

ANNUAL REPORT

1 JULY 2017 – 30 JUNE 2018

SUMMARY





Summary Annual Report

For the Period

1 July 2017 to 30 June 2018

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Cr Stephen Woodhead
Chairperson

Overview from the Chairman and Chief Executive

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



Sarah Gardner
Chief Executive

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

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

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

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

Rural Water

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

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

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

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

Public Passenger Transport – Dunedin and Wakatipu

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

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

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

Queenstown Office

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

Civil Defence and Emergency Management

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

Regional Pest Management Plan

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

Rabbit Virus

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

Wildings

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

Catchment Groups

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

Other Initiatives

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

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

Acknowledgements

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



Stephen Woodhead
Chairperson



Sarah Gardner
Chief Executive

Significant Activities

Environment

Water

Water is a precious resource in Otago. The quality of our water and its availability are critical to our way of life. Council has multiple work streams that focus on water quality and the availability of water for communities and business. This includes the Regional Plan framework, under the Resource Management Act, that sets out policies and rules concerned with quality and availability of water in our aquifers, rivers, lakes and wetlands. We do water monitoring to inform regional planning and support the 'face to face' work with largely rural landowners.

Water Quality

Activities undertaken in 2017/18 included ongoing monitoring of water quality, commencement of desk top assessments, and a pilot project for rural water quality environmental risk assessment work. Work is ongoing with industry groups, farmers, and other working groups to promote rural water quality.

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

A key project has been put in place to educate and liaise with rural landowners in the transition to the rules set out in the Regional Plan: Water. The key issue is that landholders ensure that their discharges from land to water do not exceed the maximum discharge thresholds by 2020. This requires a change in behaviour and current land use practices primarily by our rural community, but also urban catchments.

The following table and graphs show the achieved result for the measures that were agreed in the 2017/18 Annual Plan.

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

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

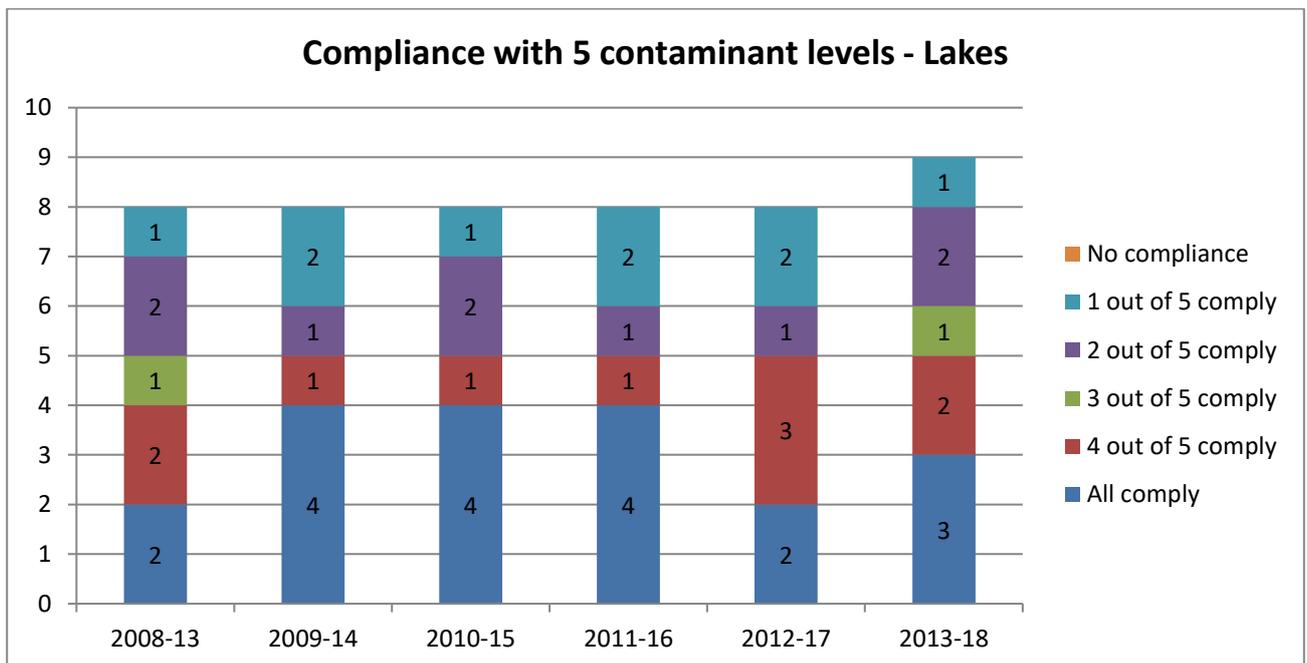
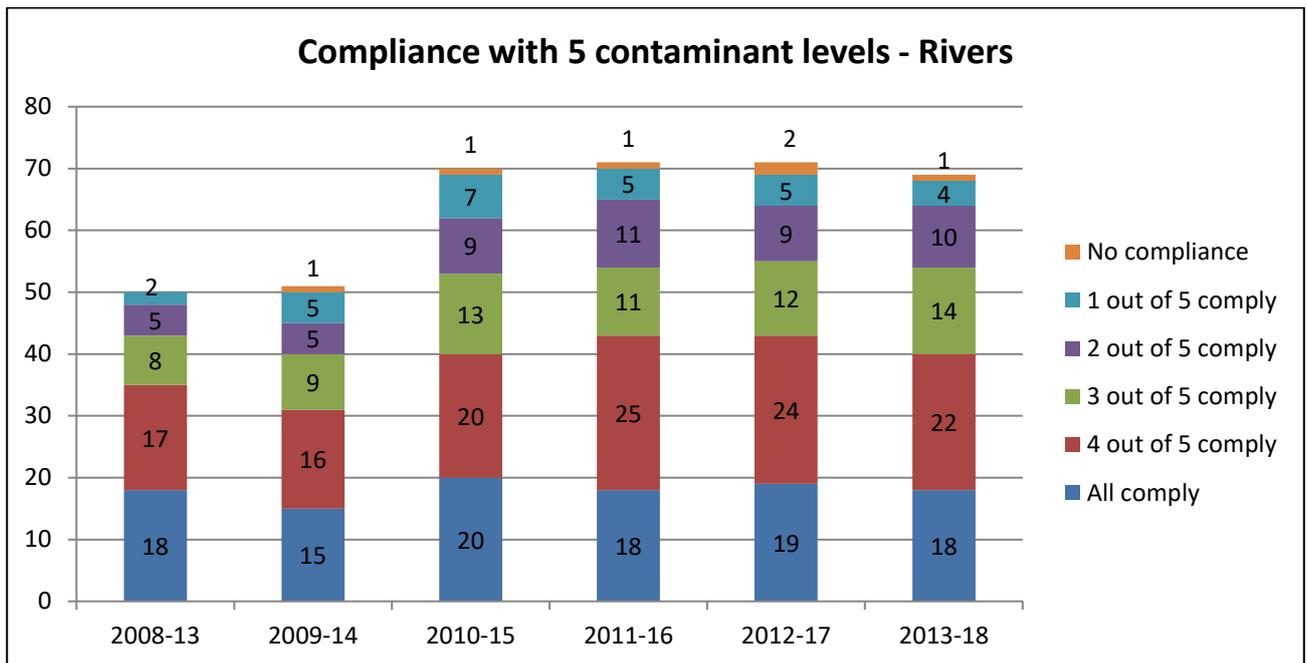
The contaminants measured for rivers are:

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

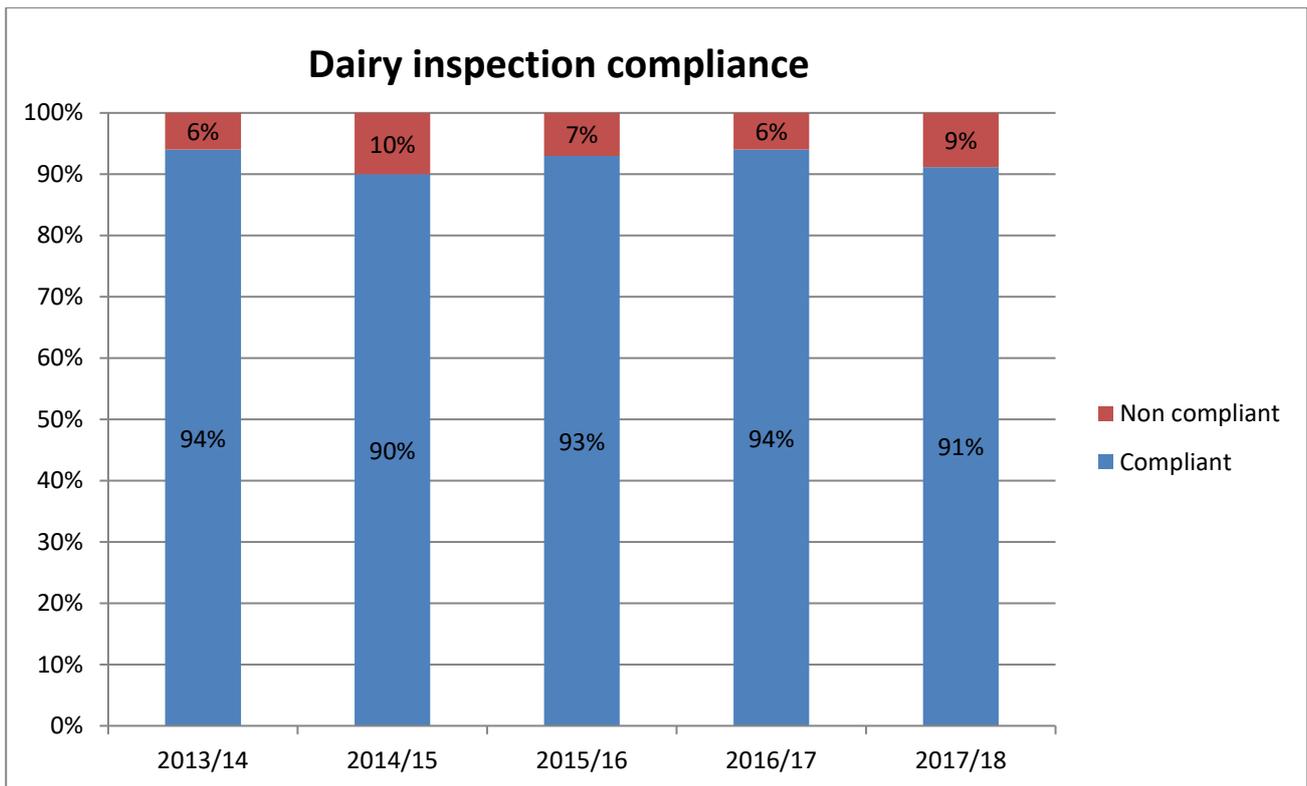
The contaminants measured for lakes are:

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

For rivers, water quality is measured as a five-year 80th percentile (when flow is at median or below median flow), and lakes are measured as a five-year 80th percentile, at State of Environment monitoring sites. The results from our monitoring are shown below.



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



Water Quantity

The availability of water and its allocation for irrigation is a major issue. The Council is required to set limits on how low the flow of certain rivers may get (minimum flows), whilst still protecting the aquatic habitats and natural character of the rivers. Economic, cultural and social values are taken into consideration when setting minimum flows, and these flows determine the amount of water that may be available for use. The Council has been progressing a plan change that will set minimum flows for particular catchments and assist in evaluating the replacement of ‘deemed water permits’ within the wider Clutha/Mata-au catchment, with resource consents.

During the year the Council agreed on a ‘Priority Catchments Minimum Flow Plan Change’ to accelerate this important work. It was recognised that ‘deemed permit holders’ required a position or certainty on water about future resource consents in the Arrow, Manuherikia and Upper Cardrona catchments. This work was progressed and also included Council initiated meetings and liaison with forty groups of ‘deemed permit’ water users. Feedback from these meetings resulted in the approach to determining flows and allocating water being reconsidered. The 2018/19 work programme will reflect the results of this reconsideration.

The following tables show the achieved result for the measures that were agreed in the 2017/18 Annual Plan.

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

Monitoring

Monitoring of both water quality and water quantity is undertaken by Council. Water quantity is monitored for a number of purposes including flood risk management, minimum flow establishment and compliance.

Water quality is monitored for the purposes of understanding the health status of Otago’s rivers and lakes, and to ensure appropriate management of these resources.

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

Air

Within Otago, there are certain areas where winter air emissions from home heating cause air quality to exceed standards set for healthy living.

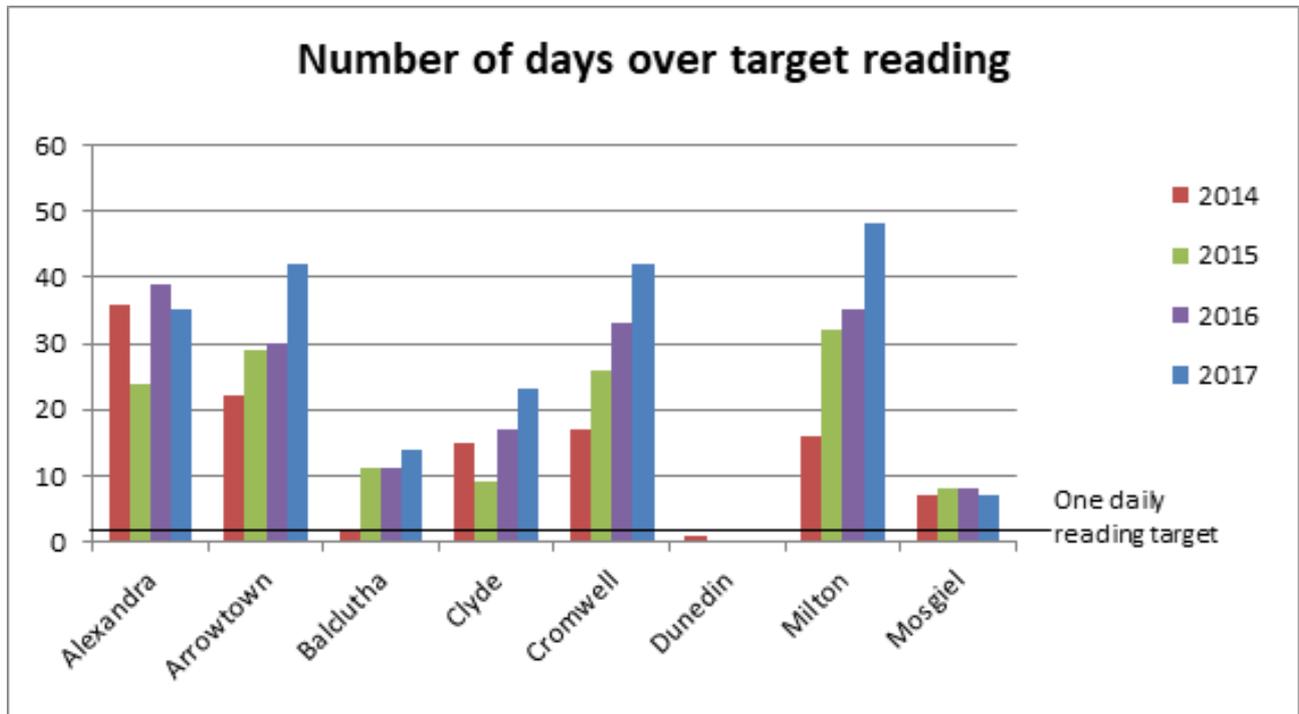
A new air quality strategy was adopted by Council in June 2018, after community consultation. It lays out the foundation for ORC's future air quality programme. A detailed implementation plan is under preparation.

