

# ANNUAL REPORT

1 JULY 2017 – 30 JUNE 2018



# **Annual Report**

**For the Period**

**1 July 2017 to 30 June 2018**

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# Vision Statement, Goals and Measurements

**VISION: For our Future – A prosperous and sustainable future for Otago.**

## Goal One

**To achieve:**  
Active resource stewardship

### Measurement

Optimal water use – efficiency, irrigation

Sustainable land use and water quality

Ethical mineral use

Evidence-based decision making

Effective enforcement of plans, consents and rules

## Goal Two

**To achieve:**  
Active regional partnerships

### Measurement

Active and regular engagement with stakeholders

A well-connected ORC working closely with stakeholders and partners

Strong connections with the Territorial Local Authorities and Ngāi Tahu in the region

Partnerships and common projects with nearby regions, e.g. Southland, West Coast and Canterbury

## Goal Three

**To achieve:**  
Realisation of new opportunities

### Measurement

An active programme of enablement by ORC around new resource opportunities

Active interest of private sector parties in opportunities in the region

Active collaboration with regional TLAs and Ngāi Tahu on opportunity identification and advancement

## Goal Four

**To achieve:**  
The emergence of a “Brand Otago”

### Measurement

A growing distinctiveness associated with Otago both domestically and internationally

Association in the public mind of Otago with quality – products, experiences, lifestyle, etc.

Ultimately, that premium value is attached to things “Otago”



Cr Stephen Woodhead  
Chairperson

## Overview from the Chairman and Chief Executive

It is with pleasure that we bring to you the Otago Regional Council Annual Report for the year ended 30 June 2018. It highlights the key activities and significant events during that period and is based on the strategic direction agreed in our Long Term Plan 2015-25.



Sarah Gardner  
Chief Executive

To recap, Council consulted with the community in early 2017 on additional work in the Long Term Plan, including:

- Rural Water Quality
- Minimum Flows and Water Use Permit Replacement
- Public Transport in the Wakatipu
- Queenstown Office
- Civil Defence and Emergency Management

In addition to this new planned work, the Taieri catchment experienced serious flooding in July 2017, the second highest flow recorded in the Taieri River at Outram. This event was followed by the November 2017 Roxburgh debris flow. These events required a priority and urgent response from organisations, including the Otago Regional Council, groups and individuals in the community. Along with the immediate action provided at the time of the event, the Council prioritised and completed urgent work over the year. Completing this work impacted on other Council work programmes due to the reprioritising of staff time. Importantly, investigations on both events have been initiated and will inform future planning and work programmes.

We noted that our warning system and dissemination of information during the July 2017 flood event operated effectively. Information was provided effectively through the Waterinfo website, text alarms, ring lists and media releases.

### **Rural Water**

We indicated our intention to undertake, over a three-year period, an environmental risk assessment of every property that is charged the rural quality rate. The purpose is to help landowners understand the practical 'on-farm' implications of meeting future 'Water Plan' provisions – what risks are there to water quality and what steps might be taken to address issues.

The delivery of this programme of work has experienced delay due in part to the July flood event impacting on dairy inspection work. In addition, more time and effort was taken to review the way the environmental risk assessments are being delivered before launching the programme. That work is progressing with the Shag River pilot project initiated and approximately 70% of the 206 properties greater than 10 hectares in size completed. Desktop assessment of the properties sized between 2 and 10 hectares continued with 4,033 properties assessed across the region.

An Urban Water Quality Strategy was adopted by Council, and a review of plan provisions on stormwater and wastewater discharges is in progress. This will be included in a full review of the Water Plan.

Water quantity work is continuing to pull together the information needed to inform the setting of minimum flows in priority catchments.

### **Public Passenger Transport – Dunedin and Wakatipu**

The Long Term Plan 2015-25 signalled the Council's intention to make significant improvements in public passenger transport, particularly:

- Electronic ticketing system
- Central Dunedin bus hub
- Improved routes, timetabling and frequency
- Bus fares and funding for Wakatipu service.

The Council made substantive progress across these objectives having implemented route, timetabling and fare reviews and reported patronage growth in Dunedin, and Wakatipu. While delays have occurred for the electronic ticketing system and bus hub projects, significant progress was made during the year and implementation dates are now firmly in sight.

### **Queenstown Office**

During the 2017/18 year the Council opened an office in Queenstown in response to the community's request for improved relations and stronger presence.

### **Civil Defence and Emergency Management**

The Council has worked to consolidate the new management structure for emergency management introduced in 2016/17. An important initiative has been increasing our efforts in training and community education, to increase community readiness and resilience to deal with situations that may occur.

### **Regional Pest Management Plan**

Successful stakeholder engagement during the development of the Regional Pest Management Plan has ensured it is well advanced by year end. The target notification date was not achieved due to the requirements under the National Policy Direction – Pest Management not being known at the time of budget and target setting. Extra cost benefit work was also required in regard to alternative pest management methods being assessed from the status quo methods.

### **Rabbit Virus**

The Korean strain of the rabbit virus (RHDV-1 K5) was released at 100 sites across Otago. Staff managed the process from the pre-feeding stage through to bait preparation and virus release. Post release monitoring, which includes night counts and blood sampling, is ongoing. This activity (Control of Pests) is overspent by \$225,000 due to biosecurity staff time and associated virus roll-out costs; however, this is offset by a corresponding underspend in the Pest Management Plan Implementation activity of \$232,000 (i.e. biosecurity staff having their time reprioritised to ensure a successful roll-out of K5).

### **Wildings**

Council contributed \$200,000 to the wilding conifer control projects in Otago and also manages the contracts associated with work funded by the Ministry for Primary Industries. Control works focused in the following management units: Northern Eyre, Remarkables, Kawarau and Lammermoor. To date the control programme has covered approximately 540,000 hectares at a cost of approximately \$2.9 million. A project manager was engaged this period to manage the delivery contracts for the MPI funded operations.

### **Catchment Groups**

Council continues to support catchment groups throughout the region, both in kind and financially. Groups of this nature are providing excellent opportunities for Otago Regional Council to collaborate at the community level. Catchment groups have, over the last 12 months, provided a key way for land users to engage and collaborate with other land users in their catchment and work towards improved land management and water quality. A recent survey completed by Council concluded that 43% of landowners were actively involved in catchment groups, and those involved in catchment groups were more likely to be taking steps to comply with the Otago Regional Council Water Plan and were generally more aware of their obligations.

### **Other Initiatives**

Additional or new funding was utilised as planned on initiatives requested by the community including:

- 'Lake Snow' research
- Scoping restoration projects for Lake Hayes, Lake Tuakitoto and Tomahawk Lagoon
- Wallaby control
- Funding of wilding tree eradication and Lake Dunstan Lagarosiphon weed control
- Biodiversity strategy.

### **Acknowledgements**

The Councillors and Council 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. The Otago Regional Council looks forward to achieving great results as we progress through the new Long Term Plan 2018-28.



Stephen Woodhead  
**Chairperson**



Sarah Gardner  
**Chief Executive**

## Statement of Compliance

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



Stephen Woodhead  
**Chairperson**



Sarah Gardner  
**Chief Executive**



## **Development of Maori Capacity to Contribute to Decision Making**

Council has in place a “Memorandum of Understanding and Protocol between Otago Regional Council, Te Rūnanga o Ngāi Tahu and Kāi Tahu ki Otago 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 the Otago Region.

It is the acknowledged practice of Te Rūnanga o Ngāi Tahu 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 Māori on relevant management issues in the region and to take into account the principles of the Treaty of Waitangi. These obligations are primarily under the RMA 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 on the development, review and implementation of the Council’s regulatory plans, policies and strategies under the LGA, RMA 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 Kāi Tahu ki Otago Limited.

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 / Māori interests and understandings, will involve consultation with Iwi / Māori.

## **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 2018 have been incorporated into the Group results included within these financial statements.

# Introduction to Service and Financial Statements

The financial statements on pages 52 to 110 report 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.

## Group Activities

The Council's Group activities are reported on pages 11 to 51. These pages contain performance information including levels of service, targeted and actual measures of achievement along with funding impact statements.

Performance measures are those identified in the 2017/18 Annual Plan. The funding impact statements identify the costs and funding associated with each activity.

Matters affecting the quality of performance achieved include:

**(a) Preparation of Regional Plans**

Quality processes include consultation with the public and affected parties, peer review, and compliance with requirements of relevant legislation.

**(b) Preparation of Internal Reports**

Internal reports are prepared by suitably qualified and experienced staff. Significant reports are subject to peer review process/consultation review.

**(c) Capital Works**

Capital works are constructed to design specifications. Inspections of works are undertaken by suitably qualified and experienced engineers.

**(d) Maintenance Works**

Maintenance works are undertaken by employees or by contract under the supervision of suitably qualified and experienced engineers and monitored thereafter in accordance with the maintenance programme.

# Group Activity Funding Impact Statements

## *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 on the basis of 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**


(pages 11 to 51)

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

# Significant Activities

## Environment

### *Water Quality*

Level of service – Maintain or improve water quality		Achieved
<b>Measure:</b>	State of the Environment monitoring.	
<b>Performance target:</b>	Monitor to assess that water quality continues to meet thresholds set out in the Regional Plan: Water.	
<b>Result:</b>	Monitoring is on-going. A five-year state and trends report has been prepared and will be presented to Council early in the 2018/19 financial year. The State of the Environment monitoring network was reviewed. Following the Long Term Plan consultation, new sites will be added to the network from the next financial year.	

Water quality thresholds for surface water have been set in Schedule 15 of the Regional Plan: Water.

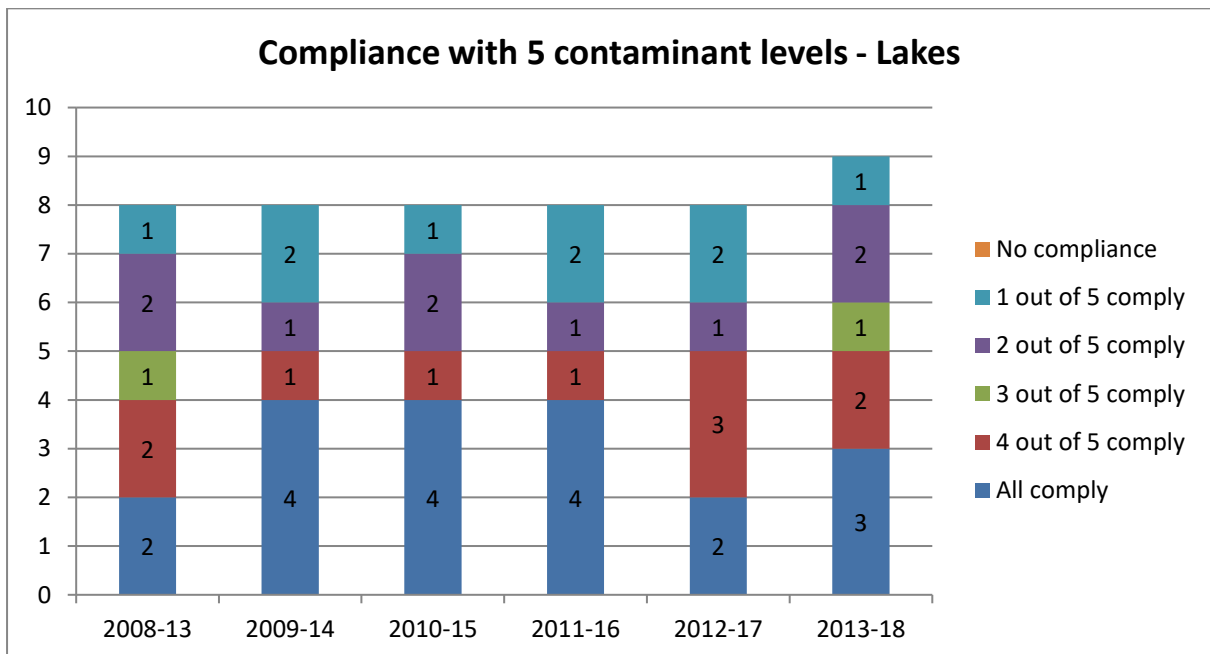
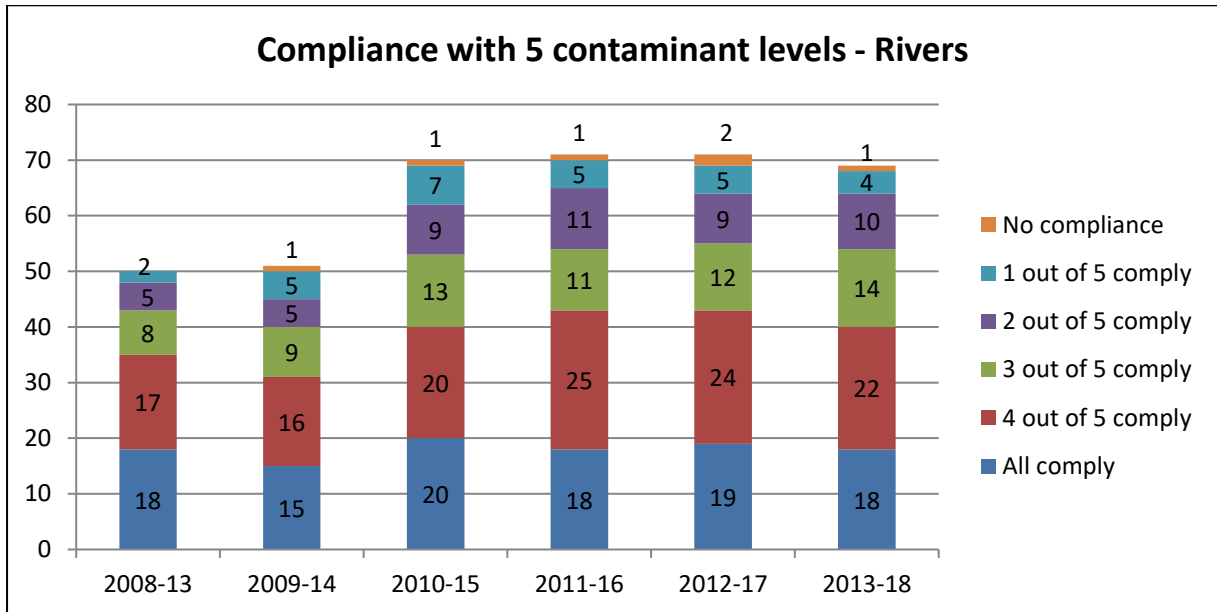
The contaminants measured for rivers are:

- Nitrite-nitrate nitrogen
- Dissolved reactive phosphorous
- Ammoniacal nitrogen
- E. coli
- Turbidity

The contaminants measured for lakes are:

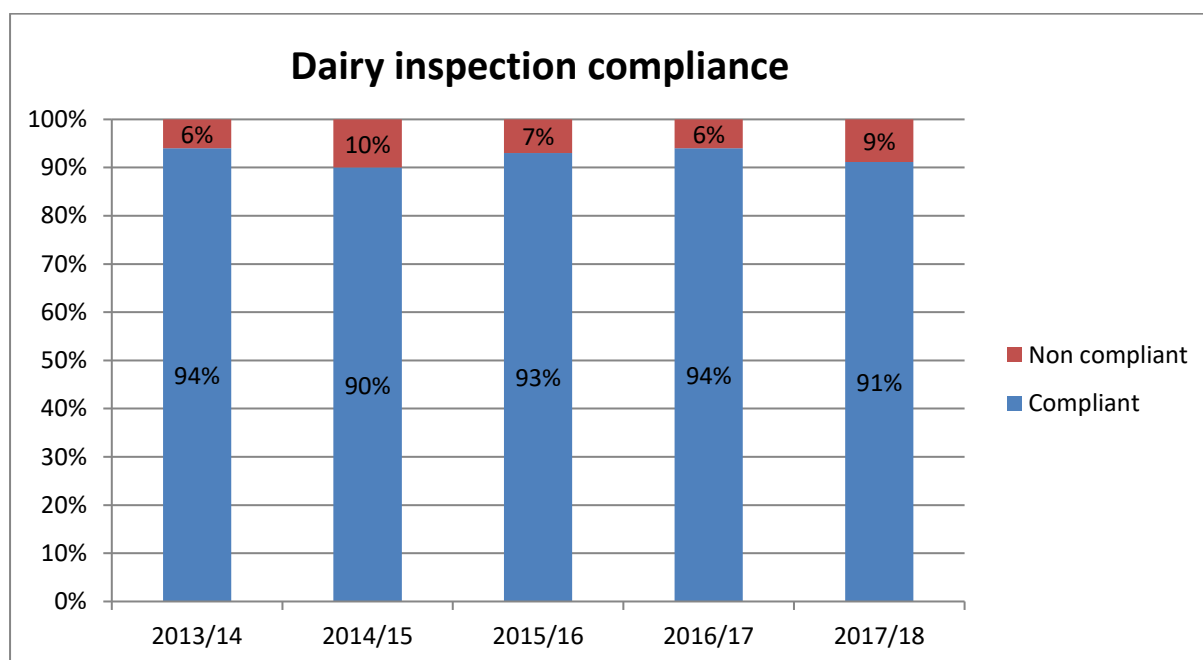
- Total nitrogen
- Total phosphorous
- Ammoniacal nitrogen
- E. coli
- Turbidity

For rivers, water quality is measured as a five-year 80<sup>th</sup> percentile (when flow is at or below median flow), and lakes are measured as a five-year 80<sup>th</sup> percentile, at State of Environment monitoring sites. The results from our monitoring for the last five reporting periods are shown below. Monitoring results for the 2018 year will be reported on at the year end.




Level of service – Maintain or improve water quality		Achieved
<b>Measure:</b>	Dairy inspection and other farm monitoring.	●
<b>Performance target:</b>	Using a risk-based approach, 148 dairy farms will be visited on at least two occasions each and assessed for compliance with prohibited activity rules.	
<b>Result:</b>	The target was exceeded with 158 dairy farm inspections completed, with 14 registering a level of non-compliance.	

Compliance results compared to previous years are as follows:




**Specific areas of work:**

1. Undertake preliminary consultation on a plan change to address human sewage, including on-site treatment system discharges on water quality.

<p>The Council commenced consultation on options at a stakeholder workshop in June 2018.</p> <p>Planning for further consultation with stakeholders on preferred management options in October-November 2018 was also completed. Wider public consultation will be undertaken as part of the full Water Plan review process.</p>	
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2. Undertake preliminary consultation to address the effects of stormwater discharges on water quality.


<p>The Council commenced consultation on options at a stakeholder workshop in June 2018.</p> <p>Planning for further consultation with stakeholders on preferred management options in October-November 2018 was also completed. Wider public consultation will be undertaken as part of the full Water Plan review process.</p>	
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**Other initiatives undertaken to promote water quality include:**

- Regular communication of key messages through ORC’s quarterly newsletter “Waterlines”, monthly e-newsletter “On-Stream”, social media, and targeted advertising/editorial.
- Liaison with industry and groups including Dairy NZ, Beef and Lamb, dairy working groups, forestry, catchment groups, and individuals.
- An urban water quality strategy has been adopted, and an implementation plan is being developed.


## Water Quantity







Level of service – Water is managed to meet the needs of the Otago community		Achieved
<b>Measure:</b>	Sustainable environmental flows and allocation limits set on river levels, streams, and groundwater resources.	
<b>Performance target:</b>	Publish science work for setting minimum flows / environmental levels for the following catchments: Upper Clutha            Fraser River Lowburn                 Bannockburn/Shepherds Creek Strath Taieri            Manuherikia	
<b>Result:</b>	Reporting has started for the Upper Clutha, Fraser River, Bannockburn / Sheppard’s Creek and Lowburn but will be completed in 2018/19 financial year due to focus put on plan changes seeking to set minimum flows for priority catchments in Otago (currently Upper Cardrona River, Arrow River and Manuherikia River).	

<b>Measure:</b>	Sustainable environmental flows and allocation limits set on river levels, streams, and groundwater resources.	
<b>Performance target:</b>	Monitor compliance with set minimum flows/environmental levels.	
<b>Result:</b>	Compliance levels for all rivers have been monitored during the period for all rivers with set minimum flow levels. During the months of Jan/Feb 2018, all rivers had gone below their set minimum flow levels due to the adverse dry weather conditions. All consent holders within these catchment locations had been notified about their consenting condition for abstractions, and catchment groups informed prior to rostering.  Forecasting work on drought conditions and river levels supported early communications to water users and helped manage the resource.	

### Specific areas of work:

1. Commence and complete plan changes for minimum flows, allocation regimes and aquifer regimes (work will take multiple years from commencement to completion).

<i>Lindis</i>	The plan change was appealed by the Lindis Catchment group and a further 15 parties joined the appeal under RMA S274. Mediation proved to be unsuccessful. The Environment Court has agreed that the parties proceed to a combined hearing for both the minimum flow plan change and a resource consent application to replace	
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	existing Deemed Permits in the catchment. The Environment Court hearing is scheduled for November 2018.	
<i>Cardrona</i>	<p>The Cardrona Minimum Flow plan change has been split, with the Upper Cardrona now bundled up with a broader Plan Change that seeks to set minimum flows for priority catchments in Otago. The reason for applying this new approach is to improve the efficiency of Council's plan change processes. Economic and Social assessments are underway.</p> <p>The technical work to assist with the development of environmental flows and limits for the Lower Cardrona and Wanaka Basin Aquifer is ongoing.</p>	
<i>Waikouaiti River</i>	Deferred to 2018-19 following a review of work priorities and completion of the Waikouaiti Estuary study.	
<i>Ettrick</i>	This project is now not intended to commence until the 2018/19 financial year.	
<i>Manuherikia</i>	This plan change is now part of the Priority Catchments Minimum Flow Plan Change. Community consultation has been undertaken to provide an update on the plan change process, with catchments being brought into one, and a discussion on the science technical work. Work continues on technical inputs for the plan change.	
<i>Clutha</i>	<p>First round of consultation meetings was initiated and completed within the timeframes. The feedback summary has been made available to the public.</p> <p>Further technical work was also undertaken to identify ecological, recreational and natural character values.</p>	
<i>Arrow</i>	This is now part of the Priority Catchments Minimum Flow Plan Change. Consultation with the community and stakeholders has been undertaken and drafting of the plan change for notification is underway. All technical work has been completed.	

**Other initiatives undertaken to manage water quantity include:**

- 40 groups of water users who are looking to replace their mining privileges have had one meeting with ORC staff. A second round of meetings has been had with a number of those groups and a third round of meetings has commenced.
- Information about permit configuration and historic water use is provided on request.
- Staff presented a paper about deemed permits at a Law Society Conference in Queenstown in October.
- A water users guide has been created and is actively being used in communications with permit holders.



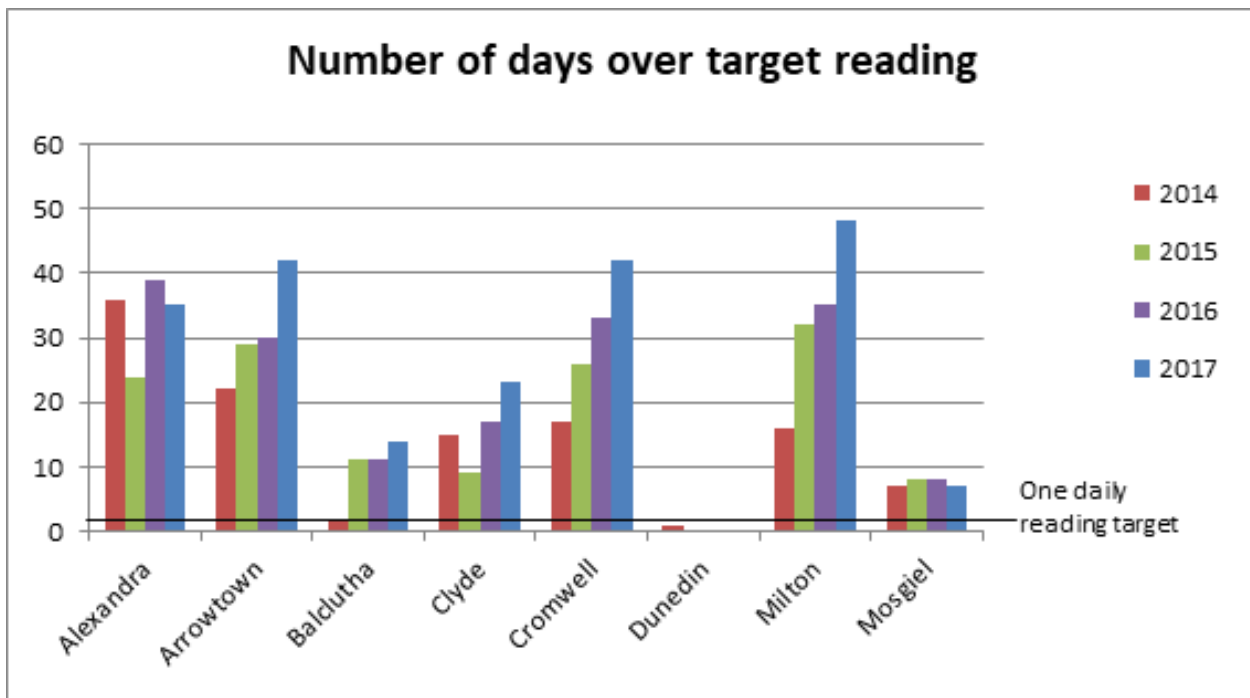
## Air

Level of service – Improve air quality		Achieved
<b>Measure:</b>	Ambient (PM <sub>10</sub> ) air quality in targeted towns.	
<b>Performance target:</b>	Monitor air quality to assess compliance with the NES requirement of no more than one daily average reading of PM <sub>10</sub> per annum to be higher than 50 micrograms per cubic metre (50 mg/m <sup>3</sup> ).	
<b>Result:</b>	Monitoring has been performed for FY17/18.	

Ambient air quality has been monitored for the winter of 2017 (April to September) in the following targeted towns:

- Alexandra
- Arrowtown
- Balclutha
- Clyde
- Cromwell
- Dunedin
- Milton
- Mosgiel
- Palmerston


The requirement of no more than one daily reading above 50 mg/m<sup>3</sup> was not achieved in any location except for Dunedin, which had no readings above 50 mg/m<sup>3</sup>. The graph below shows the number of days where the daily average reading of PM<sub>10</sub> was higher than 50 mg/m<sup>3</sup>, for the last four years.



