



Annual Report

Te Mahere ā-Tau

For the financial year 1 July 2017 to 30 June 2018



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Introduction

Chairman and Chief Executive's foreword

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

Our operating environment continued to change, and that influenced our work programmes during the year. For example, we developed and consulted with our community on our Long Term Plan 2018-2028 consultation document. This gave us the opportunity to engage with our community through more than 40 meetings and events held across the region in early 2018. These events enabled engagement with a wide range of stakeholders including the general public, iwi, local authorities, community boards, and business and helped inform how we will deliver our activities for our community over the next ten years. As part of this process, we included an aim to future-proof the region against climate change by supporting adaptation measures across all Council activities.

During the year we maintained a strong focus on water management, with significant progress made on implementing the government's National Policy Statement for Freshwater Management. A key focus in this regard has been finalising values and objectives for Kaituna and Rangitāiki Water Management Area (Plan Change 12) while continuing modelling work, all of which contributes to setting limits for policy 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 three incentive agreements put in place that, when fully implemented, will see approximately 11.5 tonnes of nitrogen permanently removed from Lake Rotorua.

The Tauranga Harbour catchment saw strong progress throughout the year, with 340 tonnes of sea lettuce and 1,000 kg of rubbish being removed from foreshores, streams and estuaries.

Repairs on our flood defence assets continued in the wake of the flooding experienced in April 2017, particularly in Edgecumbe, but also in other areas throughout the region. Repair works have been progressing ahead of the

original schedule and 119 (23%) of the highest priority work sites have been completed.

Remediation of the Kopeopeo Canal continues to be a high priority project for Council. Early progress on works has commenced, including the construction of two containment sites, two flood control structures and dredging contaminated sediment of 1.8 kms of the overall 5.1 km canal length.

Significant progress has been made to support the Kaituna River Re-diversion and Ongatoto/Maketu Estuary Enhancement Project. Stage Two construction procurement has been completed and a turning of the first sod ceremony was held on 12 June 2018. In conjunction, the Papahikahawai Island Biodiversity Management Plan is on track with 90% of all plants now in as a result of 20,000 new plants put in during the winter of 2018.

The Western Bay of Plenty Public Transport Blueprint was completed and approved and a review of the Regional Land Transport Plan (RLTP) undertaken and subsequently submitted to the New Zealand Transport Agency.

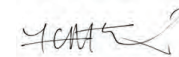
Māori have continued to make a significant contribution to the region and over the past year, we have continued to collaborate with Māori through our work across the region. We are also continuing to support the capacity of Māori to participate in council decision making processes including through Komiti Māori Council Meetings and support for iwi members on Treaty co-governance forums.

We delivered our work programme through operating expenditure of \$118.3 million compared to a budget of \$124.7 million. We also delivered a significant increase in our capital works programme with capital expenditure of \$36.5 million, compared to \$16.7 million in 2016/17.

Our operating environment continues to be challenging. We set ourselves some substantial goals for this past financial year, and are pleased to report considerable progress.



Douglas Leeder, **Chairman**



Fiona McTavish, **Chief Executive**

Highlights of our year

This year, Bay of Plenty Regional Council focused on delivering what we said we would in Year Three of the Long Term Plan 2015-2025, as amended and updated by the Annual Plan 2017/18. Our operating environment continued to change, and that influenced our work programmes during the year. Throughout the year, we developed and consulted on our Long Term Plan 2018-2028. Through this, we set out the big challenges for our region and what we plan to do over the next 10 years, how much it will cost and the outcomes that will be delivered to our community.

Achievements and challenges for our focus areas

Land and Water Framework

During the year we made further progress on the National Policy Statement for Freshwater Management requirements by finalising our values and objectives for Kaituna and Rangitāiki Water Management Area (Plan Change 12) while progressing the modelling work to support limit setting. We focused on our Biodiversity Programme with the Department of Conservation by commencing work on a new biodiversity policy while completing the production of a regional map to provide site management prescriptions. We also sponsored a number of industry events and utilised these as a vehicle to communicate and support our biodiversity and sustainable land use projects.

Flood Protection Project

In April 2017, our region experienced a significant weather event (ex-tropical Cyclone Debbie) resulting in serious flooding, particularly from the Rangitāiki River at Edgecumbe, but also in other areas throughout the region. The event caused extensive damage to our flood defences and subsequently we have continued repairs, including those to the Rangitāiki River floodway with Stage 4 of the repairs well underway and variations to resource consents lodged. As part of the wider flood protection project, 23% of the highest priority work sites have been completed, and expenditure is ahead of budget due to repair works progressing beyond the original programme schedule.

In addition, flood risk coordination works have continued to be developed to support the flood protection works. This includes, optioneering, river and geotechnical analysis, surveying and modelling.

Tauranga Harbour

Activity in Tauranga Harbour Catchment progressed well during 2017/18. 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.

We continued to implement 136 Environmental Programme Agreements (26 were new this year) with landowners to protect water quality and biodiversity while successfully engaging with landowners to begin negotiations for water quality improvements upstream of Kaiate Falls. Through our Environmental Programmes, 35 km of waterway margins have been protected and 112 ha of land use change implemented. We also worked with the Uretara Estuary Managers to secure \$250,000 of Ministry of Environment funding for catchment work in four Katikati catchments.

Other significant work during the year included: completing the Opureora channel dredging; undertaking a successful Happy Harbour Day event; completing a review of the Te Awanui Tauranga Harbour programme; removal of 340 tonnes of sea lettuce from the harbour; planting 31,000 coastal plants, utilising more than 4,200 volunteer hours; and the removal of 1,000 kg of rubbish from seven stream and estuary litter clean-ups, involving 700 students.

We have continued to work with tangata whenua, district councils, government agencies and community organisations to deliver a coordinated programme of work to care for land, water and wildlife in the Tauranga Harbour catchment while supporting registered Care Groups and Estuary Care Groups.

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 via nutrient reduction targets, primarily 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 financial year, there were more than 143 farming enterprises registered for the service and 80 Nutrient Management Plans in process, or complete.

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 three Incentives Scheme Agreements signed in 2017/18, which will result in approximately 11.5 tonnes of nitrogen being permanently removed from Lake Rotorua once they are fully implemented.

Farm Environment Plans have been developed in the Tarawera Catchments, funded by Council and as a joint project with the Project Rerewhakaiaitu Incorporated Society, Beef and Lamb New Zealand and Fonterra.

Other highlights from the year included the implementation of lake water quality action plans, the investigation of lake restoration options, supporting the Chair in Lakes Water Quality at the University of Waikato and monitoring interventions.

Kopeopeo Canal Remediation Project

Remediation of the Kopeopeo Canal continues to be a high priority project for the Council. The project is co-funded by the Ministry for the Environment and early progress on works has commenced, including the construction of two containment sites, two flood control structures and sediment dredging of 1.8 kms of the overall 5.1 km canal length.

Ongoing community engagement continues via the regular Community Liaison Group meetings, updates to the project website and reporting to stakeholder groups.

Kaituna River Re-diversion and Ongatoro / Maketu Estuary Enhancement Project

Over the course of the year, significant progress has been made to support the Kaituna River Re-diversion and Ongatoro / Maketu Estuary Enhancement Project. Stage Two construction procurement has been completed and more than 100 people, including representatives from six Te Arawa iwi gathered at Tukotahi Marae to celebrate the start of construction works on 12 June 2018. Documents to satisfy resource consents, notice of requirements, an archaeological authority and bylaw-authority requirements were also completed. In conjunction, the Papahikahawai Island Biodiversity Management Plan is on track with 90% of all plants now in as a result of 20,000 new plants put in during the winter of 2018.

The stopbank re-alignment to Diagonal Drain and the Tauranga Eastern Link, now called "Te Pourepo o Kaituna Wetland Creation Project", is currently in the design and investigation stages.

Transportation

The Transportation Group of Activities - Passenger Transport and Transport Planning - continued to deliver on core business activities throughout 2017/18.

Bus services continued for Tauranga, Rotorua and rural areas with over 2.9 million passengers boarding the services throughout the year, while an additional public transport service was trialed between Waihi Beach, Waihi and Katikati. The Western Bay of Plenty Public Transport Blueprint was completed and approved, incorporating a review of the Tauranga bus network with a new contract awarded in April 2018.

The Transport Planning Activity completed a review of the Regional Land Transport Plan (RLTP) and submitted this to the New Zealand Transport Agency.

Regional Infrastructure Projects

The Infrastructure Policy Review was completed in conjunction with the Long Term Plan 2018-2028 and a new Third Party Infrastructure Funding Policy has been adopted by Council to assess funding requests. The Regional Infrastructure Fund (RIF) continues to provide funding to third party infrastructure projects that have regional significance. This year, Council made contributions towards the Tauranga Marine precinct, Tauranga Tertiary campus and the Te Puna West sewerage scheme. The Ongare Point, Lake Rotoma and Lake Rotiti sewerage projects has been supported by Council with funding yet to be finalised.

Corporate Services

Key internal projects included successfully delivering the Long Term Plan 2018-2028 with adoption on 28 June 2018 and progress on the Project Upgrade programme. The Project Upgrade programme includes refurbishing Regional House in Tauranga and modernising the Whakatāne office. Construction has progressed well at both sites this year.

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 40 of our targets, did not achieve six, and the remaining target was not due to be reported on this year. This means we achieved 87 percent of the KPI targets we were due to report on for 2017/18.

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 \$74.9 million after income tax.

Total operating revenue increased by \$39.7 million from \$355.5 million to \$395.2 million. This is mainly due to an increase in Port services income and gains received.

Total operating expenditure (excluding tax) increased by \$24.3 million mainly due to an increase in trading expenses (Council and Port).

Net assets

The Group's net assets (equity) increased by \$247.4 million from \$1,355.5 million to \$1,602.9 million. The increase was mainly due to asset revaluations performed during the year. All Port land, buildings, harbour improvements and wharves and hardstanding assets were revalued, increasing in value by \$225.9 million.

Council financial performance

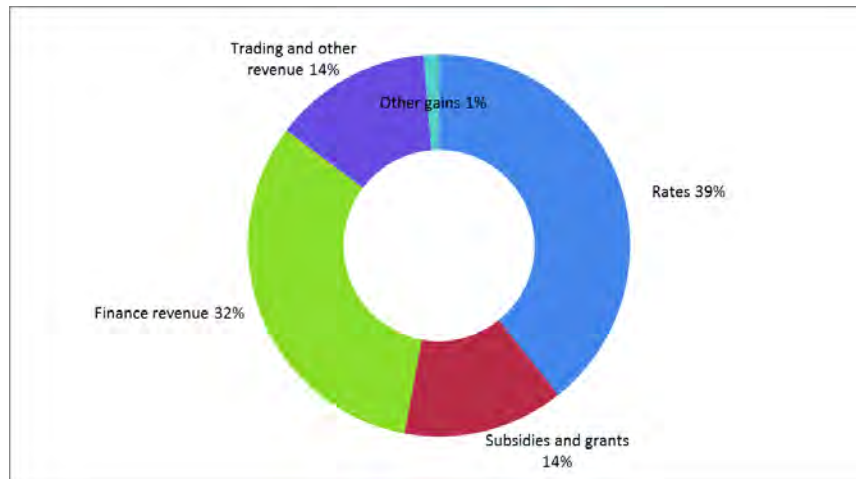
Operating overview

The 2017/18 financial year ended with a Council operating deficit of \$18 million, compared to a budgeted deficit of \$26.7 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 \$98.1 million in revenue, and received \$100.4 million; \$2.3 million more than planned. The increase is mainly due to gains on investments and higher user fees and charges.

Where our revenue came from



Rates

This year Council received \$39.4 million from rates, which was close to our budget of \$39.0 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 2017/18.

Total rates accounted for approximately 39 percent of Council revenue in 2017/18 (down from 40 percent in 2016/17).

Subsidies and grants

We received \$13.7 million in subsidies and grants this year, which was \$1.4 million less than budgeted. This is mainly due to the Rotorua Lakes Activity Land Use Incentive Scheme payments deferred from 2017/18 to 2018/19 and the corresponding funding not being received in 2017/18 from the Ministry for the Environment (MfE).

Finance revenue

This year we received \$32.5 million in finance revenue compared to our budget of \$32.7 million. The shortfall was created by interest rates continuing to remain low; therefore the actual interest received was lower than budgeted. Finance revenue included a dividend from QHL of \$25.5 million and \$6.8 million of other revenue from our investments.

Other gains

We received \$1.2 million in gains from the revaluation of investments and sale of assets.

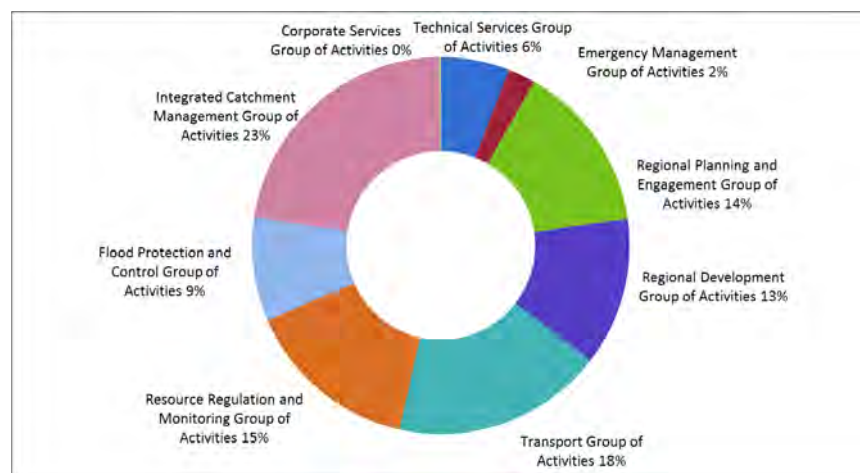
Trading and other revenue

Our trading and other revenue is made up of user fees and charges, and other revenue. This year we received \$13.5 million; \$2.1 million more than budget.

Our operating expenditure

This year we spent \$118.3 million which was \$6.4 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 \$3.7 million of flood work being classified as capital, and \$2.3 million underspend on land use change incentives.

How our operating expenditure was spent



Capital expenditure

This year we spent \$36.5 million compared to the budget of \$43.4 million.

We spent \$23.8 million on Rivers and Drainage assets, with the largest projects being the Rangitāiki floodway works, the Kopeopeo Canal Remediation Project and Flood repair works.

Other large capital projects included the Regional House refurbishment \$4.2 million, Quay Street Building refurbishment \$1.8 million and \$0.8 million on the Tikitere Diversion project.

Several projects were not completed in 2017/18 as originally planned. Budgets for these have been re-profiled to 2018/19 or later years, depending on the revised project timeline. The projects that have had budget carried over to 2018/19 include: Kaituna River Re-diversion, refurbishment projects 2018/19 and the Kopeopeo Canal Remediation Project.

Funding for capital expenditure

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

Certain infrastructure projects qualify for funding from the Infrastructure 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 \$450.7 million. This is \$8.2 million less than budget.

Our assets

Our assets were \$492.5 million at the end of the financial year compared to a budget of \$472.5 million.

Our major assets include \$341.6 million in property, plant and equipment (mainly infrastructure assets) and \$130.2 million in Cash and Cash Equivalents, short and long-term financial assets.

Our liabilities

Our liabilities were \$41.8 million at the end of the year, compared to our budget of \$30.0 million.

This is significantly higher than budget due to increase trade and other payables for large projects,

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 2018 is a \$46.3 million Infrastructure Reserve. This fund was initially established with the proceeds of the PPS in March 2008. The use is subject to a binding ruling issued by Inland Revenue. At 30 June 2018 Council had allocated all of the original \$200 million PPS 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 approximately 375 full-time equivalent 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 is 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 Waihi 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 Waihi, Whakatāne, Waiōtahi and Waioeka/Otara
- Twelve lakes in our Rotorua Lakes Programme: Ōkāreka, Ōkaro, Ōkātina, Rerewhakaaitu, Rotoehu, Rotoiti, Rotokakahi, Rotomā, Rotomahana, Rotorua, Tarawera, and 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 299,900 as at 30 June 2017⁽¹⁾. Broken down into districts this is:

- Tauranga City – 131,500
- Western Bay of Plenty – 49,000

- Ōpōtiki – 9,040
- Rotorua – 71,700
- Whakatāne – 35,600
- Kawerau – 6,940
- Taupō – 36,800

Map of Bay of Plenty Regional Council Boundary



¹ Figures taken from Statistics New Zealand estimated 2017 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.

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, B Robertson (Independent Committee Member)

Komiti Māori

Komiti Māori 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 B Clark, D Love, L Thurston, M McDonald

Public Transport Committee

The Public Transport 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 Brunning

Ex-Officio: Chairman D Leeder

Members: Councillors S Crosby, J Nees, P Thompson, A von Dadelszen, K Winters

Appointees: M Gould (RLC), Cr T Tapsell (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, Ōpōtiki 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

The Executive Employment and Remuneration Subcommittee 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 Council, Western Bay of Plenty District Council 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.

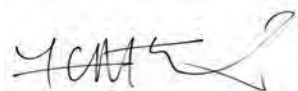
Responsibility

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 2018 fairly reflect the financial position, financial performance and service performance achievements of the Bay of Plenty Regional Council and Group.



Douglas Leeder, **Chairman**
27 September 2018



Fiona McTavish, **Chief Executive**
27 September 2018

Audit Report

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Bay of Plenty Regional Council's annual report for the year ended 30 June 2018

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

We are also required to report on:

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

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

We completed our work on 27 September 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 141 to 235 and 246:
 - present fairly, in all material respects:
 - the Regional Council and Group's financial position as at 30 June 2018;
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 236, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- the Group of Activities on pages 25 to 134:
 - presents fairly, in all material respects, the Regional Council's levels of service for each group of activities for the year ended 30 June 2018, including:

- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 237 to 245, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's annual plan; and
- the funding impact statement for each group of activities on pages 237 to 245, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

Report on the disclosure requirements

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 247 to 254, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council's audited information

and, where applicable, the Regional Council's long-term plan and annual plans.

Basis for our opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

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

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

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

Responsibilities of the auditor for the audited information

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

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

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

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

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

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the Group of Activities, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 3 to 15 and 20 - 24, but does not include the audited information and the disclosure requirements.

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Independence

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

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the Regional Council's 2018-28 long term plan, and performed a limited assurance engagement related to the Regional Council's debenture trust deed. Other than these engagements, we have no relationship with, or interests in, the Regional Council or its subsidiaries and controlled entities. .



B H Halford
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

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 they play an important role in shaping the future of the region. Community outcomes are important because they:

- Help us to improve the wellbeing of communities over time in a sustainable way
- Provide 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's Community 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 table illustrates 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

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 significant investment portfolios; contribution to economic development; participation in co-governance arrangements with councils; and their growing influence in the conservation, preservation and management of natural resources.

We continue to support Māori participation in the decision making processes via Council's Komiti Māori meetings with five hui held in 2017/18. These meetings occurred alongside the approval and implementation of He Korowai Mātauranga Māori – the Mātauranga Māori Framework – which aims to recognise mātauranga Māori in decision making processes. In support of the Mātauranga Māori Framework, Māori staff assisted iwi members on Treaty co-governance forums, namely Te Maru o Kaituna and the Rangitāiki River Forum, facilitated Resource Management Act discussions with iwi and supported Māori constituent councillors and their contributions to Council, further enhancing the understanding of Māori values.

We funded and lodged four iwi/hapū resource management plans while supporting the Office of Treaty Settlements in discussions with Whakatōhea, Ngāti Rangitihī and Te Whānau-a-Apanui on their respective Treaty settlements.

We also received the first Mana Whakahono a Rohe invitation from the Tapuika Iwi Authority, the first invitation received across New Zealand. This was followed by Ngāti Rangiwewehi and Ngāti Te Rangiteaorere forming a collective Mana Whakahono a Rohe in April 2018.

We integrated the Tauranga Moana Iwi Management Plan policies into project outcomes for the Tauranga Moana Programme and supported iwi leadership, representation and partnership opportunities in Bay of Plenty Civil Defence Emergency Management services. We also provided ongoing Resource Management Act advice and support to the National Planning Standards - particularly in regard to the tangata whenua provisions and GIS mapping information and training.

Education opportunities for Māori were provided through the facilitation of another successful programme of activities during Māori Language Week, including contributions to 21 community events through the Te Hapai Ora fund. We also engaged four summer students to assist iwi environmental work programmes while supporting these students through He Toka Tumoana – the Toi Moana Environmental Scholarship Fund.


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 illustrates 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 it cost (Activity level)

What the report describes	What the report looks like
	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>	<p>What it cost (Group level)</p> <p>Group of Activities financial statement</p> <p>Group of Activities capital funding and expenditure statement</p>

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, efficiently and in a coordinated manner.

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

WQQ

EP

RS

RCL

ED

The Tauranga Harbour activity integrates service delivery within the Tauranga Harbour and its catchments, from Waihi 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

WQQ

EP

RS

RCL

ED

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, and Pongakawa/Waihi Estuary catchments.

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 Ongatoto/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 2017/18 year. The targets not achieved were:

- 1. The number of additional kilometres of waterway margin in the Tauranga Harbour catchment protected to reduce sediment, nutrient and/or bacterial contamination of water. This includes streams, drains, wetlands, lakes, estuaries and the open coast. The target was 50 kilometres and the final result was 35.
- 2. The percentage reduction in exports of nitrogen from the Lake Rotorua catchment in accordance with the Integrated Framework and engineering solutions target. The target was 13% and the final result was 9.5%.

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 work on key projects, for 2017/18 with highlights including:




- The completion of the Opureora channel dredging.
- 136 Environmental Programme agreements with landowners to protect water quality and biodiversity remain active, of which 26 were new this year. Through these programmes, 35 km of waterway margins have been protected and 112 ha of land use change implemented.
- The implementation of two new Environmental Programmes to protect Priority Biodiversity Sites and ten new programmes to protect biodiversity at sites important to the community.
- A successful Happy Harbour Day.
- A review of the Te Awanui Tauranga Harbour Programme completed.

The Tauranga Harbour Activity continued to make progress across all of its core activities. Highlights for the year included:

- Coast Care has increased its media coverage, planted more than 31,000 plants and utilised more than 4,200 volunteer hours.
- We held seven Stream and Estuary clean-up events around Tauranga City with over 700 students from eight schools clearing over 1000 kg of rubbish and diverting over 200 kg of recycling from landfill.
- Six sea lettuce clean-ups were carried out resulting in the removal of 340 tonnes.
- Continuing to work with the University of Waikato to progress our research interests. Work is currently underway to explore the concept of collecting free floating sea lettuce while funding has been provided to support a PhD on the effects of swan grazing on seagrass meadows.
- We provided programme coordination for the Tauranga Moana Advisory Group.

- We supported 14 Community Care Groups with funding, training, and advice. Collectively these groups planted thousands of trees and controlled pests over more than 1,000 ha.
- We supported the Estuary Care Programme which supports an additional 11 groups who manage mangroves, pests and weeds on the margins of Tauranga Harbour.
- We continued to support the Kaimai Mamaku Catchments Forum by appointing a coordinator and funding a Pest Management Discussion Document with our partners - the Waikato Regional Council and the Department of Conservation.
- We provided seed funding to the Predator Free programme which was launched in late March in the Tauranga suburbs of Merivale and Matua.
- Funding was secured for a part-time coordinator based at Envirohub and more than 200 traps have been given out within Tauranga to date.
- The Kaiate Taskforce successfully engaged with landowners to begin negotiations for water quality improvements upstream of Kaiate Falls.
- We worked with the Uretara Estuary Managers to secure \$250,000 of Ministry of Environment funding for catchment work in four Katikati catchments. This will be matched by Bay of Plenty Regional Council funding.
- Five stream bank repairs were undertaken in the Waitekohe, Tuapiro, Uretara, Waiorohe and Tuapiro sub-catchments.
- Contractors carried out mangrove seedling removal in seven estuaries while undertaking assessments of mangrove seedling growth in the 11 mangrove management areas across Tauranga Moana.

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council works with iwi, landowners and community groups to improve Tauranga Harbour's indigenous biodiversity, including coastal margins			
Number of coastal, wetland, forest or geothermal High Value Ecological sites ⁽²⁾ where biodiversity is actively managed within the Tauranga Harbour catchment.	17		18 High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 15 Result: 16
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites ⁽³⁾ where biodiversity is actively managed within the Tauranga Harbour catchment.	43		62 non-High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 39 Result: 49
Number of additional kilometres of waterway margin in the Tauranga Harbour catchment protected to reduce sediment, nutrient and/or bacterial contamination of water. ⁽⁴⁾	50		The target for this KPI was not achieved for 2017/18. In total 35 km of waterway margin was protected this year. It is noted that over the past three years, 153 km of riparian margin has been protected. This exceeds the cumulative target of 150 km set for the first three years of the Long Term Plan 2015-2025. <u>Previous result 2016/17</u> Target: 50 Result: 50

2 High Value Ecological sites (HVEs) are the best quality or only remaining representative examples of indigenous vegetation or wildlife habitats on private land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.

3 Non- High Value Ecological sites (Non-HVEs) are sites other than those classified by Council as High Value Ecological Sites (HVES), where biodiversity values are protected on community or landowner land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.

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

What it cost

The Tauranga Harbour Activity finished the year with a deficit of \$1,732,000 compared to a budgeted deficit of \$1,806,000.

Tauranga City Council and Coast Care Bay of Plenty contributed to the removal of sea lettuce from the harbour.

Additional support in the form of funding, training and advice was provided to Land Care and Estuary Care groups.

Tauranga Harbour Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
39	Operating grants and subsidies	6	56
57	Other revenue	104	0
10	Fees and charges	0	0
1,409	General rates	1,251	1,251
2,350	Investment income	1,921	1,921
3,865	Total operating revenue	3,282	3,228
Operating expenditure by sub activity			
2,196	Sustainable Land Use	2,284	2,264
390	Biodiversity	483	473
1,057	Sustainable Coastal Implementation	2,049	2,054
165	Sustainable Water	199	243
3,807	Total operating expenditure	5,015	5,034
58	Net operating surplus (deficit) to fund	(1,732)	(1,806)
Reconciliation of operating surplus (deficit)			
58	Increase (decrease) in reserves	(1,732)	(1,806)
58	Total operating surplus (deficit) funded	(1,732)	(1,806)




Rotorua Lakes Activity

What we did

The Rotorua Lakes Activity continued to work on key projects, being the implementation of the Rotorua Lakes programme and associated activities: lake water quality action plans, the investigation of lake restoration options, supporting the Chair in Lakes Water Quality at the University of Waikato and monitoring lake water quality. Highlights for the year have included:

- All priority catchments have benchmarks for the purposes of nutrient management and work on these is now business as usual.
- Farm Environment Plans have been developed in the Tarawera Catchments, funded by Council and as a joint project with Project Rerewhakaitu Incorporated Society, Beef and Lamb New Zealand and Fonterra.
- Six new lake water quality incentives agreements have been entered into this year, with a significant one in June. The permanent reduction of nitrogen entry to the lake from these agreements is approximately 11.5 tonnes.
- 143 landowners are now engaged in the Advice and Support Service and 80 Nutrient Management Plans in process, or complete.
- Gorse Policy revised to account for issues related to the 999 year encumbrance required by the Ministry for the Environment and less gorse being available for conversion than originally estimated.
- Detailed design and costing almost complete for Tikitere Zeolite Plant after significant work this financial year. With this information, a decision is required in 2018/19 on whether to proceed with construction of the plant. A budget for construction has been deferred in the new Long Term Plan until 2020/21.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Water quality in the Rotorua lakes makes long-term progress towards each lake's Trophic Level Index in the Regional Water and Land Plan.			
Percentage reduction in nitrogen entering Lake Rotorua catchment in accordance with the Integrated Framework and engineering solutions target. ⁽⁵⁾	13%		The 13% target has not been achieved, with only a 9.5% reduction achieved. This represents 30.3 tonnes of nitrogen (tN) (actual reduction achieved at lake) calculated as a percentage of 320 tonnes of nitrogen (total reduction required by 2032 as set out in Regional Policy Statement). ⁽⁶⁾ The following volumes make up the total 30.3 tN reduction: 0.41 tN - gorse agreements, 18.89 tN - incentives, 9.74 tN - wastewater reticulation or OSET upgrades, and 1.23 tN - lake protection agreements. <u>Previous result 2016/17</u> Target: 12% Result: 5.4%
The Council works with iwi, landowners and the community groups to improve the region's indigenous biodiversity.			
Number of coastal, wetland, forest or geothermal High Value Ecological sites ⁽⁷⁾ where biodiversity is actively managed within the Rotorua Lakes catchment.	16		16 High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 16 Result: 16
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites ⁽⁸⁾ where biodiversity is actively managed within the Rotorua Lakes catchment.	15		15 non-High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 15 Result: 15

- 5 The result for this KPI is based on modelling the impact of various interventions undertaken to reduce the amount of Nitrogen entering Lake Rotorua. Interventions include, but are not limited to, completing agreements to change land use in the catchment, wastewater reticulation and the management or removal of gorse. The modelling methodology has been updated in 2017/18 resulting in further improvements to data available for 2017/18.
- 6 Please note that once an Incentives Agreement and Deed is signed, the reduction is deemed achieved. Substantial improvements from month 11 are due to large incentive agreements being signed in month 12.
- 7 High Value Ecological sites (HVEs) are the best quality or only remaining representative examples of indigenous vegetation or wildlife habitats on private land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.
- 8 Non- High Value Ecological sites (Non-HVEs) are sites other than those classified by Council as High Value Ecological Sites (HVEs), where biodiversity values are protected on community or landowner land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.

What it cost

The Rotorua Lakes Activity finished the year with a deficit of \$3,803,000 compared to a budgeted deficit of \$5,317,000. Capital expenditure of \$920,000 was recorded compared to a budget of \$684,000. Significant works were undertaken at Lake Okareka to manage water levels which threatened to flood homes, due to the very wet 2017 winter. This included the purchase of a pump which was not originally budgeted.

Contract payments to landowners for land use incentive agreements were lower than anticipated. This resulted in reduced grant funding from Ministry for the Environment. The remaining budget has been carried forward to next year.

A hearing was not required for the Ohau Wall resource consent renewal. Lower level of gorse removal was required due to a reduction in re-incursion. The next round of the Low Nitrogen Land Use Fund has been delayed and will be issued in the next financial year.

Rotorua Lakes Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
2,974	Targeted rates	3,107	3,107
32	External interest income	48	0
3,006	Operating grants and subsidies	2,402	4,775
4	Other revenue	219	0
4	Fees and charges	4	0
(108)	Revaluation and asset disposal gains	0	0
1,217	General rates	1,274	1,274
2,031	Investment income	1,464	1,464
9,160	Total operating revenue	8,518	10,620
Operating expenditure by sub activity			
1,475	Sustainable Land Use	1,148	1,375
165	Biodiversity	186	148
9,065	Sustainable Water	10,986	14,413
10,705	Total operating expenditure	12,320	15,936
(1,546)	Net operating surplus (deficit) to fund	(3,803)	(5,317)
Reconciliation of operating surplus (deficit)			
(1,546)	Increase (decrease) in reserves	(3,803)	(5,317)
(1,546)	Total operating surplus (deficit) funded	(3,803)	(5,317)

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Capital expenditure by sub activity			
61	Nutrient Assessment Benchmarking Databas	0	0
0	Rotorua Lakes - Non Deed SUSW Capital Projects	86	0
281	Tikitere Diversion	833	684
342	Total capital expenditure	920	684
308	Loan repayment	11	261
651	Total capital funding required	931	945
Sources of capital funding			
651	Increase (decrease) in reserves	931	945
651	Total sources of capital funding applied	931	945

Kaituna Activity

What we did




The Kaituna Activity has made progress on its core business activities throughout 2017/18, with the highlights being:

- Assisted Te Maru o Kaituna River Authority while leading delivery of the key Regional Council projects identified in the 2009 Kaituna Strategy, namely the Kaituna Re-diversion Project and Te Pourepo o Kaituna Wetland Creation Project.
- 20,000 additional plants were planted at a number of locations including Papahikahawai Island, Maketu Spit, Newdick's Beach, Waihi Estuary, Dotterel Point, and at Te Taumata.
- A new agreement was negotiated with Whakakaha Trust to protect the Ottawa frog population and surrounding habitat.
- Land Management Officers worked with landowners to protect an additional 33 km of waterway margin, engaged with industry to promote the uptake of good farming practice, and undertook a catchment-wide synoptic survey of 112 water samples for the second year running.
- Community volunteers, assisted by contractors and staff, managed 21 km of sandy coastline between Pāpāmoa East and Ōtamarākau through the Coast Care programme alongside the Western Bay of Plenty District Council and the Department of Conservation.
- Monitored all current Environmental Programmes.
- The Arawa Wetland Biodiversity Management Plan, now known as Whakapoukorero Wetland, has been finalised and is jointly managed with Te Arawa Lakes Trust and a local community group.
- Staff attended several dairy, beef and lamb, kiwifruit and urban sector discussion groups to provide advice and updates on a range of land management topics.
- Improvements to fish passage were made at Whakapoukorero and a catchment-wide survey of public road culverts prioritised future work with road controlling authorities.

