

# Finance Committee Agenda - 26 August 2020

Meeting is held in the Council Chamber, Level 2, Philip Laing House  
144 Rattray Street, Dunedin



## Members:

Cr Hilary Calvert, Co-Chair	Cr Gary Kelliher
Cr Andrew Noone, Co-Chair	Cr Michael Laws
Cr Michael Deaker	Cr Kevin Malcolm
Cr Alexa Forbes	Cr Gretchen Robertson
Hon. Marian Hobbs	Cr Bryan Scott
Cr Carmen Hope	Cr Kate Wilson

Senior Officer: Sarah Gardner, Chief Executive

Meeting Support: Liz Spector, Committee Secretary

26 August 2020 10:00 AM

<b>Agenda Topic</b>	<b>Page</b>
1. APOLOGIES No apologies have been submitted.	
2. ATTENDANCE Staff present will be identified.	
3. CONFIRMATION OF AGENDA Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.	
4. CONFLICT OF INTEREST Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.	
5. PUBLIC FORUM Requests to speak should be made to the Committee Secretary on 0800 474 082 or <a href="mailto:liz.spector@orc.govt.nz">liz.spector@orc.govt.nz</a> at least 24 hours prior to the meeting; however, this requirement may be waived by the Chairperson. No requests have been received.	
6. CONFIRMATION OF MINUTES Minutes of the 3 June 2020 Finance Committee meeting will be considered as a true and accurate record with or without corrections.	3
6.1 <a href="#">Minutes - 10 June 2020 Finance Committee</a>	3
7. ACTIONS The Committee will review outstanding actions of resolutions of the Finance Committee.	7

8.	MATTERS FOR DECISION	8
8.1	<a href="#">2021 - 2031 LONG TERM PLAN PROCESS AND TIMETABLE</a>	8
	The purpose of this report is to initiate the 2021-31 Long Term Plan (LTP) by communicating the process and provide clarity on the elected members role and involvement.	
8.1.1	<a href="#">Attachment 1: LTP 2021 - 2031 Process</a>	12
8.2	<a href="#">PORT OTAGO STATEMENT OF CORPORATE INTENT (SCI)</a>	13
	To receive Port Otago's Draft Statement of Corporate Intent and provide comment back to the Port Board of Directors for their consideration in the finalisation of the document.	
8.2.1	<a href="#">Attachment 1: Port Otago Draft SCI July 2020</a>	16
8.3	<a href="#">PORT OTAGO LIMITED CONSTITUTION</a>	28
	To provide the Finance Committee with an opportunity to consider Port Otago Limited's review of its constitution.	
8.3.1	<a href="#">Attachment 1: Constitution of Port Otago Limited - Draft August 2020</a>	32
8.4	<a href="#">ANNUAL RETURN OF INACTIVE SUBSIDIARIES 2020</a>	44
	To fulfill obligations of the Companies Act 1993 for each of the three inactive subsidiaries of Otago Regional Council.	
9.	MATTERS FOR NOTING	46
9.1	<a href="#">ACTIVITY REVIEW 2019/20, 1 JULY 2019 - 30 JUNE 2020 (Q4/ANNUAL REPORT)</a>	46
	To report on operational performance by significant activity for the period ended 30 June 2020.	
9.1.1	<a href="#">Attachment 1: Draft Activity Section 2019/20 Annual Report</a>	49
9.1.2	<a href="#">Attachment 2: Level of Service Measure Quarterly Results 2019/20</a>	93
9.2	<a href="#">FINANCE REPORT</a>	100
	This report provides Council's Finance Report for June 2020 which includes the preliminary financial result for the year ended 30 June 2020.	
9.2.1	<a href="#">Attachment 1: Finance Report Detail</a>	107
10.	CLOSURE	



Minutes of a meeting of the  
Finance Committee held in the Council  
Chamber on Wednesday 10 June 2020,  
commencing at 11:00 am

**Membership**

Cr Hilary Calvert (Co-Chairperson)  
Cr Andrew Noone (Co-Chairperson)  
Cr Michael Deaker  
Cr Alexa Forbes  
Hon Marian Hobbs  
Cr Carmen Hope  
Cr Gary Kelliher  
Cr Michael Laws  
Cr Kevin Malcolm  
Cr Gretchen Robertson  
Cr Bryan Scott  
Cr Kate Wilson

**Welcome**

Chairperson Noone welcomed Councillors, members of the public and staff to the meeting at 11:11 am.

*For our future*

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## 1. APOLOGIES

### Resolution

*That the lateness of Cr Hope be accepted.*

Moved: Cr Noone

Seconded: Cr Kelliher

CARRIED

## 2. ATTENDANCE

Sarah Gardner (Chief Executive)

Nick Donnelly (General Manager Corporate Services and CFO)

Gavin Palmer (General Manager Operations)

Sally Giddens (General Manager People, Culture and Communications)

Richard Saunders (General Manager Regulatory)  
(electronically)

Gwyneth Elsum (General Manager Policy, Strategy and Science)

Amanda Vercoe (Executive Advisor)

Liz Spector (Committee Secretary)

Other staff in attendance included Andrea Howard (Manager Biosecurity and Rural Liaison), Ryan Tippet (Media Communications Lead) and Kim Wainscott (Executive Assistant). Also in attendance via electronic link was Mike Roesler (Manager Corporate Planning).

## 3. CONFIRMATION OF AGENDA

The agenda was confirmed as circulated.

## 4. CONFLICT OF INTEREST

Cr Hobbs indicated she would withdraw from any discussions related to Orokonui Ecosanctuary.

## 5. PUBLIC FORUM

No public forum was held.

## 6. CONFIRMATION OF MINUTES

### Resolution

*That the minutes of the Finance Committee meeting held on 3 June 2020 be received and confirmed as a true and accurate record.*

Moved: Cr Noone

Seconded: Cr Calvert

CARRIED

## 7. ACTIONS

The Committee reviewed outstanding actions.

## 8. MATTERS FOR COUNCIL DECISION

### 8.1. Annual Plan 2020-2021

Nick Donnelly was present to speak to the proposed Annual Plan 2020-21 and the recommendations from the 3 June Finance Committee meeting. Cr Hobbs requested an additional .5 FTE for the QLDC emergency management group. She said the Acting Director Emergency Management Michele Poole had requested an additional 1.0 FTE on a one-year fixed-term contract for the Queenstown location rather than the .5 FTE that was added per the 3 June resolution. A discussion was held about the capacity needed for the QLDC group and Chief Executive Gardner agreed that a 1.0 FTE role would be much more manageable and practical.

Cr Hobbs then moved:

#### Resolution

*That along with the .5 FTE approved at the 3 June Finance Committee meeting, an additional .5 FTE be added, resulting in an additional total of 1.0 FTE for the Emergency Management group to be based at QLDC for a one-year fixed-term contract in 2020/21.*

Moved: Cr Hobbs

Seconded: Cr Malcolm

CARRIED

The meeting then moved into discussion of each of the other eight motions from the 3 June meeting for finalisation. The Committee members agreed that the gap in possum eradication that may occur from the changeover of management from OSPRI to Predator Free Dunedin will be covered by the ORC within the existing \$1.9m pest activity budget. The Committee then reviewed and agreed with the staff comment regarding the integrated trail network which would inform the LTP 2021-31.

The discussion moved into the request from the Orokonui Ecosanctuary for \$100,000 for fencing. Cr Hobbs withdrew from discussions as she had a conflict of interest. Cr Deaker expressed his concern that staff recommended funding the fence from the ECO Fund, rather than as a separate line item in the environmental enhancement activity budget. After a discussion, Mr Donnelly agreed to show this as a separate line item. Cr Calvert also wanted to ensure that Port Otago will still be asked if they will participate in funding the initiative by a request from the Port Otago Liaison Working Group.

The Committee then discussed the proposal of Wise Response for Otago for funding of a carbon footprint model. Cr Wilson said she was disappointed that no funding for the Wise proposal was going to be included in the Annual Plan. She said she didn't want to lose the momentum that had started during the pandemic, with people becoming aware of the impacts they have as individuals on the environment. Chief Executive Gardner said work is already underway at ORC internally on climate change and carbon footprinting and is concerned about moving too quickly and spending money on a tool that might not be the best fit for the region before the necessary internal work has been evaluated. It was noted that the request from Wise Response was for a low enough amount that there was potential to deploy at a later time during the year, with little impact on the budget. Cr Deaker then moved:



**Status report on the resolutions of the Finance Committee**

MEETING AND DATE	ITEM	ACTION	ASSIGNEE / STATUS	ACTION TAKEN
Finance Committee 3 June 2020	GOV1919 Annual Plan Deliberations and Recommendations	Prepare a report by Sept 2020 outlining opportunities to assist development of an integrated trail network throughout Otago to inform development of the LTP.	OPERATIONS – IN PROGRESS	Report is being prepared.
Finance Committee 3 June 2020	GOV1919 Annual Plan Deliberations and Recommendations	Requests staff to investigate options towards funding a climate carbon footprint model as suggested by WISE Response for Otago in partnership with Dunedin City Council and other local Territorial Authorities and report back by 10 June.	STRATEGY, POLICY AND SCIENCE - COMPLETE	This was done as part of the Annual Plan deliberations.
Finance Committee 3 June 2020	GOV1919 Annual Plan Deliberations and Recommendations	Requests staff to report by February 2021 to inform cost considerations of including a Tomahawk Management Plan in the LTP	OPERATIONS - ASSIGNED	Work set to begin on this body of work.
Finance Committee 3 June 2020	GOV1919 Annual Plan Deliberations and Recommendations	Include the Wakatipu Transport request for funding in LTP considerations.	OPERATIONS (TRANSPORT) - ASSIGNED	
Finance Committee 3 June 2020	GOV1919 Annual Plan Deliberations and Recommendations	Provide a report detailing annual spend on consultants and external legal counsel to the 22 July Council Meeting.	CORPORATE SERVICES - COMPLETE	Report provided to the 22 July Council Meeting.
Finance Committee 10 June 2020	Annual Plan 2020-2021	Provide a detailed report on progress made in carbon footprint accounting work before the end of 2020.	CORPORATE SERVICES – ASSIGNED	

### 8.1. LTP Process/Timetetable

<b>Prepared for:</b>	Finance Committee
<b>Report No.</b>	CS1950
<b>Activity:</b>	Community - Long Term Planning and Annual Plan Report
<b>Author:</b>	Mike Roesler, Manager Corporate Planning
<b>Endorsed by:</b>	Nick Donnelly, General Manager Corporate Services
<b>Date:</b>	18 August 2020

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#### PURPOSE

- [1] The purpose of this report is to initiate the 2021-31 Long Term Plan (LTP) by communicating the process and providing clarity on the elected members role and their involvement.

#### EXECUTIVE SUMMARY

- [2] There are three aspects to this report that Councillors can consider:
- The LTP process enables Councillors to look across all activities and make decisions about what services are provided and associated resource requirements. While it is strategic in terms of the relative trade-offs and prioritisation assigned to decisions about services, it is heavily informed by strategy, operational plans and policy.
  - Council staff have developed a process including phases and timelines for the development of the LTP. The organisation has initiated the first phase which includes the 'current state' workshops held over the past two weeks.
  - The 'Considerations' section of this report outlines risk associated with this process. Putting reasons for why an LTP is important through a 'risk-lens' provides a useful perspective for organisation and elected member leadership.  
Taking a legal perspective, slippage in process timelines creates risk in completing the LTP within the legislative timeframe. Reasons for this include the need for an external audit and the increased workload in developing an LTP.

#### RECOMMENDATION

*That the Finance Committee:*

- 1) **Endorses** the 2021-31 Long Term Plan process provided as an attachment to this report.
- 2) **Notes** the role of the Otago Regional Council elected members in the 2021-31 Long Term Plan process and the associated process risk.

## BACKGROUND

- [3] The LTP is a statutory process defined in the Local Government Act 2002 that has largely remained unchanged. As such, substantive guidance material developed from local government sector experience is available. In addition, ORC completed its own review of its 2018-28 LTP process in July-August 2018.
- [4] The LTP sits within a strategic context including Regional Planning, Transport Planning and other strategic frameworks including, for example, Biosecurity, Governance, and Maritime Safety.
- [5] The difference with the LTP is that it enables a holistic view across Council activity to decide the priorities and levels of service against the long-term needs and aspirations of the community. The LTP requires Council to plan in detail over 2021-24 (the next 3 years), and less detail for 2024-31 (the following 7 years). For infrastructure i.e. flood protection assets, an infrastructure strategy is required over a 30-year horizon (min).
- [6] Importantly the Council is a 'going concern' and our LTP process is grounded in the present, taking a lead from existing strategy, operating approaches, or developed new proposals for Council activity. Where direction is unclear, for a variety of possible reasons, a prudent approach can be taken unless risk or opportunity dictate otherwise. The LTP process allows for uncertainty through the planning assumptions we decide, and the planning horizon we use, to proceed on various matters i.e. using the time horizon to reduce uncertainty.
- [7] There are various elements and statutory requirements to the LTP process, and they include:
- *Community wellbeing* areas i.e. social, economic, cultural, environment and ORC's interpretation of those.
  - *Existing key strategies* – Council's current delivery position on issues.
  - *Decision-making approach* – organisation, political and community consultation.
  - *Overarching priorities and desired results* – holistic perspective of what matters most and why.
  - *Work planning and resource allocation* (budgets) – linking effort to desired results.
  - *Financial strategy* – prudent decision-making with a long-term perspective.
  - *Infrastructure strategy* – prudent decision-making with a long-term perspective.
  - *Revenue and financing policy* – who pays and how.
  - *Monitoring progress* – are we performing, are we achieving the desired results?
  - *External audit* – consideration of the consultation document and underlying information.

## DISCUSSION

- [8] Attachment 1 provides steps and timelines for the LTP process. Council's Executive Leadership Team have had an active role in shaping this programme and involving their management teams in both understanding and preparing for it.
- [9] The intention is to complete a pre-draft LTP by December 2020 that will also include the narrative for the consultation document. Development of the LTP will encompass 3 phases; working from broad high-level considerations, to prioritisation of service proposals and funding implications, to the detail work programmes, financial forecasts and measures.

- [10] The role of councillors in the process includes:
- Considering and directing on the key issues of focus for the LTP.
  - Considering and directing on LGA Strategy and Policy e.g. financial and infrastructure strategies.
  - Considering and directing staff on proposals for consultation.
  - Engaging with partners on key proposals as or if required.
  - Considering and directing on the overall work programme and funding.
  - Approving the draft LTP and Consultation Document.
  - Consider community feedback on the LTP and deciding subsequent adjustments.
  - Adopting the LTP.
- [11] Risks associated with the process are discussed in the 'Risk considerations' section below.

## **CONSIDERATIONS**

### **Policy Considerations**

- [12] During the LTP process Council staff will indicate where current strategy and policy requires review and will recommend how that might occur. In most instances review will be reflected at some point in the three-year LTP cycle.

### **Financial Considerations**

- [13] The LTP process will include the review of the Council's Financial Strategy, Revenue and Financing Policy, detailed financial forecasts for 2021-24, longer-term financial forecasts for 2024-31 (and beyond for infrastructure assets), and other financial policies scheduled in the Local Government Act 2002.

### **Significance and Engagement**

- [14] The Council's Significance and Engagement Policy will be reviewed as part of the LTP process. Under the Local Government Act 2002, Council is required to implement a Special Consultative Procedure for the LTP and will initiate this when it approves a Consultation Document in February 2021.
- [15] As the Council steps through the LTP process it may identify specific proposals that are of interest to local Iwi, communities, organisations and partners in the Otago Region. The Council will share information on these matters as they develop.
- [16] At a more detailed level, Council staff completing operational budgets may, where relevant, involve partner organisations particularly where an integrated approach is sought or is the ideal.

### **Legislative Considerations**

- [17] Council staff have considered the Local Government Act 2002 requirements in developing the process outlined in this report.

### **Risk Considerations**

- [18] Council management have acknowledged the key reasons why the LTP process is important. Below looks at these reasons through a 'risk lens'.

- Encourage right debate – the Council and its leadership need an external focus (i.e. key community issues), a long-term focus, an understanding of the priorities, and a work programme that is sustainable.
- The risk of not having the right debate is obvious however the consequence is not always immediately apparent.
- Formalise intentions – sets out where we are heading and how we will achieve what's agreed.
- The risk of not doing this well is that it is more difficult for the community and partnering organisations to align with us.
- Integrate thinking & approach – strengthen the connections between Council activities and between Council and its partners.
- The risk of not integrating enough is lost opportunity and wasted resource.
- Service delivery framework – the LTP provides a basis on which Council reports its performance to the community.
- The risk of not having a coherent framework is that demonstrating value to the community becomes more difficult.
- Legislative – specific deliverables, ways of working and timelines are required.
- The risk of not meeting the process milestones is that decision-making becomes bottlenecked, communication to the community is disrupted, and staff are unable to complete LTP deliverables. External audit is a component of the LTP process that introduces additional pressure on meeting process timelines.

#### **NEXT STEPS**

[19] The next steps are:

- Implementation of the LTP programme as outlined.

#### **ATTACHMENTS**

1. Long Term Plan 2021-31 Process [8.1.1 - 1 page]

# Process - Phases

1. **Initiation / direction** *Council Wkshp 27Aug*
  - Drivers of change
  - Implications for delivery / possible consultation items
2. **Future delivery / resource** *Council Wkshp 15Oct*
  - Significant activity level (with some activity detail)
  - LOS, service delivery narrative, key resource changes
  - Identify integration needs & opportunities
  - Prioritisation
  - Consultation items confirmed
  - Endorsement of LGA Strategy & Policy (*Cmmtt 25 Nov*)
3. **Detailed work program** *Council Wkshp 28Nov& 9Dec*
  - Activity, detailed financials, targets and measures
  - Pre draft LTP (28-Nov) and Consult Doc (9-Dec)
4. **Finalise** *Council 24Feb*
  - Audit (29-Jan to Feb), Consult Doc approve (24-Feb)
  - Consultation (8 Mar - 6Apr)
  - Hearings (early May tbd)
  - Deliberation (May tbd)
  - Final Adoption (June tbd)

## 8.2. Port Otago Statement of Corporate Intent

<b>Prepared for:</b>	Finance Committee
<b>Report No.</b>	CS1951
<b>Activity:</b>	Governance Report
<b>Author:</b>	Nick Donnelly, General Manager Corporate Services
<b>Endorsed by:</b>	Nick Donnelly, General Manager Corporate Services
<b>Date:</b>	18 August 2020

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### PURPOSE

- [1] To receive Port Otago's Draft Statement of Corporate Intent and provide comment back to the Port Board of Directors for their consideration in the finalisation of the document.

### EXECUTIVE SUMMARY

- [2] Each year the Board of Port Otago Limited is required to provide, for the comment of Council as shareholder, a Draft Statement of Corporate Intent (SCI). The Draft Statement of Corporate Intent for the three years to 30 June 2023 has been received and is attached for Council's consideration and comment.
- [3] The Draft SCI sets out the objectives of the Port Otago group, and the intended nature and scope of activities for the three-year period to 30 June 2023. The three-year scenario covered by the SCI is reviewed annually on a rolling basis.
- [4] The Statement of Corporate Intent process is the formal opportunity for Council, as 100% shareholder of the Port Otago Group, to have input into the intended activities of the company and its subsidiaries.
- [5] This year the Port has substantially revised the SCI format and the draft document includes a strong focus on sustainability. The Port Board and management presented the draft SCI to Council in a workshop on 22 July 2020.

### RECOMMENDATION

*That the Finance Committee:*

- 1) **Receives** this report and the attached Draft Statement of Corporate Intent for Port Otago Limited.
- 2) **Endorses** the Statement of Corporate Intent.
- 3) **Notes** any feedback they wish to be passed onto the Port Otago Board for consideration in the finalisation of the Statement of Corporate Intent.

### DRAFT STATEMENT OF CORPORATE INTENT

- [6] Principle objectives included in the Draft SCI are:
-

To operate as a successful and sustainable business that delivers value to our shareholders in the form of both financial and non-financial returns on investment. To achieve this, we aim to:

- Achieve our performance targets, as set out in the SCI.
- Understand and meet our customer needs.
- Undertake new investments in the port supply chain and property sectors – investments which are expected to support efficient supply chains and increase the business’s commercial value.
- Continually improve safety, operational efficiency and effectiveness.
- Prudently and efficiently invest in channel and wharf infrastructure.
- Comply with relevant legislation, regulation and planning requirements.

- [7] The revised draft SCI now highlights the Port Otago’s commitment to social responsibility and their commitment to sustainability (page 7 of the draft SCI). Initial Councillor feedback at the workshop on 22 July suggested that the areas included in sustainability could be expanded to include cultural as well as environment, social and economic consideration. The Port acknowledged this and has indicated this will be included in the finalised SCI.

#### **PERFORMANCE TARGETS**

- [8] Performance targets in relation to health, safety and wellbeing, operations, financial, environmental, and compliance with the Port and Harbour Safety Code are set out in an appendix to the document (page 12 of the draft SCI).

#### **SHAREHOLDERS FUNDS AND DIVIDENDS**

- [9] The target level of shareholders’ funds as at June 2021 is \$550 million rising to \$570 million at June 2023.
- [10] The dividend policy remains consistent with previous years (page 10 of the Draft SCI): The intention is to pay dividends within the range of 50%-70% of the group’s normalised operating surplus after tax.
- [11] Target dividend amounts are \$10.1m for the year ending 30 June 2021 rising \$300k per year to \$10.7m in 2023.

## **CONSIDERATIONS**

### **Policy Considerations**

[12] There are no Policy considerations.

### **Financial Considerations**

[13] The target dividends of \$10.1m aligns with Council's Annual Plan for 2020-21. This is an increase of \$2.0m on the amount stated in year 3 of the 2018-28 LTP. The amounts included in the upcoming 2021-31 LTP for the 2022 and 2023 years will be reviewed and aligned with the amounts shown in the Draft SCI.

### **Significance and Engagement**

[14] There are no significance and engagement considerations.

### **Legislative Considerations**

[15] The Port Companies Act 1988 requires the Draft SCI to be delivered to Council within one month of the commencement of each financial year and for the completed document to be finalised within three months of the commencement of the financial year.

