Annual Report
Te Mahere ā-Tau
2018/19

For the financial year 1 July 2018 to 30 June 2019

BAY OF PLENTY
REGIONAL COUNCIL
TOI MOANA

Your representatives
Ngā reo kōrero

From left: Jane Nees, Norm Bruning, Stuart Crosby, David Love, John Cronin, Paula Thompson, Andrew von Dadelszen, Kevin Winters, Lyall Thurston, Doug Leeder, Bill Clark, Matemoana McDonald, Tipene Perenara Marr and Arapeta Tahana.

Ranginui e tū nei

Papatūānuku e takoto nei

Mai i Ngā Kurī a Whārei ki Tikirau

Mai I Maketū ki uta mai ki Taupō-nui-a-Tia

Ko te rohe kaunihera tēnei o Toi Moana

Kia toi te whenua, kia toi te moana, kia toi te taiao, kia toi te tangata

Tihei Mauriora!

Ko toi moana he rohe ahuwhenua ki te manaaki I te taiao me ana hapori.

Kua tuku te wero e te hapori. Kua hikina e te kaunihera te mānuka. Anei rā ngā hua o te pāhekoheko o te tau kua pahure nei.

Āritarita ana te kaunihera ki te eke whakamua I raro I te maru o te pāhekoheko. Kia kotahi te hoe he waka eke noa!

E hoa ma, ina te ora o te tangata!

Ranginui stands above

Papatūānuku stands below

Stretching from Waihī Beach to East Cape

From Maketū to just inland of Taupō

This is the region of the Bay of Plenty Regional Council

Let the land remain, let the oceans and lakes remain, let the environment remain and let people remain

Tis the breath of life!

Our region has always worked hard to protect the environment and its communities.

The challenge to protect our environment has been set by you, our community. Your council has picked up that challenge and now presents the fruits of our partnership over the past year.

Your council is eager to move ahead under the spirit of partnership. Paddling in unison we are a canoe which we are all in together with no exception.

My friends, this is the essence of life!

Contents
Rārangi Kaupapa

Message from the Chair and Chief Executive

We are pleased to present our Annual Report for 2018/19. This report presents our financial results and shows how we performed against the targets we had set for our service delivery in 2018/19. This is our first Annual Report focused on the delivery of our Long Term Plan 2018-2028.

We continued to make progress across all of our areas of work and major projects to improve the wellbeing of our communities and deliver on our Community Outcomes during the year.

We had some huge challenges in 2018/19. This included the work we continued to carry out repairing flood defence assets which had been damaged during the extreme weather events in April 2017. Of significant note was the new section of the College Road stopbank in Edgecumbe and the completion of approximately 130 repair sites during the 2018/19 financial year (249 out of 520 sites have now been repaired since the start of the project). We also carried out repair works after Ngongotahā Stream overflowed its banks in April 2018.

In December 2018, the public transport system in Tauranga underwent significant change with the implementation of the Western Bay of Plenty Public Transport Blueprint. That change also resulted in a change in bus contractor. Following implementation of the Blueprint, significant challenges were initially experienced with the delivery of the new public transport network. We worked closely with the new contractor (NZ Bus) to address many of the issues as quickly as possible, with the performance of the bus network in the western bay improving over the last quarter of 2018/19.

As predicted, our operating environment has continued to change throughout the year and this has influenced our work programmes. It also led us to consult on our Annual Plan 2019/20, with staff and Councillors speaking with more than 600 members of the community about four key consultation questions – focused around public transport, climate change and how we should look to fund organisations that provide safety and rescue services in the future.

In June 2019, we declared a Climate Emergency and adopted our Climate Change Action Plan. Through this we are highlighting our commitment to work with the community on our transition to a low carbon future and our adaption to our changed climate.

Māori continued to make a significant contribution to the region over the past year. We continued to support the capacity of Māori to participate in council decision making processes including through supporting our Māori constituent Councillors and their contributions to Council and by hosting four Resource Management Plan training sessions for tangata whenua. A number of He Korowai Mātauranga information sessions were held across Council offices to help build knowledge and understanding amongst staff of Te Ao Māori.

Through our Long Term Plan 2018-2028, we set ourselves some substantial goals for this past financial year, and considering the challenging environment we operate in, we are pleased to report considerable progress. This included introducing a number of new performance measures, often with very challenging targets. Our performance was monitored and reported through 32 performance measures during the year and we achieved 25 (78%) of our targets for and came close to achieving several others.

Revenue during the year was $144.6 million compared to budget of $131.2 million. During the year, the Council's Put Option liability from the $200 million Perpetual Preference Share (PPS) issue was reduced from $15 million to $3.4 million, resulting in an $11.6 million non-cash gain not budgeted for.

We delivered our work programme through operating expenditure of $126.3 million compared to a budget of $133.0 million. We also delivered a significant increase in our capital works programme with capital expenditure of $56.6 million, compared to $36.5 million in 2017/18. The majority of the 2018/19 capital works were funded through borrowings.

We focused on being more efficient and ensuring we deliver value for money to our community. To help keep our costs low, we set ourselves a target to achieve efficiency savings during the year and achieved a savings of $1.2 million through reviewing the way we work. We also undertook a fit for purpose review to make sure we are focused on delivering our services in an efficient and effective manner.

As we look ahead to 2019/20, we are aware that some changes in direction have been signalled from central government, and this will impact the work we do going forward, particularly for our policy and planning work. As we move into the new financial year, we are excited to build upon the progress we made in 2018/19, and the opportunity to deliver on the work set out in our Annual Plan 2019/20.

Doug Leeder
Chairman

Fiona McTavish
Chief Executive

Community Outcomes in Action

Ngā putanga-a-hapori

Our Council vision 'Thriving Together – mō te taiao, mō ngā tāngata' is about supporting our environment and our people to thrive.

This year saw the introduction of our new Long Term Plan 2018-2028. The plan introduced a new strategic framework (set out on page 29) for focussing our work towards achieving our vision. At the centre of our strategic framework are our four community outcomes: a healthy environment; freshwater for life; safe and resilient communities; and a vibrant region. Each includes a set of objectives to drive the delivery of our community outcomes.

Our focus for 2018/19 was on delivering what we said we would do in the first year of our Long Term Plan and some of our achievements, challenges and key projects are outlined below. These are grouped by the Community Outcome that the work contributes to most strongly.

A healthy environment

He taiao ora

We will maintain and enhance our air, land, freshwater, geothermal, coastal resources and biodiversity for all those who live, work and play within our region. We support others to do the same.

Objectives

1. We develop and implement regional plans and policy to protect our natural environment.
2. We manage our natural resources effectively through regulation, education and action.
3. We work cohesively with volunteers and others, to sustainably manage and improve our natural resources.
4. Our environmental monitoring is transparently communicated to our communities.

A healthy environment is at the heart of what we do. We sustainably manage our natural resources so our communities can thrive.

We want to continue to grow and develop as a region, support local business and ensure there are job opportunities for all of our communities.

We need to make sure we are not putting more pressure on the environment than it can cope with. We also need to consider what climate change means for us and understand how we need to respond to the changes this will bring, such as different weather patterns and rising sea levels.

We work with the community to protect our water, soils and our wildlife and we manage or get rid of pest plants and animals.

We set rules around what can and can't be done in our environment and ensure the rules are followed through our consents and monitoring processes.

PLANNING TO SUPPORT A HEALTHY ENVIRONMENT

We develop strategies, policies and plans to help us manage the natural and physical resources in the region.

During the year, we continued to progress a number of plan changes which help progress us forwards to achieving a healthy environment for the community.

Our Proposed Regional Coastal Environment Plan was adopted and was referred to the Minister of Conservation for approval. This Plan sets out how we intend to achieve sustainable management of our coastal environment. The Plan, once approved by the Minister of Conservation, will replace our Operative Regional Coastal Environment Plan.

We continued to progress planning work relating to Air Quality (Plan Change 13). The Plan Change was notified in February 2018, and 80 submissions and 30 further submissions were received. In October 2018, hearings were held, and decisions on the submission were released in March 2019. Ten appeals were lodged with the Environment Court against Council's decisions, and staff are continuing to progress these.

We began work on a plan change to our Operative Rotorua Geothermal Regional Plan, with a series of hui, iwi engagement, and the establishment of an Ahi Kaa Working Group. We also sought feedback from the public on On-site Effluent Treatment (Draft Plan Change 14).

KOPEOPEO CANAL REMEDIATION PROJECT

The Kopeopeo Canal Remediation Project is working to safely remove, store and bio remediate elevated levels of dioxin-contaminated sediment from 5.1 kilometres of the Kopeopeo Canal at its eastern extremity.

The canal was contaminated between the 1950s and late 1980s by discharges from a former sawmill, which treated timber using Pentachlorophenol (PCP). While unknown at the time, PCP imported into New Zealand for use in the timber processing industry also included a percentage of impurities that contained dioxins.

Strong progress through 2018/19 has meant that dredging and storing of the contaminated soil, which began in January 2018, was able to be completed in June 2019 and final works to complete the project are expected to be completed by the end of 2019.

The planning phase of this project began in 2011 when resource consent applications and funding applications to the Ministry for the Environment (MfE) commenced. The project has been jointly funded by Regional Council and MfE. The total costs of the project are expected to be $21.3 million, with $6.6 million being incurred in 2018/19.

Dredging of 5.1 km dioxin contaminated sediment

34,500 cubic metres of sediment was dredged and sealed in two containment sites

of $21.3 million incurred in 2018/19

KAITUNA RIVER RE-DIVERSION AND TE AWA O NGATOROIRANGI/MAKETŪ ESTUARY ENHANCEMENT PROJECT

The Kaituna River re-diversion project will redivert the Kaituna River through the Ongatoro/Maketū Estuary, create new wetlands and maximise ecological and cultural benefits to the area.

Through this project we're restoring at least 20 percent of the Kaituna River's freshwater flows into the estuary. We'll also be re-creating 20 hectares of wetlands around the estuary margin, to help filter nutrients and create breeding areas for birds and fish.

The project marked a significant milestone on 26 June, with the opening of the first of 12 culverts to restore freshwater flows into Te Awa o Ngatoroirangi/ Maketū Estuary.

The project began in June 2018 and was originally set to be completed by June 2020. Significant progress through 2018/19 has seen the project track ahead of schedule. This $16 million project is approximately six months ahead of its original completion date, with $11.6 million being incurred in 2018/19.

26 June

significant milestone

opening the first of 12 culverts

6 months ahead

of its original completion date

of $16 million incurred in 2018/19

Freshwater for life

He wai māori, he wai oranga

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

Objectives

1. Good decision making is supported through improving knowledge of our water resources.
2. We listen to our communities and consider their values and priorities in our regional plans.
3. We collaborate with others to maintain and improve our water resource for future generations.
4. We deliver solutions to local problems to improve water quality and manage quantity.
4. We recognise and provide for Te Mana o Te Wai (intrinsic value of water).

Freshwater is vital for the health of people and communities, and that makes it important to us.

We're responsible for two kinds of freshwater: groundwater and surface water. Surface water is all the water above ground – rivers, lakes and streams, drains, ponds, springs and wetlands; while groundwater comes from rainfall and rivers and accumulates in underground aquifers.