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

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

| Level of service – Improve air quality | | Achieved |
|--|--|---|
| Measure: | Ambient (PM ₁₀) air quality in targeted towns. | <div style="width: 20px; height: 20px; background-color: #76b82a; border-radius: 50%; margin: 0 auto;"></div> |
| Performance target: | Monitor air quality to assess compliance with the NES requirement of no more than one daily average reading of PM ₁₀ per annum to be higher than 50 micrograms per cubic metre (50 mg/m ³). | |
| Result: | Monitoring has been performed for FY17/18. | |

The graph below shows the number of days where the daily average reading of PM₁₀ was higher than 50 mg/m³, for the last four years.



A National Environmental Standard (NESAQ) for Air Quality sets a maximum allowable daily concentration for PM₁₀ of 50 micrograms per cubic metre of air. PM₁₀ refers to particulate matter less than 10 microns in diameter, and is measured in micrograms per cubic metre of air. The NESAQ allows up to three exceedances per year of the PM₁₀ standard by 2016, and full compliance (no more than one exceedance per year) by 2020.

Land (Biodiversity and Pests)

Landholders are responsible for managing animal and plant pests on their land. Pests cause considerable damage to the environment.

Council's Pest Management Strategy for Otago promotes a regionally co-ordinated approach to address the impacts of both pest animals and pest plants. During 2017/18:

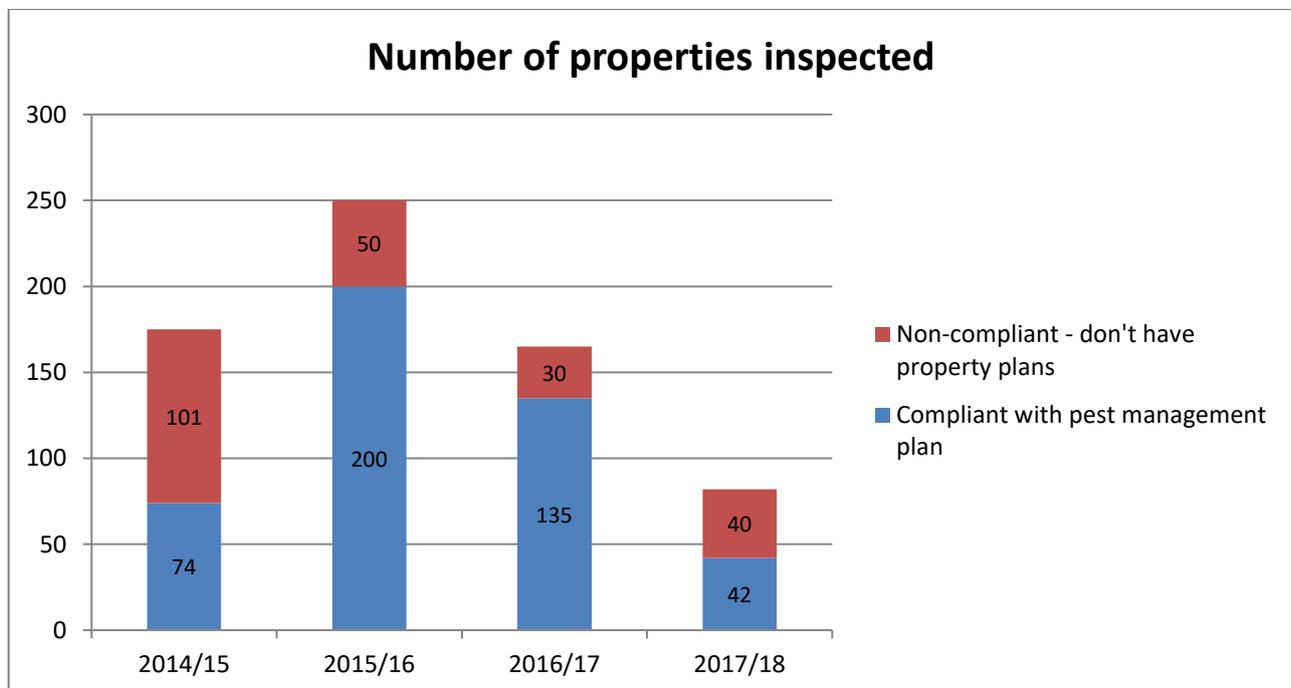
- The planning and implementation of the K5 virus release targeting rabbit populations was a pest management priority during the year.
- Work continued on monitoring compliance with the Pest Management Plan and responding to pest related complaints. Where non-compliance was found, follow up action was undertaken.

A Biodiversity Strategy was adopted by Council in June 2018, after community consultation. Key components include: holding biodiversity forums, a contestable fund for local projects, employing a biodiversity coordinator, establishment of a regional liaison group, developing an online portal for local groups, undertaking research, developing a spatial plan and reviewing the Regional Plan Pests.

In support of Biodiversity seven applications to the Environmental Enhancement Fund were received, with two being approved. The policy criteria for this fund is being clarified to further assist community applications and Council decision-making.

Inspections and Complaints

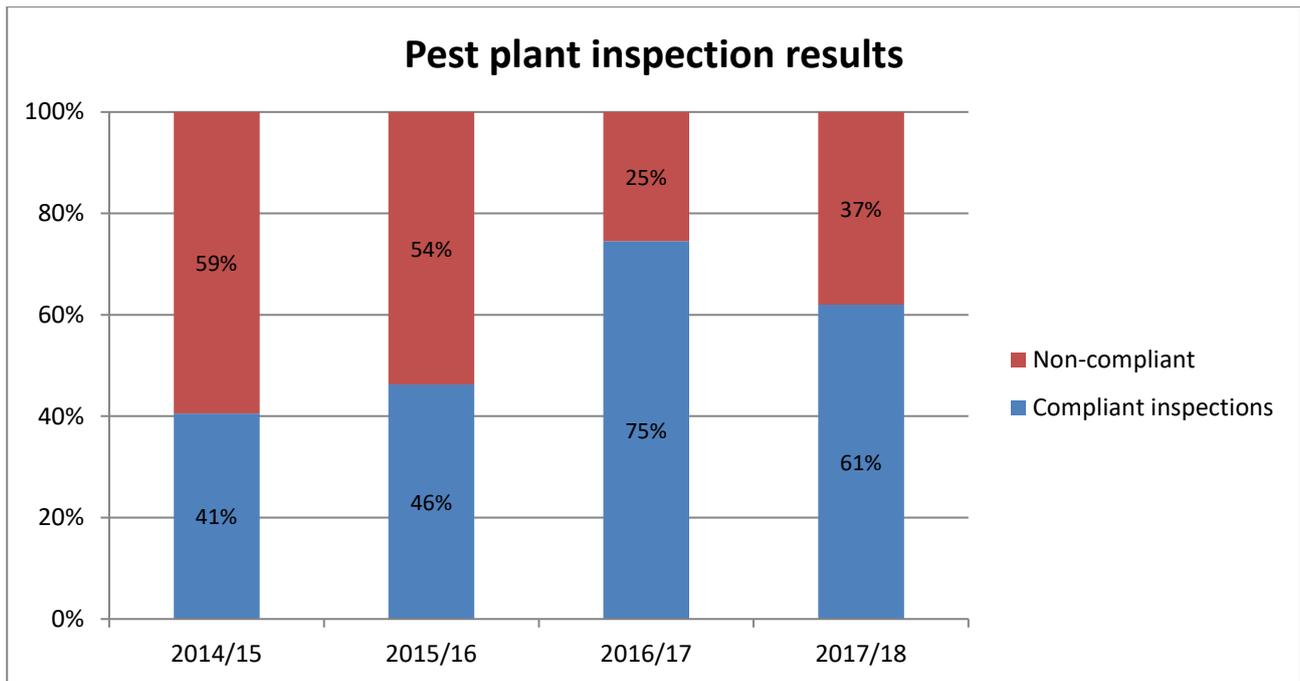
The graph below shows the number of properties inspected and their results. 82 inspections involved a request to view the property management plan, with 40 of those inspections resulting in a non-compliant assessment and request to either complete or amend a property plans.