### **Risk Considerations**

[16] The primary risk is financial and relates to the Port's actual performance meeting the targets set out in the SCI and the Port's ability to pay dividends to Council. This includes underlying market risk which is inherent in the Port's commercial activities. Dividends levels outlined in the SCI are not guaranteed and are dependent upon the Port's underlying financial performance.

## **NEXT STEPS**

[17] The Board of Port Otago Limited will consider comments and feedback from Council and deliver the completed SCI by the end of September 2020 as required under the Port Companies Act 1988.

## **ATTACHMENTS**

1. Port Otago Draft SCI July 2020 [8.2.1 - 12 pages]



# Port Otago Statement of Corporate Intent

For FY21, FY22 and FY23

Approved by the Port Otago Board  
enter date



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## Contact Details

### Head office

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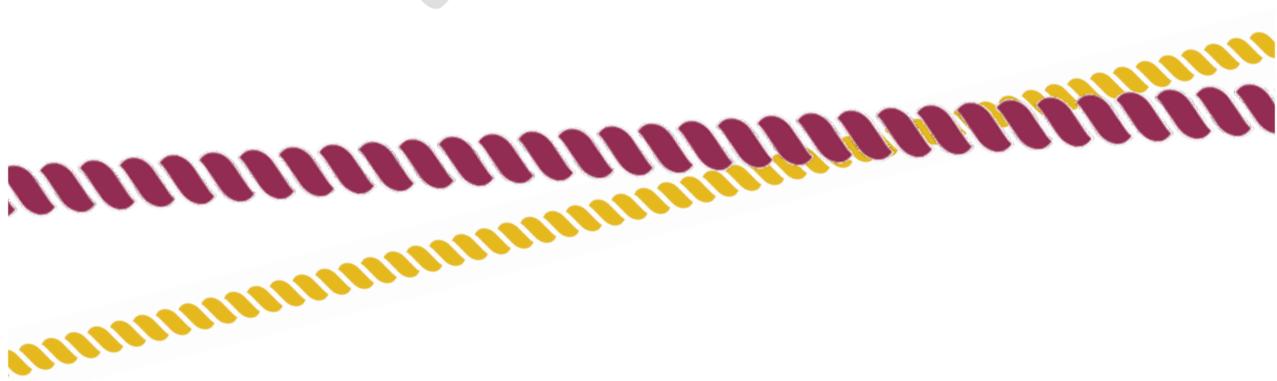
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### Directors

Paul Rea – chair  
Pat Heslin  
Tim Gibson  
Tom Campbell  
Jane Taylor  
Bob Fulton

### Chief Executive

Kevin Winders



## Introduction

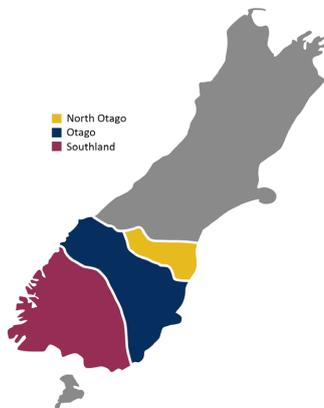
It was from Port Chalmers that New Zealand's first cargo of frozen meat left for London aboard the refrigerated ship *Dunedin* in February 1882, signalling the start of our country's modern export trade. The Otago Harbour Board managed the port and harbour from 1874 until 1988, when the Port Companies Act 1988 saw the registration of Port Otago Limited and the company's shares vested in the Otago Regional Council.

Port Otago is located on the Otago Harbour of the South Island of New Zealand. It is the primary export port for southern New Zealand and the country's third largest port by product value. Port Otago benefits from a deep natural harbour, its strategic location for vessel rotation to and from deep-sea destinations and a large primary export cargo region.

Port Otago is a Lifeline Utility under the Civil Defence Emergency Management (Act) 2002, defined as entities that provide essential infrastructure services to the community. The company has a responsibility to ensure its ability to function at the fullest possible extent during and after a civil defence emergency.

## Our region

Port Otago's role facilitating trade for the region's exporters and importers has a significant impact on the economic, as well as the social and environmental, well-being of the Otago-Southland region.



Our region has the infrastructure required for a successful port, including a fit-for-purpose road and rail network and a well-developed warehouse and cool storage sector.

Port Otago operates two wharf systems – Port Chalmers and Dunedin Bulk Port – within Otago Harbour. The lower harbour channel depth is 14.0m, while the upper harbour channel is 8.5m.

Port Chalmers is one of New Zealand's two deepest container ports and services the largest container ships in the New Zealand trade. It can store more than 7000 containers and has the highest number of reefer points of any New Zealand port, with 1850.

The company has more than 38,000m<sup>2</sup> of covered warehousing at Port Chalmers, built to the high standards required by the dairy industry. It also has two wharf-side cold storage facilities in Dunedin, able to hold up to 10,500 tonnes of chilled product. This is used primarily to service fishing customers.

Port Otago has a purpose-built forestry berth and adjacent 5.5 hectare log storage area at Port Chalmers. There is also additional log storage and berthage at the company's Dunedin sites.

Port Chalmers is the primary South Island port for cruise ships and generally the port of call immediately before or after visiting Fiordland. This aspect of the business is currently on hold, due to Covid-19.

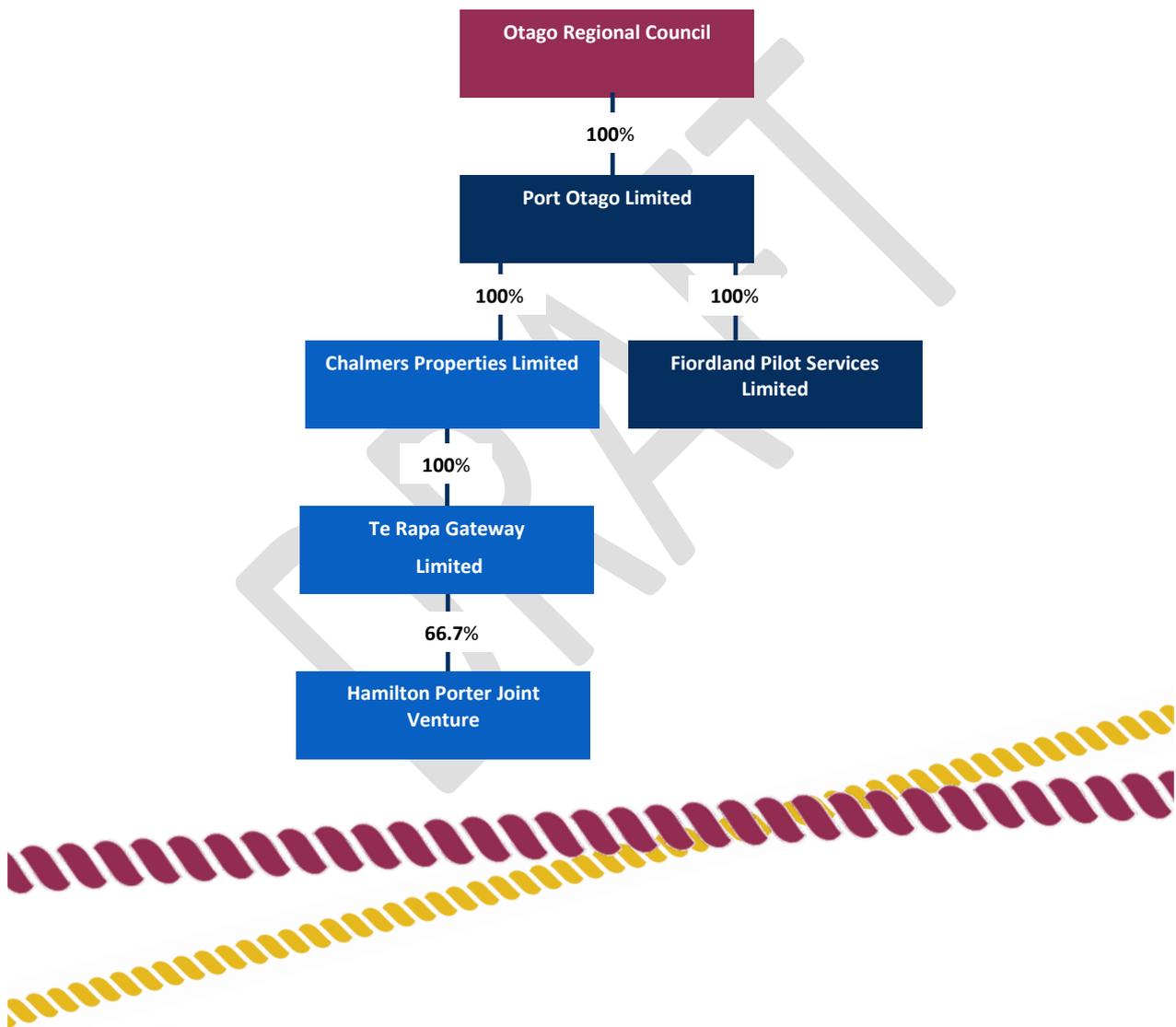
### Company structure

This Statement of Corporate Intent (SCI) sets out Port Otago’s overall intentions and objectives. It also covers our wholly owned subsidiary companies, Chalmers Properties Limited, Fiordland Pilot Services Limited and Te Rapa Gateway Limited.

Port Otago and its subsidiaries are “Port Companies”, pursuant to the Port Companies (Act) 1988. This SCI has been prepared in accordance with this Act. Pursuant to section 5 of the Act, our principal objective is to operate as a successful business.

The company reviews and updates its SCI annually, in consultation with its shareholder. This SCI covers FY21, FY22 and FY23.

Port Otago Group’s structure:



## Our key roles and our objectives

### Our vision and values



### Principal objectives

We aim to operate as a successful and sustainable business that delivers value to our shareholders in the form of both financial and non-financial returns on investment. To achieve this, we aim to:

- Achieve our performance targets, as set out in this SCI
- Understand and meet our customers' needs
- Undertake new investments in the port supply chain and property sectors – investments which are expected to support efficient supply chains and increase the business's commercial value
- Continually improve safety, operational efficiency and effectiveness
- Prudently and efficiently invest in channel and wharf infrastructure
- Manage key risks
- Comply with relevant legislation, regulation and planning requirements.

## Business Model/Value Creation



### Container business

- Exports
- Imports
- Transhipments
- Depot activity
- Warehousing

### Bulk business

- Logs
- Oil
- Fish
- Cement
- LPG
- Fertiliser

### Cruise business

- Port Chalmers
- Dunedin
- Fiordland

### Property business

- Leasehold
- Commercial Property
- Property Development

Port Otago undertakes the following activities:

- Container business:
  - Container terminal handling services which include receipt, delivery, transit, storage and shipment of export and import containerised cargos
  - Provision of warehousing services
  - Operation of inland depots, which involve storage, receipt, delivery, repair and washing of containers
  - Marine services, including pilotage (Port Chalmers and Dunedin), towage and dredging
- Bulk business:
  - Provision of wharves, plant and other services to facilitate the discharge of coastal cargos
  - Breakbulk and bulk cargo handling services
  - Marine services, including pilotage (Port Chalmers and Dunedin), towage and dredging
- Cruise business:
  - Marine services, including pilotage (Port Chalmers, Dunedin and Fiordland) and towage
  - Provision of landside services to cruise ships
- Property business:
  - Management of the Dunedin leasehold property portfolio
  - Management of Dunedin/Hamilton/Auckland commercial property portfolios
  - Design/build and lease of new commercial properties
  - Development of Te Rapa Gateway industrial park

## Our customers and stakeholders

We aim to engage with, collaborate with and provide good customer service to:

- Export and import customers across our region
- Sea and land-side supply chain partners
- Tenants and leaseholders
- Regulatory agencies.

## Our commitment to social responsibility

Port Otago aims to maximise the value it creates across all of its stakeholders. It is important to us to act in a socially responsible manner and as a good corporate citizen, with empathy for our community.

### Our commitment to sustainability

Sustainability encompasses a broad range of environmental, social, economic and governance issues that are meaningful to our shareholders, employees, community, Māori, customers and other stakeholders. By integrating sustainability principles into our strategy, we create long-term value for Port Otago and our communities. To ensure that we understand the issues of most importance to our key stakeholders, we undertake an independent materiality process to determine our priorities. We call these priorities our Material Issues, which can be environmental, social, economic or governance-related, and they form the basis of our sustainability strategy and reporting.

Our sustainability objectives are to:

- Develop a sustainability framework based on our Material Issues
- Adapt our approach, as we better understand the port's impact and role within our social, economic and physical environments, through monitoring and stakeholder engagement
- Be accountable and transparent by setting meaningful sustainability targets and reporting on our performance against those targets.

## Our people

Port Otago will aim to attract, retain, develop and motivate employees at all levels – to support our principal objective, which is to operate as a successful business.

We are a socially responsible and equal-opportunities employer. We aim to provide a work environment that ensures we have skilled employees. Port Otago will continue with initiatives that focus on recruitment, training, retention and succession.

*Diversity* refers to characteristics that make people different from each other, including gender, gender identity, age, ethnicity, disability, beliefs, sexual orientation, family responsibilities, work style and experience, socio-economic background, thinking style and personality type. Diversity exists within our current and potential employees and in our customers, partners, suppliers and other stakeholders.

*Inclusion* means providing a work environment where everyone feels they can fully participate at work and where each person is valued for their unique perspectives, skills and experiences.

Port Otago will develop and foster an inclusive environment where we value and embrace diversity. Our objectives are to:

- Treat people with fairness and respect
- Foster a culture where discrimination is unacceptable
- Hire and promote the best person for the job, regardless of background
- Develop the relevant skills, diverse experience and attributes of our people.

## Our commitment to keeping each other safe

Health and safety (including well-being) is everyone's responsibility. Port Otago will provide a safe environment for our team, contractors and visitors. We will aim to have a fit-for-purpose health and safety management system, one with effective and robust:

- Objectives and performance targets
- Identification and management of critical safety risks
- Board and management reporting
- Incident investigation, applying lessons learnt
- Investment to achieve our health and safety objectives
- Compliance with legislation.

## Our governance

### The Board

Port Otago's shareholder appoints the directors to govern and direct the company's activities. The board is the overall and final body responsible for the proper direction and control of the company's activities and decision making. The board's responsibilities include the overall objectives, strategy, stewardship, performance and reporting of the company.

### Statement of Corporate Intent (SCI)

The SCI is prepared based on the requirements within the Port Companies Act 1988. The board submits a draft SCI to the company's shareholder after due consultation with the shareholder and, after considering its comments, the board approves the final SCI and delivers it to the shareholder.

### Board operation

The Port Otago board's operation is subject to the company's constitution and board charter, which sets out how the board and directors shall undertake their responsibilities.

The board chair leads the board and its relationship with the shareholder and other major stakeholders. The chair maintains a close professional relationship with the company's CE and, through the CE, the leadership team (LT).

New directors undertake an induction process to familiarise them with matters related to the company.

### Conflicts of interest policy

These documents require all directors and employees to:

- Act with integrity, honesty, transparency, openness and in good faith
- Comply with the law, apply good judgment and proactively identify, disclose and manage conflicts of interest
- Promptly disclose or report any significant potential or perceived conflict or wrongdoing.

The company maintains an Interests Register that is reviewed at the start of every scheduled board meeting.

### Policies

The board reviews the company's key policies at regular intervals.

### Board performance and review

The board regularly reviews its performance and the performance of the CE. The reviews aim to identify opportunities and set plans for performance development and improvement.

### Board meetings and committees

The board meets approximately 11 times per year. Additional meetings are convened as and when required. The board's annual work programme is set by the board before the start of each financial year. The board receives formal agenda papers and regular reports, generally a week in advance of meetings. Senior managers are regularly involved in board discussions. Directors also have other opportunities to obtain information and may seek independent expert advice.

The board delegates some responsibilities and tasks to board committees, but the board retains the ultimate responsibility and accountability for any committee's actions or inactions. Subject to any conflict issues, all directors receive agenda papers for committee meetings and all directors may attend committee meetings.

The board's three standing committees are:

- Audit and Risk Committee – which liaises with the company's independent external auditor, and reviews the quality and reliability of internal controls and financial and regulatory information used by and issued by the board
- Health and Safety Committee – which assists the board in discharging its responsibilities with respect to health, safety and well-being
- Remuneration Committee – which reviews the company's remuneration policies and practices, and reviews and sets the remuneration of the company's CE and LT.

### Liability insurance and indemnity

Port Otago arranges comprehensive liability insurance policies for the company, directors and officers within the limits and requirements set out in the Companies Act 1993 and the company's constitution. The company also indemnifies directors and employees within the limits and requirements set out in the Act.

### Legislative compliance

The board receives regular updates and representations from management on legislative compliance. Areas of relevant law include industry-specific regulation, health and safety, corporate, taxation, financial reporting, commercial, environmental, human resources and privacy.

### Auditor

Audit New Zealand, on behalf of the Auditor-General, is auditor of the company.

### Our compliance with relevant legislation

Port Otago will continue its legislative compliance programmes and aim to ensure we meet our obligations under relevant legislation and regulations.



## Our capital structure and our dividends

Port Otago aims to manage its long-term capital structure so it has sufficient financial flexibility to cope with significant capital replacements and investments without the need to seek additional capital from its shareholder, while at the same time maintaining a sustainable and reliable dividend stream to the shareholder.

We will pay dividends to our shareholders after taking into account the company's current and forecast financial position and performance, current and forecast investment and funding requirements, and the solvency test, pursuant to section 53 of the Companies Act 1993.

The intention is to pay dividends within the range of 50-70% of the group's normalised operating surplus after tax.

### Acquisitions and divestments

The subscription or acquisition of securities in any company or organisation, or a divestment of part of the existing business, will only be considered where it is consistent with Port Otago's objectives. When the board considers a transaction to be significant to the company's business operations, we will consult with our shareholder.

Major transactions, as defined by the Companies Act 1993, will be subject to shareholder's approval by special resolution. However, when considering a significant acquisition or disposal of assets or securities, Port Otago will consult with its shareholder with as much lead-time as is commercially practicable in the prevailing circumstances. Where we decide to incorporate or subscribe for shares in subsidiaries to undertake our commercial activities, we will ensure effective management.

Board control of any subsidiary is exercised by our directors and management.

### Capital expenditure

Port Otago will confer with the shareholder in respect of any significant proposed capital expenditure, which is not included within, or is inconsistent with, the SCI before contractual commitments are entered into.

## How we will report to our shareholders

Port Otago submits its draft SCI to its shareholder for consultation annually, as required under the Port Companies Act 1988. Where appropriate, we will submit a revised SCI to our shareholder. (See appendices for performance targets.)

We will submit an annual report to our shareholder. This annual report will include:

- Audited financial statements
- Performance relative to the targets set in this SCI
- Key issues and progress with sustainability
- Other information to enable an informed assessment of the group's performance and financial position.

Port Otago values shareholder communication facilitated by the Port Liaison Committee which enables periodic interchange with our shareholder

We will also submit an interim report to our shareholder. This report will contain unaudited information similar in content to our annual report and will comply with financial reporting standard NZ IAS 34 – Interim Financial Reporting.

Port Otago's accounting policies comply with applicable NZ IFRS standards and interpretations. We have applied the same accounting policies when preparing the SCI's financial forecasts, as for our audited financial statements for the year ended 30 June 2020. Our actual accounting policies during the three-year period of this SCI may change as a result of changes to NZ IFRS standards and interpretations.

### No surprises policy

The company will endeavour to inform our shareholder prior to any significant decision being made public and will engage via the Port Liaison Group as required.

### The commercial value of our shareholder's investment

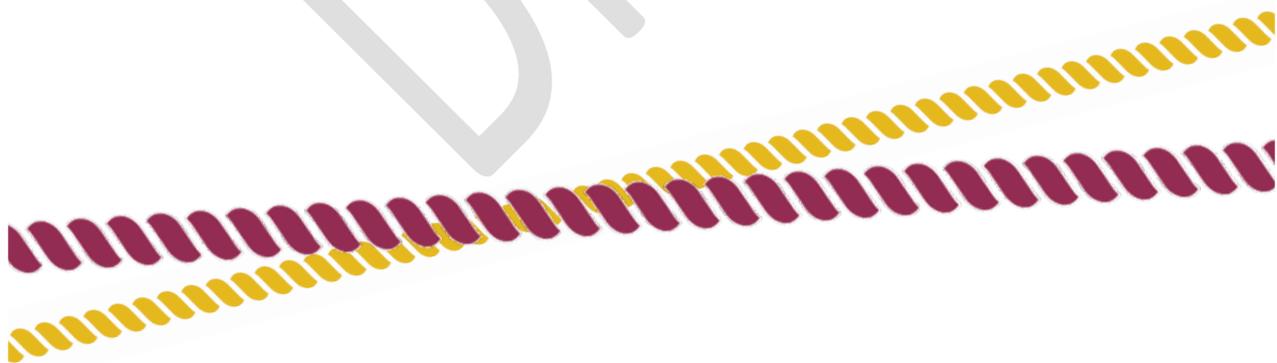
Port Otago estimates the commercial value of its shareholder's investment in the group is at least that which is stated as shareholder's equity in our audited financial statements. This is reassessed annually, alongside our audited financial statements.

### Activities subject to compensation

The company will provide the following services for the Otago Regional Council, for which Port Otago expects to be remunerated or reimbursed by the council:

- Assistance in matters of good navigation and safety on Otago Harbour
- Provision of such services as may be requested by the Regional Council.

DRAFT



## Appendix 1 Our targets

Objectives	Key performance measures	Targets		
		2021	2022	2023
<b>Health, safety and well-being</b>	Critical Risk: Visible Leadership Conversations	500	500	500
	Total recordable incident frequency rate (per 1 million hours)	<20	<15	<10
	Severity rate (days lost)	3	2	1
<b>Operational</b>	Gross crane rate (as measured by Ministry of Transport)	27.5	27.5	27.5
	Ship rate (as measured by Ministry of Transport)	55	55	55
<b>Financial</b>	EBIT	\$25m	\$28m	\$32m
	Shareholders' funds (Equity) or Net Assets *	\$550m	\$560m	\$570m
	Return on equity *	3.0%	3.3%	3.7%
	Equity Ratio*	88%	TBC	TBC
	Interest cover ratio	9	10	11
	Debt	\$71m	TBC	TBC
	Dividend proposed	\$10.1m	\$10.4m	\$10.7m
<b>Environmental</b>	Straddle fleet that is an electric/diesel hybrid	27%	27%	55%
	Ratio of rail containers through gate	65%	67%	70%
	Number of harbour spills caused by Port Otago	0	0	0
	Percentage of resource consent compliance monitoring events achieving full compliance	100%	100%	100%
<b>Compliance with Port &amp; Harbour Safety Code (PHSC)</b>	The requirements of the PHSC continue to be met	Yes	Yes	Yes
	Risk assessments of new tasks or reviews post incident completed	Yes	Yes	Yes

\*Excludes future unrealised fair value movements of investment properties and hedging interest rate swaps.

