully considered the submissions, the presentation of evidence to us in the hearings, and the recommendations from Council officers.

[112] We find no merit in including rabbits, bomarea, Russell lupin and cape ivy as the Plan contains region-wide rules for these species. We note that staff consulted with DOC on the risks regarding Chinchillas in Otago and do not recommend including Chinchillas to the site-led programme as they are not considered to be a threat in Otago. We do not recommend mice and hares to be added to the site-led programmes and note that the ORC can provide advice through the new online 'pest hub' to landowners as required without the need for regulation.

[113] With regard to cotoneaster and boxthorn, we note both species are listed in the Plan as OOIs and will be watch listed for ongoing surveillance or future control opportunities. ORC will be preparing guidance on the identification, effects and control methods for these species on ORC's proposed new online 'pest hub' within the next year, in accordance with the project set out in Section 4.2 of the Strategy.

[114] We accept staff recommendation to amend the Plan by adding gunnera and rats to the West Harbour-Mt. Cargill site-led programme. We accept the staff recommendation to add rats to the Otago Peninsula site-led programme. However, the inclusion of tahr is not recommended as the management of tahr is primarily

undertaken by DOC. Including tahr would not pose any responsibility on occupiers, but ORC staff do not wish to duplicate control responsibilities with DOC.

[115] Some submissions requested consistency across site-led areas. Plant pests are already proposed to be managed in Otago Peninsula and West Harbour–Mt Cargill areas and we find there is merit in including these in the Quarantine and Goat Islands area as the islands are 'stepping stones' between the two main areas. Adding an additional objective to include these species in the Quarantine and Goat Islands area is recommended and will mean they can be managed alongside the areas. As this places no additional burden on land occupiers (sections 52 and 53 of the Act already apply, and there are no occupier control rules), no further CBA is needed.

[116] A number of submission points requested that the sustained control animal species be categorised to progressive containment species. Sustained control, as set out in Section 5.2 of the Plan, means to *provide for the ongoing control of the subject... to reduce its impacts on values and spread to other properties*. Given Predator Free Dunedin's contractual obligations to suppress mustelids to low numbers, the progressive containment of mustelids is recommended. No amendments are recommended to the other site-led sustained control pests at this time.

[117] Several submitters seek occupier control or GNRs, or other regulatory backstops where land occupiers are either unwilling or unable to participate in community led programmes. We heard from Predator Free Dunedin (P298), Dunedin City Council (P201), John Parker (P211), Landscape Connections Trust (P295), Save the Otago Peninsula (P294), Yellow Eyed Penguin Trust (P320), and Otago Peninsula Biodiversity Group (P293) and sought additional information from staff in Minute 3 to understand the enforceability of Rule 6.3.4.3. We are satisfied that the proposed Plan enables the ORC to either access and undertake control or direct that control of pest species be undertaken and find no reason to further develop the rules through the current process.

Cats

[118] We received a significant number of submissions opposing the inclusion of feral cats or cats in the site-led programmes based on range of concerns and perceptions. We note that nowhere in the Plan does it require or encourage property occupiers or any others to harm domestic or stray cats.

- [119] We acknowledge that cats control rodents, and that well managed domestic cats may pose a lesser risk to biodiversity values. However, the impact feral cats have on biodiversity in New Zealand is well documented. Other forms of rodent control can be used to manage rodent problems, and ORC staff will provide information and support to landowners on rodent control through the proposed new online 'pest hub'.
- [120] We note that cats are declared as wildlife that are not protected in Schedule 5 of the Wildlife Act 1993. DOC control feral cats on public conservation land, and this is usually undertaken as part of a wider multi-predator approach which also targets other species such as rodents, hedgehogs and mustelids. A number of regional councils have declared either cats, feral cats, 'pest cats' or 'unowned cats' as Pests or Pest Agents in their current or proposed regional pest management plans, most in specific or site-led areas.
- [121] Ms Jessi Morgan (P217) presented evidence to us on behalf of Predator Free New Zealand and the Morgan Foundation (P296) regarding feral cats, and their desire to identify and characterise what a feral cat is, and to control them. Predator Free Dunedin (P298) identified that feral cats are a biodiversity threat in the Dunedin site-led areas. We rely on the evidence that cats have a significant impact on biodiversity values in New Zealand and find that retaining feral cats in the Dunedin site-led programmes is appropriate.
- [122] There was some discussion about the term used to describe the state in which cats are living, when they are to be included in the Plan at certain sites. Having considered the submissions and presentations by submitters at the Hearing (including Forest and Bird (P258) and Predator Free 2050 Ltd (P291)) we sought additional information from staff on the range of definitions available, and invited staff to assess the appropriateness of Greater Wellington's definition as promoted by Forest and Bird. We accept the staff view that elements of the definition promoted by Forest and Bird may be ambiguous and therefore find that the proposed amendment recommended by staff is more suitable. Providing a definition is common in other regional pest management plans containing programmes for feral cats or other cats, and this change would provide for greater consistency with other plans nationally, in addition to addressing any confusion in the Plan. We note that the description of feral cats and their impacts in Table 25 of the Plan describes that feral cats are carriers of toxoplasmosis disease.

- [123] We have considered those submissions seeking additional rules to control cats. ORC has not carried out or been involved in the control of cats to date and staff consider a regulatory approach and enforcement rules at this time is not appropriate. Predator Free Dunedin, DCC, and ORC are looking at how feral cats can be managed in these areas. As ORC's involvement is in the very early stages, staff consider working alongside the community will achieve the desired outcomes. This is especially important where there are so many community members concerned about animal welfare and unintended consequences for their pet cats. We agree with this response.
- [124] We note that as the focus of the site-led programmes are to support the management of feral cats, and not domestic or stray cats, we do not find any reason to include rules regarding 'pest cats' that would require microchipping, feeding cats or establishing cat colonies in public places. However, we see value in ORC initiated dialogue with TLAs to promote microchipping bylaws initially in site-led areas, and more broadly in the future.
- [125] We do not find it necessary to develop additional rules regarding the abandoning of cats within the site-led areas, rather we consider that public education and information regarding this, and advising the SPCA of any abandoned cats and encouraging communities to do the same, is preferable to establishing rules in the Plan.
- [126] Many submissions both in support and opposition sought that education, funding of charities, free cat neutering, working more closely with other agencies, humane programmes (such as trap, neuter and release), or hands-on support with feral cat management is needed. We note that the purpose of the Plan and Strategy is not to recommend specific methods for control. As outlined in the Strategy actions, ORC will develop a plan of action for the Dunedin site-led areas which will set out ORC's role in the delivery of the site-led programmes in collaboration with the other organisations and communities involved. This will include how ORC can provide support in the management of feral cats in these areas. Staff will consider the requests provided in submissions when developing this.
- [127] At the hearing, the Panel heard several submissions from groups specifically advocating 'trap neuter and release' policies. The Panel is of the view that whilst well meaning, the practice of releasing cats back into the wild should be discouraged. Re-homing stray cats as domestic pets may be acceptable, however,

from a biodiversity point of view, Council does not wish to encourage the release of cats into situations whereby they may revert to a feral state.

[128] We accept the submissions that sought feral cats be added to the list of animal pests subject to Rules 6.4.5.1 and 6.5.5.1. regarding the keeping, holding, enclosing or otherwise harbouring the listed species in the Otago Peninsula and West Harbour–Mt. Cargill site-led areas. We heard presentations from Karen Anderson (P311), Alex Kerr (P327) and Amber Coste (P026) at the hearing and in response note that the inclusion of feral cats in the Plan is a commitment that ORC will work with other organisations, groups and communities in these areas on this issue together. Over time, if this does not prove to be effective, additional rules could be introduced and the affected communities would be consulted on such changes e.g. microchipping.

[129] Additionally, ORC will specify how Council will support the management of feral cats in the site-led areas in its Operational Plan. The proposed new online 'pest hub' will also include helpful content on the management of feral cats. This will be developed within the next 12 months in accordance with the Strategy.

Hedgehogs

[130] We consider that, on the basis of the known impacts of hedgehogs in New Zealand, and the vulnerable insect, lizard and ground nesting birds that inhabit the site-led areas, retaining hedgehogs in the site-led programmes is appropriate and we therefore accept staff recommendations that submissions seeking hedgehogs be deleted from the Plan be rejected.

Possums

[131] We received approximately 60 submission points relating to possums. Possums are also raised in several other submission points that support the Dunedin site-led programmes and the control of predator pests in these areas. Almost all submissions regarding possums either supported the inclusion of possums in the Dunedin site-led programmes in the Plan or requested a region-wide possum control programme in the Plan. We acknowledge the importance of maintaining the gains made in reducing possum populations as a result of the bovine Tb programme.

- [132] We acknowledge the strong support of the establishment of a sustained control programme by many people in the community and several organisations including Predator Free 2050 Ltd (P217). We sought further information from staff in Minute 3 and having considered this information we accept the staff recommendation that possum management in Otago should start at a smaller scale via a 'landowner-led' process first, with wider possum control throughout Otago as the long term goal.
- [133] We note the success of landowner-led possum control programmes in other regions and accept the staff recommendation for a non-regulatory programme is preferable to a regulatory approach (which would include occupier control rules) in the Plan. This model has been successful in the Hawke's Bay Region and in the Southland Region.
- [134] The development of a voluntary landowner-led possum control programme in the Strategy, facilitated by Council starting with the Dunedin site-led areas is intended to be developed within the first 18 months of the implementation of the Strategy and Plan. This will be a pilot project for ORC, and ORC staff intend to work with OSPRI, landowners, Predator Free Dunedin and other regional councils in the development of the programme.
- [135] In the future this may lead to changes to the Plan to introduce occupier control provision where landowners have signed up to the programme. Exactly how this will work, what the objectives will be, and what any rules will be will require careful consideration at that time. The programme would need to meet the requirements in the Act for a minor amendment to the Plan or will require a full plan change (complete with an assessment in accordance with the Act, NPD and a CBA).
- [136] On this basis, submissions requesting a sustained control programme in the Plan for possums are recommended to be rejected. However, we strongly recommend to ORC staff to commence work as set out in the Strategy as a matter of priority.

Lagarosiphon

- [137] Lagarosiphon is a site-led pest in Section 6.5.7 of the Plan. Additionally, Action 3.4.2 in the Strategy sets out that ORC will *advocate and support the continued suppression of lagarosiphon in Otago's lakes and rivers*.
- [138] Submissions relating specifically to lagarosiphon were received from five submitters which generally supported the programme. Some submissions relate to operational

matters outside the Plan review, and ORC staff will respond to these separately. Some submissions have sought amendment to the wording of Objective 6.5.7 to improve clarity. Staff consider these amendments do not alter the intent of the objective and are necessary for clarity. They are recommended to be accepted.

Specific Pests

Gorse and broom

[139] We received 19 submission points regarding Gorse and Broom. Of these, most support the Gorse and Broom programme included in the Plan and the inclusion of the additional Gorse and Broom Free Areas.

[140] One submitter sought that the new Gorse and Broom Free Area be removed from their property. We heard from Gill Harbrow (P232) about the concerns around achieving compliance with the Gorse and Broom Free rules on her property. In response, we directed in Minute 6 that staff provide a recommendation on whether an alteration to the Gorse and Broom Free Area boundary on the property of the submitter is appropriate. Staff provided an amendment to the Gorse and Broom Free boundary on the submitter's property. We are satisfied that the amendment is an appropriate adjustment in this instance based on the landowner's demonstrated efforts and commitment to removing gorse and broom from their property, the unique physical characteristics of the property making clearance difficult, and that the amended boundary would not impact on the overall intended Plan outcomes in this regard. For clarity, the amended boundary is noted on p.9 of the staff report entitled 'Staff Response to Questions from the Hearings Panel - Minute 6' dated 19 August 2019.

[141] Several submitters sought that the new Gorse and Broom Free Area be extended around Wanaka, Hawea, the Upper Clutha and Hawea rivers, and in the Cardrona Valley. We heard from the Cardrona Residents and Ratepayers Society Inc. (P252) who seek an extension to the Gorse and Broom Free Area boundary in the Cardrona Valley further north to the Cardrona Ski Road through this Plan review. We sought further information from staff in Minute 6 and upon receipt of the further information accept the staff recommendation to consider the proposed extension and that the property occupiers within this area be consulted. Accordingly, we directed in Minute 7 that staff send a formal letter to the 28 property occupiers within the identified area to provide them with an opportunity to provide feedback. We received no written views from the affected property occupiers. We agree and accept the staff recommendation that the extension to the Gorse and Broom Free Area boundary in the Cardrona Valley further north to the Cardrona Ski Road provides a logical boundary.

Russell lupin

- [142] We received 20 submission points regarding Russell lupin, of which approximately half are in support, and of these several seek amendments and additions to the Plan to require further control or more operational support in relation to control works. The remaining submissions seek that Russell lupin is removed from the Plan due to the impact the rules may have on agricultural production values and seek clarification between the rule relating to Russell lupin and the rule for wild Russell lupin.
- [143] We directed staff in Minute 6, in collaboration with DOC to consider the addition of a GNR to require the elimination of wild Russell lupin within 10 metres of a property boundary where the occupier of the adjoining property is taking reasonable steps to eliminate wild Russell lupin within 10 metres of that boundary. We heard evidence from Blackstone Hill Ltd (P255) and George Collier (P254) at the hearing on the current success of planting Russell lupin for primary production purposes on the submitter's property. We directed staff in Minute 6, in collaboration with DOC, to consider whether amendments are required to the provisions regarding the control of Russell lupin.
- [144] We considered the staff response and associated CBA provided in response to Minute 6 and we accept the staff assessment that the costs associated with the new GNR, and amended setback provisions are acceptable and worthwhile, given the biodiversity benefits arising from its control. We note that the CBA for the setbacks assessed these amendments both at a regional scale, and at a farm scale in response to the submissions from Blackstone Hill Ltd and George Collier (P255 and P254) and that the CBA demonstrates that the proposed rules are reasonable, even without having to apply a 10m setback to intermittent rivers.
- [145] We directed in Minute 7 that submitters be given the opportunity to provide their written views on workability and technical matters. We received the written views from two submitters in response to Minute 7, including George Collier (P254.1) and Ben and Vanessa Hore (P255.2). In the large the matters raised in the written views related to matters already raised in their original submissions. However, each raised a relevant question around the appropriate timeframe that could be expected to relate to the proposed Russell lupin Management Plan (RLMP). We are of the

view that a 10-year period is appropriate for the RLMP with the proviso that it can be reviewed at any stage upon request by either party.

- [146] We recommend the inclusion of a GNR to require the elimination of wild Russell lupin within 10 metres of a property boundary where the occupier of the adjoining property is taking reasonable steps to eliminate wild Russell lupin within 10 metres of that boundary.

Feral Rabbits

- [147] Approximately 15 submissions were received regarding feral rabbits. These submissions ranged from support for the proposed programme to changing the programme, seeking more coordinated and collaborative control, requesting an exemption, seeking to address current control issues and minor amendment to make the rules clearer.
- [148] ORC currently spends approximately \$350,000 per annum on rabbit monitoring and inspection. This includes setting out how monitoring and surveillance is done, working with rural land occupiers to support them in achieving compliance; and occupiers throughout Otago (including urban and semi-urban land occupiers) with advice regarding control. ORC's website contains information on the different methods for managing rabbits. However, the responsibility of management sits with the land occupier. The ORC no longer provides operation services associated with rabbit control. The control of rabbits is occupier-led; this is the management approach nationally and has been in place in Otago since 1995. No amendments to the Plan are recommended other than minor amendments to simplify the rules.
- [149] We heard from the Maniototo Pest Management Inc at the hearing (P329.3) who seek a variation to the requirement to meet the McLean Scale 3 in favour of McLean Scale 4 as a trigger point to non-compliance action. We sought further information from staff in Minute 3 in this regard. Having considered the submitter's request and the further information provided by staff, we accept the staff recommendation that is more appropriate that the submitter formally applies to the ORC for an exemption under s78 of the Act rather than amending the Plan in response to the submitter's request for a variation.
- [150] We heard from QLDC (P263) and the Wakatipu Wilding Conifer Group (P121) and note the staff closing response that indicated that while the costs of an additional programme to include rules for feral rabbits in urban areas outweighed the benefits,

there are other ways to manage feral rabbit control in urban and peri-urban areas outside this review process. We sought further information from staff in this regard in Minute 6. Having considered the further information provided by staff, we are satisfied that there are a number of additional tools available providing additional support to landowners, particularly in urban and 'peri-urban' areas, to address these issues that sit outside the plan review process. These include additional website information, regional and district plans, contestable funds for rabbit proof fencing and facilitation services.

[151] We further note that Rule 6.4.6.1 as drafted is intended to apply region-wide in all areas and is consistent with other regional councils included ECAN and ES.

Rooks

[152] Several submitters sought that Rooks be removed from the Plan or that the eradication programme be amended to a sustained control programme. Rooks are known to damage crops and pasture and ORC's rook programme has decreased rook population numbers in Otago from 3500 rooks in 1989 to less than 40 in 2018. Based on the evidence available to us, we accept the staff recommendation that rooks be retained in the Plan as an eradication pest.

Bennett's wallaby

[153] Six submissions were received regarding Bennett's wallaby. No amendments to the proposed Bennett's wallaby eradication programme were sought. Submissions either supported the Bennett's wallaby programme, sought to ensure ORC was resourced to ensure Bennett's wallabies can be eradicated, or sought acknowledgement regarding the difficulties with occupier control.

[154] ORC works closely with Environment Canterbury on wallaby control and supports property occupiers in destroying wallabies if these are sighted but not destroyed by the property occupiers themselves.

[155] We heard from Federated Farmers (P182) and note that in the staff closing response it was clarified that the Proposal does not contain any rules relating to restricting the use of firearms for wallaby control.

[156] We find no reason to make any changes to the provisions as recommended, other than to note to Council the potential serious impacts of wallaby on biodiversity and pastoral farming if incursions into the Otago region continue.

Sycamore

[157] Nine submissions were received regarding sycamore. These submissions sought more control of sycamore, with some seeking an eradication programme and most submissions seeking a region-wide sustained control programme.

[158] We accept the staff recommendation that at this stage neither an eradication programme nor a sustained control programme is considered appropriate.

[159] We note that the ORC will be preparing guidance on the identification, effects and control methods for sycamore in ORC's proposed new on-line 'pest hub' within the next year, in accordance with the project set out in Section 4.2 of the Strategy.

Deer

[160] More than 15 submission points were received that relate specifically to feral deer. Most of the submissions regarding feral deer sought that they be removed from the Plan as a pest species.

[161] We note that there are no rules in the Plan that require property occupiers to control feral deer and the only reason deer are included in the Plan is to ensure that they remain absent from the Dunedin site-led areas.

[162] The Panel recognises that feral deer are of recreational value to hunters. The Plan as proposed does not affect the recreational hunting of deer in Otago.

Feral Goats

[163] More than 11 submissions were received that relate specifically to goats. Most seek the further control of goats in the Plan, either as a sustained control programme or site-led programme and relate to issues regarding goats in the Wakatipu area.

[164] Feral goats are managed under the Wild Animal Control Act 1977, which is administered by DOC. Feral goats are included in the Dunedin site-led programmes only, and only as an exclusion pest, and there are no rules in the Plan requiring property occupiers to control feral goats throughout Otago.

[165] We heard from QLDC about the concerns with feral goat issues in the Queenstown area. We rely on staff advice that feral goats should be managed in accordance with the Wild Animal Control Act 1977 in the first instance, however we acknowledge that further work is needed to determine the best approach for the Wakatipu area. We do not recommend the inclusion of a site-led programme as part of this review process; however, this option is available in the future.

[166] Some submitters sought that goats be removed from the Plan due to their recreational value. The Plan as proposed does not affect the recreational hunting of goats.

Wilding conifers

[167] Approximately 88 submission points were received regarding wilding conifers. Most of these submissions seek that the wilding conifer provisions in the Plan be strengthened.

[168] The Panel consider the rules in the proposed Plan an important first step in regulating wilding conifer control in Otago. These are generally consistent with the rules in the pest management plans for ES and ECAN, and with the National Environment Standard – Plantation Forestry 2017 (NES). The Panel acknowledges the significant issue that wilding conifers have created in Otago, and note the proactive work done by several community-based trusts to initiate substantial control programmes.

[169] We heard from many submitters during the hearing which raised various questions for the Panel in relation to the way in which the proposed Plan intends to regulate wilding conifer control.

[170] We note the staff view in the Hearing Report that a non-regulatory approach to the progressive removal of existing planted shelter belts and small plantings is preferable over a regulatory approach. The reason is that the removing of shelterbelts and small-scale plantings without a non-regulatory transitional period first, would impact land occupiers that use these trees for stock shelter and other uses such as windbreaks. However, the Panel has also heard from submitters (e.g. Wakatipu Wilding Conifer Control Group (P283) and Central Otago Wilding Conifer Control Group (P121)) that seek a regulatory approach including a time frame by which the removal of existing planted shelter belts and small plantings must occur.

- [171] We requested further information from staff in Minute 3 on the management of wilding conifers under the NES and the relationship of District and Regional Plans with the NES. We also sought further information from staff in Minute 6 on the regulatory options available and the pros and cons of these options. Having considered the staff information and analysis provided in response to Minutes 3 and 6 we do not find sufficient justification to include additional regulations as part of this plan review process. However, the Panel recommends that the ORC should undertake work to compile a registry of shelterbelts across the Region that may act as seed sources and prepare maps to record spatially existing shelterbelt locations and at-risk areas. This would have the purpose of providing a finer grain level of analysis than that which is presently available and would provide a baseline from which to set up a detailed surveillance programme and future reporting on the overall success of the programme.
- [172] LINZ (P312.11) has proposed a specific pest agent rule and associated definition of 'pest agent conifer'. We directed staff to undertake further analysis on the addition of a wilding conifer specific pest agent rule in Minute 6 as requested by LINZ. Having considered the staff response to Minute 6 we agree there is merit in including a pest agent conifer rule and accept the proposed pest agent conifer rule as recommended. No further written views were received from submitters in response to Minute 7. We therefore accept the recommended provisions put forward by staff.
- [173] We also note the submission request made by Ministry for Primary Industries (MPI) (P276.11) for Council to consider the addition of a rule or rules requiring occupiers to remove wilding conifers prior to cone-bearing within areas that are currently clear of wilding conifers but are vulnerable to wilding conifer invasion. We note that MPI suggests that Rules 1, 2 or 3A in the 2016 guidance document⁴ could potentially be used for this purpose. We directed staff to provide further information in this regard in Minute 6 and having considered the additional information and analysis provided by staff we find that there is insufficient evidence to adopt the regulatory approach promoted by MPI, as part of this review process. No further written views were received from submitters in response to Minute 7. We therefore accept the recommended provisions put forward by staff.

⁴ The 2016 MPI Guidance Document was prepared as a component of the New Zealand Wilding Conifer Management Strategy 2015-2030 Implementation Programme. It is included in the 'Staff Response to questions from the Hearing Panel – Minute 6 as Appendix 3' on the Otago Regional Council website.

- [174] We accept the staff recommendation to Table 15 to acknowledge that the seed source of conifer spread in some circumstances is from shelter belts and plantation forestry.
- [175] We accept the staff recommendation to make minor amendments to the Plan to clarify that Contorta pine is an unwanted organism.
- [176] We heard from Ernslaw One Ltd (P285) at the hearing and additional information on the commercial value of Corsican pine in the 1980s and 1990s was presented. However, the Panel did not find any compelling case for the removal of Corsican pine from the Plan. It is declared as a pest in the Plan and this is consistent with other pest management plans, including in Canterbury, and ORC seeks to be consistent with the national approach.
- [177] Overall, the Panel accepts that the overall approach of progressive containment is achievable within the life of the Plan. The aim is to use incremental steps towards achieving conifer free areas that may be developed in the next 10-year plan. We recommend that ORC take all opportunities to expediate containment across Otago, including the finer grain analysis recommended in Paragraph 173 above.

Pest Management methods and implementation

- [178] Approximately 80 submission points were received regarding pest management methods and implementation. We find many of these to not relate directly to the Plan or Strategy, or are implementation matters and are therefore out of scope **(Appendix 2)**.
- [179] In response to submissions regarding specific control methods and humane methods, we note that the purpose of the Proposal and Strategy is not to recommend specific control methods. A variety of control options are often required in pest management. This varies depending on the species to be controlled, the site/location, and the cost, efficiency and appropriateness of control methods available. We note that is not the role of the ORC to undertake the pest control activities itself and most of the rules in the Plan require people to control pests on land they occupy. How the land occupier controls that pest is the land occupier's responsibility. We note that the staff report explains that ORC follows animal welfare guidelines with all animal control programmes which always means using efficient and humane best-practice techniques and adhering to the Animal Welfare

Act 1999. These techniques will be openly shared as options for pests managed through the new proposed online 'pest hub'.

[180] Where ORC staff or contractors undertake control work, animal welfare guidelines are followed with all animal control programmes. This always means using efficient and humane best-practice techniques and adhering to the Animal Welfare Act 1999.

[181] The Panel notes the trend towards tailored application of toxins, rather than the broad-brush application techniques often used in the past. Examples were given by the Maniototo Pest Company Inc. (P329) who explained the need for specific pest management depending on several considerations including pest density, the time of year, proximity to residential properties and the possibility for physical infrastructure to help with pest management. The Panel acknowledge some desire in the community for ORC to promote methods that move away from the use of toxins where possible.

[182] In response to submissions regarding the use of 1080 and poisons, we note that the control and use of 1080 and other poisons is regulated by the Environmental Protection Authority (EPA) under several separate pieces of legislation, including the Hazardous Substances and New Organisms Act 1996 (HSNO), RMA and Vertebrate Toxic Agents (VTA) Regulations. The EPA website includes information about 1080 use, safety, reporting, and technical information.

[183] We note in the staff Hearing Report it is stated that the Environmental Risk Management Authority (ERMA, predecessor to the EPA) undertook a public review in 2007 and determined that while the benefits of using 1080 outweighed the adverse effects, the controls around its use should be tightened. National management practices around aerial drops of 1080 and best practice guidelines have been developed since this time, and all users of 1080 must comply with these. This is monitored by the EPA. A subsequent parliamentary report was prepared in 2016 by the Parliamentary Commissioner for the Environment, Dr Jan Wright, which noted that the aerial application of 1080 '*remains essential for the foreseeable future.*'

Submissions seeking more collaboration and support

[184] With regards to submissions seeking additional collaboration with and support from ORC on pest management, we note that this is a key component of both the Plan and the Strategy.

- [185] We have considered submissions and staff responses and we accept the way in which Council intends to work with other groups and communities on biosecurity initiatives is set out clearly in the Strategy. Two of the four key priorities in the Strategy recognise the importance of further collaborating and supporting others, and this is at the core of most of the key actions and projects to be implemented.
- [186] A number of the submissions seek further confirmation and detail regarding how these will be implemented. We note that the Plan and Strategy are 10-year documents, and the Strategy may be reviewed after 5 years if needed. How they will be implemented is set out in Section 7.3 of the Plan and Section 4 of the Strategy.
- [187] We further noted that an Operational Plan is required to be prepared within 3 months of the Plan becoming operative. The requirements for the Operational Plan, and the reviewing and reporting on the Operational Plan are set out in Section 7.2 of the Plan, and in detail in Section 100B of the Act. The implementation of ORC's wider biosecurity programme under the Strategy will also be addressed within the Operational Plan.
- [188] Although the Plan does not provide the level of specific detail some of the submitters seek, this will come through implementation over time. Additionally, given the Operational Plan will be reported on annually, no independent review is recommended.
- [189] The Panel noted many submissions that support and stress the importance of environmental monitoring of Plan outcomes/Plan effectiveness. A question to arise for the Panel was whether there was sufficient confidence that the proposed measurement of Plan objectives will provide enough certainty in the Plan document itself, that the Council can achieve the intended Plan outcomes. We sought further information from staff in Minute 6 and on receipt of this information the Panel is not of the view that additional specificity (in the form of targets within progressive containment programmes) as recommended by staff is required. We are satisfied that the Plan as notified provides enough certainty regarding the indicators, methods and frequency of monitoring and we are confident that the specific detail and information regarding each monitoring programme will be provided in the Operational Plan to be developed once the Plan is in place.

Funding

[190] We received approximately 13 submission points regarding funding matters. These relate to the implementation of the Plan or Strategy and have been noted and responded to. Most submitters sought assurance that ORC would be resourced to implement the Plan, or that the allocation of Plan implementation costs is fair.

[191] We note that the implementation costs of the Plan will not be insignificant and is anticipated to be approximately double the current level of expenditure. We further note that there will be a slight increase to the implementation costs to that which was notified given the additions recommended to the Plan.

[192] We find the implementation costs to be acceptable. Critical to our assessment of funding matters is the knowledge that indicative implementation costs were accepted by Council when it confirmed the Proposal and Strategy should be publicly notified for submissions, and that the Plan responds appropriately to the feedback provided by the Community. On that basis, we recommend that the ORC considers increasing the funds allocated for Plan implementation purposes through the annual planning process 2020/21 and subsequent years for the life of the Plan.

FOURTH STEP: APPROVAL OF PREPARATION OF PLAN AND DECISION ON MANAGEMENT AGENCY

Approval of preparation of Plan

[193] Having been satisfied that the consultation required by section 72(1) has occurred and that all the issues raised in all the consultation undertaken on the Proposal have been considered as required by section 73(1), the Panel may now approve the preparation of a Plan.

[194] The Panel requested staff to make specific changes to the Proposal and prepare a final Otago Regional Pest Management Plan (**Appendix 1**) reflecting our directions and recommendations. The Panel also requested staff to make specific changes to the Proposed Strategy and prepare a final Biosecurity Strategy (**Appendix 1**).

Management Agency

[195] Having approved the preparation of the Plan, the Panel must apply section 100 of the BSA to decide which body is to be the management agency. Under section 100(1), the management agency specified in a plan must be a department, a council, a territorial authority or a body corporate.

[196] In deciding which body is to be the management agency, the Hearing Panel must take the following into consideration:

- a. *the need for accountability to those providing the funds to implement the Plan; and*
- b. *the acceptability of the body to –*
 - i. *those providing the funds to implement the Plan; and*
 - ii. *those subject to management provisions under the Plan; and*
- c. *the capacity of the body to manage the Plan, including the competence and expertise of the body's employees and contractors.*

[197] It is proposed that the Otago Regional Council will be the management agency responsible for implementing the Proposal and the resultant Plan because:

- a. *Otago Regional Council is accountable to the Plan funders, including Crown agencies through the requirements of the Local Government Act 2002;*
- b. *It has implemented previous regional pest management strategies; and*
- c. *It has the capacity, competency and expertise to implement the Plan.*

[198] Following consideration of the matters set out in section 100 the Panel determines that Otago Regional Council be the management agency for the Plan.

FIFTH STEP: SATISFACTION ON CONTENTS OF PLAN AND REQUIREMENTS

[199] Having approved the preparation of the Plan and deciding on a management agency, the Panel must be satisfied that the Plan contains all of the matters required by section 73 of the Act and meets the requirements of section 74 of the Act, including:

- a. *The Plan is not inconsistent with the National Policy Direction, any other pest management plan or pathway management plan, any regional policy statement or regional plan, or any regulations (section 74(a));*
- b. *That for each subject of the Plan, the benefits of the Plan outweigh the costs, after taking account of the likely consequences of inaction or other sources of action (section 74(b));*
- c. *That for each subject of the Plan, persons that are required, as a group, to meet directly the costs of implementing the Plan accrue, as a group, benefits*

outweighing the costs, or contribute, as a group, to the creation, continuance or exacerbation of the problems proposed to be resolved by the Plan (section 74(c));

d. That for each subject there is likely to be adequate funding for the next 5 years (section 74(d)); and

e. That each rule will assist in achieving the Plan's objectives and will not trespass unduly on the rights of individuals (section 74(e)).

[200] The Panel has considered and deliberated on the Proposal, the submissions lodged on it, the evidence and submissions presented at the hearing, together with the draft versions of the Plan and reports provided by Council Officers. We are satisfied that the Otago Regional Pest Management Plan in **Appendix 1** meets the requirements for a pest management plan under the BSA. A table assessing the Plan against the requirements under the BSA is included in **Appendix 4**.

[201] The Panel has prepared this report in accordance with section 75 of the BSA and set out our reasons for accepting or rejection submissions in **Appendix 2**. We also set out our reasons for rejecting submissions that are deemed out of scope in Appendix 2.

[202] We recommend that the Council adopt our written recommendations and report.

SIXTH STEP: DECISION ON PLAN

[203] The Panel has been delegated the powers under s75 (1) and (2) of the BSA to prepare a written report on the Plan and, if Council has received submissions on the proposal, set out the reasons for accepting or rejecting a submission and provide copies of the report to every person who made a submission.

[204] This Decision Report satisfies the requirement to prepare a written report. **Appendix 2** addresses the requirement to document reasons for accepting or rejecting submissions. The Report also makes recommendations on the Strategy to ensure that the Plan and Strategy are integrated.

[205] In order to satisfy s75(2)(b) of the BSA, the Panel directs staff to provide a copy of this report and its attachments to every person who made a submission once Council has made its final decision on the Plan.

CONCLUSIONS AND RECOMMENDATIONS

[206] After four days of hearing submissions, considering written submissions and subsequent deliberations the Panel is pleased to recommend to Council the adoption of the Otago Regional Pest Management Plan 2019-2029 and Otago Biosecurity Strategy in **Appendix 1**.

[207] The Panel is satisfied that the requirements of the Biosecurity Act and National Policy Directions have been fulfilled in the making of the Plan, including:

- a. *The Plan is not inconsistent with the National Policy Direction, any other pest management plan or pathway management plan, any regional policy statement or regional plan, or any regulations (section 74(a));*
- b. *That for each subject of the Plan, the benefits of the Plan outweigh the costs, after taking account of the likely consequences of inaction or other sources of action (section 74(b));*
- c. *That for each subject of the Plan, persons that are required, as a group, to meet directly the costs of implementing the Plan accrue, as a group, benefits outweighing the costs, or contribute, as a group, to the creation, continuance or exacerbation of the problems proposed to be resolved by the Plan (section 74(c));*
- d. *That for each subject there is likely to be adequate funding for the next 5 years (section 74(d)); and*
- e. *That each rule will assist in achieving the Plan's objectives and will not trespass unduly on the rights of individuals (section 74(e))*

[208] We note that the Plan does vary from the notified proposal based on submissions and staff recommendations. We are satisfied, that on receipt of the further CBA, and the outcomes of further consultation, that the requirements of the Biosecurity Act and National Policy Directions have been fulfilled in the making of this Plan.

[209] We have prepared this report in accordance with section 75 of the BSA and set out our reasons for accepting or rejection submissions in Appendix 1. We recommend that the Council adopt our written recommendations and report.

[210] Subject to the Panel's recommended amendments contained in this Report, we also recommend that the Strategy be adopted by Council.

[211] In addition to our recommendations on the Plan and Strategy, we make the following observations/suggestions to Council for actions outside of the statutory Plan review process:

- a. *That the Council acknowledge and note that the Operational Plan is critical to the successful implementation of both the Plan and Strategy.*
- b. *That the Council works as a matter of priority to develop and provide 'user friendly' and accessible information for plan users about all the rules contained within the Plan, and information about the Biosecurity Act requirements, within the online 'pest hub'.*
- c. *That the Council acknowledges the importance of committing to surveillance work and the identification of future control opportunities for those species listed in the Plan as an Organism of Interest.*
- d. *That emphasis is placed on the importance of preparing new guidance material for the ORC website as a 'pest hub' for the priority species as set out in Section 4.2 of the Plan.*
- e. *That the Council initiate dialogue with TLAs to promote microchipping bylaws for cats, initially in site-led areas, and more broadly across Otago in the future.*
- f. *That the Council continues to educate the public and communicate with interested communities about the effects of abandoning cats within site-led areas initially, and more broadly across Otago in the future.*
- g. *That the Council acknowledges and notes the available tools that sit outside the Plan process that could be useful in providing additional support to land occupiers, particularly in urban and 'peri-urban' areas for rabbit control. In particular, the Council could collaborate and advocate to district councils to include provisions in their district plans to manage feral rabbit effects within areas that are prone to feral rabbits, including performance standards requiring the consideration of the installation of rabbit proof fencing upon subdivision or land use development.*
- h. *That the Council prioritise and commence work on the Possum Control Programme as set out in the Section 4.2 of the Strategy and notes that this Programme may lead to changes in the subsequent Pest Management Plan in 10 years' time to include occupier control provisions and would require a full plan change (complete with an assessment in accordance with the Act, NPD and a CBA).*

- i. That the Council continues to work closely with ECAN on wallaby control, provide support to property occupiers in destroying wallabies if they are sighted, and notes the potential serious impacts of wallaby if incursions into the Otago Region continue.*
- j. That the Council notes the implementation costs of the Plan and Strategy and increases the funds allocated for Plan and Strategy implementation purposes through the annual planning process 2020/21 and subsequent years for the life of the Plan and Strategy.*

APPENDICES

- 1 (a) Otago Regional Pest Management Plan & Biosecurity Strategy (tracked text version)
(b) Otago Regional Pest Management Plan & Regional Biosecurity Strategy (final version)
- 2 Hearing Panel reasons for accepting or rejecting submissions
- 3 Formal Minutes of the Hearing Panel
- 4 Assessment of the Plan against ss73 & 74 of the Act

10.2. ORC submissions on the National Policy Statement for Highly Productive Land, National Policy Statement for Urban Development and the Action for Healthy Waterways consultation

Prepared for: Council
Report No. P&S1806
Activity: Policy
Author: Warren Hanley, Senior Resource Planner - Liaison
Endorsed by: Sarah Gardner, Chief Executive
Date: 19 September 2019

PURPOSE

- [1] To approve submissions from ORC on the proposed National Policy Statement for Highly Productive Land (NPSHPL) and National Policy Statement for Urban Development (NPSUD) and to consider a submission on the Essential Freshwater Package.

EXECUTIVE SUMMARY

- [2] ORC staff have been assessing three pieces of proposed national direction for Highly Productive Land, Urban Development and Freshwater Management.
- [3] Staff have drafted Governance submissions, following a policy committee workshop, on the NPS HPL and NPS UD and seek approval for those submissions to be lodged.
- [4] Due to the consultation period for Essential Freshwater being time constrained staff have not had sufficient time to fully brief Council and prepare a Governance submission.
- [5] Delegation to the Chief Executive to authorise an ORC Governance submission is recommended given the 31 October deadline for submissions and the election.

RECOMMENDATION

That the Council:

- 1) **Receives** this report.
 - 2) **Approves** the chief executive on or before 5pm on Thursday 10 October 2019 to:
 - a) Lodge a staff submission on the proposed 'NPS for Highly productive land'; or
 - b) Approve the attached draft submission on the NPS for Highly Productive Land, be lodged under delegation from Otago Regional Council;
 - 3) **Approves** the Chief Executive on or before 5pm on Thursday 10 October 2019 to:
 - a) Lodge a staff submission on the proposed 'NPS for Urban Development'; or
 - b) Approve the attached draft submission on the NPS for Urban Development, be lodged under delegation from the Otago Regional Council;
 - 4) **Approves** the Chief Executive on or before 5pm on Thursday 17 October 2019 to:
 - a) Lodge a staff submission on the 'Action for Healthy Waterways' draft regulations; or
-

- b) *Approve a submission on the 'Action for Healthy Waterways' draft regulations be lodged under delegation from Otago Regional Council.*

BACKGROUND

- [6] The Government is currently consulting on a suite of proposed national level direction documents, specifically;
- National Policy Statement for Highly Productive Land (NPS HPL)
 - National Policy Statement for Urban Development (NPS UD)
 - Action for healthy waterways – a package of three draft regulations,
 - National Policy Statement for Freshwater Management;
 - National Environmental Standard for Freshwater; and
 - Stock Exclusion (section 360¹),
- [7] The closing date for submissions on the NPS HPL and NPS UD is 10 October 2019.
- [8] The closing date for submission on the 'Action for Healthy Waterways' package is officially 17 October 2019. However, the Ministry for the Environment has advised it will accept submissions up till 31 October 2019².
- [9] ORC staff provided recommendations for submissions on the NPS HPL and NPS UD at a workshop on 11 September 2019. In accordance with the submission points Councillors endorsed, staff have drafted the respective submissions, which are attached to this report.
- [10] ORC staff will provide a workshop on the 'Action for healthy waterways' consultation package as part of the last Council meeting programme for the triennium. As with the previous workshop, staff will brief Councillors on the three proposals, what they mean for ORC and suggested submission points for Councillors' endorsement.

ISSUE

- [11] The relatively short timeframe for assessing and making submissions on these proposals has been compounded by the close of the Council triennium falling before the close of the consultation period. Further, Otago's rural community has expressed a desire to see the ORC draft submission on the water package before they complete and lodge their submission.
- [12] The Chief Executive must seek clear direction from the Council before the end of the triennium to allow the submission to go to Government as an ORC submission under delegation.

OPTIONS

NPS HPL and NPS UD

- [13] Council may endorse these draft submissions today, with any amendments, for lodgement as an ORC Governance submission.

¹ s360 of RMA 'Regulations'

² <https://www.mfe.govt.nz/consultation/action-for-healthy-waterways>

- [14] Alternatively, if Council is not comfortable approving the submissions, and giving the Chief Executive delegation, then the Chief Executive may direct the submissions to be lodged as staff submissions.

Action for Healthy Waterways

- [15] With respect to the freshwater package, Council can choose to delegate authority to the Chief Executive, to approve a submission on their behalf.
- [16] Alternatively, if Council is not comfortable with this approach, then the Chief Executive may direct the submissions to be lodged as staff submissions.

CONSIDERATIONS

Policy Considerations

- [17] Should the proposals come into effect, ORC staff will need to assess the full spectrum of changes required to ensure ORC's planning documents are consistent with the national level documents.
- [18] It is worth noting that some of the proposals in the Actions for Healthy Waterways package were intended to be included, in some form, in the omnibus plan change that is currently being developed.
- [19] There is some benefit therefore to ORC, to have these provisions addressed at a national level.

Financial Considerations

- [20] There are no financial considerations as a result of lodging the submissions however it is worth noting that the proposals will have an impact on resourcing for a range of council activities. Once decisions on the proposals are released, staff will assess the finalised regulations and provide an updated report to Council, including financial implications.

Significance and Engagement

- [21] As highlighted in section 14, as assessment will need to be made of any changes to ORC's planning framework. Any changes may require a publicly notified processes as per schedule 1 of the RMA, and in accordance with Council's Significance and Engagement policy.

Legislative Considerations

- [22] The proposals will create an increased hierarchy of legislative planning framework that will affect aspects of ORC's functions under section 30 of the RMA

Risk Considerations

- [23] As the proposals are still under consultation, it is too early to provide any comprehensive statement on potential risk.

NEXT STEPS

[24] ORC staff will report back to Council when any decision is made by Government on these proposals.

ATTACHMENTS

1. ORC submission on NPSUD [**10.2.1** - 5 pages]
2. ORC submission on NPSHPL [**10.2.2** - 3 pages]

10 October 2019

Ministry for the Environment
PO Box 10362
Wellington 6143

Dear Sir/Madam

Otago Regional Council submission - proposed National Policy Statement on Urban Development (NPS-UD)

Thank you for the opportunity to submit on the proposed NPS UD. Much of Otago is facing some level of growth challenge, with Queenstown being the notable high growth area. ORC welcomes the additional national direction, to assist with managing the opportunities and challenges of high urban growth and to ensure good quality urban environments are achieved now, and into the future.

While ORC generally supports the proposed NPSUD, there are some amendments that would provide additional clarity.

1. Queenstown as a Major Urban Centre

ORC supports, in principle, Queenstown being classified a Major Urban Centre on the basis that Queenstown faces growth pressures similar to many of New Zealand's larger metropolitan urban settlement. Queenstown is however different to the other listed MUC's, with its origins as a remote and largely rural settlement and the dominant role that the visitors play in the demand for accommodation, goods and services. The natural characteristics that come with its wider rural and mountainous setting underpin Queenstown role as both a visitor attraction in its own right, and as the centre of a substantial and complex visitor economy.

In contrast to New Zealand's other proposed MUC's, Queenstown location also makes it subject to a number of unique and critical constraints for a high growth area. Queenstown is bordered immediately by mountainous areas and significant water bodies. Queenstown is vulnerable to significant natural hazards including flooding, land instability, earthquake risk, and severe weather events. Queenstown is naturally isolated by the topography of the surrounding area, and its growth patterns are, in large part, dictated by topographical constraints more extreme than other MUC's. There are fewer planning solutions available to Queenstown due to those constraints. There are also limited options for the delivery of key urban infrastructure, including limited ability to widen

critical roads, challenges with the location of wastewater treatment facilities, and issues with the impact of urban stormwater and sediment on the quality of freshwater bodies.

While the Resource Management Act, and in particular sections 6 and 30 address risk from natural hazards, the ORCs position is that the NPSUD could be strengthened to make particular note of natural hazards constraints that may limit growth opportunities.

Outcome Sought: ORC would like to see specific mention of the risk from natural hazards outlined as a possible constraint to growth in the NPSUD. This would give effect to section 6 and provide additional clarity.

MCU Policies

A number of the new policies included in the NPS UD are mandatory for all MCU's to provide for greater intensification of existing urban areas, and where appropriate, new green field development. This includes limiting the ability to regulate for minimum car parking in a development and specific intensification targets. ORC understands and supports the intent of the approach to integrate land use and transport planning, reduce car dependence and better support the use of alternative transport modes. However, Queenstown's unique setting will make compliance with these requires challenging and may result in unintended consequences.

Car parking and provision of public transport

The rate of growth in Queenstown over the last 20 years has been such that the infrastructure and transport services are at or beyond their capacity. As a result of this, Queenstown, and its connected urban hubs, face a significant challenge with how to manage future growth within its existing transport corridors. Topography and land constraints means options to increase existing corridors are likely expensive, and uncertain, due to the natural hazards' risks.

If the purpose of MCU policy for removing car parking requirements is to promote a modal shift to public transport, an increase in public transport services will be required. In Queenstown's case the limited existing roading capacity and the limited ability to widen roads to separate buses and alternative modes from general traffic mean that it is very difficult to provide additional public transport capacity that is attractive and competitive with travel by private car. Unless a new rapid high-speed system and transport corridor is able to be developed, public transport will be subject to the same constraints of the existing transport corridors, affecting its ability to move people quickly and efficiently, likely resulting in an unsatisfactory experience for all travellers. It is also important to note that a significant part of the transport demand that Queenstown needs to deal with is associated with self-directed visitors who are travelling across large areas of the South Island and

Queenstown area by car. These people are a significant part of the population of Queenstown on any day, but do not have normal commuter behaviours neither do they make normal mode choices. The provision of accommodation without access to off-street car parking is likely to result in growth of on-street parking which will further congest transport corridors.

Outcome Sought: ORC would like consideration be given to exempting Queenstown from the car parking requirements in the NPS-UD, so that the appropriate level of on site servicing to satisfy the requirements of the population is provided. This does not limit future opportunities to move away from a road-based transport corridor, but allows flexibility in approach.

Options for directing intensified development

ORC considers the other MUC's have a greater flexibility to resolve growth pressures than Queenstown. The physical and hazard constraints that impact of growth and development options for Queenstown also mean that there may be significant unintended consequences from adopting either of the options for directing intensified development presented in the discussion document. In particular the rather blunt requirement for high-density development zoning within 1.5km of the city centre could present considerable challenges for Queenstown. ORC considers that of the two options presented a descriptive approach would be preferable to the prescriptive approach.

Outcome Sought: ORC would like consideration be given to exempting Queenstown proposed options for directing intensified development, and if that is not considered appropriate that the descriptive approach be adopted.

Quality Urban Environment

ORC supports the desire to create quality urban environments through the NPSUD however our position is that the phrase is ambiguous and may be subject to broad interpretation. This risks it being used for greenfield developments that undermine existing or other planned developments and ultimately could result in poor urban environment outcomes.

Amenity is an important concept contributing to what constitutes a Quality Urban Environment. ORC considers the relevant policy is sound in intent, but it needs to be clearer and better targeted to avoid unintended consequences.

As written, it would require ORC to consider specific aspects of amenity and amenity benefits in all consents located within an urban area. ORC submits the policy will, unintentionally, result in increased processing and costs for a range of consents – and potentially more challenges to

decisions, without a clear benefit to both the consent process or urban amenity. This would include consents that ORC administers.

Outcome Sought: ORC requests the policy be drafted to be clearer, directing what activities need to provide for managing amenity in urban areas.

Future Development Strategies

ORC supports the implementation of Future Development Strategies. This instrument will be critical for Council's to both implement the NPS UD but also to balance other NPS requirements and issues such as managing risk from significant natural hazards, and sensitive receiving environments that could be affected by urban development.

Due to constraints of available and affordable housing in Queenstown and Wanaka, the neighbouring Central Otago District is facing increasing pressure to provide and supply housing for the Queenstown Lakes markets. The required FDS would not be able to be applied to the Central Otago District however, its clear that the planning response to growth will need to be cohesive and aligned across the Queenstown Lakes and Central Otago Districts. ORC is supportive of working with its territorial authorities to ensure a joined up and integrated approach.

In order to allow for growth and ensure growth is planned and managed, resulting in quality urban environments in Queenstown, there will need to be a whole of Government, co-ordinated response that goes well beyond the provisions of the NPS UD. Given the particular nature of Queenstown and the drivers of its growth and its unique location and constraints it is essential that infrastructure and transport planning, funding, construction and associated processes are all aligned. To support councils successfully developing and implementing FDS', it will be important that the Government identifies where funding and resourcing can be provided across its functional departments and agencies.

ORC encourages government to ensure that its budgetary and planning processes, and in particular its transport planning and funding processes are aligned to support Future Development Strategies and deliver the government contributions that will be necessary.

Review of Future Development Strategies

ORC agrees that FDS's should be regularly reviewed rather than being a static document. However, the proposed blanket requirement to review FDS's every three years is not supported. The ORC considers that it would be better to align the development and review of the FDS with the six-yearly review of the Regional Land Transport Plan (RLTP). The experience of the previous requirement to

develop and review Regional Land Transport Strategies every three years was that the review process resulted in the constant re-litigation of difficult and divisive issues with no positive upside for the community. Reviews are costly, both for councils and the organisations and individuals that take part in the process. Reviews should not be undertaken lightly. Long-term certainty in relation to the planned development of MUCs is important for aligning investment by the public and private sector. The life of urban infrastructure means that significant changes in direction are costly and difficult to achieve. Given the importance of aligning land use and transport planning to deliver quality urban environments and the key role that RLTPs play in guiding investment in the transport system it is essential that FDSs and RLTPs are aligned and integrated.

ORC supports the regular review of FDSs by suggests that the regular review timetable should be very six years, aligned to the review of the RLTP. The ORC would also support the incorporation of a range of trigger mechanisms that could require an earlier review of an FDS if it becomes clear that growth expectations have changed, or if it were to become evident that expected uptake or other key parts of the strategy are not being achieved and the strategy needs to be revised.

Outcome Sought: ORC requests that Future Development Strategies are required to be reviewed at six yearly intervals, to align with Land Transport Planning, and to allow implementation and alignment with other plan cycles. ORC suggests that the NPS UD include a number of triggers that could require the earlier review of an FDS under certain circumstances.

Yours sincerely

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10 October 2019

Ministry for Primary Industries
PO Box 2526
Wellington 6140
New Zealand.

Attention: NPS-HPL Submission, Land and Water Policy Team

Dear Sir/Madam

Otago Regional Council submission on the proposed National Policy Statement on Highly Productive Land (NPS HPL)

Thank you for the opportunity to submit on the NPS HPL. Otago's modern wealth remains highly dependent on the opportunities its land supports for primary production.

During the 2000's, the Otago Regional Council undertook the growOTAGO project, its purpose was to comprehensively map climate and soils across the Otago region. The information would support improving existing land uses, developing new high value, land-based activities and fostering regional economic development, through the optimum use of Otago's varied climate and soils.

Today, the modern Otago showcases a range of primary industries, from the traditional agriculture, forestry and horticulture to the more recent and highly valued viticulture. The ability of Otago industries to grow a range of quality food types for both local, national and international markets lets the region share in the premium that New Zealand's primary goods are highly recognised and valued for.

Otago's landscapes and rural communities have also become an attraction for people to live, play and work in, and consequently Otago is experiencing significant growth, specifically in the Lakes District and Central Otago District.

With urban growth comes the pressure of conflict with existing rural based activities and the fragmentation of the rural landscape. This pressure is realised in reverse sensitivity of non-complementary activities and can become an ongoing source of tension in Otago's communities.

ORC welcomes national direction to assist with these pressures to ensure appropriate weight is given to protecting and managing New Zealand's stock of highly productive land in the planning framework.

Due to the important tension of managing the competing needs of urban development and retaining highly productive land, ORC is supportive of the development of the complementary NPS's - both the NPS HPL and the National Policy Statement for Urban Development.

ORC supports a national framework that will result in better protection for our land into the future, and clear integrated planning that ensures good quality outcomes in urban growth and productive land needs for now and future generations.

Principle of Protection under the NPS HPL

ORC is supportive of the NPS providing greater weighting within the planning framework for effects on highly productive land. ORC recognises the important shift that the NPS makes in that it is not just the soil characteristics of land that make it capable but many supporting attributes, such as accessibility of the land to transport, labour, water supply. ORC is supportive of the NPS HPL's holistic approach to assessing land as being HPL or not.

ORC considers a critical function of the NPS HPL should be to ensure that protection of sufficient land for food growing capacity for today, and future generations, is absolute. This should not only be assessed at a national level, but also at a regional/local level such that each regional has access to a sufficient source and range of food product. This will lessen the impact on the food supply chain should there be any future system shocks, such as a natural disaster or other transport disruptions.

Outcome Sought: that the NPSHPL provides for some areas of highly productive land to be absolutely protected. While this absolute protection may not apply to all areas of highly productive land, the ability to have a cascade of protective mechanisms will provide additional security into the future. This may also assist in reducing the potential for inconsistencies between regions in implementing the NPS HPL. Areas with more urban growth pressures may protect less LUC land, which could result in more pressure on residual HPL.

Mapping Responsibility

ORC supports the intent of the HPL to provide certainty to plan users by mapping and including in Regional Policy Statements, areas of highly productive land. ORC does however have concerns that the cost and practicalities associated with completing mapping by 2022 have not been well considered. ORC believes it is in a reasonable position, with both its Grow Otago project and the

National LUC mapping. However, both these datasets were not developed at a property level resolution, nor have they been subject to regular, criteria specific reviews. Achieving mapping to a property scale resolution will take some time and incur considerable expense.

ORC is concerned that there may not be enough practitioners to complete the work within the required time frame and that the implications of including the mapping into RPS's for territorial authorities that have recently undergone plan reviews, could be unnecessarily onerous.

Lastly, ORC is concerned that, due to the implications or perceptions of land having an HPL designation, considerable time and expense may result from challenges to the maps through the RPS. For Councils who have recently completed RPS reviews, this will likely create additional resourcing and cost challenges.

Outcomes Sought:

ORC would like the NPS HPL amended to allow some flexibility within regions, to accommodate TA's who have recently completed plan reviews, and would also like to see an ability to stage the mapping, by identifying the areas within regions that are most under pressure and addressing those areas first.

Further, a review cycle should be developed and programmed for the mapping and criteria of the NPS HPL to enable timely responses to climate change and changing technologies that inform the NPS HPL provisions and ultimate outcomes.

Yours sincerely

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10.3. Notification of Plan Change 6AA

Prepared for:	Council
Report No.	PPRM1902
Activity:	Environmental: Water
Author:	Sylvie Leduc, Senior Policy Analyst; Tom De Pelsemaeker, Senior Policy Analyst
Endorsed by:	Gwyneth Elsum, General Manager Policy, Science and Strategy
Date:	25 September 2019

PURPOSE

- [1] To approve the notification of Proposed Plan Change 6AA to the Regional Plan: Water for Otago (Water Plan).