Report 11.3.2017 Air Quality Results presented to the technical committee on 29 November provides commentary about the results for the 2017 winter period.

**Specific areas of work:**


1. Support through funding, the installation of clean heating appliances in targeted towns (Airzone 1 and Milton).

<p>Support is provided as applications are received. 15 clean heating appliances were installed during the period resulting in a total of 51 for the year. An additional \$13,000 has been provided to the Cosy Homes Trust for administering the Milton pilot project. Breakdown of appliances installed: Alexandra 16, Cromwell 13, Milton 13, Arrowtown 3, Clyde 1, Milton – Cosy Homes Trust 5</p>	
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**Other initiatives completed:**

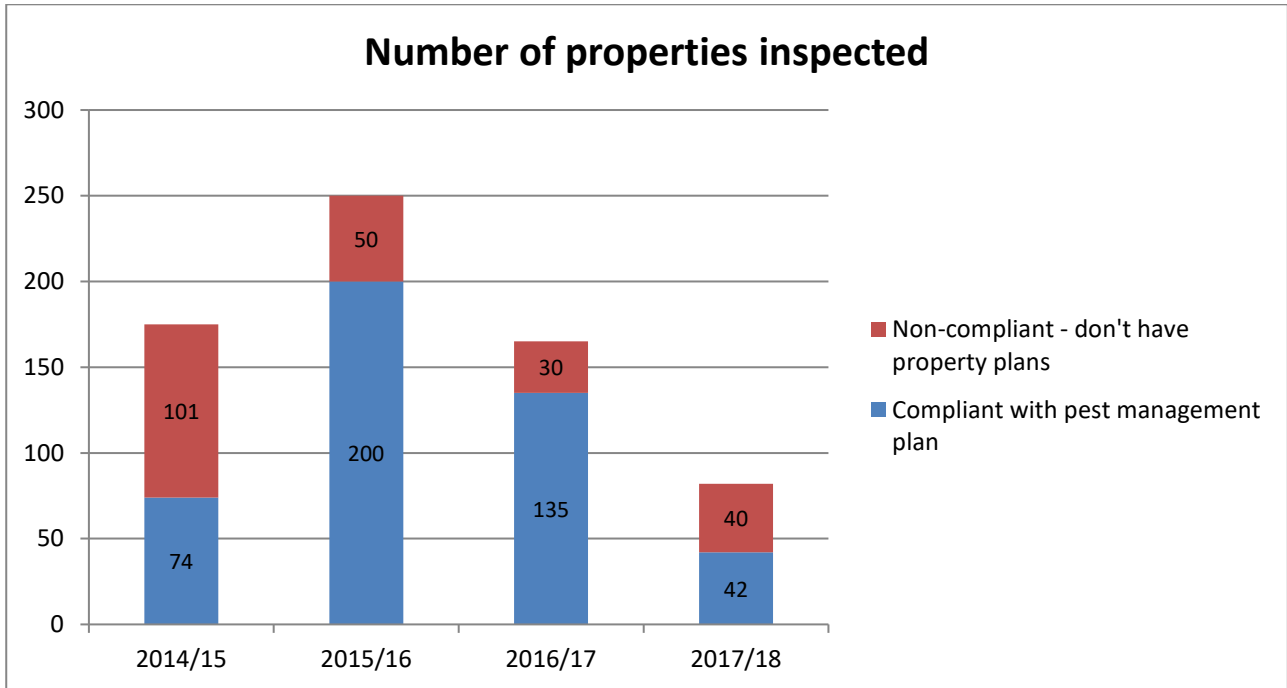
A new air quality strategy was adopted by Council in June 2018, after community consultation. It lays out the foundation for ORC’s future air quality programme. A detailed implementation plan is under preparation

***Land***

Level of service – Require control of pest animals and pest plants		Achieved
<b>Measure:</b>	Level of rabbit populations in rabbit prone areas.	
<b>Performance target:</b>	Non-compliance of rabbit numbers over MAL3 will be followed up, to ensure property management plans are in place to reduce rabbit numbers.	
<b>Result:</b>	<p>Scoping inspections were undertaken on approximately 100 properties throughout Otago covering more than 50,000ha’s.</p> <p>During this reporting period MAL3 inspections were scaled back to accommodate the release of RHDV1 K5. As such, numerous inspections were focused on scoping the K5 release.</p>	

The graph below shows the number of properties inspected and level of compliance.

82 inspections involved a request to view the property management plan, with 40 of those inspections resulting in a non-compliant assessment and request to either complete or amend a property’s plans.

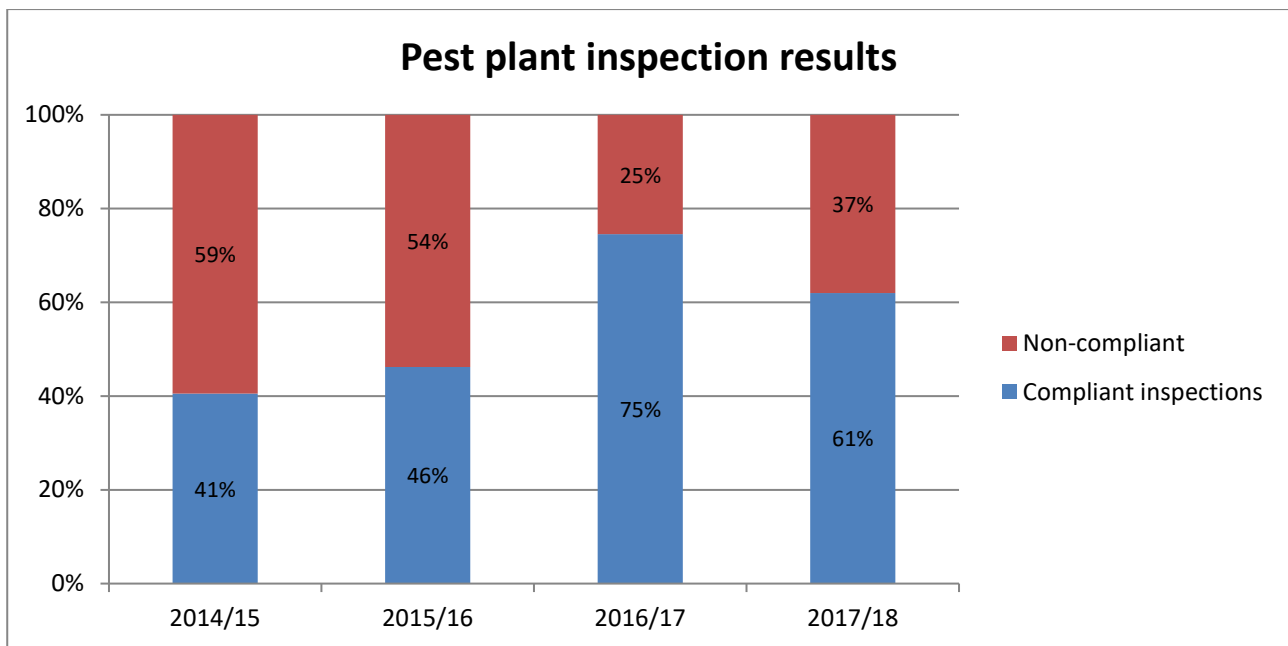


Level of service – Require control of pest animals and pest plants		Achieved
<b>Measure:</b>	Level of pest plants found at known sites.	●
<b>Performance target:</b>	Non-compliance of pest plants will be followed up, to ensure control works to remove pest plants have been undertaken.	
<b>Result:</b>	Enforcement was ongoing, with non-compliance resulting in follow-up action consistent with the Regional Pest Management Strategy.	

During the period plant inspections included the following:


	2017/18	2016/17	2015/16	2014/15
Bomarea	498	472	447	153
Old Man's Beard	1,918	3,390	1,140	499
Contorta	-	12	61	14
Cape Ivy	29			
Boneseed	32			
Nassela Tussock	30			
African Lovegrass	14			
<b>Total number of properties inspected</b>	<b>2,521</b>	<b>3,874</b>	<b>1,648</b>	<b>666</b>

Results of these inspections are shown in the graph below.



**Specific areas of work:**

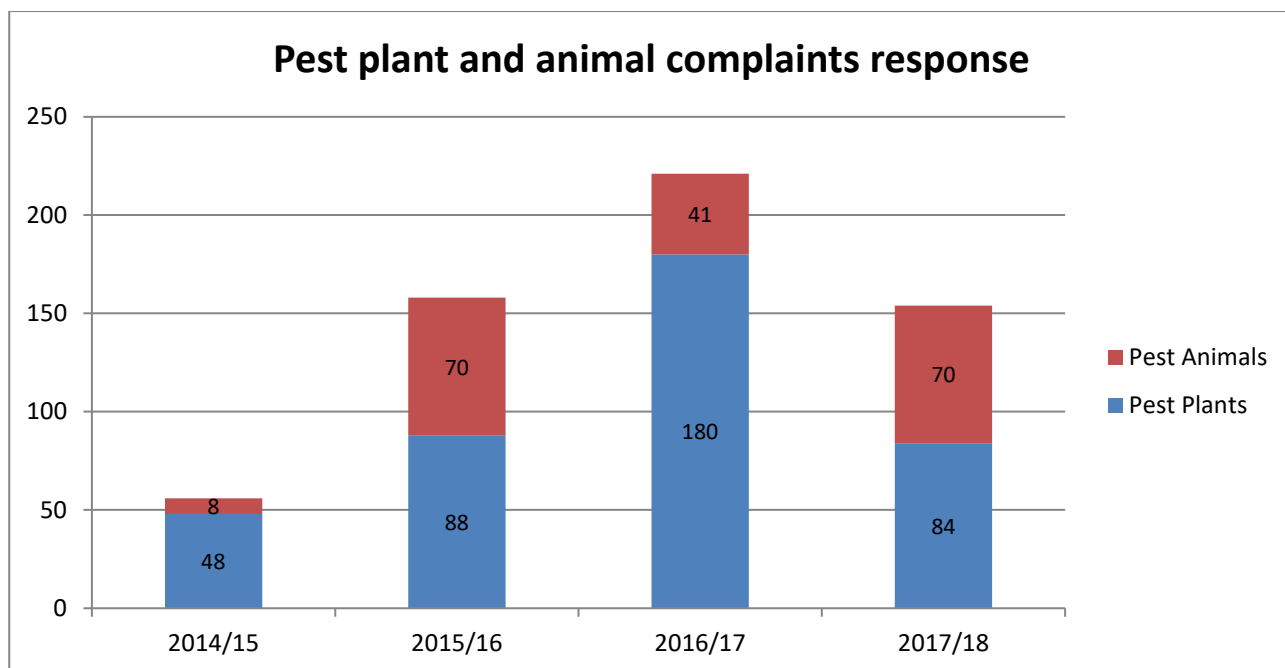
1. Prepare a new Pest Management Plan for Otago.

<p>Substantive progress was made on completing a Pest Management Plan. As at 30 June some additional cost benefit analysis was commissioned with an expectation that the Plan would be ready for public notification in September 2018.</p>	
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**Other initiatives undertaken include:**

- An educational campaign is being developed for rabbit management, so the community can understand responsibilities and options.
- New resources for pest plants being developed as needed.
- Regular meetings held with the Wakatipu, Dunstan and Wanaka groups, with LINZ and NIWA representation re: lagarosiphon.
- Wetlands compliance work is ahead of schedule.
- Drafting of outcomes and issues is in progress towards the development of a Biodiversity Strategy.
- Discussions held with Environment Canterbury staff on how to minimise the numbers of wallabies coming across the Waitaki dams and establishing on the south bank.
- Website reporting developed to enable the public to report wallaby sightings and their location.
- Campaign developed to link with the release of the K5 virus (in March).

Staff responded to pest complaints as follows:




Complaints received related to the following:

	2017/18	2016/17	2015/16	2014/15
Pest plants	84	180	88	48
Rabbits	53	21	41	7
Wallabies	14	19	25	1
Rooks	-	1	2	-
Possums	3	-	2	-
<b>Total</b>	<b>154</b>	<b>221</b>	<b>158</b>	<b>56</b>





All complaints have been followed up where a breach of the Pest Management Plan has been identified.

## ***Rivers and Waterway Management***


<b>Level of service – Ensure waters can flow without obstruction</b>		<b>Achieved</b>
<b>Measure:</b>	Time taken to investigate and action reported blockages.	
<b>Performance target:</b>	Investigate all reported blockages obstructing scheduled rivers within 10 working days and action appropriately.	
<b>Results:</b>	<p>Dunedin: all known Dunedin City river blockages have been addressed.</p> <p>Clutha: all known Clutha river blockages have been addressed.</p> <p>Central: removed fallen tree from Thompsons Creek, Omakau. No other issues within Central rivers.</p> <p>Wakatipu: no reported blockages in the Queenstown rivers during this reporting period.</p> <p>Wanaka: no reported blockages in the Wanaka area rivers during this period.</p> <p>Waitaki: all known North Otago river blockages have been addressed.</p>	

### **Specific areas of work:**


1. Implement the developed River Morphology and Riparian Management Plans.

<i>Dunedin</i>	Implementation of the Strath Taieri River Morphology and Riparian Management Plan is in progress.	
<i>Pomahaka</i>	Implementation of the Pomahaka River Morphology and Riparian Management Plan is in progress.	
<i>Cardrona</i>	Cardrona River draft Morphology and Riparian Management Plan completed. For better integration, this work is being aligned with other projects, such as the setting of a minimum flow, currently on-going on the Cardrona River catchment.	
<i>Kakanui, Shag, Waianakarua</i>	Implementation of the Kakanui River Morphology and Riparian Management Plan on going. The Shag River and Waianakarua River Morphology and Riparian Management Plans have been completed and their implementation is now on-going.	

2. Develop a strategy for the management of the Lindsay Creek erosion hazard.

Deferred to next financial year (2018/19). Delays are due to commitment to other projects not initially included in the 2017/18 Annual Plan and to responses to large flood events (July 2017 and November 2017 Roxburgh debris flow).	
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3. Develop a strategy for the management of the Waitati River flood and erosion hazard.

Deferred to next financial year (2018/19). Delays are due to commitment to other projects not initially included in the 2017/18 Annual Plan and to response to large flood events (July 2017 and November 2017 Roxburgh debris flow).	
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**Other initiatives undertaken include:**


- In response to the July 2017 flood event, localised river work (such as channel clearing and debris removal) has been completed.
- In the Dart/Rees delta areas, bank erosion has necessitated urgent works to be carried out by QLDC in order to arrest erosion of the Glenorchy-Kinloch Road in places. Concerns by residents who rely on the Glenorchy-Kinloch Road about the danger posed to the road by the rivers were also raised (and submissions were made in the 2018-28 Long Term Plan). Council investigated the concerns and in response is planning to start, in July 2018, a new three-year plan to investigate, manage and adapt to the natural hazards posed by the Rees and Dart Rivers. This will also include small scale and short-term bank protection work to be undertaken by the Council.

### ***Environmental Incident Response***

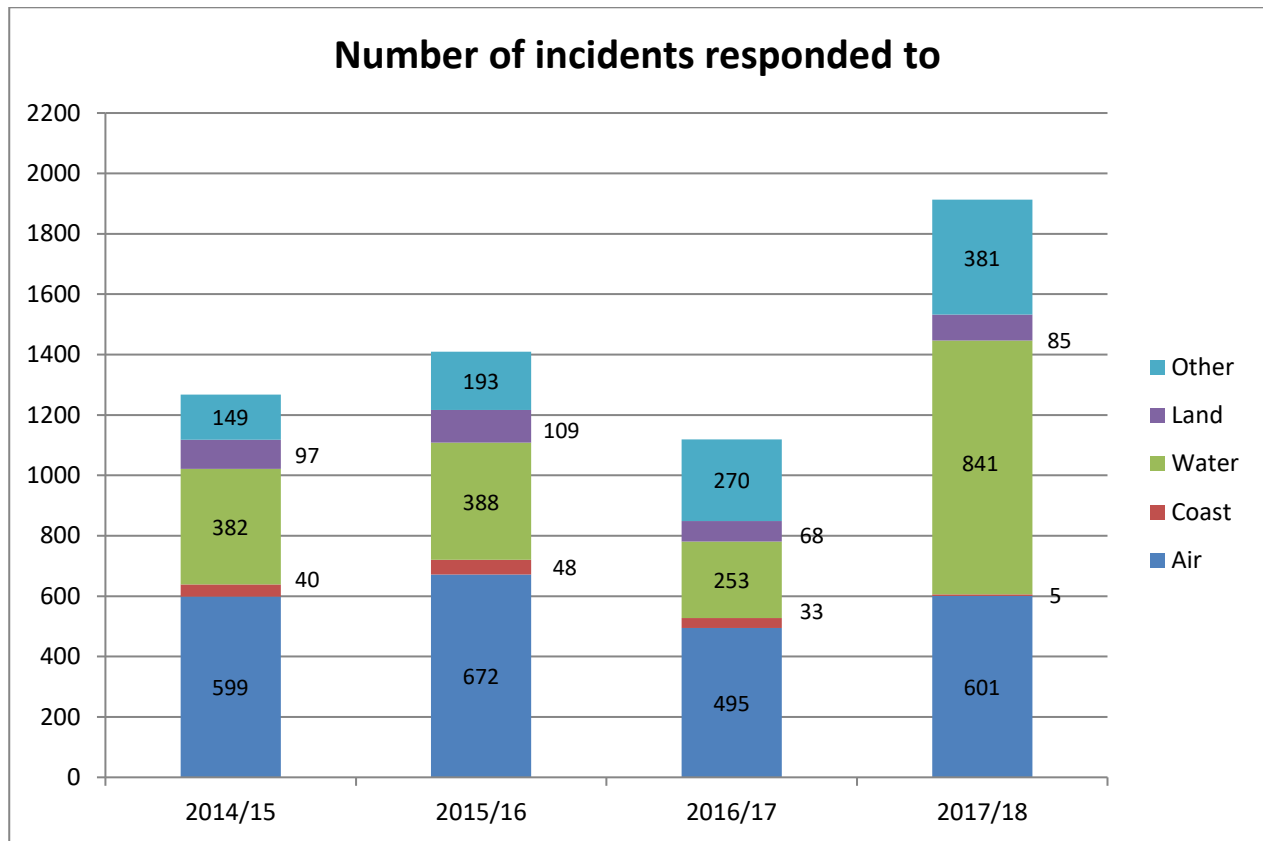
<b>Level of service – Council will be ready and able to respond to all environmental incidents</b>		<b>Achieved</b>
<b>Measure:</b>	Time taken to respond.	
<b>Performance target:</b>	Acknowledge and assess the necessary actions of reported incidents within 0.5 hours of receipt.	
<b>Result:</b>	A total of 1,913 incidents responded to within 0.5 hours for the period 1 July 2017 to 30 June 2018.	

**Specific areas of work:**

1. Continue to work with Otago territorial authorities to develop a central contaminated sites database for regional use.

A contaminated sites database continues to be developed as more data is collected and assessed. The content of the database's information was captured on file as at 30 June 2018.	
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Staff responded to incidents as follows:





## Funding Impact Statement – Environment


Funding Impact Statement for the year ended 30 June 2018.


	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Long Term Plan 2017/18 \$000	Actual 2016/17 \$000	Long Term Plan 2016/17 \$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charge and rate penalties	3,935	4,188	2,962	3,318	2,763
Targeted rates (other than a targeted rate for water supply)	3,140	3,139	2,671	2,445	2,037
Subsidies and grants for operating purpose	1,193	1,200	12	1,140	13
Fees, charges and targeted rates for water supply	7	570	959	1	939
Internal charges and overheads recovered	244	217	785	216	766
Local authorities fuel tax, fines, infringement fees and other receipts	6,186	6,481	5,194	5,624	4,930
<b>Total operating funding (A)</b>	<b>14,705</b>	<b>15,795</b>	<b>12,583</b>	<b>12,744</b>	<b>11,448</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	10,556	11,392	8,181	8,406	7,843
Finance costs	1	-	-	-	-
Internal charges and overheads applied	5,416	5,938	5,087	5,026	4,474
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>15,973</b>	<b>17,330</b>	<b>13,268</b>	<b>13,432</b>	<b>12,317</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(1,268)</b>	<b>(1,535)</b>	<b>(685)</b>	<b>(688)</b>	<b>(869)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	200	35	-	171	-
- to replace existing assets	142	201	156	102	214
Increase (decrease) in reserves	(1,610)	(1,771)	(841)	(961)	(1,083)
Increase (decrease) of investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(1,268)</b>	<b>(1,535)</b>	<b>(685)</b>	<b>(688)</b>	<b>(869)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>1,268</b>	<b>1,535</b>	<b>685</b>	<b>688</b>	<b>869</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Community


### *Democracy, Public Information and Awareness*

<b>Level of service – Effective, open and transparent democratic council processes</b>		<b>Achieved</b>
<b>Measure:</b>	Completion of statutory public accountability processes.	
<b>Performance target:</b>	Complete all planning and reporting within statutory timeframes and requirements.	
<b>Result:</b>	The Long Term Plan 2018-28, including the Annual Plan 2018/19, was adopted by Council on 27 June 2018.  The June 2017 Annual Report was completed within statutory timeframes and approved by Council on 27 September 2017.	


<b>Level of service – Provide information to enable the public to be informed of council and committee meetings.</b>		<b>Achieved</b>
<b>Measure:</b>	Time for making meeting agendas available to the public.	
<b>Performance target:</b>	All meeting agendas to be available at least two working days prior to each meeting.	
<b>Result:</b>	Eight committee rounds and eight council meetings were held in 2017/18. Agendas were available at least two working days prior to the meetings.	

**Specific areas of work:**

1. Hold at least two meetings each year with Iwi representatives.

<p>Iwi meetings were held during May and June and attended by senior Council leadership. The meetings included:</p> <ul style="list-style-type: none"> <li>• 24 May – Minimum flow discussion with iwi</li> <li>• 5 June – Mana to Mana meeting</li> <li>• 22 June – Consultation with iwi around minimum flow plan change</li> <li>• 25 June – Te Roopu Taiao Hui.</li> </ul> <p>In addition to the Iwi meetings, three Te Roopu Taiao meetings have been held, including Waitangi Day celebrations held at Te Rau Aroha Marae, followed by a joint Otago/Southland Te Roopu Taiao in Invercargill.</p>	
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2. Respond to issues, activities and queries on matters that require a regional perspective or impact on regional resource management functions.

<p>While TLA application activity has been relatively quiet over winter, the Skyline and Balmoral appeals have continued to generate work but are now in their respective end games working towards resolution. ORC has appealed the recent stage 1 QLDC PDP and also joined 37 appeals as an s274 party. This will constitute a significant body of work. The DCC decision on its 2GP looms later in the year and may also involve ORC in an appeal process. Lastly the National Planning standards will require a response from ORC and require some resourcing.</p>	
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**Other initiatives undertaken for our community include:**

- Information shared via messages fielded on social media channels; Otago Regional Council Facebook, Otago Regional Council Bus Services – Dunedin Facebook, Orbus Queenstown Facebook, Civil Defence and Emergency Management Otago Facebook, Otago Regional Council Twitter.
- 112 media releases distributed.
- Waterlines newsletter and On-Stream e-newsletter regularly sent to rural landholders.
- Pamphlet updates included Clean Heat, Clean Air, and monitoring resource consents.
- Communications campaign on Dunedin bus changes, and on the new bus services in Queenstown
- Public information sessions on diverse subjects including flood schemes, minimum flows and Roxburgh debris flows.
- Video and advertorial content developed and published, sharing information subjects including rabbit management, Old Man’s Beard and water quantity.
- Work undertaken on the development of the 2018-28 Draft Long Term Plan, including distribution of a consultation document to all properties in Otago and a roadshow through all Districts.
- Funding contributions to the Otago Rescue Helicopter.
- Administration of EMaR/LAWA on behalf of the National Office.

## Funding Impact Statement – Community

Funding Impact Statement for the year ended 30 June 2018.

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Long Term Plan 2017/18 \$000	Actual 2016/17 \$000	Long Term Plan 2016/17 \$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charge and rate penalties	1,556	1,582	1,471	1,486	1,430
Targeted rates (other than a targeted rate for water supply)	-	-	-	-	145
Subsidies and grants for operating purpose	129	-	-	79	-
Fees, charges and targeted rates for water supply	-	131	207	1	134
Internal charges and overheads recovered	15	-	-	49	-
Local authorities fuel tax, fines, infringement fees and other receipts	2,455	2,546	2,451	2,623	2,482
<b>Total operating funding (A)</b>	<b>4,155</b>	<b>4,259</b>	<b>4,129</b>	<b>4,238</b>	<b>4,191</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	3,245	3,530	3,016	3,181	3,189
Finance costs	-	-	-	-	-
Internal charges and overheads applied	1,450	1,465	1,113	1,398	1,007
Other operating funding applications	-	7	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,695</b>	<b>5,002</b>	<b>4,129</b>	<b>4,579</b>	<b>4,196</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(540)</b>	<b>(743)</b>	<b>-</b>	<b>(341)</b>	<b>(5)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	5	-	-	3	-
- to replace existing assets	-	-	-	141	-
Increase (decrease) in reserves	(545)	(743)	-	(485)	(5)
Increase (decrease) of investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(540)</b>	<b>(743)</b>	<b>-</b>	<b>(341)</b>	<b>(5)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>540</b>	<b>743</b>	<b>-</b>	<b>341</b>	<b>5</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>


The accompanying notes form part of these financial statements.