Financial performance measure	Definition
<b>EBIT</b>	Earnings before interest, taxation, realised and unrealised investment property gains
<b>Return on equity</b>	Profit divided by average shareholder's equity
<b>Equity ratio</b>	The percentage that equity represents of total assets within the target range between 70% and 85%
<b>Interest cover ratio</b>	The number of times interest is covered by the profit before tax, interest, unrealised fair value movements and unrealised impairment charges.

### 8.3. Port Otago Limited Constitution

<b>Prepared for:</b>	Finance Committee
<b>Report No.</b>	CS1938
<b>Activity:</b>	Governance Report
<b>Authors:</b>	Peter Kelliher, Legal Counsel Nick Donnelly, General Manager Corporate Services
<b>Endorsed by:</b>	Nick Donnelly, General Manager Corporate Services
<b>Date:</b>	18 August 2020

#### PURPOSE

- [1] To provide the Finance Committee with an opportunity to consider Port Otago Limited’s review of its constitution.

#### RECOMMENDATION

*That the Finance Committee:*

- 1) **Receives** this report.
- 2) **Notes** any additional changes they wish the Board of Port Otago Limited to consider and approves that the Chief Executive contacts the Board of Port Otago and advises them of this feedback.

#### BACKGROUND

- [2] At its 11 December 2019 meeting, Council resolved”  
*“That the Finance Committee review the Port Otago constitution and rules to ensure the director appointments procedure reflects best practice and report back to Council on options”*.
- [3] At its meeting on 26 February 2020, the Finance Committee resolved that the Chief Executive request the Board of Port Otago Limited undertake a review of the Constitution. They noted the current Constitution had been in place in its current form since 1997 and indicated specific areas they would like to be considered (but not limited to) are:
- a. 70-year-old age limitation for board members.
  - b. Ensure the Constitution is current and fit for purpose.
  - c. Consider staggering board member terms.
  - d. Consider a maximum term for board members.
  - e. Have a critical look at clause 10.1(c).

#### DISCUSSION

- [4] The Council has received a revised Constitution from Port Otago Limited, a copy of which is attached.
- [5] Matters which we wish to draw to the Committee’s attention are:

**Mandatory director retirement at age 70**

- [6] There are arguments both ways (knowledge from experience vs fresh ideas), but we consider it is appropriate for such decisions to be based on merit rather than age and support the removal of the age cap.
- [7] The removal of the age cap highlights the importance of following a robust process for director appointment and re-appointment.

**Staggering of board member terms**

- [8] This was the status quo and has been retained.

**Maximum term for directors**

- [9] No maximum term has been introduced.
- [10] As with retirement age, there are arguments both ways (knowledge from experience vs fresh ideas). We consider a maximum term should not be included in the Constitution, but Council may wish to develop an internal policy or guideline which could include a recommended maximum term.
- [11] Including this in a separate policy or guideline outside of the Constitution allows Council discretion to be applied as to length of tenure on the Board as there may be situations where an individual longer term is advantageous to retain knowledge and experience.
- [12] We reiterate the comment in paragraph 7, highlighting the importance of a robust appointment process.

**Clause 10.1(c) - Which prevents more than 2 elected members or employees of Council being a director at the same time**

- [13] This is a requirement of the Port Companies Act 1988 and has been retained in the revised constitution.
- [14] A new provision (clause 9.5) has been introduced allowing the board itself to appoint a Director to fill a casual vacancy in the event the number of Directors falls below the minimum number required by the Act. This would only occur in the event Council had failed to appoint another Director within 7 days of receiving notice of the vacancy from the Board. Any appointment under this clause would only be for a term until the next annual meeting, with that person then eligible for reappointment at that meeting.
- [15] A Director may be appointed under clause 9.1 at any time by ordinary resolution (which as the 100% shareholder Council can pass by written resolution in lieu of a meeting).
- [16] The clause proposed in the draft Constitution recognises that Council may not be able to undertake that process quickly and provides a useful backstop in the unlikely event a casual vacancy occurs. An appointment by the Board is limited in time until the next annual meeting and Council still retains its power to appoint or remove a Director at any time under clause 9.1 (as above).

[17] Clauses of this nature, allowing Boards to appoint Directors in the event the number of Directors falls below the constitution minimum are common.

[18] As noted previously, Council needs to maintain a robust process for director appointment and re-appointment.

**Fitness for purpose changes**

[19] The requirement for *“at least three directors shall be ordinarily resident in New Zealand”* is in the 1997 constitution but is not included in the revised document. We consider any reference to where Directors can reside should be excluded from the Constitution and be included in a separate policy or guideline.

[20] A prohibition on directors voting on matters which they have an interest has been added.

[21] A provision (clause 3.2) has been added noting that the Port Otago shares are a strategic asset and the requirements for a decision to transfer them. While this is factually correct it is not a matter that is required to be in the Constitution. The Constitution is binding between the company and its shareholders, whereas the Local Government Act 2002 requirements regarding strategic assets relates to Council decision making only. Inclusion of the provision implies some role for, or enforceability by, Port Otago, which is not the case.

**CONSIDERATIONS**

**Policy Considerations**

[22] There are no policy considerations.

**Financial Considerations**

[23] There are no financial considerations.

**Significance and Engagement**

[24] There are no significance and engagement considerations.

**Legislative Considerations**

[25] Compliance is required with the requirements of the Port Companies Act 1988 and the Companies Act 1993.

**Risk Considerations**

[26] There are no risk considerations.

**NEXT STEPS**

[27] The Chief Executive contacts the Board of Directors of Port Otago Limited and advises them of the feedback from this meeting.

[28] A recruitment process guideline for external appointments including Port Otago Directors is being developed and will be reported to Council in September 2020.

**ATTACHMENTS**

1. Constitution of Port Otago Limited - Draft August 2020 [**8.3.1** - 12 pages]

# Constitution of Port Otago Limited

Draft

**anderson  
lloyd.**

## Constitution – Port Otago Limited

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### 1. Interpretation

1.1 In this Constitution the following terms shall have the following meanings (unless the context requires otherwise):

<b>Act</b>	means the Companies Act 1993.
<b>Board</b>	means Directors who number not less than the required quorum, acting together as a board of Directors.
<b>Chair</b>	means the chair of the Board appointed in accordance with clauses 10.1 to 10.3.
<b>Company</b>	means Port Otago Limited.
<b>Constitution</b>	means this constitution of the Company as amended from time to time.
<b>Council</b>	means the Otago Regional Council.
<b>Deputy Chair</b>	means the deputy chair of the Board appointed in accordance with clauses 10.1 to 10.3.
<b>Director</b>	means a person appointed as a director of the Company in accordance with this Constitution.
<b>Interested</b>	in relation to a Director, has the meaning set out in section 139 of the Act.
<b>Ordinary Resolution</b>	means a resolution that is approved by the Shareholder.
<b>Schedules</b>	means Schedules 1 and 2.
<b>Shareholder</b>	means the Council.
<b>Special Resolution</b>	means a resolution that is approved by the Shareholder.
<b>Subsidiary</b>	has the meaning set out in the Act.

1.2 In this Constitution (unless the context requires otherwise):

- (a) the singular includes the plural and the reverse;
- (b) a reference to any party includes that party's executors, administrators or permitted assigns, or if a company, its successors or permitted assigns or both;
- (c) reference to any statutory provision includes any provision which amends or replaces it and any legislation made under it;
- (d) words in this Constitution have the same meaning as in the Act unless inconsistent with the context;
- (e) a reference to a clause means a clause in this Constitution and a reference to a rule means a rule in the relevant Schedule; and

(f) clause headings are for reference purposes only.

1.3 If there is any conflict:

(a) between a provision in this Constitution and a mandatory provision in the Act or the Port Companies Act 1988, then the mandatory provision in the Act or the Port Companies Act 1988 will prevail; and

(b) between:

(i) a provision in this Constitution and a provision in the Act which is expressly permitted to be altered by this Constitution; or

(ii) a word or expression defined or explained in the Act and a word or expression defined or explained in this Constitution,

then the provision, word or expression in this Constitution will prevail.

## **2. Capacity**

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2.1 The Company is formed and registered as a port company, as defined in the Port Companies Act 1988.

2.2 Subject to this Constitution, the Act and the Port Companies Act 1988, the Company has full capacity, rights, powers and privileges to carry on or undertake any business or activity, do any act, or enter into any transaction.

## **3. Shares**

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3.1 The Company's sole shareholder is the Council. As at the date of adoption of this Constitution there are 20,000,000 fully paid ordinary shares in the Company held by the Council.

3.2 Under the Local Government Act 2002 the shares in the Company are a strategic asset of the Council. Under section 97 of Local Government Act 2002 the Council must not make a decision to transfer the ownership or control of the Shares to or from the Council unless:

(a) the decision is explicitly provided for in its long-term plan; and

(b) the proposal to provide for the decision was included in a consultation document in accordance with section 93E of the Local Government Act 2002.

## **4. Issue of shares**

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4.1 The Board may not issue shares to any person other than the Council, without prior Shareholder approval.

4.2 The Company may issue redeemable shares, which may be redeemed:

(a) at the option of the Company;

(b) at the option of the holder of the share; or

(c) on a date specified in this Constitution,

for a consideration that is specified or to be calculated by reference to a formula or required to be fixed by a suitably qualified person who is not associated with or interested in the Company.

4.3 The Board may with the approval of Shareholder by Special Resolution:

- (a) consolidate and divide the Shares or any class; and
- (b) subdivide the Shares or any class,

in each case in proportion to those Shares or the Shares in that class, as the case may be.

## **5. Calls on shares**

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- 5.1 The Board may make calls on the Shareholder in respect of any money unpaid on their shares and not previously made payable at a fixed time by prior written notice to the Shareholder specifying the time and date for payment. The Shareholder must comply with the terms of any call made by the Board. A call may be payable by instalments. The Board may revoke or postpone a call.
- 5.2 A person who fails to pay a call on the due date must pay:
  - (a) interest on that money from the day payment was due to the day of actual payment at a rate fixed by the Board; and
  - (b) all expenses which the Company has incurred or may incur because of non-payment.
- 5.3 The Board may waive payment of all or part of that interest or those expenses.

## **6. Distributions**

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- 6.1 The Board may authorise a distribution by the Company to the Shareholder in accordance with the Act and this Constitution.
- 6.2 All dividends on shares that are not fully paid up must be authorised and paid in proportion to the amount paid up.
- 6.3 Any money payable in cash in respect of shares may be paid to the Shareholder in such manner as the Board determines, or to such other person and in such manner as the Shareholder may direct in writing.
- 6.4 No interest is payable by the Company on any dividend.

## **7. Company may acquire its own shares**

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- 7.1 The Company may purchase or otherwise acquire shares issued by it which, subject to clause 7.2, shall be deemed to be cancelled immediately on acquisition.
- 7.2 The Company may hold its own shares uncanceled but only in accordance with sections 67A, 67B and 67C of the Act.

## **8. Shareholder meetings**

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- 8.1 The Board must hold an annual shareholder meeting in accordance with section 120 of the Act unless in the case of any annual meeting, everything required to be done at that meeting (whether by way of resolution or otherwise) is done by written resolution in accordance with section 122 of the Act.
- 8.2 A special shareholder meeting:
  - (a) may be called at any time by the Board; and
  - (b) must be called by the Board on the written request of the Shareholder.

8.3 The rules set out in Schedule 1 govern proceedings at shareholder meetings.

## **9. Directors**

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- 9.1 Subject to clauses 9.2 - 9.6, a person may be appointed and removed as a Director at any time by Ordinary Resolution.
- 9.2 The number of Directors shall not at any time be more than eight. Under section 6(1)(a) of the Port Companies Act 1988 the number of Directors shall not at any time be less than six.
- 9.3 As required by the Port Companies Act 1988 the Directors shall be persons who, in the opinion of those appointing them, will assist the Company to achieve its principal objective of operating as a successful business.
- 9.4 At least one third of the Directors (or, if their number is not a multiple of three, then the number nearest to one third) shall retire from office at each annual meeting, but shall be eligible for re-appointment at that meeting. Those to retire shall be those who have been longest in office since their last appointment. As between persons who became Directors on the same day, those to retire shall (unless they otherwise agree) be determined by lot.
- 9.5 If a casual vacancy arises which results in the number of Directors falling below the minimum under required under clause 9.2 then the Board shall give notice of the vacancy to the Shareholder. The Shareholder may fill that vacancy by appointing another person as Director in accordance with clause 9.1. If the Shareholder fails to appoint another Director within 7 days of receiving the Board's notice, the Board may appoint a person to be a Director to fill that casual vacancy to ensure the minimum number of Directors is met. Any Director appointed by the Board under this clause may only hold office until the next annual meeting but is eligible for re-appointment at that meeting.
- 9.6 Not more than two members or employees of the Shareholder may hold office as Directors at the same time.
- 9.7 A person will be disqualified from holding the office of Director if he or she:
- (a) is or becomes disqualified from being a Director under any provision of the Act;
  - (b) dies;
  - (c) becomes a protected person under the Protection of Personal and Property Rights Act 1988; or
  - (d) is an undischarged bankrupt.
- 9.8 The Board may not authorise any form of remuneration to be paid to a Director without approval by Special Resolution and unless such payment is made and authorised in accordance with the provisions of the Act.

## **10. Proceedings of the Board**

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- 10.1 The Board may by Ordinary Resolution appoint a Chair and a Deputy Chair of the Board. The Chair and Deputy Chair will hold office until:
- (a) they cease to be a Director of the Company; or
  - (b) they are removed from the office of Chair or Deputy Chair (as applicable) by an Ordinary Resolution.

- 10.2 If the Chair ceases to hold office, the Deputy Chair (if any) will hold office as Chair until such time as a new Chair is appointed by Ordinary Resolution.
- 10.3 In the event that no Chair or Deputy Chair is appointed under clause 10.1, the Board may appoint such of the Directors as it thinks fit to act as Chair and Deputy Chair (as applicable) until such time as new office holders are appointed.
- 10.4 The rules set out in Schedule 2 govern proceedings at meetings of Directors.

### **11. Directors' duties**

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- 11.1 In addition to the duties set out in the Act, the Directors must assist the Company to meet its objectives and any other requirements set out in the Port Companies Act 1988.

### **12. Interested Directors**

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- 12.1 A Director must disclose particulars or any interest in a transaction or proposed transaction of the Company in accordance with section 140 of the Act.
- 12.2 A Director who is interested in a transaction entered into, or to be entered into, by the Company must not do any of the following:
- (a) vote on any matter relating to that transaction;
  - (b) sign a document relating to that transaction on behalf of the Company; or
  - (c) do any other thing in their capacity as a Director in relation to that transaction,
- provided that a Director may vote, sign documents and otherwise do any other thing in their capacity as a Director with regard to any matter relating to the following:
- (d) any payment or other benefit of the kind referred to in section 161 of the Act in respect of that Director in accordance with clause 9.8;
  - (e) the entry into an indemnity or insurance arrangement in respect of that Director in their capacity as a director of the Company in accordance with clause 13.1; or
  - (f) transactions in which a Director is interested solely in their capacity as a director of a Subsidiary of the Company.
- 12.3 No prohibition under this clause 12 will prevent the attendance of a Director at a Board meeting from counting for quorum purposes.

### **13. Indemnity and insurance of Directors and employees**

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- 13.1 The Company may indemnify and effect insurance in accordance with any part or all of section 162 of the Act provided that:
- (a) the Board must ensure that particulars of any indemnity given to, or insurance taken out for, any director, or employee of the Company are immediately entered in the interests register; and
  - (b) the Board may impose any conditions in relation to any indemnity or insurance if the conditions do not contravene the Act.
- 13.2 For the purposes of clause 13.1 "director" includes any former director, "employee" includes any former employee and "Company" includes any related company.

#### **14. Liquidation**

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- 14.1 If the Company is liquidated, the liquidator may, with the approval of the Shareholder and any other approval required by the Act:
- (a) distribute to the Shareholder in kind the whole or any part of the assets of the Company; and
  - (b) vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the persons so entitled as the liquidator thinks fit, but so that the Shareholder is not compelled to accept any shares or other securities on which there is any liability.

#### **15. Methods of Contracting**

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- 15.1 A deed which is to be entered into by the Company may be signed on behalf of the Company by:
- (a) two or more Directors;
  - (b) a Director, and any person authorised by the Board, whose signatures must be witnessed; or
  - (c) one or more attorneys appointed by the Company.
- 15.2 An obligation or contract which is required by law to be in writing, and any other written obligation or contract which is to be entered into by the Company, may be signed on behalf of the Company by a person acting under the express or implied authority of the Company.
- 15.3 Any other obligation or contract may be entered into on behalf of the Company in writing or orally by a person acting under the express or implied authority of the Company.

#### **16. Notices**

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- 16.1 Notices may be served by the Company upon any Director or Shareholder, either by personal delivery, by electronic means or by posting it in a prepaid envelope or package addressed to the recipient at his or her last known address (or, in the case of a company, its registered office).
- 16.2 Notices are deemed served at the following times:
- (a) when given personally, on delivery;
  - (b) when sent by post (other than airmail) or document exchange, 3 business days after (but exclusive of) posting;
  - (c) when sent by email, at the time of transmission (subject to clause 16.4).
- 16.3 Any notice which has been served on a Saturday, Sunday or public holiday is deemed to be served on the first business day after that day.
- 16.4 A notice given by email, is not deemed received unless (if receipt is disputed) the sender produces a printed copy of the email which evidences that the email was sent to the email address of the recipient.

## Schedule 1 – Proceedings at Shareholder meeting

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### 1. Chair

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- 1.1 If the Chair is present at the meeting, he or she must chair the meeting.
- 1.2 If there is no Chair or if the Chair is not present at the meeting within 15 minutes of the start time the Deputy Chair if present at the meeting will chair the meeting.
- 1.3 If there is no Deputy Chair, the Directors present may elect a chair for that meeting, failing which, the Shareholder present may elect a chair for that meeting.

### 2. Notice of meetings

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- 2.1 The Shareholder and every Director and the auditor of the Company must be sent written notice of the time and place of the meeting at least 10 working days before the meeting.
- 2.2 The notice must state:
  - (a) the nature of the business to be discussed at the meeting in sufficient detail to enable the Shareholder to form a reasoned judgment in relation to it; and
  - (b) the text of any special resolution to be put to the meeting.
- 2.3 An irregularity in a notice of a meeting is waived if:
  - (a) the Shareholder attends the meeting without protest as to the irregularity; or
  - (b) if the Shareholder agrees to the waiver.
- 2.4 The accidental omission to give a notice of a meeting to, or the non-receipt of a notice of a meeting by, any person entitled to receive notice does not invalidate the proceedings at that meeting.
- 2.5 If a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given as in the case of an original meeting. It is not otherwise necessary to give any new notice for an adjourned meeting.

### 3. Methods of holding meetings

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- 3.1 A shareholder meeting may be held by a quorum:
  - (a) being assembled together at the place, date and time appointed for the meeting;
  - (b) by means of audio, or audio and visual, or electronic communication; or
  - (c) by a combination of both of the methods described in paragraphs (a) and (b).

### 4. Quorum

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- 4.1 No business may be transacted at a shareholder meeting if a quorum is not present.
- 4.2 A quorum for a shareholder meeting is present if the Shareholder or its proxy:
  - (a) is present; or

(b) have completed postal votes (where permitted).

4.3 If a quorum is not present within the 30 minutes after the start time for the meeting:

(a) if the meeting is called under section 121(b) of the Act, the meeting is dissolved;

(b) for any other meeting, the meeting is adjourned to:

(i) the same day in the following week at the same time and place; or

(ii) to a date, time and place to be fixed by the Directors.

4.4 To avoid doubt, a Shareholder participating in a meeting by means of audio, audio and visual, or electronic communication is present at the meeting and part of the quorum.

## **5. Adjournments**

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5.1 The Chair:

(a) may adjourn the meeting from time to time and from place to place, but no business can be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

(b) must adjourn the meeting as above if directed to do so by the meeting.

## **6. Voting**

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6.1 If a shareholder meeting is held under rule 3.1(b), unless a poll is demanded, voting at the meeting will be by:

(a) voting by voice; or

(b) voting by show of hands.

The Chair will decide which method is used.

6.2 If a shareholder meeting is held under rule 3.1(b), unless a poll is demanded, voting at the meeting will be by the Shareholder signifying its assent or dissent by voice.

6.3 A declaration by the Chair of the meeting that a resolution is carried by the necessary majority is conclusive evidence of that fact unless a poll is demanded.

## **7. Proxies and Postal Votes**

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7.1 The Shareholder has the right to appoint a Council representative as its proxy to attend and vote at shareholder meetings on its behalf. Any Council representative so appointed is entitled to attend and be heard at shareholder meetings and to demand or join in demanding a poll, as if that Council representative was the Shareholder.

7.2 The Shareholder may not cast a postal vote at a Shareholders meeting unless the Board has previously authorised postal votes for that meeting in which case:

(a) the notice of that meeting must state whether postal votes are authorised; and

(b) postal voting must be carried out in accordance with clause 7 of the First Schedule to the Act.

**8. Minutes**

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- 8.1 The Board must ensure that minutes are kept of all proceedings at shareholder meetings.
- 8.2 Minutes which have been signed correct by the Chair of the meeting are prima facie evidence of the proceedings.

**9. Shareholder proposals**

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- 9.1 The Shareholder may give written notice to the Board of a matter the Shareholder proposes to raise for discussion or resolution at the next shareholder meeting. The provisions of clause 9 of the First Schedule of the Act apply to any notice given under this rule 9.1.
- 9.2 The Chair of a shareholder meeting will allow a reasonable opportunity for the Shareholder to question, discuss or comment on the management of the Company.

**10. Other proceedings**

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- 10.1 Except as provided in this Schedule 1, and subject to this Constitution, a shareholder meeting may regulate its own procedure.