We invest millions of dollars each year to maintain and improve water quality and quantity in the Bay of Plenty and we work with our community to look after the rivers, estuaries and coastal environments.

We monitor water quality and quantity; ensuring people follow the rules set through the consents process.

Our work in this area is guided by national legislation, regulations and standards for water that prescribe public processes for setting requirements and rules. This area is becoming increasingly complex and we're working hard to translate the policy into action on the ground.

Put simply, we manage the freshwater that's in and on the ground so there's enough for people and wildlife to thrive now and in the future.

FRESHWATER FUTURES PROGRAMME

The National Policy Statement for Freshwater Management (NPSFM) directs us to set new objectives, policies and limits for water management at a local level.

Throughout the year we continued work to implement the National Policy Statement for Freshwater Management (NPSFM).

In the Rangitāiki and Kaituna/Maketū and Pongakawa/Waitahanui water management areas (Proposed Plan Change 12), we continued to seek feedback and advice from the relevant Freshwater Community Groups on the work that we are doing towards setting limits for freshwater quality and quantity.

Our Region-wide Water Quality Plan Change (Plan Change 9) also progressed, as the first step of an overall two-stage approach to improve rules for water quantity management progressing through the RMA Schedule 1 process. It is now subject to appeals.

A baseline stocktake for the Rotorua Water Management Area (Proposed Plan Change 15) was prepared. It highlights that while we hold very good information about the Rotorua lakes, we need to increase our knowledge about the streams in the catchments. Similarly, a baseline stocktake for the Tauranga Moana area has been prepared to a draft stage. We continue to work with local iwi on this.

The water program at large may change considerably depending on the Government Essential Freshwater and Shared Interests in Freshwater policy reforms.

ROTORUA TE ARAWA LAKES PROGRAMME

The Rotorua Te Arawa Lakes Programme is a partnership between Regional Council, Te Arawa Lakes Trust and Rotorua Lakes Council that has been established to coordinate, prioritise and deliver on all our work related to improving the health of the Rotorua Te Arawa Lakes.

The Rotorua Te Arawa Lakes Programme is part-funded through a Deed of Funding Agreement with the Crown ($72 million). We set targets in all lake catchments so that we are able to monitor the health of the water and the impact of our work. Across our lakes, we use a range of interventions to proactively minimise algal blooms and improve water quality.

We continued to deliver this co-ordinated programme of work during 2018/19 with work focused on managing long term water quality via nutrient reduction targets, primarily nitrogen, that were set in the Regional Policy Statement for Lake Rotorua and in other lake action plans.

Highlights included:

- Three land use change agreements were negotiated during the year (two in the Lake Rotorua Catchment and one in the Lake Ōkāreka Catchment). The Ōkāreka land use change project secured 56 hectares of land use change (gorse and farming land use to mānuka land use), equalling more than 50% of the project targets. Negotiations to achieve the remaining catchment target also progressed well. In the Lake Rotorua Catchment, an additional 74 hectares and 1.5 tonnes of nitrogen was secured. This was slower progress than forecast, however, following announcements of Lake Rotorua Nutrient Management (Plan Change 10) hearings this slowdown may correct itself.
- The review of water quality science for Rotorua Nutrient Management Plan Change (Plan Change 10) was completed by the Water Quality Technical Advisory Group (TAG) for the Rotorua Te Arawa Lakes Programme. It showed that reducing land use losses of both nitrogen and phosphorus remains the right approach.
- The Lake Rotorua alum dosing programme, continues to help maintain good water quality in the lake with no algal blooms since 2010.

- The joint project to develop voluntary Farm Environment Plans for all farms in the inner and outer catchments of Lake Tarawera (which are actioned in the Tarawera Lakes Restoration Plan) was completed, and in total 48 Farm Environment Plans were developed.
- The implementation of the Lake Rotorua Nutrient Rules (Plan Change 10) is progressing well, with 28 Resource Consents now issued for properties over 40 ha in effective area and a further five properties in this category have been assessed as being low intensity and not requiring a resource consent. This represents 35% of the larger properties in the Rotorua Lakes Catchment (over 40 ha), with the majority of the remaining properties in this category actively working towards developing a Nutrient Management Plan.

The 2018/19 budget of $11.3 million for this multiyear programme was underspent by $6.7 million largely due to a less than forecast uptake of the land use change incentives agreements – a significant component of the programme. Council staff have been reviewing the tools used to achieve the challenging targets in the Programme and Council is due to consider options in mid-2019.

IMPROVING AND SHARING OUR KNOWLEDGE

Good decision making is supported through improving and sharing of knowledge.

During 2018/19, we continued to learn and design new ways to share information with staff, public, and other agencies that we work with.

Examples of this in action includes:

- The creation of the Indicative Groundwater Availability and Consented Allocation tool. This tool helps users to understand the likely availability of groundwater in any given area in the region. The tool will be particularly useful for people preparing resource consent applications for water takes.
- The project to scan all crown archive historic aerial images of the Bay of Plenty (between 1937–2005), in partnership with Land Information New Zealand was completed.
- The Tauranga Moana State of the Environment Report, which was written co-jointly with Tauranga Moana iwi. This document is published on our Council website, and helps to share what we know about Tauranga Harbour with the wider community.

Safe and resilient communities

Kia haumaru, kia pakari te hapori

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

Objectives

1. We provide systems and information to increase understanding of natural hazard risks and climate change impacts.
2. We support community safety through flood protection and navigation safety.
3. We work with our partners to develop plans and policies, and we lead and enable our communities to respond and recover from an emergency.
4. We work with communities and others to consider long term views of natural hazard risks through our regional plans and policies.

Our region is subject to a number of natural events, including volcanic activity, earthquakes and extreme rainfall.

These events can endanger our communities.

We work to keep people safe by providing flood protection, such as stop banks and pump stations, and ensuring we are prepared for emergencies through our Civil Defence and Emergency Management services.

Raising awareness and preparing for issues such as climate change are also important aspects of building strong communities that can cope with change.

We are responsible for controlling the use of land to avoid or mitigate the effects of natural hazards, and we work with other local councils and Emergency Management Bay of Plenty to identify natural hazards and reduce risk.

EMERGENCY MANAGEMENT BAY OF PLENTY

The Emergency Management Activity provides Civil Defence Emergency Management (CDEM) services to the Council, as well as regional management leadership.

We continued to carry out key activities during the year to support the community to prepare for, respond to and recover from events that can cause widespread damage and/or loss of life.

A significant piece of work completed during 2018/19 was the development and approval of the new Bay of Plenty CDEM Group Partnership Agreement. The Agreement reaffirms the operational arrangements for CDEM within the Bay of Plenty and defines our collective and individual roles and responsibilities for delivery of CDEM outcomes before, during and after emergencies.

We had a number of small scale events to respond to during the year. Staff also attended and completed a variety of training courses, and participated in national exercises to assist with our preparedness to respond to future civil defence emergencies. During the year two awards were received from the International Association of Emergency Managers for the joint project between Emergency Management Bay of Plenty and Te Puni Kokiri on marae preparedness.

COUNCIL RESPONSE TO CLIMATE CHANGE

Climate change is one of the biggest strategic challenges facing our region and impacts across all four of our Community Outcomes. The United Nations Intergovernmental Panel on Climate Change (IPCC) report, released in October 2018, emphasised the need for urgent action, with drastic steps required in the next 12 years to limit the severe impacts expected due to climate change.

We currently engage in climate change adaptation and the reduction of greenhouse gas emissions across a range of our activities. One example of this is planting that we carry out in our regional parks. While the core purpose is to improve biodiversity and the visitor experience, planting trees also increases the amount of carbon storage in our region. Another example is the consideration of the effects of climate change in the level of service for the design and maintenance of the region's stopbanks.

Despite this, we are aware that we need to do more to reduce emissions, and to assist our community to adapt. During 2018/19, we consulted with our community about climate change, and feedback received confirmed it as an issue of importance for the community. We also developed our Climate Change Action Plan to guide our climate change response work. The action plan contains four main focus areas:

- Reducing our own carbon footprint,
- Incorporating climate change considerations in our decision making,
- The services we provide as a regional council, and
- Collaborating with our communities to build resilience and work on the region's response to climate change.

During the year we also declared a climate emergency, and a decision was also made to investigate a specific Climate Change Fund.

Council adopted our
Climate Change Action Plan

Declared
climate emergency

RIVERS AND DRAINAGE FLOOD REPAIR PROJECT

Bay of Plenty Regional Council is carrying out repairs to approximately 520 sites that were damaged during the April 2017 flood event.

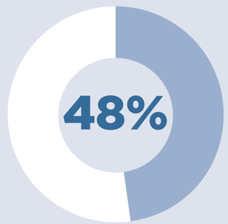
Two extreme weather events in early April 2017 brought prolonged torrential rain to the Bay of Plenty. The resulting record high river levels and extensive flooding caused significant damage to river and drainage networks and assets across the region. As a result, 520 sites were identified as needing repair across all of our managed river schemes.

The project is midway through its four-year programme of work to repair the 520 sites and is scheduled to be completed by 30 June 2021.

At the end of 2018/19, repairs have been completed for 249 (48%) of the 520 sites, with approximately 130 (25%) of the sites completed during 2018/19. While work in some schemes is well ahead of the programme plan (Waioeka-Otara Rivers Scheme) others have been constrained by the lack of rock supply.

The new section of the College Road stopbank in Edgecumbe was completed. This work involved the relocation and construction of the new stopbank, reinstatement of the berm area and a realignment of College Road. To enable the work to take place, 12 properties opposite the breach site were acquired and cleared to enable the stopbank construction and road realignment.

Total costs for this four-year project are approximately $45 million, with $11.6 million incurred for 2018/19. Project funding will be partially supported by insurance claims, Central Government and other agencies.



Repairs have been completed
for 249 of the 520 sites

New section of the
College Road stopbank
in Edgecumbe

Completed

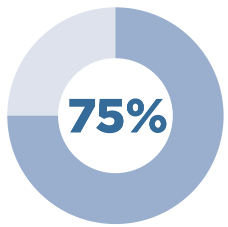
RANGITĀIKI FLOODWAY UPGRADE PROJECT AND KAITUNA SCHEME REPAIRS

The purpose of this project is to design and complete upgrades to the Rangitāiki floodway and spillway as part of a wider flood mitigation project to protect the Edgecumbe township, and the Rangitāiki Plains, from an up to 100 year flood event. Repairs following a severe weather event that resulted in Ngongotahā Stream overflowing its banks during April 2018 are also being carried out.

Work continued to progress on the Rangitāiki Floodway project throughout the year with the following key milestones being reached:

- Stage 4 earthworks to relocate stopbanks, channel widening to increase capacity, and work on internal drainage systems was completed.
- Stage 5 physical works began in March, and are now well underway. They involve the new channel cut to the Rangitāiki River (bifurcation), upgrade of Thornton Hall Road, and associated bridge work.
- We consulted with affected landowners and the wider community on design options to upgrade the spillway section (Stage 7) of the Floodway. The lower fixed crest weir was identified as the preferred option.