In addition, the Kaituna Activity continued to work on key projects throughout 2017/18, with highlights including:

- The Kaituna River Re-diversion and Ongatoto/Maketū Estuary Enhancement Project is on track, with Stage Two construction procurement completed. Turning of the first sod ceremony occurred on 12 June 2018. Resource consents, notice of requirements, an archaeological authority and bylaw-authority requirements were completed.
- The Papahikahawai Island Biodiversity Management Plan is on track with the project having moved from 50% to 90% complete in terms of plant numbers, with 20,000 new plants put in during the winter of 2018.
- The stopbank re-alignment to Diagonal Drain and the Tauranga Eastern Link, now called "Te Pourepo o Kaituna Wetland Creation Project", is still in the design and investigation stage. Progress was made on planning with stakeholders, land acquisition negotiations, hydrological monitoring and modelling, and a consenting strategy and design workshops.
- The wetland creation projects, to create 100 hectares by 2020, is on track with new wetlands in Paengaroa, Pongakawa, and in the Kaituna catchment.

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 ⁽⁹⁾ where biodiversity is actively managed within the Kaituna, Waihi Estuary and Waitahanui catchments.	6		8 High Value Ecological sites are actively managed within the catchment. It should be noted that a new set of Priority Sites were adopted by Council during the 2017/18 year. <u>Previous result 2016/17</u> Target: 5 Result: 8
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites ⁽¹⁰⁾ where biodiversity is actively managed within the Kaituna, Waihi Estuary and Waitahanui catchments.	14		19 non-High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 12 Result: 19
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. ⁽¹¹⁾	31		Staff worked with iwi, landowners and community groups to protect 33 additional kilometres of waterway margin in the catchment this year. <u>Previous result 2016/17</u> Target: 31 Result: 40.9

- 9 High Value Ecological sites High Value Ecological sites (HVES) are the best quality or only remaining representative examples of indigenous vegetation or wildlife habitats on private land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.
- 10 Non- High Value Ecological sites (Non-HVES) are sites other than those classified by Council as High Value Ecological Sites (HVES), where biodiversity values are protected on community or landowner land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.
- 11 Includes streams, drains, wetlands, lakes, estuaries and the open coast.

What it cost

The Kaituna Activity finished the year close to budget with a deficit of \$156,000 compared to a budgeted deficit of \$206,000. Capital expenditure of \$249,000 was recorded compared to a budget of \$5,625,000, with the remainder to be carried forward.

Contract negotiations delayed the capital works for the Kaituna River Re-diversion and Te Awa o Ngatoroirangi/Maketu Estuary Enhancement project. The majority of the physical work for this project will commence in the 2018/19 financial year.

Kaituna Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
54	Operating grants and subsidies	23	33
58	Other revenue	34	0
16	Fees and charges	0	0
755	General rates	1,053	1,053
1,361	Investment income	1,548	1,548
2,244	Total operating revenue	2,658	2,634
Operating expenditure by sub activity			
1,134	Sustainable Land Use	1,369	1,380
350	Biodiversity	405	463
860	Sustainable Coastal Implementation	1,040	997
1	Sustainable Water	0	0
2,344	Total operating expenditure	2,814	2,840
(100)	Net operating surplus (deficit) to fund	(156)	(206)
Reconciliation of operating surplus (deficit)			
(100)	Increase (decrease) in reserves	(156)	(206)
(100)	Total operating surplus (deficit) funded	(156)	(206)

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Capital expenditure by sub activity			
17	Kaituna Catchment Capital Fish Projects	0	0
1,148	Kaituna River Re-diversion	249	5,625
1,166	Total capital expenditure	249	5,625
1,166	Total capital funding required	249	5,625
Sources of capital funding			
1,166	Increase (decrease) in reserves	249	5,625
1,166	Total sources of capital funding applied	249	5,625




Rangitāiki Activity

What we did

The Rangitāiki Activity continued to make progress across all of its core activities in 2017/18. Highlights for the year included:

- The successful application to the Ministry for the Environment's Freshwater Improvement Fund to support a large biodiversity project restoring wetlands along the upper Rangitāiki River.
- Riparian Management Plans were implemented adding 47 km of waterway margin protection. New community work occurred at Waiohau and Murupara with the ongoing work of the Kani Rangi Park development.
- Progress has continued throughout the year on the Rangitāiki River Forum and industry/iwi partnership projects, including Te Ara Whānui O Rangitāiki – Pathways to the Rangitāiki, and success in including provisions into Council's Regional Policy Statement.
- Four hui were held with the Rangitāiki River Forum discussing progress with implementing the River Strategy and a number of objectives and actions with Te Ara Whānui O Rangitāiki were progressed.
- Staff attended several dairy sector discussion groups of landowners to provide advice and updates on a range of land management topics.
- Dune restoration was implemented with the Thornton Community Coast Care Group.
- Agreements requiring monitoring were completed.
- Supported current Environmental Enhancement Fund (EFF) projects and development of new EFF projects as required.

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 ⁽¹²⁾ where biodiversity is actively managed with the Rangitāiki catchment.	5		7 High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 4 Result: 5
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites ⁽¹³⁾ where biodiversity is actively managed with the Rangitāiki catchment.	6		6 non-High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 5 Result: 6
Number of additional kilometres of waterway margin in the Rangitāiki catchment protected to reduce sediment, nutrient and/or bacterial contamination of water. ⁽¹⁴⁾	10		47 additional kilometres of waterway margin were protected in the catchment this year, 37 km more than the target. <u>Previous result 2016/17</u> Target: 10 Result: 21.9

12 High Value Ecological sites (HVEs) are the best quality or only remaining representative examples of indigenous vegetation or wildlife habitats on private land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.

13 Non- High Value Ecological sites (Non-HVEs) are sites other than those classified by Council as High Value Ecological Sites (HVES), where biodiversity values are protected on community or landowner land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.

14 Includes streams, drains, wetlands, lakes, estuaries and the open coast

What it cost

The Rangitāiki activity finished the year with a deficit of \$332,000 compared to a budgeted deficit of \$81,000.

Additional costs were incurred to assist landowners in implementing environmental plans.

Rangitāiki Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
0	Operating grants and subsidies	10	0
0	Other revenue	4	0
0	Fees and charges	0	20
323	General rates	437	437
538	Investment income	636	636
861	Total operating revenue	1,088	1,094
Operating expenditure by sub activity			
665	Sustainable Land Use	668	524
290	Biodiversity	378	228
153	Sustainable Coastal Implementation	155	164
188	Sustainable Water	218	258
1,295	Total operating expenditure	1,420	1,174
(434)	Net operating surplus (deficit) to fund	(332)	(81)
Reconciliation of operating surplus (deficit)			
(434)	Increase (decrease) in reserves	(332)	(81)
(434)	Total operating surplus (deficit) funded	(332)	(81)

Other Eastern Catchments Activity

What we did




Progress has continued throughout 2017/18 on the Ōhiwa Harbour Implementation Forum and industry/iwi partnership projects, with the Ōhiwa Harbour Strategy continuing to be delivered. Highlights for the year included:

- Two hui and two workshops held with the Ohiwa Harbour Implementation Forum discussing progress with the implementation of the Harbour Strategy and developing the recreation strategy. Projects include - Ohope Spit, Ohiwa/Ohope walkway, heritage trail and signage progress, recreation strategy completion, shellfish management project consents

granted, and the Nukuhou Farmer discussion group nutrient case study finalised.

- A successful review and development of the Whakatane Ohope Kiwi Habitat Environmental Programme approved by Council and stakeholders.
- Riparian Management Plans were implemented adding 29 km of waterway protection; compared to the target of 10 km.
- Community work increased around Ohiwa Harbour with the local community.
- Staff attended several dairy sector discussion groups to provide advice and updates on a range of land management topics.
- Dune restoration was implemented successfully by Coast Care Groups while thousands of plants were planted within the Tirohanga dunes.

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 ⁽¹⁵⁾ where biodiversity is actively managed within the eastern Bay of Plenty catchments.	29		31 High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 28 Result: 27
Number of coastal, wetland, forest or geothermal non-High Value Ecological sites ⁽¹⁶⁾ where biodiversity is actively managed within the eastern Bay of Plenty catchments.	15		19 non-High Value Ecological sites are actively managed within the catchment. <u>Previous result 2016/17</u> Target: 14 Result: 27
Number of additional kilometres of waterway margin in the eastern catchments protected to reduce sediment, nutrient and/or bacterial contamination of water. ⁽¹⁷⁾	10		29 additional kilometres of waterway margin were protected in the catchment this year, almost three times the target. <u>Previous result 2016/17</u> Target: 10 Result: 12

15 High Value Ecological sites (HVEs) are the best quality or only remaining representative examples of indigenous vegetation or wildlife habitats on private land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.

16 Non- High Value Ecological sites (Non-HVEs) are sites other than those classified by Council as High Value Ecological Sites (HVES), where biodiversity values are protected on community or landowner land and actively managed through a Biodiversity Management Plan (BMP) or similar arrangement.

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

What it cost

The Other Eastern Catchments Activity finished the year close to budget with a deficit of \$181,000 compared to a budgeted deficit of \$183,000.

The regular work programme continued to be delivered across the Eastern Catchments with all operational activities for the year completed.

Other Eastern Catchments Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
11	Operating grants and subsidies	1	0
30	Other revenue	79	51
9	Fees and charges	0	0
754	General rates	935	935
1,257	Investment income	1,374	1,374
2,061	Total operating revenue	2,388	2,359
Operating expenditure by sub activity			
378	Sustainable Land Use	932	1,079
936	Biodiversity	951	775
313	Sustainable Coastal Implementation	343	346
295	Sustainable Water	343	343
1,922	Total operating expenditure	2,569	2,542
139	Net operating surplus (deficit) to fund	(181)	(183)
Reconciliation of operating surplus (deficit)			
139	Increase (decrease) in reserves	(181)	(183)
139	Total operating surplus (deficit) funded	(181)	(183)


Land and Water Framework Activity

What we did

Progress has continued throughout the year on key projects and core business activities. Highlights for 2017/18 included:

- Supported the National Policy Statement for Freshwater Management requirements by finalising values and objectives for Kaituna and Rangitāiki Water Management Area (Plan Change 12) while progressing the modelling work to support limit setting.
- Commenced scoping work for Rotorua and Tauranga Water Management Areas, as agreed with Councillors.
- Focused on our biodiversity programme with the Department of Conservation while completing the production of a regional map to provide site management prescriptions.
- Sponsored a number of events including: The Bay of Plenty region Dairy Industry Awards; Dairy Womens Network conference; Nuffield Scholars conference; Ballance Farm Environment Awards; Sustainable Farming Fund Hill country volatility project and the Beef and Lamb hill country winter management information project.
- Began working on the new biodiversity policy and associated Key Performance Indicator.

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		Actively working in two Water Management Areas (WMA) - Kaituna and Rangitāiki. Scoping up work for Rotorua and Tauranga WMAs as agreed with council. <u>Previous result 2016/17</u> Target: 2 Result: 2

What it cost

The Land and Water Framework Activity finished the year with a deficit of \$7,000 compared to a budgeted deficit of \$264,000.

The joint project with the Ministry of Primary Industries (MPI) to deliver Economic Assessment for Freshwater users was delayed with revenue now expected in 2018/19. Additional revenue was negotiated for the recovery of costs for some projects from the Ministry for the Environment, MPI and NZ Kiwifruit Growers Association.

Land and Water Framework Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
0	Operating grants and subsidies	23	50
63	Other revenue	100	36
914	General rates	1,120	1,120
1,525	Investment income	1,640	1,640
2,503	Total operating revenue	2,882	2,846
Operating expenditure by sub activity			
337	Sustainable Land Use	354	316
248	Biodiversity	205	200
231	Sustainable Coastal Implementation	209	220
1,857	Sustainable Water	2,122	2,373
2,673	Total operating expenditure	2,890	3,110
(171)	Net operating surplus (deficit) to fund	(7)	(264)
Reconciliation of operating surplus (deficit)			
(171)	Increase (decrease) in reserves	(7)	(264)
(171)	Total operating surplus (deficit) funded	(7)	(264)

Integrated Catchment Management Group financial statement

What it Cost

The Integrated Catchment Management Group of Activities finished with a deficit of \$6,211,000, compared with a budgeted deficit of \$7,856,000. Capital expenditure of \$1,168,000 was recorded compared to a budget of \$6,309,000.

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
2,974	Targeted rates	3,107	3,107
32	External interest income	48	0
3,111	Operating grants and subsidies	2,464	4,914
212	Other revenue	540	87
39	Fees and charges	4	20
(108)	Revaluation and asset disposal gains	0	0
5,371	General Rates	6,069	6,069
9,063	Investment Income	8,584	8,584
20,693	Total operating revenue	20,816	22,780
Operating expenditure by activity			
3,807	Tauranga Harbour	5,015	5,034
10,705	Rotorua Lakes	12,320	15,936
2,344	Kaituna	2,814	2,840
1,295	Rangitaiki	1,420	1,174
1,922	Other Catchments	2,569	2,542
2,673	Land and Water Framework	2,890	3,110
22,746	Total operating expenditure	27,027	30,637
(2,054)	Net operating surplus (deficit) to fund	(6,211)	(7,856)
Reconciliation of operating surplus (deficit)			
(2,054)	Increase (decrease) in reserves	(6,211)	(7,856)
(2,054)	Total operating surplus (deficit) funded	(6,211)	(7,856)

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Capital expenditure by activity			
423	Rotorua Lakes	920	684
1,166	Kaituna	249	5,625
1,589	Total capital expenditure	1,168	6,309
308	Loan repayment	11	261
1,898	Total capital and loan funding required	1,180	6,570
Sources of capital funding			
1,898	Increase (decrease) in reserves	1,180	6,570
1,898	Total sources of capital funding applied	1,180	6,570

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 which 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 several urban areas 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.

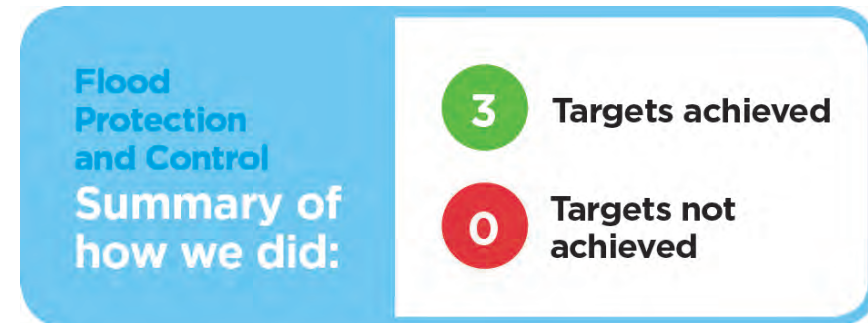
Regional Flood Risk Coordination



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 beds
- Gravel management
- Flood mitigation using integrated catchment management principles
- River Scheme Sustainability project research
- Regional Flood Risk Management

How we did overall



We achieved all three targets for the Flood Protection and Control Group Key Performance Indicators (KPIs). Further commentary on KPI results is contained in the 'How we did' section of each activity.

Rivers and Drainage Scheme Activity

What we did

Progress was made in all the key projects for 2017/18, highlights for the year included:

River Scheme April 2017 Flood Repair:

- 119 (23%) of the highest priority sites are complete. Expenditure was ahead of budget due to repair works progressing ahead of the original programme schedule. Council has incurred costs for flood repairs that are expected to be partially recoverable in future years from the Government and insurance.

Rangitāiki Floodway:

- Work on this project continued during the year with Stage 4 now well underway.
- Resource consents have been lodged for variations within the project.



Rangitāiki Drainage Scheme Culvert Renewals:

- Section 109 culvert and floodgates replacement has been deferred due to unforeseen tender costs. A redesign will be undertaken of this project.
- Section 73 Outlet - headwall and floodgate renewal.

Kopeopeo Canal Remediation Project:

- Construction of the two secure sediment containment sites and two flood control structures has been completed.
- Sediment dredging of 1.8 km of the overall 5.1 km has been completed at year end.
- Ongoing community engagement continues via the regular Community Liaison Group meetings and regular updates to the project website and reporting to stakeholder groups.

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		There were no reports from stakeholders or observations by staff of flood system failures. <u>Previous result 2016/17</u> Target: 0 Result: 0 (data not available)
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%		97% of maintenance, flood repairs and renewals were completed across the operational and capital programmes, including the response to the 29 April 2018 Ngongotaha flood event. There are some unders and overs within the project areas across the activity. <u>Previous result 2016/17</u> Target: 90% Result: 99%

What it cost

The Rivers and Drainage Scheme Activity finished the year with a surplus of \$3,448,000 compared to a budgeted deficit of \$2,937,000. Capital expenditure of \$23,778,000 was recorded compared to a budget of \$20,053,000.

In February 2018 Flood Damage Repairs were reclassified from operating expenditure to capital expenditure.

The Kopeopeo Canal Remediation Project experienced some delays and changes to contract requirements. This has pushed out project milestones for operating and capital expenditure and resulted in expenditure being higher than budgeted. Revenue claimed from Ministry for the Environment was also higher than anticipated.

Rivers and Drainage Schemes Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
8,652	Targeted rates	8,229	8,369
275	External interest income	217	308
87	Operating grants and subsidies	898	530
142	Other revenue	477	165
91	Fees and charges	180	11
924	General Rates	888	757
1,545	Investment Income	1,263	1,263
11,714	Total operating revenue	12,152	11,404
Operating expenditure by sub activity			
1,973	Kaituna Catchment Control Scheme	1,803	3,123
4,265	Rangitaiki-Tarawera Rivers Scheme	1,972	4,653
2,201	Whakatane-Tauranga Rivers Scheme	884	2,544
951	Waioeka-Otara Rivers Scheme	652	1,299
808	Rangitaiki Drainage Schemes	1,116	718
839	Minor Rivers and Drainage Schemes	791	993
1,116	Non-scheme Works	1,487	1,010
12,152	Total operating expenditure	8,705	14,341
(438)	Net operating surplus (deficit) to fund	3,448	(2,937)
Reconciliation of operating surplus (deficit)			
(438)	Increase (decrease) in reserves	3,448	(2,937)
(438)	Total operating surplus (deficit) funded	3,448	(2,937)

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Capital expenditure by sub activity			
Kaituna Catchment Control Scheme			
13	Kaituna River Capital New	511	537
0	Kaituna Scheme Capital Renewals	121	0
Rangitaiki-Tarawera Rivers Scheme			
2,203	Rangitaiki Floodway	4,210	4,287
0	Rangitaiki specific sites	929	0
458	Rangitaiki Tarawera Capital Renewal	5,953	4,873
0	Rangitaiki Tarawera Flood Damage Repairs	(220)	0
Whakatane-Tauranga Rivers Scheme			
0	Kopeopeo Canal Stopbank Upgrade	1	0
0	Kopeopeo West Culverts/Floodgates	1	0
0	Whakatane River Capital New	199	733
0	Whakatane Tauranga Flood Damage Repairs	1,653	0
Waioeka-Otara Rivers Scheme			
0	Waioeka Otara Capital New	5	52
0	Waioeka Otara Capital Renewal	2,345	52
Rangitaiki Drainage Schemes			
17	Rangitaiki Drainage Schemes Renewals	6	300
Non-scheme Works			
3,722	Kopeopeo Canal Remediation Capital	8,064	9,220
6,414	Total capital expenditure	23,778	20,053
1,572	Loan repayment	1,813	1,404
7,986	Total capital funding required	25,591	21,457
Sources of capital funding			
7,986	Increase (decrease) in reserves	25,591	21,457
7,986	Total sources of capital funding applied	25,591	21,457

Regional Flood Risk Coordination Activity

What we did

The Regional Flood Risk Coordination Activity continued to work on key projects, with highlights including:

- Optioneering reports were received for the Rangitāiki and Whakatāne/Tauranga catchments. The Whakatāne/Tauranga options were deemed suitable and are to be further progressed in the next two years.
- Rangitāiki River Analysis Report is well advanced with the report on the upper catchment due in September 2018. The report on the lower Rangitāiki will be provided with the lower Whakatāne report in 2018/19.
- Cross section surveying undertaken on the Utuhina and Uretara Streams with modelling to be undertaken in 2018/19.
- Work within the Waimapu and Waihi Beach catchments initially progressed but has stalled due to resources being needed elsewhere as a result of the April 2017 flood.

The Regional Flood Risk Coordination Activity continued to deliver its core business activities throughout 2017/18, the highlights being:

Flood Forecasting:

- Development of systems continued throughout the year. Analysis of April 2017 flood showed that the Rangitāiki flood forecasting model is in good shape, however, the Whakatāne flood forecasting model needs further development.

Flood Management:

- Various refinements that were highlighted during the April 2017 flood have been undertaken. The Flood Manual has been updated with new statistics as a result of the flood events.

Floodplain Management Strategies:

- Scheduled actions from the flood plain management strategies gap analysis report, undertaken in 2015, were progressed. Some were unable to be completed due to the need for updated floodplain mapping.

Floodplain Modelling:

- Progress made on flood hydrology, flood frequency analysis and rating curve updating for the Rangitāiki and Whakatāne Rivers. This is key information for the impending hydraulic modelling for both of these rivers.

River Surveys:

- NERMN surveys are ongoing. Progress on some rivers delayed due to high river levels.

Engineering Surveys:

- Cross section surveys undertaken on the Rangitāiki, Whakatāne and Tauranga rivers. Further floodplain survey undertaken on Kaituna west canals.

Gravel Management:

- Reporting for current term completed.


Integrated Catchment Management to Manage Flood Risk:

- Continued to work with land management teams across the region to establish or enhance wetlands and create detention dams.

Specialist Engineering Assessments:

- Undertook priority geotechnical investigations on the Whakatāne River stopbanks. Additional work undertaken to assess geotechnical conditions on the Rangitāiki river stopbanks at College Road, Edgecumbe (breach site) and other locations are being investigated.

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%		42 out of 42 (100%) of flood warnings at pre-determined levels were given in accordance with the Flood Warning Manual. <u>Previous result 2016/17</u> Target: 90% Result: 98%

What it cost

The Regional Flood Risk Activity finished the year with a deficit of \$429,000 compared to a budgeted deficit of \$116,000.

Expenditure was overspent due to additional resources required to complete the Rangitāiki River Scheme Review. This was offset in the Engineering Activity.

Regional Flood Risk Coordination Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
455	General rates	644	644
759	Investment income	935	935
1,214	Total operating revenue	1,579	1,579
Operating expenditure by sub activity			
2,088	Regional Flood Risk Coordination	2,008	1,695
2,088	Total operating expenditure	2,008	1,695
(873)	Net operating surplus (deficit) to fund	(429)	(116)
Reconciliation of operating surplus (deficit)			
(873)	Increase (decrease) in reserves	(429)	(116)
(873)	Total operating surplus (deficit) funded	(429)	(116)

Flood Protection and Control Group financial statement

What it Cost

The Flood Protection and Control Group of Activities finished with a surplus of \$3,019,000 compared with a budgeted deficit of \$3,054,000. Capital expenditure of \$23,778,000 was recorded compared with a budget of \$20,053,000.

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
8,652	Targeted rates	8,229	8,369
0	Dividends	0	0
275	External interest income	217	308
87	Operating grants and subsidies	898	530
142	Other revenue	477	165
91	Fees and charges	180	11
1,379	General Rates	1,532	1,401
2,304	Investment Income	2,198	2,198
12,929	Total operating revenue	13,731	12,982
12,152	Rivers & Drainage Schemes	8,705	14,341
2,088	Regional Flood Risk Coordination	2,008	1,695
14,240	Total operating expenditure	10,712	16,036
(1,311)	Net operating surplus (deficit) to fund	3,019	(3,054)
Reconciliation of operating surplus (deficit)			
(1,311)	Increase (decrease) in reserves	(3,019)	(3,054)
(1,311)	Total operating surplus (deficit) funded	(3,019)	(3,054)

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Capital expenditure by activity			
6,413	Rivers & Drainage Schemes	23,778	20,053
6,413	Total capital expenditure	23,778	20,053
1,572	Loan repayment	1,813	1,404
7,986	Total capital and loan funding required	25,591	1,404
Sources of capital funding			
7,986	Increase (decrease) in reserves	25,591	21,457
7,986	Total sources of capital funding applied	25,591	21,457

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
- 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** contributes to the following Community Outcomes



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 Resource 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** contributes to the following Community Outcomes



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 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



We achieved six of the eight 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 Local Air Management Area (exceedances of the NESAQ standard). The target was three and the final result was seven.
2. The percentage of applications processed within statutory timeframes. The target was 99% and the final result was 55%.

One KPI from this group of activities was not due to be reported on this year. 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 deliver on its core business activities throughout 2017/18, with highlights including:


- The identification of several new incursions, and a significant range in the expansion of Catfish, within Lake Rotoiti.
- Asian paddle crabs detected in Tauranga Harbour are being investigated, while an options assessment is being undertaken to strengthen the management of marine pests.
- Significant reduction in the abundance of Noogoora bur and successful initial control of Spartina at Maketū.
- Biological controls were undertaken with releases of Tradescantia rust, Privet lacebug, and broom gallmite. Other agents, including the woolly nightshade lacebug and Californian green thistle beetle were redistributed around the region from established sites.

- Responded to 1,052 enquirers and complaints as part of our pest management advisory service.

The Biosecurity Activity continued to deliver on its key projects throughout 2017/18. Highlights included:

- Implementation of the Marine Biosecurity Management Plan, including the continued management of the Mediterranean fanworm and clubbed tunicate in the Tauranga Harbour.
- Progressed the Regional Pest Management Plan and Marine Biosecurity Management Plan reviews to meet adoption timeframes for September 2018.
- Development of a national business case to support potential central government funding of wallaby management and a continued focus on the containment of wallabies. Control work at Kaharoa appears to have almost completely eradicated the population in this area while the Matahina operation continues. An operation over Rotoehu Forest has resulted in a 97% reduction in wallaby numbers and increased surveillance of residual populations in the area is planned.

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%		One incursion of high-risk pests were identified that required Council to lead a response. A number of other high-risk species were detected during the year and these are being managed by other agencies with support by Council. No additional Asian paddle crabs have been detected after the initial discovery, therefore, a management plan is unnecessary. <u>Previous result 2016/17</u> <u>Target: 100%</u> <u>Result: 100%</u>

What it cost

The Biosecurity Activity finished the year with a deficit of \$525,000 compared to a budgeted deficit of \$220,000.

Additional work was performed under the National Biocontrol Collective which resulted in both revenue and expenditure being higher than anticipated. Unplanned pest surveillance work was also performed under the Top of North Partnership. Costs associated with this work were recoverable.

Biosecurity Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
171	Other revenue	743	193
48	Fees and charges	22	0
984	General rates	1,259	1,259
1,642	Investment income	1,819	1,819
2,845	Total operating revenue	3,843	3,272
Operating expenditure by sub activity			
3,544	Biosecurity	4,369	3,492
3,544	Total operating expenditure	4,369	3,492
(699)	Net operating surplus (deficit) to fund	(525)	(220)
Reconciliation of operating surplus (deficit)			
(699)	Increase (decrease) in reserves	(525)	(220)
(699)	Total operating surplus (deficit) funded	(525)	(220)

Rotorua Air Quality Activity


What we did

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

- Council continued to administer the Rotorua Air Quality Working Party involving members from Rotorua Lakes Council, Housing New Zealand and the Bay of Plenty District Health Board.
- Council focused on community awareness and education by improving air quality to improve the health of the community; promoting new technology; informing of new solid fuel burner rules that came into effect on 28 February 2018; educating real estate companies, wood burner retailers and the public on the rules; and the promotion of burning dry wood.
- Council continued to administer the Low-Income Heating Grant Scheme to give heat pumps or ultra-low emission burners to eligible, low-income owner-occupiers in exchange for their non-compliant fires.
- Council continued to administer Council's voluntary targeted rate scheme (the Rotorua Hot Swap Scheme) that supports the rules by allowing property owners (including landlords) to replace their heating and insulation. In 2017/18, we supported the conversion of 148 solid fuel heaters to clean heat devices through the Hot Swap and Low-Income Heating Grant schemes. This brings the total number of Council supported conversions to 2,782. To meet the National Environmental Standards for Air Quality, it was originally modelled at the start of the programme that a total of 7,650 non-compliant solid fuel burners needed to be replaced. In addition to Council supported conversions, we estimate over 1,800 ⁽¹⁸⁾ conversions have occurred without Council assistance. Under the Proposed Air Quality Plan Change (PPC 13) From 1 February 2020, all remaining non-compliant solid fuel burner use will be non-complying.
- Extended the Rotorua Airshed Boundary to include proposed subdivisions.
- Council continued well established internal processes and mechanisms that support the Rotorua Air Quality Programme (compliance, consents, planning, finance and administration).
- Plan Change 13 (Air Quality) was originally scheduled to be notified in 2016. Instead Plan Change 13 was notified in February 2018. As a result, there was less demand on the allocated funding for the 2016/17 and 2017/18 years. Council expects significantly more demand on the 2018/19 and 2019/20 funding as rules are now in force and promotion of the 2020 deadline for all non-compliant solid fuel burners will continue to be well-publicised. The Rotorua community has been expecting tougher rules since 2016 and generally accept they need to replace their heating, however, people are inclined to wait until a deadline is close before they act.

18 The non-Council supported conversions include data provided by Building Consent Data (Rotorua Lakes Council) and Property Point of Sale information

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). ⁽¹⁹⁾	3		The target of a maximum of 3 exceedences was not achieved. ⁽²⁰⁾ A total of 7 exceedences were recorded for the year. The trend for PM ₁₀ 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 timeframe and targets for 2020. <u>Previous result 2016/17</u> Target: 3 Result: 15

19 PM₁₀ emissions are continuously monitored at the air monitoring site at Edmund Rd in Rotorua. Live monitoring data is available through the Council website www.boprc.govt.nz

20 The target of 3 is set by central government under the National Environmental Standards for Air Quality regulations.

What it cost

The Rotorua Air Quality Activity finished the year with a surplus of \$1,077,000 compared to a budgeted surplus of \$484,000. Capital expenditure and loans of \$1,083,000 was recorded compared to a budget of \$2,607,000.

There was slower than expected uptake of Hot Swap loans resulting with 197 taken up against the budgeted 402 that has resulted in lower-related expenditure.