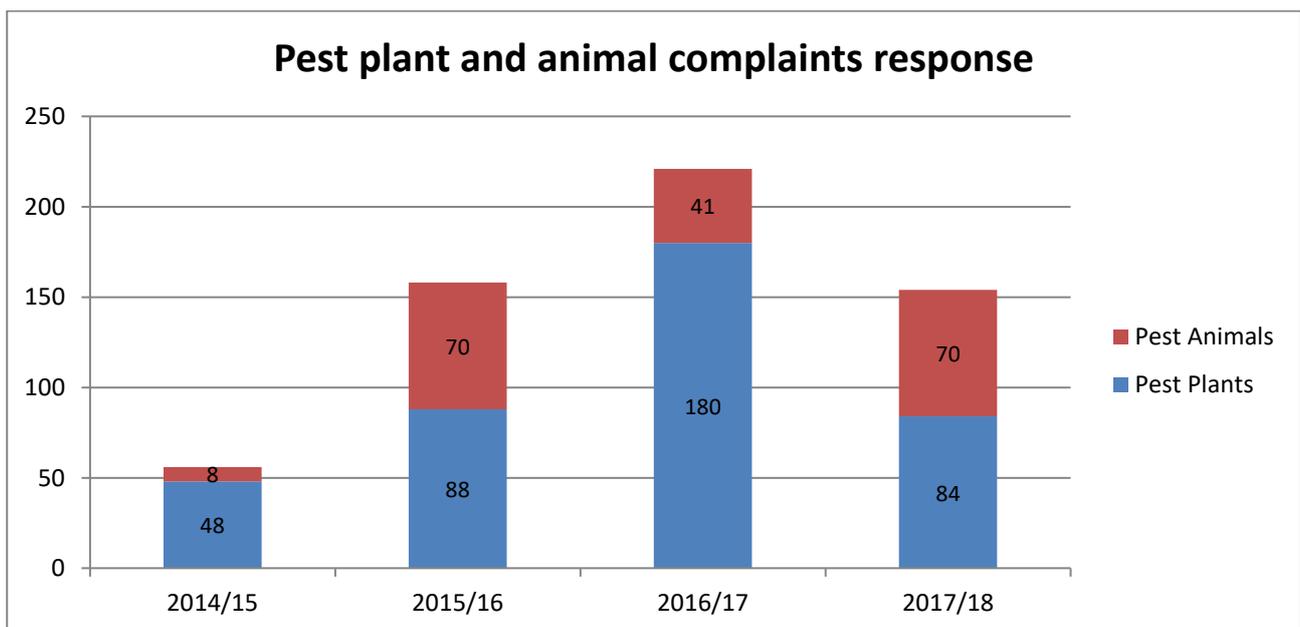
The Pest Management Strategy has a list of plants declared to be pests and has rules for landowners to destroy pest plants found on their land. Results of inspections are shown below.

During the period plant inspections included the following:

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



Staff responded to pest complaints as follows:



Complaints received related to the following:

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

Rivers and Waterway Management

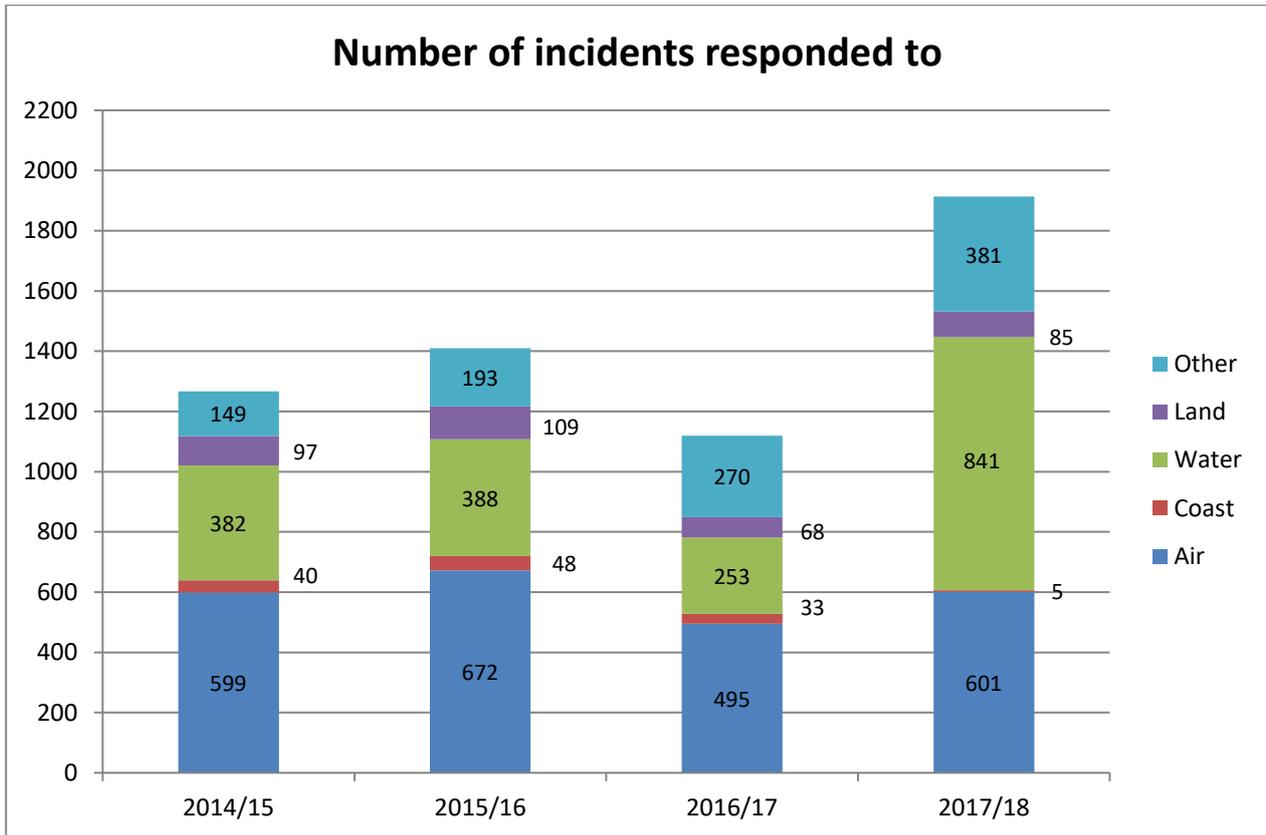
River and waterway management works are undertaken to maintain river and stream channel capacity. Such works include willow maintenance, vegetation control and the removal of obstructions and blockages. The primary purpose of this work is to prevent the loss of any channel capacity, so that should a flood event occur, waters can flow without undue obstruction. All known blockages were addressed during the year.

Council also undertakes a programme of river monitoring which involves surveying the stability and alignment of particular rivers, and investigating river changes and erosion.

Environmental Incident Response

Council operates a 24-hour Pollution Hotline. Pollution incidents, oil spills and other resource management complaints are investigated, and action is taken, to ensure appropriate remedial measures are undertaken. Enforcement action is undertaken where adverse effects on the environment have occurred that support such action.

Council responded to all incidents within 0.5 hours of receipt during the period as follows:



Financial Results – Environment

| | Actual 2017/18 \$000 | Annual Plan 2017/18 \$000 | Actual 2016/17 \$000 |
|---------------------------------|-------------------------------------|--|-------------------------------------|
| Total revenue | 14,705 | 15,795 | 12,744 |
| Total expenditure | (15,973) | (17,330) | (13,432) |
| Net operating surplus/(deficit) | (1,268) | (1,535) | (688) |
| Capital expenditure | 342 | 236 | 273 |

Community

Democracy, Public Information and Awareness

Council's democratic process involves providing effective representation on behalf of the Otago community. Our processes include holding meetings of Council and Council Committees, and these meetings are open to the public. Many opportunities are given to the public to provide input into Council's decision making, and include Council inviting submissions on specific proposals, and participation in public forums at Council meetings.

Council undertakes a number of activities to educate, consult and encourage community participation in decision-making, and to promote awareness of our plans, policies and activities. To help promote community participation, we provide regular information to the media about our activities, and make information publicly available through newsletters, web-based information, social media, public events and so on.