# Regulatory


## Policy Development

### Specific areas of work:

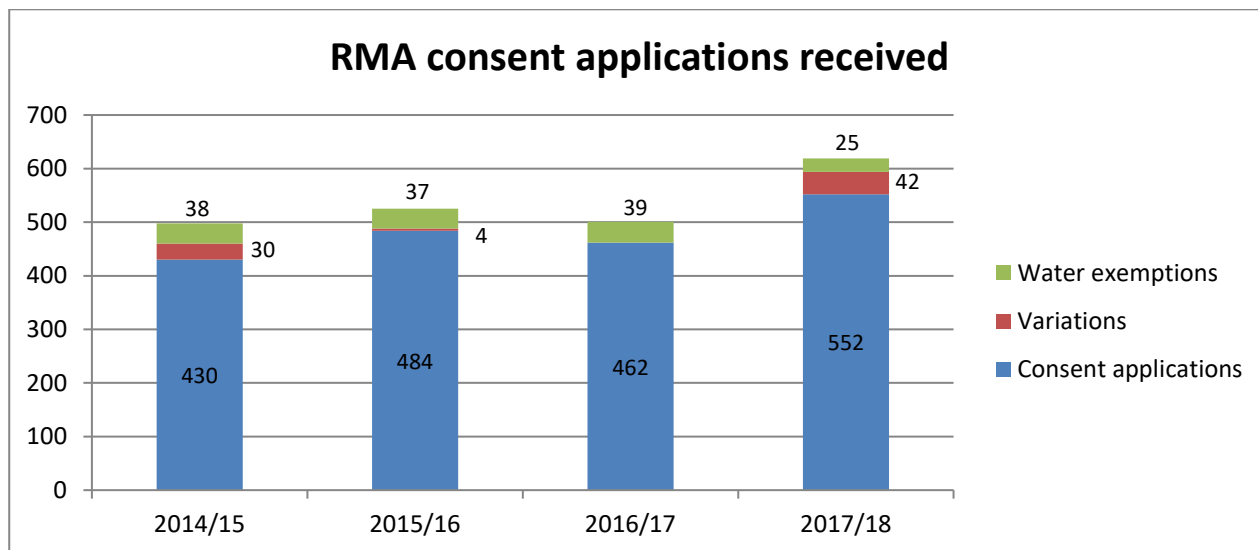
1. Address any appeals made on the Regional Policy Statement (RPS) and make operative.

<p>Most appeal points have been addressed through mediation. The court has signed off 15 consent orders, and four consent orders are with the court, regarding:</p> <ul style="list-style-type: none"> <li>• Chapter 3: natural resources</li> <li>• Policy 5.3.1: Rural activities</li> <li>• Implementation and Glossary</li> <li>• Introduction (including changes to the Kāi Tahu section, agreed between Waitaha and Ngāi Tahu)</li> </ul> <p>Two appeal points regarding Mining and Ports went to an Environment Court hearing in February 2018. The Court is yet to release its decisions and has not indicated when it might do this.</p> <p>The policy team is working towards making the agreed RPS sections operative, anticipating that the issues that have gone to Environment Court hearing may be the subject of further appeals.</p>	
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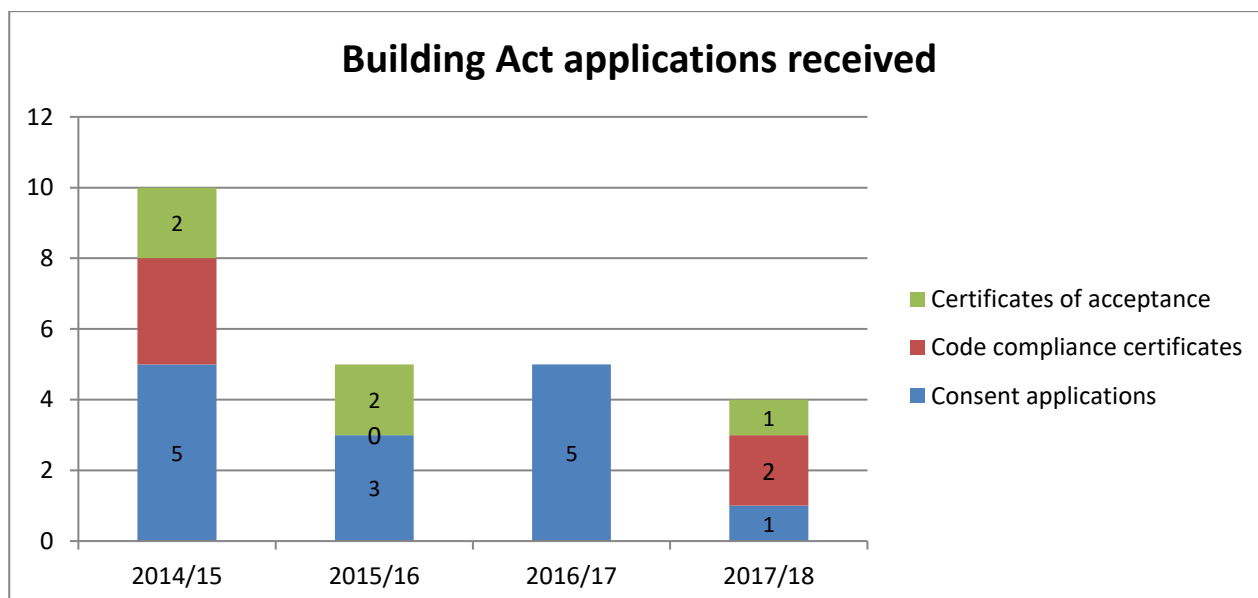
## Consents and Compliance

<b>Level of service – Process resource consent applications in a timely manner.</b>		<b>Achieved</b>
<b>Measure:</b>	RMA and Building Act statutory time frames.	
<b>Performance target:</b>	100% of consents are processed within the statutory timeframes.	
<b>Result:</b>	All consents processed within statutory time.	

The graph below shows the number of RMA consent applications received in 2017/18.



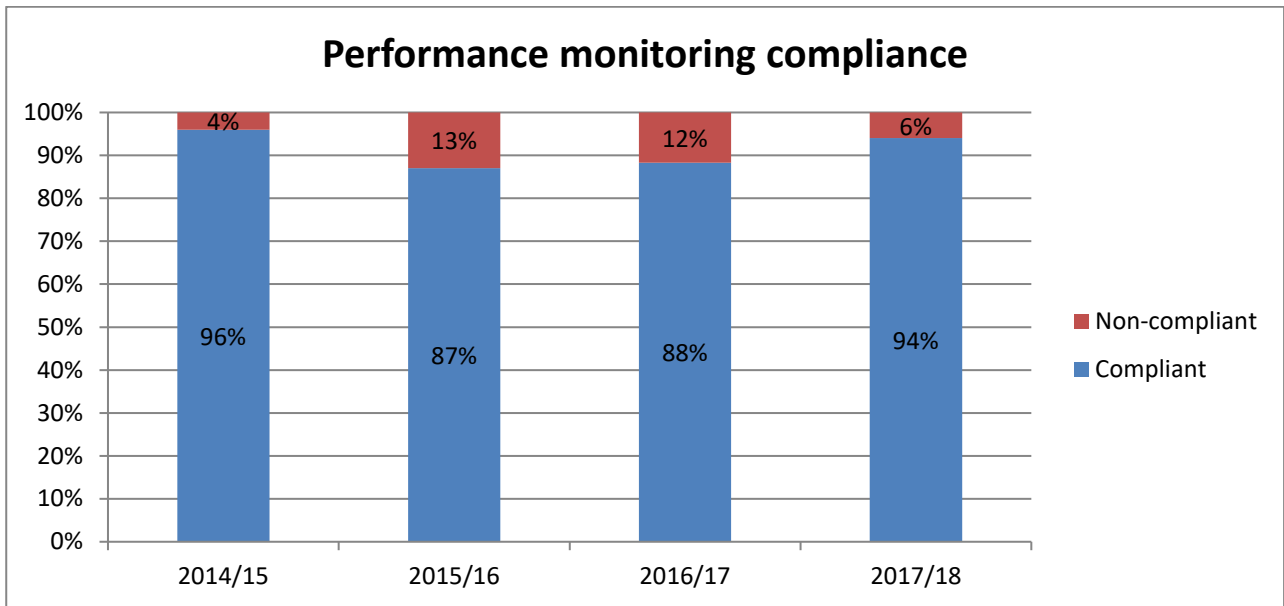
The graph below shows the number of Building Act applications received.



<b>Level of service – Ensure consent conditions for the use of Otago’s air, water and coastal resources are complied with</b>		<b>Achieved</b>
<b>Measure:</b>	Performance monitoring returns show compliance with consent conditions.	●
<b>Performance target:</b>	100% of performance monitoring data received will be assessed for compliance with consent conditions.	
<b>Result:</b>	A significant portion of the performance monitoring data was assessed for compliance against consent conditions.	

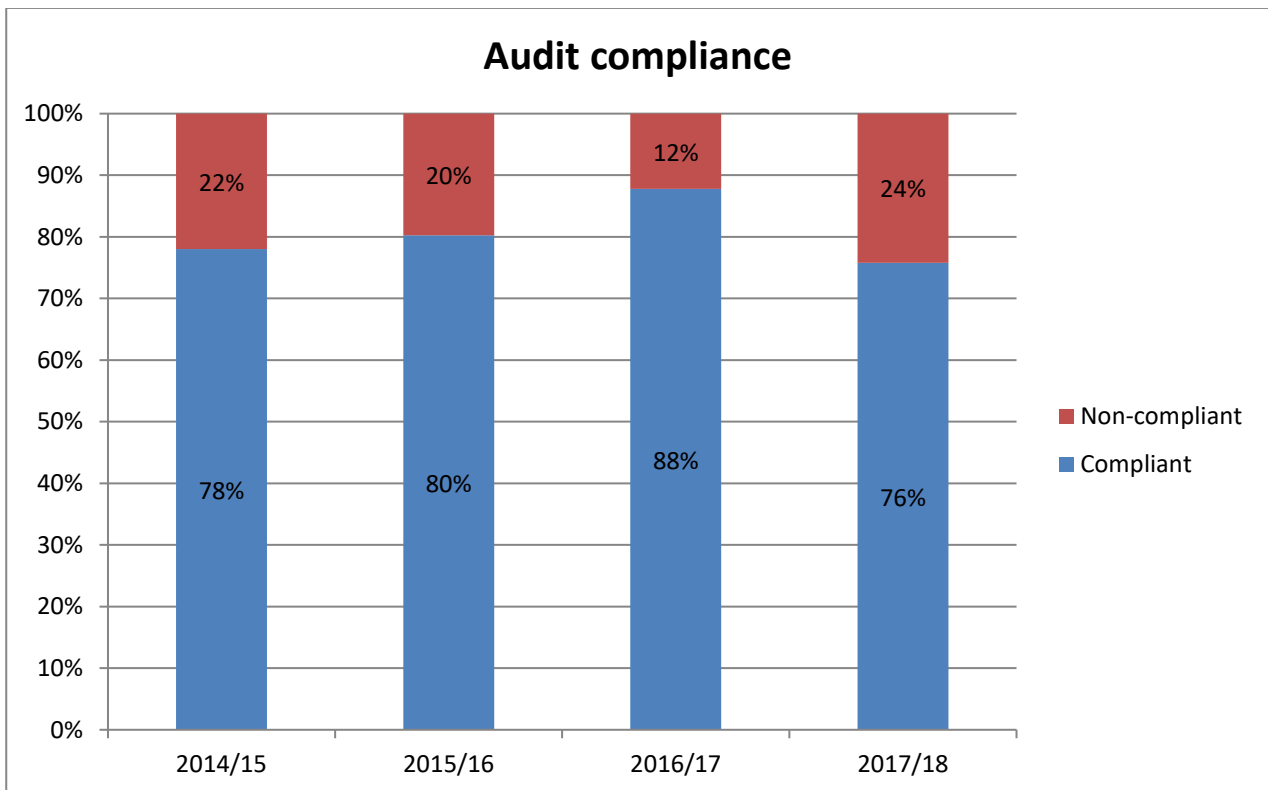
8,092 performance monitoring returns were assessed during the 2017/18 financial year (2016/17: 5,336 returns; 2015/16: 4,086 returns; 2014/15: 3,616 returns). The level of returns is high due to significant work being completed in respect of water metering returns.


The graph below shows the level of compliance with consent conditions in respect of performance monitoring returns.



777 audits were undertaken during the 2017/18 financial year (2016/17: 744 audits; 2015/16: 1,099 audits; 2014/15: 420 audits).

The graph below shows the level of compliance with consent conditions in respect of audits undertaken:




<b>Measure:</b>	Enforcement of non-compliance found through audits and performance monitoring returns.	
<b>Performance target:</b>	All non-compliance found (grade 4 and 5) will be followed up and enforced in accordance with Council procedures.	
<b>Result:</b>	123 instances of non-compliance from audits and performance monitoring over the 2017/18 financial year. Recommendations for enforcement action have been made where appropriate.	

Compliance monitoring enforcement action undertaken to date compared to previous years was as follows:


	2017/18	2016/17	2015/16	2014/15
Infringement notices	24	40	14	19
Prosecutions authorised	6	14	3	6
Abatement notices	12			


#### Specific areas of work

1. Review consents for a catchment, subcatchment or aquifer within two months of a minimum flow or water quality standard being operational to assess water allocation.

Waiwera completed with no others required during the financial year.	
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### ***Harbour Management***


<b>Level of service – Safe recreational use and navigation for all users of the Otago Harbour</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to harbour incidents in a timely manner.	
<b>Performance target:</b>	Respond within one hour of notification from Harbour Control.	
<b>Result:</b>	LEDA MAERSK went aground 10th June off Port Chalmers. HM informed and witnessed incident. TAIC investigation opened. No other incidents to report.	

<b>Level of service – Council will be ready to respond to oil spills and ensure restoration.</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to oil spills in a timely manner.	
<b>Performance target:</b>	Respond within 1.5 hours of notification.	
<b>Result:</b>	Nine marine pollution events were reported for the year. These events did not require a tier 2 response.	




**Specific areas of work:**

1. Hold one desktop and one field exercise for marine oil incident response.

A desktop exercise was held on 23 May involving EMO staff, Communications staff from Civil Defence and liaison with Environment Southland.	
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2. Draft a scoping document and consult on harbour bylaws for Otago.

The draft Harbour Bylaws were completed, with consultation programmed from 20 July 2018.	
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## Funding Impact Statement – Regulatory


Funding Impact Statement for the year ended 30 June 2018.


	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Long Term Plan 2017/18 \$000	Actual 2016/17 \$000	Long Term Plan 2016/17 \$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charge and rate penalties	391	490	364	273	416
Targeted rates (other than a targeted rate for water supply)	-	-	-	-	217
Subsidies and grants for operating purpose	72	55	35	71	35
Fees, charges and targeted rates for water supply	1,490	2,356	2,474	1,482	2,387
Internal charges and overheads recovered	3	98	131	4	131
Local authorities fuel tax, fines, infringement fees and other receipts	686	685	646	659	815
<b>Total operating funding (A)</b>	<b>2,642</b>	<b>3,684</b>	<b>3,650</b>	<b>2,489</b>	<b>4,001</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	2,227	1,846	1,887	2,172	2,364
Finance costs	-	-	-	-	-
Internal charges and overheads applied	1,676	1,720	1,666	1,530	1,691
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>3,903</b>	<b>3,565</b>	<b>3,553</b>	<b>3,702</b>	<b>4,055</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(1,261)</b>	<b>119</b>	<b>97</b>	<b>(1,213)</b>	<b>(54)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	8	-	-	-	-
- to replace existing assets	-	-	-	-	77
Increase (decrease) in reserves	(1,269)	119	97	(1,213)	(131)
Increase (decrease) of investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(1,261)</b>	<b>119</b>	<b>97</b>	<b>(1,213)</b>	<b>(54)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>1,261</b>	<b>(119)</b>	<b>(97)</b>	<b>1,213</b>	<b>54</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>


The accompanying notes form part of these financial statements.

## Flood Protection and Control Works

### *Alexandra flood protection*

<b>Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to flood events or damage.	
<b>Performance target:</b>	Flood damage identified, prioritised and repaired.	
<b>Result:</b>	No flood events in this period.	


<b>Measure:</b>	Maintain and renew flood mitigation works to ensure design standards are met.	
<b>Performance target:</b>	Contain all floods up to 142.75m (above mean sea level) at Alexandra Bridge with 0.5m freeboard, corresponding with a flood flow of approximately 4,350 m <sup>3</sup> /s and being equivalent to the greatest recorded flood (in 1878) but with the Lake Hawea control gates closed.	
<b>Result:</b>	133.68 m highest for period – No flood events during the period. Highest level reached was 142.27 m on 19 November 1999.	

<b>Measure:</b>	Maintain and renew flood mitigation works to ensure design standards are met.	
<b>Performance target:</b>	Pump capacity will be available 320 out of 365 days per annum*.	
<b>Result:</b>	<p>The Alexandra Linger and Die Pumping Station had reduced pump capacity (33.3%), or the equivalent of one pump out for 70 days, during the reporting year. This included:</p> <ul style="list-style-type: none"> <li>• Pump 1 out for overhaul from 8 March to 26 April</li> <li>• Pump 2 out for overhaul from 26 March to 16 May</li> <li>• Pump 3 out for overhaul from 16 May to 31 May 2018</li> </ul>	



\*Planned maintenance on pumps will require the pump to be out of service during the maintenance period, timing of which will be managed through risk assessment.

#### Specific areas of work:


1. Undertake total overhaul of the three Linger and Die pumps.


Overhaul completed	
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### ***Leith flood protection***


<b>Level of service – Reduce the flood risk to people and property by maintaining flood protection works to agreed standards.</b>		<b>Achieved</b>
<b>Measure:</b>	By 2019/20, increase capacity to 171 m <sup>3</sup> /s (measured at St David Street footbridge). Represents 1 in 100 year flood with freeboard.	
<b>Performance target:</b>	Undertake works between Union Street and Leith Street (including Leith Street bridge and the ITS building/bend).	
<b>Result:</b>	Works have been progressed during the reporting year. Problems associated with asbestos and noise from the site slowed progress. All asbestos contaminated material has been removed. In addition, the site was shut down during the end of year examination period to reduce noise.	
<b>Measure:</b>	By 2019/20, increase capacity to 171 m <sup>3</sup> /s (measured at St David Street footbridge). Represents 1 in 100 year flood with freeboard.	
<b>Performance target:</b>	Complete investigations and design works at Dundas Street bridge.	
<b>Result:</b>	While this program of work has and will continue to run behind initial estimated target dates, good progress has been made on investigations, physical modelling, and completion of detailed design work.	


### ***Lower Clutha flood and drainage***

<b>Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to flood events or damage.	
<b>Performance target:</b>	Flood damage identified, prioritised and repaired.	
<b>Result:</b>	No flood events in this period.	

<b>Measure:</b>	Maintain and renew flood mitigation works to ensure design standards are met.	
<b>Performance target:</b>	No flooding of Barnego in all flows up to 2,850 m <sup>3</sup> /s, Kaitangata, Inch Clutha and Paretai up to 4,000 m <sup>3</sup> /s, and Balclutha up to 5,400 m <sup>3</sup> /s (all flows measured at Balclutha) based on past observed floods.	
<b>Result:</b>	No flooding occurred during the year, with the highest recorded flow being 861 cumecs.	

<b>Level of service – Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards.</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to events or damage.	
<b>Performance target:</b>	Damage identified, prioritised and repaired.	
<b>Result:</b>	No flood damage to drainage works for the period. A slump up drain from the Kaitangata Pumping Station has still not been repaired from last year, still waiting for contractor with log reach excavator to provide price.	


<b>Measure:</b>	Maintain and renew drainage works to ensure design standards are met.	
<b>Performance target:</b>	Provide drainage modulus of 7.5mm per day pumped drainage capacity for Matau District, 9mm per day for Inch Clutha, and 10mm per day for Paretai District.	
<b>Result:</b>	Target achieved.	

<b>Measure:</b>	Maintain and renew drainage works to ensure design standards are met.	
<b>Performance target:</b>	Pump capacity will be available at each station 320 out of 365 days per annum.*	
<b>Result:</b>	Target achieved.	


\*Planned maintenance on pumps will require the pump to be out of service during the maintenance period, timing of which will be managed through risk assessment.

**Specific areas of work:**


1. Complete altering the drainage infrastructure of Lake Tuakitoto/Robsons Lagoon to improve wetland ecosystem values.


Extensive consultation with Stakeholders was undertaken. Resource consents have been applied for and tenders for construction invited.	
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2. Construct the improvements to the Koau right floodbank at Factory Road (Paretai) that reduce the risk of floodbank failure at that location.


Detailed design completed, and consent application lodged for this improvement work. Construction has been deferred to the latter half of the 2018/19 financial year.	
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### ***Lower Taieri flood protection***


<b>Level of service – Reduce the flood risk to people and property by maintaining, repairing and renewing flood protection works to agreed standards.</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to flood events or damage.	
<b>Performance target:</b>	Flood damage identified, prioritised and repaired.	
<b>Result:</b>	Flood damage from the July 2017 flood was quickly assessed and prioritised. In some instances, repairs from this flood were on-going for a number of months. Risks were managed including urgent and temporary repairs. Further works are being implemented through the 2018/27 LTP.	

<b>Measure:</b>	Maintain and renew flood mitigation works to ensure design standards are met.	
<b>Performance target:</b>	No flooding of the East Taieri upper ponding area from Taieri River flows up to 800 m <sup>3</sup> /s or Silver Stream flows up to 160 m <sup>3</sup> /s.*	
<b>Result:</b>	No flooding occurred in the Upper Ponding area arising from the Taieri River and Silver Stream flows.	

\*Taieri River flows measured at Outram, Silver Stream flows measured at Gordon Road), being equivalent to the 1980 flood, nominally a 100-year event.


<b>Measure:</b>	Maintain and renew flood mitigation works to ensure design standards are met.	
<b>Performance target:</b>	No flooding of the East Taieri lower ponding area from Taieri River flows up to 2,500 m <sup>3</sup> /s or Silver Stream flows up to 260 m <sup>3</sup> /s.	
<b>Result:</b>	No flooding occurred in the Lower Ponding area arising from the Taieri River and Silver Stream flows.	

<b>Measure:</b>	Maintain and renew flood mitigation works to ensure design standards are met.	
<b>Performance target:</b>	No flooding of West Taieri from Taieri River flows up to 2,500 m <sup>3</sup> /s.	
<b>Result:</b>	No flooding occurred in the West Taieri scheme from Taieri River flows. All flows contained within design scheme specifications.	


<b>Measure:</b>	Maintain and renew flood mitigation works to ensure design standards are met.	
<b>Performance target:</b>	No flooding of Mosgiel from Sliver Stream flows up to 260 m <sup>3</sup> /s.	
<b>Result:</b>	No flooding in the Mosgiel area from the Silver stream this period.	


**Specific areas of work:**


1. Undertake design and obtain approvals and consents (if required), for constructing new upper/lower pond link spillways or the alternative option of relocating the floodbank(s) through the chute of the Taieri River.

This work was delayed due to the July 2017 flood. It will be informed by a 'scheme hydraulic performance investigation' that has been programmed into the new financial year.	
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***West Taieri drainage***


<b>Level of service – Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to events or damage.	
<b>Performance target:</b>	Damage identified, prioritised and repaired.	
<b>Result:</b>	Flood damage from the July 2017 flood was quickly assessed and prioritised. In some instances, repairs from July 2017 flood were on-going for a number of months. Risks were being managed, with urgent and temporary repairs having been completed. Further works are being implemented in the new financial year.	


<b>Measure:</b>	Maintain and renew drainage works to ensure design standards are met.	
<b>Performance target:</b>	Provide drainage modulus of 10mm per day pumped drainage capacity.	
<b>Result:</b>	The drainage moduli was provided over the period.	

<b>Measure:</b>	Maintain and renew drainage works to ensure design standards are met.	
<b>Performance target:</b>	Pump capacity for Waipori, Ascog and Henley will be available 320 out of 365 days per annum*.	
<b>Result:</b>	The target was missed by 4 days for the Waipori Pump Station. The Station capacity was reduced by 25% during this period, with no effect to land drainage.  The target was achieved for Ascot and Henley.	


\*Planned maintenance on pumps will require the pump to be out of service during the maintenance period, timing of which will be managed through risk assessment.

### ***East Taieri drainage***

<b>Level of service – Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to events or damage.	
<b>Performance target:</b>	Damage identified, prioritised and repaired.	
<b>Result:</b>	Flood damage from the July 2017 flood was quickly assessed and prioritised. In some instances, repairs from July 2017 flood were on-going for a number of months. Risks were being managed, with urgent and temporary repairs having been completed. Further works are being implemented in the new financial year.	

<b>Measure:</b>	Maintain and renew drainage works to ensure design standards are met.	
<b>Performance target:</b>	Provide drainage modulus of 8mm per day pumped drainage capacity for East Taieri upper ponding area and 18mm per day for East Taieri lower ponding area.	
<b>Result:</b>	Drainage moduli has been provided for throughout the period. A temporary pump was installed at Silverstream to compensate for a leakage from the discharge pipe.	




<b>Measure:</b>	Maintain and renew drainage works to ensure design standards are met.	
<b>Performance target:</b>	Pump capacity will be available 320 days out of 365 days per annum.*	
<b>Result:</b>	East Taieri – the target was not met due to the unplanned shutdown of Silverstream Pump duty pump 1 to mitigate risks of seepage from the discharge pipe. Options to repair the problem were progressed. In addition, a portable pump was installed to help compensate. The target was met for the Scroggs and Mill Creek Pumping Stations.	


\*Planned maintenance on pumps will require the pump to be out of service during the maintenance period, timing of which will be managed through risk assessment.


**Specific areas of work:**

1. Undertake design and consenting (if required), of drainage improvements for the upper pond.


Preliminary options review complete. Further investigation and design to be undertaken through the 2018-28 LTP.	
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***Tokomairiro drainage***

<b>Level of service – Improve the productive capability of land by maintaining, repairing and renewing land drainage works to agreed standards</b>		<b>Achieved</b>
<b>Measure:</b>	Respond to events or damage.	
<b>Performance target:</b>	Damage identified, prioritised and repaired.	
<b>Result:</b>	Flood damage from the July 2017 flood was quickly assessed and prioritised. In some instances, repairs from July 2017 flood were on-going for a number of months. Risks were being managed, with urgent and temporary repairs having been completed. Further works are being implemented in the new financial year.	

<b>Measure:</b>	Existing land drainage works perform to agreed standards, and drainage works are monitored and maintained to agreed standards.	
<b>Performance target:</b>	The drains and channel flow paths within the scheme are maintained to ensure hydraulic capacity.	
<b>Result:</b>	Flood damage from the July 2017 flood was quickly assessed and prioritised. In some instances, repairs from July 2017 flood were on-going for a number of months. Risks were being managed, with urgent and temporary repairs having been completed. Further works are being implemented in the new financial year.	

