



Annual Report

Te Mahere ā-Tau

For the financial year 1 July 2016 to 30 June 2017



**BAY OF PLENTY
REGIONAL COUNCIL
TOI MOANA**

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Introduction

Chairman and Chief Executive's foreword

Our focus has been on delivering what we said we would do during Year Two of our Long Term Plan 2015-2025.

During the year we maintained a strong focus on water management, working closely with community groups in the Rangitāiki, Kaituna/Maketū and Pongakawa/Waitahanui water management areas to clarify local water management issues and needs. This is part of our work to implement the government's National Policy Statement for Freshwater Management and will inform future plan changes to care for water quality and quantity in the region.

Improving water quality in Rotorua's lakes continued to be a significant part of our work during the year. The Lake Rotorua Incentives Scheme progressed, with five incentive agreements put in place that, when fully implemented, will see 8,435 tonnes of nitrogen permanently removed from Lake Rotorua.

Planned work in the Tauranga Harbour catchment saw strong progress throughout the year, with 2,235 tonnes of sea lettuce and 1,700kg of rubbish being removed from foreshores, streams and estuaries.

Remediation of the Kopeopeo Canal remains a high priority for us. This project will remove and safely contain contaminated sediment from the canal. Detailed design has been completed, construction of containment sites is underway and dredging work will commence later in the year.

In April 2017, our region experienced a significant weather event (ex-tropical Cyclone Debbie), resulting in serious flooding in Edgecumbe and throughout the region. The event caused extensive damage to our flood defences and we have been working to urgently repair sites, and to cost and prioritise other repairs to our flood protection schemes through the region.

The response to ex-tropical Cyclones Debbie and Cook involved over 900 people through the Emergency Management Operation Centre and Group

Emergency Coordination Centre. The Ngāti Awa Volunteer Army in collaboration with Ngāti Awa, Bay of Plenty Regional Council and Whakatāne District Council provided an additional 1466 people to assist with the clean-up of flood-affected areas. On-going support has been provided to the Whakatāne District Council Recovery effort and flood management systems continue to be refined in response to those events.

Sadly, Councillor Awanui Black passed away on 2 December, 2016. Councillor Black was in his second term at Council, representing the Mauao Māori Constituency. He was a highly respected leader and orator, and was part of Treaty negotiations in the Tauranga Moana area for his iwi. A by-election was held and the final results declared on 15 April, 2017. Matemoana McDonald was the successful candidate and now represents the Mauao Māori Constituency.

As Treaty partners, Māori make a significant contribution to the region and we encourage their involvement in council decision-making. Over the past year we have continued to collaborate with Māori through our work across the region. We enable Māori participation in decision making processes via Komiti Māori meetings and support iwi members on Treaty co-governance forums. We are also developing a system to receive mātauranga Māori (Māori knowledge) to help incorporate traditional knowledge into Council decision-making.

We have made positive progress delivering Year Two of the Long Term Plan and look forward to maintaining and building momentum to deliver on our community outcomes in the coming year.



Douglas Leeder, **Chairman**



Mary-Anne Macleod, **Chief Executive**

Highlights of our year

This year, Bay of Plenty Regional Council focused on delivering what we said we would in Year Two of the Long Term Plan 2015-2025, as amended and updated by the Annual Plan 2016/17. Our operating environment continued to change and that influenced the way we work. For example; Central Government Resource Management Act reforms have changed the way we manage the resource consent process, manage the environment, and drive capacity for development and economic growth in the region.

Achievements and challenges for our focus areas

Land and Water Framework

During the year we made progress on the National Policy Statement for Freshwater Management requirements by continuing to work with community groups in the Kaituna and Rangitaiki catchments to identify community values. We confirmed objectives for the Kaituna Catchment and progressed objectives for the Rangitāiki Catchment. We worked with the Department of Conservation to integrate the focus of both organisations on how we meet the requirements for biodiversity management across the region. This integrated approach underpinned the biodiversity policy review, which was completed and approved in June 2017.

Rotorua Lakes

The Rotorua Lakes Activity has continued to deliver a co-ordinated programme of work in the catchments in 2016/17. Work focused on managing long term water quality through managing nutrient reduction targets (mainly nitrogen) set in the Regional Policy Statement for Lake Rotorua and other lake action plans.

The Land Use Advice and Support service assists landowners in the Lake Rotorua catchment with the development of Nitrogen Management Plans to help ensure they remain under their allocated Nitrogen Discharge Allowance.

This service has become part of our core business and by the end of the year there were more than 122 farming enterprises registered for the service (including 25 of the 26 dairy farms in the catchment); and 55 Nutrient Management Plans have been developed to date.

The Lake Rotorua Incentives Scheme was established to encourage land use change to permanently remove nitrogen from entering the lake. Work to support this scheme progressed throughout the year with five Incentives Scheme agreements signed in 2016/17, which will result in 8.435 tonnes of nitrogen being permanently removed from Lake Rotorua once they are fully implemented.

The Lake Rotorua Gorse Conversion Scheme secured significant nitrogen reductions this year with 440 hectares of gorse under control, of which 319 hectares were controlled under legal agreements and 121 hectares controlled by over planting with plantation pines.

In addition to the above, the activity continued delivering its core work programme, this included;

- Continuing alum dosing from the treatment plants to lock in phosphorus in the Utuhina, Puarenga Streams, and at Soda Springs, preventing algal blooms in Lake Rotorua.
- Tikitere de-nitrification plant work progressed with the securing of a suitable site, and detailed design work commencing in 2016/17.
- The Low Nitrogen Land Use Fund opened in 2016/17, with funding approved for a number of projects.

The projects cover:

- Best practice land management videos
- A land use directory specifically for the Lake Rotorua catchment
- A farmers' information sharing group focussed on making changes to farm systems to lower nitrogen leaching

- A hazelnut growing trial
- An application to show landowners what their cash flow would look like if they converted part of their property to plantation pines or mānuka

Tauranga Harbour

Activity in Tauranga Harbour Catchment progressed well during 2016/17. We continued to coordinate and administer the Tauranga Moana Programme, including the Tauranga Moana Advisory Group, which includes iwi, district, city and regional council representatives. The Group met four times over the year.

Other significant work during the year included: removal of 2,235 tonnes of sea lettuce from the Fergusson Park to Kulim Park/Harbour Drive foreshore in Tauranga; planting of 42,767 coastal plants, utilising 350 volunteers who donated more than 660 hours and 7,400 hours of labour provided by the Department of Corrections for site preparation work; removal of 1,700kg of rubbish from 8 stream and estuary litter clean-ups, involving 1,000 students from 11 schools; and repair and stabilisation of stream banks and erosion risk reduction work around the Tauranga Catchment.

We have continued to work with tangata whenua, district councils, Government agencies and community organisations to deliver a co-ordinated programme of work to care for land, water and wildlife in the Tauranga Harbour catchment. We supported 32 registered Care Groups in 2016/17 (including 11 Estuary Care Groups), up from 28 groups in 2015/16. The Johnson Reserve Care Group achieved second in the Heritage and Environment category in the 2016 annual Trustpower Community Awards, and the Waitao Landcare Group won the 2016 NZ River Story Award.

Kopeopeo Canal Remediation

Remediation of the Kopeopeo Canal continues to be a high priority project for the Council. The head physical works contractor was appointed in 2016/17 and project management plans and detailed construction design has been completed. Consent was sought and approved for an alternative dredging

methodology that will reduce risks associated with project works. Construction commenced, however, the severe flooding and subsequent wet conditions, have impacted the timing of the project. Finalisation of the remediation contract was delayed, pushing out project milestones for operation and capital expenditure plus receipt of the co-funding from Ministry for the Environment. The work is now planned for 2017/18.

We have continued to update the community on progress through regular Community Liaison Group meetings, website updates, regular newsletters, and technical report releases.

Opotiki Harbour Transformation Project

The Regional Infrastructure Fund is providing up to \$18 million towards the Opotiki Harbour Transformation Project. The Project will create a new harbour infrastructure that will enable all weather, all tide access in and out of the harbour. This will be crucial to developing the off-shore aquaculture industry in the eastern Bay.

During 2016/17 Council continued to work with Government, Ōpōtiki District Council, Whakatōhea and other parties on the project. Ōpōtiki District Council, with the support of partners, has progressed to tender for main works. Construction is scheduled to start in 2018/19. Work to secure a construction funding commitment from Government is ongoing.

Emergency Management

The Emergency Management Activity continued to provide Civil Defence Emergency Management (CDEM) services to the Council, as well as regional emergency management leadership. This included coordination and support to the Bay of Plenty CDEM Group and a support coordination service for the Bay of Plenty Lifelines Group.

During 2016/17, our region experienced significant weather events (ex-tropical Cyclones Debbie and Cook) that caused serious flooding in Edgecumbe and throughout our region. In response to the extreme weather events, the Emergency Operation Centre and Group Emergency Coordination Centre

operations involved over 900 people. The Ngāti Awa Volunteer Army in collaboration with Ngāti Awa, Bay of Plenty Regional Council and Whakatāne District Council provided an additional 1,466 people to assist with the clean-up of flood affected areas. On-going support has been provided to the Whakatāne District Council Recovery effort.

Corporate Services

Overall we made significant progress during the year. In addition to delivering our regular services, key internal projects such as Project Upgrade and Project Accelerate have advanced.

Project Upgrade is the name we've given to the property work happening across the organisation. The design phases for the Whakatāne and Tauranga office upgrade projects were completed in 2016/17, and the interior strip-out of Regional House was completed ahead of the main construction contract being released.

Project Accelerate is our business transformation information technology project. Accelerate focuses on improving business processes across the Council and will deliver better mobile solutions and access to Council data for the public. Several teams across the Council contributed to the project during the year and project milestones have been achieved with the delivery of the Maritime, Integrated Catchment Management, and further Regulatory modules.

A summary of our performance



We measure how we are performing through Key Performance Indicators (KPIs). We have 47 KPIs in our Long Term Plan 2015-2025. We achieved 36 of our targets, did not achieve six, no data was available for 2 KPIs and the remaining three targets were not due to be reported on this year. This means we achieved 82 percent of the KPI targets we were due to report on for 2016/17.

Further details on our KPI performance can be found under each Activity.

Group financial performance

Our consolidated group results include the operating revenue and expenses for Council and Quayside Holdings Limited (QHL), our 100 percent Council-owned subsidiary. QHL holds a 54.14 percent share in the Port of Tauranga Limited.

The group recorded an operating surplus of \$62.4 million after income tax. This is a decrease of \$1.7 million on the previous year. Port operations contributed significantly to the profit result.

Total operating revenue increased by \$12.8 million from \$342.7 million to \$355.5 million. This is due to an increase in Port services income.

Total operating expenditure (excluding tax) increased by \$11.1 million mainly due to an increase in Council trading expenses and depreciation.

Net assets

The Group's net assets (equity) increased by \$72.1 million from \$1,283.4 million to \$1,355.5 million. Significant transactions during the year included:

- Port land was revalued during the year increasing by \$63 million
- QHL paid net dividend payments of \$20.8 million to Council and and gross dividend payments of \$11 million to Perpetual Preference shareholders. Dividends paid by the Port of Tauranga to non-controlling interests were \$49.9 million, up from \$33.1 million the previous year.

Council financial performance

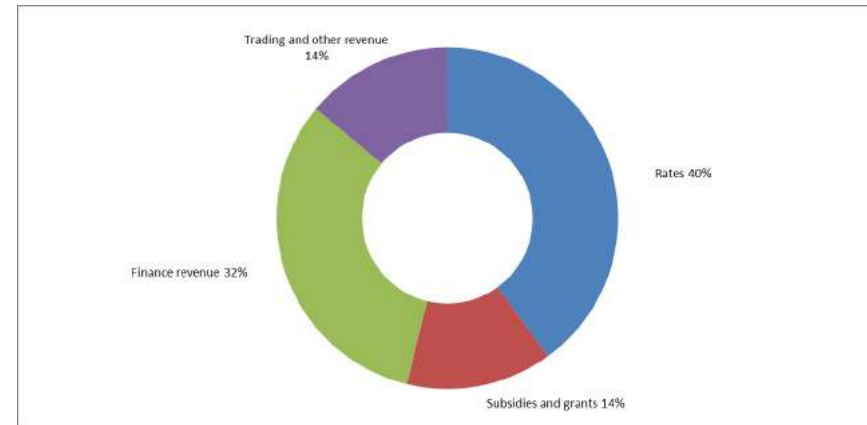
Operating overview

The 2016/17 financial year ended with a Council operating deficit of \$13.2 million, compared to a budgeted deficit of \$12.2 million. At an activity level there were a number of variances to budget which contributed to the difference. The major variances contributing to our year end position are discussed in the next pages.

Our revenue

We budgeted for \$93.8 million in revenue, and received \$91.9 million; \$1.9 million less than planned. The decrease is mainly due to lower subsidies and grants received.

Where our revenue came from



Rates

This year Council received \$37.0 million from rates, which was close to our budget of \$36.3 million.

Our rates revenue is made up of general rates (based on land value) and targeted rates (levied on those who benefit from the service). General rates made up more than half of our rates revenue during 2016/17.

Total rates accounted for approximately 40 percent of Council revenue in 2016/17 (up from 30 percent in 2015/16).

Subsidies and grants

We received \$12.8 million in subsidies and grants this year, which was \$2.9 million less than budgeted. This is mainly due to the first Rotorua Lakes Activity Land Use Incentive Scheme payments being deferred from 2016/17 to 2017/18 and the corresponding funding not being received in 2016/17 from the Ministry for the Environment (MfE). Also, changes to timing with the Kopeopeo Canal Remediation Project meant that less funding from MfE was received.

Finance revenue

This year we received \$29.6 million in finance revenue compared to our budget of \$29.8 million. The shortfall was created by interest rates continuing to decline; therefore the actual interest received was lower than budgeted. Finance revenue included a dividend from QHL of \$20.8 million and \$8.8 million of other revenue from our investments.

Other gains

We received \$0.4 million in gains from the revaluation of investments and sale of assets.

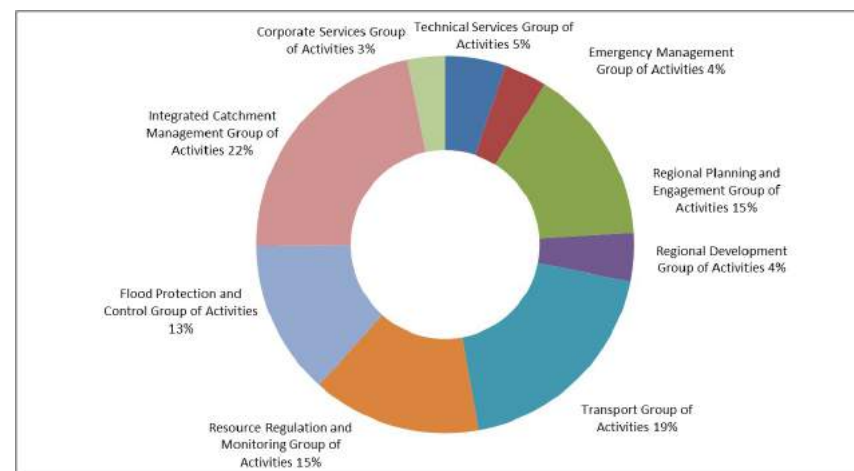
Trading and other revenue

Our trading and other revenue is made up of user fees and charges, and other revenue. This year we received \$12.2 million; \$0.3 million more than budget.

Our operating expenditure

This year we spent \$105.1 million which was \$0.9 million less than budget. Operating expenditure provides services to our community as set out in our Annual Plan. The reduced expenditure was mainly due to regional infrastructure funds of \$5.4 million not released, partly offset by accelerated depreciation costs relating to the planned refurbishment of Regional House.

How our operating expenditure was spent



Capital expenditure

This year we spent \$16.7 million compared to the budget of \$23.6 million.

We spent \$6.4 million on Rivers and Drainage assets, with the largest projects being the Rangitāiki floodway works and the Kopeopeo Canal Remediation Project.

Other large capital projects included the Regional House refurbishment \$1.2 million and \$1.7 million on the Accelerate ICT project.

Several projects were not completed in 2016/17 as originally planned. Budgets for these have been re-profiled to 2017/18 or later years, depending on the revised project timeline. The projects that have had budget carried over to 2017/18 include: Kaituna River Re-diversion and Te Awa o Ngataroirangi /Maketū Estuary Enhancement Project and the Kopeopeo Canal Remediation Project.

Funding for capital expenditure

We funded our capital expenditure through the asset replacement and other reserves and capital grants received from Central Government.

Certain infrastructure projects qualify for funding from the Investment Reserve, which was created with the proceeds of a Perpetual Preference Share (PPS) issue.

Our balance sheet

The Council's total equity (net assets) at the end of the financial year was \$449.1 million. This is \$9.9 million more than budget.

Our assets

Our assets were \$481.2 million at the end of the financial year compared to a budget of \$492.2 million.

Our major assets include \$289.9 million in property, plant and equipment (mainly infrastructure assets) and \$131.5 million in short and long-term financial assets.

Our liabilities

Our liabilities were \$32.1 million at the end of the year, compared to our budget of \$53.1 million.

This is significantly lower than budget due to a decrease in the valuation of the Put Option liability for the \$200 million PPS issue in 2008.

Our equity

Our equity consists of two categories: retained earnings and reserves. Our reserves are made up of past surpluses put aside for specific future expenditure and to reduce rate rises.

Included in our equity at 30 June 2017 is a \$89.6 million investment reserve. This fund was set up with the proceeds of the PPS in March 2008. The use of this fund is subject to a binding ruling issued by Inland Revenue. At 30 June 2017 Council had allocated all of the original \$200 million PPS share issue fund to specific expenditure.

Who we are and what we do

Bay of Plenty Regional Council

- We are the Regional Council for the Bay of Plenty.
- We look after the region's land, air, freshwater, coastal marine area, geothermal resources, passenger transport and regional development with a sustainable development focus.
- We have 14 Councillors, with 11 elected from general rolls and three from Māori constituency areas.
- We have offices in four locations – Whakatāne, Mount Maunganui, Tauranga and Rotorua.
- We have two depots – Edgecumbe and Ōpōtiki.
- We employ about 335 full time permanent staff.

What we do

Our work guides and supports the sustainable development of the Bay of Plenty. The Council's Vision is "Thriving together - mō te taiao, mō ngā tāngata". Our vision means we want to ensure that both the environment and the people in our region thrive.

A major focus of our work involves looking after the environment. We manage the effects of people's use of freshwater, geothermal resources, land, air and coastal water and also manage the risks posed by our major rivers, including the region's major flood control schemes.

Our other work includes:

- Planning and prioritising the region's land transport needs, including major roading improvements.
- Organising passenger transport services, including Rotorua's Cityride, Tauranga's Bay Hopper and Schoolhopper services.
- Navigation and safety on our harbours and lakes.

- Supporting sustainable economic development.
- Strategic thinking for our region's future.

What guides us?

The two key pieces of Government legislation that set out what we do are:

- The Local Government Act 2002
- The Resource Management Act 1991

The Local Government Act 2002 sets out the purpose of Local Government in New Zealand. It gives us a framework and powers for us to decide which activities we do and how we do them, and makes us accountable to our communities.

It states that our overall purpose is to enable democratic local decision-making and action by, and on behalf of, communities. We must meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

Some of our documents fall directly out of the Local Government Act 2002, including:

- Long Term Plans
- Annual Plans
- Annual Reports
- Code of Conduct for Elected Members

The Resource Management Act 1991 (usually called the RMA) is the main piece of legislation that sets out how we should manage our environment. It's based on the principle of promoting sustainable management of our resources, and it encourages us (as communities and as individuals) to plan for the future of our environment.

About our region

The Bay of Plenty

- We cover 21,836 square km of land and sea (12,253 land, 9,583 sea).
- The coastline stretches from the southern end of Homunga Bay (north of Waihī Beach) to Lottin Point (near Cape Runaway).
- Our offshore boundary extends to the 12 nautical mile limit.

We have many prominent features including:

- Eighteen off-shore islands including: Matakana, Tūhua (Mayor) and Whakaari/White Island (an active volcano).
- Three mountains: Tarawera, Pūtauaki (Mt Edgecumbe) and Mauāo (Mt Maunganui).
- Two harbours: Tauranga and Ōhiwa.
- Five large estuaries: Maketū, Little Waihī, Whakatāne, Waiōtahi and Waioeka/Otara.
- Twelve lakes in our Rotorua Lakes Programme: Ōkāreka, Ōkaro, Ōkaimana, Rerewhakaaitu, Rotoehu, Rotoiti, Rotokakahi, Rotomā, Rotomahana, Rotorua, Tarawera, Tikitapu.
- The furthest point from the coast is 139 km at the top of the Rangitāiki River Catchment.
- Eight major rivers run through the region: Wairoa, Kaituna, Tarawera, Rangitāiki, Whakatāne, Waioeka, Mōtū and Raukōkore.

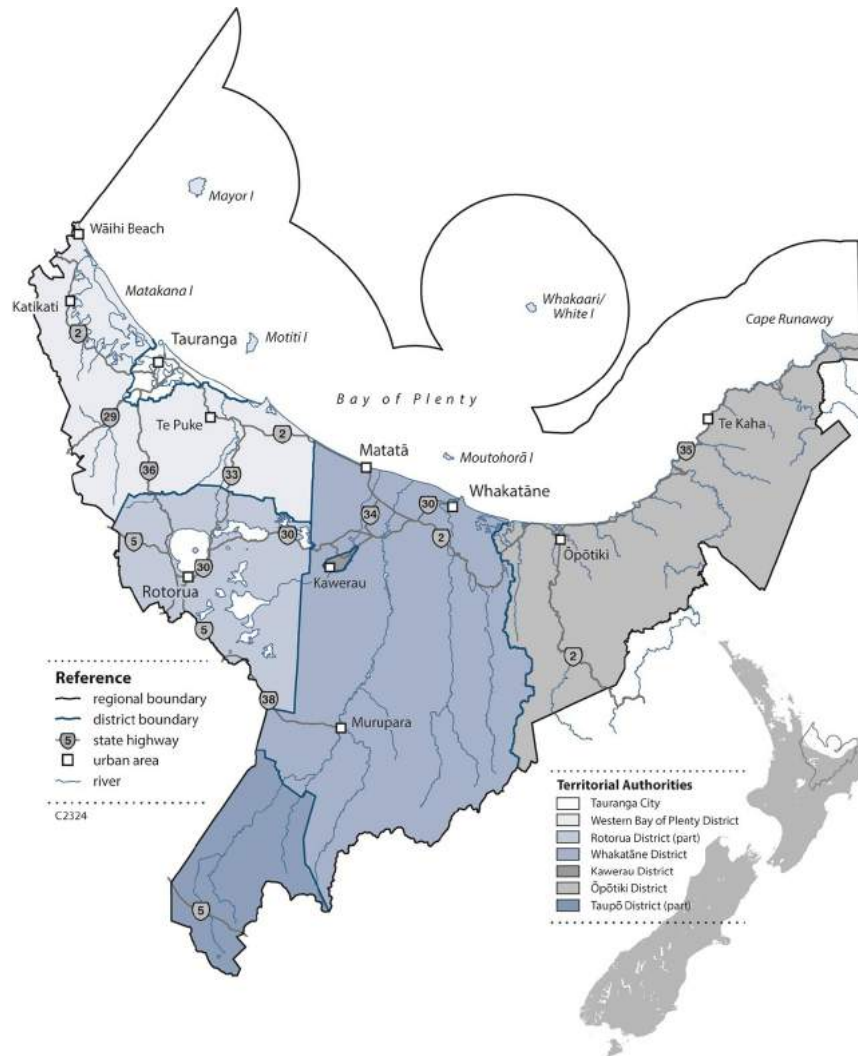
Population

The Bay of Plenty's population was estimated to be 293,500 as at 30 June 2016⁽¹⁾. Broken down into districts this is:

- Tauranga City – 128,200
- Western Bay of Plenty – 47,800
- Ōpōtiki – 8,820
- Rotorua – 69,200
- Whakatāne – 35,000
- Kawerau – 6,800
- Taupō – 36,200

¹ Figures taken from Statistics New Zealand estimated 2016 resident populations for Regional Council and Territorial Authority areas. The total sum of the region's population does not match the total for the districts because only parts of Rotorua and Taupō districts are within the Bay of Plenty Regional Council boundary. Fewer than 200 people live in the part of Taupō District within the Bay of Plenty boundary.

Map of Bay of Plenty Regional Council Boundary



Council and committee membership

Bay of Plenty Regional Council members 2016–2019 (following local Government elections October 2016)

Eastern Bay of Plenty General Constituency

- Douglas Leeder (Chairman)
- Bill Clark

Rotorua General Constituency

- Kevin Winters
- Lyall Thurston

Tauranga General Constituency

- John Cronin
- Stuart Crosby
- Andrew von Dadelszen
- Paula Thompson
- David Love

Western Bay of Plenty General Constituency

- Jane Nees (Deputy Chair)
- Norm Bruning

Kohi Māori Constituency

- Tiipene Marr

Ōkurei Māori Constituency

- Arapeta Tahana

Mauāo Māori Constituency

- Matemoana McDonald (elected 15 April 2017)

Core committees of Council

Regional Direction and Delivery Committee

This committee sets the strategic direction for the region by formulating policy that clearly identifies Council's role and direction on issues. It also sets the operational direction for approved Regional Council policy and strategy, and monitors how it is implemented.

Chair: Councillor P Thompson

Deputy Chair: Councillor A von Dadelszen

Members: Chairman D Leeder, Councillors J Nees, J Cronin, S Crosby, D Love, L Thurston, K Winters, B Clark, N Bruning, A Tahana, T Marr, M McDonald.

Audit and Risk Committee

This committee develops and reviews Council's funding, financial policies and frameworks; and Council's performance monitoring framework, and Council's audit and risk policies and frameworks.

Chair: Councillor J Cronin

Deputy Chair: Councillor D Love

Ex-Officio: Chairman D Leeder

Members: Councillors S Crosby, A Tahana, A von Dadelszen

Komiti Maori

This Committee sets the operational direction for Council's legislative obligations to Māori and monitors how these obligations are implemented.

Chair: Councillor A Tahana

Deputy Chair: Councillor T Marr

Ex-Officio: Chairman D Leeder

Members: Councillors W Clark, D Love, L Thurston, M McDonald

Public Transport Committee

This Committee operates under the Land Transport Management Act 2003. It implements and monitors public transport strategy and policy.

Chair: Councillor L Thurston

Deputy Chair: Councillor N Bruning

Ex-Officio: Chairman D Leeder

Appointees: Councillor T Tapsell (RLC), M Gould (Alternate, RLC), T Molloy (TCC), Cr D Thwaites (WBOPDC)

Statutory Committees

Civil Defence Emergency Management Group

The Civil Defence Emergency Management Group is a joint committee that is required under the Civil Defence Emergency Management Act 2002. It is governed by the Group's constitution which specifies its functions and powers, and reports directly to the Regional Council.

Regional Transport Committee

The Regional Transport Committee is responsible for preparing the Regional Land Transport Plan, or any significant variation to it. It also provides advice

and assistance the Regional Council asks for in relation to its transport responsibilities, and:

- approves submissions on Regional Transport Committee matters to central government, local authorities and other agencies, and
- approves the regional Road Safety Action Plan.

Rotorua Te Arawa Lakes Strategy Group

The Rotorua Te Arawa Lakes Strategy Group is the overarching management group responsible for coordinating policy and actions to improve the Rotorua lakes. The committee is now established in law, as part of the Te Arawa Lakes Settlement, for coordinated management of the Rotorua lakes. The Group is made up of representatives from the Bay of Plenty Regional Council, Te Arawa Lakes Trust and Rotorua Lakes Council.

Rangitāiki River Forum

The purpose of the Rangitāiki River Forum (as set out in Ngāti Manawa Claims Settlement Act 2012 and the Ngāti Whare Claims Settlement Act 2012) is the protection and enhancement of the environmental, cultural, and spiritual health and wellbeing of the Rangitāiki River and its resources for the benefit of present and future generations. Despite the composition of the Forum, it is a joint committee of the Bay of Plenty Regional Council and the Whakatāne District Council.

Te Maru o Kaituna River Authority

Te Maru o Kaituna River Authority is a co-governance partnership mandated to restore, protect and enhance the environmental, cultural and spiritual health and well-being of the Kaituna River. Despite the composition of the Authority, Te Maru o Kaituna is a joint committee of Rotorua Lakes District, Tauranga City and the Western Bay of Plenty District Councils and the Bay of Plenty Regional Council.

Joint Committees

SmartGrowth Implementation Committee

The SmartGrowth Implementation Committee (SGIC) is a governance group responsible for prioritising, reviewing and monitoring the implementation of the SmartGrowth Strategy 2051. The Committee is a joint committee of Tauranga City and Western Bay of Plenty District Councils and the Bay of Plenty Regional Council.

Ōhiwa Harbour Implementation Forum

The Ōhiwa Harbour Implementation Forum is a joint committee set up to oversee and monitor the implementation of the Ōhiwa Harbour Strategy. Forum membership consists of Tangata Whenua, Opotiki and Whakatane District Councils and the Bay of Plenty Regional Council.

Eastern Bay of Plenty Joint Committee

The Eastern Bay of Plenty Joint Committee is a collaboration between Kawerau, Ōpōtiki and Whakatāne District Councils and the Bay of Plenty Regional Council. The purpose of the committee is to form, explore and make recommendations for strategic collaborative initiatives between the partner councils.

Eastern Bay Road Safety Programme

The Eastern Bay Road Safety Programme is a joint initiative run by the Whakatāne, Ōpōtiki and Kawerau District Councils and the Bay of Plenty Regional Council. The programme aims to raise community awareness about road safety and work towards a safe road system throughout the region that is increasingly free of death and serious injury accidents.

Subcommittees

Regional Coastal Environment Plan Appeals Subcommittee

The Regional Coastal Environment Plan Appeals Subcommittee was established by the Bay of Plenty Regional Council's Regional Direction and Delivery Committee, for the purpose of guiding the resolution of Environment Court appeals on the Proposed Bay of Plenty Regional Coastal Environment Plan.

Executive Employment and Remuneration Subcommittee

This committee acts for and advises Council on matters relating to the employment of the Council's Chief Executive Officer. Membership consists of the Bay of Plenty Regional Council Chairman, Deputy Chair and two Councillors.

Other

Tauranga Moana Advisory Group

The Tauranga Moana Advisory Group coordinates, oversees and contributes to the work that member partners do in the harbour and catchments and ensures the views of hapū, iwi and the wider community are represented in the work that is done. Membership consists of Tangata Whenua, Tauranga City and Western Bay of Plenty District Councils and the Bay of Plenty Regional Council.

Lake Rotorua Incentives Committee

The objective of the Lake Rotorua Incentives Committee is to contribute to the improvement of Lake Rotorua water quality by achieving a 100 tonne reduction of nitrogen entering Lake Rotorua. The committee is responsible for promoting and facilitating the up-take of profitable low nutrient land management and land use practises in the Lake Rotorua Groundwater Catchment. The committee consists primarily of independent members appointed by the Bay of Plenty Regional Council.

Statement of Compliance

Compliance

The Council and management of Bay of Plenty Regional Council confirm that all statutory requirements in relation to this Annual Report, as outlined in the Local Government Act 2002, have been complied with.

Responsibility

The Council and management of the Bay of Plenty Regional Council accept responsibility for the preparation of annual financial statements and the judgements used in them, and hereby adopt the financial statements as presented. They also accept responsibility for establishing and maintaining a system of internal control, designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance reporting.

In the opinion of the Council and management, the annual financial statements for the year ended 30 June 2017 fairly reflect the financial position, financial performance and service performance achievements of the Bay of Plenty Regional Council and Group.



Douglas Leeder, **Chairman**
26 September 2017



Mary-Anne Macleod, **Chief Executive**
26 September 2017

Audit Report

Placeholder

Placeholder

Placeholder

Placeholder

Community Outcomes

Council's Vision

Our Council's Vision is "Thriving together - mō te taiao, mō ngā tāngata". This vision was adopted by Council to capture how we value the work we do for our regional community, now and into the future and is supported by our Council's Community Outcomes.

Community Outcomes

Our Community Outcomes describe what we want to achieve as a regional leader in the Bay of Plenty. They set out how our work will make a difference for our community, and play an important role in shaping the future of the region. Outcomes are important because they:

- Help us to improve the wellbeing of communities over time in a sustainable way.
- Give a clear picture of our role in contributing to the present and future well-being of the Bay of Plenty.
- Help us prioritise our work and competing demands on our resources.
- Provide a framework for us to align our activities and outputs, and then to measure the progress we have made.

Our Community Outcomes are:

Thriving together - mō te taiao, mō ngā tāngata



Water quality and quantity

Our water and land management practises maintain and improve the quality and quantity of the region's water resources.

Environmental protection

We maintain and enhance regional biodiversity and our air, land, freshwater, geothermal and coastal resources for the benefit of our communities. We support others to do the same.

Resilience and safety

Our planning and infrastructure provides resilience to natural hazards and flooding so that our communities' safety is improved and maintained.

Regional collaboration and leadership

We have established the region's priorities and strategic direction with our partners and communities. We have collaborated to achieve integrated planning across the Bay of Plenty.

Economic development

We facilitate and enable initiatives that boost the region's economic performance.

Group and Activity Structure

Our activities contribute towards achieving our community outcomes. In this Annual Report you can see which of the Community outcomes benefit from the delivery of each of the nine groups of activities.

We have measured progress towards the Council outcomes by carrying out site or user-specific surveys, through our environmental monitoring processes and through internal monitoring of our systems and operations. The relevant responses from the surveys and monitoring programmes have been included in the groups of activities sections.

Group and Activity Structure

The following tables show which activities contribute to which outcomes.

Activity Structure		WQQ	EP	RS	RCL	ED
Integrated Catchment Management Group	Tauranga Harbour Activity	●	●	●	●	
	Rotorua Lakes Activity	●	●	●	●	
	Kaituna Activity	●	●	●	●	
	Rangitiāki Activity	●	●	●	●	
	Other Eastern Catchments Activity	●	●	●	●	
	Land and Water Framework Activity	●	●			
Flood Protection and Control Group	Rivers and Drainage Schemes Activity		●	●		●
	Regional Flood Risk Coordination Activity		●	●	●	
Resource Regulation and Monitoring Group	Biosecurity Activity	●	●	●		●
	Rotorua Air Quality Activity		●			
	Resource Consents Activity	●	●	●		
	Pollution Prevention Activity	●	●	●		
	Maritime Operations Activity	●		●	●	●
Transportation Group	Passenger Transport Activity				●	●
	Transport Planning Activity				●	●
Regional Development Group	Regional Infrastructure Activity				●	●
	Regional Economic Development Activity				●	●
	Regional Parks Activity		●		●	
Regional Planning and Engagement Group	Regional Planning Activity				●	
	Māori Policy Activity				●	
	Geothermal Activity		●			●
	Kotahitanga/ Strategic Engagement Activity				●	
	Governance Services Activity				●	

Activity Structure		WQQ	EP	RS	RCL	ED
Emergency Management Group	Emergency Management Activity			●	●	
Technical Services Group	Geospatial Activity		●		●	
	Engineering Activity		●	●	●	
	Data Services Activity	●	●		●	
	Science Activity		●		●	
Corporate Services Group	Communications Activity				●	
	Organisational Planning and Reporting Activity				●	
	People and Performance Activity				●	
	Support Services Activity				●	
	Corporate Property Activity				●	
	Information and Communication Technology (ICT) Activity				●	
	Finance Activity				●	

Development of Māori capacity to contribute to decision making process

Steps we took

The Bay of Plenty has a rich cultural dynamic. There are 37 iwi, approximately 260 hapū and around 224 marae.

As Treaty partners, Māori make a significant contribution to the region through their: ownership of notable assets; contribution to economic development; participation in co-governance arrangements with councils; and their growing influence in the conservation, preservation and management of natural resources.

In 2016/17 collaboration with, and involvement of, Māori in Council's work was enabled in a variety of ways, including:

- Supporting Councils Māori constituent councillors and their contribution to Council's enhanced understanding of Māori values and interests.
- Enabling ongoing Māori participation in decision making processes via Councils Komiti Māori meetings (Komiti Māori is a core committee of Council). Meeting were held at marae across the region to ensure local communities have opportunities to engage directly with Council. Five Komiti Māori hui were held on marae in 2016/17.
- Maori staff dedicated to assist iwi members on Treaty co-governance forums (Te Maru o Kaituna and the Rangitāiki River Forum).

- Introduction of a standard 'Implications for Māori' section in council report templates.
- The Regional Māori Conference, held in collaboration with Waikato Regional Council. A two day event held for Māori free of charge (koha back to the Māori community).
- Provided funding and lodged three iwi/hapū resource management plans, with several others in progress.
- Engaged three summer students dedicated to assist iwi environmental work.
- Sponsored three iwi representatives to undertake Resource Management Act 1991 Hearing Commissioner training.
- Provided financial support for several Māori events to foster Māori capability (eg kaitiaki wananga and ahurei).
- Facilitated basic Resource Management Act 1991 (RMA) discussions with iwi to help build Māori capacity to understanding the RMA.
- Provided GIS mapping information and training to several hapū/iwi.
- Commenced a two year project that will provide a mechanism for incorporating mātauranga Māori (Māori knowledge) into Council decision-making. The project is due for completion in 2017/18.


Groups of Activities

Understanding our activity reporting

Our activities are sorted into nine groups of activities. We provide information at both group and activity levels. This chapter describes each section and heading in our activity reports to help you better understand our reporting.

Our Group of Activities reporting includes:

Group of Activities Summary

What the report describes	What the report looks like
The <i>title</i> of the group of activities.	Group of Activities title
A brief explanation about the group.	What we do
An explanation about the individual activities that make up the group - as described in the Long Term Plan 2015-2025.	Activity title The [Activity title] involves...
We measure our performance - how we did - through Key Performance Indicators (KPIs). This table shows how many KPIs we achieved in the group of activities, how many we did not achieve, and how many are not applicable or for which there was no data available.	How we did overall 

Activity Reporting

What the report describes	What the report looks like
These sections provide details about the individual activities and what they cost. Also included is information on key projects and factors that influenced what we achieved, KPIs and targets, and our non-financial activity performance.	What we did How we did

What the report describes	What the report looks like
	What it cost (Activity level) Activity financial statement

Group of Activities Financial Statement

What the report describes	What the report looks like
<p>These sections provide a summary of our performance across the group of activities, including whether we spent less, the same as or more than we budgeted.</p> <p>The Group of Activities financial statement show sources of operating revenue and expenditure and sources of funding.</p> <p>The Group of Activities capital funding and expenditure statement summarises our capital expenditure and how it was funded.</p>	What it cost (Group level) Group of Activities financial statement Group of Activities capital funding and expenditure statement

Integrated Catchment Management Group of Activities

What we do

Integrated Catchment Management integrates services in five catchments across the Bay of Plenty (Tauranga, Rotorua, Rangitāiki, Kaituna and the Eastern catchments) to protect the natural character of catchments, harbours and associated coastal environments. The activities incorporate work previously provided through the Sustainable Water, Sustainable Land Use, Sustainable Coastal and Biodiversity Programmes.

There is a regional component to these activities to ensure they operate effectively and efficiently in a coordinated way.

The key issues that the Integrated Catchment Management activities address are water quality and quantity, erosion control and soil conservation, biodiversity protection and enhancement as well as coastal protection and enhancement. Sediment, nutrients and bacteria are key contaminants of water from a range of land uses. These issues will be addressed primarily through landowner agreements, tangata whenua and industry partnerships, community groups and volunteer activity.

Tauranga Harbour Activity

The Tauranga Harbour Activity contributes to the following Community Outcomes

A diagram showing five community outcomes represented by colored circles: WQQ (blue), EP (green), RS (orange), RCL (dark blue), and ED (grey).

The Tauranga Harbour activity integrates service delivery within the Tauranga Harbour and its catchments, from Waihī to Pāpāmoa Beach and inland through the Kaimai Range. The catchment also includes Tauranga City, the largest urban centre in the Bay of Plenty.

As an outcome of the Tauranga Moana Iwi Collective Deed of Settlement, a Tauranga Moana co-governance group will be established. A key function of the Group will be to prepare a Tauranga Moana Framework Document. This activity will support operational actions of the Document.

Rotorua Lakes Activity

The Rotorua Lakes Activity contributes to the following Community Outcomes

A diagram showing five community outcomes represented by colored circles: WQQ (blue), EP (green), RS (orange), RCL (dark blue), and ED (grey).

The Rotorua Lakes activity integrates the delivery of services within the Rotorua Lakes catchments. Importantly, the work is undertaken through the Rotorua Te Arawa Lakes Programme, a partnership between Te Arawa Lakes Trust, Rotorua Lakes Council and Bay of Plenty Regional Council. The Programme is also part-funded through a Deed of Funding Agreement with the Crown, which is managed by Bay of Plenty Regional Council.

In the Long Term Plan 2015-2025 the key objectives of the Rotorua Te Arawa Lakes Programme are:

- Meeting the Trophic Level Indices for each lake, which are set in the Regional Water and Land Plan
- Achieving nutrient reduction targets set in the Regional Policy Statement for Lake Rotorua, and other individual lake action plans

Kaituna Activity



The Kaituna Activity integrates service delivery in the Kaituna, Waitahanui, Pongakawa / Waihi Estuaries.

Te Maru o Kaituna (Kaituna River Authority) was established by statute under the Tapuika Treaty settlement. This provides a co-governance structure for the catchment involving local iwi and local government. The Authority's key function is to oversee revision of the Kaituna River and Ongatoro/Maketū Estuary Strategy (2009). The Kaituna Activity supports operations prioritised through the Strategy.

Rangitāiki Activity



The Rangitāiki Activity integrates services within the Rangitāiki catchment. The Rangitāiki River is the longest river in the Bay of Plenty. It begins near the centre of the North Island and flows out to sea at Okorero (Thornton). The river catchment is formed by a large number of tributaries, including the Whirinaki, Wheao and Horomanga rivers.

The Rangitāiki River Forum was formed in May 2012 and is a co-governance partnership of representatives from Ngāti Whare, Ngāti Manawa, Ngāti Awa, Tūwharetoa (Bay of Plenty), as well as councillors from Bay of Plenty Regional Council and Whakatāne District Council.

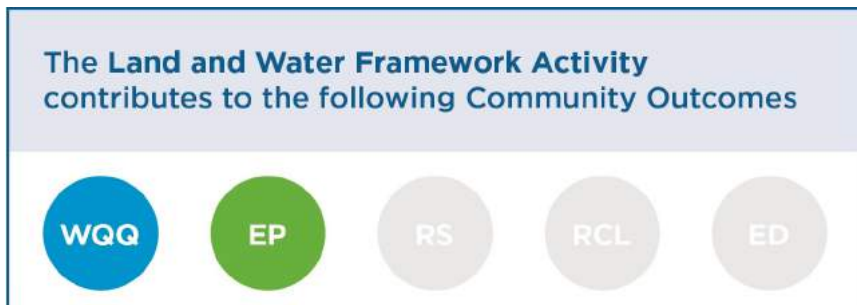
The Forum has developed “Te Ara Whānui O Rangitāiki - Pathways of the Rangitāiki”, a document that sets out the communities’ vision, desired outcomes and objectives for the Rangitāiki catchment. This activity will support the operational actions of the document.

Other Eastern Catchments Activity



The Other Eastern Catchments Activity integrates services in Ōhiwa Harbour and other eastern Catchments. In particular, it supports operations of the Ōhiwa Harbour strategy and Tarawera River catchment plan.

Land and Water Framework Activity



We coordinate some aspects of integrated catchment management at a regional level, as the actions and projects cover multiple catchments. The key programme is the Water Programme, which has been established to deliver the National Policy Statement for Freshwater Management and will set water quality and quantity limits across the region.

How we did overall



Overall we achieved 14 of the 16 targets for the Integrated Catchment Management Group key performance indicators (KPIs) for the 2016/17 year. The targets not achieved were:

- 1 The target for the reduction in exports of nitrogen from the Lake Rotorua catchment
- 2 Number of coastal, wetland, forest or geothermal High Value Ecological sites (HVES) where biodiversity is actively managed within the eastern Bay of Plenty catchments.