## Schedule 2 – Proceedings of the Board

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### 1. Notice of meeting

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- 1.1 A Director or, if requested by a Director to do so, an employee of the Company may convene a meeting of the Board by giving notice in accordance with this clause.
- 1.2 At least 2 days' notice of a meeting of the Board must be given to every Director who is in New Zealand. The notice must include the date, time and place of the meeting and the matters to be discussed.
- 1.3 An irregularity in the notice of the meeting is waived if all Directors attend the meeting without protest as to the irregularity or if all Directors entitled to receive notice of the meeting agree to the waiver.
- 1.4 Notice of a meeting may be given by any means, including by email, telephone, or audio and visual communication. Notice given by a letter addressed to a Director at his or her last known residential address in New Zealand or emailed to his or her last known email address will be deemed to have been given on the next day after the letter is posted or emailed.

### 2. Method of holding meetings

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- 2.1 A meeting of the Board may be held either:
  - (a) by a quorum of Directors gathered together at the place, date and time appointed for the meeting; or
  - (b) by means of audio, or audio and visual communication. The Directors participating must constitute a quorum and must all be able simultaneously hear each other throughout the meeting.

### 3. Quorum

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- 3.1 A quorum for a meeting of the Board is a majority of the Directors.
- 3.2 No business may be transacted at a meeting of Directors if a quorum is not present.

### 4. Voting

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- 4.1 Every Director has one vote.
- 4.2 The Chair does not have a casting vote.
- 4.3 A resolution of the Board is passed if it is agreed to by all Directors present without dissent or if a majority of the votes cast on it are in favour of it.
- 4.4 A Director present at a meeting of the Board is presumed to have agreed to, or have voted in favour of, a resolution of the board unless he or she expressly dissents from or votes against the resolution at the meeting.

### 5. Minutes

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- 5.1 The Board must ensure minutes are kept of all proceedings at meetings of the Board.

**6. Unanimous resolutions**

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- 6.1 A resolution in writing, signed or assented to by all Directors then entitled to receive notice of a Board meeting, is as valid and effective as if it had been passed at a meeting of the Board duly convened and held.
- 6.2 A resolution may consist of several documents (including facsimile or other similar means of communication) in like form each signed or assented to by one or more Directors.
- 6.3 A copy of all resolutions must be entered in the minute book of Board proceedings.

**7. No notice to Directors outside New Zealand**

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- 7.1 It is not necessary to give notice of a meeting of the Board to any Director temporarily absent from New Zealand.

**8. Other proceedings**

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- 8.1 Except as provided in this Schedule 2 and this Constitution, the Board may regulate its own procedure.

#### 8.4. Annual Return of Inactive Subsidiaries 2020

<b>Prepared for:</b>	Finance Committee
<b>Report No.</b>	CS1949
<b>Activity:</b>	Governance Report
<b>Author:</b>	Sarah Munro, Finance Manager - Reporting
<b>Endorsed by:</b>	Nick Donnelly, General Manager Corporate Services
<b>Date:</b>	18 August 2020

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#### PURPOSE

- [1] Due to the significance and profile of the Regional Services Business Unit, the Council, solely for name protection purposes, registered the following companies in April 2006:
- Regional Services Limited;
  - Regional Pest Services Limited;
  - Regional Monitoring Services Limited.
- [2] The companies are inactive, and do not have constitutions. The companies are owned 100% by the Otago Regional Council, with a share issue of 100 shares in each company. We consider it important to retain these companies, as this will ensure that the names cannot be used by any other party. The use of these names would suggest a linkage to the Otago Regional Council.
- [3] Section 214 of the Companies Act 1993 requires that an Annual Return be completed for each of the above companies each year by 30 September. The Annual Return includes providing information on shareholding, auditors and Annual General Meetings.

#### EXECUTIVE SUMMARY

- [4] Under the Companies Act each company is to have either an Annual General Meeting, or under Section 122 of the Companies Act the shareholders may pass a special resolution that it shall not be necessary for a company to hold an annual general meeting if everything required to be done at that meeting is done by resolution.
- [5] At an Annual General Meeting, the company must decide whether or not to appoint an auditor. A company need not appoint an auditor if a unanimous resolution is passed by all the shareholders.
- [6] Given that the companies are inactive, it is recommended that Council pass two resolutions for each of the companies, the first to not hold an Annual General Meeting, and the second to not appoint an auditor.

## **RECOMMENDATION**

- 1) *That it shall not be necessary for Regional Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.*
- 2) *That no auditors be appointed for Regional Services Limited under section 196 (2) of the Companies Act 1993.*
- 3) *That it shall not be necessary for Regional Pest Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.*
- 4) *That no auditors be appointed for Regional Pest Services Limited under section 196 (2) of the Companies Act 1993.*
- 5) *That it shall not be necessary for Regional Monitoring Services Limited to hold an Annual General Meeting under section 120 of the Companies Act 1993.*
- 6) *That no auditors be appointed for Regional Monitoring Services Limited under section 196 (2) of the Companies Act 1993.*

## **CONSIDERATIONS**

### **Policy Considerations**

[7] There are no policy considerations.

### **Financial Considerations**

[8] There are no financial considerations.

### **Significance and Engagement**

[9] There are no significance and engagement considerations.

### **Legislative Considerations**

[10] There are no legislative considerations.

### **Risk Considerations**

[11] There are no risk considerations.

## **NEXT STEPS**

[12] Finance staff will file the Annual Return for these companies by 30 September 2020.

## **ATTACHMENTS**

Nil

### 9.1. Activity Review 2019-20, 1 July 2019 to 30 June 2020 (Q4/Annual Report)

<b>Prepared for:</b>	Finance Committee
<b>Report No.</b>	GOV1939
<b>Activity:</b>	Governance Report
<b>Author:</b>	Jasmin Lamorie, Corporate Planning Business Partner, Mike Roesler, Corporate Planning Manager
<b>Endorsed by:</b>	Nick Donnelly, General Manager Corporate Services
<b>Date:</b>	11 August 2020

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#### PURPOSE

- [1] To report on operational performance by significant activity for the period ended 30 June 2020.

#### RECOMMENDATION

*That the Finance Committee:*

- 1) **Receives** the attached draft Activity Performance section of the Annual Report for the period 1 July 2019 to 30 June 2020.

#### BACKGROUND

- [2] Council Activity Performance progress has been reported to the Finance Committee on a quarterly basis being:
- Quarter 1, September 2019 reported to the 27 November 2019 Finance Committee meeting.
  - Quarter 2, December 2019 to the 14 February 2020 meeting.
  - Quarter 3, March 2020 to the 3 June 2020 meeting.
- [3] This Quarter 4 report is extracted from work completed to date on the Council's draft Annual Report 2019-20. The Activity Performance section of the draft Annual Report is completed to satisfy Council's statutory reporting requirements. It includes non-financial performance information relating to service delivery for the full 2019-20 financial year. The draft financial information is reported separately to this committee meeting.
- [4] A completed Annual Report will be presented to the Audit and Risk Subcommittee to review on 23 September 2020 and then to Council for adoption on 30 September 2020.

#### PERFORMANCE AGAINST LEVELS OF SERVICE

- [5] The 2019-20 Annual Plan contains 25 Levels of Service, 49 measures and 60 targets. All targets related to activity to be delivered in the 2019-20 year.
- [6] Results on targets for the year are:
- 27 - Achieved
  - 21 - In progress or partially achieved
  - 11 - Not achieved
  - 1 - Start time deferred to a later date

- [7] Of the 21 targets which have been partially achieved factors which have impacted on results include:
- Four Transport measures which have been impacted by COVID-19 alert level restrictions.
  - Five Engineering measures where delivery has been impacted by multiple influences: flood events, staff structure/resource and COVID-19 alert level restrictions.
  - Two measures where service delivery was high, at 99.7% and 98.5%, however results were below the target of 100% completion within timeframes.
  - Four measures where work has largely been completed but there has been delays and reports were not presented to council by 30 June 2020.
- [8] Of the 11 targets which have not been achieved factors which have impacted on results include:
- One Engineering measure where delivery has been impacted by flood events, staff structure/resource and COVID-19 alert level restrictions.
  - Two Regulatory measures where there is a lack of systems to track response times however staff remain confident that target timeframes have been met.
  - One Regulatory measure where the wording of the measure does not accurately reflect the scope of the work.
- [9] There was one deferred target where the COVID-19 alert level restrictions delayed the completion of a face-to-face transport survey.
- [10] The COVID-19 emergency was activated at the end of Q3. Although productivity across ORC was maintained during all COVID-19 alert levels, some management areas have reported a negative impact on delivery. This relates particularly to those areas where a significant proportion of work takes place in the field.

## **CONSIDERATIONS**

### **Policy Considerations**

- [11] No considerations.

### **Financial Considerations**

- [12] No considerations.

### **Significance and Engagement**

- [13] No considerations.

### **Legislative Considerations**

- [14] No considerations.

### **Risk Considerations**

- [15] No considerations

**ATTACHMENTS**

1. Draft Activity Section 2019-20 Annual Report Finance Committee [**9.1.1** - 44 pages]
2. Level of Service Measure Quarterly Results\_ 2019-20 [**9.1.2** - 7 pages]

# **Annual Report**

For the Period

**1 July 2019 to 30 June 2020**

Section Two: Our Activities in Depth

## Overview of Our Activities

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

### Environmental

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

- Fresh Water Implementation\*
- Biodiversity and Biosecurity\*
- Air
- State of the Environment Reporting

### Regional Leadership

*Supporting informed decision making and an engaged community*

- Regional Planning and Urban Development\*
- Governance and Community Engagement

### Regulatory

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

- Consenting, monitoring, investigations and enforcement

### Flood and River Management

*Professional services, action and infrastructure to protect our rivers and waterways*

- Flood and Drainage Schemes
- Rivers and Waterway Management

### Safety and Hazards

*Professional services, planning and action to protect our communities and environment from natural hazard risks*

- Natural Hazards and Climate Change Adaptation\*
- Emergency Management

### Transport

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

- Transport Planning and Public Passenger Transport

*\*key priority areas for 2019-2020.*

### Statement of Service Provision

This section reports on the Council’s performance against service measures adopted in the Long-Term Plan 2018-28 and updated in the Annual Plan 2019-2020. Performance is reported under groups of significant activity. Funding impact statements that identify the costs and funding associated with each significant activity are in section three of this Annual Report.

### Community Outcomes

Community Outcomes describe what is valued as important for a good quality life in Otago. The delivery of the Council’s Significant Activities contributes to the following community outcomes:

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

### Key for Significant Activities Achievement:

The following table provides a key for understanding the reporting of performance against the Significant Activities.

	<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>

## Environmental

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

### ● Freshwater

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

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

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

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

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

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

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

There is one activity that make up our significant activity Freshwater:

- Freshwater Implementation

#### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service Statement: Water quality across Otago is maintained and improved		
Measure	Target	Result
Assessments are carried out and reported annually to determine freshwater quality continues to meet RPW limits, and where previously not meeting limits is improving.	Report annually where water quality continues to meet limits; and where previously not meeting the limits is improving.	<span style="color: green; font-size: 2em;">●</span>
<b>Comments on target:</b> This programme runs annually from July to June. Water quality and flow information was collected for the July 2019-June 2020 period and is currently being collated and quality checked. A report of results will be available online from August 2020. Changes in trends are analysed once every five years and are not scheduled in the 2019/20 year.		
Measure	Target	Result
Increase the number of catchments included in catchment monitoring programmes by five catchments every two years.	Five catchments every two years.	<span style="color: orange; font-size: 2em;">●</span>
<b>Comments on target:</b> Catchment programmes include Matukituki, Glendhu Bay, Luggate Creek and Urban Wanaka areas in 2019/20. Water quality monitoring is on track – the operational programme is designed to increase the		

<p>number of catchments monitored by two every five years. The target is only partially met as wording is incorrect and will be recast for 2020/21 as it does not reflect the planned programme.</p>		
Measure	Target	Result
<p>Implement research and studies to advance the freshwater programme including prioritisation across freshwater management units and report progress by 30 June 2020.</p>	<p>Progress is reported to Council.</p>	
<p><b>Comments on target:</b>                  Manuherehia, Arrow and Cardrona (MAC) catchments have been progressed and updates regularly given to Council throughout the year. The science team is currently working with NIWA and the Cawthron Institute to put in place an approach for the larger FMU work stream. We anticipate reporting to Council on this programme in August 2020.</p>		
Measure	Target	Result
<p>Develop and implement good management practice through regulatory and non-regulatory approaches to improve water quality.</p>	<p>Development initiatives and implementation progress are reported to Council including:</p> <ul style="list-style-type: none"> <li>· Rural liaison &amp; engagement</li> <li>· Inspections &amp; compliance monitoring</li> <li>· Enforcement</li> <li>· Plan review and change</li> </ul>	
<p><b>Comments on target:</b>                  A range of regulatory and non-regulatory approaches to good management practice have been undertaken in the past year. The Council actively supported individuals and community groups to improve water quality. Support encompassed water quality monitoring, technical advice, interpreting water quality results, advice on adaptive management practices, as well as direct funding to enable groups to be sustainable. Recognising the importance 'ground up' initiatives have for improving water quality, the Council established a Catchment Support Advisory Group to develop an overarching framework and to identify future options to support such initiatives. The Council has also funded a project to reinstate a wetland area in a tributary of the Waipahi River to reduce nutrients in the stream and improve biodiversity in the area.</p> <p>The Council regularly partnered with industry groups and technical experts over the past year to share good management practice, including providing information on good winter grazing practice to protect waterways.</p> <p>Freshwater management has been aided by the establishment of a formal Good Water programme structure, providing strategic governance and operational oversight across Council's regulatory and non-regulatory functions. Operational implementation plans have been created in response to proposed Council plan changes and to ensure responsiveness to government direction and policy (e.g. Action for Healthy Waterways).</p> <p>A Memorandum of Understanding has recently been signed with the University of Otago to facilitate joint, evidence-based approaches to addressing environmental issues such as water quality degradation.</p> <p>A report was prepared for Council but due to COVID-19 the presentation was delayed and the report was circulated to councillors in May 2020.</p>		

### TELLING THE PERFORMANCE STORY

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

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

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

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

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

### COMMUNITY OUTCOMES

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

### IMPACT OF RESULTS ON COMMUNITY OUTCOMES

These outcomes are generally achieved over the long-term and the results reflect short-term resourcing and capacity issues that will be addressed without impact on long-term outcomes. New accountability structures have been established to ensure outcomes are achieved. There is considerable change occurring at the local and national policy level, which will influence Council's direction with respect to the continuing focus on improving water quality outcomes.

 **Biodiversity and Biosecurity**

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

Our Pest Management Plan sets out directions for managing pests in collaboration with our communities. Our work to support Otago’s biosecurity and biodiversity includes looking after water and controlling wilding pines, rabbits, and wallabies.

Our ECO fund supports key biodiversity projects in the community, as we encourage and empower communities to take local action.

There are five activities that make up our significant activity Biosecurity & Biodiversity:

- Biodiversity Strategy Implementation
- Pest Management Plan Compliance
- Biocontrol of pests
- Environmental Enhancement
- Wilding Pines

**PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS**

Service Statement: Collaborate with the regional community to potentially invest and fund environmental enhancement projects that deliver good environmental and social outcomes.		
Measure	Target	Result
The ECO Fund is administered to support community-led projects across Otago that protect and enhance the environment.	Report to Council on the allocation of the fund, status of fund recipients and on project outcomes.	
<p><b>Comments on target:</b>                      A funding pool of \$250,000 is split across two annual rounds. Applications remain steady and the total funds requested exceeded funds available. The allocation of the fund, status of fund recipients and project outcomes were reported to Council in June 2020. Summaries of 11 projects completed in the last year were included in the report. The ECO Fund recipients reported on the environmental benefits of their project, the number of volunteers involved, and accounted for how funds were spent. The 11 projects received funding in either the current or the previous financial year. Each project is given a reporting timeframe depending on the length of the project.</p> <p><u>Funding allocation:</u> The October 2019 funding round attracted 23 applications, totalling \$360,342. Eleven projects were supported totalling \$117,425.68. This was short of the \$125,000 allocated for this funding round and the balance was carried over to the March 2020 round. ORC received 24 applications in the March 2020 funding round and the total funding requested was \$323,312.63. Fourteen applicants were approved totalling \$132,573.78.</p> <p>The majority of projects fall into either water or biodiversity/biosecurity, with a roughly 50/50 split between these areas. COVID-19 has delayed the start of some projects and we will stay in touch with successful recipients to monitor their progress.</p>		

Service Statement: Implement the Biodiversity Action Plan		
Measure	Target	Result
Projects identified in the Biodiversity Action Plan (BAP) are being advanced and progress reported to Council.	Progress against the BAP is reported to Council.	
<p><b>Comment on target:</b> The target has not been fully met as progress has not been reported to Council. This will take place in September 2020; however, progress against the measure has been achieved.</p> <p>Biodiversity mapping and prioritisation of sites for active management is nearly completed. This has been held up by the availability of external expertise. Further mapping work may be required once the National Policy Statement for Indigenous Biodiversity has been finalised. The Biodiversity Otago Iwi and Interagency Hui has been actively discussing research priorities, data requirements and potential platforms to collate and share information and projects. A proposal to build on existing predator and weed control initiatives to develop and implement landscape scale programmes was finalised, with implementation anticipated in 2021/2022.</p> <p>The Council has also undertaken work to understand the structure needed to implement its Biodiversity and Biosecurity strategy and action plans, and its response to the National Policy Statement for Indigenous Biodiversity. This work will be reported back to Council in September 2020.</p> <p>A dedicated biodiversity role was not in place for the 2019/2020 year, but work implementing the Biodiversity Action Plan progressed with existing staff. Staff have continued to participate in regional and national level engagement to improve collaboration and coordinate effort. A Biodiversity Partnership Lead position has now been created and recruitment is underway.</p>		

Service Statement: Establish controls over animal and plant pests to maintain and enhance biodiversity, protect productive capacity and community health		
Measure	Target	Result
The Regional Pest Management Plan is implemented.	Complete the Regional Pest Operational Plan.	
<p><b>Comments on target:</b> The Regional Pest Operational Plan was completed and approved by Council on 22 April 2020.</p> <p>In accordance with the Biosecurity Act 1993, the Council's Otago Pest Management Plan 2019-2029 (RPMP) was adopted in November 2019. The RPMP details the plants and animals that are declared pests in the Otago region, explains why they are pests, and outlines how each pest will be managed over a 10-year period.</p> <p>A RPMP Operational Plan is required by law to detail the nature and scope of activities the Council intends to undertake in the annual implementation of the RPMP. The Plan details the range of pest implementation activities that Council will carry out in two categories – pest plants and pest animals, and the five management programmes used to manage pests in Otago.</p>		
Measure	Target	Result
Reducing trend in the pest plant and animal species across the Otago region.	Report to Council on plant and animal pest trends.	
<p><b>Comments on target:</b> The measure is not able to be monitored as baseline data on the number of pest plants and animal species in the region does not exist, so it is not possible to report on trends. Staff have undertaken over 6,000 pest plant inspections in the 2019/2020 financial year. A total of 30 wallabies were sighted in 2019/2020 compared with 27 in the previous year. The Council actively encourages sightings to be reported to inform inspections and control work. This indicator will be replaced in the next financial year by one which is able to be measured and better reflects the outcomes we are seeking.</p>		

Measure	Target	Result
The level of compliance is managed to the provisions of the Regional Pest Management Plan.	All properties with reported non-compliance of rabbit numbers over MAL3 are contacted regarding the requirement to respond in accordance with the Regional Pest Management Plan.	
	All reported non-compliance for pest plants will be followed up to ensure works to control pest plants have been carried out.	
	All complaints about boundary control of pest plants and pest animals will be responded to within 10 working days, and where necessary control works will be required to be carried out.	
<p><b>Comments on target:</b></p> <p><b>Target 1:</b> A total of 103 rabbit complaints were received for the year ended 30 June 2020, with 71 of these being investigated further.</p> <p><b>Target 2:</b> A total of 272 pest plant complaints were received for the year ended 30 June 2020, with 220 of these complaints were contacted by staff to determine compliance requirements. Following the adoption of the Regional Pest Management Plan in April 2020, new standard compliance procedures have been developed for non-compliance pest plants.</p> <p><b>Target 3:</b> For the year ended June 2020, a total of 48 complaints related to control within boundary areas and 28 were responded to within 10 working days. Where non-compliance has been sighted, property owners have been requested to undertake control work.</p>		
Measure	Target	Result
The Council supports government agencies conducting Lagarosiphon control in Lakes Dunstan and Wanaka.	Agreed funding support to external partners for Lagarosiphon control in Lakes Dunstan, Wanaka and Wakatipu is provided.	
	Key planning information is disclosed in a timely way.	
<p><b>Comments on target:</b></p> <p><b>Target 1:</b> A total of \$40,000 was provided to support Lagarosiphon control in Lakes Dunstan and Wanaka (\$25,000 for Lake Dunstan, \$15,000 for Lake Wanaka). The funding was provided to undertake weed and pest control programmes in each of these water bodies.</p> <p><b>Target 2:</b> Information from Land Information New Zealand (LINZ) which manages control in these two lakes is shared regularly with the Otago Regional Council via six-monthly planning and delivery meetings. Over the past year, LINZ has increased surveillance and hand weeding of lake weed and improved the monitoring and evaluation of control activities such as hessian matting and herbicide spraying.</p>		
Measure	Target	Result
Collaborate with community groups and pest companies to carry out control activities to eradicate Wallaby in Otago.	Reported wallaby sightings investigated and responded to within three working days.	
<p><b>Comments on target:</b></p> <p>All reported wallaby sightings have been followed up by staff within three days. Staff liaise with community groups and pest companies such as the Maniototo Pest Management (MPM) which has undertaken inspections on our behalf, assisted with poison operations and directly eliminated wallabies in the area. A project is well underway to 'train' and install artificial intelligence thermal cameras to detect wallabies and track movement at Aviemore Dam.</p>		

## TELLING THE PERFORMANCE STORY

### Environmental Enhancement:

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

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

### Pest Management Plan Compliance

The RPMP details the regulatory and non-regulatory mechanisms that the Council will utilise for effective biosecurity leadership in Otago over the next 10 years. It contains pest control programmes, and objectives and rules to manage pests that cause harm to the wellbeing of Otago's people, economy and environment. The adoption of a new RPMP this year signals the potential for a broader operating scope with reviewed priorities and improved compliance measures from 2020/2021.