### ***Shotover River Delta***

<b>Level of service – Ensure waters can flow without undue obstruction</b>		<b>Achieved</b>
<b>Measure:</b>	Difference between actual and target profiles for surface.	
<b>Performance target:</b>	Surface of Shotover River Delta is consistent with the target profile.	
<b>Result:</b>	Cross section survey results received in January. Analysis of the current delta surface and report completed. Shotover Delta is a case study for the GeoTerm project which will be completed in August 2018. The tools from this project will help manage the delta in relation to the target profile.	

## Funding Impact Statement – Flood Protection and Control Works


Funding Impact Statement for the year ended 30 June 2018.


	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Long Term Plan 2017/18 \$000	Actual 2016/17 \$000	Long Term Plan 2016/17 \$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charge and rate penalties	187	245	91	75	86
Targeted rates (other than a targeted rate for water supply)	3,866	3,852	4,211	3,678	3,955
Subsidies and grants for operating purpose	-	-	-	-	-
Fees, charges and targeted rates for water supply	97	273	195	14	176
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	540	617	394	386	488
<b>Total operating funding (A)</b>	<b>4,690</b>	<b>4,987</b>	<b>4,891</b>	<b>4,153</b>	<b>4,705</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	3,365	2,055	2,096	1,698	1,993
Finance costs	-	-	-	-	-
Internal charges and overheads applied	993	849	879	909	901
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,358</b>	<b>2,904</b>	<b>2,975</b>	<b>2,607</b>	<b>2,894</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>332</b>	<b>2,083</b>	<b>1,916</b>	<b>1,546</b>	<b>1,811</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	743	-	-	-	620
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>743</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>620</b>
<b>Application of capital funding</b>					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	3,587	2,777	2,408	1,620	4,990
- to replace existing assets	8	982	672	256	425
Increase (decrease) in reserves	(2,520)	(1,676)	(1,164)	(330)	(2,984)
Increase (decrease) of investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>1,075</b>	<b>2,083</b>	<b>1,916</b>	<b>1,546</b>	<b>2,431</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(332)</b>	<b>(2,083)</b>	<b>(1,916)</b>	<b>(1,546)</b>	<b>(1,811)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

## Safety and Hazards


### *Emergency Management*

<b>Level of service – Be ready and able to respond to civil defence emergencies, assist with recovery after such events, and co-ordinate and promote reduction through group strategies and plans</b>		<b>Achieved</b>
<b>Measure:</b>	Timeliness in response to a civil defence event/emergency.	
<b>Performance target:</b>	The Group Emergency Co-ordinating Centre can be fully operational within one hour of activation.	
<b>Result:</b>	Phillip Lang House is being completed and the Regional Group Emergency Coordination Centre (GECC) will operate from it. Until then Stafford Street and/or the Dunedin City Council Bunker can be stood up as an Emergency Co-ordinating Centre.	


<b>Measure:</b>	Timeliness in response to a civil defence event/emergency.	
<b>Performance target:</b>	A Group CDEM Controller is available 24/7, 365 days a year.	
<b>Result:</b>	There are currently four nominated Group Controllers in place. Three are fully qualified and one yet to complete training. Additional support mechanisms have been put in place as approved (May 2018) by the Joint Committee.	

#### **Specific areas of work:**


1. Lead the review and development of the 2017-22 Otago CDEM Group Plan.

The Otago CDEM Group Plan has not yet been approved for notification by the Central Emergency Group or the Joint Committee.	
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2. Complete the development of the Group Risk Reduction Strategy and implement it.


Risk reduction is an important component of the work Emergency Management Otago undertakes. The Otago Risk Register provides the basis and direction for activity in this area and, as a living document, new risks are added to the register as they are identified. Activities in the risk reduction area are defined in the Otago Group Plan 2018-2028 and in the annual Business Plan.	
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3. Ensure that dam safety and dam failure plans are incorporated into community planning activities.

Dam safety is a key issue within the development of Community Response Plans where a dam forms part of that community's infrastructure. As new plans are developed, dams are identified and appropriate information on flood and/or dam failure evacuation zones are defined and included.  As at 30 June 2018 not all communities with dams have a Community Response Plan.	
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## **Natural hazards**

<b>Level of service – Work proactively with communities to improve understanding of the risks posed by natural hazards so that informed decisions and responses can be made.</b>		<b>Achieved</b>
<b>Measure:</b>	Information to be available.	
<b>Performance target:</b>	Provide natural hazards information to the public via an effective web-based Otago Natural Hazards database.	
<b>Result:</b>	Following a comprehensive review of information displayed in the Natural Hazards Database (NHDB) and supporting information in 2017, areas identified as needing attention have now been worked on. Updates on the database continue to progress. The Coastal Hazards, Landslides, Alluvial Fan and Seismic layers have been updated and successfully uploaded to the NHDB. The Flooding, Storm Surge and Tsunami layers are now up to date and ready for upload to the database	


<b>Level of service – Provision of accurate and timely flood warnings.</b>		<b>Achieved</b>
<b>Measure:</b>	Warnings of flood events when alarm status is reached.	
<b>Performance target:</b>	Provide rainfall and river flow information to the public when flood levels reach alarm status.	
<b>Result:</b>	Rainfall and flow information has been disseminated to the public mainly through the Waterinfo website. The Waterinfo website has been upgraded to make it more user friendly. One major flood event (July 2017) and several smaller events (including two ex-tropical cyclones (Fehi and Gita) were responded to this year. The July 2017 event required a large response.	

### **Specific areas of work:**


1. Undertake a joint ORC/QLDC flood awareness campaign in Queenstown, Wanaka, Glenorchy and Kingston.

Campaign completed at the end of October/early November 2017. Visits were made to businesses in Queenstown and Wanaka CBD in addition to drop in sessions. Visits were undertaken in association with CDEM.	
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2. Work with the Dunedin City Council on the South Dunedin Future programme.

<p>South Dunedin Future programme scope, roles, and next steps in this project being defined in discussions with DCC. Technical workshop with DCC planned in July. Flood forecasting tool developed and being tested during heavy rainfall events. ORC participation to NZ SeaRise programme on-going and will inform the South Dunedin Future programme next steps.</p>	
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3. Report on the location and characteristics of known geological faults in Otago.

<p>This project has been deferred to the next financial year once GNS Science has completed the investigation on faults in the CODC, QLDC and CDC areas. The purpose of this project is to report on findings from work done or being done by GNS. The GNS work has been delayed and will be completed around August/September 2018.</p>	
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## Funding Impact Statement – Safety and Hazards




Funding Impact Statement for the year ended 30 June 2018.

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Long Term Plan 2017/18 \$000	Actual 2016/17 \$000	Long Term Plan 2016/17 \$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charge and rate penalties	485	505	773	783	718
Targeted rates (other than a targeted rate for water supply)	2,371	2,412	-	-	-
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	779	755	1,400	1,590	1,361
<b>Total operating funding (A)</b>	<b>3,635</b>	<b>3,672</b>	<b>2,173</b>	<b>2,373</b>	<b>2,079</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	2,338	2,193	1,151	1,716	1,116
Finance costs	-	-	-	-	-
Internal charges and overheads applied	1,856	1,540	1,020	883	961
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>4,194</b>	<b>3,733</b>	<b>2,171</b>	<b>2,599</b>	<b>2,077</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(559)</b>	<b>(61)</b>	<b>2</b>	<b>(226)</b>	<b>2</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	9	-	-	34	-
- to replace existing assets	-	-	-	1	-
Increase (decrease) in reserves	(568)	(61)	2	(261)	2
Increase (decrease) of investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(559)</b>	<b>(61)</b>	<b>2</b>	<b>(226)</b>	<b>2</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>559</b>	<b>61</b>	<b>(2)</b>	<b>226</b>	<b>(2)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

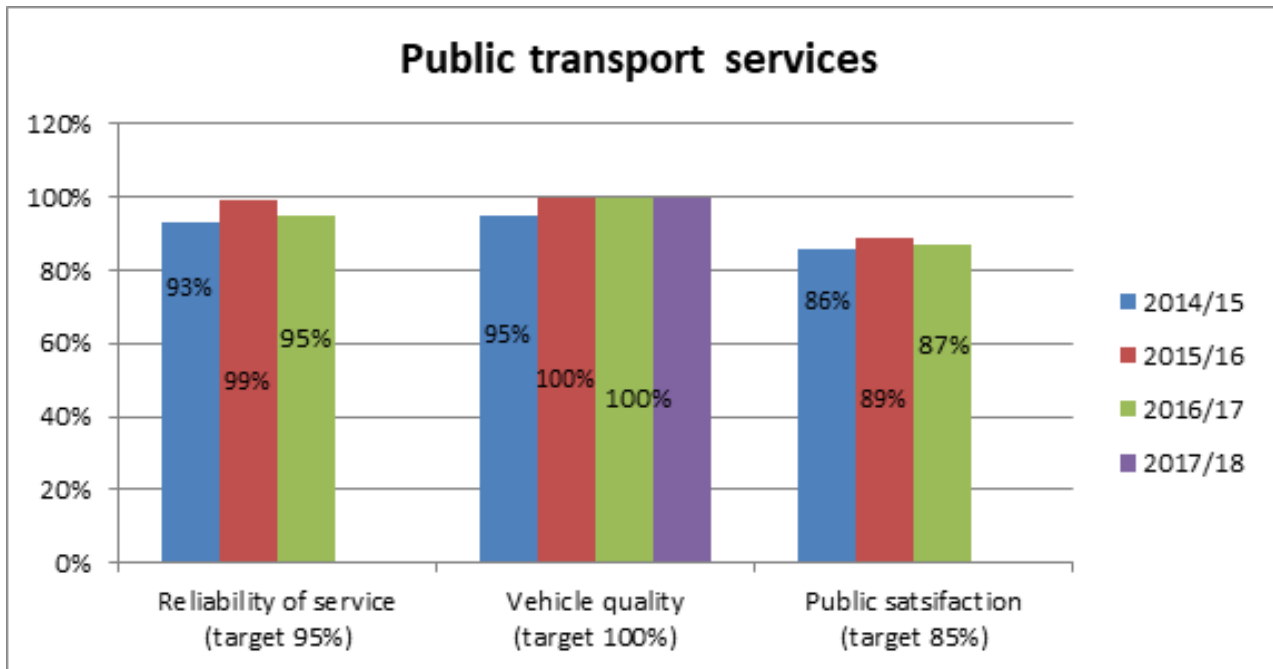
## Transport

### *Regional transport planning and public passenger transport*

<b>Level of service – Provide passenger transport services that meet community need.</b>		<b>Achieved</b>
<b>Measure:</b>	Reliability of service.	
<b>Performance target:</b>	95% of services monitored depart from the terminus on time.	
<b>Result:</b>	Dunedin – The annual survey (which includes the measurement of the Service Departure time) was not completed in time to report at year end and will be reported in the first quarter of the 2018/19 financial year.	
<b>Result:</b>	Queenstown – The annual survey (which includes the measurement of the Service Departure time) was not completed in time to report at year end and will be reported in the first quarter of the 2018/19 financial year.	
<b>Measure:</b>	Vehicle quality.	
<b>Performance target:</b>	100% of vehicles (PTOM contracts) comply with Regional Passenger Transport Plan Vehicle Quality standards.	
<b>Result:</b>	Dunedin – 100% of vehicles comply with the Vehicle Quality Standards outlined in the Regional Public Transport Plan.	
<b>Result:</b>	Queenstown – 100% of vehicles comply with the Vehicle Quality Standards outlined in the Regional Public Transport Plan.	
<b>Measure:</b>	Public satisfaction.	
<b>Performance target:</b>	Surveys to show at least 85% of bus users are satisfied with overall standard of service.	
<b>Result:</b>	Dunedin – The annual survey was not completed in time to report at year end and will be reported in the first quarter of the 2018/19 financial year.	
<b>Result:</b>	Queenstown – The annual survey was not completed in time to report at year end and will be reported in the first quarter of the 2018/19 financial year.	

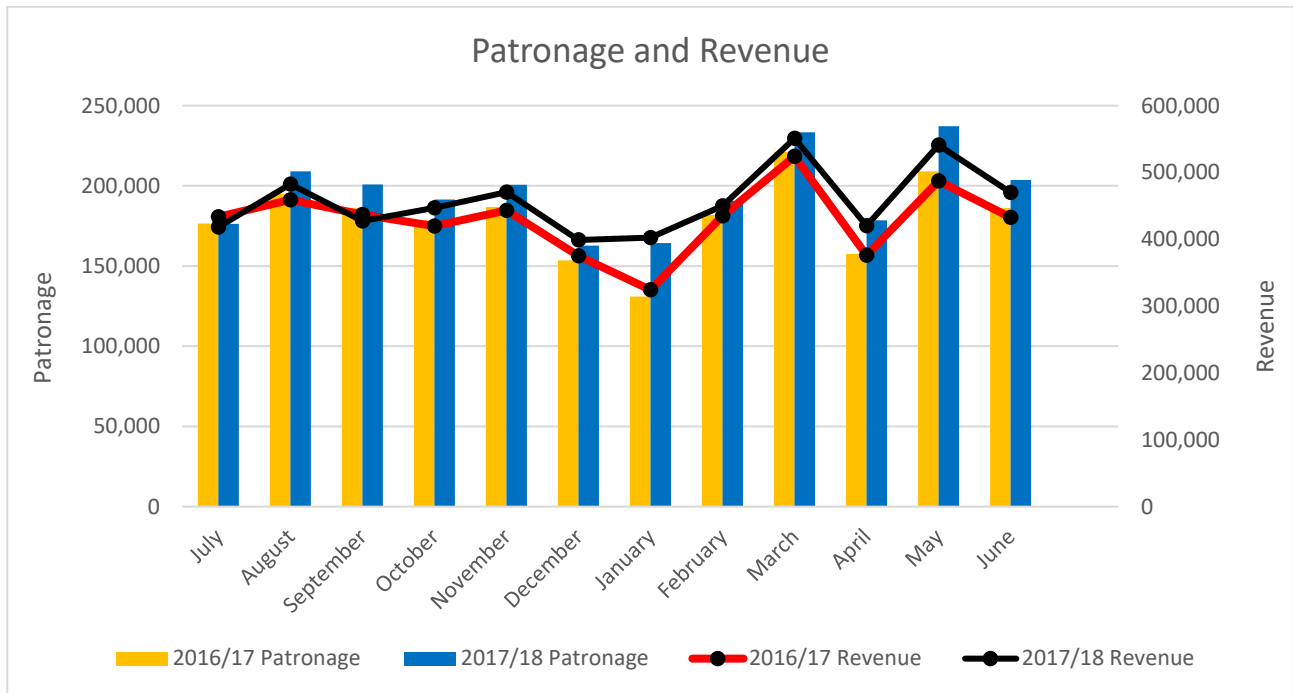


The graph below will be updated to show the reliability and satisfaction survey results for the 2017/18 year. This will be publicly reported to the 17 October 2018 Council Committee meeting round.



<b>Measure:</b>	Patronage growth.	
<b>Performance target:</b>	In Dunedin, maintain patronage In Wakatipu, 8% growth.	
<b>Result:</b>	Dunedin – Patronage growth of 8% achieved for the Financial Year.	●
<b>Result:</b>	Queenstown – Patronage growth of 153% achieved since December after the new network commenced.	●

Dunedin Passenger Transport: The graph below shows revenue and patronage for 2017/2018 compared to the previous year 2016/2017. Seasonality is reflected in the figures, whilst 2018 data continues to outperform 2017, tracking at a premium of around 10-11%.

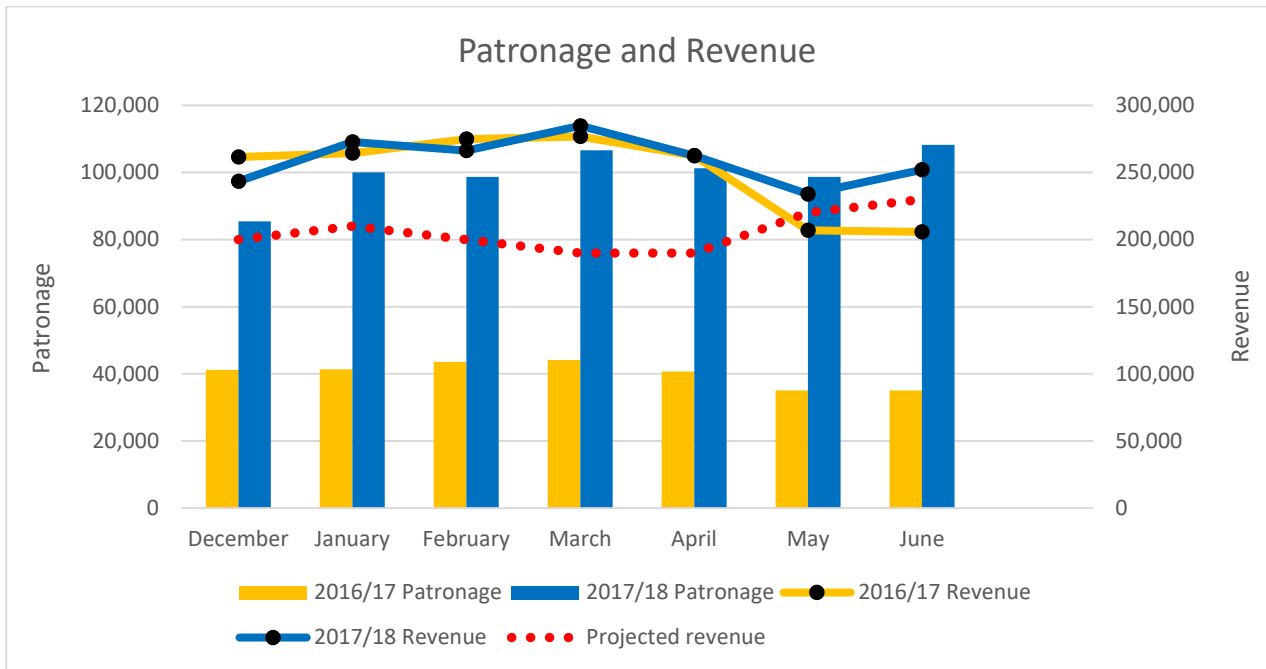


**Wakatipu Public Transport**

The new Wakatipu Public Transport Network was launched on 20 November 2017. The initial patronage uptake was encouraging with a 107% lift in December compared to the same month last year. This trend continued over the financial year showing a 153% increase compared to the same time last year.


After an initial and expected drop in revenue with the introduction of the flat fares, actual revenue recovered and tracked closer to the year-end target.

The graph below shows revenue and patronage for 2017/2018 compared to the previous year 2016/2017.




**Specific areas of work:**

1. Complete the construction of a central bus hub in Dunedin.

<p>Construction contract tender has been received, costs exceed the budget allocation. Council have approved its share of the cost increase, at year end seeking NZTA approval for its component of cost, which has subsequently been approved. The project is now on track for completion of construction component late November 2018.</p>	
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2. Complete the implementation of a replacement ticketing system.

<p>System design and build is underway. Anticipate being operational in Queenstown and Dunedin in late 2018 / early 2019.</p>	
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## Funding Impact Statement – Transport

Funding Impact Statement for the year ended 30 June 2018.

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Long Term Plan 2017/18 \$000	Actual 2016/17 \$000	Long Term Plan 2016/17 \$000
<b>Sources of operating funding</b>					
General rates, uniform annual general charge and rate penalties	266	266	185	190	166
Targeted rates (other than a targeted rate for water supply)	4,260	4,232	3,688	3,493	3,482
Subsidies and grants for operating purpose	9,500	10,671	6,485	7,180	7,223
Fees, charges and targeted rates for water supply	-	97	32	-	24
Internal charges and overheads recovered	-	-	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	6,776	7,315	560	2,269	541
<b>Total operating funding (A)</b>	<b>20,802</b>	<b>22,581</b>	<b>10,950</b>	<b>13,132</b>	<b>11,436</b>
<b>Applications of operating funding</b>					
Payments to staff and suppliers	20,104	24,132	11,369	13,259	12,824
Finance costs	-	-	-	-	-
Internal charges and overheads applied	699	618	330	699	291
Other operating funding applications	-	-	-	-	-
<b>Total applications of operating funding (B)</b>	<b>20,803</b>	<b>24,750</b>	<b>11,699</b>	<b>13,958</b>	<b>13,115</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(1)</b>	<b>(2,169)</b>	<b>(749)</b>	<b>(826)</b>	<b>(1,679)</b>
<b>Sources of capital funding</b>					
Subsidies and grants for capital expenditure	-	-	-	-	-
Development and financial contributions	-	-	-	-	-
Increase (decrease) in debt	-	-	-	-	-
Gross proceeds from sale of assets	-	-	-	-	-
Lump sum contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Application of capital funding</b>					
<i>Capital expenditure:</i>					
- to meet additional demand	-	-	-	-	-
- to improve the level of service	1,865	426	-	333	-
- to replace existing assets	-	-	-	4	-
Increase (decrease) in reserves	(1,856)	(2,595)	(749)	(1,163)	(1,679)
Increase (decrease) of investments	-	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(1)</b>	<b>(2,169)</b>	<b>(749)</b>	<b>(826)</b>	<b>(1,679)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>1</b>	<b>2,169</b>	<b>749</b>	<b>826</b>	<b>1,679</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The accompanying notes form part of these financial statements.

# Financial Statements

## Funding Impact Statement for the Year Ended 30 June 2018 (Whole of Council)

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000	Long Term Plan 2016/17 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charge and rate penalties	7,570	7,275	6,567	5,800
Targeted rates (other than a targeted rate for water supply)	13,636	13,635	9,616	9,824
Subsidies and grants for operating purpose	10,893	11,926	8,471	7,271
Fees, charges and targeted rates for water supply	1,594	3,426	1,497	3,660
Interest and dividends from investments	10,069	10,512	9,142	9,550
Local authorities fuel tax, fines, infringement fees and other receipts	8,656	9,140	5,027	2,122
<b>Total operating funding (A)</b>	<b>52,418</b>	<b>55,914</b>	<b>40,320</b>	<b>38,227</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	54,097	55,555	40,114	37,316
Finance costs	3	138	-	73
Other operating funding applications	-	52	-	53
<b>Total applications of operating funding (B)</b>	<b>54,100</b>	<b>55,745</b>	<b>40,114</b>	<b>37,442</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(1,682)</b>	<b>169</b>	<b>206</b>	<b>785</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure	-	-	-	-
Development and financial contributions	-	-	-	-
Increase (decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	928	-	176	620
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding (C)</b>	<b>928</b>	<b>-</b>	<b>176</b>	<b>620</b>
<b>Application of capital funding</b>				
<i>Capital expenditure:</i>				
- to meet additional demand	-	-	-	-
- to improve the level of service	7,308	3,548	3,360	4,990
- to replace existing assets	403	3,281	1,212	2,089
Increase (decrease) in reserves	(8,465)	(6,660)	(4,190)	(5,674)
Increase (decrease) of investments	-	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(754)</b>	<b>169</b>	<b>382</b>	<b>1,405</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>1,682</b>	<b>(169)</b>	<b>(206)</b>	<b>(785)</b>
<b>Funding balance ((A-B) + (C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 2018**

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000	Annual Plan 2016/17 \$000
<b>Surplus/(deficit) of Operating Funding in Funding Impact Statement</b>	(1,682)	169	206	(2,073)
<b>Add/(deduct)</b>				
Increase in the fair value of investment property	312	333	40	313
Increase in the fair value of investment portfolio	1,529	-	936	-
Profit/(Loss) on disposal of assets	(90)	-	20	-
Depreciation and amortisation	(2,082)	(2,014)	(1,937)	(1,761)
Write-off of property plant and equipment work in progress	(929)	-	(30)	-
Other	(8)	119	(177)	89
<b>Surplus/(deficit) before taxation in Statement of Comprehensive Revenue and Expense</b>	<b>(2,950)</b>	<b>(1,393)</b>	<b>(942)</b>	<b>(3,432)</b>

**Schedule of Capital Expenditure**

	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000
<b>Flood Protection and Control Works</b>			
Alexandra flood	-	-	87
East Taieri drainage	-	117	1
Leith flood protection	3,445	2,553	1,781
Lower Clutha flood and drainage	132	755	5
Lower Taieri flood protection	10	20	-
Tokomairiro	-	45	-
West Taieri drainage	6	268	2
<b>Civil Defence Emergency Management</b>			
Website development	-	-	15
Computers and plant	9	-	20
<b>Environmental</b>			
Air monitoring	70	35	
Water Monitoring sites	240	186	258
Pest management	27	15	15
Compliance monitoring	-	-	-
<b>Transport</b>			
Dunedin/Wakatipu	1,760	-	310
Stock truck effluent disposal sites	95	426	26
<b>Corporate</b>			
Property	1,079	300	328
Cars and station wagons	312	360	771
Computers and software	508	1,675	947
Plant	5	25	4
Sundry	13	50	2
<b>Total</b>	<b>7,711</b>	<b>6,830</b>	<b>4,572</b>

**Statement of Comprehensive Revenue and Expense  
for the Year Ended 30 June 2018**

	Notes	Council 2018 \$000	Council Budget \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Revenue from non-exchange transactions</b>						
Rates revenue	3	20,908	20,910	15,963	20,883	15,940
Grant revenue and subsidies		10,893	11,926	8,471	10,893	8,471
Other revenue	3	7,473	9,611	3,490	7,473	3,490
<b>Revenue from exchange transactions</b>						
Dividends	2	9,000	9,000	7,800	-	-
Interest and investment revenue		1,069	1,511	1,342	1,069	1,502
Other revenue	3	3,076	2,955	3,112	99,189	87,038
<b>Total revenue</b>		<b>52,419</b>	<b>55,913</b>	<b>40,178</b>	<b>139,507</b>	<b>116,441</b>
<b>Expenditure</b>						
Employee benefits expense	22	(15,542)	(16,011)	(12,856)	(47,549)	(43,474)
Depreciation and amortisation expense	11	(2,083)	(2,014)	(1,936)	(11,306)	(10,600)
Finance costs	15	-	(2)	-	(2,926)	(2,834)
Other expenses	19	(39,495)	(39,612)	(27,133)	(62,947)	(45,826)
<b>Total operating expenditure</b>		<b>(57,119)</b>	<b>(57,639)</b>	<b>(41,925)</b>	<b>(124,728)</b>	<b>(102,734)</b>
Share of surplus from equity accounted joint ventures		-	-	-	205	80
Other gains/(losses)	4	1,750	333	805	24,913	20,715
<b>Surplus/(deficit) before tax</b>		<b>(2,950)</b>	<b>(1,393)</b>	<b>(942)</b>	<b>39,897</b>	<b>34,502</b>
Income tax benefit/(expense)	18	101	-	101	(8,130)	(4,402)
<b>Surplus/(deficit) for the year</b>		<b>(2,849)</b>	<b>(1,393)</b>	<b>(841)</b>	<b>31,767</b>	<b>30,100</b>
<b>Other comprehensive revenue and expenses</b>						
Items that may be reclassified to surplus/(deficit):						
<i>Available-for-sale financial assets:</i>						
Revaluation gain/(loss) – shares in subsidiary	2	49,471	10,000	20,798	-	-
Available for sale financial asset gains reclassified to surplus/(deficit) during the year		-	-	-	-	-
<i>Cashflow hedges:</i>						
Unrealised movement in hedging interest rate swaps		-	-	-	(333)	946
Income tax relating to components of other comprehensive revenue and expenses		-	-	-	-	-
<b>Total other comprehensive revenue and expense</b>		<b>49,471</b>	<b>10,000</b>	<b>20,798</b>	<b>(333)</b>	<b>946</b>
<b>Total comprehensive revenue and expense</b>		<b>46,622</b>	<b>8,607</b>	<b>19,957</b>	<b>31,434</b>	<b>31,046</b>

The accompanying notes form part of these financial statements.