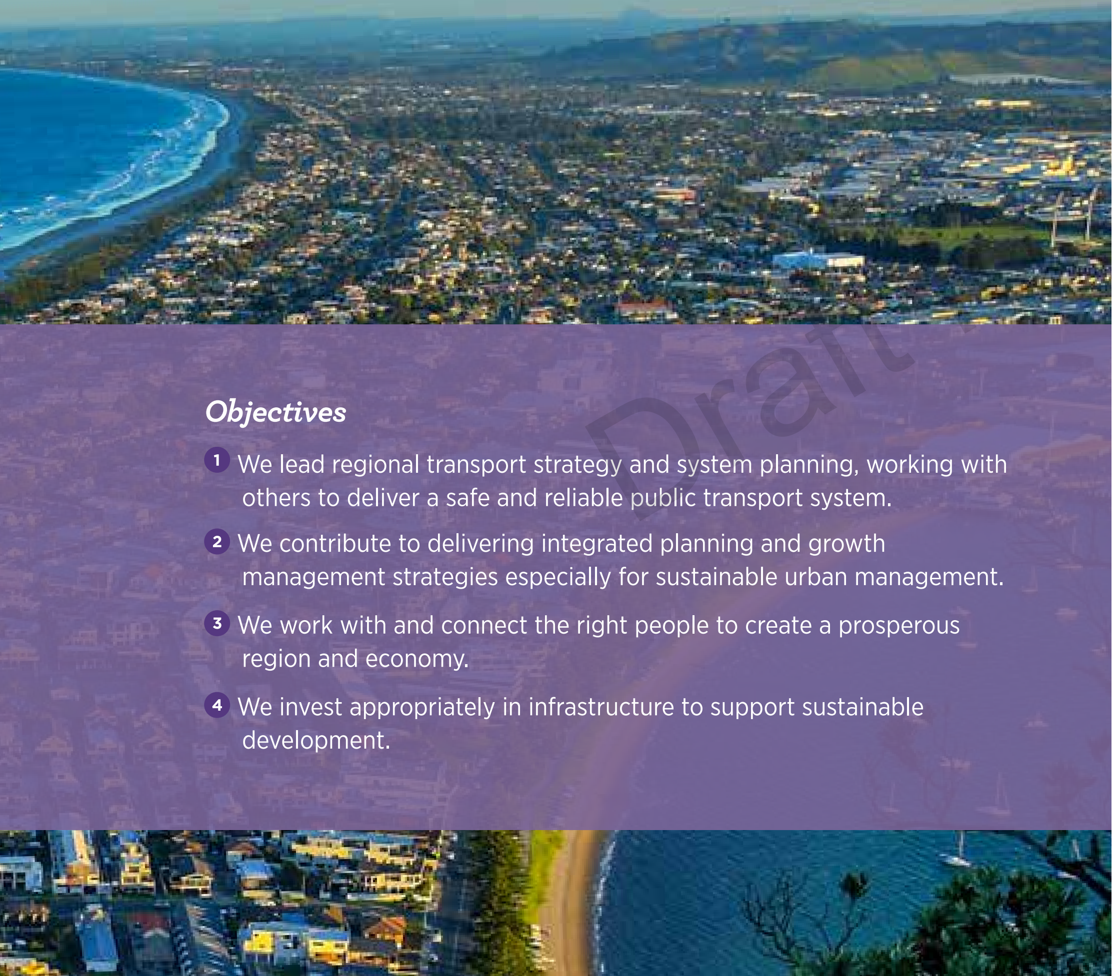
In April 2018, a severe weather event occurred in the Rotorua district resulting in the Ngongotahā Stream overflowing its banks in several places and water inundating many homes, and some businesses. Work to repair damage continued in 2018/19, and we are now at a point where 75% of high priority flood repairs have been completed. Repairs to remaining erosion sites on the Ngongotahā Stream and other streams within the upper Kaituna Scheme area are set to be finished during 2019/20.



of high priority flood repairs completed
on the upper Kaituna Scheme streams

A vibrant region
Toitū te rohe

We work with our partners and communities to achieve integrated planning and good decision making.
We support economic development, understanding the Bay of Plenty region and how we can best add value.



Objectives

1. We lead regional transport strategy and system planning, working with others to deliver a safe and reliable public transport system.
2. We contribute to delivering integrated planning and growth management strategies especially for sustainable urban management.
3. We work with and connect the right people to create a prosperous region and economy.
4. We invest appropriately in infrastructure to support sustainable development.

People and the environment are at the heart of our region. We support the growth of jobs in the Bay of Plenty and development of new industries.

We make significant contributions to the region's economic growth through environmental and infrastructure management.

Through our contestable Regional Infrastructure Fund, established through the Long Term Plan 2012-2022, we are supporting projects initiated by our partners, such as the Ōpōtiki Harbour Transformation Project and the Scion Innovation Hub in Rotorua.

We facilitate Bay of Connections, the economic development framework for the wider Bay of Plenty. Its goal is to grow our region's investment and job opportunities, in partnership with economic development agencies.

We also keep the community connected through the regional bus network of Bayhopper and Cityride buses.

FUTURE DEVELOPMENT STRATEGY

Councils in high growth areas like the western Bay of Plenty are required by Government to assess future housing and business needs and create a development strategy for the next 30 years.

The Future Development Strategy (FDS) is a document produced by SmartGrowth (a partnership of councils and tangata whenua) to drive the discussion and decision-making needed to manage this expected growth.

The proposed Future Development Strategy for western Bay sub-region was released for consultation in October 2018. Over 200 submissions were received on the strategy. The strategy is due to be completed in 2020 following consideration of the submissions and incorporating outcomes from the Urban Form and Transport Initiative (UFTI). UFTI is a collaborative project between SmartGrowth and central government agencies to create a coordinated approach to future development and transport in the western Bay of Plenty.

PUBLIC TRANSPORT ACROSS THE REGION

We plan, contract, fund and monitor passenger transport services in the region, including the Bayhopper service and concessionary fare schemes such as Total Mobility.

We continued to provide bus services for Tauranga, Rotorua and rural areas with more than 2.71 million passenger trips recorded during the year. Across the 11 services operated throughout the region, patronage has grown on five of the services – with patronage increasing for the Tauranga Bayhopper urban, Ōhope, Te Puke and Katikati/Ōmokoroa services. Declines were seen on the Tauranga Bayhopper Schools and Rotorua bus services. We expect to see an increase in the use of the Tauranga Bayhopper Schools following the introduction of fare free bus service trial for Tauranga school children beginning in 2020, and a review of the Rotorua bus network that is underway in 2019.

We started a one year trial of fare-free bus services for school students in Welcome Bay which will continue into 2019/20. We also introduced concession bus fares on the Rotorua CityRide urban service, while the Waihī Beach trial passenger transport service was continued as a permanent two day a week service. Use of the public Wi-Fi on Tauranga buses continued to increase as confidence grows in the system and Council agreed to implement and fund passenger Wi-Fi on Rotorua and Eastern Bay bus services. Fare free bus travel was provided for special events during the year, including the Bay of Plenty Steamers' game against Canterbury, AIMs Games in Tauranga, and the royal visit of the Duke and Duchess of Sussex to Rotorua.

In December 2018, the public transport system in Tauranga underwent significant change with the implementation of the Western Bay of Plenty Public Transport Blueprint. That change also resulted in a change in bus contractor. Following implementation of the Blueprint, significant challenges were initially experienced with the delivery of the new public transport network. We worked closely with the new contractor (NZ Bus) to address many of the issues as quickly as possible, with the performance of the bus network improving over the last quarter of 2018/19. The delivery of our bus services will continue to remain a priority for Council across the region through 2019/20.

REGIONAL INFRASTRUCTURE PROJECTS

The Regional Infrastructure Fund provides funding to third party infrastructure projects that have regional significance.

We continued to administer the Regional Infrastructure Fund and other Third Party Infrastructure projects, with the following milestones reached during the 2018/19 financial year.

The new University of Waikato Tauranga Tertiary Campus was opened for the 2019 academic year. This project was jointly funded by the Bay of Plenty Regional Council, Tauranga Energy Consumer Trust, Tauranga City Council and the University of Waikato. The Regional Council contributed $15 million to the project.

Other milestones included the start of construction on the Scion Innovation Hub in Rotorua (with first funding drawdowns expected in 2019/20), the completion of stage one of the Tauranga Harbour Marine Precinct, and continued progress on the Ongare Point and Rotoiti/Rotomā wastewater reticulation schemes.

BUILDINGS UPGRADE PROJECT

Bay of Plenty Regional Council is currently upgrading its two offices in Whakatāne and Tauranga. We have also secured a tenancy within a new building in Rotorua, with all projects to be completed in 2019/20.

This project includes the refurbishment of Regional House in Tauranga, modernising the Whakatāne office, as well as upgrading Wallingford House in Tauranga to an IL4 (Importance Level) building to accommodate the Civil Defence Emergency Management Group Emergency Coordination Centre.

Refurbishing Regional House will enable all Tauranga-based staff to be brought together to work from one location. Modernising the Whakatāne office space, which includes changing the working space to open plan, will see all staff benefit from having flexible workspaces.

A significant amount of work was carried out during the year with the refurbishment of our Regional House office in Tauranga nearly complete and the refit of our office in Whakatāne (50% complete). Environmentally sustainable design features are being integrated into the Tauranga and Whakatāne offices to significantly reduce the organisation's energy use and carbon footprint.

Service Delivery Performance
Ngā whakatutukitanga-a-ratonga

Our work is carried out across 33 activities which are sorted into nine groups of activities. These nine groups deliver the services and infrastructure, and perform the functions that enable us to deliver on the Community Outcomes outlined in our Strategic Framework. Our performance measures and targets are set in our Long Term Plan 2018-2028.

Each of the nine Group of Activities state the levels of service that will be delivered by that Group, and have performance measures and targets that indicate how well we are delivering our services to the community.

In our Long Term Plan 2018-2028 we introduced a number of new performance measures, often with very challenging targets. This is our first Annual Report to report on those measures and we have achieved most (78%) of our targets and come close with several others. We have seen significant improvement in some of our levels of service, including resource consent processing times and governance targets. We have increased the satisfaction with our resource consent process, however were not able to meet the target, which was set higher in 2018/19 than in previous years.

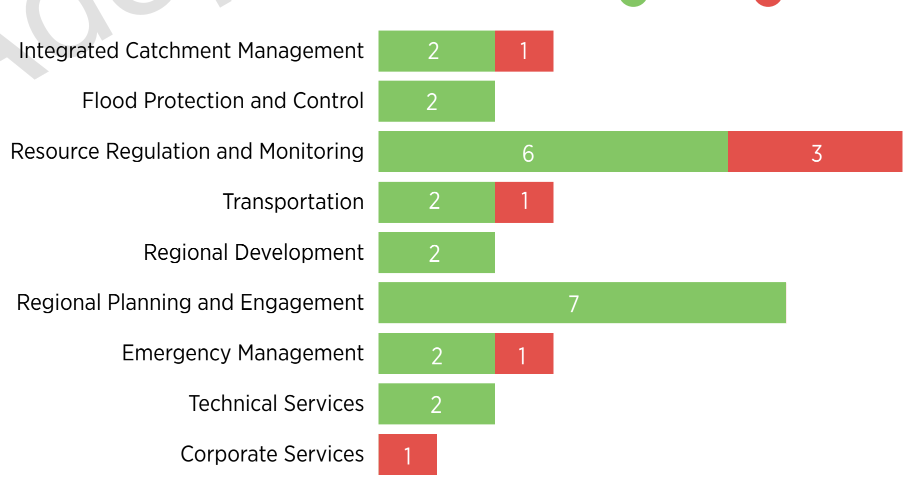
Of the 32 measures that we used to track our performance in 2018/19, the summary graph shows that:

- We achieved the targets for 25 measures (78%)
- We have not achieved the targets for seven measures (22%)

Detail on each of the 32 measures, targets and previous results can be found under the Group of Activity section of this report. This includes commentary where a target was not achieved.