EXECUTIVE SUMMARY

- [2] This report recommends notification of Proposed Plan Change 6AA to the Water Plan in accordance with Clause 5, Schedule 1 of the Resource Management Act 1991 (RMA).
- [3] This plan change proposes to postpone the date at which certain rules controlling discharge contaminant concentration and rules on nitrogen leaching come into force, from 1 April 2020 to 1 April 2026.

RECOMMENDATION

That the Otago Regional Council:

- 1) **Has particular regard** to the section 32 evaluation report under clause 5(1) of Schedule 1 to the Resource Management Act 1991 in deciding whether to proceed with publicly notifying the proposed Plan Change 6AA to the operative Regional Plan: Water for Otago.
- 2) **Has particular regard** to the advice received on proposed Plan Change 6AA to the operative Regional Plan: Water for Otago from the relevant iwi authorities in accordance with Clause 4A(1)(b) of Schedule 1 to the Resource Management Act 1991.
- 3) **Resolves** to publicly notify the attached proposed Plan Change 6AA to the operative Regional Plan: Water for Otago on 5 October 2019 in accordance with clause 5(1) of Schedule 1 of the Resource Management Act 1991.
- 4) **Makes available** for public inspection proposed Plan Change 6AA to the operative Regional Plan: Water for Otago and the evaluation report prepared pursuant to section 32 of the Resource Management Act 1991 on 5 October 2019.
- 5) **Notes** that all of the amendments to rules in the proposed Plan Change 6AA to the operative Regional Plan: Water for Otago take immediate legal effect from the date of notification pursuant to section 86B(1)(a) and (3) of the Resource Management Act 1991.

BACKGROUND

- [4] On 14 August 2019, ORC approved the preparation of a plan change proposal to postpone the date at which certain rules on discharge contaminant concentration (Schedule 16) and on nitrogen leaching (Overseer) come into force from 1 April 2020 to 1 April 2023.
- [5] Proposed Plan Change 6AA is the first of two plan changes which will address significant issues with the Water Plan and strengthen the Plan's existing policy framework, in advance of the development of a comprehensive plan review.

ISSUE

- [6] In 2014, ORC made operative a new set of rules managing discharges from land uses (predominately rural land uses). These rules were intended to provide additional regulation of discharges from 1 April 2020 and included conditions on the contaminant concentration of discharges and nitrogen leaching.
- [7] ORC now considers that these rules are ambiguous, unenforceable and uncertain and may result in many land users having to apply for discharge consents. These are not circumstances intended when the rules were adopted.
- [8] Because ORC is in the process of reviewing the Water Plan to give effect to the National Policy Statement for Freshwater Management 2014 (amended 2017) (NPSFM), issuing consents under an uncertain and now 'temporary' framework is not considered appropriate, nor effective in making environmental gains. Consenting will likely undermine the effectiveness of the revised rule framework to be developed as part of a forthcoming full review of the Water Plan and could limit the ORC's ability to give effect to the objectives of the NPSFM.
- [9] Plan Change 6AA has been developed to address these issues.

DISCUSSION

- [10] Plan Change 6AA proposes to postpone the date at which rules controlling discharge contaminant concentration and rules on nitrogen leaching come into force, from 1 April 2020 to 1 April 2026. This change affects:
- Policy 7.D.2
 - Rule 12.C.1.1
 - Rule 12.C.1.1A
 - Rule 12.C.1.3 and
 - Schedule 16A
- [11] No other change to the Water Plan is proposed as part of Plan Change 6AA.

- [12] It is expected that the full review of the Water Plan will be completed, and a new Water Plan in place, before 1 April 2026 which will introduce a more certain and robust water management framework to manage discharges from land use.
- [13] Proposed Plan Change 6AA to the Water Plan is attached as Appendix 1. The accompanying Section 32 Report, which examines the extent to which Plan Change 6AA is considered the most appropriate way to achieve the purpose of the RMA and evaluates alternative options, benefits and costs, is attached as Appendix 2.

Pre-notification consultation and feedback received

- [14] In August 2019, ORC sent a consultation draft of Plan Change 6AA, and a draft Section 32 evaluation report, to
- the Minister for the Environment (MfE);
 - the Department of Conservation (DoC);
 - the Ministry for Primary Industries (MPI);
 - Otago's city and district councils; and
 - Te Rūnanga o Ōtākou, Kāti Huirapa ki Puketeraki, Te Rūnanga o Moeraki and Hokonui Rūnanga (through Aukaha and Te Ao Marama),
- in accordance with Clauses 3 and 4A of Schedule 1 to the RMA.
- [15] In September 2019 ORC also sent a consultation draft and draft Section 32 evaluation report to Te Rūnanga o Ngāi Tahu, in accordance with Clause 4A of Schedule 1 to the RMA.
- [16] This consultation version of Plan Change 6AA proposed to amend the relevant provisions from 1 April 2020 to 1 April 2023.
- [17] The following matters were raised as part of consultation:
- There is a need for a plan change to clarify the implementation of the contaminant discharge and nitrogen leaching rules;
 - Various stakeholders and ORC's Treaty Partners would like to work collaboratively when developing measures and tools for addressing water quality issues;
 - While supportive of the plan change, Nga Rūnanga expressed concern about the risk of timeframes for implementing relevant discharge and nitrogen leaching rules slipping further.
- [18] A more comprehensive overview of the responses received during this stage of consultation is included in Appendix 1 to the Section 32 report.
- [19] No amendments were made to the plan change proposal in response to feedback received during this stage of pre-notification consultation.

Amendments made following consultation

- [20] Legal advice obtained after completion of the two stages of pre-notification consultation highlighted that extending the commencement date for implementing the contaminant

discharge and nitrogen leaching rules to 1 April 2023 does not avoid the risk that a large number of discharges would still need to be consented in 2023 and the effectiveness of Plan Change 6AA could be undermined, if the new planning provisions developed through the Water Plan review are not made operative before the rules come into effect on 1 April 2023. This is because section 15 of the RMA requires discharges to comply with both operative rules and proposed rules.

- [21] To effectively address this issue, it is now proposed to amend the relevant commencement date for implementing these provisions to 1 April 2026. By this date the full review of the Water Plan is expected to be completed, and a new Plan in place.
- [22] Further, the recent water policy proposed by central government takes water quality regulation away from the approach promoted under Plan Change 6A.
- [23] It should be noted that, as part of the Peter Skelton review process, MfE officials have been briefed about proposed Plan Change 6AA, including the amendment to extend the relevant commencement date for implementing these provisions to 1 April 2026.

Notification

- [24] It is proposed to notify Plan Change 6AA on Saturday 5 October, in accordance with Clause 5, Schedule 1 of the RMA. Submissions will close on Monday 4 November 2019.
- [25] As the proposed plan change relates to water, the amendments to rules in proposed Plan Change 6AA will take immediate legal effect from the date of notification pursuant to section 86B(1)(a) and (3) of the Resource Management Act 1991.

CONSIDERATIONS

Policy Considerations

- [26] Several rules in the operative Water Plan that seek to manage contaminant discharges and nitrogen leaching are uncertain, unenforceable and ambiguous. As a result, these provisions will not be able to deliver the expected water quality outcomes, nor will they necessarily drive good farm management practices. Anecdotally, reports also suggest these provisions are driving farmers to plan to seek consents to avoid achieving the discharge limits included in the operative Water Plan post 2020.
- [27] Similarly, the discharge policies in the Water Plan do not provide much guidance over when consents should be granted and under what conditions. Without strong policy guidance, consent decisions cannot adequately manage the cumulative effects of discharges on water quality.
- [28] These issues trigger the need for a more certain and robust policy and rule framework to manage the effects of discharges from land use on water quality.
- [29] Plan Change 6AA is the first of two plan changes which will address significant issues with the operative Water Plan and strengthen the Plan's existing policy and rule framework, in advance of the comprehensive plan review.

Financial Considerations

- [30] The Policy team administers existing budgets for general Water Planning.
- [31] Plan Change 6AA and the subsequent plan change that seeks to strengthen the Water Plan's existing management framework, if adopted, come at a financial cost for ORC. However, the immediate cost is expected to be short-term and moderate (given the limited scope of the proposed plan change). In the longer-term there are likely to be financial benefits to both ORC and landholders that will outweigh the costs of the subsequent plan change.
- [32] The short-term costs for the policy team will also be offset by:
- avoiding consent applications coming into the organisation;
 - reducing the demand on the rural liaison team for advice around implementing the relevant rules; and
 - reducing the need for compliance, environmental data and science team staff to monitor compliance with discharge standards and the effectiveness of the Water Plan's framework for managing water quality.
- [33] Difficulties with the enforcement of current rules for contaminant discharges and nitrogen leaching in the operative Water Plan is likely to result in increased costs to council and resource users. The removal of these rules and their subsequent replacement with a more robust and certain planning framework is likely to reduce these costs.
- [34] The proposed plan changes are also likely to generate a financial benefit for many land users who, under the current rule framework in the Operative Water Plan are often likely to seek resource consents for contaminant discharges to ensure they can continue their activities, even when their discharges have minor environmental effects. By delaying the commencement date of relevant contaminant discharge and nitrogen leaching provisions Plan Change 6AA is intended to remove the immediate risk of many land users having to apply for short term consents for minor discharges.

Significance and Engagement

- [35] The proposal to notify Plan Change 6AA if adopted by Council will trigger ORC's Significance and Engagement Policy (SEP) as this project is likely to have potentially significant impacts on many people.
- [36] The notification of the Plan Change 6AA proposal will involve the roll-out of a formal plan change process prescribed by Schedule 1 of the Resource Management Act 1991 (RMA), through which affected or interested parties can partake in the submissions, hearing and appeal process. In addition to this, key messaging around the Plan Change's purpose and next steps will be released via our website, social media and as a press-release.

[37] In all circumstances, notification of proposed Plan Change 6AA in accordance with Schedule 1 of the Resource Management Act 1991 will satisfy the consultative requirements of the SEP.

Legislative Considerations

[38] Plan Change 6A (Water Quality), which introduced the rules now subject to proposed Plan Change 6AA, became operative in 2014. It was prepared under the NPSFM 2011; and its preparation had regard to all relevant management plans and strategies of the time, and to the Kai Tahu Ki Otago Natural Resource Management Plan (1995 and 2005 editions).

[39] Since 2014, there have been several changes to the legislative planning context. These include:

- The NPSFM was amended in 2014 and 2017;
- The National Policy Statement on Urban Development Capacity (2016) (NPSUDC); and
- The National Environmental Standards for Plantation Forestry (2018) (NES-PF) were enacted.

[40] Further changes to the legislative context have been announced recently, which includes a proposed new NPSFM and a new National Environmental Standard for Freshwater. These proposals are more prescriptive than Plan Change 6A and take more control over land use than Otago's effects-based approach.

[41] Proposed Plan Change 6AA is the first of two plan changes which will address significant issues with the operative Water Plan and strengthen the Plan's existing policy framework, in advance of the comprehensive plan review, which in turn will ensure alignment with all relevant requirements and give full effect to the NPSFM, and any new regulations that are currently proposed.

Risk Considerations

[42] As stated above, the ambiguity of some of the existing rules in the operative Water Plan to manage contaminant discharges and nitrogen leaching poses the risk that the desired environmental outcomes for the region's water bodies are not being achieved.

[43] The current provisions of the Water Plan for managing water quality drive landholders towards applying for resource consents that authorise contaminant discharges. Issuing consents under an unenforceable and now 'temporary' framework is not considered appropriate and will likely undermine the effectiveness of the revised rule framework to be developed as part of a forthcoming full review of the Water Plan.

[44] Considered in isolation, proposed Plan Change 6AA, which seeks to delay the timeframe for implementing these rules, is unlikely to result in timely improvement of water quality in Otago. However, to address this risk, ORC will develop a second plan change which will strengthen the Plan's existing policy and rule framework for managing discharges and their effect on water quality.

NEXT STEPS

Notification

[45] If approved, ORC will publicly notify the attached proposed Plan Change 6AA to the operative Regional Plan: Water for Otago on 5 October 2019 in accordance with clause 5(1) of Schedule 1 of the Resource Management Act 1991.

[46] The ORC will also provide one copy of the proposed plan change and the evaluation report prepared pursuant to section 32 of the RMA, to:

- The Minister for the Environment;
- Constituent territorial authorities;
- Adjacent regional councils; and
- Otago iwi authorities.

[47] A copy of proposed Plan Change 6AA (and *the evaluation report prepared pursuant to section 32 of the RMA*) will be made available for the public to view in every public library in Otago, at all ORC offices, and on the ORC website, www.orc.govt.nz.

Timeline

[48] The timeline for the plan change will be as follows:

Action	Anticipated date
Council approve public notification of proposed Plan Change 6AA	25 September 2019
Public notification of proposed Plan Change 6AA	5 October 2019
Closing date for submissions	4 November 2019
Public notification of submissions, request for further submissions	23 November 2019
Closing date for further submissions	6 December 2019
Hearings	Period December 2019 – January 2020
Release decisions or Council adopt recommendation as decision and approve notification of decisions	February 2020

ATTACHMENTS

1. Appendix 1 to Council report - Notified Proposed Plan Change 6 AA [**10.3.1** - 13 pages]
2. Appendix 2 to Council report - Section 32 Evaluation Report Plan Change 6 AA PDF [**10.3.2** - 16 pages]

Appendix 1: Proposed Plan Change 6AA

Appendix 2: Evaluation report prepared pursuant to section 32 of the RMA

Appendix 1

Proposed Plan Change 6AA

Regional Plan: Water for Otago

ISBN: 978-0-908324-55-2



5 October 2019

Introduction

In 2014, Otago Regional Council (ORC) introduced a new set of rules managing discharges from land uses (predominately rural land uses). Those rules include conditions on discharges' contaminant concentration and nitrogen leaching, which were intended to come into force on 1 April 2020.

ORC now expects that, due to the rules' ambiguity and uncertainty, a large number of land users will have to apply for discharge consents. This will likely undermine the effectiveness of the revised rule framework soon to be developed as part of the full review of the Regional Plan: Water for Otago (Water Plan).

Plan Change 6AA is the first of two plan changes¹ which will strengthen the Water Plan's existing policy framework and address significant issues with the operative Water Plan, in advance of the comprehensive plan review.

Plan Change 6AA proposes to postpone the date at which conditions on discharge contaminant concentration and on nitrogen leaching come into force, from 1 April 2020 to 1 April 2026. It is expected that the full review of the Water Plan will be completed, and a new Plan in place, before 1 April 2026.

This change affects:

- Policy 7.D.2
- Rule 12.C.1.1
- Rule 12.C.1.1A
- Rule 12.C.1.3 and
- Schedule 16A

No other change to the Regional Plan: Water for Otago is proposed as part of this plan change.

This document should be read in conjunction with the *Section 32 Report – Consideration of alternatives, benefits and costs*.

Note to the reader

Proposed Plan Change 6AA is a plan change of limited scope. The proposed plan change is shown in this document replicates the relevant provisions of the Water Plan and shows changes to those provisions. Where new text has been added, it is shown in underlined text. Where text has been deleted it is shown in ~~striketrough~~ text. Text that is neither struck through or underlined is not within the scope of this plan change.

¹ On 14 August 2019, ORC committed both to notifying a plan change to strengthen the Water Plan's discharge rules in early 2020, supported by a non-regulatory framework.

Any person may make submissions on this proposed plan change. You may do so by sending written submissions to the Otago Regional Council. The submission must be in Form 5, as prescribed by Schedule 1 of the Resource Management Act 1991. Copies of this form are available by phoning the Council on 0800 474 082, or can be found on the ORC website www.orc.govt.nz. When making a submission, please ensure you clearly state the provision you are submitting on by using the appropriate reference number.

Post to	Otago Regional Council Private Bag 1954 Dunedin 9054		
Fax to	(03) 479 0015		
Email to	policy@orc.govt.nz		
Deliver to	70 Stafford Street Dunedin	William Fraser Building Dunorling Street Alexandra	The Station, First Floor Cnr Shotover and Camp Streets Queenstown

If you have any questions concerning this process:

Telephone	(03) 474 0827; 0800 474 082
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Submissions close at 5 pm on 4 November 2019.

7

Water Quality



7.A to 7.C 7.1 to 7.5 *[Unchanged]*

7.A to 7.C *[Unchanged]*

7.D Policies for discharges of water and contaminants, excluding those discharges provided for in 7.C

7.D.1 *[Unchanged]*

7.D.2 Schedule 16 discharge thresholds apply to permitted activities, from 1 April 2026 ~~1 April 2020~~, at or below the reference flows set in Schedule 16B based on median flows.

7.D.3 to 7.D.5 *[Unchanged]*

12

Rules: Water Take, Use and Management



12.0 to 12.3 [Unchanged]

12.A to 12.B [Unchanged]

12.C Other discharges

12.C.A General Rules for section 12.C [Unchanged]

12.C.0 Prohibited activities: No resource consent will be granted [Unchanged]

12.C.1 Permitted activities: No resource consent required

12.C.1.1 The discharge of water or any contaminant to water, or onto or into land in circumstances which may result in a contaminant entering water, is a **permitted** activity, providing:

(a) to (f) [Unchanged]

(g) From ~~1 April 2020~~ 1 April 2026, the discharge also complies with 12.C.1.1A.

Figures 5 to 7: [Unchanged]

12.C.1.1A From ~~1 April 2020~~ 1 April 2026, in addition to Rule 12.C.1.1, when the water flow at the relevant representative flow monitoring site is at or below the reference flow in Schedule 16B, the following conditions apply:

(a) to (c) [Unchanged]

Figures 8 to 13: [Unchanged]

12.C.1.2 [Unchanged]

12.C.1.3 The discharge of nitrogen² onto or into land in circumstances which may result in nitrogen entering groundwater, is a **permitted** activity, providing:

(a) From ~~1 April 2020~~ 1 April 2026, the nitrogen leaching rate does not exceed:

(i) to (iii) [Unchanged]

(b) (i) From 1 May 2014 to ~~31 March 2020~~ 31 March 2026, the landholder for outdoor pork, fruit (excluding grapes), berry and rotational vegetable production will keep a record of all inputs into the farm system and evidence that practices complied with the relevant industry good management practices and provide Council upon request with that

² For the purpose of Rule 12.C.1.3, nitrogen comprises of organic nitrogen, ammoniacal nitrogen, nitrite nitrogen and nitrate nitrogen forms.

R U L E S : W A T E R T A K E , U S E A N D M A N A G E M E N T

information. From 1 April 2026 ~~1 April 2020~~,
12.C.1.3(b)(ii) will apply; and

(ii) *[Unchanged]*

12.C.2 Restricted discretionary activities: Resource consent required *[Unchanged]*

12.C.3 Discretionary activities: Resource consent required *[Unchanged]*

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Schedules



16 Schedule of permitted activity discharge thresholds for water quality

Schedule 16 describes the thresholds that apply to discharges permitted under Rule 12.C.1.1A in the catchments of each discharge threshold area. Discharge Threshold Areas 1 and 2 catchments are shown on the J-series Maps.

16A Permitted activity discharge thresholds for water quality by discharge threshold area

Discharge Threshold Area 1 Catchments	Nitrate-nitrite nitrogen	Dissolved reactive phosphorus	Ammoniacal nitrogen	<i>Escherichia coli</i>
Timeframe	1 April 2026 2020			
<ul style="list-style-type: none"> ▪ Catlins ▪ Careys Creek ▪ Kaikorai ▪ Leith ▪ Mokoreta (within Otago) ▪ Owaka ▪ Pomahaka, downstream of Glenken ▪ Tahakopa ▪ Tokomairiro ▪ Tuapeka ▪ Waitahuna ▪ Waitati ▪ Waiwera ▪ Any unlisted tributary on the true right bank of the Clutha/Mata-Au, south of Judge Creek ▪ Any unlisted tributary on the true left bank of the Clutha/Mata-Au, south of the Tuapeka ▪ Any unlisted catchment that discharges to the coast, south of Taieri Mouth 	3.6 mg/l	0.045 mg/l	0.2 mg/l	550 cfu/100 ml

RULES: WATER TAKE, USE AND MANAGEMENT

Discharge Threshold Area 2 Catchments	Nitrate-nitrite nitrogen	Dissolved reactive phosphorus	Ammoniacal nitrogen	<i>Escherichia coli</i>
Timeframe	1 April 2026 2020			
<ul style="list-style-type: none"> ▪ Cardrona ▪ Clutha/Mata-Au (above Luggate) ▪ Clutha/Mata-Au and any unlisted tributary (Luggate to mouth, including Lake Roxburgh, and excluding tributaries described in Discharge Threshold Catchment Area 1) ▪ Fraser ▪ Kakanui ▪ Kawarau ▪ Lake Dunstan ▪ Lake Hayes ▪ Lake Hawea and any tributary ▪ Lake Johnson ▪ Lake Onslow ▪ Lake Tuakitoto ▪ Lake Waipori & Waihola ▪ Lake Wakatipu and any tributary ▪ Lake Wanaka and any tributary ▪ Lindis ▪ Luggate ▪ Manuherikia ▪ Mill Creek (tributary to Lake Hayes) ▪ Pomahaka, upstream of Glenken ▪ Shag ▪ Shotover ▪ Taieri ▪ Trotters ▪ Waianakarua ▪ Waikouaiti ▪ Waipori ▪ Waitaki tributaries within Otago ▪ Any unlisted catchment that discharges to the coast, north of Taieri Mouth 	1.0 mg/l	0.035 mg/l	0.2 mg/l	550 cfu/100 ml

mg/l = milligrams per litre

cfu/100 ml = colony-forming units per 100 millilitres

Appendix 2

Proposed Plan Change 6AA To the Regional Plan: Water for Otago

Section 32 Evaluation Report Consideration of alternatives, benefits and costs

*This Section 32 Evaluation Report should be read in conjunction with
Proposed Plan Change 6AA.*



5 October 2019

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Abbreviations

ORC	Otago Regional Council
NPSFM	National Policy Statement for Freshwater Management 2014 (amended 2017)
PC6A	Plan Change 6A (Water Quality) to the Regional Plan: Water for Otago
PORPS	Partially operative Regional Policy Statement for Otago
PRPS	Proposed RPS – Decisions version
RPS	Regional Policy Statement for Otago 1998
RMA	Resource Management Act 1991
Water Plan	Regional Plan: Water for Otago

Executive Summary

In 2014, Otago Regional Council (ORC) introduced a new set of rules managing discharges from land uses (predominately rural land uses). Those rules which come into force on 1 April 2020 include conditions on the contaminant concentration of discharges and nitrogen leaching.

ORC now considers that the rules are ambiguous, unenforceable and uncertain and may result in a large number of land users having to apply for discharge consents. Because ORC is in the process of reviewing the Regional Plan: Water for Otago (Water Plan) to give effect to the National Policy Statement for Freshwater Management 2014 (amended 2017) (NPSFM), issuing a large number of consents under an uncertain and now 'temporary' framework is not considered appropriate, nor effective in making environmental gains. Consenting will likely undermine the effectiveness of the revised rule framework to be developed as part of the full review of the Water Plan and could limit the ORC's ability to give effect to the objectives of the NPSFM.

ORC now proposes to introduce a proposed plan change (Plan Change 6AA) that will result in the commencement date of relevant discharge and nitrogen leaching rules being extended to 1 April 2026, to allow time to develop a more robust water management framework that implements and gives full effect to the NPSFM. It is expected that the full review of the Water Plan will be completed, and new planning provisions will be operative, before 1 April 2026.

Introduction

In October 2018, ORC formally approved the commencement of a full review of the Water Plan to satisfy the plan review requirements under section 79 of the Resource Management Act 1991 (RMA); give full effect to the NPSFM; and take a more localised approach to water and land management, based on Freshwater Management Units (FMUs).

While the Progressive Implementation Programme (P.I.P.) is implemented and the full review undertaken, ORC will continue to implement the operative Water Plan.¹ It is important to ensure that the Water Plan still delivers an effective and efficient water management framework, and that its implementation supports (and does not undermine) the full plan review and the objectives of the NPSFM.

Plan Change 6AA is the first of two plan changes which will address significant issues with the operative Water Plan and strengthen the Plan's existing policy framework, in advance of the development of a comprehensive plan review.²

This report outlines the purpose of Plan Change 6AA, and evaluates the plan change and alternative options, as required by Section 32 of the RMA. It should be read in conjunction with the Proposed Plan Change.

¹ As is required by section 84(1) of the RMA. Section 84(1) states that *"While a policy statement or a plan is operative, the regional council or territorial authority concerned, and every consent authority, shall observe and, to the extent of its authority, enforce the observance of the policy statement or plan."*

² In early 2020 ORC will notify a plan change to strengthen the Water Plan's discharge rules, supported by a non-regulatory framework.

Planning context

Key documents

The Water Plan is prepared under the RMA and must give effect to all relevant National Policy Statements and the Regional Policy Statement.

Plan Change 6A (Water Quality), which introduced the rules now subject to proposed plan change 6AA, became operative in 2014. It was prepared under the National Policy Statement for Freshwater Management 2011; and its preparation had regard to all relevant management plans and strategies of the time, and to the Kai Tahu Ki Otago Natural Resource Management Plan (2005). The National Policy Statement for Renewable Electricity Generation 2011, the National Policy Statement on Electricity Transmission 2008 and the New Zealand Coastal Policy Statement 2010 were fully operative at the time of the plan change preparation.

Since 2014, there have been several changes to the planning context:

- The National Policy Statement for Freshwater Management was amended twice;
- The Regional Policy Statement for Otago was reviewed;
- The National Policy Statement on Urban Development Capacity (2016) (NPSUDC) and the National Environmental Standards for Plantation Forestry (2018) (NES-PF) were enacted.

The NPSUDC is not relevant to the management of discharges. The other national policy statements are not relevant either. The NES-PF sets requirements for the management of forestry activities at a national level. Schedule 17 of the Water Plan specifies the rules that apply to forestry activities in Otago.

Changes to the NPSFM since its gazettal have focused on water quality objectives, the process to set locally-based freshwater objectives, and on managing cumulative effects. The review of the Otago Regional Policy Statement (RPS) has not been fully completed and the provisions most relevant to water management are not yet operative. The proposed RPS provisions mostly focus on the values and objectives for water quality, and provide little direction on the rule framework, besides:

- The Partially Operative Regional Policy Statement's (PORPS) Policy 5.4.1 of on the management of "objectionable discharges",
- The Proposed RPS – Decision version's (PRPS) proposed policies on the protection of the values of outstanding water bodies (Policies 3.2.13 and 3.2.14).

A full review of the Water Plan will ensure alignment with all relevant requirements, and give full effect to the NPSFM, and any subsequent amendments as a result of proposed changes to the NPSFM, and proposed RPS. It is anticipated that the full review of the Water Plan will be completed, and new planning provisions will be operative, by 1 April 2016.

The NPSFM and the RPS and PRPS do not set directions over what discharge controls regional councils should put in place to achieve objectives.

Objectives for water quality

The NPSFM seeks to maintain or improve water quality and support the values of water bodies, while enabling people and communities to provide for their wellbeing (Objectives A1 to A4). The NPSFM puts a specific emphasis on ecosystem health, health for recreation (Objective A1), and the suitability of water for swimming, while requiring regional councils to manage water for any other relevant value (called national values) including for example natural form and character, fishing, mahinga kai, animal drinking water, water supply, hydroelectricity generation, transport.

Otago's RPS, PORPS and PRPS, and its Water Plan reflect the same general direction overall of maintaining and/or improving water quality while supporting values of water bodies. The Water Plan in particular seeks that:

- Water quality is maintained or improved (Objective 7.A.1) and
- Water quality supports the natural and human use values of water (Objective 7.A.2) and
- Discharges are enabled when sustainable (Objectives 7.A.2 and 7.A.3).

As specified in Policy 7.B.1, Schedule 15 of the Water Plan sets contaminant concentration objectives and targets for Otago's rivers and lakes, which are based on standards for ecosystem health and primary contact recreation. It provides measurable water quality indicators that can inform consent decisions over nutrient allocation, when compared with water quality information.

Water quality policies and rules

The policies and rules in the Water Plan are expected to achieve the water quality objectives outlined above. The Water Plan focuses on the discharges only, and sets distinct management regimes for:

- Discharges of human sewage (rules in section 12.A);
- Industrial discharges, discharges of hazardous substances, and of urban stormwater (rules in section 12.B); and
- All other discharges (rules in section 12.C).

Section 12.C predominately targets discharges from rural land uses. It sets:

- Prohibited activity rules to prevent objectionable discharges and high-risk discharges, such as discharges from farm effluent systems or from poorly managed land disturbance;
- Permitted activity rules, setting a baseline beyond which discharge consents must be applied for.

The rules for discharges are based on:

- Discharges' visual effects (changes to colour or clarity of the water; appearance of floatable materials, oil or grease film, scum or foam in the water) and odour;
- Other quantitative indicators, including discharge contaminant concentration thresholds (rule 12.C.1.1A – Schedule 16) and maximum nitrogen leaching rates (rule 12.C.1.3 – Overseer).

The rules have provided for a transition period for land users to comply with the relevant discharge contaminant concentration thresholds and nitrogen leaching rates, with those requirements due to come into force on 1 April 2020.

Consultation

In August 2019, ORC sent a consultation draft of Plan Change 6AA, and a draft Section 32 evaluation report, to the Minister for the Environment, the Department of Conservation (DoC), the Ministry for Primary Industries, Otago's city and district councils, and to Te Rūnanga o Ōtākou, Kāti Huirapa ki

Puketeraki, Te Rūnanga o Moeraki and Hokonui Rūnanga (through Aukaha and Te Ao Marama), in accordance with Clauses 3 and 4A of Schedule 1 to the RMA. In September 2019 ORC also sent a consultation draft and draft Section 32 evaluation report to Te Rūnanga o Ngāi Tahu, in accordance with Clause 4A of Schedule 1 to the RMA.

For completeness, the consultation version of proposed Plan Change 6AA proposed to amend the relevant provisions from 1 April 2020 to 1 April 2023.

Feedback on the consultation draft was received from the Dunedin City Council (DCC), DoC and Iwi authorities. DCC had no specific comments on proposed Plan Change 6AA but expressed a strong desire to work collaboratively on the development of the future plan change that will address water quality issues. DoC did not support the plan change proposal, indicating a preference for a plan change that seeks to clarify the implementation of the water quality rules. Iwi authorities were generally supportive of the proposed plan change but stated that they did not want to further delay the proposed 2023 deadline at which provisions associated with management of discharges of water and contaminants must be met, so that improvements to water quality can be made without further delay.

A more detailed overview of the feedback received from Iwi authorities and other statutory stakeholders during the different stages of pre-notification consultation is attached to this Section 32 report in Appendix 1.

No amendments were made to the proposed plan change in response to the feedback received. However, further legal review following the pre-notification consultation stages identified that the proposed 1 April 2023 deadline in the consultation draft of Plan Change 6AA poses a risk that a large number of discharges would still need to be consented in 2023 if the changes to the planning framework are not in place, and operative, by 1 April 2023. This would negate many of the benefits of undertaking Plan Change 6AA, so to address this risk ORC now proposes to extend the commencement date of relevant discharge and nitrogen leaching rules in the notified plan change from 1 April 2023 to 1 April 2026. It is expected that the full review of the Water Plan will be completed, and new planning provisions will be operative, before 1 April 2026.

Current issues with the Water Plan and purpose of the Plan Change 6AA

As they currently stand, Policy 7.D.2, Rules 12.C.1.1(g), 12.C.1.1A (Schedule 16) and 12.C.1.3 (Overseer) are uncertain, unenforceable and ambiguous. In particular:

- Land users cannot, in practice, ensure that the discharge contaminant thresholds set out in Schedule 16 are met everywhere on their property, at all times when the flow at the relevant flow sites is below median flow.
- There are practical difficulties in locating where diffuse discharges should be sampled to check compliance with Rule 12.C.1.1A (Schedule 16);
- Rule 12.C.1.3 (Overseer) does not specify a time scale when nitrogen leaching rates should be calculated.
- The nitrogen leaching rate must be estimated using Overseer version 6. That version of Overseer no longer exists. The rule does not address Overseer version changes, and land users cannot foresee (or calculate) whether their operations would remain permitted should a version change occur.

As a result, these provisions will not be able to deliver the expected water quality outcomes, nor will they necessarily drive good farm management practices.

A large number of consent applications can be expected to be lodged in advance of Rules 12.C.1.1(g), 12.C.1.1A (Schedule 16) and 12.C.1.3 (Overseer) coming in to force. Relying on consent applications for the management of water quality is neither effective nor efficient. In particular:

- Many land users are likely to seek consents to ensure they can continue their activities, even when their discharges have minor environmental effects. This comes at a cost for those land users.
- The discharge policies in the Water Plan are vague and do not provide much guidance over when consents should be granted and under what conditions. Without strong policy guidance, consent decisions cannot adequately manage the cumulative effects of discharges on water quality.

Moreover, consents are not affected by subsequent changes to rules and policies during their terms, unless Council calls them in for a review. This means that requiring and granting discharge consents ahead of the coming review of the Water Plan will likely undermine the effectiveness of the revised rule framework.

It is anticipated that the full review of the Water Plan will not be completed, and new planning provisions be operative, until December 2025. Accordingly, these provisions which come into force on 1 April 2020 would frustrate ORC's planned implementation of the NPSFM and limit its ability to achieve the objectives of the NPSFM.

Plan Change 6AA seeks to ensure that Policy 7.D.2, Rules 12.C.1.1(g), 12.C.1.1A (Schedule 16) and 12.C.1.3 (Overseer) do not undermine the effectiveness of the rule framework to be developed as part of the full review of the Water Plan; and do not result in unnecessary consenting costs.

Summary of proposed changes

Plan Change 6AA proposes to postpone the date at which conditions controlling discharge contaminant concentration and on nitrogen leaching come into force, from 1 April 2020 to 1 April 2026.

This change affects:

- Policy 7.D.2
- Rule 12.C.1.1
- Rule 12.C.1.1A
- Rule 12.C.1.3 and
- Schedule 16A

No other change to the Water Plan is proposed as part of Plan Change 6AA.

It is expected that the full review of the Water Plan will be completed, and new planning provisions will be operative, before 1 April 2026 which will introduce a more certain and robust water management framework to manage discharges from land use.

Section 32 of the RMA

Plan Change 6AA is a plan change to an existing regional plan (the Water Plan) that was prepared by the ORC under the RMA. As part of the development of Plan Change 6AA ORC is required to examine whether the proposal is the most appropriate way of achieving the objectives of the Water Plan, in accordance with Section 32 of the RMA.

Section 32 of the RMA requires that an evaluation report for an amending proposal (in this case Plan Change 6AA) must:

- Examine the extent to which the purpose of Plan Change 6AA is the most appropriate way to achieve the purpose of the RMA;
- Examine whether the provisions in Plan Change 6AA are the most appropriate way to achieve the objectives of the Water Plan and the purpose of Plan Change 6AA, by:
 - Identifying other reasonably practicable options for achieving the objectives of the Water Plan and the purpose of Plan Change 6AA;
 - Assessing the efficiency and effectiveness of proposed provisions for achieving the objectives of the Water Plan and the purpose of Plan Change 6AA; and
 - Summarising the reasoning for deciding on the proposed provisions.

When assessing the efficiency and effectiveness of the proposed provisions the following assessment criteria must also be satisfied:

- The benefits and costs of the environmental, economic, social, and cultural effects anticipated from the implementation of the provisions must be identified and assessed;
 - The benefits and costs are to be quantified (if practicable); and
 - The risks of acting or not acting must be assessed where there is insufficient or uncertain information.

The objectives of the existing plan (i.e., the Water Plan) must be considered where they are relevant to the purpose of the plan change and would remain if the plan change took effect.

The evaluation report must also summarise any relevant advice from iwi authorities, including the Council's response to that advice and any provisions that are intended to give effect to the advice.

Evaluation

Section 32(1)(a) - Examination of the extent to which the objectives of the proposal being evaluated are the most appropriate way to achieve the purpose of the RMA

The RMA requires an examination of whether the objectives of Plan Change 6AA (in this case, the purpose of the Plan Change³) being evaluated are the most appropriate way to achieve the purpose of the Act.⁴ The purpose of the Act is set out in section 5 of the RMA.

The purpose of Plan Change 6AA is to delay the enforceability of several uncertain and ambiguous provisions (that may result in a large number of land uses application for discharge permits) so that

³ RMA, s32(6)

⁴ RMA, s32(1)(a)

they do not undermine the effectiveness of the new rule framework that will be developed as part of the full Plan review.

Plan Change 6AA has been designed to promote the sustainable management of natural and physical resources by providing additional time for a new framework to be put in place. The status quo of retaining the enforceability date of rules by 1 April 2020 will not necessarily better promote the sustainable management of natural and physical resources. As set out above, the uncertain, unenforceable and ambiguous provisions will not be able to deliver the expected water quality outcomes, nor will they necessarily drive good farm management practices. The 2020 date would require numerous consents to be obtained which might not necessary and may undermine the future implementation of the Water Plan (and the NPSFM).

Ultimately it is expected that the wider Plan review will incorporate a more robust water management regime that will deliver the expected water quality outcomes. In the meantime, ORC will notify a plan change to strengthen the Water Plan's discharge rules supported by a non-regulatory framework. This will be critical to ensure water quality is maintained and enhanced in the region, while the comprehensive plan review is completed.

Plan Change 6AA recognises the need to sustain the potential of natural and physical resources to meet the reasonably foreseeable needs of future generations at a rate which enables people and communities to provide for the social, economic and cultural wellbeing. The delay to the enforceability of the provisions will remove the immediate risk of many land users having to apply for short term consents for minor discharges. This will remove unnecessary consenting costs in circumstances where a new rule framework will be introduced by the comprehensive plan review.

Plan Change 6AA will enable this rule framework to be developed effectively by not allowing the existing discharge provisions to undermine the process. The purpose of Plan Change 6AA has considered how adverse effects on the environment are avoidance and mitigated.

Overall, the purpose of Plan Change 6AA is an appropriate way to promote the sustainable management of natural and physical resources in relation to managing discharges from land uses (predominately rural land uses).

[Section 32\(1\)\(b\) - Examination of whether the provisions in the proposal are the most appropriate way to achieve the objectives of the Plan and the purpose of Plan Change 6AA](#)

Section 32(1)(b) of the RMA requires an examination of whether the provisions of Plan Change 6AA are the most appropriate way of achieving the Objectives of the Water Plan⁵ and, for an amending proposal that does not include objectives, the examination must also consider if the provisions of the plan change are the most appropriate way to achieve the purpose of the plan change.⁶

[Most appropriate way of achieving the objectives of the Water Plan](#)

The Water Plan Objectives that are relevant to Plan Change 6AA are Objectives 7.A.1, 7.A.2, 7.A.3.:

7.A.1 To maintain water quality in Otago lakes, rivers, wetlands, and groundwater, but enhance water quality where it is degraded.

⁵ RMA s32(1)(b) and s32(3)(b)

⁶ RMA s32(1)(b) and s32(3)(a)

7.A.2 To enable the discharge of water or contaminants to water or land, in a way that maintains water quality and supports natural and human use values, including Kāi Tahu values.

7.A.3 To have individuals and communities manage their discharges to reduce adverse effects, including cumulative effects, on water quality.

Plan Change 6AA appropriately achieves these objectives. It is acknowledged that the plan change itself does not strengthen provisions within the Water Plan to maintain and enhance water quality in Otago. Ultimately it is expected that the wider Plan review will incorporate a more robust water management regime that will achieve the water quality objectives. However, Plan Change 6AA will mean that the existing provisions of the Water Plan will not undermine the effectiveness of the new rule framework that will be developed as part of the full Plan review.

Further, ORC will notify a plan change to strengthen the Water Plan's discharge rules, supported by a non-regulatory framework. This will be critical to ensure water quality is maintained and enhanced in the region, while the comprehensive plan review is completed.

Options assessment

When considering whether the provisions of the Plan Change 6AA are the most appropriate way to achieve the purpose of the plan change, section 32(1)(b) of the RMA requires an examination of reasonably practicable options for achieving the objectives of the Water Plan and the purpose of Plan Change 6AA. This involves assessing the efficiency and effectiveness of proposed provisions and summarising the reasoning for deciding on the proposed provisions.

A number of reasonably practicable options were identified that could manage the issues outlined above, and achieve the purpose of Plan Change 6AA. These were:

- Clarifying the Water Plan's discharge policies, to ensure the cumulative effects of consented discharges are well managed (Option 1);
- Delaying the date at which Policy 7.D.2, Rules 12.C.1.1(g), 12.C.1.1A (Schedule 16) and 12.C.1.3 (Overseer) come into force (Option 2); or
- Revoking Policy 7.D.2, Rules 12.C.1.1(g), 12.C.1.1A (Schedule 16) and 12.C.1.3 (Overseer) (Option 3).

These three options are evaluated in the tables below.

OPTION 1: STRONGER POLICY FRAMEWORK

In this option, the Water Plan's rules remain unchanged, while its policies are strengthened and provide more guidance over:

- The information that should be provided in resource consent applications;
- The circumstances in which consents should be granted and;
- The consent conditions that should be considered.

In order to ensure that granting consents does not undermine the effectiveness of the coming full plan review, the consenting regime will have to rely on short-term consents.

EXPECTED EFFECTIVENESS

Although a stronger policy framework will likely enhance the effectiveness of the consenting regime in achieving the Water Plan's water quality objectives, it will not effectively deal with the fact that consent applications will need to be applied for, and granted, for minor discharges.

Relying on consents with short duration adds to consenting costs over time, as it requires consents to be renewed more frequently.

ORC expects to receive a large number of consent applications leading up to and following April 2020. It will be challenging to develop, consult on, notify and make operative a robust policy framework in that timeframe; and any consent application received before the plan change is made operative will require resource consent under the existing policy framework.

BENEFITS	COSTS
Environmental	
<ul style="list-style-type: none"> ▪ Provides an opportunity to at least “lock in” existing good farming practices ▪ Consents can provide a “path forward” and allow the transition towards more sustainable practices ▪ Allows better information and data on land use and discharge management practices. 	<ul style="list-style-type: none"> ▪ Short-term consents usually do not require significant changes to discharge and land use management practices and focus on preparing the ground to set up adequate conditions for longer term consents: the consenting regime is unlikely to bring about rapid significant environmental improvements.
Economic	
<ul style="list-style-type: none"> ▪ Growing demand for planners and farm consultants to prepare and process the growing number of consent applications There may not be enough experts to meet the demand created by consent applications. 	<ul style="list-style-type: none"> ▪ Likely to exacerbate the costs of unnecessary consents ▪ Short-term consents do not resolve uncertainty over whether the discharge will be allowed to continue over time: <ul style="list-style-type: none"> ○ This could potentially impact on rural land users’ access to finance, either for productivity gains or environmentally sustainable infrastructure ○ This could also affect farms’ market value ▪ Consent applications divert funds that could potentially be used for on the ground mitigation.
Social	
<p>Consenting is managing each discharge separately and does not leave a role for catchment groups to coordinate and facilitate the management of discharges at a catchment scale</p>	
Cultural	
<ul style="list-style-type: none"> ▪ A consenting regime will enable iwi’s involvement in water quality management at a finer scale, for notified consent applications 	<ul style="list-style-type: none"> ▪ Involving iwi in decisions on individual discharges detracts them from getting involved at a more strategic level and could put stress on their planning advisors.

OPTION 2: DELAYING ENFORCEABILITY OF RELEVANT PROVISIONS

In this option, the date at which Policy 7.D.2, Rules 12.C.1.1(g), 12.C.1.1A (Schedule 16) and 12.C.1.3 (Overseer) come into force is delayed by 6 years, until 1 April 2026. The requirement for farmers to collect nutrient input data and make it available to ORC is retained (Rule 12.C.1.3).

EXPECTED EFFECTIVENESS

Delaying f Policy 7.D.2, Rules 12.C.1.1(g), 12.C.1.1A and 12.C.1.3 coming into force removes the immediate risk of receiving a large number of consent applications which would be for unclear, or ambiguous activities. It also ensures an improved framework is introduced before consent applications are lodged. As a result of this option:

- The Water Plan’s rules do not result in unnecessary consenting costs;
- ORC will have additional time to address the uncertainty and ambiguity of current rules; and
- Discharge consents do not undermine the effectiveness of the future revised rule framework.

This option does not strengthen the Plan’s rules to the extent required to fully achieve the Plan’s water quality objectives and implements the NPSFM.

BENEFITS	COSTS
Environmental	
<ul style="list-style-type: none"> ▪ Allows more time to develop a more effective rule framework, for better water quality outcomes; and to adapt to new Central Government regulation ▪ Requires farming to keep working towards compliance with those two rules, to meet the 1 April 2026 timeline. ▪ Requires farmers to continue collecting nutrient input data and make it available to ORC 	<ul style="list-style-type: none"> ▪ Does not drive a rigorous documentation of farm management practices in Otago. ▪ Unless addressed, uncertainty over the implementation of Policy 7.D.2, Rules 12.C.1.1(g), 12.C.1.1A and 12.C.1.3 could continue to hamper discharge mitigation.
Economic	
<ul style="list-style-type: none"> ▪ Removes the immediate consenting costs for those discharges which do not meet the relevant provisions ▪ Avoids the costs of a high number of consent applications being made even for minor discharges. 	<ul style="list-style-type: none"> ▪ Some uncertainty remains over future status of rural discharges and the ability of land users to meet requirements by April 2026. This could restrict access to finance; and impact on farms’ market value
Social	
<ul style="list-style-type: none"> ▪ There is still an opportunity for catchment groups to facilitate the management of discharges at a catchment scale. ▪ Stakeholders can be involved in strategic matters 	<ul style="list-style-type: none"> ▪ Could potentially fuel a perception that ORC has not committed to addressing water quality issues.
Cultural	
<ul style="list-style-type: none"> ▪ Allows iwi’s involvement to focus on strategic matters for the future 	

OPTION 3: REVOKING RELEVANT PROVISIONS

In this option, Policy 7.D.2, Rules 12.C.1.1(g), 12.C.1.1A , 12.C.1.3 and schedule 16 are revoked; and all other discharge rules remain unchanged.

EXPECTED EFFECTIVENESS

Revoking or deleting Policy 7.D.2, Rules 12.C.1.1(g), Rules 12.C.1.1A, 12.C.1.3 and schedule 16 removes the risk of receiving a large number of consent applications before the Water Plan is reviewed and its rule framework strengthened. As a result of this option:

- The Water Plan’s rules do not result in unnecessary consenting costs;
- Discharge consents do not undermine the effectiveness of the future revised rule framework.

This option does not strengthen the Plan’s rules to the extent required to achieve the Plan’s water quality objectives.

BENEFITS	COSTS
Environmental	
<ul style="list-style-type: none"> ▪ Allows time to develop a more effective rule framework, for better water quality outcomes. 	<ul style="list-style-type: none"> ▪ Reduces obligation to keep a record of nutrient inputs. ▪ Removes drivers for better land use and discharge management practices.

Economic

- Removes the consenting costs for those discharges which do not meet the relevant provisions

Social

- There is still an opportunity for catchment groups to facilitate the management of discharges at a catchment scale.
- Stakeholders can be involved in strategic matters
- Could potentially fuel a perception that ORC has not committed to addressing water quality issues.

Cultural

- Allows iwi's involvement to focus on strategic matters for the future
- This change may not be culturally acceptable in that it removes some of the main drivers for better discharge management in the Plan.

Preferred option

Both options 2 and 3 will address the issues outlined above and achieve the purpose of Plan Change 6AA. Both carry environmental risks in that they lessen or remove short-term drivers for more sustainable land use and discharge management practices. Of these two options, Option 2 is the one that carries the lower environmental risks as it does not remove the obligation entirely. It is therefore the preferred option.

Implementing Option 2 creates uncertainty in terms of achieving water quality objectives for Otago, unless:

- Discharges rules are strengthened in the near future, or the implementation issues relating to Rules 12.C.1.1A and 12.C.1.A are resolved before 1 April 2026; and
- ORC strengthens its education programme to drive the adoption of sustainable farm management practices.

On 14 August 2019, ORC committed both to notifying a plan change to strengthen the Water Plan's discharge rules in early 2020, supported by a non-regulatory framework. This will be critical to ensure water quality is maintained and enhanced in the region, while a more robust management framework is developed.

Appendix 1

Summary of consultation undertaken in accordance with Clauses 3 and 4A of RMA Schedule 1

Consultation under Clause 3 of the First Schedule of the RMA was undertaken with the statutory stakeholders from 22 to 30 August 2019. As part of this consultation stage, a draft of the proposed Plan Change and draft Section 32 evaluation report were sent to:

- Ministry for the Environment;
- Ministry for Primary Industries, Department of Conservation;
- Te Rūnanga o Ōtākou, Kāti Huirapa ki Puketeraki, Te Rūnanga o Moeraki and Hokonui Rūnanga (through Aukaha and Te Ao Marama); and
- The five Territorial Authorities in the Region, being Dunedin City Council, Clutha District Council, Waitaki District Council, Central Otago District Council, and Queenstown-Lakes District Council).

Under Clause 4A of the First Schedule of the RMA a draft of the proposed Plan Change and draft Section 32 evaluation report was sent to Te Rūnanga o Ngāi Tahu in September 2019

It is noted that the proposal considered by the statutory parties, Iwi authorities and Nga Runanga listed above was to replace the 1 April 2020 reference in the rules to 1 April 2023, rather than the now proposed date of 1 April 2026.⁷

Responses

Responses were received from the Department of Conservation, Dunedin City Council and Nga Runanga. These are outlined below.

Department of Conservation

DoC have concerns about the proposed approach. They do not support a delay in the implementation of nutrient management limits and do not agree with the reasons for the delay. DoC would prefer a plan change to clarify the implementation of the rules along the lines of Option 1.

Dunedin City Council

The DCC had no specific comments on proposed Plan Change 6AA but expressed a strong interest in the second proposed plan change. They support a collaborative approach to addressing water quality issues and have made staff available to engage on these issues.

Runanga

Through Aukaha, feedback was received on the proposed plan change from Te Rūnanga o Ōtākou, Kāti Huirapa ki Puketeraki, Te Rūnanga o Moeraki and Hokonui Rūnanga, indicating that Ngā Rūnanga are generally supportive of a proposed change in date (to 1 April 2023) at which policies

⁷ The consultation version of Plan Change 6AA proposed to amend the relevant provisions from 1 April 2020 to 1 April 2023. This is different from the notified Plan Change 6AA, which seeks to extend the commencement date for relevant discharge and nitrogen leaching rules to 1 April 2026

and rules associated with management of discharges of water and contaminants must be met and addressing the existing reference to an out-dated version of Overseer.

Ngā Rūnanga recognise that the existing framework in the plan is not workable and are conscious of further changes that will strengthen the planning framework to achieve desired outcomes for maintaining and improving water quality across the region.

However, Ngā Rūnanga consider that the 2023 deadline for compliance by land managers that was initially proposed in the consultation version of Plan Change 6AA must be met so that improvements can be made without further delay.

Ngā Rūnanga also expressed a strong desire to be involved in the development of further policy and rule changes, as this will assist ORC with giving effect to national direction and achieving sustainable management with a Treaty compliant perspective.

These comments have been taken into account; however, it is considered that the further change in date to 1 April 2026 is necessary to ensure that the effectiveness of Plan Change 6AA is not undermined. A date of 1 April 2026 will provide enough time for the comprehensive review of the Water Plan to be completed, and any new planning provisions to be operative, by 1 April 2026.

10.4. Establishment of Hearing Panel for Plan Change 6AA

Prepared for: Council
Report No. P&S1805
Activity: Governance Report
Author: Tom De Pelsemaeker, Senior Policy Analyst
Endorsed by: Gwyneth Elsum, General Manager Policy, Science and Strategy
Date: 18 September 2019

PURPOSE

- [1] To approve the appointment of an independent hearing commissioner, acting alone, to hear submissions and evidence on proposed Plan Change 6AA to the Regional Plan: Water for Otago (Water Plan) and make recommendations to the Council.

EXECUTIVE SUMMARY

- [2] This report recommends the appointment of independent hearings commissioner, acting alone, to hear submissions and evidence on proposed Plan Change 6AA to the Water Plan, and to make recommendations to the Council in respect of those submissions. This report also recommends that all necessary functions to hear submissions and evidence, and to make recommendations, are delegated.
- [3] Proposed Plan Change 6AA proposes to postpone the date at which certain rules controlling discharge contaminant concentration and on nitrogen leaching come into force, from 1 April 2020 to 1 April 2026.

RECOMMENDATION

That the Council:

- 1) **Appoints** *(insert name here) as hearings commissioner, acting alone, to hear submissions and evidence on proposed Plan Change 6AA to the Regional Plan: Water for Otago, and to make recommendations to the Council in respect of those submissions; and*
- 2) **Delegates** *under section 34A of the Resource Management Act 1991, to (insert name here), all the powers, functions and duties of the Council to hear submissions and evidence on the proposed Plan Change 6AA and to make recommendations to the Council on the submissions, including requiring and receiving reports under Section 42A of the Act, and exercising powers conferred by sections 41B and 41C of the Act.*

BACKGROUND

- [4] On 14 August 2019, ORC approved the preparation of a proposed plan change, hereafter referred to as Plan Change 6AA, to postpone the date at which rules on discharge contaminant concentration (Schedule 16) and rules on nitrogen leaching (Overseer)

come into force from 1 April 2020 to 1 April 2026. This plan change affects the following Water Plan provisions:

- Policy 7.D.2
- Rule 12.C.1.1
- Rule 12.C.1.1A
- Rule 12.C.1.3 and
- Schedule 16A

- [5] No other change to the Water Plan is proposed as part of Plan Change 6AA.
- [6] If approved by Council, Proposed Plan Change 6AA will be notified on 5 October 2019, with the submissions closing on 4 November 2019.
- [7] The period for further submissions is likely to close in late November or early December 2019.
- [8] Clause 8B of Schedule 1 to the RMA states that a local authority must hold a hearing into submissions on its proposed policy statement or plan, unless no person indicates they wish to be heard in relation to their submission.
- [9] Given the timelines outlined in paragraphs 6 and 7 above, the hearing of submissions on Proposed Plan Change 6AA is likely to take place in the second half of December 2019 or late January 2020.

ISSUE

- [10] Section 34A of the RMA allows a local authority to delegate its role to conduct a hearing to a panel of one or more hearings commissioners (who may or may not be a member of the local authority).

DISCUSSION

- [11] Best practice suggests that wherever possible a hearings panel should be composed of one or more individuals with the range of skills relevant to the circumstances.
- [12] Given the subject matter and limited scope of Proposed Plan Change 6AA ORC staff recommend the appointment of an independent hearing commissioner, to sit alone.
- [13] Staff have confirmed availability of two suitably qualified hearings commissioners that would be able to hear the plan change.
- [14] The first potential commissioner is Rob van Voorthuysen. Mr van Voorthuysen has over 30 years of experience in environmental and resource management and has sat on various hearings panels, including for Environment Canterbury, Environment Southland, and several other territorial authorities. His full CV is attached as Appendix 1.

- [15] Mr van Voorthuysen has confirmed availability for late December, and early January (on the basis that we anticipate a hearing would only require around 5 working days); and also has availability in February 2020.
- [16] The second potential commissioner is Gina Sweetman. Ms Sweetman is also a highly skilled hearings commissioner and has worked across most of New Zealand. Her CV is attached as Appendix 2.
- [17] Ms Sweetman has indicated availability for February and March 2020, but not for December 2019.
- [18] Either of the above candidates would be suitable to hear the proposed plan change, sitting alone.

CONSIDERATIONS

Policy Considerations

- [19] N.A.