## Statement of Financial Position as at 30 June 2018

	Notes	Council 2018 \$000	Council Budget \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Current assets</b>						
Cash and cash equivalents		8,125	3,765	4,433	8,377	4,958
Trade and other receivables	12	8,709	3,286	3,568	25,380	16,554
Property held for sale	8	214	1,284	1,093	214	3,238
Investment property inventories	9	-	-	-	31,190	25,696
Other financial assets	5	40,311	41,198	54,057	40,311	54,057
Other financial instrument		-	-	-	-	32
Other current assets		231	207	261	1,539	1,457
<b>Total current assets</b>		<b>57,590</b>	<b>49,740</b>	<b>63,412</b>	<b>107,011</b>	<b>105,992</b>
<b>Non-current assets</b>						
Shares in subsidiary	2	488,508	438,239	439,037	-	-
Joint ventures accounted for using the equity method	27	-	-	-	1,631	1,427
Other financial assets	5	-	-	-	13	33
Derivative financial instruments		-	-	-	-	253
Property, plant and equipment	6	90,212	93,922	86,313	299,417	267,764
Intangible assets	10	2,724	3,357	2,066	7,875	7,495
Investment property	7	11,137	11,431	10,825	328,927	313,262
Deferred tax asset	18	98	98	98	-	-
<b>Total non-current assets</b>		<b>592,679</b>	<b>547,047</b>	<b>538,339</b>	<b>637,863</b>	<b>590,234</b>
<b>Total assets</b>		<b>650,269</b>	<b>596,787</b>	<b>601,751</b>	<b>744,874</b>	<b>696,226</b>
<b>Current liabilities</b>						
Trade and other payables	13	9,019	4,134	7,159	18,072	14,530
Provisions		-	-	-	2,433	-
Employee entitlements	14	1,701	1,483	1,665	6,685	6,561
Other financial instruments	31	-	-	-	437	648
Tax payable		-	-	-	4,812	1,750
<b>Total current liabilities</b>		<b>10,720</b>	<b>5,617</b>	<b>8,824</b>	<b>32,439</b>	<b>23,489</b>
<b>Non-current liabilities</b>						
Employee entitlements	14	-	-	-	910	932
Borrowings	15	-	-	-	77,635	68,420
Deferred tax liabilities	18	-	-	-	14,305	15,620
Other financial instruments	31	-	-	-	571	185
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>93,421</b>	<b>85,157</b>
<b>Total liabilities</b>		<b>10,720</b>	<b>5,617</b>	<b>8,824</b>	<b>125,860</b>	<b>108,646</b>
<b>Net assets</b>		<b>639,549</b>	<b>591,170</b>	<b>592,927</b>	<b>619,014</b>	<b>587,580</b>
<b>Equity</b>						
Reserves	16	509,050	457,424	459,378	251,634	230,274
Public equity	17(a)	130,499	133,746	133,549	367,380	357,306
<b>Total equity</b>		<b>639,549</b>	<b>591,170</b>	<b>592,927</b>	<b>619,014</b>	<b>587,580</b>

The accompanying notes form part of these financial statements.



## 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
<b>Equity</b>											
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
<b>Total Public Equity</b>		<b>133,549</b>	<b>(2,849)</b>	<b>76,755</b>	<b>(76,956)</b>	<b>130,499</b>	<b>357,306</b>	<b>31,767</b>	<b>76,755</b>	<b>(98,448)</b>	<b>367,380</b>
<b>Reserves:</b>											
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
<b>Total Reserves</b>		<b>459,378</b>	<b>49,471</b>	<b>3,355</b>	<b>(3,154)</b>	<b>509,050</b>	<b>230,274</b>	<b>(333)</b>	<b>24,847</b>	<b>(3,154)</b>	<b>251,634</b>
<b>Total Equity and Reserves</b>		<b>592,927</b>	<b>46,622</b>	<b>80,110</b>	<b>(80,110)</b>	<b>639,549</b>	<b>587,580</b>	<b>31,434</b>	<b>101,602</b>	<b>(101,602)</b>	<b>619,014</b>

## Statement of Changes in Net Assets/Equity for the Year ended 30 June 2017

Notes	TOTAL COUNCIL 2017					TOTAL GROUP 2017				
	Opening Balance 1 July 2016 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2017 \$000	Opening Balance 1 July 2016 \$000	Other Comprehensive Revenue and Expense \$000	Transfers In \$000	Transfers Out \$000	Closing Balance 30 June 2017 \$000
<b>Equity</b>										
General Rate Equity	72,956	(841)	23,792	(24,061)	71,846	285,641	30,100	23,792	(43,930)	295,603
Targeted Rate Equity	64,249	-	18,499	(21,045)	61,703	64,249	-	18,499	(21,045)	61,703
<b>Total Public Equity</b>	<b>137,205</b>	<b>(841)</b>	<b>42,291</b>	<b>(45,106)</b>	<b>133,549</b>	<b>349,890</b>	<b>30,100</b>	<b>42,291</b>	<b>(64,975)</b>	<b>357,306</b>
<b>Reserves:</b>										
Asset Replacement Reserve	5,987	-	1,908	(2,075)	5,820	5,987	-	1,908	(2,075)	5,820
Asset Revaluation Reserve	8,724	-	40	-	8,764	179,182	-	19,909	-	199,091
Available for Sale Revaluation Reserve	398,239	20,798	-	-	419,037	-	-	-	-	-
Building Reserve	10,997	-	2,988	(371)	13,614	10,997	-	2,988	(371)	13,614
Emergency Response Reserve	3,891	-	142	-	4,033	3,891	-	142	-	4,033
Hedging Reserve	-	-	-	-	-	(1,340)	946	-	-	(394)
Water Management Reserve	1,433	-	52	(58)	1,427	1,433	-	52	(58)	1,427
Kuriwao Endowment Reserve	6,271	-	343	(253)	6,361	6,271	-	343	(253)	6,361
Environmental Enhancement Reserve	223	-	339	(240)	322	223	-	339	(240)	322
<b>Total Reserves</b>	<b>435,765</b>	<b>20,798</b>	<b>5,812</b>	<b>(2,997)</b>	<b>459,378</b>	<b>206,644</b>	<b>946</b>	<b>25,681</b>	<b>(2,997)</b>	<b>230,274</b>
<b>Total Equity and Reserves</b>	<b>572,970</b>	<b>19,957</b>	<b>48,103</b>	<b>(48,103)</b>	<b>592,927</b>	<b>556,534</b>	<b>31,046</b>	<b>67,972</b>	<b>(67,972)</b>	<b>587,580</b>

## Cash Flow Statement for the Year ended 30 June 2018

	Notes	Council 2018 \$000	Council Budget \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Cash flows from operating activities</b>						
<i>Receipts from non-exchange transactions</i>						
Receipts from customers		19,191	30,521	15,802	91,557	15,977
Grant income and subsidies		10,893	11,926	8,471	10,893	8,471
Other receipts		-	-	-	-	-
<i>Receipts from exchange transactions</i>						
Interest and investment income		1,069	1,511	1,342	1,080	1,502
Rental income		1,051	1,002	1,051	15,185	15,713
Subvention payment		101	-	101	-	-
Dividends		9,000	9,000	7,800	-	-
Other receipts		6,060	1,959	5,513	6,060	72,348
Payments to suppliers and employees		(52,744)	(55,274)	(36,557)	(105,148)	(83,919)
Interest and other costs of finance paid		-	(2)	-	(2,550)	(2,450)
Income tax received/(paid)		-	-	-	(6,254)	(6,073)
Donations		(350)	(350)	(350)	(350)	(350)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(5,729)</b>	<b>293</b>	<b>3,173</b>	<b>10,473</b>	<b>21,219</b>
<b>Cash flows from investing activities</b>						
Interest capitalised		-	-	-	(373)	(462)
Proceeds from sale of property, plant and equipment		1,124	-	169	1,542	420
Proceeds from sale of intangible assets		-	-	7	-	7
Sale of held for sale assets		879	-	-	879	-
Sale of investment property		-	-	-	25,735	7,153
Advances (to)/from subsidiaries		-	-	-	737	298
Proceeds from other financial assets		15,275	15,000	3,077	15,275	3,077
Purchase of/improvements to investment property		-	-	-	(15,500)	(19,328)
Purchase of other financial assets		-	-	-	-	-
Purchase of property in development		-	-	-	-	(1,435)
Purchase of property, plant and equipment		(6,739)	(5,210)	(3,762)	(43,466)	(14,492)
Purchase of intangible assets		(1,118)	(1,620)	(771)	(1,118)	(1,307)
Repayment of lease improvements		-	-	-	-	155
<b>Net cash inflow/(outflow) from investing activities</b>		<b>9,421</b>	<b>8,170</b>	<b>(1,280)</b>	<b>(16,269)</b>	<b>(25,914)</b>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings		-	-	-	20,965	20,650
Repayment of borrowings		-	-	-	(11,750)	(14,630)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>9,215</b>	<b>6,020</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,692</b>	<b>8,463</b>	<b>1,893</b>	<b>3,419</b>	<b>1,325</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>4,433</b>	<b>(4,698)</b>	<b>2,540</b>	<b>4,958</b>	<b>3,633</b>
<b>Cash and cash equivalents at the end of the financial year</b>		<b>8,125</b>	<b>3,765</b>	<b>4,433</b>	<b>8,377</b>	<b>4,958</b>

The accompanying notes form part of these financial statements.

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

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

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

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

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in bank and deposits in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statements are reconciled to the related items in the Statement of Financial Position as follows:

	<b>Council 2018 \$000</b>	<b>Council 2017 \$000</b>	<b>Group 2018 \$000</b>	<b>Group 2017 \$000</b>
<i>Cash and cash equivalents:</i>				
Cash at bank and on hand	6,125	4,433	6,377	4,958
Term deposits with maturities less than 3 months	2,000	-	2,000	-
	8,125	4,433	8,377	4,958

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**

	<b>Council 2018 \$000</b>	<b>Council 2017 \$000</b>	<b>Group 2018 \$000</b>	<b>Group 2017 \$000</b>
Surplus/(deficit) for the year	<b>(2,849)</b>	<b>(841)</b>	<b>31,767</b>	<b>30,100</b>
<i>Add/(less) non-cash items:</i>				
Depreciation and amortisation	2,083	1,936	11,306	10,599
(Gain)/loss on sale of property, plant and equipment	90	(20)	82	(54)
Write off of intangible assets	-	(30)	-	(30)
Provision for doubtful debts	11	(71)	11	(72)
(Gain)/loss on revaluation of investment property	(312)	(40)	(21,804)	(19,909)
Loss/(gain) on disposal of investment property	-	-	(1,641)	(34)
Net change in fair value of derivative financial instruments	-	-	-	30
Net change in fair value of financial instruments	(1,529)	(936)	(1,529)	(936)
Non-current employee entitlements	-	-	-	(487)
Share of surpluses retained by joint ventures	-	-	(205)	(80)
Gain on sale of available for sale investments	-	-	-	-
Deferred tax	-	101	(1,185)	(2,107)
Write-off of property plant and equipment work in progress	-	-	-	-
	<b>343</b>	<b>99</b>	<b>(14,965)</b>	<b>17,020</b>
<i>Movement in working capital:</i>				
Trade and other receivables	(5,152)	(270)	(8,449)	(1,124)
Inventories	-	-	(112)	20
Other current assets	30	(54)	30	(54)
Trade and other payables	1,863	3,025	2,840	3,808
Provisions	-	-	2,433	-
Employee entitlements	36	182	102	804
Income tax	-	-	2,922	479
Movement in working capital items classified as investing activities	-	191	(6,095)	266
	<b>(3,223)</b>	<b>3,074</b>	<b>(6,329)</b>	<b>4,199</b>
Net cash inflow/(outflow) from operating activities	<b>(5,729)</b>	<b>3,173</b>	<b>10,473</b>	<b>21,219</b>

# Notes to the Financial Statements For the Year ended 30 June 2018

## 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 2018 and were authorised for issue by Council on 26 September 2018.

### 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:

- 2016 omnibus amendments to PBE (PS) standards
- 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 FRS 48: Service Performance Reports

Council expects to adopt the above standards in the period in which they become mandatory. Council anticipates that the above standards are not expected to have a material impact on the financial statements in the period of initial application; however, a detailed assessment has yet to be performed.

### **Principles of Consolidation**

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being the Council entity and its controlled entities as defined in PBE *IPSAS 6 Consolidated and Separate Financial Statements*. A list of controlled entities appears in Note 27 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a controlled entity are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Council obtains control and until such time as the Council ceases to control the entity.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group, are eliminated in full.

### **Accounting Policies**

Accounting policies that summarise the measurement basis used, and are relevant to the understanding of the financial statements, are provided throughout the accompanying notes.

The accounting policies adopted have been applied consistently throughout the periods presented in these financial statements.

## **Critical Estimates, Assumptions and Judgements**

In preparing these financial statements the Council has made estimates, assumptions and judgements concerning the future. These estimates, assumptions and judgements may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

Estimate of Fair Value of Investment Property – refer to Note 7

Estimate of Fair Value of Shares in Subsidiary – refer to Note 2

Property, Plant and Equipment – refer to Note 6

Classification of Property – refer to Note 7



## 2. Shares in Subsidiary and Dividend Income

Port Otago Limited is a 100% subsidiary of the Council.

### Recognition and Measurement

The Council's investment in Port Otago Limited is carried at fair value in the Council entity's financial statements. At each balance date the Council obtains an annual valuation of the Council's shareholding in its subsidiary Port Otago Limited. The Port Otago group consists of Port Otago Limited, its subsidiaries, associates and joint ventures.

The annual valuation is determined by an independent firm of chartered accountants and business advisors.

In assessing the valuation, the valuers adopt methodologies appropriate for the components of the Port Otago Limited group, employing the discounted cashflow methodology for Port Otago port operations and net tangible assets approach for Chalmers Properties Limited. Changes in forecast cashflows and property values and other factors that the fair value assessment is based on may result in the fair value of the shares in the subsidiary being different from previous estimates. The fair value is a level 3 fair value measurement, as the valuation technique includes inputs that are not based on observable market data (unobservable inputs).

### Significant Assumptions Used in Determining Fair Value of Financial Assets and Financial Liabilities

The valuation for the shares in Port Otago Limited is a combination of a discounted cashflow and assets approach based on information provided by the entity and investment property valuations. The fair value of the shares in subsidiaries at 30 June 2018 was based on cashflows discounted using a weighted average cost of capital of 7.6% (2017: 7.3%), terminal growth rate 2% (2017: 2%) and discount for lack of marketability 5% (2017: 5%).

### Sensitivity to WACC

- A decrease of 0.5% in WACC to 6.8% would result in a \$25.4m increase in fair value
- An increase of 0.5% in WACC to 7.8% would result in a \$21.0m decrease in fair value

	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Balance at beginning of year	439,037	418,239	-	-
Gain/(loss) recognised in other Comprehensive Revenue and Expense	49,471	20,798	-	-
Balance at end of year	488,508	439,037	-	-

### Related party transactions

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

	Council 2018 \$000	Council 2017 \$000
Dividend payment made to Council	9,000	7,800
Harbour Control Centre and other costs	(65)	(60)
Other expenses	86	88

### 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 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 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.

#### **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.

## Rates Revenue

	Notes	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Rates revenue comprises:</b>					
General rates		7,272	6,347	7,247	6,324
Targeted rates		13,636	9,616	13,636	9,616
		20,908	15,963	20,883	15,940

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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Revenue from exchange transactions</b>					
Port revenue		-	-	80,666	67,670
Consents and regulatory fees		1,893	1,596	1,893	1,596
Regional services revenue		132	465	132	465
Investment property rental income		663	658	16,110	15,419
Other property rental income		388	393	388	1,888
		3,076	3,112	99,189	87,038
<b>Revenue from non-exchange transactions</b>					
Consents and regulatory fees		240	230	240	230
Other activity fees and charges		7,233	3,260	7,233	3,260
		7,473	3,490	7,473	3,490

## 4. Other Gains/(Losses)

	Notes	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Unrealised net change in value of investment property and property in development	7	312	40	22,323	19,691
Gain/(loss) on disposal of investment property		-	-	-	34
Impairment and impairment reversals of property in development	9	-	-	(557)	894
Gain/(loss) on disposal of property, plant and equipment		(91)	20	1,618	54
Net change in fair value of financial assets carried at fair value through surplus or deficit		1,529	936	1,529	936
Impairment of held for sale assets	8	-	(191)	-	(864)
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)		-	-	-	(30)
Gain/(loss) on future value of investment property sale		-	-	-	-
Gain/(loss) on available for sale assets		-	-	-	-
		1,750	805	24,913	20,715
Gains		1,841	1,043	25,004	21,626
Losses		(91)	(238)	(91)	(911)

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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Held for trading – carried at fair value</b>				
<i>Current:</i>				
Managed funds – cash (i)	1,173	1,625	1,173	1,625
Managed funds – bonds (i)(ii)	9,163	10,931	9,163	10,931
Managed funds – equities (i)	10,975	7,301	10,975	7,301
	21,311	19,857	21,311	19,857
<b>Loans and receivables carried at amortised cost</b>				
<i>Current:</i>				
Short-term deposits with maturities of 4-12 months	19,000	34,200	19,000	34,200
<i>Non-current:</i>				
Prepaid lease costs	-	-	13	33
	19,000	34,200	19,013	34,233
	<b>40,311</b>	<b>54,057</b>	<b>40,324</b>	<b>54,090</b>
<i>Disclosed in the financial statements as:</i>				
Current	40,311	54,057	40,311	54,057
Non-current	-	-	13	33
	40,311	54,057	40,324	54,090

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 2017-2028.

**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
<b>2018</b>								
<i>Financial assets at FVTPL:</i>								
Other financial assets	3,183	18,128	-	21,311	3,183	18,128	-	21,311
<b>2017</b>								
<i>Financial assets at FVTPL:</i>								
Other financial assets	1,689	17,262	906	19,857	1,689	17,262	906	19,857

## 6. Property, Plant and Equipment

### 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
<b>Council operational assets</b>												
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
<b>Total operational assets</b>	<b>27,510</b>	<b>2,275</b>	<b>(289)</b>	<b>-</b>	<b>-</b>	<b>29,495</b>	<b>(5,530)</b>	<b>(870)</b>	<b>148</b>	<b>-</b>	<b>(6,252)</b>	<b>23,244</b>
<b>Council infrastructural assets</b>												
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
<b>Total infrastructural assets</b>	<b>81,215</b>	<b>4,316</b>	<b>(929)</b>	<b>-</b>	<b>-</b>	<b>84,602</b>	<b>(16,881)</b>	<b>(753)</b>	<b>-</b>	<b>-</b>	<b>(17,634)</b>	<b>66,968</b>
<b>Total Council property, plant and equipment</b>	<b>108,725</b>	<b>6,591</b>	<b>(1,218)</b>	<b>-</b>	<b>-</b>	<b>114,097</b>	<b>(22,411)</b>	<b>(1,623)</b>	<b>148</b>	<b>-</b>	<b>(23,886)</b>	<b>90,212</b>

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

## 6. Property, Plant and Equipment

### COUNCIL ONLY 2017

	Cost 1 July 2016 \$000	Additions \$000	Disposals \$000	Transfers out of Work in Progress \$000	Transfers to Held for Sale Assets \$000	Cost 30 June 2017 \$000	Accumulated Depreciation and Impairment Charges 1 July 2016 \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers to Held for Sale Assets \$000	Accumulated Depreciation and Impairment Charges 30 June 2015 \$000	Book Value 30 June 2017 \$000
<b>Council operational assets</b>												
Land	12,545	-	-	-	-	12,545	-	-	-	-	-	12,545
Endowment land	1,495	-	-	-	-	1,495	-	-	-	-	-	1,495
Buildings	6,161	35	(89)	-	-	6,107	(914)	(173)	45	-	(1,042)	5,065
Plant and vehicles	6,630	1,288	(883)	38	-	7,073	(4,717)	(557)	785	-	(4,489)	2,584
Capital work in progress	43	285	-	(38)	-	290	-	-	-	-	-	290
<b>Total operational assets</b>	<b>26,874</b>	<b>1,608</b>	<b>(972)</b>	<b>-</b>	<b>-</b>	<b>27,510</b>	<b>(5,631)</b>	<b>(730)</b>	<b>830</b>	<b>-</b>	<b>(5,531)</b>	<b>21,979</b>
<b>Council infrastructural assets</b>												
Floodbanks	27,560	-	-	-	-	27,560	-	-	-	-	-	27,560
Protection works	8,249	-	-	-	-	8,249	-	-	-	-	-	8,249
Structures	34,236	90	(5)	6	-	34,327	(15,247)	(663)	-	-	(15,910)	18,417
Drains	3,288	-	-	-	-	3,288	-	-	-	-	-	3,288
Bridges	1,542	-	(11)	-	-	1,531	(935)	(45)	9	-	(971)	560
Culverts	1,267	-	-	-	-	1,267	-	-	-	-	-	1,267
Capital work in progress	2,935	2,064	-	(6)	-	4,993	-	-	-	-	-	4,993
<b>Total infrastructural assets</b>	<b>79,077</b>	<b>2,154</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>81,215</b>	<b>(16,182)</b>	<b>(708)</b>	<b>9</b>	<b>-</b>	<b>(16,881)</b>	<b>64,334</b>
<b>Total Council property, plant and equipment</b>	<b>105,951</b>	<b>3,762</b>	<b>(988)</b>	<b>-</b>	<b>-</b>	<b>108,725</b>	<b>(21,813)</b>	<b>(1,438)</b>	<b>839</b>	<b>-</b>	<b>(22,412)</b>	<b>86,313</b>

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

**GROUP – 2018**

	Cost 1 July 2017 \$000	Additions \$000	Disposals \$000	Transfers \$000	Transfers to Held for Sale \$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 to Held for Sale \$000	Transfers \$000	Accumulated Depreciation and Impairment Charges 30 June 2018 \$000	Book Value 30 June 2018 \$000
<b>Operational assets</b>														
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
<b>Total operational assets</b>	<b>296,859</b>	<b>38,720</b>	<b>(2,907)</b>	<b>-</b>	<b>-</b>	<b>332,672</b>	<b>(93,428)</b>	<b>-</b>	<b>(9,493)</b>	<b>2,697</b>	<b>-</b>	<b>-</b>	<b>(100,224)</b>	<b>232,449</b>
<b>Council infra-structural assets</b>														
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
<b>Total infrastructural assets</b>	<b>81,215</b>	<b>4,316</b>	<b>(929)</b>	<b>-</b>	<b>-</b>	<b>84,602</b>	<b>(16,881)</b>	<b>-</b>	<b>(753)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,634)</b>	<b>66,968</b>
<b>Total Group property, plant and equipment</b>	<b>378,074</b>	<b>43,036</b>	<b>(3,836)</b>	<b>-</b>	<b>-</b>	<b>417,274</b>	<b>(110,309)</b>	<b>-</b>	<b>(10,246)</b>	<b>2,697</b>	<b>-</b>	<b>-</b>	<b>(117,858)</b>	<b>299,417</b>