We will focus on achieving the targets and delivering on our Community Outcomes during 2019/20.

TARGETS BY GROUP OF ACTIVITIES



Note: two measures included in the LTP are not due to be reported on in 2018/19, as such these are not included in the above information. These are:

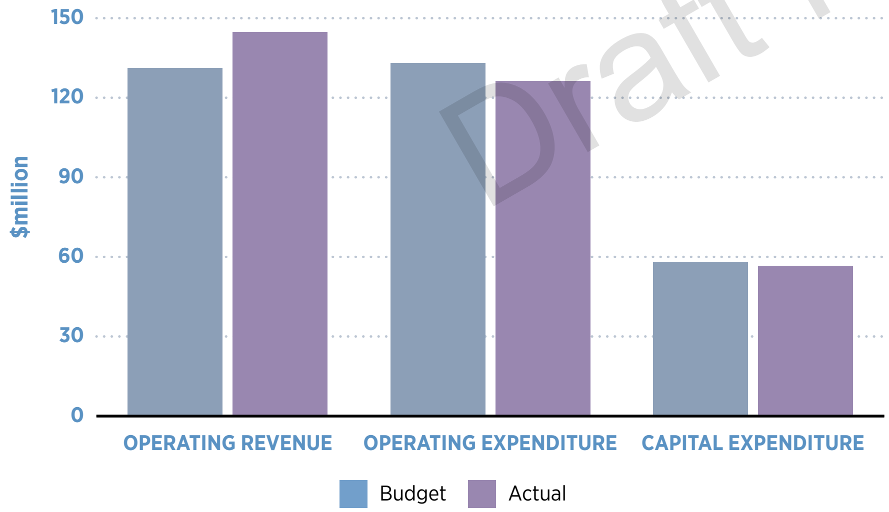
- Percentage of Tauranga and Rotorua bus users whose overall satisfaction with the bus service is rated as satisfactory or higher (triennial survey) – next due to be reported in 2020/21.
- Percentage of industry stakeholders who are satisfied with Bay of Connections (biennial survey) – next due to be reported in 2019/20.

Financial Performance
Ngā whakatutukitanga ahumoni

OVERALL GROUP PERFORMANCE

Our focus for 2018/19 has been on delivering what we said we would do in the first year of our Long Term Plan 2018-2028. Council recorded an operating surplus of $18.4 million, compared to budgeted deficit of $1.8 million. We delivered our work programme through operating expenditure of $126.3 million compared to a budget of $133.0 million. We also delivered a significant increase in our capital works programme with capital expenditure of $56.6 million, compared to $36.5 million in 2017/18 and a budget of $57.9 million. The majority of the 2018/19 capital works were funded through borrowings.

REVENUE, OPERATING AND CAPITAL EXPENDITURE



Revenue during the year was $144.6 million compared to budget of $131.2 million. During the year, the Council's Put Option liability from the $200 million Perpetual Preference Share (PPS) issue was reduced from $15 million to $3.4 million, resulting in an $11.6 million non-cash gain not budgeted for.

Our consolidated group results include the operating revenue and expenses for Council and Quayside Holdings Limited (QHL), our 100 percent Council-owned subsidiary, which holds a 54.14 percent share in the Port of Tauranga Limited. The group recorded an operating surplus of $90.9 million after income tax. Total operating revenue increased by $59.0 million from $395.2 million to $454.2 million. This is mainly due to an increase in Port services income. Total operating expenditure (excluding tax) increased by $32.5 million mainly due to an increase in trading expenses (Council and Port) and other losses (QHL).

FINANCIAL STRATEGY

Our financial strategy, detailed in our Long Term Plan 2018-28, informs our decisions about how to manage our finances in a sustainable way. For us this means a balance between providing the community with what they want and need, and keeping our core services and functions affordable.

Four key aspects of our strategy relate to:

- Fees and charges and targeted rates
- Use of dividends
- Funding infrastructure projects
- Effective balance sheet

FEES AND CHARGES AND TARGETED RATES

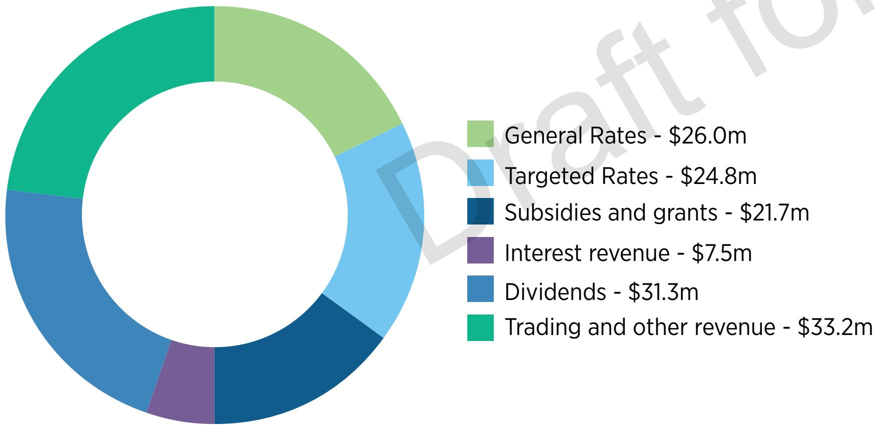
Strategy: Stronger focus on the money we collect from fees and charges and from targeted rates.

What we achieved: Council received $24.8 million from targeted rates, as budgeted, compared to 2017/18 of $16.2 million. A new targeted rate, providing revenue of $2.3 million was introduced for Emergency Management, alongside new and increased targeted rates for Passenger Transport which provided revenue of $8.4 million. These rates are targeted to promote greater transparency and accountability.

Our Long Term Plan 2018-28 included a general rates rise of 9.1% (an average of $26.0 per household) in 2018/19. General rates received during the year was $26.0 million, which was in line with the budget of $25.7 million.

Council received revenue of $11.4 million from fees and charges, $0.73 million more than budgeted. This included new fees and charges for Data Services, which is also a change from general funding.

WHERE OUR REVENUE COMES FROM



USE OF DIVIDENDS

Strategy: Use the dividend received from Quayside Holdings Limited (QHL) to fund our work across the region and reduce rates.

What we achieved: Council received dividend revenue from QHL of $31.2 million, compared to $25.6 million the previous year. This equates to 22 percent of our total operating revenue for 2018/19. Without a dividend of this significance Council would either need to reduce our work across the region or impose significantly higher rates increases.

FUNDING INFRASTRUCTURE PROJECTS

Strategy: Contribute some funding for infrastructure projects outside our organisation.

What we achieved: Council planned to have an unbalanced budget for 2018/19 of $14.3 million, however the council achieved a surplus of $18.4 million. During the year Council contributed to third party infrastructure projects through the use of the Regional Infrastructure Fund. A total of $12.0 million was spent from the fund for Regional Development projects and the Te Arawa Lakes Programme. The deficit was lower than anticipated due to $6.4 million less spending by the Integrated Catchments Group of Activity.

Council used $45 million from the Regional Fund reserve to establish a new investment reserve, the Toi Moana Fund, to optimise returns to Council over the long term. Quayside Holdings Limited will manage the Toi Moana Fund on behalf of Council from 1 July 2019.

EFFECTIVE BALANCE SHEET

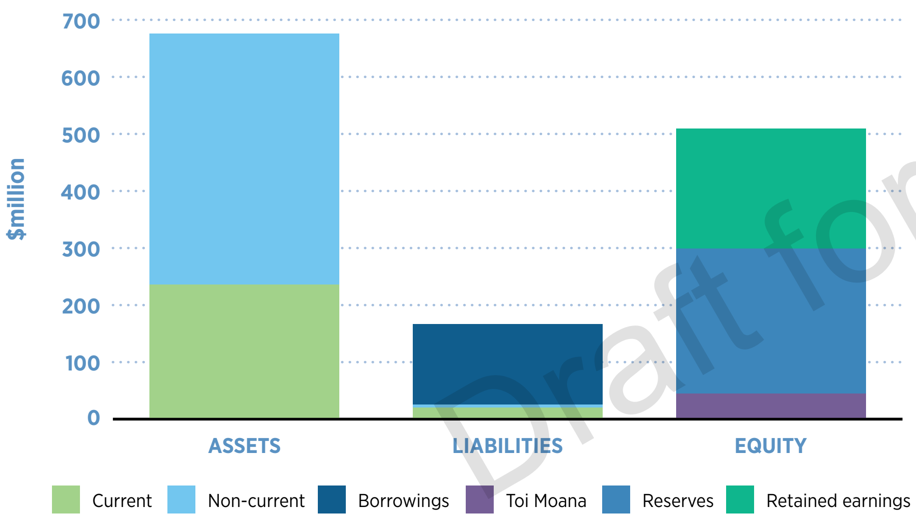
Strategy: Using borrowing to pay for assets to allow us to spread the cost out over time, so that future generations will pay for the benefit they will receive, as well as freeing up money to be invested for future benefits.

What we achieved: Council has maintained a strong balance sheet, holding $45 million in the Toi Moana Fund as budgeted, and $253.9 million in other reserves compared to $242 million budgeted. Our non-current assets significantly contribute to our balance sheet with $424.9 million of property, plant and equipment, and $9.0 million of financial assets.

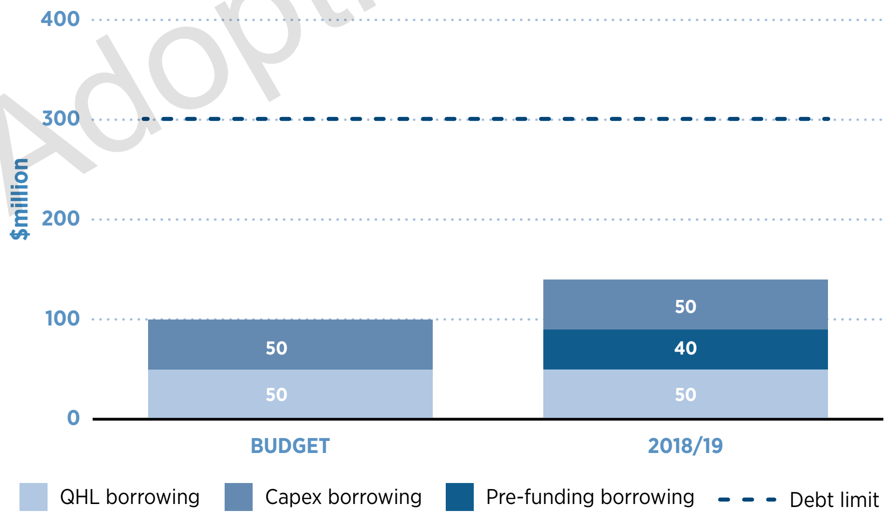
As planned, Council has increased borrowings, with a total of $140.5 million borrowed from the LGFA. Of these funds $90.5 million was for capital expenditure, these borrowings were re-invested to align with future cash flows, and $50 million was on lent to Quayside Holdings Limited (QHL). Council has worked with QHL to achieve the best funding outcomes and available returns.