Financial Considerations

- [20] The Policy team administers existing budgets for general Water Planning. The organisation of a hearing and appointment of hearing commissioners comes at a financial cost. However, the total cost of this is currently unknown as the duration of the hearing is dependent on the number of submitters that may want to be heard.
- [21] Based on an estimated workload of 100 hours, including pre reading and co-ordination of hearing process, but excluding travel and disbursements, the cost to appoint Mr van Voorthuysen would be NZ\$19,000 (plus GST). For Ms Sweetman the estimated cost would be NZ\$19,500 (plus GST).
- [22] These costs can be accommodated within existing planning budgets.

Significance and Engagement

- [23] Although the changes to the Water Plan proposed under Plan Change 6AA are likely to affect a large number of landholders, the proposal to appoint an independent hearing commissioner for Proposed Plan Change 6AA, if adopted by Council, will not trigger ORC's Significance and Engagement Policy (SEP).

Legislative Considerations

- [24] The proposal is consistent with the legislative requirements around the delegation of regional council functions and responsibilities discussed in section 34A of the RMA.

Risk Considerations

[25] The proposal to appoint an independent hearings commissioner, acting alone, to hear submissions and evidence on proposed Plan Change 6AA is considered to be of limited legal, financial and reputational risk.

NEXT STEPS

[26] The next steps are:

- To notify Proposed Plan Change 6AA to the Water Plan on 5 October 2019, if approved by this Council.
- To establish a hearing panel and appoint a suitable commissioner to hear the plan change.

ATTACHMENTS

1. Appendix 1 - Rob Van Voorthuysen CV [10.4.1 - 3 pages]

2. Appendix 2 - Gina Sweetman CV [10.4.2 - 6 pages]

Appendix 1: CV Rob van Voorthuysen

Appendix 2: CV Gina Sweetman

ROB VAN VOORTHUYSEN

Rob has been the Director of van Voorthuysen Environmental Limited since July 2008.

Qualifications

Master of Public Policy (Distinction)
Victoria University of Wellington, 1992

Bachelor of Engineering (Agricultural - 1st Class Honours)
University of Canterbury, 1983

Management Diploma
New Zealand Institute of Management, 1989

**Affiliations**

Resource Management Law Association (Member)

Previous Employment History

Environmental Management Services Ltd
Director (July 1998 to June 2008)

Hawke's Bay Regional Council
Group Manager Environmental Management (August 1992 to July 1998)

Waikato Regional Council
Senior Planner (January 1990 to August 1992)

Department of Conservation
Senior Conservation Officer (April 1987 to January 1990)

Ministry of Works and Development
Assistant Engineer and Economic Analyst (December 1983 to March 1987)

Experience**Hearings Commissioner**

Rob has acted as an Independent Commissioner in over 275 hearings and has served as Chairperson for over 180 of them.

Rob has completed the following Ministry for the Environment commissioner training courses:

- Making Good Decisions (excellent grade) in 2005
- Making Good Decisions Refresher Course in 2006
- Making Good Decisions Chairpersons course in 2008
- Making Good Decisions Chairs recertification course in 2013
- Making Good Decisions Chairs recertification course in 2017

Councils for whom Rob has acted are:

- Auckland Regional Council
- Bay of Plenty Regional Council
- Canterbury Regional Council
- Greater Wellington Regional Council
- Horizons Regional Council
- Horowhenua District Council
- Manawatu District Council
- Marlborough District Council
- Masterton District Council
- Napier City Council
- Northland Regional Council
- Palmerston North City Council
- Rangitikei District Council
- Ruapehu District Council
- Southland Regional Council
- South Wairarapa District Council
- Tasman District Council
- Tararua District Council
- Taranaki Regional Council
- Taupo District Council
- Waikato Regional Council
- Waitakere City Council
- Whanganui District Council
- Whakatane District Council

Activities covered in resource consent hearings include industrial discharges to land, water and air; surface water and groundwater takes; wastewater discharges to land and water; methyl bromide log fumigation; dairy and piggery discharges; harbour and lagoon dredging; earthworks; forestry harvesting; mangrove removal; marine farms; seawalls; flood control works; wharves and boat ramps; reclamations; wetland and land drainage works; lake restoration works; sediment traps; stream diversions; rat poison drops; herbicide spraying; crematoriums; landfills; clean fills; timber treatment plants; apartment buildings; heritage building alterations and demolitions; airport runway expansions, power transmission lines; geothermal power stations; retirement complexes, arterial roads and urban subdivisions.

Rob has also acted (or is currently acting) as a commissioner on hearings for regional policy statements, regional plans and district plan reviews and changes including:

- Bay of Plenty Regional Council's second generation Regional Coastal Environment Plan (independent chairperson)
- Bay of Plenty Regional Council's second generation RPS
- Canterbury Regional Council's Hurunui Waiau River Regional Plan; Land and Water Regional Plan; Variation 1 (Selwyn Waihora); Variation 2 (Hinds/Ashburton); Plan Change 4 (Omnibus) and Plan Change 5 (nutrient management and Waitaki catchment) to the Land and Water Regional Plan
- City of Napier District Plan (independent chairperson)
- Horizons Regional Council's Proposed One Plan
- Horowhenua District Plan
- Proposed Regional Plan for Northland (independent chairperson)
- Southland Water and Land Regional Plan (independent chairperson)
- Tasman Resource Management Plan (independent chairperson)
- Wairarapa Combined District Plan (independent chairperson)
- West Coast Regional Policy Statement (independent chairperson)
- Whakatane District Plan

Policy Analysis and Planning

Rob specialises in regional council policy analysis and planning matters and has appeared before the Environment Court in an expert planning witness capacity for Horizons Regional Council and the Waikato Regional Council. He was the Waikato Regional Council's planning witness for the appeals hearings for Variation 5 (Lake Taupo nitrogen management), Variation 6 (water allocation) and the proposed (second generation) RPS. Rob was HBRC's expert planning witness for the Tukituki Catchment Proposal before the Board of Inquiry.

Rob is also currently providing plan drafting advice Waikato Regional Council (PC 1 - Healthy Rivers). He previously provided planning advice to Auckland Council and Bay of Plenty Regional Council regarding aspects of water management.

Resource Consents

Rob is proficient in all aspects of the resource consents process, having acted predominantly as a reporting officer for councils (section 42A reporting) and occasionally as a planning consultant for applicants.

Management and Review

Rob has undertaken corporate and management reviews for a range of councils and private sector companies, including:

- Consents and compliance management
- Flood events
- SmartGrowth Strategy implementation



Gina Sweetman

Sweetman Planning Services

Bachelor of Planning, Auckland University, 1993
Masters of Planning (First Class Honours), Auckland University, 2006
MNZPI, Distinguished Services Award 2014

I have a wide range of management, planning and policy experience, having worked for over twenty-five years in local government, central government and private practice. I have a strong knowledge of all aspects of Resource Management Act (RMA), and wider natural resources planning in New Zealand, with particular strengths in policy analysis and advice, statutory planning, Māori planning issues training and implementing best RMA practice into everyday practice. Through my work with central government, I have significant experience with policy development and government processes. I have provided expert evidence to both council hearings, the Environment Court and have been involved in central government committee processes. I am also an accredited and experienced RMA Hearings Commissioner (Chair endorsement), one of 20 appointed Development Contribution Commissioners nationwide, independent chairperson and facilitator. I am also a recipient of the NZPI Distinguished Service Award.

Areas of particular expertise:

- ✓ Accredited Hearings Commissioner (Chair endorsement)
- ✓ Development Contributions Commissioner
- ✓ Facilitator
- ✓ Expert witness
- ✓ Policy and plan development and review
- ✓ Development and financial contributions policy and implementation
- ✓ Central and local government processes, including budgeting, reporting, staff development, policy development and advice, development, implementation, evaluation and audits
- ✓ Team and project management and leadership
- ✓ Consent processing and reviews
- ✓ Māori planning issues
- ✓ Best practice, training and guidance
- ✓ RMA, Treaty, Takutai Moana, aquaculture, freshwater and climate change

Professional Affiliations and Responsibilities:

Member New Zealand Planning Institute
Member Resource Management Law Association
Chair Certification, Making Good Decisions
Development Contributions Commissioner

Work History:

2010 -	Sweetman Planning Services
2009 – 2010	Manager, Resource Management Practice and Policy, Ministry for the Environment
2007 – 2009	Director, Sweetman Planning Services Ltd
2007	Senior Planner, Beca Planning
2003 – 2007	Senior Adviser (RMA Implementation), Ministry for the Environment
2000 – 2003	Senior Specialist Planner, Auckland City Council
1999 – 2000	Senior Planning Consultant, Barker and Associates Ltd, Auckland
1995 – 1999	Planner and Team Coordinator Resource Consents, Auckland City Council
1994 – 1995	Assistant Planner and Planner Consents, North Shore City Council
1993 – 1994	Assistant Planner, Waikato District Council, North Shore City and Manukau City Councils

Relevant Experience

Independent Commissioner/Facilitation

- Hearings Panel Member for Plan Change 6 to Auckland Unitary Plan - new suburb, Auckland Council
- Hearings Panel Member for proposed Bunnings out of zone, Queenstown Lakes District Council
- Rezone Plan Change, Hutt City Council (sole commissioner)
- Residential development under the Housing Accords and Special Housing Area Act, Wellington City (sole commissioner)
- Hearings Panel Member for s128 review of the Te Rere Hau windfarm, Palmerston North [current]
- Hearings Panel Member for Proposed Plan Change 10 to the Bay of Plenty Regional Plan – setting nutrient limits for Lake Rotorua, Bay of Plenty Regional Council
- Hearings Panel Member for new commercial windfarm, South Taranaki District Council
- Hearings Panel Member for Omaha Wastewater Treatment Plant re consenting and expansion, Auckland Council
- Hearings Panel Member for the Proposed Regional Policy Statement for the Canterbury Region, with Judge David Sheppard and Edward Ellison.
- Whitby Rest Home extension resource consent, Porirua City
- Section 357 cost objection, Wellington City (sole commissioner)
- Non-notified recommendation to decline, Wellington City (sole commissioner)
- New bar/restaurant/tavern in a residential area, resource consent, Wellington City (sole commissioner)
- Garage extension resource consent, Kapiti Coast (sole commissioner)
- New Quarry, Kapiti Coast (chair of hearings panel)
- Notable Trees Plan Change, Upper Hutt City
- Medium Density Plan Change, Upper Hutt City
- Rezone Plan Change, Upper Hutt City (sole commissioner)
- New public road, Upper Hutt (sole commissioner)
- Residential subdivision and development (chair of hearings panel); Porirua City Council and Greater Wellington Regional Council
- Renewal of consent for discharge to air from an abattoir and rendering plant (chair of hearings panel); Greater Wellington Regional Council
- Facilitator, pre-hearing meeting for a KiwiRail 181(1) application
- Facilitator, pre-hearing meetings for Greater Wellington Regional, Porirua and Hutt City Councils for a new quarry operation

- Facilitator for Transmission Gully Implementation, on behalf of Greater Wellington Regional, Kapiti Coast District and Wellington, Porirua and Upper Hutt City Councils
- Independent Chairperson, Project Mill Creek Community Liaison Group (May 2012 – June 2015)
- Involved in the development, delivery and review of the Making Good Decisions Programme.

Māori Planning Issues

- Provision of on-going policy advice to Te Puni Kōkiri
- Development and facilitation of a two-day workshop “Understanding Te Ao Māori” for Local Government New Zealand
- Development and delivery of “Planning for Māori Values” training for NZPI
- Development and delivery of training to Ngāi Tahu runanga on “How to make effective RMA submissions”
- Development of Māori Values Guidelines for the New Zealand Wind Energy Association
- Drafting the “Guidance on Council Engagement with Tangata Whenua for RMA processes – A Ngāi Tahu Case Study” guidance note, updating the “Facilitating Consultation with Tangata Whenua” guidance note, peer review of the Māori Values Supplement for the Making Good Decisions Programme and peer review and editing of numerous other related guidance material.
- Independent review of a Regional Council’s resource consent process in terms of legislative and best practice compliance for iwi consultation and engagement
- Delivery of RMA101 training to Iwi
- Organising and facilitating the Māori Planning hui for the New Zealand Planning Institute Conference 2011 and 2012
- Developing and delivering of Preparing for the Making Good Decisions Programme training to Iwi
- Establishment of the Guardians Establishment Committee for the Waikato River and its secretariat and ongoing liaison through the development of the Vision and Strategy
- Working with the Iwi Advisers and Technicians on the New Start for Freshwater Programme
- Drafting a series of guidance pamphlets on the 2004 Aquaculture amendments to the Resource Management Act which were used as a basis of a series of hui.

Treaty settlements

- Author of guidance material on the Foreshore and Seabed Act for the Ministry for the Environment and Ministry of Justice
- Policy input into Foreshore and Seabed negotiations
- Policy input into the Waikato River negotiations, settlement and implementation
- Establishment of the Guardians Establishment Committee for the Waikato River and its secretariat and ongoing liaison through the development of the Vision and Strategy
- Policy input into other negotiations

Central Government Policy Development and Review

- Provision of policy input into:
 - 2005, 2009, 2012, 2013, 2015 and 2017 amendments to the RMA
 - Manager responsible for the delivery of the Resource Management Amendment Act 2009 (policy development, Cabinet approvals, departmental report, select committee)
 - Housing affordability
 - Development Contributions
 - Marine Protected Areas
 - Exclusive Economic Zone Legislation and Regulations
 - Local government reforms
 - Marine and Coastal Areas Act

- Climate change policy – mitigation and adaptation
- Aquaculture Act 2004 implementation and review
- Local Government Auckland Amendment Act 2004
- Project Manager, Sustainable Water Programme of Action (Managing the Cross-Department agreement and Cabinet approval and notification of the NPSFM in particular)
- National Policy Statements for Freshwater Management and Renewable Electricity Generation, including s32
- Proposed National Policy Statements for Indigenous Biodiversity and Flood Management, including s32
- National Environmental Standards on Air Quality and Drinking Water and other proposed national environmental standards
- Regulation for Water Measuring Devices
- RMA Phase 2 (Manager)
- Numerous Treaty Settlements (on RMA and local government matters)
- Foreshore and Seabed Negotiations
- Building Act review
- Unit Titles review
- Co-author of discussion document and s32 on a Proposed National Environmental Standard on Sea Level Rise (unpublished)
- Author of “Public Access under Section 6(d) of the RMA” for the Walking Access Commission 2012 (updated in 2013 and 2015)
- Author of policy position papers on Māori rights and interests in freshwater and opportunities for renewable electricity generation for Māori communities

Council Policy Development and Review

- Development Contribution Policy Review, Kapiti Coast District Council [current]
- District Plan Review Technical Advice and Integration, Porirua City Council [current]
- RPS, Regional and District Plan Review Technical Advice and Integration, Nelson City Council [current]
- Technical input into and review of SNA, landscapes and features, residential reviews; Hutt City Council [current]
- Overall Plan integration, and chapter lead, Infrastructure, Services and Resources and Financial Contributions, Kapiti Coast District Council
- Expert Environment Court Witness and reporting officer for Upper Hutt City Council for Private Plan Change 36 (Environment Court dismissed the appeal in favour of the Council)
- Expert Environment Court Witness for Fish and Game for the Horizons One Plan, on Freshwater (successful)
- Expert Environment Court Witness for the Environmental Defence Society for the Waikato Regional Policy Statement (indigenous biodiversity, landscape, freshwater, infrastructure) (successful)
- Scoping, research, consultation and development of Proposed Plan Changes 7 (Windfarms), 10 (Suburban Zone: Residential Infill Amenity Management) and 11 (Earthworks) to the Porirua City District Plan
- Reporting officer on Private Plan Change (Rezoning) for Hutt City Council (successful)
- Development of a spatial plan for the Hongoeka Community and Marae, Porirua
- Scoping, research, consultation and development of a proposed plan change on network utilities and renewable electricity generation to the Hutt City and Upper Hutt District Plans – as a joint project (no appeals)
- Scoping, research, consultation and development of a proposed plan change on network utilities to the Porirua City District Plan (now operative with appeal resolved without any Court involvement)

- Scoping, research, consultation, development and reporting officer for Plan Change 69 (Contaminated Land) to the Wellington City District Plan (MfE submitted in support)
- Input into development and financial contributions policy for Auckland City Council
- Input into numerous plan changes to the Auckland City District Plan
- Policy research for the Waikato District Plan

Consent Processing

- Lead planner for the Kenepuru redevelopment (800+ lots in a brownfield environment) [current]
- Lead planner for new Summerset retirement village in Lower Hutt [current]
- Preparing evidence and attendance at mediations in preparation for the Environment Court. Applications have included major subdivisions involving iwi issues, contaminated land and multi-million mixed use developments.
- Processing of many complex resource consent applications (such as contaminated site redevelopment, multi-million mixed use developments, major subdivisions, water takes and discharges, historic heritage)
- Peer review of complex consents for various local authorities
- Involvement in applications involving objections to development and financial contributions payable
- Auditing of “off the rail” consents

General guidance

- Drafting, editing, updating and final approval of numerous guidance notes on the Quality Planning Website, including renewable electricity generation, climate change, coastal development, air quality,
- Former member of the Quality Planning Advisory Panel
- Drafting, editing, updating and final approval of numerous guidance documents for the public and business, in particular significant involvement in the Everyday Guide for the RMA series
- Involvement in the drafting and development of the Making Good Decisions Programme, in particular, the Māori Values Supplement
- Developed process and practice manuals for councils

Targetted Assistance and Consent Processing Reviews

- Independent review of a Regional Council’s resource consent process in terms of legislative and best practice compliance for iwi consultation and engagement
- Undertaking reviews of councils against statutory requirements and best practice
- Identifying areas for process and practice improvement

Training

- Delivery of training on plan development and drafting directly to Councils
- Development and delivery of plan drafting, development and review training for NZPI (three different modules)
- Development and delivery of “Planning for Māori Values” training for NZPI
- Delivery of “Who’s afraid of the RMA” for SOLGM
- Delivery of RMA Hearings Administrator and RMA Plan Technician training for SOLGM
- Developed and delivered training on RMA plan review process for SOLGM
- Developed, delivered and facilitated numerous quality nationwide training workshops for RMA practitioners, decision-makers and administrators
- Facilitated Making Good Decisions Programme update workshops
- Former member of the Making Good Decisions Advisory Panel

- Presented at workshops for the New Zealand Institute of Surveyors, the Talk Environment Roadshow, the Ministry for the Environment's Professional Bodies forum, at the New Zealand Planning Institute conference, and to University programmes.

Management

- Manager, Resource Management Practice and Resource Management Reform, Ministry for the Environment
- Acting Manager positions, Ministry for the Environment and Ministry of Agriculture and Forestry
- Acting Project Manager, Sustainable Water Programme of Action, Ministry for the Environment
- Acting Manager Resource Consents and Principal Planner, Auckland City Council

10.5. Annual Report 2018/19 Adoption

Prepared for:	Council
Report No.	CS1915
Activity:	Governance Report
Author:	Sarah Munro, Finance Manager – Expenditure and Reporting
Endorsed by:	Nick Donnelly, General Manager Corporate Services
Date:	17 September 2019

PURPOSE

- [1] The Annual Report for the period 1 July 2018 to 30 June 2019 has been completed and is presented to Council for adoption.

RECOMMENDATION

That the Council:

- a. **Receive** this report.
- b. **Approves and adopts** the Annual Report and Financial Statements for the year ended 30 June 2019.
- c. **Authorises** the Chairperson and Chief Executive to sign the Representation Letter on behalf of Council.

BACKGROUND

- [2] The draft Annual Report was presented to the Audit and Risk Subcommittee on 19 September for review.
- [3] The Council's auditor Mrs Heidi Rautjoki from Deloitte is currently the appointed auditor of the Council. Mrs Rautjoki, Mr Scott Hawkins, an Associate Director for Deloitte, attended the Audit and Risk Subcommittee meeting and will be in attendance at the Council meeting.
- [4] Mrs Rautjoki advised that the audit was substantially complete with three key audit matters yet to be completed at that time. They related to:
- Commentary around the partial and not achieved targets in the Policy and Planning activity.
 - Review of the Chair and Chief Executive Foreword which was not completed in the draft presented to the Audit and Risk Subcommittee.
 - Inclusion of commentary on how non achievement of targets (red or yellow results) has or will impact the community outcomes they relate to as outlined in the LTP.
- [5] Those matters were amended / finalised following the Audit and Risk Subcommittee meeting and are reflected in the Draft Annual Report attached to this paper.

- [6] At the time of writing, Deloitte had yet to review those changes and the intention is for Deloitte to advise on any final changes at the Council meeting.
- [7] Assuming the outstanding matters are resolved to their satisfaction, Deloitte's audit opinion will be issued following Council adopting the Annual Report and signing the Representation Letter to the Auditors.
- [8] The Audit and Risk Committee endorsed the draft Annual Report and Financial Statements for the year ended 30 June 2019, subject to the matters noting above being resolved and recommended that the Annual Report for the year ended 30 June 2019 be adopted by Council at its 25 September 2019 meeting.
- [9] The Annual Report for the year ended 30 June 2019 is attached.
- [10] The Annual Report includes Statements of Service Performance for each Significant Activity Group and Financial Statements for the Council as a whole and for the Group. The Group comprises the Council and its wholly owned subsidiary, Port Otago Limited, and its subsidiaries.

STATEMENT OF SERVICE PERFORMANCE

- [11] The Statements of Service Performance for each Significant Activity group include planned levels of service and key activities to be undertaken towards achieving those levels of service. The Statements of Service Performance reports the actual performance achieved against the planned performance targets.
- [12] A Funding Impact Statement is included for each Significant Activity, showing the actual and planned sources and applications of operating and capital funding.
- [13] The non-financial and financial reporting in the Statement of Service Performance is based on financial and non-financial project information included in the 12-Month Activity Review reported to the 14 August 2019 Council meeting.

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

- [14] The Council's reported operating result for the year ended 30 June 2019 is a deficit of \$5,218,000 compared to a budgeted deficit of \$3,430,000.

DEFICIT POSITION AND RESERVE FUNDING

- [15] The primary reason the budget was in a deficit position rather than a surplus, was the planned use of reserve funding to meet operating expenditure. The budgeted deficit of \$3,430,000, included the application of general reserve funding for activities where there is a general/regional benefit, and targeted rate reserves. Targeted rate reserves are used to fund operating expenditure related to a specific reserve, such as transport expenditure and river management and flood protection and drainage.
- [16] Reserve funding is not able to be included in the Statement of Comprehensive Revenue and Expenditure, as it does not represent income derived from external sources during the year. The exclusion of reserve funding contributes to a budgeted deficit position.
- [17] The actual deficit of \$5,218,000 is \$1,788,000 more than the budgeted deficit of \$3,430,000.

- [18] The variance is a net result of operating expenditure being \$9,810,000 more than budget, and income from all revenue sources, other net gains and a tax benefit received, being \$8,022,000 more than budgeted.

GOVERNMENT SUBSIDIES

- [19] Subsidy income at \$14,686,000 is \$4,896,000 more than the budget of \$9,790,000, with the subsidies from the Public Passenger Transport project up \$4,920,000.
- [20] The main variance in this activity group was the bus hub which is part funded from NZ Transport Agency subsidies and drawings on transport reserves. The bus hub was completed in the current year instead of previous periods where budgeted.

OTHER REVENUE

- [21] The amount of other revenue earned of \$13,609,000 is \$313,000 more than the budgeted amount of \$13,296,000. Other revenue includes fees and charges and cost recoveries from territorial authorities.

DIVIDEND INCOME FROM PORT OTAGO LIMITED

- [22] The total dividends received during the year amount to \$8,450,000 comprising interim ordinary dividends for the June 2019 year of \$7,950,000 and a final dividend of \$500,000 for the June 2018 year received in September 2018.

INTEREST AND INVESTMENT INCOME

- [23] This revenue line comprises interest earned on term deposits and bank accounts of \$638,000.
An increase in fair value of the managed fund portfolio of \$1,245,000, is included in the Other Gains/(Losses) line, as noted in Note 4 to the Annual Report.
- [24] 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.

INVESTMENT PROPERTY REVALUATION GAIN

- [25] Investment property was revalued by an external valuer as at 30 June 2019. The valuation at 30 June 2019 was \$13,562,000 resulting in a revaluation gain of \$2,425,000, reflecting a gain of 18% on the previous year valuation amount. The revaluation gain is included in the Other Gains/(Losses) line and has been transferred to the Property Revaluation Reserve.

REVALUATION GAIN ON PORT OTAGO LTD SHARES

- [26] The Council's 100% shareholding in Port Otago Limited is revalued annually by an external valuer. It is noted that the valuation comprises Port Otago Limited and all entities in which the company has an interest, including Chalmers Properties Ltd.
- [27] The June 2019 valuation of \$534,235,000, has resulted in a revaluation gain of \$45,727,000 representing a 9% gain on the previous year valuation.
- [28] The revaluation gain of \$45,727,000 exceeds the budgeted gain of \$7,000,000 by \$38,727,000 and is the most significant variance in the net comprehensive revenue and expense variance of \$36,939,000.

[29] The revaluation gain has been transferred to the Available-for-Sale Revaluation Reserve.

STATEMENT OF FINANCIAL POSITION

[30] The Council's Statement of Financial Position shows total equity and reserves of \$680,058,000, compared to \$639,549,000 at 30 June 2018, an increase of \$40,509,000.

[31] The main reason for the increase is the revaluation gain of \$45,727,000 recorded on the revaluation of the Council's investment in Port Otago Limited as at 30 June 2019, which flows through to the available-for-sale revaluation reserve.

[32] The other significant factor impacting upon the change in equity and reserves is the increased deficit of \$5,218,000 on the amount budgeted of \$3,430,000. A consequence of the increased deficit was greater drawing on reserves to fund operating expenditure than was budgeted for.

CURRENT ASSETS

[33] Current assets of \$47,980,000 shows a decrease of \$635,000 over the amount budgeted and is largely due to a decrease in cash held in term deposits which was used to fund the increased operating costs and deficit compared to budget.

CASH AND CASH EQUIVALENTS

[34] Cash and cash equivalents of \$15,432,000 includes current bank balances and any term deposits with a duration of less than four months. Cash and cash equivalents have increased by \$15,284,000 compared to budget and \$7,307,000 from the prior year due to term deposits of \$9,000,000 maturing in July and August 2019. In the prior year and budget, the term deposits were for a longer maturity and were included in other financial assets. Other financial assets have decreased \$21,055,000 from budget.

TRADE RECEIVABLES

[35] The trade receivables amount of \$9,604,000 includes the following:

- \$6,738,000 trade debtors including a provision for doubtful debts of (\$101,000). The majority of the trade receivables balance is \$3,591,000 receivable from the New Zealand Transport Agency for government subsidies relating to transport.
- \$606,000 rate debtors
- \$640,000 GST receivables
- \$1,731,000 accrued income

NON-CURRENT ASSETS

[36] The increase in the valuation of the shares in Port Otago Limited by \$45,727,000 is the prime reason for the increase in non-current assets of \$53,541,000. The remaining increase in non-current assets was caused by property plant and equipment additions, in flood protection schemes and the transport hub, and the increase in investment property valuation.

SHARES IN PORT OTAGO LIMITED AND AVAILABLE-FOR-SALE REVALUATION RESERVE

[37] The shares in Port Otago Limited are revalued annually for financial reporting purposes and were last revalued to \$534,235,000 as at 30 June 2019. The increase/decrease in the valuation of the shares in Port Otago Limited is reflected in the available-for-sale revaluation reserve.

INVESTMENT PROPERTY AND ASSET REVALUATION RESERVE

[38] Investment property is revalued annually. All revaluation gains on investment property are transferred to the property revaluation reserve. Investment property increased by \$2,425,000 for the 12-month period ending 30 June 2019.

CURRENT LIABILITIES

[39] Current liabilities of \$14,142,000 shows an increase of \$5,318,000 over the amount budgeted. This increase is largely due to an increase in trade and other payables.

TRADE AND OTHER PAYABLES

[40] The Trade and other payables amount of \$12,503,000 is \$5,344,000 greater than budget due to the timing of large project payments including the following:

- o \$4,642,000 trade payables in relation to transport expenses
- o \$300,000 trade payables in relation to the Leith flood protection project.

ATTACHMENTS

1. Annual Report 2018-2019 Final to Council [**10.5.1** - 106 pages]

Annual Report

For the Period

1 July 2018 to 30 June 2019

DRAFT

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Purpose, Vision and Priorities

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

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

Strategic priorities: -

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

Roles:

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



Cr Stephen Woodhead
Chairperson

Overview from the Chairman and Chief Executive

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



Sarah Gardner
Chief Executive

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Acknowledgements

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

Stephen Woodhead
Chairperson

Sarah Gardner
Chief Executive

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Statement of Compliance

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

Stephen Woodhead
Chairperson

Sarah Gardner
Chief Executive

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Development of Maori Capacity to Contribute to Decision Making

Council has in place a “Memorandum of Understanding and Protocol between Otago Regional Council, Te Rūnanga o Ngāi Tahu and Kāi Tahu ki Otago Limited¹ for Effective Consultation and Liaison”. The memorandum and protocol were first established in 2001 and are reviewed and updated as appropriate.

Te Rūnanga o Ngāi Tahu is the tribal representative body of Ngāi Tahu Whānui, a body corporate established 24 April 1996. The takiwā (area) of Ngāi Tahu Whānui includes the entire area of Otago Region.

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

- Te Rūnanga Moeraki;
- Kati Huirapa Rūnanga ki Puketeraki;
- Te Rūnanga o Ōtākou; and
- Hokonui Rūnaka.

Council has statutory responsibilities to consult with Iwi and Maori on relevant management issues in the region and to take into account the principles of the Treaty of Waitangi. These obligations are primarily under the Resource Management Act 1991, the Ngāi Tahu Claims Settlement Act 1998, the Ngāi Tahu Claims Settlement (Resource Management Consent Notification) Regulations 1999, the Biosecurity Act 1993 and the Local Government Act 2002.

Consultation is required when developing, reviewing and implementing Council’s regulatory plans, policies and strategies under the Local Government Act, Resource Management Act and Biosecurity Act. For such plans, policies and strategies, consultation and building of knowledge is mutually supported and facilitated through specific consultancy agreements between the Council and Aukaha.

Meetings are held each year with representatives from the four Papatipu Rūnanga, Te Rūnanga o Ngāi Tahu, and Te Ao Marama and discussions include Council’s work programmes and plans.

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

¹ Now known as Aukaha

Service Statements by Significant Activity

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

Expenditure

Operating expenditure includes costs directly attributable to an activity such as payments to staff and suppliers, finance costs and charges for the consumption of internal resources (e.g. motor vehicles, computer and hydrology services). A share of Council's overhead costs is allocated based on direct salary cost incurred on the activity. Capital expenditure relating to assets utilised within the group activity is also included.

Sources of Funding

The sources of funding activity expenditure are as follows:

General Rates – The general rate, including a uniform annual general charge (UAGC), is a charge on all rateable properties in the Otago region.

Targeted Rates – Targeted rates have been set for the following activities of Council:

- Flood protection schemes in Lower Clutha, Lower Taieri and Dunedin Urban areas.
- Drainage schemes in West Taieri, East Taieri, Lower Clutha and Tokomairiro.
- Rating districts for maintenance and enhancement works of waterways within each of the territorial districts.
- Transport for the public transport service in the Dunedin metropolitan and Queenstown areas.
- Rural water quality, to assist achieving water quality targets.
- Dairy inspection to visit every dairy farm for compliance with permitted and prohibited activity rules.
- Wilding trees to support voluntary groups working to control this pest plant.
- Civil Defence and Emergency Management.

Subsidies and Grants – Central government subsidies and grants are received for particular functions performed by the Council.





Fees and Charges – Charges for services performed are made in accordance with Council policy, and rentals are charged where Council property is leased to external parties.

Reserves – Funding is provided from rating district reserves for related activities, and from general reserves where the expenditure generates a public benefit.

Fines, Infringement Fees and Other Receipts – Fines and infringement fees are charged in accordance with the Schedule of Fees and Charges set out in the Council Long-Term Plan / Annual Plan. Also included is an allocation of corporate revenue, including dividends from Port Otago Limited and interest and investment income.

Key for Significant Activities Achievement

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

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

Policy and Planning

Regional plans and policies

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

1

Comment on targets

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

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

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

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

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

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

1

Strategies and plans

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

Comment on targets

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

As general comment the Council has continued to achieve steady and ongoing progress across most priority areas under the old/existing RPMP. Over the financial year 4401 pest plant inspections were completed of which 73% recorded compliance. Major non-compliance represented 4% of inspections. Reporting on animal pests is provided in the 'Environment' section. A partially achieved result is reported which reflects the quality of the measure and target and the need to improve the basis of measurement.
- 3-4. Core legislative requirements were delivered on target however a partial result is reported for Transport Planning activity which reflects that while core legislative requirements were met and collaboration occurred to an acceptable level, the work programme lacked the robust and additional input of a senior land transport planner. This role was vacant during 2018/19 with an appointment made in the latter stages of the year.

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

Funding Impact Statement – Policy and Planning



Funding Impact Statement for the year ended 30 June 2019.

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

The accompanying notes form part of these financial statements.

Environment

Water

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

Comment on targets

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

Background information

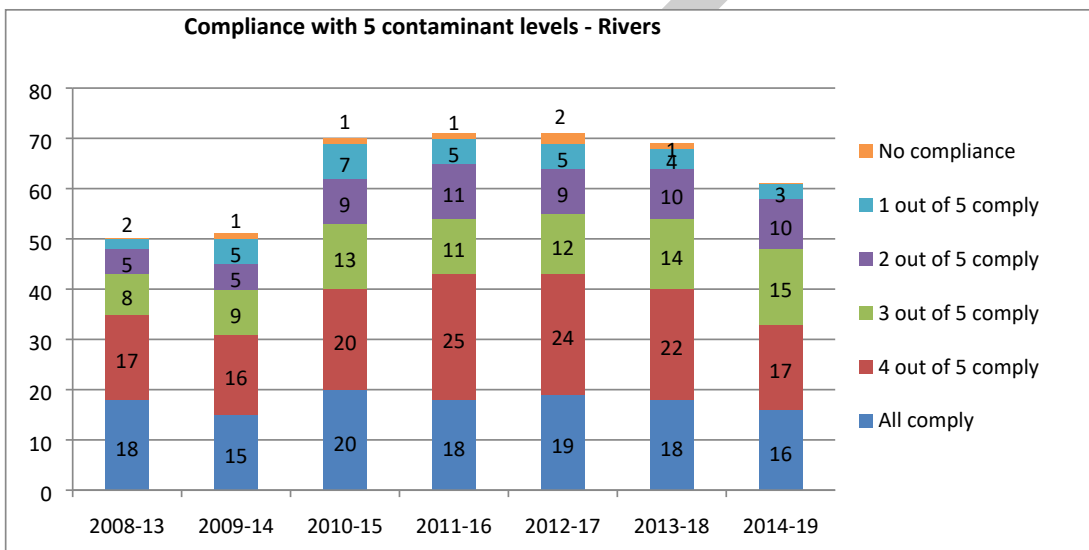
Fresh water implementation relates to Council activity that helps give effect to the regional water plan. For example, this includes work with rural and urban communities to influence practice and actions that impact water quality and availability.

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





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

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

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



Air

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

Comment on targets

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

Background information

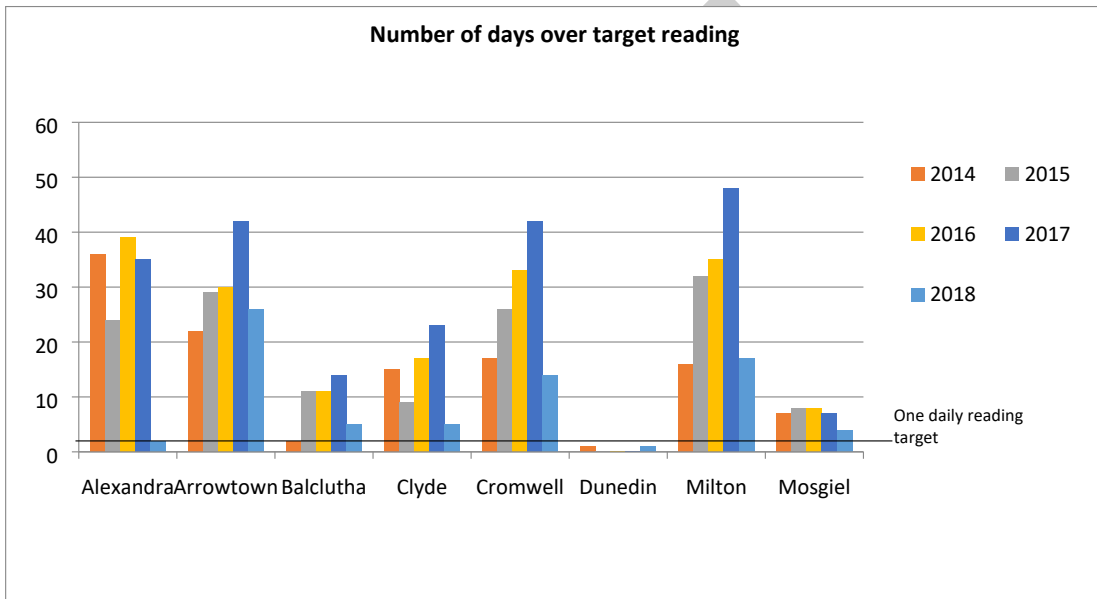
During 2018/19 options for implementing the Air Strategy were presented to Council. Importantly Council prioritised this activity against other funding needs, such as freshwater activity. The agreed options resulted in the continuation of the planned work programme including work with Cosy Homes Trust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

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

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

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

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






Coast

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

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

State of the Environment




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

Comment on targets

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

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

Biodiversity

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

Background information

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







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

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

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

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

Pests





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

Comment on targets

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

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

Environmental incident response

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

Comment on targets

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

Background information

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

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

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

Funding Impact Statement – Environment





Funding Impact Statement for the year ended 30 June 2019.

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

The accompanying notes form part of these financial statements.

Community

Governance and leadership

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

Comment on targets

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

Background information

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

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

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

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

Funding Impact Statement – Community

Funding Impact Statement for the year ended 30 June 2019.

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

The accompanying notes form part of these financial statements.

Regulatory

Consents and compliance

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

Comment on targets



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

Background information

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

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

Harbour management

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

Background information

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

DRAFT

Funding Impact Statement – Regulatory




Funding Impact Statement for the year ended 30 June 2019.

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

The accompanying notes form part of these financial statements.

Flood Protection and Control Works, and River Management

Flood and drainage schemes

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

Background information

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

The following provides a summary against the flood and drainage schemes

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

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

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

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

A number of key projects were delayed.

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

Routine maintenance programmes largely on track.

Key projects -

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

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

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

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

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

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


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

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

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

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

Rivers and waterway management

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

Background information

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

The following provides a summary against the river schemes

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

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

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

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

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

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

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

Non-Scheme Management:

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

Funding Impact Statement – Flood Protection and Control Works






Funding Impact Statement for the year ended 30 June 2019.

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

The accompanying notes form part of these financial statements.

Safety and Hazards

Emergency management

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

Comment on targets

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

Background information





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

Projects included:

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

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

Natural hazards

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

Comment on targets

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

Background information

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

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

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

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

Funding Impact Statement – Safety and Hazards






Funding Impact Statement for the year ended 30 June 2019.

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

The accompanying notes form part of these financial statements.

Transport

Public passenger transport

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

Comment on targets

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

Background information

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

Other planned projects were also advanced, including:

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

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

Funding Impact Statement – Transport

Funding Impact Statement for the year ended 30 June 2019.

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

The accompanying notes form part of these financial statements.

Financial Statements

This section reports the results of the Otago Regional Council as a separate entity and the consolidated results of the group comprising the Council and Port Otago Limited.

Port Otago Limited

The Council is the 100% shareholder of Port Otago Limited. The Council views its shareholding role as one of trustee for the people of Otago, a position widely supported throughout the region. Each year Port Otago Limited produces a Statement of Corporate Intent, which is then formally approved by Council. As its owner, the Council does not participate in the management and operation of the company; this is left in the care of the Directors of Port Otago Limited and its management. Port Otago Limited reports to Council on a six-monthly basis its performance results for the period. The results of Port Otago Limited for the year ended 30 June 2019 have been incorporated into the Group results included within these financial statements.

Overview of Financial Performance

Statement of Comprehensive Revenue and Expenses

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

Revaluation Gain

The revaluation gain of \$45.727 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited Group at 30 June 2019 and exceeds the gain of \$7.000 million provided for in the budget by \$38.729 million. The budgeted increase is a nominal estimate only, as the major factors contributing to the valuation are not able to be forecast with any significant degree of accuracy. The quantum of the gain does not impact directly on the operations of the Council during the year.

Statement of Financial Position

Total Assets

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

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

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

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

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

Equity

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

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

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

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

The accompanying notes form part of these financial statements.

**Reconciliation of Whole of Council Funding Impact Statement to
Statement of Comprehensive Revenue and Expense
for the Year Ended 30 June 2019**

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

Schedule of Capital Expenditure

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

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

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

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2019

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

The accompanying notes form part of these financial statements.

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

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

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

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

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Cash Flow Statement for the Year ended 30 June 2019

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

The accompanying notes form part of these financial statements.

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

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

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

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in bank and deposits in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements are reconciled to the related items in the Statement of Financial Position as follows:

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

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

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

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

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

1. Statement of Accounting Policies

Reporting Entity

The Council is a regional local authority governed by the Local Government Act 2002.

The Council Group (Group) consists of the Council and its subsidiary Port Otago Limited (100% owned). The Port Otago Limited Group consists of Port Otago Limited, its subsidiaries, associates and joint ventures.

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. The principal activities of the Group entities are described in Note 27. Accordingly, the Council has designated itself and the Group as public benefit entities for financial reporting purposes.

The Financial Statements of Council are for the year ended 30 June 2019 and were authorised for issue by Council on 25 September 2019.

Statement of Compliance

The financial statements have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements comply with Public Benefit Entity Public Sector (PBE (PS)) standards. The financial statements have been prepared in accordance with Tier 1 PBE standards.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments (including derivative financial instruments). Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements are presented in thousands of New Zealand dollars. New Zealand dollars are the Council's and Group's functional currency.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in the surplus/(deficit) in the period in which they arise.

The financial statements are stated exclusive of GST, except for receivables and payables in the Statement of Financial Position which are recognised inclusive of GST. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows in the Cash Flow Statement.

The budget amounts in these financial statements are for Council only and are those approved by the Council in the Long-Term Plan / Annual Plan and have been prepared using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Adoption of New and Revised Standard and Interpretations

There have been no new accounting standards adopted in the current financial year.

Standards and interpretations issued and not yet adopted

Council has not yet assessed the impact of the following new standards and interpretations that are on issue, which have yet to be adopted:

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

Council expects to adopt the above standards in the period in which they become mandatory. Council anticipates that the above standards are not expected to have a material impact on the financial statements in the period of initial application; however, a detailed assessment has yet to be performed.

Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its controlled entities as defined in PBE *IPSAS 6 Consolidated and Separate Financial Statements*. A list of controlled entities appears in Note 27 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Council obtains control and until such time as the Council ceases to control the entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group, are eliminated in full.

Accounting Policies

Accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements, are provided throughout the accompanying notes.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

Critical Estimates, Assumptions and Judgements

In preparing these financial statements the Council has made estimates, assumptions and judgements concerning the future. These estimates, assumptions and judgements may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Estimate of Fair Value of Investment Property – refer to Note 7

Estimate of Fair Value of Shares in Subsidiary – refer to Note 2

Property, Plant and Equipment – refer to Note 6

Classification of Property – refer to Note 7

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2. Shares in Subsidiary and Dividend Income

Port Otago Limited is a 100% subsidiary of the Council.

Recognition and Measurement

The Council's investment in Port Otago Limited is carried at fair value in the Council entity's financial statements. At each balance date the Council obtains an annual valuation of the Council's shareholding in its subsidiary Port Otago Limited. The Port Otago group consists of Port Otago Limited, its subsidiaries, associates and joint ventures.

The annual valuation is determined by an independent firm of chartered accountants and business advisors.

In assessing the valuation, the valuers adopt methodologies appropriate for the components of the Port Otago Limited group, employing the discounted cashflow methodology for Port Otago port operations and net tangible assets approach for Chalmers Properties Limited. Changes in forecast cashflows and property values and other factors that the fair value assessment is based on may result in the fair value of the shares in the subsidiary being different from previous estimates. The fair value is a level 3 fair value measurement, as the valuation technique includes inputs that are not based on observable market data (unobservable inputs).

Significant Assumptions Used in Determining Fair Value of Financial Assets and Financial Liabilities

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

Sensitivity to WACC

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

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

Related party transactions

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

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

3. Revenue

Recognition and Measurement

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue from Non-exchange Transactions

Rates revenue is recognised as income when levied.

Grants and subsidies are recognised upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other fee income from non-exchange transactions is recognised when the supplies and services have been rendered.

Revenue from Exchange Transactions

Dividend income is recognised when the right to receive payment is established, being the declaration date of the dividend.

Interest revenue is recognised on a time proportionate basis using the effective interest method.

Revenue from port services is recognised in the accounting period in which the actual service is provided to the customer.

Revenue from the rendering of services, including relating to contracts and consent application that are in progress at balance date, is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Fees and charges are recognised as income when supplies and services have been rendered. Fees received from the following activities are recognised as revenue from exchange transactions: resource consent processing, pest animal and plant contract work, grazing leases and licenses, enforcement work, dividends, interest and rental income.

All other fee income is recognised as revenue from non-exchange transactions.

Rates Revenue

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

Council levies general rates for those functions that are assessed as providing benefits to all ratepayers within each of the constituent districts and city, and levies targeted rates where functions benefit a defined group of ratepayers.

Other Revenue

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

4. Other Gains/(Losses)

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

Gains or losses on the sale of investment property and property, plant and equipment are recognised when an unconditional contract is in place, it is probable that the Group will receive the consideration due, and significant risks and rewards of ownership of assets have been transferred to the buyer.

5. Other Financial Assets

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

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

Loans and Receivables at Amortised Cost

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

Financial Assets at Fair Value through Surplus of Deficit

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

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

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

- The Council and Group have classified their managed funds held for trading. The Group holds a portfolio of floating and fixed interest deposits, bonds and equity securities that is managed externally. This classification has been determined as all assets within this category are available for trading at any point. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in the surplus/(deficit).
- The Group holds fixed interest bonds via its managed fund portfolio, the maturity dates range between 2019-2028.

Fair Value

The fair values of financial assets and financial liabilities are determined as follows:

Level 1 – the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. Financial assets in this category include managed fund equities and shares in listed companies.

Level 2 – the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	COUNCIL				GROUP			
	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
2019								
<i>Financial assets at FVTSD:</i>								
Other financial assets	22,502	-	-	22,502	22,502	-	-	22,502
2018								
<i>Financial assets at FVTSD:</i>								
Other financial assets	21,311	-	-	21,311	21,311	-	-	21,311

6. Property, Plant and Equipment

COUNCIL ONLY 2019

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

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

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

COUNCIL ONLY 2018

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

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

GROUP – 2019

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

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GROUP – 2018

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

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Property, Plant and Equipment

Property, plant and equipment consist of:

Operational Assets

Operational assets include:

- Council-owned land, endowment land, buildings, and plant and vehicles; and
- Port owned land, buildings and improvements, wharves and berths dredging, and plant, equipment and vehicles.

Infrastructural Assets

Infrastructural assets deliver benefits direct to the community and are associated with major flood protection and land drainage schemes. Infrastructural assets include floodbanks, protection works, structures, drains, bridges, culverts, bus hubs and shelters.

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

Restricted Assets

Endowment land is vested in the Council by the Otago Regional Council (Kuriwao Endowment Lands) Act. The Act restricts disposition of this land to freeholding initiated by lessees.

(a) Cost

Land and Buildings are recorded at cost or deemed cost less accumulated depreciation and any accumulated impairment losses.

Other property, plant and equipment is recorded at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Where an asset is acquired for no cost, or for a nominal cost, it is recognised at fair value at the date of acquisition. When significant, interest costs incurred during the period required to construct an item of property, plant and equipment are capitalised as part of the asset's total cost.

(b) Depreciation

Operational assets with the exception of land, are depreciated on a straight-line basis to write-off the cost of the asset to its estimated residual value over its estimated useful life.

Infrastructural assets including floodbanks, protection works and drains and culverts are constructions or excavations of natural materials on the land and have substantially the same characteristics as land, in that they are considered to have unlimited useful lives, and in the absence of natural events, these assets are not subject to ongoing obsolescence or deterioration of service performance, and are not subject to depreciation. Other infrastructural assets are depreciated on a straight-line basis to write off the cost of the asset to its estimated residual values over its estimated useful life.

Expenditure incurred to maintain these assets at full operating capability is charged to the surplus/(deficit) in the year incurred.

The following estimated useful lives are used in the calculation of depreciation:

Asset	Life
Operational Assets	
Buildings – Council	10-50 years
Plant and vehicles – Council	3-20 years
Buildings and improvements – Port	10-50 years
Wharves – Port	15-70 years
Vessels and Floating Plant – Port	5-30 years
Plant, equipment and vehicles – Port	3-30 years

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

(c) Disposal

An item of property, plant and equipment is derecognised upon disposal or recognised as impaired when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus/(deficit) in the period the asset is derecognised.

Critical Judgements and Assumptions

(a) Council and Group

The Council owns a number of properties that are held for service delivery objectives as part of the Council's various flood protection schemes. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are accounted for as property, plant and equipment.

(b) Group only

Port Otago Limited owns a number of properties that are classified and accounted for as property, plant and equipment rather than investment property if the property is held to meet the strategic purposes of the port, or to form part of buffer zones to port activity, or to assist the provision of port services, or to promote or encourage the import or export of goods through the port.

Impairment

At each reporting date, the Council and Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Council and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An impairment loss is recognised in the surplus or deficit whenever the carrying amount of the asset or its cash-generating unit exceeds its recoverable amount.

Useful Lives and Residual Values

At each balance date, the Group reviews the useful lives and residual values of its property, plant and equipment. Assessing the appropriateness of useful lives and residual value estimates of property, plant and equipment requires the Group to consider a number of factors, such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

An incorrect estimate of the useful life or residual value will impact on the depreciable amount of an asset, therefore impacting on the depreciation expense recognised in the surplus/(deficit), and carrying amount of the asset in the Statement of Financial Position. The Group minimises the risk of this estimation uncertainty by physical inspection of assets, asset replacement programmes and analysis of prior asset sales. The Group has not made significant changes to past assumptions concerning useful lives and residual values.

7. Investment Property

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

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

Investment property is property held to earn rentals and/or for capital appreciation. Investment property is measured initially at cost and subsequently at fair value. Gains or losses arising from changes in the fair value of investment property are reported in the surplus/(deficit) in the period in which they arise.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The fair value of investment property reflects the Director's assessment of the highest and best use of each property and, amongst other things, rental income, from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects the cash outflows that could be expected in respect of the property.

No depreciation or amortisation is provided for on investment properties. However, for tax purposes, depreciation is claimed on building fit-out and a deferred tax liability is recognised where the building component of the registered building exceeds the tax book value of the building. The deferred tax liability is capped at the amount of depreciation that has been claimed on each building. Gains or losses on the disposal of investment properties are recognised in the surplus/(deficit) in the period in which the risks and rewards of the investment property have been fully transferred to the purchaser.

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying property. Capitalisation of borrowing costs will continue until the asset is substantially ready for its intended use. The rate at which borrowing costs are capitalised is determined by reference to the weighted average borrowing costs and the average level of borrowings.

Critical Judgements

Fair Value of Property Portfolio Assets (includes investment property, property held for sale and property in development)

The fair value of the Council's and Group's investment property at 30 June 2019 requires estimation and judgement and has been arrived at on the basis of valuations carried out at that date by independent registered valuers who conform with the New Zealand Property Institute Practice Standards. The valuers have extensive market knowledge in the types of investment properties owned by the Council and Group.

The fair value was determined using valuation techniques via a combination of the following approaches:

- **Direct Capitalisation:** The subject property rental is divided by a market derived capitalisation rate to assess the market value of the asset. Further adjustments are then made to the market value to reflect under or over renting, additional revenue and required capital expenditure.
- **Discounted Cash Flow:** Discounted cash flow projections for the subject property are based on estimates of future cash flows, supported by the terms of any existing lease and by external evidence such as market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.
- **Sales Comparison:** The subject property is related at a rate per square metre as a means of comparing evidence. In applying this approach a number of factors are taken into account, such as but not limited to, size, location, zoning, contour, access, development potential / end use, availability of services, profile and exposure, current use of surrounding properties, geotechnical and topographical constraints.

Significant inputs used together with the impact on fair value of a change in inputs:

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

- (i) The capitalisation rate applied to the market rental to assess a property's value, determined through similar transactions taking into account location, weighted average lease term, size and quality of the property.
- (ii) The valuer assessment of the net market income that a property is expected to achieve under a new arm's length leasing transaction.
- (iii) The rate applied to future cash flows relating transactional evidence from similar properties.
- (iv) The rate applied to the market rental over the future cash flow projection.
- (v) The rate used to assess the terminal value of the property.
- (vi) The rate providing an allowance for the risks and uncertainties associated with similar activities in conjunction with current market conditions.
- (vii) The length of time in years anticipated to complete the sell down of developed land.

8. Property Held for Sale

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

Property classified as held for sale is measured at:

- Fair value for items transferred from investment property, and
- Fair value less estimated costs of disposal, measured at time of transfer, for items transferred from property, plant and equipment.

Property is classified as held for sale if the carrying amount will be recovered through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the property is available for immediate sale in its present state. There must also be an expectation of completing the sale within one year from the date of classification. Property is not depreciated nor amortised while it is classified as held for sale.

Group:

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

9. Investment Property Inventories

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

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

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

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

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

Developed Land for Sale

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

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

Units and Warehouse Developments in Progress

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

Land in Development

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

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

Refer to Note 7 for fair value disclosures associated with property in development.

10. Intangible Assets

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

The cost of acquiring an intangible asset is amortised from the date the asset is ready for use on a straight-line basis over the periods of expected benefit.

Computer Software

Computer software assets are stated at cost, less accumulated amortisation and impairment. The amortisation periods range from 1 to 5 years.

Resource Consents

For resource consents, the amortisation periods range from 3 to 25 years. Where the periods of expected benefit or recoverable values have diminished, due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

Resource consents relate to the granting of the Next Generation consents, which will allow Port Otago Limited to deepen to 15 metres and widen the channel in Otago Harbour so larger ships will be able to call at Port Chalmers. Consents were granted in January 2013 and were activated in March 2015. Amortisation of the carrying amounts commenced on the activation of the consents and will be amortised over the life of the consents, which is either 3 years or 20 years. An additional 25-year consent was granted in June 2017 to undertake maintenance dredging and disposal of dredge spoil.

Impairment

At each reporting date, the Council and Group reviews the carrying amounts of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Council and Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

11. Schedule of Depreciation and Amortisation

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

Depreciation and Amortisation by Activity (Council Only)

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

12. Trade and Other Receivables

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

(i) Trade receivables are non-interest bearing and generally on monthly terms.

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for doubtful debts is established when there is objective evidence that the Council or Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is expensed in the surplus/(deficit).

13. Trade and Other Payables

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

- (i) The average credit period on purchases is 30 days.

Trade payables and other accounts payable are recognised when the Council and Group becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest method.

14. Employee Entitlements

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

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Council and Group in respect of services provided by employees up to reporting date.

15. Borrowings and Finance Costs

15 (a) Borrowings

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

Borrowings are recognised initially at fair value. Subsequent to initial recognition, borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings, using the effective interest method.

The carrying amount of borrowings reflects fair value as the borrowing finance rates approximate market rates.

The Group has a \$81 million (2018: \$90 million) committed facility with ANZ Bank New Zealand Limited. The Group may draw funding for terms ranging from call to the termination of the agreement, which is 1 July 2022. In addition the Group has a \$19 million Commercial Flexi Facility with ANZ Bank New Zealand Limited which is subject to an annual review at 30 June 2020.