**GROUP – 2017**

	Cost 1 July 2016 \$000	Additions \$000	Disposals \$000	Transfers \$000	Transfers to Held for Sale \$000	Cost 30 June 2017 \$000	Accumulated Depreciation and Impairment Charges 1 July 2016 \$000	Impairment Losses Charged in Profit or Loss \$000	Depreciation Expense \$000	Accumulated Depreciation Reversed on Disposal \$000	Transfers to Held for Sale \$000	Transfers \$000	Accumulated Depreciation and Impairment Charges 30 June 2017 \$000	Book Value 30 June 2017 \$000
<b>Operational assets</b>														
Land – Council	12,545	-	-	-	-	12,545	-	-	-	-	-	-	-	12,545
Endowment land – Council	1,495	-	-	-	-	1,495	-	-	-	-	-	-	-	1,495
Buildings – Council	6,161	35	(89)	-	-	6,107	(914)	-	(173)	45	-	-	(1,042)	5,065
Plant and vehicles – Council	6,630	1,288	(883)	38	-	7,073	(4,717)	-	(557)	785	-	-	(4,489)	2,584
Capital work in progress – Council	43	285	-	(38)	-	290	-	-	-	-	-	-	-	290
Land – Port	34,342	-	-	-	-	34,342	-	-	-	-	-	-	-	34,342
Buildings and improvements – Port	63,274	-	-	4,460	-	67,734	(16,732)	-	(2,109)	-	-	-	(18,841)	48,893
Wharves and berths dredging – Port	61,320	-	-	172	-	61,492	(17,366)	-	(1,550)	-	-	-	(18,916)	42,576
Plant, equipment and vehicles – Port	93,232	-	(2,607)	11,471	-	102,096	(47,953)	-	(4,404)	2,216	-	-	(50,141)	51,955
Capital work in progress – Port	9,066	10,722	-	(16,103)	-	3,685	-	-	-	-	-	-	-	3,685
<b>Total operational assets</b>	<b>288,108</b>	<b>12,330</b>	<b>(3,579)</b>	<b>-</b>	<b>-</b>	<b>296,859</b>	<b>(87,682)</b>	<b>-</b>	<b>(8,793)</b>	<b>3,046</b>	<b>-</b>	<b>-</b>	<b>(93,428)</b>	<b>203,430</b>
<b>Council infrastructural assets</b>														
Floodbanks	27,560	-	-	-	-	27,560	-	-	-	-	-	-	-	27,560
Protection works	8,249	-	-	-	-	8,249	-	-	-	-	-	-	-	8,249
Structures	34,236	90	(5)	6	-	34,327	(15,247)	-	(663)	-	-	-	(15,910)	18,417
Drains	3,288	-	-	-	-	3,288	-	-	-	-	-	-	-	3,288
Bridges	1,542	-	(11)	-	-	1,531	(935)	-	(45)	9	-	-	(971)	560
Culverts	1,267	-	-	-	-	1,267	-	-	-	-	-	-	-	1,267
Capital work in progress – Council	2,935	2,064	-	(6)	-	4,993	-	-	-	-	-	-	-	4,993
<b>Total infrastructural assets</b>	<b>79,077</b>	<b>2,154</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>81,215</b>	<b>(16,182)</b>	<b>-</b>	<b>(708)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>(16,881)</b>	<b>64,334</b>
<b>Total Group property, plant and equipment</b>	<b>367,185</b>	<b>14,484</b>	<b>(3,595)</b>	<b>-</b>	<b>-</b>	<b>378,074</b>	<b>(103,864)</b>	<b>-</b>	<b>(9,501)</b>	<b>3,415</b>	<b>-</b>	<b>-</b>	<b>(110,309)</b>	<b>267,764</b>

## 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.

### 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
<b>Operational Assets</b>	
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
<b>Infrastructural Assets</b>	
Floodbanks	Unlimited
Protection works	Unlimited
Drains	Unlimited
Culverts	Unlimited
Structures	8-100 years
Bridges	33-100 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

	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Balance at beginning of year	10,825	10,785	313,262	284,110
Acquisitions	-	-	-	-
Subsequent capital expenditure	-	-	645	9,415
Interest capitalised	-	-	-	182
Disposals	-	-	(3,710)	(155)
Net movement in incentives	-	-	124	546
Net movement in prepaid leasing costs	-	-	88	(38)
Transfer to property held for sale	-	-	-	(487)
Transfer to investment property inventories	-	-	(11,659)	-
Transfer from investment property inventories	-	-	7,854	-
Net gain/(loss) from fair value adjustments	312	40	22,323	19,689
Balance at end of year	11,137	10,825	328,927	313,262

	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Valuation analysis</b>				
<i>Valued at 30 June balance date as determined by:</i>				
Jones Lang LaSalle	-	-	85,050	74,855
Colliers International	-	-	232,740	85,117
CBRE Limited	-	-	-	142,465
Tay and Tay Limited	11,137	10,825	11,137	10,825
	11,137	10,825	328,927	313,262

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 2018 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)	6.07%	6.72%	5.0%	6.5%
Market rental (\$ per Sqm) (ii)	\$41	\$133	\$8	\$307
Discount rate (%) (iii)	8.5%	8.5%	7.0%	17.5%
Rental growth rate (%) (iv)	2%	2%	1.0%	3.5%
Terminal capitalisation rate (%) (v)	5.75%	7%	5.0%	8.5%
Profit and risk rate (vi)	N/A	N/A	20.0%	17.5%
Development sell down period (years) (vii)	N/A	N/A	5	5

- (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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Balance at beginning of year		1,093	1,284	3,238	3,330
Transfer from (to) investment property	7	-	-	-	487
Transfer from property, plant and equipment		-	-	-	-
Transfer (to) property in development	9	-	-	-	(927)
Subsequent capital expenditure		-	-	-	1,212
Unrealised change in value of property held for sale		-	(191)	-	(864)
Disposals		(879)	-	(3,024)	-
Balance at end of year		214	1,093	214	3,238
<i>Disclosed in the Financial Statements as:</i>					
Current		214	1,093	214	3,238
Non-current		-	-	-	-
		214	1,093	214	3,238

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:

#### Sale of 130 Portsmouth Drive, Dunedin

In March 2018, the settlement for the sale of 130 Portsmouth Drive was completed. This property represented the property held for sale at the previous year end.

## 9. Investment Property Inventories

	Note	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Balance at beginning of year		-	-	25,696	20,618
Transfer (to) from investment property	7	-	-	11,659	-
Transfer (to) from property held for sale	8	-	-	-	927
Transfer to investment property		-	-	(7,854)	-
Acquisitions		-	-	2,714	-
Disposals		-	-	(16,263)	(5,322)
Subsequent capital expenditure		-	-	15,633	8,412
Interest capitalised		-	-	162	167
Impairment and impairment reversals		-	-	(557)	894
<b>Balance at end of year</b>		-	-	31,190	25,696

	<b>Council 2018 \$000</b>	<b>Council 2017 \$000</b>	<b>Group 2018 \$000</b>	<b>Group 2017 \$000</b>
<b>Comprising</b>				
Developed land for sale	-	-	8,230	18,844
Units and warehouse developments	-	-	2,408	6,852
Land in development	-	-	20,552	-
	-	-	31,190	25,696

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

At the previous balance date, the \$18.8 million carrying value of developed land reflected the cost of the 14.3 hectares (Group share: 11.6 hectares) on hand. In their June 2017 valuation, Colliers stated a net realisable value of \$26.6 million (Group share: \$21.6 million) for the remaining developed land on hand.

#### **Units and Warehouse Developments in Progress**

During the year, the Group completed the development of six units at 680-780 Arthur Porter Drive, Te Rapa and the development of two warehouses at 520 and 560 Arthur Porter Drive, Te Rapa. With formal agreements to lease in place for the six units and the warehouse at 520 Arthur Porter Drive, these properties have been transferred to investment property. The warehouse at 560 Arthur Porter Drive remains in investment property inventories pending the negotiation of an agreement to lease.

#### **Land in Development**

During the year, the Group commenced development of a further stage of the industrial subdivision at Te Rapa in Hamilton. Upon completion, the development activity will yield a further 21.4 hectares of developed land held for sale (Group share: 20.2 hectares). In their June 2018 valuation, Jones Lang LaSalle stated a net realisable of \$22.9 million (Group share: \$20.6 million) for the land in development. There was no land in development at the previous balance date.

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
<b>Gross carrying amount</b>					
Balance at 30 June 2016	3,704	3,704	9,339	5,480	14,819
Additions	952	952	1,347	141	1,488
Capital WIP additions	337	337	337	-	337
Capital WIP write off	(30)	(30)	(30)	-	(30)
Transfer to complete asset	(487)	(487)	(487)	-	(487)
Disposals	(68)	(68)	(68)	-	(68)
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
<b>Accumulated amortisation and impairment</b>					
Balance 30 June 2016	(1,905)	(1,905)	(6,960)	(622)	(7,582)
Amortisation expense	(498)	(498)	(751)	(292)	(1,043)
Disposals	61	61	61	-	61
Balance 30 June 2017	(2,342)	(2,342)	(7,650)	(914)	(8,564)
Amortisation expense	(460)	(460)	(732)	(260)	(992)
Disposals	-	-	-	-	-
Balance at 30 June 2018	(2,802)	(2,802)	(8,382)	(1,174)	(9,556)
<b>Net book value</b>					
As at 30 June 2018	2,724	2,724	3,408	4,467	7,875
As at 30 June 2017	2,066	2,066	2,788	4,707	7,495

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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Depreciation of property, plant and equipment	6	1,623	1,438	10,246	9,501
Amortisation of intangible assets	10	460	498	992	1,043
Amortisation of leasing costs		-	-	68	56
		2,083	1,936	11,306	10,600

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

	Notes	Actual 2017/18 \$000	Annual Plan 2017/18 \$000	Actual 2016/17 \$000	Long Term Plan 2016/17 \$000
Environment		276	160	196	161
Community		37	-	3	-
Regulatory		100	119	99	96
Flood Protection and Control Works		729	720	681	792
Safety and Hazards		20	8	13	2
Transport		10	7	7	-
Corporate		911	1,000	937	926
		2,083	2,014	1,936	1,977

## 12. Trade and Other Receivables

	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Trade and other receivables from exchange transactions</b>				
Trade receivables (i)	-	-	16,671	11,193
Provision for doubtful debts	-	-	-	-
	-	-	16,671	11,193
Sundry accruals	314	592	314	2,385
Goods and Services Tax receivable	1,031	433	1,031	433
	1,345	1,025	18,016	14,011
<b>Trade and other receivables from non-exchange transactions</b>				
Trade receivables (i)	3,510	1,312	3,510	1,312
Provision for doubtful debts	(83)	(102)	(83)	(102)
	3,427	1,210	3,427	1,210
Accrued Income	3,937	1,333	3,937	1,333
Goods and Services Tax receivable	-	-	-	-
	7,364	2,543	7,364	2,543
<i>Disclosed in the financial statements as:</i>				
⌘ Current	8,709	3,568	25,380	16,554
Non-current	-	-	-	-
	8,709	3,568	25,380	16,554

(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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Trade payables for Exchange transactions (i)	6,335	5,928	14,612	12,338
Other accrued charges	2,684	1,231	3,458	1,792
Property deposits received	-	-	2	400
	9,019	7,159	18,072	14,530

- (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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Accrued salary and wages	396	417	1,514	1,753
Annual leave	1,283	1,226	5,035	4,682
Long service leave	-	-	837	839
Retiring allowances	22	22	95	115
Sick leave	-	-	114	104
	1,701	1,665	7,595	7,493
<i>Disclosed in the financial statements as:</i>				
Current	1,701	1,665	6,685	6,561
Non-current	-	-	910	932
	1,701	1,665	7,595	7,493

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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Secured – at amortised cost</b>				
Bank borrowings	-	-	77,635	68,420
	-	-	77,635	68,420
<i>Analysed as:</i>				
Current	-	-	-	-
Non-current	-	-	77,635	68,420
	-	-	77,635	68,420

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 \$90 million (2017: \$80 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 31 December 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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Interest on loans		-	-	3,299	3,296
Capitalised borrowing costs		-	-	(373)	(462)
		-	-	2,926	2,834

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
<b>Opening balance at 1 July 2016</b>	<b>398,239</b>	<b>5,987</b>	<b>3,891</b>	<b>6,271</b>	<b>8,724</b>	<b>1,433</b>	<b>10,997</b>	<b>223</b>	<b>435,765</b>
<b>Transfers in:</b>									
Transfers from general rate equity	-	1,693	-	117	-	-	2,500	325	4,635
Interest received	-	215	142	226	-	52	488	14	1,137
Revaluation gain	20,798	-	-	-	40	-	-	-	20,838
	<b>20,798</b>	<b>1,908</b>	<b>142</b>	<b>343</b>	<b>40</b>	<b>52</b>	<b>2,988</b>	<b>339</b>	<b>26,610</b>
<b>Transfers out:</b>									
Transfers to general rate equity	-	(2,075)	-	(3)	-	(58)	(371)	(240)	(2,747)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
	-	<b>(2,075)</b>	-	<b>(253)</b>	-	<b>(58)</b>	<b>(371)</b>	<b>(240)</b>	<b>(2,997)</b>
<b>Closing balances 30 June 2017</b>	<b>419,037</b>	<b>5,820</b>	<b>4,033</b>	<b>6,361</b>	<b>8,764</b>	<b>1,427</b>	<b>13,614</b>	<b>322</b>	<b>459,378</b>
<b>Transfers in:</b>									
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
	<b>49,471</b>	<b>1,730</b>	<b>149</b>	<b>351</b>	<b>312</b>	<b>45</b>	<b>498</b>	<b>270</b>	<b>52,826</b>
<b>Transfers out:</b>									
Transfers to general rate equity	-	(1,480)	-	(30)	-	(433)	(864)	(97)	(2,904)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	(250)
	-	<b>(1,480)</b>	-	<b>(280)</b>	-	<b>(433)</b>	<b>(864)</b>	<b>(97)</b>	<b>(3,154)</b>
<b>Closing balances 30 June 2018</b>	<b>468,508</b>	<b>6,070</b>	<b>4,182</b>	<b>6,432</b>	<b>9,076</b>	<b>1,039</b>	<b>13,248</b>	<b>495</b>	<b>509,050</b>

<b>GROUP</b>	<b>Available for Sale Revaluation Reserve \$000</b>	<b>Asset Replacement Reserve \$000</b>	<b>Emergency Response Reserve \$000</b>	<b>Kuriwao Endowment Reserve \$000</b>	<b>Asset Revaluation Reserve \$000</b>	<b>Water Management Reserve \$000</b>	<b>Building Reserve \$000</b>	<b>Environmental Enhancement Reserve</b>	<b>Hedging Reserve \$000</b>	<b>Total Reserves \$000</b>
<b>Opening balances at 1 July 2016</b>	-	5,987	3,891	6,271	179,182	1,433	10,997	223	(1,340)	206,644
<b>Transfers in:</b>										
Transfers from general rate equity	-	1,693	-	117	-	-	2,500	325	-	4,635
Interest received	-	215	142	226	-	52	488	14	-	1,137
Revaluation gain	-	-	-	-	19,909	-	-	-	-	19,909
Change in fair value of interest rate swaps	-	-	-	-	-	-	-	-	946	946
	-	1,908	142	343	19,909	52	2,988	339	946	26,627
<b>Transfers out:</b>										
Transfers to general rate equity	-	(2,075)	-	(3)	-	(58)	(371)	(240)	-	(2,747)
Transfers to targeted rate equity	-	-	-	(250)	-	-	-	-	-	(250)
Deferred tax arising on fair value movement	-	-	-	-	-	-	-	-	-	-
	-	(2,075)	-	(253)	-	(58)	(371)	(240)	-	(2,997)
<b>Closing balances 30 June 2017</b>	-	5,820	4,033	6,361	199,091	1,427	13,614	322	(394)	230,274
<b>Transfers in:</b>										
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
<b>Transfers out:</b>										
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)
<b>Closing balances 30 June 2018</b>	-	6,070	4,182	6,432	220,895	1,039	13,248	495	(727)	251,634

### **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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Public Equity – General Rates</b>				
Balance at beginning of year	71,846	72,956	295,603	285,641
Net surplus	(2,849)	(841)	31,767	30,100
<b>Transfers in</b>				
Transfer from Public Equity Targeted Rates	37,492	21,045	37,492	21,045
Kuriwao endowment reserve	30	3	30	3
Asset replacement reserve	1,480	2,075	1,480	2,075
Asset revaluation reserve	-	-	-	-
Water Management Reserve	433	58	433	58
Environmental Enhancement Reserve	97	240	97	240
Building Reserve	864	371	864	371
	<b>40,396</b>	<b>23,792</b>	<b>40,396</b>	<b>23,792</b>
<b>Transfer out</b>				
Transfer to Public Equity Targeted Rates	(36,109)	(18,249)	(36,109)	(18,249)
Kuriwao endowment reserve	(351)	(343)	(351)	(343)
Asset replacement reserve	(1,730)	(1,908)	(1,730)	(1,908)
Emergency response reserve	(149)	(142)	(149)	(142)
Asset revaluation reserve	(312)	(40)	(21,804)	(19,909)
Water management reserve	(45)	(52)	(45)	(52)
Building Reserve	(498)	(2,988)	(498)	(2,988)
Environmental Enhancement Reserve	(270)	(339)	(270)	(339)
Available-for-sale asset gains reclassified to surplus/-(deficit)	-	-	-	-
	<b>(39,464)</b>	<b>(24,061)</b>	<b>(60,956)</b>	<b>(43,930)</b>
Balance at end of year	<b>69,929</b>	<b>71,846</b>	<b>306,810</b>	<b>295,603</b>
<b>Public Equity – Targeted Rates</b>				
Balance at beginning of year	61,703	64,249	61,703	64,249
<b>Transfers in</b>				
Transfer from Public Equity General Rates	36,109	18,249	36,109	18,249
Kuriwao endowment reserve	250	250	250	250
	<b>36,359</b>	<b>18,499</b>	<b>36,359</b>	<b>18,499</b>
<b>Transfers out</b>				
Transfer to Public Equity General Rates	(37,492)	(21,045)	(37,492)	(21,045)
	<b>(37,492)</b>	<b>(21,045)</b>	<b>(37,492)</b>	<b>(21,045)</b>
Balance at end of year – refer note 17 (b)	<b>60,570</b>	<b>61,703</b>	<b>60,570</b>	<b>61,703</b>
<b>Total Public Equity</b>				
Balance at beginning of year	133,549	137,205	357,306	349,890
Net surplus	(2,849)	(841)	31,767	30,100
Transfers	(201)	(2,815)	(21,693)	-
Balance at end of year	<b>130,499</b>	<b>133,549</b>	<b>367,380</b>	<b>357,306</b>

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 - 2018				Council and Group – 2017			
	Opening balance 1 July 2017 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2018 \$000	Opening balance 1 July 2016 \$000	Transfers in \$000	Transfers out \$000	Closing balance 30 June 2017 \$000
<b>Targeted Rating District Equity</b>								
<b>River Management Reserves</b>								
Central Otago River Management	398	316	(327)	387	321	314	(237)	398
Clutha River Management	157	271	(316)	112	163	272	(278)	157
Dunedin River Management	1,955	217	(404)	1,768	2,017	220	(282)	1,955
Queenstown River Management	707	178	(132)	753	636	224	(153)	707
Waitaki River Management	6	405	(268)	143	(30)	351	(315)	6
Wanaka River Management	423	186	(104)	505	366	181	(124)	423
Shotover Delta Flood Mitigation	(67)	152	(28)	57	(270)	252	(49)	(67)
Stoney Creek	138	5	-	143	133	5	-	138
<b>Flood and Drainage scheme reserves</b>								
Alexandra Flood Protection	438	111	(243)	306	661	37	(260)	438
East Taieri Drainage	582	446	(642)	386	489	424	(331)	582
Leith Flood Protection	(9,423)	2,134	(4,636)	(11,925)	(7,890)	1,388	(2,921)	(9,423)
Lower Clutha Flood and Drainage	142	1,027	(1,318)	(149)	226	999	(1,083)	142
Lower Taieri Flood Protection	1,008	741	(689)	1,060	753	704	(449)	1,008
Lower Waitaki Flood Protection	(19)	126	(124)	(17)	(8)	145	(156)	(19)
Tokomairiro Drainage	155	100	(100)	155	145	83	(73)	155
West Taieri Drainage	(1,016)	597	(1,158)	(1,577)	(1,053)	578	(541)	(1,016)
<b>Other Reserves</b>								
Clean Heat Clean Air	413	14	(77)	350	487	16	(90)	413
Dunedin Transport Services	4,779	13,991	(15,840)	2,930	5,423	10,860	(11,504)	4,779
Queenstown Transport Services	(35)	6,642	(6,524)	83	61	265	(361)	(35)
Rural Water Quality	(54)	1,232	(894)	284	(52)	863	(865)	(54)
Dairy Monitoring	(75)	177	(77)	25	(39)	128	(164)	(75)
Wilding Pines	-	197	(260)	(63)	-	100	(100)	-
Emergency Management	-	2,440	(2,580)	(140)	-	-	-	-
Infrastructural Assets	61,091	4,654	(751)	64,994	61,710	90	(709)	61,091
	<b>61,703</b>	<b>36,359</b>	<b>(37,492)</b>	<b>60,570</b>	<b>64,249</b>	<b>18,499</b>	<b>(21,045)</b>	<b>61,703</b>

### 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 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)
	<b>10,548</b>	<b>16,734</b>	<b>(14,290)</b>	<b>431</b>	<b>13,423</b>

Council 2017	Amount borrowed as at 30 June 2016 \$000	Funds borrowed during the year \$000	Funds repaid during the year \$000	Interest charged \$000	Amount borrowed as at 30 June 2017 \$000
Flood protection and control works	9,213	2,824	(1,874)	344	10,507
Environment	82	1,175	(1,212)	2	47
Community	8	154	(144)	1	19
Regulatory	39	160	(126)	2	75
Transport	(61)	361	(265)	-	35
	<b>9,281</b>	<b>4,674</b>	<b>(3,621)</b>	<b>349</b>	<b>10,683</b>

## 18. Income Taxes

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

	Notes	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Income tax (expense)/benefit comprises:</b>					
Current year – current tax		-	-	(9,179)	(6,509)
Current year – deferred tax		98	98	1,185	2,107
Prior period adjustment current tax		3	3	(136)	-
Prior period adjustment deferred tax		-	-	-	-
<b>Income tax (expense)/benefit reported in the Statement of Comprehensive Revenue and Expense</b>		<b>101</b>	<b>101</b>	<b>(8,130)</b>	<b>(4,402)</b>
<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		(2,950)	(942)	39,897	34,502
Imputation credits		-	-	-	50
		(2,950)	(942)	39,897	34,552
Income tax expense (credit) calculated at 28%		(826)	(264)	11,171	9,675
Non-deductible expenses		15,895	11,637	15,962	11,734
Non-assessable income		(12,647)	(9,290)	(13,127)	(9,302)
Unrealised change in investment property		-	-	(6,066)	(4,835)
Deferred tax expense relating to the origination and reversal of temporary differences		-	-	54	(2,750)
Prior period adjustment		(3)	-	136	(70)
Imputation credits utilised		(2,520)	(2,184)	-	(50)
<b>Income tax expense (credit)</b>		<b>(101)</b>	<b>(101)</b>	<b>8,130</b>	<b>4,402</b>

Council entered into an agreement for the Council to transfer 2017 tax year losses to its subsidiary Port Otago Limited. In conjunction with the tax loss transfer of \$259,279 (2017 tax year: \$260,730), by way of a tax loss offset, Port Otago Limited made a subvention payment of \$100,831 (2017 tax year: \$101,395) 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
<b>COUNCIL 2018</b>				
<b>Gross deferred tax asset:</b>				
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
<b>COUNCIL 2017</b>				
<b>Gross deferred tax asset:</b>				
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
<b>GROUP 2018</b>				
<b>Gross deferred tax liability:</b>				
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

	Group Opening Balance \$000	Group Charged to Surplus/(Deficit) \$000	Group Charged to Other Comprehensive Revenue and Expense \$000	Group Closing Balance \$000
<b>GROUP 2017</b>				
<b>Gross deferred tax liability:</b>				
Other financial assets	(496)	(41)	369	(168)
Property, plant and equipment	13,525	(402)	-	13,122
Investment property	6,024	(1,598)	-	4,426
Other	(1,694)	(66)	-	(1,760)
	17,359	(2,107)	369	15,620

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 2018 \$000	Group 2017 \$000
Balance at end of year	36,581	30,856

Imputation credit balances available directly and indirectly to the Council through subsidiaries are \$36,679,000 as at 30 June 2018, and \$30,954,000 as at 30 June 2017.

## 19. Other Expenses

	Notes	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Net bad and doubtful debts		11	(20)	13	(71)
Donations		350	350	441	413
Operating lease rental expenses:					
- Minimum lease payments		147	90	147	90
Operating expenses of investment properties		-	-	967	961
Company Directors' remuneration		-	-	327	331
Purchased materials and services		37,633	26,328	56,817	41,232
Fuel and electricity		425	355	3,306	2,840
Write-off of property, plant and equipment work in progress		929	30	929	30
		39,495	27,133	62,947	45,826

## 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 2018	Number of Employees 30 June 2017
Full-time employees	165	151
Full-time equivalent number of other employees	11.8	11.2

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 2018	Total Annual Remuneration	Number of Employees 30 June 2017
Less than \$60,000	33	Less than \$60,000	35
\$60,000 to \$79,999	70	\$60,000 to \$79,999	62
\$80,000 to \$99,999	49	\$80,000 to \$99,999	39
\$100,000 to \$119,999	11	\$100,000 to \$119,999	11
\$120,000 to \$139,999	10	\$120,000 to \$139,999	14
\$140,000 to \$199,999	6	\$140,000 to \$199,999	5
\$200,000 to \$279,999	3	-	-
	<b>182</b>		<b>166</b>

## 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 2018 the Chief Executive received salary payments amounting to \$104,653 (2017: \$NIL), and the total cost including fringe benefit tax of the remuneration package received during that period is calculated at \$120,735 (2017: \$NIL).

Peter Bodeker was employed as Chief Executive from 1 July 2017 until 17 November 2017. During that period, the Chief Executive received salary payments of \$109,481 (2017: \$280,342), and the total cost including fringe benefit tax of the remuneration package received during that period is calculated at \$122,013 (2017: \$312,292).

## 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 2018

Councillor	Months in term	Meetings attended / eligible meetings <sup>1</sup>	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
			<b>708,872</b>	<b>6,394</b>	<b>46,563</b>	<b>14,080</b>	<b>775,909</b>

## Council Remuneration 2017

Councillor	Months in term	Meetings attended / eligible meetings <sup>1</sup>	Remuneration	Meeting fees	Allowances and mileage	Other	Total
Stephen Woodhead (Chairperson)	12	46/46	118,031	-	193	9,106	127,330
Gretchen Robertson (Deputy Chairperson)	12	46/46	66,283	4,450	697	72	71,502
Graeme Bell	12	48/49	47,715	-	6,694	946	55,355
Douglas Brown	12	43/46	52,459	-	6,579	516	59,554
Louise Croot	3	13/13	13,894	-	250	-	14,144
Michael Deaker	12	39/46	52,459	-	500	-	52,959
Gerrard Eckhoff	3	13/13	13,894	-	1,865	67	15,826
Carmen Hope	9	33/33	33,821	-	2,724	255	36,800
Gary Kelliher	3	13/13	13,894	253	1,977	-	16,124
Trevor Kempton	12	45/49	55,585	6,700	500	-	62,785
Michael Laws	9	31/33	33,821	-	4,926	-	38,747
Ella Lawton	1	1/1	914	-	-	-	914
Margaret Lawton	6	12/33	21,746	-	2,814	-	24,560
Sam Neill	12	36/46	49,799	-	667	-	50,466
Andrew Noone	9	31/33	33,903	250	430	-	34,583
Bryan Scott	12	46/46	54,589	317	500	-	55,406
David Shepherd	9	9/13	15,978	-	3,074	-	19,052
			<b>678,785</b>	<b>11,970</b>	<b>34,390</b>	<b>10,962</b>	<b>736,107</b>

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

### Severance Payments

For the year ended 30 June 2018, the Council made one severance payment of \$6,500 (2017: one payment of \$15,000).