Following the adoption of the Regional Pest Management Plan in April 2020, new standard compliance procedures have been developed to address non-compliance of rabbit numbers over MAL3. Rabbit inspections were halted by COVID 19, so no occurrences of non-compliance have been reported since March. A comprehensive rabbit inspection programme has been developed for the 2020/2021 year.

### Biocontrol of Pests

Work programmes included:

- Some Rabbit Haemorrhagic Disease Virus (RHD) sampling has been completed
- Gall mite harvesting and releases have been made at 45 sites
- ORC is assisting Manaaki Whenua - Landcare Research with the collection of information at biocontrol release sites for nodding thistle and ragwort that were set up 25-30 years ago to gauge the establishment and impact of the biocontrol agents.

COVID -19 restrictions impacted on ORC's ability to deliver work scheduled for autumn.

## COMMUNITY OUTCOMES

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

## IMPACT OF RESULTS ON COMMUNITY OUTCOMES

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

 Air

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

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

Our monitoring shows that Otago towns have been making progress in improving air quality over recent years, as older, inefficient wood burners are replaced, and the use of coal for heating decreases.

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

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

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

- Air Strategy Implementation

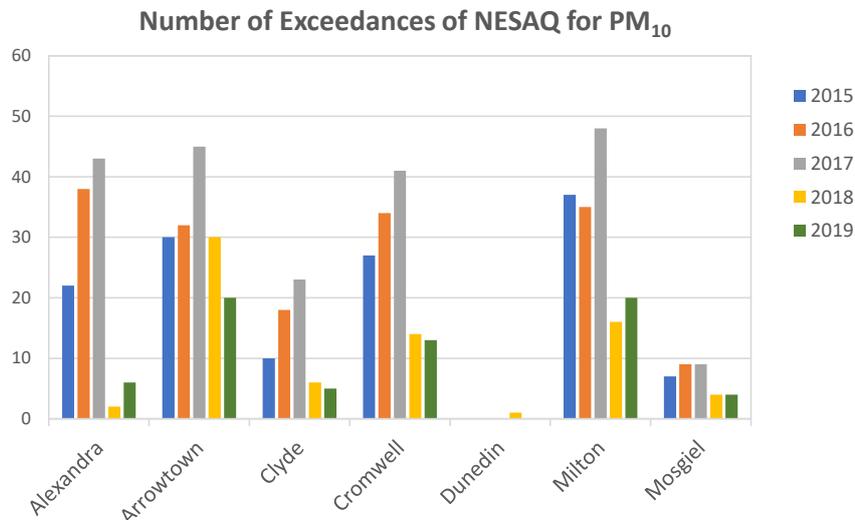
**PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS**

Service Statement: In targeted towns we work to reduce PM10 emissions for ambient air quality		
Measure	Target	Result
Monitor air quality to assess compliance with the National Environmental Standard requirement of no more than one daily average reading of PM10 per annum to be higher than 50 micrograms per cubic metre.	Assessment completed.	
<p><b>Comments on target:</b>                      Assessments were completed. There are four continuous monitoring sites, and three winter-only sites. The monitoring network is expanding to include a new site in Wanaka, and older instruments are being replaced with newer ones to monitor pollutant, PM2.5. The following graph shows the air quality monitoring results for PM10 measured against the NESAQ requirement of no more than one exceedance per year. An exceedance occurs where the daily average concentration is greater than 50 micrograms per cubic metre. The monitoring results for 2019 show that Arrowtown, Cromwell and Milton breached this standard, however a greater number of exceedances were reported in 2017 for these towns. The total number of exceedances in 2019 was 68.</p>		
Measure	Target	Result
Administer the Clean Heat Clean Air fund for Air Zone 1 and Milton	Achieved	
<p><b>Comments on target:</b>                      Council has fully allocated the \$120,000 committed in the current financial year to the Clean Heat Clean Air subsidies. A total of 58 subsidies have been approved to ratepayers for installation of clean heat appliances. Of these, 29 have been installed and the remainder will be installed over the next year. The total includes seven subsidies under the previous scheme which have also been paid out this current financial year.  <u>Locations:</u> Alexandra: 12, Arrowtown: 33, Cromwell: 7, Milton: 6  <u>Types of appliance:</u> Gas fire: 2, Heat pump: 3, Pellet fire: 2, Wood burner: 51                      The higher uptake, especially in Arrowtown where 33 subsidies were approved, is attributed to multiple campaigns and community activities promoting responsible burning and the Clean Heat Clean Air subsidy.</p>		

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

Measure	Target	Result
Implement investigation and research programme to achieve goals under the Air Strategy including trialling options for low emission technologies.	Progress is reported to Council.	●
<b>Comments on target:</b> Science and Communications teams conducted a pilot programme in Arrowtown for Air Strategy implementation during winter 2019. This work contributed to the majority of CHCA subsidy uptake occurring in Arrowtown, and has led to the development of future work plans for compliance and enforcement of the Air Plan. The communication and monitoring methods used are able to be used in other Air Zone 1 towns in Otago. Progress was reported to council on 8 July 2020 for the Arrowtown Air Quality Implementation work. A trial of options for low emissions technologies will begin later in 2020.		

**SUPPORTING INFORMATION**



**TELLING THE PERFORMANCE STORY**

Our Science and Communications teams implemented a pilot study in Arrowtown targeting better air quality outcomes through education and compliance. Science and the environmental monitoring teams are working towards upgrading the monitoring network to include PM<sub>2.5</sub> for the upcoming National Environmental Standards for Air Quality (NESAQ). ORC is working with other agencies to revise and develop an implementation programme that will improve adoption and generate greater impact across the region.

**COMMUNITY OUTCOMES**

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

**IMPACT OF RESULTS ON COMMUNITY OUTCOMES**

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

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

## State of the Environment Reporting

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

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

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

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

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

- Ambient Air Quality Monitoring
- Water Quality and Quantity Monitoring
- EMaR

### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service Statement: Provide high quality and timely environmental information, indicators and advice to key decision makers and the community		
Measure	Target	Result
Changes and trend in natural resource availability and quality are analysed and reported to the Council as per the schedule entitled "Monitoring Schedule for 2018-28 Long-Term Plan".	Information available for the Annual Report 2018/19.	
<b>Comments on target:</b> The Monitoring Schedule for the 2018-28 Long-Term Plan sets out reporting timeframes for State of the Environment monitoring of Air, Coast and Inland Water across various indicators. The results of annual monitoring are reported online via LAWA and are publicly available. The majority of indicators were monitored as per the schedule for 2019-20. However, the five-yearly lake weed monitoring programme was only partially completed in February and the Coastal Estuarine Trophic index (ETI) annual reporting was not completed.		
Measure	Target	Result
External audit shows good quality control of data collections and analysis as per the schedule entitled "Monitoring Schedule for 2018-28 Long-Term Plan".	External Audit completed by 30 June 2020.	
<b>Comments on target:</b> An external audit of the quality control and alignment to best practice was completed by NIWA on 7 November 2019. This is an annual audit requirement of the Environmental Teams ISO:9001:2016 Quality Management system. The result of the audit showed a high standard of practice both in the field and in office work. Some minor conditions relating to documentation and business manuals have since been addressed. <ul style="list-style-type: none"> <li>● 92% of data from sites in the SOE network have data quality that is fair or better.</li> <li>● 99% of all data was captured to archive.</li> </ul>		

## TELLING THE PERFORMANCE STORY

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

### **Ambient Air Quality Monitoring**

Four monitoring stations continually measured the level of particulate matter less than 10 microns in the air throughout the year. An additional three stations operated over the winter months. The data are displayed on the ORC and LAWA websites and reported through news media during the winter months.

### **Water Quality and Quantity Monitoring**

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

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

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

### **Water Monitoring - Coastal Science**

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

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

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

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

The EMaR work programme for 2019/2020 has been successfully completed for this year. Highlights include:

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

EMaR continues to deliver a key role strategically in the delivery of the Regional Sector's science, data and information programme through the LAWA platform, the National Environmental Monitoring Standards (NEMS) project (best practise data collection standards) and the Environmental Data Management System project (consistent approach to data management). It is closely aligned with the Ministry for the Environment's efforts to address the Parliamentary Commissioner for the Environment's recommendations on improving New Zealand's environmental reporting system.

Information about the EMaR work programme is available on the LAWA platform: [www.lawa.org.nz](http://www.lawa.org.nz)

#### **COMMUNITY OUTCOMES**

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

#### **IMPACT OF RESULTS ON COMMUNITY OUTCOMES**

Results of monitoring are published on the LAWA and ORC websites to inform the public and communities of the condition of water bodies and airsheds, the risk of flooding and whether water can be abstracted.

## **Regional Leadership**

*Supporting informed decision making and an engaged community*

### Governance and Community Engagement

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

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

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

- Governance and Democracy
- Stakeholder Engagement
- Response to External Proposals
- Financial Contributions

#### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service statement: Governance support and process that enables a robust and transparent democratic practice for Council's elected members and the community		
Measure	Target	Result
Percentage of official information requests responded to within statutory timeframes	100%	
<b>Comment on target:</b> There were 138 official information requests received and 136 were fulfilled within statutory timeframes; 98.5% compliant. Timeliness of responses is reliant on multiple departments of Council.		
Measure	Target	Result
Percentage of council agendas that are publicly available two working days or more before a meeting.	100%	
<b>Comment on target:</b> Agendas are routinely put on the ORC "Meetings and Agendas" webpage, ordered by most recent meeting dates, two working days in advance of meetings. Printed agendas are also available for inspection on request at ORC public offices, and on the day of meetings at the meeting venue.		
Measure	Target	Result
Conduct meetings in accordance with Standing Orders and the Local Government Official Information and Meetings Act 1987.	All meetings	
<b>Comment on target:</b> This financial year was split across two trienniums. For July–September (2016-2019 triennium) three Council meetings and two rounds of committee meetings were held. For October-June (2019-2022 triennium) 16 Council meetings and three rounds of committee meetings were held. COVID-19 required a rapid shift to holding meetings via videoconference in April enabled by a change in the LGA 2002. Zoom was successfully used, and enabled meetings to be livestreamed to the ORC YouTube link which resulted in little disruption to the governance work programme and increased our community participation.		

Service Statement: Council has clearly articulated policy, purpose and activity to encourage participation in decision-making by the community		
Measure	Targets	Result
Council's Long-Term Plan, Annual Plans and Annual Reports are fit for purpose and accessible.	All Local Government Act statutory planning requirements and financial reporting standards are met.	●
	Unmodified independent audit report for the Long-Term Plan and Annual Report.	●
<b>Comment on target:</b> We met all of our statutory planning requirements and financial reporting standards for the year. The Annual Report 2018/19 was adopted with unmodified audit opinion. Although there were no significant proposals to progress, we consulted on our annual plan. Our consultation covered the government review of ORC's consenting function and water planning, and a proposed trial of the Wakatipu water ferry service. This year we have reported progress quarterly to Council, using an improved format.		

## TELLING THE PERFORMANCE STORY

### Communication and Engagement:

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

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

### Financial Contributions:

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

### External Proposals:

- Response to national proposals on Urban Development, Highly Productive Land, Freshwater and RMA changes
- Submissions on the Marine Protected Areas Bill, the revised NES for Air Quality
- Appeals across the QLDC and DCC District Plan Reviews and response to resource consent applications

**Governance and Democracy:**

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

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

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

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

**Otago Mayoral Forum:**

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

**COMMUNITY OUTCOMES**

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

**IMPACT OF RESULTS ON COMMUNITY OUTCOMES**

Although the 98.5% result is below the target for responding to official information requests it still reflects a high level of responsiveness to the community. On the whole our results in this area show that our service delivery is efficient, customer driven and promotes an engaged and connected community.

## Regional Planning and Strategy

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

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

Looking after our region's natural and physical resources includes managing urban development. Urban development is an important emerging issue for Otago, as the number of people choosing to live in Queenstown and Central Otago continues to grow.

The need to balance urban growth requirements with the need to maintain enough highly productive land for primary production is an important consideration. Development needs to include managing effects on water quality, and consider natural hazards and the potential impacts of climate change.

Our goal is to collaborate more with Otago's territorial authorities to provide region-wide direction on urban development.

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

- Planning – Fresh Water
- Planning – Air, Water, Coast, Regional Policy Statement
- Urban Development Strategy

### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service Statement: Establish and maintain a robust, integrated and consistent environmental planning framework		
Measure	Target	Result
Deliver against the Council's adopted 'Progressive Implementation Programme' (PIP) that outlines the staged implementation of actions to implement the National Policy Statement Freshwater Management.	Report progress against the PIP as published on Council's website.	
<p><b>Comment on target:</b>                      The PIP has been incorporated and superseded by the work programme agreed with the Minister for the Environment. Part of the agreement with the Minister includes reporting every six months. The first report back to the Minister was to Council on 22 April and then to the Minister.</p> <p>The work in the Manuhereki, Arrow and Cardrona (MAC) catchments has continued as the first priority from the PIP. A framework for the full Water Plan Review has been developed.</p> <p>Other plan changes and reviews were progressed during 2019-20:</p> <ul style="list-style-type: none"> <li>● Regional Plan: Waste - review commenced</li> <li>● Regional Plan: Water - review commenced</li> <li>● PC6AA is now operative</li> <li>● Plan Change 7 was notified by ORC in March and re-notified by the EPA on 6 July 2020</li> <li>● Plan Change 8 to the Water Plan was notified by the EPA on 6 July 2020</li> <li>● Plan Change 1 to the Waste Plan was notified by the EPA on 6 July 2020</li> <li>● The framework for the Land and Water Regional Plan is developed</li> <li>● Appeals to the Lindis Plan Change are progressing</li> </ul>		

Service Statement: Develop with our key partners an Urban Development Strategy		
Measure	Target	Result
Provide region-wide direction on urban development in conjunction with the Territorial Local Authorities.	Report development to Council on the preparation of an urban development strategy.	
<p><b>Comment on target:</b>            The Urban Development Strategy has not been progressed because both Queenstown Lakes District Council and Dunedin City Council are sufficiently advanced in their own urban development programmes. The Urban Development team did not start with ORC until late November 2019 and from then, work focused on supporting the Territorial Authorities through their urban work programmes, as well as providing expert input into significant urban plan changes in Central Otago District.            Some of the resources were reallocated to advance parts of the RPS review, namely in relation to Highly Productive Land, which is the companion National Policy Statement to the NPS UDC, and Heritage provisions            The ORC will be reviewing urban development goals and revising a work programme to prevent duplication of work already underway by Territorial Authorities.</p>		

## TELLING THE PERFORMANCE STORY

### Regional Plan: Water

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

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

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

### Regional Plans: Air, Waste, Coast and the Regional Policy Statement

The Regional Policy Statement (RPS) review was the focus for this work group. The review of the RPS is both unbudgeted and unplanned but aligns with the Minister for the Environment's recommendations which were adopted by Council in November 2019. Specialist reference groups were established in June and five sessions across a range of topics were held in the last week of June, with the remaining topics scheduled for reference group sessions planned for mid-July 2020.

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

No work was specifically proposed for 2019-2020 on the Regional Coastal Plan or the Regional Plan: Air.

### **Urban Development Strategy**

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

### **COMMUNITY OUTCOMES**

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

### **IMPACT OF RESULTS ON COMMUNITY OUTCOMES**

Although an Urban Development Strategy was not progressed, the focus of the urban work stream on establishing relationships with Territorial Authorities has helped us to achieve an engaged and proud community and aims to contribute to a future-proofed region.

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

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

## Regulatory

*Professional service and action supporting the sustainable management of Otago’s natural resource*

### Consenting, Monitoring, Investigations and Enforcement

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

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

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

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

- Consent Processing
- Compliance Monitoring
- Response, Investigation and Enforcement
- Contaminated Sites
- Harbours and Waterway Management

#### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service statement: Deliver consenting processes efficiently and effectively under the Resource Management Act 1991 to enable the lawful use of natural and physical resources		
Measure	Target	Result
Percentage of resource consent applications processed within Resource Management Act 1991 legislative timeframes.	100%	
<p><b>Comment on target:</b>                      We were 99.7% compliant with our 100% target for applications to be processed within timeframes. Only one consent application out of the total of 317 processed wasn’t issued within the required timeframe. This was due to workload issues. A timeframe extension could not be secured from the applicant and there were no special circumstances that warranted extending the timeframe without their permission. The 100% target is aspirational as there are many factors at play in the consent process that can affect timeframes.</p> <p>An average of 38 applications for resource consents were received per month with slightly lower numbers received in April due to COVID-19 impacts. There was a total of 265 applications in progress as at the end of June. This is an increase from 232 in the system in July 2019 and reflects the process of replacing deemed and water permits that expire in 2021. It is anticipated that workloads will increase in the 20/21 period due to changes at the national and regional level introducing more consent requirements. This increased workload could affect overall timeframe compliance in the upcoming period.</p>		

Service statement: Administering and assessing performance monitoring data provided by consent holders		
Measure	Target	Result
Percentage of performance returns received that will be assessed for compliance with consent conditions.	100%	
<p><b>Comment on target:</b>                      During the financial year the council received 4,805 performance monitoring returns. The total number of performance monitoring returns graded for compliance was 5,012. However, as the Council only achieved a result of 84% against this measure in the previous financial year a backlog of work was carried over. Of the returns assessed this year, 3,229 were received this financial year with the remainder received before 1 July 2019, meaning the result for this measure is 67%. The backlog of work was compounded by staff turnover which affected productivity in the first half of the financial year.</p>		

Service statement: Acting on non-compliances identified through consent audit or performance monitoring returns		
Measure	Target	Result
Percentage of non-compliances found that have been followed up with enforcement action.	100%	
<p><b>Comment on target:</b>                      There were 3,017 non-compliances identified through performance monitoring and audits. Of those 2,371 were low risk, 560 were moderate and 140 were categorised as a significant. Enforcement action is not always appropriate, therefore the target is not correct and will be revised in the 2020/2021 Annual Plan. In all cases, consent holders were notified of their breach and the action they needed to take to correct it. There have been 50 separate enforcement actions recorded this year.</p>		

Service Statements: Investigations and response to notifications of non-compliance and incidents		
Measure	Target	Result
Maintain 24-hour/7 day a week response* for environmental incidents.	100%	
<p><b>Comment on target:</b>                      The Pollution Hotline was staffed 24/7 and online pollution reporting was available and checked during business hours. This response continued throughout the COVID-19 restrictions.                      The categories and numbers of calls to the pollution hotline were:</p> <ul style="list-style-type: none"> <li>• Water Pollution - 370</li> <li>• Outdoor Burning - 278</li> <li>• Odour - 244</li> <li>• Domestic Chimneys - 112</li> </ul>		
Measure	Target	Result
Average time taken to respond to oil spills no more than 1.5 hours.	Achieved	
<p><b>Comment on target:</b>                      There is still no change to the systems which would allow us to report on this, however staff remain confident that any response to oil spills will be undertaken within 1.5 hours of reporting.</p>		
Measure	Targets	Result
Facilitate/carry out appropriate response training for staff and contractors.	Hold at least one pollution incident response training exercise for each of the following: <ul style="list-style-type: none"> <li>· desktop exercise</li> <li>· a field exercise for pollution incident response</li> <li>· an equipment training day.</li> </ul>	

	Hold at least one marine oil spill incident response training for each of the following: <ul style="list-style-type: none"> <li>· desktop exercise;</li> <li>· a field exercise for marine oil incident response.</li> </ul>	
<p><b>Comment on targets:</b> An oil spill exercise was undertaken in November 2019 as part of our Maritime NZ response capability. On water deployment of gear was carried out and familiarisation of the different types of equipment undertaken with staff. Maritime NZ attended the exercise on site and re-validated a number of staff.</p>		

Service Statement: Enable safe use and navigation for all users of Otago Harbour. Take appropriate action in response to notifications of non-compliance and incidents		
Measure	Target	Result
Average time taken to respond to notification from harbour control of any incidents in Otago Harbour.	No more than 1 hour.	
<p><b>Comment on target:</b> There is no way of accurately measuring this however we remain confident that the response time has been met in all cases. Separate incident records are kept.</p>		
Measure	Target	Result
Percentage of enforcement action taken when there are breaches of the Otago Maritime Safety Bylaw.	100%	
<p><b>Comment on target:</b> No enforcement action has been taken for breaches of the maritime safety bylaw. Alignment of the infringement framework is underway and estimated to be in place by December 2020.</p>		

**TELLING THE PERFORMANCE STORY**

**Consent Processing:**

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

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

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

**Response, Investigation & Enforcement:**

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

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

#### **Contaminated Sites**

Thirty-one sites have been registered with the relevant TLA from 1 July 2019 to 30 June 2020. There has been a decrease in the number of enquiries about contaminated land since a Contaminated Sites mapping tool was added to the Council website in February 2020.

#### **Harbours and water management:**

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

#### **COMMUNITY OUTCOMES**

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

#### **IMPACT OF RESULTS ON COMMUNITY OUTCOMES**

Resource consents have been processed within timeframes and a number of incidents and pollution calls have been responded to. This indicates that a level of service delivery that puts the community first is a priority for the Regulatory Group. A focus for the Regulatory Group in 2020/2021 will be to ensure that this service is efficient and improves results for the environment.

Some Compliance and Enforcement action has been taken by the Regulatory Group. This is to ensure that there is a healthy environment and that people are complying with their consents and the permitted activity criteria defined in Regional plans.

Engagement with the community has increased through the work of the Harbourmaster. This has included engagement over the new Navigational Safety Bylaw.

## *Flood Protection and River Management*

*Professional services, action and infrastructure to protect*

### ● Flood and Drainage Schemes

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

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

We manage eight flood and drainage schemes across Otago. This includes ensuring bridges are maintained to a safe standard through a bridge inspection programme.

Sea-level rises predicted over the next 30 years may increase flooding and drainage risks. To prepare, we’re investigating these risks to determine future service and infrastructure needs.