Rotorua Air Quality Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
948	Targeted rates	1,199	1,157
1	External interest income	33	0
2	Other revenue	0	0
246	General rates	253	253
411	Investment income	381	381
1,608	Total operating revenue	1,866	1,792
Operating expenditure by sub activity			
1,128	Rotorua Air Quality	789	1,307
1,128	Total operating expenditure	789	1,307
480	Net operating surplus (deficit) to fund	1,077	484
Reconciliation of operating surplus (deficit)			
480	Increase (decrease) in reserves	1,077	484
480	Total operating surplus (deficit) funded	1,077	484

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Environmental loans by activity			
428	Rotorua Air Quality	544	2,010
428		544	2,010
1,612	Internal loan repayment	539	597
2,040	Total capital funding required	1,083	2,607
Sources of capital funding			
2,040	Increase (decrease) in reserves	1,083	2,607
2,040	Total sources of capital funding applied	1,083	2,607

Resource Consents Activity

What we did

Highlights for the Resource Consents Activity during 2017/18 included:

- 500 consent applications were processed, an increase of 51 (11%) from the previous year.
- 55% (276) of consents were processed within statutory timeframes. This target was not achieved due to a number of factors, these include; constraints on resourcing, an increase in complexity of resource consents, additional Iwi consultation requirements and a greater volume of consents to be processed, driven by unprecedented growth throughout the region, particularly in the Western Bay of Plenty. Work is underway to achieve better results and progress is being made with 60% of all resource



consents applied for over the last financial year, processed within the required timeframe. Further work is in progress to continue improved processing 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 a final decision to uphold Council's decision to grant consent for the remainder of the wreck to remain in place.
- Granting consents to the Rotoiti/Rotomā Sewerage Scheme, the expansion of a water bottling consent at Otakiri Springs, and the construction of the Tauranga Northern Link following public processes.

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%		276 of 500 (55%) 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. We will be reviewing our processes and resourcing to support achieving this KPI next year. <u>Previous result 2016/17</u> Target: 99% Result: 67%
Percentage of customers who are satisfied with the service provided during the consents process.	No survey this year		This measure is not to be measured for the 2017/18 financial year, the survey is undertaken every second year. <u>Previous result 2016/17</u> Target: 70% Result: 72%

What it cost

The Resource Consents Activity finished the year with a deficit of \$438,000 compared to a budgeted deficit of \$150,000.

A higher number of consents were received and processed throughout the year. This contributed to both higher revenue and higher expenditure as contractors were engaged to assist with the increased processing demand.

Resource Consents Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
2	Other revenue	0	0
1,521	Fees and charges	1,742	1,685
549	General rates	807	807
916	Investment income	1,177	1,177
2,988	Total operating revenue	3,726	3,669
Operating expenditure by sub activity			
3,486	Resource Consents	4,164	3,820
3,486	Total operating expenditure	4,164	3,820
(498)	Net operating surplus (deficit) to fund	(438)	(150)
Reconciliation of operating surplus (deficit)			
(498)	Increase (decrease) in reserves	(438)	(150)
(498)	Total operating surplus (deficit) funded	(438)	(150)





Pollution Prevention Activity

What we did

The Regulatory Compliance group continued to deliver its core business activities throughout 2017/18, the highlights being:

- Fielding 2,834 complaints through the Pollution Hotline; an increase of 3.4% from the previous year. Of the complaints - 100% of all urgent complaints were responded to within 12 hours from the time of the initial complaint and 98.1% of all non-urgent complaints received, were responded to within 3 days of the initial complaint. Of these, 57% were related to air quality - particularly dust, smoke and odour.
- We continued to deliver a high level of service to our customers, with customer satisfaction surveys illustrating that 89% of our customers were satisfied with the service they received.
- We 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. This included issuing 90 abatement notices (largely related to discharges to land) and 27 infringement notices.
- A total of 4 sentencing decisions were received from the Court in relation to Council prosecutions, with a number of other cases either before the court or under investigation.
- We inspected and assessed 2,638 resource consents associated with 1,514 individual resource consents. Of these, 75% were fully complying with their consent conditions and of those found to be non-compliant - 61% were considered low risk, 31% were considered to be a moderate risk and 8% were considered to be significant non-compliances.
- We administered the Waste Resources and Advisory Group (WRAG) by allocating \$7,500 of an available \$50,000 funds to the Waste Management Institute New Zealand (\$5,000) and On-Site Effluent Treatment Water New Zealand (\$2,500), respectfully.
- We continued to identify and include all actual and potentially contaminated sites within the Council's land-use register. In addition, technical advice was provided to all Territorial Authorities for district consent applications with a contaminated land component.

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 2,834 complaints were received over the year. Of these, 26 of the complaints were urgent and were actioned within 12 hours from the time of the initial complaint, therefore, exceeding the target (100%). <u>Previous result 2016/17</u> Target: 98% Result: 100%
Percentage of customers satisfied with staff response to substantiated complaints about Resource Management Act non-compliance.	70%		89% of customers surveyed responded that they were satisfied with the response to the substantiated complaint they made via the Pollution Hotline. <u>Previous result 2016/17</u> Target: 65% Result: 86%
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 Bay of Plenty Regional Council within 3 months of identification.	90%		No sites were identified as high risk during the year. <u>Previous result 2016/17</u> Target: 85% Result: 100%
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.	95%		99% of consent holders have installed water meters and have had them verified, or have scheduled to have them verified as being accurate. The Compliance team is continuing to work with consent holders to ensure that meters are verified at the appropriate frequencies. <u>Previous result 2016/17</u> Target: 75% Result: 99%

What it cost

The Pollution Prevention Activity finished the year with a deficit of \$1,573,000 compared to a budgeted deficit of \$190,000.

An ongoing increase in complaints relating to air quality were received which required additional focus. This increased expenditure against budget with a corresponding reduction of fees and charges revenue from compliance work against revenue. An increase in enforcement measures has resulted in an increase in consultancy costs compared to budget.

Pollution Prevention Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
10	Other revenue	113	0
917	Fees and charges	1,219	1,867
937	General rates	1,135	1,135
1,564	Investment income	1,630	1,630
3,427	Total operating revenue	4,097	4,632
Operating expenditure by sub activity			
4,660	Pollution Prevention	5,670	4,822
4,660	Total operating expenditure	5,670	4,822
(1,233)	Net operating surplus (deficit) to fund	(1,573)	(190)
Reconciliation of operating surplus (deficit)			
(1,233)	Increase (decrease) in reserves	(1,573)	(190)
(1,233)	Total operating surplus (deficit) funded	(1,573)	(190)

Maritime Operations Activity


What we did

The Maritime Activity undertook core business throughout 2017/18, with the highlights including:

- Completion of an internal review of the Port and Harbour Safety Code.
- The Safe Boating Programme was completed for a second year.

- Increased summer patrols across the region, including full patrols in Ohiwa for the first time.
- Conducted navigational aid maintenance throughout the region.
- Provided licences for all businesses undertaken on the water, for example, the Water Park at The Strand, Tauranga.
- Supported events run on the water, for example, Triathlons and the New Zealand Bomb Competition at Tikitapu.
- Activated the oil spill response vessel and all reported spills were responded to.
- Conducted a successful Maritime New Zealand exercise.

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 99% of the time for the full year. <u>Previous result 2016/17</u> Target: 99% Result: 100%

What it cost

The Maritime Activity finished the year with a surplus of \$183,000 compared to a budgeted deficit of \$155,000. Capital expenditure of \$91,000 was recorded compared to a budget of \$104,000.

The expansion of 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 retrieving the logs.

Maritime Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
0	Operating grants and subsidies	0	60
88	Other revenue	155	62
811	Fees and charges	968	554
705	General rates	861	861
1,177	Investment income	1,250	1,250
2,782	Total operating revenue	3,233	2,787
Operating expenditure by sub activity			
2,685	Maritime Operations	3,050	2,942
2,685	Total operating expenditure	3,050	2,942
96	Net operating surplus (deficit) to fund	183	(155)
Reconciliation of operating surplus (deficit)			
96	Increase (decrease) in reserves	183	(155)
96	Total operating surplus (deficit) funded	183	(155)
Capital expenditure by sub activity			
196	Navigational Assets	91	104
196	Total capital expenditure	91	104
196	Total capital funding required	91	104
Sources of capital funding			
196	Increase (decrease) in reserves	91	104
196	Total sources of capital funding applied	91	104

Resource Regulation and Monitoring Group financial statement

What it Cost

The Resource Regulation and Monitoring Group of Activities finished with a deficit of \$1,276,000 compared with a budgeted deficit of \$232,000. Capital expenditure of \$635,000 was recorded compared with a budget of \$2,114,000.

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
948	Targeted rates	1,199	1,157
1	External interest income	33	0
0	Operating grants and subsidies	0	60
272	Other revenue	1,011	255
3,297	Fees and charges	3,950	4,106
3,422	General Rates	4,316	4,316
5,709	Investment Income	6,257	6,257
13,651	Total operating revenue	16,766	16,152
Operating expenditure by activity			
3,544	Biosecurity	4,369	3,492
1,128	Rotorua Air Quality	789	1,307
3,487	Resource Consents	4,164	3,820
4,660	Regulatory Compliance	5,670	4,822
2,685	Maritime Operations	3,050	2,942
15,504	Total operating expenditure	18,042	16,384
(1,853)	Net operating surplus (deficit) to fund	(1,276)	(232)
Reconciliation of operating surplus (deficit)			
(1,853)	Increase (decrease) in reserves	(1,276)	(232)
(1,853)	Total operating surplus (deficit) funded	(1,276)	(232)

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Capital expenditure by activity			
196	Maritime Operations	91	104
Environmental loans by activity			
428	Rotorua Air Quality	544	2,010
624	Total capital expenditure	635	2,114
1,612	Loan repayment	539	597
2,236	Total capital and loan funding required	1,174	2,711
Sources of capital funding			
2,236	Increase (decrease) in reserves	1,174	2,711
2,236	Total sources of capital funding applied	1,174	2,711

Transportation Group of Activities

What we do

Passenger Transport Activity

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



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 ongoing maintenance of existing stock truck effluent facilities.
- Fund concessionary fare schemes such as Total Mobility.
- Fund taxi wheelchair hoists.

The Land Transport Management Act 2003 (LTMA) 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

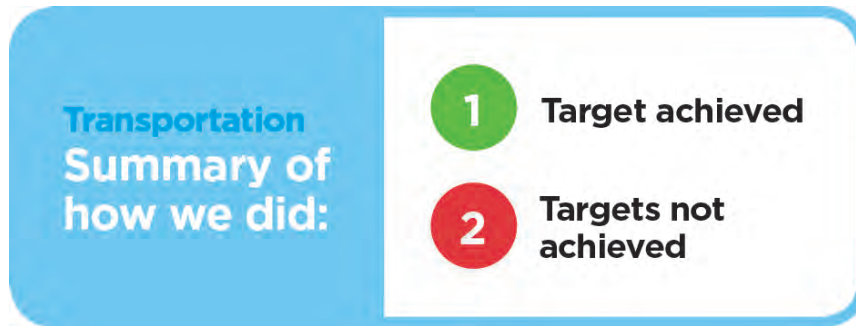


The Transport Planning Activity provides for regional land transport planning mandated by the Land Transport Management Act 2003 (LTMA).

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 achieved one of three Transportation Group Key Performance Indicators (KPIs) in 2017/18. The two targets not achieved were:

1. Fare Recovery Ratio. The target was 36% and the final result was 28.6%.
2. Percentage of Tauranga and Rotorua bus users whose overall satisfaction with the bus service is rated as satisfactory or higher (Triennial Survey). The target was 77% and the final result was 56%.

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

Passenger Transport Activity



What we did

The Passenger Transport Activity continued to deliver its core business activities throughout 2017/18 with bus services provided for Tauranga, Rotorua and rural areas with over 2.89 million passengers boarding the services.

Highlights for the year included:

- An additional public transport service was trialed between Waihi Beach, Waihi and Katikati.
- The Western Bay of Plenty Public Transport Blueprint was completed and approved, incorporating a review of the Tauranga bus network.
- The Western Bay of Plenty Public Transport Blueprint tender was completed, with the new contract awarded in April 2018.

How we did

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.	36%		The annual regional Fare Recovery Ratio was 28.6%, 7.4% below target. This is a reflection of the reductions in patronage across all services and a high concession-fare passenger mix in Tauranga. Significant changes to bus services are being implemented to support increased recovery and patronage. <u>Previous result 2016/17</u> Target: 35% Result: 31%
Percentage of Tauranga and Rotorua bus users whose overall satisfaction with the bus service is rated as satisfactory or higher (Triennial survey).	77%		This Key Performance Indicator was not achieved, with 56% of Tauranga and Rotorua bus users rating their overall satisfaction with the bus service as satisfactory, or higher (rating 8 or higher on a scale of 0 to 10). Significant changes to bus services are being implemented to support increased satisfaction. <u>Previous result 2016/17</u> No result recorded for 2016/17

What it cost

The Passenger Transport Activity finished the year with a deficit of \$173,000 compared to a budgeted deficit of \$679,000. Capital expenditure of \$759,000 was recorded compared to a budget of \$1,508,000.

Subsidies received from NZTA were higher than anticipated due to the potential amount claimable being maximized. Additional funding for school buses was granted at the end of the financial year increasing revenue received compared to budget.

Capital expenditure was underspent due to delays in the procurement of the Real Time Passenger Information System. This is now expected to occur in 2018/19.

Passenger Transport Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
3,407	Targeted rates	3,612	3,612
7,383	Operating grants and subsidies	8,166	7,725
827	Other revenue	799	701
4,136	Fees and charges	4,118	4,394
1,656	General rates	1,715	1,715
2,426	Investment income	2,526	2,526
19,836	Total operating revenue	20,937	20,674
Operating expenditure by sub activity			
13,715	Tauranga Passenger Transport	14,714	14,957
3,316	Rotorua Passenger Transport	3,429	3,314
2,818	Regional Passenger Transport	2,967	3,082
19,849	Total operating expenditure	21,110	21,353
(13) Net operating surplus (deficit) to fund			
		(173)	(679)
Reconciliation of operating surplus (deficit)			
(13)	Increase (decrease) in reserves	(173)	(679)
(13)	Total operating surplus (deficit) funded	(173)	(679)

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Capital expenditure by sub activity			
98	Electronic Ticketing Tauranga	738	638
0	Real Time Passenger Information Tauranga	21	658
Capital expenditure by sub activity			
0	Electronic Ticketing Rotorua	0	170
Capital expenditure by sub activity			
0	Electronic Ticketing Rural	0	43
98	Total capital expenditure	759	1,508
<hr/>			
98	Total capital funding required	759	1,508
<hr/>			
Sources of capital funding			
98	Increase (decrease) in reserves	759	1,508
98	Total sources of capital funding applied	759	1,508


Transport Planning Activity

What we did

The Transport Planning Activity continued to deliver its core business activities in 2017/18, highlights for the year included:

- Completing a review of the Regional Land Transport Plan (RLTP) and submitting it to the New Zealand Transport Agency.
- Continued implementation of the existing RLTP, including:
 - Approval of five variations; and
 - Continuing to collaborate with a number of regional and inter-regional groups, including the Bay of Plenty Regional Advisory Group and the SH1/29 East Coast Main Trunk Working Group on a range of issues, including the development of transport activity management plans, the implementation of the One Network Road Classification and business cases for transport activities.
- A final draft of the Regional Public Transport Plan (RPTP) is to be sent to Council for approval in Year 4 (2019) of the 2015-25 Long Term Plan.

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council's land transport planning enables continuing Central Government investment in the region's transport network.			
Percentage of Land Transport Management Act (LTMA) planning document processes that meet legislative compliance requirements. Note, LTMA documents are not updated every year.	100%		100% of Land Transport Management Act (LTMA) planning document processes met legislative compliance requirements. <u>Previous result 2016/17</u> <i>No target set or result recorded for 2016/17</i>

What it cost

The Transport Planning Activity finished the year with a deficit of \$11,000 compared to a budgeted deficit of \$40,000.

Additional resources were required to complete the Regional Land Transport Plan due to a significant increase in the number of submissions received.

Transport Planning Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
40	Operating grants and subsidies	88	65
1	Other revenue	0	0
209	General rates	217	217
349	Investment income	316	316
599	Total operating revenue	621	597
Operating expenditure by sub activity			
543	Transport Planning	632	638
543	Total operating expenditure	632	638
56	Net operating surplus (deficit) to fund	(11)	(40)
Reconciliation of operating surplus (deficit)			
56	Increase (decrease) in reserves	(11)	(40)
56	Total operating surplus (deficit) funded	(11)	(40)

Transportation Group financial statement

What it Cost

The Transportation Group of Activities finished with a deficit of \$184,000, compared with a budgeted deficit of \$720,000. Capital expenditure of \$759,000 was recorded compared to a budget of \$1,508,000.

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
3,407	Targeted rates	3,612	3,612
7,423	Operating grants and subsidies	8,254	7,790
828	Other revenue	799	701
4,136	Fees and charges	4,118	4,394
1,865	General Rates	1,932	1,932
2,775	Investment Income	2,842	2,842
20,435	Total operating revenue	21,558	21,271
Operating expenditure by activity			
19,849	Passenger Transport	21,110	21,353
543	Transport Planning	632	638
20,392	Total operating expenditure	21,742	21,991
43 Net operating surplus (deficit) to fund			
		(184)	(720)
Reconciliation of operating surplus (deficit)			
43	Increase (decrease) in reserves	(482)	(720)
43	Total operating surplus (deficit) funded	(482)	(720)
Capital expenditure by activity			
98	Passenger Transport	759	1,508
98	Total capital expenditure	759	1,508
98	Total capital and loan funding required	759	1,508
Sources of capital funding			
98	Increase (decrease) in reserves	759	1,508
98	Total sources of capital funding applied	759	1,508

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.

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

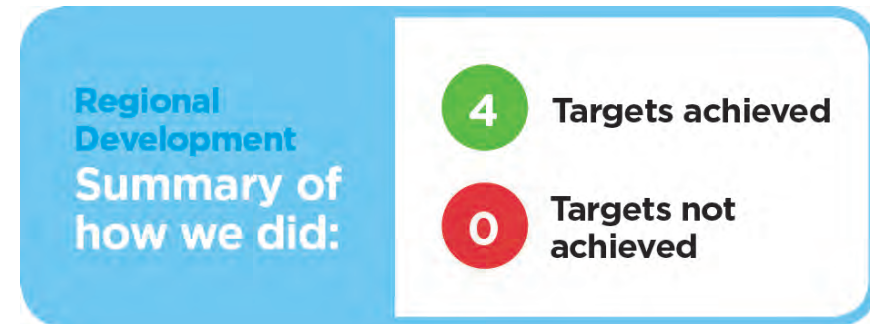


The Regional Parks Activity provides ownership and management of two key pieces of land (Pāpāmoa Hills Regional Park and Onekawa Te Māwhai) for:

- 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 all four targets for the Regional Development Group Key Performance Indicators (KPIs) for 2017/18.

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 and all administrative, invoicing, compliance and audit trail information has been maintained. The RIF provides funding to third party infrastructure projects that have regional significance. Highlights for the year include:

- The Tauranga Marine precinct was completed by Tauranga City Council in 2017/18 and Council has paid its full funding contribution. Monitoring of economic growth impacts will be assessed through marine industry full-time employees.
- The Infrastructure Policy Review was completed in conjunction with the Long Term Plan 2018-2028. A new Third Party Infrastructure Funding Policy has been adopted by Council, and used to assess funding requests.
- The Te Puna West sewerage scheme was completed by Western Bay of Plenty District Council and the full funding contribution has been paid.

- The Tauranga Tertiary campus is on track to open for the 2019 academic year. Council has paid the majority of its funding contribution, and expects the balance to be paid in 2018/19.
- Ōpōtiki District Council are revising the Opotiki Harbour transformation business case based on feedback from central government's independent review panel. Council has held its funding in reserves pending future decisions.
- Western Bay of Plenty District Council has commenced work on Ongare Point sewerage project. Council expects to pay its funding contribution in early 2018/19 when construction is completed.
- Rotorua Lakes Council expects to deliver the Lake Rotoma and Lake Rotoiti sewerage projects in 2018/19, and funding has been re-phased to align with this timeline.
- Funding for the Matata Sewerage project was removed, pending decision making on a full business case for the Whakatāne integrated wastewater solution.
- The Scion Innovation Centre is expected to be completed in 2018/19 and 2019/20.
- The direct funding for the Eastern Bay Route Security project has been re-phased to align with the New Zealand Transport Authority project delivery.

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%		100% of all Regional Infrastructure Fund payments have been made for the Tauranga Tertiary Campus and Tauranga Marine Precinct. All payments are fully documented and compliant with funding conditions. Direct funding payments have been made for the Te Puna West Sewerage Scheme. <u>Previous result 2016/17</u> <u>Target: 100%</u> <u>Result: 100%</u>

What it cost

The Regional Infrastructure Activity finished the year with a deficit of \$12,773,000 compared to a budgeted deficit of \$11,826,000.

The activity administers the contestable Regional Infrastructure Fund. The Tauranga Marine Precinct grant was completed as budgeted in 2017/18. Work on the Tauranga Tertiary Campus is progressing ahead of schedule and as a result expenditure was more than anticipated for the year.

Regional Infrastructure Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
317	Investment Income	308	308
317	Total operating revenue	308	308
Operating expenditure by sub activity			
2,557	Regional Infrastructure	13,080	12,134
2,557	Total operating expenditure	13,080	12,134
(2,240)	Net operating surplus (deficit) to fund	(12,773)	(11,826)
Reconciliation of operating surplus (deficit)			
(2,240)	Increase (decrease) in reserves	(12,773)	(11,826)
(2,240)	Total operating surplus (deficit) funded	(12,773)	(11,826)



Regional Economic Development Activity

What we did

The Regional Economic Development Activity continued to deliver its core business activities and project work in 2017/2018, highlights for the year included:

- Commencing the review of the Bay of Connections Strategy which is expected to be completed in November 2018.
- Updating the Aquaculture and Rugby Sevens strategies and continued work on implementing the Māori, Energy, Forestry and Wood Processing and Freight Logistic strategies.
- Continuing work on the partnership with Central Government for the Regional Growth Study.

How we did

Key Performance Indicator	Target	How did we do?	Comment
The Council provides the framework and management for regional economic development			
Percentage of industry stakeholders who are satisfied with Bay of Connections.	80%		The target has been exceeded with 90% of industry stakeholders being satisfied with Bay of Connections through the biennial stakeholder survey. <i>Previous result 2016/17</i> <i>No result recorded for 2016/17</i>
Number of sector strategies are reviewed and updated.	1		One Bay of Connections Aquaculture Strategy was reviewed during the year and will be published on the Bay of Connections website in late 2018. <i>Previous result 2016/17</i> <i>Target: 1</i> <i>Result: 1</i>

What it cost

The Regional Economic Development Activity finished the year with a deficit of \$94,000 compared to a budgeted deficit of \$63,000.

The activity continued to implement various sector strategies with funding from the Ministry of Business, Innovation and Employment.

Regional Economic Development Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
177	Other revenue	185	0
257	General rates	368	368
429	Investment income	530	530
863	Total operating revenue	1,083	898
Operating expenditure by sub activity			
1,032	Regional Economic Development	1,176	961
1,032	Total operating expenditure	1,176	961
(169)	Net operating surplus (deficit) to fund	(94)	(63)
Reconciliation of operating surplus (deficit)			
(169)	Increase (decrease) in reserves	(94)	(63)
(169)	Total operating surplus (deficit) funded	(94)	(63)


Regional Parks Activity

What we did

The Regional Parks Activity has continued to deliver planned operational maintenance throughout 2017/18, highlights included:

- Re-planting the area within the Papamoa Regional Park where pine forest was harvested in the summer of 2016/17, including the newly purchased 12.4 hectares.
- Fencing and water infrastructure were improved at the 25 hectare Lennard block.
- All other routine activities such as track and culvert maintenance, toilet and carpark facilities, education, event management and cultural/historic site protection were carried out.
- In collaboration with tangata whenua partners, substantial planning work went into the "Papamoa Hills Upgrade Project" which is now included in the Long Term Plan for 2018-28.

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% <i>(21)</i>		98% of Regional Park users rated their experience as satisfactory or higher through the satisfaction survey. Note: this survey was originally scheduled for 2016/17, however was deferred due to the closure of Pāpāmoa Hills Regional Park from October 2017 to June 2017. <u>Previous result 2016/17</u> Target: 85% Result: Data not available, result to be reported 2017/18

21 The target is for 2016/17 as the survey has been delayed.

What it cost

The Regional Parks Activity finished the year with a deficit of \$188,000 compared to a budgeted deficit of \$61,000.

Tree felling was carried out in the Pāpāmoa Hills Regional Park with the revenue received contributing to the additional rehabilitation work required.

Regional Parks Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
20	Other revenue	119	0
0	Fees and charges	0	1
242	General rates	311	311
404	Investment income	458	458
666	Total operating revenue	889	771
Operating expenditure by sub activity			
839	Regional Parks	1,077	832
839	Total operating expenditure	1,077	832
(174)	Net operating surplus (deficit) to fund	(188)	(61)
Reconciliation of operating surplus (deficit)			
(174)	Increase (decrease) in reserves	(188)	(61)
(174)	Total operating surplus (deficit) funded	(188)	(61)
Capital expenditure by sub activity			
1,606	Regional Parks	0	0
1,606	Total capital expenditure	0	0
1,606	Total capital funding required	0	0
Sources of capital funding			
1,606	Increase (decrease) in reserves	0	0
1,606	Total sources of capital funding applied	0	0

Regional Development Group financial statement

What it Cost

The Regional Development Group of Activities finished with a deficit of \$13,054,000, compared with a budgeted deficit of \$11,951,000.

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
197	Other revenue	304	0
0	Fees and charges	0	1
499	General Rates	679	679
1,150	Investment Income	1,296	1,296
1,845	Total operating revenue	2,279	1,976
Operating expenditure by activity			
2,557	Regional Infrastructure	13,080	12,134
1,032	Regional Economic Development	1,176	961
839	Regional Parks	1,077	832
4,429	Total operating expenditure	15,334	13,927
(2,583)	Net operating surplus (deficit) to fund	(13,054)	(11,951)
Reconciliation of operating surplus (deficit)			
(2,583)	Increase (decrease) in reserves	(13,054)	(11,951)
(2,583)	Total operating surplus (deficit) funded	(13,054)	(11,951)
Capital expenditure by activity			
1,606	Regional Parks	0	0
1,606	Total capital expenditure	0	0
1,606	Total capital and loan funding required	0	0
Sources of capital funding			
1,606	Increase (decrease) in reserves	0	0
1,606	Total sources of capital funding applied	0	0

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

Māori 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 Māori 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



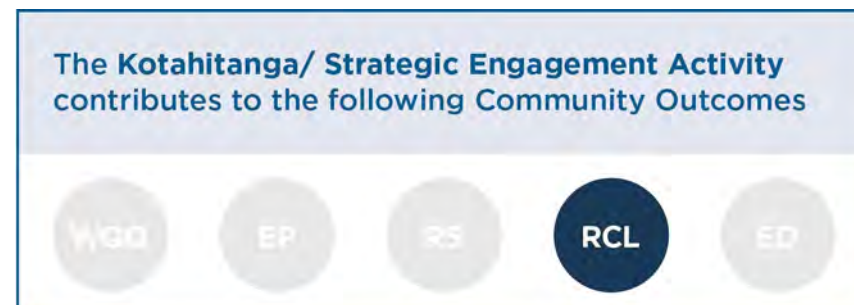
The Geothermal Activity develops and implements a second generation Geothermal Planning framework under the Resource Management Act (RMA). The Regional Policy Statement requires the development of System Management Plans (SMP) for Kawerau, Tauranga and Rotorua geothermal systems, and development of broader regional plan provisions to clarify the status of several systems. The Kawerau SMP has been completed, and the SMPs for Tauranga and Rotorua will inform plan changes to the Regional Water and Land Plan and the Rotorua Geothermal Regional Plan for the sustainable management of the region's geothermal resource.

A Geothermal Programme has been developed to coordinate internal geothermal science, consenting, compliance and policy. Apart from business as usual, the current key work stream under this programme is the regional plan changes, including provisions for Rotorua, Tauranga and Kawerau systems and protection of significant geothermal surface features.

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 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 all Council Activities, and externally through specific programmes to build awareness, involvement, engagement and education to help achieve sustainable development of the region.

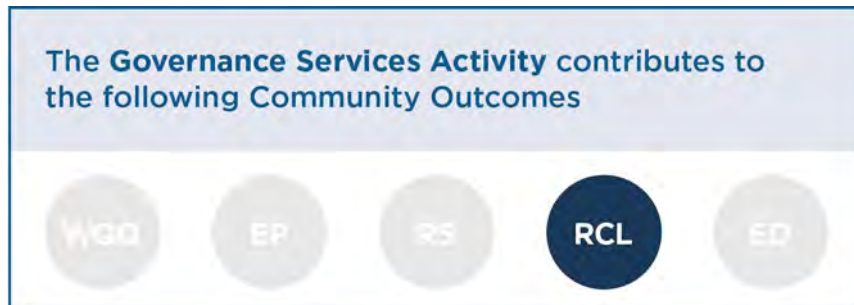
The Community Fund aims to provide funding for community-driven projects in the Bay of Plenty and is also included in this activity. The Environmental Enhancement Fund (EEF) and the Community Initiatives Funding is included within the Community Fund. EEF projects help to improve the environment, raise 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

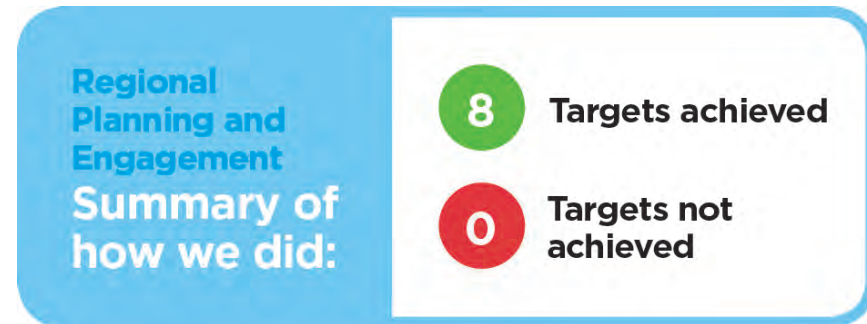


The Governance Services Activity ensures the Council provides good governance and accountability and conducts its business in an open, transparent and democratically accountable manner, in accordance with the Local Government Act 2002.

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 all eight targets for the Regional Planning and Engagement Group Key Performance Indicators (KPIs).

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

Regional Planning Activity

What we did



The Regional Planning Activity continued to deliver on core planning activities throughout 2017/18, with highlights including:

- The ongoing implementation of the Regional Policy Statement (RPS), particularly with respect to the natural hazards provisions and approaches to district plan changes, structure planning and relevant consents.
- Research and consultation on Method 44 (Mauri Model) and Method 40 (Rural Advisory Panel) completed.
- Consultation and research commenced on Geothermal Resources and Iwi Resource Management RPS implementation workstreams.
- Submissions, consultation and comments made on the following: Draft Rotorua Spatial Plan, Pukehangi Structure Plan, Ngongotahā Special Housing Area proposal, Private Plan Change 2 (Keepa Road - Whakatāne District Plan) and the Draft National Planning Standards.
- Planning input provided on the National Environmental Standards for Plantation Forestry.
- The Statutory Acknowledgements compendium document updated to include the Ngāti Pūkenga statutory acknowledgement area.
- Ongoing implementation of the western Bay of Plenty SmartGrowth Strategy, including leading development of the Future Development Strategy.
- Continued participation in the Upper North Island Strategic Alliance.

The Regional Planning Activity also continued to progress planned key projects during 2017/18, with the highlights including:

- Council's decisions notified for the Rangitāiki River plan change to the RPS.
- The water allocation plan change to the Regional Water and Land Plan has been notified with submissions heard.
- Appeals resolved to Proposed Change 2 (Natural Hazards) of the RPS.
- The Regional Air Plan Change was notified and is being incorporated into the Regional Natural Resources Plan.
- Staff continue to liaise with and coordinate the natural hazard research projects with the region's Territorial Authorities.
- The RPS for the Kaituna River was stalled, however, the Kaituna River Document was approved and launched in June 2018.
- Proposed Change 4 (Tauriko West Urban Limits) was publicly notified for submissions.
- Draft Plan Change 14 - On-Site Effluent Treatment (OSET) - approved for community consultation.
- Substantial review work has been completed as part of the review of the Regional Pest Management Plan.
- Treaty of Waitangi Settlement legislative requirements were met enabling Proposed Change 3 (Rangitāiki River) to the RPS while consultation for Proposed Change 5 (Kaituna River) to the RPS will commence in August 2018.