## 21. Key Management Personnel Compensation

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

	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<b>Management personnel</b>				
Short-term employee benefits	1,398	1,256	4,524	3,750
Post-employment benefits	-	-	-	-
	1,398	1,256	4,524	3,750
Full-time equivalent number of key management personnel	7	7	15	15
<b>Governing personnel</b>				
Councillors remuneration	776	723	776	723
Directors' fees	-	-	327	331
	776	723	1,103	1,054

## 22. Employee Benefits Expense

	Notes	Council 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Salaries and wages		14,571	12,281	45,096	41,490
Defined contribution plans		661	560	2,143	1,969
Termination benefits		310	15	310	15
		15,542	12,856	47,549	43,474

### Superannuation Schemes

#### Recognition and Measurement

Contributions to defined contribution superannuation schemes are expensed when incurred.

#### Superannuation Scheme Contingent Liability

The Council is a participating employer in the Defined Benefit Plan Contributors Scheme ("the scheme"), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the Scheme the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The Scheme is therefore accounted for as a defined contribution scheme. If the other participating employers ceased to participate in the scheme, the Council could be responsible for any deficit of the scheme. Similarly, if a number of employers ceased to participate in the scheme, the Council could be responsible for an increased share of any deficit.

The Actuary of the scheme recommended previously that the employer contributions be suspended with effect from 1 April 2011. In the latest report, the Actuary recommended employer contributions remain suspended.

As at 31 March 2018, the scheme had a past service surplus of \$6.6 million (6.1% of the liabilities), (as at 31 March 2017: \$8.0 million). This amount is exclusive of Specified Superannuation Contribution Withholding Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of PBE IPSAS 25.

## 23. Subsequent Events

On 4 September 2018, the Directors of Port Otago Limited declared a final dividend of \$0.5 million for the year ended 30 June 2018. 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 2018 the Group had commitments for capital expenditure of \$9.61million (2017: \$32.0 million). Included in the above amounts are Council commitments of \$0.30 million (2017: \$5.62 million) relating to property, plant and equipment acquisitions and contracts for capital expenditure.

Included within Group capital commitments is capital expenditure of \$9.31 million (2017: \$26.32 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, (2017: \$Nil).

### Group

There are no contingent liabilities at 30 June 2018 (30 June 2017: \$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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Not longer than 1 year	272	33	642	470
Longer than 1 year and not longer than 5 years	546	34	879	663
Longer than 5 years	-	-	434	465
	818	67	1,955	1,598

### Disclosures for Lessor

#### Leasing Arrangements

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement, so as to reflect the risks and rewards incidental to ownership. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The Group has determined that it retains all significant risks and rewards of ownership of the commercial property leases and has therefore classified the leases as operating leases. Property leased out under operating leases is included in investment property and property, plant and equipment in the Balance Sheet.

#### Finance Lease Receivable

	Group Only Minimum Future Lease Payments		Group Only Present Value of Minimum Future Lease Receivables	
	2018 \$000s	2017 \$000s	2018 \$000s	2017 \$000s
Not longer than 1 year	-	-	-	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
Minimum future lease payments	-	-	-	-
Less unearned finance income	-	-	-	-
Present value of minimum lease payments	-	-	-	-
<i>Disclosed in the financial statements as:</i>				
Current	-	-	-	-
Non-current	-	-	-	-
	-	-	-	-

Finance lease receivables relate to the Group for the funding of tenant improvements to an investment property.

#### 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	2018 \$000	2017 \$000
<b>Rentals receivable</b>		
Within one year	20,315	20,417
After one year but not more than five years	66,551	64,852
More than five years	104,452	103,774
<b>Minimum future lease receivable</b>	<b>191,318</b>	<b>189,043</b>

## 27. Subsidiaries, Associates and Joint Ventures

	Country of Incorporation	Ownership Interest	
		2018 %	2017 %
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	
		2018 %	2017 %
<b>Subsidiaries</b>			
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
<b>Joint Ventures and Associates</b>			
Harbourcold Dunedin	Cold store operation	50	50
Hamilton Porter JV	Property investment	66.7	66.7
Hamilton Porter JV Company Limited	Property trustee (non-trading)	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 2018 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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Balance at beginning of year		-	-	1,427	1,475
Share of profit from joint ventures recognised in the Statement of Comprehensive Revenue and Expenses		-	-	204	80
Distributions from joint venture		-	-	-	(128)
Balance at end of year		-	-	1,631	1,427

The Group has a 50% shareholding in Icon Logistics Limited (2017: 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 2018 \$000	Group 2017 \$000
Current assets	10,080	9,668
Non-current assets	1,270	6,887
	11,350	16,555
Current liabilities	(1,007)	(2,652)
Non-current liabilities	-	-
	(1,007)	(2,652)
<b>Net assets</b>	<b>10,343</b>	<b>13,903</b>

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. Councillor Andrew Noone is a director of Orokonui Ecosanctuary Limited.

In the ordinary course of business and during the financial period covered by this report, services valued at \$13,786 were purchased from Delta Utility Services Limited (2017: \$16,068), and services valued at \$10,000 were provided from Orokonui Ecosanctuary Limited (2017: \$225).

As at June 2018, the amount owed to Delta Utility Services Limited was \$NIL (2017: \$9,303) and the amount owed to Orokonui Ecosanctuary Limited was \$10,000 (2017: \$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 2018 for property rentals and the purchase of materials and services was \$715,996 (2017: \$643,900) with \$6,672 receivable at year end (2017: \$4,467). No dividend was received by Port Otago Limited from Harbourcold Dunedin during 2018 (2017: \$30,000).

### **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 2018 for property rentals and sale of services was \$106,209 (2016: \$87,705) with \$8,385 receivable at year end (2017: \$1,359).

Icon Logistics Limited also provides transport services to Port Otago Limited. The amount paid to Icon Logistics Limited during 2018 for the supply of transport services was \$958,964 (2017: \$81,051) with \$121,367 payable at year end (2017: \$8,814).

### **Transactions with Hamilton Porter JV**

Hamilton Porter JV reimburses Te Rapa Gateway Limited for its share of general operating costs and development costs invoiced. At balance date, the amount owing to Te Rapa Gateway Limited was \$35,873 (2017: \$16,103).

In May 2018, Te Rapa Gateway Limited acquired from Hamilton Porter JV, the land of the JV that was being developed within stage 3 of the industrial subdivision. Compensation of \$8,140,720 for the land acquired, was based upon a negotiated price of \$140m for the anticipated 58,148m<sup>2</sup> of developed land for sale expected to be yielded from the JV land in the development.

Chalmers Properties Limited provides accounting and administration services to Hamilton Porter JV for which \$10,000 (2016: \$5,000) was charged. At balance date the amount owing to Chalmers Properties Limited was \$12,000 (2016: \$5,000).

There were no other transactions with related parties.

### **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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Audit fees for financial statement audit	117	114	117	114
Audit fees for audit of Long Term Plan	65	-	65	-
Other services	8	-	8	-
Fees for tax and advisory services – Council	7	8	7	8
Fees for tax compliance and advisory services – entities not audited by Deloitte	-	-	65	135
	197	122	262	257
Audit fees to other auditors for audit of financial statements of group entities	-	-	136	134
	-	-	136	134
	197	122	398	391

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. Explanation of Major Variances from Budget

### Statement of Comprehensive Revenue and Expenses

The total comprehensive revenue and expense of \$46.622 million comprises a deficit for the year of \$2.849 million and a revaluation gain of \$49.471 million.

### Deficit for the Year

The deficit of \$2.849 million is \$1.456 million more than the budgeted deficit of \$1.393 million.

The prime cause of the higher than budgeted deficit for the year relates to revenue being \$1.976 million less than budgeted. This is mainly due to projects where the level of revenue is dependent upon the level of expenditure, and where the activity and expenditure level is lower than budgeted, causing a lower than budgeted revenue level.

### Revaluation Gain

The revaluation gain of \$49.471 million reflects the gain on the revaluation of the Council's shareholding in the Port Otago Limited Group at 30 June 2018 and exceeds the gain of \$10.000 million provided for in the budget by \$39.471 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 \$650.269 million exceeds the budgeted amount of \$596.787 million by \$53.482 million.

The major factor in this variance is the valuation of the Council shareholding in Port Otago Limited at 30 June 2018 of \$488.508 million, exceeding the budgeted amount of \$438.239 million by \$50.269 million.

Cash and cash equivalents and other financial assets with a combined amount of \$48.436 million are \$3.473 million up on the budget of \$44.963 million.

This variance is primarily due to a higher level of funds held at the beginning of the 2017/18 year than assumed in the budget.

Trade and other receivables at \$8.709 million are up \$5.423 million on the budget of \$3.286 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 \$90.212 million is \$3.710 million less than the budgeted amount of \$93.922 million.

Actual capital expenditure during the year of \$7.711 million was \$0.881 million more than the budgeted amount of \$6.830 million, with the remainder of the variance primarily due to the opening balance of property, plant and equipment being less than was anticipated in the annual plan budget.

### **Equity**

Public equity and reserves at \$639.549 million exceed the budgeted amount of \$591.170 million by \$48.379 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 2018 was \$418.239 million, whereas the actual balance is \$468.508 million, a variance of \$50.269 million. This variance comprises a favourable budget variance on the June 2018 revaluation of \$39.471 million and a favourable variance in the opening balance position of \$10.798 million.

## **31. Financial Instruments**

### **Financial Risk Management Objectives**

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

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

### **Significant Accounting Policies**

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
<b>2018</b>								
<i>Financial liabilities at FVTPL:</i>								
Other financial instruments	-	-	-	-	-	-	-	-
<b>2017</b>								
<i>Financial liabilities at FVTPL:</i>								
Other financial instruments	-	-	-	-	-	-	-	-



## Categories of Financial Instruments

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
	<b>35,834</b>	<b>21,311</b>	<b>488,508</b>	-	<b>545,653</b>
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	9,019	9,019
	-	-	-	<b>9,019</b>	<b>9,019</b>

COUNCIL 2017	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	4,433	-	-	-	4,433
Trade and other receivables (note 12)	3,568	-	-	-	3,568
Other financial assets (note 5)	34,200	19,857	-	-	54,057
Shares in subsidiary	-	-	439,037	-	439,037
	<b>42,116</b>	<b>19,857</b>	<b>439,037</b>	-	<b>501,095</b>
<i>Financial Liabilities</i>					
Trade and other payables (note 13)	-	-	-	7,159	7,159
	-	-	-	<b>7,159</b>	<b>7,159</b>

<b>GROUP 2018</b>	<b>Loans and Receivables \$000</b>	<b>Fair Value Through Surplus or Deficit – Held for Trading \$000</b>	<b>Fair Value Through Other Comprehensive Revenue and Expense \$000</b>	<b>Financial Liabilities at Amortised Cost \$000</b>	<b>Total \$000</b>
<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	-	-	-	-	-
	<b>52,770</b>	<b>21,311</b>	<b>-</b>	<b>-</b>	<b>74,081</b>
<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
	<b>-</b>	<b>1,008</b>	<b>-</b>	<b>95,707</b>	<b>96,715</b>

<b>GROUP 2017</b>	<b>Loans and Receivables \$000</b>	<b>Fair Value Through Surplus or Deficit – Held for Trading \$000</b>	<b>Fair Value Through Other Comprehensive Revenue and Expense \$000</b>	<b>Financial Liabilities at Amortised Cost \$000</b>	<b>Total \$000</b>
<i>Financial Assets</i>					
Cash and cash equivalents	4,958	-	-	-	4,958
Trade and other receivables (note 12)	16,571	-	-	-	16,571
Other financial assets (note 5)	34,233	19,857	-	-	54,090
Other financial instruments	-	286	-	-	286
	<b>55,762</b>	<b>20,143</b>	<b>-</b>	<b>-</b>	<b>75,905</b>
<i>Financial Liabilities</i>					
Other financial instruments	-	833	-	-	833
Trade and other payables (note 13)	-	-	-	14,537	14,537
Borrowings (secured) (note 15)	-	-	-	68,420	68,420
	<b>-</b>	<b>833</b>	<b>-</b>	<b>82,957</b>	<b>83,790</b>

## Market Risk

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

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

**(a) Currency Risk**

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk in relation to the purchase of certain capital items denominated in foreign currencies. Foreign currency forward purchase contracts are used to manage the Group's exposure to movements in exchange rates on foreign currency denominated liabilities and purchase commitments. The Council is exposed to currency risk in relation to the investments denominated in foreign currencies forming part of the managed fund portfolio. The policy governing Managed Funds places restrictions on the currencies in which the fund manager may invest, and the amount of exposure to any one currency.

**Amount of Exposure to Currency Risk**

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

	<b>Council 2018 \$000</b>	<b>Council 2017 \$000</b>	<b>Group 2018 \$000</b>	<b>Group 2017 \$000</b>
Managed funds	3,333	1,870	3,333	1,870
	3,333	1,870	3,333	1,870

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 2018 would have the impact of increasing the carrying value of the Managed funds, and the Council surplus, by \$370,000 (2017: \$208,000), and an unfavourable movement of 10% would impact unfavourably to the extent of \$303,000 (2017: \$170,000).

**(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	2018				2017			
	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	776	-	(776)	-	684	-	(684)	-
Derivatives – hedge accounted	-	(2,821)	-	572	-	(2,927)	-	1,480
Derivatives – non-hedge accounted	-	-	-	-	-	-	-	-
<b>Total sensitivity to interest rate risk</b>	<b>776</b>	<b>(2,821)</b>	<b>(776)</b>	<b>572</b>	<b>684</b>	<b>(2,927)</b>	<b>(684)</b>	<b>1,480</b>

### 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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
<i>Financial Assets</i>				
Other financial assets	10,974	7,301	10,974	7,301
<b>Exposure to equity price risk</b>	<b>10,974</b>	<b>7,301</b>	<b>10,974</b>	<b>7,301</b>

#### Sensitivity to Equity Price Risk

COUNCIL and GROUP	2018				2017			
	-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	(1,097)	-	1,097	-	(730)	-	730	-
<b>Total sensitivity equity price risk</b>	<b>(1,097)</b>	<b>-</b>	<b>1,097</b>	<b>-</b>	<b>(730)</b>	<b>-</b>	<b>730</b>	<b>-</b>

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 2018 \$000	Council 2017 \$000	Group 2018 \$000	Group 2017 \$000
Cash at bank and term deposits	27,125	38,633	27,377	39,158
Trade and other receivables	8,709	3,483	25,380	16,470
Managed funds (Note 5)	21,311	19,857	21,311	19,857
Finance leases	-	-	-	-
Shares in listed companies	-	-	-	-
Shares in subsidiary	488,508	439,037	-	-
	<b>545,653</b>	<b>501,010</b>	<b>74,068</b>	<b>75,485</b>

#### 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 2018					COUNCIL 2017				
	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
<b>Financial Assets</b>										
<i>Cash and cash equivalents</i>										
Cash and call deposits		8,125	8,125	8,125	-	0.10	4,433	4,433	4,433	-
<b>Trade and other receivables</b>	-	8,709	8,709	8,709	-	-	3,568	3,568	3,568	-
<i>Other financial assets</i>										
Term deposits	3.53	19,000	19,148	19,148	-	3.71	34,200	34,707	34,707	-
<i>Managed fund:</i>										
Cash and call deposits		1,173	1,173	1,173	-	-	1,625	1,625	1,625	-
Fixed interest securities	5.11	9,163	10,219	3,691	6,528	5.39	10,931	12,420	3,223	9,197
Equity securities	-	10,975	10,975	10,975	-	-	7,301	7,301	7,301	-
<b>Shares in subsidiary</b>	-	488,508	488,508	-	488,508	-	439,037	439,037	-	439,037
<b>Total financial assets</b>	-	<b>545,653</b>	<b>546,857</b>	<b>51,821</b>	<b>495,036</b>		<b>501,095</b>	<b>503,091</b>	<b>54,857</b>	<b>448,234</b>
<b>Financial liabilities</b>										
Trade and other payables	-	(9,022)	(9,022)	(9,022)	-	-	(7,159)	(7,159)	(7,159)	-
<b>Total financial liabilities</b>	-	<b>(9,022)</b>	<b>(9,022)</b>	<b>(9,022)</b>	-	-	<b>(7,159)</b>	<b>(7,159)</b>	<b>(7,159)</b>	-

	GROUP 2018					GROUP 2017				
	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
<b>Financial Assets</b>										
<i>Cash and cash equivalents</i>										
Cash and call deposits	-	8,377	8,377	8,377	-	0.10	4,958	4,958	4,958	-
<b>Trade and other receivables</b>	-	25,380	25,380	25,380	-	-	16,470	16,470	16,470	-
<i>Other financial assets</i>										
Short term deposits	3.53	19,000	19,148	19,148	-	3.71	34,200	34,707	34,707	-
<i>Managed fund:</i>										
Cash and call deposits	-	1,173	1,173	1,173	-	-	1,625	1,625	1,625	-
Fixed interest securities	5.11	9,163	10,219	3,691	6,528	5.39	10,931	12,420	3,223	9,197
Equity securities	-	10,975	10,975	10,975	-	-	7,301	7,301	7,301	-
<i>Other items:</i>										
Finance leases	-	-	-	-	-	-	-	-	-	-
<b>Total financial assets</b>		<b>74,068</b>	<b>75,272</b>	<b>68,744</b>	<b>6,528</b>		<b>75,485</b>	<b>77,481</b>	<b>68,284</b>	<b>9,197</b>
<b>Financial liabilities</b>										
Trade and other payables	-	(17,973)	(17,973)	(17,973)	-	-	(10,645)	(10,645)	(10,645)	-
Borrowings (secured)	4.0%	(77,635)	(85,225)	(31,565)	(53,660)	4	(68,420)	(78,390)	(13,227)	(65,163)
Other financial instruments	-	(1,008)	(1,104)	(508)	(596)	-	(574)	1,693	1,577	116
<b>Total financial liabilities</b>	-	<b>(96,616)</b>	<b>(104,302)</b>	<b>(50,046)</b>	<b>(54,256)</b>	-	<b>(79,639)</b>	<b>(87,342)</b>	<b>(22,295)</b>	<b>(65,047)</b>

## Other Disclosures

### *Local Government (Financial Reporting and Prudence) Regulations 2014*

### Annual Report Disclosure Statement for year ending 30 June 2018

#### 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

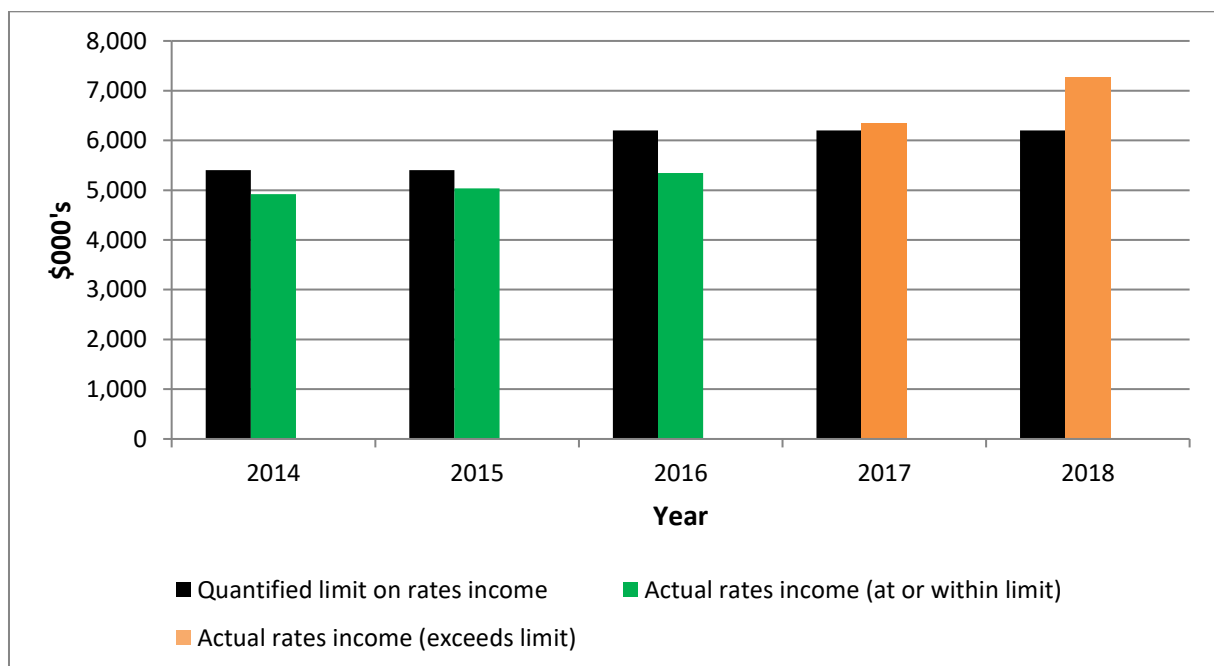
The Council meets the rates affordability benchmark if:

- 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.

The Council specifies separate quantified limits for general rates and for targeted rates.

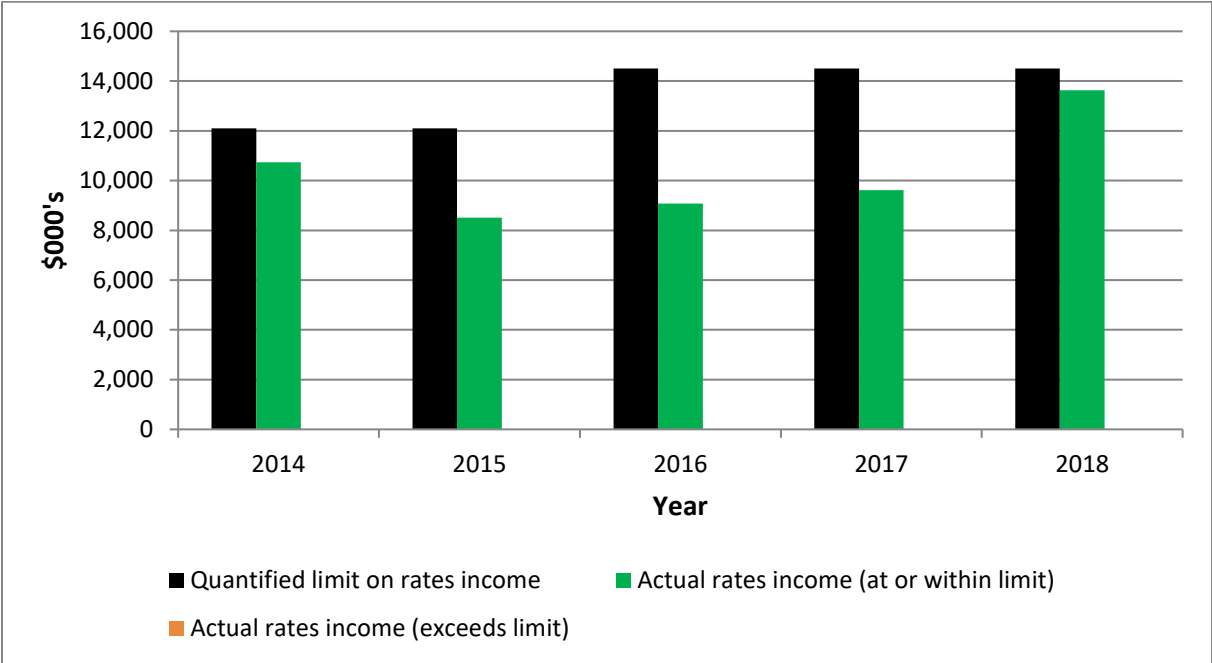
#### *Rates (income) affordability*

The following graph compares the Council's actual general rates income with a quantified limit on general rates contained in the financial strategy included in the Council's Long Term Plan. The quantified limit is \$6,200,000 (2014 and 2015 \$5,400,000, 2016 and 2017 \$6,200,000)



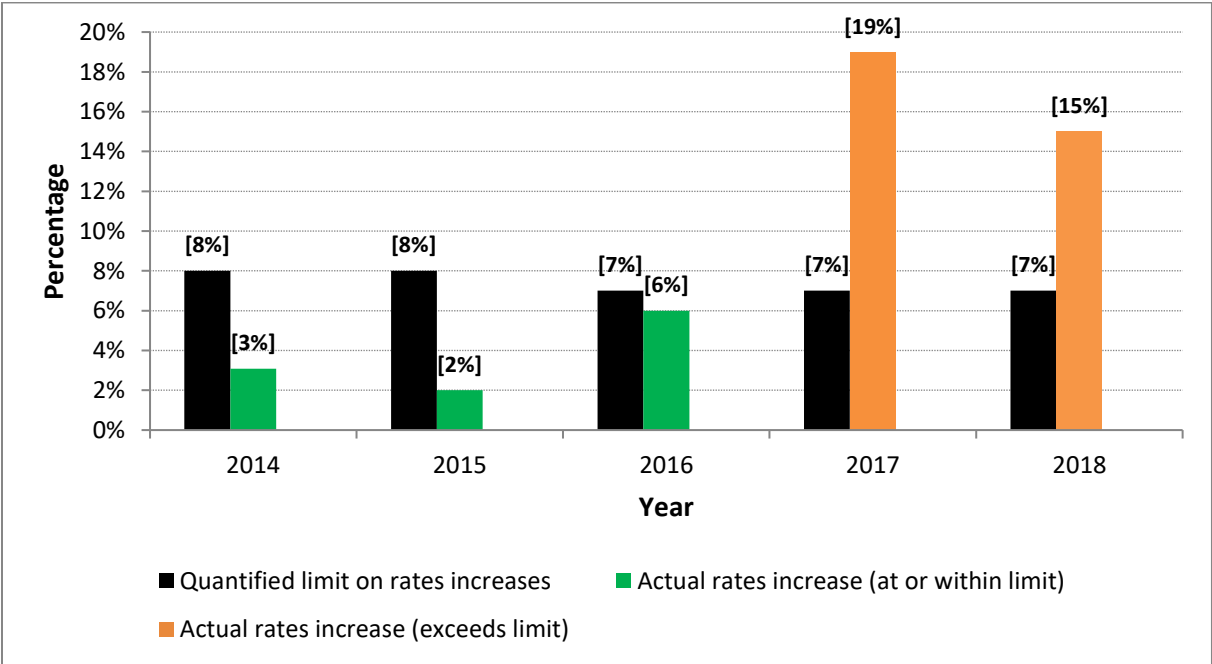


The following graph compares the Council’s actual targeted rates income with a quantified limit on targeted rates contained in the financial strategy included in the Council’s Long Term Plan. The quantified limit is \$14,500,000 (2014 and 2015 \$12,100,000, 2016 and 2017 \$14,500,000).