If there are any matters raised by government or other agencies that require a regional response, we will submit as appropriate. For example, government policies and legislation, district plans, conservation plans etc. may affect our responsibilities and functions, and so require an Otago Regional Council response.

Council actively works with Kāi Tahu ki Otago, and encourages Māori participation in natural resource management. Council seeks to consult and liaise on the activities of Council, and provide assistance on initiatives of mutual specific interest.

Council contributes funding towards initiatives undertaken by community groups and others that promote the sustainable use of resources in Otago, and to the Otago Emergency Rescue Helicopter.

All service level targets for this group of activities were reported as being achieved.

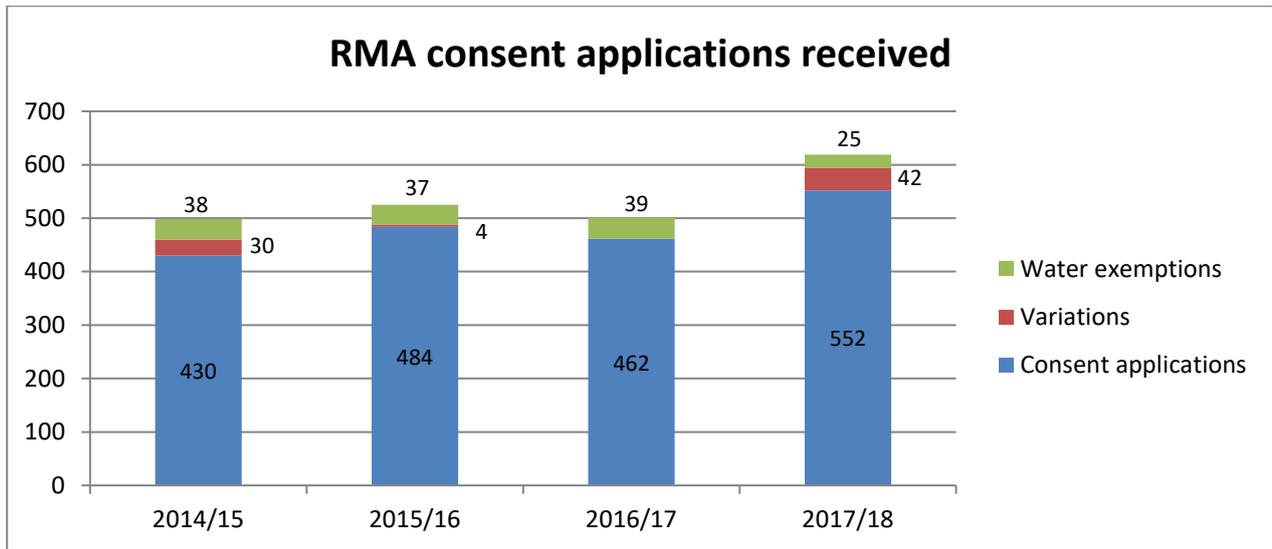
Financial Results – Community

| | Actual 2017/18 \$000 | Annual Plan 2017/18 \$000 | Actual 2016/17 \$000 |
|---------------------------------|-------------------------------------|--|-------------------------------------|
| Total revenue | 4,155 | 4,259 | 4,238 |
| Total expenditure | (4,695) | (5,002) | (4,579) |
| Net operating surplus/(deficit) | (540) | (743) | (341) |
| Capital expenditure | 5 | - | 144 |

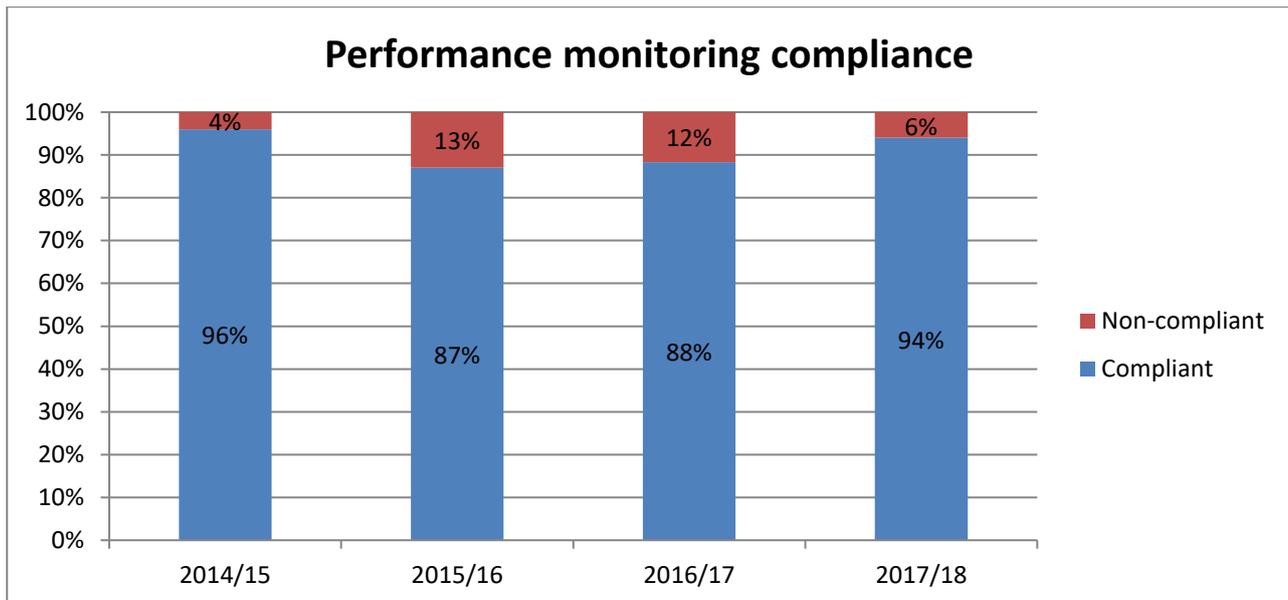
Regulatory

The Council has worked towards making the agreed Regional Policy Statement sections operative, anticipating that the issues that have gone to Environment Court hearing may be the subject of further appeals. All appeals, with the exception of two, have been addressed through mediation.

Resource consents are issued by Council allowing the use of our natural resources, or discharging into water, air, coast and land resources. All applications received were processed within the statutory timeframes. The graph below shows the trend in numbers of RMA applications received.