Further commentary on KPI results is contained in the 'How we did' section of each activity

Tauranga Harbour Activity

What we did




The Tauranga Harbour Activity continued to make progress across all of its core activities, highlights for 2016/17 included:

- Continued to coordinate and administer the Tauranga Moana Programme, including the Tauranga Moana Advisory Group
- 50km additional waterway margin protected
- An additional 2 High Value Ecological sites protected
- Supported the community to protect an additional 9 non-High Value Ecological sites
- 27 new management plans to manage sediments, nutrients and bacteria
- 149 agreements are now in place to improve the health of Tauranga catchments' land and water, including 9 new plans to restore esplanade reserves and margins in sites across Tauranga Harbour
- 2,235 tonnes of sea lettuce removed, all from the Fergusson Park to Kulim Park / Harbour Drive foreshore, Tauranga
- 42,767 coastal plants planted, utilising 350 volunteers who donated more than 660 hours and the Tauranga Corrections Department providing 7,400 hours of site preparation for planting
- 2016/17 was the first operational (fully certified) season for the hovercraft removing mangroves
- 1,700kg of rubbish was collected in 8 stream and estuary litter clean-ups, involving 1000 students from 11 schools
- 4 projects were undertaken to repair and stabilise stream banks and reduce erosion risks around the Tauranga Catchment

The Tauranga Harbour Activity supported 32 registered care groups in 2016/17, up from 28 in 2015/16. Of these groups:

- 11 are Estuary Care groups
- The Johnson Reserve Care Group achieved second in the Heritage and Environment category in the 2016 annual Trustpower Community Awards
- The Waitao Landcare Group won the 2016 NZ River Story Award

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council works with iwi, landowners and the community groups to improve Tauranga Harbour's indigenous biodiversity, including coastal margins			
Number of coastal, wetland, forest or geothermal High Value Ecological sites (HVES) where biodiversity is actively managed within the Tauranga Harbour catchment.	15		16 High Value Ecological sites are actively managed within the catchment. <i>Previous result 2015/16</i> <i>Target: 13</i> <i>Result: 14</i>
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites (non-HVES) where biodiversity is actively managed within the Tauranga Harbour catchment.	39		49 non-High Value Ecological sites are actively managed within the catchment. <i>Previous result 2015/16</i> <i>Target: 35</i> <i>Result: 40</i>
Number of additional kilometres of waterway margin in the Tauranga Harbour catchment protected to reduce sediment, nutrient and/or bacterial contamination of water ⁽¹⁾ .	50		50 additional kilometres of waterway margin were protected in the catchment this year <i>Previous result 2015/16</i> <i>Target: 50</i> <i>Result: 69</i>

1. Includes streams, drains, wetlands, lakes, estuaries and the open coast.

What it cost

The Tauranga Harbour Activity finished the year with a surplus of \$58,000 compared to a budgeted deficit of \$797,000.

Esplanade reserve restoration work undertaken through the Harbour Management Plans with our partner territorial authorities received additional grant funding.

The Opureora Channel Dredging Project was budgeted for completion this year to improve access to Matakana Island for residents. Weather delays have meant delivery of the project in 2016/17 did not occur and the project has been carried forward to next year.

Tauranga Harbour Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
208	Operating grants and subsidies	39	55
7	Other revenue	57	0
646	Fees and charges	10	0
1,410	General rates	1,409	1,409
2,561	Investment income	2,350	2,350
4,832	Total operating revenue	3,865	3,813
Operating expenditure by sub activity			
2,153	Sustainable Land Use	2,196	2,235
604	Biodiversity	390	441
1,598	Sustainable Coastal Implementation	1,057	1,737
258	Sustainable Water	165	197
4,613	Total operating expenditure	3,807	4,610
219	Net operating surplus (deficit) to fund	58	(797)
Reconciliation of operating surplus (deficit)			
219	Increase (decrease) in reserves	58	(797)
219	Total operating surplus (deficit) funded	58	(797)

Rotorua Lakes Activity

What we did

The Rotorua Lakes Activity has made progress across planned key projects for 2016/17. Highlights include:




- 122 farming enterprises have been registered with Advice and Support, including 25 of the 26 dairy farms
- 55 Nutrient Management Plans developed to date
- Processes have been developed to enable the issuing of resource consents for farming enterprises over 40 hectares from 1 July 2017 under the Plan Change 10 rules
- 440 hectares of gorse is now under control, of which 319 hectares are controlled under legal agreements; and 121 hectares are controlled by over planting with plantation pines
- Five Incentives Scheme agreements were signed in 2016/17, when fully implemented this will result in 8.435 tonnes of nitrogen being permanently removed from Lake Rotorua per year
- A simplified process was introduced for those landowners with small amounts of nitrogen to sell, and expressions of interest have been received from a number of landowners
- A project manager has been contracted to undertake initiatives as part of the Lake Tarawera Restoration Plan, which also encompasses the seven lakes that feed into Lake Tarawera

In addition to key projects, the Rotorua Lakes Activity has also made progress on its core business activities throughout the year. Highlights for 2016/17 include:

- Alum dosing to lock in phosphorus has continued from the treatment plants in the Utuhina, Puarenga Streams, and at Soda Springs, preventing algal blooms in Lake Rotorua

- Tikitere de-nitrification plant has been progressed with a suitable site, with detailed design commencing in 2016/17
- Proposed Plan Change 10 was notified with legal effect, with hearings by independent commissioners being complete
- The Low Nitrogen Land Use Fund opened in 2016/17, with funding approved for a number of projects. The projects cover:
 - Best practice land management videos
 - A land use directory specifically for the Lake Rotorua catchment
 - A farmers' information sharing group focused on making changes to farm systems to lower nitrogen leaching
 - A hazelnut growing trial
 - An application to show landowners what their cash flow would look like if they converted part of their property to plantation pines or Mānuka
- Monitoring of the catchment's Biodiversity and Riparian Management Plans

How we did

Key Performance Indicator	Target	How did we do?	Comment
Water quality in the Rotorua lakes makes long-term progress towards each lakes Trophic Level Index (TLI) in the Regional Water and Land Plan.			
Percentage reduction in exports of nitrogen from the Lake Rotorua catchment in accordance with the Integrated Framework and engineering solutions target.	12%		The target has not been achieved with a 5.4% reduction achieved. This represents 17.15 tonnes of nitrogen (actual reduction achieved) calculated as a percentage of 320 tonnes of nitrogen (total reduction required by 2032 as set out in Regional Policy Statement). Although tracking behind target, progress has been made to deliver the large reductions required in the coming years to achieve the 2032 target. Reductions from the Tikitere plant will occur from 2019/2020; and some land use incentives agreements have reductions locked into title deeds, and will deliver actual reductions from 2018. <i>Previous result 2015/16</i> <i>Target: 6%</i> <i>Result: 5.12%</i>
The Council works with iwi, landowners and the community groups to improve the regions indigenous biodiversity.			
Number of coastal, wetland, forest or geothermal High Value Ecological sites (HVES) where biodiversity is actively managed within the Rotorua Lakes catchment.	16		16 High Value Ecological sites are actively managed within the catchment. <i>Previous result 2015/16</i> <i>Target: 16</i> <i>Result: 16</i>
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites (non-HVES) where biodiversity is actively managed within the Rotorua Lakes catchment.	15		15 non-High Value Ecological sites are actively managed within the catchment. <i>Previous result 2015/16</i> <i>Target: 15</i> <i>Result: 15</i>

What it cost

The Rotorua Lakes Activity finished the year with a deficit of \$1,546,000 compared to a budgeted deficit of \$4,237,000. Capital expenditure of \$651,000 was recorded compared to a budget of \$414,000.

Contract payment to landowners for land use incentive agreements are lower than anticipated. These budgets are deferred to next year. This has also resulted in reduced grant funding from Ministry for the Environment.

The Ohau wall consent was underspent as it was reissued uncontested. In addition, the advice & support service for instigating rules around nutrient leaching was underspent reflecting that farming enterprises would be more likely to engage after the plan Change 10 hearings were completed.

Rotorua Lakes Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
2,685	Targeted rates	2,974	2,974
53	External interest income	32	0
1,767	Operating grants and subsidies	3,006	3,775
35	Other revenue	4	0
126	Fees and charges	4	0
0	Revaluation and asset disposal gains	(108)	0
1,324	General rates	1,217	1,217
2,406	Investment income	2,031	2,031
8,396	Total operating revenue	9,160	9,998
Operating expenditure by sub activity			
1,870	Sustainable Land Use	1,475	1,687
436	Biodiversity	165	232
7,323	Sustainable Water	9,065	12,316
9,629	Total operating expenditure	10,705	14,235
(1,233)	Net operating surplus (deficit) to fund	(1,546)	(4,237)
Reconciliation of operating surplus (deficit)			
(1,233)	Increase (decrease) in reserves	(1,546)	(4,237)
(1,233)	Total operating surplus (deficit) funded	(1,546)	(4,237)

Actual		Actual	Budget
2015/16		2016/17	2016/17
\$000		\$000	\$000
Capital expenditure by sub activity			
0	Sustainable Water	0	0
10	Lake Okareka Outlet Structure	0	0
1	Lake Tikitapu Stormwater Catchment	0	0
33	Nutrient Assessment Benchmarking Databas	61	0
0	Rotorua Lakes - Non Deed SUSW Capital Projects	0	94
84	Tikitere Diversion	281	150
128	Total capital expenditure	342	244
278	Loan repayment	308	171
407	Total capital funding required	651	414
Sources of capital funding			
407	(Increase) decrease in reserves	651	414
407	Total sources of capital funding applied	651	414

Kaituna Activity

What we did

The Kaituna Activity has made progress across all of its planned key projects throughout 2016/17, with the highlights being:




- The following work has been completed on the Kaituna River Re-diversion and Ongatoro / Maketū Estuary Enhancement Project:
 - 45 hectares of land acquisition
 - Enabling works including power line shifting, water infrastructure / effluent pond shifting
 - Removal of the Papahikahawai Creek causeway and a bridge built
 - Detailed design and geotechnical investigations
- First stage of construction tendering completed, with second stage (including pricing and methodology) underway
- The implementation of the Papahikahawai Island Biodiversity Management Plan is on track, in partnership with Papahikahawai Trust, Ngā Whenua Rāhui and local Maketū community groups, with:
 - 13,000 plantings, resulting in significant salt-marsh wetland habitat being re-created
 - A coastal chenier landform replacing the 1971 stop-bank and allowing a natural transition from estuarine sand / mud flats through salt marsh and into sand dune vegetation
- The Te Pourepo o Kaituna (wetland creation) project has been progressed with investigations and land availability negotiations on track. In addition, approximately six hectares have been retired from grazing and are at various stages of restoration to wetland habitat

In addition to planned key projects, the Kaituna Activity has also made progress on its core activities, with the highlights being:

- 40.9km of waterway margin protected and managed partnership with iwi, landowners, community groups and industry. This includes an additional seven biodiversity sites

- 21km of sand dunes were cared for with community groups through the Coast care programme
- Two landowners were supported with a Farm Systems Analysis, with on-going monitoring of the changes
- Supported Te Maru o Kaituna River Authority's work, including development of the new Kaituna River Document and engagement with landowners on that process
- Fish passage was improved in Papahikahawai Creek, at the Waitipua Stream and at the southern entrance to Whakapoukorero wetland

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council works with iwi, landowners and community groups to maintain and improve water quality, indigenous biodiversity and coastal margins in the Kaituna, Waihi Estuary and Waitahanui catchments.			
Number of coastal, wetland, forest or geothermal High Value Ecological sites (HVES) where biodiversity is actively managed within the Kaituna, Waihi Estuary and Waitahanui catchments.	5		8 High Value Ecological sites are actively managed within the catchment. <i>Previous result 2015/16</i> <i>Target: 5</i> <i>Result: 7</i>
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites (non-HVES) where biodiversity is actively managed within the Kaituna, Waihi Estuary and Waitahanui catchments.	12		19 non-High Value Ecological sites are actively managed within the catchment. <i>Previous result 2015/16</i> <i>Target: 10</i> <i>Result: 15</i>
Number of additional kilometres of waterway margin in the Kaituna, Waihi Estuary and Waitahanui catchments protected to reduce sediment, nutrient and/or bacterial contamination of water ¹⁾ .	31		Staff worked with iwi, landowners and community groups to protect 40.9 additional kilometres of waterway margin in the catchment this year, 9.9km more than the target specified. <i>Previous result 2015/16</i> <i>Target: 31</i> <i>Result: 39.6</i>

1. Includes streams, drains, wetlands, lakes, estuaries and the open coast.

What it cost

The Kaituna Activity finished the year with a deficit of \$100,000 compared to a budgeted deficit of \$380,000. Capital expenditure of \$1,116,000 was recorded compared to a budget of \$3,424,000.

The final land acquisition for the Kaituna River Re-diversion was completed, allowing the required enabling works to also be completed. The delay in land purchase has decreased the necessary financing costs. The unspent capital budget has been carried forward to next year.

Kaituna Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
33	Operating grants and subsidies	54	33
1	Other revenue	58	0
157	Fees and charges	16	0
782	General rates	755	755
1,421	Investment income	1,361	1,361
2,394	Total operating revenue	2,244	2,149
Operating expenditure by sub activity			
892	Sustainable Land Use	1,134	1,311
419	Biodiversity	350	431
930	Sustainable Coastal Implementation	860	787
160	Sustainable Water	1	0
2,401	Total operating expenditure	2,344	2,529
(7) Net operating surplus (deficit) to fund		(100)	(380)
Reconciliation of operating surplus (deficit)			
(7)	Increase (decrease) in reserves	(100)	(380)
(7)	Total operating surplus (deficit) funded	(100)	(380)

Actual		Actual	Budget
2015/16		2016/17	2016/17
\$000		\$000	\$000
Capital expenditure by sub activity			
0	Biodiversity	0	0
0	Kaituna Catchment Capital Fish Projects	17	0
0	Sustainable Coastal Implementation	0	0
1,246	Kaituna River Re-diversion	1,148	3,424
1,246	Total capital expenditure	1,166	3,424
0	Loan repayment	0	0
1,246	Total capital funding required	1,166	3,424
Sources of capital funding			
1,246	(Increase) decrease in reserves	1,166	3,424
1,246	Total sources of capital funding applied	1,166	3,424

Rangitāiki Activity

What we did

Progress has continued throughout the year on the Rangitāiki River Forum and industry/iwi partnership projects, with Te Ara Whānui O Rangitāiki – Pathways to the Rangitāiki continuing to be delivered. Highlights for 2016/17 included:

- Four hui were held with the Rangitāiki River Forum discussing progress with implementing the River Strategy
- A number of objectives and actions with Te Ara Whānui O Rangitāiki were progressed, including:
 - Support for the Kani Rangi Park development
 - Implementation of stage 1 of Te Hekenga Nui o Te Tuna (the tuna plan)
 - Facilitating community meetings to progress the development of a ten year management plan for Lake Aniwanuiwa




The implementation of the biodiversity and riparian management plans were delayed by the April eastern Bay of Plenty flood event, with works being deferred while landowners focussed on flood recovery and maintaining their operations. However, some progress was still made in 2016/17, including:

- Maintenance of existing biodiversity management sites
- 21.9 km of waterway margin protected from stock
- 164 ha of land use changed to more suitable uses.
- The continuation of dune restoration at Thornton (adjacent to the Rangitāiki River mouth), with Thornton School achieving 25 consecutive years of planting at that site

Nutrient management workshops were undertaken to improve farmers' knowledge and highlight the benefits of best practice in terms of profitability, productivity and environmental outcomes.

Staff also attended several DairyNZ discussion groups, assisted with field days and worked with local iwi and community to provide ongoing advice and support.

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council works with iwi, landowners and community groups to maintain and improve water quality, indigenous biodiversity and coastal margins in the Rangitāiki catchment.			
Number of coastal, wetland, forest or geothermal High Value Ecological sites (HVES) where biodiversity is actively managed within the Rangitāiki catchment.	4		5 High Value Ecological sites are actively managed within the catchment, one more than the target. <i>Previous result 2015/16</i> <i>Target: 3</i> <i>Result: 5</i>
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites (non-HVES) where biodiversity is actively managed within the Rangitāiki catchment.	5		6 non-High Value Ecological sites are actively managed within the catchment, one more than the target. <i>Previous result 2015/16</i> <i>Target: 4</i> <i>Result: 4</i>
Number of additional kilometres of waterway margin in the Rangitāiki catchment protected to reduce sediment, nutrient and/or bacterial contamination of water ⁽¹⁾ .	10		21.9 additional kilometres of waterway margin were protected in the catchment this year, 11.9km more than the target. <i>Previous result 2015/16</i> <i>Target: 10</i> <i>Result: 50.6</i>

1. Includes streams, drains, wetlands, lakes, estuaries and the open coast.

What it cost

The Rangitāiki activity finished the year with a deficit of \$434,000 compared to a budgeted deficit of \$162,000.

The biodiversity and riparian management plans were delayed by the April eastern bay of plenty flood event, with works being deferred while landowners focused on flood recovery and maintaining their operations. Additional staff costs were incurred for the assistance of landowners with an offset in Other Eastern Catchments Activity.

Rangitāiki Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
0	Other revenue	0	0
146	Fees and charges	0	20
314	General rates	323	323
570	Investment income	538	538
1,029	Total operating revenue	861	881
Operating expenditure by sub activity			
508	Sustainable Land Use	665	418
126	Biodiversity	290	289
118	Sustainable Coastal Implementation	153	147
206	Sustainable Water	188	188
958	Total operating expenditure	1,295	1,042
71 Net operating surplus (deficit) to fund		(434)	(162)
Reconciliation of operating surplus (deficit)			
71	Increase (decrease) in reserves	(434)	(162)
71 Total operating surplus (deficit) funded		(434)	(162)




Other Eastern Catchments Activity

What we did

Progress has continued throughout the year on the Ōhiwa Harbour Implementation Forum and industry/iwi partnership projects, with the Ōhiwa Harbour Strategy continuing to be delivered. Highlights for 2016/17 included:

- Two hui were held with the Ōhiwa Harbour Implementation Forum, reporting on the implementation of the Ōhiwa Harbour Strategy, as well as wider catchment issues
- Four hui were held with the Ōhiwa Harbour Strategy Coordination Group
- 12 km of riparian fencing completed
- 18 hectares of land use changed to more suitable uses
- A nutrient management group has been established and supported in the Nukuhou catchment
- The Waiōtahe Catchment Group has been established to work together with farmers and iwi to improve water quality in the catchment and Waiōtahe Estuary
- Nutrient management workshops was undertaken to improve farmers' knowledge and highlight the benefits of best practice in terms of profitability, productivity and environmental outcomes
- Biodiversity site management has been delivered through existing programmes, which has included:
 - Financial and other support for care groups
 - Dune restoration projects continued through Coast Care, with Ōpōtiki Kindergarten achieving ten consecutive years of planting at various sites
- Staff attended several DairyNZ discussion groups, assisted with field days and worked with local iwi and community to provide ongoing advice and support

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council works with iwi, landowners and community groups to maintain and improve water quality, indigenous biodiversity and coastal margins in eastern Bay of Plenty catchments other than Rangitāiki.			
Number of coastal, wetland, forest or geothermal High Value Ecological sites (HVES) where biodiversity is actively managed within the eastern Bay of Plenty catchments.	28		27 High Value Ecological sites (HVES) are actively managed within the catchment, this is one less than the specified target. An additional HVES was identified, however an agreement for the site was not able to be reached before the end of the financial year. <i>Previous result 2015/16</i> <i>Target: 26</i> <i>Result: 26</i>
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites (non-HVES) where biodiversity is actively managed within the eastern Bay of Plenty catchments.	14		27 non-High Value Ecological sites (non-HVES) are actively managed within the catchment. 13 more than the target specified. <i>Previous result 2015/16</i> <i>Target: 13</i> <i>Result: 25</i>
Number of additional kilometres of waterway margin in the eastern catchments protected to reduce sediment, nutrient and/or bacterial contamination of water ⁽¹⁾ .	10		12 additional kilometres of waterway margin were protected in the catchment this year, 2 km more than the target specified. <i>Previous result 2015/16</i> <i>Target: 4.3</i> <i>Result: 28.9</i>

1. Includes streams, drains, wetlands, lakes, estuaries and the open coast.

What it cost

The Other Eastern Activity finished the year with a surplus of \$139,000 compared to a budgeted deficit of \$253,000

The regular work programme continued to be delivered across the Eastern catchments. Land use change agreements were behind budget with staff being diverted into Rangitāiki Catchment to assist landowners with recovery following the April eastern bay of plenty flood event.

Other Eastern Catchments Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
41	Operating grants and subsidies	11	0
52	Other revenue	30	50
98	Fees and charges	9	0
741	General rates	754	754
1,346	Investment income	1,257	1,257
2,279	Total operating revenue	2,061	2,061
Operating expenditure by sub activity			
981	Sustainable Land Use	378	853
775	Biodiversity	936	824
411	Sustainable Coastal Implementation	313	342
221	Sustainable Water	295	295
2,388	Total operating expenditure	1,922	2,314
(109) Net operating surplus (deficit) to fund		139	(253)
Reconciliation of operating surplus (deficit)			
(109)	Increase (decrease) in reserves	139	(253)
(109) Total operating surplus (deficit) funded		139	(253)

Land and Water Framework Activity


What we did

To support the National Policy Statement for Freshwater Management requirements, during 2016/17 we continued to work with community groups in the Kaituna Maketū, Pongakawa Waitahanui (Kaituna) & Rangitāiki water management areas to identify community values. We have also confirmed objectives for the Kaituna Catchment, with the Rangitāiki catchment objectives being progressed. The work progressed in these two areas will inform Plan Change 12.

Throughout 2016/17 we have worked in conjunction with the Department of Conservation to integrate on how we meet the requirements for biodiversity management across the region. This integration will underpin the biodiversity policy review, which has been completed and approved in June 2017.

Together with the Department of Conservation, we have produced regional maps identifying designated sites and their prescriptive management requirements. Work also commenced to coordinate the monitoring of sites and the identification of new sites.

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council maintains and improves the water quality of our harbours, estuaries, lakes, rivers and streams to be fit for natural, cultural, social and productive uses.			
Number of notified plan changes which are actively being progressed (or completed) with community for Freshwater Quality / Quantity limits.	2		Community group meetings have continued for both the Kaituna & Rangitāiki communities and are working well. Objective setting has been completed for Kaituna and is in progress for Rangitāiki. <i>Previous result 2015/16</i> <i>Target: 2</i> <i>Result: 2</i>

What it cost

The Land and Water Framework Activity finished the year with a deficit of \$171,000 compared to a budgeted deficit of \$249,000.

A new funding agreement with negotiated with Ministry for Environment for PC12 Economic Capability resulted in additional revenue.

There was a delay drilling in Upper Galatea while further science work was carried out.

Land and Water Framework Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
0	Other revenue	63	35
859	General rates	914	914
1,561	Investment income	1,525	1,525
2,420	Total operating revenue	2,503	2,475
Operating expenditure by sub activity			
297	Sustainable Land Use	337	344
157	Biodiversity	248	245
33	Sustainable Coastal Implementation	231	195
1,548	Sustainable Water	1,857	1,940
2,035	Total operating expenditure	2,673	2,724
385	Net operating surplus (deficit) to fund	(171)	(249)
Reconciliation of operating surplus (deficit)			
385	Increase (decrease) in reserves	(171)	(249)
385	Total operating surplus (deficit) funded	(171)	(249)

Integrated Catchment Management Group financial statement

What it Cost

The Integrated Catchment Management Group of Activities finished with a deficit of \$2,054,000, compared with a budgeted deficit of \$6,078,000. Capital expenditure of \$1,898,000 was recorded compared to a budget of \$3,838,000.

Explanations for variances can be found in the reports for individual activities under the heading 'what it cost'.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
2,685	Targeted rates	2,974	2,974
53	External interest income	32	0
2,049	Operating grants and subsidies	3,111	3,863
95	Other revenue	212	85
1,173	Fees and charges	39	20
0	Revaluation and asset disposal gains	(108)	0
5,430	General rates	5,371	5,372
9,865	Investment income	9,063	9,063
21,351	Total operating revenue	20,693	21,376
Operating expenditure by activity			
4,613	Tauranga Harbour	3,807	4,610
9,629	Rotorua Lakes	10,705	14,235
2,401	Kaituna	2,344	2,529
958	Rangitaiki	1,295	1,042
2,388	Other Catchments	1,922	2,314
2,035	Land and Water Framework	2,673	2,724
22,025	Total operating expenditure	22,746	27,454
(674)	Net operating surplus (deficit) to fund	(2,054)	(6,078)
Reconciliation of operating surplus (deficit)			
(674)	Increase (decrease) in reserves	(2,054)	(6,078)
(674)	Total operating surplus (deficit) funded	(2,054)	(6,078)

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Capital expenditure by activity			
128	Rotorua Lakes	423	244
1,246	Kaituna	1,166	3,424
1,375	Total capital expenditure	1,589	3,668
<hr/>			
278	Loan repayment	308	171
1,653	Total capital and loan funding required	1,898	3,838
<hr/>			
Sources of capital funding			
1,653	(Increase) decrease in reserves	1,898	3,838
1,653	Total sources of capital funding applied	1,898	3,838

Flood Protection and Control Group of Activities

What we do

Rivers and Drainage Schemes Activity



The Rivers and Drainage Schemes Activity involves ownership, management and maintenance of the five major and 37 minor rivers and drainage schemes that the Regional Council manages. The Activity also comprises the non-scheme programme, which includes the Kopeopeo Canal Remediation Project.

Our River and Drainage Schemes responsibilities include providing flood protection stop banks, flood pump stations, floodgates and erosion control structures and constructing flood ways. We also carry out regular maintenance of structures, stream clearing and lake level monitoring and management of Lakes Rotorua and Rotoiti.

The Rivers and Drainage Schemes Activity is required to develop and maintain a current asset management plan which sets out the long-term maintenance and management of the river and drainage schemes' assets. More information is detailed in the 2014/15 Rivers and Drainage Asset Management Plan and is available on the Council website.

The sub-activities that make up this Activity are:

- Kaituna Catchment Control Scheme
- Rangitāiki-Tarawera Rivers Scheme
- Whakatāne-Tauranga Rivers Scheme
- Waioeka-Otara Rivers Scheme
- Rangitāiki Drainage Scheme
- Minor Rivers and Drainage Schemes
- Non-Scheme Works (including Kopeopeo Canal Remediation Project)

We do this activity to:

- Protect productive agricultural land and important infrastructure (such as roading networks, hospitals, sewage treatment facilities, water supplies and other utilities) and urban areas (including Whakatāne, Ōpōtiki, Edgumbe and Rotorua) from flooding
- Provide security, and reduce risk, to existing economic and social developments from flooding
- Protect productive soils from stream and river erosion
- Protect natural, physical and cultural heritage sites (including several marae) from the adverse effects of flooding and erosion
- Provide drainage and pumping to low lying properties within scheme areas for flood protection
- Manage water level control structures in Lakes Rotorua and Rotoiti

Regional Flood Risk Coordination



The Regional Flood Risk Coordination Activity provides leadership, management, information and advice on flood related issues. This helps to manage flood risks and flood hazards in the Bay of Plenty. Some key types of information we provide to the schemes and external stakeholders include:

- Flood forecasting
- Flood event management
- Floodplain management strategies
- Floodplain modelling
- Surveying of river schemes
- Gravel management
- Flood mitigation using integrated catchment management principles
- River Scheme Sustainability
- Regional Flood Risk Management

How we did overall



We achieved two of the three targets for the Flood Protection and Control Group key performance indicators (KPIs). The Rivers and Drainage target for the 'Number of failures of flood protection systems below specified design standards' was not able to be reported on as data was not available. Further commentary on KPI results is contained in the 'how we did' section of each activity.

Rivers and Drainage Schemes Activity

What we did

Progress was made in all the key projects for 2016/17, these include:

River Scheme Flood Repair and Response:

- A flood repair project totalling \$2.1m to repair river bank damages as a result of the June 2016 flood event was nearing completion at the time of the April 2017 flood event.
- A major response to the April 2017 flood event was undertaken between early April to June 2017. The response was entering a recovery stage at year end.

Rangitāiki Floodway: Work continued during the year, however, some works were delayed due to the April 2017 flood event, and delays in reaching agreement with landowners.

Rangitāiki Drainage Scheme Culvert Renewals: The following flood gated culvert renewal work has been completed in 2016/17:



- Section 73 Outlet - headwall and floodgate renewal
- Canal 109 Outlet - this has been deferred to 2017/18 due to design and construction delays.
- Kapua Drain culvert - headwalls and floodgate renewal
- Steel's Outlet - completed construction

Kopeopeo Canal Remediation Project: An alternative dredging methodology that reduces project risks received consent approval and construction has commenced however the severe flooding experienced in April 2017 and ongoing wet conditions has impacting the timing of the project. Key milestones achieved during 2016/17 included:

- Successful appointment of the main physical works contractor

- Completion of project management plans and detailed construction design
- Progress with construction of Containment Site 1
- Delivery of critical material to site including sheetpile for control structures and pipeline for dredging
- Community engagement through regular Community Liaison Group meetings, web site updates, regular newsletter and technical report releases
- Ongoing independent oversight of works by an Independent Monitor, Cultural Monitor and the Consent Authority representative

How we did

Key Performance Indicator	Target	How did we do?	Comment
Provide flood protection and drainage in scheme areas to mitigate the effect of flooding.			
Number of failures of flood protection system below specified design standards.	0		Data not available. The result for this KPI is subject to the finalisation of reviews relating to the flood event that occurred in April 2017. Information was not available in time for reporting in the Annual report 2016/2017. <i>Previous result 2015/16</i> <i>Target: 0</i> <i>Result: 0 (target achieved)</i>
Flood protection and control works are renewed and maintained.			
Percentage of maintenance, flood repairs and renewals completed in accordance with the Rivers and Drainage Asset Management Plan. (Note: or approved changes to the work programme).	90%		Maintenance and Capital expenditure met the target (99% completed against the revised budget) for the year. Flood damage and riverbank repairs completed as needed. Flood damage repairs as a result of the June 2016 flood were suspended with works focused on response and emergency repairs as a result of Cyclone Debbie in April 2017. <i>Previous result 2015/16</i> <i>Target: 90%</i> <i>Result: 90%</i>

What it cost

The Rivers and Drainage Scheme Activity finished the year with a deficit of \$438,000 compared to a budgeted surplus of \$4,863,000. Capital expenditure of \$7,986,000 was recorded compared to a budget of \$10,308,000.

The April 2017 flood event shifted the focus in the eastern bay of plenty and required increased contract and staff expenditure. A contingent asset has been noted for future insurance income to offset some of this additional expenditure.

Finalising of the Kopeopeo Canal project's remediation contract was delayed, pushing out project milestones for operating and capital expenditure plus receipt of the co-funding from Ministry for the Environment. The work is now planned for next year.

Rivers and Drainage Schemes Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
8,697	Targeted rates	8,652	8,652
0	Dividends	0	0
199	External interest income	275	308
770	Operating grants and subsidies	87	2,637
769	Other revenue	142	162
57	Fees and charges	91	11
(28)	General Rates	924	926
(54)	Investment Income	1,545	1,545
10,410	Total operating revenue	11,714	14,241
Operating expenditure by sub activity			
1,603	Kaituna Catchment Control Scheme	1,973	1,965
2,316	Rangitaiki-Tarawera Rivers Scheme	4,265	2,585
1,559	Whakatane-Tauranga Rivers Scheme	2,201	1,604
951	Waioeka-Otara Rivers Scheme	951	994
700	Rangitaiki Drainage Schemes	808	751
589	Minor Rivers and Drainage Schemes	839	840
917	Non-scheme Works	1,116	639
8,635	Total operating expenditure	12,152	9,378
1,776	Net operating surplus (deficit) to fund	(438)	4,863
Reconciliation of operating surplus (deficit)			
1,776	Increase (decrease) in reserves	(438)	4,863
1,776	Total operating surplus (deficit) funded	(438)	4,863

Actual		Actual	Budget
2015/16		2016/17	2016/17
\$000	Capital expenditure by sub activity	\$000	\$000
	Kaituna Catchment Control Scheme		
0	Kaituna River Capital New	13	280
	Rangitaiki-Tarawera Rivers Scheme		
32	Rangitaiki Floodgates	0	0
1,925	Rangitaiki Floodway	2,203	3,194
126	Rangitaiki Left Stopbank: Te Teko School	0	0
8	Rangitaiki Structures	0	0
0	Rangitaiki Tarawera Capital Renewal	458	71
	Whakatane-Tauranga Rivers Scheme		
1	Kope West Culverts/Floodgates	0	0
30	Kopeopeo Canal Stopbank Upgrade	0	0
1	Te Rahu Canal stopbanks renewal	0	0
28	Whakatane River Capital New	0	51
50	Whakatane Waimana Capacity Review	0	0
	Rangitaiki Drainage Schemes		
82	Rangitaiki Drainage Schemes Renewals	17	204
	Non-scheme Works		
975	Kope Canal Remediation Capital	3,722	5,153
3,258	Total capital expenditure	6,414	8,954
1,210	Loan repayment	1,572	1,354
4,469	Total capital funding required	7,986	10,308
	Sources of capital funding		
4,469	(Increase) decrease in reserves	7,986	10,308
4,469	Total sources of capital funding applied	7,986	10,308

Regional Flood Risk Coordination Activity

What we did

The April 2017 flood event had an impact on the work undertaken by the Regional Flood Risk Coordination Activity.

A Draft Optioneering Report has been received for the Rangitāiki Catchment. However, the Whakatāne/Tauranga River Catchment report has been delayed due to the April 2017 flood event.


Progress was made in a number of areas through the year. Highlights for 2016/17 included:

- Flood management systems continue to be refined in response to reviews and flood events

- Gap analysis has been undertaken on Flood Management Strategies
- Scheduled capacity reviews on the Kaituna and Whakatane/Tauranga Rivers have been progressed and a project brief has been finalised for the Rangitāiki Floodplain modelling
- Advice and design co-ordination, including specialist engineering assessments were provided to the Land Management Team

A Gravel Monitoring Report was nearing completion in April 2017. However, the flood event that occurred in April 2017 resulted in extensive gravel movement. The Gravel Monitoring Report is therefore retained as a draft report, with additional post flood gravel monitoring required.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Community receives timely warning of potential flooding, allowing them to take actions to avoid the hazard.			
Percentage of flood warnings at pre-determined levels are given in accordance with the flood warning manual.	90%		55 out of 56 (98%) of flood warnings at pre-determined levels were given in accordance with the Flood Warning Manual. <i>Previous result 2015/16</i> <i>Target: 90%</i> <i>Result: 95%</i>

What it cost

The Regional Flood Risk Activity finished the year with a deficit of \$873,000 compared to a budgeted deficit of \$267,000.

Resources allocated to this activity were significantly increased due to the April 2017 flood event in the eastern bay of plenty.

Regional Flood Risk Coordination Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
419	General rates	455	455
761	Investment income	759	759
1,180	Total operating revenue	1,214	1,214
Operating expenditure by sub activity			
1,297	Regional Flood Risk Coordination	2,088	1,481
1,297	Total operating expenditure	2,088	1,481
(117) Net operating surplus (deficit) to fund		(873)	(267)
Reconciliation of operating surplus (deficit)			
(117)	Increase (decrease) in reserves	(873)	(267)
(117)	Total operating surplus (deficit) funded	(873)	(267)

Flood Protection and Control Group financial statement

What it Cost

The Flood Protection and Control Group of Activities finished with a deficit of \$1,311,000, compared with a budgeted surplus of \$4,596,000. Capital expenditure of \$7,986,000 was recorded compared with a budget of \$10,308,000.

Explanations for variances can be found in the reports for individual activities under the heading 'what it cost'.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
8,697	Targeted rates	8,652	8,652
0	Dividends	0	0
199	External interest income	275	308
770	Operating grants and subsidies	87	2,637
769	Other revenue	142	162
57	Fees and charges	91	11
391	General Rates	1,379	1,381
707	Investment Income	2,304	2,304
11,590	Total operating revenue	12,929	15,455
Operating expenditure by activity			
8,635	Rivers & Drainage Schemes	12,152	9,378
1,297	Regional Flood Risk Coordination	2,088	1,481
9,932	Total operating expenditure	14,240	10,859
1,658	Net operating surplus (deficit) to fund	(1,311)	4,596
Reconciliation of operating surplus (deficit)			
1,658	Increase (decrease) in reserves	(1,311)	4,596
1,658	Total operating surplus (deficit) funded	(1,311)	4,596

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Capital expenditure by activity			
3,258	Rivers & Drainage Schemes	6,413	8,954
3,258	Total capital expenditure	6,413	8,954
1,210	Loan repayment	1,572	1,354
4,469	Total capital and loan funding required	7,986	10,308
Sources of capital funding			
4,469	(Increase) decrease in reserves	7,986	10,308
4,469	Total sources of capital funding applied	7,986	10,308

Resource Regulation and Monitoring Group of Activities

What we do

Biosecurity Activity



The Biosecurity Activity provides regional leadership in pest plant and pest animal management. We manage pests in the region through the Regional Pest Management Plan (RPMP). This includes surveillance and management of pest plants and animals, and educating and advising landowners. Biosecurity also supports national initiatives under agreements with external agencies, including Ministry for Primary Industries and Department of Conservation, and managing new pest incursions to the Bay of Plenty, where they may threaten Council outcomes.

This Activity is guided by the Biosecurity Act 1993, the Local Government Act 2002, the Resource Management Act 1991, and the RPMP.

Rotorua Air Quality Activity



The Rotorua Air Quality Activity is focused on improving the quality of the Rotorua urban airshed. This is the area in the region where PM₁₀ (particulate matter) levels exceed those set in the National Environmental Standards for Air Quality (NESAQ). The ambient PM₁₀ standard in the NESAQ is 50 micrograms per cubic metre as a 24 hour average.

Reducing air pollution and PM₁₀ levels leads to a reduction in chronic health problems associated with air pollution, particularly in the young, the elderly and those with existing respiratory and cardiovascular conditions, such as asthma and heart disease.

The three main objectives of this Activity are to:

- Remove 60 tonnes of particulates from the Rotorua urban airshed,
- Convert approximately 7,650 solid fuel burners to clean heat appliances, and
- Reduce the number of exceedances of the NESAQ to three exceedances per year by 2016, and no more than one exceedance each year by 1 September 2020 (as required by the NESAQ).

Resource Consents Activity



The Resource Consents Activity processes and makes decisions on resource consent applications under the Resource Management Act 1991 and/or rules in our regional plans, ensuring statutory requirements are fulfilled and a fair process for decision-making on regional natural resource use is followed. The Consents Activity also provides advice and information to resource users about regional plan requirements and consents.

We do this activity to:

- Protect our land, air, water and coast from inappropriate development and pollution.
- Ensure a fair process for decision-making on the use of the region's natural resources. Resource consent decisions are made that provide opportunities for growth, and adequately avoid, remedy or mitigate adverse environmental effects. The decisions are also consistent with what our community wants, as outlined in the provisions of legislation, and our regional plans and policies.
- Provide business and investment certainty and value to holders of resource consents.
- Allow participants in resource consent processes to have their views heard and weighed against all other relevant considerations, ensuring

all effects are adequately considered and appropriately avoided, remedied or mitigated.

Pollution Prevention Activity



The Pollution Prevention Activity ensures development activities involving water, geothermal, air, land and coastal resources do not negatively impact on the natural environment or put people's health at risk.

The key roles of this activity include:

- Responding to environmental complaints, incidents and unauthorised activities through various tools including the operation of a 24-hour toll-free 'pollution hotline'.
- Carrying out enforcement action for significant non-compliance with the Resource Management Act 1991, or for breaches of resource consents or rules of a regional plan.
- Monitoring consent holders' compliance with the conditions of their consents.
- Providing leadership on minimising waste, including hazardous waste, generated by people.
- Identifying and remediating sites that have been contaminated by human activity.

We do this activity to:

- Protect our land, air, water and coast from pollution.
- Effectively and efficiently respond to complaints made about environmental pollution.
- Monitor and enforce compliance with environmental legislation and resource consent conditions.
- Raise awareness, and provide advice and guidance to the public, tāngata whenua, industry and business on ways to prevent pollution, minimise waste production and enable sustainable management of the region's natural resources.

Maritime Operations Activity

The Maritime Operations Activity contributes to the following Community Outcomes

The Maritime Operations Activity ensures navigation safety and maritime oil spill response is provided 24/7 in the Bay of Plenty region as required by regulations and Council requirements. Our goal is to ensure that all our users operate safely and in harmony with one another and the environment to ensure our waters are available for the prosperity and enjoyment of future generations.

We manage navigation safety to ensure the region's navigable waterways are kept safe. We manage aquatic activities to reduce conflict from competing uses. We also respond to oil spills to protect our coastal environment and habitats.

This activity is guided by the Maritime Transport Act 1994.

How we did overall

Resource Regulation and Monitoring
Summary of how we did:

- 7** Targets achieved
- 2** Targets not achieved

We achieved seven of the nine targets for the Resource Regulation and Monitoring Group key performance indicators (KPIs). The targets not achieved were:

- 1 Number of exceedances of PM₁₀ in the Rotorua LAMA (exceedances of the NESAQ standard) in the Rototua Air Quality Activity
- 2 Percentage of applications processed within statutory timeframes in the Resource Consents Activity

Further commentary on KPI results is contained in the 'How we did' section for each activity.

Biosecurity Activity

What we did

The Biosecurity Activity continued to work with the Ministry for Primary Industries, Waikato Regional Council and Department of Conservation to contain the spread of Dama Wallabies. Highlights for 2016/17 included:


- Further defined a containment area for dama wallabies and reviewed current camera surveillance protocol
- Developed and implemented a new geospatial information based system to receive and record wallaby sighting reports, task contractors and enter data in the field.
- Continued eradication operations at Welcome Bay and Kaharoa

The Biosecurity Activity continued to deliver its core business activities throughout 2016/17, the highlights being:

- Over 1010 public enquiries and complaints responded to

- 16 Notice of Directions served on landowners, with three landowners notified intention to undertake work on default
- Implemented the 2016/2017 Operational Plan for the Bay of Plenty Regional Pest Management Plan 2011-2016
- Surveillance and control was undertaken at all Exclusion/Eradication sites in accordance with their individual Site Management Plans.
- An exclusion cordon was installed at the entrance of Te Weta Bay the bay to contain catfish
- 3,272 catfish were controlled in Lake Rotoiti, with 99% being caught within Te Weta Bay
- Catfish surveillance was completed in Lake Rotomā and Ōkāreka, but no catfish were found.
- Provided support to National Pest Plant Accord, Freshwater Biosecurity Partnership Programme, National Biocontrol Collective, Top of the North Marine Biosecurity Partnership, New Zealand Wilding Conifer Management Group, and National Interest Pest Plants programme.

How we did

Key Performance Indicator	Target	How did we do?	Comment
High-risk pests newly established in the Bay of Plenty, but present elsewhere in New Zealand, are actively controlled to prevent their expansion into new areas in the Bay of Plenty			
Percentage of new high-risk pests detected in the Bay of Plenty, that are already present elsewhere in New Zealand, that have management plans put in place within 3 months outlining how the pests will be contained and controlled.	100%		No new incursions of high-risk pests were identified that required Council to lead the response for. <i>Previous result 2015/16</i> <i>Target: 100%</i> <i>Result: 100%</i>

What it cost

The Biosecurity Activity finished the year with a deficit of \$699,000 compared to a budgeted deficit of \$260,000.

Additional work has been carried out on catfish and marine pest control throughout the region. Including new promotional material that describes prevalent marine pests and warning of their danger to the environment. Extra Land Management Officers were deployed in this activity to step up the required controls.

Biosecurity Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
10	Operating grants and subsidies	0	0
135	Other revenue	171	108
0	Fees and charges	48	0
971	General rates	984	984
1,765	Investment income	1,642	1,642
2,881	Total operating revenue	2,845	2,734
Operating expenditure by sub activity			
2,936	Biosecurity	3,544	2,995
2,936	Total operating expenditure	3,544	2,995
(55) Net operating surplus (deficit) to fund		(699)	(260)
Reconciliation of operating surplus (deficit)			
(55)	Increase (decrease) in reserves	(699)	(260)
(55)	Total operating surplus (deficit) funded	(699)	(260)


Rotorua Air Quality Activity

What we did

Progress was made in a number of areas through the year, highlights for 2016/17 included:

- We continued to administer the Rotorua Air Quality Working Party involving the Regional Council, Rotorua Lakes Council, Housing New Zealand and the Bay of Plenty District Health Board.
- Council promoted the burning of dry wood, community awareness and education of air quality issues.
- We continued to administer the Hot Swap Loan Scheme with 115 loans taken up during 2016/17.
- We continued implementing the low income heating grant to give heat pumps or ultra-low emission burners to eligible, low income homes in return for their existing old fires and have provided rates remission for low-income rate payers.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Air quality in the Rotorua Local Air Management Area (LAMA) meets the National Environmental Standard for Air Quality.			
Number of exceedences of PM ₁₀ in the Rotorua LAMA (exceedences of the NESAQ standard).	3		The target of a maximum of 3 exceedences was not achieved. A total of 15 exceedences were recorded for the year, comprising 11 measured and 4 modelled exceedences. The trend for PM10 concentrations reducing over the past ten years is positive, and the Rotorua Air Activity remains focused on working towards the National Environmental Standard for Air Quality time frame and targets for 2020. <i>Previous result 2015/16</i> <i>Target: 20</i> <i>Result: 5 (target achieved, lower result is better)</i>

What it cost

The Rotorua Air activity finished the year with a surplus of \$480,000 compared to a budgeted surplus of \$469,000. Capital expenditure and loans of \$2,040,000 was recorded compared to a budget of \$2,607,000.

There was slower than expected uptake of Hot Swap loans resulting with 115 taken up against the budgeted 437 that has resulted in lower related expenditure. Additional grant assistance has been provided for low income households to provide healthy homes.

Rotorua Air Quality Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
1,026	Targeted rates	948	924
1	External interest income	1	0
0	Other revenue	2	0
211	General rates	246	246
384	Investment income	411	411
1,622	Total operating revenue	1,608	1,581
Operating expenditure by sub activity			
775	Rotorua Air Quality	1,128	1,112
775	Total operating expenditure	1,128	1,112
847	Net operating surplus (deficit) to fund	480	469
Reconciliation of operating surplus (deficit)			
847	Increase (decrease) in reserves	475	469
847	Total operating surplus (deficit) funded	475	469
Environmental loans by activity			
693	Rotorua Air Quality	428	2,010
693		428	2,010
493	Internal loan repayment	1,612	597
493	Total capital and loan funding required	2,040	2,607
Sources of capital funding			
1,176	(Increase) decrease in reserves	2,040	2,607
1,176	Total sources of capital funding applied	2,040	2,607

Resource Consents Activity

What we did

Highlights for the Resource Consents Activity during 2016/17 included:



- 449 consent applications were processed, an increase of 119 (36%) from the previous year.
- 67% (299) of consents were processed within statutory timeframes.
- 72% of respondents of a satisfaction survey were at least satisfied with the overall consent process.