The security for advances is a cross guarantee between Port Otago Limited and Chalmers Properties Limited in favour of the lender, general security agreement over the assets of the Group and registered first-ranking mortgages over land.

15 (b) Finance Costs

	Notes	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Interest on loans		-	-	3,707	3,297
Capitalised borrowing costs		-	-	(860)	(373)
Other		1	2	1	2
		1	2	2,848	2,926

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

16. Reserves

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

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GROUP	Available for Sale Revaluation Reserve \$000	Asset Replacement Reserve \$000	Emergency Response Reserve \$000	Kuriwao Endowment Reserve \$000	Asset Revaluation Reserve \$000	Water Management Reserve \$000	Building Reserve \$000	Environmental Enhancement Reserve	Hedging Reserve \$000	Total Reserves \$000
Opening balances at 1 July 2017	-	5,820	4,033	6,361	199,091	1,427	13,614	322	(394)	230,274
Transfers in:										
Transfers from general rate equity	-	1,510	-	118	-	-	-	250	-	1,878
Interest received	-	220	149	233	-	45	498	20	-	1,165
Revaluation gain	-	-	-	-	21,804	-	-	-	-	21,804
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	(333)	(333)
	-	1,730	149	351	21,804	45	498	270	(333)	24,514
Transfers out:										
Transfers to general rate equity	-	(1,480)	-	(30)	-	(433)	(864)	(97)	-	(2,904)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	-	-	-
Realised on sale of assets	-	-	-	-	-	-	-	-	-	-
	-	(1,480)	-	(280)	-	(433)	(864)	(97)	-	(3,154)
Closing balances 30 June 2018	-	6,070	4,182	6,432	220,895	1,039	13,248	495	(727)	251,634
Transfers in:										
Transfers from general rate equity	-	1,075	-	118	-	-	-	250	-	1,443
Interest received	-	195	143	216	-	34	441	22	-	1,051
Revaluation gain	-	-	-	-	25,264	-	-	-	-	25,264
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	(838)	(838)
	-	1,270	143	334	25,264	34	441	272	(838)	26,920
Transfers out:										
Transfers to general rate equity	-	(2,306)	-	(44)	-	(198)	(584)	(693)	-	(3,825)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	-	-	-
Realised on sale of assets	-	-	-	-	-	-	-	-	-	-
	-	(2,306)	-	(294)	-	(198)	(584)	(693)	-	(4,075)
Closing balances 30 June 2019	-	5,034	4,325	6,472	246,159	875	13,105	74	(1,565)	274,479

Restricted and Council Created Reserves

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the Council.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Available-for-Sale Revaluation Reserve

The available-for-sale revaluation reserve arises on the revaluation of the shares in subsidiary (Council only) and shares in listed companies (Group).

Asset Replacement Reserve

This reserve represents funds held for the replacement of Council operational assets.

Emergency Response Reserve

This reserve is separately funded to enable Council to respond appropriately to emergency situations.

Kuriwao Endowment Reserve – Restricted

This reserve represents the accumulation of net income from Kuriwao Endowment land less any distribution of that income. The reserve is available to fund works for the benefit of the Lower Clutha District.

Asset Revaluation Reserve

This reserve arises on the revaluation of investment property.

Water Management Reserve

The purpose of this reserve is to provide funding for water management initiatives in Otago.

Hedging Reserve

This reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to interest payments that have not yet occurred.

Building Reserve

The purpose of this reserve is to set aside funding for a new head office for the Council.

Environmental Enhancement Reserve

The purpose of this reserve is to provide funding for the maintenance or enhancement of areas of the natural environment within the Otago region.

17 (a) Public Equity

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

Equity is the community's interest in the Council and Group and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

17 (b) Public Equity Targeted Rates – Reserve Movements

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

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River Management Reserves

Targeted rating is used to fund river management works across the city and districts within Otago.

Flood and Drainage Scheme Reserves

Targeted rating is used to fund the costs associated with maintaining the level of flood and drainage protection provided by these schemes.

Transport Reserves

Targeted rating is used in Dunedin and Queenstown to fund the Council's costs associated with the provision of bus services.

Clean Heat Clear Air Reserve

The purpose of this reserve is to fund costs associated with the provision of funding associated with the improvement of insulation and heating in homes located within the targeted rating district.

Schedule of Internal Borrowing for Public Equity Targeted Rates – Reserve

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

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

18. Income Taxes

Income Tax Recognised in Statement of Comprehensive Revenue and Expense

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

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

The tax expense represents the sum of the tax currently payable and deferred tax, except to the extent that it relates to items recognised directly in equity, in which case the tax expense is also recognised in equity.

Current tax payable is based on taxable profit for the period. Taxable profit differs from net surplus/(deficit) before tax, as reported in the Statement of Comprehensive Revenue and Expense, because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Council's and Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred Tax Balances

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

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

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

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Council and Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised as an expense or income in the surplus/(deficit), except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Imputation Credit Account Balances

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

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

19. Other Expenses

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

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

20. Remuneration (Council Only)

Employee Staffing Levels

The number of all employees, employed by the Council on the last day of the financial year was as follows:

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

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

Employee Remuneration

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

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

Chief Executive Remuneration

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

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

Elected Representatives' Remuneration

The following tables disclose the total annual remuneration (including the value of non-financial benefits) received by or payable to the Chairperson and other Councillors of the Council.

Council Remuneration 2019

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

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

Council Remuneration 2018

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

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

Severance Payments

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

21. Key Management Personnel Compensation

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

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

22. Employee Benefits Expense

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

Superannuation Schemes

Recognition and Measurement

Contributions to defined contribution superannuation schemes are expensed when incurred.

23. Subsequent Events

On 3 September 2019 the Directors of Port Otago Limited declared a final dividend of \$0.5 million for the year ended 30 June 2019. As the final dividend was approved after balance date, the financial effect of the dividend payable of \$0.5 million has not been recognised in the Balance Sheet.

24. Commitments for Expenditure

Capital Expenditure Commitment

At 30 June 2019 the Group had commitments for capital expenditure of \$24.62 million (2018: \$9.61 million). Included in the above amounts are Council commitments of \$2.28 million (2018: \$0.30 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure.

Included within Group capital commitments is capital expenditure of \$22.34 million (2018: \$9.31 million) relating to purchases and refurbishment of port assets and investment property.

Lease Commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 26 to the financial statements.

25. Contingent Liabilities and Contingent Assets

Council Only

Consistent with the nature of the Council's activities, the Council is involved in Environment, High and District Court proceedings resulting from decisions made by the Council as a planning and consenting authority under the Resource Management Act.

The Council has been advised of potential claims in relation to the issue of resource consents. The Council does not expect any material uninsured liability to arise from these potential claims, (2018: \$Nil).

Group

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

26. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Council and/or Group as Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Council and/or Group as Lessee

Assets held under finance leases are recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

Lease Incentives

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Disclosures for lessees**Leasing Arrangements**

Operating leases relate to property, vehicles and equipment leases. All operating lease contracts contain market review clauses in the event that the Council/Group exercises its option to renew. The Council/Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable Operating Lease Payments

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

Disclosures for Lessor**Operating Lease Commitments as Lessor**

The Group has entered into commercial property leases. These non-cancellable leases have remaining non-cancellable lease terms of up to 21 years.

Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

GROUP	2019 \$000	2018 \$000
Rentals receivable		
Within one year	21,225	20,315
After one year but not more than five years	61,906	66,551
More than five years	85,862	104,452
Minimum future lease receivable	168,993	191,318

27. Subsidiaries, Associates and Joint Ventures

	Country of Incorporation	Ownership Interest	
		2019 %	2018 %
Council – Otago Regional Council	New Zealand	-	-
Subsidiaries – Port Otago Limited	New Zealand	100	100

Otago Regional Council is the head entity within the consolidated group. Port Otago Limited holds the Group's interest in the other subsidiaries, associates and joint ventures detailed below.

The principal activities of the entities are:

	Principal activities	Ownership Interest	
		2019 %	2018 %
Subsidiaries			
Chalmers Properties Limited	Property investment	100	100
Te Rapa Gateway Limited	Property investment	100	100
South Freight Limited	Transport investment	100	100
Fiordland Pilot Services Limited	Shipping services	100	100
Joint Ventures and Associates			
Harbourcold Dunedin	Cold store operation	50	50
Hamilton Porter JV	Property investment	66.7	66.7
Icon Logistics Limited	Container transport and warehousing services	50	50

Subsidiaries

Subsidiaries are entities that are controlled, either directly or indirectly, by the Council. The results of subsidiaries acquired or disposed of during the period are included in the consolidated surplus/(deficit) from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Joint Ventures

Joint ventures are contractual arrangements with other parties in which the Group has several liabilities in respect of costs and liabilities.

Joint ventures are joint arrangements with other parties in which the Group has several liabilities in respect of costs and joint and several in respect of liabilities. The Group's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Group's financial statements on a line-by-line basis.

The financial statements include the relevant interest in each joint venture's assets and liabilities at 30 June 2019 along with the share of trading for the relevant period.

With the exception of the investments in Icon Logistics Limited, which is accounted for in the Group financial statements using the equity method. This reflects the substance of the economic reality of the Group's interest in the joint venture controlled entity.

All companies in the Group have 30 June balance dates.

Joint Ventures Accounted for Using the Equity Method

	Note	Council 2019 \$000	Council 2018 \$000	Group 2019 \$000	Group 2018 \$000
Balance at beginning of year		-	-	1,631	1,427
Share of profit from joint ventures recognised in the Statement of Comprehensive Revenue and Expenses		-	-	165	204
Shareholder advances		-	-	207	-
Balance at end of year		-	-	2,003	1,631

The Group has a 50% shareholding in Icon Logistics Limited (2018: 50%). Icon Logistics Limited is allowed to use the equity method due to this better reflecting the substance of the economic reality of the Group's interest in the joint controlled entity Icon Logistics Limited. Harbour Logistics Limited holds the remaining 50% shareholding in Icon Logistics Limited.

Jointly Controlled Entities

Interests in jointly controlled entities are reported in the financial statements by including the consolidated Group's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

In certain circumstances, interests in jointly controlled entities are reported in the financial statements using the equity method of where the Group considers this better reflects the substance of the economic reality of the Group's interest in the jointly controlled entity.

Summarised financial information of jointly controlled entities:

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

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

28. Related Party Disclosures

Council

Otago Regional Council is the ultimate parent of the Group and controls one entity, being Port Otago Limited, including its subsidiaries, associates and joint ventures.

During the year, Councillors and key management, as part of a normal customer relationship, were involved in minor arm's length transactions with the Council, such as the payment of rates.

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

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

As at June 2019, the amount owed to Delta Utility Services Limited and Naylor Love Construction Limited was \$Nil (2018: \$Nil), and the amount owed to Orokonui Ecosanctuary Limited was \$Nil (2018: \$10,000). The amount owing from Morfazan was \$Nil (2018: \$Nil).

Group

Transactions with Harbourcold Dunedin

Port Otago Limited has a 50% interest in Harbourcold Dunedin. Harbourcold Dunedin is a tenant and purchaser of materials and services from Port Otago Limited. The amount received from Harbourcold Dunedin during 2019 for property rentals and the purchase of materials and services was \$175,318 (2018: \$715,996) with \$Nil receivable at year end (2018: \$6,672). No dividend was received by Port Otago Limited from Harbourcold Dunedin during 2019 (2018: \$Nil).

Transactions with Icon Logistics Limited

Port Otago Limited has a 50% interest in Icon Logistics Limited through its wholly owned subsidiary, South Freight Limited. Icon Logistics Limited is a tenant and purchaser of services from Port Otago Limited. The amount received from Icon Logistics Limited during 2019 for property rentals and sale of services was \$140,059 (2018: \$106,209) with \$15,609 receivable at year end (2018: \$8,385).

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

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

Transactions with Hamilton Porter JV

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

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

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

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

Transactions Eliminated on Consolidation

Related party transactions and outstanding balances with other entities in a group are disclosed in an entity's financial statements. Intra-group related party transactions and outstanding balances are eliminated in the preparation of consolidated financial statements of the group.

29. Remuneration of Auditors

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

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

30. Financial Instruments

Financial Risk Management Objectives

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

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

Significant Accounting Policies

Financial assets and financial liabilities are recognised in the Council's or Group's Statement of Financial Position when the Council and/or Group becomes a party to contractual provisions of the instrument.

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as fair value through surplus or deficit which are initially valued at fair value.

Financial Assets are classified into the following specified categories: financial assets 'at fair value through surplus or deficit', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Impairment of Financial Assets

Financial assets, other than those at fair value through surplus or deficit, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Derivative Financial Instruments

The Council and Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates hedges of highly probable forecast transactions as cash flow hedges. Changes in the fair value of derivatives qualifying as cash flow hedges are recognised in other comprehensive revenue and expense and transferred to the cash flow hedge reserve in equity. The ineffective component of the fair value changes on the hedging instrument is recorded directly in the surplus/(deficit).

When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the surplus/(deficit). When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the surplus or deficit. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the surplus/(deficit).

For qualifying hedge relationships, the Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The net differential paid or received on interest rate swaps is recognised as a component of interest expense over the period of the swap agreement.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair Value

The group carries interest rate derivatives (derivative financial instruments) at fair value. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates. These instruments are included in Level 2 of the fair value measurement hierarchy. Interest rate derivative fair values are valued and are calculated using a discounted cash flow model using FRA rates provided by ANZ Bank New Zealand Limited based on the reporting date of 30 June 2018.

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

Categories of Financial Instruments

COUNCIL 2019	Loans and Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue and Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<i>Financial Assets</i>					
Cash and cash equivalents	15,432	-	-	-	15,432
Trade and other receivables (note 12)	9,604	-	-	-	9,604
Other financial assets (note 5)	-	22,502	-	-	22,502
Shares in subsidiary	-	-	534,235	-	534,235
	25,036	22,502	534,235	-	581,773
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	12,503	12,503
	-	-	-	12,503	12,503

COUNCIL 2018	Loans and Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue and Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<i>Financial Assets</i>					
Cash and cash equivalents	8,125	-	-	-	8,125
Trade and other receivables (note 12)	8,709	-	-	-	8,709
Other financial assets (note 5)	19,000	21,311	-	-	40,311
Shares in subsidiary	-	-	488,508	-	488,508
	35,834	21,311	488,508	-	545,653
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	9,019	9,019
	-	-	-	9,019	9,019

GROUP 2019	Loans and Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue and Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<i>Financial Assets</i>					
Cash and cash equivalents	15,574	-	-	-	15,574
Trade and other receivables (note 12)	24,642	-	-	-	24,642
Other financial assets (note 5)	-	22,502	-	-	22,502
Other financial instruments	-	-	-	-	-
	40,216	22,502	-	-	62,718
<i>Financial Liabilities</i>					
Other financial instruments	-	2,170	-	-	2,170
Trade and other payables (note 13)	-	-	-	24,454	24,454
Borrowings (secured) (note 15)	-	-	-	55,680	55,680
	-	2,170	-	80,134	82,304

GROUP 2018	Loans and Receivables \$000	Fair Value Through Surplus or Deficit – Held for Trading \$000	Fair Value Through Other Comprehensive Revenue and Expense \$000	Financial Liabilities at Amortised Cost \$000	Total \$000
<i>Financial Assets</i>					
Cash and cash equivalents	8,377	-	-	-	8,377
Trade and other receivables (note 12)	25,380	-	-	-	25,380
Other financial assets (note 5)	19,013	21,311	-	-	40,324
Other financial instruments	-	-	-	-	-
	52,770	21,311	-	-	74,081
<i>Financial Liabilities</i>					
Other financial instruments	-	1,008	-	-	1,008
Trade and other payables (note 13)	-	-	-	18,072	18,072
Borrowings (secured) (note 15)	-	-	-	77,635	77,635
	-	1,008	-	95,707	96,715

Market Risk

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

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

(a) Currency Risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk in relation to the purchase of certain capital items denominated in foreign currencies. Foreign currency forward purchase contracts are used to manage the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments. The Council is exposed to currency risk in relation to the investments denominated in foreign currencies forming part of the managed fund portfolio. The policy governing Managed Funds places restrictions on the currencies in which the fund manager may invest, and the amount of exposure to any one currency.

Amount of Exposure to Currency Risk

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

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

The only significant sensitivity the group has in relation to changes in foreign currency relates to the Council's Managed funds. The carrying value of investments in equity securities held in AUD, USD and Euro denominated currency may fluctuate with changes in the exchange rate between the New Zealand dollar and the foreign currency.

A favourable movement of 10% in the exchange rates at 30 June 2019 would have the impact of increasing the carrying value of the Managed funds, and the Council surplus, by \$663,000 (2018: \$370,000), and an unfavourable movement of 10% would impact unfavourably to the extent of \$542,000 (2018: \$303,000).

(b) Interest Rate Risk

The Council and Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the use of floating-to-fixed interest rate swaps contracts. These swaps have the economic effect of converting borrowings from floating rate to fixed rates.

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on borrowings. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date.

The Council is also exposed to interest rate risk to the extent that it holds funds on demand, at call or in floating interest rate instruments as part of cash and cash equivalent balances and the managed funds portfolio.

The policy governing management of the managed funds places restrictions on how the funds may be invested, and the amount of exposure to interest rates from funds held at call and on a floating rate basis. Council invests surplus funds with Council-approved financial institutions, and holds sufficient funds on call as part of its cash management procedures.

The following table discloses the impact of a movement of plus and minus 100 basis points in interest rates applicable to those instruments.

Sensitivity to Interest Rate Risk

GROUP	2019				2018			
	Profit -100bps \$000	Other Equity -100bps \$000	Profit +100bps \$000	Other Equity +100bps \$000	Profit -100bps \$000	Other Equity -100bps \$000	Profit +100bps \$000	Other Equity +100bps \$000
<i>Financial Liabilities</i>								
Borrowings	557	-	(557)	-	776	-	(776)	-
Derivatives – hedge accounted	-	(3,542)	-	(948)	-	(2,821)	-	572
Derivatives – non-hedge accounted	-	-	-	-	-	-	-	-
Total sensitivity to interest rate risk	557	(3,542)	(557)	(948)	776	(2,821)	(776)	572

Equity Price Risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity securities price risk on its investments held in publicly traded securities.

The following information discloses the Group's exposure and sensitivity to equity price risk.

Exposure to Equity Price Risk

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

Sensitivity to Equity Price Risk

COUNCIL and GROUP	2019				2018			
	-10% Profit \$000	-10% Other Equity \$000	+10% Profit \$000	+10% Other Equity \$000	-10% Profit \$000	-10% Other Equity \$000	+10% Profit \$000	+10% Other Equity \$000
<i>Financial Assets</i>								
Other financial assets	(1,084)	-	1,084	-	(1,097)	-	1,097	-
Total sensitivity equity price risk	(1,084)	-	1,084	-	(1,097)	-	1,097	-

The sensitivity analysis shows the impact a movement of plus or minus 10% in the price of equities would have on the fair value of the equities.

Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

The Council has no significant concentrations of credit risk arising from trade receivables, as it has a large number of credit customers, mainly ratepayers, and Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Council trade and other receivables mainly arise from the Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings.

The Council Treasury Management Policy details the objectives, policies and restrictions for management of the fund. The policy includes the key objective of capital preservation, placing restrictions on the exposure to credit risk.

The Group is predominantly exposed to credit risk arising from a small number of shipping line and warehouse clients comprising the majority amount of subsidiary trade receivables. Regular monitoring of trade receivables is undertaken to ensure that the credit exposure remains within the Group's normal trading terms of trade.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with credit-ratings assigned by international credit rating agencies.

Maximum Exposure to Credit Risk

The Group's maximum exposure for each class of financial instrument is as follows:

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

Liquidity Risk Management

Liquidity risk is the risk that the Group will encounter difficulty in raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through adequate committed credit facilities, and the ability to close out market positions.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Contractual Maturity Analysis of Financial Instruments

The following contractual maturity information analyses the Group's financial instruments into the relevant grouping based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate of the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows.

	COUNCIL 2019					COUNCIL 2018				
	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows		Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows	
				Less Than 1 Year \$000	1 Year or Greater \$000				Less Than 1 Year \$000	1 Year or Greater \$000
Financial Assets										
<i>Cash and cash equivalents</i>										
Cash and call deposits	3.39	15,432	15,432	15,432	-	-	8,125	8,125	8,125	-
Trade and other receivables	-	9,604	9,604	9,604	-	-	8,709	8,709	8,709	-
<i>Other financial assets</i>										
Term deposits	-	-	-	-	-	3.53	19,000	19,148	19,148	-
<i>Managed fund:</i>										
Cash and call deposits	-	3,247	3,247	3,247	-	-	1,173	1,173	1,173	-
Fixed interest securities	5.00	8,414	9,041	2,224	6,817	5.11	9,163	10,219	3,691	6,528
Equity securities	-	10,841	10,841	10,841	-	-	10,975	10,975	10,975	-
Shares in subsidiary	-	534,235	534,235	-	534,235	-	488,508	488,508	-	488,508
Total financial assets		581,773	582,400	41,348	541,052	-	545,653	546,857	51,821	495,036
Financial liabilities										
Trade and other payables		(12,503)	(12,503)	(12,503)	-	-	(9,022)	(9,022)	(9,022)	-
Total financial liabilities		(12,503)	(12,503)	(12,503)	-	-	(9,022)	(9,022)	(9,022)	-

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	GROUP 2019					GROUP 2018				
	Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows		Weighted Average Effective Interest Rate	Carrying Amount \$000	Contractual Cash Flows \$000	Ageing of Cash Flows	
				Less Than 1 Year \$000	1 Year or Greater \$000				Less Than 1 Year \$000	1 Year or Greater \$000
Financial Assets										
<i>Cash and cash equivalents</i>										
Cash and call deposits	3.39	15,574	15,574	15,574	-	-	8,377	8,377	8,377	-
Trade and other receivables	-	24,642	24,642	24,642	-	-	25,380	25,380	25,380	-
<i>Other financial assets</i>										
Short term deposits	-	-	-	-	-	3.53	19,000	19,148	19,148	-
<i>Managed fund:</i>										
Cash and call deposits	-	3,247	3,247	3,247	-	-	1,173	1,173	1,173	-
Fixed interest securities	5.00	8,414	9,041	2,224	6,817	5.11	9,163	10,219	3,691	6,528
Equity securities	-	10,841	10,841	10,841	-	-	10,975	10,975	10,975	-
<i>Other items:</i>										
Finance leases	-	-	-	-	-	-	-	-	-	-
Total financial assets		62,718	63,345	56,528	6,817		74,068	75,272	68,744	6,528
Financial liabilities										
Trade and other payables	-	(24,454)	(24,454)	(24,454)	-	-	(17,973)	(17,973)	(17,973)	-
Borrowings (secured)	3.70	(55,680)	(61,203)	(16,414)	(44,789)	4.00	(77,635)	(85,225)	(31,565)	(53,660)
Other financial instruments	2.89	(2,170)	(2,504)	(685)	(1,819)	-	(1,008)	(1,104)	(508)	(596)
Total financial liabilities		82,304	88,161	41,553	46,608	-	(96,616)	(104,302)	(50,046)	(54,256)

Other Disclosures

Local Government (Financial Reporting and Prudence) Regulations 2014

Annual Report Disclosure Statement for year ending 30 June 2019

Purpose of this statement

The purpose of this statement is to disclose the Council’s financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

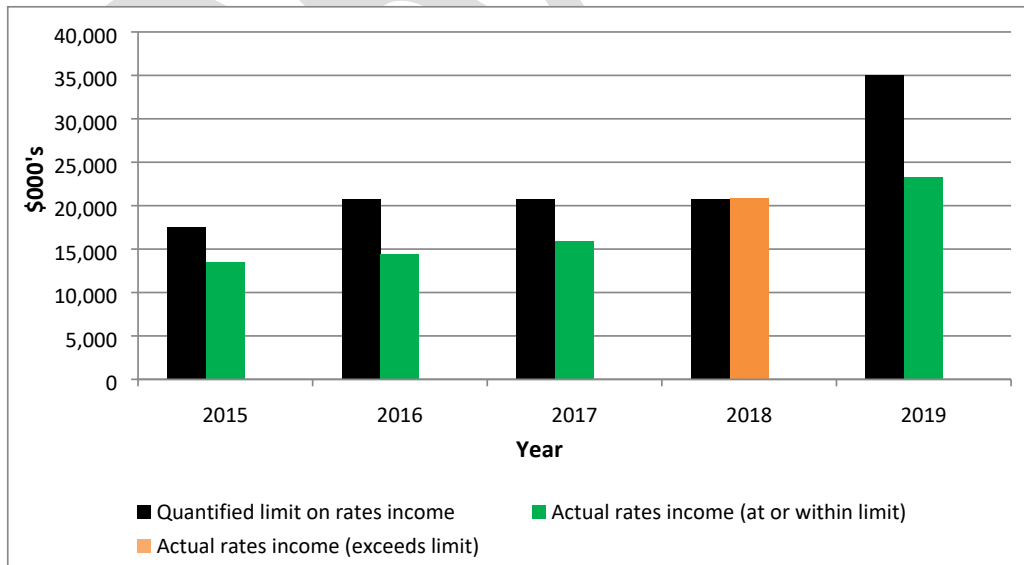
Rates affordability benchmark

The Council meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

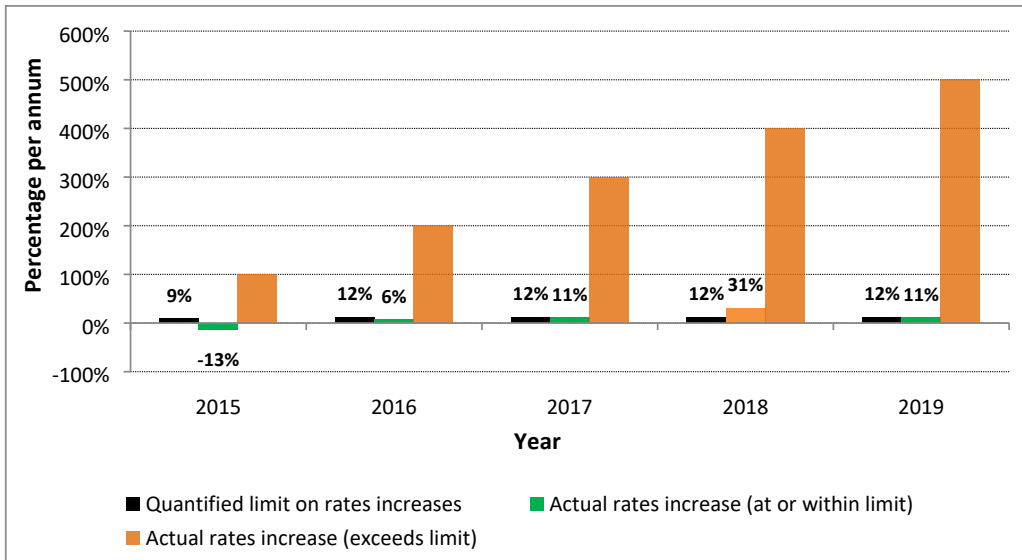
Rates (income) affordability

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



Rates (increases) affordability

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



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

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

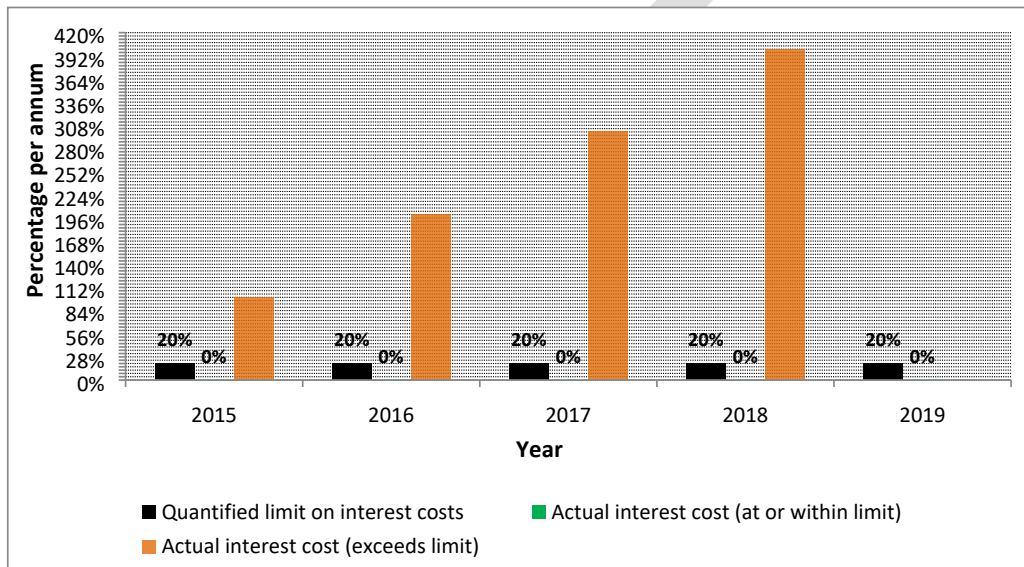
The Annual Plan 2017/18 provided for additional general rate funded expenditure, primarily in the Environmental activity area and specifically associated with the water programmes.

Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The Council specifies the quantified limit on borrowing as being the interest cost on borrowing as a percentage of revenue (percentage of rates income in PY).

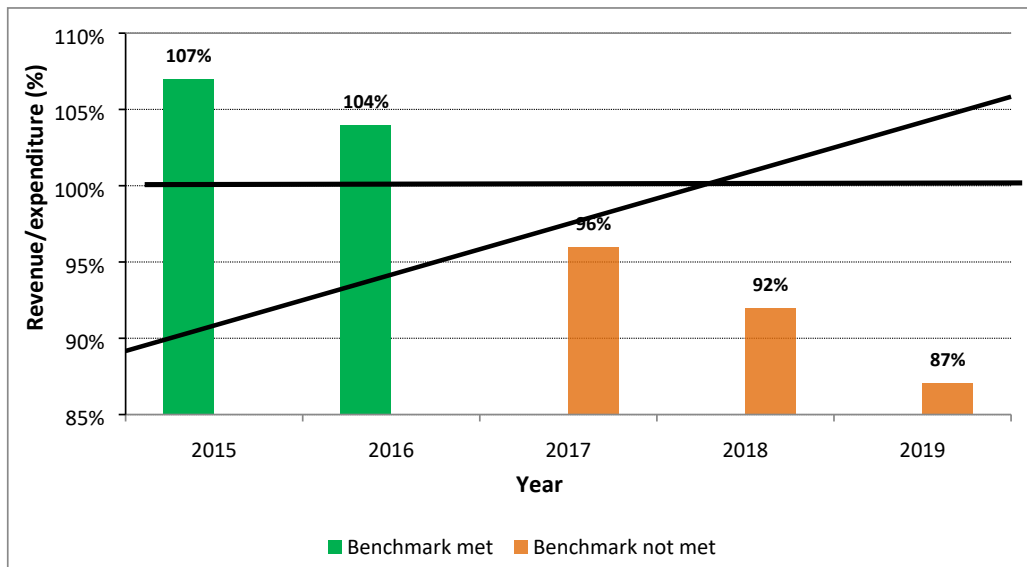
The following graph compares the Council's actual interest costs as a percentage of borrowing with a quantified limit specified in the financial strategy included in the Council's Long-Term Plan. The quantified limit is interest costs being a maximum of 20% of rates income, (2015-2018 20%).



Balanced budget benchmark

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Balanced budget benchmark commentary

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

The Council is required to ensure that estimated revenue is sufficient to cover estimated operating costs unless Council resolves that in any particular year, it is financially prudent to fund a portion of operating costs from other sources, including reserve funds.

In the 2017 year, Council resolved to fund costs associated with particular activities from reserve funds, including funding from the general reserve for regional economic development, research and development, biodiversity restoration, stock truck effluent disposal sites and transport reserves for developmental transport activity.

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

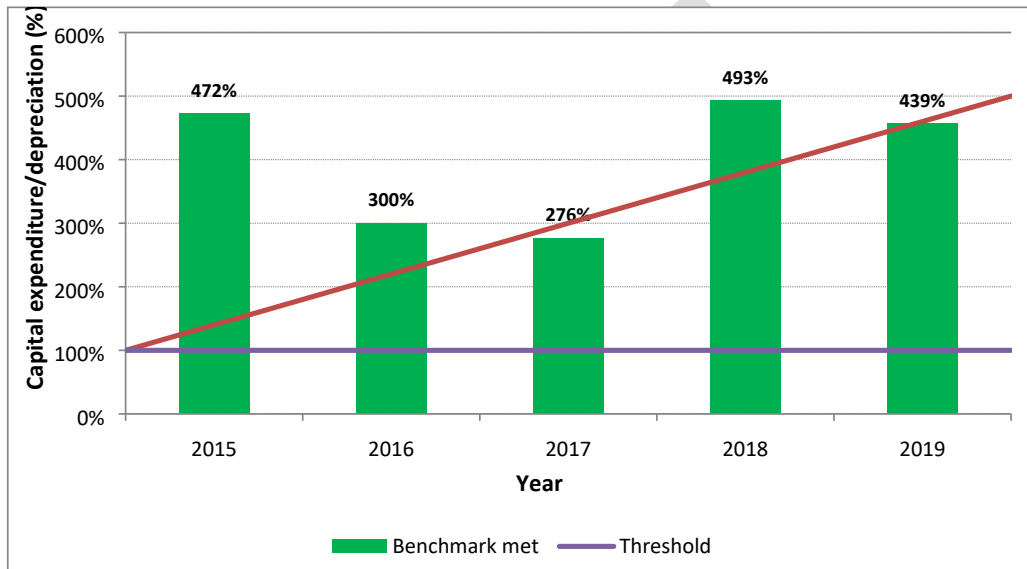
In the 2019 year, Council again resolved to fund costs associated with particular activities from reserves, with activities most affected being the Environmental, Flood Protection and Control Works, and River Management and Transport activities.

Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

The Council's network services comprise flood protection and control works.

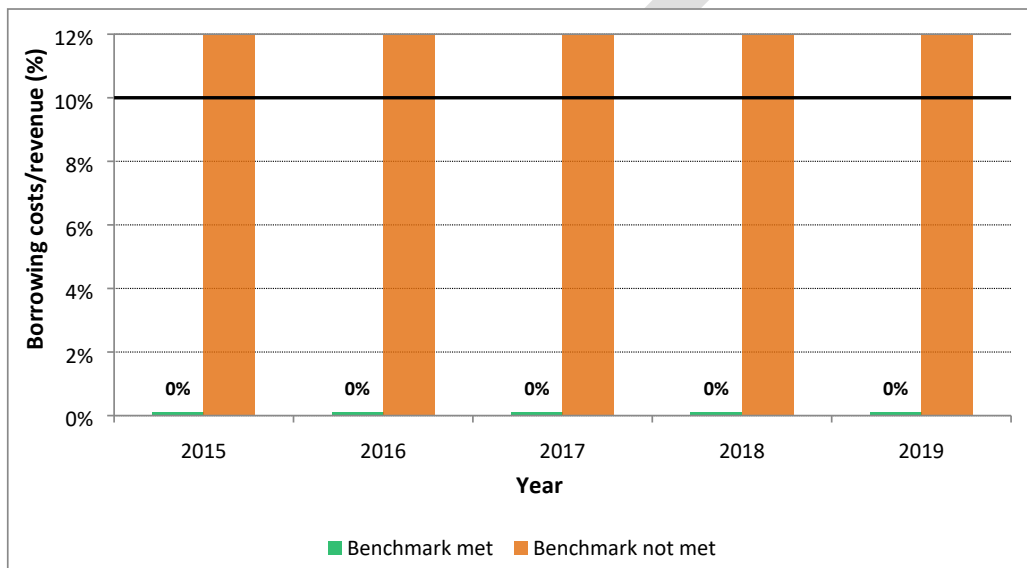
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, Council meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

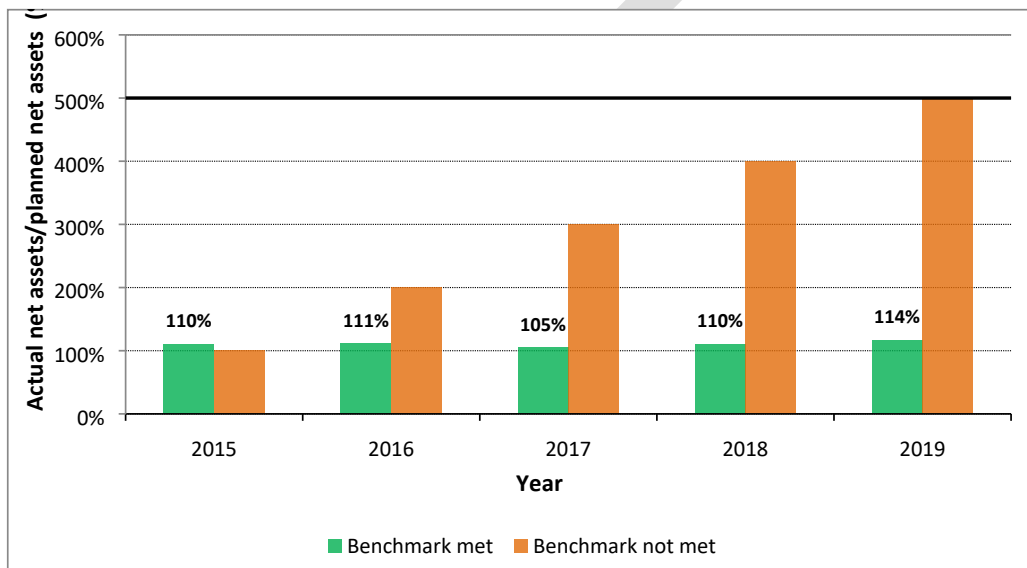


Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.

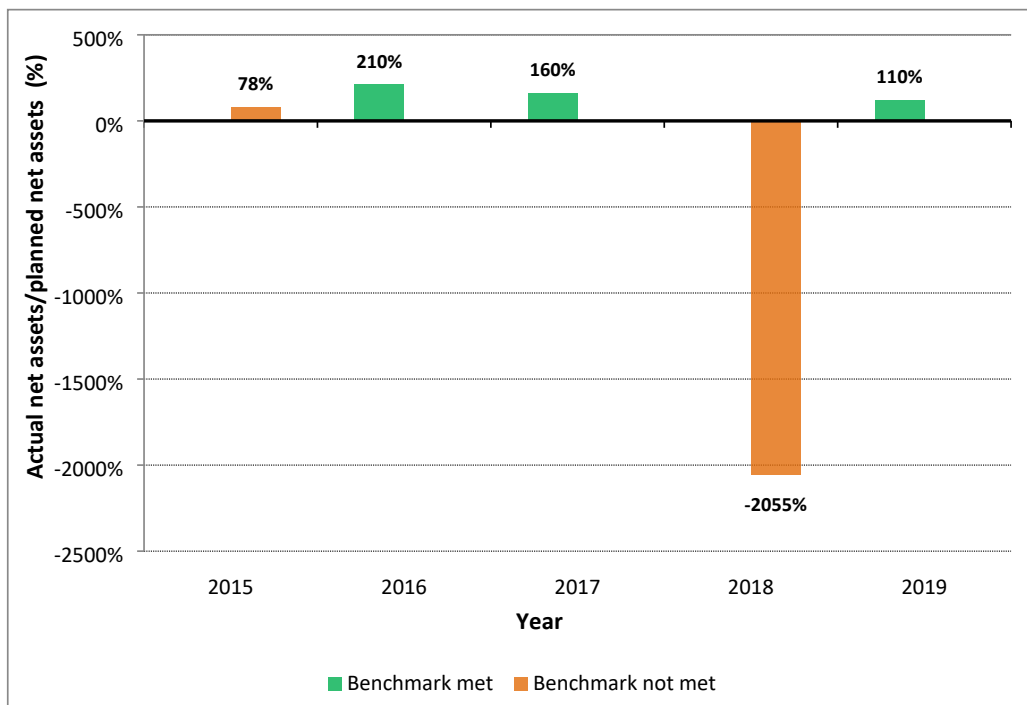
During the period 2014/15 to 2018/19, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets, excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Operations Control benchmark commentary

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

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

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

In the 2015, year the actual net cash flow from operations was 78% of the planned amount. The planned amount included subsidy income in relation to capital expenditure. Capital expenditure incurred and associated subsidy receipts were less than the level planned, significantly contributing to the lower than planned cash flow from operations. The overall net cash inflow for the 2015 year, including investing activities, amounted to \$317,000.

Additional information or comment

Rates Revenue

The rating base information in the table below is as at the preceding 30 June to the financial year shown in the table, and comprises the rating base for the region as a whole.

Otago Region	Rating Base Information for the Year Ended 30 June 2019	Rating Base Information for the Year Ended 30 June 2018
Total number of rating units	116,243	114,877
Total capital value of rating units	\$79,087,493,800	\$64,627,242,852
Total land value of rating units	\$41,507,541,550	\$31,979,722,850

Insurance of Assets

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

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

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$63.354 million (2018: \$61.135 million), land of \$26.710 million (2018: \$24.464 million), transport infrastructural assets and hardware of \$0.245 million (2018: \$0.495 million) and software of \$3.884 million (2018: \$2.196 million).

Flood protection and drainage infrastructural assets include floodbanks, protection works and drains and culverts. Assets of this nature are constructions or excavations of natural materials on the land, and have substantially the same characteristics of land, in that they are considered to have unlimited useful lives.

The Council does not maintain separate self-insurance funds, and considers that the level of reserve funds held is sufficient for the purpose of self-insuring assets that are not covered by insurance contracts.

As at 30 June 2019 the Council had not entered into any financial risk sharing arrangement for any assets held (2018: \$Nil).

Directory

Otago Regional Council

Chairperson	S Woodhead
Deputy Chairperson	G Robertson
Regional Councillors	G Bell D Brown M Deaker C Hope T Kempton M Laws E Lawton S Neill A Noone B Scott

Otago Regional Council Executive Staff

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

Otago Regional Council

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

Port Otago Limited

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

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Queenstown



Independent Auditors' Report

DRAFT

10.6. Lake Hayes Outlet Culvert

Prepared for: Council
Report No. EHS1862
Activity: Environmental: Rivers & Waterway Management
Author: Gavin Palmer, General Manager Operations
Endorsed by: Gavin Palmer, General Manager Operations
Date: 18 September 2019

PURPOSE

- [1] To decide what Council's role should be in respect of community concerns about high water levels in Lake Hayes and the performance of the culvert beneath State Highway 6, on Hayes Creek.

EXECUTIVE SUMMARY

- [2] Queenstown-Lakes District Council (QLDC), Friends of Lake Hayes and the Wakatipu Reforestation Trust have expressed concerns about high lake levels and the performance of the culvert at the outlet of Lake Hayes (Figure 1). The culvert is owned by the New Zealand Transport Agency (NZTA). NZTA has advised that it has no plans to upgrade the culvert.

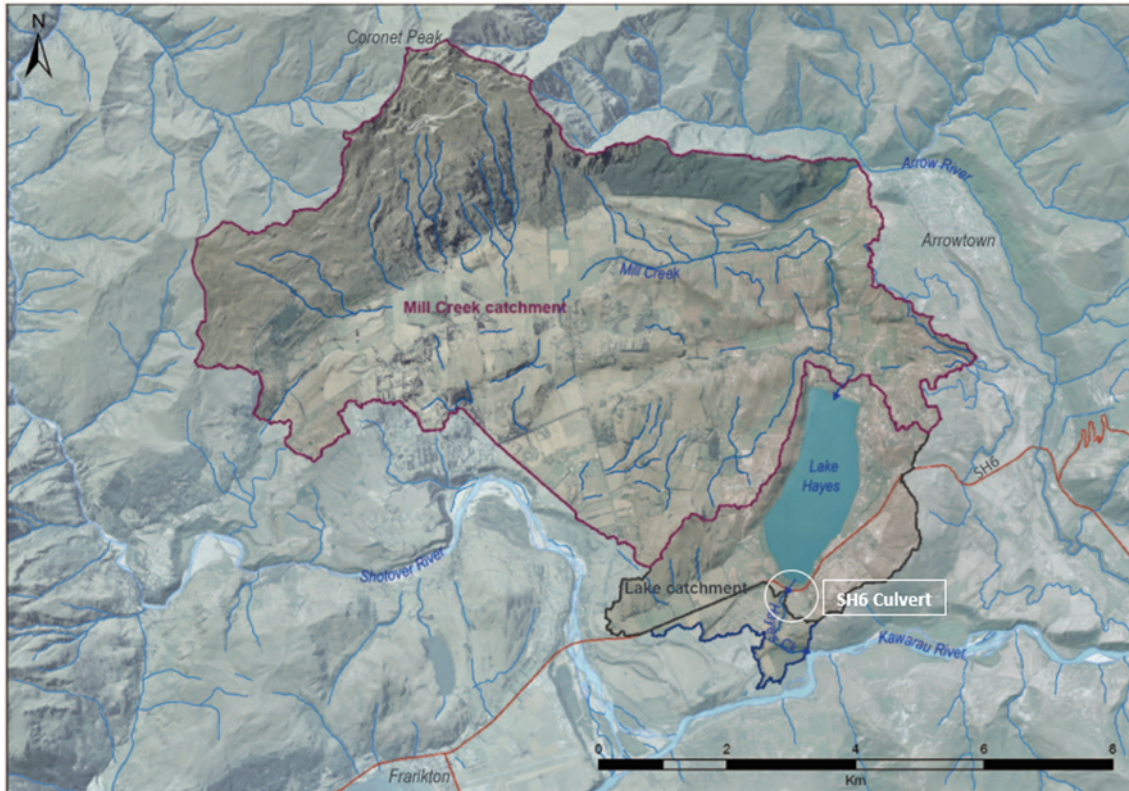


Figure 1: Location of SH6 culvert, Hayes creek, Arrowtown.

- [3] It appears that a wet Spring season last year resulted in higher than normal lake levels.
- [4] ORC has been consulting with the public on remediation options with respect to Lake Hayes water quality. Changes to the culvert is not one of the options.
- [5] This report presents two options for consideration by Council in relation to the community concerns about high lake levels; status quo (Option 1) and, in partnership with QLDC, Department of Conservation and NZTA, an option to scope the establishment of a managed lake level regime (Option 2).

RECOMMENDATION

That the Council:

- 1) **Receives** this report.
- 2) **Notes** the maintenance ORC has undertaken on Hayes Creek and the preliminary investigation of the potential hydraulic effect of channel excavation.
- 3) **Approves** one of the options presented in this report.

BACKGROUND

- [6] Queenstown-Lakes District Council (QLDC), Friends of Lake Hayes and the Wakatipu Reforestation Trust have expressed concerns about high lake levels and the performance of the culvert at the outlet of the lake. Those concerns are to do with impacts on public use of the walkway and trail around the perimeter of the lake, including organised events, effects on Crested Grebe habitat, increased runoff of nutrients (from flooded land) and the death of native plants being propagated by the Trust for local biodiversity and restoration projects.
- [7] ORC has inspected the culvert and Hayes Creek and undertaken maintenance work (removal of debris). ORC has also undertaken a preliminary investigation of the feasibility of excavating the creek. The inspections and investigation are described in a report dated 5 March 2019 (**attached**) that has been provided to NZTA, QLDC and DOC.
- [8] Flooding of adjacent farmland causing nutrients to enter the lake was identified as an issue in the Lake Hayes Management Strategy prepared jointly by ORC and QLDC in 1995 (**attached**). The Strategy states, "*it is estimated that a 1600mm culvert, properly installed under SH6 would reduce persistent high lake levels*" and "*ORC will commission an independent engineering report into the functioning of the culverts at the outlet of Lake Hayes and the functioning of Hayes Creek itself*"¹. Further research would be required to establish whether this report was commissioned.
- [9] The culvert at the outlet of the lake (Hayes Creek) is owned by NZTA. NZTA has advised that it has no plans to upgrade the culvert.
- [10] Construction of the culvert was authorised by a land use consent (No. 2001.984) and associated consents granted by ORC in 2002. The consent and staff recommending report are **attached**. The applicant (Transit NZ) sought to replace two 900mm diameter culverts (combined cross-sectional area 1.27m²) with a single 1.6m diameter culvert (cross-sectional area 2.01m²). The applicant varied their proposal and their application

¹ Section 5.5.1, p34.

in response to a request for further information (**attached**). The diameter of the proposed culvert was changed to 1.35m (1.43m²) and the consent was granted.

- [11] ORC has been consulting with the public on remediation options with respect to Lake Hayes water quality. Changes to the culvert is not one of the options.
- [12] In June 2019 ORC asked the Department of Conservation if it would be agreeable to exploring altering the trail in some way, to reduce the risk of it being flooded. ORC also offered to participate in a site meeting, with other stakeholders, to discuss this option.

ISSUE

- [13] ORC needs to decide what role it should play in respect of the issues raised by stakeholders, and the priority this should be given.

DISCUSSION

- [14] It appears that a wet spring season last year resulted in higher than normal lake levels for that season.
- [15] In simple terms, the level of the lake at any moment in time is determined by the difference between the volume of water flowing into the lake and the volume of water flowing out. High lake levels are typically associated with a series of inflow events in which the intervals between events are too short to allow the lake to recede to “normal” levels.
- [16] The hydraulic performance of a culvert depends on, amongst other things, its cross-sectional area, cross-sectional shape, internal roughness, slope, length and inlet shape (degree of streamlining). Cross-sectional area is just one factor.
- [17] The existing culvert appears to function as intended at the time it was constructed.

OPTIONS

- [18] Option 1: Status Quo – Inspect and undertake maintenance on Hayes Creek as required.
- [19] Option 2: Managed lake level regime - In addition to Option 1, formally invite QLDC, Department of Conservation and NZTA to co-fund, with ORC, scoping the investigation and establishment of a target water level range for Lake Hayes and scoping the investigation, consenting, design, construction, maintenance and funding of infrastructure to manage the lake level to that range. This option would require incorporation of activity and funding of ORC’s share of the scoping investigation into draft Annual Plans.

CONSIDERATIONS

Policy Considerations

- [20] ORC’s four strategic priorities are water, climate change, urban development and biosecurity/biodiversity.
- [21] The Lake Hayes Management Strategy (1995) and Regional Plan: Water for Otago do not define a maximum allowable water level or range for Lake Hayes. In the absence of

objectives and measures to do with lake levels and flooding risks, whether statutory or non-statutory, it is difficult to define the physical works that would satisfy stakeholders concerns.

Financial Considerations

- [22] The cost of investigating and establishing a maximum allowable level for Lake Hayes and then investigating, consenting, designing and procuring construction of a new culvert is potentially in excess of \$100,000.
- [23] Otago is divided into six Special Rating Districts (SRDs) for the purposes of funding river management works. Hayes Creek lies in the Queenstown Special Rating District. The SRDs are not intended for the purposes of funding new assets or funding improvements to assets owned by others.

Significance and Engagement

- [24] Lakes Hayes and Hayes Creek are not part of an ORC flood or drainage scheme. ORC has no flood or drainage infrastructure on Hayes Creek.
- [25] ORC's 2019-20 Annual Plan and 2018-2028 Long Term Plan make no provision for the investigation of Lake Hayes water levels or the investigation, consenting, design or construction of infrastructure on Hayes Creek.

Legislative Considerations

- [26] ORC has the legislated role of consent authority under the Resource Management Act 1991 (RMA).
- [27] ORC has the powers and functions of a Catchment Board. Under s126(1) of the Soil Conservation and Rivers Control Act 1941 ORC has the function "*to minimise and prevent damage within its district by floods and erosion*". This function is exercised in the context of other relevant legislation including the RMA and the Local Government Act 2002. It must be exercised in a way that does not conflict with ORC's role as consent authority.
- [28] Engineering works to replace or augment the existing culvert would require RMA consents supported by an Assessment of Environmental Effects (AEE) that considered construction and post-construction effects. The matter described in paragraph 21 would need to be resolved before an AEE could be prepared. Approvals to occupy the highway corridor would be required from NZTA unless the works were undertaken and owned by NZTA.
- [29] There is no statutory obligation on ORC to manage the level of Lake Hayes to a defined level or range.

Risk Considerations

- [30] High lake levels do not pose a direct threat to public safety provided users of the walkway and track exercise caution. ORC is not responsible for ensuring that the walkway and track are safe for the public to use.

- [31] Responsibility for procurement and ownership of a new culvert should be established before investigation of new works commences otherwise an investigation could be futile.

ATTACHMENTS

1. LAKE HAYES MANAGEMENT STRATEGY [**10.6.1** - 60 pages]
2. 20190305 Memo Lake Hayes Final [**10.6.2** - 7 pages]
3. Recommending Report 2002-027 [**10.6.3** - 11 pages]
4. Consent 2001.984 - 2001.985 [**10.6.4** - 3 pages]
5. Letter to Transit NZ re. consent app 2001.984 19 Nov 2001 [**10.6.5** - 2 pages]

Lake Hayes Management Strategy

**Otago Regional Council/
Queenstown Lakes District Council
September 1995**

ISBN: 0-908922-26-4

Foreword

The Otago Regional Council and the Queenstown Lakes District Council are pleased to present this Management Strategy for Lake Hayes. It reflects the concerns that both Councils and the community have about the continuing water quality problems of the lake, and the need to take action to address the resultant decline in recreational, fishery and scenic values.

This strategy details the objectives and policies for future sustainable management of the lake and catchment. The strategy outlines the actions the Otago Regional Council proposes to carry out in the catchment and regulatory matters recommended for consideration in the forthcoming *Regional Plan: Water* (prepared by the Otago Regional Council) and the Queenstown Lakes District Plan. This separate but coordinated and consistent response recognises the different functions afforded to District and Regional Councils under the Resource Management Act 1991.

Tourism has grown rapidly over recent decades in the Wakatipu basin with Lake Hayes being an important component of those scenic resources which attract tourists to the area. The conservation of the Lake Hayes resource is of regional and national importance both economically, recreationally and for its intrinsic and scenic values.

The effects of poor water quality in Lake Hayes have been noticeable to the general public since the first algal bloom in 1969. The lake supports a recreational fishery of Brown Trout and Perch and native fish species including Upland Bully, Koaro and the long-finned eel. People enjoy swimming, boating and fishing in the lake, however recreation and habitat values are restricted at times of the year due to the poor water quality.

The Councils wish to thank the community for their comments received on the draft strategy. These have been important in shaping this finalised form of the strategy which will direct the future management of this important regional and national asset.

Thank you for your interest and support.

**Chairperson,
Otago Regional Council**

**Mayor,
Queenstown Lakes District Council**

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1. Introduction

1 INTRODUCTION

1.1 Why is a strategy needed?

Over approximately the last thirty years Lake Hayes has become increasingly eutrophic (nutrient rich), this being characterised by anoxic water, poor water clarity, frequent algal scums, fish deaths and insect pests. This state of eutrophication has been found to be due to the movement of phosphorus bound to soil from the land to the lake, where it contributes to an already massive phosphorus load. Phosphorus is released from lake bed sediments in autumn when bottom waters lose all oxygen, favouring the rapid growth of algae and associated problems. Numerous reports have been written on the lake's water quality, its causes and possible solutions.

The most comprehensive scientific study to be carried out on the lake and catchment was done by Barry Robertson of the Otago Catchment Board in 1983-84 (Robertson, 1988).

This report described a phosphorus budget and seasonal cycle for Lake Hayes. These were related to past and present uses of the catchment. The report identified several possible management options to address these problems. It is intended that this strategy in association with the Queenstown Lakes District Plan and the Otago Regional Council's *Regional Plan: Water* will be the instruments used to implement methods for improving water quality in Lake Hayes.

The overall goal of this strategy is:

To improve the water quality of Lake Hayes, to achieve a standard suitable for contact recreation year round and to prevent further algal blooms.