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 2016/17</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 New Zealand Institute Economic Research with all rating satisfactory or above. <i>Previous result 2016/17</i> <i>Target: 90%</i> <i>Result: 100%</i>

What it cost

The Regional Planning Activity finished the year with a deficit of \$45,000 compared to a budgeted deficit of \$451,000.

Additional work was completed for the Tauranga Harbour Coastal Hazard Study. This was co-funded by the territorial authorities. In addition, Regional Planning did not reach the full staffing complement for the financial year.

Regional Planning Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
2	Other revenue	121	0
31	Fees and charges	4	0
1,901	General rates	2,603	2,603
3,171	Investment income	3,755	3,755
5,105	Total operating revenue	6,484	6,358
Operating expenditure by sub activity			
1,258	Natural Resource Planning	1,431	1,622
2,820	Regional Integrated Planning	3,160	3,249
2,199	Water Policy	1,939	1,938
6,277	Total operating expenditure	6,529	6,809
(1,172)	Net operating surplus (deficit) to fund	(45)	(451)
Reconciliation of operating surplus (deficit)			
(1,172)	Increase (decrease) in reserves	(45)	(451)
(1,172)	Total operating surplus (deficit) funded	(45)	(451)


Māori Policy Activity

What we did

The Māori Policy Activity undertakes a wide range of core business activities and also key projects throughout the year. Highlights for 2017/18 included:

- Facilitating Council's Komiti Māori meetings and supporting Māori participation in Council activities such as co-governance and resource management across the region.
- Sponsoring three iwi members to attend hearing commissioner training, supporting wananga, iwi management plans, kaitiaki forums, ran Resource Management Act training sessions for tangata whenua and employed three summer students.
- Providing advice on several Treaty claims (Whānau a Apanui, Rangitahi, Whakatōhea, Hauraki, Tauranga Moana) and supported Te Maru o Kaituna and the Rangitāiki River forum.
- Supporting fresh water management via the Plan Change 12 process.
- Funding several Māori groups and individuals through the Hapai Ora Fund.
- Developing a draft Matauranga Māori document - He Korowai Matauranga.
- Assisting with drafting of the Kaituna River document which was approved in June 2018.

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		15 updates were given to the Council during the year. The target has been exceeded. <i>Previous result 2016/17</i> <i>Target: 2</i> <i>Result: 16</i>

What it cost

The Māori Policy Activity finished the year with a surplus of \$11,000 compared to a budgeted deficit of \$103,000.

The activity was underspent as a result of the Pou Ngaio (Technical/Cultural Specialist) position being vacant for part of the year.

Māori Policy Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
1	Other revenue	1	0
444	General rates	549	549
741	Investment income	801	801
1,186	Total operating revenue	1,351	1,350
Operating expenditure by sub activity			
1,245	Maori Policy	1,340	1,453
1,245	Total operating expenditure	1,340	1,453
(59)	Net operating surplus (deficit) to fund	11	(103)
Reconciliation of operating surplus (deficit)			
(59)	Increase (decrease) in reserves	11	(103)
(59)	Total operating surplus (deficit) funded	11	(103)

Geothermal Activity


What we did

Progress was made across all key projects and core business activities during 2017/18; highlights for the year included:

- Completed and adopted the Kawerau System Management Plan.
- Continued coordination of geothermal activities across Council, including the facilitation of bi-monthly Geothermal Management Group meetings.

- Continued to implement the maintenance and safety of geothermal wells project alongside Rotorua Lakes Council and Worksafe New Zealand.
- Engaged with Māori to initiate plan change provisions for the Rotorua district fields.
- Plan changes to the Regional Water and Land Plan and the Rotorua Geothermal Regional Plan were delayed due to the need to re-model the Rotorua geothermal system.

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 Resource Management Act (RMA) planning document processes that meet RMA compliance requirements	100%		All (100%) of the RMA planning documents processes met the legislative compliance requirements of the RMA. <u>Previous result 2016/17</u> <i>Target: 100%</i> <i>Results: 100%</i>

What it cost

The Geothermal Activity finished the year with a deficit of \$30,000 compared to a budgeted deficit of \$38,000.

The activity was successful in delivering the activity work program close to budget.

Geothermal Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
133	General rates	204	204
222	Investment income	298	298
354	Total operating revenue	501	501
Operating expenditure by sub activity			
538	Geothermal	532	540
538	Total operating expenditure	532	540
(183)	Net operating surplus (deficit) to fund	(30)	(38)
Reconciliation of operating surplus (deficit)			
(183)	Increase (decrease) in reserves	(30)	(38)
(183)	Total operating surplus (deficit) funded	(30)	(38)



Kotahitanga/Strategic Engagement Activity

What we did

The Kotahitanga / Strategic Engagement Activity supported a range of Council's projects and core business activities throughout 2017/18, highlights included:

- Providing engagement advice, planning support and facilitation of sessions for the following: Freshwater Futures Programme, Long Term Plan, Tauranga Harbour, Te Maru o Kaituna, Regional Land Transport Plan, Rangitāiki Floodway and the New Zealand Association of Resource Management Conference.
- Published four Pollution Busters which reached approximately 500 families across the region.
- Delivered a three-day Civil Defence Ambassador themed Taiohi Taiao/Youth Jam to 60 students from 16 Secondary Schools.
- Provided two Waiora teacher workshop to teachers from 18 schools, each receiving a water monitoring kit on completion.
- Led the 'Hands on Water' event and an environmental expo attended by schools from throughout the region while supporting the Instep Young Leaders' Forum.
- Facilitated the Enviroschools programme with schools and learning centres and celebrated the first kindergarten to achieve Green-Gold (Katikati).
- Supported recipients and applicants to the Environmental Enhancement Fund to implement, complete and report on projects successfully.
- Fully allocated the Te Hapai Ora Fund.
- Supported the Community Initiatives Fund recipients, namely Surf Lifesaving New Zealand, the Sustainable Business Network and Envirohub.

How we did

Key Performance Indicator	Target	How did we do?	Comment
Council supports Environmental Enhancement Fund ⁽²²⁾ groups to undertake projects which help to improve our environment.			
Percentage of approved applications that meet Environmental Enhancement Fund Policy and Operational guidelines.	98%		All (100%) of the 19 approved applications met Environmental Enhancement Fund Policy and Operational guidelines. <i>Previous result 2016/17</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 2016/17</i> <i>Target: 70%</i> <i>Result: 100%</i>

22 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 \$370,000 compared to a budgeted deficit of \$435,000.

The Environment Enhancement Fund has been fully allocated in the financial year however grants for late applicants will be released in 2018/19 year.

Kotahitanga/Strategic Engagement Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
3	Other revenue	9	0
505	General rates	299	299
842	Investment Income	915	915
1,349	Total operating revenue	1,223	1,214
Operating expenditure by sub activity			
1,468	Kotahitanga/Strategic Engagement (Incl. EEF)	1,593	1,649
1,468	Total operating expenditure	1,593	1,649
(120)	Net operating surplus (deficit) to fund	(370)	(435)
Reconciliation of operating surplus (deficit)			
(120)	Increase (decrease) in reserves	(370)	(435)
(120)	Total operating surplus (deficit) funded	(370)	(435)

Governance Services Activity



What we did

The Governance Services Activity has provided administrative support to 95 meetings, which included:

- Full Council meetings
- Committee meetings
- Extraordinary meetings
- Council workshops

Advice and support was provided to the Chairman, Councillors and organisation on a number of governance matters including a Representation Review.

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 74 out of 76 (97%) meeting agendas published at least two working days before meetings. <u>Previous result 2016/17</u> Target: 95% Result: 96%
Percentage of draft Council and Committee minutes that are published on the council website within ten working days after the meeting.	95%		The target has been met with 74 out of 76 (97%) draft Council and Committee meeting minutes published on the council website within ten working days of the meeting. ⁽²³⁾ <u>Previous result 2016/17</u> Target: 95% Result: 39%

23 The Annual Plan 2017/18 provided for a change to this KPI to allow for 95% of draft Council and Committee minutes be published within ten working days, rather than five working days, as previously reported.

What it cost

The Governance Services Activity finished the year with a deficit of \$589,000 compared to a budgeted deficit of \$519,000.

A joint initiative between the regional and unitary councils was undertaken for the Harbourmaster Liability and Wreck Removal project, resulting in additional expenditure in 2017/18.

Governance Services Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
5	External interest income	5	0
0	Operating grants and subsidies	0	38
20	Other revenue	94	0
2,176	General rates	2,722	2,722
3,629	Investment income	3,985	3,985
5,830	Total operating revenue	6,806	6,746
Operating expenditure by sub activity			
6,727	Governance Services	7,396	7,265
6,727	Total operating expenditure	7,396	7,265
(897)	Net operating surplus (deficit) to fund	(589)	(519)
Reconciliation of operating surplus (deficit)			
(897)	Increase (decrease) in reserves	(589)	(519)
(897)	Total operating surplus (deficit) funded	(589)	(519)

Regional Planning and Engagement Group financial statement

The Regional Planning and Engagement Group of Activities finished with a deficit of \$1,024,000, compared with a budgeted deficit of \$1,546,000.

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
5	External interest income	5	0
0	Operating grants and subsidies	0	38
25	Other revenue	225	0
31	Fees and charges	4	0
5,158	General Rates	6,377	6,377
8,605	Investment Income	9,754	9,754
13,824	Total operating revenue	16,366	16,169
Operating expenditure by activity			
6,277	Regional Planning	6,529	6,809
1,245	Maori Policy	1,340	1,453
538	Geothermal	532	540
1,468	Kotahitanga/Strategic Engagement (incl. EEF)	1,593	1,649
6,727	Governance Services	7,396	7,265
16,255	Total operating expenditure	17,389	17,716
(2,431)	Net operating surplus (deficit) to fund	(1,024)	(1,546)
Reconciliation of operating surplus (deficit)			
(2,431)	Increase (decrease) in reserves	(1,024)	(1,546)
(2,431)	Total operating surplus (deficit) funded	(1,024)	(1,546)

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 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 continued to undertake its project work and core business activities through the year. Highlights for 2017/18 include:

- The Bay of Plenty CDEM Group Annual Plan 2018/2019 was adopted by the Bay of Plenty CDEM Group Joint Committee.
- The Annual Report for the 2016/17 financial year was prepared and circulated to key stakeholders while three quarterly reports have been prepared to track progress against the 2017/18 Annual Plan.
- The Bay of Plenty Natural Hazards Programme continued to progress the implementation of the natural hazard provisions within the Bay of Plenty Regional Policy Statement.
- The upgrade work for the new Group Emergency Coordination Centre is being undertaken as part of the wider Bay of Plenty Regional Council's office upgrade programme. Upgrade work will likely commence in 2019 with design refinement currently underway. As part of the design process, Emergency Management Bay of Plenty staff have visited a number of emergency centres, both nationally and in Australia, looking at options for design and layout. The philosophy of new design is that the facility must first and foremost be an emergency centre, and must be capable of supporting multi-agency integration.
- Regular engagements have been maintained with the Resilience to Natures Challenge and the Deep South National Science Challenge to ensure science research understands the needs of the Bay of Plenty.
- We created two new positions to focus on climate change.
- Actively engaged with the community to increase the level of awareness, preparedness and resilience by undertaking eight initiatives and achieving our target.
- The Checklist Compendium was completed in May 2018 and was developed to address the key corrective actions from the exercise in Tangaroa in 2016 and the April 2017 weather event.
- Progression of the new Group Emergency Coordination Centre.
- Held a Recovery Manager workshop with a focus on the draft Strategic Recovery Planning Director's Guidelines.

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.	70%		107 of 119 (90%) of roles in the group Emergency Coordination Centre have been allocated to staff to ensure 24 hour operation of the Group Emergency Coordination Centre. The target has been exceeded with 23% more roles staffed than was targeted to be achieved. <u>Previous result 2016/17</u> Target: 65% Result: 95%
Percentage of staff identified for roles in the Emergency Coordination Centre that are trained to an appropriate level agreed by the Group.	75%		84 (79%) people identified for roles in the Emergency Coordination Centre have been trained to the Bay of Plenty CDEM Group agreed standard. <u>Previous result 2016/17</u> Target: 70% Result: 75%
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. <u>Previous result 2016/17</u> Target: 8 Result: 8

Emergency Management Group financial statement

What it cost

The Emergency Management Group of Activities finished the year with a surplus of \$95,000 compared to a budgeted deficit of \$193,000.

Membership subscriptions of BOP Lifelines have increased in the current year resulting in additional revenue from the territorial authorities. Resourcing constraints have limited the promotional activities originally budgeted, contributing to the surplus.

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
716	Operating grants and subsidies	1,408	1,382
689	Other revenue	41	40
467	General Rates	601	601
780	Investment Income	890	890
2,652	Total operating revenue	2,941	2,913
Operating expenditure by sub activity			
3,864	CDEM Group	2,832	3,067
(7)	BOPRC Emergency Management	(1)	0
78	Lifelines Group	16	40
3,935	Total operating expenditure	2,847	3,107
(1,283)	Net operating surplus (deficit) to fund	95	(193)
Reconciliation of operating surplus (deficit)			
(1,283)	Increase (decrease) in reserves	95	(193)
(1,283)	Total operating surplus (deficit) funded	95	(193)

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



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 timeframes) 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



There is one Key Performance Indicator (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. The target for this KPI was met for 2017/18.

Geospatial Activity

What we did

The Geospatial Activity supported all Council business groups to deliver technical geospatial support, through online mapping tools and field capture solutions, while also providing the community with direct access to information and data that we hold about our region through BOP-Maps.⁽²⁴⁾ Highlights for the year included:

- Providing self-service delivery tools such as web and mobile applications, and integrating core Council systems such as Accela.
- Collaborating regionally and nationally with a focus to set-up a regional Geographic Information System (GIS) specifically for Emergency Management planning and response.
- Collaborating with Land Information New Zealand and other Bay of Plenty Territorial Authorities in the procurement and public dissemination of aerial and historic aerial imagery.

24 BOP-Maps can be found at www.maps.boprc.govt.nz/

What it cost

Net operating costs in the Geospatial Activity are allocated to other activities.

Capital expenditure of \$133,000 is recorded compared to a budget of \$301,000.

The Spatial Modelling software purchase did not occur in the current year, this will be carried forward to 2018/19.

Geospatial Activity financial statement

Actual 2016/17 \$000	Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class		
0 Other revenue	0	0
16 Fees and charges	12	0
17 Total operating revenue	12	0
Operating expenditure by sub activity		
17 Geospatial	12	0
17 Total operating expenditure	12	0
0 Net operating surplus (deficit) to fund	0	0
Reconciliation of operating surplus (deficit)		
0 Increase (decrease) in reserves	0	0
0 Total operating surplus (deficit) funded	0	0
Capital expenditure by sub activity		
Geospatial		
14 NZ/Regional Spatial Data Infrastructure	0	21
122 Spatial data provision for BOP region	133	187
0 Spatial Modelling	0	93
136 Total capital expenditure	133	301
136 Total capital funding required	133	301
Sources of capital funding		
136 Increase (decrease) in reserves	133	301
136 Total sources of capital funding applied	133	301

Engineering Activity

What we did

The Engineering Activity has made progress on its key projects and core business activities during 2017/18, having:

- Provided updates to the Rivers and Drainage Asset Management Plan 2018-2068 and the new Infrastructure Strategy.
- Provided general technical engineering advice, and most significantly, supported the Tauranga Harbour Coastal Inundation Study.
- Contributed to District Plan reviews and presented at the Opotiki District Plan hearings.
- Provided capital projects support on Rivers and Drainage work associated with the Rangitāiki Floodway, the College Road Stopbank Realignment and the Kaituna River re-diversion and Maketu Estuary Enhancement Project and undertaking modifications where necessary.
- Undertaken 168 technical reviews of resource consents, down slightly on last year's total of 221.
- Commented on 256 District Council resource consent applications, similar to last year's total of 265.
- Managed 384 flood level requests, up significantly on last year's total of 218.

What it cost

The Engineering Activity finished the year with a surplus of \$65,000 compared to a budgeted deficit of \$176,000.

Additional work from 2016/17 was carried forward due to a shift in resources as a result of the April 2017 flood event. Two consultants were engaged in the current year to assist with completing the outstanding work program, including the Tauranga Harbour Inundation Study. Resource costs remained under budget, contributing to the surplus which has been offset by the overspend in the Engineering Activity.

Engineering Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
879	General rates	900	900
1,467	Investment income	1,323	1,323
2,346	Total operating revenue	2,223	2,223
Operating expenditure by sub activity			
1,337	Engineering	2,159	2,399
1,337	Total operating expenditure	2,159	2,399
1,009	Net operating surplus (deficit) to fund	65	(176)
Reconciliation of operating surplus (deficit)			
1,009	Increase (decrease) in reserves	65	(176)
1,009	Total operating surplus (deficit) funded	65	(176)

Data Services Activity

What we did

The Data Services Activity delivered on its key projects and core business activities through the year, highlights for 2017/18 included:

- A 97.7% delivery rate was achieved in terms of real-time data made available to the public via the internet.
- Significant flood events led to a number of flood flow measurements and analysis occurring.
- 160 automated monitoring stations maintained in operation, collecting and delivering a wide range of environmental monitoring parameters.
- Thornton Kanuka vegetation, Pohutakawa vegetation and Ōhope Scenic Reserve foliar browse monitoring undertaken.
- 53 coastal beach profiles along the Bay of Plenty coastline surveyed to identify coastal erosion and accretion.
- Contract for procurement of additional air monitoring in the Port of Tauranga area.
- The Environmental Data Portal was released to the public.
- Continued growth in sample submissions to the laboratory with 10,610 being received, up 10% from the previous year.
- Maintaining an IANZ certification for a range of approved analyses.
- Contributions made towards the release of National Environmental Monitoring Standards for Water Quality.
- Lab equipment replacements including those required to align with the National Environmental Standards.
- Environmental Data Services (EDS) equipment replacements where necessary and the EDS portal was launched.
- Additional rain gauges set up in Te Whāiti and Ngongotahā, a flow monitoring station installed on the Kaituna River, and design work undertaken to support flow measurements in the Tauranga River.
- Three new automated groundwater monitoring stations installed in Galatea and one in Rangioru.

- Turbidity sensors placed within the Waimapu, Kopurererua and Tuapiro catchments.

What it cost

Net operating costs in the Data Services Activity are allocated to other activities. Capital expenditure of \$188,000 was recorded compared to a budget of \$264,000.

The cost of the equipment was less than budgeted with the savings carried forward to 2018/19.

Data Services Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
223	Other revenue	251	208
(1)	Revaluation and asset disposal gains	0	0
222	Total operating revenue	251	208
Operating expenditure by sub activity			
222	Data Services	251	208
222	Total operating expenditure	251	208
0	Net operating surplus (deficit) to fund	0	0
Reconciliation of operating surplus (deficit)			
0	Increase (decrease) in reserves	0	0
0	Total operating surplus (deficit) funded	0	0
Capital expenditure by sub activity			
Data Services			
62	Annual Expansion of Network	82	26
166	Annual Upgrade and Replacement (Env)	0	0
21	Annual Upgrade and Replacement (Lab)	0	0
0	Delivery Enhancement	70	199
0	NERM Air Monitoring Equipment	15	0
0	Radio Telephones	4	6
0	Upgrade and Replacement	17	33
249	Total capital expenditure	188	264
0	Loan repayment	0	0
249	Total capital funding required	188	264
Sources of capital funding			
249	Increase (decrease) in reserves	188	264
249	Total sources of capital funding applied	188	264


Science Activity

What we did

The Science Activity continued to deliver on its key projects and core activities throughout 2017/18; the highlights included:

- Exploratory drilling in the Ōpōtiki District with the aim of investigating the geology and the establishment of a groundwater monitoring network.
- Supported the development of computer based predictive models for catchment water quality and quantity, and groundwater in the Kaituna and Rangitāiki Water Management Areas.
- Completed surveys on whitebait spawning areas, and investigated the ecological health and water quality of drains in the Kaituna and Rangitāiki Plains.
- Undertook technical reviews of resource consent applications, provided science advice on compliance and policy matters, and responded to queries from the community.
- Commenced installation of an expanded continuous air quality monitoring network in the Mount Maunganui port and industrial area, and begun development of an air dispersion model for the area.
- Supported the Lake Rotorua Science Review.
- Reported on a number of science projects through technical reports and environmental scorecards.

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		Six scorecards have been completed and are loaded on the Council website. <i>Previous result 2016/17</i> <i>Target: 5</i> <i>Result: 5</i>

What it cost

The Science Activity finished the year with a surplus of \$424,000 compared to a budgeted deficit of \$268,000. Capital expenditure of \$308,000 was recorded compared to a budget of \$300,000.

The commencement of the Mount Maunganui Air Quality Monitoring Project was later than anticipated which has contributed to the underspend. Work in this area will continue in 2018/19.

Science Activity financial statement

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
0	Other revenue	0	31
1,013	Fees and charges	1,117	921
1,203	General rates	1,632	1,632
2,006	Investment income	2,337	2,337
4,222	Total operating revenue	5,087	4,921
Operating expenditure by sub activity			
3,976	Science	4,662	5,190
3,976	Total operating expenditure	4,662	5,190
246	Net operating surplus (deficit) to fund	424	(268)
Reconciliation of operating surplus (deficit)			
246	Increase (decrease) in reserves	424	(268)
246	Total operating surplus (deficit) funded	424	(268)
Capital expenditure by sub activity			
Science			
405	Monitoring Equipment	308	300
405	Total capital expenditure	308	300
405	Total capital funding required	308	300
Sources of capital funding			
405	Increase (decrease) in reserves	308	300
405	Total sources of capital funding applied	308	300

Technical Services Group financial statement

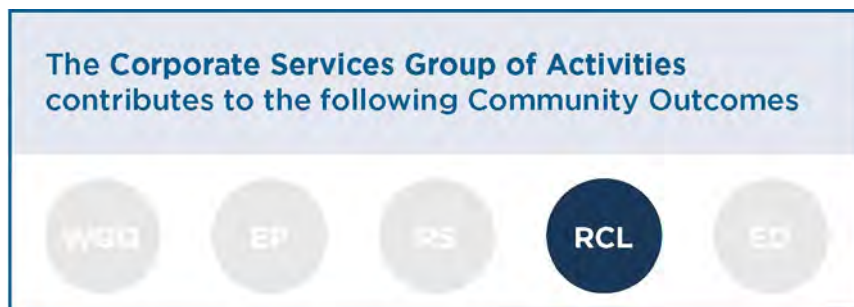
The Technical Services Group of Activities finished with a surplus of \$489,000 compared with a budgeted deficit of \$444,000. Capital expenditure of \$629,000 was recorded compared to a budget of \$865,000.

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

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
223	Other revenue	251	240
1,029	Fees and charges	1,130	921
(1)	Revaluation and asset disposal gains	0	0
2,082	General Rates	2,533	2,533
3,473	Investment Income	3,660	3,660
0	Capital funding	18	0
6,807	Total operating revenue	7,592	7,353
Operating expenditure by activity			
17	Geospatial	12	(0)
1,337	Engineering	2,159	2,399
222	Data Services	251	208
3,976	Science	4,662	5,190
5,551	Total operating expenditure	7,084	7,797
1,255	Net operating surplus (deficit) to fund	507	(444)
Reconciliation of operating surplus (deficit)			
1,255	Increase (decrease) in reserves	489	(444)
1,255	Total operating surplus (deficit) funded	489	(444)
Capital expenditure by activity			
136	Geospatial	133	301
249	Data Services	188	264
405	Science	308	300
790	Total capital expenditure	629	865
0	Loan repayment	0	0
790	Total capital and loan funding required	629	865
Sources of capital funding			
790	Increase (decrease) in reserves	629	865
790	Total sources of capital funding applied	629	865

Corporate Services Group of Activities

What we do



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

- Communications
- Organisational Planning and Reporting
- People and Capability
- Internal 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 ratepayers.

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 Capability provides employment related support 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.
- Internal Services provides front line reception, print production services, specialised document preparation, records and library information management services, and front line reception services across our four offices in the 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 provides core business equipment, business analysis, computer programme development and supporting enterprise computer software.
- 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:

- 26 vehicles were replaced in line with the Council's fleet replacement policy.
- A larger sized excavator was purchased to provide additional capacity for Rivers and Drainage work programmes.
- The 1939 Commercial Hotel building in Whakatāne was demolished and the full corner site, including the 1917 Commercial Hotel Public Bar building was sold. The deposit has been received but full payment will not be received until the settlement in September 2018.
- Project Upgrade is work happening across Council and that includes, refurbishing Regional House in Tauranga to allow all Tauranga-based staff to work from one location, modernising the Whakatāne office space, including changing the working space to open plan and lastly, finding a solution for our Rotorua staff when the lease on the existing building ends in 2020. Highlights of Project Upgrade for the year include:
 - Whakatāne: The main construction contract has been awarded and so too has the furniture contract for Stage 1. Work completed to date includes the strip out of the eastern wing and laboratory, and new walls and fixed services installed.
 - Tauranga: The new internal walls have been constructed and the first fix services installed.

People and Capability

Highlights for the year included:

- Continued support for the organisation with respect to all people-related services as required by the Long Term Plan.
- Implementation of a drug and alcohol testing programme and improved Health and Safety due diligence reporting.

Information and Communication Technology (ICT)

Highlights for the year included:

- Project "Accelerate" implementation completed and transitioned to business as usual. A product road map is in place to deliver continuous business improvements complemented by a data clean-up program.
- The Nutrient Data Management System (NDMS) design was completed and Phase One functionality delivered.
- Creation of an Information Management Strategy is in progress with a focus on Water and Data/Business Intelligence reporting needs.
- The ICT components of Project Upgrade have continued with the new activity-based working set up; data center move out of Regional House in a co-location agreement with Tauranga City Council.
- Shared Service/Collaboration continues through BoPLASS and the Regional Council ReCOCO Council Controlled Organisations.

Finance and Organisational Planning and Reporting

Highlights for the year included:

- Successful delivery of Long Term Plan 2018-2028 and adoption on 28 June 2018 with an unmodified audit opinion.
- The Annual Report for 2016/17 was adopted on 26 September 2017 with an unmodified audit opinion.
- Full review of Section 36 Resource Management Act fees and charges completed. This resulted in a full revision of the fees and charges model for 2018/19.
- Commencement of the Public Consultation and Engagement Project.

Corporate Services Group financial statement

What it cost

The Corporate Services Group of Activities finished with a deficit of \$464,000 compared with a budgeted deficit of \$996,000. Capital expenditure recorded was \$10,010,000 compared to a budget of \$14,529,000.

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Operating revenue by class			
(216)	Targeted rates	(221)	(211)
20,904	Dividends	25,604	25,600
8,336	External interest income	6,596	6,778
1,451	Internal interest income	1,691	3,072
0	Operating grants and subsidies	5	0
1,062	Other revenue	1,206	338
278	Fees and charges	324	110
125	Revaluation and asset disposal gains	206	0
1,010	General Rates	(545)	(958)
(33,859)	Investment Income	(35,482)	(35,482)
(910)	Total operating revenue	(615)	(754)
Operating expenditure by activity			
22	Communications	25	41
1	Organisational Planning & Reporting	0	0
32	People and Performance	30	84
3	Support Services	1	96
4,357	Corporate Property	295	83
882	Information & Communication Technology	310	240
(1,822)	Finance	(812)	(301)
3,475	Total operating expenditure	(152)	242
(4,385)	Net operating surplus (deficit) to fund	(464)	(996)
Reconciliation of operating surplus (deficit)			
(4,385)	Increase (decrease) in reserves	(469)	(996)
(4,385)	Increase (decrease) in reserves	(469)	(996)

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
Capital expenditure by activity			
3	Communications	43	11
3,181	Corporate Property	7,336	11,398
2,796	Information & Communication Technology	2,631	3,120
5,980	Total capital expenditure	10,010	14,529
Capital disposals by activity			
(32)	Corporate Property	(158)	(398)
0	Loan repayment	0	0
5,947	Total capital and loan funding required	9,852	14,131
Sources of capital funding			
5,947	Increase (decrease) in reserves	9,852	14,131
5,947	Total sources of capital funding applied	9,852	14,131

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 a 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 \$25.5 million (2017: \$20.8 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 2017/18 totalled \$25.5 million, and dividend payments to Perpetual Preference Share members totaled \$8.64 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 2017/18	Result 2017/18	Comment
Maintain a majority holding in the Port of Tauranga Limited	Holding of greater than 51%	Achieved	Quayside held 54.14% of Port of Tauranga shares as at 30 June 2018.
Generate commercial returns across the investment portfolio	Five year rolling gross return of at least 7.5% per annum	Achieved	Five year rolling gross return of 14.74% achieved at 30 June 2018.
Adherence to industry standards including responsible investing	Management and monitoring of investment portfolio against Quayside Statement of Performance Objectives (SIPO) and Responsible Investment Frameworks	Achieved	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	Achieved	Annual board assessment completed, noting short term performance and reaffirming long term objectives.
Generate long-term commercial returns and or regional benefit through a portfolio of Commercial Assets	Annual Board assessment of benefit of each asset holding, considering long term commercial return and any regional benefit factors.	Achieved	Growth through new investment of a portfolio of direct unlisted 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	Achieved	Presentations to Council in September 2017, March 2018, and 28 June 2018. An additional presentation was given at the Long Term Plan (LTP) workshop in November

	support as required		2017. Open communication with Council maintained throughout the year through regular meetings with Quayside CEO and Council management.
Ensure Group Policies and Procedures are current and appropriate	All policies and procedures to be reviewed biennially	Achieved	There are fourteen policies in total that are reviewed at Board meetings in accordance with a schedule. Ten of the policies were reviewed during the year (five policies were reviewed in the prior year).
Meet shareholder distribution expectations as outlined in SOI or as otherwise agreed	Distributions paid to agreed values.	Achieved	Cash dividend of \$25.5 million paid to Council and gross dividend of \$8.6 million (net \$6.2 million) paid to PPS holders.
Compliance with NZDX listing requirements for PPS holders	No open issues		Filing of interim and annual financial statements achieved within 60 day deadline. Completion of internal compliance shows no open issues or instances of non-compliance with NZX requirements.

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 areas. 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 2017/18 Statement of Intent, 6 out of 7 were achieved.

BOPLASS Performance Indicators

Key Performance Indicator	Target 2017/18	Result 2017/18
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	Quarterly Satisfaction reviews with participating Councils. Resource assignment measured from project 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 New Zealand councils are made aware of the Collaboration Portal and it's benefits. Portal is operational outside of the LASS group with a minimum of ten additional councils or local government related organisations having utilised 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
Complete independent review of governance performance and structure	Affirmative feedback received from shareholding councils following 2017/18 governance review	Not achieved

to ensure it supports BOPLASS' strategic direction		
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 2017/18.