We have successfully managed Council's involvement as consent authority through a number of significant consents and hearings, including:

- Completion of an Environment Court hearing over the Rena Consents, with an interim decision to uphold Council's decision to grant consent for remainder of the wreck to remain in place.

- Council's decision to refuse consent for a second fumigator to use methyl bromide at the Port of Tauranga upheld by the Environment Court.
- Granting consent for a Hole in One challenge on Lake Rotorua.
- Granting consent to the Ōhope wastewater discharge, which included the installation of UV treatment.
- Hearing for the discharge of waste from the Fonterra factory in Edgcumbe to additional land area to reduce reliance on discharging waste to the river.
- Completion of the hearing for the Rotoiti/Rotomā wastewater treatment plant and discharge, which will result in improvements to the lakes water quality.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Decisions on resource consent applications are made in a timely manner following a robust process.			
Percentage of applications processed within statutory timeframes.	99%		299 of 449 (67%) consents for which decisions were made during the period were processed within statutory timeframes. Applications are prioritised to minimise impacts on consent applicants. For example, applicants who can continue to operate under their previous consents will be a lower priority. In 2016, Council appointed two more consents officers to meet process requirements for 2017/18 and will continue to improve our processes to reduce the amount of time it takes to process applications. <i>Previous result 2015/16</i> <i>Target: 99%</i> <i>Result: 99%</i>
Percentage of customers who are satisfied overall with the service provided during the consents process.	70%		72% of respondents rated their overall satisfaction as being four or above, on a seven point scale. <i>Previous Result for 2015/16</i> <i>No result recorded, biennial survey</i>

What it cost

The Resource Consents Activity finished the year with a deficit of \$498,000 compared to a budgeted deficit of \$376,000.

A consistent higher number of consents were received throughout the year which resulted in higher revenue and led to higher expenditure on contractors to assist with the increased volume.

Resource Consents Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
0	Other revenue	2	0
1,763	Fees and charges	1,521	1,380
509	General rates	549	549
924	Investment income	916	916
3,196	Total operating revenue	2,988	2,845
Operating expenditure by sub activity			
4,073	Resource Consents	3,486	3,221
4,073	Total operating expenditure	3,486	3,221
(877) Net operating surplus (deficit) to fund		(498)	(376)
Reconciliation of operating surplus (deficit)			
(877)	Increase (decrease) in reserves	(498)	(376)
(877)	Total operating surplus (deficit) funded	(498)	(376)

Pollution Prevention Activity

What we did

The Pollution Prevention Activity continued to deliver across its core business activities throughout 2016/17, the highlights being:

- 2,741 complaints were received through the Pollution Hotline; an increase of 16% over the previous year. The team continued to deliver a high level of service to our customers:
 - 100% of all urgent complaints were responded to within 12 hours from the time of the initial complaint
 - 99.7% of all non-urgent complaints received were responded to within 3 days of the initial complaint
 - 57% of complaints were related to air quality, particularly dust, smoke and odours
 - 79% of all resource consent inspections were assessed as compliant

The Pollution Prevention Activity continued to inspect and assess resource consent compliance. A total of 1,896 compliance inspections, relating to 1,356 individual resource consents were undertaken by the team. Of these, 77% were fully complying with their consent conditions.

Overall, of the 2016/17 inspections which were found to be non-compliant:

- 61% were considered low risk
- 31% were considered moderate risk
- 8% were considered to be significant non-compliances

This is an improvement on the figures from the previous year, with almost half the number of significant non-compliance identified.

The Pollution Prevention Activity continued to pursue a range of enforcement measures in response to incidents of significant non-compliance with both resource consent conditions and the rules of our Regional Plans:

- 74 abatement notices were issued; the majority were related to discharges to air
- 24 infringement notices were issued

The Pollution Prevention Activity continued to administer the Waste Resources and Advisory Group (WRAG), which allocated \$29,971 of funds to the following projects:

- Environmental Education for Resource Sustainability Trust (EERST): For the purchase of equipment to rescue PVC Billboard skins, car seatbelts, and core flute (real estate signs) from landfill, and make quality products such as bags that are able to be sold.
- Good Neighbour Charitable Trust: For directing rescued food for use by community and charitable organisations.
- Project Litefoot: For supplying sports clubs with sorting-at-source bins to improve their waste catching systems.

All actual and potential contaminated sites continue to be identified and included within the Regional Council's land-use register. Technical advice to all Territorial Authorities for district consent applications with a contaminated land component continues to be provided.

Under the Resource Management Act and Reporting of Water Takes Regulations 2010 (WTR), 99% of consent holders have installed water meters and have had them verified, or have scheduled to have them verified. A significant amount of work has gone into engaging with both industry and the community to promote the installation of water meters as required by the WTR, and it is encouraging to see such a strong uptake around the region.





Air quality issues, including odour, dust, and industrial discharges, continues to be an increasing area of focus for the Pollution Prevention Activity. This is reflected in the number of complaints received relating to air quality, and the amount of work dedicated to working with industry to improve practices related

to discharges to air, particularly around the Port of Tauranga and surrounding areas, which will see increased compliance and science monitoring next year.

consent compliance monitoring, the Pollution Prevention Activity underwent a significant restructure process to increase the agility of the Council's regulatory compliance work.

To meet the increased demands of complaint investigation and resource

How we did

Key Performance Indicator	Target	How did we do?	Comment
All environmental incident complaints are responded to within specified timeframes.			
Percentage of urgent complaints made to the pollution hotline that are responded to within 12 hours.	98%		A total of 2,741 complaints were received over the year. 9 of the complaints received were urgent. All 9 urgent complaints were actioned within 12 hours from the time of the initial complaint. <i>Previous result 2015/16</i> <i>Target: 98%</i> <i>Result: 100%</i>
Percentage of customers satisfied with staff response to substantiated complaints about Resource Management Act non-compliance.	65%		86% of customers surveyed responded that they were satisfied with the response to the substantiated complaint they made via the pollution hotline. <i>Previous result 2015/16</i> <i>Target: 60%</i> <i>Result: 93%</i>
High-risk contaminated land is identified and appropriately managed to avoid risk to human health and the environment.			
Percentage of sites identified through the risk screening system as "High Risk" have a detailed risk assessment initiated by BOPRC within 3 months of identification.	85%		No sites were identified as high risk during the year. <i>Previous result 2015/16</i> <i>Target: 80%</i> <i>Result: 100%</i>
Resource Management Act Measuring and Reporting of Water Takes Regulations 2010 (WTR)			
Percentage of water take consents >5 l/sec that comply with the Water Take Regulations (WTR) water metering installation and verification.	75%		586 of 593 (99%) consent holders have installed water meters and have had them verified, or have scheduled to have them verified as being accurate. <i>Previous result 2015/16</i> <i>Target: 50%</i> <i>Result: 67%</i>

What it cost

The Pollution Prevention Activity finished the year with a deficit of \$1,233,000 compared to a budgeted surplus of \$36,000.

A significant increase in complaints related to air quality, particularly dust, smoke and odours were received. This increased expenditure against budget and required additional staff focus, with a corresponding reduction in staff focus on compliance work, resulting in less than budgeted fees and charges revenue.

Pollution Prevention Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
2	Other revenue	10	0
1,806	Fees and charges	917	1,661
802	General rates	937	937
1,457	Investment income	1,564	1,564
4,068	Total operating revenue	3,427	4,162
Operating expenditure by sub activity			
4,389	Pollution Prevention	4,660	4,126
4,389	Total operating expenditure	4,660	4,126
(321) Net operating surplus (deficit) to fund		(1,233)	36
Reconciliation of operating surplus (deficit)			
(321)	Increase (decrease) in reserves	(1,233)	36
(321)	Total operating surplus (deficit) funded	(1,233)	36

Maritime Operations Activity

What we did


The review of the Navigation Safety Bylaw was completed, with 218 submissions received. Submissions were heard by independent commissioners, and the Bylaw was made operative on 01 July 2017.

The Maritime Activity undertook core business throughout 2016/17, with the highlights being:

- Review of the Port and Harbour Safety Code
- Implementation of the Safe Boating Program

- Maintaining more than 800 navigation aids, lights and beacons around the region
- Responding to 17 maritime oil spill reports
- Running summer patrols three times daily in both Tauranga Harbour and the Rotorua lakes areas
- Patrols were undertaken as a trial in Ōhiwa, these were instrumental in determining the need for more patrols in the 2017/18 year
- Processing 62 aquatic events applications, requiring closure or other support in the Rotorua Lakes and Tauranga Harbour

How we did

Key Performance Indicator	Target	How did we do?	Comment
Navigation hazards and risks in the aquatic environment are minimised.			
Percentage of time a 24/7 response to navigational incidents and maritime oil spills is in place.	99%		24/7 response to navigational incidents and maritime oil spills was in place for the full year. <i>Previous result 2015/16</i> <i>Target: 99%</i> <i>Result: 100%</i>

What it cost

The Maritime Activity finished the year with a surplus of \$96,000 compared to a budgeted deficit of \$88,000. Capital expenditure of \$196,000 was recorded compared to a budget of \$255,000.

The expansion of the Port of Tauranga Limited has seen an increase in logs exported and subsequently there has been an increase in logs lost into the harbour. This has increased revenue and expenditure as a result of dealing with the collection of the logs.

With the continued increase of traffic in the regions waterways there was a requirement for an expansion in the safe boating program plus a review of the port and harbour safety code.

Maritime Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
116	Other revenue	88	61
789	Fees and charges	811	544
676	General rates	705	705
1,228	Investment income	1,177	1,177
2,809	Total operating revenue	2,782	2,487
Operating expenditure by sub activity			
2,732	Maritime Operations	2,685	2,575
2,732	Total operating expenditure	2,685	2,575
77	Net operating surplus (deficit) to fund	96	(88)
Reconciliation of operating surplus (deficit)			
77	Increase (decrease) in reserves	96	(88)
77	Total operating surplus (deficit) funded	96	(88)
Capital expenditure by sub activity			
87	Navigational Assets	196	255
87	Total capital expenditure	196	255
0	Loan Repayment	0	0
87	Total capital funding required	196	255
Sources of capital funding			
87	(Increase) decrease in reserves	196	255
87	Total sources of capital funding applied	196	255

Resource Regulation and Monitoring Group financial statement

What it Cost

The Resource Regulation and Monitoring Group of Activities finished with a deficit of \$1,853,000 compared with a budgeted deficit of \$219,000. Capital expenditure and loan funding of \$2,236,000 was recorded compared with a budget of \$2,862,000

Explanations for variances can be found in the reports for individual activities under the heading 'what it cost'.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
1,026	Targeted rates	948	924
1	External interest income	1	0
10	Operating grants and subsidies	0	0
254	Other revenue	272	169
4,357	Fees and charges	3,297	3,585
3,170	General rates	3,422	3,422
5,758	Investment income	5,709	5,709
14,576	Total operating revenue	13,651	13,810
Operating expenditure by activity			
2,936	Biosecurity	3,544	2,995
775	Rotorua Air Quality	1,128	1,112
4,073	Resource Consents	3,487	3,221
4,389	Regulatory Compliance	4,660	4,126
2,732	Maritime Operations	2,685	2,575
14,904	Total operating expenditure	15,504	14,029
(328)		Net operating surplus (deficit) to fund	
		(1,853)	(219)
Reconciliation of operating surplus (deficit)			
(328)	Increase (decrease) in reserves	(1,853)	(219)
(328)		Total operating surplus (deficit) funded	
		(1,853)	(219)

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Capital expenditure by activity			
87	Maritime Operations	196	255
Environmental loans by activity			
693	Rotorua Air Quality	428	2,010
780	Total capital expenditure	624	2,265
819	Loan repayment	1,612	597
1,599	Total capital and loan funding required	2,236	2,862
Sources of capital funding			
1,599	(Increase) decrease in reserves	2,236	2,862
1,599	Total sources of capital funding applied	2,236	2,862

Transportation Group of Activities

What we do

Passenger Transport Activity

The **Passenger Transport Activity** contributes to the following Community Outcomes

WQQ

EP

RS

RCL

ED

The Passenger Transport Activity enables and makes available a range of safe and reliable transport to improve economic efficiency and environmental sustainability.

This includes providing public passenger transport systems across the region, and mobility for those with limited transport options. It includes the Bay Hopper and School Hopper services. It also supports national and local road safety programmes. Under this activity we also:

- Plan, contract, fund and monitor passenger transport services in the region.
- Develop, implement and fund marketing of contracted passenger transport services and regional road safety campaigns.
- Fund on-going maintenance of existing stock truck effluent facilities.
- Fund concessionary fare schemes such as Total Mobility.
- Fund taxi wheelchair hoists.

The Land Transport Management Act sets out the statutory role for regional councils to deliver public transport. We do this activity to ensure the transport network in the region is efficient, reliable, safe and convenient. The main aim of the activity is to provide reliable and integrated public transport services that go where people want to go.

Transport Planning Activity

The **Transport Planning Activity** contributes to the following Community Outcomes

WQQ

EP

RS

RCL

ED

The Transport Planning Activity provides for regional land transport planning mandated by the Land Transport Management Act 2003 (LTMA).

The LTMA requires every regional council to establish a Regional Transport Committee. It also sets the functions of the Regional Transport Committee, and a mandate for preparing the Regional Land Transport Plan and Regional Passenger Transport Plan.

The aim of transport planning is to provide an effective and efficient transport network and establish a more collaborative approach to providing public transport.

How we did overall



We did not achieve the Transportation Group key performance indicator (KPIs) in 2016/17 as the bus fare recovery ratio target in the Passenger Transport activity was not achieved.

Further explanations and commentary are contained in the 'how we did' section of the activity.

Passenger Transport Activity

What we did

Bus services were provided for Tauranga, Rotorua, and rural areas with over 3.1 million passengers boarding the services.

Additional public transport services were trialled between:


- Te Puke, Paengaroa and Maketū
- Waihī Beach and Katikati
- Ruatāhuna and Murupara

How we did

The Ruatāhuna trial was successful and has been incorporated into the Rotorua Unit contract. The Maketū trial was unsuccessful and has ended and the Waihī Beach trial is being further refined. The Tauranga bus network was not reviewed in 2016/17 as the Western Bay of Plenty Public Transport Blueprint is yet to be approved.

Throughout 2016/17, bus services were provided for:

- Tauranga
- Rotorua
- Rural Areas

Key Performance Indicator	Target	How did we do?	Comment
The Council provides a quality public transport system where fares cover a reasonable proportion of operating costs.			
Fare Recovery Ratio	35%		The annual regional fare recovery ratio was 31%, 4% below target. This is a reflection of the reductions in patronage across all services and a high concession-fare passenger mix in Tauranga. Fares were increased at the beginning of 2017 and Council is looking at other options to increase fare revenue for 2017/18. <i>Previous result 2015/16</i> <i>Target: 34%</i> <i>Result: 32%</i>

What it cost

The Passenger Transport Activity finished the year with a deficit of \$13,000 compared to a budgeted deficit of \$411,000. Capital expenditure of \$78,000 was recorded compared to a budget of nil.

The lower annual regional fare recovery is a reflection of the reductions in patronage across all services and a high concession-fare passenger mix in Tauranga. A change to concessions for SuperGold Card holders has also impacted the recovery rate.

Favourable inflation rates contributed to lower than anticipated contract costs.

Increased SuperGold patronage and partnering initiatives with Tauranga City Council (e.g. AIMS games) and Toi Ohomai has increased revenue. Council participated in the procurement of a new regional electronic ticketing system as part of the Regional Consortium, comprising of a number of local authorities.

Passenger Transport Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
3,315	Targeted rates	3,407	3,407
7,396	Operating grants and subsidies	7,383	7,405
854	Other revenue	827	687
4,113	Fees and charges	4,136	4,312
1,371	General Rates	1,656	1,656
2,490	Investment Income	2,426	2,426
19,538	Total operating revenue	19,836	19,894
Operating expenditure by sub activity			
13,522	Tauranga Passenger Transport	13,715	14,180
3,145	Rotorua Passenger Transport	3,316	3,178
2,349	Regional Passenger Transport	2,818	2,948
19,016	Total operating expenditure	19,849	20,306
522	Net operating surplus (deficit) to fund	(13)	(411)
Reconciliation of operating surplus (deficit)			
522	Increase (decrease) in reserves	(13)	(411)
522	Total operating surplus (deficit) funded	(13)	(411)
Capital expenditure by sub activity			
31	Electronic Ticketing Tauranga	98	0
31	Total capital expenditure	98	0
0	Loan repayment	0	0
31	Total capital funding required	98	0
Sources of capital funding			
31	(Increase) decrease in reserves	98	0
31	Total sources of capital funding applied	98	0

Transport Planning Activity

What we did

Progress was made in a number of areas through the year, highlights for 2016/17 included:

- A partial review of the Bay of Plenty Regional Land Transport Plan commenced, with six variations to the existing Plan being approved.
- The Regional Land Transport Plan Annual Report Card was prepared and distributed.
- We continued to collaborate with a number of regional and inter-regional groups, including the Bay of Plenty Regional Advisory Group, the SH1/29-ECMT Working Group, and the Upper North Island technical group on a range of issues, including:
 - Development of transport Activity Management Plans
 - Implementation of One Network Road Classification
 - NZTA's SH1/29 Programme Business Case

We have been working towards the completion of the Western Bay of Plenty Public Transport Blueprint, which, when approved, will enable a full review of the Regional Public Transport Plan to be undertaken.

What it cost

The Transport Planning Activity finished the year with a surplus of \$56,000 compared to a budgeted surplus of \$57,000.

The Regional Public Transport Plan was delayed due to a delay in the Western Bay of Plenty Public Transport Blueprint. Therefore a minor review was undertaken with the full review to be completed next year. This led to some grant income from New Zealand Transport Agency not being received.

Transport Planning Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
0	Operating grants and subsidies	40	65
0	Other revenue	1	0
189	General rates	209	209
343	Investment income	349	349
532	Total operating revenue	599	623
Operating expenditure by sub activity			
587	Transport Planning	543	566
587	Total operating expenditure	543	566
(56) Net operating surplus (deficit) to fund		56	57
Reconciliation of operating surplus (deficit)			
(56)	Increase (decrease) in reserves	56	57
(56)	Total operating surplus (deficit) funded	56	57

Transportation Group financial statement

What it Cost

The Transportation Group of Activities finished with a surplus of \$43,000, compared with a budgeted deficit of \$356,000. Capital expenditure of \$98,000 was recorded compared to a budget of \$nil.

Explanations for variances can be found in the reports for individual activities under the heading 'what it cost'.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
3,315	Targeted rates	3,407	3,407
7,396	Operating grants and subsidies	7,423	7,470
854	Other revenue	828	687
4,113	Fees and charges	4,136	4,312
1,559	General rates	1,865	1,865
2,833	Investment income	2,775	2,775
20,070	Total operating revenue	20,435	20,517
Operating expenditure by activity			
19,016	Passenger Transport	19,849	20,306
587	Transport Planning	543	566
19,603	Total operating expenditure	20,392	20,871
467	Net operating surplus (deficit) to fund	43	(356)
Reconciliation of operating surplus (deficit)			
467	Increase (decrease) in reserves	43	(356)
467	Total operating surplus (deficit) funded	43	(356)
Capital expenditure by activity			
31	Passenger Transport	98	0
31	Total capital expenditure	98	0
0	Loan repayment	0	0
31	Total capital and loan funding required	98	0
Sources of capital funding			
31	(Increase) decrease in reserves	98	0
31	Total sources of capital funding applied	98	0

Regional Development Group of Activities

What we do

Regional Infrastructure Activity



The Regional Infrastructure Activity provides funding for infrastructure projects delivered by third parties in the Bay of Plenty to improve economic performance. Funding assistance is provided through direct funding, or through the contestable Regional Infrastructure Fund. Direct funding is limited to sewerage reticulation and treatment systems, and transport infrastructure. New funding is currently on hold while we review our Infrastructure and Environmental policies.

We recognise that for good quality of life a community needs a prosperous economy as much as it needs a healthy environment and fulfilling social and cultural connections. Investing in regional infrastructure assists us in facilitating regionally significant projects, generating investor interest, creating jobs and increasing regional Gross Domestic Product.

Through the direct funding of infrastructure, the community receives assistance to address issues it cares about in a more timely and efficient manner than it otherwise would.

Regional Economic Development Activity



The Regional Economic Development Activity provides leadership, facilitation and support across the region for economic development. The main focus of this is our economic development strategy, Bay of Connections. The Activity works with industry and other key stakeholders across the region and the country to implement a portfolio of sector strategies. There are currently 13 key industry areas, with a number of regional industry strategies now being implemented.

The Regional Economic Development Activity facilitates regionally significant projects, generating investor interest, creating jobs and opportunities across the region. We recognise that our community needs employment and a prosperous economy for a good quality of life.

Regional Parks Activity



The Regional Parks Activity provides ownership and management of two key pieces of land (Pāpāmoa Hills Regional Park and Onekawa Te Māwhai) for:

- cultural heritage protection purposes
- natural environment protection and enhancement purposes
- the long-term enjoyment and benefit of the Bay of Plenty region's residents and visitors

The regional community has requested that the Council provide regional parks. This activity is also guided by the Local Government Act 2002 and the Resource Management Act 1991.

How we did overall



We achieved two of the three targets for the Regional Development Group key performance indicators (KPIs) for 2016/17. Data was not available to measure the satisfaction of users of the Pāpāmoa Hills Regional Park due to the park being closed for much of the year.

Further commentary on KPI results is contained in the 'How we did' section for each activity.

Regional Infrastructure Activity

What we did

The Regional Infrastructure Fund (RIF) continues to be administered effectively by Council, with the first RIF drawdowns occurring in 2016/17. We have also made contract management improvements for the Direct Funding of RIF projects.


The Regional Infrastructure Fund provides funding to third party infrastructure projects that have regional significance. Highlights for 2016/17 include:

- The Tauranga Marine Precinct project that is being delivered by Tauranga City Council has made progress with on-site works. Funding for this project has been re-phased to 2017/18 to enable full concrete curing operational testing to be completed prior to RIF payment.
- Council has continued to work with Government, Ōpōtiki District Council, Whakatōhea, and other parties on the Ōpōtiki Harbour Transformation.

Ōpōtiki District Council, with the support of partners, has progressed to tender for main works and work is ongoing to secure a construction funding commitment from Government.

- Funding for the Eastern Bay Route Security project, being delivered by the New Zealand Transport Agency (NZTA) has been re-phased to align with a revised delivery programme.
- Updated proposals for the SCION have been agreed by Council and funding has been re-phased to align with the updated delivery programme.
- Funding for the Te Puna West sewerage scheme being delivered by WBOPDC has been re-phased to align with their delivery programme.
- We have retained a placeholder budget for Matatā sewerage scheme. The timing and amount of this budget may be reviewed after decisions on the approach to be taken by WDC and Government.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Administer Regional Infrastructure and direct funding grants. Percentage of disbursed funds that meet funding conditions.	100%		The first Regional Infrastructure Fund payments have been made to Tauranga City Council for the Tauranga Marine Precinct. All payments are fully documented and compliant with funding conditions. <i>Previous result 2015/16</i> <i>Target: 100%</i> <i>Result: 100%</i>

What it cost

The Regional Infrastructure Activity finished the year with a deficit of \$2,240,000 compared to a budgeted deficit of \$7,623,000

The activity administers the contestable Regional Infrastructure Fund. The unspent grant funds relate to the Tauranga Marine Precinct grant being partially rephased to 2017/18, and the grants for the SCION Innovation Centre and Eastern Bay Route Security (Matakerepu Intersection) rephased to align with the most likely future delivery timelines.

The direct funding of the Te Puna West and Matatā sewerage schemes have been aligned with the external agencies timelines in 2017/18.

Regional Infrastructure Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
597	Investment income	317	317
597	Total operating revenue	317	317
Operating expenditure by sub activity			
954	Regional Infrastructure	2,557	7,940
954	Total operating expenditure	2,557	7,940
(357) Net operating surplus (deficit) to fund		(2,240)	(7,623)
Reconciliation of operating surplus (deficit)			
(357)	Increase (decrease) in reserves	(2,240)	(7,623)
(357) Total operating surplus (deficit) funded		(2,240)	(7,623)

Regional Economic Development Activity


What we did

We continued our role in leading and facilitating economic development in the Bay of Plenty, through the Bay of Connections portfolio.

Implementation strategies are ongoing for Energy, Aquaculture, Forestry, Freight Logistics, Māori, and Rugby Sevens.

The Regional Growth Study partnership with central government continues to grow since its inception in 2015.

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council provides the framework and management for regional economic development			
Sector strategies are reviewed and updated every three years.	1		The Rugby Sevens Strategy was reviewed during the year and will be published on the www.bayofconnections.com website in late 2017. <i>Previous result 2015/16</i> <i>Target: 1</i> <i>Result: 1</i>

What it cost

The Regional Economic Development Activity finished the year with a deficit of \$169,000 compared to a budgeted deficit of \$138,000.

The activity continued to implement various sector strategies. Including, development of Bay of Plenty Action Plans with funding from the Ministry of Business, Innovation and Employment.

Regional Economic Development Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
76	Other revenue	177	50
274	General rates	257	257
497	Investment income	429	429
847	Total operating revenue	863	736
Operating expenditure by sub activity			
877	Regional Economic Development	1,032	874
877	Total operating expenditure	1,032	874
(30) Net operating surplus (deficit) to fund		(169)	(138)
Reconciliation of operating surplus (deficit)			
(30)	Increase (decrease) in reserves	(169)	(138)
(30)	Total operating surplus (deficit) funded	(169)	(138)


Regional Parks Activity

What we did

The Regional Parks Activity has continued to deliver planned operational maintenance throughout 2016/17. The Regional Parks Activity also delivered key purchases during 2016/17, being:

- A carpark and associated 12.4 hectares of land stretching from the end of Poplar Lane to the ridgeline south of Karangaumu Pa. This purchase secures public access in perpetuity, and provides scope for facility expansion to meet growing visitor demand.
- 25 hectares of land adjoining Pāpāmoa Hills Regional Park at 8b Poplar Lane. The area is now incorporated into the park. The land includes culturally and archaeologically significant Maraeroa Pa complex and eliminates a development risk on the Park's eastern side. This purchase adds significant scope for visitor facilities such as tracks and viewing areas.
- Council approved the purchase of 9.9 hectares of land adjoining Onekawa Te Mawhai Regional Park at Bryan's Beach, adding to the cultural, archaeological and visitor track network values in the park.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Papamoa Hills Cultural Heritage Regional Park, and Onekawa Te Mawhai property are managed for the enjoyment of the community and to protect their heritage values.			
Percentage of Regional Park users who rate their experience as satisfactory or higher	85%		Due to the closure of Pāpāmoa Hills from Oct 2016-June 2017, the survey was not carried out this year and is planned for 2017/18. <i>Previous result 2015/16</i> <i>No result recorded for 2015/16, biennial survey</i>

What it cost

The Regional Parks Activity finished the year with a deficit of \$174,000 compared to a budgeted deficit of \$147,000. Capital expenditure of \$1,606,000 was recorded compared to a budget of \$160,000.

Additional parcels of land were purchased to extend the Onekawa Te Mawhai and Pāpāmoa Hills Regional Parks.

Track development, reinstatement following storm damage and forest harvesting created higher than budgeted costs.

Regional Parks Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
2	Other revenue	20	0
0	Fees and charges	0	1
211	General rates	242	242
382	Investment income	404	404
595	Total operating revenue	666	647
Operating expenditure by sub activity			
602	Regional Parks	839	794
602	Total operating expenditure	839	794
(8) Net operating surplus (deficit) to fund		(174)	(147)
Reconciliation of operating surplus (deficit)			
(8)	Increase (decrease) in reserves	(174)	(147)
(8)	Total operating surplus (deficit) funded	(174)	(147)
Capital expenditure by sub activity			
0	Regional Parks	1,606	160
0	Total capital expenditure	1,606	160
Loan repayment			
0	Total capital funding required	1,606	160
Sources of capital funding			
0	(Increase) decrease in reserves	1,606	160
0	Total sources of capital funding applied	1,606	160

Regional Development Group financial statement

What it Cost

The Regional Development Group of Activities finished with a deficit of \$2,583,000, compared with a budgeted deficit of \$7,908,000. Capital expenditure of \$1,606,000 was recorded compared to a budget of \$160,000.

Explanations for variances can be found in the reports for individual activities under the heading 'what it cost'.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
77	Other revenue	197	50
0	Fees and charges	0	1
484	General rates	499	499
1,477	Investment income	1,150	1,150
2,038	Total operating revenue	1,845	1,700
Operating expenditure by activity			
954	Regional Infrastructure	2,557	7,940
877	Regional Economic Development	1,032	874
602	Regional Parks	839	794
2,433	Total operating expenditure	4,429	9,608
(395)		Net operating surplus (deficit) to fund	
		(2,583)	(7,908)
Reconciliation of operating surplus (deficit)			
(395)	Increase (decrease) in reserves	(2,583)	(7,908)
(395)	Total operating surplus (deficit) funded	(2,583)	(7,908)
Capital expenditure by activity			
0	Regional Parks	1,606	160
0	Total capital expenditure	1,606	160
Capital and loan funding			
0	Loan repayment	0	0
0	Total capital and loan funding required	1,606	160
Sources of capital funding			
0	(Increase) decrease in reserves	1,606	160
0	Total sources of capital funding applied	1,606	160

Regional Planning and Engagement Group of Activities

What we do

Regional Planning Activity



The Regional Planning Activity provides the Council with planning and policy advice. It includes development of strategies, policies and plans to identify how the natural and physical resources in the region are to be managed. This activity sets Bay of Plenty Regional Council's strategic direction.

The key roles of this activity are:

- Preparing planning documents under the Resource Management Act 1991, Biosecurity Act 1993 and Local Government Act 2002
- Preparing strategies and non-statutory planning documents
- Promoting integrated regional resource management by commenting on district consent applications, district plans and other policy from Central and Local Government
- Providing policy advice to the Council on various matters

The Regional Planning Activity develops and implements our regional plans, Regional Policy Statement and other statutory and non-statutory planning and policy documents to identify the strategic direction, outcomes, priorities and

actions for the region. We set rules for regional resource management issues so we can sustainably manage our physical resources and maintain or improve environmental quality.

Maori Policy Activity



The Māori Policy Activity provides advice, support and leadership on Māori relationship management, Māori engagement, Treaty of Waitangi implementation (co-governance forums, protocols) and Hapū/Iwi Resource Management Plans. This Activity also provides strategic support for the Komiti Māori (Māori Committee) and Māori Councillors, coordination of non-statutory submissions, supports initiatives to enhance hapū and iwi capability, builds internal cultural capacity and manages the Corporate Sponsorship Fund. There is a strong presence of Māori in the region (a third of the population) and the Māori economy has more than \$1 billion in assets.

Please refer to the '*Development of Maori Capacity to Contribute to Decision-making Processes*' section of this Report for more information.

The Māori Policy Activity benefits the regional community by ensuring that Māori are effectively engaged in decision making and that our planning frameworks meet our statutory obligations.

Geothermal Activity



The Geothermal Activity develops and implements a second generation Geothermal Planning framework under the Resource Management Act (RMA). The Regional Policy Statement requires development of System Management Plans (SMP) for Tauranga and Rotorua geothermal systems, and development of broader regional plan provisions to clarify the status of several systems. These SMPs will form plan changes to the Regional Water and Land Plan, which are needed to enhance our ability to sustainably manage the region's geothermal resource.

A Geothermal Programme has been developed to coordinate internal geothermal science, consenting, compliance and policy. There are five work streams under this programme: Rotorua, Tauranga and Kawerau System Management Plans, the rest of the region system management and business as usual. Only the policy component is reported here.

Our community expects that geothermal resources are managed sustainably to promote economic prosperity, while maintaining the environmental, cultural and social benefits these resources provide.

This Activity is also guided by the requirements of the RMA and the Regional Policy Statement.

Kotahitanga/Strategic Engagement Activity



The Kotahitanga/ Strategic Engagement Activity provides support and advice to the all Council Activities, and externally through specific programmes to build awareness, involvement, engagement and education to help achieve sustainable development of the region.

The Community Fund aims to provide funding for community-driven projects in the Bay of Plenty and is also included in this activity. The Environmental Enhancement Fund (EEF) and the Community Initiatives funding is included within the Community Fund. EEF projects help to improve the environment, raise environmental awareness and use the enthusiasm and skills of the community. The EEF programme also includes the He Mātāpuna Akoranga ā Hāwea Vercoe – Hāwea Vercoe Commemoration Fund, which has been set up to provide seed funding to Bay of Plenty Kura Kaupapa Māori, Kohanga Reo and bilingual schools for projects that achieve environmental outcomes.

We do this activity to provide opportunities for the community to enjoy, care for, become involved with and learn about sustainable development of the Bay of Plenty. Specifically, we do this activity to:

- Provide seed funding for community-driven and school-driven projects that deliver environmental enhancement within the region
- Provide funding to Bay of Plenty groups and organisations to support community initiatives

- Provide opportunities for young people and families to become informed and encouraged to take action to help build a more sustainable region
- Support opportunities provided for community to engage with the Council

Governance Services Activity



The Governance Services Activity ensures the Council provides good governance and accountability and conducts its business in an open, transparent and democratically accountable manner, in accordance with the Local Government Act 2002.

Governance Services assists the Council to make policy and supports elected members to provide good governance over its functions and responsibilities. Governance services are responsible for administration of Council and committee meetings, publishing and distributing agendas.

We ensure that consideration is given to the views of the community so it can be involved and informed, and has reasonable access to relevant information and decision making.

How we did overall



We achieved seven of the eight targets for the Regional Planning and Engagement Group key performance indicators (KPIs). We did not achieve the KPI for publication of council meeting minutes in the Governance Services Activity as we did not publish all minutes in the five day timeframe.

Further commentary on KPI results is contained in the 'How we did' section for each activity.



Regional Planning Activity

What we did

The Regional Planning Activity continued to progress planned key projects during 2016/17, with the highlights being:

- Regional Coastal Environment Plan appeals progressed with six Environment Court hearings and one High Court hearing held
 - Proposed Plan Change 9 - Region-wide Water Quantity notified, with 81 submissions received
 - Proposed Plan Change 10- Lake Rotorua Nutrient Management notified, with hearings completed in June 2017
 - Plan Change 2 (Natural Hazards) made operative on 5 July 2016
 - Consulted with the community on Regional Air Plan changes, ahead of notification in 2017/18
 - Commenced the preparation of Proposed Change 4 (Tauriko West) to the Regional Policy Statement
 - Completed a review of the Operative On-site Effluent Treatment Regional Plan
- The Regional Planning Activity also continued to deliver on core planning activities throughout 2016/17, with the highlights being:
- Council has continued to implement the Operative Bay of Plenty Regional Policy Statement, in accordance with the Regional Policy Statement Implementation Strategy. Implementation has included applying the new natural hazard risk policy to proposed new growth areas in the western Bay of Plenty sub-region. Implementation of Method 40 (Rural Advisory Panel) and Method 44 (Mauri Model) was also a specific focus.
 - The Eastern Bay spatial plan (Eastern Bay – Beyond Today) was approved and publicly released in December 2016.
 - Proposed Change 3 (Rangitāiki River) to the Regional Policy Statement was notified and received 19 submissions. Hearings were completed in June 2017.
 - The statutory acknowledgements compendium (Nga Whakaaetanga-a-Ture ki Te Taiao a Toi) was updated in accordance with treaty settlements legislation. Hineuru statutory acknowledgements were included in October 2016.
 - SmartGrowth projects for which Council was the lead agency were progressed.
 - Commenced implementing the policy requirements of the National Policy Statement on Urban Development Capacity with our territorial authorities for the Tauranga and Rotorua urban areas.
 - Producing and implementing the BOPRC Natural Hazards Research Plan with a focus on delivering tsunami, active faults, flooding, and coastal hazard assessments across the region.
 - Completed the hearing of submissions on Lake Rotorua Nutrient Management Proposed Plan Change 10 to the Regional Water and Land Plan. Submissions were heard by an Independent Hearings Panel.
 - Assisted Te Maru o Kaituna in the development of the Kaituna, he taonga tuku iho - Kaituna River Document which was notified in May 2017.
 - Progressed the implementation of the National Policy Statement for Freshwater Management in the Kaituna and Rangitāiki catchments. This work has involved the development of values with the community and working towards the development of objectives to establish water quality and quantity limits.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Planning and Policy for the Bay of Plenty is robust and legislatively compliant.			
Percentage of Resource Management Act (RMA) planning document processes that meet RMA legislative compliance requirements	100%		All (100%) RMA planning documents processes met the legislative compliance requirements of the Resource Management Act. <i>Previous result 2015/16</i> <i>Target: 100%</i> <i>Result: 100%</i>
Percentage of planning and policy advice that is rated satisfactory or higher via an independent assessment process	90%		18 out of 18 (100%) Council agenda reports were independently assessed by NZIER in June, with all rating satisfactory or above. <i>Previous result 2015/16</i> <i>Target: 90%</i> <i>Result: 100%</i>

What it cost

The Regional Planning Activity finished the year with a deficit of \$1,172,000 compared to a budgeted deficit of \$694,000.

Significant legal costs were incurred from Environment Court hearings and related processes defending Council's position on appeals made to the Regional Coastal Environment Plan (RCEP) under the direction of the RCEP Appeals Subcommittee. The Independent Hearing Panel process for PPC10 Lake Rotorua Nutrient Management incurred significant administration and legal costs.

Regional Planning Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
0	Other revenue	2	0
0	Fees and charges	31	0
1,906	General rates	1,901	1,901
3,462	Investment income	3,171	3,171
5,368	Total operating revenue	5,105	5,072
Operating expenditure by sub activity			
2,085	Natural Resource Planning	1,258	1,333
2,745	Regional Integrated Planning	2,820	2,721
583	Water Policy	2,199	1,712
5,414	Total operating expenditure	6,277	5,766
(46) Net operating surplus (deficit) to fund		(1,172)	(694)
Reconciliation of operating surplus (deficit)			
(46)	Increase (decrease) in reserves	(1,172)	(694)
(46) Total operating surplus (deficit) funded		(1,172)	(694)

Māori Policy Activity

What we did


Progress was made across the Māori Policy Activity with all planned key projects either completed or progressed through the year. Highlights for 2016/17 included:

- A two day Regional Māori Conference that attracts over 200 attendees was held in Rotorua in collaboration with Waikato Regional Council. This conference was free of charge to the participants
- Phase 1 of a framework for the Draft Matauranga Māori document has been completed with the draft document currently being developed
- Heritage guidelines that were originally scheduled to be completed in LTP Year 1 have now been completed
- Treaty of Waitangi training and documentation has been completed

The Māori Policy Activity also undertakes a wide range of core business activities, which includes facilitating Councils Komiti Māori meetings; and supporting Māori participation in Council activities such as co-governance and resource management across the region. Highlights for 2016/17 include:

- Holding a Whakatōhea Roadshow - an introduction to Council functions
- Facilitating Hui-a-iwi as part of the Freshwater Futures NPS Programme
- Completed a review of Hapai Ora/Council Sponsorship fund supported and allocated funding for a range of activities, including:
 - National Maori Housing Conference
 - Rangitaiki River Festival, Para Kore – waste management in marae in Mataatua area
 - Matariki celebrations in Mauao
 - Kohi, Matauranga wananga for Rotorua Food Network
- Lodgement of three Iwi/Hapū Management Plans – Pirirakau, Matakana and Rangiwāea, Tauranga Moana

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council receives well informed and researched advice and support on Treaty of Waitangi settlements.			
Number of updates given to the Council on Treaty settlements and implications.	2		16 updates were given to the Council during the year. The target has been exceeded. <i>Previous result 2015/16</i> <i>Target: 4</i> <i>Result: 27</i>

What it cost

The Māori Policy Activity finished the year with a deficit of \$59,000 compared to a budgeted deficit of \$177,000.

Work was delayed on the Matauranga Māori project until next year.

Māori Policy Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
30	Other revenue	1	0
421	General rates	444	444
765	Investment income	741	741
1,216	Total operating revenue	1,186	1,185
Operating expenditure by sub activity			
1,217	Maori Policy	1,245	1,362
1,217	Total operating expenditure	1,245	1,362
(1) Net operating surplus (deficit) to fund		(59)	(177)
Reconciliation of operating surplus (deficit)			
(1)	Increase (decrease) in reserves	(59)	(177)
(1)	Total operating surplus (deficit) funded	(59)	(177)

Geothermal Activity

What we did


Progress was made across all key projects through the year; highlights for 2016/17 include:

- An advanced draft of the Kawerau System Management Plan has been completed in conjunction with the Kawerau Users Group.
- The Tauranga and Rotorua System Management Plans have been further developed, with additional modelling work to be undertaken.
- A Section 35 (Resource Management Act) review of the Regional Water and Land Plan (Geothermal Provisions) has been completed for the region.

In addition to the key projects, the Geothermal Programme continues to coordinate geothermal activities across Council, including the facilitation of bi-monthly Geothermal Management Group meetings. We have also worked with Rotorua Lakes Council and Worksafe NZ to complete a project on the maintenance and safety of geothermal wells.

We have continued to develop our knowledge of Rotorua geothermal resources through flow testing, modelling and testing. This information will provide an evidence basis for future plan development. A methodology for the identification of significant geothermal features has also been progressed during 2016/17.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Geothermal planning for the Bay of Plenty is robust and legislatively compliant			
Percentage of RMA planning document processes that meet RMA legislative compliance requirements	100%		All (100%) of RMA planning documents processes met the legislative compliance requirements of the Resource Management Act. <i>Previous result 2015/16</i> <i>No result recorded for 2015/16 - survey not conducted in 2016/17 due to Water and Land Plan Change</i>

What it cost

The Geothermal Activity finished the year with a deficit of \$183,000 compared to a budgeted deficit of \$131,000.

The project on maintenance and safety of geothermal wells has been completed with Rotorua Lakes Council and WorkSafe NZ to a scope wider than initially budgeted.

Geothermal Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
138	General rates	133	133
250	Investment income	222	222
388	Total operating revenue	354	354
Operating expenditure by sub activity			
388	Geothermal	538	485
388	Total operating expenditure	538	485
0 Net operating surplus (deficit) to fund		(183)	(131)
Reconciliation of operating surplus (deficit)			
0	Increase (decrease) in reserves	(183)	(131)
0 Total operating surplus (deficit) funded		(183)	(131)

Kotahitanga/Strategic Engagement Activity

What we did

The Kotahitanga / Strategic Engagement Activity supported a range of Council's projects throughout 2016/17, providing engagement advice, planning support and facilitation of sessions, including:

- Freshwater Futures programme
- Public Transport Blueprint
- Tauranga Harbour
- Te Maru o Kaituna
- Regional Pest Management Plan



The Environmental Enhancement Fund (EEF) was also administered with 18 successful applications and \$307,000 in funding allocated. A further \$122,000 was allocated to community initiatives; agreed milestones are on track to be met in 2017/18.

The Kotahitanga / Strategic Engagement Activity also provides support to the EnviroSchools programme, youth programmes and produces a "Pollution Busters" newsletter. Highlights for 2016/17 include:

- Pollution Busters published four newsletters which were sent to approximately 500 families across the Bay with themes on Natures Helpers, Civil Defence - Tsunami, Mountains to Sea and Pests.
- Delivered a two day Pest themed Taiohi Taiao/Youth Jam to 80 students from across the region resulting in input to the Regional Pest Management Plan.
- Provided one Waiora teacher workshop, 14 teachers from nine schools attended and received a water monitoring kit/school.

- Over two days 20 schools (200 students) attended the Hands on Water event led by BOPRC which involved five organisations collaborating.
- Ran an Enviro Expo day with students from five schools in collaboration with two other organisations.
- Facilitated the EnviroSchools programme with schools/kura/early learning centres. Signed on five new members and celebrated one institute achieving bronze and two silver.
- Ran EnviroSchools cluster afternoon teas to introduce new theme areas to Western Bay EnviroSchools.
- Supported Instep Young Leaders Programme.
- Supported two water education days at Rotorua Schools.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Council supports Environmental Enhancement Fund ⁽¹⁾ groups to undertake projects which help to improve our environment.			
Percentage of approved applications that meet Environmental Enhancement Fund Policy and Operational guidelines.	95%		All (100%) of the 18 approved applications met Environmental Enhancement Fund Policy and Operational guidelines. <i>Previous result 2015/16</i> <i>Target: 95%</i> <i>Result: 100%</i>
Percentage of completed projects that have achieved their measured goals.	70%		All (100%) of completed projects achieved their goals. <i>Previous result 2015/16</i> <i>Target: 65%</i> <i>Result: 98%</i>

1. The Environmental Enhancement Fund is part of the Toi Moana Community Fund.

What it cost

The Kotahitanga/Strategic Engagement Activity finished the year with a deficit of \$120,000 compared to a budgeted deficit of \$237,000.

The Environment Enhancement Fund was fully committed, with some payments yet to be distributed pending completion of groups' planned activities.