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

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

- Alexandra Flood Protection
- Leith Flood Protection
- Lower Clutha Flood and Drainage
- Lower Taieri Flood Protection Scheme
- West Taieri Drainage Scheme
- East Taieri Drainage Scheme
- Tokomairiro Drainage Scheme
- Shotover River Delta
- Designations and Bylaws

#### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service Statement: Manage flood risk to people and property. Maintain, repair and renew drainage assets to maintain and improve the productive capacity of land		
Measure	Targets	Result
Flood protection, control works and assets are maintained, repaired and renewed in line with the Infrastructure Strategy, and the defined standards set out in the operations and maintenance manuals for each scheme and primary assets.	Performance against defined standards of the flood protection schemes and primary scheme assets reported annually.	●
	Planned renewal works completed on programme and budget, and progress reported quarterly.	●
	Planned maintenance works completed on programme and budget, and progress reported quarterly.	●
	Complete review including recommendations on the performance of the Lower Taieri River and primary tributaries.	●

<p><b>Comment on targets:</b>  <b>Target 1:</b> Reports on flood event response to the December 2019 and February 2020 floods were reported in March and a follow up report was presented in May on flood recovery and repairs. Annual Report on Scheme Management (including flood banks, drains and pump stations) is due to be completed 31st July 2020.  <b>Target 2:</b> Minor works have occurred, but most major works have been delayed until summer 2020/2021. As a result, most planned works have incurred a budget shortfall.  <b>Target 3:</b> Most maintenance works proceeded; however some work was delayed due to the reasons outlined below.  <b>Target 4:</b> This work has not been completed, due to the reasons outlined below. The review work has been prepared to be issued as an RFQ to engineering consultants during 2020/2021.</p>		
Measure	Targets	Result
Drainage assets are maintained and renewed in line with defined standards set out in the operations and maintenance manuals for each asset.	Performance against defined standards of the drainage schemes and primary scheme assets reported annually.	●
	Planned renewal works completed on programme and budget, and progress reported quarterly.	●
	Planned maintenance works completed on programme and budget, and progress reported quarterly.	●
<p><b>Comment on targets:</b>  <b>Targets 1 &amp; 2:</b> The Engineering work streams for 2019/2020 have been affected greatly by seasonal effects (flooding in December 2019 and February 2020), the COVID-19 pandemic and limited resources within Engineering team to provide infrastructure management support.  <b>Target 3:</b> The volume of planned maintenance works that were completed reflects the interruptions throughout the year.</p>		

**TELLING THE PERFORMANCE STORY**

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

- The Engineering team is undergoing a transformation relating to function and structure, including a focus on infrastructure, asset management and analysis. The team has been critically under-resourced (up to 40%) for most of 2019/2020. Development has progressed in asset management and reporting.
- Work programmes have faced the seasonal effects of increased rainfall and flooding (December 2019 and February 2020). This has caused the delay in completing in full some annual activities that need to be done at specific times of the year. Major flood events have been occurring within the last 5-year period at a higher return rate than expected. They have caused damage to infrastructure that requires immediate remediation. Consequently, Engineering resources have been prioritised on flood response and recovery which delays programmed scheme and across schemes work.
- The COVID-19 restrictions prevented the Engineering team from completing key activities prior to winter 2020. These will need to be completed in 2020/2021. The full assessment of the programme delay is being undertaken.

## Scheme work completed:

### **Alexandra Flood Protection:**

The work completed represents approximately 100% of the planned programme. Delivery included:

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

### **Leith Flood Protection:**

The work completed represents approximately 100% of the planned programme. Delivery included:

- Dundas Street phase of the Leith Amenities Project completed.
- Survey and modelling of Union Street to Clyde Street for completion of performance verification of Leith Flood Protection Scheme.
- Survey and modelling of Forth Street to Otago Harbour to complete the Leith Amenity Project.
- Concepts for Forth Street to Otago Harbour, including adaption adjustment for climate change is in development.

### **Lower Clutha Flood Protection and Drainage:**

The work completed represents approximately 60% of the planned programme. Delivery included:

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

### **West Taieri Drainage Scheme:**

The work completed represents approximately 80% of the planned programme. Delivery included:

- Scheduled mechanical drain cleaning partially completed
- Vegetation maintenance spray program completed
- Bridge 4 on contour tendered and programmed for removal in 2020/2021
- Pump station inspections and maintenance carried out
- Henley Pump Station controls updated
- Henley mini bank top-up completed and investigating further works in infrastructure improvements
- Culvert replacement completed drain 13.

**Lower Taieri Flood Protection Scheme:**

The work completed represents approximately 60% of the planned programme. Delivery included:

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

**East Taieri Drainage Scheme:**

The work completed represents approximately 80% of the planned programme. Delivery included:

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

**Tokomairiro Drainage Scheme:**

The work completed represents approximately 80% of the planned programme. Delivery included:

- Scheduled drain invert spraying and gorse/broom spraying

**Shotover River Delta:**

The work completed represents approximately 100% of the planned programme. Delivery included:

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

**Designations and Bylaws:**

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

**Multi-scheme delivery and actions:**

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

#### SUPPORTING INFORMATION

- Council Committee Paper: Update of Flood Event Response December 2019 and February 2020, 11 March 2020
- Council Committee Paper: Update of Flood Recovery and Repairs, 27 May 2020.
- Annual Report on Scheme Management (including flood banks, drains and pump stations) due to be completed 31<sup>st</sup> July 2020

#### COMMUNITY OUTCOMES

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

#### IMPACT OF RESULTS ON COMMUNITY OUTCOMES

ORC's community engagement has increased to provide awareness through the flooding events and COVID-19 to explain the workstreams affected, and how workstreams will recover.

A focus on community communications to confirm trust, actions and transparency in work plans aims to ensure the social and economic well-being of the communities that the Engineering team has a responsibility to.

## ● Rivers and Waterway Management

Looking after our rivers and waterways sustainably is more than simply managing the risk of floods.

It's also about meeting community expectations for the safe, enjoyable, and respectful use of rivers and streams.

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

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

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

- Dunedin Rivers and Waterways
- Clutha Rivers and Waterways
- Central Otago Rivers and Waterways
- Wakatipu Rivers and Waterways
- Wanaka Rivers and Waterways
- Waitaki Rivers and Waterways
- Lower Waitaki River Control Scheme (ECAN)
- Non-Scheme Management

### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service Statement: Achieve a balance between maintaining channel capacity, channel stability and environmental outcomes in scheduled rivers and waterways		
Measure	Targets	Result
Investigate all reported blockages and obstructions along scheduled rivers and waterways and determine appropriate action within 20 working days.	Report annual status of scheduled rivers and waterways.	
	100% of investigations have action determined within 20 days.	
<p><b>Comment on targets:</b>  <b>Target 1:</b> The flooding in December 2019 and February 2020 has caused a delay in some scheduled maintenance and access to rivers due to the focus on flood response and repairs. The main river systems affected were Clutha rivers, Wakatipu rivers, Wanaka rivers and the Waitaki River. The Annual Report of Rivers and Waterways is due in July 2020 and will summarise activities.  <b>Target 2:</b> All reported blockages and obstructions in scheduled rivers and waterways, including flood blockages, were assessed and attended to within 20 days.</p>		

### TELLING THE PERFORMANCE STORY

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

The Engineering team is also undergoing a change of structure to better align its river engineering function to its level of service in river management responsibilities. This will take effect during 2020/2021.

The Engineering team has responded to all public enquiries relating to river maintenance and/or obstructions and coordinated timely removal and maintenance of river channels in 2019/2020.

**Dunedin Rivers and Waterways:**

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

**Clutha Rivers and Waterways:**

- Weatherson Creek (Lawrence) rock repairs carried out in Lawrence
- Scope of works for flood repairs to Lower Clutha and Pomahaka rivers, flooding erosion and damage completed
- Lower Clutha (December 2019 and February 2020) post flood debris blockage removal completed
- Lower Clutha and Pomahaka rivers, damage assessments from December 2019 and February 2020 flooding completed
- Post February 2020 some flooding erosion repairs to the Lower Clutha river banks were undertaken. Remaining erosion repairs to be undertaken in 2020/2021.
- Tree saw pruning by contractor completed
- Riparian willow pole planting by staff completed
- River mouth opening (Tokomariro)
- Riparian willow pole planting and willow spraying by boat (Matau, Koau branches upstream to Barnego)
- Pomahaka flood debris clearing from Feb 2020 flood.

**Central Otago Rivers and Waterways:**

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

**Wakatipu Rivers and Waterways:**

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

**Wanaka Rivers and Waterways:**

- Cardrona River bank repair and obstruction removal
- Matukituki River obstruction removal
- Albert Town willow maintenance.

**Waitaki Rivers and Waterways:**

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

**Lower Waitaki River Control Scheme (ECAN):**

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

**Multi-scheme delivery and actions:**

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

**SUPPORTING INFORMATION:**

- Annual Report on River Management (including flood banks, drains and pump stations) due to be completed 31<sup>st</sup> July 2020
- Council Committee Paper: Update of Flood Event Response December 2019 and February 2020, 11 March 2020
- Council Committee Paper: Update of Flood Recovery and Repairs, 27 May 2020.

**COMMUNITY OUTCOMES:**

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

**IMPACT OF RESULTS ON COMMUNITY OUTCOMES**

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

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

## **Safety and Hazards**

*Professional services, planning and action to protect*

### **Emergency Management**

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

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

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

There is one activity that makes up our significant activity Emergency Management:

- Emergency Management

#### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service Statement: Provide a region-wide coordinated response in the event of civil defence emergency to reduce the impacts on people		
Measure	Target	Result
Time taken for the Group Emergency Coordination Centre to be activated in response to a civil defence event or emergency.	60 minutes	
<b>Comment on target:</b> Activation of the Group Emergency Coordination Centre can occur remotely/online within 60 minutes. Activation is achieved when the Group Controller, Response Manager and the Group Public Information Manager have been mobilised and are engaged in the response. Physical activation of the ECC cannot currently be achieved in one hour 24/7 because of the time required to relocate staff and set up the ECC.		
Measure	Target	Result
A Group CDEM controller or alternate controller is available 24 hours, 7 day a week response for 365 days a year.	Achieved	
<b>Comment on target:</b> Otago has one designated Group Controller and two alternate Controllers.		
Service statement: Prepare and implement robust integrated suite of issue focused and community-based plans and strategies		
Measure	Target	Result
An operative Group CDEM Plan is reviewed within statutory timeframes and fully implemented.	Achieved	
<b>Comment on target:</b> Approved Otago CDEM Group Plan in place. The Plan has a three-year review cycle with the first review due in 2021.		

Measure	Target	Result
Full suite of community plans across the region is in place and remains under continuous review.	Status and progress on the plans are reported to the Co-ordinating Executive Group and Council.	
<b>Comment on target:</b> Community Response Plans are in place for all the highest priority communities identified by each of the TLAs; 36 plans complete and another 18 are in draft form.		
Measure	Target	Result
Agreed region-wide issues plans are in place and reviewed according to each plan.	Status and progress on the agreed issues plans are reported to the Co-ordinating Executive Group and Council.	
<b>Comment on target:</b> <ul style="list-style-type: none"> <li>• Progress and status of region-wide issues plans were reported to the Co-ordinating Executive Group (CEG) and CDEM Joint Committee.</li> <li>• The Regional Animal Emergency Plan (Stage One) is complete.</li> <li>• A formal region wide Dam Failure Plan is yet to be developed but priority dams have plans in place prepared by the operators.</li> <li>• Coastal tsunami plan has begun.</li> </ul>		

#### TELLING THE PERFORMANCE STORY

All of Emergency Management Otago’s programmed activities were suspended from 15 March, when the Group activated in response to the COVID-19 pandemic and did not fully resume until 1 July. During that period the Emergency Coordination Centre was permanently activated and staffed in support of the Health-led response. Each TLA’s Emergency Operation Centre activated to provide welfare and operational support to its communities. Activities included arranging accommodation for travellers and residents required to self-isolate, and providing direct welfare support – food, essential supplies and emergency accommodation – for those impacted by the AL4 lockdown restrictions. The most intense and sustained activity was in the Queenstown Lakes District, where over 7000 individuals registered for assistance. Outside the pandemic response, the Group also activated in response to high lake levels and flooding in the Queenstown Lakes, Central Otago and Clutha Districts in November, and significant flooding in Queenstown Lakes and Clutha Districts in February.

#### Other activities:

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

#### COMMUNITY OUTCOMES

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

#### IMPACT OF RESULTS ON COMMUNITY OUTCOMES

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

## Natural Hazards and Climate Change Adaptation

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

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

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

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

There are three activities that make up our significant activity Natural Hazards and Climate Change Adaptation:

- Natural Hazards
- Flood and Low Flow Risk Management
- Climate Change Adaptation

### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service statement: Delivering information to the community and decision-makers about natural hazards		
Measure	Target	Result
Natural hazard information is available to the public and to communities via an effective web-based Otago Natural Hazards database 24 hours a day, 7 days a week	Achieved	
<p><b>Comment on target:</b> All public information systems (Otago Natural Hazard database) operated to agreed service levels. The natural hazards database has had a huge overhaul this year so that it is more intuitive to navigate and more visually appealing. We continue to provide natural hazards information to the district and city councils.</p>		

Service Statement: Investigate and respond to priority natural hazard events		
Measure	Target	Result
Natural hazards events and consequences are properly and timely reported on so that appropriate measures to reduce risk are taken.	Procedural review is completed and reported within six months of any significant event.	
<p><b>Comment on target:</b> Reports were completed after investigating natural hazards events. These reports generally described the nature, location and scale of events and additional work such as monitoring, further investigations or mitigation measures if required. A report about the December 2019 and February 2020 flood events was presented to the Infrastructure Committee in March 2020. Our response to natural hazard events included data and information collection after the December 2019 and February 2020 flood events in the Clutha River catchment, initial investigations of large bank erosion damages in Albert Town, erosion damage along the Dart River banks, flooding in Glenorchy in February 2020 and a debris flow in February 2020 in Gibbston Valley.</p>		

Service statement: Provide timely warnings of potential flood events		
Measure	Target	Result
Accurate and reliable rainfall, lake levels, and river flow information is provided* to potentially affected groups and communities and is provided in an efficient and timely fashion.	All flood warnings that exceed trigger levels are published on Otago Regional Council's website when notified.	
<b>Comment on target:</b> A 24-hour flood management and response system operated during emergency events. Timely forecasts, warnings and relevant information were efficiently provided to Civil Defence, district and city councils and to the public during the December 2019 and February 2020 flood events and for smaller heavy rainfall events during the year. Notable efforts were made to keep the flood management and response system operative (considered an essential service), safe and efficient during the COVID-19 restrictions, including during Level 4 (lockdown). This was achieved.		

Service statement: Assist communities to understand and adapt to the effects of climate change		
Measure	Target	Result
Knowledge and understanding of the likely effects of climate change in Otago is increased to inform decision-makers and the community.	Initial Otago climate change risk assessment complete with summary report presented to Council.	
<b>Comment on target:</b> Knowledge and understanding of the likely effects of climate change in Otago have increased: a report on climate variables and scenarios is now publicly available for the region. We have also engaged extensively and shared information on climate change and its risks with a wide range of organisations. The delivery and presentation of the final report for the Otago climate change risk assessment has been delayed by one month due to COVID-19 Level 4 restrictions and to ensure alignment with the National Climate Change Risk Assessment due later this year. Engagement and public information sessions on climate change and adaptation were held during the year.		

#### TELLING THE PERFORMANCE STORY

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

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

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

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

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

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

In 2019/2020 we've made a significant effort to improve our knowledge and understanding of the likely effects of climate change in Otago. For example, a comprehensive report describing changes in climate variables for various climate change scenarios is now publicly available for the region. We've engaged extensively and shared information on climate change and its risks with a wide range of organisations and added a new climate change section to the ORC website. The development of a climate change risk assessment for Otago was initiated this financial year and is now in its final stage. The delivery and presentation of the final report has been delayed due to COVID-19 Level 4 restrictions and to ensure alignment with the National Climate Change Risk Assessment due later this year.

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

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

#### COMMUNITY OUTCOMES

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

#### IMPACT OF RESULTS ON COMMUNITY OUTCOMES

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

The slight delay in the delivery of the final report for the Otago climate change risk assessment has not negatively impacted the community outcome. The report will be presented early in the new financial year and will align with the National Climate Change Risk Assessment due in 2020.

#### SUPPORTING MATERIAL

- the Natural Hazards section of the ORC website received 32,656 visits during the year
- the WaterInfo website received 1,052,165 visits, more than half of which were in December and February; months with significant flood events
- a December 2019 Clutha River flooding webpage was setup to disseminate flood related information and received 10,431 visits between December 2019 and June 2020.
- The Climate Change section of the ORC website which went live in November 2019 and received 1,498 visits between November 2019 and 30<sup>th</sup> June 2020

## Transport

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

### ● Transport Planning and Public Passenger Transport

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

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

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

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

- Public Transport
- Regional Land Transport Plan
- Stock Truck Effluent Disposal

#### PERFORMANCE AGAINST LEVELS OF SERVICE TARGETS

Service Statement: To provide efficient and reliable public transport services that meet community needs		
Measure	Target	Result
Reliability of service – percentage of monitored services that leave the terminus on time.	95%	●
<b>Comment on target:</b> 'Real time' tracking was installed and operational in the Queenstown bus fleet prior to the COVID-19 pandemic. At that time it was also installed (but not operational) in 50% of the Dunedin fleet. One outcome of the pandemic was the Council decision to bring forward the new electronic ticketing system. In the new financial year, this system will enable better contract performance monitoring and will give ORC a much higher level of confidence and accuracy in service monitoring. This will help to address concerns identified at previous NZTA audits.		
Measure	Target	Result
Vehicle quality – percentage of vehicles that comply with Regional Passenger Transport Vehicle quality standard.	100%	●
<b>Comment on target:</b> The Dunedin fleet is 100% compliant and the Queenstown inspection process is underway. All current vehicles were due to be inspected and compliant by 30 April 2020, with new vehicle deliveries and inspections by July. Timelines were impacted by COVID-19 restrictions.		
Measure	Target	Result
Public satisfaction – percentage of bus users that are satisfied with the overall standard of service.	85%	●
<b>Comment on target:</b> Orbus Dunedin scored 88% and Orbus Queenstown came in at 97% for overall passenger satisfaction, in the last NZTA surveys in the last quarter of the 2018/19 financial year. The 2019/20 survey was originally planned for the final quarter of the 2019/20 financial year, however COVID-19 alert levels restricted our ability to conduct the required face-to-face survey. We intend to conduct the next survey in the second half of 2020/2021, after the new ticketing system is operational.		

Measure	Target	Result
Patronage in Dunedin – percentage growth on contracted services above 2017/18 levels.	3%	
<b>Comment on target:</b> The COVID-19 pandemic impacted Dunedin patronage, especially due to the lockdown and progression back through alert levels. Total patronage for Dunedin in 2019/2020 was about 2.2 million compared to the 2017/2018 total of 2.35 million (about 150,000 variance). Prior to the impacts of COVID-19 we were on track to meet the 3% growth target. Patronage from July 2019 to February 2020 was 4.7% higher compared to the same period in the previous financial year.		
Measure	Target	Result
Patronage in Queenstown – percentage growth increase on contracted services.	5%	
<b>Comment on target:</b> The COVID-19 pandemic impacted Queenstown patronage, especially due to the lockdown and progression back through the alert levels. Total patronage for Queenstown for 2019/2020 was about 1.25 million compared to the 2018/2019 total of 1.47 million. Prior to the impacts of COVID-19 we were on track to meet the 5% growth target. Patronage from July 2019 to February 2020 was 6.9% higher compared to the same period in the previous financial year.		

Service Statement: Facilitate and support prioritised investment in Otago’s transport network by local and central government		
Measure	Target	Result
The Regional Land Transport Plan (RLTP) is prepared and submitted in line with the Land Transport Management Act 2003 and any guidance issued by the New Zealand Transport Agency (NZTA).	Initial strategic review has commenced.	
<b>Comment on target:</b> Initial strategic review has commenced. On 17 March the Otago and Southland Regional Transport Committees met to participate in an investment logic mapping exercise to review the current Regional Land Transport Plan problems, benefits and objectives. Since that time, staff from both councils have been drafting the strategic section for the document.		
Measure	Target	Result
Collaborate with Environment Southland and other South Island local authorities to establish and deliver on pan-regional priorities for transport investment.	Achieved	
<b>Comment on target:</b> On 5 May 2020, the Chairs of the Otago and Southland Regional Transport Committees met remotely, supported by staff, to review a draft joint submission to the Government Policy Statement on Land Transport Funding.		

**TELLING THE PERFORMANCE STORY**

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

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

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

Earlier than scheduled, we implemented the new Bee Card ticketing system in Otago. This included removing the old ticketing hardware and community consultation to simplify Dunedin bus fares. The consultation (which closed in July) broke records within the ORC for the number of responses. There was a total of 3,400 visits to Council's YourSay consultation page, with 1,390 of these people responding and around 70 asking to be heard. The consultation process will be completed in the first quarter of 2020/2021.

The initial strategic review of the RLTP has commenced.