Council's net debt to revenue ratio as at year end was -44 percent, this is within our debt to revenue ratio limit of 250 percent.

BALANCE SHEET



BORROWING AND DEBT LIMIT



The borrowing has helped fund several major ongoing projects including flood protection and control activities of $21.8 million, Kaituna River re-diversion of $12.5 million, and building projects of $15.4 million.

Who we are

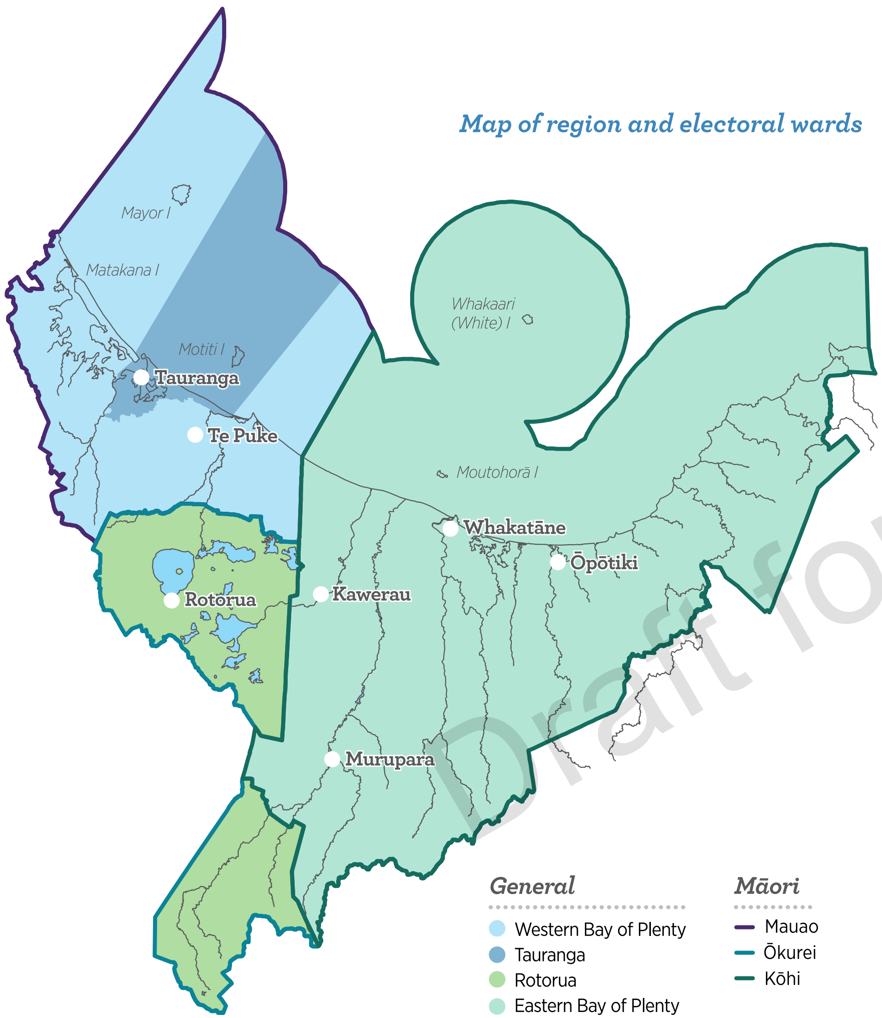
Ko wai mātou

As the Bay of Plenty Regional Council, our work guides and supports the region's sustainable development and is focused around four outcomes we're working towards for the community: a healthy environment, freshwater for life, safe and resilient communities, and a vibrant region.

Looking after the environment is at the heart of what we do. Our role is different to that of other local councils in the region: the District and City Councils focus on services, such as water supply, refuse collection, sewerage, road maintenance, land-use and subdivisions, and community services (libraries, swimming pools and recreation areas). Our focus is at the regional level: managing the effects of people's use of freshwater, land, air and coastal water through regional rules and policies and issuing consents. We manage the region's rivers with responsibility for flood control, and also coordinate navigation safety and emergency management in the region. We have a broader responsibility, with others, for the economic, social and cultural well-being of the regional community, which includes planning regional transport and providing public transport services. This work is organised into nine areas within Council: these are described in more detail on page 30.

As a Regional Council we are bound by national legislation which sets out our responsibilities and how we provide them to the whole regional community. This legislation also sets out how we must engage with and build Māori capacity and capability in contributing to our decision making processes.

Map of region and electoral wards



THE COUNCIL

Bay of Plenty Regional Council has 14 councillors, with 11 elected from four general constituencies – Tauranga (five councillors), Rotorua, Western Bay of Plenty and Eastern Bay of Plenty (two each), while voters on the Māori roll elect one councillor from each of the three Māori constituency areas – Kōhi, Mauao and Ōkurei.

Approximately 400 full time staff are employed by the Regional Council – working from six locations across the region: in Whakatāne, Tauranga, Mount Maunganui, Rotorua, Edgecumbe and Ōpōtiki. Our staff carry out the day to day work of the Council and provide the information and expertise to support our Councillors in making sound decisions for the region.

OUR REGION

The Bay of Plenty is on the east coast of the North Island of New Zealand. The region takes in the full sweep of the coastline from Lottin Point in the east, to Waihī Beach in the west, and includes 18 offshore islands extending out to the 12 nautical mile boundary. The area of the region is 21,837 square kilometres comprising 12,254 square kilometres of land and 9,583 square kilometres of coastal marine area.

Inland, the region extends generally to the ridges of the catchments which drain into the Bay of Plenty. The eight major rivers emptying into the Bay are the Wairoa, Kaituna, Tarawera, Rangitāiki, Whakatāne, Waioeka, Mōtū and the Raukōkore.

Prominent features of the region include islands such as Matakana, Mayor (Tūhua), Motiti and an active volcano, Whakaari/White Island, which is part of the extensive geothermal area of the Taupō Volcanic Zone. Other distinctive landmarks include Mauao (Mt Maunganui), Mt Tarawera and Mt Pūtauaki (Mt Edgecumbe), the Tauranga and Ōhiwa Harbours and the lakes of the Rotorua district. There are also five other major estuaries – the Maketū, Little Waihī, Whakatāne, Waiōtahe and Waioeka/Otara estuaries.

OUR PEOPLE

There were an estimated 305,700 people living in the Bay of Plenty as at 30 June 2018. The Bay of Plenty has a rich cultural dynamic with 28 percent of the population identified as Māori and 9.5 percent as an ethnic group other than New Zealand European or Māori. Māori are key partners, stakeholders and members of our community; with 37 iwi, 260 hapū and 180 marae, building and maintaining relationships with these groups is an important part of the regional council's role.

Our relationships with others are crucial to the success of our work. We have a strong regional leadership role. There are many cross-boundary issues facing our region, such as climate change and transport planning, where we aim to work collaboratively with our local partners, complementing the work they do at the local level and facilitating a single voice for the region. These partners and stakeholders are found across the region, and include local and Central Government, Māori, volunteer groups and the private sector.

Western Bay of Plenty

Population projections 2018
184,100

Gender
48% male | **52%** female

Age Groups

0-14 years	15-39 years	40-64 years	65+ years
20%	29%	32%	20%

*Ethnicity**

81%	European or Other
25%	Māori
3%	Pacific Peoples
8%	Asian

Eastern Bay of Plenty

Population projections 2018
51,440

Gender
49% male | **51%** female

Age Groups

0-14 years	15-39 years	40-64 years	65+ years
23%	27%	32%	18%

*Ethnicity**

64%	European or Other
50%	Māori
4%	Pacific Peoples
4%	Asian

Rotorua

Population projections 2018
71,700

Gender
48% male | **52%** female

Age Groups

0-14 years	15-39 years	40-64 years	65+ years
22%	31%	31%	15%

*Ethnicity**

68%	European or Other
38%	Māori
6%	Pacific Peoples
8%	Asian

Figures are Statistics NZ June 2018 projections

**Multiple answers possible so will total more than 100*

Māori participation in decision making

Te whakaurunga o ngāi Māori ki te tuku whakaaro

Our region has New Zealand's second largest Māori population, making up approximately 28 percent of our population. There are 37 iwi, 260 hapū and 180 marae located across the region.

Māori are key partners, stakeholders and members of our community. Within our region there are approximately 1800 land trusts covering more than 5000 Māori land blocks. As of July 2019, there are 22 comprehensive Treaty settlements and several more in progress. Māori make a significant contribution to the region through their ownership of assets; contribution to economic development; participation in Treaty co-governance arrangements with councils; and their kaitiaki roles and responsibilities which influence conservation, preservation and management of natural resources.

Ensuring that we honour our obligations to Māori and ensure Māori participation in decision making is part of the way we work and has specific alignment with our strategic framework and direction.

Collaboration and involvement of Māori in our work is important and during 2018/19 we continued to support Māori participation in decision making processes, particularly via Council's Komiti Māori (Māori Standing Committee) which held six hui on marae across the region in 2018/19. Komiti Māori endorsed the development of *He Korowai Mātauranga (Mātauranga Māori Framework)*, an internal document that aims to recognise mātauranga Māori in decision making processes. In support of this during the year we:

- Assisted iwi members and staff on Treaty co-governance forums, namely Te Maru o Kaituna River Authority and the Rangitāiki River Forum. Of particular note was the launch and celebration of *Kaituna, he taonga tuku iho (Kaituna River Document)* by Te Maru o Kaituna River Authorityon 22 June 2018. Also of note was our continued work with Te Arawa Lakes Trust, Rotorua Lakes Council and Ministry for the Environment as part of the Rotorua Te Arawa Lakes Strategy Group for the coordinated management of the Rotorua lakes.
- Supported Māori constituent Councillors and their contributions to Council,
- Hosted a Councillor workshop on Council-Māori relationships,
- Hosted four Resource Management Plan training sessions for tangata whenua,
- Contributed towards the development of Standard Operating Procedures for tangata whenua engagement,
- Commenced the development of a guideline for staff - *Taking into Account Iwi Planning Documents under the Resource Management Act 1991*, and
- Hosted a number of *He Korowai Mātauranga* information sessions across Toi Moana offices to help build knowledge and understanding in staff of Te Ao Māori.

To further enhance our understanding of Māori values we created a new environmental scientist position (Pūtaiao Mātauranga) and a Māori Resource Management Act Specialist role within the Environmental Strategy team.

We also provided high level advice to Te Arawhiti (formally the Office of Treaty Settlements) on two comprehensive Treaty of Waitangi negotiations for iwi in the Bay of Plenty region.

We funded three hapū/iwi environmental management plans.

We also engaged three summer students to work within Māori Policy providing a level of resource and support to Iwi Authorities and awarded four $2500 student scholarships through to He Toka Tūmoana – The Toi Moana Environmental Scholarship Fund.