Kotahitanga/Strategic Engagement Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
0	Other revenue	3	0
488	General rates	505	505
887	Investment income	842	842
1,375	Total operating revenue	1,349	1,346
Operating expenditure by sub activity			
1,516	Kotahitanga/Strategic Engagement (Incl. EEF)	1,468	1,583
1,516	Total operating expenditure	1,468	1,583
(141) Net operating surplus (deficit) to fund		(120)	(237)
Reconciliation of operating surplus (deficit)			
(141)	Increase (decrease) in reserves	(120)	(237)
(141)	Total operating surplus (deficit) funded	(120)	(237)

Governance Services Activity

What we did

The Governance Services Activity has monitored local government reform and reorganisation matters relating to the Bay of Plenty and other regions throughout 2016/17, and reported new information to Council on a regular basis. Highlights for 2016/17 have included:

- A submission to the Local Government Act Amendment Bill was prepared and lodged. Following the submission and consultation process, the amended Bill is expected to be enacted in September 2017
- The joint Bay of Plenty councils' Local Government Futures project was completed, culminating in the release of a number of Reports, including:
 - Findings from the transportation and water/wastewater functional assessments



- A think piece on communities of interest, democracy and leadership
- An opportunities think piece

The Governance Services Activity also provided administrative and secretarial support to 89 meetings, which included:

- Full Council meetings
- Committee meetings
- Extraordinary meetings
- Council Workshops

Support and advice was also provided to Council and Councillors during elections and the establishment of the new Council for the 2016-2019 triennium, including the induction of members.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Council promotes good governance and democratic decision-making by being accessible to the regional community and by meeting its legislative responsibilities			
Percentage of Council and Committee meeting agenda that are published on the Council website at least two working days before meetings.	95%		The target has been met with 85 out of 89 (96%) agenda published at least two working days before meetings. <i>Previous result 2015/16</i> <i>Target: 95%</i> <i>Result: 96%</i>
Percentage of draft Council and Committee minutes that are published on the council website within five working days after the meeting.	95%		The target was not met with 26 of 66 (39%) draft Council and Committee minutes published on the council website within five working days of the meeting. Additional demand including unexpected meetings, the impact of the election period and unexpected staff vacancies contributed to this result. Maintaining a full complement of staff in place together with process improvements is expected to deliver a stronger result for 2016/17. <i>Previous result 2015/16</i> <i>Target: 95%</i> <i>Result: 40%</i>

What it cost

The Governance Services Activity finished the year with a deficit of \$897,000 compared to a budgeted deficit of \$761,000.

Budgeted funding for co-governance treaty settlement was not received this financial year.

Governance Services Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
13	External interest income	5	0
0	Operating grants and subsidies	0	338
25	Other revenue	20	0
0	Fees and charges	0	0
2,076	General rates	2,176	2,176
3,772	Investment income	3,629	3,629
5,886	Total operating revenue	5,830	6,143
Operating expenditure by sub activity			
6,397	Governance Services	6,727	6,903
6,397	Total operating expenditure	6,727	6,903
(511) Net operating surplus (deficit) to fund			
(897) (761)			
Reconciliation of operating surplus (deficit)			
(511)	Increase (decrease) in reserves	(897)	(761)
(511)	Total operating surplus (deficit) funded	(897)	(761)

Regional Planning and Engagement Group financial statement

The Regional Planning and Engagement Group of Activities finished with a deficit of \$2,431,000, compared with a budgeted deficit of \$1,998,000.

Explanations for variances can be found in the reports for individual activities under the heading 'what it cost'.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
13	External interest income	5	0
0	Operating grants and subsidies	0	338
55	Other revenue	25	0
0	Fees and charges	31	0
5,029	General rates	5,158	5,158
9,135	Investment income	8,605	8,605
14,233	Total operating revenue	13,824	14,101
Operating expenditure by activity			
5,414	Regional Planning	6,277	5,766
1,217	Maori Policy	1,245	1,362
388	Geothermal	538	485
1,516	Kotahitanga/Strategic Engagement (incl. EEF)	1,468	1,583
6,397	Governance Services	6,727	6,903
14,931	Total operating expenditure	16,255	16,099
(699)	Net operating surplus (deficit) to fund	(2,431)	(1,998)
Reconciliation of operating surplus (deficit)			
(699)	Increase (decrease) in reserves	(2,431)	(1,998)
(699)	Total operating surplus (deficit) funded	(2,431)	(1,998)
Capital expenditure by activity			
0	Total capital expenditure	0	0
0	Loan repayment	0	0
0	Total capital and loan funding required	0	0
Sources of capital funding			
0	(Increase) decrease in reserves	0	0
0	Total sources of capital funding applied	0	0

Emergency Management Group of Activities

What we do



The Emergency Management Activity provides Civil Defence Emergency Management (CDEM) services to the Council, as well as regional emergency management leadership. This includes coordination and support to the Bay of Plenty CDEM Group and a support coordination service for the Bay of Plenty Lifelines Group. From 1 July 2015 the operational delivery of CDEM has been delivered via Emergency Management Bay of Plenty on behalf of all participating Councils within the Bay of Plenty CDEM Group. The Council is a partner in the Bay of Plenty CDEM Group and is the administering authority for the Group.

CDEM supports the community to prepare for, respond to and recover from events that can cause widespread damage and/or loss of life. We do this activity to minimise the impact of disasters on people and their property and make the community more resilient.

This activity is also guided by the requirements of the Civil Defence Emergency Management Act 2002.

How we did overall



We achieved all of the three targets for the Emergency Management Group key performance indicators (KPIs). Further commentary on KPI results is contained in the 'How we did' section for the activity.

What we did




The Emergency Management Activity has progressed work on the Group Emergency Coordination Centre, with work on this key project remaining on track, confirming Wallingford House as the location for the Group Emergency Coordination Centre. Initial design work for the Centre has been completed, with final design, fit-out and occupation due to be completed by late 2019.

The Emergency Management Activity has continued to undertake its core activities through the year. Highlights for 2016/17 include:

- Participation in Exercise Tangaroa, a three day National Tsunami Exercise involving over 250 regional and local council staff and partner agencies.

- Completion of the final Draft Bay of Plenty Civil Defence Emergency Management Group Plan 2017 – 2022, and commencement of the consultation phase.
- Responding to a magnitude 7.1 earthquake which struck off the coast of Te Araroa, which created a 30cm Tsunami wave.
- Responding to a national tsunami warning arising from the magnitude 7.8 Kaikoura earthquake by activating the Group Emergency Coordination Centre to determine the level of threat, monitor the threat and disseminate up to date information to the region.
- Assisting the National Crisis Management Centre, and local emergency centres throughout the Kaikoura and Canterbury region as part of the national response to the Kaikoura Earthquake.
- Deploying 15 staff from Emergency Management Bay of Plenty to assist in the response to the Kaikoura Earthquake.
- Responding to the April 2017 weather event, this included ex-tropical Cyclones Debbie and Cook.
- A declaration of a region wide state of emergency in advance of ex-tropical Cyclone Cook.
- In response to ex-tropical Cyclones Debbie and Cook, the Emergency Operation Centre and Group Emergency Coordination Centre operations involved over 900 people. The Ngāti Awa Volunteer Army in collaboration with Ngāti Awa, Bay of Plenty Regional Council and Whakatāne District Council provided an additional 1466 people to assist with the clean-up of flood affected areas.
- Responding to public and media enquiries about tsunami, emergency preparedness, and alerting, resulting in 37,000 subscribers to our text alerts, a 20,000 increase for 2016/17, and the Bay of Plenty Civil Defence Emergency Management Group Facebook following growing by over 15,000 to 26,448.
- On-going support has been provided to the Whakatāne District Council Recovery effort.
- Two Bay of Plenty Public Information Manager (PIM) forums were held.

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council is ready to respond to a civil defence emergency and is able to function for as long as required during an emergency.			
Percentage of roles that have been identified and staffed for 24 hour operation of the Emergency Coordination Centre.	65%		95% of roles have been identified and staffed for the 24 hour operation of the Group Emergency Coordination Centre. This target has been exceeded with 30% more roles staffed than was targeted to be achieved. <i>Previous result 2015/16</i> <i>Target: 60%</i> <i>Result: 87%</i>
Percentage of staff identified for roles in the Emergency Coordination Centre that are trained to an appropriate level agreed by the Group.	70%		75% of staff recruited into the Group Emergency Coordination Centre have been trained to an appropriate level. This target has been exceeded with 5% more staff trained than was the target, even with higher than targeted staffing levels. <i>Previous result 2015/16</i> <i>Target: 65%</i> <i>Result: 68%</i>
The Council actively engages with the wider community to increase the level of awareness, preparedness and resilience.			
Number of Council-delivered initiatives to promote community resilience and safety.	8		Emergency Management Bay of Plenty delivered 8 community initiatives to promote community resilience and safety. <i>Previous result 2015/16</i> <i>Target: 8</i> <i>Result: 8</i>

Emergency Management Group financial statement

What it cost

The Emergency Management Group of Activities finished the year with a deficit of \$1,283,000 compared to a budgeted deficit of \$292,000.

Flooding events as a result of ex-Tropical Cyclones Cook and Debbie impacted the eastern Bay of Plenty in April 2017. \$1.2 million was spent on the initial response to these flooding events. Council is working through a process to recover some of these costs through the Ministry of Civil Defence and Emergency Management as provided for in the Civil Defence Emergency Management Act. Additional financial support of \$660,000 was provided to the Whakatane District Council recovery effort following the flood event.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
1,369	Operating grants and subsidies	716	1,356
148	Other revenue	689	39
(1)	Fees and charges	0	0
461	General Rates	467	467
837	Investment Income	780	780
2,815	Total operating revenue	2,652	2,642
Operating expenditure by activity			
2,397	Emergency Management	3,935	2,934
2,397	Total operating expenditure	3,935	2,934
418	Net operating surplus (deficit) to fund	(1,283)	(292)
Reconciliation of operating surplus (deficit)			
418	Increase (decrease) in reserves	(1,283)	(292)
418	Total operating surplus (deficit) funded	(1,283)	(292)
Capital expenditure by activity			
0	Emergency Management	0	11
0	Total capital expenditure	0	11
0	Loan repayment	0	0
0	Total capital and loan funding required	0	11
Sources of capital funding			
0	(Increase) decrease in reserves	0	11
0	Total sources of capital funding applied	0	11

Technical Services Group of Activities

What we do

Geospatial Activity



The Geospatial Activity supports the Council by providing timely and accessible Geospatial Services. These services allow the Council to perform its regulatory function, such as supporting consent processes.

Geospatial supports a number of activities across the Council including: Kotahitanga/Strategic Engagement, Rotorua Lakes, Regional Flood Risk Coordination, Pollution Prevention and various planning activities.

The Geospatial Activity provides maps, other visual aids, mapping applications and data analysis to support decision making and aid in understanding issues facing our community.

Engineering Activity Plan



The Engineering Activity is responsible for planning and designing assets, asset management plans, technical reviews of consents, providing technical advice and advising on general engineering enquiries, capital project support (including engineer to contract) and managing lake water levels.

The Engineering Activity is guided by requirements set out in the Soil Conservation and Rivers Control Act 1941, the Local Government Act 2002, the Resource Management Act 1991 and also Bay of Plenty Regional Council's Asset Management Plans. Treaty Settlements also require co-governance on some projects.

We do this activity to:

- Ensure the 30 year Infrastructure Strategy is current
- Ensure our assets are well planned and designed
 - Ensure our asset management plans are fit for purpose and forward thinking
- Ensure development is undertaken in a manner that does not create unnecessary risk and adversely affect others

- Ensure others (external and internal) are well informed on engineering issues before making decisions
- Support other departments with their infrastructure plans, engineering and capital works projects
- Manage water levels in Lakes Rotorua and Rotoiti according to current consents

Data Services Activity



The Data Services Activity provides environmental data collection, laboratory analysis, data management and delivery service (meeting agreed standards and time frames) to support Council activities and other stakeholder needs.

Data Services supports activities, such as engineering and Tauranga Harbour activities.

The Council has an obligation under the Resource Management Act 1991 to gather information, monitor and keep records. We also collect and analyse a range of data on natural resources in the Bay of Plenty which enables us to:

- Monitor key natural and physical resources across the region
- Monitor the impact of development on natural and physical resources
- Identify trends in the state of natural and physical resources
- Regularly report on monitoring results

- Assess the efficiency and effectiveness of our Regional Policy Statement and regional plans
- Investigate current issues relating to the environment
- Assess the region's performance against national guidelines, indicators and standards
- Make sound resource management decisions
- Provide information and data on the current state of natural resources that is easily accessed by the community

Science Activity



The Science Activity provides accessible, relevant and trusted science that empowers others to make informed decisions for our region's well-being.

The Bay of Plenty has significant natural resources, but sustainable development of these can be hampered by a lack of science information. The Science Activity provides clear direction, sound tools and methods, the right expertise, good information management and links that enable sustainable development of natural resources across the region.

The Council has a duty to gather information, monitor and keep records under the Resource Management Act, the National Policy Statement for Freshwater Management and the National Environmental Standard for Air Quality.

How we did overall

Technical Services
Summary of how we did:

- 1 Target achieved**
- 0 Targets not achieved**

There is one KPI for the Technical Services Group and this sits in the Science Activity. The KPI focuses on whether the community has ready access to State of the Environment (SOE) information by publishing a number of online environmental indicator scorecards. This target for this KPI was met for 2016/17.

Geospatial Activity

What we did

The Geospatial Services Activity continued to deliver technical geospatial support across Council throughout 2016/17, with the highlights being:

- The integration of the Geographical Information System with the new Accela system
- Completion of a project to scan and release the Crown archive of historic aerial imagery and the release of that information to the Retrolens website to provide community access
- The continuation of collaboration with the Bay of Plenty Councils to develop an aerial imagery programme

What it cost

Net operating costs in the Geospatial Activity are allocated to other activities. Capital expenditure of \$136,000 is recorded compared to a budget of \$389,000

Continued collaboration with Bay of Plenty Territorial Authorities on the current and future aerial imagery programme has reduced the requirement of consultant budget within the activity

Geospatial Activity financial statement

Actual 2015/16 \$000	Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class		
4 Other revenue	0	0
13 Fees and charges	16	0
17 Total operating revenue	17	0
Operating expenditure by sub activity		
17 Geospatial	17	0
17 Total operating expenditure	17	0
0 Net operating surplus (deficit) to fund	0	0
Reconciliation of operating surplus (deficit)		
0 Total operating surplus (deficit) funded	0	0
Capital expenditure by sub activity		
Geospatial		
14 NZ/Regional Spatial Data Infrastructure	14	86
131 Spatial data provision for BOP region	122	258
0 Spatial Modelling	0	45
145 Total capital expenditure	136	389
0 Loan repayment	0	0
145 Total capital funding required	136	389
Sources of capital funding		
145 (Increase) decrease in reserves	136	389
145 Total sources of capital funding applied	136	389

Engineering Activity

What we did

The Engineering Activity has made progress on its key projects during 2016/17, having:

- Commenced the review and updating of Asset Management Plans
- Commenced the review and updating of the Infrastructure Strategy in conjunction with other activities within Council

2016/17 has seen a significant increase in the number of resource consent technical reviews, District Council consent application reviews and flood level reports for resource consents with:

- 221 resource consent technical reviews undertaken, compared to 132 in 2015/16
- 265 District Council consent application reviews undertaken, compared to 201 in 2015/16
- 218 flood level reports completed, compared to 100 in 2015/16

What it cost

The Engineering Activity finished the year with a surplus of \$1,009,000 compared to a budgeted surplus of \$267,000.

With Engineering refocusing on the June 2016 and April 2017 flood events, a significant amount of staff time was reallocated to the Flood Protection and Control Group of Activities.

Engineering Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
0	Other revenue	0	44
798	General rates	879	879
1,450	Investment income	1,467	1,467
2,249	Total operating revenue	2,346	2,390
Operating expenditure by sub activity			
1,932	Engineering	1,337	2,123
1,932	Total operating expenditure	1,337	2,123
317	Net operating surplus (deficit) to fund	1,009	267
Reconciliation of operating surplus (deficit)			
317	Increase (decrease) in reserves	1,009	267
317	Total operating surplus (deficit) funded	1,009	267

Data Services Activity

What we did

The Data Services Activity delivered on its key projects through the year, highlights for 2016/17 included:

- Maketū estuary tidal site was installed and live data is now available on the BOPRC website
- Rain gauges and flood warning site have been installed or upgraded, including:
 - A new rain gauge installed in upper Waimana catchment
 - Establishment of an automated feed from Tauranga City Council's Chappel Street rain gauge
 - Rangitāiki at Waiohau Bridge flow monitoring site made operational
 - Upgraded communication methods installed on key flood warning sites
- Eight automated ground water sites were installed
- Dissolved oxygen below point source monitoring has been undertaken as part of the National Policy Statement for Freshwater Management (NPS-FM) network expansion
- Suspended sediment sampling has occurred in the Kopurererua catchment to identify monitoring resourcing requirements and effectiveness as part of the Tauranga Harbour turbidity monitoring improvement programme

In addition to progress on key projects, the Data Services Activity also provided data collection, testing and delivery services. Highlights in 2016/17 include:

- 9,604 laboratory samples accepted, with 65,193 tests performed on those samples
- 53 coastal beach profiles along the Bay of Plenty coast line surveyed to identify coastal erosion and accretion

- 81 representative coastal transects monitored for native vegetation species and coverage
- 1141 physical flow measurements undertaken in rivers and streams
- 160 automated monitoring stations maintained in operation collecting and delivering in near-real time a wide range of environmental monitoring parameters

In addition, during, and immediately following the significant weather events of April 2017 (cyclones Debbie and Cook), Data Services collected high flow measurements on both major and minor rivers within the Bay of Plenty. This data will improve confidence in estimations of flood flows and associated use.

What it cost

Net operating costs in the Data Services Activity are allocated to other activities. Capital expenditure of \$249,000 was recorded compared to a budget of \$292,000.

The periphyton / flow monitoring contract support was delayed while appropriate specialists were found. Planned contract engineering support for monitoring site enhancement and reviews were delayed due to flood events and will now occur in 2017/18. Increased services were provided to external agencies.

Data Services Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
224	Other revenue	223	170
0	Revaluation and asset disposal gains	(1)	0
224	Total operating revenue	222	170
Operating expenditure by sub activity			
224	Data Services	222	170
224	Total operating expenditure	222	170
0 Net operating surplus (deficit) to fund		0	0
Reconciliation of operating surplus (deficit)			
0 Total operating surplus (deficit) funded		0	0
Capital expenditure by sub activity			
Data Services			
14	Annual Expansion of Network	62	25
286	Annual Upgrade and Replacement (Env)	166	228
28	Annual Upgrade and Replacement (Lab)	21	33
4	Radio Telephones	0	5
332	Total capital expenditure	249	292
0	Loan repayment	0	0
332	Total capital funding required	249	292
Sources of capital funding			
332	(Increase) decrease in reserves	249	292
332	Total sources of capital funding applied	249	292

Science Activity

What we did

The Science Activity established new groundwater and water monitoring sites to inform the Freshwater Futures programme. Highlights for 2016/17 included:


- An additional 19 sites were monitored in the Kaituna Water Management Area for water quality on a monthly basis, including 13 tributary sites and six drain sites.
- Two deep groundwater bores were established at Katikati and Galatea to investigate the geology and monitor the water resources in the Kaituna and Tauranga Water Management Areas.

In addition, the Science Activity continued to deliver on its core activities throughout 2016/17; the highlights included:

- Five new ecology monitoring sites were established in Waihi Estuary and eight in Maketū Estuary. These sites will provide better spatial coverage of the more sensitive areas of the estuaries and include measurement of sediment accumulation rates, nutrients, and algae abundance.

- Soil sampling was completed on a number of dairy farms to assess the health of soils under different land uses.
- Over 300 individual jobs were logged and completed, including:
 - Technical reviews of resource consent applications,
 - Provision of science advice on compliance and policy matters, and
 - Responding to queries from the community.
- An assessment of air quality monitoring needs was completed for the Mount Manganui port and industrial area, resulting in funding for new continuous air quality monitoring sites.
- A number of freshwater ecology projects were completed and reported through technical reports and environmental scorecards. This included a fisheries assessment of the Rangitāiki River catchment for the Rangitāiki River Forum, and a compilation of 25 years of monitoring data for macroinvertebrates in rivers and streams.

How we did

Key Performance Indicator	Target	How did we do?	Comment
The community has ready access to State of the Environment (SOE) information.			
Number of environmental indicators with online scorecards.	5		Five scorecards have been completed and are loaded on the council website. <i>Previous result 2015/16</i> <i>Target: 4</i> <i>Result: 4</i>

What it cost

The Science Activity finished the year with a surplus of \$246,000 compared to a budgeted surplus of \$360,000. Capital expenditure of \$405,000 was recorded compared to a budget of \$275,000.

Additional expenditure was incurred to undertake water quality modelling work in the Kaituna and Rangitāiki Water Management Areas.

Science Activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
0	Other revenue	0	31
676	Fees and charges	1,013	904
1,044	General rates	1,203	1,203
1,896	Investment income	2,006	2,006
3,615	Total operating revenue	4,222	4,144
Operating expenditure by sub activity			
3,730	Science	3,976	3,783
3,730	Total operating expenditure	3,976	3,783
(116)	Net operating surplus (deficit) to fund	246	360
Reconciliation of operating surplus (deficit)			
(116)	Increase (decrease) in reserves	246	360
(116)	Total operating surplus (deficit) funded	246	360
Capital expenditure by sub activity			
274	Monitoring Equipment	405	275
274	Total capital expenditure	405	275
0	Loan repayment	0	0
274	Total capital funding required	405	275
Sources of capital funding			
274	(Increase) decrease in reserves	405	275
274	Total sources of capital funding applied	405	275

Technical Services Group financial statement

The Technical Services Group of Activities finished with a surplus of \$1,255,000, compared with a budgeted surplus of \$628,000. Capital expenditure of \$790,000 was recorded compared to a budget of \$955,000.

Explanations for variances can be found in the reports for individual activities under the heading 'what it cost'.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
228	Other revenue	223	244
689	Fees and charges	1,029	904
0	Revaluation and asset disposal gains	(1)	0
1,842	General rates	2,082	2,081
3,346	Investment income	3,473	3,476
6,104	Total operating revenue	6,807	6,705
Operating expenditure by activity			
17	Geospatial	17	(0)
1,932	Engineering	1,337	2,123
224	Data Services	222	170
3,730	Science	3,976	3,784
5,903	Total operating expenditure	5,551	6,077
201	Net operating surplus (deficit) to fund	1,255	628
Reconciliation of operating surplus (deficit)			
201	Increase (decrease) in reserves	1,255	628
201	Total operating surplus (deficit) funded	1,255	628
Capital expenditure by activity			
145	Geospatial	136	389
0	Engineering	0	0
332	Data Services	249	291
274	Science	405	275
751	Total capital expenditure	790	955
0	Loan repayment	0	0
751	Total capital and loan funding required	790	955
Sources of capital funding			
751	(Increase) decrease in reserves	790	955
751	Total sources of capital funding applied	790	955

Corporate Services Group of Activities

What we do



Corporate Services provides support services to all Groups of Activities. Corporate Services is comprised of the following activities:

- Communications
- Organisational Planning and Reporting
- People and Performance
- Support Services
- Corporate Property
- Information Communication Technology
- Finance

The cost of these functions is allocated to other activities. As well as supporting the needs of the activities, a number of these functions also have external clients which generate income, reducing the net cost to ratepayer's.

The capital assets used by Corporate Services benefit a number of activities, either directly or indirectly. The capital cost of the assets is allocated to the relevant activities based on usage.

Why we do this group of activities

This group of activities provides support to all activities across the Council, which enables the organisation to deliver on our Community Outcomes more efficiently.

- Communications provides information to the community on Council activities and areas of responsibility. This activity enables democratic local decision making and action by our community and seeks feedback on Council initiatives.
- Organisational Planning and Reporting ensures that the Council conducts its business in an open, transparent and democratically accountable manner, in accordance with the Local Government Act 2002. We report to the community on our activities and the Council's performance in a number of ways, including through the Long Term Plan, Annual Plans and Annual Reports. This activity sets out the high-level, long-term direction for the organisation.
- People and Performance provides people management services to Bay of Plenty Regional Council, Ōpōtiki District Council and Kawerau District Council. Services include employment relations, recruitment, health and safety compliance and organisation development.
- Support Services provides front line reception, publication services, specialised document preparation and customer service in four offices across our region.
- Corporate Property manages corporate assets such as plant, equipment, and vehicles to enable the Council to carry out its activities efficiently and effectively.
- Information and Communication Technology provide core business equipment, business analysis, computer programme development and supporting enterprise computer software, and records and library information management services.

- Finance provides accounting services across the Council, including statutory financial statements and management accounting services. A significant function is Treasury management. This function is responsible for managing investments that generate income, and internal lending for capital expenditure. Finance also develops and reviews the Council's funding and financial policies. These actions help the Council to prudently manage its finances in a manner that promotes the current and future interests of the community.

Summary of how we did

Overall we achieved significant progress in a number of areas. We continued to improve on our internal systems and procedures, ensuring efficient and effective services are provided and improved upon.

What we did

Corporate Property

Highlights for the year included:

- The design phase for the Whakatāne and Tauranga office upgrade project was completed and the interior strip-out of Regional House was completed and this included design for the new Group Emergency Coordination Centre in Wallingford House (Tauranga). The interior strip out of Regional House in Tauranga was completed ahead of the main construction contract being tendered.
- Twenty seven vehicles were replaced during the 2016/17 year in line with the Council's fleet replacement policy.
- A purpose-built Oil Spill Response vessel was purchased to respond to events in the Tauranga Harbour.

People and Performance

- Transitioned to meeting the main requirements under the Health and Safety at Work Act 2015.

- Safety is being managed through a risk-based approach, where people are equipped with the competence and tools required to identify and manage the risks presented in their places of work.
- Contractor safety management has been improved, with the implementation of a pre-qualification system to ensure contractors have safe systems of work in place. This system is a joint initiative across Bay of Plenty and Waikato local authorities and provides cost savings to both contractors and Councils.

Information and Communication Technology (ICT)

Progress was made in a number of areas through the year, highlights for 2016/17 included:

- Project "Accelerate" milestones have been achieved with the delivery of the Maritime, Integrated Catchment Management and further Regulatory modules.
- A mobile application was implemented in the field for inspections, delivering productivity gains and facilitating increased.
- The ICT components of the Property Upgrade project were delivered including the provisioning for Wallingford House.
- The ICT function has been reviewed to meet the changing demands of the organisation, and increasing cyber-security threats.

Organisational Planning and Reporting

All major projects were completed, and progress was made on the preparation of the Long Term Plan 2018 - 2028, highlights for 2016/17 included:

- Successful delivery of the Annual Plan for 2017/18 (the third year of the Long Term Plan 2015-2025), including meeting new requirements under the recent amendments to the Local Government Act. The Annual Plan 2017/18 was adopted by council on 29 June 2017.

- The Annual Report for 2015/16 was formally adopted on 29 September 2016 with an unmodified audit opinion after meeting all statutory requirements.
- The Bay of Plenty Navigation Safety Bylaw was completed on behalf of the Maritime Operations Activity, and was adopted by Council on 14 February 2017, becoming operative on 01 July 2017.

Corporate Services Group financial statement

What it cost

The Corporate Services Group of Activities finished with a deficit of \$4,385,000 compared with a budgeted deficit of \$664,000. Capital expenditure recorded was \$5,947,000 compared to a budget of \$9,151,000.

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Operating revenue by class			
(313)	Targeted rates	(216)	(91)
20,520	Dividends	20,904	20,900
10,024	External interest income	8,336	9,355
1,613	Internal interest income	1,451	2,778
1	Operating grants and subsidies	0	0
25,275	Other revenue	1,062	751
323	Fees and charges	278	115
230	Revaluation and asset disposal gains	125	0
886	General rates	1,010	220
(33,958)	Investment income	(33,859)	(33,859)
24,601	Total operating revenue	(910)	169
Operating expenditure by activity			
29	Communications	22	40
0	Organisational Planning & Reporting	1	0
47	People and Performance	32	82
16	Support Services	3	0
2,556	Corporate Property	4,357	501
208	Information & Communication Technology	882	243
(553)	Finance	(1,822)	(33)
2,302	Total operating expenditure	3,475	833
22,299	Net operating surplus (deficit) to fund	(4,385)	(664)
Reconciliation of operating surplus (deficit)			
22,299	Increase (decrease) in reserves	(4,385)	(664)
22,299	Total operating surplus (deficit) funded	(4,385)	(664)

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Capital expenditure by activity			
6	Communications	3	11
1,579	Corporate Property	3,181	6,533
2,496	Information & Communication Technology	2,796	2,999
4,080	Total capital expenditure	5,980	9,543
Capital disposals by activity			
(354)	Vehicle disposals	(32)	(392)
3,726	Total capital and loan funding required	5,947	9,151
Sources of capital funding			
3,726	(Increase) decrease in reserves	5,947	9,151
3,726	Total sources of capital funding applied	5,947	9,151

Statement of Involvement in Council Controlled Organisations (CCOs)

The Council has control over the following entities:

- Quayside Holdings Limited and its subsidiaries, Quayside Securities Limited and Quayside Securities Limited as trustee for the Quayside Unit Trust and Quayside Investment Trust, and Quayside Properties Limited. Quayside Securities Limited as trustee for the Quayside Unit Trust holds 54.14 percent shareholding in Port of Tauranga.
- The Council holds an 16.13 percent shareholding in Bay of Plenty Local Authority Shared Services Limited (BOPLASS Ltd) along with eight other local authorities.
- The Council also has a shareholding in the Local Government Funding Agency (LGFA) along with 29 other councils.

The provision of financial assistance by Bay of Plenty Regional Council to Quayside Holdings Ltd, BOPLASS Ltd and LGFA is by share capital.

Quayside Group

Performance targets and objectives

The Council's objective in establishing the Quayside Group was to achieve optimal commercial performance from the region's shareholding in Port of Tauranga Limited (the Port) while maximising the return to the ratepayers of the Bay of Plenty region.

The Council's budgeted requirement for dividend income of \$20.8 million (2016: \$20.4 million) was met.

The performance of Quayside Holdings Limited in undertaking its monitoring and advisory functions will be assessed with respect to:

- The quality of financial and other analysis.
- The robustness and accuracy of the information relied upon in providing advice.
- The clarity, timeliness and materiality of advice.
- Compliance with the Council's expectation that the Quayside Group maintain a majority holding in the Port of Tauranga Limited.
- Compliance with the Council's expectation that there should be "no surprises" arising from management and commercial performance of the assets held by the Quayside Group.
- Achievement of cash dividend payments to the Council and Perpetual Preference Share (PPS) holders during the year.

Achievements

During the year the Regional Council has been fully informed by Quayside Holdings Limited about the performance of the shareholding in Port of Tauranga Limited and other investments. The performance has broadly met the shareholders' expectations as defined in the Quayside Statement of Intent. Specifically, net dividend payments to Council in 2016/17 totalled \$20.8 million, and dividend payments to Perpetual Preference Share members totalled \$7.9 million in accordance with the Investment Statement, thereby satisfying the Statement of Intent target for the year.

Quayside Holdings Limited Performance Indicators

Key Performance Indicator	Target 2016/17	Result 2016/17	Comment
Maintain a majority holding in the Port of Tauranga Limited	Holding of greater than 51%	54.14%	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2016
Generate commercial returns across the investment portfolio	Three year rolling gross return of at least 7.5% per annum	14.20%	Three year rolling gross return of 14.20%
Adherence to industry standards including responsible investing	Management and monitoring of investment portfolio against Quayside Statement of Performance Objectives (SIPO) and Responsible Investment Frameworks	Met	Monthly monitoring reported to the Board. No instances of non-compliance
Generate long-term commercial returns and or regional benefit through a portfolio of infrastructure assets	Annual Board assessment of benefit of each asset holding	Met	Annual board assessment completed, noting short term performance and reaffirming long term objectives
Generate long-term commercial returns and or regional benefit through a	Positive long-term commercial return, having	Met	Growth through new investment of a portfolio of direct unlisted

portfolio of Commercial Assets	regard to potential regional benefits		investment for long term growth and income returns
Keep Council informed on a no surprises basis, providing quality and timely information	A minimum of three presentations to Council shareholders per annum plus timely advice and support as required	Met	Three presentations to Council and open communication with Council
Ensure Group Policies and Procedures are current and appropriate	All policies and procedures to be reviewed biennially	Met	There are eleven policies in total that are scheduled for review at each board meeting. Five policies were reviewed during the year (six policies were reviewed the prior year)
Meet shareholder distribution expectations as outlined in SOI or as otherwise agreed	Distributions paid to agreed values per Statement of Intent (SOI)	Met	Cash dividend of \$20.8 million paid to Council and gross dividend of \$11.0 million (net \$7.9 million) paid to PPS holders
Compliance with NZDX listing requirements for PPS holders	No open issues	Met	Timely filing of financial statements. No open issues

BOPLASS

The Council's objective in cooperatively establishing BOPLASS Ltd was to foster collaboration in delivery of services, particularly back office or support services, between the nine local authorities in the Bay of Plenty/Gisborne. It is a separate legal entity from the Council and is responsible for delivery in accordance with an agreed Statement of Intent.

Achievements

During the year the Regional Council has been fully informed by BOPLASS on its performance. Of the targets set in the 2016/17 Statement of Intent, all 7 were achieved.

BOPLASS Performance Indicators

Key Performance Indicator	Target 2016/17	Result 2016/17
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils	A minimum of four new initiatives	Achieved
Provide support to BOPLASS councils that are managing or investigating Shared Services projects	0.25 FTE assigned, and job tracking	Achieved
Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase the breadth of BOPLASS collaboration	All NZ Councils made aware of portal and minimum of ten additional Councils using the portal	Achieved

Ensure appointed vendors remain competitive and continued best value is returned to shareholders	Contracts due for renewal are tested for competitiveness in the marketplace. New suppliers are awarded contracts through a competitive procurement process involving two or more vendors	Achieved
Review governance performance and structure to ensure it supports BOPLASS' strategic direction	Affirmative feedback received from shareholding councils at least annually	Achieved
Communicate with each shareholding council at appropriate levels	At least one meeting with each Executive Leadership Team per year	Achieved
Ensure current funding model is appropriate	Performance against budgets reviewed quarterly. Company remains financially viable	Achieved

Local Government Funding Agency (LGFA)

Council became a partner of the LGFA following a public consultation process in 2011. The nature of LGFA is to provide lower-cost borrowing for New Zealand's local authorities than the local authorities could individually acquire through private sector lending institutions.

LGFA was established by the Local Government Borrowing Act 2011. The Council is a shareholder along with 29 other local authorities throughout New Zealand and Central Government.

Performance Targets

The following objectives, policies or performance targets were set for 2016/17.

The LGFA operates with the primary objective of optimising debt funding terms and conditions for participating local authorities. Among other things this includes:

- Providing estimated savings in annual interest costs for all Participating Local Authorities on a relative basis compared to other sources of financing
- Making longer-term borrowings available to participating local authorities.
- Enhancing the certainty of access to debt markets for participating local authorities, subject always to operating in accordance with sound business practice.
- Offering more flexible lending terms to participating local authorities

LGFA has a number of additional objectives which complement the primary objective. These additional objectives are to:

- Operate with a view to making a profit sufficient to pay a dividend in accordance with its stated Dividend Policy set out in the Statement of Intent.
- Provide at least 50 percent of aggregate long-term debt funding for participating local authorities.

- Issue a new long dated LGFA bond (should one not be issued in the 2015/16 year)
- Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses.
- Take appropriate steps to ensure compliance with the Health and Safety at work Act 2015.
- Maintain LGFA's credit rating equal to the Government sovereign rating where both entities are rated by the same Rating Agency.
- Achieve the Financial Forecasts (excluding the impact of ALL)
- Meet or exceed the Performance Targets outlined in the Statement of Intent.
- Comply with its Treasury Policy, as approved by the Board.

Achievements

The Regional Council has been fully informed by the LGFA through quarterly and half yearly reports, and the Annual Report.

Local Government Funding Agency (LGFA) Performance Indicators

Key Performance Indicator	Target 2016/17	Result 2016/17	Outcome
LGFA's average cost of funds on debt issued relative to the average cost of funds for NZ Government Securities	Less than 0.50 percent higher	0.709%	Not achieved
Average margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities	No more than 0.10 percent	0.104%	Not achieved
LGFA's annual issuance and operating expense (excluding AIL)	Less than \$4.8 million	\$4.6 million	Achieved
Total lending to Participating Local Authorities	At least \$7.341billion	\$7.736 billion	Achieved
Savings on borrowing costs for council borrowers	LGFA will demonstrate the savings to council borrowers achieved in the relevant financial year and compared to previous financial years	LGFA issuance spreads improved relative to stand alone council issuers and NZ registered banks.	Achieved

Consolidated Financial Statements

Statement of comprehensive revenue and expense for the year ended 30 June 2017

Council 2015/16 \$000	Group 2015/16 \$000		Notes	Budget 2016/17 \$000	Council 2016/17 \$000	Group 2016/17 \$000
		Operating revenue				
34,663	34,663	Rates	3	36,333	37,019	37,019
11,595	11,595	Subsidies and grants	4	15,739	12,787	12,787
30,810	15,821	Finance revenue	5	29,835	29,552	14,272
14,256	262,371	Trading and other revenue	6	11,865	12,151	271,800
-	-	Reversal of previous revaluation deficit		-	-	193
24,440	18,273	Other gains	7	-	416	19,469
115,764	342,723	Total operating revenue		93,772	91,925	355,540
		Operating expenditure				
32,365	65,011	Employee benefit expenses	8	34,772	36,063	70,654
6,592	30,664	Depreciation and amortisation	17,18	5,816	9,453	34,409
53,768	140,147	Trading and other expenses	9	65,400	59,191	145,399
-	20,191	Finance costs	5	-	-	20,249
91	11,115	Other losses	7	-	373	7,547
92,816	267,128	Total operating expenditure		105,988	105,080	278,258
-	-	Impairment of goodwill	18	-	-	-
-	13,667	Share of profit of equity accounted investees	21	-	-	13,282
22,948	89,262	Surplus/(deficit) before taxation		(12,216)	(13,155)	90,564
-	25,101	Income tax expense	10	-	-	28,146
22,948	64,161	Surplus/(deficit) after taxation		(12,216)	(13,155)	62,418
		Attributable to:				
22,948	29,326	Equity holders of the parent		(12,216)	(13,155)	24,822
-	34,835	Non-controlling interest	28	-	-	37,596
22,948	64,161			(12,216)	(13,155)	62,418

The accompanying notes form part of these financial statements.

Statement of other comprehensive revenue and expense for the year ended 30 June 2017

Council 2015/16 \$000	Group 2015/16 \$000		Notes	Budget 2016/17 \$000	Council 2016/17 \$000	Group 2016/17 \$000
22,948	64,161	Net surplus/(deficit) after tax		(12,216)	(13,155)	62,418
		Other comprehensive revenue and expense				
		<i>Items that could be reclassified to surplus/(deficit):</i>				
-	-	Gain on land and building revaluations		667	1,420	1,420
4,200	4,200	Gain on Infrastructure assets revaluations		6,749	(4,188)	(4,188)
(239)	(239)	Gain/(loss) on maritime asset revaluations		-	-	-
(1,974)	(1,974)	Financial assets at fair value through comprehensive revenue and expense		(403)	(2,815)	(2,815)
-	(9,198)	Cash flow hedges - changes in fair value		-	-	2,956
-	2,126	Cash flow hedges - reclassified to profit or loss		-	-	2,538
-	(452)	Changes in cash flow hedges transferred to property, plant and equipment, net of tax		-	-	708
-	(395)	Share of change in cash flow hedge reserves of equity accounted investees	21	-	-	182
		<i>Items that will not be reclassified to surplus/(deficit):</i>				
-	(459)	Impairment of property, plant and equipment taken to revaluation reserve, net of tax		-	-	-
-	(30)	Asset revaluation net of tax		-	-	63,267
-	1,346	Bearer plant revaluation, net of tax		-	-	775
-	205	Kiwifruit licence revaluation, net of tax		-	-	473
-	(57)	Share of net change in revaluation reserve of equity accounted investees	21	-	-	745
1,987	(4,927)	Total other comprehensive revenue and expense		7,012	(5,583)	66,061
24,935	59,234	Total comprehensive revenue and expense		(5,204)	(18,738)	128,479
		Total comprehensive revenue and expense attributable to:				
24,935	28,199	Equity holders of the parent		(5,204)	(18,738)	59,220
-	31,035	Non-controlling interest		-	-	69,259
24,935	59,234			(5,204)	(18,738)	128,479

The accompanying notes form part of these financial statements.

Statement of changes in equity/net assets for the year ended 30 June 2017

Council 2015/16 \$000	Group 2015/16 \$000		Budget 2016/17 \$000	Council 2016/17 \$000	Group 2016/17 \$000
442,865	1,264,314	Balance at 1 July	444,360	467,800	1,283,388
24,935	59,234	Total comprehensive revenue and expense previously reported	(5,204)	(18,738)	128,479
467,800	1,323,548		439,156	449,062	1,411,867
-	(5)	Increase/(decrease) in share capital	-	-	14
-	(41,555)	Dividends to shareholders	-	-	(57,849)
-	(2)	Non controlling interest adjustments	-	-	-
	1,402	Equity settled share-based payment accrual	-	-	1,425
467,800	1,283,388	Balance at 30 June	439,156	449,062	1,355,457
		<i>Total comprehensive revenue and expense attributable to:</i>			
-	28,199	Equity holders of the parent	(5,204)	(18,739)	59,220
24,935	31,035	Non-controlling interest	-	-	69,259
24,935	59,234		(5,204)	(18,739)	128,479

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2017

Council 2015/16 \$000	Group 2015/16 \$000		Notes	Budget 2016/17 \$000	Council 2016/17 \$000	Group 2016/17 \$000
		Current assets				
18,442	40,618	Cash and cash equivalents	11	15,363	37,962	81,596
55,309	55,309	Other financial assets - current	15	21,825	100,390	100,390
11,413	54,990	Trade and other receivables	12	14,682	13,950	61,373
212	529	Inventories	13	239	204	341
85,376	151,446	Total current assets		52,109	152,506	243,700
		Non-current assets				
3,018	3,064	Trade and other receivables - long term	14	4,554	2,100	2,136
286,455	1,418,335	Property, plant and equipment	17	310,589	289,948	1,521,107
4,918	24,753	Intangible assets	18	7,445	5,298	26,442
-	12,000	Investment property	19	-	-	17,405
-	130,073	Investments in equity accounted investees	21	-	-	138,014
		<i>Other financial assets:</i>				
1,877	1,866	- Investment in CCO's and other similar entities	15	1,944	1,877	1,866
115,543	242,186	- Investment in other entities	15	115,599	29,269	166,372
-	-	Derivative financial instruments	16	-	171	171
411,811	1,832,277	Total non-current assets		440,131	328,663	1,873,512
497,187	1,983,723	Total assets		492,240	481,169	2,117,212
		Current liabilities				
9,197	40,441	Trade and other payables	22	9,923	11,658	44,661
4,100	6,393	Employee benefit liabilities	24	3,050	4,432	6,766
-	190,000	Loans and borrowings	25	-	-	255,140
-	1,438	Derivative financial instruments	16	-	-	1,013
-	8,547	Current taxation		-	-	8,403
13,297	246,819	Total current liabilities		12,973	16,090	315,983

Council 2015/16 \$000	Group 2015/16 \$000		Notes	Budget 2016/17 \$000	Council 2016/17 \$000	Group 2016/17 \$000
		Non-current liabilities				
-	13	Trade and other payables	22	-	-	
1,090	2,717	Employee benefit liabilities	24	1,112	1,017	2,905
-	378,085	Loans and borrowings	25	-	-	376,618
15,000	-	Put option	39	39,000	15,000	-
-	17,063	Derivative financial instruments	16	-	-	8,887
-	55,636	Deferred tax liabilities	23	-	-	57,362
16,090	453,514	Total non-current liabilities		40,112	16,017	445,772
29,387	700,333	Total liabilities		53,085	32,107	761,755
467,800	1,283,390	Total net assets		439,155	449,062	1,355,457
		Equity				
166,865	224,777	Retained earnings	26	159,909	173,854	262,295
300,935	659,343	Reserves	27	279,246	275,208	673,132
467,800	884,120	Total equity attributable to the group		439,155	449,062	935,427
-	399,270	Non-controlling interest	28	-	-	420,030
467,800	1,283,390	Total equity		439,155	449,062	1,355,457

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2017

Council 2015/16 \$000	Group 2015/16 \$000		Notes	Budget 2016/17 \$000	Council 2016/17 \$000	Group 2016/17 \$000
		Cash flows from operating activities				
34,454	34,454	Rates		36,333	33,981	33,981
12,580	12,580	Grants		15,739	12,748	12,748
(126)	(126)	GST		1,099	(456)	(456)
15,657	266,163	Receipts from customers		12,262	12,119	277,279
10,270	11,461	Interest received		8,935	9,291	11,332
20,520	4,367	Dividends received		20,900	20,904	4,393
-	(28,992)	Taxes paid		-	-	(29,444)
(85,418)	(204,418)	Payments to suppliers and employees		(101,290)	(92,453)	(213,477)
-	-	Other income		-	-	211
-	(19,464)	Interest paid		-	-	(21,477)
7,937	76,025	Net cash flow from operating activities		(6,023)	(3,866)	75,090
		Cash flows from investing activities				
382	11,422	Proceeds from sale of property, plant and equipment		406	206	352
-	3,120	Proceeds from sale of marshalling services business		-	-	-
39,006	65,924	Proceeds from sale of investments		33,138	115,818	138,154
-	8,667	Dividends from equity accounted investees	21	-	-	10,570
209	209	Realised capital gain on investments		-	400	400
-	6	Finance lease payments received, including interest		-	-	13
-	600	Repayment of advances from equity accounted investees		-	-	250
(9,576)	(68,438)	Purchase of property, plant and equipment	17	(20,722)	(15,492)	(80,789)
(276)	(710)	Purchase of intangibles		(6,141)	(1,479)	(1,635)
-	-	Purchase of computer software assets		-	-	(116)
-	-	Purchase of investment property		-	-	(3,900)
-	(848)	Improvements to investment property		-	-	(216)
(30,000)	(63,507)	Purchase of investments		-	(75,506)	(98,031)
-	(500)	Payment of deferred and contingent consideration		-	-	-
17	17	Sale of shares		-	-	-
-	(6,478)	Investment in equity accounted investees		-	-	(4,300)
(236)	(50,516)	Net cash flow from investing activities		6,681	23,947	(39,248)

Council 2015/16 \$000	Group 2015/16 \$000		Notes	Budget 2016/17 \$000	Council 2016/17 \$000	Group 2016/17 \$000
		Cash flows from financing activities				
-	(1,500)	Repayment of borrowings		-	-	-
-	15,157	Proceeds from borrowings	25	-	-	63,699
-	(347)	Repurchase of shares		-	-	-
-	222	(Payments)/proceeds from close out of foreign exchange derivative		-	-	(183)
(693)	(693)	Long term loans - Clean Heat		(2,010)	(1,380)	(1,380)
819	819	Loan repayments - Clean Heat		597	819	819
-	(41,555)	Dividends paid		-	-	(57,849)
126	(27,897)	Net cash flow from financing activities		(1,413)	(561)	5,106
-	(86)	Effects of exchange rate changes on cash and cash equivalents		-	-	30
7,827	(2,474)	Net increase/(decrease) in cash, cash equivalents and bank overdrafts		(754)	19,520	40,978
10,615	43,092	Cash, cash equivalents and bank overdrafts at the beginning of the year		16,117	18,442	40,618
18,442	40,618	Cash, cash equivalents and bank overdrafts at the end of the year	11	15,363	37,962	81,596

The accompanying notes form part of these financial statements.