1.2 Implementation of the strategy

This strategy is a non statutory document which has been developed by the Otago Regional Council and the Queenstown Lakes District Council and finalised following community comment. It proposes methods to be used by the Otago Regional Council (subject to the Annual Planning Process under the Local Government Act), and regulatory matters to be considered in the *Regional Plan: Water* and the Queenstown Lakes District Plan. These matters will be coordinated to ensure all resource issues are dealt with by the agency responsible for such functions. The Otago Regional Council is currently preparing a *Regional Plan: Water*, which will address all water issues in Otago. Regulatory mechanisms required to address the resource issues surrounding Lake Hayes will be considered within the proposed *Regional Plan: Water*. Regulatory mechanisms associated with land use will be included in the Queenstown Lakes District Plan and any associated District Plan changes. Consultation between the Otago Regional and Queenstown Lakes District Councils will be ongoing to ensure the goal of this management strategy is achieved.

1 INTRODUCTION

Discussions will be held with affected land owners over the implementation of this strategy. Agreement will be a necessity on the proposed actions such as riparian margin enhancement, wetland creation and fencing of areas. The priority will be on:

- Riparian margins and fencing
- Bank stabilisation
- Wetland protection and recreation.

It is expected that over the next three to five years, the implementation of the strategy will result in a reduction in phosphorus inputs.

1.3 What is eutrophication?

Lake Hayes is eutrophic. This means there are excess levels of nutrients in the lake, with the lake ecosystem suffering as a result. Eutrophication is the term normally used to describe the natural "aging" process of a lake. While the lake may begin as a pool of clear fresh water, it slowly begins to accumulate silt and plant nutrients, resulting in an increase in the growth of water plants and a decrease in the depth of water. Ultimately the lake can reduce to a wetland ecosystem. Normally this will take thousands of years to occur.

Unfortunately, human activities in lake catchments can speed up this process. Construction of roads and houses, cultivation, livestock, eroded soils, drainage of wetlands, effluent discharge, fertiliser use and streambank erosion all contribute to phosphorus being washed downstream to the lake.

One of the first noticeable signs of eutrophication, is the periodic rapid growth of small floating water plants, or algae. If the water is warm enough, and has enough nutrients, a "bloom" of algae may occur, resulting in the water taking on red, yellow or green colours. However these algae soon out-grow the supply of plant nutrients and the "bloom" begins to die. The rotting of the algae uses up the available oxygen in the water and the lake begins to smell.

This is the state in which we now find Lake Hayes. The value of the lake as a recreational facility and as a wildlife and fishery habitat is affected by periodic algal blooms.

The vast majority of nutrients enter the lake from the Mill Creek catchment in the form of phosphorus attached to soil particles, as well as some dissolved phosphorus and nitrates. Phosphorus has been found to be the nutrient responsible for the eutrophication in Lake Hayes. While the phosphorus is not immediately available to the algae, their later release to the water controls the algal blooms.

When the phosphorus-loaded sediments enter the lake, they sink to the bottom. The surface water warms up over summer and being lighter than the

1 INTRODUCTION

cold water below, does not mix with underlying cooler layers. Plants which die in the lake fall to the bottom and, as they decay, use up the oxygen in the cooler lower layers of water. Under these low-oxygen conditions the phosphorus may be released from the silt particles into the water.

While there is now a nutrient-rich layer of water, there will not be an algal bloom as there is not enough warmth or light at the bottom of the lake. However, during winter the surface water cools and the layers of water mix quite easily. In spring, with warmth and light, the surface water is nutrient-rich and conditions are right for an algal bloom. This results in conditions which are less than desirable for the fish, angler, swimmer and sailor.

1.4 What can be done about eutrophication?

Firstly the amount of nutrients entering the lake must be reduced, and secondly the nutrients already in the lake must be immobilised or removed. The amount of phosphorus entering the lake may be minimised by controlling phosphorus inputs to streams and by controlling phosphorus inputs into the lake. The actions proposed in this strategy have been developed in order to achieve these controls. They include such actions as reducing erosion of phosphorus-rich soil in the catchment and on the stream banks and collecting as much silt as possible as it moves down the catchment.

Locking up the phosphorus already in the lake is more difficult. Mechanisms which can help achieve this do so by stopping the anoxic release of phosphorus for at least one year by artificial means. This approach is explained in the section on nutrient inactivation in Appendix 1.

1.5 Alternative methods for improving water quality

With technological changes, investigations and monitoring, the Council may become aware of more suitable techniques for dealing with the issues surrounding Lake Hayes. This will be assessed as the strategy is reviewed and at any other time when additional information becomes available and, if appropriate, Council will modify this strategy.

Before deciding on the mechanisms to be used in this strategy, the possible alternative methods of improving the water quality of Lake Hayes were explored. They are summarised in Appendix 1.

1.6 Reducing external phosphorus inputs and lake recovery

With reduction of external inflows of phosphorus there will still be a large pool of sediment phosphorus in the upper sediment layer of the lake. This will be released at a relatively constant rate during anoxic conditions, until such time as the pool begins to deplete or anoxia becomes less intense. It is not clear from studies in other lakes how long this will take. In some lakes a measurable decline occurred in 5-10 years and in other lakes there was no change after 10 years or more. Recovery time will depend on how quickly internally released phosphorus can be flushed from the lake, how much is

1 INTRODUCTION

added to the sediment from the external load and the initial extent of the pool available for release.

After consideration of these methods, the best option for addressing lake eutrophication from the point of view of long term sustainability is considered to be by treating the cause of eutrophication, prior to treating those symptoms associated with it. For this reason the Otago Regional and Queenstown Lakes District Councils, in consultation with the Lake Hayes community have chosen to firstly address the external phosphorus inputs into the lake by way of a number of phosphorus control methods. Other studies have found that internal lake treatment methods are effective only after external lake phosphorus inputs have been substantially decreased. Hence the methods in this strategy are prioritised to address external nutrient input.

1.7 Matters taken into account in formulating this strategy

- Kawarau Water Conservation Notice. Evidence presented in support of the application by the Otago Regional Council
- Proposed Regional Policy Statement for Otago
- Department of Lands and Survey, 1982: *Lake Hayes Reserves Management Plan*, Management Plan series number RR20. Department of Lands and Survey, Dunedin
- Robertson B M, 1988: *Lake Hayes Eutrophication and Options for Management, Technical Report*. Otago Catchment and Regional Water Board, Dunedin
- Robertson B M and Associates Environmental Consultants and Royds Garden Ltd, 1989: *Lake Hayes Eutrophication and Options for Management, Internal Treatment Evaluation and Preliminary Design*. Otago Catchment and Regional Water Board, Dunedin
- Mitchell *et al*: *Eutrophication of Lake Hayes and Lake Johnson*. Report to Ministry of Works
- Queenstown Lakes District Plan (in preparation)

1.8 Monitoring the strategy

Monitoring to determine the degree to which the strategy is achieving its objectives will be required. That monitoring will assess the degree to which the eutrophication of the lake is decreased, over time, and will be used in the review of the strategy. The parameters that will need to be monitored include:

- Water quality in Mill Creek and Lake Hayes
- Mill Creek flow information
- Lake levels
- Land use.

1 INTRODUCTION

1.9 Strategy review

A review of this strategy will take place at five yearly intervals or sooner if required.

It will assess the changes to the quantity of external phosphorus entering Lake Hayes, and chemical composition of the lake and any change to trophic status. When a 20% reduction in the total annual phosphorus load to Lake Hayes has been achieved, from 1994 figures, and/or in-lake phosphorus concentration achieves that of the water quality class, the Otago Regional Council will, in association with the Community consider the need for in-lake treatment methods including piping nutrient rich waters from the bottom of the lake.

This may be required if the lake is still experiencing algal blooms and the community wants an alternative option to external load reduction.

2. Description of the Catchment



2 DESCRIPTION

2.1 Topography

Lake Hayes is believed to have been formed following the scouring of the bed by the Wakatipu glacier and subsequent separation from the ancestral Lake Wakatipu by outwash from the Shotover River. The catchment itself reflects its glacial origins in its topography having steep to moderately steep mountain lands, with a highest point of 1600m at Coronet Peak. There are also broad fans and terraces over the flood plain, moderately steep hills and associated rolling hills around the perimeters of the catchment.

2.2 Geology

The dominant geology is Palaeozoic metamorphic schist, with lesser areas of quaternary outwash gravels, till and morainic deposits and late glacial lake beds.

2.3 Vegetation

The original vegetation in the catchment was native tussock, which has been cultivated on the lowlands into pasture and crops. Sward grass predominates on the poorer soils in the valley and on the low altitude steep faces. Also present on these faces is native matagouri and exotic briar. Above these species are found sward grass and short tussocks. Some oversowing with white clover has occurred at these altitudes. Above approximately 1000m snow tussock (*Chionochloa rigida*), blue tussock (*Poa colensoi*) and *Festuca mathewsii* are present.

2.4 Soils

Two broad soil types have developed, the yellow grey earths or loess soils on the valley floor, and the yellow brown earths on the steeply sloping faces of Coronet Peak. Nutrient status is generally medium to high on the valley floors and low on the faces. Perhaps the over-riding consideration in terms of phosphorus transport to the lake, is the ease with which these soil types are picked up and carried in suspension by moving water (Robertson 1988).

2.5 Erosion

Some erosion in the catchment is found within the streams. This can be through bank collapse from stock pressure and high energy stream flows or slip erosion on the steep faces of water bodies on the lower slopes of Coronet Peak. Robertson identified in 1989 that slight to moderate sheet and wind erosion has occurred on all slopes in the catchment. A more recent 1994 inspection by the Otago Regional Council found a healthier stream channel with beds and banks generally in a very well vegetated and stable state.

2.6 Catchment water quality

The major inflow into Lake Hayes is Mill Creek. Its water quality is characterised by high sediment and nutrient loads, particularly phosphorus. This is due to the soil and rock types in the catchment as well as the effects of

2 DESCRIPTION

land use. Limestone is also present in high concentrations, and this is thought to have exacerbated the release of phosphorus from sediment.

Appendix 2 summarises the characteristics for Lake Hayes from recent trend analysis of water quality monitoring data.

2.7 Land use and tenure

Pastoral farming with some mixed cropping are the predominant land uses in the Lake Hayes catchment. The area has undergone extensive changes in recent times with the subdivision of some of the larger runs into small blocks. Land in the valley and on the rolling hills is freehold with many separate titles, while Coronet Peak is Crown land in pastoral lease.

2.8 Social descriptors

The Queenstown Lakes District has experienced extensive growth over the last decade. The resident population figure has increased by 21.5% since 1986. The Lake Hayes catchment and Wakatipu Basin is consistent with this growth trend. Retailing, a major industry in the Queenstown area is also experiencing strong growth. With such growth comes the requirement for housing and subdivision. Lake Hayes has traditionally been a popular holiday location, while in recent times more permanent residents have been developed. It is well located for both work in Queenstown and Arrowtown and will most likely develop further with the Queenstown Lakes District Plan's proposing the settlement of satellite communities.

2.9 Iwi values associated with the Lake Hayes area

The association Kai Tahu whanui have with Lake Hayes and the wider area of the Lakes District is of ancient origin. In tradition and mythology the relationship stems from the time of creation, the source of mauri and wairua, elements that connect Manawhenua with the environment, and constitute mana.

In tradition it was the journey of discovery south through the centre of the island by Rakaihautu and his people of the Uruao canoe, the Waitaha, that marks the first human contact with the Lakes District of "Te Waka Aoraki" (South Island).

Lake Hayes is known to Kai Tahu as "Te Whaka-ata a Haki-te-kura", a name that refers to the mirror image of Haki-te-kura a famous ancestress noted for her exploits, whose image was reflected in the lake.

The Wakatipu Basin was occupied for many centuries by sections of first the Waitaha followed by the Kati Mamoe and latterly the Kai Tahu, an amalgam of people who over time merged in whakapapa into a single entity known collectively as Kai Tahu whanui.

2 DESCRIPTION

The Wakatipu basin was important for the resources that it provided to the mobile units of Maori who regularly travelled inland to gather pounamu (greenstone) from the source, to gather mahika kai, and to reside at selected places around the edge of the lakes over the summer months. Trading of resources with neighbouring hapu was a prime activity.

Water

Kai Tahu advocate the respect and protection of all water resources. In traditional times classifications existed for many of the water resources of Otago. Water bodies fed from the interior mountains were regarded particularly highly. Waters that provided food resources were treasured. Protocols existed to ensure that appropriate conduct of people occurred in, on and by water so as not to offend or desecrate the natural balance that existed between land, water and the people dependent on it.

Modification

Kai Tahu consider that the breakdown of the ecosystem of Lake Hayes and the extensive modification of the catchment to the lake is symptomatic of other areas in the Otago region. It is hoped that the exercise that is jointly being undertaken to mitigate the effects of land and water modification of the last 150 years on Te Whaka-ata (Lake Hayes) and its catchment area will be adopted elsewhere in Otago.

Taoka

The lake is still regarded as a taoka. The customary practice of gathering mahika kai in and around Te Whaka-ata (Lake Hayes) has long since disappeared, although Kai Tahu people do fish there in a recreational capacity. The halting of customary practice can be linked to historical events that hindered and fragmented the traditional communities of Kai Tahu, limiting a people who were once mobile hunter gatherers to confined spaces and resources. Contributing factors include drainage of wetlands, pollution of mahika kai resources and reduced access.

The fact remains however that Kai Tahu still retain the rangatiratanga or customary authority over Te Whaka-ata (Lake Hayes) and the waters that feed the lake.

Consultation

Initial consultation on Te Whaka-ata (Lake Hayes) with Kai Tahu runanga has occurred at a hui held at Kaka Point in December 1993. Runanga from Otago and Southland were present at this hui. Discussion focused on the modification issues affecting the catchment area and the effect of this on the waters of Te Whaka-ata (Lake Hayes).

Archaeological

Sites of cultural occupation or cooking places may be disturbed or unearthed in the catchment area of Te Whaka-ata (Lake Hayes) through development, catchment works or natural erosion.

2 DESCRIPTION

Where and if earth works are proposed as part of the management strategy for Te Whaka-ata (Lake Hayes) it may be necessary to consult Kai Tahu over possible disturbance of archaeological sites. In a situation where possible cultural archaeological sites may exist Iwi prefer that a site survey (visual) be carried out prior to any work commencing.

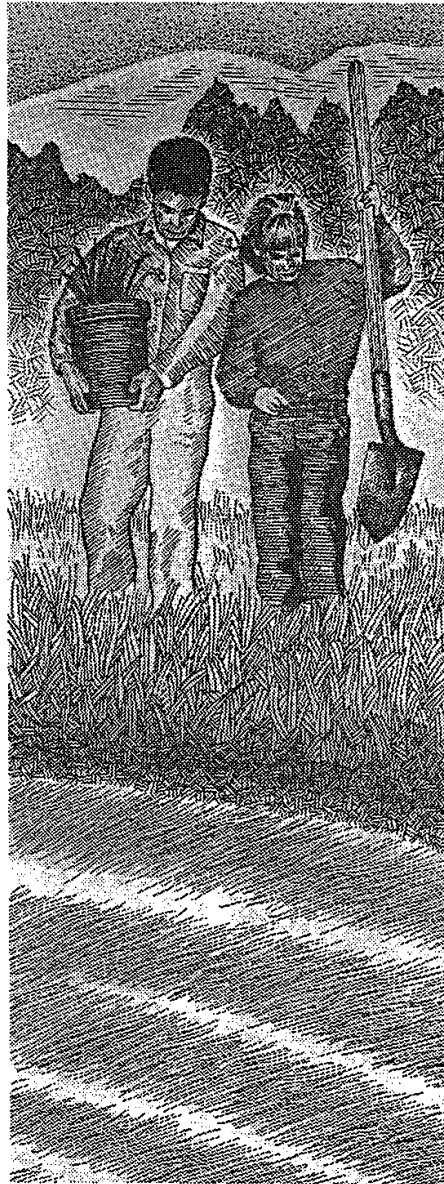
Native fishery

While the Te Whaka-ata (Lake Hayes) native fishery is no longer part of the seasonal mahika kai resource of Kai Tahu, the Iwi have a responsibility as kaitiaki of the native fishery to seek the improvement of the native habitat.

2.10 Recreational use

Lake Hayes is used for a variety of recreational pursuits. These include on-water activities such as swimming, fishing, rowing, and sailing and land based activities associated with the general use of the reserves around the lake.

3. Erosion and Land use Practices



3 EROSION AND LAND USE

3.1 Introduction

The degradation of Lake Hayes water quality is related to land use practices, and the associated runoff of phosphorus. With the growth of agriculture and other industries in this catchment since 1910, waters in the Lake Hayes catchment have been subjected to dairy shed effluent, cheese factory discharge, outlet restrictions, irrigation race discharge, the application of superphosphate fertiliser, increasing livestock numbers and land cultivation, drainage of wetlands and soil erosion. In combination these practices have the effect we see today on Lake Hayes' water quality. Some of these practices no longer occur, and the effects of others can be mitigated.

The transfer of phosphorus from pasture into the streams is linked to the transfer of sediment. This transfer may be by the direct movement of overland flow, the erosion of streams by flood flows, degradation of streambanks due to livestock influences, and by animal dung entering water bodies. Streambank riparian margins are advantageous in reducing these phosphorus sources. The establishment of riparian margins along the length of Mill Creek will primarily reduce stock access, trap sediment that would otherwise get into the stream, and help stabilise banks.

Streambank erosion occurs along sections of Mill Creek and this also contributes to phosphorus loading on the lake. General soil erosion throughout the catchment, in combination with the soil types present, also contributes to lake sediment and phosphorus. Many of the mechanisms needed to reduce the further flow of phosphorus into Lake Hayes amount to what would be done in any area for the purposes of soil conservation and sustainable land management.

3.2 Issues

3.2.1 Land use practices in the Lake Hayes catchment contribute to the eutrophication of Lake Hayes.

Explanation

The process of lake eutrophication has been accelerated in Lake Hayes due to natural geology, and the effects of human land use which result in the transfer of phosphorus into water bodies. This results from:

(i) Runoff of nutrients from farms due to fertiliser application and animal wastes.

It is estimated that superphosphate losses in the order of 0.5-2.0% of the fertiliser applied can occur into nearby water bodies. Subsequent losses of phosphorus varies depending on soil phosphorus retention, the land and climatic condition at the time of, and immediately following application, stock management and erosion characteristics.

3 EROSION AND LAND USE

Animals are also responsible for large amounts of phosphorus entering waters. They do this through runoff, by the addition of phosphorus through dung, by changing the soil-grass system, and in the decomposition of their bodies.

(ii) Loss of vegetation on and adjacent to river banks.

Vegetation adjacent to water bodies acts as a nutrient sieve, capturing and utilising nutrient before it enters the water body. When vegetation is lost from a river, lake or streambank, the soil surface is more susceptible to erosion and the battering of water flows. Closely grazed grass cannot sieve particulate matter efficiently and animal trampling lowers the infiltration capacity of the soil and increases the likelihood of soil runoff.

(iii) Drainage of wetlands.

Wetlands can take up large quantities of nutrients through their plants and the deposition of sediment. Drainage of wetlands in the Lake Hayes catchment removed a natural nutrient trap. As a result the lake has become the predominant nutrient sink.

3.2.2 Erosion in the catchment adversely affects water quality.

Explanation

Studies have shown that the majority of phosphorus entering Lake Hayes is bound to sediment. Minimising erosion throughout the catchment therefore becomes an important factor in lake rehabilitation. The primary sources of sediment are the erosion of stream banks, hill slopes and to a lesser extent sediment within the stream channel.

3.3 Objectives

3.3.1 To avoid the adverse effects of land use on water in order to improve water quality in Lake Hayes and its catchment.

Explanation

The relationship between land use practices and water quality are well established. In association with other factors, these practices represent the overriding causes of lake eutrophication. Addressing the cause of the problems associated with Lake Hayes is the method most closely related to the principles of sustainable management. Situations must be avoided where runoff potentially containing contaminants could enter water without firstly being treated or buffered involving sediment or nutrient entrapment. This objective is intended to promote mechanisms to limit the adverse effects of land use activities.

3 EROSION AND LAND USE

3.3.2 To minimise erosion in the Lake Hayes catchment.

Explanation

A decline in soil and streambank erosion in the Lake Hayes catchment will be accompanied by a decline in the amount of sediment-bound phosphorus entering Lake Hayes. As the sediment in the bed of Lake Hayes is primarily responsible for the continual release of phosphorus into the lake water at lake turnover, a decline in the amount of sediment and the associated concentration of bound phosphorus is expected to aid lake recovery. This is because, as time goes on, phosphorus gradually gets leached out of the sediments and/or becomes buried by fresh sediment containing less phosphorus.

3.4 Policies

3.4.1 To avoid the contribution that phosphorus and sediment from non-point source pollution makes to phosphorus loading on Lake Hayes.

Explanation

In 1984 an estimate of the total annual phosphorus load to Lake Hayes from all sources was 2400 +/- 480 kg per year. For the period of 1990-93, this was estimated to be in the order of 400-1000 kg per year. The intent of this policy is to control the contribution from non-point source discharges in the Lake Hayes catchment, to ensure a decline in the total annual phosphorus loading rates. In 1994 a re-estimate of the contribution of phosphorus to Lake Hayes from the Mill Creek catchment alone was estimated to be 80% of the annual external phosphorus load.

Non-point source pollution is the predominant source of phosphorus input into Lake Hayes. The ease of transport of phosphorus into water bodies is a result of the fine-textured (rock-flour) soils present, as soil particles are easily picked up and carried in suspension by moving water. Soils in the area have relatively high natural phosphorus levels, and as a result will contribute phosphorus wherever erosion occurs. A reduction in the amount and concentration of phosphorus entering Lake Hayes will eventually result in a lower overall nutrient status in the lake, thereby slowing the eutrophication process and aiding lake recovery.

3 EROSION AND LAND USE

- 3.4.2 To protect existing wetlands, ponds and other nutrient sinks, and to establish new ones by land owner agreement, in the Lake Hayes catchment.**

Explanation

Wetlands, ponds and other nutrient sinks act as valves or sinks to regulate or trap the flow of nutrients and sediments from surrounding terrestrial systems. Wetland macrophytes, phytoplankton and emergent vegetation are capable of taking up large amounts of phosphorus, especially during the first few years of addition. The loss of wetlands can result in increased sediments and nutrients entering water bodies. Because of their benefits in entrapping nutrients the protection of existing wetlands, ponds and other nutrient traps, and the establishment of new ones will be encouraged, wherever possible.

- 3.4.3 To ensure the retention of current riparian margins, and the development of new riparian margins throughout the Lake Hayes catchment.**

Explanation

In order to reduce the transfer of nutrients from pasture to surface water, the Otago Regional Council needs to promote the future development of riparian margins throughout the catchment and protect current riparian margins. Riparian margins are accepted as being the best management practice for the control of non-point source pollution. Riparian margins act to reduce the contribution of nutrients, entering as both particulate and dissolved phosphorus. They do this by processes of infiltration, deposition, filtration, adsorption and absorption. Phosphorus loads to water bodies have been shown to reduce by 24% with riparian retirement.

- 3.4.4 To ensure that land use activities are considered in terms of their effect on the water quality of the receiving waters.**

Explanation

This strategy proposes that water quality classes for Mill Creek and Lake Hayes be established in the proposed *Regional Plan: Water* (see 4.4.3). Classification aims to advance water quality improvements. The intent of this policy is to encourage the consideration of the future use of land, within the context of improving water quality in the Lake Hayes catchment. As land and soil qualities and land use are the predominant causes of poor water quality in the Lake Hayes catchment, improvement will only be achieved when the adverse effects of land use are avoided, remedied or mitigated.

3.5 Proposed Otago Regional Council actions

- 3.5.1 The Otago Regional Council will negotiate with land owners adjacent to Mill Creek and Lake Hayes for the establishment of riparian margins.**

Explanation

Riparian margins are the best management practice for the control of non-point source pollution, providing benefits to water quality. Fenced riparian margins are also beneficial to farming as they prevent stock losses into the river channel, and with planting, contribute to river bank stability.

- 3.5.2 Where the Otago Regional Council provides for works to be carried out on lands adjacent to water bodies in the Lake Hayes catchment, the Council will consider entering into an appropriate agreement with the land owner to protect these works.**

Explanation

Under Section 30 of the Soil Conservation and Rivers Control Act 1941, the Council can have the maintenance of works which they have fully or partially funded attached to the title of a property. This will ensure the works carried out for the purpose of soil conservation and water quality protection are safeguarded in the event of future changes in land ownership and management practices.

- 3.5.3 The Otago Regional Council will consider providing assistance to fence off the water body from areas of high phosphorus input.**

Explanation

The areas which are found to be priority areas requiring fencing due to the contribution of high phosphorus levels as a result of current erosion occurring at these sites will be agreed through individual negotiation with land owners. Because the fencing off of all water bodies in the Lake Hayes catchment will be a costly exercise, work will have to take place over several years. The Otago Regional Council does not intend purchasing land, but rather working towards an agreement with land owners on the cost of fencing, the provision of alternative water supplies, and stock and vehicular access across water bodies where necessary.

3 EROSION AND LAND USE

- 3.5.4 The Otago Regional Council will consider carrying out stream bank stabilisation works in areas contributing high phosphorus levels.**

Explanation

Some of the phosphorus inputs are derived from the erosion of water courses. The sites contributing the highest phosphorus inputs will be considered as priority intervention areas. Erosion can be alleviated by depositing rock at bank erosion sites.

- 3.5.5 The Otago Regional Council will advocate and provide assistance towards the protection and re-establishment of wetlands in the Lake Hayes catchment.**

Explanation

Wetlands play an important role in water quality improvement by slowing the flow of water through catchments and acting as nutrient sieves. The peaks of flood flows are also diminished through the catchment as a consequence of wetlands. Negotiation and providing assistance to land owners to protect and re-create wetlands are considered the most effective mechanism for achieving the establishment of wetlands. Although there is insufficient land available in the catchment for one large wetland that will achieve major reductions in phosphorus loadings, it is still considered beneficial that small scale ponds and wetlands be developed.

- 3.5.6 The Otago Regional Council will provide technical advice and assistance to land owners wishing to establish riparian margins.**

Explanation

The provision of technical advice and assistance to the community, is considered to be an important mechanism for assisting in the establishment of riparian margins.

- 3.5.7 The Otago Regional Council will provide advice and assistance to the community, as a means of encouraging sustainable land use practices in the Lake Hayes catchment.**

Explanation

Community groups including Landcare groups are an important focus for locally driven initiatives aimed at cooperation between land owners to help achieve sustainable land management. Community groups have shown success in addressing, supporting and encouraging solutions to problems that can occur in land use practices. Being community driven they are seen to be preferable mechanisms to address problems rather than the use of regulation.

3 EROSION AND LAND USE

The form of advice and assistance provided could be educational material, updated land use practices and other information which encourages sustainable land uses.

3.6 Regulatory matters recommended for consideration in the *Regional Plan: Water*

3.6.1 Controlling the modification of wetlands.

Explanation

All wetlands in the Lake Hayes catchment play a role in slowing the rate of flow of water through the catchment, and acting as sediment traps. These functions are highly beneficial for improving water quality. The requirement to obtain a consent when wishing to modify wetlands would ensure that adverse effects can be addressed. In most cases modification of a wetland will require the taking, use, damming or diversion of water.

3.6.2 Controlling berm management practices.

Explanation

The contribution stock make to the phosphorus loadings of Lake Hayes is well established. Because of the potential effects stock can have on water bodies, consideration should be given to establishing rules with the proposed *Regional Plan: Water* to regulate the proximity of grazing near water bodies.

Because non-point source pollution is the major source of contamination in the catchment, the preservation of current riparian margins is an important factor in maintaining water quality. Due to the current deteriorated state of Lake Hayes regulatory control needs to be considered as a way of avoiding further adverse effects to the water quality in those area where erosion is most severe. Education, and advocacy, are however also appropriate mechanisms to achieve the increase in riparian margins throughout the catchment

3.7 Regulatory matters recommended for consideration in the Queenstown Lakes District Plan

- 3.7.1 The allocation of the maximum size of esplanade reserve possible in new land subdivisions, or esplanade strips or access strips and the requirement for the fencing and planting of such areas by the developer as part of the subdivision consent.**

Explanation

District Councils are required to set aside esplanade reserves when land is subdivided. The Queenstown Lakes District Council may take and if necessary pay compensation for land subdivided in the Lake Hayes catchment, in recognition of the need to provide riparian margins to improve water quality. It is also possible under Section 235 of the Resource Management Act to create esplanade strips for maintaining and enhancing water quality. This mechanism may be costly to the Queenstown Lakes District Council and will not be used until the success of negotiated establishment of riparian margins can be ascertained. The provision of access strips may also lead to improved riparian management.

- 3.7.2 The protection of existing and future riparian margins in the catchment.**

Explanation

District Councils are often the first point of contact for the prospective land developer, and hence are an important linking mechanism in ensuring current and future riparian margins are recognised and protected from future development.

- 3.7.3 The inclusion of a land disturbance strategy to control the potential effects of land disturbance adjacent to water bodies in the Lake Hayes catchment as part of any resource consent issued.**

Explanation

District Councils have functions under the Resource Management Act to control the use, development and protection of land and the subdivision of land. Disturbance to the land, as occurs with most development, has the capacity to increase sediment loadings on water bodies. Recent work on Coronet Peak in forming new tracks and development works associated with improving the area as a ski-field have highlighted the change in sediment loadings that can occur as a result of land disturbance. In circumstances where the use of water is not directly related to the development, the District Council may be the only authority involved in the granting of consents. In these situations, it is important that the Queenstown Lakes District Council consider

3 EROSION AND LAND USE

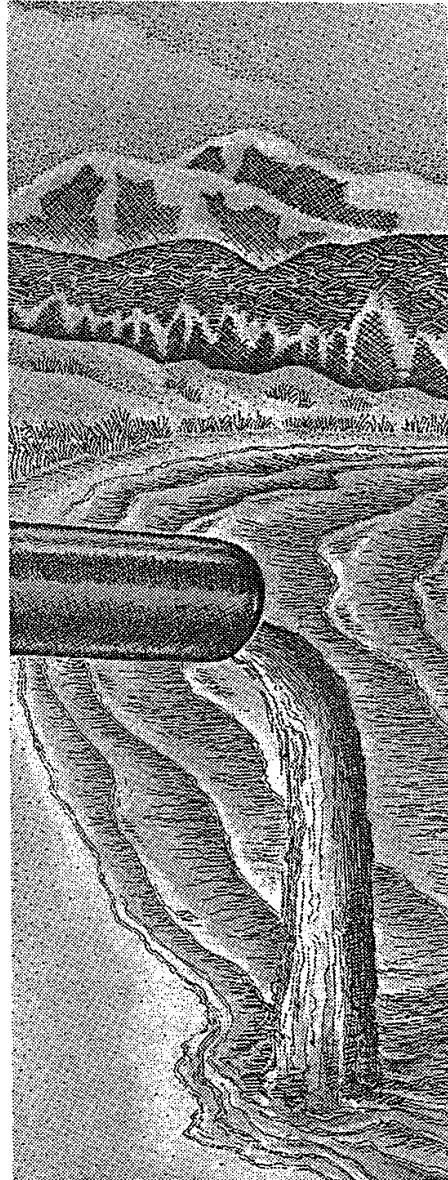
how land disturbance will take place, and whether there is likely to be any runoff into a water body.

3.7.4 The future land uses in the catchment with regard to their impact on water quality and soil conservation.

Explanation

Future land use planning has the capacity to consider and provide for mechanisms that will prevent the future deterioration of Lake Hayes water quality.

4. Point Source Discharges to Land, Water



4 POINT SOURCE DISCHARGES

4.1 Introduction

Point source discharges refer to the discharge of a contaminant from a specific and identifiable source, onto or into land, air or water. The discharge of a contaminant into a water body from a identifiable point can have effects which occur far beyond that point of discharge. In combination with the surrounding water quality present, a point source discharge can contribute to further degradation of the water quality. Because of their easily identifiable location and mechanism of release, it is easier to control and mitigate adverse effects from point source discharges than from the corresponding diffuse pollution source.

There is also a greater amount of technology available to treat contaminants which are traditionally discharged from an identifiable outlet. In the Lake Hayes catchment point source discharges tend to emanate from sewage disposal, ponds, and irrigation supply. The effects of such activities can be avoided, remedied and mitigated with adequate planning and design. With growth expected in both the tourism industry and residential settlement in this catchment, it is important that the associated issues of waste disposal and land management do not exacerbate the current poor standard of water quality. The intent of this section of the strategy is to establish a framework to ensure current and future point source discharges do not continue to contribute phosphorus to the Lake Hayes catchment.

4.2 Issues

4.2.1 Point source discharges within the Lake Hayes catchment contribute to the phosphorus loads entering Lake Hayes.

Explanation

Wastes from industries which have high nutrient content such as that from dairy farms and cheese factories has increased the nutrient loading of Lake Hayes in the past. Other point source discharges still occur today which contribute phosphorus to the lake.

4.2.2 Leaching of septic tanks contributes to the phosphorus loading of Lake Hayes.

Explanation

Septic tanks may have an adverse effect on catchment water quality where their location, maintenance or surrounding soils structure is inadequate for the nutrient loads they are carrying. Past studies in the catchment have indicated that septic tanks do contribute to the overall nutrient loading of the lake.

4 POINT SOURCE DISCHARGES

4.3 Objectives

- 4.3.1 To ensure that point source discharges in the Lake Hayes catchment do not contribute to the phosphorus loading in the lake.

Explanation

Point source discharges are usually able to be controlled and treated to ensure the discharge does not contain nutrients in levels that will adversely affect Lake Hayes. Current and future point source discharges will be required to show that their discharge to water will not contravene any water quality standard proposed for the water body.

4.4 Policies

- 4.4.1 To restrict the phosphorus and nutrient levels in point source discharges in the Lake Hayes catchment to ensure a decline in the total annual phosphorus loading rates of Lake Hayes.

Explanation

A decline in the phosphorus input into the lake from point source discharges will further assist lake recovery. To achieve long term lake recovery the high nutrient loading to the lake needs to be addressed. The impact of leaf litter on the phosphorus loadings of Lake Hayes is to be investigated.

- 4.4.2 Through the proposed *Regional Plan: Water*, current septic tank discharges which do not meet the proposed standards outlined in Appendix 3 will be required to meet that standard. All new on-site disposal systems will be required to operate to the standard outlined in Appendix 3.

Explanation

Some of the current septic tanks in the Lake Hayes catchment result in poor treatment of effluent and adverse effects on the ground and surface water resource. This policy requires those systems to be upgraded so that after treatment the effluent conforms to the standard specified in Appendix 3. All new systems must be designed to achieve the standard specified in Appendix 3.

4 POINT SOURCE DISCHARGES

- 4.4.3 Through the proposed *Regional Plan: Water*, water quality classes will be adopted for Lake Hayes and its tributaries, and Mill Creek.**

Explanation

This policy aims to provide for the management of the lake and tributaries that reflects what the lake is used for, and provide for the improvement of the lake water quality.

- 4.4.4 To encourage the connection of subdivisions and areas of development to reticulated sewerage systems.**

Explanation

Many of the houses and developed areas in the Lake Hayes catchment use septic tank systems. Encouraging the connection to reticulated sewerage systems recognises the potential contamination source of those septic tanks and their effect on phosphorus levels in the lake.

- 4.5 Regulatory matters recommended for consideration in the *Regional Plan: Water***

- 4.5.1 Establishing water quality classes for Mill Creek and Lake Hayes.**

Explanation

The development of water quality classes for Mill Creek and Lake Hayes will be considered within the regulatory framework of the proposed *Regional Plan: Water*.

- 4.5.2 The control of the discharge of contaminants including stormwater and sewage.**

Explanation

Regulation in the form of water quality standards will give direction and certainty to water users and provide for cumulative effects to be considered in order to address the water quality of Lake Hayes. Consideration will also need to be given to Appendix 3, which promotes an effluent standard for on-site sewage disposal (for example septic tanks).

4 POINT SOURCE DISCHARGES

- 4.5.3 Provision for the review of conditions on current resource consents issued under the Resource Management Act to ensure they meet any prescribed standards.**

Explanation

This mechanism may be necessary given the current level of phosphorus loading into Lake Hayes.

- 4.5.4 The control of the use of fertilisers, pesticides and herbicides.**

Explanation

There is a need to ensure that vegetated margins, which are performing a role in trapping nutrients are not affected by accidental or intended use of herbicide. If pesticides and herbicides are used according to manufactures directions then human safety is assured. Provisions exist under the Pesticides Regulations for prosecution if spray damages non target plants, and if negligent use can be demonstrated. These controls may be sufficient without the need for further regulation. To improve the trophic status of Lake Hayes phosphorus inputs into the lake must be reduced. It is particularly important that riparian margins do not receive fertiliser application, as their close proximity to water bodies and likely saturated soils will aid the flow of phosphorus into both surface and groundwater.

4.6 Regulatory matters recommended for consideration in the Queenstown Lakes District Plan

- 4.6.1 Consideration of the on-site disposal guidelines and standards outlined in Appendix 3, consistent with any regional plan.**

Explanation

On-site disposal guidelines for effluent quality are shown in Appendix 3. This mechanism is considered the most effective as the installation of the septic tank and its operating requirements can be dealt with in conjunction with the building consent. Where septic tanks currently do not meet the standard of effluent discharge required, the land holder is given the option of upgrading, or having the septic tank emptied regularly through a service agreement. This may be the best mechanism for households which are not regularly occupied, but where the septic tank system is currently inadequate.

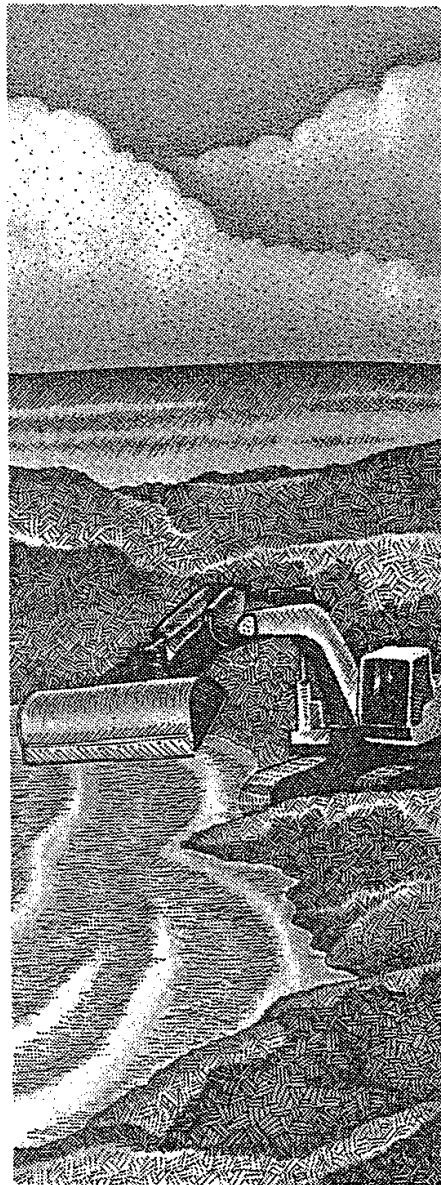
- 4.6.2 Requiring the connection of new subdivision areas and areas of development into reticulated sewerage systems.**

Explanation

4 POINT SOURCE DISCHARGES

New subdivision proposals, unless adequate provisions are made to deal with associated sewage discharges, could result in increased phosphorus loadings into Lake Hayes. Requiring the connection to a reticulated sewerage system, at the time of considering the subdivision application, will ensure that the potential impact of increased sewage discharges on the eutrophic state of the lake is taken into account.

5. The Taking, Use, Damming and Diversion of Water



5.1 Introduction

Water is used for a wide variety of functions in the Lake Hayes catchment. Some of these uses include fish ponds, snow making, public water supply, wildlife and tourism ventures, mining and irrigation. Pressure on the water resource is likely to increase with the expected growth in the area. The catchment can experience water shortages, in both summer and winter months, making the efficient and effective management of water quantity in the catchment extremely important. Water quantity will also affect water quality in tributaries and Lake Hayes. Lake Hayes itself is favoured for recreational use and the tributaries have important wildlife and fishery values.

Management of water use is necessary to sustain the potential of the lake to meet the needs of future generations. The need for further drinking water supply, irrigation, recreational use and fishing of the water resource in the Lake Hayes catchment can be foreseen.

Large scale drainage works and willow clearance were carried out in the Lake Hayes catchment in 1961. Between 80 and 120 hectares of land was drained in the upper half of Mill Creek resulting in an increase in productive land, but with the associated loss of wetlands. To improve the water quality of Lake Hayes, the benefits and methods of clearing drainage channels and the rate of flow of water through the catchment needs to be reassessed. This section of the strategy deals with how the taking, use, damming and diversion of water should be managed to achieve the objective to improve the water quality of Lake Hayes.

5.2 Issues

5.2.1 The quantity of water flowing in Mill Creek affects the quantity of nutrient entering the lake and the lake's rate of flushing.

Explanation

Continuous low flow of Mill Creek will affect the rate of flushing of Lake Hayes and hence potentially lead to a higher concentration of phosphorus in the lake. However since most of the nutrient entering the lake is bound to sediment, flood flows tend to carry more phosphorus. High flows also result in more erosion of the banks and movement of sediment downstream.

There are both water takes and discharges into Mill Creek, mostly for the purposes of land irrigation during the summer months. With an increase in viticulture in the catchment, demands for water from groundwater sources Lake Hayes and Mill Creek may increase. Groundwater takes from the catchment may also affect the amount of surface water available to the area.

5.2.2 The culverts at the outlet of the lake may be of insufficient size to manage high lake levels without causing flooding of adjacent land.

Explanation

It is normal for lake levels to rise at times of high rainfall. However when this occurs nutrients from the surrounding farmland is washed into the lake. It would be of benefit to lake recovery and lake flushing rates to ensure the culverts do not pose an excessive restriction on lake flushing and level control.

5.2.3 Lack of information on the groundwater resource in the Lake Hayes catchment impedes sustainable management of the use of water in the catchment.

Explanation

Groundwater recharges Mill Creek, the lake and the spring at the head of the lake. Increasing pressure to take water in the catchment, including the public water supply the spring provides, requires management agencies to have a better understanding of the capacity of the groundwater resource. In the Wakatipu Basin away from the main rivers, recharge of the groundwater aquifers is very limited and there is a possibility of aquifers giving low yields or becoming exhausted. The ability of the ground to sustain effluent disposal without contaminating ground or surface water is partially dependent on the geology. In coarse gravels, where there are few fine particles to act as a filter, soakage can allow effluent through the ground easily with little treatment. In the Lake Hayes basin the rural residents are mainly obtaining their domestic water supply from aquifers within the same ground deposits which are taking their effluent.

5.2.4 Drainage and flood protection works carried out in the past and their maintenance, increase the rate of flow of water through the Lake Hayes catchment and contribute high phosphorus content sediment to Lake Hayes.

Explanation

Increased rates of flow result in less sediment being able to settle out of the water column, and disturbs highly nutrient enriched sediment, sending it downstream into Lake Hayes.

5 TAKE, USE, DAM, DIVERT

5.3 Objectives

- 5.3.1 To ensure that the taking, use, damming and diversion of water in the Lake Hayes catchment does not adversely affect catchment water quantity and quality.**

Explanation

The taking, use, damming and diversion of water has the potential to either increase or decrease sediment and nutrient flows into Lake Hayes, depending on how it is carried out and the mitigation mechanisms employed.

- 5.3.2 To manage drainage channels and flood protection works so they no longer contribute phosphorus and sediment to Lake Hayes.**

Explanation

The use and maintenance of drainage channels have been found to contribute approximately 10% of the phosphorus loads to Lake Hayes per year. To improve the water quality of Lake Hayes it is necessary to reduce this form of phosphorus contribution.

5.4 Policies

- 5.4.1 To minimise obstructions to lake flushing and efficiently manage high lake levels.**

Explanation

Structures which restrict the rate at which the lake can clear itself of high inflows are inconsistent with water quality improvement as they exacerbate flooding of adjacent land and increase water residence time.

Obstruction to the outflow of the lake results in higher than normal lake levels over the whole year, and flooding of shoreline margins at times of high rainfall. When shoreline margins are flooded, phosphorus from the land is made available to the lake. Obstruction to outflow also increases lake residence time, which will extend the time it takes the lake to recover under the mechanism of reducing phosphorus inputs.

5.4.2 Through the proposed *Regional Plan: Water*, minimum flows for Mill Creek will be established.

Explanation

Where the Otago Regional Council has a role in managing the use of water in the Lake Hayes catchment, it will ensure that use of water will not result in the lowering of Mill Creek to below its minimum flow.

Minimum flow regimes are mechanisms whereby the needs of instream values are considered alongside the water needs of the community, and the minimum flow is set which reflects a balance between the two.

5.4.3 To ensure the efficient use of water in the catchment.

Explanation

The Queenstown Lakes District including the Lake Hayes catchment is experiencing rapid population growth and rural/urban development. With these changes to land use, crops such as grapes, which require irrigation, are currently and will in the foreseeable future put further pressure on the catchment's water supply. Along with this, there is little information on the capacity of the groundwater resource in the catchment. These factors culminate to requiring a conservative approach to water use.

5.4.4 To adopt a cautious approach to the quantity of groundwater taken in the catchment and to ensure that use of groundwater will not significantly adversely affect the flow rate in tributaries, lake levels, or result in a decline in water quality.

Explanation

Lack of information on the groundwater resource in the Lake Hayes catchment means there is the potential for unsustainable use of groundwater. Since groundwater recharges surface water there is a potential impact on dilution and concentration of phosphorus entering Lake Hayes with over use of groundwater. The spring at the head of Lake Hayes is a groundwater site which is used for a public water supply. The availability of that water source is required for the predicted growth of households in the area, however it should not significantly impact on water available to Lake Hayes. In-lake factors such as residency time (the time a particle of water spends in the lake system) and the requirements of aquatic ecosystems also need to be considered when water is allocated between users.

5 TAKE, USE, DAM, DIVERT

5.4.5 To reduce water flow rates, and the movement of sediment in catchment tributaries and Mill Creek.

Explanation

High flow rates carry more sediment in the streams and creeks of the catchment and are more likely to cause streambank erosion. When water is slow moving, suspended solids have the chance to settle out through the water column. This is what happens in a wetland. The sediment in the beds of water bodies is disturbed during high flow and released into the lake, making phosphorus available to the lake and for future algal blooms.

5.5 Proposed Otago Regional Council actions

5.5.1 The Otago Regional Council will commission an independent engineering report into the functioning of the culverts at the outlet of Lake Hayes and the functioning of Hayes Creek itself.

Explanation

Past investigations have found that base levels in the outlet channel could be lowered, and this would provide some buffering capacity between the normal lake level and that at which significant flooding occurs. A reduction in lake levels in the order of 20-30cm is considered appropriate. It is estimated that a 1600mm culvert, properly installed under SH6 would reduce persistent high lake levels. Such a culvert would prove slightly less efficient at low lake levels, hence further investigation is required to ascertain how peaks can be reduced, while residence time decreases or remains the same. The gradient of Hayes Creek at the outlet may also be responsible for restrictions to flushing. Obstruction from willow colonisation suggests works on Hayes Creek itself may also be required.

5.5.2 The Otago Regional Council will promote water efficiency mechanisms.

Explanation

The Council will actively promote the efficient and effective use of water in the Lake Hayes catchment, a potentially water short catchment.

5.5.3 The Otago Regional Council will provide for an investigation into groundwater resources in the Lake Hayes catchment.

Explanation

This investigation is needed to obtain information on the quantity and quality of the groundwater resources in the Lake Hayes catchment and

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Wakatipu Basin, so that management of the groundwater resource is based on sound technical information and knowledge.

- 5.5.4 The Otago Regional Council will provide advice on the management and maintenance of stream and drainage channels to ensure any work undertaken is in a way that minimises phosphorus and sediment inputs into the Lakes Hayes catchment.**

Explanation

Drainage works carried out in the 1960s increased the amount of production land available and removed the natural nutrient sinks. The works included drainage and stream channels which now form part of the existing system of carrying nutrients to Lake Hayes. Maintenance of the channels needs to be carried out in such a way that phosphorus and sediment inputs into water bodies is minimised. Any maintenance undertaken shall recognise any conditions contained on a consent that has been granted.

Works that are required following a flood can be undertaken provided they meet the requirements of the emergency provisions of the Resource Management Act.

Consultation and advice to land owners will need to be carried out to ensure that the best approach is adopted.

- 5.5.5 The Otago Regional Council will provide where necessary for a programme of shaping, spreading, grassing and fencing around channels.**

Explanation

Spoil created from the clearance of drainage channels has previously been placed on the bank above the water body. This spoil has a high nutrient content, and with rainfall this is displaced back into the water course. Spreading and grassing of the spoil will reduce the likelihood of sediment re-entering the water body.

- 5.5.6 The Otago Regional Council will investigate the re-establishment of Mill Creek to a meandering form in the sites currently channelled.**

Explanation

Mill Creek's natural character was more meandering than its current form. Meandering streams are better for water quality as the flow rate is slower and there is greater provision for sediment deposition. Where possible it would be beneficial from both a water quality and fisheries perspective for Mill Creek to return to its meandering form through the valley. The impact on sedimentation of works required to

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recreate a meandering form, and the potential for the meandering form of the creek to contribute greater amounts of phosphorus as a result of increased erosion on the creek bends need to be considered.

5.5.7 To establish a wetland or sediment pond on land occupied by Millbrook Country Club.

Explanation

Millbrook Country Club are in agreement with the establishment of a wetland or sediment pond on part of their land which is being developed as a resort hotel and golf course.

5.6 Regulatory matters recommended for consideration in the *Regional Plan: Water*

5.6.1 Establishing minimum flows for Mill Creek.

Explanation

The development of minimum flows for Mill Creek will be considered within the regulatory framework of the proposed *Regional Plan: Water*.

5.6.2 Controlling the taking and use of water in the Lake Hayes catchment.

Explanation

Section 14 of the Resource Management Act already establishes restrictions relating to the taking, use, damming and diversion of water. In a catchment such as Lake Hayes where rapid growth and land use changes are taking place some form of regulatory control provides the ability to consider and mitigate current and potential adverse effects, so that sustainable management may be achieved. Controlling the use of water in this catchment is also needed to ensure there are adequate quantities of water flowing into the lake to maintain the lakes rate of flushing, dilution of phosphorus and the aquatic ecosystem.

Non utilised irrigation water can have high sediment and nutrient loads where it has flowed over pasture, crops or exposed ground. It is also wasteful to apply irrigation in quantities larger than the assimilative capacity of the crop and soils present. The use of regulation will need to be considered further in the proposed *Regional Plan: Water*.

5.6.3 Controlling the damming and diversion of water.

Explanation

Dams can assist in augmenting natural flows and levels, retaining water during periods of high flows to be released at periods of low flow. They are also required for the creation of wetlands and ponds, which this strategy supports. The damming and diversion of water also needs to consider the potential impact on fish passage.

5.6.4 Controlling the disturbance of bed and banks of Lake Hayes and its tributaries.

Explanation

Section 13 of the Resource Management Act restricts the disturbance, deposition, reclamation and introduction of plants, to the beds of rivers and lakes. In relation to the Lake Hayes catchment, the primary concern of disturbance of the beds and banks of water bodies, is the effect that disturbance may have on sedimentation and channel destabilisation.

6. Appendices

6.1 Appendix 1: Alternative Methods for Improving Water Quality

6.1.1 Diversion of Mill Creek.

The feasibility of this method was explored in 1985. It was found that proposals to divert flows of up to 10m³/s from Mill Creek during times of flood were impractical and very costly. Mechanisms investigated included the channelling of flood flows around the lake into Hayes Creek, diverting flows from Dan O'Connell, Station and McMullens Creeks (tributaries to Mill Creek) into the Shotover River, and channelling flood flows from Mill Creek into the Arrow River catchment. For any of these works it was found that costs would prove high and in two of the cases the works would be highly visually obtrusive.

6.1.2 Clearing the outlet and decreased lake levels.

A preliminary investigation on the fluctuation of Lake Hayes' level and the effect the culvert at the outlet to Lake Hayes may have on this was undertaken in response to long term residents' concern that the level of Lake Hayes had risen between 300 and 500mm since the replacement of the SH6 bridge over Lake Hayes Creek with twin 900mm diameter culverts in the 1960s.

It was found (based on 15 years of once monthly observations) that the range in lake levels fell between RL 327.6 - 328.5m. (RL = reduced level, measured as height above Mean Sea Level.) A desirable range of lake levels from the point of view of farm drainage, from the lakes was considered to be RL 327.6 - 328.1m. It was also estimated that one 1600mm diameter culvert would reduce persistently high lake levels, although it may be slightly less efficient at low lake levels. From the point of lake nutrient reduction, it is detrimental to lake recovery to have adjacent farm land flooded, as with the return of flood water to the lake comes nutrients from the farmland.

Further exploration is needed into this issue of the functioning of the lake outlet, and hence lake flushing and residence time.

6.1.3 Piping of nutrient rich bottom waters.

This involves selectively withdrawing hypolimnetic (bottom) waters, which tend to be the richest at times of lake stratification. This method decreases the residence time (the time a particle of water spends in the lake system) of the hypolimnion. It has been shown to be effective in lakes that are smaller than Lake Hayes and show different stratification patterns. Application of Nurnberg's conclusions to Lake Hayes suggest hypolimnetic withdraw could be used to enhance the rate of depletion of the sediment pool of phosphorus during the anoxic release period (Nurnberg, 1984). Such an approach would gradually reduce

hypolimnetic phosphorus concentrations and the sediment pool of available phosphorus for subsequent release. It could not be considered as a technique to achieve immediate cessation of internal phosphorus release and immediate lake recovery. In a programme with external load reduction and hypolimnetic withdrawal, evidence suggests lake recovery would eventually occur more rapidly than with external load reduction alone.

6.1.4 Use of barley straw.

The use of barley straw to clear waters of algae was investigated following suggestions of this method from members of the public. Barley straw does have some application in shallow lakes where it can act in a sieve-like fashion, to capture floating algae. However, following consultation with organisations employing this technology, it was considered to be an ineffective method for a lake the size and depth of Lake Hayes.

6.1.5 Chemical methods of in-lake control.

There are three broad groups of chemical methods available to treat eutrophic lakes. They are herbicides, algal flocculation and nutrient inactivation.

6.1.5.1 Herbicide

Copper sulphate has been the most widely used algicide in New Zealand as it is effective against blue green algae. Its application however is most relevant to water reservoirs for drinking water supplies. Copper sulphate can be toxic to freshwater vertebrates and invertebrates, hence for a lake the size and depth of Lake Hayes the risk of toxicity to the important fishery and wildlife values of the lake is considered too great a risk.

Other herbicides which have been used in New Zealand in the past include Diquat and triazines. Herbicides of this nature tend to be most effective against higher plants than the blue-green algae which is present in Lake Hayes towards the end of summer. New Zealand regulations only permit the use of triazines in irrigation ditches.

6.1.5.2 Algal Flocculation

Flocculation is the process of precipitating out suspended solids from the water column. This is done by dosing the water with a surface spray of chemical compounds. In this way phytoplankton are directly precipitated with the chemical floc, and phosphorus is precipitated from the water column. However, this method is only successful for small lakes, up to 0.6km². Lake Hayes at 2.76km² and with a maximum depth of 33m is too large for this method of treatment.

6.1.5.3 Nutrient Inactivation

Where phosphorus is shown to be the limiting nutrient in phytoplankton growth, lake treatment with alum (aluminium sulphate) to precipitate the phosphorus can produce a reduction in phytoplankton biomass. Application of alum to intermittently stratified lakes such as Lake Hayes has not been as successful as with shallow or constantly stratified lakes. Studies on nutrient inactivation have shown that lake recovery from in-lake controls alone has not been sufficient if phosphorus inputs were not previously reduced.