Our vision for the region

Tā mātau tirohanga mō te rohe

Our vision of 'Thriving Together – mō te taiao, mō ngā tāngata' is about supporting our environment and our people to thrive.

Our four Community Outcomes provide more detail on what this vision would look like for the Bay of Plenty focusing on:

- A healthy environment,
- Freshwater for life,
- Safe and resilient communities,
- A vibrant region.

Our Vision and Community Outcomes are core aspects of our strategic framework shown to the right. This strategic framework underpins the work we do and the activities and services we're responsible for across the region.

Thriving together – mō te taiao, mō ngā tāngata

The way we work

- We provide great customer service
- We honour our obligations to Māori
- We deliver value to our ratepayers and our customers
- We continually seek opportunities to innovate and improve
- We look to partnerships for best outcomes
- We use robust information, science and technology

Strategic challenges

- Different priorities and issues across the region
- The implications of changing climate
- Limitations of our natural resources
- Sustaining development across the region
- An increasingly complex operating environment
- Ensuring Māori participation in Council decision making
- Balancing the expectations of both national and local partners

COMMUNITY OUTCOMES

A healthy environment

We will maintain and enhance our air, land, freshwater, geothermal, coastal resources and biodiversity for all those who live, work and play within our region. We support others to do the same.

Freshwater for life

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

Safe and resilient communities

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

A vibrant region

We work with our partners and communities to achieve integrated planning and good decision making. We support economic development, understanding the Bay of Plenty region and how we can best add value.

OBJECTIVES

A healthy environment

1. We develop and implement regional plans and policy to protect our natural environment.
2. We manage our natural resources effectively through regulation, education and action.
3. We work cohesively with volunteers and others, to sustainably manage and improve our natural resources.
4. Our environmental monitoring is transparently communicated to our communities.

Freshwater for life

1. Good decision making is supported through improving knowledge of our water resources.
2. We listen to our communities and consider their values and priorities in our regional plans.
3. We collaborate with others to maintain and improve our water resource for future generations.
4. We deliver solutions to local problems to improve water quality and manage quantity.
5. We recognise and provide for Te Mana o Te Wai (intrinsic value of water).

Safe and resilient communities

1. We provide systems and information to increase understanding of natural hazard risks and climate change impacts.
2. We support community safety through flood protection and navigation safety.
3. We work with our partners to develop plans and policies, and we lead and enable our communities to respond and recover from an emergency.
4. We work with communities and others to consider long term views of natural hazard risks through our regional plans and policies.

A vibrant region

1. We lead regional transport strategy and system planning, working with others to deliver a safe and reliable public transport system.
2. We contribute to delivering integrated planning and growth management strategies especially for sustainable urban management.
3. We work with and connect the right people to create a prosperous region and economy.
4. We invest appropriately in infrastructure to support sustainable development.

Our values

- Trust
- Integrity
- Courage
- Manaakitanga
- Kotahitanga
- Whanaungatanga

The work we do

Ā mātau mahi

Our work is carried out across 33 activities which are split into nine groups of activities.

These nine groups deliver the services and infrastructure, and perform the functions that assist us to deliver on the Community Outcomes outlined in our strategic framework. The matrix shows the nine Groups of Activities and the Community Outcomes they link to most strongly.

The following pages report back on our work programmes, financial performance and key performance indicators for 2018/19, using our nine Groups of Activities. The Community Outcomes that link most strongly to each of the Groups of Activities is also shown.

	A Healthy Environment	*Freshwater for life*	*Safe and resilient communities*	*A vibrant region*
Integrated Catchment Management	●	●		
Flood Protection and Control			●	
Resource Regulation and Monitoring	●		●	
Transportation				●
Regional Development				●
Regional Planning and Engagement	●	●		●
Emergency Management			●	
Technical Services	●	●	●	●
Corporate Services	●	●	●	●

Integrated Catchment Management

Te Whakahaere Tōpū i Ngā Wai

A healthy environment

Freshwater for life

Activities

- Tauranga Harbour
- Rotorua Lakes
- Kaituna
- Eastern Catchments
- Regional Integrated Catchment Management

Our Integrated Catchment Management work protects our lakes, rivers, wetlands and coastal environment.

We protect priority biodiversity sites, work to improve swimmability at our most popular swimming spots and help to improve aquatic ecosystem health in other priority water bodies.

Much of our work is delivered through landowner agreements called Environmental Programmes. We also deliver key projects such as the Kaituna River Re-diversion directly, and operate through a range of partnerships with tangata whenua, industry bodies, district and city councils and central government agencies.

We also work alongside volunteers to protect our rivers, harbours and open coastlines through Estuary Care, Coast Care, land care and river care groups. This work is often delivered using the guidance and oversight of local government and iwi representatives on our co-governance committees to ensure cultural values and tikanga are respected.

Delivery highlights

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 also continue to implement 132 Environmental Programme agreements, of which 25 are new this year (52 of the agreements include at least some of a Priority Biodiversity Site, or significant biodiversity within the site). Work also identified our focus catchment priorities in the Uretara, Te Mania, Kopurererua and Waitao sub-catchments.

The Kaituna River Re-diversion and Te Awa o Ngatoroirangi/Maketū Estuary Enhancement Project is six months ahead of schedule, with commissioning of the new culverts expected in December 2019. The restoration of water flows back into the Maketū Estuary is part of a multi-year project which includes wetland reconstruction on track to reach our target of 100 hectares of restored wetland by 2021. Five new Environmental Programme Agreements were signed, bringing the total number of active Environmental Programmes in the Kaituna, Pongakawa and Waitahanui catchments to 20.

The Rotorua Lakes Activity continued to deliver a co-ordinated programme of work through the Rotorua Te Arawa Lakes Programme, which is a partnership programme involving Rotorua Te Arawa Lakes Trust, Rotorua Lakes Council and the Bay of Plenty Regional Council, part-funded by the Ministry for Environment. The objective of the Rotorua Te Arawa Lakes Programme is to meet the Trophic Level Index for each lake. We provide support to landowners to finalise their Nutrient Management Plans in the Lake Rotorua Catchment which are used to support resource consent applications under Proposed Plan Change 10: Lake Rotorua Nutrient Management. Even with the progress made, there has been a less than forecast uptake of the land use change incentives agreements – a significant component of the programme. Council staff have been undertaking a review of the tools used to achieve the challenging targets in the programme and Council are due to consider options in mid-2019.

In the Tarawera Lakes Catchments, we saw the completion of a joint project which focused on assisting property owners to develop voluntary Farm Environment Plans (FEPs). This project was delivered in partnership with Fonterra, Beef and Lamb NZ, and Project Rerewhakaiitu Incorporated (a local farmer group) to manage nutrient losses and improve lake water quality. A total of 48 FEPs in the inner and outer catchments of Lake Tarawera have been developed and landowners are now in the process of implementing those actions outlined in each individual FEP.

Three land use change agreements were negotiated during the year (two in the Lake Rotorua Catchment and one in the Lake Ōkāreka Catchment). These agreements secured 74 hectares of land use change and 1.5 tonnes of nitrogen in the Lake Rotorua Catchment, and 56 hectares of landuse change and 0.5 tonnes of nitrogen in the Lake Ōkāreka Catchment. These land use change agreements are significant because they permanently reduce nutrients leaching into these two lakes, contributing to the achievement of TLIs.

The Lake Rotorua alum dosing programme continued to achieve good results, with no algal blooms in the Lake since 2010.

Our Eastern Catchment Activity highlight was the signing of three Environmental Programmes as part of the Rangitāiki Wetlands Project, co-funded by the Ministry for the Environment. These sites will see a range of wetland restoration and monitoring actions carried out over the next five years.

Monitoring of forest bird populations at several of our intensively managed biodiversity sites (Ōhope, Mokorua and Kōhī reserves in Whakatāne, Manawahe's managed core area, Pūtauaki) are showing significant improvements with bird abundance increasing at all sites, with some birds being found in areas where they had previously disappeared. These positive outcomes are due to intensive pest animal control that has taken place in these areas, with possums, rats and mustelids down to consistently low levels.

A significant milestone was achieved during the year with the completion of the Ōhiwa Harbour Heritage Trail project. The 13 interpretation signs installed at various locations around the harbour tell the story of harbour from cultural, natural and historic perspectives. High levels of investment and engagement, and continuing collaboration and coordination have been seen throughout the project by all those involved.

The Waiōtahe Estuary community continue to work individually and collectively to improve the water quality of the catchment. They have held collective planting days, a collective fencing day, have started implementing their Farm Environment Plans, and continue to engage with the Council in implementing works in the catchment.

Across the region, our Coast Care programme continues strongly with increased number of volunteer numbers, partially due to our increased social media presence which allows us to reach a wider audience. Estuary Care continues to make positive progress with many groups integrating pest control into their work.

Performance Measures

We met the target for two of the three performance measures for Integrated Catchment Management during the year. Commentary for each performance measure is provided below.

LEVEL OF SERVICE

Improve the indigenous biodiversity and waterbodies in the Bay of Plenty catchments

Key Performance Measure: Number of new Priority Biodiversity Sites actively managed

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	4	7	●

Comment: The target for 2018/19 was exceeded, with 7 new Priority Biodiversity Sites being actively managed, compared to a target of 4

Key Performance Measure: Number of Rotorua Lakes that have reached their target Trophic Level Index (TLI), based on the three year rolling TLI

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	2	1	●

Comment: The TLI for one of the Rotorua Lakes we monitor (Lake Rotorua) was reached in 2018/19, compared to the target of two. This measure is focused on the outcome we are seeking to achieve through our work to improve the health of the Rotorua Te Arawa Lakes and is dependent on a range of variables both in and outside Council control. The longer term trend shows improvement in the TLI for the Rotorua Lakes, however short term data is influenced by climate variables

Key Performance Measure: Percentage of monitored river and stream sites that meet the 'swimmability' requirements under the National Policy Statement for Freshwater Management

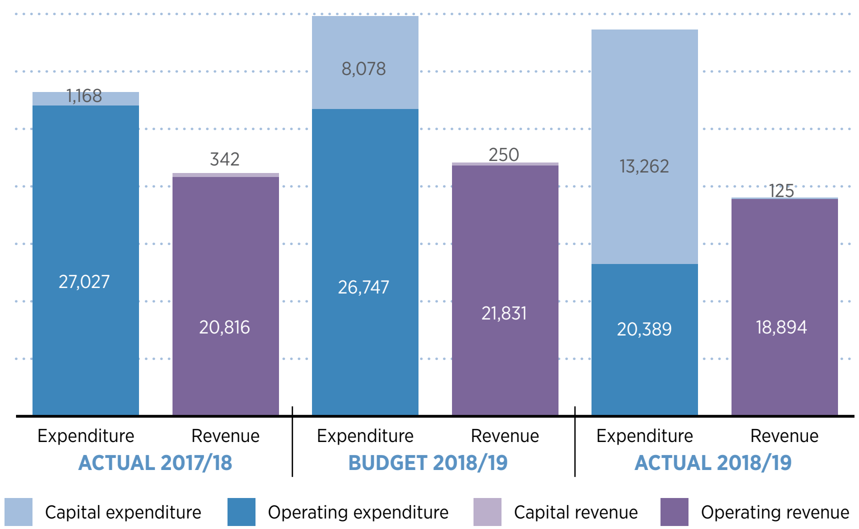
2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	75%	75%	●

Comment: The target for 2018/19 was achieved.