#### COMMUNITY OUTCOMES

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

#### IMPACT OF RESULTS ON COMMUNITY OUTCOMES

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

<b>Levels of Service Measures - for all Significant Activities</b>								
				Q1	Q2	Q3	Q4	Notes
<b>Freshwater</b>								
Service statement 1: Water quality across Otago is maintained and improved								
1.1	Assessments are carried out to determine freshwater quality against the limits set out in the Regional Plan:	1.1	Report annually where water quality continues to meet limits; and where previously not meeting the limits is improving.	Yellow	Green	Green	Green	
1.2	Increase the number of catchments included in catchment monitoring	1.2	Five catchments every two years.	Green	Yellow	Yellow	Yellow	
1.3	Implement research and studies to advance the freshwater programme including prioritisation across freshwater management units	1.3	Progress is reported to Council	Yellow	Yellow	Yellow	Yellow	
1.4	Develop and implement good management practice through regulatory and non-regulatory approaches to improve water quality	1.4	Development initiatives and implementation progress are reported to Council including: <ul style="list-style-type: none"> <li>· Rural Liaison &amp; engagement</li> <li>· Inspections &amp; Compliance monitoring</li> <li>· Enforcement</li> <li>· Plan review and change</li> </ul>	Yellow	Yellow	Yellow	Green	
<b>Biodiversity and Biosecurity</b>								
Service statement 2: Collaborate with the regional community to potentially invest and fund environmental								
2.1	The ECO Fund is administered to support community-led projects across Otago that protect and enhance the environment.	2.1	Report to Council on the allocation of the fund, status of fund recipients and on project outcomes	Green	Green	Green	Green	
Service statement 3: Implement the Biodiversity Action Plan								
2.2	Projects identified in the Biodiversity Action Plan are being advanced	2.2	Progress against the BAP is reported to Council	Green	Yellow	Yellow	Yellow	Projects were progressed as per BAP however was not reported to council therefore target not fully met.
Service statement 4: Establish controls over animal and plant pests to maintain and enhance biodiversity,								
2.3	The Regional Pest Management Plan is implemented	2.3	Complete the Regional Pest Operational Plan	Green	Green	Green	Green	
2.4	Reducing trend in the pest plant and animal species across the Otago Region	2.4	Report to Council plant and animal pest trends	Green	Yellow	Yellow	Red	Data not available to report on trends

		2.5a	All properties with reported non-compliances of rabbit numbers over MAL3 are contacted regarding the requirement to respond in accordance with the Regional Pest Management Plan					Majority of non-compliances followed up but target not met.
2.5	The level of compliance is managed to the provisions of the Regional Pest Management Plan	2.5b	All reported non-compliances for pest plants will be followed up to ensure works to control pest plants have been carried out					Majority of non-compliances followed up but target not met.
		2.5c	All complaints about boundary control of pest plants and pest animals will be responded to within 10 working days, and where necessary control works will be required to be carried out.					Majority of complaints responded to within 10 days but target not met.
2.6		The Council supports government agencies conducting Lagarosiphon control in Lakes Dunstan and Wanaka	2.6a	Agreed funding support to external partners for Lagarosiphon control Lakes Dunstan, Wanaka and Wakatipu is provided.				
	2.6b		Key planning information is disclosed in a timely way					
2.7	Collaborate with community groups and pest companies to carry out control activities to eradicate Wallaby in Otago	2.7	Reported Wallaby sightings are investigated and responded to within 3 working days					
<b>AIR</b>								
<b>Service statement 5: In targeted towns we work to reduce PM10 emissions for ambient air quality</b>								
3.1	Monitor air quality to assess compliance with the National Environmental Standard 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	3.1	Assessment completed					
3.2	Administer the clean heat, clean air fund for Air Zone 1 and Milton	3.2	Achieved					
3.3	Implement investigation and research programme to achieve goals under the Air Strategy including trialling options for low emission technologies.	3.3	Report to Council on programme delivered as at 30 June 2020					Programme undertaken - reported to council in July 2020. Delay in low-emissions technology trial.
<b>State of the Environment Reporting</b>								
<b>Service statement 6: Provide high quality and timely environmental information, indicators and advice to key</b>								
4.1	Changes and trend in natural resource availability and quality are analysed and reported to the Council as per the schedule entitled " <b>Monitoring Schedule for 2018-28 Long-Term Plan</b> "	4.1	Information available for the Annual Report 2018/19					All but two of the indicators were monitored as per schedule.

4.2	External audit shows good quality control of data collections and analysis as per the schedule entitled " <b>Monitoring Schedule for 2018-28 Long-Term Plan</b> "	4.2	External Audit completed by 30 June 2020					
<b>Governance &amp; Community Engagement</b>								
Service statement 1: Governance support and process that enables a robust and transparent democratic								
5.1	Percentage of official information requests responded to within statutory timeframes	5.1	100%					Partially achieved: 98.5% (2 out of 138 were outside of timeframe)
5.2	Percentage of council agendas that are publicly available two working days or more before a meeting	5.2	100%					
5.3	Conduct meetings in accordance with <i>Standing Orders</i> and the <i>Local Government Official Information and Meetings Act 1987</i>	5.3	All meetings					
Service statement 2: Council has clearly articulated policy, purpose and activity to encourage participation in								
5.4	Council's Long-Term Plan, Annual Plans and Annual Reports are fit for purpose and accessible.	5.4a	All Local Government Act statutory planning requirements and financial reporting standards are met					
		5.4b	Unmodified independent audit report for the Long-Term Plan and Annual Report					
<b>Regional Planning &amp; Urban Development Strategy</b>								
Service statement 3: Establish and maintain a robust, integrated and consistent environmental planning								
6.1	Deliver against the Council's adopted 'Progressive Implementation Programme that outlines the staged implementation of actions to implement the National Policy Statement Freshwater Management.	6.1	Report progress against the PIP as published on Council's website					
Service statement 4: Develop with our key partners an Urban Development Strategy								
6.2	Provide region-wide direction on urban development in conjunction with the Territorial Local Authorities.	6.2	Report development to Council on the preparation of an urban development strategy					UDS was not progressed because the urban development programmes of QLDC & DCC were sufficiently advanced.
<b>Regulatory</b>								
Service statement 1: Deliver consenting processes efficiently and effectively under the Resource Management								
7.1	Percentage of resource consents application processed within Resource Management Act 1991 legislative timeframes	7.1	100%					99.7% compliant. (1 of 317 was outside of timeframe).
Service statement 2: Administering and assessing performance monitoring data provided by consent holders								

7.2	Percentage of performance returns received that will be assessed for compliance with consent conditions	7.2	100%					Target not met due to processing backlog
<b>Service statement 3: Acting on non-compliances identified through consent audit or performance monitoring</b>								
7.3	Percentage of non-compliances found that have been followed up with enforcement action	7.3	100%					Enforcement action is not always appropriate, therefore the target does not reflect programme and has not been met.
<b>Service statement 4: Investigations and response to notifications of non-compliance and incidents</b>								
7.4	Maintain 24-hour/7 day a week response* for environmental incidents.	7.4	100%					
7.5	Average time taken to respond to oil spills no more than 1.5 hours.	7.5	Achieved					Systems are not in place to track this but staff confident of meeting timeframes.
7.6	Facilitate/carry out appropriate response training for staff and contractors.	7.6a	Hold at least one pollution incident response training exercise for each of the following: · desktop exercise · a field exercise for pollution incident response · an equipment training day.					
		7.6b	Hold at least one marine oil spill incident response training for each of the following: · desktop exercise; · a field exercise for marine oil incident response.					
<b>Service statement 5: Enable safe use and navigation for all users of Otago Harbour. Take appropriate action</b>								
7.7	Average time taken to respond to notification from harbour control of any incidents in Otago Harbour.	7.7	No more than 1 hour					Systems are not in place to track this but staff confident of meeting timeframes. Flagged red as per oil spill measure above.
7.8	Percentage of enforcement action taken when there are breaches of the Otago Maritime Safety Bylaw.	7.8	100%					Maritime safety bylaw update has not been completed therefore no enforcement action has been taken.
<b>Flood and Drainage Schemes</b>								
<b>Service statement 1: Manage flood risk to people and property. Maintain, repair and renew drainage assets to</b>								
8.1	Flood protection, control works and assets are maintained, repaired and renewed in line with the Infrastructure Strategy and defined standards set out in the operations and maintenance manuals for each scheme and primary assets.	8.1a	Performance against defined standards of the flood protection schemes and primary scheme assets reported annually.					Status report delayed - expected in July 2020, other reports presented during the year.
		8.1b	Planned renewal works completed on programme and budget, and progress reported quarterly.					
	8.1c	Planned maintenance works completed on programme and budget, and progress reported quarterly.						

	Infrastructure Strategy and defined standards set out in the operations and maintenance manuals for each scheme and primary assets.	8.1d	Complete review including recommendations on the performance of the Lower Taieri River and primary tributaries.						Review not completed, due to under resourcing, responding to flooding events and COVID-19 restrictions
8.2	Drainage assets are maintained and renewed in line with defined standards set out in the operations and maintenance manuals for each asset.	8.2a	Performance against defined standards of the drainage schemes and primary scheme assets reported annually.						
		8.2b	Planned renewal works completed on programme and budget, and progress reported quarterly.						
		8.2c	Planned maintenance works completed on programme and budget, and progress reported quarterly.						
<b>River and Waterway Management</b>									
<i>Service statement 2: Achieve a balance between maintaining channel capacity, channel stability and</i>									
9.1	Investigate all reported blockages and obstructions along scheduled rivers and waterways and determine appropriate action within 20 working days	9.1a	Report annual status of scheduled rivers and waterways						Status report delayed - expected in July 2020, other reports presented during the year.
		9.1b	100% of investigations have action determined within 20 days						All reported (customer request/complaint) blockages were removed, including flood blockages.
<b>Emergency Management</b>									
<i>Service statement 1: Provide a region-wide coordinated response in the event of civil defence emergency to</i>									
10.1	Time taken for the Group Emergency Coordination Centre to be activated in response to a civil defence event or emergency	10.1	60 minutes						
10.2	A Group CDEM controller or alternate controller is available 24 hours, 7 day a week response for 365 days a year	10.2	Achieved						We now have one designated Group Controller and two alternate Controllers
<i>Service statement 2: Prepare and implement robust integrated suite of issue focused and community-based</i>									
10.3	An operative Group CDEM Plan is reviewed within statutory timeframes and fully implemented	10.3	Achieved						
10.4	Full suite of community plans across the region is in place and remain under continuous review	10.4	Status and progress on the plans are reported to the Central Emergency Group and Council						
10.5	Agreed region-wide issues plans are in place and reviewed according to each plan.	10.5	Status and progress on the agreed issues plans are reported to the Central Emergency Group and Council						
<b>Natural Hazards</b>									
<i>Service statement 3: Investigate and respond to priority natural hazard events</i>									

11.1	Natural hazard information is available to the public and to communities via an effective web-based Otago Natural Hazards Database 24 hours a day, 7 days a week	11.1	Achieved					
<b>Service statement 4:</b> Delivering information to the community and decision-makers about natural hazards								
11.2	Natural hazards events and consequences are properly and timely reported on so that appropriate measures to reduce risk are taken	11.2	Procedural review is completed and reported within 6 months of any significant event.					
<b>Service statement 5:</b> Provide timely warnings of potential flood events								
11.3	Accurate and reliable rainfall, lake levels, and river flow information is provided* to potentially affected groups and communities and is provided in an efficient and timely fashion.	11.3	All flood warning that exceed trigger levels are published on Otago Regional Councils website when notified					
<b>Service statement 6:</b> Assist communities to understand and adapt to the effects of climate change								
11.4	Knowledge and understanding of the likely effects of climate change in Otago is increased to inform decision-makers and the community	11.4	Initial Otago climate change risk assessment complete with summary report presented to Council					Presentation delayed due to impacts of COVID-19. Will be presented in 20/21 FY
<b>Public Passenger Transport</b>								
<b>Service statement 1:</b> To provide efficient and reliable public transport services that meet community needs								
12.1	Reliability of service – percentage of monitored services that leave the terminus on time	12.1	95%					Partially completed. Timelines were impacted by COVID-19 alert level restrictions.
12.2	Vehicle quality – percentage of vehicles that comply with Regional Passenger Transport Vehicle quality standard	12.2	100%					Timelines were impacted by COVID-19 restri
12.3	Public Satisfaction – percentage of bus users that are satisfied with the overall standard of service	12.3	85%					Survey unable to be completed face to face due to COVID-19 alert level restrictions
12.4	Patronage in Dunedin – percentage growth on contracted services above 2017/18 levels	12.4	3%					Patronage impacted by COVID-19 alert level restrictions. Target flagged yellow: pre-COVID patronage growth exceeded target
12.5	Patronage in Queenstown – percentage growth increase on contracted services	12.5	5%					Patronage impacted by COVID-19 alert level restrictions. Target flagged yellow: pre-COVID patronage growth exceeded target
<b>Service statement 2:</b> Facilitate and support prioritised investment in Otago's transport network by local and								

12.6	The Regional Land Transport Plan (RLTP) is prepared and submitted in line with the Land Transport Management Act 2003 and any guidance issued by the New Zealand Transport Agency (NZTA)	12.6	Initial strategic review has commenced.					
12.7	Collaborate with Environment Southland and other South Island local authorities to establish and deliver on pan-regional priorities for transport investment	12.7	Achieved					

## 9.2. Finance Report

<b>Prepared for:</b>	Finance Committee
<b>Report No.</b>	CS1953
<b>Activity:</b>	Governance Report
<b>Author:</b>	Sarah Munro, Finance Manager - Reporting
<b>Endorsed by:</b>	Nick Donnelly, General Manager Corporate Services
<b>Date:</b>	18 August 2020

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### PURPOSE

- [1] This report provides Council's Finance Report for June 2020 which includes the preliminary financial result for the year ended 30 June 2020.

### EXECUTIVE SUMMARY

- [2] The Finance Report is made up of the following sections:
- Statement of Comprehensive Revenue and Expenses for the year ended 30 June 2020.
  - Statement of Financial Position as at 30 June 2020.
  - Treasury Report – June 2020, which provides information on the management and performance of the Council's short-term deposits and managed fund for the year ended 30 June 2020.
  - Summary of Expenditure and Funding by Activity for the year ended 30 June 2020.
- [3] Commentary on the Finance Report, including variances to budget is included in the body of this paper.
- [4] The financial results are draft and subject to final adjustment and are yet to be audited. The final financial result will be presented and reviewed by the Audit and Risk Subcommittee on 23 September 2020 and the Annual Report taken to Council for adoption on 30 September 2020.
- [5] The preliminary financial results include an impairment adjustment in relation the February 2020 flood event and damage that caused to the flood protection assets. An explanation of the flood asset impairment and funding impact recorded in the preliminary financial statements is detailed in this report.

### RECOMMENDATION

*That the Finance Committee:*

- 1) **Receives** this paper and the attached Finance Report June 2020.
- 2) **Notes** the treatment of the impaired asset adjustment included in the preliminary financial result.

- 3) **Notes** the use of the emergency response reserve to fund repair costs incurred in the 30 June 2020 year and also notes further use of this reserve to fund remaining repair costs will be considered once those costs are completed in the 2021 year.
- 4) **Notes** replenishment of the emergency response reserve will be considered as part of the LTP 2021-31 process.

## **FINANCE REPORT COMMENTARY**

### **STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES**

- [6] The Statement of Comprehensive Revenue and Expenses shows the year to date deficit of \$5,390,000 being \$3,115,000 higher than the budgeted deficit of \$2,275,000.
- [7] Note, at the time of this preliminary reported result the Port Otago valuation as at 30 June 2020 was not completed. For the purposes of this analysis the revaluation gain/loss on shares in subsidiary Annual Plan budgeted increase in value of \$7,000,000 has been removed from the analysis to ensure a comparable analysis.
- [8] This variance is the net result of the following:  
**Revenue**
  - [9] Rate revenue is \$139,000 above budget due to small movements in the capital value of properties from the rates resolution valuation base and the 30 June position when rates are struck.
  - [10] Subsidies and grant revenue is \$102,000 above budget due to:
    - A \$733,000 increase in transport New Zealand Transport Authority (NZTA) grant revenue to fund increased bus operational costs. Bus operational costs have increased due to an increase in the contract inflation factor and an increase in costs caused by Covid free fares and cleaning costs which had been funded by NZTA.
    - A \$850,000 decrease in biodiversity grants from budget due to a decrease in funding for wilding pines from the Ministry of Primary Industries. The Annual Plan is finalised based on a forecasted budget of expected wilding pine funding with contractual arrangements not finalised. In the current year this funding was lower than originally forecasted.
  - [11] Dividends are \$1,855,000 above budget due to additional dividends of \$1,600,000 being received from Port Otago Limited. The remaining additional dividends income variance from budget are managed fund dividends which are separated from investment income and recorded as dividends in the Statement of Comprehensive Revenue and Expenses.
  - [12] Interest and investment income is \$873,000 less than budget due to dividends from the managed fund being split into dividend income. The remaining decrease in interest and investment income has been caused by a drop in the cash held in term deposits and the interest rate of term deposits from budget.**Expenditure**
  - [13] Employee Benefits expense is \$443,000 above budget due to unbudgeted additional hours required in response to Covid and the February flood as well as the addition of unbudgeted positions added during the year.

- [14] Other Expenses is \$3,368,000 above budget due to:
- Unbudgeted Capital WIP write off of \$2,300,000 relating to Dundas Street bridge culvert and roadway assets which were vested to the Dunedin City Council.
  - Legal expenditure was \$1,104,000 above budget due to over budget expenditure in the following activities:
    - Policy response to plan review, \$296,000 (actual \$332,000 vs budget \$35,000)
    - Consent RC Apps, Reviews, Appeals, Admin & Dams, \$248,000 (actual \$263,551 vs budget \$15,000)
    - Governance \$203,000 (actual \$208,000 vs budget \$5,000)
    - Incident Response \$96,000 (actual \$181,000 vs budget \$85,000)
    - Regional Policy Statement \$133,000 (actual \$133,000 vs budget \$0)
  - Repairs and maintenance was \$1,458,000 under budget largely due to work that was unable to be undertaken due to the February floods and Covid later in the year.
  - The remaining variance is a result of Council supplies and services (including consultants) being over budget. Consultant expenditure for the year to May 2020 was reported in detail to the 22 July 2020 Council meeting.
- [15] Other gains/(losses) was \$173,000 under budget due to an unbudgeted impairment of \$298,000 for flood assets damaged in the February 2020 flood event. A separate section of this report provides further commentary on this.
- [16] The remaining variance was caused by the valuation of the managed fund being different from budget due to a difference in market movements from the estimation in the Annual Plan. The treasury report section later in this paper provides more detail and commentary on the managed fund.

#### **STATEMENT OF FINANCIAL POSITION**

- [17] Cash and cash equivalents decreased by \$7,534,000 from the 30 June 2019 position of \$15,432,000. Details of the cash levels at Council for the last 18-month period is detailed in the Treasury section.
- [18] Other financial assets have increased by \$934,000 from the 30 June 2019 position balance of \$22,502,000 due to an increase in the market value of the JB Were long term managed fund at 30 June 2020. Refer to the Treasury section for more detail on the managed fund.
- [19] Property, plant and equipment is \$1,496,000 less than the prior year. The majority of this decrease is due to capital WIP write off for vested asset to the DCC in the current period of \$2,300,000 for the Dundas Street culvert and roadway assets.
- [20] Trade and other payables have decreased by \$2,222,000 from the 30 June 2019 position due paying some creditors earlier than our standard 20<sup>th</sup> of the month payment terms as a result of Covid.
- [21] Employee entitlements liability has increased by \$176,000 due to an increase in Council's annual leave liability. Council staff have taken less annual leave during quarter 4 than standard due to Covid lockdown and travel restrictions.

- [22] Reserves has decreased by \$950,000 from the 30 June 2019 position.
- [23] Public Equity has decreased by \$4,435,000 from the 30 June 2019 position due to an operating deficit in the funding of Council activities.

## **TREASURY REPORT**

- [24] The treasury report (included in the attached Finance Report) provides information on the management and performance of the Council's short-term deposits and the managed fund held with JB Were.

### **Short Term Investments – Term Deposits**

- [25] Short term investments held by Council are in the form of term deposits held with banking institutions and managed on the Council's behalf by a separate investment arm of the BNZ under a multi-bank arrangement.
- [26] The day-to-day working capital cash requirement of the Council, including forecasting cash movements in the short term based on forecast revenues and expenditure, is managed by finance staff.
- [27] Council's cash-flow in terms of receipts and payments fluctuates significantly during the year, particularly with significant revenue streams such as rates and dividends coming in at particular times, and large payments such as GST output tax collected on rates income, becoming payable at one time.
- [28] Funds surplus to immediate cash requirements are deposited into the term deposit portfolio. There were no term deposits held at 30 June 2020.
- [29] Graph 1 shows the amount held at the end of each month during the 18 months to 30 June 2020, identifying the term deposit amount and the amount held on-demand with the BNZ.

### **Long Term Investments – Managed Fund**

- [30] The Council's managed fund comprises a portfolio of financial instruments managed externally by JB Were.
- [31] The market value increase was \$1,027,959 (budget \$344,000) for the 12-month period to 30 June 2020. There was a decrease in the management fund at quarter 3 due to the impact Covid 19 had on the investment market. This had recovered by quarter 4 to a market value increase of \$416,000 for the 12-month period.
- [32] The portfolio summary shows the valuation and the percentage of each asset class held compared to the asset allocation percentage specified in the Statement of Investment Policies and Objectives (SIPO).
- [33] Asset allocations remained within the ranges specified in the SIPO as at 30 June 2020.

**EXPENDITURE AND FUNDING BY ACTIVITY**

- [34] This report provides information expenditure and funding by activity. Further information and commentary is provided in the Activity Report presented separately to this Committee meeting.
- [35] Note expenditure in this report includes operational and capital expenditure.

**FLOOD EVENT ASSET IMPAIRMENT****Background**

- [36] During the February flood event, damage was caused to three flood protection asset schemes: Lower Clutha flood and drainage scheme, East Taieri drainage scheme and Wanaka river management scheme. Detailed analysis of the damage from the February flood event to Otago rivers and flood schemes was reported to Council in the 27 May 2020 Council meeting.

**Impairment of flood assets**

- [37] In our preparation of the 30 June 2020 Annual Report we are required under accounting standards PBE IPSAS 21 Impairment of a non-cash generating assets, to assess assets for impairment. The following assets were assessed as being damaged in the February flood event and as a result of the damage require impairment. The value of the asset as result of the impairment were reduced to their estimated restoration cost. Under this approach, the present value of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the asset before impairment. All assets listed below have been impaired for their full book value. The cost of replacement is higher and was discussed with Council in the 27 May 2020 Council meeting.

Scheme	Asset type	Value of impairment
Lower Clutha flood and drainage	Waitepeka Flood bank	\$121,500
Lower Clutha flood and drainage	Riverside Road flood bank	\$43,369
Lower Clutha flood and drainage	Relief wells	\$1,945
Total Lower Clutha impairment		\$166,814
East Taieri drainage Scheme	Pump station	\$31,548
Total East Taieri impairment		\$31,548
Wanaka river management	Rockwall	\$100,000
Total Wanaka river management impairment		\$100,000

- [38] The impairment cost is recorded as other gains and losses expense in the Statement of Comprehensive Income and is deducted from the value of the asset.

**Repair costs**

- [39] The following table represents the estimated cost and insurance recovery from NEMA to repair the schemes.