A full investigation of the use of alum in Lake Hayes was undertaken by Robertson and Royds Garden in 1989. Alum was found to be the preferable method of in-lake controls for Lake Hayes. That document should be referred to for an explanation of the proposed costs and benefits to Lake Hayes of alum technology.

6.1.6 Flushing Lake Hayes with water from the Arrow River.

Flushing a nutrient rich lake with water of lower nutrient concentration will improve the water quality. However, in the case of Lake Hayes it is not certain whether this option could possibly aggravate the situation by upsetting the natural thermal balance of the lake and encouraging mixing of high phosphorus hypolimnetic water with low phosphorus surface water during summer. This method, like that of diverting Mill Creek (see 6.1.1 above) is likely to have high capital costs. The problem of high nutrient loads entering the lake from the Mill Creek catchment would still remain under this method.

6.1.7 Introduction of carp

MAF Fisheries investigated the potential benefits of using silver carp to control eutrophication in Lake Hayes in 1989. It was found that, in terms of long term control, silver carp would not be of benefit, as total nutrient loading to the lake would not change unless the fish were harvested. It was also considered that the amount of phosphorus bound up in fish flesh would be insignificant. It is suggested that silver carp may in fact increase algal biomass by eating the zooplankton which is currently the only control on the algal population. Given the uncertainties of the benefits and evidence that the carp may be a hindrance to improving lake water quality, this option will not form part of the rehabilitation plan.

6.1.8 Hypolimnetic aeration.

An investigation into the viability of hypolimnetic aeration in Lake Hayes was carried out by Robertson and Royds Garden in 1989. The major objective of hypolimnetic aeration is to raise the oxygen content of the hypolimnion without destratifying thermal stratification. Review of hypolimnetic aeration results concluded that the technique is not accepted as a technique with demonstrated effectiveness to substantially reduce internal loading of phosphorus. Although

phosphorus in the hypolimnion during aeration can be reduced, the effect is not as great nor as permanent as other techniques such as alum addition, hypolimnetic withdraw (siphoning) or dredging. Investigations of this method in 1989 concluded operating costs would be in the order of an initial cost for materials of \$380,000 and a yearly operating cost of \$55,000.

6.1.9 Artificial circulation.

The objective of artificial circulation is to aerate the volume of water that is normally the hypolimnion and oxidise substances in the entire water column. In so doing the lake is destratified. Destratification of Lake Hayes should result in a permanently oxic lake, with lowered iron, manganese and ammonium concentrations. The most extensive and recent review of the effectiveness of this technique to date considers artificial circulation to be a technique requiring more research and demonstration. It does not currently appear effective at substantially reducing internal loading of phosphorus. This method was reviewed by Robertson and Royds Garden in 1989 and that review should be referred to for additional information.

6.1.10 Sediment traps and wetlands.

The feasibility of constructing a sediment trap was briefly explored by the Otago Catchment Board in 1985. Initial costings of \$100,000 were made for a 4 hectare sediment trap. Wetlands were identified in the Robertson report as possible mechanisms for achieving phosphorus removal by the settling out of sediment. It has been claimed that prior to the draining of the major wetland in the Lake Hayes catchment, dirty Mill Creek floodwaters were not seen in Lake Hayes, implying the wetland was performing a role in settling out sediment. Initial costing of this option was \$500,000.

A full investigation into the feasibility of wetlands to achieve improved water quality in Lake Hayes was undertaken by the Otago Regional Council in 1994. The Council commissioned Royds Consulting Limited to undertake the investigation. They found that wetlands store phosphorus in sediment on their beds and did not consider that wetlands could achieve a net removal of phosphorus under this mechanism. Royds found that a water retention time of 15 days would be required to achieve sedimentation of phosphorus. This would give an 80% phosphorus removal rate. Royds also stated that in order to maintain these rates of removal, wetland sediment would need to be periodically dredged and dispersed onto land. The amount of land required to achieve the required retention time was found to be 345 hectares. A total of only 149 hectares was potentially available, and this area was dispersed over 4 sites.

To achieve a 50% removal would have required 138 hectares, which is still more area than was available at any one of the potential sites. The largest site was 93 hectares.

Royds found that constructing wetlands at each of the potential sites would not be satisfactory because even though the total area may be sufficient, it was the flow velocity (retention time) at each site that was important for effective phosphorus removal.

Wetlands as defined in the Royds report required excavation of 1 metre depth to achieve the desirable water depth. Such a design is expensive due to the construction requirements.

Royds therefore found that there were no suitable sites within the Mill Creek catchment for a wetland of sufficient area to ensure a high degree of phosphorus removal. All potential sites were said to require a compromise between the extent of phosphorus removal achievable and the area of wetland physically available. The largest area of land that might be available to form a wetland had the disadvantage of being furthest up the catchment away from Lake Hayes and hence could only intercept up to 40% of the phosphorus load to Lake Hayes.

Royds found that the likely cost of constructing a surface flow wetland, including land purchase, was \$155,000/ha. Based on this, the cost of the largest wetland that could be built in the catchment, would be \$17 million.

6.1.11 Mill Creek erosion.

In June 1994 the Otago Regional Council re-investigated Mill Creek to identify sources of sediment and identify the cost measures that might prevent or reduce the flow of sediment from Mill Creek into Lake Hayes. The report identified measures to reduce the runoff into water of non-sediment, phosphorus bearing material, particularly dung. The report identified areas within the creek where erosion is currently occurring and where some stabilising of the creek would reduce erosion. It also identified areas which would benefit from the exclusion of stock, and fencing was recommended. The fencing and associated works were costed out at \$95,000, including the provision of alternative stock water supply.

6.1.12 Altering land use practices, reducing external phosphorus inputs.

Changes in land use and land use practices correlate highly with the movement of phosphorus off the land and into water bodies in the Lake Hayes catchment. Major estimated inputs of phosphorus into the Lake Hayes catchment were shown in Robertson's 1988 report. This report identified various methods of phosphorus control. In terms of land use practices he identified: reduction in fertiliser application and runoff, reduction in runoff from animal stocking, wetland re-

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establishment, erosion prevention, and changes in land use, as being necessary to alleviate lake eutrophication. Each of these options is explored in more detail in Robertson's report.

6.2 Appendix 2: Trends From Water Quality Monitoring Data 1983-1994

In relation to Mill Creek:

- (1) Mill Creek provides about 80% of the annual external load of phosphorus to Lake Hayes. The proportion has not changed significantly since 1983.
- (2) The suspended solids phosphorus content (about 0.2%) is similar under all flow conditions and has not changed significantly since 1983.
- (3) The annual phosphorus load is variable and was much higher in 1983-84 than in 1990-94 because of a high incidence of flood events, an above average base flow rate and elevated concentrations of sediment-bound phosphorus.
- (4) Base flow annual phosphorus load, and to a lesser degree total annual phosphorus load, correlates well with the annual median total phosphorus and sediment-bound phosphorus concentrations.
- (5) pH levels were lower in 1983 than in 1984 and 1990-94, possibly because of an above average mean flow rate and incidence of flood events.
- (6) Conductivity, turbidity and inorganic nitrogen levels have not changed significantly since 1983.

In relation to Lake Hayes:

- (1) The recent yield of total phosphorus for the Lake Hayes catchment is in the range 10-20kg/km²/yr making it a low-average exporter of phosphorus.
- (2) The annual external load of phosphorus in 1983-84 (2400kg) was much higher than in 1990-93 (400-1000kg), whereas the output in 1983-84 (580kg) was similar to that in 1990-93 (550-700kg). The data support the view that the cycling of phosphorus in the lake is being driven primarily by the internal release of sediment-bound phosphorus.
- (3) Phosphorus concentrations in the lake are seasonal and depth dependent. Winter surface phosphorus concentrations and summer reactive phosphorus concentrations in the hypolimnion were significantly lower in 1983-85 than in 1970-71 and 1990-94. During the 1990-94 period total and dissolved reactive phosphorus concentrations remained relatively constant at all depths. It is hypothesised that in 1983 flow rates in Mill Creek were above average, throughput in the lake was elevated and lake residence time lower than normal. This resulted in lower lake phosphorus concentrations following autumn mixing. At stratification the subsequent rate of oxygen depletion would be lower because of a phosphorus concentration related fall in biological activity, the onset of anoxia

delayed, the amount of sediment-bound phosphorus released into the hypolimnion would be reduced, and the resulting phosphorus concentration in the hypolimnion would be lower.

- (4) Median dissolved oxygen concentrations in the hypolimnion during summer were $<1 \text{ g/m}^3$ in each of the three study periods. There is insufficient information to determine whether the date of onset of anoxia has changed, but it is clear that the hypolimnion is still anoxic during the summer stratification period.
- (5) The pH of the lake is seasonal and depth related. The winter pH was about 7.5 in 1983-84 and 8.0 since 1988. During spring and summer the epilimnion becomes increasingly alkaline and the hypolimnion more acidic, probably in response to increased rates of photosynthesis and respiration. Since 1989 the pH of the epilimnion during the summer period has been around 9.0.
- (6) The present water quality survey suggests that the water quality of the lake has probably not changed significantly since 1983. Under normal input flow conditions elevated lake phosphorus concentrations continue to provide a nutrient rich environment for algal growth, whilst the absence of any improvement in the anoxic condition of the hypolimnion, combined with high pH levels in the epilimnion during summer stratification constitutes a poor fishery environment.

6.3 Appendix 3: On-Site Disposal Effluent Standard

Because of the soil and drainage characteristics of the Lake Hayes catchment and the location of groundwater and drinking water sources, it is important that future on-site disposal mechanisms achieve an effluent standard that will protect the groundwater resources from phosphorus.

Prior to the granting of a consent for on-site disposal, evidence must be supplied that the engineering of the system will achieve reliable uniform loading of effluent to the full design infiltration surface and in general this will be achieved by pressurised distribution systems incorporating sound principles of hydraulic design.

The effluent discharge from the land disposal field as determined by monitoring should conform with the following criteria, until such time when a regional plan rules otherwise:

- (1) Biological Oxygen Demand (BOD) shall not exceed 10g/m^3 and annual average shall not exceed 5g/m^3 .
- (2) Total Suspended Solids shall not exceed 5g/m^3 and annual average shall not exceed 2g/m^3 .
- (3) Total Phosphorus shall not exceed 5g/m^3 and annual average shall not exceed 1g/m^3 .
- (4) Total Nitrogen shall not exceed 20g/m^3 and annual average shall not exceed 10g/m^3 .
- (5) Faecal coliforms shall not exceed 200 per 100mls and annual average shall not exceed 10 per 100mls.

6.4 Appendix 4: Suggested Species for Riparian Management Plantings

Sedges and Grasses

Species		Fringe	Mid	High bank	Characteristics	Soils
Tussock sedges	<i>Carex</i> spp	Yes	Yes	No	Excellent for cool conditions and poorly drained sites.	Low fertility, acid soils.
Tussocks (native)	<i>Chionochloa</i> spp	Yes	Yes	Yes	Use locally grown stock. <i>C. rubra</i> (red tussock) can become the dominant species in poorly drained soils, frost hardy.	Low fertility, moist soils but can withstand drought.
Tussocks (other native)	<i>Festuca novae-zelandiae</i>	No	Yes	Yes	Planted at close spacings provides a micro climate for other plantings. Frost hardy and drought tolerant.	Most dry soils.
Toetoe	<i>Cortaderia</i> spp	Yes	Yes	Yes	Large coarse grasses up to 5m in height. Frost hardy, mildly drought resistant, ideal nurse crop for establishing native plants. The exotic <i>C. selloana</i> and <i>C. jubata</i> should be avoided.	Low fertility, moist soils providing an abundant water supply exists.

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Appendix 4 (continued): Shrubs and trees

Species		Fringe	Mid	High bank	Characteristics	Soils
Wine-berry	<i>Aristotelia serrata</i>	Yes	Yes	No	Suitable for low to mid tier shelter (but not as a windbreak) for more permanent species. Provides rapid canopy, frost hardy.	Most soils except very poorly drained or drought prone.
Flaxes	<i>Phormium</i> spp	Yes	Yes	Yes	Excellent stream bank stabiliser and water shade provider. Very tolerant of frost, drought and wind. Provides good shelter for other plantings.	All soils from waterlogged to drought prone. Use locally grown stock.
Olearia	<i>Olearia</i> spp (32 species)	No	Yes	Yes	Extremely hardy, easily propagated, will tolerate dry and exposed positions. Ideal nurse crop.	Most soils except poorly drained.
Senecio	<i>Senecio</i> spp (23 species of shrub)	No	Yes	Yes	Hardy shrub, easily propagated, ideal for use in soil conservation or revegetation in botanically sensitive areas ie, scenic reserves.	Most soils including peaty and sandy soils.
Koro-miko	<i>Hebe stricta</i> and <i>H salicifolia</i>	Yes	Yes	No	Shrub to 4-5m ideal for stream side and wet gullies. Fine fibrous root system.	Most soils, not very drought tolerant.
Pitto-sporum	<i>Pittosporum</i> spp	No	Yes	Yes	Shrub or small tree. Ideal for understorey plant or nurse crop for taller species. Protect from direct wind.	Well drained, but not drought prone.
Coprosma	<i>Coprosma</i> spp	Yes	Yes	Yes	Up to 5m <i>C. parviflora</i> most suited. Frost tolerant but not drought hardy. Ideal understorey for taller species. Plant from locally grown stocks.	Tolerates heavy, wet and infertile soils very well. Most soils and clay.

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Broadleaf	<i>Griselinia littoralis</i>	No	Yes	Yes	Up to 15m with stout branches, frost tolerant, withstands strong wind except when young. Will not tolerate prolonged drought. Glassy foliage.	Grows well on all but very infertile or gravelly soils.
Cabbage tree	<i>Cordyline australis</i>	Yes	Yes	Yes	Up to 12m, sparingly branched, leaf cluster at top, strong tap root.	All soils, from wet swampy ground to dry windy hill slopes.
Kowhai	<i>Sophora microphylla</i>	No	Yes	Yes	Attractive hardy small tree.	Well drained fertile soils.
Corokia	<i>Corokia cotoneaster</i>	No	Yes	Yes	Shrub up to 3m, extremely frost and drought tolerant and withstands exposure well. Excellent hedging or windbreak plant.	Most soil conditions.

NB: Slow maturing native trees such as Beeches, Kahikatea, Rimu, Matai, Totara etc, and the numerous exotic species are all suitable for interspersed plantings and the long term plan. Existing natives ie, Matagouri, *Carmichaelia* etc, should remain *in situ*.

6.5 Glossary

Terms marked with an * are terms defined by Section 2 of the Resource Management Act 1991.

Access strip	Is a strip of land created by the registration of an easement in accordance with Section 237B for the purpose of allowing public access to or along any river, or lake, or the coast, or to any esplanade reserve, esplanade strip, other reserve, or land owned by the local authority or by the Crown (but excluding all land held for a public work except land held, administered, or managed under the Conservation Act 1987 and the Acts named in the First Schedule to that Act).
Aesthetic Value	A value associated with the visual quality or the appreciation of the inherent visual quality of an element in the built or natural environment.
Anoxia (and anoxic)	A state of being oxygen poor, (cf. oxic state).
BOD	Biochemical Oxygen Demand. Used as a measure of organic pollution. The measured amount of oxygen required by micro-organisms to biologically degrade the organic matter in water.
Catchment	The total area from which a single water body collects surface and subsurface runoff.
Conditions*	In relation to plans and resource consents, includes terms, standards, restrictions, and prohibitions.
Consultation	The communication of a genuine invitation to give advice and a genuine consideration of that advice.
Contaminant*	Includes any substance (including gases, liquids, solids and micro-organisms) or energy (excluding noise) or heat, that either by itself or in combination with the same, similar, or other substances, energy or heat: (a) When discharged into water, changes or is likely to change the physical, chemical or biological condition of water; or (b) When discharged onto or into land or into air, changes or is likely to change the physical, chemical, or biological condition of the land or air onto or into which it is discharged.

Dam	A structure used or to be used for the damming of any natural water, river, or stream but does not include a flood bank or channel training work.
Discharge*	Includes emit, deposit and allow to escape.
Divert	The act of deflecting or moving a stream or river to another area.
Ecosystem	A dynamic complex of plant, animal and micro-organism communities and their non-living environment interacting as a functional unit.
Effect	Section 3 of the Resource Management Act defines the term effect as including: <ul style="list-style-type: none"> (a) Any positive or adverse effect; and (b) Any temporary or permanent effect; and (c) Any past, present, or future effect; and (d) Any cumulative effect which arises over time or in combination with other effects - regardless of the scale, intensity, duration or frequency of the effect; and also includes - (e) Any potential effect of high probability; and (f) Any potential effect of low probability which has a high potential impact.
Environment*	Includes: <ul style="list-style-type: none"> (a) Ecosystems and their constituent parts, including people and communities; and (b) All natural and physical resources; and (c) Amenity values; and (d) The social, economic, aesthetic, and cultural conditions which affect the matters stated in paragraphs (a) to (c) of this definition or which are affected by those matters.
Epilimnion (and epilimnetic)	The highest stratum (layer) of a stratified lake.
Erosion	The processes of the wearing away of the land surface by natural agents and the transport of the material that results.

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Esplanade reserve*	A reserve within the meaning of the Reserves Act 1977 - (a) Which is either - (i) A local purpose reserve within the meaning of Section 23 of that Act, if vested in the territorial authority under Section 239 of the Act; or (ii) A reserve vested in the Crown or a regional council under Section 237D; and (b) Which is vested in the territorial authority, regional council, or the Crown for a purpose set out in Section 229 of the Act.
Esplanade strip*	A strip of land created by the registration of an instrument in accordance with Section 232 of the Act for a purpose or purposes set out in Section 229 of the Act.
Eutrophication	Process by which water (usually freshwater) becomes rich in nutrients, causing excessive plant growth which kills animal life by deprivation of oxygen.
Fauna	All the animal life of a given place or time.
Flora	All the plant life of a given place or time.
Flushing Rate	The rate at which a body of water completely replenishes itself.
Fresh Water*	All water except coastal water and geothermal water.
Groundwater	Water that occupies or moves through pores, cavities, cracks and other spaces in crustal rocks.
Habitat	The place or type of site where an organism or ecological community naturally occurs.
Hydrology	The science of the properties and laws of water, especially its movement on, under and above the land.
Hypolimnion (and hypolimnetic)	The lowest stratum (layer) of a stratified lake.
Indigenous Species	A native species of New Zealand.

Instream Values	Those uses or values of rivers and streams that are derived from within the river system itself and include those associated with freshwater ecology and recreational, scenic, aesthetic, intrinsic and educational uses.
Intrinsic Values*	In relation to ecosystems, means those aspects of ecosystems and their constituent parts which have value in their own right, including: <ul style="list-style-type: none"> (a) Their biological and genetic diversity; and (b) The essential characteristics that determine an ecosystem's integrity, form, functioning, and resilience.
Issue	A matter of concern to an area's community regarding activities affecting some aspect of natural and physical resources and the environment of the area.
Kaitiakitanga*	The exercise of guardianship; and, in relation to a resource, includes the ethic of stewardship based on the nature of the resource itself.
Lake*	A body of fresh water which is entirely or nearly surrounded by land.
Land*	Includes land covered by water and the air space above land.
Land Drainage	The act of taking off or diverting water from the land by artificial channels, pipes or other means.
Loess	A homogenous deposit of wind-blown silt.
Mitigate	To make or become less severe or harsh. To moderate.
Natural and Physical Resources*	Includes land, water, air, soil, minerals and energy, all forms of plants and animals (whether native to New Zealand or introduced), and all structures.
Non-point Source Discharge	Runoff or leachate from land, onto or into land, air, a water body or the sea.
Oxia (and oxie)	A situation with oxygen present (cf. an anoxic state).
Phytoplankton	Planktonic plant life, mainly microscopic algae, existing in the water column.
Point Source Discharge	A discharge from a specific and identifiable source, onto or into land, air, a water body or the sea.

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Policy	The course of action to achieve the objective.
Resource Consents	A consent to do something which would otherwise contravene any of Sections 9 to 13 of the Resource Management Act 1991. It includes Land Use Consent, Coastal Permit, Subdivision Consent, Water Permit, Discharge Permit.
Riparian Margins	A strip of land adjacent to a water body which is frequently moist, and which generally extends from the perceived change in contour of the flood plain to the water body itself.
River*	A continually or intermittently flowing body of fresh water; and includes a stream and modified watercourse; but does not include any artificial watercourse (including an irrigation canal, water supply race, canal for the supply of water for electricity power generation, and farm drainage canal).
Tributary	A stream or river that flows into a water body.
Turbidity	The relative tendency of a water to scatter light. Informally taken as synonymous with "cloudiness" (lack of visual clarity).
Water Body*	Fresh water or geothermal water in a river, lake, stream, pond, wetland, or aquifer, or any part thereof, that is not located within the coastal marine area.
Wetland*	Includes permanently or intermittently wet areas, shallow water, and land margins that support a natural ecosystem of plants and animals that are adapted to wet conditions.

6.6 Maori terms and phrases

Hapu	Subtribe, extended whanau
Hui	Consultative meeting
Iwi	Tribe
Kai Tahu	Descendants of Tahu, the tribe
Kai Tahu whanui	The large family of Kai Tahu
Kaitiaki	Guardians
Kaitiakitanga	Guardianship
Mahika kai	Places where food is procured or produced
Mana	Authority or influence or prestige
Manawhenua	Those with rangatiratanga for a particular area of land or district
Mauri	Life force
Rangatiratanga	Chieftainship or authority
Runanga	Local representative groups or community system of organisation
Taoka	All things highly prized, including treasures, property, a resource or resources or even a person (same as taonga)
Wai	Water
Wairua	Life principal
Whakapapa	Genealogy or family tree
Whanau	Family
Whanui	Large or extended

6 APPENDICES

6.7 Bibliography

- Kawarau Water Conservation Notice. Evidence presented in support of the application by the Otago Regional Council
Proposed Regional Policy Statement for Otago
Department of Lands and Survey, 1982: *Lake Hayes Reserves Management Plan*, Management Plan series number RR20. Department of Lands and Survey, Dunedin
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- Mitchell, SF and CW Burns, 1981: *Eutrophication of Lake Hayes and Lake Johnson*. Report to Ministry of Works
- Nurnberg, GK, 1984: The prediction of internal phosphorus load in lakes with anoxic hypolimnia. *Limnol Oceanog.* 29(1); 111-124.
- Queenstown Lakes District Plan (*in preparation*)

Document Id:

MEMORANDUM

To: Gavin Palmer
From: Jean-Luc Payan and Bikesh Shrestha
Date: 05/03/2019
Re: Response to a large boulder impeding the flow downstream of culvert at Hayes Creek

1. Scope of the investigation

The Natural Hazards Team at ORC has been asked to conduct a preliminary investigation of the effects of a large boulder located in Hayes Creek downstream of the culvert under State Highway 6 (Figure 1). The purpose of the investigation is to assess the effect of the large boulder on the hydraulic performance of the culvert. The scope included also an investigation of the effect of channel capacity alterations (cross-section, gradient, condition) on the flood levels.

2. Site visits and observations

Scott Liddell (Senior Field Officer) visited the site on several occasions since December 2018:

- 3rd December, Scott met Ulrich Glasner from QLDC on site and walked the outflow and determined there was no obvious obstruction to the creek downstream of the culvert. He observed a couple of trees down in the channel.
- 14th December, Scott visited Hayes Creek and removed most of the trees within channel.
- 18th December, the larger trees in the channel were removed.
- 29th January, visit to check the presence of a boulder in the channel possibly blocking the outlet. No boulder seen, but some branches from the culvert entrance and downstream of the exit were removed.

Bikesh Shrestha (Natural Resources Engineer) and Scott Liddell (Senior Field Officer) visited the site on 4th of March 2019 to investigate a large boulder impeding the flow downstream of culvert at the Hayes creek. During the site visit a walkover survey (visual inspection) of the Hayes Creek was carried out. 200m downstream of the culvert and till Lake Hayes upstream of the culvert was covered (Figure 1).

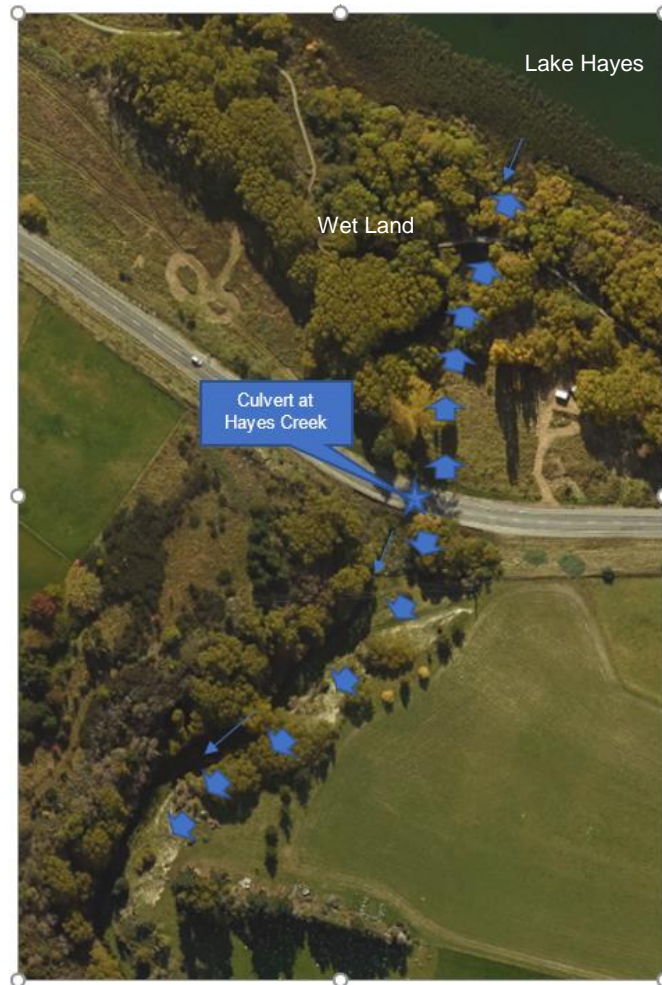


Figure 1. Location of culvert at the Hayes Creek and area covered during walkover survey.

During the walkover survey, no larger boulder which could obstruct the flow out of the culvert downstream was observed. The water was flowing freely out of culvert. The culvert was working hydraulically well (Figures 2, 3 and 4). Thick vegetation on the left bank and right bank was noticed as shown in Figure 4. Approximately 100m downstream of the culvert sedimentation on the bed was observed and the flow was slow as compared to flow immediately downstream of the culvert. This can be the sign of milder slope downstream of the culvert (Figures 5 and 6).



Figure 2. Flow out of culvert



Figure 3. Flow in to the culvert



Figure 4. Vegetation on banks of Hayes Creek immediately downstream of culvert (looking downstream)



Figure 5. Hayes Creek approximately 100 m downstream of the culvert (looking downstream)



Figure 6. Sediment deposited on the channel bed of Hayes Creek approximately 100 m downstream of the culvert



Figure 7. Wet land upstream of the culvert

3. Assessment on the effect of bed regrading on the flood levels

A preliminary desktop assessment was carried out around the effect of bed regrading on the flood levels. A simple one-dimensional steady state hydraulic model was developed in HEC-RAS extracting cross-sectional information from Lidar and assumed water depth. The culvert dimension and gradient were obtained from NZTA resource consent application of 2001.

The model results show that, under static conditions (steady state), bed regrading (by deepening the creek gradually up to 900mm) on a 500m long section downstream of the culvert outlet (maintain a slope of 1:300) could reduce the water level upstream of the culvert by 300mm approximately (Figure 8 and Figure 9).

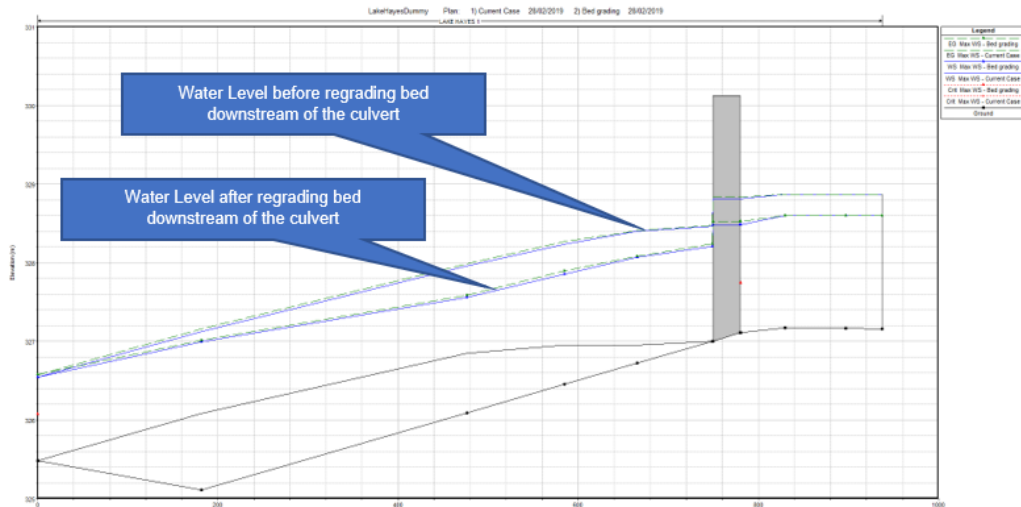


Figure 8. Backwater profiles comparing the water levels

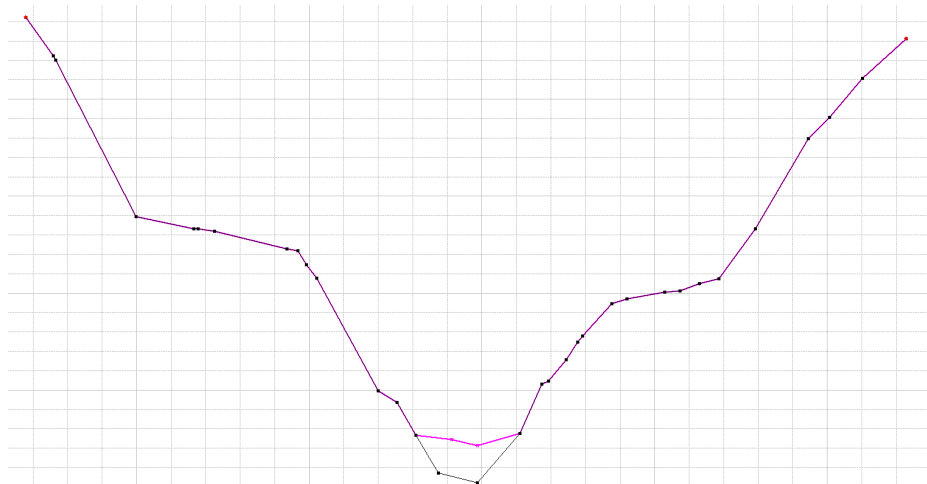


Figure 9. A typical cross-section presenting the bed regrading

A more detailed assessment and a more comprehensive model are required to understand and confirm the effects of this reduction of water level upstream of the culvert particularly on lake Hayes levels and draining times. The assessment done in this preliminary investigation

does not account for the dynamic aspects and relationship between the lake outflows and lake levels. A more detailed assessment might indicate that the reduction in water levels due to bed regrading will not result in a substantial reduction in peak lake levels or time to drain after heavy rainfall events.

Additionally, there are limitations associated with bed regrading (e.g. sediment redistribution requiring regular bed regrading, possible undermining of the culvert setting by triggering erosion, requirement to widen the channel, high cost).

4. Conclusion

From our site visit it can be implied that the limiting factor to flow out the Lake Hayes is most probably the culvert size rather than an obstruction in the channel or the state of the channel downstream. Removing the vegetation on the banks downstream of the culvert could slightly improve flows downstream of the culvert but given the limiting effects of the culvert, the improvements are likely to be limited. Regrading the bed downstream of the culvert is likely to reduce the water level upstream. However, a more detailed assessment is required to understand the upstream extent of the reduction in water levels due to bed regrading and its effects on peak lake levels or time to drain after heavy rainfall events.

The following constraints need to be accounted for when considering bed regrading downstream of the culvert:

- There is a regionally significant wetland upstream of the culvert (as shown in Figures 1 and 7) and reducing the water level upstream as a result of regarding the bed could adversely affect the wetland ecology. Obtaining the required consents might also prove very difficult and costly.
- Lake level needs to be maintained at an acceptable level, especially during the low flow periods.
- Ecological values likely to be associated with Hayes Creek could limit the extent of work in the channel and on the banks

REPORT

File No: 2001.984

Report: 2002/027

Prepared for: Staff Consents Panel

Prepared by: Michelle Conland, Resource Officer

Date: 21 January 2002

Subject: Applications 2001.984 and 2001.985: Transit NZ, to replace twin culverts and to take water, Hayes Creek, SH 6

1. Purpose

To report and make recommendations on the determination of a consent application to replace the Lake Hayes outlet culverts and to take water.

2. Background Information

Transit New Zealand has applied to replace two existing twin culverts and to take water from a wetland. The existing culverts are to be replaced as they are in a state of collapse. The Lake Hayes outlet culverts are situated on State Highway 6, approximately 1km south west of the Arrowtown Lake Hayes Road. Lake Hayes flows into Hayes Creek, where the culverts are located.

2.1 The Proposal

The proposal is to replace two existing culverts under State Highway 6 at Hayes Creek. The existing culverts are approximately 900mm in diameter with a combined end area of 1.27m². They are in danger of collapse which would adversely affect use of the road and cause temporary damming of the lake. The current carriageway width at the culverts is 7.6 metres compared with 10 metres on either approach to the structure and as such, creates a constriction in the road. The replacement of the culverts provides an opportunity to widen the road by lengthening the culvert. However, the widening of the road is likely to occur at a later date.

The taking of water is to enable the areas needing concreting to be dewatered. This relates only to water that seeps through the temporary coffer dam or up from the bed of the creek, which is to be pumped away. The maximum rate of water proposed to be taken is 1l/s, or 22,000l/day for no more than four days.

2.2 The Site

The outlet from Lake Hayes flows into Hayes Creek, where the culvert is located. Lake Hayes Margin is identified as a significant wetland in the Proposed Regional Plan: Water. The boundary is the edge of SH 6, closest to Lake Hayes. The lake and its shores have the status of Wildlife Refuge. Lake Hayes Margin is listed in Schedule 1A Natural Values of the Proposed Regional Plan: Water as having the following values:

Ecosystem Values

- important bed composition for resident biota
- weed free
- significant riparian vegetation

- significant presence of eel and trout

Lake Hayes Margin is also identified as a significant wetland with the following values:

Wetland Values	Value Type
Habitat for threatened native fish species the Koaro and for threatened swamp birds Australasian bittern and great crested grebe.	Habitat for nationally or internationally rare or threatened species or communities.
High species diversity. The lake supports a number of endemic bird species and is of special value as a breeding area for a variety of waterfowl, including paradise shelduck, grey duck, the New Zealand shoveller duck, the marsh crake and the Australian coot.	Wetland with high diversity of indigenous flora and fauna.

Lake Hayes is also listed in the schedule of spiritual and cultural beliefs, values or uses associated with water bodies of significance to Kai Tahu (Schedule 1D). The Schedule indicates Lake Hayes is significant in terms of being a waahi taoka and for mahika kai.

3. Status of the Application

The application to replace the existing culverts is a restricted discretionary activity (rule 13.3.2.1) and the disturbance is a discretionary activity (rule 13.5.3.1) under the Proposed Regional Plan: Water (Incorporating Decisions on Submissions Received). There have been no references to the Environment Court that would affect these rules, so full weight can be given to them. The Council may grant or decline the application, and may impose conditions if the consent is granted.

The application to take water from a wetland is a discretionary activity under rule 12.1.5.1. of the Proposed Regional Plan: Water. The diversion of the water is a permitted activity under rule 12.3.2.3. These rules have been appealed by the Department of Conservation in relation to wetlands and written approvals. Under the Transitional Regional Plan the taking of water from a wetland is an unclassified activity. The diversion of water is a permitted activity under General Authorisation No. 15. The proposal would not conflict with any express or implied policies or objectives of the Transitional Regional Plan.

The discharge of the water onto land is a permitted activity under rule 12.11.2.3 and will take place outside the area identified as a wetland. Under the Transitional Regional Plan, this activity is also a permitted activity. As there has been no reference to the Environment Court that would affect this rule, full weight can be given to it.

4. Non-Notification and Written Approvals

A provisional decision was made to process this application non-notified, subject to approval from affected parties. Written approvals have been obtained from the following parties:

- **Department of Conservation**

Written approval has been given to the application proceeding by non-notified resource consent provided the following are conditions of the consent:

- (a) *The works required will be undertaken during the period March to April 2002*

- (b) *The contractor will advise the Wakatipu Area Office prior to works at the site beginning*
- (c) *The contractor will advise the Wakatipu Area Office at the completion of the works.*

- ***Fish and Game Otago***

Fish and Game Otago have asked that they be informed at least ten days prior to work commencing.

- ***Kai Tahu ki Otago Ltd on behalf of Kati Huirapa Runanga ki Puketeraki and Te Runanga Otakou***

Nga Runanga do not object to the application proceeding as a non-notified resource consent application. However, they are concerned:

- (a) *That there is minimum disturbance and discolouration to the stream*
- (b) *There is minimum adverse effects on aquatic life and habitat*
- (c) *There is no impediment to fish passage*
- (d) *That if machinery is required to be in the creek bed that it is clean and weed and oil free.*

- ***Te Runanga o Ngai Tahu***

Written approval has been given to the application proceeding by non-notified resource consent provided the following is a condition of the consent:

In the event of any disturbance of Koiwi Tangata (human bones) or artifacts (taonga), the consent holder shall:

- (a) *cease any further excavation for a period of at least 24 hours;*
- (b) *immediately advise the Regional Council of the disturbance;*
- (c) *immediately advise the Upoko of the Papatipu Runanga, or his representative of the disturbance.*

The applicant has advised that they will meet all of the conditions raised by the above parties. All of the above concerns can be addressed through appropriate consent conditions. As all potentially affected parties have given their written approval and the adverse effects of this proposal are considered to be minor (see section 5 below), the requirements of the decision not to publicly notify have been met.

5. Discussion of the Effects on the Environment

5.1 Construction Process

The eastern culvert (nearest Cromwell) will be removed first and the bed of Hayes Creek will be excavated to a lower level before placing the new culvert. Water will be diverted away from this area using a temporary coffer dam placed in the creek. If necessary, the area around the culvert will be dewatered by pumping, with the pumped water being discharged onto land adjacent to the stream, downstream of the culverts.

The new culvert will be placed in two sections, first a 6-metre length of culvert will be lowered into place from the centreline of the road to the downstream end. A second section of culvert of up to 4 metres in length will be joined to the first length. The culverts will have gibault joints and concrete endworks.

The creek bed will then be regraded for up to 12 metres either side of the culvert as necessary. The regrading will occur over the entire creek bed width. On the

downstream side of the culvert only, it may be necessary for regrading machinery to work in the creek bed if it is unable to be reached from the roadside. The machinery would be in the creek bed for a maximum of two hours and any disturbance to the bank would require reinstatement of the bank to its original condition. The culvert area will then be backfilled with appropriate materials.

The western culvert (nearest Queenstown) will remain open during this time. Once flow through the new single culvert is established, this remaining old culvert will be removed. The pavement will then be reconstructed and resealed. The culvert replacement works are scheduled to commence in March and will be completed in 2 weeks. The culvert replacement is estimated to take 2-4 days to complete, with the remaining time for ancillary works.

5.2 Effects on Lake Levels and Flooding

Originally it was proposed to replace the culverts with a single 1600mm diameter culvert with an end area of 2.01m². However, the Council's engineers were concerned that the large diameter could have adverse effects of the lake level and wetland area, by allowing the flow through the culvert to increase. Consequently, the proposal was revised, with the size of the proposed culvert now having a diameter of 1350mm. The construction methodology is the same for this new smaller diameter culvert.

When installed at the correct level with a fall of 1:300, the 1350mm sized culvert has a very similar stage discharge profile to the existing twin culverts. Consequently, the lake levels should not be adversely affected by the change in culverts.

The new culvert will also have positive effects compared with replacing the twin culverts with culverts of exactly the same design, as it will improve the existing flood flow capacity. The single culvert will be less prone to blockage and will be easier to clear out if it does block. In addition, the single culvert will provide greater capacity at high lake levels, and so reduce the likelihood of flooding.

5.3 Effects during construction

Construction effects associated with this proposal will be predominantly associated with the disturbance of the riverbed and adjacent riverbank during the replacement of the culverts and associated regrading of the riverbed. All of the work will be undertaken in as dry conditions as possible, by diverting the creek away from the construction areas with the use of temporary coffer dams. However, there is still likely to be some sedimentation and discolouration of the stream during the replacement and regrading works.

When the water is diverted into one of the existing single culverts, there will be a short term reduced capacity, compared with that of the twin culverts. This is likely to have a minor effect on lake dynamics and creek flow. This effect, and the timing of the works is potentially significant for birds who inhabit the adjacent wildlife refuge. The crested grebe builds a floating platform nest. Any alteration in water levels could potentially swamp the nest. The breeding period begins in September each year and finishes late February. However, the spawning period for trout is from May until September. This leaves a period from March until May during which the works can be undertaken. Transit is confident that provided the existing structure does not collapse, the work can be undertaken during March and April. Consequently, there should be no adverse effect on the wildlife refuge.

Where possible, machinery will work from the banks of rivers and streams. However, on the downstream side of the culvert this may not be possible. Machinery in rivers and streams can cause adverse effects through hydraulic oils or fuel leaking into the watercourse, and may disturb the bed and banks of the watercourse, causing greater amounts of sediment to be released into the water. If the riverbank is disturbed to allow access by machinery to the riverbed, the banks will be reinstated to the previous natural profile and revegetated. The applicant has indicated that the work methods will aim to minimise disturbance and siltation by minimising the amount of instream work undertaken.

When removing the existing culverts, the release of any concrete into the creek bed will be avoided. In the unlikely event that any concrete does fall into the creek, it is inert when dry and so can be removed immediately. In its wet form, cement is considered to be a contaminant and if released into flowing water could contaminate water in the immediate vicinity and downstream of the spill. To avoid this, the creek will be directed away from the area to be concreted, minimising any risk of water contamination.

Pumping may also be used to dewater the area being concreted. In terms of taking water from the creek in order to dewater the area, the amount to be taken is likely to be very little. The stream will first be diverted away from the area. Only the water that seeps through the coffer dam or up from the bed of the creek will be pumped away. The maximum rate at which water can be taken under this consent is to be 1l/s. However, this amount of water will not be taken continuously, and the actual amount to be taken is likely to be very little, if any. Furthermore, there will be no net loss from the stream as any water taken will be discharged onto the adjacent banks and filter back into the stream. The maximum number of days that the water will be pumped will be four days. The taking of the water from the creek will have no noticeable effect on the wetland.

Given the proposal and the short term nature of the work, it is likely that any effects on aquatic ecosystems will be localised and of limited duration. The works will take place outside of trout spawning and nesting periods. In addition, at all times at least one culverts will be open at all times to ensure that fish passage is not impeded. While macroinvertebrates will be disturbed by the regrading work, due to their drifting nature, they will quickly recolonise the disturbed area. As the work will be undertaken during low flows, the risk of downstream contamination is low and the effects on any macroinvertebrate communities are expected to be minor. Once the work is complete the stream should quickly return to its previous state.

In terms of vegetation, the existing environment comprises a mixture of grasses, tussock, willow and bullrushes. There will be no adverse effects to any significant indigenous or exotic vegetation.

Short term visual affects will be generated by the culvert replacement due to the location of equipment on site and the disturbance to the road and creek area. However, these effects will be limited in duration and will not extend past the construction period.

Culvert works have the potential to affect the mauri of water bodies and the broader environment. In addition, mahika kai can be adversely affected through temporary decline in water quality and disruptions to native fish passage, and waahi taoka and waahi tapu can be affected through the disturbance of the banks and beds of rivers.

Transit has discussed the proposal with Kai Tahu ki Otago who have suggested various conditions of consent to avoid, mitigate or remedy these effects. Transit is happy for these to be included as conditions of consent. In the event of an archaeological site, artefacts or cultural material being discovered during excavations, work will cease immediately, and tangata whenua and the New Zealand Historic Places Trust will be contacted.

The applicant has proposed mitigation and control measures to address environmental effects. Where appropriate, these measures are reflected in the recommended consent conditions. Conditions are also recommended to ensure that disturbance is minimised, there is no discharge of contaminants to the stream, and any debris is removed once the works are completed.

5.4 Post-construction effects

Once work is completed, the disturbed areas will quickly return to their normal state. Flood risks in the vicinity should be improved. The new culvert will not hinder fish passage as there are no velocity barriers or drop structures. Although the culvert will be extended, fish passage will not be hindered, as the culvert invert will be placed below the level of the riverbed.

The application has been considered by the Council's Engineering Department who state that they have no concerns regarding the proposal as amended. The proposed replacement of the culverts will improve the safety and efficiency of SH 6.

6. Statutory Considerations

Part II sets out the purpose and principles of the Resource Management Act 1991. The purpose of the Resource Management Act (RMA) is to promote the sustainable management of natural and physical resources. Section 5 states activities must be managed so that adverse effects on the environment are avoided, remedied or mitigated.

Section 6 of the Act sets out those matters of national importance that are to be recognised and provided for in achieving the purpose of the Act. These include, but are not restricted to:

- *the preservation of the natural character of lakes and rivers and their margins and protection of them from inappropriate use and development;*
- *the maintenance and enhancement of public access to and along the coastal marine area, lakes and rivers; and*
- *the relationship of Maori and their culture and traditions with their ancestral sites, waahi tapu and other taonga.*

Section 7 of the Act sets out those "other matters" that Council is to have particular regard to in achieving the purpose of the Act. In the context of the present application the following matters are relevant:

- *kaitiakitanga;*
- *the efficient use and development of natural and physical resources;*
- *intrinsic values of ecosystems; and*
- *maintenance and enhancement of the quality of the environment.*

Section 8 of the RMA requires the Consent Authority to take into account the principles of the Treaty of Waitangi (Te Tiriti O Waitangi). Accordingly, details of the application were discussed with Iwi, whose concerns have been taken into consideration through

conditions of consent. In addition, the Regional Policy Statement and the proposed Regional Plan: Water set out Iwi values and issues, and these have been taken into consideration.

Overall, the application is considered to be consistent with Part II of the Act, given the minor nature of the activity and the proposed conditions of consent.

Section 104 of the Resource Management Act sets out the matters to be considered when assessing an application for a resource consent. These are as follows:

- (a) any actual and potential effects on the environment of allowing the activity;*
- (b) any relevant regulations;*
- (c) any relevant national policy statement, New Zealand coastal policy statement, regional policy statement, and proposed regional policy statement;*
- (d) any relevant objectives, policies, rules, or other provisions of a plan or proposed plan;*
- (e) any relevant district plan or proposed district plan, where the application is made in accordance with a district plan;*
- (f) any relevant regional plan or proposed regional plan, where the application is made in accordance with a district plan;*
- (g) any relevant water conservation order or draft water conservation order;*
- (h) any relevant designations or heritage orders or relevant requirements for designations or heritage orders;*
- (i) any other matters the consent authority considers relevant and reasonably necessary to determine the application.*

Matters (a) (c) and (d) are considered to be relevant to this application and are addressed below.

(a) Environmental Effects

The actual and potential environmental effects of the proposed activity were considered in section 5 of this report. It was concluded that there are not likely to be any significant adverse environmental effects and the proposed activity will generate positive effects.

(c) Relevant Policy Documents

The provisions of Section 9 (Built Environment) of the Regional Policy Statement for Otago are relevant to this application. The replacement of the twin culvert and associated works are consistent with the Regional Policy Statement, provided that adverse effects on the natural and physical resources are avoided, remedied or mitigated. In addition, the provisions of Section 6 (Water) of the Regional Policy Statement for Otago are relevant to this application. The taking of water is consistent with the Regional Policy Statement, provided that it is done in a conservative manner. The taking of water proposed by this application is very minor in terms of quantity and effects.

(d) Proposed Regional Plan: Water

The following policy is of relevance to this application:

5.4.2 In the management of any activity involving ... the bed or margin of any lake or river, to give priority to avoiding

- (1) Adverse effects on ... the natural character of any lake or river, or its margins;*
- (2) Causing or exacerbating flooding, erosion, land instability, sedimentation or property damage.*

Other policies of relevance include:

6.4.13 To ensure that the quantity of water granted under a resource consent for the taking of water is no more than that required for the intended use of that water having regard to the local conditions.

As noted above, the amount of water applied for is a very small amount. This amount is considered appropriate for its intended use.

In addition, Chapter 8 of the plan *The Beds and Margins of Lakes and Rivers* seeks to minimise reduction in water clarity caused by bed disturbance and to require, where necessary and practicable, for any structure on the bed of any river to provide for fish migration. The objectives and policies also require that in managing bed disturbance regard be had to any adverse effects on amenity values caused by any reduction in water clarity and adverse effects on downstream users. The proposed works are in keeping with these objectives and policies. They are minor in nature and extent, and as illustrated above, the effects of the proposed works will be minor.

6. Recommendation

That Council grants the application, subject to the terms and conditions as set out in the attached draft consent.

6.1 Reasons for recommendation

- (a) The effects of the culvert extension are expected to be minor, and will comply with the relevant statutory requirements.
- (b) The application falls within the non-notification provisions of s94 of the Act.
- (c) A term of 16 months is considered appropriate, as this will allow for the works to be undertaken in March and April 2003, if they cannot be undertaken this year. No consents are required for the ongoing existence or maintenance of the culvert.

Michelle Conland
Resource Officer

LAND USE CONSENT

Pursuant to Section 105 of the Resource Management Act 1991, the Otago Regional Council grants consent to:

Name: Transit New Zealand

Address: Skeggs House, 62-66 Tennyson Street, Dunedin

to replace an existing twin culvert with a single culvert and to disturb the bed during works

for the purpose of road safety improvements

for a term expiring 1 May 2003

Location of consent activity: State Highway 6, approximately 1 km beyond the Arrowtown Lake Hayes Road

Legal description: River Bed – Crown Land

Map reference: NZMS 260 F41:896-708

Conditions:

1. The culvert replacement and extension shall be constructed and located generally as proposed in the consent application, except that the size and positioning of the culvert shall be as shown in the amended application, in accordance with "*Lake Hayes Outlet (RP 983/5.74) Replacement Culvert Preliminary Longitudinal Section*" 7/49/28, 5714, Sheet 2.
2. The works shall be undertaken during March and April, to avoid disturbing the crested grebe and trout spawning and rearing.
3. The Wakatipu Area office of the Department of Conservation and the Queenstown office of Fish and Game shall be notified 10 days prior to the commencement of the works, and shall be notified again when the works have been completed.
4. The Otago Regional Council's Engineering Department shall be notified 48 hours prior to the commencement of the work.
5. The placement of the culverts shall not impede fish passage. The culvert invert shall be placed below the riverbed level.
6. During construction the consent holder shall minimise disturbance to the streambed.

7. During construction the consent holder shall minimise discoloration and siltation of the river and shall ensure that no contaminants, including fuel, oil, cement or cement products, enter any watercourse. In the event of contamination, the consent holder shall instigate remedial action and shall notify the Consent Authority as soon as practical.
8. No works shall be undertaken in flowing water. The pouring of concrete shall not be undertaken in flowing water. Flowing water shall not be reinstated around affected structures less than 48 hours following the pouring of concrete.
9. Any equipment used for wet concrete shall not be washed out on site.
10. All machinery shall be steam cleaned off-site prior to being used, to reduce the potential for importation of weed plants and seeds. Machinery shall be maintained at all times to prevent leakage of fuel or oil into the waterways.
11. Machinery shall, as far as practicable, operate outside the wet bed of the river. If machinery needs to enter a river bed it is to be for no longer than two hours per day. No refuelling or storage of plant or materials shall occur within the river bed.
12. Where machinery enters the watercourse, all practical measures shall be undertaken to ensure damage to the riverbank or bed is kept to a minimum.
13. Any disturbed areas of river bank shall be restored to the previous natural profile.
14. The consent holder shall minimise damage to riparian vegetation when exercising this consent.
15. If koiwi (human skeletal remains), waahi taoka (resources of importance), waahi tapu (places or features of special significance) or artefact material are discovered, the consent holder shall stop work to allow a site inspection by the appropriate runanga and their advisors, who shall determine whether the discovery is likely to be extensive and whether a thorough site investigation is required. Material discovered shall be handled and removed by tribal elders responsible for the tikanga (custom) appropriate to their removal or preservation.
16. If any Maori or European archaeological feature or material is discovered that is likely to predate 1900, the consent holder shall also advise the New Zealand Historic Places Trust, and if required, shall make an application for an Archaeological Authority pursuant to the Historic Places Act 1993.
17. Any construction debris shall be removed from the site prior to, or on completion of the works.

Issued at Dunedin this ... day of ... 2002.

Marian Weaver
Manager Consents

WATER PERMIT

Pursuant to Section 105 of the Resource Management Act 1991, the Otago Regional Council grants consent to:

Name: Transit New Zealand

Address: Skeggs House, 62-66 Tennyson Street, Dunedin

to take up to 1 litres per second of water

for the purpose of dewatering a construction area

for a term expiring 1 May 2003

Location of consent activity: State Highway 6, approximately 1 km beyond the Arrowtown Lake Hayes Road

Legal description: River Bed – Crown Land

Map reference: NZMS 260 F41:896-708

Conditions:

1. This consent shall only be exercised in conjunction with consent number 2001.984.
2. That the abstraction authorised by this permit shall not exceed:
 - (a) 1 litre per second
 - (b) 22 000 litres per day
 - (c) 88 000 litres per two months.
3. The intake shall be screened so as to prevent the ingress of small fish and elvers.

Issued at Dunedin this ... day of ... 2002.

M E Weaver
Manager Consents

LAND USE CONSENT

Pursuant to Section 105 of the Resource Management Act 1991, the Otago Regional Council grants consent to:

Name: Transit New Zealand

Address: Skeggs House, 62-66 Tennyson Street, Dunedin

to replace an existing twin culvert with a single culvert and to disturb the bed during works for the purpose of road safety improvements for a term expiring 1 May 2003

Location of consent activity: State Highway 6, approximately 1 km beyond the Arrowtown Lake Hayes Road

Legal description: River Bed – Crown Land

Map reference: NZMS 260 F41:896-708

Conditions:

1. The culvert replacement and extension shall be constructed and located generally as proposed in the consent application, except that the size and positioning of the culvert shall be as shown in the amended application, in accordance with "*Lake Hayes Outlet (RP 983/5.74) Replacement Culvert Preliminary Longitudinal Section*" 7/49/28, 5714, Sheet 2. Sheet 2 is attached to and forms part of this consent.
2. The works shall be undertaken during March and April, to avoid disturbing the crested grebe and trout spawning and rearing.
3. The Wakatipu Area office of the Department of Conservation and the Queenstown office of Fish and Game shall be notified 10 days prior to the commencement of the works, and shall be notified again when the works have been completed.
4. The Otago Regional Council's Engineering Department shall be notified 48 hours prior to the commencement of the work.
5. The placement of the culverts shall not impede fish passage. The culvert invert shall be placed below the riverbed level.
6. During construction the consent holder shall minimise disturbance to the streambed.
7. During construction the consent holder shall minimise discoloration and siltation of the river and shall ensure that no contaminants, including fuel, oil, cement or cement products, enter any watercourse. In the event of contamination, the consent

holder shall instigate remedial action and shall notify the Consent Authority as soon as practicable.