Reconciliation of surplus/(deficit) after tax to net cash flow from operating activities

Council	Group		Council	Group
2015/16	2015/16		2016/17	2016/17
\$000	\$000		\$000	\$000
22,948	64,161	Surplus after tax	(13,155)	62,418
		<i>Items classified as investing/financing activities</i>		
(209)	(6,667)	Net gain on investments	(401)	(12,250)
(230)	(725)	Loss/(gain) on sale of property, plant and equipment	(15)	590
-	(2)	Finance lease interest revenue	-	(4)
(440)	(7,395)		(416)	(11,664)
		<i>Add/(less) non cash items:</i>		
6,592	30,665	Depreciation and amortisation	9,453	34,409
(392)	(392)	Proceeds from amortisation of investments	(386)	(386)
		Increase/(decrease) in LSL and sick leave provisions	-	-
-	(2,518)	Decrease in deferred taxation expense	-	(1,154)
-	(53)	Seeka share rebate scheme	-	-
-	1,402	Share based payment reserve	-	1,425
-	(30)	Fair value (gain)/loss on equities	-	-
-	(417)	Fair value (gain)/loss on investment property	-	-
-	-	Amortisation of interest rate collar premium	-	75
-	-	Reversal of previous revaluation deficit	-	(193)
-	(13,667)	Share of surpluses retained by equity accounted investees	-	(13,282)
-	180	Ineffective portion of change in fair value of cash flow hedge	-	(60)
-	-	Equity investments - share rights issued for no consideration	-	(122)
149	149	Net change in impairment of hotswap loans	39	39
91	91	Loss on sale of property, plant and equipment	372	372
(24,000)	-	Gain on revaluation of put option	-	-
(17,560)	15,410		9,478	21,123

Council	Group		Council	Group
2015/16	2015/16		2016/17	2016/17
\$000	\$000		\$000	\$000
		<i>Add/(less) movements in working capital</i>		
2,669	(1,125)	Change in receivables	(2,791)	(5,860)
(396)	(396)	Change in prepayments	216	216
17	401	Change in inventories	8	188
-	(1,375)	Change in taxation payable	-	(144)
-	86	Change in foreign cash deposits	-	(30)
(331)	5,228	Change in payables	2,461	8,511
1,030	1,030	Change in employee provisions	332	332
2,989	3,849		226	3,213
7,937	76,025	Net cash flow from operating activities	(3,866)	75,090

Notes to the Financial Statements

1. Statement of accounting policies

Reporting entity

Bay of Plenty Regional Council is a Regional Council established under the Local Government Act 2002 (LGA), and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The group consists of the ultimate parent, Bay of Plenty Regional Council and its subsidiary, Quayside Holdings Limited (a 100% owned investment company). Quayside Holdings Limited has a 100% shareholding in Quayside Properties Limited, Quayside Unit Trust, Quayside Investment Trust, and Quayside Securities Limited. The principal activity of Quayside Securities Limited is to act as trustee for the Quayside Unit Trust and Quayside Investment Trust. Quayside Securities Limited as trustee owns 54.14% of the shares in Port of Tauranga Limited (Port Company). The Council's subsidiaries are incorporated and domiciled in New Zealand.

The Council and group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the Council and group are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 26 September 2017.

Council does not have the power to amend the financial statements after issue.

Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Council and group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which includes the requirement to comply with generally accepted accounting practice in New Zealand (GAAP).

The financial statements have been prepared in accordance with and comply with PBE standards.

Measurement base

The financial statements have been prepared on a historical cost basis, except that the following assets and liabilities are stated at their fair value: available for sale financial assets, other financial assets and liabilities (including derivatives) at fair value through the statement of comprehensive revenue and expense, land, buildings, harbour improvements, wharves and hardstanding, kiwifruit licences and investment properties.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), other than the related party transaction disclosures in note 31, the remuneration disclosures in note 32, and the severance payment disclosures in note 33. The related party transaction, remuneration, and severance payment disclosures are rounded to the nearest dollar.

Changes in accounting policies

There have been no changes in accounting policies this year.

New and amended accounting standards adopted

Subsidiary

NZ IAS 41 (Amendment) 'Agriculture' was mandatory for annual reporting periods beginning on or after 1 January 2016. The amendment requires Biological assets, except for bearer plants, to be accounted for under NZ IAS 41. Bearer plants are now required to be accounted for under NZ IAS 16 'Property, plant and equipment'. The amendments also clarify that produce growing on the bearer plants is to be accounted for under NZ IAS 41. This amendment has been adopted by the subsidiary and applied retrospectively to the prior period as required under the transitional provisions. Further details of the new policies and changes to comparatives are contained in Note 17.

Standards issued and not yet effective that have been early adopted

Standards and amendments issued but not yet effective that have been early adopted are:

Council

2016 Omnibus Amendments – Bearer plants

In January 2017, the External Reporting Board (XRB) issued the *2016 Omnibus Amendments to PBE Standards*, which incorporates a range of amendments to the PBE Standards. A relevant amendment for the Council is to IPSAS 17 *Property, Plant and Equipment* ("PBE IPSAS 17") and PBE IPSAS 27 *Agriculture* ("PBE IPSAS 27").

The amendment require bearer plants to be accounted for as items of property, plant and equipment under the requirements of PBE IPSAS 17, rather than being accounted for under the requirements of PBE IPSAS 27. The produce growing on bearer plants will continue to be accounted for in accordance with PBE IPSAS 27. This change mirrors changes recently made to New Zealand

equivalents to International Financial Reporting Standards. This amendment has been early adopted by Council and applied retrospectively to the prior period as required under the transitional provisions. Further details are in note 17.

New accounting standards and interpretations not yet adopted

Council

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council and group are:

Interests in other entities:

In January 2017, the XRB issued new standards for interests in other entities (PBE IPSAS 34 - 28). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6 - 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council and group has not yet assessed the effects of these new standards.

Financial instruments:

In January 2017, the XRB issued PBE IFRS 9 *Financial Instruments*. PBE IFRS 9 replaces PBE IPSAS 29 *Financial Instruments: Recognition and Measurement*. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.

- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and group has not yet assessed the effects of the new standard.

Subsidiary

The following standards and interpretations which are considered relevant to the subsidiary but not yet effective for the year ended 30 June 2017 have not been applied in preparing these financial statements:

- *NZ IFRS 9 Financial Instruments*

This standard becomes mandatory for the subsidiary's 2019 consolidated financial statements. The main changes under NZ IFRS 9 are:

- New financial assets classification requirements for determining whether an asset is measured at fair value or amortised cost;
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses; and
- Revised hedge accounting requirements to better reflect the management of risks.

Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 9, however it is expected that the impact will not be material.

- *NZ IFRS 16 Leases*

This standard becomes mandatory for the subsidiary's 2020 consolidated financial statements. NZIFRS 16 requires a lessee to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and

leases of low value assets – however this exemption can only be applied by lessees. Management is currently in the process of evaluating the potential effect of the adoption of NZ IFRS 16, however it is expected that the impact will not be material.

Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of entities in the group on a line-by-line basis. All intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

Group

The Council consolidates, in the group financial statements, all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the entity. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

Goods and Service Tax (GST)

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where

GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Subsidiary

Quayside Investment Trust and Quayside Unit Trust include GST on items in their financial statements as they are not GST registered.

Budget figures

The budget figures are those approved by the Council in its 2016/17 Annual Plan. The budget figures have been prepared in accordance with New Zealand GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements, are detailed below:

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (note 17)
- assessment of significant influence or joint control in relation to Equity Accounted Investees (note 21)
- valuation of derivative financial instruments (note 16)
- trade receivables includes an estimated sale price for kiwifruit sold (note 12)
- valuation of bearer plants (note 17)
- impairment assessment of intangible assets (note 18)
- lease classification and accounting for arrangements containing a lease (note 29)
- valuation of provisions (note 26)

Classification of property

The subsidiary owns a number of properties which have been purchased for long term capital appreciation, rather than for short-term sale in the ordinary course of business. The receipt of market-based rental and the sale of biological produce from these properties is incidental to holding these properties.

Management, in applying their judgement have classified these properties as investment property according to NZ IAS 40.

Classification of Perpetual Preference Shares

The directors have considered the terms and conditions of Perpetual Preference Shares and the subsidiary has classified these shares as equity. Upon consolidation they are recognised as debt by the group. Note 31 explains the terms and conditions of the perpetual preference shares.

Put option

The key factors which impact on the valuation of the put option are:

- The ability of Quayside Holdings Limited as a stand-alone entity to meet future Perpetual Preference Share dividends payments;
- The ability of the Council to meet the obligations of the put option if it were to be exercised; and
- The risk that the holders of the Perpetual Preference Share will be able to realise the capital invested in the Perpetual Preference Share.

A credit default swaps valuation technique has been used to value the put option. This technique is consistent with the requirements of International Financial Reporting Standards to determine the fair value of a put option. Two independently developed valuation models have been used to manage the model risk, the results of the models being cross-checked to ensure there are no material valuations differences.

The key inputs and assumptions used in the models are:

- Nominal amount of credit protection on reference credit \$200 million;
- Term of credit protection 10 years; and
- Probability of default is consistent with a BB⁻ to BB⁺ credit quality. (Source: Moody's, based on empirical observations in the period 1982 to 2012.)

The valuation of the put option as at 30 June 2017 was carried out by PricewaterhouseCoopers, Wellington on 5 September 2017.

Infrastructural assets

There are a number of assumptions and estimates used when performing Optimised Depreciated Replacement Cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its

actual condition. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments;

- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under-estimating the annual depreciation charge, recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, the Council's infrastructural asset useful lives have been determined, with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines, published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's Asset Management Planning, which gives the Council further assurance over its useful life estimates.

Experienced independent valuers perform a review of the Council's infrastructural asset revaluations.

Fair value hierarchy

A number of the group's accounting policies and disclosures require the determination of fair value, being market value, for both financial and non financial assets and liabilities.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Assets and liabilities measured at fair value are classified according to the following levels:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.

- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

2 Summary activity financial statement

Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000	Actual 2015/16 \$000		Actual 2016/17 \$000	Budget 2016/17 \$000
Revenue by activity				Revenue by activity (cont.)			
4,832	Tauranga Harbour	3,865	3,813	2,815	Emergency Management	2,652	2,642
8,396	Rotorua Lakes	9,160	9,998	17	Geospatial	17	0
2,394	Kaituna	2,244	2,149	2,249	Engineering	2,346	2,390
1,029	Rangitaiki	861	881	224	Data Services	222	170
2,279	Other Catchments	2,061	2,061	3,615	Science	4,222	4,144
2,420	Land and Water Framework	2,503	2,475	29	Communications	22	40
10,410	Rivers & Drainage Schemes	11,714	14,241	0	Organisational Planning & Reporting	1	0
1,180	Regional Flood Risk Coordination	1,214	1,214	47	People and Performance	32	82
2,881	Biosecurity	2,845	2,734	16	Support Services	3	0
1,622	Rotorua Air Quality	1,608	1,581	1,320	Corporate Property	774	501
3,196	Resource Consents	2,988	2,845	208	Information & Communication Technology	232	243
4,068	Pollution Prevention	3,427	4,162	22,981	Finance	(1,974)	(697)
2,809	Maritime Operations	2,782	2,487	117,377	Revenue	91,925	96,475
19,538	Passenger Transport	19,836	19,894	0	Capital Grants Received	1,451	75
532	Transport Planning	599	623	(1,613)	Less internal interest	(1,451)	(2,778)
597	Regional Infrastructure	317	317	Total revenue Statement of Comprehensive			
847	Regional Economic Development	863	736	115,764	Revenue & Expenses	91,925	93,772
595	Regional Parks	666	647				
5,368	Regional Planning	5,105	5,072				
1,216	Maori Policy	1,186	1,185				
388	Geothermal	354	354				
1,375	Kotahitanga/Strategic Engagement (incl. EEF)	1,349	1,346				
5,886	Governance Services	5,829	6,143				

Actual		Actual	Budget	Actual		Actual	Budget
2015/16		2016/17	2016/17	2015/16		2016/17	2016/17
\$000		\$000	\$000	\$000		\$000	\$000
Expenditure by activity				Expenditure by activity (cont.)			
4,613	Tauranga Harbour	3,807	4,610	2,397	Emergency Management	3,935	2,934
9,629	Rotorua Lakes	10,705	14,235	17	Geospatial	17	0
2,401	Kaituna	2,344	2,530	1,932	Engineering	1,337	2,123
958	Rangitaiki	1,295	1,042	224	Data Services	223	170
2,388	Other Catchments	1,922	2,314	3,730	Science	3,976	3,783
2,035	Land and Water Framework	2,673	2,724	29	Communications	22	40
8,635	Rivers & Drainage Schemes	12,152	9,378	0	Organisational Planning & Reporting	1	0
1,297	Regional Flood Risk Coordination	2,088	1,481	47	People and Performance	32	82
2,936	Biosecurity	3,544	2,995	16	Support Services	3	0
775	Rotorua Air Quality	1,129	1,112	2,556	Corporate Property	4,357	501
4,073	Resource Consents	3,487	3,221	208	Information & Communication Technology	882	243
4,389	Pollution Prevention	4,660	4,126	(553)	Finance	(1,823)	(33)
2,732	Maritime Operations	2,685	2,575	94,430	Expenditure	106,530	108,766
19,016	Passenger Transport	19,849	20,306				
587	Transport Planning	543	566	(1,613)	Less internal interest	(1,451)	(2,778)
954	Regional Infrastructure	2,557	7,940	92,817	Total expenditure	105,080	105,988
877	Regional Economic Development	1,032	874				
602	Regional Parks	840	794				
5,414	Regional Planning	6,277	5,766				
1,217	Maori Policy	1,245	1,362				
388	Geothermal	538	485				
1,516	Kotahitanga/Strategic Engagement (incl. EEF)	1,469	1,583				
6,397	Governance Services	6,727	6,903				
				22,947	Net cost of service	(13,155)	(12,216)

3 Rates revenue

	Council	Group	Council	Group
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
General rates	21,488	21,488	19,444	19,444
Targeted rates	16,011	16,011	15,660	15,660
Less: remissions	(480)	(480)	(441)	(441)
Total rates revenue	37,019	37,019	34,663	34,663

The seven city and district councils in the Bay of Plenty collect and administer most rates on behalf of Bay of Plenty Regional Council.

Bay of Plenty Regional Council aligns its general policy on the remission and postponement of rates with the policies and objectives of each of these councils.

There are 125,347 rating units within the region as at 30 June 2017, compared to 123,473 as at 30 June 2016.

Bay of Plenty Regional Council use land valuations as a rating mechanism.

The total land value of rating units within the region is \$44,118,423,209 as at 30 June 2017, compared to \$35,376,095,875 as at 30 June 2016.

Policies

General rates, targeted rates (excluding water by meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Rates remissions are recognised as a reduction in rates revenue when the Council has received an application that satisfies its rates remission policy.

4 Subsidies and grants

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
New Zealand Transport Agency (Passenger Transport Ministry for the Environment (Te Arawa Rotorua Lakes deed funding)	7,423	7,423	7,395	7,395
Ministry for the Environment (Kopeopeo Canal)	3,080	3,080	1,379	1,379
Local Authorities contribution to Civil Defence	1,370	1,370	764	764
Other subsidies and grants	678	678	1,331	1,331
	236	236	726	726
	12,787	12,787	11,595	11,595

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2016 nil).

Policies

Government grants

The Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the Council's passenger transport services. The subsidies are recognised as revenue upon entitlement once conditions pertaining to eligible expenditure have been fulfilled.

The Council also receives grants in respect of qualifying operating and capital expenditure from Central Government for the Rotorua Lakes Protection and Restoration Action Plan as detailed in the funding deed. These grants are recognised as revenue in the period they are received.

Other grants

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

5 Finance revenue and finance costs

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Finance revenue				
Foreign dividends	-	1,325	-	1,675
New Zealand dividends	20,904	3,227	20,519	2,666
Interest income	8,091	9,097	9,899	11,088
Income amortisation investments	386	386	392	392
Ineffective portion of changes in fair value of cash flow hedges	171	233	-	-
Interest on finance lease	-	4	-	-
Total finance revenue	29,552	14,272	30,810	15,821

Finance costs

Interest expense on borrowings	-	20,172	-	19,980
Ineffective portion of changes in fair value of cashflow hedges	-	2	-	180
Interest on finance leases	-	-	-	2
Interest on deferred consideration	-	-	-	29
Amortisation of interest rate collar premium	-	75	-	-
Total finance costs	-	20,249	-	20,191
Net finance revenue	29,552	(5,977)	30,810	(4,370)

Policies

Finance revenue comprises interest income on bank deposits, finance lease interest and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues, using the effective interest method. Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions, impairment losses recognised on financial assets (except for trade receivables), and losses on hedging instruments that are recognised in the statement of comprehensive revenue and expense. All borrowing costs are recognised in the statement of comprehensive revenue and expense using the effective interest method except for borrowing costs on constructed assets (subsidiary only) which are capitalised (refer to note 17). The Council does not capitalise borrowing costs and this difference is adjusted for on consolidation.

Dividend Income is recognised on the date that the Group's right to receive payment is established, being the ex-dividend date.

Interest revenue is recognised using the effective interest method.

6 Trading and other revenue

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Port services income	-	227,222	-	207,948
Rental income	628	25,447	1,111	25,959
Marshalling services income	-	4,633	-	12,399
User fees and charges	8,877	8,877	10,711	10,711
Sale of goods - kiwifruit	-	3,424	-	2,401
Seeka Grower rebate incentive scheme	-	-	-	53
Other revenue	2,646	2,197	2,434	2,900
Total trading and other revenue	12,151	271,800	14,256	262,371

Council:

There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies recognised.

Subsidiary:

The *Quayside Group* has two kiwifruit orchards. Both orchards are managed by post-harvest provider Seeka Kiwifruit Industries Limited, and all kiwifruit is sold to Zespri under a supply agreement. All income from trays of kiwifruit are net of the point of sale and cool store costs.

Kiwifruit income this year has been derived from 29.21 canopy hectares (2016: 29.21 hectares).

Kiwifruit income this year includes a downward adjustment of \$32,154 in relation to the 2016 year (2016: \$242,944 increase on 2015 estimates). This was due to a revision during the year in the estimate of income receivable as at 30 June 2016.

In 2014 Seeka Kiwifruit Industries Limited introduced a grower rebate incentive scheme. Under the terms of the scheme, the Company is entitled to shares in Seeka equivalent to 10 cents per tray provided. This scheme was for a period of 3 years and was completed in June 2016.

Policies

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

Port Services and marshalling services revenues: are recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed, determined using the percentage of completion method, is recognised in the current year.

Rental Income: from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.

Kiwifruit Income: Revenue from the sale of kiwifruit is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer i.e. Zespri. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods. Income at year-end is based on the highly probable income per tray to be received, based on the latest forecast from Zespri. Any revision of the income recognised during the year will be recognised in the income statement.

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Resource consent revenue

Fees and charges for resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

Vested or donated physical assets

For assets received for no, or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

Sale of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

7 Other gains/(losses)

	Council	Group	Council	Group
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
Gains				
Gain on sale of property, plant and equipment	15	15	230	230
Realised foreign exchange gains	-	116	-	10
Realised gain on capital investments	401	3,511	209	4,041
Unrealised foreign exchange gain on equity investments	-	4	-	-
Change in fair value of investment property	-	1,289	-	417
Gain on revaluation of Put Option	-	-	24,001	-
Unrealised gain on equity investments	-	14,534	-	13,575
Total gains	416	19,469	24,440	18,273
Losses				
Realised capital loss on investments	-	1,151	-	1,144
Realised foreign exchange losses	-	20	-	32
Loss on sale of fixed assets	372	372	91	91
Unrealised foreign exchange losses	-	69	-	83
Unrealised capital loss on investments	-	5,934	-	9,765
Change in impairment of property, plant and equipment	1	1	-	-
Total losses	373	7,547	91	11,115
Net gains/(losses)	43	11,922	24,349	7,158

Policies

Foreign Currency gains/losses: Transactions in foreign currencies are translated into the functional currency of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Gain/loss on equity investments: Equity securities designated at fair value through profit and loss are revalued to fair value based on quoted market prices at the reporting date.

8 Employee benefit expenses

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Salaries and wages	32,699	65,744	29,118	60,386
Superannuation	1,033	2,209	954	1,995
Other employee related expenses	2,331	2,701	2,293	2,630
	36,063	70,654	32,365	65,011

9 Trading and other expenses

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Fees to auditors:				
-fees to Audit New Zealand for audit of Council and Quayside Holdings Group financial statements	130	225	126	210
-fees to KPMG for audit of Port of Tauranga Group financial statements	-	143	-	131
- fees to KPMG for review of Port of Tauranga Group half year financial statements	-	12	-	12
- fees to KPMG for Port of Tauranga Group security assessment and awareness	-	-	-	23
- fees to KPMG for Port of Tauranga Group payments data analysis review	-	17	-	-
Bad debts written-off	(81)	(81)	(82)	(82)
Consultation fees	3,456	3,456	3,031	3,031
Contracted services for port operations	-	54,985	-	52,700
Contract work	31,539	31,539	30,806	30,806
Direct fuel and power expenses	661	7,836	627	627
Directors' fees	-	990	-	866
Grants, contributions and sponsorships	6,307	6,307	2,258	2,258
Insurance	498	498	522	522
Legal fees	1,550	1,550	1,719	1,719
Maintenance costs	1,600	10,359	1,833	1,833
Operating lease payments	1,059	2,382	971	2,467
Operational materials	2,732	2,732	2,520	2,520
Orchard expenses	-	1,241	-	1,202
Other expenses	7,912	19,380	7,695	37,560
Professional development	1,345	1,345	1,282	1,282
Rates	186	186	177	177
Valuation costs	297	297	283	283
Total trading and other expenses	59,191	145,399	53,768	140,147

The total value of all assets that are covered by insurance contracts, are \$115 million and the maximum amount to which they are insured is unknown, as it depends on market value and/or replacement value as well as the inflation at the time of loss; and

The total value of all assets that are covered by financial risk sharing arrangements are \$228 million and the maximum amount available to the local authority under those arrangements is \$60 million; and

The total value of all assets that are self-insured is zero and there is a no fund maintained for that purpose.

Policies

Grant expenditure

Non-discretionary Grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

10 Taxation

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Profit/(loss) before income tax for the period	(13,155)	90,564	22,948	89,262
Income tax on the surplus for the period at 28%	(3,683)	31,525	6,425	37,678
<i>Tax effect of amounts which are non deductible/(taxable):</i>				
Non-taxable income	11,772	11,772	1,508	1,508
(Gain)/loss on investments	-	(2,987)	-	(1,784)
Fair value loss/(gain) on investment property	-	(361)	-	(117)
Foreign dividend regime	-	404	-	340
Share of equity accounted investees after tax income, excluding CODA group	-	(2,849)	-	(2,983)
Dividend imputation credits	(8,089)	(8,883)	(7,933)	(8,864)
Other attributed income/(loss)	-	(56)	-	-
Tax losses utilised	-	(587)	-	-
Non assessable (income)/expenditure	-	17	-	13
Temporary differences	-	354	-	-
Previously unrecognised temporary differences	-	-	-	(518)
Other	-	(203)	-	(172)
Income tax expense	-	28,146	-	25,101

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
The income tax is represented by:				
<i>Current tax expense</i>				
Tax payable in respect of the current period	-	29,350	-	27,477
Adjustment for prior period	-	(50)	-	142
Total current tax expense	-	29,300	-	27,619
<i>Deferred tax expense</i>				
Origination/reversal of temporary differences	-	(1,096)	-	(2,561)
Adjustment for prior period	-	(58)	-	43
Total deferred tax expense	-	(1,154)	-	(2,518)
Income tax expense	-	28,146	-	(25,101)

	Group 2016/17 \$000	Group 2015/16 \$000
Subsidiary		
Income tax recognised in other comprehensive revenue and expense:		
Impairment of property, plant and equipment	-	(178)
Revaluation of intangibles	165	378
Revaluation of bear plants	302	523
Cashflow hedges	2,412	(2,926)
Total	2,879	(2,203)

	Group 2016/17 \$000	Group 2015/16 \$000
Imputation credit account - Subsidiary		
<i>Quayside Holdings Limited</i>		
Imputation credits available for use in subsequent periods	84,628	83,715

Policies

Income tax expense includes components relating to current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years.

11 Cash and cash equivalents

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Cash at bank and in hand	27,775	71,409	12,936	35,112
Term deposits with maturities less than 3 months	10,187	10,187	5,506	5,506
Total cash and cash equivalents	37,962	81,596	18,442	40,618

Policies

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

12 Trade and other receivables (current)

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Rates receivables	6,174	6,174	3,135	3,135
Trade receivables	1,371	35,715	1,988	32,623
Kiwifruit income receivable	-	2,444	-	1,680
Receivables from equity accounted investees, subsidiaries and related parties	-	632	-	434
Advances to equity accounted investees	-	6,669	-	6,919
Prepayments and sundry receivables	6,601	9,935	6,567	10,476
	14,146	61,569	11,690	55,267
Less provision for impairment trade and rates receivables	(196)	(196)	(277)	(277)
Total current trade and other receivables	13,950	61,373	11,413	54,990

	Council 2016/17 \$000	Council 2015/16 \$000
Total current receivables comprise:		

Receivables from non-exchange transactions - this includes outstanding amounts for rates (excluding clean heat rates), grants, trade debtors, GST and other receivables

4,369 7,076

Receivables from exchange transactions - this includes outstanding amounts for the sale of goods and services and clean heat rates

9,581 4,337

Total current receivables **13,950** **11,413**

The ageing of trade receivables at reporting date was:

	Council	Group	Council	Group
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
Not past due	547	30,125	889	26,725
Past due but not impaired 0 - 30 days	597	4,805	467	3,469
Past due but not impaired 30 - 60 days	13	530	15	810
Past due but not impaired 60 - 90 days	48	85	440	894
More than 90 days	166	170	177	725
	1,371	35,715	1,988	32,623

Impairment

The Council provides for impairment on rates receivable and also has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

	Council	Group	Council	Group
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
Individual impairment	23	23	104	104
Collective impairment	173	173	173	173
Total provision for impairment	196	196	277	277

Impairment for trade receivables is calculated as a percentage of individual overdue debts which, based on historical performance and individual investigation, are unlikely to be collected. Movements in the provision for impairment of receivables were as follows:

	Council	Group	Council	Group
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
At 1 July	277	277	359	359
Additional provisions made during the year	23	23	277	277
Provisions reversed during the year	(104)	(104)	(359)	(359)
At 30 June	196	196	277	277

Advances to Equity Accounted Investees

Port of Tauranga makes advances to its Equity Accounted Investees for short term funding purposes. These advances are repayable on demand and interest rates charged on these advances are varied.

Kiwifruit income receivable

The kiwifruit income receivable is based on a forecast of proceeds to be received from Zespri on the harvest of the 2017 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the \$ per tray expected to be received. Revisions of income receivable during the year are recorded against profit and loss.

Fair Values

The nominal value less impairment provision of trade receivables are assumed to approximate their fair values due to their short term nature.

Judgements

A provision for impairment is recognised when there is objective evidence that the Group will be unable to collect amounts due. The amount provided for is the difference between the expected recoverable amount and the receivable's carrying value.

Policies

Receivables and prepayments are initially recognised at fair value. They are subsequently measured at amortised cost, and adjusted for impairment losses.

Receivables with a short duration are not discounted.

Receivables are recorded at their face value less any provision for impairment.

13 Inventories

	Council	Group	Council	Group
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
Inventory of parts and consumables	204	341	212	529
Total inventories	204	341	212	529

Policies

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the first in–first out method) adjusted, where applicable for any loss in service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the first in–first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of purchased inventory is determined using the first in–first out method.

The amount of any write down for the loss of service potential or from cost to net realisable value, is recognised in the surplus or deficit in the period of the write-down.

14 Trade and other receivables (non-current)

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Other receivables	-	36	-	46
Rotorua Hot Swap debtors	2,100	2,100	3,018	3,018
Total trade and other receivables (non-current)	2,100	2,136	3,018	3,064
			Council 2016/17 \$000	Council 2015/16 \$000
Total non-current receivables comprise:				
Receivables from exchange transactions - this includes outstanding amounts for clean heat rates			2,100	3,018
Total non-current receivables			2,100	3,018

Rotorua Hot Swap debtors

The Rotorua Hot Swap Loan Scheme was launched in August 2010. This scheme provides an interest free loan of up to \$4,000 (GST exclusive) to homeowners to upgrade to clean heating devices. This loan is repaid over 10 years through a targeted rate.

15 Other financial assets

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Term deposits	30,000	30,000	20,000	20,000
<i>Fair value through equity</i>				
Bond and other fixed rate notes	70,390	70,390	35,308	35,308
Total current portion	100,390	100,390	55,308	55,308
Non-current portion				
<i>Investment in CCO's and similar entities</i>				
Shares in subsidiaires (cost)	11	-	11	-
Unlisted shares in LGFA	1,866	1,866	1,866	1,866
Total investment in CCO's and other similar entities	1,877	1,866	1,877	1,866
Non-current portion				
<i>Fair value through surplus or deficit</i>				
Other equity investments	67	137,170	67	126,710
<i>Fair value through equity</i>				
Bond and other fixed rate notes	29,202	29,202	115,476	115,476
Term deposits	-	-	-	-
Total investments in other entitles	29,269	166,372	115,543	242,186
Total non-current portion	31,146	168,238	117,420	244,052
Total other financial assets	131,536	268,628	172,728	299,360

Intercompany loans are made via funds drawdown by Quayside Holdings Limited from the Westpac Tranche Lines. This facility has interest on charged at the rate charged on the Tranche Line from the Westpac Banking Corporation.

The loans are repayable on demand, however the directors of Quayside Holdings Limited have undertaken that the loans will not be demanded within 12 months of balance date.

Other financial assets represent the diversified equity portfolio of the group that are traded in active markets.

Impairment

There were no impairment expenses or provisions for other financial assets. None of the financial assets are either past due or impaired.

Redeemable preference shares

On or about 28 July 1991, capital of nine thousand (9,000) redeemable preference shares of \$1 each (issued at a premium of \$9,999 per share) were issued to Bay of Plenty Regional Council by its subsidiary, Quayside Holdings Limited. On the same day the Council subscribed \$0.01 for each 9,000 redeemable preference shares (total paid \$90). As at 30 June 2007, 817 shares had been fully repaid.

On 31 January 2008 the Redeemable Preference Shares were subdivided at a ratio of 1:244,799. Accordingly, the 817 fully paid Redeemable Preference Shares were split and reclassified into 200,000,783 Perpetual Preference Shares. The 8,183 Redeemable Preference Shares (paid to one cent) were split into 2003,190,217 Redeemable Preference Shares (paid to 0.000004 cents).

The redeemable preference shares have no voting rights. The constitution provides that dividends are payable on these shares from time to time and in such amount as determined by the directors of Quayside Holdings Limited. The Redeemable Preference Shares have no fixed maturity date but are redeemable 60 days after a request from the holder. The unpaid issue price can be called by the Board of Directors of Quayside Holdings Limited in a

general meeting. As at 30 June 2017, the amount uncalled is \$81,829,918 (2016: \$81,829,918). Quayside Holdings Limited has no current intention of making a call on the uncalled Redeemable Preference Shares.

Perpetual preference shares

Quayside Holdings Limited issued a registered prospectus in which the Council offered 200,000,000 Perpetual Preference Shares in Quayside Holdings Limited to the public at \$1 per share. On 12 March 2008, 200,000,000 Perpetual Preference Shares were transferred to the successful applicants for Perpetual Preference Shares under the prospectus. The Council retained 783 Perpetual Preference Shares.

Council financial assets

The proceeds from the sale of the Perpetual Preference Shares are fully allocated to infrastructure projects in the Bay of Plenty. Funds which are allocated but not due to be paid immediately are invested in term deposits, bonds and other fixed and floating rate notes.

Policies

Term deposits

The carrying amount of term deposits, floating rate notes and bonds and other fixed rate notes approximates their fair value.

Bonds and other fixed rate notes

Bonds and other fixed rate notes are measured at their fair value after initial recognition based on independent valuations from Bancorp Limited. Gains or losses on re-measurement are recognised in equity.

Listed shares

Listed shares in subsidiaries are carried at fair value. The fair value of shares are determined by reference to published current bid price quotations in an active market.

Other Financial assets

The group initially recognises loans and receivables on the date that they originated. All other financial assets (including assets designated at fair value through surplus or deficit) are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The group classifies non-derivative financial assets into the following categories:

Held-to-maturity investments

If the group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses. Held to maturity investments are term deposits.

Financial assets at fair value through surplus or deficit

A financial asset is classified at fair value through surplus or deficit if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through the surplus or deficit if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Attributable transaction costs are recognised in the surplus or deficit as incurred. Financial assets at fair value through surplus or deficit are measured at fair value and changes therein, which takes in to account any dividend income, are recognised in the surplus or deficit.

Financial assets designated at fair value through the surplus or deficit include: equity securities that otherwise would have been classified as available for sale.

Advances and receivables

Advances and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Advances and receivables include: cash and cash equivalents and trade and other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive revenue and expense and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to the surplus or deficit.

Available-for-sale financial assets include: shares held in the Port of Tauranga Limited, 'A' units held in Quayside Unit Trust, units in Quayside Investment Trust, shares in Quayside Properties Limited, shares in Quayside Securities Limited and bonds and other fixed rate notes held by Council.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and group includes in this category:

- Investments that it intends to hold long-term but which may be realised before maturity; and
- Shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Investments carried at cost

Bay of Plenty Regional Council's investment in its subsidiary is carried at cost.

16 Derivative financial instruments

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Current assets				
Foreign currency derivatives - cash flow hedges	-	-	-	-
Total current assets	-	-	-	-
Non-current assets				
Interest rate derivatives - not designated as hedges	171	171	-	-
Total non current assets	171	171	-	-
Total assets	171	171	-	-
Current liabilities				
Interest rate derivatives - cash flow hedges	-	-	-	983
Foreign currency derivatives - no longer meeting hedge accounting criteria		1,013		455
Total current liabilities	-	1,013	-	1,438
Non-current liabilities				
Interest rate derivatives - cash flow hedges	-	8,887	-	17,063
Total non current liability portion	-	8,887	-	17,063
Total liabilities	-	9,900	-	18,501

Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cashflow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the highly probable forecast

transaction, upon which the hedging was based, occurs. When the hedged item is a non financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in the hedging reserve is transferred to the income statement in the same period that the hedged item affects the income statement.

Fair Values

The fair value of derivatives traded in active markets is based on quoted market prices at the reporting date. The fair value of financial instruments that are not traded in active markets (for example over-the-counter derivatives) are determined by using market accepted valuation techniques incorporating observable market data about conditions existing at each reporting date.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using quoted forward exchange rates at the reporting date.

Valuation inputs for valuing derivatives are as follows:

<i>Valuation Input</i>	<i>Source</i>
Interest rate forward price curve	Published market swap rates.
Foreign exchange forward prices	Published spot foreign exchange rates and interest rate differentials.
Discount rate for valuing interest rate and foreign exchange derivatives	Published market interest rates as applicable to the remaining life of the instrument adjusted for the credit risk of the counterparty for assets and the credit risk of the group for liabilities.

All financial instruments held by the group and designated fair value are classified as level 2 under the fair value measurement hierarchy.

Policies

The group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments qualifying for hedge accounting are classified as non current if the maturity of the instrument is greater than 12 months from reporting date and current if the instrument matures within 12 months from reporting date. Derivatives accounted for as trading instruments are classified as current.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Derivative financial instruments and hedging activities

The group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments qualifying for hedge accounting are classified as non-current if the maturity of the instrument is greater than 12 months from reporting date and current if the instrument matures within 12 months from reporting date. Derivatives accounted for as trading instruments are classified as current.

Derivative financial instruments are recognised initially at fair value and transaction costs are expensed immediately. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the surplus or deficit. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the hedging relationship.

Cash Flow Hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the statement of comprehensive revenue and expense.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the highly probable forecast transaction, upon which the hedging was based, occurs. When the hedged item is a non financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in the hedging reserve is transferred to the statement of comprehensive revenue and expense in the same period that the hedged item affects the statement of comprehensive revenue and expense.

Fair Value Hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive revenue and expense, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

17 Property plant and equipment

2017	Cost / reval- uation	Accum. depn and impair- ment charges	Carrying amount	Current year addi- tions	Current year dis- posals	Current year adjust- ments	Current year impair- ment charges	Current year depn	Reval- uation surplus	Depn write back on disposals	Depn write back on reval- uation adjustments	Cost / reval- uation	Accum. depn and impair- ment charges	Net book value amount
	1-Jul-16	1-Jul-16	1-Jul-16									30-Jun-17	30-Jun-17	30-Jun-17
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bay of Plenty Regional Council														
Operational assets:														
Land	5,780	-	5,780	-	-	-	-	-	840	-	-	6,620	-	6,620
Buildings	13,454	(2,322)	11,132	-	(26)	(840)	-	(3,991)	(5,622)	19	6,294	6,966	-	6,966
Plant and Equipment	21,978	(13,818)	8,160	3,790	(1,439)	892	-	(2,477)	-	1,297	(147)	25,221	(15,145)	10,076
Maritime	643	-	643	-	-	-	-	(84)	-	-	-	643	(84)	559
Works In Progress	717	-	717	1,772	-	-	-	-	-	-	-	2,489	-	2,489
Infrastructural assets:														
Flood Protection														
Kaituna	48,883	(270)	48,613	10	-	-	(483)	(274)	1,056	-	270	49,949	(756)	49,193
Rangitaiki/Tarawera	74,231	(186)	74,045	49	-	-	(4,323)	(228)	1,450	-	186	75,731	(4,551)	71,179
Whakatāne/Tauranga	52,296	(176)	52,120	-	-	-	(4,256)	(195)	1,582	-	176	53,877	(4,450)	49,427
Waioeka/Otara	31,883	(84)	31,798	-	-	-	(341)	(98)	1,242	-	84	33,125	(439)	32,685
Rangitaiki Drainage	16,549	(20)	16,530	3	-	-	(695)	(10)	(152)	-	20	16,400	(705)	15,695
Communal Pumping	5,272	(2,579)	2,694	-	-	-	-	(235)	-	-	-	5,272	(2,813)	2,459
Other Structures	1,060	-	1,060	-	-	-	-	-	-	-	-	1,060	-	1,060
WIP Rivers & Drainage	10,992	-	10,992	6,823	-	-	-	-	-	-	-	17,815	-	17,815
WIP Lakes Restoration	849	-	849	423	-	-	-	-	-	-	-	1,272	-	1,272
Lakes Restoration	12,109	(1,456)	10,653	-	(115)	-	-	(741)	-	7	-	11,994	(2,190)	9,804
Restricted assets:														
Parks Land	7,461	-	7,461	1,999	-	(70)	-	-	-	-	-	9,391	-	9,391
Parks Buildings	965	(80)	885	18	-	-	-	(29)	-	-	-	984	(109)	875
Other Restricted Land	-	-	-	-	-	70	-	-	55	-	-	125	-	125
Flood Protection	2,357	(34)	2,323	-	-	-	-	(63)	(36)	-	34	2,321	(63)	2,258
Council property plant and equipment	307,479	(21,024)	286,455	14,464	(1,580)	52	(10,098)	(8,425)	415	1,323	6,917	321,255	(31,305)	289,948

2017	Cost / reval- uation	Accum. deprn and impair- ment charges	Carrying amount	Current year addi- tions	Current year dis- posals	Current year adjust- ments	Current year impair- ment charges	Current year deprn	Reval- uation surplus	Deprn write back on disposals	Deprn write back on reval- uation adjustments	Cost / reval- uation	Accum. deprn and impair- ment charges	Net book value amount
	1-Jul-16	1-Jul-16	1-Jul-16									30-Jun-17	30-Jun-17	30-Jun-17
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Subsidiary														
Freehold land	516,858	-	516,858	-	-	-	-	-	63,460	-	-	580,318	-	580,318
Freehold buildings	82,547	(3,922)	78,625	167	(1,273)	15,433	(3,392)		-	1,023	-	96,874	(6,291)	90,583
Wharves and hardstanding	261,654	(8,757)	252,897	104	-	11,178	(9,456)		-	-	-	272,936	(18,213)	254,723
Harbour improvements	121,096	(1,519)	119,577	4	-	36,738	(1,160)		-	-	-	157,838	(2,679)	155,159
Bearer Plants	7,727	-	7,727	-	-	-	(426)		651	-	426	8,378	-	8,378
Plant and equipment	182,435	(76,368)	106,067	1,153	(8,677)	39,147	(9,934)		-	8,587	-	214,058	(77,715)	136,343
Capital work in progress	53,381	-	53,381	59,248	-	(102,496)			-	-	-	10,133	-	10,133
Subsidiary property plant and equipment	1,225,698	(90,566)	1,135,132	60,676	(9,950)	-	(24,368)	64,111	9,610	426	1,340,535	(104,898)	1,235,637	
Elimination of interest capitalised	(3,253)	-	(3,253)	(1,225)	-	-	-		-	-	-	(4,478)	-	(4,478)
Total Group property plant and equipment	1,529,925	(111,590)	1,418,335	74,341	(11,530)	52	(10,098)	(32,792)	64,526	10,933	7,343	1,657,314	(136,205)	1,521,107

Note: Building Assets

Regional House is undergoing a major refurbishment. To reflect the current remaining economic benefit of the building, its depreciation rate has been increased. This accelerated depreciation for 2016/17 is \$3.7 million.

The latest valuation for Flood Protection assets was at 1 July 2016 with the estimated replacement cost as below:

	Closing Book Value	Constructed by Council	Transferred to Council	Estimated Replacement Cost
	\$000	\$000	\$000	\$000
Flood Protection and Control Works				
as at 30 June 2017	220,638	6,885	-	234,355
as at 30 June 2016	225,800	3,806	-	243,130

Rivers and Drainage assets were damaged in the April 2017 flood event and have an impairment applied against each major river and drainage asset group totalling \$10.1 million (2016: \$nil). The recoverable amount of the assets was based on the cost of restoring the assets to their required level of service. This was determined by reference to historical flood loss information and applying a loss percentage to the net cost of the asset. The impairment loss has been written back against reserves built up from previous revaluations of the assets.