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

- Providing 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 the Local Government sector
- 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 2017/18	Result 2017/18	Outcome
Average base margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities	No more than 0.10 percent	0.105%	Not achieved
LGFA's annual issuance and operating expense (excluding AIL)	Less than \$5.45 million	\$5.16 million	Achieved
Total lending to Participating Local Authorities	At least \$8.128 billion	\$7.927 billion	Not 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 New Zealand registered banks	Not achieved 11 bps 30 June 2018 compared to 12 bps 30 June 2017

Consolidated Financial Statements

Statement of comprehensive revenue and expense for the year ended 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000		Notes	Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
		Operating revenue				
37,019	37,019	Rates	3	38,984	39,420	39,420
12,787	12,787	Subsidies and grants	4	15,056	13,678	13,678
29,552	14,272	Finance revenue	5	32,687	32,502	13,272
12,151	271,800	Trading and other revenue	6	11,388	13,490	300,629
-	193	Reversal of previous revaluation deficit		-	-	446
416	19,469	Other gains	7	-	1,281	27,753
91,925	355,540	Total operating revenue	50	98,114	100,371	395,198
		Operating expenditure				
36,063	70,654	Employee benefit expenses	8	37,816	37,702	76,247
9,453	34,409	Depreciation and amortisation	17,18	6,463	6,214	32,058
59,191	145,399	Trading and other expenses	9	80,486	73,880	168,500
-	20,249	Finance costs	5	-	-	20,192
373	7,547	Other losses	7	-	538	5,514
105,080	278,258	Total operating expenditure		124,765	118,334	302,511
-	13,282	Share of profit of equity accounted investees	21	-	-	15,253
(13,155)	90,564	Surplus/(deficit) before taxation		(26,650)	(17,963)	107,940
-	28,146	Income tax expense	10	-	-	33,023
(13,155)	62,418	Surplus/(deficit) after taxation		(26,650)	(17,963)	74,917
		Attributable to:				
(13,155)	24,822	Equity holders of the parent		(26,650)	(17,963)	32,325
-	37,596	Non-controlling interest	27	-	-	42,592
(13,155)	62,418			(26,650)	(17,963)	74,917

The accompanying notes form part of these financial statements.

Statement of other comprehensive revenue and expense for the year ended 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000	Notes	Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
(13,155)	62,418	Net surplus/(deficit) after tax	(26,650)	(17,963)	74,917
		Other comprehensive revenue and expense			
		<i>Items that could be reclassified to surplus/(deficit):</i>			
1,420	1,420	Gain on land and building revaluations	961	5,896	5,896
5,910	5,910	Gain on Infrastructure assets revaluations	6,480	14,546	14,546
-	-	Gain/(loss) on maritime asset revaluations	-	188	188
(2,815)	(2,815)	Financial assets at fair value through comprehensive revenue and expense	(662)	(1,021)	(1,021)
-	2,956	Cash flow hedges - changes in fair value	-	-	(3,520)
-	2,538	Cash flow hedges - reclassified to profit or loss	-	-	2,226
		Changes in cash flow hedges transferred to property, plant and equipment, net of tax			
-	708		-	-	-
-	182	Share of net change in cash flow hedge reserves of equity accounted investees. 21	-	-	(71)
		<i>Items that will not be reclassified to surplus/(deficit):</i>			
-	-	Impairment of property, plant and equipment taken to revaluation reserve, net of tax	-	-	-
(10,098)	(10,098)	Impairment of infrastructure assets taken to revaluation reserve	-	-	-
-	63,267	Asset revaluation net of tax	-	-	209,778
-	775	Bearer plant revaluation, net of tax	-	-	903
-	473	Kiwifruit licence revaluation, net of tax	-	-	224
-	745	Share of net change in revaluation reserve of equity accounted investees. 21	-	-	1,687
(5,583)	66,061	Total other comprehensive revenue and expense	6,779	19,609	230,836
(18,738)	128,479	Total comprehensive revenue and expense	(19,872)	1,646	305,753
		Total comprehensive revenue and expense attributable to:			
(18,738)	59,220	Equity holders of the parent	(19,872)	1,646	168,227
-	69,259	Non-controlling interest	-	-	137,526
(18,738)	128,479		(19,872)	1,646	305,753

The accompanying notes form part of these financial statements.

Statement of changes in equity/net assets for the year ended 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000		Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
467,800	1,283,388	Balance at 1 July	462,361	449,062	1,355,457
(18,738)	128,479	Total comprehensive revenue and expense previously reported	(19,872)	1,646	305,753
449,062	1,411,867		442,489	450,708	1,661,210
-	14	Increase in paid up capital	-	-	(1,460)
-	(57,849)	Dividends to shareholders	-	-	(58,971)
-	-	Non controlling interest adjustments	-	-	(3)
	1,425	Equity settled share-based payment accrual	-	-	2,117
449,062	1,355,457	Balance at 30 June	442,489	450,708	1,602,893
		<i>Total comprehensive revenue and expense attributable to:</i>			
(18,738)	59,220	Equity holders of the parent	(19,872)	1,646	168,227
	69,259	Non-controlling interest	-	-	137,526
(18,738)	128,479		(19,872)	1,646	305,753

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000		Notes	Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
		Current assets				
37,962	81,596	Cash and cash equivalents	11	12,435	74,538	116,226
100,390	100,390	Other financial assets - current	15	21,148	38,309	38,309
13,950	61,373	Trade and other receivables	12	11,906	12,577	67,072
204	341	Inventories	13	221	227	937
-	-	Derivative financial instruments	16	-	-	-
152,506	243,700	Total current assets		45,710	125,651	222,544
		Non-current assets				
2,100	2,136	Trade and other receivables - long term	14	4,249	2,146	2,171
289,948	1,521,107	Property, plant and equipment	17	350,252	341,602	1,792,523
5,298	26,442	Intangible assets	18	5,489	5,716	26,475
-	17,405	Investment property	20	-	-	21,918
-	138,014	Investments in equity accounted associates	21	-	-	154,636
		Other financial assets:				
1,877	1,866	- Investment in CCO's and other similar entities	15	1,877	1,877	1,866
29,269	166,372	- Investment in other entities	15	64,938	15,483	186,996
171	171	Derivative financial instruments	16	-	-	-
-	-	Deferred tax assets	23	-	-	-
328,663	1,873,512	Total non-current assets		426,805	366,824	2,186,585
481,169	2,117,212	Total assets		472,515	492,475	2,409,129
		Current liabilities				
11,658	44,661	Trade and other payables	22	9,606	20,585	54,244
-	-	Deferred consideration		-	-	-
4,432	6,766	Employee benefit liabilities	24	4,282	4,990	8,070
-	255,140	Borrowings	25	-	-	321,845
-	-	Provisions		-	-	-
-	1,013	Derivative financial instruments	16	-	-	-
-	8,403	Current taxation		-	-	10,076
16,090	315,983	Total current liabilities		13,888	25,575	394,235

Council 2016/17 \$000	Group 2016/17 \$000		Notes	Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
		Non-current liabilities				
-	-	Trade and other payables	22	-	-	-
1,017	2,905	Employee benefit liabilities	24	1,138	1,119	2,865
-	376,618	Borrowings	25	-	-	324,906
-	-	Provisions		-	-	-
-	-	Deferred consideration		-	-	-
15,000	-	Put option	39	15,000	15,000	-
-	8,887	Derivative financial instruments	16	-	73	11,860
-	57,362	Deferred tax liabilities	23	-	-	72,370
16,017	445,772	Total non-current liabilities		16,138	16,192	412,001
32,107	761,755	Total liabilities		30,026	41,767	806,236
449,062	1,355,457	Total net assets		442,489	450,708	1,602,893
		Equity				
173,854	262,295	Retained earnings	26	212,223	204,279	336,697
275,208	673,132	Reserves	27	230,266	246,429	760,646
449,062	935,427	Total equity attributable to the group		442,489	450,708	1,097,343
-	420,030	Non-controlling interest	27	-	-	505,550
449,062	1,355,457	Total equity		442,489	450,708	1,602,893

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000		Notes	Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
		Cash flows from operating activities				
33,981	33,981	Rates		36,333	41,253	41,253
12,748	12,748	Grants		15,739	13,376	13,376
(456)	(456)	GST		1,099	62	62
12,119	277,279	Receipts from customers		12,064	13,432	301,177
9,291	11,332	Interest received		8,935	6,583	7,958
20,904	4,393	Dividends received		20,900	25,604	5,146
-	(29,444)	Taxes paid		-	-	(32,030)
(92,453)	(213,477)	Payments to suppliers and employees		(101,307)	(102,465)	(241,316)
-	211	Other income		-	-	84
-	(21,477)	Interest paid		-	-	(20,051)
(3,866)	75,090	Net cash from operating activities		(6,237)	(2,155)	75,659
		Cash flows from investing activities				
206	352	Proceeds from sale of property, plant and equipment		392	344	351
115,818	138,154	Proceeds from sale of investments		45,419	170,000	187,265
-	10,570	Dividends from equity accounted investees	21	-	-	10,146
400	400	Realised capital gain on investments		-	1,075	1,075
-	13	Finance lease payments received, including interest		-	-	13
-	250	Repayment of advances from equity accounted investees		-	-	350
(15,492)	(80,789)	Purchase of property, plant and equipment	17	(41,947)	(36,377)	(53,908)
(1,479)	(1,635)	Purchase of intangibles		(1,458)	(1,119)	(1,119)
-	(116)	Purchase of computer software assets		-	-	(137)
-	(3,900)	Purchase of investment property		-	-	-
-	(216)	Improvements to investment property		-	-	(1,689)
(75,506)	(98,031)	Purchase of investments		-	(95,187)	(128,434)
-	(4,300)	Investment in equity accounted investee		-	-	(9,654)
23,947	(39,248)	Net cash from investing activities		2,406	38,736	4,259

Council 2016/17 \$000	Group 2016/17 \$000		Notes	Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
		Cash flows from financing activities				
-	-	Repayment of borrowings		-	-	(15,007)
-	63,699	Proceeds from borrowings	25	-	-	30,167
-	-	Repurchase of shares		-	-	(1,614)
-	(183)	(Payments)/proceeds from close out of foreign exchange derivative		-	-	-
(1,380)	(1,380)	Long term loans - Clean Heat		(2,010)	(544)	(544)
819	819	Loan repayments - Clean Heat		597	539	539
-	(57,849)	Dividends paid		-	-	(58,971)
(561)	5,106	Net cash from financing activities		(1,413)	(5)	(45,430)
-	30	Effects of exchange rate changes on cash and cash equivalents		-	-	142
19,520	40,978	Net increase/(decrease) in cash, cash equivalents and bank overdrafts		(5,244)	36,576	34,630
18,442	40,618	Cash, cash equivalents and bank overdrafts at the beginning of the year		17,679	37,962	81,596
37,962	81,596	Cash, cash equivalents and bank overdrafts at the end of the year	11	12,435	74,538	116,226

The accompanying notes form part of these financial statements.

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

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Reported profit after tax	(17,963)	74,917	(13,155)	62,418
<i>Items classified as investing/financing activities</i>				
Net gain on investments	(1,076)	(22,429)	(401)	(12,250)
Net gain on sale of property, plant and equipment	(206)	(669)	(15)	590
Finance interest lease revenue	-	(3)	-	(4)
	(1,282)	(23,101)	(416)	(11,664)
<i>Add/(less) non cash and non-operating items:</i>				
Depreciation and amortisation	6,214	32,058	9,453	34,409
Proceeds from amortisation of investments	(154)	(154)	(386)	(386)
Decrease in deferred taxation expense	-	(682)	-	(1,154)
Share based payment reserve	-	2,117	-	1,425
Amortisation of interest rate collar premium	-	64	-	75
Reversal of previous revaluation deficit	-	(446)	-	(193)
Share of (profit)/losses retained by equity accounted investees	-	(15,253)	-	(13,282)
Ineffective portion of change in fair value of cash flow hedge	244	270	-	(60)
Net change in impairment of hotswap loans	(15)	(15)	39	39
Loss on sale of property, plant and equipment	294	294	372	-
Gain on revaluation of put option	-	-	-	372
	6,583	18,253	9,478	21,123

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
<i>Add/(less) movements in working capital</i>				
Change in receivables	1,895	(5,516)	(2,791)	(5,860)
Change in prepayments	(507)	(507)	216	216
Change in inventories	(23)	(596)	8	188
Change in taxation payable	-	1,677	-	(144)
Change in foreign cash deposits	-	(142)	-	(30)
Change in payables	8,583	10,117	2,461	8,511
Change in employee provisions	558	558	332	332
	10,507	5,591	226	3,213
Net cashflow from operating activities	(2,155)	75,660	(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 2018. The financial statements were authorised for issue by Council on 27 September 2018.

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

PBE Conceptual Framework

In May 2016, the NZASB issued a new Public Benefit Entity Conceptual Framework (PBE Framework). The PBE Framework is based on the Conceptual Framework issued by the International Public Sector Accounting Standards Board (IPSASB) with some modifications to make it suitable for application by PBEs in New Zealand.

In particular, the NZASB has:

- added a definition of equity for completeness;
- retained the potential to recognise 'other resources and obligations' that do not meet the definition of an asset or liability pending the IPSASB's completion of its project on non-exchange revenue and expenses, but noted that the NZASB would carefully consider the suitability for New Zealand of any requirements the IPSASB establishes in respect of such items;
- tailored some of the wording to make it suitable for public sector and not-for profit PBEs in a New Zealand context.

The PBE Framework does not result in an immediate change to accounting requirements, but it will provide the foundation for and influence the development of PBE Standards based on IPSAS. Effective date: 1 January 2017

2016 omnibus amendments to PBE Standards (excluding bearer plants amendments)

Amendments to update references and terminology as a result of issuing the Public Benefit Entities' Conceptual Framework and align the PBE Standards with NZ IFRS and IPSAS as a consequence of the IASB and the IPSASB's annual improvement amendments in various accounting standards. It also contains editorial corrections. Effective date: 1 January 2017

Standards issued and not yet effective that have been early adopted

2016 omnibus amendments to PBE Standards – bearer plants

The omnibus amendments include the requirement for bearer plants be accounted for as property, plant and equipment rather than as biological assets. This means that bearer plants are accounted for either under the cost model or the revaluation model in accordance with PBE IPSAS 17 rather than at fair value with changes in fair value recognised in surplus or deficit under PBE IPSAS 27. Effective date: 1 January 2018

New accounting standards and interpretations not yet adopted

Approved budget (amendments to PBE IPSAS 1)

The amendments replace the reference to an 'approved budget' in PBE IPSAS 1 with a reference to the existing requirements regarding comparisons of 'general purpose prospective financial statements' and historical financial statements. When an entity is required to present a comparison of prospective and actual financial statements, the amendments also clarify how this shall be disclosed. Equivalent amendments have also been made to PBE IAS 34. Effective date: 1 January 2018

Impairment of revalued assets (amendments to PBE IPSAS 21 and 26)

The amendments bring revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26. The amendments clarify that an impairment of an individual asset outside of the revaluation cycle will not necessitate the revaluation of the entire class of assets to which the impaired asset belongs. Effective date: 1 January 2019

PBE IPSAS 34 Separate financial statements

Locates in one standard the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements with no significant changes to the underlying requirements. Effective date: 1 January 2019

PBE IPSAS 35 Consolidated financial statements

Introduces a new definition of control requiring both power and exposure to variable benefits and includes more guidance on assessing control (including additional guidance on substantive and protective rights).

Provides an exception from consolidation for investment entities. This exception also applies to the parent of an investment entity that is not itself an investment entity (which is different from the equivalent exception in the for-profit standards).

Includes guidance on principal/agent relationships and factors to consider when determining whether an investor has control or is acting as an agent. Adds guidance on network and partner agreements.

Incorporates guidance from PBE IPSAS 6 on the application of consistent accounting policies when consolidating for-profit entities into a PBE group. Effective date: 1 January 2019

PBE IPSAS 36 Investments in associates and joint ventures

Requires the use of the equity method in accounting for all interests in associates and joint ventures (eliminating the option of using proportionate consolidation for jointly controlled entities). Effective date: 1 January 2019

PBE IPSAS 37 Joint arrangements

Establishes two 'types' of joint arrangement: (i) joint operations; and (ii) joint ventures based on whether the investor has rights to the assets and obligations for the liabilities of the joint arrangement or rights to the net assets of the joint arrangement. Effective date: 1 January 2019

PBE IPSAS 38 Disclosure of interests in other entities

Creates a new category of entity called structured entities (intended to capture special purposes entities). It requires disclosures regarding:

- interests in (i) controlled entities; (ii) unconsolidated controlled entities; (iii) joint arrangements and associates; and (iv) structured entities that are not consolidated and significant judgements and assumptions made in determining whether the entity controls, jointly controls, significantly influences or has some other interests in other entities. Effective date: 1 January 2019

PBE IPSAS 39 Employee benefits

PBE IPSAS 39 replaces PBE IPSAS 25, which is substantially converged with NZ IAS 19. The main changes relate to the removal of options for the recognition and presentation of actuarial gains and losses arising from defined benefit plans and replacing interest cost and expected return on plan assets with a single net interest component. Effective date: 1 January 2019

PBE IFRS 9 Financial instruments

The NZASB has issued this standard in advance of the IPSASB issuing a new financial instruments standard based on IFRS 9. This standard gives PBEs in a mixed group the opportunity to early adopt a PBE Standard that is based on the for-profit standard NZ IFRS 9 on the same date that NZ IFRS 9 becomes mandatory in the for-profit sector. Effective date: 1 January 2021

NZIFRS 9 Financial Instruments (Subsidiary)

This standard becomes mandatory for the Group'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.

The *Port of Tauranga Group's* assessment is that there will be no material quantitative impact on the financial statements and all existing hedges will remain effective. Preliminary assessment by the *Quayside Group* also shows that there will be no material quantitative impact on the financial statements. The Group intends to adopt this standard from 1 July 2018.

NZ IFRS 16 Leases

This standard becomes mandatory for the *Quayside Group's* 2020 consolidated financial statements. NZ IFRS 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. The estimated impact of the adoption of NZ IFRS 16, based on the current leases and terms, in the *Quayside Group's* 2020 consolidated financial statements is forecast to increase total assets and liabilities by \$23.3 million and is forecast to decrease net profit after tax by \$0.2 million. The *Quayside Group* intends to adopt this standard from 1 July 2019.

PBE FRS 48 Service performance reporting

PBE FRS 48 establishes principles and requirements for presenting service performance information that is useful for accountability and decision-making purposes. These high-level requirements provide flexibility for entities to determine how best to 'tell their story'. Effective date: 1 January 2021

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 2017/18 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)
- valuation of share rights

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 2018 was carried out by Council staff and independently reviewed by PricewaterhouseCoopers, Wellington, on 14 September 2018.

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 2016/17 \$000	Actual 2017/18 \$000	Budget 2017/18 \$000
Revenue by activity		
3,865 Tauranga Harbour	3,282	3,228
9,160 Rotorua Lakes	8,518	10,620
2,244 Kaituna	2,658	2,634
861 Rangitaiki	1,088	1,094
2,061 Other Catchments	2,388	2,359
2,503 Land and Water Framework	2,882	2,846
11,714 Rivers & Drainage Schemes	12,152	11,404
1,214 Regional Flood Risk Coordination	1,579	1,579
2,845 Biosecurity	3,843	3,272
1,608 Rotorua Air Quality	1,866	1,792
2,988 Resource Consents	3,726	3,669
3,427 Regulatory Compliance	4,097	4,632
2,782 Maritime Operations	3,233	2,787
19,836 Passenger Transport	20,937	20,674
599 Transport Planning	621	597
317 Regional Infrastructure	308	308
863 Regional Economic Development	1,083	898
666 Regional Parks	889	771
5,105 Regional Planning	6,484	6,358
1,186 Maori Policy	1,351	1,350
354 Geothermal	501	501
1,349 Kotahitanga/Strategic Engagement (incl. EEF)	1,223	1,214

Actual 2016/17 \$000	Actual 2017/18 \$000	Budget 2017/18 \$000
5,830 Governance Services	6,806	6,746
2,652 Emergency Management	2,941	2,913
17 Geospatial	12	0
2,346 Engineering	2,223	2,223
222 Data Services	251	208
4,222 Science	5,087	4,921
22 Communications	25	41
1 Organisational Planning & Reporting	0	0
32 People and Performance	30	84
3 Support Services	1	0
774 Corporate Property	295	83
232 Information & Communication Technology	310	240
(1,973) Finance	(1,276)	(1,201)
91,925 Revenue	101,416	100,844
(1,451) Less internal interest	(1,691)	(3,072)
1,451 Capital grants received	648	342
91,925 Total revenue	100,372	98,114

Actual 2016/17 \$000	Actual 2017/18 \$000	Budget 2017/18 \$000
Expenditure by activity		
3,807 Tauranga Harbour	5,015	5,034
10,705 Rotorua Lakes	12,320	15,936
2,344 Kaituna	2,814	2,840
1,295 Rangitaiki	1,420	1,174
1,922 Other Catchments	2,569	2,542
2,673 Land and Water Framework	2,890	3,110
12,152 Rivers & Drainage Schemes	8,705	14,341
2,088 Regional Flood Risk Coordination	2,008	1,695
3,544 Biosecurity	4,369	3,492
1,128 Rotorua Air Quality	789	1,307
3,487 Resource Consents	4,164	3,820
4,660 Regulatory Compliance	5,670	4,822
2,685 Maritime Operations	3,050	2,942
19,849 Passenger Transport	21,110	21,353
543 Transport Planning	632	638
2,557 Regional Infrastructure	13,080	12,134
1,032 Regional Economic Development	1,176	961
839 Regional Parks	1,077	832
6,277 Regional Planning	6,529	6,809
1,245 Maori Policy	1,340	1,453
538 Geothermal	532	540
1,468 Kotahitanga/Strategic Engagement (incl. EEF)	1,593	1,649
6,727 Governance Services	7,396	7,265

Actual 2016/17 \$000		Actual 2017/18 \$000	Budget 2017/18 \$000
3,935	Emergency Management	2,847	3,107
17	Geospatial	12	(0)
1,337	Engineering	2,159	2,399
223	Data Services	251	208
3,976	Science	4,662	5,190
22	Communications	25	41
1	Organisational Planning & Reporting	0	0
32	People and Performance	30	84
3	Support Services	1	96
4,357	Corporate Property	295	83
882	Information & Communication Technology	310	240
(1,822)	Finance	(812)	(301)
106,530	Expenditure	120,026	127,837
(1,451)	Less internal interest	(1,691)	(3,072)
105,080	Total expenditure	118,335	124,765
(13,155)	Net cost of service	(17,963)	(26,650)

3 Rates revenue

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
General rates	23,755	23,755	21,488	21,488
Targeted rates	16,152	16,152	16,011	16,011
Less: remissions	(487)	(487)	(480)	(480)
Total rates revenue	39,420	39,420	37,019	37,019

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 127,505 rating units within the region as at 30 June 2018, compared to 125,347 as at 30 June 2017.

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

The total land value of rating units within the region is \$50,234,082,992 as at 30 June 2018, compared to \$44,118,423,209 as at 30 June 2017.

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	Group	Council	Group
	2017/18	2017/18	2016/17	2016/17
	\$000	\$000	\$000	\$000
New Zealand Transport Agency (Passenger Transport)	8,736	8,736	7,423	7,423
Ministry for the Environment (Te Arawa Rotorua Lakes deed funding)	2,402	2,402	3,080	3,080
Ministry for the Environment (Kopeopeo Canal)	(472)	(472)	1,370	1,370
Local Authorities contribution to Civil Defence	1,359	1,359	678	678
Other subsidies and grants	1,652	1,652	236	236
	13,677	13,677	12,787	12,787

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2017: 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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Finance revenue				
Foreign dividends	-	1,789	-	1,325
New Zealand dividends	25,604	3,327	20,904	3,227
Interest income	6,744	7,738	8,091	9,097
Income amortisation investments	154	154	386	386
Interest on advances to equity accounted investees	-	261	-	-
Ineffective portion of changes in fair value of cash flow hedges	-	-	171	233
Interest on finance lease	-	3	-	4
Change in fair value of hedged risk	-	-	-	-
Total finance revenue	32,502	13,272	29,552	14,272
Finance costs				
Interest expense on borrowings	-	20,172	-	20,172
Less: interest capitalised to property, plant and equipment	-	-	-	-
Ineffective portion of changes in fair value of cashflow hedges	-	26	-	2
Interest on finance leases	-	-	-	-
Interest on deferred consideration	-	-	-	-
Amortisation of interest rate collar premium	-	64	-	75
Total finance costs	-	20,192	-	20,249
Net finance revenue	32,502	(6,919)	29,552	(5,977)

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Port services income	-	251,388	-	227,222
Rental income	87	27,336	628	25,447
Marshalling services income	-	4,929	-	4,633
User fees and charges	9,694	9,694	8,877	8,877
Sale of goods - kiwifruit	-	2,996	-	3,424
Other revenue	3,709	4,286	2,646	2,197
Total trading and other revenue	13,490	300,629	12,151	271,800

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 (2017: 29.21 hectares).

Kiwifruit income this year includes an upward adjustment of \$185,930 in relation to the prior year crop (2017: \$32,154 decrease on prior year crop income). This was due to a revision during the year in the estimate of income receivable shown in the accounts at 30 June 2017.

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Gains				
Gain on sale of property, plant and equipment	206	206	15	15
Realised foreign exchange gains	-	84	-	116
Realised gain on equity investments	1,075	5,312	401	3,511
Change in fair value of investment property	-	2,824	-	1,289
Unrealised foreign exchange gain on equity investments	-	44	-	4
Unrealised gain on equity investments	-	19,283	-	14,534
Total gains	1,281	27,753	416	19,469
Losses				
Realised capital loss on investments	-	-	-	1,151
Realised foreign exchange losses	-	1	-	20
Ineffective portion of changes in fair value of cash flow hedges	244	244	-	-
Loss on sale of fixed assets	294	294	372	372
Unrealised foreign exchange losses	-	-	-	69
Unrealised capital loss on investments	-	4,975	-	5,934
Change in impairment of property, plant and equipment	-	-	1	1
Total losses	538	5,514	373	7,547
Net gains/(losses)	743	22,239	43	11,922

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. Gains and losses on individual equities securities are shown separately in the income statement and are not netted off.

8 Employee benefit expenses

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Salaries and wages	33,928	70,627	32,699	65,744
Superannuation	1,066	2,308	1,033	2,209
Other employee related expenses	2,708	3,312	2,331	2,701
	37,702	76,247	36,063	70,654

9 Trading and other expenses

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Fees to auditors				
-fees to Audit New Zealand for audit of Council and Quayside Holdings Group financial statements	131	233	130	225
-fees to Audit New Zealand for audit of Council LTP	79	79	-	-
-fees to Audit New Zealand for audit of Debenture Trust Deed	5	5	-	-
-fees to KPMG for audit of Port of Tauranga Group Financial Statements	-	163	-	143
-fees to KPMG for review of Port of Tauranga half year financial statements	-	12	-	12
-fees to KPMG for Port of Tauranga payments data analysis review	-	22	-	17
Bad debts written-off	109	109	(81)	(81)
Consultation fees	4,792	4,792	3,456	3,456
Contracted services for port operations	-	58,797	-	54,985
Contract work	30,871	30,871	31,539	31,539
Direct fuel and power expenses	711	9,941	661	7,836
Directors' fees	-	1,059	-	990
Grants, contributions and sponsorships	16,454	16,454	6,307	6,307
Insurance	697	697	498	498
Legal fees	1,589	1,589	1,550	1,550
Maintenance costs	1,635	10,981	1,600	10,359
Operating lease payments	1,018	2,357	1,059	2,382
Operational materials	2,522	2,522	2,732	2,732
Orchard expenses	-	794	-	1,241
Other expenses	11,485	25,240	7,912	19,380
Professional development	1,276	1,276	1,345	1,345
Rates	196	196	186	186
Valuation costs	310	310	297	297
Total trading and other expenses	73,880	168,501	59,191	145,399

The total value of all assets that are covered by insurance contracts, are \$131 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 \$249 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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Profit/(loss) before income tax for the period	(17,963)	107,940	(13,155)	90,564
Income tax on the surplus/(deficit) for the period at 28%	(5,030)	37,412	(3,683)	31,525
<i>Tax effect of amounts which are non deductible / (taxable) in calculating taxable income:</i>				
Non-taxable income	14,947	14,947	11,772	11,772
(Gain)/loss on investments	-	(5,179)	-	(2,987)
Fair value loss/(gain) on investment property	-	(791)	-	(361)
Foreign dividend regime	-	243	-	404
Share of equity accounted investees after tax income, excluding CODA group	-	(3,210)	-	(2,849)
Dividend imputation credits	(9,167)	(10,744)	(8,089)	(8,883)
Other attributed (income)/loss	-	(123)	-	(56)
Tax losses utilised	-	(262)	-	(587)
Non assessable income/expenditure	-	67	-	17
Temporary differences	-	725	-	354
Other	-	(62)	-	(203)
Income tax expense	-	33,023	-	28,146

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
The income tax is represented by:				
<i>Current tax expense</i>				
Tax payable in respect of the current period	-	33,707	-	29,350
Adjustment for prior period	-	(2)	-	(50)
Total current tax expense	-	33,705	-	29,300
<i>Deferred tax expense</i>				
Origination/reversal of temporary differences	-	(683)	-	(1,096)
Adjustment for prior period	-	1	-	(58)
Total deferred tax expense	-	(682)	-	(1,154)
Income tax expense	-	33,023	-	28,146

Subsidiary	Group 2017/18 \$000	Group 2016/17 \$000
Income tax recognised in other comprehensive revenue and expense:		
Impairment of property, plant and equipment	-	-
Revaluation of intangibles	106	165
Revaluation of property, plant and equipment	16,088	302
Cashflow hedges	(504)	2,412
Total	15,690	2,879
Imputation credit account - Subsidiary	Group 2017/18 \$000	Group 2016/17 \$000
<i>Quayside Holdings Limited</i>		
Imputation credits available for use in subsequent periods	96,140	84,628

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Cash at bank and in hand	9,838	51,526	27,775	71,409
Term deposits with maturities less than 3 months	64,700	64,700	10,187	10,187
Total cash and cash equivalents	74,538	116,226	37,962	81,596

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Rates receivables	4,341	4,341	6,174	6,174
Trade receivables	1,727	43,835	1,371	35,715
Kiwifruit income receivable	-	2,162	-	2,444
Receivables from equity accounted investees, subsidiaries and related parties	-	746	-	632
Advances to equity accounted investees	-	6,319	-	6,669
Prepayments and sundry receivables	6,809	9,969	6,601	9,935
	12,877	67,372	14,146	61,569
Less provision for impairment trade and rates receivables	(300)	(300)	(196)	(196)
Total current trade and other receivables	12,577	67,072	13,950	61,373

	Council 2017/18 \$000	Council 2016/17 \$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	8,150	9,581
Receivables from exchange transactions - this includes outstanding amounts for the sale of goods and services and clean heat rates	4,427	4,369
Total current receivables	12,577	13,950

The ageing of trade receivables at reporting date was:

	Council	Group	Council	Group
	2017/18	2017/18	2016/17	2016/17
	\$000	\$000	\$000	\$000
Not past due	1,513	26,484	547	30,125
Past due but not impaired 0 - 30 days	39	16,070	597	4,805
Past due but not impaired 30 - 60 days	39	930	13	530
Past due but not impaired 60 - 90 days	28	49	48	85
More than 90 days	108	302	166	170
	1,727	43,835	1,371	35,715

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
	2017/18	2017/18	2016/17	2016/17
	\$000	\$000	\$000	\$000
Individual impairment	70	70	23	23
Collective impairment	230	230	173	173
Total provision for impairment	300	300	196	196

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
	2017/18	2017/18	2016/17	2016/17
	\$000	\$000	\$000	\$000
At 1 July	196	196	277	277
Additional provisions made during the year	127	127	23	23
Provisions reversed during the year	(23)	(23)	(104)	(104)
At 30 June	300	300	196	196

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 2018 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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Inventory of parts and consumables	227	937	204	341
Kiwifruit stock on hand	-	-	-	-
	227	937	204	341

There were no inventories written off or pledged as security for liabilities during the year (2017: nil)

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Other receivables	-	25	-	36
Rotorua Hot Swap debtors	2,146	2,146	2,100	2,100
	2,146	2,171	2,100	2,136

	Council 2017/18 \$000	Council 2016/17 \$000
Total non-current receivables comprise:		
Receivables from exchange transactions - this includes outstanding amounts for clean heat rates		2,146 2,100
Total non-current receivables		2,146 2,100

Rotorua Hot Swap debtors

The Rotorua Hot Swap Loan Scheme was launched in August 2010. This scheme helps upgrade clean heating devices by providing an interest free loan for zero emission products and interest bearing loans for low emission burners and insulation to homeowners. This loan is repaid over 10 years through a targeted rate.