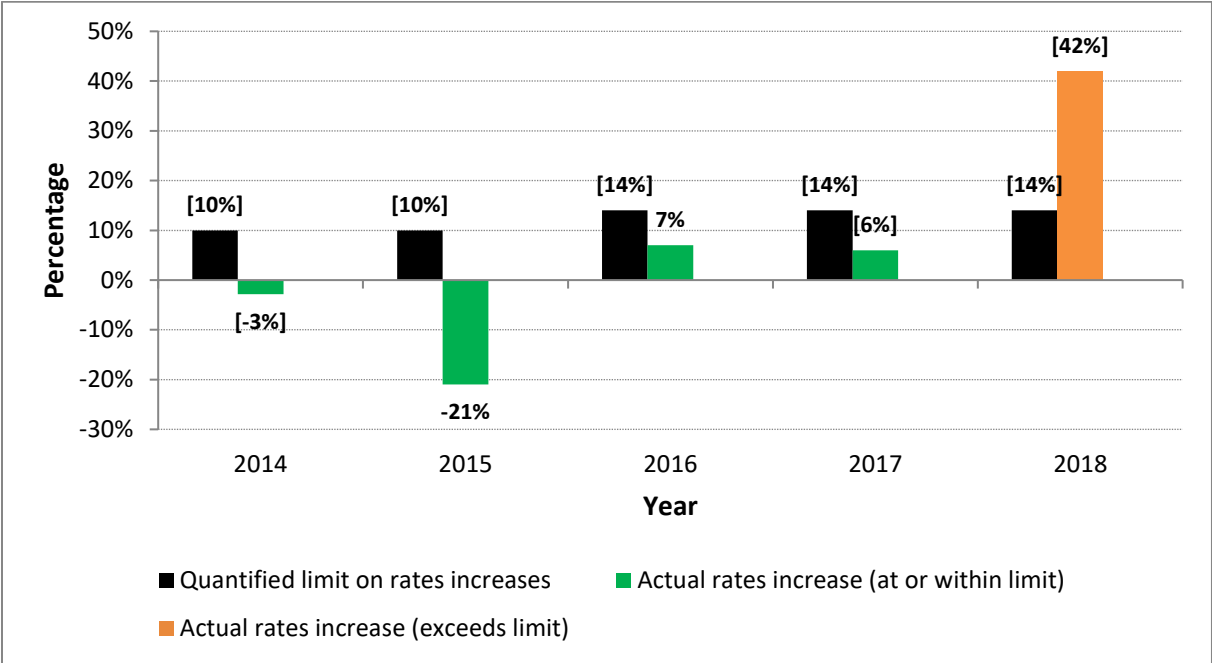


**Rates (increases) affordability**

The following graph compares the Council’s actual general rates increases with a quantified limit on general rates increases included in the financial strategy included in the Council’s Long Term Plan. The quantified limit is an increase of 7% per annum, (2014 and 2015 8%, 2016 and 2017 7%).



The following graph compares the Council’s actual targeted rates increases with a quantified limit on targeted rates increases included in the financial strategy included in the Council’s Long Term Plan. The quantified limit is an increase of 14% per annum (2014 and 2015 10%, 2016 and 2017 14%).



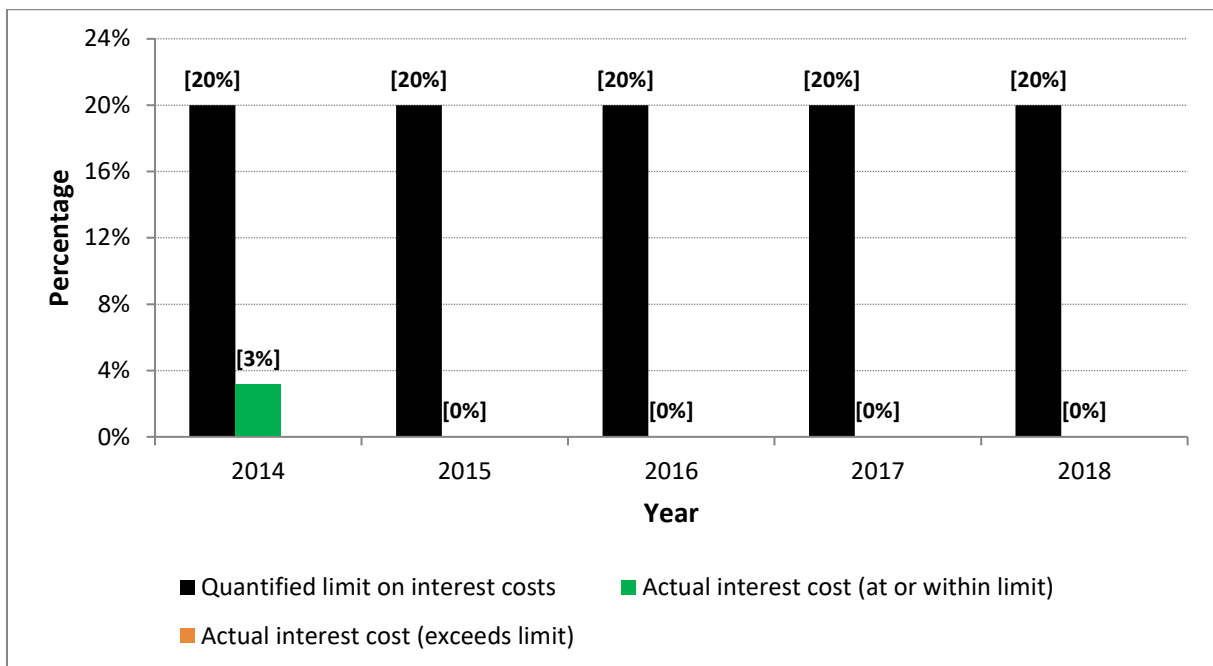
## Debt affordability benchmark

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 rates income.

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.

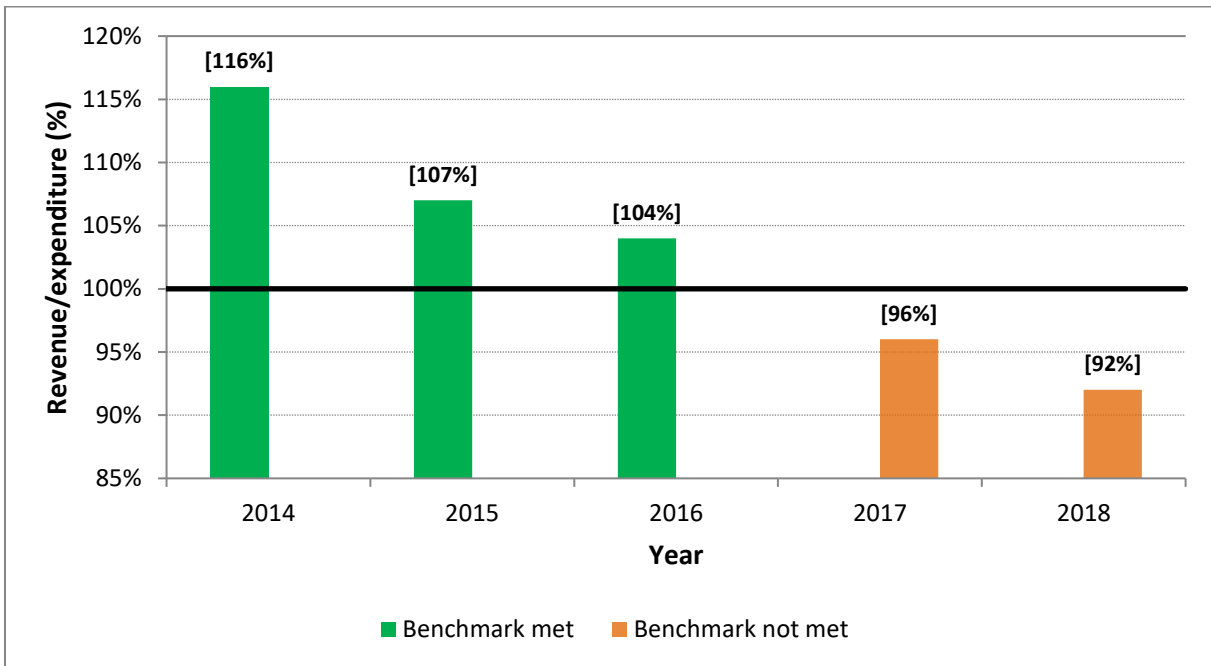
The quantified limit is interest costs being a maximum of 20% of rates income, (2014-2017 20%).



### 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.

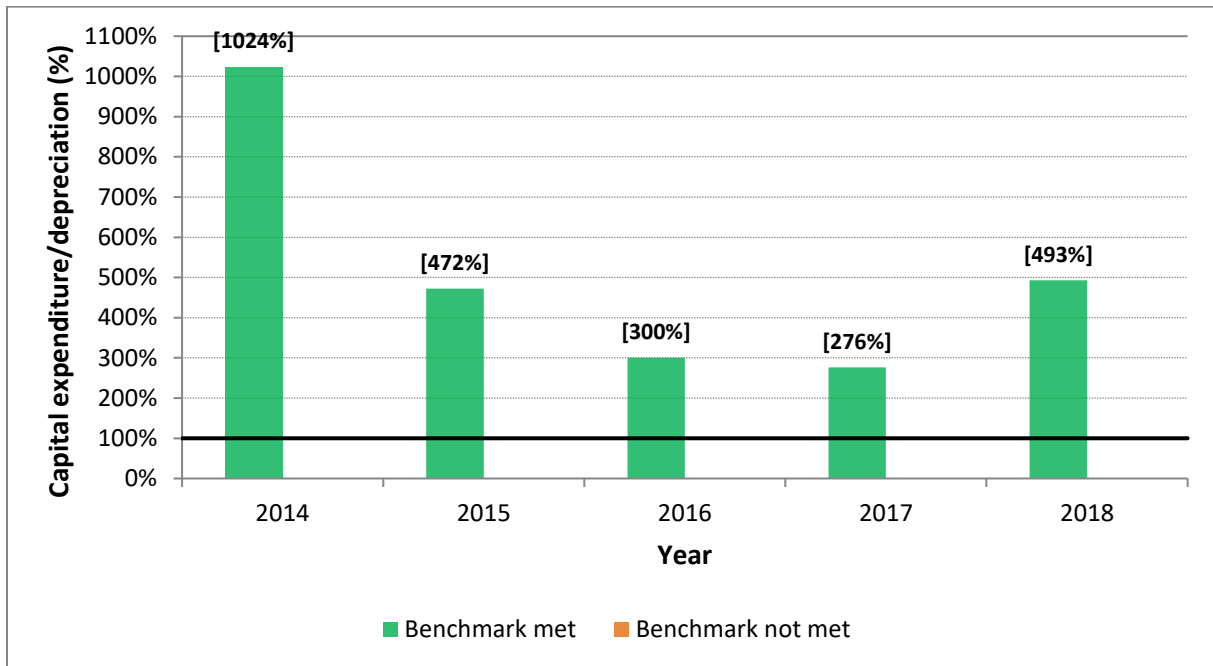


### Essential services benchmark

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.

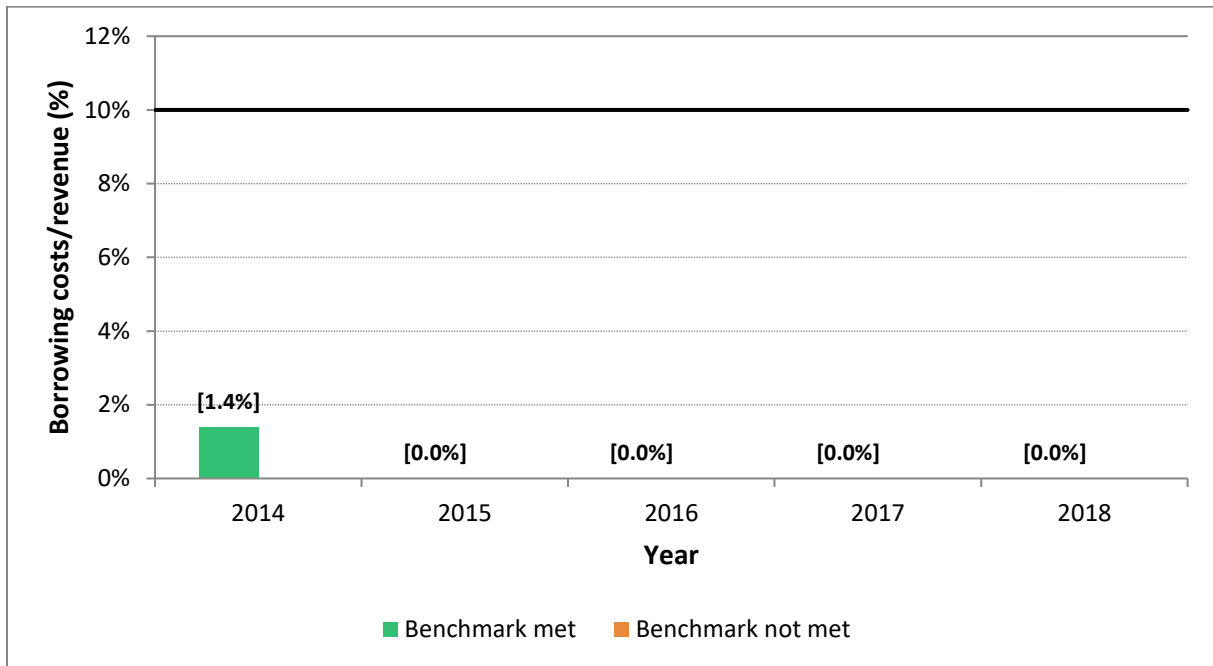
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



## 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.

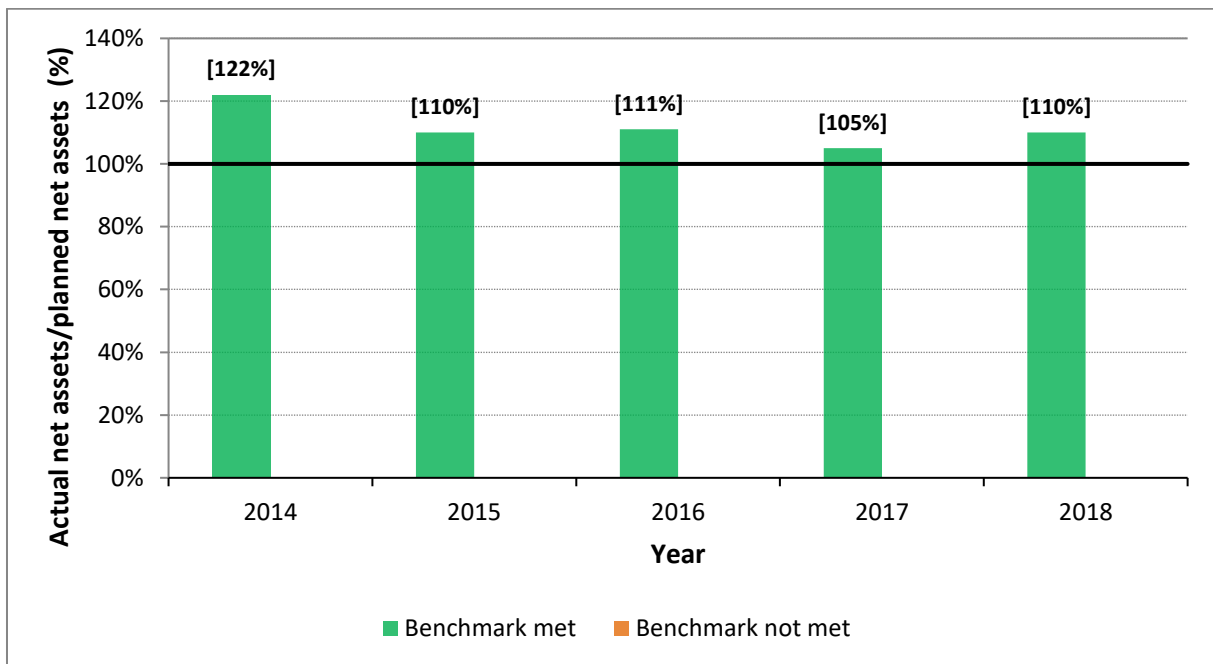


### Debt control benchmark

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.

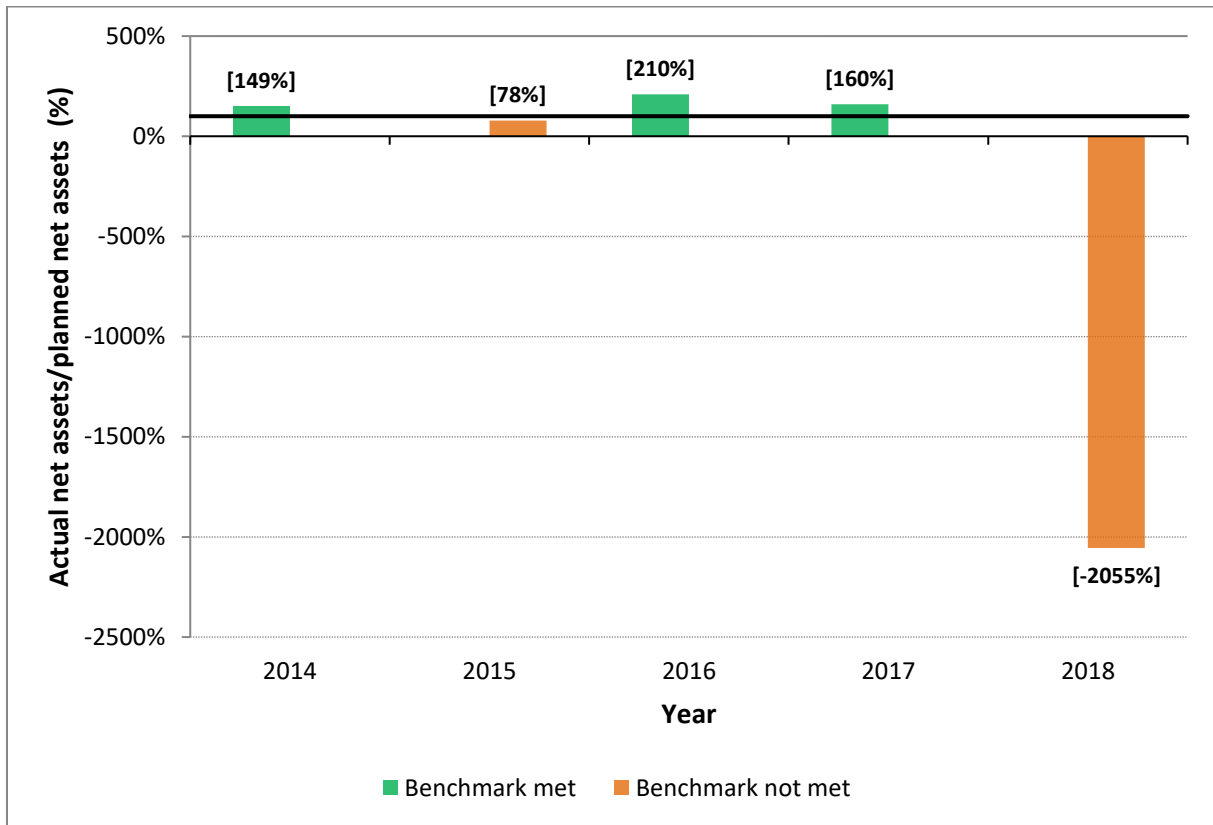
During the period 2013/14 to 2017/18, Council had budgeted net assets rather than net debt. For Council, the debt control benchmark is met if its actual net assets (financial assets, excluding trade and other receivables), less financial liabilities, equals or is more than its planned net assets.



### 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.





## **Additional information or comment**

### **Rates affordability benchmarks – General Rates**

The Rates (Income) affordability graph for general rates shows the quantified limit was exceeded in 2017 and 2018. The quantified limit included in the Long Term Plan was \$6,200,000 and the actual amount of revenue was \$6,347,000 in 2017 and \$7,272,000 in 2018. The Annual Plans for 2016/17 and 2017/18 budgeted for general rates of \$6,300,000 and \$7,275,000 respectively.

The Rates (increases) affordability graph for general rates shows the quantified limit was exceeded in 2017 and 2018. The quantified limit included in the Long Term Plan was an increase of 7% in 2017 and 2018, and the actual amount of the increase was 19% in 2017 and 15% in 2018.

The Annual Plan 2016/17 provided for additional general rate funded expenditure, including additional expenditure in the Emergency Management, Natural Hazards and Rural Water Quality activities, compared to that reflected the Long Term Plan, with an associated increase in the general rate requirement. The Annual Plan also reflected an increase in the general rate contribution to flood and drainage schemes over that provided for in the Long Term Plan and in the previous year's Annual Plan due to an increase in the assessed level of public benefit arising from those schemes.

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.

### **Rates affordability benchmarks – Targeted Rates**

The Rates (increases) affordability graph for targeted rates shows a 42% increase in targeted rates in the 2018 year, compared with the quantified limit of 14%. The Annual Plan 2017/18 provided for a new rate to fund Civil Defence and Emergency Management, which accounted for 60% of the increase over the quantified limit. The Annual Plan also provided for significant increases in rating levels for areas of increased activity and expenditure, with Wakatipu Transport and Rural Water Quality being significant increases.

The Rates (increases) affordability graph for targeted rates shows a 21% decrease in targeted rates in the 2015 year, due to the decrease in the Forsyth Barr Stadium rate of 21% from the previous year.

### **Balanced budget benchmark**

The balanced budget benchmark graph shows that in 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 again resolved to fund costs associated with particular activities from reserves, with the activities most affected being the Environmental, Community and Transport activities.

### **Operations Control benchmark**

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 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 2018	Rating Base Information for the Year Ended 30 June 2017
Total number of rating units	114,877	114,623
Total capital value of rating units	\$64,627,242,852	\$59,284,372,350
Total land value of rating units	\$31,979,722,850	\$29,391,227,950

### Insurance of Assets

The total carrying value of all assets of the Council as at 30 June 2018 that are covered by insurance contracts amounts to \$14.794 million (2017: \$14.416 million) and the maximum amount to which they are insured is \$49.991 million (2017: \$50.043 million).

The total value of all assets of the Council as at 30 June 2018 that are self-insured amounts to \$88.290 million (2017: \$85.881 million).

Included in the value of self-insured assets are flood protection and drainage infrastructural assets of \$61.135 million (2017: \$58.967 million), land of \$24.464 million (2017: \$24.563 million), transport infrastructural assets of \$0.495 million (2017: \$0.285 million) and software licences of \$2.196 million (2017: \$2.066 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 2018 the Council had not entered into any financial risk sharing arrangement for any assets held (2017: \$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
Director Corporate Services and Chief Financial Officer.....	N Donnelly
Director Policy Planning and Resource Management.....	T Winter
Director Engineering, Hazards and Science.....	G Palmer
Director Environmental Monitoring and Operations.....	S MacLean
Director Stakeholder Engagement.....	S Sutton
Director People and Capability.....	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 J Harvey (retired) P Heslin E Johnson
Chief Executive.....	K Winders

# Office and Depot Locations and Contact Telephone Numbers

## Principal Office

Regional House, 70 Stafford Street, Private Bag 1954, Dunedin  
Website: [www.orc.govt.nz](http://www.orc.govt.nz)

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

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

## Regional Offices and Depots

### Alexandra Office

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

### Cromwell Depot

14 Rogers Street  
Cromwell  
Ph: (03) 445 0122

### Balclutha Depot

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

### Palmerston Depot

54 Tiverton Street  
Palmerston  
Ph: 0800 474 082

### Oamaru Depot

32 Ribble Street  
Oamaru  
Ph: 0800 474 082

### Wanaka Depot

185 Riverbank Road  
Wanaka  
Ph: 0800 474 082

### Taieri Depot

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE READERS OF OTAGO REGIONAL COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The Auditor-General is the auditor of Otago Regional Council (the Regional Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, B E Tomkins, using the staff and resources of Deloitte Limited, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 26 September 2018. This is the date on which we give our report.

#### Opinion on the audited information

In our opinion:

- the financial statements on pages 52 to 110:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2018;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 52, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.
- the statement of service performance referred to as Significant Activities on pages 11 to 51:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and

- the statement about capital expenditure for each group of activities on page 53, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 24 to 51, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

## **Report on the disclosure requirements**

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 111 to 121, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and Group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

## **Basis for our opinion on the audited information**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "*Responsibilities of the auditor for the audited information*" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

## **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council and the Group or there is no realistic alternative but to do so.

## **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council's Long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service performance, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



## Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 3 to 10 and 123 to 124, but does not include the audited information and the disclosure requirements.

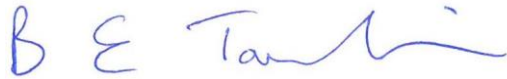
Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

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



B E Tomkins  
Deloitte Limited  
On behalf of the Auditor-General  
Dunedin, New Zealand