8. No works shall be undertaken in flowing water. The pouring of concrete shall not be undertaken in flowing water. Flowing water shall not be reinstated around affected structures less than 48 hours following the pouring of concrete.
9. Any equipment used for wet concrete shall not be washed out on site.
10. All machinery shall be steam cleaned off-site prior to being used, to reduce the potential for importation of weed plants and seeds. Machinery shall be maintained at all times to prevent leakage of fuel or oil into the waterways.
11. Machinery shall, as far as practicable, operate outside the wet bed of the river. If machinery needs to enter a river bed it is to be for no longer than two hours per day. No refuelling or storage of plant or materials shall occur within the river bed.
12. Where machinery enters the watercourse, all practical measures shall be undertaken to ensure damage to the riverbank or bed is kept to a minimum.
13. Any disturbed areas of river bank shall be restored to the previous natural profile.
14. The consent holder shall minimise damage to riparian vegetation when exercising this consent.
15. If koiwi (human skeletal remains), waahi taoka (resources of importance), waahi tapu (places or features of special significance) or artefact material are discovered, the consent holder shall stop work to allow a site inspection by the appropriate runanga and their advisors, who shall determine whether the discovery is likely to be extensive and whether a thorough site investigation is required. Material discovered shall be handled and removed by tribal elders responsible for the tikanga (custom) appropriate to their removal or preservation.
16. If any Maori or European archaeological feature or material is discovered that is likely to predate 1900, the consent holder shall also advise the New Zealand Historic Places Trust, and if required, shall make an application for an Archaeological Authority pursuant to the Historic Places Act 1993.
17. Any construction debris shall be removed from the site prior to, or on completion of the works.

Issued at Dunedin this 24th day of January

Marian Weaver
Manager Consents

WATER PERMIT

Pursuant to Section 105 of the Resource Management Act 1991, the Otago Regional Council grants consent to:

Name: Transit New Zealand

Address: Skeggs House, 62-66 Tennyson Street, Dunedin

to take up to 1 litre per second of water

for the purpose of dewatering a construction area

for a term expiring 1 May 2003

Location of consent activity: State Highway 6, approximately 1 km beyond the Arrowtown Lake Hayes Road

Legal description: River Bed – Crown Land

Map reference: NZMS 260 F41:896-708

Conditions:

1. This consent shall only be exercised in conjunction with consent number 2001.984.
2. That the abstraction authorised by this permit shall not exceed:
 - (a) 1 litre per second
 - (b) 22 000 litres per day
 - (c) 88 000 litres per two months.
3. The intake shall be screened so as to prevent the ingress of small fish and elvers.

Issued at Dunedin this 24th day of January 2002

Marian Weaver
Manager Consents
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00556646

2001.984

19 November 2001

Transit New Zealand
C/- Opus International Consultants Ltd
PO Box 1482
Christchurch

Attention: Stephanie Brown

Dear Stephanie

Resource Consent Application No. 2001.984: Culvert replacement, Hayes Creek - requirement for further information

The Council has reviewed your application for resource consent described above. Under section 92 of the Resource Management Act 1991, the Council requires that further information be provided in relation to this application. The further information is detailed below, and is required to enable the Council to better understand the nature of the proposed activities, the effects which the proposed activities will have on the environment, and ways in which any adverse effects on the environment may be mitigated.

The Council is concerned that any proposed modification to the outlet from Lake Hayes has the potential to impact adversely on either flood levels or minimum lake levels. This is especially of concern due to the extremely high amenity values of the lake. In light of this, the further information required is:

- Details of the effects of the proposed 1600mm diameter culvert on the maximum and minimum lake levels.

The Council notes that the 1600mm culvert was suggested in a 1984 Otago Catchment Board report as part of a feasibility/costing study of methods that might reduce flooding and therefore, nutrient levels in the lake. Nutrient issues nowadays are such that there is apparently no pressure to modify the outlet to improve water quality. In addition, maintenance around the culvert and in Hayes Creek has apparently reduced flooding problems.

A 1600mm culvert installed at the lake outlet would obviously need to be placed at a somewhat higher level than that of the existing culverts; otherwise the lake is likely to drain to unacceptably low levels. While the application states that the final placement of the culvert will be overseen by a hydraulics person to avoid this happening, the long

section drawing accompanying the application suggests that it may be intended to install the replacement culvert at a greater slope than would be desirable.

Alternatively, you may want to consider whether replacement culverts, more similar in dimension to the damaged ones requiring replacement, might be a more satisfactory solution.

This application has been put on hold under section 92 (request for further information) of the Act and processing has been stopped until the above further information has been received.

If you have any queries please do not hesitate to contact Michelle Conland at this office.

Yours sincerely



Marian Weaver
Manager Consents
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10.7. Delegation of Harbourmaster Responsibilities

Prepared for:	Council
Report No.	GOV1853
Activity:	Regulatory: Consents and Compliance
Author:	Richard Saunders, General Manager Regulatory
Endorsed by:	Sarah Gardner, Chief Executive
Date:	18 September 2019

PURPOSE

- [1] The purpose of this report is to present options for the transfer of the Harbourmaster function for Lake Dunstan from Central Otago District Council (CODC) back to Otago Regional Council (ORC).

EXECUTIVE SUMMARY

- [2] In 2006 ORC transferred the Harbourmaster functions for Lake Dunstan to CODC. This agreement was recorded in a Deed of Transfer which is included as Attachment A.
- [3] On 20 August 2019 ORC received written confirmation from CODC that it was reversing the Deed of Transfer back to ORC. This letter is included as attachment B.
- [4] This report sets out the matters for consideration and outlines the necessary steps to complete the relinquishing of the deed.

RECOMMENDATION

That the Council:

- 1) **Approves** the commencement of the process to reverse the transfer of responsibilities, functions, duties and powers associated with navigation and associated matters on all the waters of the Clutha River and tributaries that form Lake Dunstan from Central Otago District Council to Otago Regional Council
- 2) **Notes** that a review and amendment of the Otago Regional Council Navigational Safety Bylaw 2019 will be required and that the date of relinquishment of the deed of transfer agreement will be the same date the amendments of the bylaw come into effect.
- 3) **Notes** that, subject to agreeable terms the Otago Regional Council Harbourmaster will assume regulatory responsibility for activities on Lake Dunstan prior to the 2019/20 summer season while Central Otago District Council retains overall responsibility until relinquishment.

BACKGROUND

- [5] In 2006 ORC transferred responsibilities, functions, duties and powers under part 39A of the Local Government Act 1974 (LGA 1974) to the Central Otago District Council. This transfer applied only to the area known as Lake Dunstan.

- [6] CODC administers activities on Lake Dunstan under the 'Central Otago District Council Lake Dunstan Navigation Safety Bylaws 2017.
- [7] On 20 August 2019 ORC received a request in writing from CODC to relinquish the 2006 deed of transfer. The request sought that the process to relinquish functions was completed prior to the 2019/20 summer season. CODC recognised the establishment of a dedicated Harbourmaster function within ORC and saw benefit in the consistency that would be achieved in having services provided by this team.
- [8] The Otago Regional Council Navigational Safety Bylaw 2019 applies to all other waters in the Central Otago district with the exception of Lake Dunstan.

DISCUSSION

Process to reverse the transfer of functions

- [9] The process to reverse the transfer of functions is set out in Maritime Transport Act. This includes a requirement to consult in accordance with Section 82 of the Local Government Act 2002. As detailed below, this consultation can be undertaken in conjunction with consultation to amend the Otago Regional Council Navigational Safety Bylaw 2019.
- [10] Under the relevant section of the Maritime Transport Act the transfer of responsibility can only occur if both parties have agreed to the terms of the transfer, and that the Minister has been notified of the proposed transfer.
- [11] ORC and CODC staff have discussed the terms of a transfer, namely that there will be a cost share to address any issues with asset condition, and that CODC will appoint ORC staff as enforcement officers for the coming summer, ahead of the completion of the transfer process.
- [12] Consulting on the transfer of the functions can be undertaken contemporaneously with the required amendments to the Navigational Safety Bylaw 2019 to include Lake Dunstan in this Bylaw.

Navigational Safety Bylaw 2019

- [13] The Otago Regional Council Navigational Safety Bylaw 2019 currently does not apply to the area of Lake Dunstan. To enable the ORC Harbourmaster to undertake this function the existing Bylaw will need to be amended to include this area. This process will take a number of months so will not be complete in time for ORC to undertake these functions in the 2019/20 summer season.
- [14] To enable the Harbourmaster function to be carried out during the upcoming summer CODC will issue a warrant to the ORC Harbourmaster. This will enable enforcement of the existing Central Otago District Council Lake Dunstan Navigation Safety Bylaws 2017.

Costs Associated with the Harbourmaster function

- [15] An initial review of the maritime assets in Lake Dunstan has been undertaken by the ORC Harbourmaster. The purpose of this review was to assess the condition of these assets to determine whether they are fit for purpose. 136 assets were identified in Lake Dunstan. These are predominantly marker buoys for safety of navigation throughout the area.
- [16] An initial estimate of the condition of the assets showed that some work would be required to bring them up to an acceptable standard. The Harbourmaster has costed this work at approximately \$50,000. CODC have agreed to meet half of the cost of this work as a contribution to ensuring the assets are fit for purpose.
- [17] Assets such as swimming pontoons and associated equipment will remain the responsibility of CODC.
- [18] The scale of the on-water Harbourmaster function will be determined by the ORC Harbourmaster. Currently CODC contract a service for approximately 30 days per year on the water, including 3 to 4 compulsory days around events or holidays.

OPTIONS

- [19] Staff have reviewed the request and support the transfer of functions back to ORC. This will provide consistency in rules and enforcement throughout the region, with the exception of the Queenstown Lakes District. Consideration could be given to a transfer of these functions in the future.
- [20] The ORC cannot refuse the reversal of the transfer. ORC's rights are limited to requiring a proper process and agreement to terms.

CONSIDERATIONS

Policy Considerations

- [21] There are no relevant policy considerations

Financial Considerations

- [22] The costs of the recommendations contained in this report can be met from within existing budgets. CODC have confirmed they will fund 50% of the costs associated with bringing maritime assets up to an appropriate condition.

Significance and Engagement

- [23] Consultation on the reversal of the transfer will be undertaken in conjunction with consultation to amend the Otago Regional Council Navigational Safety Bylaw 2019.

Legislative Considerations

- [24] The Maritime Transport Act 1994 provides for the reversal of the transfer.

Risk Considerations

[25] The reversal of the transfer will not create any new significant risks to ORC.

NEXT STEPS

[26] Should the Council approve the recommendation staff will commence work on the process as set out in the 2006 deed of transfer.

ATTACHMENTS

1. ORC CODC Deed of transfer Navigation and associated matters on waterways 16.06.06 [10.7.1 - 4 pages]
2. Letter from CODC Deed of transfer 20.08.19 [10.7.2 - 1 page]

Dated 16 June 2006

OTAGO REGIONAL COUNCIL

and

CENTRAL OTAGO DISTRICT COUNCIL

**DEED OF TRANSFER OF RESPONSIBILITIES,
FUNCTIONS, DUTIES AND POWERS**

**NAVIGATION AND ASSOCIATED MATTERS
ON WATERWAYS**

THIS DEED MADE THIS 16th day of June 2006.

PARTIES:

- (1) The Otago Regional Council being a Regional Council as detailed in Schedule 2 Part 1 of the Local Government Act 2002 and as constituted by the Local Government (Otago Region) Reorganisation Order 1989 (the "ORC");

and
- (2) The Central Otago District Council, being a Territorial Authority as detailed in Schedule 2 Part 2 of the Local Government Act 2002 constituted by the Local Government (Otago Region) Reorganisation Order 1989 (the "CODC");

WHEREAS:

- (a) The "ORC" is the Regional Council for the Otago Region pursuant to the provisions of the Local Government Act 2002 and the Local Government (Otago Region) Reorganisation Order 1989.
- (b) The "CODC" is the Territorial Authority for the Central Otago District pursuant to the provisions of the Local Government (Otago Region) Reorganisation Order 1989.
- (c) The Otago Region under the Local Government (Otago Region) Reorganisation Order 1989 includes all of the district of the "CODC".
- (d) That pursuant to the provisions of Part 39A (Navigation) of the Local Government Act 1974, the "ORC" has, in relation to the navigable rivers and lakes within the district of the "CODC", powers, functions, duties and responsibilities for the purposes of ensuring navigation safety, the appointment of Harbourmasters and Enforcement Officers, and under Sections 684B-684F of the Local Government Act 1974 the powers to make bylaws in respect of navigation and related activities.
- (e) Section 650J of the Local Government Act 1974 enables a Regional Council to transfer to a Territorial Authority any of its functions, duties and powers under Part 39A of the Local Government Act 1974. Section 17 of the Local Government Act 2002 applies to such transfers as they relate to the power to make bylaws.
- (f) The "ORC" has agreed with the "CODC" to transfer to the "CODC" all of its various functions, powers, duties and responsibilities under Part 39A of the Local Government Act 1974 in relation to all the waters of the Clutha River and tributaries that form the lake known as Lake Dunstan and being located upstream of the Clyde Dam ("Lake Dunstan").

- (g) The "ORC" has further agreed with the "CODC" to transfer to the "CODC" its bylaw-making function in relation to navigation or related activities on all the waters of the Clutha River and tributaries that form the lake known as Lake Dunstan and being located upstream of the Clyde Dam ("Lake Dunstan").
- (h) That in accordance with the provisions of Section 17(4)(a) and (b), the "ORC" has used the special consultative procedure as detailed in Section 83 of the Local Government Act 2002 (Section 17(4)(a)(ii)) and has given prior notice of the proposal to the Minister of Local Government of the proposal (Section 17(4)(b) of the Local Government Act 2002).

NOW THIS DEED RECORDS:

- (1) The "ORC" pursuant to Section 650J of the Local Government Act 1974 and Section 17(1) and (4)(a) of the Local Government Act 2002, transfers to the "CODC" all functions, powers and duties that it has under Part 39A of the Local Government Act 1974 in respect of all the waters of the Clutha River and tributaries that form the lake known as Lake Dunstan and being located upstream of the Clyde Dam ("Lake Dunstan").
- (2) The "ORC" transfers, pursuant to Section 17(1) and 17(4)(a) of the Local Government Act 2002 to the "CODC" all of its bylaw-making powers under Sections 684B-684F of the Local Government Act 1974 relating to navigation and related activities, on all the waters of the Clutha River and tributaries that form the lake known as Lake Dunstan and being located upstream of the Clyde Dam ("Lake Dunstan").
- (3) The "CODC" accepts the transfer of powers and responsibilities pursuant to the provisions of Clauses 1 and 2.
- (4) The transfer is on the terms and conditions as detailed in this deed and is subject to the provisions both of the Local Government Act 1974 (Part 39A and Sections 684B-684F) and the Local Government Act 2002 and any other enactment.
- (5) The "CODC" shall have all the functions, powers and duties as vested in the "ORC" pursuant to the provisions of the Local Government Act 1974 and the Local Government Act 2002 and of a Territorial Authority under any other enactment to enable the "CODC" to recover all costs incurred by it in carrying out the functions, duties and powers transferred under this Deed.
- (6) The "CODC" shall have no right to call upon the "ORC" for any contribution to costs incurred by it in carrying out the functions, powers and duties transferred to it under this Deed.
- (7) The "CODC" shall report to the "ORC" at six-monthly intervals on the exercise of any of the functions, powers and duties as transferred under this Deed.

9

- (8) The "ORC" at any other time may request from the "CODC" any other such information or reports in relation to matters involving the navigation functions transferred hereunder as the "ORC" may reasonably require as to the exercise of the functions, powers and duties transferred herein.
- (9) If there is a requirement for any variation of the terms of this Deed or where the "CODC" may require or wish to initiate a reversal of the transfer of powers as detailed herein, the "CODC" shall first consult the "ORC" and the provisions of Section 17(6) of the Local Government Act 2002 shall apply.
- (10) If the "ORC" should at any time wish to revoke the transfer of powers, then the "ORC" shall first consult with the "CODC" and any such revocation shall follow the provisions of Part 39A of the Local Government Act 1974 and Section 17 of the Local Government Act 2002.
- (11) Unless so relinquished by the "CODC" or revoked by the "ORC" in the terms as-stated herein, this Deed and the transfers of powers made pursuant to it shall remain in full force and effect.

This Deed was executed on the date appearing at the head of this Deed.

The Common Seal of the
Otago Regional Council
was affixed in the presence of:



Chairman:

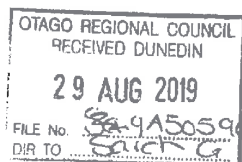
Director of Corporate Services:

The Common Seal of the
Central Otago District Council
was affixed in the presence of:



Mayor:

Chief Executive Officer:



1 Dunorling Street
PO Box 122, Alexandra 9340
New Zealand

+64 3 440 0056
info@codc.govt.nz
www.codc.govt.nz

20 August 2019

Sarah Gardner/Stephen Woodhead
Chief Executive Officer/Chairman
Otago Regional Council
70 Stafford Street
Dunedin, 9016

Dear Sarah and Stephen,

Deed of Transfer

As you will know, the Regional Council transferred the harbourmaster responsibilities, duties and powers regarding Central Otago to the Central Otago District Council some years ago.

The current Deed of Transfer (attached for your convenience) has been in place since 2006, and recently our Regulatory Services Manager, Lee Webster met with Steve Rushbrook, Otago Regional Council Harbourmaster to discuss the possibility of relinquishing this agreement back to the Otago Regional Council.

This matter was subsequently discussed at a recent full council meeting, where the Council confirmed that in accordance with Section 17(6) of the Local Government Act 2002 and clause (9) of the Deed of Transfer, Central Otago District Council wish to relinquish the Deed of Transfer (dated 16 June 2006) back to Otago Regional Council.

It would be our preference that the relinquishing of these functions are completed ahead of the summer season 2019, and we look forward to working with you regarding this matter. If you have any questions regarding this matter, please do not hesitate to contact Lee Webster directly on 021608114.

Yours sincerely

Sanchia Jacobs
Chief Executive Officer



Regional Identity Partner

10.8. Delegations Building Consent Authority

Prepared for:	Council
Report No.	GOV1856
Activity:	Governance Report
Author:	Richard Saunders, General Manager Regulatory
Endorsed by:	Sarah Gardner, Chief Executive
Date:	19 September 2019

PURPOSE

1. Recent audit into the Otago Regional Council's Building Consent Authority functions have identified opportunities to improve Otago Regional Council's delegations and to include a missing delegated authority for staff. This necessitates an update of delegations previously approved by Otago Regional Council ("the Council").

EXECUTIVE SUMMARY

Delegations Review

2. During a recent internal audit of the Council's Building Consent Authority functions, areas to streamline the decision-making process were identified. An accreditation special assessment has also been undertaken where it was identified that a function under the Building Act 2004 has not been delegated to Council staff. This has resulted in a 'General Non-Compliance' being awarded to Council by International Accreditation New Zealand (IANZ). As a requirement of Council's Building Consent Accreditation, this General Non-Compliance must be corrected. The changes recommended to the Building Act 2004 delegations reflect the changes recommended in both audits.

RECOMMENDATION

That the Council:

- 1) **Endorses** the change to the delegations for the Building Act 2004 and authorises the Chief Executive to update the Delegations Manual to reflect the changes.
- 2) **Notes** that the Chief Executive will bring a full review of Otago Regional Council Delegations to an upcoming Council meeting.

BACKGROUND

3. Consistent with best practice and statutory requirements, Council has designated specific regulatory responsibilities to a number of ORC staff. Delegations authorised in December 2016 were updated in November 2017, June 2018 and again in 2019 to reflect changes to the Resource Management Act 1991 and the organisational structure. These changes related to all of the functions Council carries out. This recommendation only relates to the Building Act 2004

4. In June – July 2019 Schema Consulting Limited (Schema) undertook its annual internal audit of Council’s Building Consent Authority procedures against the Building (Accreditation of Building Consent Authorities) Regulations 2006. This audit is part of Council’s procedures for quality assurance of its Building Consent Authority functions which assists in proactively avoiding non-compliances during accreditation audits. The audit identified a series of recommended changes to increase efficiency and to ensure that Council was following best practice in its operations. The findings of this audit will be reported through the appropriate Council committee at a future date.
5. One of the recommendations from this internal audit was that delegated authority to staff carrying out work under the Building Act 2004 were not set at the appropriate level within the organisation. This is not reflective of good practice and creates inefficiencies in the process. As this was an internal audit, the Council is not obligated to accept the recommendations, however failure to do so may result in a non-compliance at an accreditation audit.
6. A special assessment of the Council’s Building Consent Authority functions was also recently undertaken by IANZ. This was a follow up review from a full accreditation audit in April 2018. During this special assessment, it was identified that the Council delegations omit a specific provision of the Building Act 2004. The provision identified by IANZ is Section 90 of the Building Act 2004 which enables the Council to undertake inspections of building work that is constructed in accordance with a building consent. As Section 90 is omitted from the delegations, no specific internal staff member has delegated authority to inspect buildings or land under Section 90 of the Building Act 2004. Authority therefore remains with the Councillors.
7. Currently, inspections are undertaken by individuals who are authorised by building warrants that are issued to them. Typically, in relation building consents, these inspections are undertaken by engineering consultants contracted by the Council. IANZ have acknowledged that this process is acceptable, but could be improved. By not providing delegation to a staff member within Council there is not sufficient authority provided. This could preclude Council’s ability to undertake an inspection under Section 90. As ensuring sufficient authority is a requirement of the Building (Accreditation of Building Consent Authorities) Regulations 2006, IANZ have identified this as a ‘General Non-Compliance’ which must be addressed as part of the Council’s accreditation requirements.
8. To address this, a staff position(s) must be identified as the delegated authority under Section 90. Given other associated inspections that may be undertaken under the Building Act 2004 are currently delegated to the Chief Executive (Section 222 for example), it is recommended that authority under Section 90 is also delegated to the Chief Executive. The Chief Executive can then sub-delegate to a warranted officer, or the necessary staff member.

ISSUE

9. There are two issues at present with the delegations:
 - a. They do not support effective and best practice decision making. They are also out of step with how other Building Consent Authorities operate.

- b. IANZ have identified that no Council staff are currently authorised under Section 90 of the Building Act 2004 to inspect land on which building work is being or is proposed to be carried out; building work that has been or is being carried out on or off the building site and any building.
- 10. Making appropriate changes to the delegations will ensure a better operating model for the Building Consent Authority which is consistent with other Council's approach to decision making. The risk with adjusting the level of staff delegation within the organisation is low, given staff who exercise a function under the Building Act are trained and qualified to make those decisions, or are adequately informed by the Council's engineering consultants who are appropriately qualified and experienced.
- 11. Because the absence of the Section 90 delegation has been identified as a 'General Non-Compliance' in the special audit undertaken by the accreditation body, it must to be cleared and addressed.
- 12. If the delegations are not changed to include Section 90 of the Building Act, Council would be unable to clear the non-compliance which is a risk to our accreditation (potential loss and further accreditation costs). Another implication could be the Council's inability to undertake building inspections for dams in accordance with Section 90 of the Building Act 2004.

Proposed Delegations

- 13. The proposed delegations are included as Attachment A. These include the additional of a delegation under Section 90 of the Building Act 2004 and addressing the level of existing delegations as identified in the recent internal audit. Where there is a high level of risk, or a significant decision to be made this rests with a more senior staff member.

CONSIDERATIONS

Policy Considerations

- 14. This paper proposes a continuation of current Council policy of providing delegation to Council staff. There are sufficient procedures and oversight in place so that Council can have confidence in the decisions made by staff under these new delegations.

Financial Considerations

- 15. There are no financial considerations in relation to the recommendations in this paper.

Significance and Engagement

- 16. The recommended decision is not a significant decision in terms of the Council's significance policy and no community engagement is required.

Legislative Considerations

- 17. The key legislative considerations in relation to this paper are to ensure that decisions under a range of statutes can continue to be made with certainty and to avoid any doubt as to the standing of officers exercising delegated authorities.

18. By adding in the Section 90 delegation it ensures that Council complies with the requirements of the Building Act 2004.

Risk Considerations

19. If council did not formalise the delegated authorities, there is a risk that decisions made by officers may be open to challenge. There is also the risk that Council cannot clear the general noncompliance from IANZ which may put our accreditation at risk.

NEXT STEPS

20. Should the change to delegations be approved the delegations manual will updated to reflect the decision and staff will confirm with IANZ that this non-compliance has been cleared.

ATTACHMENTS

1. Delegation Document 1 [**10.8.1** - 9 pages]

Definition of delegation

Delegation is the conveying of a duty of power to act to another person, including the authority that the person making the decision would themselves have had in carrying out that duty or exercising that power.

For the purposes of statutory compliance administrative efficiency and expediency when conducting its day-to-day business, the Council delegates certain statutory duties, responsibilities and powers to its staff. These delegations are a necessary operational requirement to promote effective and expeditious decision-making and ensure legal compliance. Some delegations reflect the specific obligations of the Council to ensure that decisions are made by suitably qualified persons who hold the warrants necessary to exercise some powers.

The legal basis

The authority of the Council to delegate is set out in:

Clause 32 of Schedule 7 of the Local Government Act 2002 (LGA 2002)

Sections 42 (Delegation of powers by local authority) and 43 (Delegation of powers by officers) of the Local Government Official Information and Meetings Act 1987

Sections 124 (Delegation of powers by local authority) and 125 (Delegation of powers by officers or local authority) of the Privacy Act 1993

Except as provided for elsewhere in this Delegations Manual, the delegation of a power, function or duty is made under Clause 32 of Schedule 7 of the LGA.

The Building Act 2004 sets out the responsibilities of the Council in relation to being a building consent authority. The Act requires persons exercising authority to have the requisite qualifications and experience and limits the scope of authorities exercised by any individual to the extent their registration under the Act.

Principles, terms and conditions

Unless a delegation in this Manual states otherwise, the delegation is derived from the Council.

Some delegations are made by the Chief Executive directly and these are recorded as such in this Delegations Manual.

When deciding to delegate any duties, responsibilities, and powers, the Council or Chief Executive will have regard to the principles outlined in Table 1.

In the exercise of any delegation, the delegate (i.e. the person given the delegation) must comply with the general terms and conditions, which are also outlined in Table 1. In addition to the general terms and conditions, the delegate must also comply with any additional terms and conditions that might apply to specific delegations.

Table 1: Principles, terms and conditions

Principles
Wherever possible, delegations to staff have been made on a wide basis to promote the most effective and efficient implementation and delivery of Council's policies and objectives. Delegations have generally been made to the lowest level of competence, commensurate with the degree of responsibility, difficulty and risk involved in the undertaking of the task delegated. In deciding what is the lowest level of competence for each delegation, particular attention has been paid to the fact that the powers and duties contained in the delegation go along with the responsibilities and accountability for their correct and effective implementation and any reporting requirements. In exercising delegations which are outside Council's day-to-day business, staff will report back on the exercise of that delegation to the next relevant Council or Council Committee meeting.

Terms and conditions
<p>No delegations shall limit the power of Council or other delegator to exercise a function, duty or power in substitution for a delegate.</p> <p>In the exercise of any delegation, the delegate will ensure they act in accordance with:</p> <ul style="list-style-type: none"> - any binding statutory authority (in relation to each delegation, relevant sections of the Act will be identified); and - any relevant Council policy or procedural documents (including reporting and recording) requirements. <p>In relation to delegations to officer level, every delegation will be to a stated officer and will be exercised in relation to the duties of their position as identified in their Position Description or when an officer has been appointed in an acting capacity.</p> <p>Decisions, other than on minor or routine matters, made under delegated authority will be reported to Council or a relevant Committee.</p> <p>For the avoidance of doubt, supervisors shall have the same powers of delegation as subordinate staff, unless the exercise of such delegation requires, by law, a particular qualification or registration. The delegations in this Manual are expressed as the lowest level in the organisation which can exercise the function, duty or power.</p> <p>For the avoidance of doubt a hearings panel or commissioner sole as may from time to time be appointed shall have the authorities delegated to them through their appointment process.</p> <p>A delegation once made cannot be further sub-delegated, unless the authority to sub-delegate is specified in the delegation.</p> <p>The Council may, at any time, revoke, suspend for a period, or amend the terms or conditions in relation to any delegation it has made. Where this occurs, it will be recorded by resolution of Council.</p> <p>The Chief Executive may revoke or suspend for a period, or amend the terms and conditions, in any delegation to subordinates that they have made. Where this occurs, it will be recorded in writing to the relevant staff member and in relevant Council procedures.</p> <p>The Chief Executive may revoke, or limit, or suspend for a period, or reduce the extent of delegations that Council has made to named officers such that some or all of the function, duty or power must be exercised by a supervisor of the person holding the delegation. This would be appropriate during the training or development of new staff, or where, in the view of the Chief Executive, particular types of decision may need greater scrutiny. Where this occurs, it will be recorded in writing to the relevant staff member and in relevant Council procedures.</p>

Sub-delegation

At times, it will be necessary for the performance of assigned duties for a staff member to have delegated authority additional to those specifically mentioned in the Delegations Manual. These situations may include staff acting temporarily in a role (such as acting Chief Executive or acting Manager) where they need to exercise the delegations of that higher role. Such sub-delegations will be recorded in writing in the form of a memo signed by the person granting the delegation, and a copy kept on the delegation file. A person exercising functions, powers or duties under a sub-delegation shall not have the authority to further delegate those functions, powers or duties.

Section	Function	Delegated to
Project Information Memorandum (PIM) functions		
31 34	Issue and re-issue a PIM in certain circumstances and provide a copy of a PIM to the applicant as required.	Senior Consents Officer or Consents Officer with Building Act responsibilities
33	Determine further information required in relation to a PIM application.	Senior Consents Officer or Consents Officer with Building Act responsibilities
36	Attach development contribution notice.	Senior Consents Officer or Consents Officer with Building Act responsibilities
37	Issue a certificate if a resource consents is required	Senior Consents Officer or Consents Officer with Building Act responsibilities
38	Provide copy of PIM to network utility operator(s) and/or statutory authority, if required.	Senior Consents Officer or Consents Officer with Building Act responsibilities
39	Advise Heritage New Zealand Pouhere Taonga of PIM application, if required.	Senior Consents Officer or Consents Officer with Building Act responsibilities
45	Receive additional information.	Senior Consents Officer or Consents Officer with Building Act responsibilities
Building Consents		
45(1)(c)	Require additional information as part of a building consent application.	Senior Consents Officer or Consents Officer with Building Act responsibilities
45A	Deciding to grant a minor variation to a building consent	Principal Consents Officer
47(3)	Proceeding to determine a building consent application without an NZFSC memorandum	Senior Consents Officer or Consents Officer with Building Act responsibilities
48(1)	Deciding on a building consent application or an application for a minor variation	Principal Consents Officer Manager Consents
48(2)	Deciding whether further information is required	Senior Consents Officer or Consents Officer with Building Act responsibilities
49	Deciding to grant a building consent	Principal Consents Officer

49(2)	Declining to grant a building consent until any charges or levies payable are paid	Principal Consents Officer
50	Refusing the application for a building consent	Principal Consents Officer
51(3)	Deciding whether or not to grant a building consent in the absence of a PIM	Principal Consents Officer
52(b)	Allowing a lapse period beyond 12 months for a building consent	Manager Consents
Building Levies		
53(2)	Determining the estimated value of building work for the purposes of calculating levies	Senior Consents Officer or Consents Officer with Building Act responsibilities
62(2)	Recovery of unpaid levies from a building consent applicant	Principal Consents Officer Manager Consents
Waivers and Modifications		
67(1) 67(2)	Decision to grant an application for a building consent subject to a waiver or modification and to impose any conditions	Principal Consents Officer Manager Consents
Construction of dams on land subject to natural hazards		
71(2)	Determining whether adequate provision has been made in respect of certain aspects relating to natural hazards	Senior Consents Officer or Consents Officer with Building Act responsibilities
72	Determining whether the matters in s72 relating to natural hazards are satisfied	Senior Consents Officer or Consents Officer with Building Act responsibilities
74(3)	Determining whether the matters in s74(3) apply	Senior Consents Officer or Consents Officer with Building Act responsibilities
83(3)	Deciding to approve the removal of entry on a certificate of title	Senior Consents Officer or Consents Officer with Building Act responsibilities
Inspections by Building Consent Authorities		
90	Inspect land on which building work is being or is proposed to be carried out; building work that has been or is being carried out on or off the building site and any building.	Chief Executive Officer Warranted under the Building Act
Code Compliance Certificates		
93(1) 93(4) 94	Deciding whether to issue a code compliance certificate	Principal Consents Officer Manager Consents
93(2)	Agreeing on a period beyond two years for an application for a code compliance certificate	Principal Consents Officer Manager Consents

93(4)	Requiring further information in relation to an application for a code compliance certificate	Senior Consents Officer or Consents Officer with Building Act responsibilities
Certificates of acceptance		
96(1) 98(1)	Deciding whether to issue a certificate of acceptance	Principal Consents Officer Manager Consents
97(c)	Specifying any additional information that is required to be lodged with an application for a certificate of acceptance	Principal Consents Officer
98(2)	Requiring further information in relation to an application for a certificate of acceptance	Senior Consents Officer or Consents Officer with Building Act responsibilities
99(2)	Qualifying a certificate of acceptance to the effect that only parts of the building work were able to be inspected	Manager Consents
Compliance schedule		
102(2)	Charging of a fee for the issue of compliance schedule	Principal Consents Officer Manager Consents
106(3)	Specifying the information that is required to be lodged with an application for an amendment to a compliance schedule	Senior Consents Officer or Consents Officer with Building Act responsibilities Principal Consents Officer
106(4)	Deciding whether to amend a compliance schedule in response to an application to do so	Principal Consents Officer Manager Consents
107(2)	Deciding whether to amend a compliance schedule on the council's own initiative	Manager Consents
Annual Building Warrant of Fitness		
109(c)	Deciding to accept a recommendation to amend a compliance schedule arising from the annual building warrant of fitness	Manager Consents
110(c)	Requirement to produce compliance schedule reports under s110(a)	Manager Consents
111(1)	Decision to inspect building work or specified systems where a compliance schedule has been issued	Manager Consents
111(2)	Charging of a fee for inspections under s111	Manager Consents
Alterations to existing buildings		
112	Decision to grant building consent for an alteration to an existing building	Principal Consents Officer Manager Consents
113	Dealing with buildings with less than a 50 year life	Principal Consents Officer Manager Consents
Change of use, extension of life and subdivision of land		

115	Decision to allow the change of use of a building	Principal Consents Officer
116(1) 116(3)	Decision to allow the extension of the life of a building	Principal Consents Officer Manager Consents
Classification of Dams		
134A(1)	Requiring an owner to classify a referable dam	Principal Consents Officer Manager Consents
136(1) 136(2)	Decision to approve or refuse a dam classification	Principal Consents Officer Manager Consents
138(1)	Requiring the re-audit of a classification	Manager Consents
138(2)	Specifying a period beyond 15 working days for a dam classification re-audit	Manager Consents
Dam safety assurance programmes		
143(1)	Decision to approve or refuse to approve a dam safety assurance programme	Principal Consents Officer Manager Consents
145(2)	Requiring a period beyond 15 working days for a dam safety assurance programme to be re-audited	Manager Consents
146(2)(b)	Requesting a review of the dam safety assurance programme for an earthquake-prone or flood-prone dam	Manager Consents
148(a)(iii)	Decision on keeping a dam safety assurance programme in a place agreed by the Regional Council and the owner	Senior Consents Officer or Consents Officer with Building Act responsibilities
Register of dams		
151	Maintain a register of dams in Otago	Senior Consents Officer or Consents Officer with Building Act responsibilities
Dangerous dams		
154(1)	Determine that a dam is dangerous in terms of s153 and take action as set out in s154(1)(a), (b) and (c).	Manager Engineering Manager Consents
155(1)(b)	Determining whether building consent is required in respect of work required by a notice to fix	Principal Consents Officer Manager Consents
156(1)	Apply to a District Court for an order enabling the Otago Regional Council to carry out building work.	GM Regulatory GM Operations
156(3)(b)	Recover costs of carrying out work under s156(1) from the owner.	GM Regulatory GM Operations

157(2)	Decision to take action to avoid immediate danger.	GM Regulatory GM Operations
157(3)(b)	Decision to recover costs of taking action under section 157(2).	GM Regulatory GM Operations
158	To make an application to the District Court to confirm warrant for emergency work on a dam	GM Regulatory GM Operations
Issuing Notices to Fix		
164	Determination that a notice to fix should be issued, or should be issued by another authority	Manager Engineering Manager Consents
165(1)	Determination of the matters relevant to issuing a notice to fix and the scope and nature of a notice to fix.	Manager Engineering Manager Consents
167	Inspection of building work carried out in accordance with a notice to fix , a decision to confirmation or refuse to confirm that a notice to fix has been complied with and a decision to issue a further notice to xix if required.	Manager Engineering Manager Consents
Determinations		
177 180	Making and withdrawing an application for a determination	GM Regulatory
182(2)	Commencement of proceedings in the High Court where the matter has been the subject of a determination	GM Regulatory
185(2)(b)	Agreeing on a period beyond 60 workings days for making a determination	GM Regulatory
189(b)(ii)	Agreement to amendment of a determination for clarification purposes	GM Regulatory
190(3)	Filing a direction to the District Court as to costs in respect of a determination	GM Regulatory
Registration and Accreditation as Building Consent Authority		
194	Making application for registration as a building consent authority	GM Regulatory
252(4)	Request to change the scope of accreditation	GM Regulatory

253	Application for accreditation to perform Building Consent Authority functions	GM Regulatory
200 202	Make submissions and respond to complaints or to an investigation	GM Regulatory
276(2)(b)	To make submissions on a review of the regional authority	GM Regulatory
Appeals		
208 209	Appealing a decision of the CEO of the Ministry responsible for the administration of the Building Act	Chief Executive
Carrying out building work on default		
220(2)	Making application to the District Court for an order in respect of building work required to be done	GM Regulatory
220(4)(b)	Recovery of costs associated with carrying out building work authorised under s220(2)	GM Regulatory
221	Disposal, sale, etc. of materials that result from carrying out building work authorised under s220(2)	GM Regulatory
222	To authorise persons to carry out inspections under the Act	Chief Executive
Responsibilities of a BCA that is not a Territorial Authority		
240(2)	Refusal to perform functions under the Building Act where fees, charges or levies are unpaid	Manager Consents
243	Power to impose fees or charge and recovery of costs and to collect levies	Manager Consents
Fees and charges		
281A 281B 281C	Setting fees, imposing fees and charges, increasing the amount of a fee or charge to meet additional costs, and waiving or refunding a fee – consistent with the Council's fees and charges policy	Manager Consents
Other matters		
315(1)	Making a complaint about a licensed building practitioner.	Manager Consents
363A(2)	Deciding whether to issue a certificate for public use	Principal Consents Officer Manager Consents
363A(5)	Deciding and requesting further reasonable information	Principal Consents Officer Manager Consents
403(4)(b)	Making submissions as an 'interested person' to proposed Orders in Council or regulations	GM Regulatory

Schedule 1, part 1, clause 2	Deciding whether a building consent is not necessary	Manager Consents
Offences		
371(2)	Commencement of proceedings where an infringement notice has been issued	GM Regulatory
372	Issuing an infringement notice	Officer Warranted under the Building Act
372B(2)	Authorising officers to issue infringement notices	Chief Executive
377	Filing a charging document	Chief Executive
381(1) 381(2)	Making an application to the District Court for an injunction	Chief Executive

10.9. Statement of Investment Policies and Objectives

Prepared for: Council
Report No. CS1918
Activity: Governance Report
Author: Nick Donnelly, General Manager Corporate Services
Endorsed by: Nick Donnelly, General Manager Corporate Services
Date: 20 September 2019

PURPOSE

- [1] To propose amendments to the Statement of Investment Policies and Objectives for the approval of Council.

EXECUTIVE SUMMARY

- [2] Council has a long-term investment fund that is managed by JBWere. This fund is governed by a Statement of Investment Policy and Objectives (SIPO). The SIPO is part of Council's Treasury Management Policy (TMP).
- [3] JBWere was appointed as Investment Manager in late 2018 and the fund was transitioned to their management in the first half of 2019. JB Were presented to the Audit and Risk Subcommittee meeting on 19 September and proposed changes they recommend to the SIPO to allow them to better manage the portfolio.
- [4] The proposed changes are broadly in three areas:
- a. Changes to the strategic asset allocation ranges
 - b. Amendment to the currency hedging requirement for international equities
 - c. Revised benchmark wording
- [5] Other sections of the TMP and SIPO have been reviewed and minor amendments made to ensure consistency with the changes proposed by JBWere and to reflect changes in organisational structure that have occurred since the previous version was adopted.
- [6] The proposed changes are reflected in the attached revised TMP which incorporates the SIPO.

RECOMMENDATION

That the Council:

- 1) **Receives** this report.
- 2) **Adopts** the attached Treasury Management Policy and the incorporated Statement of Investment Policy and Objectives.

BACKGROUND

[7] The rationale for the changes is outlined below.

Strategic asset allocation

[8] Asset allocation in the SIPO (Section 4.2, p11) is the key control of risk via the min/max range for income and growth assets collectively, which ensures that overall portfolio risk/return doesn't stray too far away from that for the long-term strategic benchmark asset allocation. JBWere recommends that the Council considers the following changes for the asset allocation settings currently in the SIPO:

- a. Set the min/ max ranges for income and growth assets to be the same, i.e. both with a min of 40% and a max of 60% (consistent with the recommendation in section 2.6, p4) about the common 50% benchmark target allocation.
- b. Reallocate 5% target allocation away from NZ Fixed Interest to International Fixed Interest to help diversify a concentrated credit risk to the relatively small NZ bond market. Note International Fixed interest is fully hedged so carries no foreign currency exposure.
- c. Remove International Cash folding it into NZ Cash and renaming that "Cash".
- d. Increase the max range for Cash to allow for a conservative portfolio stance to be adopted under conditions of very elevated market uncertainty, and lower the minimum range recognising that other asset classes are liquid (i.e. can be monetised within 3 business days reducing the need to carry a significant cash on-call reserve) and that term deposits (part of definition of cash) are not liquid.
- e. Amend the credit rating guidelines (Section 4.4.2.e, p13) to a percentage of total income assets not just the bond portfolio. This allows greater flexibility in the event a conservative portfolio stance is adopted, and increased cash is held without the need to rebalance the entire bond portfolio.
- f. Adjust min/max ranges for other asset classes accordingly.

[9] The SIPO revised asset allocation table showing marked-up changes (Section 4.2, p11) is as follows:

Asset Class	Target Allocation	Acceptable Range	
		Minimum	Maximum
NZ Cash	5%	30%	725%
NZ Fixed Interest	4035%	3525%	45%
International Cash			
International Fixed Interest	510%	35%	715%
Defensive Total	50%	4140%	5960%
NZ Property	5%	32%	78%
NZ Equities	15%	1110%	1920%
Australian Equities	15%	1110%	1920%
International Equities	15%	1110%	1920%
Growth Total	50%	3640%	6460%
Total	100%	77%	123%

Currency hedging for international equities

- [10] The preferred strategy stated in the SIPO (Section 4.10, p17) is to have at least 50% currency hedging for international equities. JBWere recommends widening this to 0% to 100%. JBWere currently have no hedging on global equities and prefer to have flexibility on the use of currency hedging on this portion of the portfolio. There used to be a significant positive carry from hedging international equities to NZD (~1.75% pa), but that has become negative with US Fed having hiked rates over last few years and recent RBNZ cutting rates, hence there is now a weaker case for a default preference of having some currency hedging in place which the current SIPO doesn't account for.

Benchmarks

- [11] JBWere proposes minor wording changes to the benchmark table in the SIPO (Section 5.2, p19) to what is currently use as their industry standard benchmarks for those asset classes. Note asset classes no longer applicable have also been removed.

ATTACHMENTS

1. Treasury Management Policy 2019 September [10.9.1 - 43 pages]

TREASURY MANAGEMENT POLICY

Incorporating

LIABILITY MANAGEMENT POLICY AND INVESTMENT POLICY

September 2019

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1. Introduction

The Local Government Act 2002 requires local authorities to adopt a Liability Management Policy and an Investment Policy. The Otago Regional Council's prepared policies have been combined into one document called the Treasury Management Policy.

The Liability Management Policy is designed to provide a framework for prudent debt management and sets out how Council may wish to use debt as a funding mechanism.

The Investment Policy is designed to ensure that the financial resources of the Council are managed in an efficient and effective way. It sets out how Council can utilise funds from the sale of assets, what should be done with the investment income and so on.

Council has set up a structure of responsibilities and reporting lines to ensure the appropriate management and accountability of the liability and investing activities.

2. Structure

2.1 Treasury and Investment Organisational Structure

The organisation chart for the treasury and investment activity is as follows:



2.2 Treasury and Investment Responsibilities

The key responsibilities of the above positions are as follows:

Council

The primary responsibilities of Council are planning, policy and governance.

- Approve and adopt the Liability Management and Investment Policies.
- Review at least on a three yearly basis the Liability Management and Investment Policies, and approve any revisions or amendments as required.
- Approve by resolution all external Council borrowing.
- To encourage the appointment of Audit and Risk Subcommittee members with the relevant experience and competencies to achieve the stated objectives.
- To ensure that the roles and responsibilities of all parties are documented and clearly defined.
- Reviewing and assessing budgets during the budget review process.
- Appointment of Investment Managers.

- Reviewing investment performance and investment reports periodically throughout the year and at year end.
- Approve any transaction that falls outside the guidelines of the IP and Statement of Investment Policy and Objectives (“SIPO”).

Finance and Corporate Committee

The Council has established the Finance and Corporate Committee and has delegated such powers and duties to the Committee as the Council sees fit. The Finance and Corporate Committee operates as per the Council’s constitution. Members serving on the Finance and Corporate Committee are appointed by the Council. The Audit and Risk Subcommittee is a subcommittee of the Finance and Corporate Committee.

Audit and Risk Subcommittee

The Council has established the Audit and Risk Subcommittee and has delegated such powers and duties to the Committee as the Council sees fit. The Audit and Risk Subcommittee operates as per the Council’s constitution. Members serving on the Audit and Risk Subcommittee are appointed by the Council.

- To provide guidance and leadership on the appointment, management, monitoring and review of appropriate Investment Managers.
- Reviewing all matters concerning the SIPO, considering any changes or amendments to the SIPO and making appropriate recommendations
- Regularly reviewing the Investment Managers reports, and reporting exceptions.
- Ensuring that all parties overseeing, advising and managing ORC’s investments disclose any potential conflicts of interest. In the event that conflicts of interest arise the policies and procedures for managing these are to be clearly defined, although, in principle, such conflicts should be avoided.
- Ensuring that an appropriate SIPO is developed and maintained.
- Ensuring that contracts for investment advisory/management, custodial and consultancy services are reviewed at least every three years.
- To recommend the appointment and removal of Investment Managers as appropriate.
- Ensuring investment portfolios are prudently diversified to meet the agreed risk/return profile.
- Approving the asset classes and sub-asset classes to be included in any investment portfolios.
- Ensuring that all service agreements and contracts are in writing and are consistent with fiduciary standards of care.
- To ensure that the practices and policies set out in the SIPO are adhered to.
- To follow formal criteria to monitor, evaluate and compare the investment performance results achieved against relevant benchmarks and objectives on a regular basis.
- To confirm on an annual basis that best practice with respect to execution, brokerage, money sweep facilities, foreign currency spreads, transaction costs and management fees is being applied.

General Manager Corporate Services and CFO

- Responsible for setting investment, borrowing and risk management strategy in conjunction with the Finance Manager and the Manager Projects.
- Responsible for recommending the level of cash available for investment and that held for working capital purposes.
- Recommend to Council amendments to the Liability Management and Investment Policies as required.
- Recommend to Council the most appropriate source and terms for borrowing as and when required.
- Review internal audit reports and approve as appropriate any recommendations made.
- Administering and attending to the day-to-day financial matters associated with the management of investment portfolios, including serving as the primary point of contact for the Investment Manager(s).

Finance Manager – Expenditure and Reporting

- Responsible for all activities relating to the daily implementation and maintenance of the Liability Management and Investment Policies.
- To control and account for all investment, recordkeeping and administrative expenses associated with management of the funds.
- To report at least annually to the Audit and Risk Sub-committee 'Total cost of Delivery' being the sum of:
 - Investment Advisory Fees,
 - Custodial Fees,
 - Administration Fees, and
 - Total Fund Fees – made up of; annual management fees (including annual management fees of underlying investments), performance-based fees (including performance based fees of underlying investments), and any other fees and costs.
- Assist in determining the most appropriate sources and terms for borrowing and investing.
- Negotiate investment and borrowing transactions.
- Responsible for keeping the General Manager Corporate Services & CFO informed of significant treasury activity and market trends.
- Responsible for reviewing/approving the weekly cashflow and cash management transaction requirements completed by the Accountant.

- Responsible for confirming adherence to Liability Management and Investment Policies, through internal audit reviews, to be performed on an annual basis. Reports findings to the General Manager Corporate Services & CFO.
- Assist in identifying amendments to the investment, borrowing and risk management strategy, which may require amendment of the Liability Management and Investment Policies.

Senior Accountant / Accountant

- Prepare and manage Council's cashflow and cash requirements.
- Report to the Finance Manager on the weekly cashflow position and resulting cash management transactions required.

3. Liability Management Policy

3.1 General Liability Management Policy

The Council, on such terms and conditions as it considers appropriate and by resolution, exercises its borrowing powers pursuant to the Local Government Act 2002.

Council may borrow for the following primary purposes:

- Fund special one-off type projects.
- Fund expenditure for items of an intergenerational nature.
- Short term borrowing to manage timing differences between cash inflows and outflows.

Council can borrow through a variety of market mechanisms including the issue of stock and debentures, direct bank borrowing or through accessing the short and long-term capital markets directly.

When evaluating new borrowings, the Council will take into consideration the following:

- The impact on its borrowing limits (refer Section 3.5).
- The impact on its interest rate exposure limits (refer Section 3.2).
- The available terms of borrowing including interest rates, level and timing of repayments and security.
- The size and economic life of the asset / project being funded.
- The level and timing of earnings which may flow from the asset / project.
- The advantages and disadvantages of various borrowing mechanisms including the relevant margins under each borrowing source.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue / rollover time.
- Consistency with the Council's long-term financial strategy.
- Legal documentation and financial covenants.
- The Council cannot borrow offshore.

3.2 Interest Rate Exposure Policy

Interest rate risk refers to the impact that movements in interest rates can have on the Council's cashflows.

Given the purposes for which the Council will borrow, Council tends to weight its borrowing to long-term fixed interest securities. It may be appropriate from time to time (depending on Council's outlook on interest rates) to choose borrowing mechanisms which have a floating interest rate, but the level of such borrowing must not exceed the maximum floating rate exposure allowed, as set out below:

- **Up to 30% of the total borrowings may have a floating interest rate.**

The Council may use the following interest rate protection tools to assist in the management of interest rate exposure:

- Forward rate agreements.
- Interest rate swaps and swap options.
- Purchase or sale of interest rate options products including caps, floors, bond and bill options.
- Interest rate futures contracts.

The following interest rate risk management parameters apply if debt is greater than \$5.0 million:

Fixed Rate Hedging Percentages		
	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0-2 years	50%	100%
2-5 years	25%	80%
5-10 years	0%	60%

3.3 Liquidity and Funding Risk Management

Council ensures funds are available for the repayment of debt by:

- Matching expenditure closely to its revenue streams and managing cashflow timing differences to its favour.
- Avoiding concentration of debt maturity dates.
- Ensuring funds are available through committed bank facilities.

To minimise the risk of large concentrations of debt maturing or being reissued at times of unfavourable interest rates, the Council ensures debt maturity is spread widely over a range of maturities (managed through the use of detailed cashflow forecasting). Specifically, Council ensures that:

- **No more than 50% of total borrowing is subject to refinancing in any one financial year, if debt is greater than \$10.0 million.**
- **Committed funding facilities of not less than 110% of projected core debt over the ensuing twelve months shall be maintained.**

3.4 Credit Risk Management

While the Council will only borrow from reputable financial institutions, there are no minimum credit rating requirements imposed by the Council on its lenders. Also, there is no limit on the level of borrowing to which the Council may commit from any one lender.

3.5 External Borrowing Limits

In managing its borrowings, the Council will adhere to the following limits (based on the Council's latest financial statements):

- **Interest expense will not exceed 20% of total rates per annum.**
- **Interest expense shall not exceed 25% of total revenue.**
- **Debt shall not exceed 175% of total revenue.**

3.6 Security

It is Council policy to offer security for its borrowing by way of a charge over its rates. In the normal course of business, Council policy is not to offer security over any of the other assets of the Council. However, in special circumstances and if it is considered appropriate, Council may resolve to offer such security on a case by case basis.

3.7 Repayment

The Council repays borrowings from rates, surplus funds, investment income, proceeds from the sale of investments and assets, or from specific sinking funds.

3.8 Internal Debt Management

When considered appropriate, the Council uses accumulated reserves as a borrowing mechanism, thereby reducing the level of external borrowings. The following operational guidelines apply to the use of reserves for funding rather than external borrowings:

- Interest is charged on the month end loan balances.
- The interest rate charged is equivalent to what Council would earn if it had been invested.
- Reserves available for internal borrowing are limited to 50% of total reserves.

4. Investment Policy

4.1 General Investment Policy

Guiding Principles

The guiding principles which govern ORC's equity and financial market investment activities are as follows:

- ORC's time horizon is long term, i.e. it is greater than 15 years, and it intends to hold investments for the long term.
- There is a positive relationship between risk and return, higher expected returns means higher risk.
- Every investment has an associated level of risk. This risk is best mitigated by diversification.
- Investors who have a Strategic Asset Allocation ("SAA"), and a Statement of Investment Policy and Objectives ("SIPO") which they follow, generally outperform investors who do not.
- Frequent trading, completely liquidating all investments, or allocating all investments to one specific sector which is predicted to outperform is speculation, not investment.
- Periodic rebalancing back to SAA target weights is likely to enhance investment returns over the long term.
- Periodic review of IP and the SIPO is likely to ensure that any material changes in circumstances are captured and reflected in the management of the portfolio. Reviews should occur not less than three yearly.

Objectives

Council's primary objective when investing is the protection of its initial investment. Accordingly, the risk profile of all investment portfolios must be conservative (see Appendix 1).

Within the approved credit limits contained in Appendix 1, the Council also seeks to:

- Maximise investment returns.
- Manage potential capital losses due to interest rate movements, currency movements and price movements.
- Maintain the real value of investment assets in perpetuity.
- Ensure that the real value of distributions can be maintained.
- Maintain intergenerational equity between current and future ratepayers of Otago Regional Council.

4.2 Risk Tolerance

The Council recognises and acknowledges that some risk must be assumed in order to achieve the long-term investment objectives.

Risk tolerance is affected by three factors:

- Capacity to accept risk,
- Willingness to accept risk, and
- Required rate of return.

Capacity to Accept Risk

ORC's capacity to accept risk is a function of its investment time horizon, prospective future contributions, current financial condition, level of funding requirements and reserve facilities.

Time Horizon

ORC is expected to exist in perpetuity. The investment time horizon of ORC is therefore long term. This increases capacity to accept risk.

Financial Capacity

ORC's current financial condition and level of funding requirements imply reasonable capacity to tolerate short to medium term volatility in the value of its investments. This increases capacity to accept risk.

Based on the combination of time horizon and financial circumstances, ORC's overall capacity to accept risk is assessed as **Medium to High**.

Willingness to Accept Risk

ORC is a risk averse entity. The Council seeks, where possible, to minimise volatility or risk. Notwithstanding this risk aversion, the Council, Finance and Corporate Committee and Audit and Risk Subcommittee, acknowledge that investing solely in capital stable investments exposes the Council's asset base to the risk of inflation and is willing to accept some risk in order to increase expected return, subject to ORC's capacity to accept risk.

Required Rate of Return

Careful consideration of cash flow requirements is essential to determine the required rate of return. In order to achieve the desired level of contributions to cash flow, while maintaining the real value of ORC's capital over time, the real (i.e. inflation adjusted) required return for ORC must be greater than the spending rate.