15 Other financial assets

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Term deposits	25,000	25,000	30,000	30,000
<i>Fair value through equity</i>				
Bond and other fixed rate notes	13,309	13,309	70,390	70,390
Total current portion	38,309	38,309	100,390	100,390

Non-current portion

Investment in CCO's and similar entities

Shares in subsidiaries (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

Fair value through surplus or deficit

Other equity investments	67	171,580	67	137,170
Floating rate notes - interest swaps	-	-	-	-

Fair value through equity

Bond and other fixed rate notes	15,416	15,416	29,202	29,202
Term deposits	-	-	-	-
Total investments in other entities	15,483	186,996	29,270	166,372

Total non-current portion	17,360	188,862	31,147	168,238
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Total other financial assets	55,669	227,171	131,536	268,628
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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.

Quayside Holdings Limited has an uncalled capital commitment of \$8.9 million (2017: nil) in relation to an equity fund investment.

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 2018, the amount uncalled is \$81,829,918

(2017: \$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.

Fair value of equity investments designated at fair value is based on quoted market prices at the reporting date and are categorised under the level 1 fair value hierarchy.

Intercompany loans are initially recognised at fair value. They are subsequently measured at amortised cost and adjusted for impairment losses. An impairment gain or loss is recognised in profit or loss, and is the amount of expected credit losses (or reversal).

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Current assets				
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				
Foreign currency derivatives - no longer meeting hedge accounting criteria				1,013
Total current liabilities	-	-	-	1,013
Non-current liabilities				
Interest rate derivatives - not designated as hedges	73	73	-	-
Interest rate derivatives - cash flow hedges	-	11,787	-	8,887
Total non current liability portion	73	11,860	-	8,887
Total liabilities	73	11,860	-	9,900

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 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 derivatives 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.
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.

17 Property plant and equipment

2018	Accumulated depreciation and impairment charges		Carrying amount 01 July 2017	Current year additions	Current year disposals	Current year adjustments	Current year impairment charges	Current year depreciation	Revaluation surplus	Depreciation write back on revaluation		Cost / impairment revaluation	Accumulated depreciation and impairment charges	Net book value amount
	Cost / revaluation	impairment charges								Depreciation write back	on revaluation			
	01 July 2017	01 July 2017								01 July 2017	30 June 2018			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bay of Plenty Regional Council														
Operational assets:														
Land	6,620	-	6,620	-	-	-	-	-	410	-	-	7,030	-	7,030
Buildings	6,966	-	6,966	-	(50)	(20)	-	(110)	5,042	-	107	11,938	(3)	11,935
Plant and Equipment	25,221	(15,145)	10,076	3,150	(1,408)	-	-	(3,076)	-	1,284	-	26,962	(16,937)	10,025
Maritime	643	(84)	559	-	-	-	-	(75)	44	-	153	687	(6)	681
Works In Progress	2,489	-	2,489	6,605	-	7	-	-	-	-	-	9,101	-	9,101
Infrastructural assets:														
Flood Protection														
Kaituna	49,949	(756)	49,193	120	-	(21)	-	(281)	2,041	-	785	52,089	(252)	51,837
Rangitaiki/Tarawera	75,730	(4,551)	71,180	927	-	1,356	-	(228)	(314)	-	4,551	77,699	(228)	77,471
Whakatāne/Tauranga	53,878	(4,450)	49,427	498	-	-	-	(211)	(881)	-	4,451	53,495	(210)	53,285
Waioeka/Otara	33,125	(439)	32,686	124	-	-	-	(109)	2,055	-	439	35,304	(109)	35,195
Rangitaiki Drainage	16,400	(705)	15,695	-	-	(1,334)	-	(25)	(660)	-	700	14,405	(30)	14,375
Communal Pumping	5,272	(2,813)	2,459	-	-	-	-	(235)	-	-	-	5,272	(3,048)	2,224
Other Structures	1,060	-	1,060	-	-	-	-	-	-	-	-	1,060	-	1,060
WIP Rivers &														
Drainage	17,815	-	17,815	23,745	-	-	-	-	-	-	-	41,560	-	41,560
Lakes Restoration	11,994	(2,190)	9,804	87	-	-	-	(753)	(1,529)	-	2,846	10,552	(97)	10,455
WIP Lakes														
Restoration	1,272	-	1,272	830	-	-	-	-	-	-	-	2,101	-	2,101
Restricted assets:														
Parks Land	9,390	-	9,390	272	-	-	-	-	-	-	-	9,663	-	9,663
Parks Buildings	984	(109)	874	-	-	20	-	(22)	278	-	50	1,282	(81)	1,201
Other Restricted Land	125	-	125	-	-	-	-	-	-	-	-	125	-	125
Flood Protection	2,321	(63)	2,258	-	-	-	-	(33)	19	-	35	2,340	(61)	2,279
Council property plant and equipment	321,254	(31,305)	289,948	36,358	(1,458)	8	-	(5,158)	6,505	1,284	14,117	362,667	(21,065)	341,602

	Cost / revaluation 01 July 2017 \$000	Accumulated depreciation and impairment charges 01 July 2017 \$000	Carrying amount 01 July 2017 \$000	Current year additions \$000	Current year disposals \$000	Current year adjustments \$000	Current year impairment charges \$000	Current year depreciation \$000	Revaluation surplus \$000	Depreciation write back on disposals \$000	Depreciation write back on revaluation adjustments \$000	Cost / revaluation 30 June 2018 \$000	Accumulated depreciation and impairment charges 30 June 2018 \$000	Net book value amount 30 June 2018 \$000
Subsidiary														
Freehold land	580,318	-	580,318	-	-	-	-	-	150,088	-	-	730,406	-	730,406
Freehold buildings	96,874	(6,291)	90,583	9,965	-	(939)	-	(3,478)	91	-	9,731	105,991	(38)	105,953
Wharves and hardstanding	272,936	(18,213)	254,723	8,310	-	548	-	(9,806)	19,785	-	28,019	301,579	-	301,579
Harbour improvements	157,838	(2,679)	155,159	619	-	391	-	(1,132)	14,436	-	3,811	173,284	-	173,284
Bearer Plants	8,378	-	8,378	-	-	-	-	(465)	789	-	465	9,167	-	9,167
Plant and equipment	214,058	(77,715)	136,343	4,799	(1,548)	-	-	(10,398)	-	417	-	217,309	(87,696)	129,613
Capital work in progress	10,133	-	10,133	(4,560)	-	-	-	-	-	-	-	5,573	-	5,573
Subsidiary property plant and equipment	1,340,537	(104,900)	1,235,637	19,133	(1,548)	-	-	(25,279)	185,189	417	42,026	1,543,309	(87,734)	1,455,575
Elimination of interest capitalised	(4,478)	-	(4,478)	(176)	-	-	-	-	-	-	-	(4,654)	-	(4,654)
Total Group property plant and equipment	1,657,312	(136,205)	1,521,107	55,315	(3,006)	8	-	(30,437)	191,694	1,701	56,143	1,901,322	(108,799)	1,792,523

Rivers and Drainage assets were damaged in the April 2017 flood event. This resulted in an impairment being applied against each major river and drainage asset totalling \$10.1 million in 2017. No further impairment was recognised in the 2018 year.

The latest valuation for Flood Protection assets was at 1 July 2017 with the estimated replacement cost as below:

	Closing Book Value \$000	Constructed by Council \$000	Transferred to Council \$000	Estimated Replacement Cost \$000
Flood Protection & Control Works				
as at 30 June 2018	\$244,483	1,669	\$0	\$248,362
as at 30 June 2017	\$220,638	6,885	\$0	\$234,355

2017	Accumulated depreciation and											Depreciation			Accumulated depreciation and		
	Cost / revaluation 01 July 2016	impairment charges 01 July 2016	and Carrying amount 01 July 2016	Current year additions	Current year disposals	Current year adjustments	Current year impairment charges	Current year depreciation	Current year Revaluation surplus	Depreciation write back on disposals	write back on revaluation adjustments	Cost / revaluation 30 June 2017	impairment charges 30 June 2017	Net book value 30 June 2017			
\$000	\$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)	8,161	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	75,730	(4,551)	71,180			
Whakatāne/Tauranga	52,296	(176)	52,120	-	-	-	(4,256)	(195)	1,582	-	176	53,878	(4,451)	49,427			
Waioeka/Otara	31,883	(84)	31,799	-	-	-	(341)	(98)	1,242	-	84	33,125	(439)	32,686			
Rangitaiki Drainage	16,549	(20)	16,529	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)	-	-	-	-	-	9,390	-	9,390			
Parks Buildings	965	(80)	885	18	-	-	-	(29)	-	-	-	983	(109)	874			
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	14,887	(1,580)	52	(10,098)	(8,425)	415	1,323	6,917	321,253	(31,307)	289,947			

	Cost / revaluation	Accumulated depreciation and impairment charges	Carrying amount	Current year additions	Current year disposals	Current year adjustments	Current year impairment charges	Current year depreciation	Revaluation surplus	Depreciation write back on disposals	Depreciation write back on revaluation adjustments	Cost / revaluation	Accumulated depreciation and impairment charges	Net book value amount
	01 July 2016	01 July 2016	01 July 2016									30 June 2017	30 June 2017	30 June 2017
	\$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	59,250	-	(102,496)	-	-	-	-	-	10,133	-	10,133
Subsidiary property plant and equipment	1,225,698	(90,566)	1,135,132	60,678	(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)	(1,223)	-	-	-	-	-	-	-	(4,476)	-	(4,476)
Total Group property plant and equipment	1,529,924	(111,590)	1,418,334	74,342	(11,530)	52	(10,098)	(32,793)	64,526	10,933	7,343	1,657,312	(136,205)	1,521,108

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

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 2018.

Regional parks were revalued on 30 June 2018 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 2018.

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 Deputy Harbourmaster 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 peer reviewed by Beca Projects NZ Limited (BECA). The valuation was effective as at 30 April 2018.

Infrastructure assets

Infrastructure assets are valued using the optimised replacement cost method.

Infrastructural assets were revalued on 1 July 2017 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 with peer review from Opus International Consultants Limited. The revaluation for Lakes was carried out as at 30 June 2018 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:

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	
	2018	2017
	Notional Carrying Amount	Notional Carrying Amount
	\$000	\$000
Freehold land	117,579	117,748
Freehold buildings	75,125	61,944
Wharves and hardstanding	105,174	98,299
Harbour improvements	62,393	64,696
Bearer Plants	1,315	1,249
Total notional Carrying amount	361,586	343,936

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 25).

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

All land, buildings, harbour improvements, and wharves and hardstanding assets have been revalued to fair value at 30 June 2018. This valuation increased the value of property, plant and equipment by \$225.9 million in the current reporting period. The valuers used are registered valuers who have experience in the locations and asset categories being valued.

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).

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2018 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.

Land

The valuation of land assets was carried out by Colliers International New Zealand Limited. Land assets were valued using the direct sales comparison approach which analyses direct sales of comparable properties on the basis of the sale price per square metre which are then adjusted to reflect stronger and weaker fundamentals relative to the subject property.

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

Asset Valuation Method	Key Valuation Assumptions	Hectares	2018	
			Range of Significant Assumptions	Weighted average
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	\$300-700	\$374
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	\$500-525	\$522
	Rolleston land – MetroPort Christchurch per square metre	15.0	\$100	\$100

- **Waterfront Access Premium:** A premium of approximately 25% has been applied to the main wharf land areas reflecting the locational benefits this land asset gains from direct waterfront access.
- **No Restriction of Title:** Valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore will not detrimentally influence the value of land assets.
- **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.

Building Valuations

The valuation of building assets was carried out by Colliers International New Zealand Limited. The majority of assets have been valued on a combined land and building basis using a Capitalised Income Model using either contract income or market income. A small number of specialised assets, such as gatehouses and toilet blocks, are valued on a Depreciated Replacement Cost basis due to their specialised nature and the lack of existing market.

The Capitalised Income Model uses either the contracted rental income or an assessed market rental income of a property and then capitalises the valuation of the property using an appropriate yield. Contracted rental income is used when the contracted income is receivable for a reasonable term from secured tenants. Market income is used when the current contract rent varies from the assessed market rent due to over or under renting, vacant space and a number of other factors.

The value of land is deducted from the overall property valuation to give rise to a building valuation.

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

Asset Valuation Method	Key Valuation Assumptions	2018	
		Range of Significant Assumptions	Weighted Average
Capitalised income model	Market capitalisation rate	5.00 - 8.00%	5.47%

Wharves and hardstanding, and harbour improvements

The valuation of wharves and hardstanding, and harbour improvements assets was carried out by WSP Opus. Wharves and hardstanding, and harbour improvements assets 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 Costs of Construction Rates – Cost Rates Were Calculated Taking into Account:

- The Port of Tauranga Limited's historic cost data, including any recent competitively tendered construction works
- Published cost information.
- The WSP Opus construction cost database.
- Long run price trends.

- Historic costs adjusted for changes in price levels.
- An allowance which has been included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over 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 the Port of Tauranga Limited's operational officers.
- Opus Consultants' in-house experience from other infrastructure valuations.
- Residual values.

The significant assumptions applied in the valuation of these wharves and hardstanding, and harbour improvements assets are:

Asset Valuation Method	Key Valuation Assumptions	2018	
		Range of Significant Assumptions	Weighted Average
Depreciated replacement cost basis	Wharf construction replacement unit cost rates per square metre – high performance wharves	\$5,000 - \$7,000	\$6,446
	Earthworks construction replacement unit cost rates per square metre	\$9	\$9
	Basecourse construction replacement unit cost rates per square metre	\$20 - \$40	\$31
	Asphalt construction replacement unit cost rates per square metre	\$23 - \$50	\$44
	Capital dredging replacement unit cost rates per square metre	\$4 - \$75	*
	Depreciation method	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	Indefinite	Not applicable
	Pavement – remaining useful lives	2-32 years	14 years
	Wharves remaining useful lives	0-65 years	24 years

* Weighted average unit cost rates are not presented due to the complexity in measuring the types and locations of removed quantities.

Sensitivities to Changes in Key Valuation Assumptions for Land, Buildings, Wharves and Hardstanding, and Harbour Improvements

The following table shows the impact on the fair value due to a change in significant unobservable input:

		Fair Value Measurement Sensitivity to Significant:	
		Increase in Input	Decrease in Input
Unobservable inputs within the direct sales comparison approach			
Rate per square metre	The rate per square metre assessed from recently sold properties of a similar nature	Increase	Decrease
Unobservable inputs within the income capitalisation approach			
Market rent	The valuer's assessment of the net market income attributable to the property	Increase	Decrease
Market capitalisation rate	The rate of return, determined through analysis of comparable market related sales transactions, that is applied to a market rent to assess a property's value	Decrease	Increase
Unobservable inputs within depreciated replacement cost analysis			
Unit costs of construction	The cost of constructing various asset types based on a variety of sources	Increase	Decrease
Remaining useful lives	The remaining useful life on an asset	Increase	Decrease

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	44 to 70 years	1.43% to 2.27%
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

2018	Cost	Accumulated amortisation and impairment charges	Carrying amount	Additions	Disposals	Adjustments	Amortisation charges	Revaluation surplus	Impairment Charges	Current year disposals	Depn write back on revaluation adjustments	Cost / revaluation	Accumulated amortisation and impairment charges	Net book value
	01 July 2017	01 July 2017	01 July 2017				Current Year					30 June 2018	30 June 2018	30 June 2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bay of Plenty Regional Council														
Intangible assets:														
Computer Software	10,798	(5,616)	5,182	420	(17)	-	(1,039)	-	-	17	-	11,200	(6,638)	4,563
Work in Progress	117	-	117	1,037	-	-	-	-	-	-	-	1,154	-	1,154
Council Intangible Assets	10,914	(5,616)	5,298	1,457	(17)	-	(1,039)	-	-	17	-	12,354	(6,638)	5,716
Subsidiary Intangible Assets														
Computer Software	3,167	(1,374)	1,793	-	-	-	(362)	-	-	-	-	4,154	(1,736)	2,418
Rail Services														
Agreement	10,000	(9,264)	736	-	-	-	(123)	-	-	-	-	10,000	(9,387)	613
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	3,125	-	3,125	-	-	(1,176)	(80)	289	-	-	80	2,238	-	2,238
Subsidiary Intangible Assets	31,782	(10,638)	21,144	-	-	-	-	-	-	-	-	31,882	(11,123)	20,759
Group Intangible Assets														
Computer Software	13,965	(6,990)	6,975	1,407	(17)	-	(1,401)	-	-	17	-	15,354	(8,374)	6,981
Rail Services														
Agreement	10,000	(9,264)	736	-	-	-	(123)	-	-	-	-	10,000	(9,387)	613
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	3,125	-	3,125	-	-	(1,176)	(80)	289	-	-	-	2,238	-	2,238
Work in Progress	117	-	117	699	-	-	-	-	-	-	-	1,154	-	1,154
Group Intangible Assets	42,697	(16,254)	26,442	1,119	(17)	-	(1,039)	-	-	17	-	442,036	(17,761)	26,475

2017	Cost	Accumulated amortisation and impairment charges	Carrying amount	Additions	Disposals	Adjustments	Amortisation charges	Revaluation surplus	Impairment Charges	Current year disposals	Depn write back on revaluation adjustments	Cost / revaluation	Accumulated amortisation and impairment charges	Net book value
	01 July 2016	01 July 2016	01 July 2016				Current Year					30 June 2017	30 June 2017	30 June 2017
	\$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		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	-	13,964	(6,990)	6,974
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	-	-	-	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	-	42,696	(16,254)	26,442

In the prior year Quayside Holdings Limited purchased a G3 licence for a total of 5 hectares, which was revalued at 30 June 2017. In December 2017 it was agreed that the licence was to form part of the initial investment amount in a new joint venture, Huakiwi Developments Limited Partnership (refer Note 14). The previous revaluation surplus has been reversed and the original cost of the licence is now classified as 'Investment in Equity accounted Investees'.

	Group	
	2018	2017
Kiwifruit Licence Revaluation Reserve	\$000	\$000
Opening Balance	1,446	973
Revaluation reversal	(47)	-
Revaluation, net of tax	271	473
Closing Balance	1,670	1,446

G3 Licences

The G3 licences held are for a total of 8.29 hectares (2017: 13.29 hectares). The 2014 to 2018 harvest returns and G3 current resilience to the Psa V disease has increased the value of G3 licences. A registered valuer at 30 June 2018 has determined that the fair value for licences held by the Quayside Group is \$2,238,000. The original cost of the licences is \$57,649. The fair value measurement for these assets is categorised as a level 1 fair value.

Judgements

Goodwill relates to goodwill arising on the acquisition of Quality Marshalling (Mount Maunganui) Limited.

Goodwill was tested for impairment at 30 June 2018 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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Balance at 1 July	-	17,405	-	12,000
Additions - work in progress (at cost)	-	362	-	216
Subsequent expenditure (at cost)	-	1,327	-	-
Additions - Acquisitions (at cost)	-	-	-	3,900
Realised gains on sale	-	-	-	-
Fair value gains on valuation	-	2,824	-	1,289
Balance at 30 June	-	21,918	-	17,405

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Rental income from investment properties	-	303	-	187
Expenses from investment property generating income	-	37	-	45

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 Rangiora 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.

Work in progress includes the costs incurred to date in drilling of an exploratory water bore for the Rangiora Business Park. The value of this work was not included in the independent registered valuations, as the bore is not yet operational.

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 and city centre.
- 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 orchard.
- 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 Entity	Principal Activity	Interest Held by Group		Balance date
		2018 %	2017 %	
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			
Quayside Unit Trust (QUT)	POT	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
	Holds investment			
Quayside Properties Limited (QPL)	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) Limited	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. Quayside Securities Limited as Trustee for the Quayside Unit Trust holds the shares in Port of Tauranga Group through its 54.14% (2017: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2017: 45.86%) of the Port of Tauranga Limited is held by non-controlling interests.

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. The last bid price for Port of Tauranga shares at 30 June 2018 was \$5.09 (2017: \$4.44) which has resulted in an increase in the fair value of the investment in Port of Tauranga Limited of \$239,484,492 (2017: \$198,956,347).

Ownership interest in Port of Tauranga Limited	2018 \$000	2017 \$000
Non current assets	1,599,147	1,372,861
Current assets	57,884	49,739
Non current liabilities	(214,038)	(192,424)
Current liabilities	(321,013)	(298,233)
Net Assets (100%)	1,121,980	931,943
Group's share of net assets 54.14% (2017: 54.14%)	607,440	504,554
Non Controlling Interest 45.86% (2017: 45.86%)	514,540	427,389
Accounting adjustment to non controlling interest	(8,990)	(7,359)
Reported non controlling interest	505,550	420,030

Port of Tauranga Group - summary of financial performance and cashflow

Operating revenue	283,726	255,882
Profit after income tax	94,273	83,441
Total comprehensive income	304,397	153,713
Net cash inflow from operating activities	99,431	98,185
Ending cash and cash equivalents	5,836	5,184

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		2018 %	2017 %	Balance Date \$000
Quayside Holdings Limited					
Huakiwi Developments Limited Partnership	Orchard development	Joint venture	50.00	-	31 Mar*
WNT Ventures	Technological incubator	Associate	20.00	20.00	30 June
Ōpōtiki Packing & Coolstorage Limited	Kiwifruit packhouse	Associate	10.10	10.10	31 Dec*
HoneyLab Limited	Honey products	Associate	18.84	14.13	31 Mar*
Rhondium Limited	Dental technology	Associate	10.13	9.70	31 Dec*
Techion Holdings Limited	Diagnostic technology	Associate	20.82	-	30 June
Oriens Capital	Private equity fund	Associate	19.77	19.77	31 Mar*
Port of Tauranga Limited					
Coda Group Limited Partnership	Freight logistics and warehousing	Joint venture	50.00	50.00	30 June
Northport Limited	Sea Port	Joint venture	50.00	50.00	30 June
PrimePort Timaru Limited	Sea Port	Joint venture	50.00	50.00	30 June
PortConnect Limited	On line cargo management	Joint venture	50.00	50.00	30 June
Timaru Container Terminal Limited	Sea Port	Joint venture	50.10	50.10	30 June

* 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.

The equity accounted investees of the group are all incorporated/established in New Zealand.

Carrying value of investments in Equity Accounted Investees:

	Group 2018 \$000	Group 2017 \$000
Associates		
Balance at 1 July	10,431	6,783
Share of after net profit after tax	276	(713)
Share of revaluation reserve	(24)	124
Share of total comprehensive income	252	(589)
Purchase of shares in associates	3,909	4,300
Dividends received	(121)	(63)
Balance at 30 June 2016	14,471	10,431
Joint Ventures		
Balance at 1 July	127,583	123,290
Share of after net profit after tax	14,977	13,995
Share of hedging reserve	(71)	182
Share of revaluation reserve	1,711	623
Share of total comprehensive income	16,617	14,800
New investment during the year	6,000	-
Distributions received	(10,035)	(10,507)
Balance at 30 June	140,165	127,583
Total Equity Accounted Investees	154,636	138,014

Quayside Group

The Parent has committed uncalled capital in its equity accounted investees of \$9,712,000 (2017: \$8,610,000).

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.

Subsidiary	2018 \$000	2017 \$000
Cash and cash equivalents	2,501	4,030
Total current assets	22,138	19,453
Total non current assets	60,262	41,884
Total assets	82,400	61,337
Current financial liabilities excluding trade and other payables and provisions	11,392	2,019
Total current liabilities	19,389	13,027
Non current financial liabilities excluding trade and other payables and provisions	22,340	11,164
Total non current liabilities	22,340	11,164
Total liabilities	41,729	24,191
Net assets	40,671	37,146
Group's share of net assets	5,067	4,646
Goodwill acquired on acquisition of equity accounted investees	9,404	5,785
Carrying amount of equity accounted investees	14,471	10,431
Revenues	61,227	48,402
Depreciation and amortisation	(3,069)	(2,813)
Interest expense	(731)	(340)
Net profit before tax	3,785	(5,421)
Tax expense	(757)	(308)
Net profit after tax	3,028	(5,729)
Other comprehensive income	(350)	1,117
Total comprehensive income	2,678	(4,612)
Group's share of net profit after tax	300	(713)
Group's share of total comprehensive income	253	(589)
Group's share of dividends/distributions	121	63

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.

Summarised Financial Information of Equity Accounted Investees - Joint Ventures:

	Northport Limited NZ \$000	Coda Group Limited Partnership NZ \$000	Other equity accounted investees NZ \$000	Total NZ \$000
2018				
Cash and cash equivalents	196	4,841	5,322	10,359
Total current assets	4,644	29,831	12,186	46,661
Total non current assets	132,243	37,972	92,185	262,400
Total assets	136,887	67,803	104,371	309,061
Current financial liabilities excluding trade and other payables and provisions	-	1,145	7,843	8,988
Total current liabilities	4,537	15,692	11,914	32,143
Non current financial liabilities excluding trade and other payables and provisions	33,850	6,413	23,000	63,263
Total non current liabilities	35,536	6,413	23,204	65,153
Total liabilities	40,073	22,105	35,118	97,296
Net assets	96,814	45,698	69,253	211,765
Group's share of net assets	48,407	22,849	34,633	105,889
Goodwill acquired on acquisition of equity accounted investees	-	29,414	4,862	34,276
Carrying amount of equity accounted investees	48,407	52,263	39,495	140,165
Revenues	42,172	201,702	36,555	280,429
Depreciation and amortisation	(4,148)	(2,021)	(2,517)	(8,686)
Interest expense	(1,809)	(70)	(1,238)	(3,117)
Net profit before tax	24,589	7,660	5,490	37,739
Tax expense	(6,208)	-	(1,581)	(7,789)
Net profit after tax	18,381	7,660	3,909	29,950
Other comprehensive income	1,928	-	1,352	3,280
Total comprehensive income	20,309	7,660	5,261	33,230
Group's share of net profit after tax	9,191	3,830	1,956	14,977
Group's share of total comprehensive income	10,155	3,830	2,632	16,617
Group's share of dividends/distributions	9,333	-	702	10,035

	Northport Limited Partnership NZ \$000	Coda Group Limited Partnership NZ \$000	Other equity accounted investees NZ \$000	Total NZ \$000
2017				
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)	(3,708)
Net profit before tax	24,307	6,208	5,011	35,526
Tax expense	(6,143)	-	(1,394)	(7,537)
Net profit after tax	18,164	6,208	3,617	27,989
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
Group's share of dividends/distributors	8,829	1,000	678	10,507

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 2018 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 2018 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

Port of Tauranga management has performed sensitivity analysis on its impairment testing. A change in isolation of either the pre-tax discount rate by 25% or the anticipated growth rates over the five year period by 18% 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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Current				
Trade payables	3,411	14,891	6,176	19,188
Accrued expenses	15,858	37,713	4,822	24,461
Payables to equity accounted investees and related parties	-	45	-	36
Income in advance	1,316	1,595	660	976
Total trade and other payables	20,585	54,244	11,658	44,661
Non current				
Accounts payable	-	-	-	-
Total trade and other payables	20,585	54,244	11,658	44,661

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 (2017: nil).

Payables - current

	Council 2017/18 \$000	Council 2016/17 \$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	20,585	11,658
Total current receivables	20,585	11,658

23 Deferred taxation

The Council has no deferred taxation. This note is for the subsidiary only.

Subsidiary	Assets		Liabilities		Net	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	\$000	\$000	\$000	\$000	\$000	\$000
Deferred tax (asset)/liability						
Tax Losses	(123)	-	-	-	(123)	-
Property, plant and equipment	-	-	77,566	62,744	77,566	62,744
Investment property	(838)	(1,590)	-	-	(838)	(1,590)
Intangible assets	-	-	1,028	954	1,028	954
Finance lease receivables	-	-	10	13	10	13
Derivatives	(3,402)	(2,898)	-	-	(3,402)	(2,898)
Provisions and accruals	(1,871)	(1,861)	-	-	(1,871)	(1,861)
Total	(6,234)	(6,349)	78,604	63,711	72,370	57,362

Subsidiary	Recognised in the Income Statement		Recognised in Comprehensive income	
	2017/18	2016/17	2017/18	2016/17
	\$000	\$000	\$000	\$000
Tax Benefit	(123)	-	-	-
Property, plant and equipment	(1,266)	(1,141)	16,088	302
Investment property	752	355	-	-
Intangible assets	(32)	(12)	106	165
Finance lease receivables	(3)	11	-	-
Derivatives	-	-	(504)	2,412
Provisions and accruals	(10)	(367)	-	-
Total	(682)	(1,154)	15,690	2,879

Unrecognised Tax Losses or Temporary Differences

In the prior year the Parent had an unrecognised deferred tax asset of \$90,471 in relation to excess imputation credits converting to losses of \$323,211. Deferred tax of \$122,826 in relation to tax losses of the Parent has been recognised this year, as it is expected that future taxable profits will be available against which the Parent can utilise the benefits therefrom. A deferred tax asset of \$40,971 (2017: \$214,130) has not been recognised for excess imputation credits converting to tax losses of \$146,327 (2017: \$764,750) in

relation to Quayside Unit Trust. The deferred tax asset in Quayside Unit Trust was not recognised as it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. There are no other material unrecognised temporary differences in the 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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Current				
Accrued Pay				
Opening balance	1,833	1,833	1,891	1,891
Charged/credited to the income statement	-	-	-	-
Additional provisions	2,065	2,065	1,833	1,833
Used during year	(1,833)	(1,833)	(1,891)	(1,891)
Closing balance	2,065	2,065	1,833	1,833
Annual Leave				
Opening balance	2,417	2,417	2,028	2,028
Charged/credited to the income statement	-	-	-	-
Additional provisions	2,700	2,700	2,417	2,417
Used during year	(2,417)	(2,417)	(2,028)	(2,028)
Closing balance	2,700	2,700	2,417	2,417
Sick leave				
Opening balance	55	55	54	54
Charged/credited to the income statement	-	-	-	-
Additional provisions	55	55	55	55
Used during year	(55)	(55)	(54)	(54)
Closing balance	55	55	55	55

	\$000	\$000	\$000	\$000
Long service leave				
Opening balance	127	127	127	127
Charged/credited to the income statement	-	-	-	-
Additional provisions	170	170	127	127
Used during year	(127)	(127)	(127)	(127)
Closing balance	170	170	127	127
Employee benefits - profit sharing and bonuses				
Opening balance	-	1,933	-	2,040
Charged/credited to the income statement	-	-	-	-
Additional provisions	-	3,061	-	2,798
Used during year	-	(2,732)	-	(2,905)
Closing balance	-	2,262	-	1,933
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-	401	-	253
Charged/credited to the income statement	-	-	-	-
Utilised during the period	-	(401)	-	(253)
Additional provisions	-	386	-	584
Transferred to/from non-current	-	432	-	(183)
Closing balance	-	818	-	401
Total Current	4,990	8,070	4,432	6,766

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Non current				
Long service leave				
Opening balance	1,017	2,473	1,090	2,468
Charged/credited to the income statement				
- Additional provisions	1,119	1,629	1,017	1,236
- Unused amounts reversed	(1,017)	(1,072)	(1,090)	(1,181)
Used during year	-	(165)	-	(50)
Closing balance	1,119	2,865	1,017	2,473
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-	432	-	249
Charged/credited to the income statement				
- Transferred to/from current	-	(432)	-	183
Closing balance	-	-	-	432
Total non current	1,119	2,865	1,017	2,905
Total employee benefit liabilities	6,109	10,936	5,449	9,672

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 \$386,000 (2017: \$584,000).

The current cash settled share based payment plan has been replaced and will vest for the last time in the 2018 financial year (refer to note 28).