	Period ended 30 June 2020	Period ending 30 June 2021
<b><i>Expenditure</i></b>		
Repair expenditure	\$535,000	\$5,450,000
Impairment	\$298,000	-
Capital improvements	-	\$250,000
<b>Total expenditure</b>	<b>\$833,000</b>	<b>\$5,700,000</b>
<b><i>Income</i></b>		
Insurance on pump station		\$177,000
NEMA funding		\$2,400,000
<b>Total income</b>		<b>\$2,577,000</b>
<b>Net deficit position to be funded</b>	<b>\$833,000</b>	<b>\$3,123,000</b>
<b><i>Recommended funding</i></b>		
Scheme reserve	\$298,000	\$250,000
Emergency Response Reserve	\$535,000	\$2,873,000

**Recommended funding of repair costs**

- [40] Impairment: It is recommended that the funding for the impairment expenditure is provided by the scheme. This expense is a reduction in the value of the scheme's assets and is not the cost of the asset repair to the required level of service.
- [41] Repair expenditure: It is recommended that the deficit of the repair expenditure (which is not covered by insurance or NEMA funding) is funded from the emergency response reserve. The intention of this reserve when it was established, was to provide funds to self-insure infrastructural assets for these types of events.
- [42] Use of the emergency response reserve in the 2021 year will be assessed as the repairs are completed and actual expenditure is incurred. Any costs that are not considered flood related, or are maintenance rather than repair related, will be scheme funded.

**Emergency Response Reserve**

- [43] The value of the Emergency Response Reserve at 30 June 2019 was \$4,325,000. The forecasted value of the emergency response reserve at 30 June 2021 is \$902,000 assuming all estimated costs are funded via this reserve.
- [44] Going forward, that amount is not sufficient to cover future self-insurance needs and the reserve will require replenishment. There is no defined procedure for the replenishment of the emergency response reserve with funding sources and timing is to be considered by Council on a case by case basis.
- [45] The majority of the scheme damage and replacement has occurred in the Lower Clutha flood and drainage scheme. That scheme is subsidised by the Kuriwao endowment reserve.

- [46] It is recommended that the replenishment of the emergency response reserve is reviewed as part of the LTP 2021-31 as the actual nature and amount of the cost will be better understood at that time.
- [47] There are multiple options for replenishment of the emergency response reserve that can be considered including:
- Reimbursement by the targeted schemes over a set period of years. The recoverable period would need to consider the likelihood of another flood event to ensure that there are funds to provide for future events.
  - The Lower Clutha costs could be subsidised (fully or partially) by the Kuriwao endowment reserve.
  - Funding (fully or partially) could be provided by the general ratepayers in the flood scheme districts or across the wider region.

#### **ATTACHMENTS**

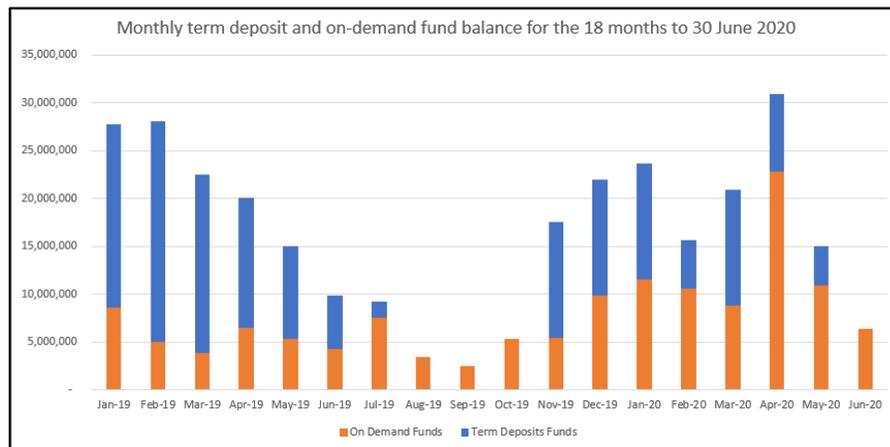
1. Finance Report June 2020 [9.2.1 - 4 pages]

<b>Statement of Comprehensive Revenue and Expenses for the year ended 30 June 2020</b>				
	Actual YTD	Budget YTD	Variance	PY YTD
	\$000	\$000	\$000	\$000
<b>Revenue</b>	<b>June 2020</b>	<b>June 2020</b>		<b>June 2019</b>
Rate revenue	26,501	26,363	139	23,283
Subsidies and grant revenue	12,235	12,133	102	14,686
Other income	13,916	14,063	(147)	13,609
Dividends	9,755	7,900	1,855	8,450
Interest and investment income	639	1,512	(873)	638
<b>Total Revenue</b>	<b>63,046</b>	<b>61,971</b>	<b>1,075</b>	<b>60,666</b>
<b>Expenditure</b>				
Employee benefits expense	(18,939)	(18,496)	(443)	(15,641)
Depreciation and amortisation	(2,841)	(2,531)	(309)	(2,510)
Finance costs	(0)	(2)	2	(1)
Other expenses	(46,929)	(43,561)	(3,368)	(51,647)
<b>Total Expenditure</b>	<b>(68,708)</b>	<b>(64,590)</b>	<b>(4,118)</b>	<b>(69,799)</b>
Surplus/(deficit)	(5,662)	(2,619)	(3,043)	(9,133)
Other gains/(losses)	171	344	(173)	3,814
Revaluation gain/(loss)- shares of subsidiary	-	-	-	-
Income tax benefit/(expense)	101	-	101	101
<b>Surplus/(deficit) before tax</b>	<b>(5,390)</b>	<b>(2,275)</b>	<b>(3,115)</b>	<b>(5,218)</b>

<b>Balance Sheet as at 30 June 2020</b>				
	Actual YTD	PY YTD	Variance	Budget YTD
	\$000	\$000	\$000	\$000
<b>Current Assets</b>	<b>June 2020</b>	<b>June 2019</b>		<b>June 2020</b>
Cash and cash equivalents	7,898	15,432	(7,534)	432
Trade receivables	9,383	9,604	(221)	8,697
Property intended for sale	-	-	-	214
Other financial assets	23,436	22,502	934	34,811
Other current assets	514	442	72	231
<b>Total Current Assets</b>	<b>41,230</b>	<b>47,980</b>	<b>(6,750)</b>	<b>44,385</b>
<b>Non-current Assets</b>				
Property, plant and equipment	92,945	94,441	(1,496)	95,505
Investment property	13,562	13,562	-	11,816
Shares in subsidiary	534,235	534,235	-	502,508
Deferred tax asset	98	98	0	98
Intangible assets	4,699	3,884	815	4,252
<b>Total Non-current Assets</b>	<b>645,539</b>	<b>646,220</b>	<b>(681)</b>	<b>614,179</b>
<b>TOTAL ASSETS</b>	<b>686,769</b>	<b>694,200</b>	<b>(7,431)</b>	<b>658,564</b>
<b>Current Liabilities</b>				
Trade and other payables	(10,281)	(12,503)	2,222	(9,019)
Borrowings (current)	-	-	-	-
Employee entitlements current	(1,815)	(1,639)	(176)	(1,701)
<b>Total Current Liabilities</b>	<b>(12,096)</b>	<b>(14,142)</b>	<b>2,046</b>	<b>(10,720)</b>
<b>NET ASSETS</b>	<b>674,672</b>	<b>680,058</b>	<b>(5,386)</b>	<b>647,844</b>
<b>Equity</b>				
Reserves	(554,671)	(555,621)	950	(521,766)
Public equity	(120,002)	(124,437)	4,435	(126,078)
<b>Total Equity &amp; Reserves</b>	<b>(674,672)</b>	<b>(680,058)</b>	<b>5,386</b>	<b>(647,844)</b>

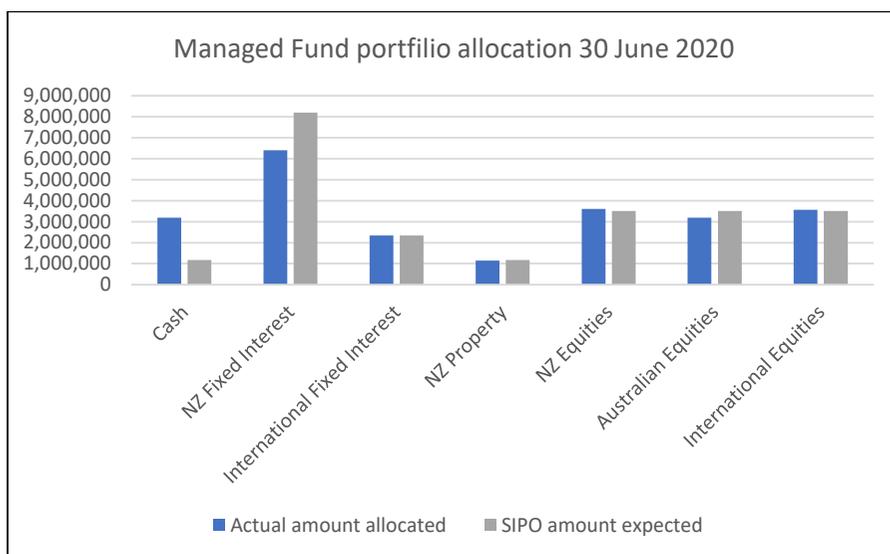
## Treasury Report

### Term Deposits - Portfolio Composition



(Graph 1)

### Managed Fund – Portfolio Allocation



(Graph 2)

### Asset Class Allocation – as at 30 June 2020

Asset Class	Actual amount allocated	%	SIPO amount expected	SIPO target	SIPO acceptable range		SIPO met
Cash	3,190,766	14%	1,171,777	5%	0%	25%	Yes
NZ Fixed Interest	6,398,665	27%	8,202,440	35%	25%	45%	Yes
International Fixed Interest	2,342,180	10%	2,343,554	10%	5%	15%	Yes
<b>Defensive Total</b>	<b>11,931,611</b>	<b>51%</b>	<b>11,717,771</b>	<b>50%</b>	<b>40%</b>	<b>60%</b>	Yes
NZ Property	1,142,750	5%	1,171,777	5%	2%	8%	Yes
NZ Equities	3,605,078	15%	3,515,331	15%	10%	20%	Yes
Australian Equities	3,193,527	14%	3,515,331	15%	10%	20%	Yes
International Equities	3,562,577	15%	3,515,331	15%	10%	20%	Yes
<b>Growth Total</b>	<b>11,503,931</b>	<b>49%</b>	<b>5,751,965</b>	<b>50%</b>	<b>40%</b>	<b>60%</b>	Yes
<b>Total</b>	<b>23,435,542</b>						

(Table 1)

### Portfolio Performance – for the year ended 30 June 2020

Managed fund income	YTD Q1 2020 3 month period	YTD Q2 2020 6 month period	YTD Q3 2020 9 month period	YTD Q4 2020 12 month period
Interest on management fund	9,463	10,479	11,678	38,750
Dividends	102,841	209,252	254,577	329,850
Other Income	83,298	220,485	210,872	243,254
Market Value movement gain/(loss)	539,639	519,236	(1,379,463)	416,106
<b>Total increase in managed fund</b>	<b>735,241</b>	<b>959,452</b>	<b>(902,336)</b>	<b>1,027,959</b>

(Table 2)

Finance Committee Agenda - 26 August 2020 - MATTERS FOR NOTING

EXPENDITURE AND FUNDING BY ACTIVITY  
FOR THE YEAR ENDED 30 JUNE 2020

Significant Activity	Activity	Total Expenditure			General rates			Targeted rates			Grants			Other Income			General Reserves			Targeted Reserves			Other reserves			
		Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	Actual	Budget	Variance	
<b>Regional Leadership</b>																										
<b>Governance</b>																										
	Public Awareness	2,100	2,148	-48	2,161	2,133	27	-	-	-	25	-	25	2	15	-13	-88	-	-88	-	-	-	-	-	-	-
	Financial Contributions	350	350	-	237	235	3	-	-	-	-	-	-	98	116	-17	15	-	15	-	-	-	-	-	-	
	Response to Issues	826	319	507	323	319	4	-	-	-	-	-	-	-	-	-	503	-	503	-	-	-	-	-	-	
	Dunedin Head Office Replacement	-3	-	-3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-3	-	-3	
	Governance & Democracy	2,500	1,907	593	1,931	1,907	24	-	-	-	-	-	-	2	-	2	568	-	568	-	-	-	-	-	-	
<b>Planning</b>																										
	Regional Plan Water	3,659	3,209	450	3,230	3,189	41	-	-	-	-	-	-	-	-	-	430	-	430	-	-	-	-	-	20	-20
	Regional Planning	1,061	76	985	77	76	1	-	-	-	-	-	-	14	-	14	970	-	970	-	-	-	-	-	-	
	Urban Development Strategy	141	344	-203	348	344	4	-	-	-	-	-	-	-	-	-	-207	-	-207	-	-	-	-	-	-	
	Regional Pest Plan Review	205	-	205	-	-	-	-	-	-	-	-	-	-	-	-	205	-	205	-	-	-	-	-	-	
<b>Total Regional Leadership</b>		<b>10,841</b>	<b>8,354</b>	<b>2,487</b>	<b>8,307</b>	<b>8,203</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>25</b>	<b>116</b>	<b>131</b>	<b>-15</b>	<b>2,395</b>	<b>-</b>	<b>2,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-3</b>	<b>20</b>	<b>-23</b>	
<b>Environmental</b>																										
<b>Water</b>																										
	Freshwater Implementation	2,109	3,139	-1,031	1,252	1,236	16	1,333	1,326	7	111	77	34	-	-	-	67	81	-14	-663	-21	-643	8	440	-432	
<b>Air</b>																										
	Air Strategy Implementation	292	366	-74	223	220	3	-	-	-	-	-	-	0	-	0	-97	-	-97	-	165	146	19	-	-	
<b>State of Environment</b>																										
	Ambient Air Monitoring	252	339	-87	292	288	4	-	-	-	-	-	-	-	-	-	-80	-	-80	-	-	-	41	51	-10	
	LAWA	484	459	25	15	15	0	-	-	-	-	-	-	385	364	21	84	-	84	-	79	-79	-	-	-	
<b>Biodiversity/Biosecurity</b>																										
	Water Quality & Quantity SOE	3,521	3,212	309	2,594	2,562	33	-	-	-	-	-	-	279	276	3	252	-	252	-	-	-	396	374	22	
	Biodiversity Implementation	354	338	17	342	338	4	-	-	-	-	-	-	2	-	2	10	-	10	-	-	-	-	-	-	
	Biosecurity	1,296	1,260	35	1,196	1,180	15	-	-	-	-	-	-	20	80	-60	76	-	76	-	-	-	3	-	3	
	Control of Pests	57	61	-3	62	61	1	-	-	-	-	-	-	-	-	-	-4	-	-4	-	-	-	-	-	-	
	Environmental Enhancement	608	626	-18	304	300	4	-	-	-	-	-	-	-	-	-	1	-	1	-16	-	-16	319	326	-7	
	Wilding Pines	1,948	2,798	-850	-	-	-	214	209	5	1,678	2,528	-850	-	-	-	-	-	-	56	61	-5	-	-	-	
<b>Total Environmental</b>		<b>10,921</b>	<b>12,598</b>	<b>-1,677</b>	<b>6,279</b>	<b>6,200</b>	<b>79</b>	<b>1,547</b>	<b>1,535</b>	<b>12</b>	<b>1,790</b>	<b>2,605</b>	<b>-816</b>	<b>687</b>	<b>720</b>	<b>-33</b>	<b>310</b>	<b>81</b>	<b>229</b>	<b>-457</b>	<b>266</b>	<b>-723</b>	<b>766</b>	<b>1,191</b>	<b>-424</b>	
<b>Regulatory</b>																										
<b>Incident Response</b>																										
	Incident Response	2,028	1,786	242	1,181	1,166	15	-	-	-	61	60	1	49	560	-511	726	-	726	-	-	-	11	-	11	
	Contaminated Sites	141	127	14	128	127	2	-	-	-	-	-	-	-	-	-	12	-	12	-	-	-	-	-	-	
<b>Consents/Compliance</b>																										
	RC Apps, Reviews, Appeals, Admin & Dams	3,711	2,205	1,506	592	585	7	-	-	-	-	-	-	2,502	1,621	881	617	-	617	-	-	-	-	-	-	
	Regional Plan Compliance Monitoring	1,573	1,674	-101	436	430	5	-	-	-	-	-	-	468	1,244	-775	669	-	669	-	-	-	-	-	-	
	Harbour Management	834	694	140	693	684	9	-	-	-	4	-	4	25	10	15	76	-	76	-	-	-	36	-	36	
<b>Total Regulatory</b>		<b>8,287</b>	<b>6,486</b>	<b>1,800</b>	<b>3,030</b>	<b>2,992</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65</b>	<b>60</b>	<b>5</b>	<b>3,044</b>	<b>3,434</b>	<b>-390</b>	<b>2,101</b>	<b>-</b>	<b>2,101</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47</b>	<b>-</b>	<b>47</b>	
<b>Flood Protection &amp; River Management</b>																										
<b>Flood Protection</b>																										
	Alexandra Flood Protection	184	244	-61	4	5	-1	-	-	-	-	-	-	90	239	-149	-	-	-	90	-	90	-	-	-	
	Leith Flood Protection Scheme	2,317	1,829	488	132	180	-48	1,461	1,461	1	-	-	-	36	-	36	-	-	-	688	188	500	-	-	-	
	Lwr Clutha Flood Protection & Drainage	1,539	1,403	136	29	95	-66	702	700	2	-	-	-	161	177	-16	-	-	-	150	180	-30	496	250	246	
	Lwr Taieri Flood Protection Scheme	516	1,497	-981	48	195	-148	769	800	-31	-	-	-	2	1	1	-	-	-	-304	500	-804	-	-	-	
	West Taieri Drainage	699	1,118	-419	32	84	-52	557	600	-43	-	-	-	74	66	9	-	-	-	35	368	-333	-	-	-	
	East Taieri Drainage	338	798	-460	7	64	-57	467	475	-8	-	-	-	4	1	3	-	-	-	-140	258	-398	-	-	-	
	Tokomariro Drainage	35	202	-167	-	-	-	124	124	1	-	-	-	-	-	-	-	-	-	-89	79	-168	-	-	-	
	Shotover River Delta	15	86	-71	0	2	-1	81	80	1	-	-	-	-	-	-	-	-	-	-67	4	-71	-	-	-	
	Designations & Bylaws	33	112	-78	-	-	-	-	-	-	-	-	-	-	-	-	33	112	-78	-	-	-	-	-	-	
<b>Rivers Management</b>																										
	Dunedin River Management	304	1,089	-784	-	-	-	251	250	1	-	-	-	-	-	-	-	-	-	54	839	-785	-	-	-	
	Clutha River Management	188	488	-300	-	-	-	331	330	1	-	-	-	-	-	-	-	-	-	-143	158	-301	-	-	-	
	Central Otago River Mgt	248	350	-102	-	-	-	303	300	3	-	-	-	-	-	-	-	-	-	-54	50	-105	-	-	-	
	Wakatipu River Mgt	109	233	-124	-	-	-	152	150	2	-	-	-	-	-	-	-	-	-	-43	83	-126	-	-	-	
	Wanaka River Mgt	234	174	59	-	-	-	181	180	1	-	-	-	-	-	-	-	-	-	14	-6	19	39	-	39	
	Waitaki River Mgt	121	328	-207	-	-	-	402	400	2	-	-	-	-	-	-	-	-	-	-280	-72	-208	-	-	-	
	Lwr Waitaki Flood Protection Scheme	149	162	-13	16	16	0	146	146	-0	-	-	-	-	-	-	-	-	-	-13	-	-13	-	-	-	
	Non Scheme Asset Mtc Strategy	1	41	-40	41	41	1	-	-	-	-	-	-	-	-	-	-41	-	-41	-	-	-	-	-	-	
<b>Total Flood / River Mgt</b>		<b>7,030</b>	<b>10,154</b>	<b>-3,123</b>	<b>310</b>	<b>682</b>	<b>-372</b>	<b>5,928</b>	<b>5,995</b>	<b>-67</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368</b>	<b>485</b>	<b>-117</b>	<b>-7</b>	<b>112</b>	<b>-119</b>	<b>-102</b>	<b>2,630</b>	<b>-2,732</b>	<b>534</b>	<b>250</b>	<b>284</b>	
<b>Safety &amp; Hazards</b>																										
<b>Emergency Mgt</b>																										
	Emergency Management	3,161	2,425	736	-	-	-	2,474	2,425	49	90	-	90	-	-	-	-0	-	-0	597	-	597	-	-	-	
<b>Natural Hazards</b>																										
	Natural Hazards	678	699	-21	702	694	9	-	-	-	-	-	-	0	5	-5	-24	-	-24	-	-	-	-	-	-	
	Flow Forecasting	378	212	166	215	212	3	-	-	-	-	-	-	-	-	-	152	-	152	-	-	-	12	-	12	
	Climate Change Adaptation	385	937	-551	682	674	9	-	-	-	-	-	-	-	15	-15	-409	100	-509	-	-	-	112	148	-36	
<b>Total Safety &amp; Hazards</b>		<b>4,603</b>	<b>4,272</b>	<b>331</b>	<b>1,599</b>	<b>1,579</b>	<b>20</b>	<b>2,474</b>	<b>2,425</b>	<b>49</b>	<b>90</b>	<b>-</b>	<b>90</b>	<b>0</b>	<b>20</b>	<b>-20</b>	<b>-282</b>	<b>100</b>	<b>-382</b>	<b>597</b>	<b>-</b>	<b>597</b>	<b>124</b>	<b>148</b>	<b>-24</b>	
<b>Transport</b>																										
<b>Transport</b>																										
	Regional Land Transport Planning	108	235	-126	116	115	1	-	-	-	73	120	-46	-	-	-	-82	-	-82	-	-	-	-	-	-	
	Public transport Dunedin	16,907	17,136	-230	-	-	-	4,388	4,384	5	6,540	6,111	428	4,417	5,153	-736	-	-	-	1,562	1,488	74	-	-	-	
	Public transport Wakatipu	7,003	6,855	147	-	-	-	854	845	9	1,858	2,221	-363	4,231	3,401	830	-	-	-	60	388	-329	-	-	-	
	Public transport Regional	2,472	1,522	950	441	436	6	-	-	-	1,685	970	715	-	-	-	-72	-	-72	419	117	302	-	-	-	
	Stock Truck Effluent Disposal	177	90	87	45	44	1	-	-	-	109	46	64	-	-	-	23	-								