2016	Cost / reval- uation	Accum. depn and impair- ment charges	Carrying amount	Current year addi- tions	Current year dis- posals	Current year adjust- ments	Current year impair- ment charges	Current year depn	Reval- uation surplus	Depn write back on disposals	Depn write back on reval- uation adjustments	Cost / reval- uation	Accum. depn and impair- ment charges	Net book value amount
	1-Jul-15	1-Jul-15	1-Jul-15									30-Jun-16	30-Jun-16	30-Jun-16
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bay of Plenty Regional Council														
Operational assets:														
Land	5,780	-	5,780	-	-	-	-	-	-	-	-	5,780	-	5,780
Buildings	12,981	(594)	12,387	92	-	381	-	(1,728)	-	-	-	13,454	(2,322)	11,132
Plant and Equipment	25,775	(17,475)	8,300	2,643	(6,063)	(377)	-	(2,295)	-	5,952	-	21,978	(13,818)	8,160
Maritime	576	(6)	570	349	(16)	-	-	(23)	(266)	1	28	643	-	643
Works In Progress	612	-	612	105	-	-	-	-	-	-	-	717	-	717
Infrastructural assets:														
Flood Protection														
Kaituna	47,473	(263)	47,210	156	-	19	-	(244)	1,236	-	237	48,883	(270)	48,613
Rangitaiki/Tarawera	74,208	(177)	74,032	167	-	(1,373)	-	(186)	1,229	-	176	74,231	(186)	74,045
Whakatāne/Tauranga	51,387	(171)	51,216	60	-	-	-	(176)	849	-	171	52,296	(176)	52,120
Waioeka/Otara	31,547	(82)	31,465	274	-	-	-	(84)	62	-	82	31,883	(84)	31,798
Rangitaiki Drainage	14,972	(21)	14,951	140	-	1,356	-	(20)	81	-	21	16,549	(20)	16,530
Communal Pumping	5,272	(2,344)	2,928	-	-	-	-	(235)	-	-	-	5,272	(2,579)	2,694
Other Structures	1,060	-	1,060	-	-	-	-	-	-	-	-	1,060	-	1,060
WIP Rivers & Drainage	7,974	-	7,974	3,019	-	-	-	-	-	-	-	10,992	-	10,992
WIP Lakes Restoration	1,077	-	1,077	(228)	-	-	-	-	-	-	-	849	-	849
Lakes Restoration	11,782	(722)	11,060	327	-	-	-	(734)	-	-	-	12,109	(1,456)	10,653
Restricted assets:														
Land	6,758	-	6,758	703	-	-	-	-	-	-	-	7,461	-	7,461
Buildings	965	(52)	913	-	-	-	-	(28)	-	-	-	965	(80)	885
Flood Protection														
Kaituna Pump Station	2,376	(34)	2,342	-	-	(19)	-	(59)	-	-	60	2,357	(34)	2,323
Council property plant and equipment	302,575	(21,939)	280,635	7,807	(6,079)	(13)	-	(5,811)	3,190	5,952	774	307,479	(21,024)	286,455

2016	Cost / reval- uation	Accum. depn and impair- ment charges	Carrying amount	Current year addi- tions	Current year dis- posals	Current year adjust- ments	Current year impair- ment charges	Current year depn	Reval- uation surplus	Depn write back on disposals	Depn write back on reval- uation adjustments	Cost / reval- uation	Accum. depn and impair- ment charges	Net book value amount
	1-Jul-15	1-Jul-15	1-Jul-15									30-Jun-16	30-Jun-16	30-Jun-16
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Subsidiary														
Freehold land	516,815	-	516,815	43	-	-	-	-	-	-	-	516,858	-	516,858
Freehold buildings	82,157	(55)	82,102	12	(246)	624	(637)	(3,283)	-	53	-	82,547	(3,922)	78,625
Wharves and hardstanding	251,791	-	251,791	117	-	9,746	-	(8,757)	-	-	-	261,654	(8,757)	252,897
Harbour improvements	120,006	-	120,006	16	-	1,074	-	(1,519)	-	-	-	121,096	(1,519)	119,577
Bearer Plants	6,202	-	-	-	-	-	-	(344)	1,525	-	-	7,727	(344)	7,383
Plant and equipment	182,940	(77,650)	105,290	1,734	(21,222)	18,983	(30)	(9,620)	-	10,932	344	182,435	(76,024)	106,411
Capital work in progress	21,420	-	21,420	62,737	-	(30,776)	-	-	-	-	-	53,381	-	53,381
Subsidiary property plant and equipment	1,181,331	(77,705)	1,097,424	64,659	(21,468)	(349)	(667)	(23,523)	1,525	10,985	344	1,225,698	(90,566)	1,135,132
Elimination of interest capitalised	(2,320)	-	(2,320)	(933)	-	-	-	-	-	-	-	(3,253)	-	(3,253)
Total Group property plant and equipment	1,481,586	(99,644)	1,375,739	71,533	(27,547)	(362)	(667)	(29,334)	4,715	16,937	1,118	1,529,924	(111,590)	1,418,335

Council

Land

The most recent valuation of land was performed by an independent registered valuer, Grant Utteridge, of Telfer Young. The valuation was effective as at 30 June 2017.

Regional parks were revalued on 10 October 2014 by Geoff Canham Consulting.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values.

Buildings

The most recent valuation of buildings was performed by an independent registered valuer, Grant Utteridge, of Telfer Young. The valuation was effective as at 30 June 2016, with a review performed as at 30 June 2017.

Buildings are valued at fair value using market based evidence. Market rents and capitalisation rates were applied to reflect market value.

Maritime assets

The most recent valuation of Maritime assets was performed by Robert Beghuis, registered valuer of Beca Projects NZ Limited (BECA). The valuation was effective as at 30 June 2016.

Infrastructure assets

Infrastructure assets are valued using the optimised replacement cost method.

Infrastructural assets were revalued on 1 July 2016 by engineers of the Council to Optimised Depreciated Replacement Cost (ODRC) in accordance with Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17), and Property Institute of New Zealand standards. The revaluation for Lakes was carried out as at 30 June 2014 by Darroch Limited.

Restricted Assets

Council restricted assets consist of regional parks and buildings on those parks, and public water pumps. These assets are subject to either restrictions on use, or disposal or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977) or other restrictions.

Subsidiary:

Bearer Plants

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2017 undertaken by Telfer Young. The fair value measurement has been categorised as a level 2 fair value based on the inputs to the valuation technique. Fair value has been determined with reference to comparative orchard sales in the region, taking in to account the quality of the orchard, potential production and orchard gate return. The increases in fair value reflect the strong returns of the orchards growing Green variety kiwifruit, and the production returns of the new G3 variety.

Adjustment to comparative information

NZ IAS 41 (Amendment) 'Agriculture' was adopted during the year. This amendment requires bearer plants (kiwifruit vines), to now be accounted for under NZ IAS 16 'Property, plant and equipment' instead of NZ IAS 41 'Agriculture'. This has resulted in the following changes to the accounting treatment:

- Fair value of the vines used to deduct costs to sell – these are now no longer deducted.
- Revaluation gains or losses used to be recognised through profit and loss – these gains or losses are now recognised through other comprehensive income.
- Bearer plants are required to be depreciated – accumulated depreciation is then reversed on revaluation.

The transitional provisions of the amendment require prior period comparatives to be restated in accordance with NZ IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. The impact of the restatement for the Group is shown in the table below:

	2016 Restated \$000	2016 Previously reported \$000	1 Jul 2015 Restated \$000
<i>Statement of Comprehensive Income</i>			
Other gains	17,833	19,322	
Depreciation & Amortisation	(24,072)	(23,728)	
Operating profit before financing costs	116,018	117,851	
Profit before income tax	111,617	113,450	
Income tax receivable/(expense)	(25,101)	(25,572)	
Profit for the period	86,516	87,878	
Revaluation of bearer plants, net of tax	1,346	-	
Total other comprehensive income	(6,884)	(8,230)	
Total comprehensive income for the year	79,632	79,648	
<i>Statement of Changes in Equity</i>			
Retained Earnings – Balance at 1 July 2015	16,356	16,203	
Revaluation Reserve – Balance at 30 June 2016	368,136	366,790	
Retained Earnings - Profit for the period	51,681	53,043	
Retained Earnings – Balance at 30 June 2016	39,145	40,356	
<i>Statement of Financial Position</i>			
Biological Assets	-	7,538	-
Property, plant and equipment	1,135,132	1,127,405	1,097,577
Deferred tax liability	(55,636)	(55,584)	-

Notional Carrying Amounts

For each revalued class of property, plant and equipment, the notional carrying amount that would have been recognised, had the assets been carried under the cost model, would be:

	Group	
	2017 Notional Carrying Amount \$000	2016 Notional Carrying Amount \$000
Freehold land	117,748	117,748
Freehold buildings	61,944	54,324
Wharves and hardstanding	98,299	92,958
Harbour improvements	64,696	28,534
Bearer Plants	1,249	1,249
Total notional carrying amount	343,936	293,564

Restriction on Title

An area of 8,000 square metres of land located between the Sulphur Point wharves and the Parliamentary approved reclamation does not have formal title. Actions are being taken to resolve the issue and obtain title. The resolution lies with the Government.

Security

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of *Port of Tauranga Group* (refer to note 18).

Occupation of Foreshore

Port of Tauranga Limited holds consent to occupy areas of the Coastal Marine Area to enable the management and operation of port related commercial undertakings that it acquired under the Port Companies Act 1988. The consented area includes a 10 metre radius around navigation aids and a strip

from 30 to 60 metres wide along the extent of the wharf areas at both Sulphur Point and Mount Maunganui.

Judgements

Fair Values

The fair value measurement has been categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs), (refer to note 2 for fair value measurement hierarchy).

Land

In the current financial year a revaluation was undertaken for the land asset class, due to indicators of a potential material movement in the fair value of this asset class since the previous revaluation undertaken at 30 June 2015.

This valuation of land was carried out at 30 June 2017 by Preston Rowe Paterson Tauranga Pty Limited, CBRE Limited and Colliers International New Zealand Limited.

The significant assumptions applied in the valuation of these assets are:

Highest and best use of land: Subject to relevant local authority's zoning regulations.

- Tauranga and Mount Maunganui: The majority of land is zoned "Port Industry" under the Tauranga City Plan and a small portion of land at both Sulphur Point and Mount Maunganui has "Industry" zoning.
- Auckland: The land is zoned "Heavy Industry Zone" under the Auckland Unitary Plan.
- Rolleston: The land is zoned "Business 2A" under the Selwyn District Plan.
- Current market expectations: This is based on yield and recent local sales.

Description	Valuation approach	Hectares	Key valuation assumption (Rates per Square Metre)
Tauranga (Sulphur Point)/Mount Maunganui - wharf and industrial land	Available market evidence	181.7	\$270 - \$569
Auckland land	Available market evidence	6.8	\$475 - \$525
Rolleston land	Available market evidence	15	\$95 - \$105

A +/- 5% movement in the square metre rates applied to land valuations would have a \$29 million impact on "Other Comprehensive Income".

- No restriction of title: Valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore does not impact on the value of the Parent Company's assets.

Other Assets Subject to Revaluation

All buildings, harbour improvements, and wharves and hardstanding have been revalued to fair value, being market value, for non specialised assets and depreciated replacement cost (DRC) for specialised assets. The last valuation was carried out as at 30 June 2015 by Opus International Consultants Limited (wharves and hardstanding, and harbour improvements), Preston Rowe Paterson Tauranga Pty Limited, CBRE Limited and Colliers International New Zealand Limited (buildings). The fair value measurement has been categorised as a level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs), (refer to note 2 for fair value measurement hierarchy).

Wharves and hardstanding, and harbour improvements

Wharves and hardstanding and harbour improvement assets owned by Port of Tauranga Limited are classified as specialised assets and have accordingly been valued on a depreciated replacement cost basis.

The significant assumptions applied in the valuation of these assets are:

- Replacement unit cost - replacement unit costs were calculated taking into account:
 - Port of Tauranga Limited's historic cost data including any recent competitively tendered construction works.
 - Published cost information.
 - The Opus construction cost database.
 - Long run price trends.
 - Historic costs adjusted for changes in price levels.
- An allowance has been included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over the construction period.
- Depreciation - the calculated remaining lives of assets were reviewed, taking into account:
 - Observed and reported condition, performance and utilisation of the asset.
 - Expected changes in technology.
 - Consideration of current use, age and operational demand.
 - Discussions with Port of Tauranga Limited's operational officers.
- Opus Consultants in-house experience from other infrastructure valuations.

- Residual values.

Buildings

The significant assumptions applied in the valuation of these assets are:

- Current market expectations: This is based on yield and recent local sales.
- Current occupancy rates of premises.
- Market value of buildings: This is made on a depreciated replacement cost basis with that assessment compared against actual or likely market rental capitalised at an appropriate rate of return between 5% and 10%.

Future Port plans: The impact of major building relocation and demolition planned by Port of Tauranga Limited to facilitate better utilisation of the wharf areas, including the prospect of increased berthage at Sulphur Point.

Policies

The group has the following classes of property, plant and equipment:

- *Operational assets* – These include land, buildings, plant and equipment, maritime assets and motor vehicles.
- *Restricted assets* – Restricted assets are regional parks owned by Bay of Plenty Regional Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- *Infrastructure assets* – Infrastructure assets are rivers and drainage networks and Rotorua lakes' structures managed by Bay of Plenty Regional Council. Each class includes all items that are required for it to function, such as stopbanks, flood gates and drainage networks and structures.
- *Harbour improvements*
- *Wharves and hardstanding*
- *Bearer plants*

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses. Property, plant and equipment is initially measured at cost, and subsequently stated at either fair value or cost, less depreciation and any impairment losses. Subsequent expenditure that increases the economic benefits derived from the asset is capitalised.

Revaluation

Land, buildings, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. The Group undertakes a three yearly revaluation cycle to ensure the carrying value of these assets do not differ materially from their fair value. If during the three year revaluation cycle there are indicators that fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

Bearer plants are accounted for using the revaluation method and are revalued annually. The revaluation method requires a revaluation to fair value. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

Revaluation movements are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Depreciation

Depreciation of property, plant and equipment, other than freehold land and capital dredging (included within harbour improvements), is calculated on a straight line basis and expensed over their estimated useful lives.

Major useful lives are:

Council:

Class	Useful Life	Depreciation Rate
Buildings	5 to 100 years	1% - 20%
Plant and equipment	2 to 10 years	10% - 50%
<i>Infrastructural assets:</i>		
Concrete wall	50 years	2%
Culvert	50 years	2%
Concrete structures	70 years	1.43%
Other structures	40 years	2.50%
Pump station	70 years	1.43%
Pump components	various	various
Waterways	N/A	0%
Edge protection	N/A	0%
Buffer zone plantings	N/A	0%
Fencing	N/A	0%
Stopbanks	see below	0.30%

The stopbanks are maintained to convey their design flood carrying capacity. However, settlement of 50 percent of the freeboard will be allowed before stopbank reconstruction is undertaken. Stopbank reconstruction will be required on average every 20 years. To account for this, a depreciation rate of 0.3 percent is used, in this instance, after 20 years, the stopbanks will have lost six percent of their value.

Subsidiary:

Class	Useful Life	Depreciation Rate
Bearer plants	20 years	5%
Freehold buildings	33 to 85 years	1% - 3%
Maintenance dredging	3 years	33.33%
<i>Wharves and hardstanding:</i>		
Wharves	10 to 60 years	1.67% to 10%
Wharf rocks	150 to 200 years	0.50% to 0.67%
Wharf piles	60 to 130 years	0.77% to 1.67%
Basecourse	50 years	2%
Asphalt	15 years	6.67%
<i>Plant and equipment</i>		
Gantry cranes	10 to 40 years	2.5% to 10%
Floating plant	10 to 25 years	4% to 10%
Other plant and equipment	5 to 25 years	4% to 20%
Electronic equipment	3 to 5 years	20% to 33.33%

Capital and maintenance dredging are held as harbour improvements. Capital dredging has an indefinite useful life and is not depreciated as the channel is maintained via maintenance dredging to its original depth and contours. Maintenance dredging is depreciated over three years.

Work in progress relates to self constructed assets or assets that are being acquired which are under construction at balance date. Once the asset is fit for intended service, it is transferred to the appropriate asset class and depreciation commences. Software developed undertaken as part of a project is transferred to intangibles on completion.

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefit. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

Impairment of property, plant, and equipment

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non-cash-generating assets:

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

18 Intangible assets

2017	Cost	Accum. depn and impairment charges	Carrying amount	Additions	Disposals	Adjustments	Amortisation charges	Current year depn	Revaluation surplus	Impairment charges	Current year disposals	Depn write back on revaluation adjustments	Cost / revaluation	Accum. amortisation and impairment charges	Net book value
	1-Jul-16	1-Jul-16	1-Jul-16				Current Year						30-Jun-17	30-Jun-17	30-Jun-17
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bay of Plenty Regional Council															
Intangible assets:															
Computer Software	6,725	(4,769)	1,956	4,324	(252)	-	(1,029)	-	-	-	182	-	10,797	(5,616)	5,181
Work in Progress	2,962	-	2,962	(2,845)	-	-	-	-	-	-	-	-	117	-	117
Council Intangible Assets	9,687	(4,769)	4,918	1,479	(252)	-	(1,029)	-	-	-	182	-	10,914	(5,616)	5,298
Subsidiary Intangible Assets															
Computer Software	7,637	(5,559)	2,078	180	(4,650)	-	(407)	-	-	-	4,592	-	3,167	(1,374)	1,793
Rail Services Agreement	10,000	(9,142)	858	-	-	-	(122)	-	-	-	-	-	10,000	(9,264)	736
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	1,409	-	1,409	1,137	-	-	(59)	-	579	-	-	59	3,125	-	3,125
Subsidiary Intangible Assets	34,536	(14,701)	19,835	1,317	(4,650)	-	(588)	-	579	-	4,592	59	31,782	(10,638)	21,144
Group Intangible Assets															
Computer Software	14,362	(10,328)	4,034	4,504	(4,902)	-	(1,617)	-	-	-	4,774	-	13,965	(6,990)	6,975
Rail Services Agreement	10,000	(9,142)	858	-	-	-	(122)	-	-	-	-	-	10,000	(9,264)	736
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	1,409	-	1,409	1,137	-	-	(59)	-	579	-	-	59	3,125	-	3,125
Work in Progress	2,962	-	2,962	(2,845)	-	-	-	-	-	-	-	-	117	-	117
Group Intangible Assets	44,223	(19,470)	24,753	2,796	(4,902)	-	(1,435)	-	579	-	4,774	59	42,697	(16,254)	26,442

2016	Cost	Accum. depn and impairment charges	Carrying amount	Additions	Disposals	Adjustments	Amortisation charges	Current year depn	Revaluation surplus	Impairment charges	Current year disposals	Depn write back on revaluation adjustments	Cost / revaluation	Accum. amortisation and impairment charges	Net book value
	1-Jul-15	1-Jul-15	1-Jul-15										30-Jun-16	30-Jun-16	30-Jun-16
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bay of Plenty Regional Council															
Intangible assets:															
Computer Software	8,018	(5,982)	2,036	920	(2,203)	(11)	(933)	-	-	-	2,147	-	6,725	(4,769)	1,956
Work in Progress	2,050	-	2,050	913	-	-	-	-	-	-	-	-	2,962	-	2,962
Council Intangible Assets	10,068	(5,982)	4,085	1,833	(2,203)	(11)	(933)	-	-	-	2,147	-	9,687	(4,769)	4,918
Subsidiary Intangible Assets															
Computer Software	6,962	(5,196)	1,766	434	(108)	349	(424)	-	-	-	61	-	7,637	(5,559)	2,078
Rail Services Agreement	10,000	(9,019)	981	-	-	-	(123)	-	-	-	-	-	10,000	(9,142)	858
Goodwill	18,610	-	18,610	-	(3,120)	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	826	-	826	-	-	-	-	-	583	-	-	-	1,409	-	1,409
Subsidiary Intangible Assets	36,398	(14,215)	22,183	434	(3,228)	349	(547)	-	583	-	61	-	34,536	(14,701)	19,835
Group Intangible Assets															
Computer Software	14,980	(11,178)	3,802	1,354	(2,311)	338	(1,357)	-	-	-	2,208	-	14,362	(10,328)	4,034
Rail Services Agreement	10,000	(9,019)	981	-	-	-	(123)	-	-	-	-	-	10,000	(9,142)	858
Goodwill	18,610	-	18,610	-	(3,120)	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	826	-	826	-	-	-	-	-	583	-	-	-	1,409	-	1,409
Work in Progress	2,050	-	2,050	913	-	-	-	-	-	-	-	-	2,962	-	2,962
Group Intangible Assets	46,466	(20,197)	26,268	2,267	(5,431)	338	(1,480)	-	583	-	2,208	-	44,223	(19,470)	24,753

G3 Licences

The G3 licences held are for a total of 13.29 hectares (2016: 8.29 hectares). The 2014 to 2017 harvest returns and G3 current resilience to the Psa V disease has increased the value of G3 licences. A registered valuer at 30 June 2017 determined that the fair value for licences held by Quayside was \$3,125,000. The original cost of the licences is \$1,195,149. The fair value measurement for these assets is categorised as a level 1 fair value.

From September 2016, Zespri announced that G3 licences now have a determined expiration date of 6 September 2039. Amortisation of the licence has been calculated from September 2016 on the basis of this useful life. Prior to September 2016 there was no amortisation of the licence due to the undetermined licence period.

Judgements

Goodwill relates to goodwill arising on the acquisition of Quality Marshalling (Mount Maunganui) Limited.

Goodwill was tested for impairment at 30 June 2017 and confirmed that no adjustment was required. For impairment testing the calculation of value in use was based upon the following key assumptions:

- Cash flows were projected using management forecasts over the five-year period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount rate of 12% was used.

Policies

Kiwifruit licences

Kiwifruit licences are initially measured at cost and are then subsequently revalued each year. Previously kiwifruit licences were not amortised as the useful life of the Plant Variety Rights was undetermined. In September 2016, Zespri issued a statement that Plant Variety Rights had been granted for the Gold3 (G3) variety and that these rights have an expiration date of 6 September 2039. Amortisation has been calculated on the licences from September 2016 based on this licence period.

After initial recognition, licences are carried at a revalued amount, being fair value at the date of revaluation less any subsequent accumulated impairment losses. Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in other comprehensive income. To the extent that the increase reverses a decrease previously recognised in the Income Statement, the increase is recognised in the Income Statement. If the carrying amount is decreased as a result of revaluation, the decrease shall be recognised in the Income Statement unless there is a credit balance existing in the revaluation reserve in respect of that asset – in which case the reserve should be offset first.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The group measures goodwill as the fair value of consideration transferred, less the fair value of the net identifiable assets and liabilities assumed at acquisition date.

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets acquired by the group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

The estimated useful lives for the current and comparative periods are as follows:

Rail services agreement	10 to 15 years
Computer software	1 to 10 years

Goodwill is tested for impairment annually, based upon the value in use of the cash generating unit to which the goodwill relates. Value in use was determined by discounting five year future cash flows, generated from the continuing use of the units.

The carrying amounts of the group's intangibles other than goodwill are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

Computer software assets are stated at cost, less accumulated amortisation and impairment.

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

19 Investment properties

The Council has no investment properties. This note is for the subsidiary only.

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Balance at 1 July	-	12,000	-	10,735
Additions - work in progress (at cost)	-	216	-	198
Additions - (at cost)	-	3,900	-	650
Realised gains on sale	-	-	-	-
Fair value gains on valuation	-	1,289	-	417
Balance at 30 June	-	17,405	-	12,000

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Rental income from investment properties	-	187	-	169
Expenses from investment property generating income	-	45	-	10

Investment properties are valued annually to fair value. The fair value measurement has been categorised as a level 2 fair value based on the inputs to the valuation technique. The properties located at the Ranguru Business Park are designated industrial under the Western Bay of Plenty District Council District Plan. These properties include land, buildings, and improvements and are currently being operated as kiwifruit orchards, leased dairy grazing land and residential rentals.

During the year a commercial property was purchased in Spring Street, Tauranga central. The property is currently being refit with the intention of being leased to multiple tenants in the next financial year.

Work in progress includes the costs incurred to date in drilling of an exploratory water bore for the Ranguru Business Park and work on the refit of the Spring

Street building. The value of these works was not included in the independent registered valuations, as the work is not yet complete.

The valuation of all investment property was carried out by independent registered valuers. The valuers are experienced valuers with extensive market knowledge in the type of investment properties owned by Quayside Properties Limited. All investment properties were valued based on open market evidence and 'highest and best use' currently for the land. The significant assumptions applied in the valuation of these assets are:

- Most of the land owned by Quayside Properties Limited is located in the Western Bay of Plenty and has a dual zoning of rural and industrial. Further property owned in the Tauranga City Council is zoned rural.
- Under normal current market valuation, the value of the dairy and orchard land would be determined by the value of the land for future business park development. However, current highest and best use of the dairy land has been determined for separate lots as either dairy grazing or for the kiwifruit orchard. It has been determined that the highest and best use for the kiwifruit orchard properties is still as operating orchards.

Improvement values have been assessed with regard to their income producing capacity, depreciated replacement cost and an analysis of sales where properties have included similar asset types.

Policies

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Cost includes any expenditure that is directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Properties leased to third parties under operating leases are generally classified as investment property unless:

- the occupants provide services that are integral to the operation of the Group's business and those services could not be provided efficiently and effectively by the lessee in another location;
- the property is being held for future delivery of services by the Group; or
- the lessee uses services of the Group and those services are integral to the reasons for the lessee's occupancy of the property.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its costs for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Any improvements in investment property will be recognised initially at cost whilst the work is in progress, and will subsequently be included in the fair value revaluation once the work is complete.

20 Investments in subsidiaries

Investments in subsidiaries comprise:

Name of Equity	Principal Activity	Interest Held by Group		
		2017 %	2016 %	Balance date
Subsidiaries of Bay of Plenty Regional Council:				
BoPLASS Limited		17.24	17.24	30 June
Quayside Holdings Limited		100	100	30 June
Subsidiaries of Quayside Holdings Limited:				
	Majority shareholder in POT and			
Quayside Unit Trust (QUT)	hold equities	100.00	100.00	30 June
Quayside Investment Trust (QIT)	Hold equity investments	100.00	100.00	30 June
Quayside Securities Limited (QSL)	Trustee for QUT and QIT	100.00	100.00	30 June
Quayside Properties Limited (QPL)	Hold investment properties	100.00	100.00	30 June
Port of Tauranga Limited (POT)	Port company	54.14	54.14	30 June
Subsidiaries of Port of Tauranga Limited:				
Port of Tauranga Trustee Company Limited	Holding company for employee share scheme	100.00	100.00	30 June
Quality Marshalling (Mount Maunganui)	Marshalling and terminal operations services	100.00	100.00	30 June

The subsidiaries of the Group are incorporated / established in New Zealand.

The principal place of business of Quayside Holdings Limited's wholly owned subsidiaries is Tauranga, New Zealand.

Port of Tauranga Limited facilitates export and import activities through the Port of Tauranga, located in Mount Maunganui in the Bay of Plenty, New Zealand.

The fair value of subsidiaries with unlisted shares is based on the entity's net assets recorded in the financial statements and are categorised under the Level 2 fair value hierarchy. Listed shares held in the Port of Tauranga Limited are stated at fair value as determined by reference to published current bid

price quotations in an active market, and are categorised under the Level 1 fair value hierarchy.

Quayside Securities Limited holds the shares in Port of Tauranga Limited as Trustee for the Quayside Unit Trust. This is in accordance with the Declaration of Trust by Quayside Securities Limited. Section 92 of the Companies Act 1993 prevents Notice of any Trust being entered on the share register, and consequently the share certificate is in the name of Quayside Securities Limited. The name on the share certificate however is not necessarily determinative of beneficial ownership. The shares in Port of Tauranga Limited were purchased at \$1.27 per share. During 2002 the Port of Tauranga Limited had a 2:1 share split, resulting in a total number of shares held of 73,687,536. A further 5:1 share split on 17 October 2016 has resulted in a total number of shares held of 368,437,680.

Quayside Securities Limited as Trustee for the Quayside Unit Trust holds the shares in Port of Tauranga Group through its 54.14% (2016: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2016: 45.86%) of the Port of Tauranga Limited is held by non-controlling interests.

Investment in Port of Tauranga Group Percentage ownership interest	2017 \$000	2016 \$000
Non current assets	1,372,861	1,269,148
Current assets	49,739	53,219
Non current liabilities	(192,424)	(204,298)
Current liabilities	(298,233)	(232,385)
Net Assets (100%)	931,943	885,684
Group share of net assets 54.14% (2015: 54.14%)	504,554	479,509
Non Controlling Interest 45.86% (2015: 45.86%)	427,389	406,175
Accounting adjustment to non controlling interest	(7,359)	(6,905)
Reported non controlling interest	420,030	399,270

Port of Tauranga Group - summary of financial performance and cashflow

Operating revenue	255,882	245,521
Profit after income tax	83,441	77,314
Total comprehensive income	153,713	68,879
Net cash inflow from operating activities	98,185	88,069
Ending cash and cash equivalents	5,184	11,580

Policies

Subsidiaries are entities controlled by the group. Control exists when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-Controlling Interest

The share of the net assets of controlled entities attributable to non controlling interests is disclosed separately on the statements of financial position. In the income statements, the profit or loss of the group is allocated between profit or loss attributable to non controlling interest and profit or loss attributable to owners of the Parent Company.

Available-for-sale financial assets

In respect of the Quayside Holdings accounts, the accounting policy is to account for subsidiary investments at fair value as an available-for-sale asset. The fair value of investments in subsidiaries is based on the entity's net assets recorded in the financial statements and are categorised under the level 2 fair value hierarchy

Available-for-sale financial assets are non-derivative assets that are designated as available-for-sale or are not classified in any other category of financial asset. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the available-for-sale revaluation reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

21 Investments in equity accounted investees

The Council has no investments in equity accounted investees. This note is for the subsidiary only.

Name of Entity	Principal Activity	2017 %	2016 %	Balance Date
Quayside Holdings Limited				
	Technological incubator			
WNT Ventures (A)		20.00	25.00	30 June
Ōpōtiki Packing & Coolstorage Limited (A)	Kiwifruit packhouse	10.10	10.10	31 Dec*
HoneyLab Limited (A)	Honey products	14.13	12.53	31 Mar*
Rhodium Limited (A)	Dental technology	9.70	5.10	31 Dec*
Oriens Capital (A)	Private equity fund	19.77	-	31 Mar*
Port of Tauranga Limited				
Northport Limited (JV)	Sea Port	50.00	50.00	30 June
	Freight logistics and warehousing			
Coda Group Limited Partnership (JV)		50.00	50.00	30 June
PrimePort Timaru Limited (JV)	Sea Port	50.00	50.00	30 June
	On line cargo management			
PortConnect Limited (JV)		50.00	50.00	30 June
Timaru Container Terminal Limited (JV)	Sea Port	50.10	50.10	30 June

(A) - Associate

(JV) - Joint Venture

* Non-standard balance dates of Parent equity accounted investees are aligned to their business cycle and accepted on the basis they are not material to the Group.

Carrying value of investments in Equity Accounted Investees:

	Group 2017 \$000	Group 2016 \$000
Investments in equity accounted investees		
Balance at 1 July	130,073	119,032
Share of after net profit after tax	13,282	13,667
Share of hedging reserve	182	(395)
Share of revaluation reserve	747	(57)
Share of total comprehensive income	14,211	13,215
Purchase of shares in associates	4,300	6,493
Dividends received	(10,570)	(8,667)
Balance at 30 June 2016	138,014	130,073

Quayside Group

The Parent has committed uncalled capital in its equity accounted investees of \$8,610,000 (2016: \$360,000).

There are no contingent liabilities relating to the Parent's interests in its equity accounted investees.

The following table summarises the financial information of individually immaterial Equity Accounted interests in associates, as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. These Equity Accounted Investees relates to the Parent only, as the *Port of Tauranga Group* only has Equity Accounted Investee interests in Joint Ventures – shown separately below.

Summarised Financial Information of immaterial Equity Accounted Investees - Associates:

Subsidiary	2017 \$000	2016 \$000
Cash and cash equivalents	4,030	4,592
Total current assets	19,453	18,989
Total non current assets	41,884	29,561
Total assets	61,337	48,550
Current financial liabilities excluding trade and other payables and provisions	2,019	1,072
Total current liabilities	13,027	11,653
Non current financial liabilities excluding trade and other payables and provisions	11,164	9,673
Total non current liabilities	11,164	9,673
Total liabilities	24,191	21,326
Net assets	37,146	27,224
Group's share of net assets	4,646	2,430
Goodwill acquired on acquisition of equity accounted investees	5,785	4,353
Carrying amount of equity accounted investees	10,431	6,783
Revenues	48,402	26,557
Depreciation and amortisation	(2,813)	(692)
Interest expense	(340)	(178)
Net profit before tax	(5,421)	3,742
Tax expense	(308)	(1,140)
Net profit after tax	(5,729)	2,602
Other comprehensive income	1,117	-
Total comprehensive income	(4,612)	2,602
Group's share of net profit after tax	(713)	230
Group's share of total comprehensive income	(589)	230

The following table summarise the financial information of Northport Limited, Coda Group Limited Partnership and the combined value of other Joint Venture Equity Accounted Investees as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. This note relates to the Group only as the Parent has no interests in Joint Ventures.

Summarised Financial Information of Equity Accounted Investees – Joint Ventures:

	Northport Ltd	Coda Group Ltd P'ship	Other equity accounted investees	Total
2017	NZ \$000	NZ \$000	NZ \$000	NZ \$000
Cash and cash equivalents	206	3,963	3,710	7,879
Total current assets	3,759	28,329	8,854	40,942
Total non current assets	131,152	30,000	83,628	244,780
Total assets	134,911	58,329	92,482	285,722
Current financial liabilities excluding trade and other payables and provisions	2,220	1,039	8,595	11,854
Total current liabilities	4,553	19,490	11,767	35,810
Non current financial liabilities excluding trade and other payables and provisions	35,188	802	27,318	63,308
Total non current liabilities	35,188	802	27,318	63,308
Total liabilities	39,741	20,292	39,085	99,118
Net assets	95,170	38,037	53,397	186,604
Group's share of net assets	47,585	19,020	26,702	93,307
Goodwill acquired on acquisition of equity accounted investees	-	29,414	4,862	34,276
Carrying amount of equity accounted investees	47,585	48,434	31,564	127,583
Revenues	40,894	200,703	31,513	273,110
Depreciation and amortisation	(4,186)	(1,512)	(2,035)	(7,733)
Interest expense	(1,771)	-	(1,307)	(3,078)
Net profit before tax	18,164	6,208	3,617	27,989
Tax expense	(6,143)	-	(1,394)	(7,537)
Net profit after tax	18,164	6,208	3,617	29,599
Other comprehensive income	1,610	-	-	1,610
Total comprehensive income	19,774	6,208	3,617	29,599
Group's share of net profit after tax	9,082	3,104	1,809	13,995
Group's share of total comprehensive income	9,887	3,104	1,809	14,800

	Northport Ltd	Coda Group Ltd P'ship	Other equity accounted investees	Total
2016	NZ \$000	NZ \$000	NZ \$000	NZ \$000
Cash and cash equivalents	321	2,875	2,692	5,888
Total current assets	4,612	23,734	6,989	35,335
Total non current assets	131,548	24,173	84,256	239,977
Total assets	136,160	47,907	91,245	275,312
Current financial liabilities excluding trade and other payables and provisions	1,994	1,588	8,319	11,901
Total current liabilities	6,651	16,758	12,727	36,136
Non current financial liabilities excluding trade and other payables and provisions	36,450	-	27,391	63,841
Total non current liabilities	36,450	-	27,391	63,841
Total liabilities	43,101	16,758	40,118	99,977
Net assets	93,059	31,149	51,127	175,335
Group's share of net assets	46,530	15,575	25,569	87,674
Goodwill acquired on acquisition of equity accounted investees	-	30,754	4,862	35,616
Carrying amount of equity accounted investees	46,530	46,329	30,432	123,290
Revenues	38,829	204,761	29,140	272,730
Depreciation and amortisation	(4,186)	(1,477)	(1,731)	(7,394)
Interest expense	(1,858)	-	(809)	(2,667)
Net profit before tax	22,590	6,026	5,565	34,181
Tax expense	(5,730)	-	(1,525)	(7,255)
Net profit after tax	16,860	6,026	4,040	26,926
Other comprehensive income	(1,464)	-	560	(904)
Total comprehensive income	15,396	6,026	4,600	26,022
Group's share of net profit after tax	8,430	3,013	1,994	13,437
Group's share of total comprehensive income	7,698	3,013	2,274	12,985

Tax Treatment of Coda Group

Coda Group is treated as a partnership for tax purposes and is not taxed at the partnership level. 50% of the income and expenses flow through the limited partnership to the Port of Tauranga Limited who is then taxed.

Judgements

Quayside Holdings Limited

As at 30 June 2017 the Parent had either appointed a director to the board or was entitled to appoint a director to the board of its associates. The entitlement to appoint a director and appointment of a director permits Quayside Holdings to participate in the financial and operating policy decisions of the companies. Despite holding less than 20% of the voting rights of the entities, an entitlement and appointment of a director is considered "significant influence" and allows the accounting for each investment as an equity accounted investee.

Port of Tauranga Group has joint control over its investees, due to the existence of contractual agreements which require the unanimous consent of the parties sharing control over relevant business activities.

The investment in Coda Group was tested for impairment at 30 June 2017 and confirmed that no adjustment was required. For impairment testing the calculation of value in use was based upon the following key assumptions:

- Cash flows were projected using management forecasts over the five year period.
- Terminal cash flows were estimated using a constant growth rate of 2% after year five.
- A pre-tax discount of 12% was used.

Management has performed sensitivity analysis on its impairment testing. A change in isolation of either of the two key assumptions (pre-tax discount rate and anticipated growth rates over the five year period) by over 40% would not result in impairment.

Policies

The Group's interests in Equity Accounted Investees comprise interests in associates and joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates, are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies.

Equity Accounted Investees are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of Equity Accounted Investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.

22 Trade and other payables

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Current				
Trade payables	6,176	19,188	6,284	17,374
Accrued expenses	4,822	24,461	2,588	22,702
Payables to equity accounted investees and related parties	-	36	-	40
Income in advance	660	976	325	325
	11,658	44,661	9,197	40,441
Non current	-	-	-	-
Accounts payable	-	-	-	13
Total trade and other payables	11,658	44,661	9,197	40,454

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

Payables denominated in currencies other than the functional currency are nil (2016: nil).

Payables - current

	Council 2016/17	Council 2015/16
	\$000	\$000
Total current payables comprise:		
Payables and deferred revenue under non-exchange transactions - this includes grants payable	-	-
Payables and deferred revenue under exchange transactions - this includes trade payables, income in advance and accruals	11,658	9,197
Total current receivables	11,658	9,197

23 Deferred taxation

The Council has no deferred taxation. This note is for the subsidiary only.

Subsidiary	Assets		Liabilities		Net	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	\$000	\$000	\$000	\$000	\$000	\$000
Deferred tax (asset)/liability						
Property, plant and equipment	-	-	62,744	63,583	62,744	63,583
Investment property	(1,590)	(1,945)	-	-	(1,590)	(1,945)
Intangible assets	-	-	954	800	954	800
Finance lease receivables	-	-	13	2	13	2
Derivatives	(2,898)	(5,310)	-	-	(2,898)	(5,310)
Provisions and accruals	(1,861)	(1,494)	-	-	(1,861)	(1,494)
Total	(6,349)	(8,749)	63,711	64,385	57,362	55,636

Subsidiary	Recognised in the Income Statement		Recognised in Comprehensive income	
	2016/17	2015/16	2016/17	2015/16
	\$000	\$000	\$000	\$000
Property, plant and equipment	(1,141)	(437)	302	345
Investment property	355	(1,945)	-	-
Intangible assets	(12)	68	165	378
Finance lease receivables	11	2	-	-
Derivatives	-	-	2,412	(2,926)
Provisions and accruals	(367)	(206)	-	-
Total	(1,154)	(2,518)	2,879	(2,203)

Unrecognised Tax Losses or Temporary Differences

At 30 June 2017, Quayside Holdings Limited had a deferred tax asset of \$90,471 (2016: \$218,868) in relation to excess imputation credits converting to losses of \$323,211 (2016: \$781,674). The deferred tax asset was not recognised as it is not probable that future taxable profit will be available against which the Parent can utilise the benefits therefrom. A deferred tax asset of \$214,130 (2016: \$672,507) has not been recognised for excess imputation credits converting to tax losses of \$764,750 (2016: \$2,401,812) in Quayside

Unit Trust. There are no other material unrecognised temporary differences in the *Quayside group*.

Policies

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

24 Employee benefit liabilities

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Current				
Accrued Pay				
Opening balance	1,891	1,891	1,138	1,138
Charged/credited to the income statement	-	-	-	-
Additional provisions	1,833	1,833	1,891	1,891
Used during year	(1,891)	(1,891)	(1,138)	(1,138)
Transferred from non-current	-	-	-	-
Closing balance	1,833	1,833	1,891	1,891
Annual Leave				
Opening balance	2,028	2,028	1,741	1,741
Charged/credited to the income statement	-	-	-	-
Additional provisions	2,417	2,417	2,028	2,028
Used during year	(2,028)	(2,028)	(1,741)	(1,741)
Closing balance	2,417	2,417	2,028	2,028
Sick leave				
Opening balance	54	54	49	49
Charged/credited to the income statement	-	-	-	-
Additional provisions	55	55	54	54
Used during year	(54)	(54)	(49)	(49)
Closing balance	55	55	54	54
Long service leave				
Opening balance	127	127	141	141
Charged/credited to the income statement	-	-	-	-
Additional provisions	127	127	127	127
Used during year	(127)	(127)	(141)	(141)
Closing balance	127	127	127	127

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Employee benefits - profit sharing and bonuses				
Opening balance	-	2,040	-	1,778
Charged/credited to the income statement	-	-	-	-
Additional provisions	-	2,798	-	2,050
Used during year	-	(2,905)	-	(1,788)
Closing balance	-	1,933	-	2,040
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-	253	-	342
Charged/credited to the income statement	-	-	-	-
Utilised during the period	-	(253)	-	(342)
Additional provisions	-	584	-	107
Transferred from non-current	-	(183)	-	146
Closing balance	-	401	-	253
Total Current	4,432	6,766	4,100	6,393

Non current**Long service leave**

Opening balance	1,090	2,468	951	2,163
Charged/credited to the income statement	-	-	-	-
- Additional provisions	1,017	1,236	1,090	1,404
- Unused amounts reversed	(1,090)	(1,181)	(951)	(956)
Used during year	-	(50)	-	(143)
Closing balance	1,017	2,473	1,090	2,468

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-	249	-	395
Charged/credited to the income statement	-	-	-	-
- Transferred to current	-	183	-	(146)
Closing balance	-	432	-	249
Total non current	1,017	2,905	1,090	2,717
Total employee benefit liabilities	5,449	9,672	5,190	9,110

Long service leave*Council*

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rates and the salary inflation rate. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand Government bonds. This discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns.

Subsidiary

Underlying assumptions for provisions relate to the probabilities of employees reaching the required vesting period to qualify for long service leave. Probability factors for reaching long service leave entitlements are based on historic employee retention information.

Management Long Term Incentive (LTI)

Members of Port of Tauranga Limited's Executive Management Team are eligible to receive payment under the Management Long Term Incentive Scheme. The scheme is classified as a cash settled share based payment scheme and is based upon a combination of total shareholder return versus an index and earnings per share growth, both over a three year period. The amount recognised in the income statements during the period is \$584,000 (2016: \$107,000).

Profit Sharing and Bonuses

The Profit Sharing and Bonus Scheme rewards eligible employees based on a combination of company performance against budget and personal performance. The incentive is generally paid biannually.

Policies

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

Long-term employee benefits

The group grants employees certain one-off annual leave entitlements upon reaching certain long service targets. The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee

departures and periods of service. Expected future payments are discounted using market yields at the reporting date on New Zealand Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Short-term employee benefits

Employee benefits expected to be settled within 12 months after the end of period in which the employee renders the related service are measured on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised by the subsidiary for the amount expected to be paid under short term cash bonus or profit sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for a defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

25 Loans and borrowings

The Council has no loans and borrowings. This note is for the subsidiary only.

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For additional information about the Group's exposure and sensitivity to interest rate risk, refer to note 36.

	Council	Group	Council	Group
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
Current				
Commercial papers	-	225,000	-	190,000
Advances from employees	-	140	-	-
Standby revolving cash advance facility	-	30,000	-	-
	-	255,140	-	190,000
Non current				
Westpac	-	56,510	-	53,000
Fixed Rate Bond - 1st issue	-	50,000	-	50,000
Fixed Rate Bond - 2nd issue	-	75,000	-	75,000
Standby revolving cash advance facility	-	-	-	5,000
Advances from employees	-	223	-	200
Perpetual Preference Share Quayside Holdings Limited	-	194,885	-	194,885
	-	376,618	-	378,085
Total borrowings	-	631,758	-	568,085

2017	Maturity	Coupon	Committed Undrawn Carrying		
			Facilities	Facilities	Value
			NZ\$000	NZ\$000	NZ\$000
Non current					
Westpac borrowings (Quayside Holdings Limited)	2018	Floating	70,000	13,490	56,510
Standby revolving cash advance	2022	Floating	100,000	100,000	-
Fixed rate bond - 2nd issue	2021	4.792%	75,000	-	75,000
Standby revolving cash advance facility	2021	Floating	100,000	100,000	-
Standby revolving cash advance facility	2020	Floating	80,000	80,000	-
Fixed rate bond - 1st issue	2019	5.865%	50,000	-	50,000
Advances from employees	Various	0%	-	-	223
Total non current			475,000	293,490	181,733
Current					
Standby revolving cash advance	2018	Floating	100,000	70,000	30,000
Multi option facility	2017	Floating	5,000	5,000	-
Commercial papers	<3mths	Floating	-	-	225,000
Advances from employees	Various	0%	-	-	140
Total current			105,000	75,000	255,140
Total			580,000	368,490	436,873

2016	Maturity	Coupon	Committed Undrawn Carrying		
			Facilities \$000	Facilities \$000	Value \$000
Non current					
Westpac borrowings (Quayside Holdings Limited)	2018	Floating	70,000	17,000	53,000
Standby revolving cash advance	2020	Floating	80,000	80,000	-
Fixed rate bond - 2nd issue	2021	4.792%	75,000	-	75,000
Standby revolving cash advance facility	2019	Floating	100,000	100,000	-
Standby revolving cash advance facility	2018	Floating	100,000	95,000	5,000
Revolving cash advance facility	2017	Floating	30,000	30,000	-
Fixed rate bond -1st issue	2019	5.865%	50,000	-	50,000
Advances from employees	Various	0%	-	-	200
Total non current			505,000	322,000	183,200
Current					
Multi option facility	2016	Floating	5,000	5,000	-
	<3				
Commercial papers	months	Floating	-	-	190,000
Total current			5,000	5,000	190,000
Total			510,000	327,000	373,200

Westpac Banking Corporation

Quayside Holdings Limited has a \$70.0 million (2016: \$70.0 million) financing arrangement with Westpac Banking Corporation. This facility is secured by a mortgage over shares held in the Port of Tauranga Limited, and provides direct borrowings for the *Quayside Group*. The facility is for a term of 3 years expiring 20 October 2018.