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Current				
Westpac borrowings (Quayside Holdings Limited)	-	46,510	-	-
Commercial papers	-	220,000	-	225,000
Advances from employees	-	335	-	140
Multi-option facility	-	5,000	-	-
Standby revolving cash advance facility	-	50,000	-	30,000
	-	321,845	-	255,140
Non current				
Westpac debt facility	-	-	-	56,510
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	-	21	-	223
Perpetual Preference Share Quayside Holdings Limited	-	194,885	-	194,885
	-	324,906	-	376,618
Total borrowings	-	646,751	-	631,758

Term and debt repayment schedule

			Committed Facilities NZ\$000	Undrawn Facilities NZ\$000	Carrying Value NZ\$000
2018	Maturity	Coupon			
Non current					
Standby revolving cash advance facility	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	75,000	5,000
Fixed rate bond - 1st issue	2019	5.865%	50,000	-	50,000
Advances from employees	Various	0%	-	-	21
Total non current			405,000	275,000	130,021
Current					
Westpac borrowings (Quayside Holdings Limited)	2018	Floating	70,000	23,490	46,510
Standby revolving cash advance facility	2019	Floating	100,000	50,000	50,000
Multi option facility	2017	Floating	5,000	-	5,000
Commercial papers	<3 months	Floating	-	-	220,000
Advances from employees	Various	0%	-	-	335
Total current			175,000	73,490	321,845
Total			580,000	348,490	451,866

			Committed Facilities	Undrawn Facilities	Carrying Value
2017	Maturity	Coupon	\$'000	\$'000	\$'000
Non current					
Westpac borrowings (Quayside Holdings Limited)	2018	Floating	70,000	13,490	56,510
Standby revolving cash advance facility	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 facility	2018	Floating	100,000	70,000	30,000
Multi option facility	2017	Floating	5,000	5,000	-
Commercial papers	<3 months	Floating	-	-	225,000
Advances from employees	Various	0%	-	-	140
Total current			105,000	75,000	255,140
Total			580,000	368,490	436,873

Westpac Banking Corporation

Quayside Holdings Limited has a \$70.0 million (2017: \$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. Management is currently reviewing renewal options for the facility.

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 2018 the Port of Tauranga Group had \$220.0 million of commercial paper debt that is classified within current liabilities (2017: \$225.0 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 (2017: \$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). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

Multi Option Facility

The Port of Tauranga Limited has a \$5.0 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2017: \$5.0 million).

Security

Bank facilities and fixed rate bonds of *Port of Tauranga Group* are secured by way of a security interest over certain floating plant assets (\$17.9 million, 2017: \$18.6 million), mortgages over the land and building assets (\$836.2 million, 2017: \$670.8 million), and by a general security agreement over the assets of the Port of Tauranga Limited (\$1,611.9 million, 2017: \$1,383.7 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 weighted average interest rate of interest bearing loans was 3.26% at 30 June 2018 (2017: 3.30%) for the Group and 3.10% (2017: 3.32%) 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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Retained Earnings				
Balance at 1 July	173,854	262,294	166,865	224,776
Profit share	(17,963)	32,325	(13,155)	24,823
Dividends paid	-	(6,221)	-	(7,906)
Reclassification of prior year retained earnings		-		-
Non-controlling interest adjustments		1		(5)
Movement in subsidiary's employee share scheme		(800)		-
Adjustment for vesting of equity settled share based payment		709		-
<i>Revaluation surplus transferred to retained earnings on asset disposal</i>		-		463
Transfers from:				
Restricted reserve - disaster	4,363	4,363	1,776	1,776
Asset replacement reserve	10,032	10,032	13,087	13,087
Infrastructure fund reserve	43,383	43,383	16,100	16,100
Regional project fund	4,159	4,159	5,013	5,013
Environmental enhancement fund	441	441	300	300
Equalisation fund reserve	7,619	7,619	11,185	11,185
Current account reserve	4,605	4,605	2,278	2,278
Rotorua Lakes restoration reserve	2,332	2,332	-	-
CDEM Group reserve	-	-	-	-
Kaituna river authority	26	26	9	9
Rotorua Air	4,434	4,434	-	-
<i>Transfers to:</i>				
Restricted reserve - disaster	(2,264)	(2,264)	(203)	(203)
Asset replacement reserve	(8,200)	(8,200)	(11,366)	(11,366)
Infrastructure fund reserve	-	-	(81)	(81)
Regional project fund	(4,843)	(4,843)	(3,148)	(3,148)
Environmental enhancement fund	(310)	(310)	-	-
Equalisation fund reserve	(7,619)	(7,619)	(11,185)	(11,185)
Current account reserve	(5,400)	(5,400)	(2,172)	(2,172)
Rotorua Lakes restoration reserve	(215)	(215)	(898)	(898)
CDEM Group reserve	(174)	(174)	(125)	(125)
Kaituna river authority	(5)	(5)	(5)	(5)
Rotorua Air	(3,976)	(3,976)	(421)	(421)
	204,279	336,696	173,854	262,295

27 Other reserves

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Asset revaluation reserve				
Opening balance	123,878	526,120	126,646	492,877
Revaluation - land and buildings	5,895	5,895	1,420	1,420
Revaluation - Maritime	188	188	-	-
Revaluation - infrastructure assets	14,547	14,546	(4,188)	(4,188)
Revaluation - Port assets	-	115,001	-	34,761
Net change in share of equity accounted revaluation reserve	-	914	-	465
Bearer plant revaluation	-	903	-	775
Kiwifruit licence revaluation	-	224	-	473
Reclassification of prior year retained earnings	-	-	-	(463)
<i>Transfers to:</i>	-	-	-	-
Retained earnings	-	-	-	-
Minority interest adjustments	-	-	-	-
Closing balance	144,508	663,791	123,878	526,120
Asset replacement reserve				
Opening balance	(3,681)	(3,683)	(1,960)	(1,960)
Retained Earnings	8,200	8,200	11,366	11,366
<i>Transfers to:</i>				-
Retained Earnings	(10,033)	(10,033)	(13,087)	(13,087)
Closing balance	(5,514)	(5,514)	(3,681)	(3,681)

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Environmental enhancement fund				
Opening balance	547	547	847	847
<i>Transfers from:</i>				
Retained Earnings	310	310	-	-
<i>Transfers to:</i>				
Retained Earnings	(441)	(441)	(300)	(300)
Closing balance	416	416	547	547
Restricted reserve - disaster				
Opening balance	6,098	6,098	7,671	7,671
<i>Transfers from</i>				
Retained earnings	2,264	2,264	203	203
<i>Transfers to:</i>				
Retained earnings	(4,362)	(4,362)	(1,776)	(1,776)
Closing balance	4,000	4,000	6,098	6,098
Hedging cash flow reserve				
Opening balance	-	(4,317)	-	(7,824)
Net effective portion of changes in fair value of cashflow hedges, net of tax	-	(1,930)	-	1,624
Net change in fair value of cashflow hedges transferred to profit or loss, net of tax	-	1,220	-	1,394
Net changes in cashflow hedges transferred to property, plant and equipment, net of tax	-	-	-	389
Net change in share of equity accounted investees revaluation reserve	-	(39)	-	100
<i>Transfers from:</i>				
Retained earnings	-	-	-	-
Closing balance	-	(5,066)	-	(4,317)

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Equalisation fund reserve				
Opening balance	-	-	-	-
<i>Transfers from:</i>				
Retained earnings	7,619	7,619	11,185	11,185
<i>Transfers to:</i>				
Retained earnings	(7,619)	(7,619)	(11,185)	(11,185)
Environmental enhancement fund	-	-	-	-
Closing balance	-	-	-	-
CDEM Group Reserve				
Opening balance	601	601	476	476
<i>Transfers from:</i>				
Retained earnings	174	174	125	125
<i>Transfers to:</i>				
Retained earnings	-	-	-	-
Environmental enhancement fund	-	-	-	-
Closing balance	775	775	601	601
Kaituna River Authority Reserve				
Opening balance	255	255	259	259
<i>Transfers from:</i>				
Retained earnings	5	5	5	5
<i>Transfers to:</i>				
Retained earnings	(26)	(26)	(9)	(9)
Environmental enhancement fund	-	-	-	-
Closing balance	234	234	255	255

	2017/18 \$000	2017/18 \$000	2016/17 \$000	2016/17 \$000
Infrastructure fund reserve				
Opening balance	89,641	89,641	105,660	105,660
<i>Transfer from:</i>				
Retained earnings	-	-	81	81
<i>Transfer to:</i>				
Retained earnings	(43,384)	(43,384)	(16,100)	(16,100)
Closing balance	46,257	46,257	89,641	89,641
Regional Fund				
Opening balance	51,147	51,147	53,012	53,012
<i>Transfer from:</i>				
Retained earnings	4,843	4,843	3,148	3,148
<i>Transfer to:</i>				
Retained earnings	(4,159)	(4,159)	(5,013)	(5,013)
Closing balance	51,831	51,831	51,147	51,147

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Current accounts				
Opening balance	3,180	3,180	4,102	4,102
<i>Transfer from:</i>				
Retained earnings	4,942	4,942	1,356	1,356
Rotorua Air Clean Heat	4,434	4,434	-	-
<i>Transfer to:</i>				
Retained earnings	(5,063)	(5,063)	(2,278)	(2,278)
Rotorua Air Clean Heat	(3,976)	(3,976)	-	-
Closing balance	3,517	3,517	3,180	3,180
Rotorua Lakes restoration reserve				
Opening balance	1,909	1,909	1,011	1,011
<i>Transfer from:</i>				
Retained earnings	215	215	898	898
Current account reserve	-	-	-	-
<i>Transfer to:</i>				
Retained earnings	(2,332)	(2,332)	-	-
Closing balance	(208)	(208)	1,909	1,909
Financial assets available for sale reserve				
Opening balance	1,634	1,634	3,211	3,211
Net fair value gains / (losses)	(1,021)	(1,021)	(1,577)	(1,577)
Reclassification to surplus or deficit on disposal	-	-	-	-
Closing balance	613	613	1,634	1,634
Total reserves	246,429	760,646	275,208	673,133

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.

Infrastructure 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 -Container Volume Commitment Agreement

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. Of these shares, 8,500,000 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. During the period 1,500,000 shares were vested in accordance with the volume commitment agreement, which has resulted in an adjustment to non-controlling interest.

The increase in the reserve of \$1.2 million (2017: \$1.4 million) 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 2018 the balance of the share-based payment reserve was \$1,144,000 (2017: \$3,868,000). This amount is recorded in the Statement of Changes in Equity under the column "Non controlling interest".

Share Based Payment Reserve – Management Long Term Incentive

Share rights are granted to employees in accordance with the Port of Tauranga Limited's Management Long Term Incentive Plan. The fair value of share rights granted under the plan are measured at grant date and recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value at grant date of the share rights are independently determined using an appropriate valuation model that takes into account the terms and conditions upon which they were granted.

This reserve is used to record the accumulated value of the unvested shares rights, which have been recognised as an expense in the income statement. Upon the vesting of share rights, the balance of the reserve relating to the share rights is offset against the cost of treasury stock allotted to settle the obligation, with any difference in the cost of settling the commitment transferred to retained earnings.

Employee Share Ownership Plan

The Port of Tauranga Limited has an Employee Share Ownership Plan (ESOP). During the year 53,400 shares at \$2.88 per share were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2017: 4,600 shares at \$3.03 per share).

During the year 18,450 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2017: nil).

Non Controlling interest

Non controlling interest of 45.86% (2017: 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.

28 Management long term incentive plan

In December 2016, the Port of Tauranga Group introduced an equity settled long term incentive (LTI) plan that will vest from financial year 2019 onwards. Under this LTI plan, share rights are issued to participating executives and have a three year vesting period. The first granting of share rights under this LTI plan occurred in the current financial year and this LTI plan replaces the former cash settled plan.

The vesting of share rights, which entitles the executive to the receipt of one Port of Tauranga Limited ordinary share at nil cost, is subject to the executive remaining employed by Port of Tauranga Limited during the vesting period and the achievement of certain earnings per share (EPS) and total shareholder return (TSR) targets.

For EPS share rights granted, the proportion of share rights that vest depends on the *Port of Tauranga Group* achieving EPS growth targets.

For TSR share rights granted, the proportion of share rights that vests depends on the *Port of Tauranga Groups* TSR performance ranking relative to the NZX50 index less Australian listed stocks.

To the extent that performance hurdles are not met or executives leave Port of Tauranga Limited prior to vesting, the share rights are forfeited.

The share based payment expense relating to the LTI plan for the year ended 30 June 2018 is \$0.9 million (2017: nil) with a corresponding increase in the share based payments reserve (refer note 27).

Number of Share Rights Issued to Executives:

Grant Date	Vesting Date	Right Type	Balance at 30 June 2017	Granted During the Year	Balance at 30 June 2018
1 March 2018	30 June 2019	EPS	-	127,470	127,470
1 March 2018	30 June 2019	TSR	-	106,225	106,225
1 March 2018	30 June 2020	EPS	-	121,934	121,934
1 March 2018	30 June 2020	TSR	-	101,612	101,612
Total LTI Plan			-	457,241	457,241

Fair Value of Share Rights Granted

Share rights are valued as zero cost in-substance options at the day at which they are granted, using the Black-Scholes-Merton model. The following table lists the key inputs into the valuation:

Grant Date	Vesting Date	Right Type	Grant Date Share Price \$	Risk Free Interest Rate %	Expected Volatility of Share Price %	Valuation per Share Right \$
1 March 2018	30 June 2019	EPS	5.09	1.79	15.10	4.92
1 March 2018	30 June 2019	TSR	5.09	1.79	15.10	4.48
1 March 2018	30 June 2020	EPS	5.09	1.96	15.10	4.81
1 March 2018	30 June 2020	TSR	5.09	1.96	15.10	2.26

Management Long Term Incentive Plan – Cash Settled

Prior to the introduction of the equity settled LTI plan, members of the Port of Tauranga Limited's executive team were eligible to receive payment under a cash settled LTI plan. This plan vests for the last time for the 2018 financial year with payment expected to be made in August 2018.

Policies

The Group provides benefits to the Port of Tauranga Limited's Executive Management Team in the form of share based payment transactions, whereby executives render services in exchange for rights over shares (equity settled transactions) or cash settlements based on the price of the Port of Tauranga Limited's shares (cash settled transactions). The cost of the transactions is spread over the period in which the employees provide services and become entitled to the awards.

Equity Settled Transactions

The cost of the equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity settled transactions is recognised in the income statement, together with a corresponding increase in the share based payment reserve in equity.

Cash Settled Transactions

The fair value of cash settled transactions is determined at each reporting date, and the change in fair value is recognised in the income statement with a corresponding change recognised in the provisions' liability.

29 Commitments

Capital commitments

	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Estimated capital commitments contracted for at balance date but not yet provided for	16,376	30,276	5,800	40,200
	16,376	30,276	5,800	40,200

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Not later than one year	768	861	769	769
Later than one year and not later than five years	1,147	1,147	1,779	1,779
Later than five years	267	267	428	428
Total non-cancellable operating leases	2,182	2,182	2,976	2,976

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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Not later than one year	77	14,956	77	22,553
Later than one year and not later than five years	308	21,207	308	23,281
Later than five years	-	33,007	-	15,629
Total non-cancellable operating leases	385	69,170	385	61,463

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 2018 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 2018, LGFA had borrowings totalling \$8,272 million (2017: \$7,946 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 2018 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:

31 Related party transactions

	2017/18 \$000	2016/17 \$000
Transactions with Related Parties:		
Bay of Plenty Regional Council		
Services provided to Quayside Holdings Limited	-	30
Services provided to Quayside Properties Limited	2	2
Services provided to Port of Tauranga Limited	29	13
Quayside Unit Trust		
Dividends paid to Quayside Holdings Limited	59,500	39,000
Interest received by Quayside Holdings Limited	356	616
Interest receivable by Quayside Holdings Limited	60	101
Loan receivable by Quayside Holdings Limited	10,331	18,331
Loan repayment received by Quayside Holdings Limited	8,000	5,100
Dividends received from Port of Tauranga Limited	62,267	58,950
Quayside Properties Limited		
Interest received by Quayside Holdings Limited	522	495
Interest receivable by Quayside Holdings Limited	72	72
Loan receivable by Quayside Holdings Limited	17,157	17,157
Office lease provided to Quayside Holdings Limited	18	-
Accounts payable by Quayside Holdings Limited	15	-
Accounts receivable by Quayside Holdings Limited	21	-
Management fees paid to Quayside Holdings Limited	110	110

	2017/18 \$000	2016/17 \$000
Transactions with Related Parties:		
Quayside Investment Trust		
Consideration for units redeemed by Quayside Holdings Limited	-	1,900
Consideration for units purchased by Quayside Holdings Limited	20,250	11,000
Quayside Securities Limited		
Management fees paid to Quayside Holdings Limited	74	81
Quayside Group Transactions with Equity Accounted Investees		
Services provided by Quayside Holdings Limited	144	73
Accounts receivable by Quayside Holdings Limited	5	9
Port of Tauranga Group Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	441	545
Services provided by Port of Tauranga Limited	2,743	2,734
Accounts receivable by Port of Tauranga Limited	285	213
Accounts payable by Port of Tauranga Limited	45	36
Advances by Port of Tauranga Limited	6,319	6,669
Services provided to Quality Marshalling (Mount Maunganui) Limited	-	1
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	3,973	3,694
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	455	396
Accounts receivable by Port of Tauranga Trustee Company Limited	-	14

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 \$10.45 per share (2017: \$8.97) 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 (2017: \$1.00) per Perpetual Preference Share. The net tangible asset per share on the ordinary shares is \$209,008 (2017: \$179,349).

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 \$25,500,000. (2016/17: \$20,800,000).

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.

BOPLASS Limited

BOPLASS Limited was incorporated on 14 January 2008, and has share capital of 31 shares at 30 June 2018. The purpose of the company is to foster collaboration between the nine shareholder councils in the delivery of "back office" services. Fiona M^cTavish, 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 2017/18 the Council was invoiced by BOPLASS for the following services:

	2017/18	2016/17
	\$	\$
Advisory group levies		0
Aerial photography	96,583	96,583
Annual contribution	57,209	57,209
Directors workshop	-	-
GIS projects	-	-
GIS shared services	2,856	2,856
Maintenance	16,971	17,056
Media monitoring services	23,434	20,671
Memberships, licenses and training	14,810	24,378
Other projects	14,123	5,181
Regional network lease	203,386	223,622
Shared services	-	-
Video conferencing network	-	-
	429,372	447,556

During 2017/18 the Council was paid by BOPLASS for the following services:

	2017/18	2016/17
	\$	\$
Other operational costs	18,559	18,224
	18,559	18,224

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 2018. The Chief Executive of Bay of Plenty Regional Council (Fiona M^cTavish) was appointed as Director of the above companies in effective 30 June 2018. The former Chief Executive of Bay of Plenty Regional Council (Mary-Anne MacLeod) ceased as director

on 29 June 2018. 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 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Salaries and other short-term employee benefits	1,465	7,156	1,334	5,667
Other long-term benefits	-	-	-	-
Post employment benefits	29	-	40	40
Councillor remuneration	53	53	928	928
Directors fees	-	1,059	-	990
Termination Benefits	-	-	-	-
	2,481	9,202	2,302	7,625

All *Port of Tauranga Group* Executive Management Team participate in the Management Long Term Incentive Plans and may receive cash or non cash benefits as a result of these plans (refer note 28).

	Council 2017/18 \$000	Council 2016/17 \$000
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 former Chief Executive Mary-Anne M^cLeod resigned on 29 June 2018 and received remuneration of \$464,201. This includes annual leave and other final pay entitlements.

The current Chief Executive of the Bay of Plenty Regional Council (Fiona M^cTavish, appointed on 30 June 2018 under section 42(1) of the Local Government Act 2002, received remuneration of \$1,230.

Remuneration of Councillors

	2017/18	2016/17
	\$	\$
D Leeder	138,592	134,420
J Nees	87,030	79,142
P Thompson	79,220	76,984
A Tahana	67,696	62,304
J Cronin	67,016	65,288
L Thurston	67,016	65,088
N Bruning	67,016	62,204
S Crosby	67,016	46,080
A Von Dadelszen	61,546	39,872
D Love	57,406	55,896
S Marr	56,846	55,896
K Winters	56,846	39,772
B Clark	56,846	39,772
M McDonald	56,846	11,394
A Black	-	26,058
C Holmes	-	19,008
D Owens	-	16,124
P Sherry	-	16,124
N Oppatt	-	16,124
	986,938	927,550

Remuneration of Directors

	2017/18	2016/17
	\$	\$
D A Pilkington	167,000	144,933
R Macleod	133,416	35,000
K R Ellis	102,500	83,444
J C Hoare	100,000	81,094
A R Lawrence	92,500	78,144
D W Leeder	90,000	75,544
R Tait	69,000	63,000
M Smith	58,500	164,444
J M Nees	53,000	53,000
P Thompson	53,000	53,000
W Parker	53,000	53,000
B Hewlett	35,000	-
A W Baylis	30,833	81,094
A M Andrew	21,250	-
J Green QSM	-	24,000
	1,058,999	989,697

The Group does not provide any non cash benefits to Directors in addition to their Directors' fees.

Remuneration of Council Employees

	2017/18	2016/17
< \$60,000	125	120
\$60,000 - \$79,999	83	89
\$80,000 - \$99,999	113	111
\$100,000 - \$119,999	38	33
\$120,000 - \$139,999	21	19
\$140,000 - \$159,999	11	15
* \$160,000 - \$319,999	10	8
Total Employees	401	395

* 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 2018, the Council employed 330 full-time employees (2017: 335), with the balance of staff (71 representing 49 full-time equivalent staff (2017: 42). 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 2018, the Council made no (2017: two) severance payments to employees, (2017: \$18,350).

34 Segmental reporting

This note is for the subsidiary only.

At 30 June 2018 the *Quayside 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 2018			
Total segment revenue	283,263	65,566	348,829
Inter-segment revenue	-	(62,267)	(62,267)
Revenue (from external customers)	283,263	3,299	286,562
Other income/gains	463	31,598	32,061
Finance income	391	867	1,258
Finance costs	(18,418)	(1,599)	(20,017)
Depreciation and amortisation	(25,269)	(575)	(25,844)
Reversal of previous revaluation deficit	446	-	446
Other expenditure/losses	(129,631)	(8,510)	(138,141)
Share of profit of equity accounted investees	15,141	112	15,253
Income tax expense	(32,113)	(910)	(33,023)
Net profit after tax	94,273	24,282	118,555

	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
Other income/gains	(605)	23,687	23,082
Finance income	434	638	1,072
Finance costs	(17,205)	(1,819)	(19,024)
Depreciation and amortisation	(24,460)	(496)	(24,956)
Reversal of previous revaluation deficit	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

The segment assets at 30 June are:

Segment Assets	\$000	\$000	\$000
30 June 2018	1,657,031	264,288	1,921,319
30 June 2017	1,422,600	217,933	1,640,533

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

Subsequent to balance date, Quayside Holdings Limited has agreed a new borrowing facility of \$50 million with Bay of Plenty Regional Council.

There were no subsequent events in the prior year.

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:

	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
Group 2017/18								
Financial assets								
Cash and cash equivalents	116,226	-	-	-	-	-	116,226	116,226
Other financial assets	38,309	-	-	-	-	-	38,309	38,309
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	62,929	-	-	-	-	-	62,929	62,929
Total current financial assets	217,464	-	-	-	-	-	217,464	217,464
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	2,171	-	-	-	-	-	2,171	2,171
Other financial assets	-	171,513	1,933	15,416	-	-	188,862	188,862
Total non current financial assets	2,171	171,513	1,933	15,416	-	-	191,034	191,034
Total financial assets	219,636	171,513	1,933	15,416	-	-	408,498	408,498
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	321,845	321,845	321,845
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	31,411	31,411	31,411
Total current financial liabilities	-	-	-	-	-	353,256	353,256	353,256
Derivative financial instruments	(3,340)	15,127	-	-	-	73	11,860	11,860
Borrowings	-	-	-	-	-	324,906	324,906	329,599
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-	-
Put option provision	-	-	-	-	-	-	-	-
Total non current financial liabilities	(3,340)	15,127	-	-	-	324,979	336,766	341,459
Total financial liabilities	(3,340)	15,127	-	-	-	678,235	690,022	694,715

	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
Council 2017/18								
Financial assets								
Cash and cash equivalents	74,538	-	-	-	-	-	74,538	74,538
Other financial assets	38,309	-	-	-	-	-	38,309	38,309
Derivative financial instruments	-	-	-	-	-	-	-	-
Trade and other receivables	11,347	-	-	-	-	-	11,347	11,347
Total current financial assets	124,194	-	-	-	-	-	124,194	124,194
Derivative financial instruments	-	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	11	-	-	11	11
Trade and other receivables	2,146	-	-	-	-	-	2,146	2,146
Other financial assets	-	-	1,933	15,416	-	-	17,349	17,349
Total non current financial assets	2,146	-	1,933	15,427	-	-	19,507	19,507
Total financial assets	126,340	-	1,933	15,427	-	-	143,701	143,701
Financial liabilities								
Derivative financial instruments	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	19,268	19,268	19,268
Total current financial liabilities	-	-	-	-	-	19,268	19,268	19,268
Derivative financial instruments	-	-	-	-	-	73	73	73
Borrowings	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-	-
Put option provision	-	15,000	-	-	-	-	15,000	15,000
Total non current financial liabilities	-	15,000	-	-	-	73	15,073	15,073
Total financial liabilities	-	15,000	-	-	-	19,341	34,341	34,341

	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
Group 2016/17								
Financial Assets								
Cash and cash equivalents	81,596	-	-	-	-	-	81,596	81,596
Other financial assets	100,390	-	-	-	-	-	100,390	100,390
Derivative financial instruments	-	-	-	-	-	-	-	-
Hedged 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	-	-	168,238	168,238
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

	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
Council 2016/17								
Financial assets								
Cash and cash equivalents	37,962	-	-	-	-	-	37,962	37,962
Other financial assets	100,390	-	-	-	-	-	100,390	100,390
Derivative financial instruments	-	-	-	-	-	-	-	-
Hedged 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	-	-	-	-	-	-	-	-
Deferred consideration	-	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	11,658	11,658	11,658
Total current financial liabilities	-	-	-	-	-	11,658	11,658	11,658
Derivative financial instruments	-	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-	-
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	-	-	-	11,658	26,658	26,658

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	
	2017/18	2016/17	2017/18	2016/17
	\$000	\$000	\$000	\$000
Trade and other receivables - current	11,347	13,950	62,929	58,383
Trade and other receivables - non current	2,146	2,100	2,146	2,100
Derivative financial instruments	-	-	-	-
Other financial assets	38,309	100,390	38,309	100,390
Cash and cash equivalents	74,538	37,962	116,226	81,596
	126,341	154,402	219,611	242,470

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 65.9% of total Group revenue (2017: 61.5%). 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:

	Statement of financial position	Contractual cash flows	6 Months or less	6-12 months	1-2 years	2-5 years	More than five years
Group 2017/18	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Non derivative financial liabilities							
Borrowings	646,751	471,675	331,772	3,966	56,064	79,873	-
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	31,329	31,329	31,329	-	-	-	-
	678,080	503,004	363,101	3,966	56,064	79,873	-
Derivatives							
Interest rate derivatives							
- Outflow	11,860	13,212	1,365	1,329	2,912	6,481	1,125
Forward exchange contracts							
- Inflow	-	-	-	-	-	-	-
Foreign currency derivatives							
- Outflow	-	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-	-
	11,860	13,212	1,365	1,329	2,912	6,481	1,125
Total	689,940	516,216	364,466	5,295	58,976	86,354	1,125
	Statement of financial position	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than five years
Council 2017/18	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Non derivative financial liabilities							
Borrowings	-	-	-	-	-	-	-
Trade and other payables	19,268	19,268	19,268	-	-	-	-
	19,268	19,268	19,268	-	-	-	-
Derivatives							
Interest rate derivatives							
-Outflow	73	73	-	-	73	-	-
-Inflow	-	-	-	-	-	-	-
	73	73	-	-	73	-	-
Total	19,341	19,341	19,268	-	73	-	-

	Statement of financial position \$000	Contractual cash flows \$000	6 months or less \$000	6-12 months \$000	1-2 years \$000	2-5 years \$000	More than five years \$000
Group 2016/17							
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	288,215	6,663	66,894	140,502	642
Council 2016/17							
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 inflow							
-Outflow	-	-	-	-	-	-	-
-Inflow	(171)	(171)	-	-	(171)	-	-
	(171)	(171)	-	-	(171)	-	-
Total	11,486	11,486	11,657	-	(171)	-	-

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:

Carrying amount	Council 2017/18 \$000	Council 2016/17 \$000	Group 2017/18 \$000	Group 2016/17 \$000
Fixed rate instruments				
Term Deposits	38,309	100,390	38,309	100,390
Bonds and fixed rate notes	15,416	29,202	15,416	29,202
Finance lease receivables	-	-	-	-
Fixed Rate Bond	-	-	(125,000)	(125,000)
Finance lease payables	-	-	-	-
Deferred consideration	-	-	-	-
Interest rate derivatives (net)	-	-	(11,787)	(9,900)
Total	53,725	129,592	(83,062)	(5,308)
Variable rate instruments				
Commercial papers	-	-	(220,000)	(225,000)
Standby revolving cash advance facility	-	-	(55,000)	(30,000)
Westpac borrowings	-	-	(46,510)	(56,510)
Floating rate notes	-	-	(5,000)	-
Cash balances	74,538	37,962	116,226	81,596
Total	74,538	37,962	(210,284)	(229,914)

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	100 bp increase	100 bp decrease	100 bp increase
	\$000	\$000	\$000	\$000
Variable rate instruments	(2,037)	2,067	-	-
Interest rate swaps	1,356	(1,185)	6,271	(7,080)
30 June 2018	(681)	882	6,271	(7,080)
Variable rate instruments	(1,930)	1,960	-	-
Interest rate swaps	1,329	(1,633)	5,984	(6,636)
30 June 2017	(601)	327	5,984	(6,636)

Council	Profit or Loss		Cash Flow Hedge Reserve	
	100 bp decrease	100 bp increase	100 bp decrease	100 bp increase
	\$000	\$000	\$000	\$000
Variable rate instruments	-	-	-	-
Interest rate swaps	524	(353)	-	-
30 June 2018	524	(353)	-	-
Variable rate instruments	-	-	-	-
Interest rate swaps	356	(660)	-	-
30 June 2017	356	(660)	-	-

(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	
	2017/18 \$000	2016/17 \$000	2017/18 \$000	2016/17 \$000
Cash - AUD	2,571	778	-	-
Cash = USD, EUR, GBP	531	5,146	-	-
Equities - AUD	33,333	30,206	-	-
Equities - USD, EUR, GBP	48,867	29,076	-	-
	85,302	65,206	-	-

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	10% decrease	10% increase	10% decrease
	\$000	\$000	\$000	\$000
Cash - AUD	257	(257)	-	-
Cash - USD, EUR, GBP	53	(53)	-	-
Equities - AUD	3,333	(3,333)	-	-
Equities - USD, EUR, GBP	4,887	(4,887)	-	-
30 June 2018	8,530	(8,530)	-	-
Cash - AUD	78	(78)	-	-
Cash - USD, EUR, GBP	515	(515)	-	-
Equities - AUD	3,021	(3,021)	-	-
Equities - USD, EUR, GBP	2,908	(2,908)	-	-
30 June 2017	6,522	(6,522)	-	-

(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	
	2018	2017
	\$000	\$000
Equities - NZD	89,313	77,821
Equities - AUD	33,333	30,206
Equities - USD, EUR, GBP	48,867	29,076
	171,513	137,103

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	10% decrease	10% increase	10% decrease
	\$000	\$000	\$000	\$000
Equities - NZD	8,931	(8,931)	-	-
Equities - AUD	3,333	(3,333)	-	-
Equities - USD, EUR, GBP	4,887	(4,887)	-	-
30 June 2018	17,151	(17,151)	-	-
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)	-	-

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 2018, 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 \$352,632 (2017: \$301,037).

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 2017/18 Annual Plan are as follows:

Statement of comprehensive revenue and expense

Operating revenue

Operating revenue is \$2.3 million more than planned. The increase is mainly made up of:

- User fees and charges and other revenue - \$2.1 million more than budget
- Other gains - The revaluation of investments and sale of assets \$1.3 million
- Subsidies and grant revenue: - \$1.4 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).