Budget

Actual operating expenditure is $6.4 million lower than budget mainly due to the Rotorua Lakes land use change incentive agreements having lower than expected uptake during the year. The Low Nitrogen Land Use Fund and Engineering Solutions interventions are also both underspent due to initial delays in implementation. As a result, the Ministry for the Environment contribution was $3.0 million lower than budget. Capital expenditure was $0.7 million higher than revised budget. $4.5 million capital expenditure was approved to be brought forward from 2019/20 by Council at the February 2019 meeting for the Kaituna River Re-diversion Project due to that project progressing well ahead of schedule.

HOW MUCH IT COSTS - INTEGRATED CATCHMENT MANAGEMENT



Flood Protection and Control

Te Pare me te Whakahaere Waipuke

Safe and resilient communities

Activities

- Rivers and Drainage Schemes
- Regional Flood Risk Coordination

Our Flood Protection and Control work covers the management of four river schemes, one major drainage scheme and 37 small drainage/pumping schemes. The management of these is supplemented by our regional flood risk coordination activities.

Our river and drainage scheme responsibilities, as set out in our asset management plans, include providing flood protection stop banks, flood pump stations, floodgates and erosion control structures, and constructing flood ways. Within Scheme areas we carry out regular maintenance of structures, stream clearing and lake level monitoring and management of Lakes Rotorua and Rotoiti. We also carry out gravel management operations including resource consent renewals and allocating extractions to commercial operators. These extractions are managed to ensure flood and erosion risk is controlled.

We offer river and stream management advisory services to landowners across the region and flood response activities to river and drainage scheme stakeholders. We also have responsibility for managing activities associated with the Floodway and Drainage Bylaws.

We provide leadership, management, information and advice to manage flood risks and flood hazards in the Bay of Plenty. We carry out flood forecasting, floodplain monitoring and river and engineering surveys to support the development of floodplain management strategies, taking an integrated catchment approach. Alongside this, we provide flood management systems, flood room functionality and maintain a flood warning manual.

Delivery highlights

Staff continued business as usual activities to ensure maintenance and renewals for rivers and drainage schemes in the region were carried out in line with established levels of service and the Rivers and Drainage Asset Management Plan 2018-2068. The work includes regular reporting to the Scheme Advisory Groups.

In April 2017, the region experienced two extreme weather events in close succession, resulting in extensive flooding which caused significant damage to river and drainage networks and assets across the region, and a major stopbank breach at Edgecumbe. Over the past year we have continued to repair this damage, with a significant milestone achieved with the completion of the replacement section of stopbank at College Road, Edgecumbe (location of breach). This involved construction of the new stopbank (located slightly away from its original location), reinstatement of the berm and realignment of College Road. To enable the work to take place, 12 properties opposite the breach site were acquired and cleared to enable the realignment of the road and construction of the stopbank. Steady progress was made on the remaining flood damaged sites identified in the wider repair programme, with 130 repair sites completed during 2018/19, taking the total number of sites completed to 249 (48% of sites completed). The flood repair project is expected to take four years, with completion scheduled for 30 June 2021.

In April 2018, a severe weather event occurred in the Rotorua district resulting in the Ngongotahā Stream overflowing its banks in several places and water inundating many homes, and some businesses. Work to repair damage continued in 2018/19 with 75% of high priority flood repairs on the upper Kaituna Scheme streams now complete. Repairs to the remaining erosion sites on the Ngongotahā and the other Rotorua Streams within the scheme area are programmed to be completed during 2019/20. We are working closely with Rotorua Lakes Council on implementing recommendations from the independent review of the Ngongotahā flood event, which was completed in December 2018.

Remediation of the Kopeopeo Canal continued to be a priority for Council. The project, jointly funded by Bay of Plenty Regional Council and Ministry for the Environment, safely removes, stores and bioremediates elevated levels of dioxin-contaminated sediment from 5.1 kilometres of the Kopeopeo Canal. The dredging and transfer to secure storage sites was effectively complete by 30 June 2019. Covering of the containment sites with topsoil and commencing bioremediation of the contaminated sediment within these containment sites will take place in 2019/20.

Work on the Rangitāiki Floodway Upgrade Project continued with Stage 4 (earthworks to relocate stopbanks, channel widening to increase capacity, and work on internal drainage systems) completed, and Stage 5 (bifurcation) well underway. The Rangitāiki Floodway Upgrade Project is a multi-year project to carry out upgrades to the Rangitāiki floodway and spillway (as part of a wider flood mitigation project to protect the Edgecumbe township, and the Rangitāiki Plains, from up to a '100 year' flood event). Comprehensive consultation was undertaken with affected landowners and the wider community on design options to upgrade the spillway section (Stage 7) of the Floodway. The preferred option (lower fixed crest weir) is supported by the community and council.

Also during the year, a performance assessment of the river schemes' critical assets began. This information will help inform and prioritise future renewal and capital work programmes. This includes a review of recent capital works programmes to ensure asset information is up to date for future valuations. The Enterprise Asset Management (TechnologyOne) module was also introduced during the year. This module will assist Asset and Work Management, including the management of preventive and reactive maintenance, defect management, field mobility and asset historical life cycle costs.

Work continued on the programme of flood wall and stopbank geotechnical assessments with a focus on the Whakatāne, Rangitāiki and Otara Rivers.

Flood modelling work was progressed in a number of areas including the Whakatāne/Tauranga Rivers, Utuhina, Uretara and Ngongotahā streams.

Performance Measures

We met the target for both of the performance measures for the Flood Protection and Control Group of Activities during the year.

LEVEL OF SERVICE

Provide flood protection and drainage

Key Performance Measure: Percentage of maintenance, repairs and renewals completed in accordance with the Rivers and Drainage Asset Management Plan (Note: or based on approved changes to the work programme)

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
90% (Achieved)	90%	91%	●

Comment: The target for 2018/19 was achieved

LEVEL OF SERVICE

Provide the community with timely warning of potential flooding

Key Performance Measure: Percentage of flood warnings at pre-determined levels are given in accordance with the flood warning manual

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
95% (Achieved)	90%	100%	●

Comment: The target for 2018/19 was exceeded, with a 100% result being achieved

Budget

The operating revenue for the Group of Activities was $0.5 million less than the budget. Insurance recoveries for operational items not being received during the year contributed to this. Actual operating expenditure was $13.1 million compared to budget of $13.3 million due to a lower annual grass carp management fee being incurred. This underspend was offset by higher finance costs due to Ministry for the Environment receipts for the Kopeopeo Canal project being lower than anticipated for the year. This has increased the amount of internal interest cost with the higher loan balance. This is offset by higher interest revenue within the Finance and Corporate Activity.

Capital revenue is $2.3 million lower than budget, mainly due to insurance funds not being recovered as quickly as anticipated. Revenue associated with the Kopeopeo Canal Remediation project is lower than anticipated. Funds have been recovered up until January 2019.

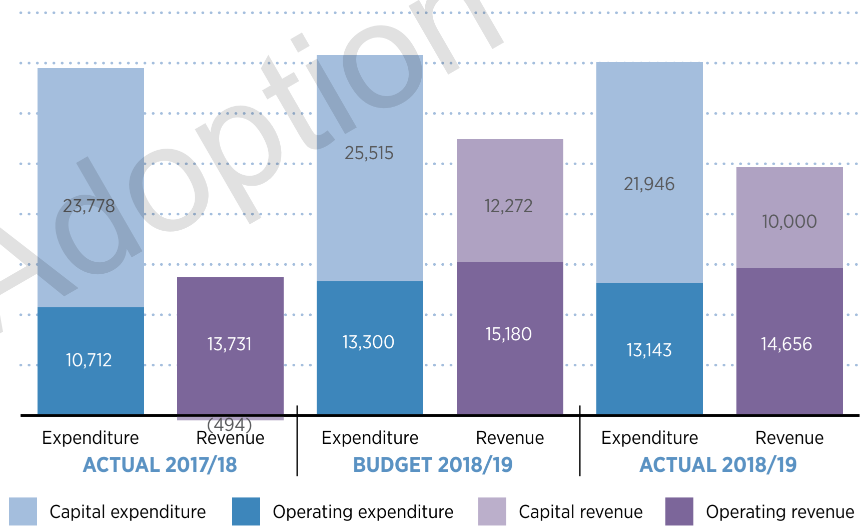
Capital expenditure is $0.6 million lower than budget. During the year the Group revised budget was $25.5 million. The Kopeopeo Canal project had a revised budget of $1.3 million and the Rangitāiki Floodway had $1 million, both brought forward from 2019/20.

Capital expenditure was $3.6 million lower than the revised budget with approximately $1.7 million to be carried forward to 2019/20; $1 million for the new capital work on the Kaituna River scheme, $0.2 million on capital renewals for Waioeka-Otara and $0.5 million on the Rangitāiki Drainage Scheme.

Work within the Rangitāiki-Tarawera Scheme is $1.7 million underspent which is mainly due to a lack of rock supply which has limited the amount of work able to be achieved.

Flood Damage repairs across all schemes have been delivered close to budget during the 2018/19 year.

HOW MUCH IT COSTS - FLOOD PROTECTION AND CONTROL



Resource Regulation and Monitoring

Ngā Ture Rawa me te Aroturuki

A healthy environment

Safe and resilient communities

Activities

- Air Quality
- Biosecurity
- Resource Consents
- Regulatory Compliance
- Maritime Operations

Our Resource Regulation and Monitoring work protects and maintains our environment, on land, air and at sea.

It manages and controls pests; grants and monitors consents to ensure the environmental impacts of people and businesses are minimised or managed appropriately; responds to complaints and pollution incidents; and monitors and improves local air quality. We are also responsible for ensuring the rules set out in national legislation, and in our own regional policies and plans, are followed.

Delivery highlights

Our Biosecurity Activity continued to carry out a range of activities to manage pest plants and pest animals. The development of our new Regional Pest Management Plan continued through the year, including looking at whether or not further pests should be added to the plan.

Alongside our business as usual biosecurity work, we applied for and were granted resource consent to use aquatic herbicide (Endothall) to control aquatic weed in the Rotorua Lakes catchments. Being able to add Endothall to the mix of tools we use for controlling aquatic weeds will be useful, particularly for lakes with poorer water quality. We also carried out monitoring for herbicide applications over water in Maketū Estuary and the Rangitāiki River, as required by the Environmental Protection Agency, and in both cases the herbicide was undetectable in water samples post application.

The management of catfish in the region continues to be an on-going challenge. By the end of the summer season, more than 28,000 catfish had been caught in the Rotorua Lakes, including the catfish caught in the community trapping programme managed by the Te Arawa Lakes Trust. While numbers caught by us in Lake Rotoiti were down compared to last year (24,935 compared to 34,117 for 2017/18), we were disappointed to discover the species near Mokoia Island in Lake Rotorua (the first time catfish have been discovered in Lake Rotorua). Staff continued to educate the public about their role in helping to prevent the spread of catfish, and educational signs about catfish were put up at popular boat ramps in the region. Council continues to rely heavily on science, largely through Niwa and the University of Waikato, to find new surveillance methods and tools to effectively manage catfish and prevent their further spread.