Based on a spending rate of \$2,000,000 per annum and an assumed investment asset base of \$40,000,000 to \$50,000,000, inflation expectations of 2.0% per annum, a return of 2.0% to 3.0% may be sufficient to meet ORC's objectives.

4.3 Investment Mix

The Council has a significant portfolio of investments that may be comprised of the following:

- Strategic equity investments.
- Strategic property investments.
- Kuriwao Endowment.
- Short Term Liquidity.
- Long Term Fixed Interest
- Long Term Investment Portfolio
- Investment in Irrigation Schemes

4.4 Strategic Equity Investments – Port Otago

Nature of Investments and Rationale for Holding

The Council owns 100% of Port Otago Limited.

Port Otago is a significant strategic asset held by the Council on behalf of the regional community, with its activities complementing and supporting the economic development of the region.

Review of Holding

The Council will from time to time review the equity held in Port Otago Limited, and may, if considered strategically appropriate, amend the percentage shareholding held.

Disposition of Revenue

Port Otago Limited has consistently paid a dividend to the Council. The company's Statement of Corporate Intent produced annually, specifies the level of dividend that will be paid. These dividends are to be used to subsidise general rate funding. Special dividends received may be used towards special projects of a one-off nature.

Risk Management

The Council's investment in Port Otago Limited is not without risk. Dividends receivable are driven by the level of profitability that Port Otago can continue to generate, and ultimately, the value of the Council's investment in the company.

The Council's risk management procedures include:

- Appointing external directors with appropriate expertise to Port Otago Limited's Board of Directors.
- Reviewing / approving on an annual basis Port Otago Limited's Statement of Corporate Intent.
- Regular reporting to Council as specified in the Company's Statement of Corporate Intent.

Management Reporting Procedures

Management reporting issues have been noted under risk management issues above.

4.5 Property Investment

Nature of Investment and Rationale for Holding

The Council owns investment properties within Dunedin City, the land having been gifted to the Council. The land is leased on commercial terms.

Council considers that holding this investment is in the interests of residents and ratepayers, because the return by way of rentals is at commercial rates.

Review of Holding

The Council will from time to time review the investment properties, and may, if considered strategically appropriate, reduce the holdings.

Disposition of Revenue

Revenue earned from investment properties is used to subsidise general rate funding.

Proceeds from the sale of investment properties would be allocated to the Asset Replacement Reserve.

Risk Management

The risk in respect of holding investment property is evaluated as low given the location of the property and its current and long-term use. A valuation of the property is carried out on an annual basis by an Independent Registered Valuer, with gains or losses in value being taken directly to the property revaluation reserve.

Rental income earned from investment properties is considered low risk, due to the fixed and long-term nature of the lease agreements. Lease rental is negotiated at the time that the leases expire, with independent and expert advice being obtained on the market conditions.

Management Reporting Procedures

Returns from investment properties are monitored on a regular basis.

On an annual basis, the market value of the investment properties is recorded and reported on in the Council's financial statements.

4.6 Kuriwao Endowment

Nature of Investments and Rationale for Holding

This land was vested in the Council by the Otago Regional Council (Kuriwao Endowment Lands) Act 1994 ("the Act"). The Otago Regional Council leases the land to private individuals.

Disposition of Revenue

The Act allows the Council to sell the land if it so desires but stipulates that sales proceeds and any earnings from those proceeds must be used for the benefit of the Lower Clutha district.

In accordance with the Act, rental income from the leases is also used for the benefit of the Lower Clutha district, and is used primarily for catchment works in that district.

Risk Management

The risk in respect of holding investment property is evaluated as low given the location of the property and its current and long-term use.

Rental income earned from endowment land is considered low risk, due to the fixed and long-term nature of the lease agreements. Lease rental is negotiated at the time that the leases expire, with independent and expert advice being obtained on the market conditions.

Management Reporting and Procedures

Returns from the leased land are monitored on a regular basis.

The value of the land is recorded and reported on in the Council's financial statements.

4.7 Short Term Liquidity

Nature of Investment and Rationale for Holding

This type of investment will be in the form of cash deposits held for various periods from "on call" to 365 days or longer. It will be held for working capital purposes, emergency funds and as an investment when deemed appropriate.

Deposition of Revenue

Revenue earned on cash holdings is added to the reserve balance that the cash holdings relate to, e.g. Emergency Response Reserve. When earned on general cash held from rate takes and other external funding sources it is used to subsidise general rates.

Risk Management

Investments are to be held with financial institutions as approved by the General Manager Corporate Services and CFO, and in accordance with the limits set out in Appendix 1.

- No more than 30% of cash is to be invested at any one time with any one institution, unless this is the diversified cash management portfolio managed by a fund manager when 100% can be invested (see Appendix 1).

Management Reporting

Cash holdings are managed as part of the Council's daily operational procedures (refer section 5).

4.8 Long Term Investment Portfolio

Nature of Investment and Rationale for Holding

The Council has established a Long-Term Investment Portfolio in order to assist with the subsidising of rates and maintaining intergenerational equity between current and future ratepayers.

Council considers that holding this investment is in the interests of residents and ratepayers, because the opportunity to earn higher investment returns through income and capital growth than is achievable through short term liquidity or long-term fixed interest provides a greater chance of maintaining the real value of ORC's asset base in the face of inflation.

Review of Holding

The Council will from time to time review the Long-Term Investment Portfolio, and may, if considered strategically appropriate, reduce or increase the amount of funds allocated to the Long-Term Investment Portfolio.

Disposition of Revenue

Revenue earned from the Long-Term Investment Portfolio is used to subsidise rate funding.

Risk Management

The Council's investment in the Long-Term Investment Portfolio is not without risk. The income and capital growth likely to be achieved from the Long-Term Investment Portfolio will vary and may not meet Council's expectations in any one quarter or year.

The Council's risk management procedures include:

- Appointing an independent Investment Manager with appropriate expertise to manage the Long-Term Investment Portfolio.

- Requiring the Investment Manager to adhere to a SIPO which defines the nature of the investment management mandate including restrictions, exclusions and minimum reporting requirements.
- Requiring the Investment Manager to report compliance with the SIPO.
- Requiring the Investment Manager to report formally against appropriate benchmarks quarterly, and peer group at least annually.
- The Council will conduct a formal review of incumbent Investment Managers not less than three yearly. This may result in a tender process for the Investment Management of the Council's Long-Term Investment Portfolio.

Management Reporting and Procedures

Long-Term Investment Portfolio returns, and portfolio characteristics are monitored on a quarterly basis against relevant benchmarks and compliance reporting criteria established in the SIPO.

On an annual basis, portfolio returns are benchmarked against an appropriate peer group.

4.9 Investment in Irrigation Schemes

Nature of Investment and Rationale for Holding

This type of investment would be in the form of equities in irrigation schemes. Such investments could only be entered into where an equity holding by Council will enable a scheme to proceed, if committed supply contracts alone are not sufficient to enable this, **and** where an equity holding will enable wider community benefits in water management.

Any consideration of an equity investment will only occur after normal corporate loan and equity funding had been diligently explored by the developers of the irrigation scheme, and reasons for rejection identified.

Any proposed investment in an irrigation scheme must be consulted on before proceeding with the investment.

Disposition of Revenue

Revenue earned from equity investment in irrigation schemes is to be used to subsidise general rates.

Proceeds from the sale of equities will be allocated to the general reserve.

Risk Management

Investment in Irrigation Schemes is assessed as having a high risk. Returns on this type of equity investment may not be earned until such time as the investment is sold, or may not be at levels that may be returned on other types of investment.

Further there is a risk that there will be no readily available option for selling the investment, should the Council wish to do so.

The Council's risk management procedures include:

- Requiring a full business plan that shows a commercial return on investment, and a real opportunity to sell the investment.
- Being entitled to having a representative on the Board of the irrigation scheme company.
- Requiring regular reporting to Council of the activities and progress of the scheme, and the uptake of shares by farmers joining the scheme.

Investments are to be held in accordance with the limits set out in Appendix 1.

Management Reporting

The value of equity investment in irrigation schemes is to be recorded and reported annually in the Council's financial statements.

5. Cash Management

The finance department is responsible for managing the Council's cash surpluses and deficits as they arise. These may arise due to a mismatch of daily receipts and payments.

Council maintains weekly cashflow forecasts. These cashflows determine the level of cash required for working capital purposes, any surpluses available for investment, and any deficits that may require short-term borrowing. Any cash to be invested for longer than 12 months is covered by sections 4.7 and 4.8 of this policy document.

The following operational guidelines apply to the cash management processes:

- **Cashflow surpluses will be invested in accordance with section 4.7 of this document.**
- **A committed bank overdraft facility will be maintained, to meet interim cash and liquidity requirements.**

Dedicated cash held in respect of special rating districts or special funds will accumulate interest on those funds to an amount equivalent to that earned by the Otago Regional Council on its cash deposits.

APPENDIX 1:

Approved Credit Ratings and Limits

Approved Credit Ratings

S&P Rating	Maximum Percentage of NZ Fixed Interest Asset Class
AAA to BBB-	100%
A+ to BBB-	55%
BBB+ to BBB-	15%
Sub-investment Grade/Unrated	0%
Government	100%
Equities in Irrigation Schemes*	10%

* Subject to consultation and Council approval as per section 4.9

Individual Security Guidelines

S&P Rating	Individual Security Maximum Percentage of NZ Fixed Interest Asset Class
AAA	15%
AA	10%
A	10%
BBB	5%
Sub-investment Grade/Unrated	0%
Equities in Irrigation Schemes*	10%

* Subject to consultation and Council approval as per section 4.9

Note the above table provides guidelines for assessing an individual security. Section 4.7 of the Investment Policy sets the risk management limit on maximum issuer exposure for Short Term Liquidity and Section 4.4 of the SIPO provides diversification guidelines to manage maximum issuer exposure for the Long-Term Investment Portfolio.

APPENDIX 2:

Otago Regional Council

Statement of Investment Policy and Objectives

Revised
September 2019

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1. Purpose

The purpose of this Statement of Investment Policy and Objectives (SIPO) is to provide the policy framework for Otago Regional Council (the Council) to effectively supervise, monitor and evaluate the management of the investment activities of the Council.

The SIPO defines the key responsibilities and the operating parameters within which the investments and their ongoing management are to operate. The SIPO should at all times encourage the use of methodologies and processes that reflect industry best practice, encompass the principles of good corporate governance, and reflect the corporate vision of Otago Regional Council.

2. Objectives

2.1 Introduction

The Local Government Act 2002 requires local authorities to adopt an Investment Policy to ensure that the financial resources of the Council are managed in an efficient and effective way.

2.2 Objectives

Otago Regional Council's primary investment objectives are:

- To protect and maintain the purchasing power of the current investment assets and all future additions to the investment assets.
- To maximise investment returns within reasonable and prudent levels of risk.
- To maintain an appropriate asset allocation in order to make distributions as required while preserving the real value of the Council's capital from the effects of inflation.

2.3 Time Horizon

The investment guidelines are based upon an investment horizon of greater than seven years. Therefore, interim fluctuations should be viewed with appropriate perspective.

2.4 Risk Tolerance

The Otago Regional Council is a risk-averse entity but some risk must be assumed in order to achieve the long-term investment objectives of the portfolio, given there are uncertainties and complexities associated with investment markets. It is the express desire of the Council to minimise portfolio volatility through the adoption of prudent portfolio management practices. Overall, a conservative investment approach is to be adhered to.

2.5 Performance Expectations

Otago Regional Council aims to earn a net real return on the portfolio of 2.3-3.1% per annum after investment management costs and inflation (assumed to average 2.0% per annum), on average over five years.

The Council recognises that the target rate of return is a long term one and will not be achieved in every measurement period.

2.6 Risk Summary and Selection of Asset Allocation

The table below summarises the Council's level of risk tolerance as measured by the three risk factors:

Risk Measure	Level of Risk
Capacity to accept risk	Medium to High
Willingness to accept risk	Low to Medium
Required rate of return	Inflation plus 2.3% - 3.1% (net)

Over the long term, the average rate of investment return is related to the level of risk within the portfolio, as illustrated in the table below:

Estimated Rate of Return (net of fees) Inflation plus:	Estimated Gross Return	Level of Investment Risk	Growth Asset Strategy
1.5% - 2.3%	6.0% - 6.5%	Low	20% to 40%
2.3% - 3.1%	6.5% - 7.2%	Low to medium	40% to 60%
3.1% - 3.8%	7.2% - 7.8%	Medium to high	60% to 80%
3.8% - 4.3%	7.8% - 8.1%	High	80% to 90%

Returns above are per annum. The table comprises estimates based on standard portfolio and custodial fees and assumes a tax rate of 0%. Estimated gross returns increase as the portfolio allocation to growth assets increases. Actual returns may be higher or lower than those detailed above.

Based on ORC's required rate of return, capacity and willingness to accept risk, it is recommended that a portfolio incorporating 40% to 60% growth assets is adopted which is suitable for a low to medium level of risk. Aim is to achieve 50% income assets, 50% growth assets.

2.7 Policy Setting and Management

The Council may from time to time approve/amend the policy parameters set in relation to Otago Regional Council's investment activities. These changes will be minuted and incorporated into the SIPO and the dates of the changes noted.

3. Duties and Responsibilities

3.1 The Council

The primary responsibilities of the Council are planning, policy and governance.

The Council will take cognisance of the prudent person and duty of care rules as set out in the Trustee Amendment Act 1988.

As fiduciaries, the primary responsibilities of the Council are:

- To state in a written document the Council' attitudes to risk, expectations, objectives and guidelines for the investment of their assets.
- To review this SIPO on a regular basis.
- To ensure Otago Regional Council's investment assets are prudently diversified to meet the agreed risk/return profile.
- To establish formal criteria to select, monitor, evaluate and compare the investment performance results achieved by the investment adviser and the overall portfolio against agreed benchmarks, peer groups and Otago Regional Council's objectives on a regular basis.
- To avoid prohibited transactions and conflicts of interest.
- To encourage effective communications between the Council and parties involved with investment management decisions.
- To encourage the appointment of Audit and Risk Subcommittee members with the relevant experience and competencies to achieve the stated objectives.
- To ensure that the roles and responsibilities of all parties are documented and clearly defined.
- Appointment of Investment Managers.
- Reviewing investment performance and investment reports periodically throughout the year and at year end.
- Approve any transaction that falls outside the guidelines of the SIPO.

3.2 The Audit and Risk Subcommittee

The Council has established the Audit and Risk Subcommittee and has delegated such powers and duties to the Committee as the Council sees fit. The Audit and Risk Subcommittee operates as per the Council's constitution. Members serving on the Audit and Risk Subcommittee are appointed by the Council.

- To provide guidance and leadership on the appointment, management, monitoring and review of appropriate Investment Managers.
- Reviewing all matters concerning the SIPO, considering any changes or amendments to the SIPO and making appropriate recommendations.
- Regularly reviewing the Investment Managers reports, and reporting exceptions.
- Ensuring that all parties overseeing, advising and managing Otago Regional Council's investments disclose any potential conflicts of interest. In the event that conflicts of interest arise the policies and procedures for managing these are to be clearly defined, although, in principle, such conflicts should be avoided.
- Ensuring that an appropriate SIPO is developed and maintained.
- Ensuring that contracts for investment advisory/management, custodial and consultancy services are reviewed at least every three years.
- To recommend the appointment and removal of Investment Managers as appropriate.
- Approving the asset classes and sub-asset classes to be included in any investment portfolios.
- Ensuring that all service agreements and contracts are in writing and are consistent with fiduciary standards of care.
- To ensure that the practices and policies set out in the SIPO are adhered to.
- To follow formal criteria to monitor, evaluate and compare the investment performance results achieved against relevant benchmarks and objectives on a regular basis.
- To confirm on an annual basis that best practice with respect to execution, brokerage, money sweep facilities, foreign currency spreads, transaction costs and management fees is being applied.

3.3 Custodian

Custodians are responsible for the safekeeping of Otago Regional Council's investment assets. The specific duties and responsibilities of the custodian are to:

- Value all investment assets.
- Collect all income and dividends owed to the portfolio.
- Settle all transactions (buy/sell orders) initiated by the Investment Manager.
- Provide monthly reports that detail transactions, cash flows, securities held and their current value. The report should also detail the change in value of each security and the overall portfolio since the previous report.
- Maintaining separate accounts.

3.4 Investment Advisor

The Council may retain an objective, third-party investment adviser to assist the Council in managing the overall investment process. The adviser will be responsible for guiding the Council through a disciplined and rigorous investment process to enable the Council to prudently manage their fiduciary duties and responsibilities. The investment adviser will:

- Provide advice on appropriate strategic asset allocation, security and fund manager selection.
- Periodically monitor the SIPO and its appropriateness, (in conjunction with the Council).
- Specify and advise on asset and sub-asset class allocation strategies.

3.5 Investment Manager

The Council will appoint an investment Manager to manage the assets under their supervision in accordance with the guidelines and objectives outlined in the SIPO and in their service agreements. The investment Manager will:

- Periodically review the custodial arrangements and make recommendations.
- Provide instructions to each fund manager with respect to the lodging or withdrawing of funds placed.
- Oversee and monitor the performance of the fund managers.
- Appoint and remove fund managers.
- Deliver quarterly reports to the Council which detail the following:
 - Portfolio valuation,
 - Fixed Interest Portfolio duration,
 - Compliance reporting,
 - Portfolio Performance Summary for the portfolio and by asset class,
 - Performance against benchmarks,
 - Asset transactions summary, and
 - Cash transactions.
- Make available appropriate personnel to attend meetings as agreed between the Council and the adviser.
- Report to the Council annually as to the total expenses incurred and tax paid in managing Otago Regional Council's investment portfolio.
- Communicate to the Council all significant changes pertaining to the portfolio it manages or the adviser's firm itself. Changes in ownership, organisational structure, financial condition and professional staff are examples of changes to the firm in which the Council are interested.
- Use the same care, skill, prudence and due diligence under the prevailing circumstances that an experienced investment professional, acting in a like capacity and fully familiar with such matters, would use in like activities for like portfolios with like aims in accordance with all applicable laws, rules and regulations.
- Ensure that "expected" and "modelled" returns for asset classes are based on sound return and risk premium assumptions.
- Outline expected returns and risk, or volatility, within the selected strategies.
- Recommend a Custodian to hold and report on investment assets.
- Rebalance individual investments and asset class groups to within agreed benchmarks as described in the rebalancing policy contained in the SIPO.
- To effect all transactions for the portfolio at the best price.
- Regularly report on compliance exceptions with the SIPO.
- Disclose any potential conflicts of interest and steps taken to mitigate such conflicts.

3.6 Fund Managers

Fund Managers are utilised by the Investment Manager to manage a part of the Long-Term Investment Portfolio.

- To manage an allocated part of the portfolio on terms and conditions consistent with their mandate.

4. Investment Policy and Implementation

4.1 Asset Class Guidelines

Long-term investment performance is primarily a function of strategic asset allocation and asset class mix.

History shows that while interest-generating investments, such as fixed interest portfolios, have the advantage of relative stability of capital value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. On the other hand, equity investments have a significantly higher expected return but have the disadvantage of much greater year-on-year variability of return. From an investment decision-making point of view, this year-on-year variability may be worth accepting, provided the time horizon for the equity portion of the portfolio is sufficiently long, (10 years or greater).

Authorised Investments

The following investments, within New Zealand and internationally, are authorised by the Council:

- Cash – term deposits, cash on call, cash funds.
- NZ fixed interest – NZ Government, local authority and NZ State-Owned Enterprise bonds, corporate bonds, fixed interest funds.
- International fixed interest – either direct, if appropriate or via managed funds.
- Listed property companies, property funds and direct property investments.
- Equities, either via managed funds or directly.

Excluded Investments

The following investments are not permitted:

- Preference shares.
- Leveraged investments.
- Options.
- Futures (excluding those employed as risk management strategies by fund managers).
- Commodities contracts.
- Precious metals.
- Hedge funds.
- Unlisted equity securities.
- Private equity investments.
- Illiquid investments.
- Investments in Council Controlled Organisations (other than those described in Section 4.4 of the Investment Policy).

4.2 Asset Allocation

Academic research offers considerable evidence that the strategic asset allocation decision far outweighs security selection and market timing in its impact on portfolio variability and performance. On this basis the Council prefer to adopt a strategic asset allocation and passive strategy over an active and/or tactical asset allocation strategy.

The asset allocation benchmark is to be:

Asset Class	Target Allocation	Acceptable Range	
		Minimum	Maximum
Cash	5%	0%	25%
NZ Fixed Interest	35%	25%	45%
International Fixed Interest	10%	5%	15%
Defensive Total	50%	40%	60%
NZ Property	5%	2%	8%
NZ Equities	15%	10%	20%
Australian Equities	15%	10%	20%
International Equities	15%	10%	20%
Growth Total	50%	40%	60%
Total	100%		

Note target allocation is 50% income assets and 50% growth assets.

4.3 Rebalancing Guidelines

The percentage allocation to each asset class may vary depending upon market conditions.

The SAA has upper and lower limits for each asset class as set out in the table above. The limits are based on the following guidelines:

- Plus or minus 5% for an asset class comprising 20% or more of the SAA,
- Plus or minus 25% of the allocation to a single asset class, where that asset class comprises less than 20% of the SAA (e.g. an asset class comprising 4% of the SAA would have limits of plus or minus 1%).
- The result of the above formulas are then rounded to the nearest full percentage (minimum is round down and maximum is rounded up).

To remain consistent with asset allocation guidelines, the Investment Manager(s) will periodically review the portfolio and each asset class. If the actual weighting has moved outside the tolerances described above, the Investment Manager(s) shall rebalance the portfolio back towards the recommended weighting. This rebalancing is to be completed as required, at least annually, and reported to the Audit and Risk Sub-committee.

Rebalancing tends to involve buying underperforming assets at relatively lower prices, and selling relatively higher priced assets.

4.4 NZ Fixed Interest Investment Guidelines

4.4.1 Portfolio Objectives for Direct NZ Fixed Interest

To gain a diversified exposure to the New Zealand Fixed Interest market through investing in direct securities with the following objectives identified below:

- Provide access to the market in a cost-effective manner,
- Provide a stable income and capital preservation (in nominal terms) over a full market cycle,
- Reduce overall volatility of a strategically diversified portfolio, and
- Provide a high level of transparency.

4.4.2 Portfolio Construction Guidelines

a. Diversification

The portfolio should be constructed to achieve appropriate diversification (in the constraints of the NZ market) relative to:

- New Zealand fixed interest issuers,
- The industries/sectors the issuers are involved with,
- The individual issue and overall portfolio duration, and
- Overall credit risk exposure of a portfolio.

The level of the diversification will be governed by the size of the fixed interest portfolio.

Credit ratings will have an impact on the level of diversification. Securities with lower credit ratings require a higher level of diversification.

b. Number of Securities

To achieve sufficient levels of diversification, a minimum of 15 securities where the size of the NZ Fixed Interest portfolio is more than \$1,000,000, and 10 securities where the size of the NZ Fixed Interest portfolio is less than \$1,000,000, is required. Where appropriate diversification cannot be achieved due to the size of the portfolio or availability in the market, surplus funds may be directed to money market instruments until availability improves.

c. Duration

The portfolio should be diversified across all durations to minimise the adverse effects of reinvestment risk on maturity. Otago Regional Council should be aware if the duration of their portfolio deviates from the benchmark duration by more than 1 year.

d. Liquidity

Although Otago Regional Council invests into the direct New Zealand fixed interest market with a “buy and hold” philosophy, over time its needs may change and greater levels of liquidity may be required.

The more liquidity is required, the more government and liquid (i.e. senior debt issues of \$150m or greater) corporate securities should be included in the portfolio.

e. Exposure Levels by Credit Rating

Guidelines for maximum security exposure levels for individual securities are set by credit rating. The following criteria should be considered when making decisions on exposure levels within a portfolio:

- Consideration should be given to excessive exposure to any single issuer,
- Consideration should be given to other asset class exposures Otago Regional Council may have to an issuer,
- The portfolio should be distributed across credit ratings, and

The following table presents a set of guidelines that need be used when constructing a portfolio.

Guidelines:

S&P Rating band (or Moody's or Fitch equivalent)	Overall maximum % of Income Assets
AAA to AA-	100%
A+ to A-	55%
BBB+ to BBB-	15%
Sub-Investment Grade / Unrated	0%
Government	100%

A maximum of 5% of floating rate/annual resettable securities is permitted in a portfolio. Where possible, the following maximum individual security guidelines should be followed to gain diversification whilst ensuring sound credit quality within portfolios.

Maximum Individual Security Guidelines:

S&P Rating band (or Moody's or Fitch equivalent)	Individual security maximum % of Income Assets
AAA	15%
AA	10%
A	10%
BBB	5%
Sub-Investment Grade / Unrated	0%

Note that the above table provides guidelines for assessing an individual security. Although there is no maximum issuer exposure specified, diversification guidelines described under the "Diversification" heading are to be followed.

f. Perpetual Securities

Given the equity structure (including potential imputation credits) of perpetual securities, this class of fixed interest is not to be used.

g. Structured credit

Due to the complexity of structured credit instruments and the lack of sophisticated monitoring systems required to provide ongoing assessment, Otago Regional Council should not include this type of investment in its NZ fixed interest portfolio. It is considered that the required fixed interest exposure can be adequately achieved by investing in securities with simple structures which possess typical fixed interest characteristics.

h. Ratings Downgrade

If a security is downgraded, the mandatory guidelines table should be revisited to ensure that the new rating falls within the ratings framework. A decision must be made by the Council in light of the downgrade as to the future holding of the security (which could potentially be outside the guidelines).

i. Reinvestment

Recommendations to reinvest the proceeds from a maturity should take into account all of the above portfolio construction guidelines.

Where it is uneconomical to gain a direct exposure to NZ or international fixed interest, investment may occur via a recommended managed fund in order to gain an appropriate level of diversification.

4.5 International Fixed Interest

4.5.1 Portfolio Objectives for International Fixed Interest

The inclusion of international fixed interest has the benefit of increasing diversification and reducing volatility by providing exposure to a greater range of issuers, credit ratings and yield curves than is achievable through domestic fixed interest.

4.5.2 Portfolio Construction Guidelines

Given the quantum of the allocation to international fixed interest this asset class must be invested in through one or more Collective Investment Vehicles (CIVs). CIVs must invest in diversified portfolios of fixed interest securities and have exposure limits, minimum credit ratings and policies and procedures acceptable to the Council.

International fixed interest investments must be 100% hedged to the New Zealand dollar.

4.6 Property Investment Guidelines

4.6.1 Portfolio Objectives for Property Investment

To provide an exposure to the New Zealand listed property sector.

4.6.2 Portfolio Construction Guidelines

For direct New Zealand property investments, the following rules shall apply:

- Investment in property entities that are listed on the New Zealand Stock Exchange.
- Investments in partly paid shares in respect of shares of the type referred to above are permitted following a formal submission from the Investment Manager and Audit and Risk Subcommittee approval.
- Not more than 25% of this asset class to be invested in any one entity.

4.7 New Zealand Equity Investment Guidelines

4.7.1 Portfolio Objectives for New Zealand Equity Investment

To provide a combination of capital growth and income via a broad exposure to the New Zealand equity market.

4.7.2 Portfolio Construction Guidelines

For direct New Zealand equity investments, the following rules shall apply:

- Investment in companies listed on the New Zealand Stock Exchange.
- Investments in partly paid shares in respect of companies of the type referred to above are permitted following a formal submission from the Investment Manager and Audit and Risk Subcommittee approval.

Exposure limits for direct New Zealand equity investments (based on the dollar value of the NZ Equities sector of the Long-Term Investment Portfolio) are set out below:

Security Type	Minimum percentage of NZ equities	Maximum percentage of NZ equities
Companies not represented in the Benchmark	0%	20%
Individual company in the Benchmark	0%	Benchmark weight +/-8%
Individual company not in the Benchmark	0%	4%

4.8 Australian Equity Investment Guidelines

4.8.1 Portfolio Objectives for Australian Equity Investment

To provide a combination of capital growth and income via a broad exposure to the Australian equity market.

4.8.2 Portfolio Construction Guidelines

For direct Australian equity investments, the following rules shall apply:

- Investment in companies listed on the Australian Stock Exchange.
- Investments in partly paid shares in respect of companies of the type referred to above are permitted following a formal submission from the Investment Manager and Audit and Risk Subcommittee approval.

Exposure limits for direct Australian equity investments (based on the dollar value of the Australian Equities sector of the Long-Term Investment Portfolio) are set out below:

Security Type	Minimum percentage of Aust equities	Maximum percentage of Aust equities
Companies not represented in the Benchmark	0%	20%
Individual company in the Benchmark	0%	Benchmark weight +/- 8%
Individual company not in the Benchmark	0%	4%

4.9 International Equity Guidelines

4.9.1 Portfolio Objectives for International Equity Investment

To provide an exposure to investments in the international equities sector.

4.9.2 Portfolio Construction Guidelines

For direct international equity investments, the following rules apply:

- Investment in international equities will be through one or more CIVs.
- International equity investments must be hedged in accordance with the requirements contained in Foreign Currency Management.
- CIVs in international equities must hold a broadly diversified portfolio of equity securities, be consistent with underlying benchmarks, be managed according to appropriate policies and procedures and impose reasonable exposure limits.
- Ensure that any investment is sufficiently liquid to enable exit from the investment at any time.

4.10 Foreign Currency Management

Historically, fluctuation of the New Zealand dollar against other major currencies has been significant and has resulted in additional portfolio volatility.

To minimise the risks associated with currency fluctuations the following policies apply:

- Holdings of international fixed interest investments are to be fully hedged back to NZ dollars at all times.
- When investing in international equities either directly or via managed funds, a neutral currency position is the preferred strategy however, 0% to 100% of the international equities being hedged back to NZ dollars is permitted at any one point in time. Any change to the actual hedging level should be disclosed to the General Manager Corporate Services & CFO and Audit and Risk Subcommittee and may require the Council's approval/endorsement.

4.11 Tax Policy

Any investment strategy employed needs to take into account Otago Regional Council's tax status, although this should not be to the detriment of the long-term strategic asset allocation.

Any tax leakage is to be quantified by the investment adviser and reported to the Council annually.

5. Monitoring and Evaluation

5.1 Performance Objectives

The Council acknowledges fluctuating rates of return characterise the securities markets, particularly during short time periods. Recognising that short-term fluctuations cause variations in performance; the Council intends to evaluate investment performance from a long-term perspective.

The Council is aware the ongoing review and analysis of the investment options is just as important as the due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the Council's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than annually, the Council will meet to review whether the investment adviser and the investment options selected continue to conform to the criteria outlined in the SIPO, specifically:

- Adherence to the asset allocation levels set with rebalancing occurring within the agreed parameters and in a timely fashion.
- Adherence to the agreed investment philosophy and constraints;
- The adherence of individual investments to investment guidelines;
- Material changes in the investment options, organisation, investment philosophy and/or personnel; and
- Any legal or other regulatory agency proceedings affecting the investment options.

5.2 Benchmarks

The Council has determined that performance objectives should be established for each investment option and for the overall investment portfolio. Investment Manager performance will be evaluated in terms of an appropriate market index and the relevant peer group. These are to be agreed to between the Council and the Investment Manager. Asset classes and relevant benchmarks:

Asset Class	Index
Cash (on call and securities less than 1 year to maturity)	S&P/NZX 90 Day Bank Bill Index
New Zealand Fixed Interest	S&P/NZX Corporate A Grade Bond Index
International Fixed Interest - \$NZD Hedged	Barclays Capital Global Aggregate Bond Index (NZD Hedged)
New Zealand Property	S&P/NZX All Real Estate Industry Group Index (Gross)
New Zealand Equities (Excluding NZ Listed Property)	S&P/NZX 50 Index (Gross)
Australian Equities	S&P/ASX 200 Accumulation Index (Unhedged)
International Equities	MSCI All Country World Index (Unhedged)
NZ Government Bonds	S&P/NZX NZ Government Stock Index

5.3 Compliance

The Council and Audit and Risk Subcommittee are aware that the ongoing review and analysis of investments is just as important as the due diligence process. Performance will be monitored on an ongoing basis and it is at the Audit and Risk Subcommittee's discretion to take corrective action by recommending the replacement of an Investment Manager at any time. The Council may direct the Audit and Risk Subcommittee to take such action if it deems this is required.

Specifically, the following will be confirmed and reported to the Audit and Risk Subcommittee:

- Performance reporting as described in roles and responsibilities above.
- Adherence to the SAA and rebalancing within approved limits occurring in a timely fashion.
- Adherence to agreed investment philosophy and constraints.
- Adherence to investment guidelines.
- Material changes in the investment organisation, investment philosophy and/or personnel.
- Any legal or other regulatory proceedings affecting the Investment Manager's organisation and/or reputation.

5.4 Watch List Procedures

An investment option and/or Investment Manager may be placed on watch list and a thorough review and analysis may be conducted when:

- Performance is below median for their peer group over a one, three and/or five-year cumulative period;
- The three-year risk adjusted return falls below the peer group's median risk-adjusted return;
- There is a change in the professionals managing the investment;
- There is an indication the investment option and/or investment adviser is deviating from the stated style and/or strategy;
- There is an increase in fees and expenses;
- Any extraordinary event occurs that may interfere with the investment option and/or Investment Adviser's ability to prudently manage investment assets.

This process is delegated to the investment adviser and/or a nominated third party and they will report to the Council at least annually.

5.5 Measuring Costs

The total portfolio delivery costs should be fair and reasonable. The appointed Investment Manager should offer a fee-only service with all commissions returned to Otago Regional Council.

The investment adviser is to report to the Council annually on the breakdown and the total costs of delivery including:

- Administration/custodial reporting fees;
- Management expense ratios for managed fund investments;
- Advisory fees;
- Other brokerage or fees.

6. Review of the Statement of Investment Policy and Objectives

The Council will review this SIPO at least annually to determine whether the stated investment objectives are still relevant and it is feasible that they will be achieved. It is not expected that the SIPO will change frequently. In particular, short-term changes in the financial markets should not require adjustment to the SIPO.

Approved by Otago Regional Council:

Signature

Position

Date

Copy to Investment Manager:

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Copy sent by

Date

11. MATTERS FOR NOTING

11.1. Treasury Report - September 2019

Prepared for:	Council Meeting
Activity:	Treasury Report
Author:	Sarah Munro, Finance Manager – Expenditure and Reporting
Authoriser:	Nick Donnelly, General Manager Corporate Services
Date:	16 September 2019

PURPOSE

- [1] This report provides information on the management and performance of the Council's short-term deposits and the managed fund, for the 12 months ended 30 June 2019.

EXECUTIVE SUMMARY

- [2] Short term investments held by the Council are in the form of term deposits held with banking institutions and managed on the Council's behalf by a separate investment arm of the BNZ under a multi-bank arrangement.
- [3] Council also has a Managed Fund portfolio managed externally. Transition of management of the fund from BNZ to JB Were commenced in quarter 3 and as at 30 June 2019 all managed funds are held with JB Were.

STAFF RECOMMENDATION

That the Council:

- 1) *Receives this report.*

SHORT TERM INVESTMENTS

General Comments

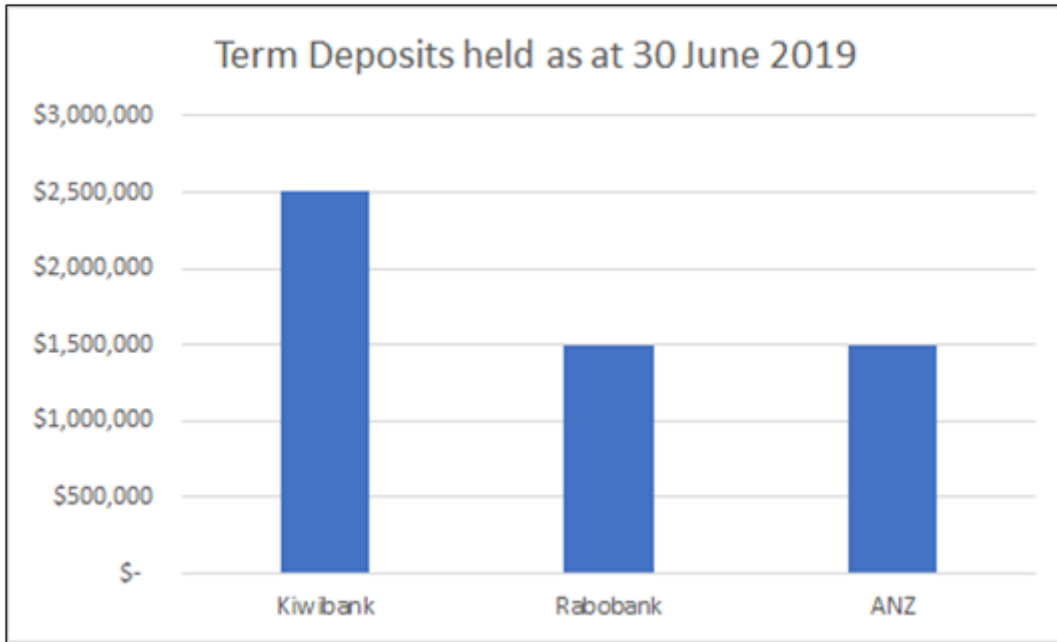
- [4] The day-to-day working capital cash requirement of the Council, including forecasting cash movements in the short term based on forecast revenues and expenditure, is managed by finance staff.
- [5] Council's cash-flow in terms of receipts and payments fluctuates significantly during the year, particularly with significant revenue streams such as rates and dividends coming in at particular times, and large payments such as GST output tax collected on rates income, becoming payable at one time.
- [6] Funds surplus to immediate cash requirements are deposited into the term deposit portfolio. The BNZ seeks competitive quotes from participating banks for new deposits and places new funds accordingly, based on the quotes received and other factors to ensure the portfolio is maintained within agreed parameters.

- [7] BNZ provides monthly reports on the composition and performance of the term deposit portfolio.

Term Deposits - Portfolio Composition

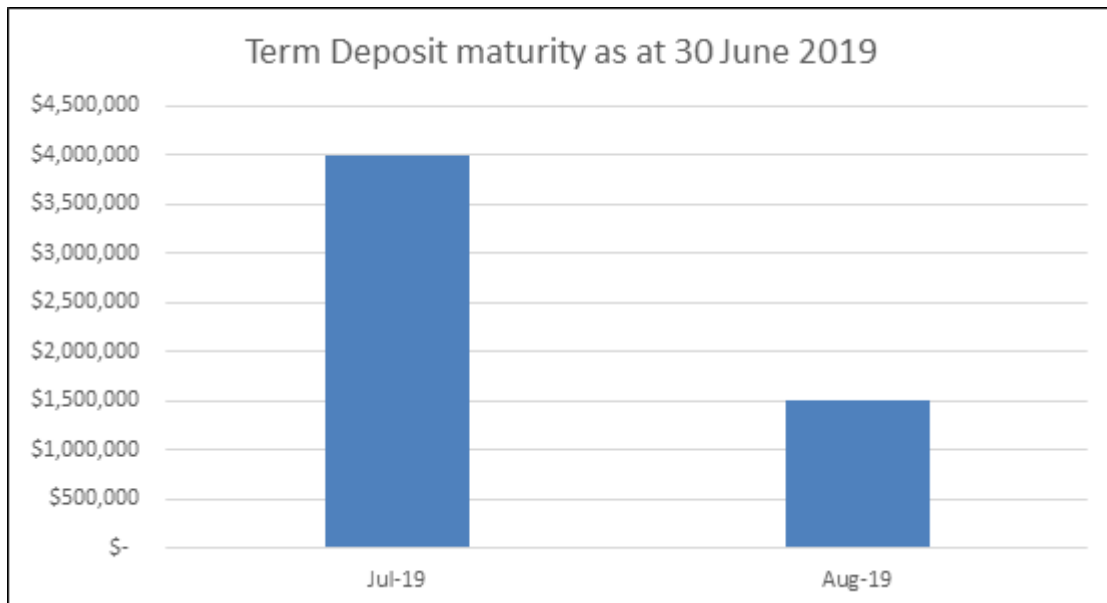
- [8] The amount held on term deposit at 30 June 2019 was \$5,500,000 comprising 3 individual deposits – ranging from \$1,500,000 to \$2,500,000 each.

The following chart shows the total amount held with each institution at 30 June 2019.



Term Deposits – Maturity Profile

- [9] The maturity profile chart below shows the maturity dates of term deposits by the month of maturity.
- [10] The arrangement with the BNZ ensures that amounts maturing on a monthly basis, together with other cash movements, provide sufficient funds to meet ongoing operational requirements of the Council.

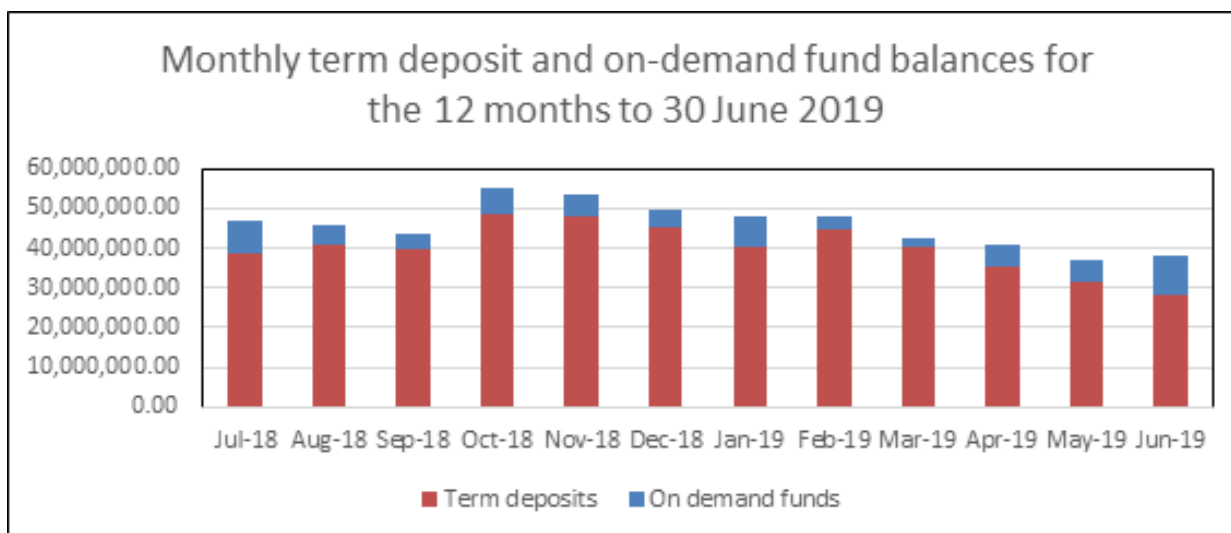


[11]

Term Deposits and On-Call Funds

[12] A sufficient amount of funds is held on-demand to meet the operational day-to-day requirements of the Council. The timing of term deposit transactions and significant cash transactions necessarily results in fluctuations in both the term deposit element of total funds held and the amount held on-demand.

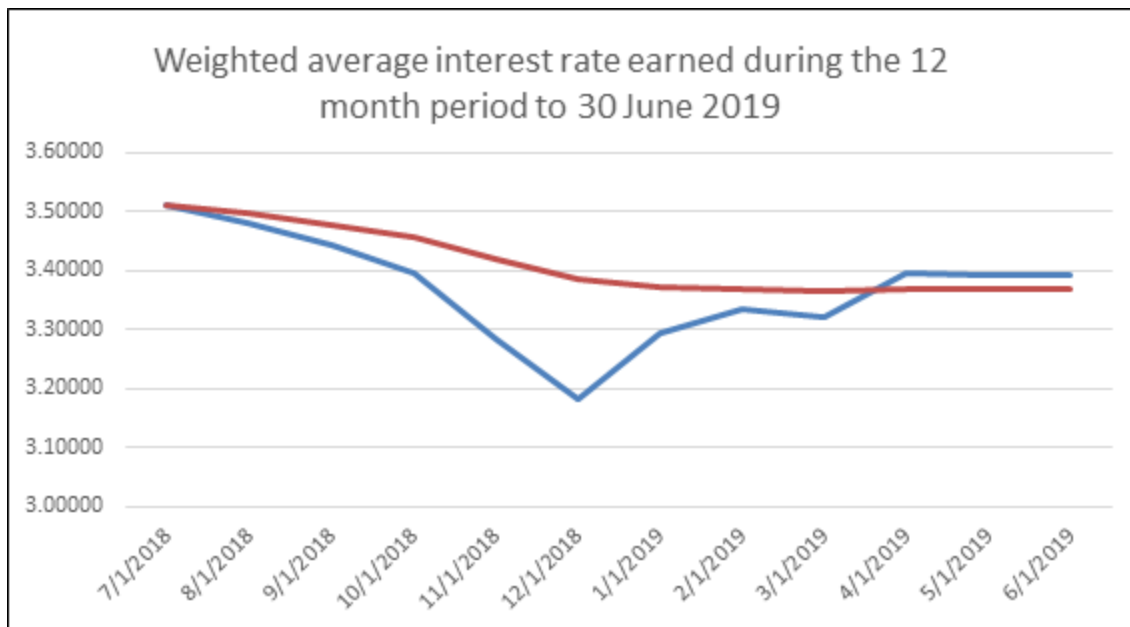
[13] The chart below shows the amount held at the end of each month during the nine months to 30 June 2019, identifying the term deposit amount and the amount held on-demand with the BNZ.



[14] During the 12-month period, total funds held peaked at \$55,000,000 at 31 October 2018 due to a large amount of rate monies received leading up to the due date of 31 October.

INTEREST EARNED AND INTEREST RATES

- [15] Interest earned on bank balances and term deposits during the 12 months to 30 June 2019 amounted to \$637,000.
- [16] The following graph shows the monthly and year-to-date weighted average interest rates earned on term deposits during the 12-month period.



- [17] The graph shows that the monthly rates steadily decreased from 3.51% in July 2018 to 3.18% in December 2018 prior to increasing back up to 3.39% in May and June 2019.
- [18] The monthly fluctuations are reflected in the year-to-date line which also reflects a declining average, from 3.51% in July to 3.37% for the 12 months to 30 June 2019.
- [19] The Official Cash Rate set by the Reserve Bank began the year at 1.75% and remained at that level throughout the nine-month period to 31 March 2019.
- [20] The OCR rate was reduced 0.25% to 1.50% on 8 May 2019, this rate continued until 30 June 2019.

Note: After year end on 7 August 2019 the OCR was reduced to 1% which is after the end of this reporting period.

MANAGED FUND PORTFOLIO

- [21] The Council's managed fund comprises a portfolio of financial instruments managed externally. The transition of the fund from the BNZ to JB Were commenced during the quarter ended 31 March 2019 with all funds were transferred by 30 June 2019.

Portfolio Performance – 12 months to 30 June 2019

- [22] The portfolio reports show an increase in value of the fund of \$1,191,00 (budget 2018/19 \$900,000) for the 12-month period to 30 June 2019.

Portfolio Summary as at 30 June 2019

- [23] The following table was compiled from JB Were reports and shows the valuation of the fund by asset class as at 30 June 2019 and the percentage of each asset class held. The table compares the percentage of each asset class held with the asset allocation percentage specified in the Statement of Investment Policies and Objectives (SIPO). The SIPO a target as well as an acceptable range for each asset class.
- [24] The variance columns show the actual variances from the SIPO allocation – in terms of the percentage and the effect on the valuation.

Asset Class position as at 30 June 2019

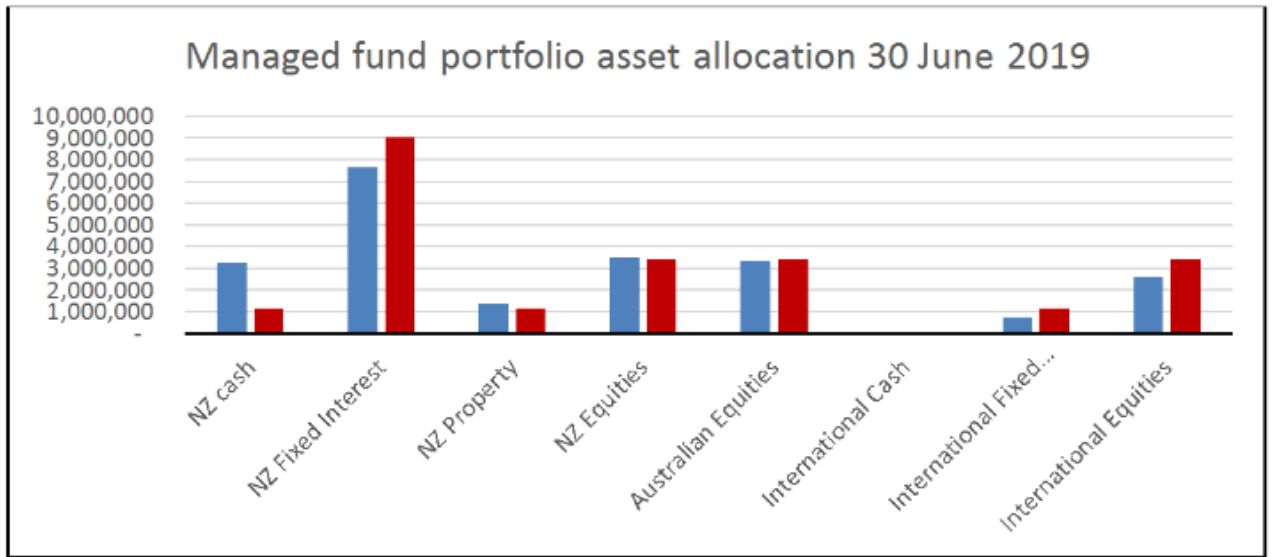
Asset Class	Actual amount allocated	%	SIPO amount expected	SIPO target	SIPO acceptable range		SIPO met
NZ Cash	3,233,682	14%	1,125,088	5%	3%	7%	No
NZ Fixed Interest	7,660,346	34%	9,000,704	40%	35%	45%	Yes
NZ Property	1,376,571	6%	1,125,088	5%	3%	7%	Yes
NZ Equities	3,511,771	16%	3,375,264	15%	11%	19%	Yes
Australian Equities	3,359,283	15%	3,375,264	15%	11%	19%	Yes
International Cash	13,688	0%	-	0%	0%	0%	Yes
International Fixed Interest	753,706	3%	1,125,088	5%	3%	7%	Yes
International Equities	2,592,712	12%	3,375,264	15%	11%	19%	Yes
Total	22,501,760						

- [25] The breach of the NZ cash SIPO acceptable range is the result of a temporary situation caused by a fund transfer being in progress at the reporting date. Some of the funds are yet to transfer and a portion of the fund is yet to reinvested in line with the SIPO strategic asset allocations.
- [26] The managed fund current position has been re assessed as at 11 September 2019. All asset classes were within the SIPO acceptable range. Refer to the 11 September position in the table below.

Asset Class position as at 11 September 2019

Asset Class	Actual amount allocated	%	SIPO amount expected	SIPO target	SIPO acceptable range		SIPO met
NZ Cash	619,187	3%	1,152,997	5%	3%	7%	Yes
NZ Fixed Interest	8,995,368	39%	9,223,975	40%	35%	45%	Yes
NZ Property	1,495,139	6%	1,152,997	5%	3%	7%	Yes
NZ Equities	3,666,405	16%	3,458,990	15%	11%	19%	Yes
Australian Equities	3,309,123	14%	3,458,990	15%	11%	19%	Yes
International Cash	54,825	0%	0	0%	0%	0%	Yes
International Fixed Interest	1,453,132	6%	1,152,997	5%	3%	7%	Yes
International Equities	3,466,757	15%	3,458,990	15%	11%	19%	Yes
Total	23,059,936						

[27] The following chart graphically represents the actual asset allocation within the managed fund compared with the target SIPO allocation at 30 June 2019.



Attachments

Nil

11.2. Documents Signed under Council Seal

Prepared for:	Council
Report No.	GOV1855
Activity:	Governance Report
Author:	Liz Spector, Committee Secretary
Endorsed by:	Nick Donnelly, General Manager Corporate Services
Date:	16 September 2019

PURPOSE

- [1] To inform the Council of delegations which have been exercised during the period 9 August through 12 September 2019.

RECOMMENDATION

That the Council:

- 1) **Notes** this report.

DOCUMENTS SIGNED UNDER THE COUNCIL SEAL

- [2] Warrant 2019/40 - Appointment of Daniel James Allan King as an enforcement officer under Section 177 of the Local Government Act 2002 for the purposes of exercising the functions, powers and duties pursuant to the LGA2002 and the Otago Regional Council Flood Protection Management Bylaws. Expires 30/06/2022
- [3] Warrant 2019/41 - Appointment of Daniel James Allan King as an enforcement officer under Section 177 of the Local Government Act 2002 for the purpose of exercising the functions, powers and duties pursuant to the LGA2002 and the Land Drainage Act 1908. Expires 30/06/2022

ATTACHMENTS

Nil

12. REPORT BACK FROM COUNCILLORS

13. RECOMMENDATIONS ADOPTED AT 11 AND 12 SEPTEMBER 2019 COMMITTEE MEETINGS

13.1. Recommendations of the Communications Committee

9.1. General Manager's Report on Progress

Resolution

That the Council:

- 1) ***Receives*** this report.

Moved: Cr Deaker

Seconded: Cr Woodhead

CARRIED

13.2. Recommendations of the Public Portion of the Finance and Corporate Committee

10.1. General Manager's Report

Resolution

That the Finance and Corporate Committee:

- 1) **Receives** this report.
- 2) **Endorses** the July 2019 payments summarised and detailed in the payments schedule, totalling \$10,057,530.12.

Moved: Cr Noone

Seconded: Cr Robertson

CARRIED

10.2. Annual Return of Inactive Subsidiaries 2019

Resolution

- 1) *That it shall not be necessary for Regional Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.*
- 2) *That no auditors be appointed for Regional Services Limited under section 196 (2) of the Companies Act 1993.*
- 3) *That it shall not be necessary for Regional Pest Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.*
- 4) *That no auditors be appointed for Regional Pest Services Limited under section 196 (2) of the Companies Act 1993.*
- 5) *That it shall not be necessary for Regional Monitoring Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.*
- 6) *That no auditors be appointed for Regional Monitoring Services Limited under section 196 (2) of the Companies Act 1993.*

Moved: Cr Woodhead

Seconded: Cr Bell

CARRIED

11.1. Reserves

Resolution

That the Committee:

- 1) **Receives and notes** this report.

Moved: Cr Woodhead

Seconded: Cr Noone

CARRIED

13.3. Recommendations of the Policy Committee

9.1. General Manager's Report on Progress

That the Council:

- 1) ***Receives*** this report.

13.4. Recommendations of the Regulatory Committee

9.1. General Manager's Report on Progress

Resolution

That the Council:

- 1) Receives this report.**

Moved: Cr Woodhead

Seconded: Cr Hope

CARRIED

9.2. Consents and Building Control

Resolution

That the Committee:

- 1) Receives this report.**

Moved: Cr Woodhead

Seconded: Cr Hope

CARRIED

9.3. Enforcement Action

Resolution

That the Council:

- 1) Receives this report.**

Moved: Cr Hope

Seconded: Cr Deaker

CARRIED

13.5. Recommendations of the Technical Committee

9.1. General Manager's Report to Technical Committee

Resolution

That the Council:

- 1) **Receives** this report.

Moved: Cr Noone

Seconded: Cr Lawton

CARRIED

14. RESOLUTION TO EXCLUDE THE PUBLIC

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

- 2.1 CS1917 Wakatipu bus network: Lake Hayes Estate Direct service to Queenstown (trial)

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
2.1 CS1917 Wakatipu bus network: Lake Hayes Direct (trial) service to Queenstown	To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h) To enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – Section 7(2)(i)	Section 48(1)(a); Section 7(2)(h) 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.

15. END OF TRIENNIUM VALEDICTORY

16. CLOSURE