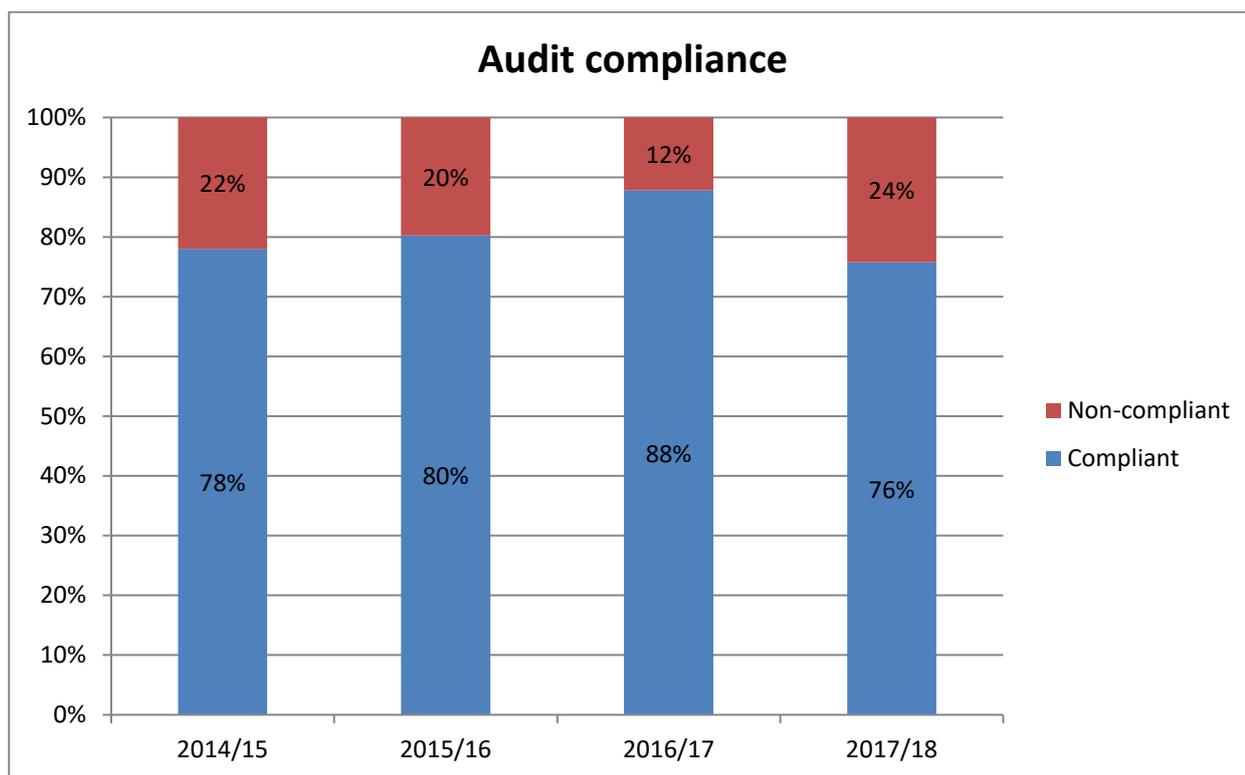


After resource consents are issued, we audit and monitor resource use to ensure that consent conditions are being complied with. Consent conditions often include the need for monitoring to be undertaken by the consent holder, and for the performance monitoring information to be sent in to Council for review. The graph below shows the level of compliance with consent conditions in respect of performance monitoring returns.



In addition, certain consents will require an audit of consent conditions by Council. Whilst audits cover all the conditions of consent, the monitoring to be undertaken by the consent holder may only be required to cover some of the conditions of consent. As such, the resulting levels of non-compliance will vary between audits

and performance monitoring data. The graph below shows the level of compliance with consent conditions in respect of audits undertaken.



Where it is found that consent conditions are not being complied with, enforcement action may be undertaken, and may involve issuing infringement notices, abatement notices or prosecuting.

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

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

Council is also responsible for harbour safety and navigation in the Otago and Karitane harbours, and includes ensuring a prompt response to harbour incidents, and notifying relevant authorities if required. We are also responsible for responding to any oil spills that may occur in the Otago area.

Financial Results – Regulatory

| | Actual 2017/18 \$000 | Annual Plan 2017/18 \$000 | Actual 2016/17 \$000 |
|---------------------------------|----------------------------|---------------------------------|----------------------------|
| Total revenue | 2,642 | 3,684 | 2,489 |
| Total expenditure | (3,903) | (3,565) | (3,702) |
| Net operating surplus/(deficit) | (1,261) | 119 | (1,213) |
| Capital expenditure | 8 | - | - |

Flood Protection and Control Works

Council operates and maintains a number of flood protection and drainage schemes throughout Otago, with the aim of protecting people and properties from flooding, and with adequate drainage, maintaining the productive capability of land within the drainage scheme areas.

Flood protection works undertaken by Council include constructing and maintaining flood banks, swales, bunds and spillways. Some works are necessary to ensure the safety and integrity of the scheme.

The flood and drainage schemes performed as designed during the period. Damage from the July 2017 flood event was identified, and repairs were prioritised in the catchment and progressed. Construction of the Union to Leith footbridge (ITS bend) stage of the Leith Flood Protection Scheme, while delayed, was progressed.

Financial Results – Flood protection and control works

| | Actual 2017/18 \$000 | Annual Plan 2017/18 \$000 | Actual 2016/17 \$000 |
|---------------------------------|----------------------------|---------------------------------|----------------------------|
| Total revenue | 4,690 | 4,987 | 4,153 |
| Total expenditure | (4,358) | (2,904) | (2,607) |
| Net operating surplus/(deficit) | 332 | 2,083 | 1,546 |
| Capital expenditure | 3,595 | 3,759 | 1,876 |

Safety and Hazards

Emergency Management

Council, along with the Otago territorial authorities and emergency services, plans and provides for civil defence emergency management to ensure continued public safety in the region through effective reduction, readiness, response and recovery. Work includes identifying and reducing risks, maintaining communication links, holding training exercises, and implementing the Otago Civil Defence Emergency Management Group Plan.

During the year the Council worked to ensure the Region Otago had Group Emergency Co-ordinating Centre capable of being fully operational within one hour of activation, along with fully qualified group controllers.

Natural Hazards

Natural hazard identification work involves assessing the scale and significance of natural hazards in Otago, including seismic, tsunami, and flooding. The information obtained is published in the Otago Natural Hazards database which is maintained by Council.

Flood events are a key focus for Council. It has systems in place to continually monitor and provide warnings and information on rainfall and river levels. In the case of an event, interested and potentially affected parties are provided directly with information in a timely manner.

The warning system and dissemination of information during heavy rainfall events, including the major July 2017 flood event being the second highest flow recorded in the Taieri River at Outram, operated effectively. Information was provided effectively through the Waterinfo website, text alarms, ring lists and media releases.

Work on natural hazards continued, including work on the South Dunedin Future programme, and working with Queenstown Lakes District Council on a flood awareness campaign in Queenstown and Wanaka. In addition, work also include consideration of the Roxburgh debris flows.

A comprehensive review of information displayed in the Otago Regional Council Natural Hazards Database and supporting information has been completed. Areas identified as needing attention have now being worked on and updates on the database will continue as required.

Investigations on the causes, severity and effects of the November 2017 Roxburgh debris flow and possible mitigation options have started in response to the event and will continue in the next financial year.

Financial Results – Safety and Hazards

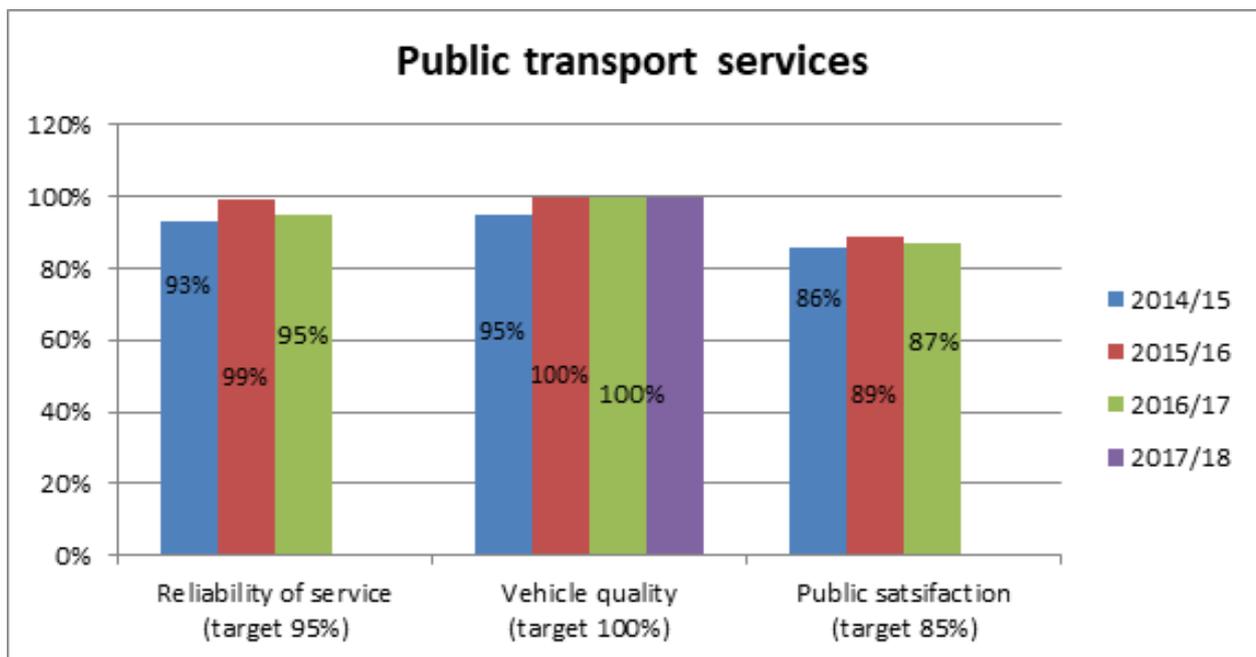
| | Actual 2017/18 \$000 | Annual Plan 2017/18 \$000 | Actual 2016/17 \$000 |
|---------------------------------|-------------------------------------|--|-------------------------------------|
| Total revenue | 3,635 | 3,672 | 2,373 |
| Total expenditure | (4,194) | (3,733) | (2,599) |
| Net operating surplus/(deficit) | (559) | (61) | (226) |
| Capital expenditure | 9 | - | 35 |