Operating expenditure

Operating expenditure is \$6.4 million less than budget. This mainly relates to:

- \$3.7 million Flood works being classified as capital and \$2.3 underspend on land use change incentives.

Please refer to the activity section of the annual report for more details on our financial performance.

Statement of financial position

Assets

Assets were \$20.0 million more than budget due to the change in timing of receipts and payments, and an increase in asset revaluation.

Liabilities

Liabilities were \$11.7 million more than budget mainly due to an increase in accruals relating to Regional Infrastructure grants and capital expenditure.

Statement of cashflows

Net cash from operating activities was lower than budget by \$4.1 million due to lower than planned payments to suppliers.

Net cash from investing activities was higher than budget by \$36.3 million due to lower capital expenditure and infrastructure grants not released as planned.

Net cash from financing activities was higher than budget by \$1.4 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 2018 was carried out by PricewaterhouseCoopers (PwC), Wellington on 14 September 2018. 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 \$11.6 million to \$15 million for the Put Option.

Sensitivity of the indicative valuation to the notional credit rating for QHL:

Credit rating	Rating score	BBB-	BB+	BB
	Income statement	\$8.6 million	\$2.2 million	(\$0.4) million
	Balance sheet	\$6.4 million	\$12.8 million	\$15.4 million

Sensitivity of the indicative valuation to the credit recovery rate for QHL:

Credit recovery rate	Rating score	33.5%	26.9%	14.1%
	Income statement	\$3.4 million	\$2.2 million	\$- million
	Balance sheet	\$11.6 million	\$12.8 million	\$15 million

40 Funding impact statements

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 (whole of Council)

Annual Plan 2016/17 \$000	Actual 2016/17 \$000		Annual Plan 2017/18 \$000	Actual 2017/18 \$000
Source of operating funding				
		General rates, uniform annual general charges, rates		
20,467	21,254	penalties	22,950	23,494
15,866	15,765	Targeted rates	16,034	15,926
15,664	11,336	Subsidies and grants for operating purposes	14,714	13,030
8,948	8,902	Fees and charges	9,563	9,710
29,835	28,995	Interest and dividends from investments	32,687	32,316
		Local authorities fuel tax, fines infringement fees and other receipts		
2,917	3,648		1,825	6,580
93,697	89,901	Total operating funding (A)	97,772	101,056
Applications of operating funding				
100,047	95,024	Payments to staff and suppliers	118,069	111,392
0	0	Finance costs	0	1,691
125	228	Other operating funding applications	231	191
100,172	95,252	Total applications of operating funding (B)	118,301	113,274
(6,476)	(5,351)	Surplus (deficit) of operating funding (A-B)	(20,529)	(12,219)
Sources of capital funding				
75	1,451	Subsidies and grants for capital expenditure	342	648
0	0	Development and financial contributions	0	0
0	0	Increase (decrease) in debt	0	0
406	32	Gross proceeds from sale of assets	398	158
0	0	Lump sum contributions	0	0
0	0	Other dedicated capital funding	0	0
481	1,483	Total sources of capital funding (C)	740	806

Annual Plan 2016/17 \$000	Actual 2016/17 \$000		Annual Plan 2017/18 \$000	Actual 2017/18 \$000
Applications of capital funding				
		Capital expenditure		
0	0	- to meet additional demand	0	0
18,457	12,791	- to improve levels of service	28,196	24,607
5,103	3,894	- to replace existing assets	15,209	11,829
(30,152)	(19,584)	Increase (decrease) in reserves	(63,792)	(47,854)
597	(969)	Increase (decrease) of investments	597	5
(5,995)	(3,868)	Total applications of capital funding (D)	(19,789)	(11,413)
6,476	5,351	Surplus (deficit) of capital funding (C-D)	20,529	12,219
0	0	Funding balance (A-B) + (C-D)	0	0

Note: This financial statement excludes:

5,816	9,453	Depreciation and amortisation	6,463	6,214
0	372	Loss on sale of property, plant and equipment	0	294
0	(386)	Investment amortisation	0	(154)
0	(15)	Gain on sale of property, plant and equipment	0	(206)
0	(171)	Fair value of receivables	0	0
0	0	Gain on revaluation of Put Option	0	0

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Integrated Catchment Management

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	5,442	6,079	6,069
Targeted rates	3,033	4,014	3,107
Subsidies and grants for operating purposes	3,889	4,655	2,464
Fees and charges	276	288	4
Internal charges and overheads recovered	884	889	557
Local authorities fuel tax, fines infringement fees and other receipts	11,824	12,166	9,172
Total operating funding (A)	25,347	28,091	21,373
Applications of operating funding			
Payments to staff and suppliers	21,338	23,223	18,252
Finance costs	673	883	363
Internal charges and overheads applied	7,182	7,518	8,214
Other operating funding applications	0	0	0
Total applications of operating funding (B)	29,193	31,624	26,680
Surplus (deficit) of operating funding (A-B)	(3,845)	(3,532)	(5,457)
Sources of capital funding			
Subsidies and grants for capital expenditure	75	250	342
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	250	342

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	3,958	3,248	1,168
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(7,728)	(6,530)	(6,284)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(3,770)	(3,282)	(5,115)
Surplus (deficit) of capital funding (C-D)	3,845	3,532	5,457
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	822	833	754
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Note 2: This financial statement includes:

Internal interest	673	883	363
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Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Flood Protection & Control

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	1,373	1,504	1,532
Targeted rates	8,868	9,543	8,229
Subsidies and grants for operating purposes	60	60	898
Fees and charges	11	11	181
Internal charges and overheads recovered	0	0	3
Local authorities fuel tax, fines infringement fees and other receipts	2,869	2,943	2,892
Total operating funding (A)	13,182	14,063	13,734
Applications of operating funding			
Payments to staff and suppliers	5,666	5,841	5,451
Finance costs	1,981	2,367	1,143
Internal charges and overheads applied	2,360	2,462	2,999
Other operating funding applications	0	0	0
Total applications of operating funding (B)	10,006	10,670	9,593
Surplus (deficit) of operating funding (A-B)	3,175	3,392	4,141
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	(494)
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	(494)

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	3,457	4,751	15,572
- to replace existing assets	487	3,320	8,206
Increase (decrease) in reserves	(768)	(4,679)	(20,131)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	3,175	3,392	3,647
Surplus (deficit) of capital funding (C-D)	(3,175)	(3,392)	(4,141)
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	1,253	1,248	1,122
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Note 2: This financial statement includes:

Internal interest	1,981	2,367	1,143
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Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Resource Regulation & Monitoring

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	3,417	3,789	4,316
Targeted rates	1,293	1,903	1,199
Subsidies and grants for operating purposes	0	0	0
Fees and charges	3,605	3,705	3,950
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines infringement fees and other receipts	5,882	6,014	7,301
Total operating funding (A)	14,197	15,411	16,766
Applications of operating funding			
Payments to staff and suppliers	8,559	8,806	12,077
Finance costs	341	431	76
Internal charges and overheads applied	4,906	5,260	5,614
Other operating funding applications	509	645	191
Total applications of operating funding (B)	14,316	15,143	17,959
Surplus (deficit) of operating funding (A-B)	(119)	268	(1,192)
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	1,119	915	5
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)	1,119	915	5

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	256	105	0
- to replace existing assets	0	0	91
Increase (decrease) in reserves	(1,266)	(932)	(1,283)
Other operating funding applications	0	0	0
Increase (decrease) of investments	2,010	2,010	5
Total applications of capital funding (D)	1,000	1,183	(1,187)
Surplus (deficit) of capital funding (C-D)	119	(268)	1,192
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	52	64	84
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Note 2: This financial statement includes:

Internal interest	341	431	76
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Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Transportation

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	1,683	1,849	1,932
Targeted rates	3,510	3,672	3,612
Subsidies and grants for operating purposes	7,165	7,190	8,254
Fees and charges	4,978	5,224	4,118
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines infringement fees and other receipts	3,538	3,592	3,641
Total operating funding (A)	20,875	21,527	21,558
Applications of operating funding			
Payments to staff and suppliers	19,856	20,188	20,481
Finance costs	0	0	0
Internal charges and overheads applied	1,184	1,238	1,221
Other operating funding applications	0	0	0
Total applications of operating funding (B)	21,040	21,426	21,702
Surplus (deficit) of operating funding (A-B)	(165)	101	(144)
Sources of capital funding			
Subsidies and grants for capital expenditure	1,652	0	482
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)	1,652	0	482

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	193	0	759
- to replace existing assets	2,849	0	0
Increase (decrease) in reserves	(1,555)	101	(421)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	1,487	101	338
Surplus (deficit) of capital funding (C-D)	165	(101)	144
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	769	1,073	40
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Regional Development

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	501	538	679
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	1,240	1,179	1,600
Total operating funding (A)	1,741	1,717	2,279
Applications of operating funding			
Payments to staff and suppliers	6,554	14,926	14,242
Finance costs	0	0	0
Internal charges and overheads applied	725	745	1,058
Other operating funding applications	0	0	0
Total applications of operating funding (B)	7,279	15,671	15,300
Surplus (deficit) of operating funding (A-B)	(5,539)	(13,953)	(13,020)
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 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	161	0	0
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(5,700)	(13,954)	(13,020)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(5,539)	(13,954)	(13,020)
Surplus (deficit) of capital funding (C-D)	5,539	13,954	13,020
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	17	17	34
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Regional Planning & Engagement

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	5,171	5,470	6,377
Targeted rates	0	0	0
Subsidies and grants for operating purposes	337	150	0
Fees and charges	0	0	4
Internal charges and overheads recovered	0	0	1,247
Local authorities fuel tax, fines infringement fees and other receipts	8,617	8,404	9,985
Total operating funding (A)	14,126	14,025	17,612
Applications of operating funding			
Payments to staff and suppliers	9,959	9,611	11,771
Finance costs	0	0	0
Internal charges and overheads applied	5,528	5,865	6,865
Other operating funding applications	0	0	0
Total applications of operating funding (B)	15,486	15,476	18,636
Surplus (deficit) of operating funding (A-B)	(1,361)	(1,451)	(1,024)
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 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	0	0	0
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(1,361)	(1,451)	(1,024)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(1,361)	(1,451)	(1,024)
Surplus (deficit) of capital funding (C-D)	1,361	1,451	1,024
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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Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Emergency Management

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	467	534	601
Targeted rates	0	0	0
Subsidies and grants for operating purposes	1,474	1,511	1,408
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines infringement fees and other receipts	822	866	932
Total operating funding (A)	2,763	2,911	2,941
Applications of operating funding			
Payments to staff and suppliers	2,110	2,151	1,845
Finance costs	0	0	0
Internal charges and overheads applied	874	921	1,001
Other operating funding applications	0	0	0
Total applications of operating funding (B)	2,984	3,072	2,847
Surplus (deficit) of operating funding (A-B)	(220)	(161)	95
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 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	11	38	0
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(231)	(199)	95
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	(220)	(161)	95
Surplus (deficit) of capital funding (C-D)	220	161	(95)
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	4	8	0
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Technical Services

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	2,081	2,295	2,533
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	909	932	1,130
Internal charges and overheads recovered	3,694	3,803	6,141
Local authorities fuel tax, fines infringement fees and other receipts	3,669	3,733	3,911
Total operating funding (A)	10,352	10,763	13,715
Applications of operating funding			
Payments to staff and suppliers	6,380	6,578	7,328
Finance costs	0	0	0
Internal charges and overheads applied	3,474	3,659	5,261
Other operating funding applications	0	0	0
Total applications of operating funding (B)	9,854	10,237	12,589
Surplus (deficit) of operating funding (A-B)	497	525	1,126
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	18
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	18

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	67	47	608
- to replace existing assets	877	836	21
Increase (decrease) in reserves	(446)	(359)	515
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	497	525	1,144
Surplus (deficit) of capital funding (C-D)	(498)	(525)	(1,126)
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	924	1,009	637
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Note 2: This financial statement includes:

Internal interest	0	0	0
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Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2018 for Corporate Services

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	(55)	(71)	(545)
Targeted rates	(94)	(99)	(221)
Subsidies and grants for operating purposes	0	0	5
Fees and charges	0	0	324
Internal charges and overheads recovered	21,655	22,977	31,753
Local authorities fuel tax, fines infringement fees and other receipts	924	608	(539)
Total operating funding (A)	22,430	23,415	30,778
Applications of operating funding			
Payments to staff and suppliers	18,894	19,499	20,530
Finance costs	427	718	109
Internal charges and overheads applied	0	0	6,881
Other operating funding applications	0	0	0
Total applications of operating funding (B)	19,321	20,217	27,520
Surplus (deficit) of operating funding (A-B)	3,109	3,198	3,258
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	299
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	(5)
Gross proceeds from sale of assets	399	323	158
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	399	323	453

	Yr 2 LTP 2015-2025 \$000	Yr 3 LTP 2015-2025 \$000	Actual 2017/18 \$000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	10,797	8,556	6,499
- to replace existing assets	3,563	3,887	3,511
Increase (decrease) in reserves	(10,852)	(8,922)	(6,300)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	3,508	3,521	3,711
Surplus (deficit) of capital funding (C-D)	(3,109)	(3,198)	(3,258)
Funding balance (A-B) + (C-D)	0	0	0

Note 1: This financial statement excludes:

Depreciation and amortisation	2,462	2,687	3,544
Loss on sale of property, plant and equipment	0	0	294
Investment amortisation	0	0	(154)
Gain on sale of property, plant and equipment	0	0	(206)
Gain on revaluation of Put Option	0	0	0
Fair value of cash flow hedges	0	0	244

Note 2: This financial statement includes:

Internal interest	427	718	109
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41 Internal loans

Council

Group of Activities	Opening Balance 01 July 2017 \$000	Loan Advances \$000	Loan Repayments \$000	Closing Balance 30 June 2018 \$000	Interest Charges \$000
Integrated Catchment Group of Activities					
Kaituna Catchments	2,275	249	(93)	2,430	55
Rotorua Lakes	12,389	1,317	(753)	12,953	308
	14,664	1,565	(846)	15,383	364
Resource Regulation and Monitoring Group of Activities					
Rotorua Air Activity - Clean Heat	3,287	544	(539)	3,292	76
	3,287	544	(539)	3,292	76
Flood Protection and Control Works Group of Activities					
Kaituna Catchment Control Scheme	3,511	511	(190)	3,832	86
Rangitaiki - Tarawera Rivers Scheme	21,978	11,098	(1,151)	31,926	591
Whakatāne - Tauranga Rivers Scheme	6,352	201	(340)	6,213	162
Waioeka - Otara Rivers Scheme	3,622	947	(193)	4,376	91
Rangitaiki Drainage Scheme	1,109	6	(51)	1,064	27
Non-Scheme	5,563	9,348	(307)	14,603	187
	42,135	22,111	(2,232)	62,014	1,143
Corporate Services Group of Activities					
Buildings	3,963	5,703	(234)	9,431	109
	3,963	5,703	(234)	9,431	109
Total	64,049	29,923	(3,852)	90,120	1,692

42 Depreciation and amortisation expense by Group of Activity

	Council 2017/18 \$000	Council 2016/17 \$000
Directly attributable depreciation and amortisation expense by group of activity:		
Integrated Catchment Management	754	742
Flood Protection and Control	1,122	1,102
Resource Regulation & Monitoring	84	88
Transportation	40	29
Regional Development	34	29
Emergency Management	-	4
Technical Services	637	588
Corporate Services	3,544	6,871
Total depreciation and amortisation	6,214	9,453

43 Financial Prudence

Annual report disclosure statement for year ending 30 June 2018

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-

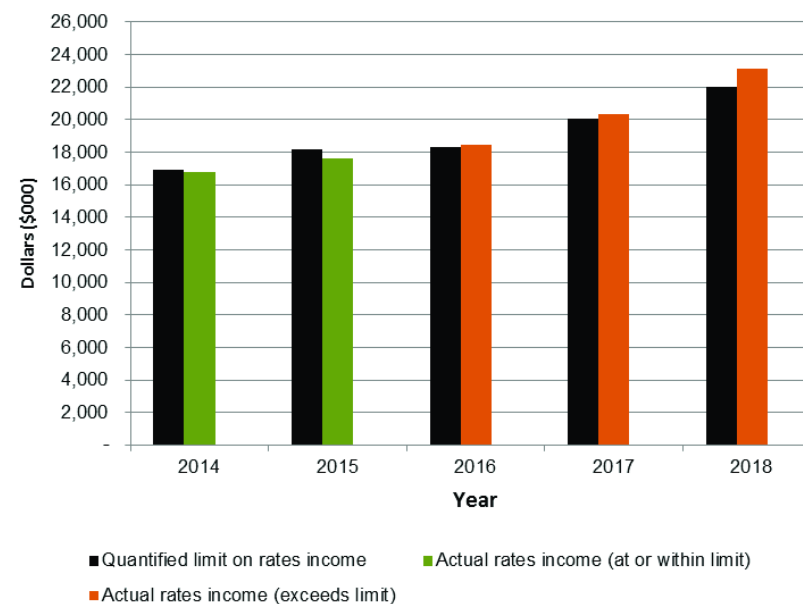
- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increase equal or are less than each quantified limit on rates increases

Rates (income) affordability

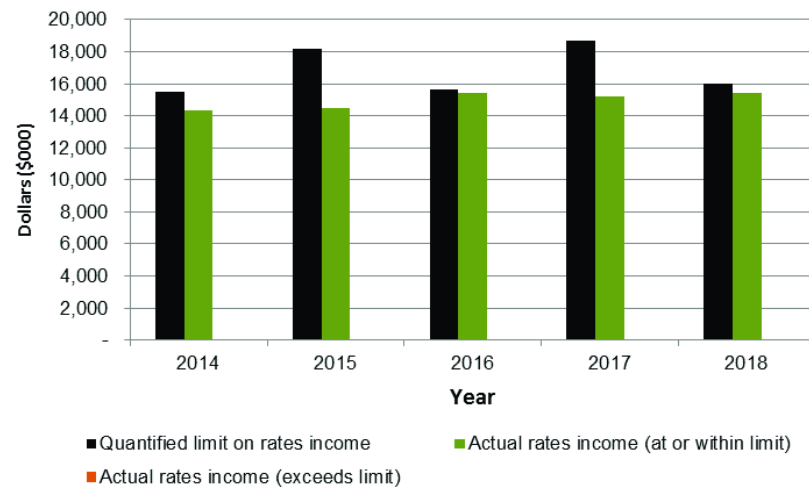
The following graphs compare the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits for rates are from long-term plan 2015-2025.

Quantified limit on rates	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000
General rates	16,895	18,169	18,340	20,080	21,988
Targeted rates	15,529	18,205	14,940	16,092	18,669
Planned rates	32,424	36,374	33,280	36,172	40,657

General rates



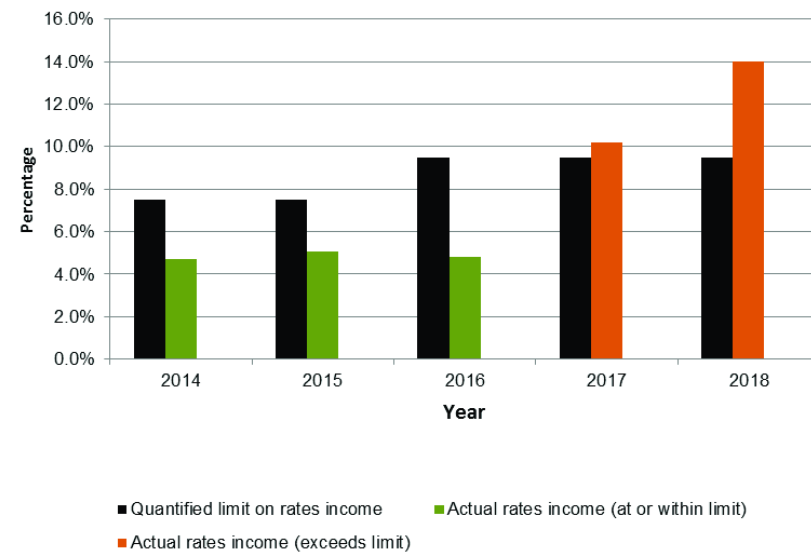
Targeted rates



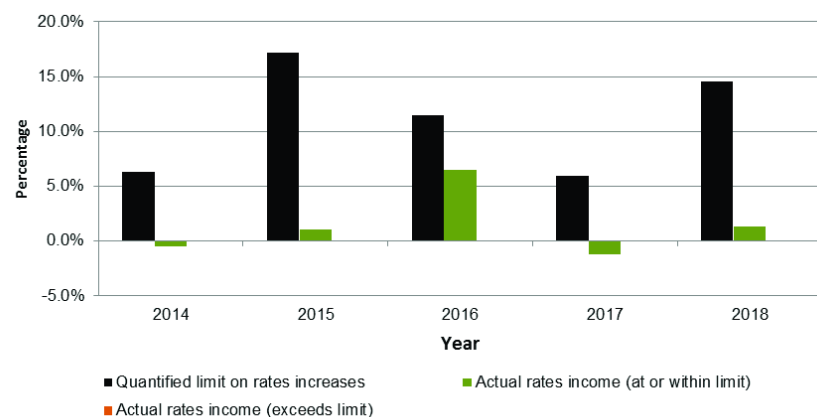
Rates (increases) affordability

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



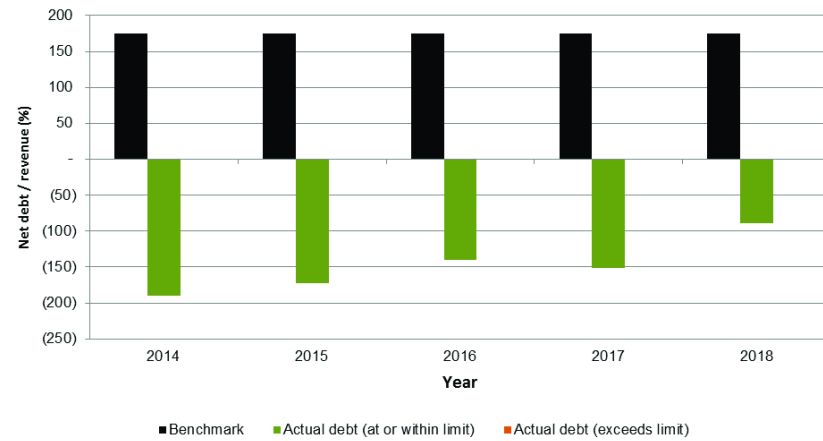
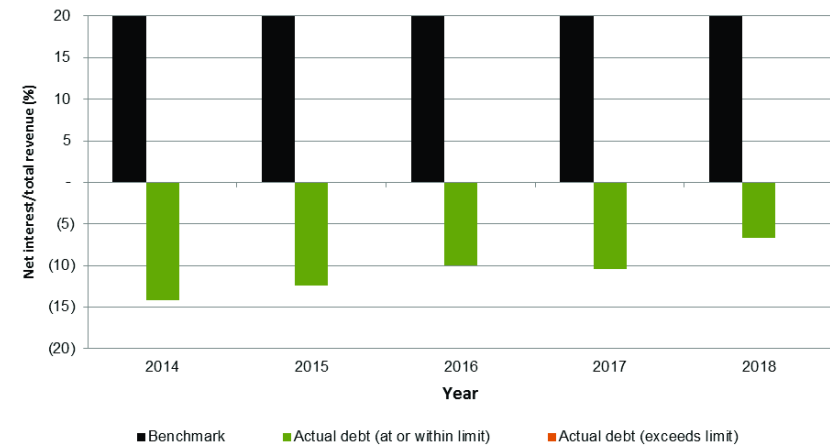
Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

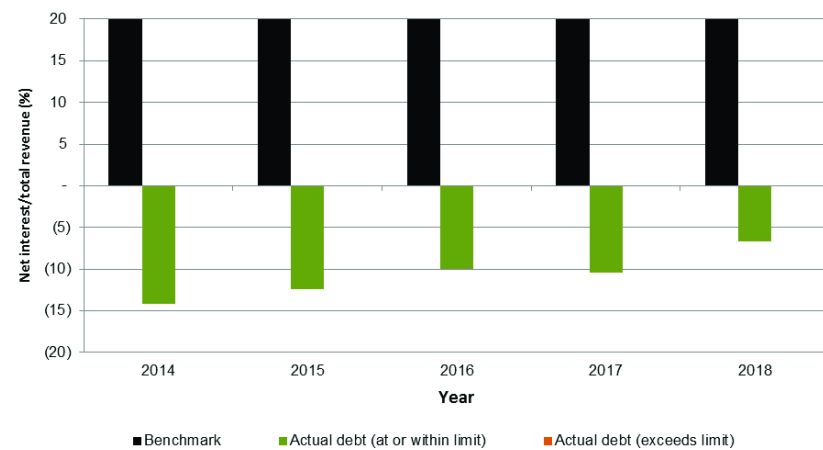
The following graphs compare the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP. The quantified limit is set for borrowing within the following macro limits:

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%

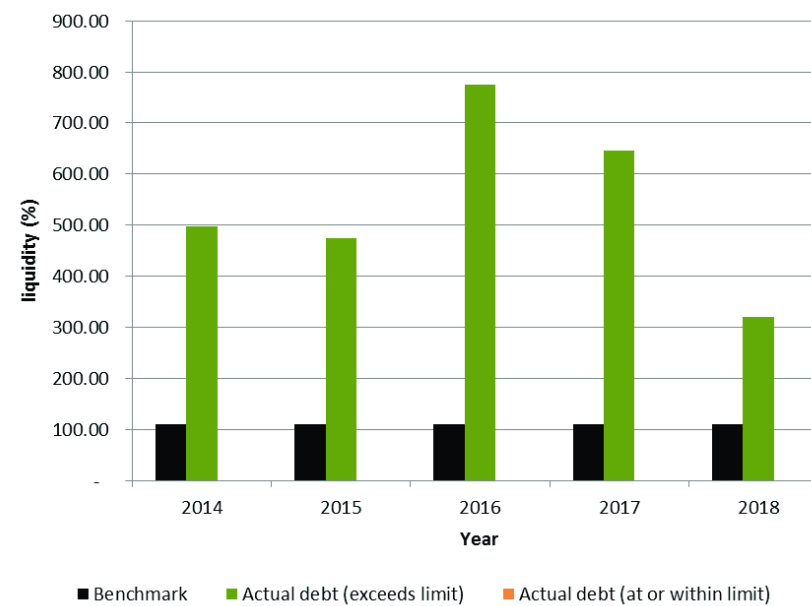
1. Financial covenants are measured on Council only, not the consolidated group.
2. Net debt is defined as total debt less liquid financial assets and investments.
3. Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and 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



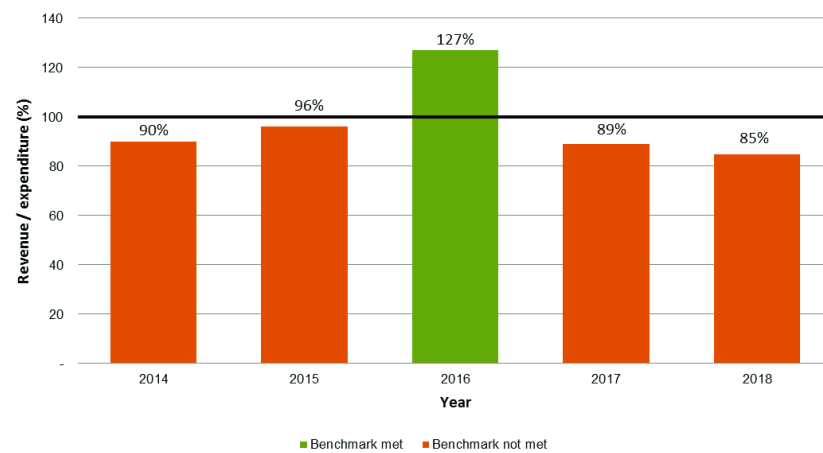
Liquidity



Balanced budget benchmark

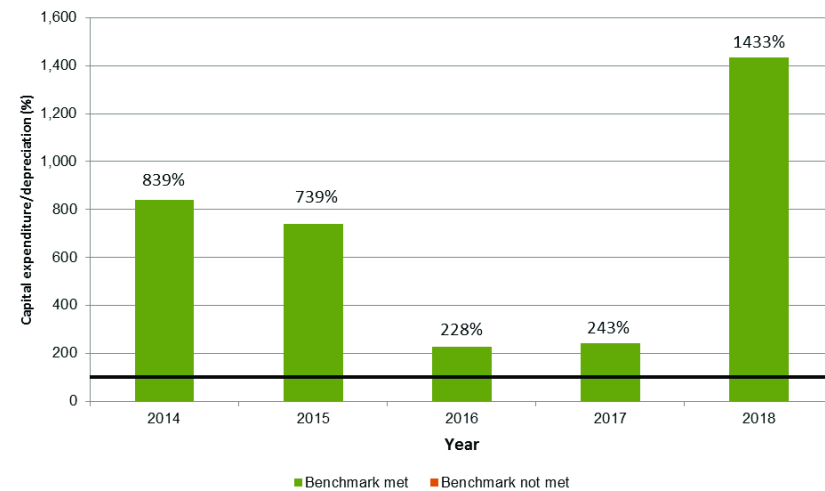
The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial 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

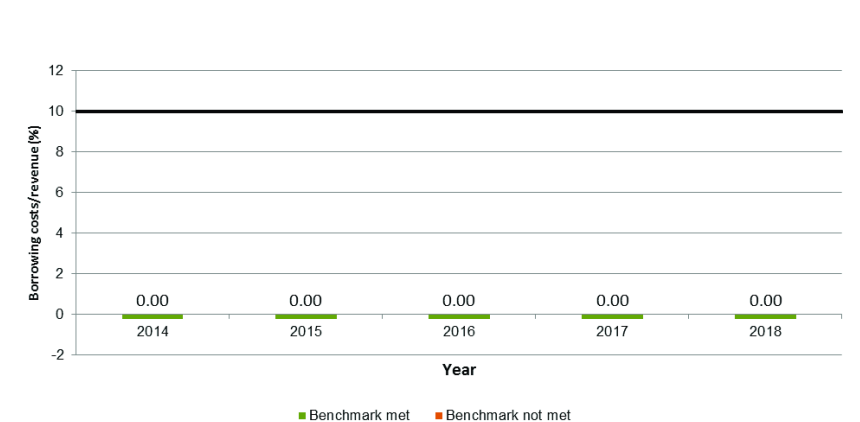
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals, or is greater than depreciation on network services.



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).

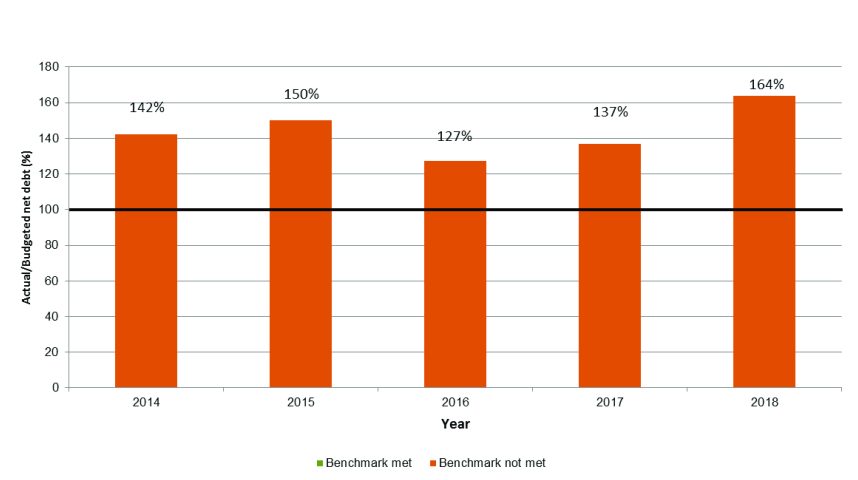
Because Statistics New Zealand projects the Council’s population will grow *more slowly* than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 % of its revenue.



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.