Fixed Rate Bonds

The Port of Tauranga Limited has issued two six-year fixed rate bonds, a \$50.0 million fixed rate bond with a final maturity on 29 October 2019 and a \$75.0 million fixed rate bond with final maturity on 29 January 2021. The Port of Tauranga Limited incurred costs of \$0.2 million in connection with the issuance of bonds which is being amortised over the term of the bonds.

Commercial Papers

Commercial papers are secured, short term discounted debt instruments issued by the Port Of Tauranga Limited for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities. At 30 June 2017 the Port of Tauranga Group had \$225.0 million of commercial paper debt that is classified within current liabilities (2016: \$190.0 million). Due to this classification, the Port of Tauranga Group's current liabilities exceed the Port of Tauranga Group's current assets. Despite this fact, the Port of Tauranga Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.

Standby Revolving Cash Advance Facility Agreement

The Port of Tauranga Limited has a \$380.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and the Bank of Tokyo-Mitsubishi UFJ Limited, Auckland Branch (2016: \$280.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

Revolving Cash Advance Facility

In the prior year the Port of Tauranga Limited had a \$30.0 million cash advance facility with ANZ Bank New Zealand Limited, used for headroom purposes.

Security

Bank facilities and fixed rate bonds of Port of Tauranga Group are secured by way of a ships' mortgage over certain floating plant assets (\$18.6 million, 2016: \$19.3 million), mortgages over the land and building assets (\$670.8 million, 2016: \$595.3 million), and by a general security agreement over the assets of the Port of Tauranga Limited (\$1,383.7 million, 2016: \$1,286.7 million).

Covenants

The Group has complied with all covenants during the reporting periods.

Fair Values

The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities are repriced every 90 days.

Interest rates

The average weighted interest rate of interest bearing loans was 3.30% at 30 June 2017 (2016: 3.70%) for the Group and 3.32% (2016: 4.19%) for the Parent.

Policies

Loans and borrowings are recognised at fair value, plus any directly attributable transaction costs, if the Group becomes a party to the contractual provisions of the instrument. Loans and borrowings are derecognised if the Group's obligations as specified in the contract expire or are discharged or cancelled.

Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method, less any impairment losses.

After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council or group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the Council or group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that the Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee; and
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue.

26 Retained earnings

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Retained Earnings				
Balance at 1 July	166,865	224,776	141,637	201,662
Profit share	(13,155)	24,823	22,948	29,326
Dividends paid	-	(7,906)	-	(8,467)
Non-controlling interest adjustments	-	(5)	-	(22)
Movement in subsidiary's employee share scheme	-	-	-	(3)
Revaluation surplus transferred to retained earnings on asset disposal		463		
<i>Transfers from:</i>				
Restricted reserve - disaster	1,776	1,776	-	-
Asset replacement reserve	13,087	13,087	8,258	8,258
Investment fund reserve	16,100	16,100	15,727	15,727
Regional project fund	5,013	5,013	2,060	2,060
Environmental enhancement fund	300	300	280	280
Equalisation fund reserve	11,185	11,185	5,344	5,344
Current account reserve	2,278	2,278	2,910	2,910
Rotorua Lakes restoration reserve	-	-	2,011	2,011
CDEM Group reserve	-	-	411	411
Kaituna river authority	9	9	4	4
General reserve	-	-	-	-
<i>Transfers to:</i>				
Restricted reserve - disaster	(203)	(203)	(1,472)	(1,472)
Asset replacement reserve	(11,366)	(11,366)	(8,432)	(8,432)
Investment fund reserve	(81)	(81)	-	-
Regional project fund	(3,148)	(3,148)	(12,168)	(12,168)
Equalisation fund reserve	(11,185)	(11,185)	(5,344)	(5,344)
Current account reserve	(2,172)	(2,172)	(4,356)	(4,356)
Rotorua Lakes restoration reserve	(898)	(898)	(1,553)	(1,553)
CDEM Group reserve	(125)	(125)	(568)	(568)
Kaituna river authority	(5)	(5)	(13)	(13)
Rotorua Air	(421)	(421)	(819)	(819)
	173,854	262,295	166,865	224,775

27 Other reserves

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Asset revaluation reserve				
Opening balance	126,646	492,877	122,685	487,678
Revaluation - land and buildings	1,420	1,420	-	-
Revaluation - Maritime	-	-	(239)	(239)
Revaluation - infrastructure assets	(4,188)	(4,188)	4,200	4,200
Revaluation - Port assets	-	34,761	-	(282)
Net change in share of equity accounted revaluation reserve	-	465	-	(31)
Bearer plant revaluation		775		1,346
Kiwifruit licence revaluation	-	473	-	205
Reclassification of prior year retained earnings	-	(463)	-	-
<i>Transfers to:</i>				
Retained earnings	-	-	-	-
Minority interest adjustments	-	-	-	-
Closing balance	123,878	526,120	126,646	492,878
Asset replacement reserve				
Opening balance	(1,960)	(1,960)	(2,136)	(2,136)
<i>Transfers from:</i>				
Retained Earnings	11,366	11,366	8,434	8,434
<i>Transfers to:</i>				
Retained Earnings	(13,087)	(13,087)	(8,258)	(8,258)
Closing balance	(3,681)	(3,681)	(1,960)	(1,960)

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Environmental enhancement fund				
Opening balance	847	847	1,127	1,127
<i>Transfers from:</i>				
Retained Earnings	-	-	-	-
<i>Transfers to:</i>				
Retained Earnings	(300)	(300)	(280)	(280)
Closing balance	547	547	847	847
Restricted reserve - disaster				
Opening balance	7,671	7,671	6,199	6,199
<i>Transfers from:</i>				
Retained earnings	203	203	1,472	1,472
<i>Transfers to:</i>				
Retained earnings	(1,776)	(1,776)	-	-
Closing balance	6,098	6,098	7,671	7,671
Hedging cash flow reserve				
Opening balance	-	(7,824)	-	(3,473)
Net effective portion of changes in fair value of cashflow hedges	-	1,624	-	(5,054)
Net change in fair value of cashflow hedges transferred to profit or loss	-	1,394	-	1,168
Net changes in cashflow hedges transferred to property, plant and equipment	-	389	-	(248)
Net change in share of associates' cashflow hedge reserve	-	100	-	(217)
<i>Transfers from:</i>				
Retained earnings	-	-	-	-
Closing balance	-	(4,317)	-	(7,824)

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Equalisation fund reserve				
Opening balance	-	-	-	-
<i>Transfers from:</i>				
Retained earnings	11,185	11,185	5,344	5,344
<i>Transfers to:</i>				
Retained earnings	(11,185)	(11,185)	(5,344)	(5,344)
Environmental enhancement fund	-	-	-	-
Closing balance	-	-	-	-
CDEM Group Reserve				
Opening balance	476	476	320	320
<i>Transfers from:</i>				
Retained earnings	125	125	568	568
<i>Transfers to:</i>				
Retained earnings	-	-	(411)	(411)
Environmental enhancement fund	-	-	-	-
Closing balance	601	601	476	476
Kaituna River Authority Reserve				
Opening balance	259	259	250	250
<i>Transfers from:</i>				
Retained earnings	5	5	13	13
<i>Transfers to:</i>				
Retained earnings	(9)	(9)	(4)	(4)
Environmental enhancement fund	-	-	-	-
Closing balance	255	255	259	259

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Investment fund reserve				
Opening balance	105,660	105,660	121,387	121,387
<i>Transfer from:</i>				
Retained earnings	81	81	-	-
<i>Transfer to:</i>				
Retained earnings	(16,100)	(16,100)	(15,727)	(15,727)
Closing balance	89,641	89,641	105,660	105,660
<i>Investment Fund reserve consists of:</i>				
Funds invested	27,129	27,129	51,475	51,475
Internal infrastructure loans - Integrated catchments - Kaituna	2,275	2,275	1,238	1,238
Internal infrastructure loans - Rivers and Drainage schemes	42,135	41,396	38,053	38,053
Internal infrastructure loans - Rotorua Lakes	12,389	12,389	10,165	10,165
Internal loan - building purchase	3,963	3,963	2,240	2,240
Onekawa property purchase	2,489	2,489	2,489	2,489
Closing balance	89,641	89,641	105,660	105,660
Regional Fund				
Opening balance	53,012	53,012	42,904	42,904
<i>Transfer from:</i>				
Retained earnings	3,148	3,148	12,168	12,168
<i>Transfer to:</i>				
Retained earnings	(5,013)	(5,013)	(2,060)	(2,060)
Closing balance	51,147	51,147	53,011	53,011

	Council 2016/17	Group 2016/17	Council 2015/16	Group 2015/16
	\$000	\$000	\$000	\$000
Current accounts				
Opening balance	4,102	4,102	2,657	2,657
<i>Transfer from:</i>				
Retained earnings	1,356	1,356	4,355	4,355
<i>Transfer to:</i>				
Retained earnings	(2,278)	(2,278)	(2,910)	(2,910)
Rotorua Lakes restoration reserve	-	-	-	-
Closing balance	3,180	3,180	4,102	4,102
Rotorua Lakes restoration reserve				
Opening balance	1,011	1,011	1,469	1,469
<i>Transfer from:</i>				
Retained earnings	898	898	1,553	1,553
<i>Transfer to:</i>				
Retained earnings	-	-	(2,011)	(2,011)
Closing balance	1,909	1,909	1,011	1,011
Financial assets available for sale reserve				
Opening balance	3,211	3,211	4,366	4,366
Net fair value gains / (losses)	(1,577)	(1,577)	(1,155)	(1,155)
Closing balance	1,634	1,634	3,211	3,211
Total reserves	275,208	673,133	300,934	659,342

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Restricted reserves include those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

The group holds the following reserves. All reserves are cash reserves except for the asset revaluation reserve and financial asset reserve.

Equalisation reserve

This reserve is used to record surpluses from all general funded activities.

Asset revaluation reserve

This reserve is used by Council to reflect the net increase in the fair value of Property and Infrastructure assets. This is a non cash reserve and is available for use by any activity that controls infrastructure or property assets.

The subsidiary's revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, harbour improvements, bearer plants and kiwifruit licences.

Asset replacement reserve

This is a reserve fund for asset replacement. Contributions to the reserve are from depreciation funding. Funds from the reserve are used for the purchase of replacement assets, and transfers to the Regional Fund. This reserve is used by all activities.

Environmental enhancement fund

This reserve was established to support local projects that aim to enhance, preserve or protect the region's natural or historic character. Transfers to and from this reserve are approved by Council resolution. This reserve funds the Environmental Enhancement Programme in the Kotahitanga/Strategy Engagement Activity.

Flood and disaster reserves

This reserve holds funds accumulated for the purpose of contributing to flood damage or disaster events incurred by any of the five major river and/or drainage schemes.

Contributions to this reserve are from interest earned by the funds. There is a specific bank account for these funds. Withdrawals from this account are approved by Council resolution.

This reserve is used by the Rivers, Drainage and Flood Management Activity.

Investment fund reserve

This reserve is used to fund infrastructure projects that benefit the wider regional community. It was established with the proceeds of the perpetual preference share issue. Use of this reserve must comply with the Inland Revenue Department Binding Ruling. It is available for use by any activity that has infrastructure projects that meet this criteria.

Regional Fund reserve

This reserve is used to fund future infrastructure projects. It is replenished through budgeted contributions from activities, and is available for use by all activities.

Rates current accounts

The purpose of this reserve is to record the under or over-recovery of targeted rates carried forward to fund activities in future years. This is used by all activities that have targeted rates including Rotorua Lakes, Rotorua Air Quality, Passenger Transport, and Rivers, Drainage and Flood Management.

Rotorua Lakes restoration reserve

This reserve records the accumulation of funds available to finance deed funded lakes projects. This reserve holds all deed funded surpluses from Central Government (MfE) and the Council (general and targeted rate) funding allocated to match MfE funds. This reserve is used by the Rotorua Lakes Activity.

Financial assets available for sale reserve

This reserve reflects the net change in fair value of financial assets available for sale during the year. This is a non-cash reserve. It is used by the Treasury programme within the Corporate Activity and by the subsidiary.

Hedging reserve

The group's hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. This reserve is used by the subsidiary.

CDEM Group Reserve

This reserve records the accumulation of funds available to finance Civil Defence Emergency Management group related projects. This reserve holds all the group funded surpluses from the Territorial Authorities and the Regional Council funding. This reserve funds expenditure within the Emergency Management Activity.

Kaituna River Authority Reserve

This reserve holds accumulated funds received from the Ministry for the Environment on behalf of the Kaituna River Authority.

Share-based payment reserve

On 1 August 2014 the Port of Tauranga Limited issued 2,000,000 shares as a volume rebate to Kotahi Logistics Limited Partnership ("Kotahi") as part of a 10 year freight alliance. Due to the Port of Tauranga Limited completing a

5:1 share split on 17 October 2016, Kotahi now have 10,000,000 shares on issue. The shares are subject to a call option allowing the Port of Tauranga Limited to "call" shares back at zero cost if Kotahi fails to meet the volume commitments specified in the 10 year Container Volume Commitment Agreement.

The increase in the reserve recognises the shares earned based on containers delivered during the period.

Equity Settled Share Based Payments

The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

As at 30 June 2017 the balance of the share-based payment reserve was \$3,868,000 (2016: \$2,443,000). This amount is recorded in the Statement of Changes in Equity under the column "Non controlling interest".

Policies

Council

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The LGA requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of using the Council's assets and not expecting them to meet the full cost of long-term assets, that will benefit ratepayers in future generations. Additionally, the Council has in place, Asset Management

Plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The LGA sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

Bay of Plenty Regional Council has the following Council created reserves:

- reserves for different areas of benefit; and
- self-insurance reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. Release of these funds generally can only be approved by Council.

Quayside Group

The *Quayside group's* capital is its equity, which comprises paid up capital, retaining earnings and reserves. Equity is represented by net assets less non controlling interest.

Quayside group's objectives when managing capital are to safeguard *Quayside Group's* ability to continue as a going concern in order to provide a long-run risk-adjusted commercial rate of return to the holder of the ordinary shares and to provide fixed dividends to the holders of issued Perpetual Preference shares. Capital is structured to minimise the cost of capital.

Quayside Group's Statement of Intent requires that it retain a majority shareholding in the Port of Tauranga Limited, currently 54.14%; complementing that, the policy of the Board is to provide the best possible management of all other investments by diversifying across sectors away from the port/transport sector, both within Australasia and internationally. To provide for a growing and sustainable flow of dividends to the ordinary shareholder, *Quayside Group* has adopted a distribution policy which will ensure that dividends are maintained with regard to retentions for regional growth and inflation, and can be maintained through periods of income fluctuation.

Quayside Group is required to comply with certain financial covenants in respect of external borrowings, namely security over shares in Port of Tauranga Limited owned by Quayside Securities Limited as trustee for the Quayside Unit Trust.

There have been no changes in *Quayside Group's* approach to capital management during the year. Quayside Holdings Limited has complied with all capital management policies and covenants during the reporting period.

Port of Tauranga Group

The Board's policy is to maintain a strong capital base, which the *Port of Tauranga Group* defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the *Port of Tauranga Group*. The *Port of Tauranga Group* has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the debt/ (debt + equity) ratio is to be maintained at a 40% maximum. It is also *Port of Tauranga Group* policy that the ordinary dividend payout is maintained between a level of between 70% and 100% of profit after tax for the period.

Port of Tauranga Group has complied with all capital management policies and covenants during the reporting period.

28 Non-controlling interest

Non controlling interest of 45.86% (2016: 45.86%) is the existing share of Port of Tauranga Limited's consolidated equity which is not owned by *Quayside Group*. The change in non controlling interest has arisen from Port of Tauranga Limited's freight alliance with Kotahi involving the issue of ordinary shares to Kotahi, subject to meeting certain freight volume commitments over a 10 year period, as disclosed in (c) above.

29 Commitments

Capital commitments

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Estimated capital commitments contracted for at balance date but not yet provided for	5,800	40,200	1,632	41,782
	5,800	40,200	1,632	41,782

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

Operating leases as lessee

The Council leases land, buildings, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months.

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Not later than one year	769	769	861	861
Later than one year and not later than five years	1,779	1,779	2,420	2,420
Later than five years	428	428	528	528
Total non-cancellable operating leases	2,976	2,976	3,809	3,809

The majority of leases can be renewed at the Council and group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council and group does not have an option to purchase the assets at the end of the lease term. There are no restrictions placed on the Council and group by any leasing arrangement.

Operating leases as lessor

Included in the financial statements are land and buildings leased to customers under operating leases.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council 2016/17 \$000	Group 2016/17 \$000	Council 2015/16 \$000	Group 2015/16 \$000
Not later than one year	77	22,553	671	14,344
Later than one year and not later than five years	308	23,281	506	27,405
Later than five years	0	15,629	97	13,897
Total non-cancellable operating leases	385	61,463	1,274	55,646

Policies

Council

Where the group is the lessee

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

At the commencement of a lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payment. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Payments made under finance leases are allocated between the liability and finance charges, using the effective interest method, so as to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Payments made under operating leases are recognised in the statement of comprehensive revenue and expense on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

Where the group is the lessor

When assets are leased under a finance lease, where the lessee effectively receives substantially all the risks and benefits of ownership of the leased items, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Assets leased under operating leases are included in investment property or property, plant and equipment in the statement of financial position as appropriate.

Payments and receivables received under operating leases are recognised in the Statement of comprehensive revenue and expense on a straight line basis over the term of the lease.

Subsidiary:

Where the Group is the Lessor, assets leased under operating leases are included in property, plant and equipment or investment property in the statement of financial position as appropriate.

Payments and receivables made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

Lease incentives are recognised as an integral part of the total lease expense/revenue, over the term of the lease.

30 Contingencies

Contingent liabilities

Financial guarantee - New Zealand Local Government Funding Agency

The Bay of Plenty Regional Council is a shareholder of The New Zealand Local Government Funding Agency Limited (LGFA). This entity was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. Standard and Poor's have given the entity a credit rating of AA+ which is equal to New Zealand Government sovereign rating.

As at 30 June 2017 Bay of Plenty Regional Council is one of the 31 shareholders made up of 30 local authorities and the Crown. All 30 local authority shareholders have uncalled capital equal to their individual shareholding and totalling \$20 million in aggregate which can be called on in the event that an imminent default is identified. Also together with the other shareholders, Bay of Plenty Regional Council is a guarantor of all of LGFA borrowings. As at 30 June 2017, LGFA had borrowings totalling \$7,946 million (2016: \$6,350 million).

Financial reporting standards require Bay of Plenty Regional Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local Government legislation would enable local authorities to levy a rate, to recover sufficient funds to meet any debt obligations if further funds were required.

Uncalled capital

The Council is liable for the uncalled capital in its wholly owned subsidiary, Quayside Holdings Limited, of \$81,829,918 being 2,003,190,217 Redeemable Preference Shares at 0.000004 cents per share.

Subsidiary

At 30 June 2017 for the subsidiary there were no contingent liabilities.

31 Related party transactions

Bay of Plenty Regional Council is the parent of the Group and controls Quayside Holdings Limited and its subsidiaries, Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust and Quayside Unit Trust. Through the shareholding in Quayside Securities Limited as Trustee for Quayside Unit Trust, a controlling interest is held in the Port of Tauranga (POTL) and its subsidiaries and equity accounted investees.

Related party transactions with subsidiaries and equity accounted investees:

	2016/17	2015/16
	\$000	\$000
Transactions with Related Parties:		
Bay of Plenty Regional Council		
Services provided to Quayside Holdings Limited	30	55
Accounts payable by Quayside Holdings Limited	-	5
Services provided to Quayside Properties Limited	2	2
Services provided to Port of Tauranga Limited	13	18
Accounts payable by Port of Tauranga Limited	-	-
Quayside Unit Trust		
Dividends paid to Quayside Holdings Limited	39,000	42,300
Interest received by Quayside Holdings Limited	616	1,058
Interest receivable by Quayside Holdings Limited	101	130
Loan receivable by Quayside Holdings Limited	18,331	23,431
Loan repayment received by Quayside Holdings Limited	5,100	3,200
Dividends received from Port of Tauranga Limited	58,950	39,054

	2016/17	2015/16
Transactions with Related Parties:	\$000	\$000
Quayside Properties Limited		
Interest received by Quayside Holdings Limited	495	449
Interest receivable by Quayside Holdings Limited	72	49
Loan receivable by Quayside Holdings Limited	17,157	12,397
Management fees paid to Quayside Holdings Limited	110	107
Subvention receivable by Quayside Holdings Limited	-	714
Quayside Investment Trust		
Consideration for units redeemed by Quayside Holdings Limited	1,900	
Consideration for units purchased by Quayside Holdings Limited	11,000	18,200
Quayside Securities Limited		
Management fees paid to Quayside Holdings Limited	81	66
Subvention receivable by Quayside Holdings Limited	-	16
Ōpōtiki Packhouse & Coolstorage Limited		
Services provided by Quayside Holdings Limited	35	14
HoneyLab Limited		
Services provided by Quayside Holdings Limited	26	-
Accounts receivable by Quayside Holdings Limited	9	-
Rhodium Limited		
Services provided by Quayside Holdings Limited	12	-

	2016/17	2015/16
Transactions with Related Parties:	\$000	\$000
Port of Tauranga Group		
Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	545	386
Services provided by Port of Tauranga Limited	2,734	2,126
Accounts receivable by Port of Tauranga Limited	213	138
Accounts payable by Port of Tauranga Limited	36	34
Advances by Port of Tauranga Limited	6,669	6,919
Services provided to Quality Marshalling (Mount Maunganui) Limited	1	45
Services provided by Quality Marshalling (Mount Maunganui) Limited	3,694	3,210
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	396	292
Accounts receivable by Port of Tauranga Trustee Company Limited	14	4

Share capital

The holders of the ordinary shares are entitled to dividends as declared from time to time and all shares have equal voting rights at meetings of the Parent, and rank equally with regard to the Parent's residual assets on wind up. The shares were issued for \$1 and are fully paid up.

Perpetual preference shares

Quayside Holdings Limited issued a registered prospectus in which Council offered 200,000,000 Perpetual Preference shares in Quayside Holdings Limited to the public at \$1 per share. On 12 March 2008, 200,000,000 Perpetual Preference Shares were transferred to the successful applicants for Perpetual Preference Shares under the prospectus. The proceeds from the sale of shares are available to the Council to invest in infrastructure projects in the Bay of Plenty region.

The Perpetual Preference Shares have no fixed term, and are not redeemable. Holders of Perpetual Preference Shares are entitled to receive Dividends which are fully imputed (or "grossed up" to the extent they are not fully imputed), quarterly in arrears. These dividends are at the discretion of the board of

directors. On a liquidation of Quayside Holdings, the Holder of a Perpetual Preference Share will be entitled to receive the Liquidation Preference in priority to the holders of its Uncalled Capital, its Ordinary Shares, its Redeemable Preference Shares and any other shares ranking behind the Perpetual Preference Shares.

Holders of Perpetual Preference Shares will not be entitled to receive notice of, attend, vote or speak at any meetings of Quayside Holdings (or its shareholders), but will be entitled to attend any meetings of, and vote on any resolutions of Holders (for example, in relation to exercise of the Put Option, or as required by the Companies Act in relation to any action affecting the rights attached to Perpetual Preference Shares held by members of any "interest group" of Holders).

The Council may, at any time after 12 March 2010, call all or part (pro rata across all Holders, and if in part, subject to a minimum number of Perpetual Preference Shares left uncalled) of the Perpetual Preference Shares. No call or part call has been exercised. In certain circumstances (including Quayside Holdings becoming insolvent, electing not to pay a Dividend or ceasing to have a majority shareholding (directly or indirectly) in Port of Tauranga), the Put Option, as defined by the prospectus dated 12 March 2008, will be triggered.

Depending on the event which has triggered the Put Option, the Administrative Agent will either be automatically required (on receipt of notice), or may by a Special Resolution of Holders (or by Special Approval Notice) be required, on behalf of all Holders of Perpetual Preference Shares, to require the Council to purchase all the Perpetual Preference Shares.

Option Deed

There exists an Option Deed relating to Perpetual Preference Shares dated 31 January 2008 between Quayside Holdings Limited, Bay of Plenty Regional Council and The New Zealand Guardian Trust Company Limited.

Net Tangible Assets

NZX Listing Rule 10.4.2 requires issuers to disclose net tangible assets per share. On a simple paid up capital basis, this equates to \$8.97 per share

(2016: \$7.75) for the Parent. However, this calculation does not reflect the legal form of a holder's entitlement. Under the Investment Statement, the net tangible asset per share should equate to \$1.00 (2016: \$1.00) per Perpetual Preference Share. The net tangible asset per share on the ordinary shares is \$179,349 (2016: \$154,981).

PPS Put Option trigger events

There are a number of the factors which could result in Quayside Holdings being unwilling or unable to pay a Dividend on the Perpetual Preference Shares. Such factors could conceivably give rise to other circumstances under which the Put Option would be exercisable, such as the insolvency of Quayside Holdings. In addition, the Put Option could become exercisable if Quayside Holdings ceases to have a majority shareholding (directly or indirectly) in Port of Tauranga or if the liability to it of the holder/s of its Uncalled Capital is reduced (other than by payment of calls).

Quayside Holdings has no present intention of reducing its (indirect) majority shareholding in Port of Tauranga or reducing the liability to it of holders of Uncalled Capital. However, its (indirect) majority shareholding in Port of Tauranga could be lost as a result of actions outside its control, such as a non pro rata share issue by Port of Tauranga. If the Administrative Agent (Guardian Trust) exercised the Put Option, Perpetual Preference Shareholders would be entitled to receive \$1.00 plus any Unpaid Amount plus (unless Quayside Holdings has elected to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option) an amount representing a return on their Perpetual Preference Shares at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to (but excluding) the Transfer Date but, from the Transfer Date, would no longer have any entitlement to further Dividends.

Perpetual Preference Shares are transferable and listed on the NZDX under the symbol QHLHA.

Quayside Holdings Limited has classified the Perpetual Preference Shares as equity for the following reasons:

- The Perpetual Preference Shares have no fixed term, and are not redeemable.
- The quarterly payment of dividends by Quayside Holdings Limited to Perpetual Preference shareholders is optional and resolved on by the Board of Quayside Holdings Limited.
- Dividends on the Perpetual Preference Shares may be imputed, and as such are equity instruments.
- PUT or CALL options, if exercised are payable by Council, the ordinary shareholder of Quayside Holdings Limited.

Quayside Holdings may issue further securities (including further perpetual preference shares) ranking equally with, or behind, the Perpetual Preference Shares without the consent of any Holder. However, it may not issue any other shares ranking in priority to the Perpetual Preference Shares as to distributions without the approval of the Holders by way of a Special Resolution or pursuant to a Special Approval Notice.

The arrangement has had the benefit of consecutive three year private rulings issued by Inland Revenue from 17 September 2007. A binding ruling retaining the existing tax treatment was recently issued by Inland Revenue for five years to 16 September 2021.

Call Option trigger events

After 12 March 2010 Bay of Plenty Regional Council may exercise the Call Option at any time. The Bay of Plenty Regional Council does not have any intention of exercising the call option.

Dividend payment

A significant transaction between Council and Quayside Holdings Limited is a dividend payment of \$20,800,000. (2015/16 \$20,400,000).

Other related entities

Other related parties include subsidiaries in the Quayside Group.

During the year, the subsidiary entered into transactions with companies in which directors hold directorships. These directorships have not resulted in the group having a significant influence over the operations, policies or key decisions of these companies. These transactions have occurred on normal commercial terms.

BOPLASS Limited

BOPLASS Limited was incorporated on 14 January 2008, and has share capital of 31 shares at 30 June 2016. The purpose of the company is to foster collaboration between the nine shareholder councils in the delivery of "back office" services. Mary-Anne Macleod, Chief Executive of Bay of Plenty Regional Council is a director of BOPLASS Limited. Bay of Plenty Regional Council holds \$1,000 fully paid ordinary voting shares and \$16,364 fully paid non voting shares.

During 2016/17 the Council was invoiced by BOPLASS for the following services:

	2016/17	2015/16
	\$	\$
Advisory group levies		0
Aerial photography	96,583	83,985
Annual contribution	57,209	49,747
GIS shared services	2,856	-
Maintenance	17,056	10,040
Media monitoring services	20,671	30,502
Memberships, licenses and training	24,378	11,434
Other projects	5,181	-
Regional network lease	223,622	263,989
Video conferencing network	-	-
	447,556	449,696

During 2016/17 the Council was paid by BOPLASS for the following services:

	2016/17	2015/16
	\$	\$
Other operational costs	18,224	16,086
	18,224	16,086

Key management personnel

Council

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Bay of Plenty Regional Council (such as payment of rates).

Two Councillors of the Bay of Plenty Regional Council (Jane Nees and Paula Thompson) were directors of Quayside Holdings Limited, Quayside Securities Limited and Quayside Properties Limited at 30 June 2017. The Chief Executive of Bay of Plenty Regional Council (Mary-Anne Macleod) was appointed as Director of the above companies in August 2011. The Chairman of the Bay of Plenty Regional Council (Douglas Leeder) was appointed as a director of Port of Tauranga Limited in October 2015.

Councillors entered into no related party transactions with Council.

Key management personnel include the chief executive, other senior management personnel, Councillors and directors within the group.

Key management personnel compensation

	Council	Group	Council	Group
	2016/17	2016/17	2015/16	2015/16
	\$000	\$000	\$000	\$000
Salaries and other short-term employee benefits	1,334	5,667	1,532	4,550
Post employment benefits	40	40	64	64
Councillor remuneration	928	928	916	916
Directors fees	-	990	-	866
Termination Benefits	-	-	185	185
	2,302	7,625	2,697	6,581
			Council	Council
			2016/17	2015/16
Councillors - Full time equivalent members*			14	14
Executive Leadership Team - Full time equivalent			6	6

**Due to the difficulty in determining the full time equivalent for Councillors, the full time equivalent figure is taken as the number of Councillors*

No provision has been required, nor any expense recognised for impairment of receivables, for any loans or other receivables to related parties.

32 Remuneration

Remuneration of the Chief Executive (Council)

The Chief Executive of the Bay of Plenty Regional Council (Mary-Anne Macleod), appointed under section 42(1) of the Local Government Act 2002, received total remuneration of \$330,142. Included in that remuneration is private use of a Council supplied motor vehicle (\$4,421) and superannuation (\$9,904). There are no other Council supplied benefits.

Remuneration of Councillors

	2016/17	2015/16
	\$	\$
D Leeder	134,420	133,332
J Nees	79,142	79,375
P Thompson	76,984	70,950
J Cronin	65,288	64,375
L Thurston	65,088	60,070
A Tahana	62,304	54,800
N Bruning	62,204	54,800
D Love	55,896	54,800
S Marr	55,896	54,800
S Crosby	46,080	-
A Von Dadelszen	39,872	-
K Winters	39,772	-
B Clark	39,772	-
A Black	26,058	60,070
M McDonald	11,394	-
D Owens	16,124	54,800
P Sherry	16,124	54,800
N Oppatt	16,124	54,800
C Holmes	19,008	64,340
	927,550	916,112

Remuneration of Directors

	2016/17	2015/16
	\$	\$
J Green QSM	24,000	69,000
J M Nees	53,000	53,000
M Smith	164,444	147,338
R Tait	63,000	53,000
P Thompson	53,000	53,000
W Parker	53,000	43,000
R Macleod	35,000	-
A W Baylis	81,094	67,335
J M Cronin	-	19,266
D A Pilkington	144,933	123,828
K Tempest	-	20,343
K Ellis	83,444	65,167
A Lawrence	78,144	62,998
J C Hoare	81,094	46,502
D W Leeder	75,544	40,484
	989,697	864,261

Remuneration of Council Employees

	2016/17	2015/16
< \$60,000	120	126
\$60,000 - \$79,999	89	88
\$80,000 - \$99,999	111	99
\$100,000 - \$119,999	33	27
\$120,000 - \$139,999	19	20
\$140,000 - \$159,999	15	8
* \$160,000 - \$339,999	8	8
Total Employees	395	376

* This is an example of a combined band disclosure. Schedule 10, clause 32A of the LGA requires where the number of employees in any band is 5 or fewer, the number for that band is combined with the next-highest band.

Total remuneration includes any non-financial benefits provided to employees.

At 30 June 2017, the Council employed 335 full-time employees (2016: 317), with the balance of staff (60) representing 42 full-time equivalent staff (2016: 43). A full time employee is determined on the basis of a 37.5 or 40 hour working week.

33 Severance

For the year ended 30 June 2017, the Council made two (2016: six) severance payments to employees totalling \$18,350 (2016: \$46,274).

The value of each of the severance payment was \$10,000 and \$8,350.

34 Segmental reporting

This note is for the subsidiary only.

At 30 June 2017 the *QHL group* comprises two main operating segments: The first being the business of facilitating export and import activities (Port), and the second being the business of investment (Investing). Both operating segments operate in one geographic segment, being New Zealand, are managed separately as they provide different services to customers and have their own operational and marketing requirements. The only transaction during the year between these two operating segments was the payment and recording of a dividend by the Port segment to the Investing segment.

Although *Port of Tauranga Group* reports three main reportable segments, at the Group level, information provided by *Port of Tauranga Group* is presented to the Chief Operating Decision Maker as one operating segment.

The segment results for the year ended 30 June are:

	Port \$000	Investing \$000	Total \$000
30 June 2017			
Total segment revenue	256,487	62,561	319,048
Inter-segment revenue	-	(58,950)	(58,950)
Revenue (from external customers)	256,487	3,611	260,098
Share of profit of equity accounted investees	(605)	23,687	23,082
Other income/gains	434	638	1,072
Finance income	(17,205)	(1,819)	(19,024)
Finance costs	(24,460)	(496)	(24,956)
Depreciation and amortisation	193	-	193
Other expenditure/losses	(117,492)	(10,511)	(128,003)
Share of profit of equity accounted investees	13,995	(713)	13,282
Income tax expense	(27,906)	(240)	(28,146)
Net profit after tax	83,441	14,157	97,598

	Port \$000	Investing \$000	Total \$000
30 June 2016			
Total segment revenue	245,026	41,677	286,703
Inter-segment revenue	-	(39,054)	(39,054)
Revenue (from external customers)	245,026	2,623	247,649
Other income/gains	495	22,080	22,575
Finance income	666	524	1,190
Finance costs	(17,006)	(2,252)	(19,258)
Depreciation and amortisation	(23,722)	(350)	(24,072)
Other expenditure/losses	(115,808)	(14,326)	(130,134)
Share of profit of equity accounted investees	13,437	230	13,667
Income tax expense	(25,774)	673	(25,101)
Profit after income tax	77,314	9,202	86,516

The segment assets at 30 June are:

Segment Assets	\$000	\$000	\$000
30 June 2017	1,422,600	217,933	1,640,533
30 June 2016	1,322,367	167,437	1,489,804

Policies

The *Quayside group* determines and presents operating segments based on the information that is internally provided to the Chief Executive, who is the group's Chief Operating Decision Maker (CODM).

35 Events after the balance sheet date

There are no events after the balance date.

36 Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and commodity risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The group comprises three governance structures:

- Bay of Plenty Regional Council (Parent company).
- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust and Quayside Properties Limited.
- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and Equity Accounted Investees. This group is owned 54.14% by the Quayside Group.

Council

The Council has a series of policies to manage the risks associated with financial instruments and is risk averse and seeks to minimise exposure from its treasury activities. The Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Subsidiary

The Board of Directors of *Quayside Group* has overall responsibility for the establishment and oversight of the group's financial risk management framework; however each of the Groups described above has its own Audit Committee appointed by its Board of Directors. Each Audit Committee is established on 'best practice' principles and is responsible for developing and monitoring risk management policies, and reports regularly to their respective Board of Directors on its activities. The group's financial risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

Each Board ultimately oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the group.

The following tables show the classification, fair value and carrying amount of financial instruments held by the Group at reporting date:

Group 2016/17	Loans and Assets designated	Assets held for	Other amortised			Total carrying	Fair value	
	receivables	at fair value	trading	Available for-sale	Held to maturity	cost	amount	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial assets								
Cash and cash equivalents	81,596	-	-	-	-	-	81,596	81,596
Other financial assets	100,390	-	-	-	-	-	100,390	100,390
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	58,383	-	-	-	-	-	58,383	58,383
Total current financial assets	240,370	-	-	-	-	-	240,370	240,370
Derivative financial instruments	-	-	-	-	-	171	171	171
Trade and other receivables	2,136	-	-	-	-	-	2,136	2,136
Other financial assets	-	137,103	1,933	29,202	-	-	168,239	168,239
Total non current financial assets	2,136	137,103	1,933	29,202	-	171	170,545	170,545
Total financial assets	242,506	137,103	1,933	29,202	-	171	410,916	410,916
Financial liabilities								
Derivative financial instruments	-	1,013	-	-	-	-	1,013	1,013
Borrowings	-	-	-	-	-	255,140	255,140	255,140
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	25,429	25,429	25,429
Total current financial liabilities	-	1,013	-	-	-	280,569	281,582	281,582
Derivative financial instruments	3,340	12,227	-	-	-	-	8,887	8,887
Borrowings	-	-	-	-	-	394,949	394,949	400,021
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-	-
Put option provision	-	-	-	-	-	-	-	-
Total non current financial liabilities	(3,340)	12,227	-	-	-	394,949	403,836	408,908
Total financial liabilities	(3,340)	13,240	-	-	-	675,518	685,418	690,490

Council 2016/17	Loans and Assets designated receivables \$000	Assets designated at fair value \$000	Assets held for trading \$000	Available for-sale \$000	Held to maturity \$000	Other amortised cost \$000	Total carrying amount \$000	Fair value \$000
Financial assets								
Cash and cash equivalents	37,962	-	-	-	-	-	37,962	37,962
Other financial assets	100,390	-	-	-	-	-	100,390	100,390
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	13,950	-	-	-	-	-	13,950	13,950
Total current financial assets	152,302	-	-	-	-	-	152,302	152,302
Derivative financial instruments	-	-	-	-	-	171	171	171
Investments in subsidiaries	-	-	-	11	-	-	11	11
Trade and other receivables	2,100	-	-	-	-	-	2,100	2,100
Other financial assets	-	-	1,933	29,202	-	-	31,135	31,135
Total non current financial assets	2,100	-	1,933	29,213	-	171	33,417	33,417
Total financial assets	154,402	-	1,933	29,213	-	171	185,719	185,719
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	11,658	11,658	11,658
Total current financial liabilities	-	-	-	-	-	11,658	11,658	11,658
Derivative financial instruments	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-	-
Put option provision	-	15,000	-	-	-	-	15,000	15,000
Total non current financial liabilities	-	15,000	-	-	-	-	15,000	15,000
Total financial liabilities	-	15,000	-	-	-	11,658	26,658	26,658

Group 2015/16	Loans and receivables \$000	Assets designated at fair value \$000	Assets held for trading \$000	Available for-sale \$000	Held to maturity \$000	Other amortised cost \$000	Total carrying amount \$000	Fair value \$000
Financial Assets								
Cash and cash equivalents	40,618	-	-	-	-	-	40,618	40,618
Other financial assets	55,308	-	-	-	-	-	55,308	55,308
Derivative financial instruments	-	-	-	-	-	-	-	-
Hedged derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	51,445	-	-	-	-	-	51,445	51,359
Total current financial assets	147,371	-	-	-	-	-	147,371	147,285
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	3,064	-	-	-	-	-	3,064	3,064
Other financial assets	-	126,643	1,933	115,476	-	-	244,052	244,052
Total non current financial assets	3,064	126,643	1,933	115,476	-	-	247,116	247,116
Total financial assets	150,435	126,643	1,933	115,476	-	-	394,487	394,401
Financial Liabilities								
Derivative financial instruments	-	1,438	-	-	-	-	1,438	1,438
Borrowings	-	-	-	-	-	190,000	190,000	190,000
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	35,498	35,498	35,498
Total current financial liabilities	-	1,438	-	-	-	225,498	226,936	226,936
Derivative financial instruments	(3,340)	20,403	-	-	-	-	17,063	17,063
Borrowings	-	-	-	-	-	378,085	378,085	378,085
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	13	13	13
Put option provision	-	-	-	-	-	-	-	-
Total non current financial liabilities	(3,340)	20,403	-	-	-	378,098	395,161	395,161
Total financial liabilities	(3,340)	21,841	-	-	-	603,596	622,097	622,097

Council 2015/16	Loans and receivables \$000	Assets designated at fair value \$000	Assets held for trading \$000	Available for-sale \$000	Held to maturity \$000	Other amortised cost \$000	Total carrying amount \$000	Fair value \$000
Financial assets								
Cash and cash equivalents	18,442	-	-	-	-	-	18,442	18,442
Other financial assets	55,308	-	-	-	-	-	55,308	55,308
Derivative financial instruments	-	-	-	-	-	-	-	-
Hedged derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	11,413	-	-	-	-	-	11,413	11,413
Total current financial assets	85,163	-	-	-	-	-	85,163	85,163
Derivative financial instruments	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	-	-	-	-	-
Trade and other receivables	3,018	-	-	-	-	-	3,018	3,018
Other financial assets	-	-	1,933	115,476	-	-	117,409	117,409
Total non current financial assets	3,018	-	1,933	115,476	-	-	120,427	120,427
Total financial assets	88,181	-	1,933	115,476	-	-	205,590	205,590
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	9,197	9,197	9,197
Total current financial liabilities	-	-	-	-	-	9,197	9,197	9,197
Deferred consideration	-	-	-	-	-	-	-	-
Put option provision	-	15,000	-	-	-	-	15,000	15,000
Total non current financial liabilities	-	15,000	-	-	-	-	15,000	15,000
Total financial liabilities	-	15,000	-	-	-	9,197	24,197	24,197

Credit Risk

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was:

	Council		Group	
	2016/17 \$000	2015/16 \$000	2016/17 \$000	2015/16 \$000
Trade and other receivables - current	13,950	11,413	58,383	51,364
Trade and other receivables - non current	2,100	3,018	2,100	3,018
Derivative financial instruments	-	-	-	-
Other financial assets	100,390	55,308	100,390	55,308
Cash and cash equivalents	37,962	18,442	81,596	43,092
	154,403	88,181	242,470	154,128

Quayside Group

There is no concentration of credit risk for *Quayside Group*.

Port of Tauranga Group

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject the *Port of Tauranga Group* to credit risk, principally consist of bank balances, trade receivables, advances to Equity Accounted Investees and derivative financial instruments.

The *Port of Tauranga Group* only transacts in treasury activity (including investment, borrowing and derivative transactions) with Board approved counterparties. Unless otherwise approved by the Board, counterparties are required to be New Zealand registered banks with a Standard & Poor's credit rating of A+ or above. The *Port of Tauranga Group* continuously monitors the credit quality of the financial institutions that are counterparties and does not anticipate any non performance.

The *Port of Tauranga Group* adheres to a credit policy that requires that each new customer to be analysed individually for credit worthiness before *Port of Tauranga Group's* standard payment terms and conditions are offered. Customer payment performance is constantly monitored with customers not meeting creditworthiness being required to transact with *Port of Tauranga Group* on cash terms. The *Port of Tauranga Group* generally does not require collateral.

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the *Port of Tauranga Group's* business means that the top ten customers account for 61.5% of total Group revenue (2016: 56.5%). The *Port of Tauranga Group* is satisfied with the credit quality of these debtors and does not anticipate any non performance.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored. The *Port of Tauranga Group's* committed bank facilities are required to be always maintained at a minimum of 10% above maximum forecast usage.

Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Parent Company's banks. To minimise funding risk it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least six months prior to each facility's expiry.