Transport

The development of the Regional Land Transport Plan is the responsibility of the Regional Transport Committee. This Committee has representation from organisations throughout Otago involved in transport, including the New Zealand Transport Agency, the territorial authorities and others representing environmental, economic, accessibility, health and Tangata Whenua interests. The Otago Regional Council is responsible for supporting the committee in its strategic, policy and priority setting roles, and implementing provisions of the strategy that sit with Council.

Public passenger transport services are provided for in Dunedin and Queenstown, and Council contracts the provision of those services. It aims to ensure a viable, affordable, quality service that will attract patronage growth that will assist in reducing the reliance on public subsidy over the long-term.

A survey of bus users was delayed and not completed during the 2017/18 year.



New initiatives planned for Dunedin passenger transport include the development of a central bus hub and a new electronic ticketing system. Construction contract tender for the bus hub has been received with costs exceeding the budget allocation. Council approved its share of the cost increase, at year-end seeking NZTA approval for its component of cost which has subsequently been approved. The ticketing project is now on track for completion of construction component late November 2018. System design and build is underway and is anticipate being operational in Queenstown and Dunedin in late 2018/early 2019.

Financial Results – Transport

| | Actual 2017/18 \$000 | Annual Plan 2017/18 \$000 | Actual 2016/17 \$000 |
|---------------------------------|----------------------------|---------------------------------|----------------------------|
| Total revenue | 20,802 | 22,581 | 13,132 |
| Total expenditure | (20,803) | (24,750) | (13,958) |
| Net operating surplus/(deficit) | (1) | (2,169) | (826) |
| Capital expenditure | 1,865 | 426 | 337 |

Summary Financial Report for the Year Ended 30 June 2018

| Summary Statement of Comprehensive Revenue and Expense For the year ended 30 June 2018 | Council Actual 2018 \$000 | Council Budget 2018 \$000 | Council Actual 2017 \$000 | Group Actual 2018 \$000 | Group Actual 2017 \$000 |
|--|------------------------------------|------------------------------------|------------------------------------|----------------------------------|----------------------------------|
| Revenue from non-exchange transactions | | | | | |
| Rates revenue | 20,908 | 20,910 | 15,963 | 20,883 | 15,940 |
| Subsidies and grant revenue | 10,893 | 11,926 | 8,471 | 10,893 | 8,471 |
| Other revenue | 7,473 | 9,611 | 3,490 | 7,473 | 3,490 |
| Revenue from exchange transactions | | | | | |
| Dividends | 9,000 | 9,000 | 7,800 | - | - |
| Interest and investment revenue | 1,069 | 1,511 | 1,342 | 1,069 | 1,502 |
| Other revenue | 3,076 | 2,955 | 3,112 | 99,189 | 87,038 |
| Other gains/(losses) | 1,750 | 333 | 805 | 24,913 | 20,715 |
| Operating expenditure | (57,119) | (57,639) | (41,925) | (124,728) | (102,734) |
| Share of surplus from equity accounted joint ventures | - | - | - | 205 | 80 |
| Surplus/(deficit) before tax | (2,950) | (1,393) | (942) | 39,897 | 34,502 |
| Income tax benefit/(expense) | 101 | - | 101 | (8,130) | (4,402) |
| Surplus/(deficit) for the year | (2,849) | (1,393) | (841) | 31,767 | 30,100 |
| Other comprehensive income | | | | | |
| Available for sale financial assets | 49,471 | 10,000 | 20,798 | - | - |
| Other Comprehensive Income | - | - | - | (333) | 946 |
| Total Comprehensive Revenue and Expenditure | 46,622 | 8,607 | 19,957 | 31,434 | 31,046 |

| Summary Statement of Changes in Net Assets / Equity For the year ended 30 June 2018 | Total Council | | | | Total Group | | | |
|---|--|---|--------------------------------------|---|--|---|------------------------------------|---|
| | Opening Balance 1 July 2017 \$000's | Other Comprehensive Revenue and Expense \$000 | Net transfers In / (out) \$000 | Closing Balance 30 June 2018 \$000 | Opening Balance 1 July 2017 \$000 | Other Comprehensive Revenue and Expense \$000 | Net transfers In/(out) \$000 | Closing Balance 30 June 2018 \$000 |
| | | | | | | | | |
| Equity: | | | | | | | | |
| General Rate Equity | 71,846 | (2,849) | 932 | 69,929 | 295,603 | 31,767 | (20,560) | 306,810 |
| Targeted Rate Equity | 61,703 | - | (1,133) | 60,570 | 61,703 | - | (1,133) | 60,570 |
| Total Public Equity | 133,549 | (2,849) | (201) | 130,499 | 357,306 | 31,767 | (21,693) | 367,380 |
| Reserves: | | | | | | | | |
| Asset Replacement Reserve | 5,820 | - | 250 | 6,070 | 5,820 | - | 250 | 6,070 |
| Asset Revaluation Reserve | 8,764 | - | 312 | 9,076 | 199,091 | - | 21,804 | 220,895 |
| Available for Sale Revaluation Reserve | 419,037 | 49,471 | - | 468,508 | - | - | - | - |
| Building Reserve | 13,614 | - | (366) | 13,248 | 13,614 | - | (366) | 13,248 |
| Emergency Response Reserve | 4,033 | - | 149 | 4,182 | 4,033 | - | 149 | 4,182 |
| Hedging Reserve | - | - | - | - | (394) | (333) | - | (727) |
| Water Management Reserve | 1,427 | - | (388) | 1,039 | 1,427 | - | (388) | 1,039 |
| Kuriwao Endowment Reserve | 6,361 | - | 71 | 6,432 | 6,361 | - | 71 | 6,432 |
| Environmental Enhancement Reserve | 322 | - | 173 | 495 | 322 | - | 173 | 495 |
| Total Reserves | 459,378 | 49,471 | 201 | 509,050 | 230,274 | (333) | 21,693 | 251,634 |
| Total Equity and Reserves | 592,927 | 46,622 | - | 639,549 | 587,580 | 31,434 | - | 619,014 |

| Summary Statement of Financial Position As at 30 June 2018 | Council Actual 2018 \$000 | Council Budget 2018 \$000 | Council Actual 2017 \$000 | Group Actual 2018 \$000 | Group Actual 2017 \$000 |
|---|--|--|--|--|--|
| Total Equity | 639,549 | 591,170 | 592,927 | 619,014 | 587,580 |
| Current assets | 57,590 | 49,740 | 63,412 | 107,011 | 105,992 |
| Non-current assets | 592,679 | 547,047 | 538,339 | 637,863 | 590,234 |
| Total Assets | 650,269 | 596,787 | 601,751 | 744,874 | 696,226 |
| Current liabilities | 10,720 | 5,617 | 8,824 | 32,439 | 23,489 |
| Non-current liabilities | - | - | - | 93,421 | 85,157 |
| Total Liabilities | 10,720 | 5,617 | 8,824 | 125,860 | 108,646 |
| Net Assets | 639,549 | 591,170 | 592,927 | 619,014 | 587,580 |

| Summary Cash Flow Statement For the year ended 30 June 2018 | Council Actual 2018 \$000 | Council Annual Plan 2018 \$000 | Council Actual 2017 \$000 | Group Actual 2018 \$000 | Group Actual 2017 \$000 |
|--|--|---|--|--|--|
| Net cash flows from Operating activities | (5,729) | 293 | 3,173 | 10,473 | 21,219 |
| Net cash flows from Investing activities | 9,421 | 8,170 | (1,280) | (16,269) | (25,914) |
| Net cash flows from Financing activities | - | - | - | 9,215 | 6,020 |
| Net cash inflow/(outflow) | 3,692 | 8,463 | 1,893 | 3,419 | 1,325 |

| Summary Funding Impact Statement (Whole of Council) For the year ended 30 June 2018 | Council Only | | | |
|---|------------------|------------------|------------------|------------------|
| | Actual | Annual Plan | Actual | Long Term Plan |
| | 2017/18 \$000 | 2017/18 \$000 | 2016/17 \$000 | 2016/17 \$000 |
| Sources of operating funding | 52,418 | 55,914 | 40,320 | 38,227 |
| Applications of operating funding | 54,100 | 55,745 | 40,114 | 37,442 |
| Surplus of operating funding | (1,682) | 169 | 206 | 785 |
| Sources of capital funding | 928 | - | 176 | 620 |
| Application of capital funding | (754) | 169 | 382 | 1,405 |
| (Deficit) of capital funding | 1,682 | (169) | (206) | (785) |

| Reconciliation of Summary Funding Impact Statement (Whole of Council) to Summary Statement of Comprehensive Revenue and Expenditure For the year ended 30 June 2018 | Council Only | | | |
|--|------------------|------------------|------------------|------------------|
| | Actual | Annual Plan | Actual | Long Term Plan |
| | 2017/18 \$000 | 2017/18 \$000 | 2016/17 \$000 | 2016/17 \$000 |
| Surplus of operating funding | (1,682) | 169 | 206 | 785 |
| Add net gain in fair value of assets and proceeds from the sale of assets | 1,751 | 333 | 996 | 319 |
| Deduct expenditure not reflected in the Summary Funding Impact Statement (Whole of Council) | (3,019) | (1,895) | (2,144) | (2,139) |
| Surplus before taxation in the Summary Statement of Comprehensive Revenue and Expenditure For the year ended 30 June 2018 | (2,950) | (1,393) | (942) | (1,035) |

| Summary Schedule of Capital Expenditure | Council Only |
|---|--------------|
|---|--------------|

| For the year ended 30 June 2018 | Actual 2017/18 \$000 | Annual Plan 2017/18 \$000 | Actual 2016/17 \$000 |
|--|-------------------------------------|--|-------------------------------------|
| All Group activities | 5,794 | 4,420 | 2,520 |
| Corporate | 1,917 | 2,410 | 2,052 |
| | 7,711 | 6,830 | 4,572 |

| Summary Schedule of Internal Borrowing For the year ended 30 June 2018 | Amount borrowed as at the beginning of the year \$000 | Council Only | | | Amount borrowed as at the end of the year \$000 |
|---|--|---|---|---------------------------------------|--|
| | | Funds borrowed during the year \$000 | Funds repaid during the year \$000 | Interest charged \$000 | |
| All Group activities | | | | | |
| For the year ended 30 June 2018 | 10,548 | 16,734 | (14,290) | 431 | 13,423 |
| For the year ended 30 June 2017 | 9,281 | 4,674 | (3,621) | 349 | 10,683 |

Notes to the Summary Annual Report

Reporting Entity

The Council is a regional local authority governed by the Local Government Act 2002.

The Council Group (Group) consists of the Council and its subsidiary Port Otago Limited (100% owned). The Port Otago Limited Group consists of Port Otago Limited, its subsidiaries, associates and joint ventures.

The primary objective of the Council is to provide goods or services for the community or social benefit rather than making a financial return. The Council has designated itself and the Group as public benefit entities for financial reporting purposes.

The Summary Annual Report of Council is for the year ended 30 June 2018, and was authorised for issue by Council on 26 September 2018.

Full Annual Report

This Summary Annual Report has been extracted from the full audited Annual Report dated 26 September 2018, and authorised for issue by Council on that date. The Summary Annual Report does not include all the disclosures provided in the full Annual Report and cannot be expected to provide as complete an understanding as provided by the full Annual Report.

The full Annual Report has been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). The full Annual Report complies with Public Benefit Entity Public Sector (PBE (PS)) standards and has been prepared in accordance with Tier 1 PBE standards.

The full audited Annual Report, which received an unqualified audit opinion, may be found in our Annual Report for the period 1 July 2017 to 30 June 2018, available by telephoning (03) 474-0827 or on our website www.orc.govt.nz.

This Summary Annual Report has been prepared in compliance with PBE (PS) FRS-43 Summary Financial Statements, and is presented in thousands of New Zealand dollars.

Commitments for Expenditure

At 30 June 2018 the Group had commitments for capital expenditure of \$9.61 million (2017: \$32.0 million). Included in the above amounts are Council commitments of \$0.30 million (2017: \$5.62 million) relating to property, plant and equipment acquisitions, and contracts for capital expenditure.

Contingent Liabilities and Contingent Assets

Council Only

The Council is involved in Environment, High and District Court proceedings as a planning and consenting authority, and has exposure to a contingent liability as a participating employer in the Defined Benefit Plan Contributors Scheme.

Group

There are no contingent liabilities at 30 June 2018 (30 June 2017 NIL) other than those arising in the normal course of business.

Related Party Transactions

The Council was involved in related party transactions with Port Otago Limited amounting to \$9.000 million (2017: \$7.800 million). The Port Otago Limited Group was involved in related party transactions in respect of joint venture financial arrangements.

Details of these transactions are included in the notes to the financial statements in the full Annual Report.

Subsequent Events

On 4 September 2018, the directors of Port Otago Limited declared a final dividend of \$0.5 million payable to the Council for the year ended 30 June 2018.

Explanation of Major Variances from Budget – Council only

Summary Statement of Comprehensive Revenue and Expenses

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

Deficit for the year

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

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

Revaluation Gain

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

The budgeted increase is a nominal estimate only, as the major factors contributing to the valuation are not able to be forecast with any significant degree of accuracy. The quantum of the gain does not impact directly on the operations of the Council during the year.

Summary Statement of Financial Position

Total Assets

Total assets at \$650.269 million exceeds the budgeted amount of \$596.787 million by \$53.482 million.

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

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

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

Trade and other receivables at \$8.709 million are up \$5.423 million on the budget of \$3.286 million. This variance is largely due to receivables related to the transport activity, and in particular NZTA subsidy claims and receivables associated with the Electronic Ticketing System consortium.

Property Plant and Equipment at \$90.212 million is \$3.710 million less than the budgeted amount of \$93.922 million.

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

Equity

Public equity and reserves at \$639.549 million exceed the budgeted amount of \$591.170 million by \$48.379 million.

The major factor in the variance is the Available for Sale revaluation reserve which records the accumulated revaluation gains on the annual revaluations of the Council's shareholding in Port Otago Limited. The budgeted balance of the reserve at 30 June 2018 was \$418.239 million, whereas the actual balance is \$468.508 million, a variance of \$50.269 million. This variance comprises a favourable budget variance on the June 2018 revaluation of \$39.471 million and a favourable variance in the opening balance position of \$10.798 million.

Local Government (Financial Reporting and Prudence) Regulations 2014

The Local Government (Financial Reporting and Prudence) Regulations 2014 require that the Council disclose its financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings. The regulations also require the disclosure of rating base information and information regarding the insurance of assets.

The information required by the regulations can be found in the Other Disclosures section of the full Annual Report.

INDEPENDENT AUDITOR'S REPORT

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

The summary of the annual report was derived from the annual report of the Otago Regional Council (the Regional Council) and group for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 5 to 30:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance referred to as Significant Activities of the Regional Council and group.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: *Summary Financial Statements*.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 26 September 2018.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Deloitte.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

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




B E Tomkins
Deloitte Limited
On behalf of the Auditor-General
Dunedin, New Zealand
12 October 2018