The following table sets out the contractual cash outflows for all financial liabilities (including estimated interest payments) and derivatives:

	Balance sheet	Contractual cash flows	6 Months or less	6-12 months	1-2 years	2-5 years	More than five years
Group 2016/17	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Non derivative financial liabilities							
Borrowings	631,758	466,479	260,807	4,985	64,902	135,786	-
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	25,347	25,347	25,347	-	-	-	-
	657,105	491,826	286,154	4,985	64,902	135,786	-
Derivatives							
Interest rate derivatives							
- Outflow	9,900	11,261	2,062	1,678	2,163	4,716	642
- Inflow	(171)	(171)	-	-	(171)	-	-
Foreign currency derivatives							
- Outflow	-	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-	-
	9,729	11,090	2,062	1,678	1,992	4,716	642
Total	666,834	502,916	288,216	6,663	66,894	140,502	642

	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than five years
Council 2016/17	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Non derivative financial liabilities							
Borrowings	-	-	-	-	-	-	-
Trade and other payables	11,657	11,657	11,657	-	-	-	-
	11,657	11,657	11,657	-	-	-	-
Derivatives							
Interest rate derivatives							
-Outflow	-	-	-	-	-	-	-
-Inflow	(171)	(171)	-	-	(171)	-	-
	(171)	(171)	-	-	(171)	-	-
Total	11,486	11,486	11,657	-	(171)	-	-

	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than five years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group 2015/16							
Non derivative financial liabilities							
Borrowings	591,516	435,428	200,727	5,372	10,669	218,658	-
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	40,434	40,434	40,434	-	-	-	-
	631,950	475,862	241,161	5,372	10,669	218,658	-
Derivatives							
Interest rate derivatives							
-Outflow	17,518	20,426	2,279	1,988	3,527	7,618	5,014
-Inflow	-	-	-	-	-	-	-
Foreign currency derivatives							
- Outflow	983	17,232	16,669	563	-	-	-
- Inflow	-	(16,244)	(15,726)	(518)	-	-	-
	18,501	21,414	3,222	2,033	3,527	7,618	5,014
Total	650,451	497,276	244,383	7,405	14,196	226,276	5,014

	Balance sheet	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than five years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Council 2015/16							
Non derivative financial liabilities							
Borrowings	-	-	-	-	-	-	-
Trade and other payables	9,197	9,197	9,197	-	-	-	-
	9,197	9,197	9,197	-	-	-	-
Derivatives							
Interest rate derivatives inflow							
-Outflow	-	-	-	-	-	-	-
-Inflow	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	9,197	9,197	9,197	-	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The *Quayside Group* is exposed to equity securities price risk because of investments held by the Group. This risk is managed through diversification of the portfolio. Refer to further information in (iii) Other Price Risk. The *Quayside Group* has no exposure to commodity price risk.

The *Port of Tauranga Group* uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in The *Port of Tauranga Group's* Treasury Policy which have been approved by the Board of Directors. Generally the *Port of Tauranga Group* seeks to apply hedge accounting in order to manage volatility in the income statement.

(i) Interest rate risk

Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The *Port of Tauranga Group* uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt.

The *Quayside Group* has deposits and borrowings that are subject to movements in interest rates.

At reporting date, the interest rate profile of the Group's interest-bearing financial assets /(liabilities) were:

	Council 2016/17 \$000	Council 2015/16 \$000	Group 2016/17 \$000	Group 2015/16 \$000
Carrying amount				
Fixed rate instruments				
Term Deposits	100,390	55,308	100,390	55,308
Bonds and fixed rate notes	29,202	115,476	29,202	115,476
Finance lease receivables	-	-	-	-
Fixed Rate Bond	-	-	(125,000)	(125,000)
Finance lease payables	-	-	-	-
Deferred consideration	-	-	-	-
Interest rate derivatives (net)	-	-	(9,900)	(17,519)
Total	129,592	170,784	(5,308)	28,265
Variable rate instruments				
Commercial papers	-	-	(225,000)	(190,000)
Standby revolving cash advance facility	-	-	(30,000)	(5,000)
Westpac borrowings	-	-	(56,510)	(53,000)
Floating rate notes	-	-	-	-
Cash balances	37,962	18,442	81,596	40,618
Total	37,962	18,442	(229,914)	(207,382)

Sensitivity Analysis

If, at reporting date, bank interest rates had been 100 basis points higher/lower, with all other variables held constant, the result would increase/(decrease) post tax profit or loss and the hedging reserve by the amounts shown below.

The analysis is performed on the same basis for 2017.

Subsidiary	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp decrease \$000	100 bp increase \$000	100 bp decrease \$000	100 bp increase \$000
Variable rate instruments	(1,930)	1,960	-	-
Interest rate derivatives	973	(973)	5,984	(6,636)
30 June 2017	(957)	987	5,984	(6,636)
Variable rate instruments	(1,592)	1,617	-	-
Interest rate derivatives	1,570	(1,570)	6,716	(7,430)
30 June 2016	(22)	47	6,716	(7,430)

(ii) *Currency Risk*

Foreign currency risk is the risk arising from the variability of the NZD currency values of the Group's assets, liabilities and operating cash flows, caused by changes to foreign exchange rates. The Group held the following foreign equities at balance date:

	Group		Council	
	2016/17 \$000	2015/16 \$000	2016/17 \$000	2015/16 \$000
Equities - AUD	30,206	30,112	-	-
Equities - USD, EUR, GBP	29,076	24,562	-	-
	59,282	54,674	-	-

Sensitivity Analysis

If at reporting date, a 10% strengthening/weakening of the above currencies against the New Zealand dollar occurred with all other variables held constant, it would increase/(decrease) post tax profit or loss and the cash flow hedges reserve by the amounts shown below. The analysis is performed in the same basis for 2017.

Subsidiary	Profit or loss		Reserves	
	10% increase \$000	10% decrease \$000	10% increase \$000	10% decrease \$000
Foreign currency forward exchange contracts	-	-	-	-
Equities - AUD	3,021	(3,021)	-	-
Equities - USD	2,908	(2,908)	-	-
30 June 2017	5,929	(5,929)	-	-
Foreign currency forward exchange contracts	-	-	-	-
Equities - AUD	3,011	(3,011)	-	-
Equities - USD, EUR, GBP	2,456	(2,456)	-	-
30 June 2016	5,467	(5,467)	-	-

(iii) *Other Price Risk*

Quayside Group is exposed to equity securities price risk because of investments and classified as fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group's Statement of Investment Policy Objectives. The Group's investments are in both listed and unlisted equities. Equities by nature are subject to volatility. The Group holds equities in a number of markets. The Group held the following equities at balance date.

	Group	
	2017 \$000	2016 \$000
Equities - NZD	77,821	71,669
Equities - AUD	30,206	30,112
Equities - USD, EUR, GBP	29,076	24,562
	137,103	126,343

Sensitivity Analysis

The table below summarises the impact of increases/decreases in the equity prices on the Group's pre-tax profit for the year – all movements in equity prices are reflected through profit or loss. The analysis is based on the assumption that the equity prices had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

Subsidiary	Profit or loss		Reserves	
	10% increase \$000	10% decrease \$000	10% increase \$000	10% decrease \$000
Equities - NZD	7,782	(7,782)	-	-
Equities - AUD	3,021	(3,021)	-	-
Equities - USD	2,908	(2,908)	-	-
30 June 2017	13,711	(13,711)	-	-
Equities - NZD	7,167	(7,167)	-	-
Equities - AUD	3,011	(3,011)	-	-
Equities - USD	2,456	(2,456)	-	-
30 June 2016	12,634	(12,634)	-	-

The Group is also exposed to other price risk arising from the variability of kiwifruit prices which impact on the valuation of the Group's income and receivables. The Parent has no exposure to this price risk. The Group's Kiwifruit income and related receivable at year-end are based on forecast revenue per tray, made at the beginning of the season.

Sensitivity Analysis

At 30 June 2017, if the forecast revenue per tray had been 10% higher/lower with all other variables held constant, the Group's post tax profit for the year would increase/decrease by \$301,037 (2016: \$281,103).

37 Capital management

Council

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The LGA requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of using the Council's assets and not expecting them to meet the full cost of long-term assets, that will benefit ratepayers in future generations. Additionally, the Council has in place, Asset Management Plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The LGA sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

Bay of Plenty Regional Council has the following Council created reserves:

- reserves for different areas of benefit; and
- self-insurance reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. Release of these funds generally can only be approved by Council.

Quayside Group

The Group's capital is its equity, which comprises paid up capital, retaining earnings and reserves. Equity is represented by net assets less non controlling interest.

The *Quayside Group's* objectives when managing capital are to safeguard the *Quayside Group's* ability to continue as a going concern in order to provide a long-run risk-adjusted commercial rate of return to the holder of the ordinary shares and to provide fixed dividends to the holders of issued Perpetual Preference shares. Capital is structured to minimise the cost of capital.

The *Quayside Group's* Statement of Intent requires that it retain a majority shareholding in the Port of Tauranga Limited, currently 54.14%; complementing that, the policy of the Board is to provide the best possible management of all other investments by diversifying across sectors away from the port/transport sector, both within Australasia and internationally. To provide for a growing and sustainable flow of dividends to the ordinary shareholder, the *Quayside Group* has adopted a distribution policy which will ensure that dividends are maintained with regard to retentions for regional growth and inflation, and can be maintained through periods of income fluctuation.

The *Quayside Group* is required to comply with certain financial covenants in respect of external borrowings, namely security over shares in Port of Tauranga Limited owned by Quayside Securities Limited as trustee for the Quayside Unit Trust.

There have been no changes in the *Quayside Group's* approach to capital management during the year. Quayside Holdings Limited has complied with all capital management policies and covenants during the reporting period.

Port of Tauranga Group

The Board's policy is to maintain a strong capital base, which the *Port of Tauranga Group* defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the *Port of Tauranga Group*. The Board endeavours to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The *Port of Tauranga Group* has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the debt/(debt + equity) ratio is to be maintained at a 40% maximum. It is also *Port of Tauranga Group* policy that the dividend payout is maintained between a level of between 70% and 100% of profit for the period.

The *Port of Tauranga Group* are required to comply with certain financial covenants in respect of external borrowings namely that: interest cover is to be maintained at a minimum of 2.5 times; shareholders' funds as a percentage of total tangible assets must exceed 45% at all times; and total tangible assets and earnings before interest and taxes (EBIT) must at all times exceed 85% of total tangible assets and EBIT respectively for the *Port of Tauranga Group*.

There have been no changes in the *Port of Tauranga Group's* approach to capital management during the year.

The Port of Tauranga Limited has complied with all capital management policies and covenants during the reporting period.

38 Explanation of major variances against budget

Explanations for major variations from the Council's budget figures in the 2016/17 Annual Plan are as follows:

Statement of comprehensive revenue and expense

Operating revenue

Operating revenue is \$1.8 million less than budget. This is mainly made up of:

- Subsidies and grant revenue: - \$3.0 million less than budget.
- Reduced grant funding received from the Ministry for the Environment due to fewer Land Incentive contract payments made (Te Arawa Rotorua Lakes)
- Delays in the finalisation of the Kopeopeo Canal Project Remediation contract has resulted in the deferral of funding from the Ministry for the Environment.

Operating expenditure

Operating expenditure is \$0.9 million less than budget. This mainly relates to:

- Trading and other expenses \$6.2 million less than budget. Regional Infrastructure funds of \$5.4 million were not released as planned. This expenditure has been rephased in future years.
- Depreciation \$3.6 million higher than budget. This is due to \$3.7 million additional expenditure for accelerated depreciation due to the planned Regional House refurbishment.

Please refer to the activity section of the annual report for more details on our financial performance.

Statement of financial position

Assets

Assets were \$11.1 million less than budget due to the change in timing of receipts and payments.

Liabilities

Liabilities were \$21 million less than budget mainly due a \$24 million reduction in the Put option valuation. The 2017 budget was set before the 30 June 2016 revaluation of the Put option was received.

Statement of cashflows

Net cash from operating activities was higher than budget by \$2.2 million due to lower than planned payments to suppliers.

Net cash from investing activities was higher than budget by \$17.3 million due to lower capital expenditure and infrastructure grants not released as planned.

Net cash from financing activities was lower than budget by \$0.9 million due to fewer Clean Heat loans issued.

39 Put option

The Perpetual Preference Share issue has a Put Option; the purpose of the Put Option is to reduce the credit risk of the Perpetual Preference Share to holders. The Option Deed relating to the Perpetual Preference Shares dated 31 January 2008, outlines the Put Option trigger events, these are:

- Quayside Holdings Limited fails (for whatever reason) to pay the cash component of a dividend payable on a Dividend Payment Date within five business days after the payment date; or
- Quayside Holdings Limited elects not to pay a dividend payable on a dividend payment date; or
- Quayside Holdings Limited ceases to carry on business or operations; or
- An encumbrancer takes possession, or a trustee, receiver and manager, liquidator, administrator, inspector under any companies or securities legislation; or
- A recommendation by the Securities Commission is made to appoint a Statutory Manager; or
- Quayside Holdings Limited is declared or becomes insolvent.

While the Council would take steps to prevent the Put Option being exercised, the Council has no binding obligation to intervene. For this reason the valuation of the Put Option is based on Quayside Holdings Limited as a stand-alone entity.

A significant factor in the valuation of the Put Option is Quayside Holdings Limited's substantial degree of reliance on the dividends received from its shareholding in the Port of Tauranga (POT), to fully meet the Perpetual Preference Share dividend payments. Whilst there is currently no apparent reason to believe that Quayside Holdings Limited will not receive dividends from the POT in the future, adverse business, financial or economic conditions may impair the ability and willingness of the POT to pay future dividends.

The valuation of the Put Option as at 30 June 2017 was carried out by PricewaterhouseCoopers (PwC), Wellington on 5 September 2017. PwC has assigned Quayside Holdings Limited a credit rating of BB+ based on their analysis of the Perpetual Preference Share obligations and Quayside Holdings Limited's historical earnings for the Perpetual Preference Share.

Based on the above factors, PwC has given the Council an indicative range of \$12 million to \$15 million for the Put Option.

Sensitivity of the indicative valuation to the notional credit rating for QHL:

	Rating score	BBB-	BB+	BB
Credit rating	Income statement	\$8 million	\$2 million	(\$1) million
	Balance sheet	\$7 million	\$13 million	\$16 million

Sensitivity of the indicative valuation to the credit recovery rate for QHL:

	Rating score	33.7%	26.4%	17.1%
Credit recovery rate	Income statement	\$3 million	\$12 million	\$- million
	Balance sheet	\$12 million	\$13 million	\$15 million

40 Funding impact statements

Council funding impact statement

Yr 1 LTP	Actual		Annual Plan	Actual
2015-2025	2015/16		2016/17	2016/17
\$000	\$000		\$000	\$000
Source of operating funding				
		General rates, uniform annual general charges,		
18,341	19,252	rates penalties	20,467	21,254
15,691	15,411	Targeted rates	15,866	15,765
15,026	11,595	Subsidies and grants for operating purposes	15,664	11,336
9,345	10,710	Fees and charges	8,948	8,902
31,083	30,419	Interest and dividends from investments	29,835	28,996
		Local authorities fuel tax, fines infringement fees		
6,620	3,755	and other receipts	2,917	3,648
96,105	91,142	Total operating funding (A)	93,697	89,901
Applications of operating funding				
95,708	85,990	Payments to staff and suppliers	100,047	95,024
0	0	Finance costs	0	0
347	144	Other operating funding applications	125	228
96,055	86,134	Total applications of operating funding (B)	100,172	95,252
50	5,008	Surplus (deficit) of operating funding (A-B)	(6,476)	(5,351)
Sources of capital funding				
150	0	Subsidies and grants for capital expenditure	75	1,451
0	0	Development and financial contributions	0	0
0	0	Increase (decrease) in debt	0	0
315	354	Gross proceeds from sale of assets	406	32
0	0	Lump sum contributions	0	0
0	0	Other dedicated capital funding	0	0
465	354	Total sources of capital funding (C)	481	1,483

Yr 1 LTP	Actual		Annual Plan	Actual
2015-2025	2015/16		2016/17	2016/17
\$000	\$000		\$000	\$000
Applications of capital funding				
		Capital expenditure		
0	0	- to meet additional demand		0
14,492	6,845	- to improve levels of service		18,457
4,464	2,738	- to replace existing assets		5,103
(19,151)	11,506	Increase (decrease) in reserves		(30,152)
711	(15,727)	Increase (decrease) of investments		597
515	5,362	Total applications of capital funding (D)		(5,995)
(50)	(5,008)	Surplus (deficit) of capital funding (C-D)		6,476
0	0	Funding balance (A-B) + (C-D)		0

Note: This financial statement excludes:

5,873	6,936	Depreciation and amortisation	5,816	9,453
0	91	Loss on sale of property, plant and equipment	0	372
0	(392)	Investment amortisation	0	(386)
0	(230)	Gain on sale of property, plant and equipment	0	(15)
0	0	Fair value of receivables	0	(171)
0	(24,000)	Gain on revaluation of Put Option	0	0

Integrated Catchment Management funding impact statement

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	5,430	5,442	5,371
Targeted rates	2,685	3,033	2,974
Subsidies and grants for operating purposes	3,554	3,889	3,111
Fees and charges	269	276	39
Internal charges and overheads recovered	888	884	793
Local authorities fuel tax, fines infringement fees and other receipts	12,835	11,824	9,306
Total operating funding (A)	25,662	25,347	21,594
Applications of operating funding			
Payments to staff and suppliers	21,003	21,338	15,083
Finance costs	439	673	295
Internal charges and overheads applied	6,562	7,182	7,419
Other operating funding applications	0	0	0
Total applications of operating funding (B)	28,003	29,192	22,798
Surplus (deficit) of operating funding (A-B)	(2,342)	(3,845)	(1,204)

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Sources of capital funding			
Subsidies and grants for capital expenditure	75	75	81
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	75	75	81

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	2,120	3,958	1,589
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(4,387)	(7,728)	(2,712)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(2,267)	(3,770)	(1,123)
Surplus (deficit) of capital funding (C-D)	2,342	3,845	1,204
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	817	822	742
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Note 2: This financial statement includes:

Internal interest	439	673	295
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Flood Protection & Control funding impact statement

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	389	1,373	1,379
Targeted rates	8,697	8,868	8,652
Subsidies and grants for operating purposes	2,620	60	87
Fees and charges	11	11	91
Internal charges and overheads recovered	0	0	(1)
Local authorities fuel tax, fines infringement fees and other receipts	1,208	2,869	2,720
Total operating funding (A)	12,926	13,181	12,927
Applications of operating funding			
Payments to staff and suppliers	5,575	5,666	9,104
Finance costs	1,586	1,981	977
Internal charges and overheads applied	2,132	2,360	3,056
Other operating funding applications	0	0	0
Total applications of operating funding (B)	9,294	10,006	13,137
Surplus (deficit) of operating funding (A-B)	3,633	3,175	(210)
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	1,370
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	1,370

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	7,295	3,457	5,938
- to replace existing assets	625	487	476
Increase (decrease) in reserves	(4,288)	(768)	(5,254)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	3,633	3,175	1,160
Surplus (deficit) of capital funding (C-D)	(3,633)	(3,175)	210
Funding balance (A-B) + (C-D)	(0)	(0)	0

Note 1: This financial statement excludes:

Depreciation and amortisation	1,239	1,253	1,102
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Note 2: This financial statement includes:

Internal interest	1,586	1,981	977
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Resource Regulation & Monitoring funding impact statement

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	3,170	3,417	3,422
Targeted rates	1,081	1,293	948
Subsidies and grants for operating purposes	0	0	0
Fees and charges	3,433	3,605	3,297
Internal charges and overheads recovered	0	0	696
Local authorities fuel tax, fines, infringement fees and other receipts	5,994	5,882	5,982
Total operating funding (A)	13,677	14,197	14,346
Applications of operating funding			
Payments to staff and suppliers	8,147	8,559	10,116
Finance costs	254	341	112
Internal charges and overheads applied	4,294	4,906	5,655
Other operating funding applications	347	509	228
Total applications of operating funding (B)	13,042	14,316	16,110
Surplus (deficit) of operating funding (A-B)	636	(119)	(1,764)

Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	1,299	1,119	(969)
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	1,299	1,119	(969)

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve the level of service	100	256	196
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(175)	(1,266)	(1,960)
Increase (decrease) of investments	2,010	2,010	(969)
Total applications of capital funding (D)	1,935	1,000	(2,733)
Surplus (deficit) of capital funding (C-D)	(636)	119	1,764
Funding balance ((A-B) + (C-D))	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	41	52	88
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Note 2: This financial statement includes:

Internal interest	254	341	112
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Transportation funding impact statement

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,559	1,683	1,865
Targeted rates	3,315	3,510	3,407
Subsidies and grants for operating purposes	7,156	7,165	7,423
Fees and charges	4,746	4,978	4,136
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	3,548	3,538	3,603
Total operating funding (A)	20,324	20,874	20,434
Applications of operating funding			
Payments to staff and suppliers	19,155	19,856	19,064
Finance costs	0	0	0
Internal charges and overheads applied	1,050	1,184	1,298
Other operating funding applications	0	0	0
Total applications of operating funding (B)	20,205	21,040	20,362
Surplus (deficit) of operating funding (A-B)	120	(165)	72
Sources of capital funding			
Subsidies and grants for capital expenditure	75	1,652	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	75	1,652	0

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	647	193	98
- to replace existing assets	180	2,849	0
Increase (decrease) in reserves	(632)	(1,555)	(26)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	195	1,487	72
Surplus (deficit) of capital funding (C-D)	(120)	165	(72)
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	384	769	29
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Regional Development funding impact statement

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	484	501	499
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	1,556	1,240	1,346
Total operating funding (A)	2,040	1,741	1,845
Applications of operating funding			
Payments to staff and suppliers	6,759	6,554	3,438
Finance costs	0	0	0
Internal charges and overheads applied	671	725	962
Other operating funding applications	0	0	0
Total applications of operating funding (B)	7,430	7,279	4,400
Surplus (deficit) of operating funding (A-B)	(5,390)	(5,539)	(2,555)

Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	0

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Application of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve the level of service	0	161	0
- to replace existing assets	0	0	1,606
Increase (decrease) in reserves	(5,390)	(5,700)	(4,161)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(5,390)	(5,539)	(2,555)
Surplus (deficit) of capital funding (C-D)	5,390	5,539	2,555
Funding balance ((A-B) + (C-D))	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	17	17	29
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Regional Planning & Engagement funding impact statement

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	5,029	5,171	5,158
Targeted rates	0	0	0
Subsidies and grants for operating purposes	317	337	0
Fees and charges	0	0	31
Internal charges and overheads recovered	0	0	1,336
Local authorities fuel tax, fines infringement fees and other receipts	9,135	8,617	8,635
Total operating funding (A)	14,481	14,126	15,159
Applications of operating funding			
Payments to staff and suppliers	9,562	9,959	11,691
Finance costs	0	0	0
Internal charges and overheads applied	5,048	5,528	5,899
Other operating funding applications	0	0	0
Total applications of operating funding (B)	14,610	15,486	17,590
Surplus (deficit) of operating funding (A-B)	(129)	(1,361)	(2,431)

Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	0

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Application of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve the level of service	0	0	0
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(129)	(1,361)	(2,431)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(129)	(1,361)	(2,431)
Surplus (deficit) of capital funding (C-D)	129	1,361	2,431
Funding balance ((A-B) + (C-D))	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	0	0	0
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Emergency Management funding impact statement

	Yr 1 LTP	Yr 2 LTP	Actual
	2015-2025	2015-2025	2016/17
	\$000	\$000	\$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	461	467	467
Targeted rates	0	0	0
Subsidies and grants for operating purposes	1,379	1,474	716
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	880	822	1,468
Total operating funding (A)	2,720	2,763	2,652
Applications of operating funding			
Payments to staff and suppliers	2,031	2,110	2,834
Finance costs	0	0	0
Internal charges and overheads applied	760	874	1,097
Other operating funding applications	0	0	0
Total applications of operating funding (B)	2,791	2,984	3,931
Surplus (deficit) of operating funding (A-B)	(71)	(220)	(1,279)
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	0

	Yr 1 LTP	Yr 2 LTP	Actual
	2015-2025	2015-2025	2016/17
	\$000	\$000	\$000
Application of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve the level of service	10	11	0
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(81)	(231)	(1,279)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(71)	(220)	(1,279)
Surplus (deficit) of capital funding (C-D)	71	220	1,279
Funding balance ((A-B) + (C-D))	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	2	4	4
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Technical Services funding impact statement

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	1,842	2,081	2,082
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	887	909	1,029
Internal charges and overheads recovered	3,390	3,694	5,382
Local authorities fuel tax, fines, infringement fees and other receipts	3,543	3,669	3,695
Total operating funding (A)	9,662	10,352	12,188
Applications of operating funding			
Payments to staff and suppliers	5,817	6,380	5,691
Finance costs	0	0	0
Internal charges and overheads applied	2,882	3,474	4,653
Other operating funding applications	0	0	0
Total applications of operating funding (B)	8,699	9,854	10,344
Surplus (deficit) of operating funding (A-B)	963	497	1,844

Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	0	0	0

	Yr 1 LTP 2015-2025 \$000	Yr 2 LTP 2015-2025 \$000	Actual 2016/17 \$000
Application of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve the level of service	100	67	790
- to replace existing assets	814	877	0
Increase (decrease) in reserves	49	(446)	1,054
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	963	497	1,844
Surplus (deficit) of capital funding (C-D)	(963)	(497)	(1,844)
Funding balance ((A-B) + (C-D))	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	907	924	588
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Corporate Services funding impact statement

	Yr 1 LTP	Yr 2 LTP	Actual
	2015-2025	2015-2025	2016/17
	\$000	\$000	\$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	(24)	(55)	1,010
Targeted rates	(88)	(94)	(216)
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	0	278
Internal charges and overheads recovered	19,120	21,655	28,204
Local authorities fuel tax, fines infringement fees and other receipts	1,460	924	(2,663)
Total operating funding (A)	20,469	22,430	26,612
Applications of operating funding			
Payments to staff and suppliers	17,658	18,894	19,269
Finance costs	179	427	67
Internal charges and overheads applied	0	0	5,100
Other operating funding applications	0	0	0
Total applications of operating funding (B)	17,838	19,321	24,436
Surplus (deficit) of operating funding (A-B)	2,631	3,109	2,176
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	969
Gross proceeds from sale of assets	315	399	32
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	315	399	1,001

	Yr 1 LTP	Yr 2 LTP	Actual
	2015-2025	2015-2025	2016/17
	\$000	\$000	\$000
Application of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve the level of service	4,220	10,797	4,180
- to replace existing assets	2,844	3,563	1,812
Increase (decrease) in reserves	(4,119)	(10,852)	(2,815)
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	2,946	3,508	3,177
Surplus (deficit) of capital funding (C-D)	(2,631)	(3,109)	(2,176)
Funding balance ((A-B) + (C-D))	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	2,465	2,973	6,871
Loss on sale of property, plant and equipment	0	0	372
Investment amortisation	0	0	(386)
Gain on sale of property, plant and equipment	0	0	(125)
Gain on revaluation of Put Option	0	0	0
Fair value of cash flow hedges	0	0	(171)

Note 2: This financial statement includes:

Internal interest	179	427	67
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41 Internal loans

Council

Group of Activities	Opening	Loan	Loan	Closing	Interest
	Balance			Repay-	
	01 July 2016	Advances	ments	30 June 2017	Charges
	\$000	\$000	\$000	\$000	\$000
Integrated Catchment Group of Activities					
Kaituna Catchments	1,238	1,148	(111)	2,275	41
Rotorua Lakes	10,165	2,851	(628)	12,389	254
	11,403	4,000	(738)	14,664	295
Resource Regulation & Monitoring Group of Activities					
Rotorua Air Activity - Clean Heat	4,538	361	(1,612)	3,287	112
	4,538	361	(1,612)	3,287	112
Flood Protection and Control Works Group of Activities					
Kaituna Catchment Control					
Scheme	3,711	13	(213)	3,511	92
Rangitaiki - Tarawera Rivers					
Scheme	20,512	2,661	(1,195)	21,978	522
Whakatāne - Tauranga Rivers					
Scheme	6,868	-	(515)	6,352	170
Waioeka - Otara Rivers Scheme	3,872	-	(251)	3,622	96
Rangitaiki Drainage Scheme	1,141	17	(49)	1,109	29
Non-Scheme	1,950	3,722	(109)	5,563	68
	38,053	6,413	(2,332)	42,135	977
Corporate Services Group of Activities					
Buildings	2,240	1,801	(78)	3,963	67
	2,240	1,801	(78)	3,963	67
Total	56,234	12,576	(4,761)	64,049	1,451

42 Depreciation and amortisation expense by Group of Activity

	Council	Council
	2016/17	2015/16
	\$000	\$000
Directly attributable depreciation and amortisation expense by group of activity:		
Integrated Catchment Management	742	734
Flood Protection and Control	1,102	1,000
Resource Regulation & Monitoring	88	30
Transportation	29	32
Regional Development	29	28
Emergency Management	4	2
Technical Services	588	623
Corporate Services	6,871	4,142
Total depreciation and amortisation	9,453	6,592

43 Financial Prudence

Annual report disclosure statement for year ending 30 June 2017

What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Rates affordability benchmark

The council meets the rates affordability benchmark if-

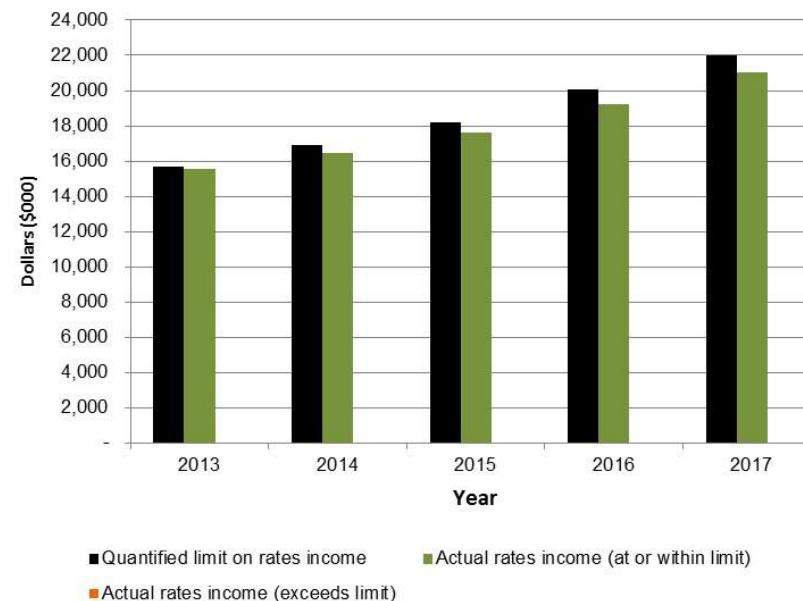
- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increase equal or are less than each quantified limit on rates increases.

Rates (income) affordability

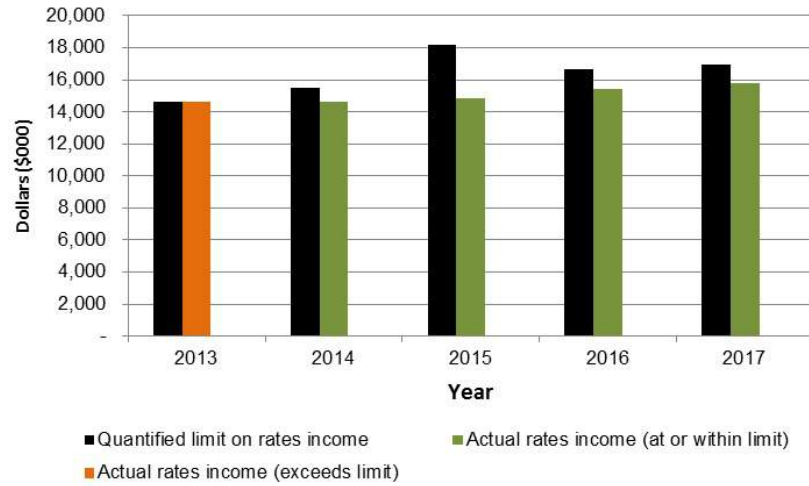
The following graphs compare the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits for rates are from long-term plan 2015-2025.

Quantified limit on rates	2013 \$000	2014 \$000	2015 \$000	2016 \$000	2017 \$000
General rates	15,710	16,895	18,169	18,340	20,080
Targeted rates	14,612	15,529	18,205	15,618	16,961
Planned rates	30,322	32,424	36,374	33,958	37,041

General rates



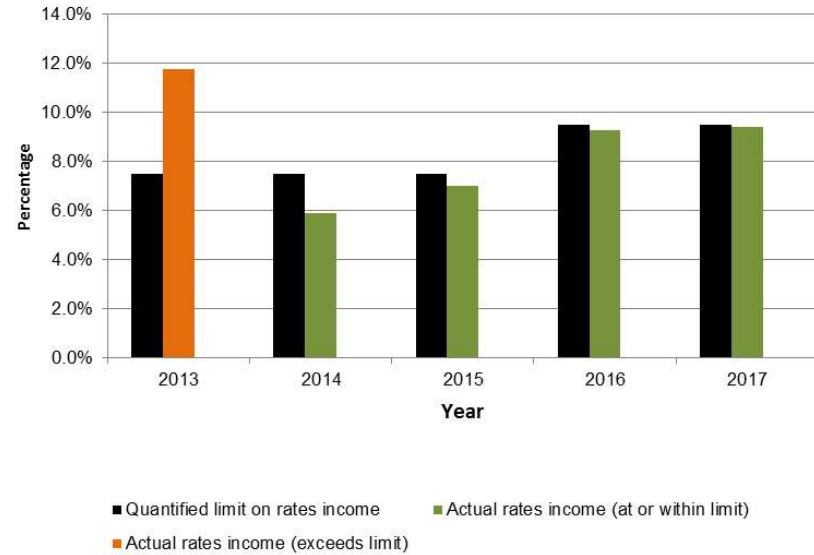
Targeted rates



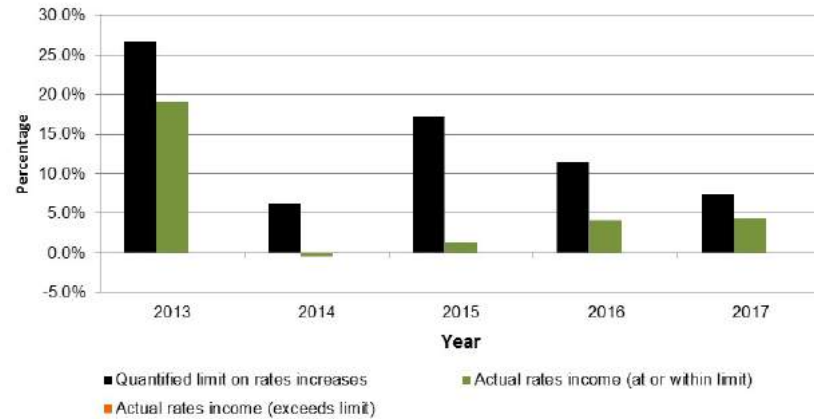
Rates (increases) affordability

The following graphs compare the Council's actual rates increases, with a quantified limit on rates increases included in the financial strategy included in the Council's LTP. The quantified limit is set for each financial year and measured as percentage rate rise from the prior financial year.

General rates



Targeted rates



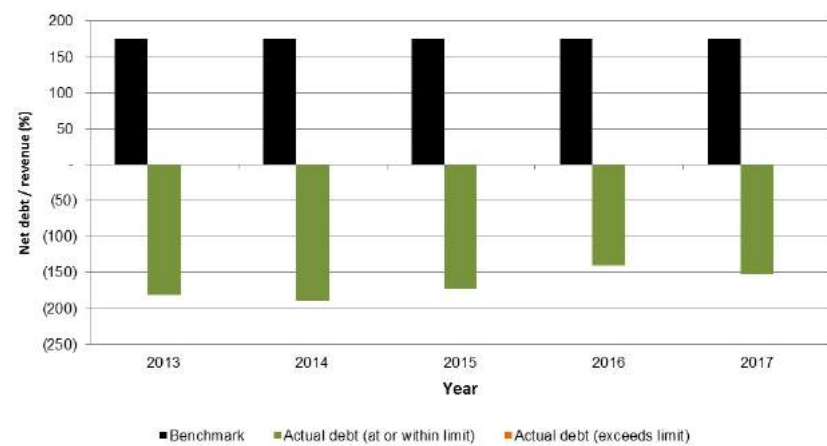
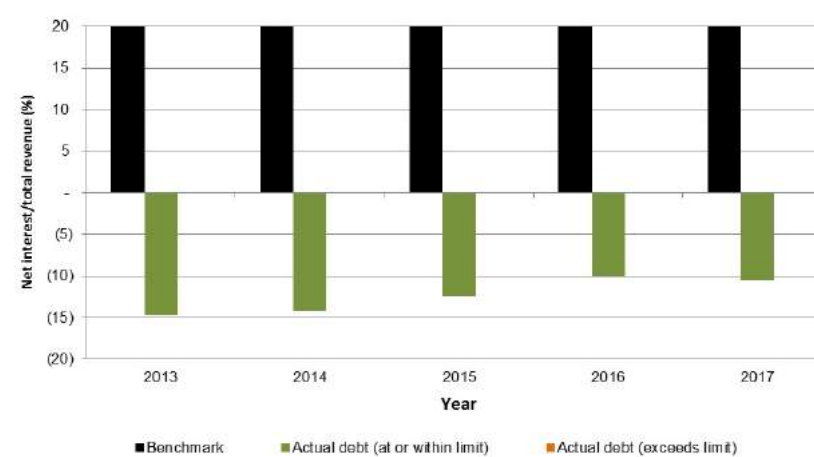
Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

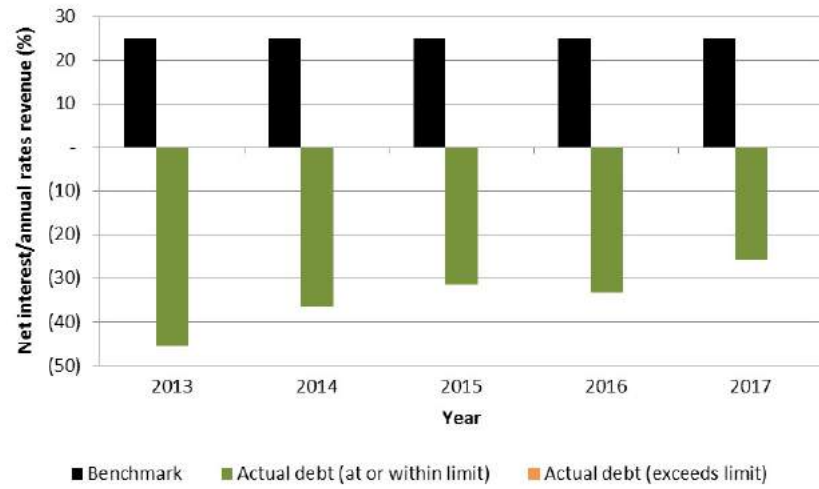
The following graphs compare the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is set for borrowing within the following macro limits:

Financial covenant ⁽¹⁾	Limit
Net debt ⁽²⁾ / Total revenue ⁽³⁾	<175%
Net interest / Total revenue	<20%
Net interest / Annual rates revenue	<25%
Liquidity ⁽⁴⁾	>110%

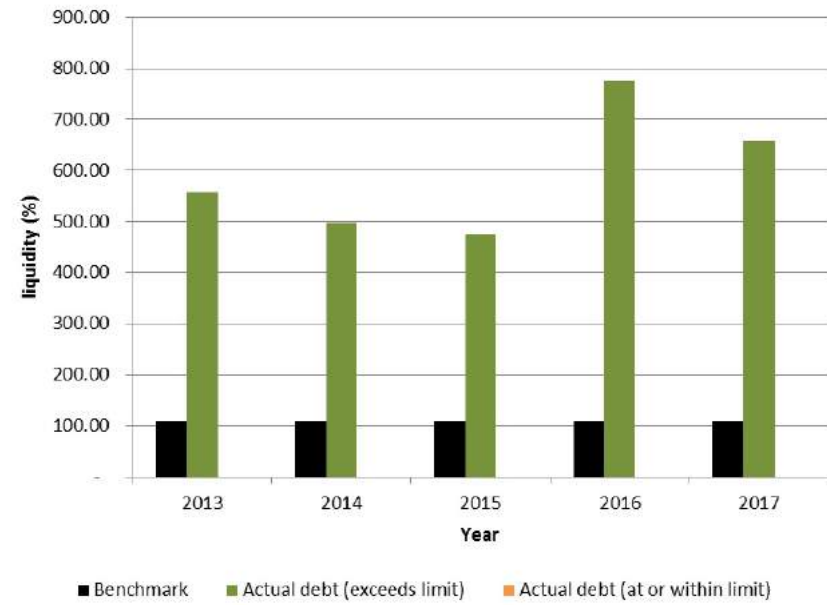
1. Financial covenants are measured on Council only, not the consolidated group.
2. Net debt is defined as total debt less liquid financial assets and investments.
3. Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. vested assets).
4. Liquidity is defined as external debt plus committed loan facilities plus liquid investments dividend by external debt.

(Net debt / total revenue)**Net interest / total revenue**

Net interest / annual rates revenue



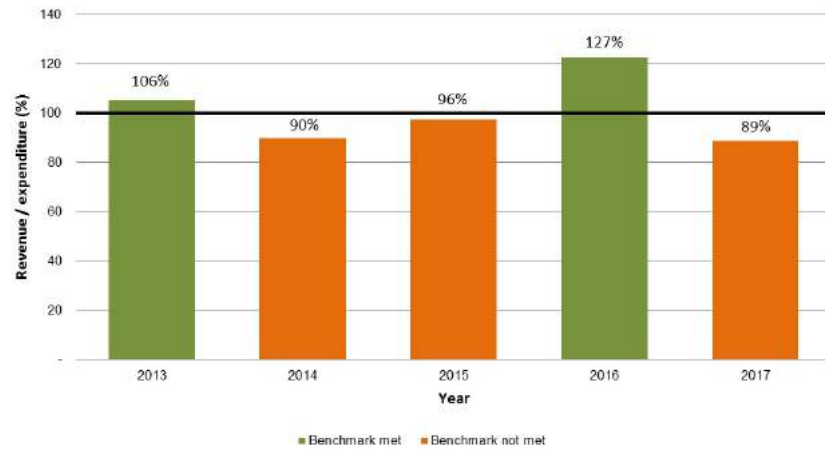
Liquidity



Balanced budget benchmark

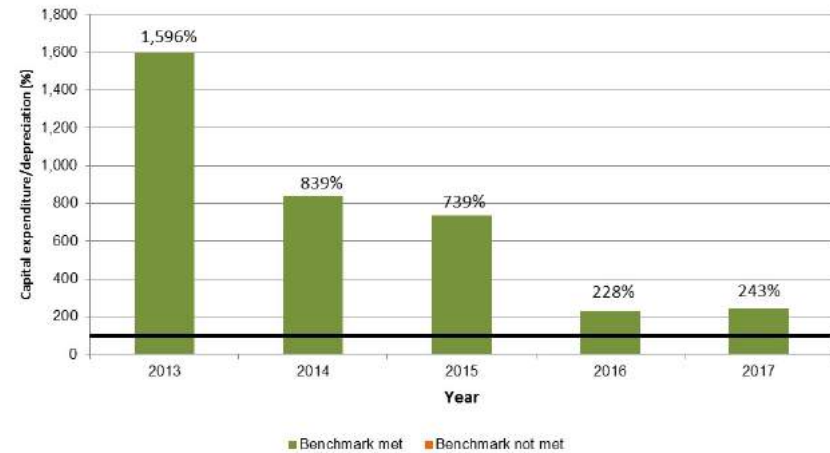
The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).

The Council meets this benchmark if revenue equals or is greater than its operating expenses.



Essential services benchmark

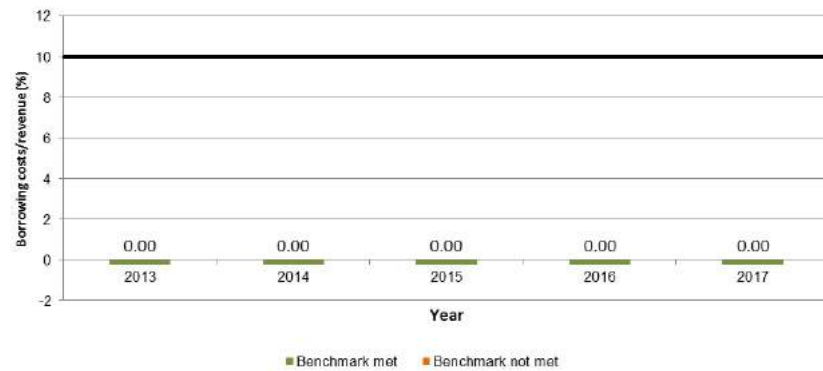
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals, or is greater than depreciation on network services.



Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant or equipment).

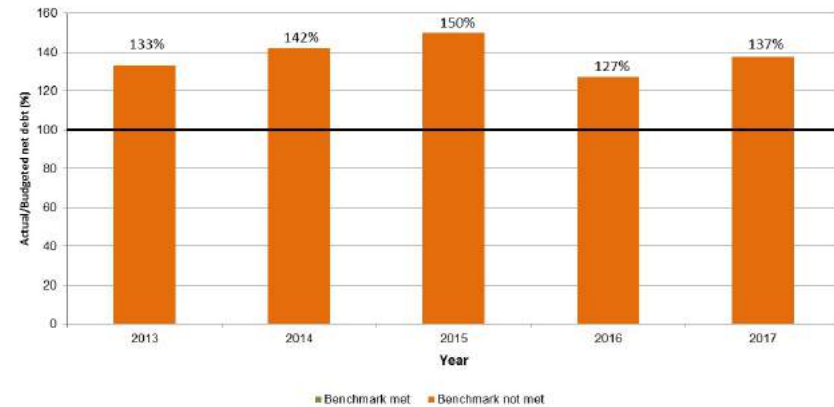
Because Statistics New Zealand projects the Council's population will grow *more slowly* than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 % of its revenue.



Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.