Our Rotorua Air Quality Programme continued its efforts to improve the Rotorua urban airshed air quality through a mixture of clean heat incentives, education and regulation. We continued to deliver our Hot Swap, and Low Income Heating Grant Scheme to help people with non-compliant home heating to convert to clean heating. More than 325 non-compliant solid fuel burners were replaced with clean heat during the 2018/19 financial year, with a significant number (145) of those conversions directly attributable to the air quality programme. Since May 2015, when there were an estimated 7650 properties with non-compliant solid fuel burners, approximately 3825 replacements or removals have been recorded that are attributable to the air quality programme. It is likely that the total number of non-compliant solid fuel burners that have been removed is higher, as not all cases of removal or replacement are reported.

Our resource consent team continued to process consents with 461 applications processed during the year. Significant progress was made in resource consent processing times with 96.3% of applications received during the year being processed within statutory timeframes. This is a strong improvement compared to 2017/18 where only 55% of consents were processed within statutory timeframes. This was mostly due to changes in the way the team has been resourced, and changes to internal systems and processes. Also during the year, two Environment Court hearings were held for two resource consent decisions issued by the Council (Otakiri Spring water bottling, and Transpower realignment over Rangataua Bay).

Our regulatory compliance team conducted more than 3000 site inspections for consented activities during the year, almost 400 more than the year before. In addition, the regulatory compliance team reviewed 7691 performance monitoring data reports provided by consent holders, and 3519 service requests received through the Council's Pollution Hotline, 19.5% more than the year before. This continues the trend that we have been seeing of increased calls to the Hotline over the past five years. Despite this increase, staff responded to 100% of all urgent calls, and customer satisfaction surveys returned 94% positive feedback.

Decisions were received from the courts in relation to 12 prosecutions, resulting in a total of $549,025 in fines. At the time of reporting, 17 cases remain before the courts, relating to offences from 2017 to present.

Highlights from our Maritime Activity includes the installation of a bar camera above the Kaituna cut providing boaties an up-to-date look at bar conditions. It has already had a high level of engagement with more than 40,000 views. During the summer season, 601 bylaw breaches (warnings) and 49 infringements were issued. At the same time more than 10,000 harbour and lakes users were engaged with to help ensure understanding and compliance with the Bay of Plenty Navigation and Safety Bylaw. In addition, maritime staff participated in annual National Oil Response Team and Regional exercises – helping ensure that staff are ready to respond to future oil spills.

Performance Measures

We met the target for six out of the nine performance measures for the Resource Regulation and Monitoring Group of Activities during the year. Commentary for each performance measure is provided below.

LEVEL OF SERVICE

Improve air quality

Key Performance Measure: Replacement of noncompliant burners in Rotorua Airshed attributed to the Rotorua Air Quality Programme

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	200	145	●

Comment: Over 325 replacements of non-compliant solid fuel burners in the Rotorua Airshed have been identified. Of these 145 are able to be attributed to the Rotorua Air Programme, of the remaining, many will have been influenced by the work carried out by the Rotorua Air Programme however it is not possible to determine exactly how many should be attributed. There has been an unanticipated decline in both Point of Sale burner removals and solid fuel burner building consent applications for the Rotorua Airshed

LEVEL OF SERVICE

Deliver effective pest management

Key Performance Measure: Council maintains a current Regional Pest Management Plan, develops management plans for new pest incursions and prepares annual reports in accordance with the Biosecurity Act

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	100%	100%	●

Comment: The target for 2018/19 was achieved

LEVEL OF SERVICE

Provide a clear and timely resource consent process consistent with our regional planning documents

Key Performance Measure: Percentage of new consent applications issued discounts due to Council exceeding statutory processing timeframes (lower is better, measure is achieved when the result is less than or equal to the target)

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	5% (lower is better)	3.7%	●

Comment: Significant improvement has been seen regarding the consent application processing time (percentage of new consent applications issued discounts). During 2018/19 only 4% of the consent decisions made on applications received within 2017/18 received discounts due to not being processed within the statutory timeframe, a large improvement from 2017/18 where the corresponding number was 45%. As the definition of the measure has changed slightly from last annual report there is however no 2017/18 result in the table above

Key Performance Measure: Percentage of customers who are satisfied overall with the service provided during the consents process

2016/17 RESULT*	2018/19 TARGET	2018/19 RESULT	RESULT
72% (Achieved)	80%	77%	●

** Performance measure last reported in 2016/17*

Comment: The result for this measure was slightly below the target of 80% with 77% of customer either satisfied of very satisfied. The last time this measure was reported was in 2016/17 with a result of 72% recorded. Council will continue to work to build the level of satisfaction to meet the target for 2019/20

LEVEL OF SERVICE

Respond to environmental incident complaints

Key Performance Measure: Percentage of urgent complaints made to the pollution hotline that are responded to within 12 hours

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
100% (Achieved)	95%	100%	●

Comment: The target for 2018/19 was achieved

Key Performance Measure: Percentage of customers satisfied with staff response to substantiated complaints about Resource Management Act non-compliance

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
93% (Achieved)	80%	94%	●

Comment: The target for 2018/19 was exceeded, with a 94% result, compared to a target of 80%

LEVEL OF SERVICE

Ensure consent conditions are monitored and complied with

Key Performance Measure: Percentage of compliance monitoring inspections that occur as per the frequency specified in the Resource Management Act and Building Act Charges Policy

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	80%	77%	●

Comment: The result was slightly below the target of 80%. This was a result of several factors, including decisions to prioritise higher risk activities and to use desktop performance monitoring instead of site visits where deemed advisable. This was a new measure for 2018/19 and Council will continue to focus on this area of work for 2019/20. Including, where possible, through changes to inspection frequency and appropriate dedicated resourcing of reactive and/or high risk work

LEVEL OF SERVICE

Minimise risks and effects of maritime oil spills and navigation hazards

Key Performance Measure: Percentage of navigation aids rated as 'good' quality or higher

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	90%	100%	●

Comment: The target for 2018/19 was exceeded, with 100% being achieved

Key Performance Measure: Spills in Tauranga are responded to within 30 minutes and all others are responded to within two hours

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	95%	100%	●

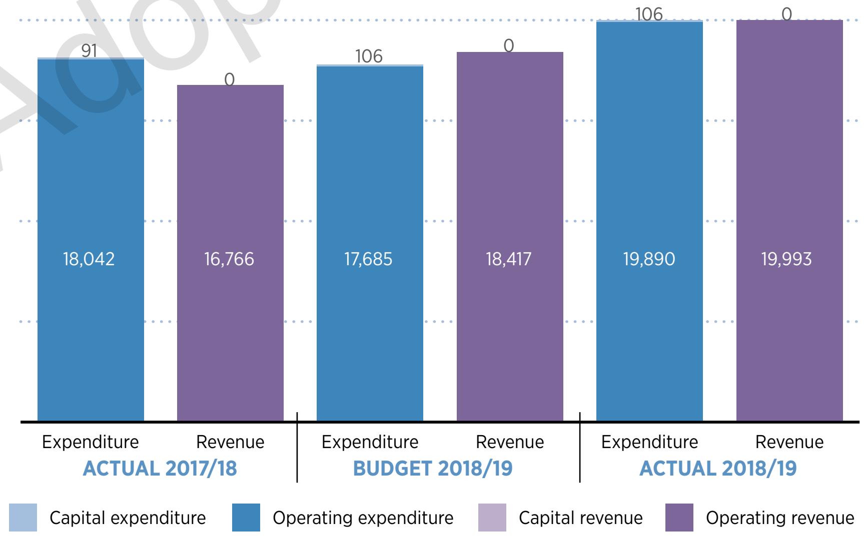
Comment: The target for 2018/19 was exceeded, with 100% being achieved

Budget

Resource Regulation and Monitoring received additional $1.6 million revenue, offset by an additional $2.2 million in expenditure. The Biosecurity Activity had additional revenue and expenditure as a result of the Biocontrol Programme administered on behalf of other councils. Expenditure was also higher than budgeted due to the discovery of catfish in Lake Rotorua at the end of 2018.

The Resource Consents Activity incurred additional costs to meet increased demand for processing consent applications. These costs have been offset by a corresponding increase in revenue collected through fees and charges.

HOW MUCH IT COSTS - RESOURCE REGULATION & MONITORING



Transportation

Ikiiki

A vibrant region

Activities

- Passenger Transport
- Transport Planning

We plan, contract, fund and monitor passenger transport services in the region, including the Bayhopper services, and concessionary fare schemes such as Total Mobility.

We also support national and local road safety programmes and fund on-going maintenance of an existing stock truck effluent facility. We provide transport planning to meet our obligations under the Land Transport Management Act 2003: our plans are laid out in the Regional Land Transport Plan, which we develop in partnership with the local councils and the New Zealand Transport Agency. Our aim is to support an effective and efficient transport.

Delivery highlights

We continued to provide bus services for Tauranga, Rotorua and rural areas with over 2.71 million passenger trips recorded during the year.

In December 2018, the public transport system in Tauranga underwent significant change with the implementation of the Western Bay of Plenty Public Transport Blueprint (the Blueprint), which implemented a variety of changes to the bus network including the number, frequency and routing of bus routes. That change also resulted in a change in bus contractor.

Following implementation of the Blueprint, significant challenges were experienced with the delivery of a reliable public transport system in Tauranga. The most challenging and pressing aspects of the start of the new contracts was the number of missed trips due to operational and contractual performance failures and a shortage of bus drivers. During December 2018 and January 2019, missed trips mostly occurred on the weekend. However, performance failures reached critical levels at the start of the school year, with several instances of multiple consecutive school time trips missed from the urban network while the contractor diverted resources into covering school bus runs. We worked closely with the new contractor (NZ Bus) to address as many of the issues as quickly as possible, with the performance of the bus network improving over the last quarter of 2018/19. The delivery of our bus services will continue to remain a priority for Council across the region through 2019/20.

During the year we implemented a number of other changes to bus routes including starting a one year trial of fare-free bus services for school students in Welcome Bay which will continue into 2019/20. Concession bus fares on the Rotorua CityRide urban service were also implemented and the Waihī Beach trial passenger transport service was continued as a permanent two day a week service. Council also agreed to implement and fund passenger Wi-Fi on Rotorua and Eastern Bay bus services. Usage of the public Wi-Fi system on Tauranga buses continued to increase as confidence grows in the system. By the middle of 2019 there were around 6,500 unique devices that accessed the system and public Wi-Fi is available on 91 buses in Tauranga. Fare free bus travel was provided for special events during the year, including the Bay of Plenty Steamers' game against Canterbury, AIMs Games in Tauranga, and the royal visit of the Duke and Duchess of Sussex to Rotorua.

We also looked at and consulted on improving the level of service for passenger transport as part of the Annual Plan 2019/20. Following consultation, a decision was reached to hold a one year trial of tertiary and commuter services (provided we receive co investment from partners) across the Bay of Plenty, and to also trial fare-free bus travel for school students in Tauranga.

The Western Bay of Plenty Public Transport Implementation Plan was developed during the year and will be finalised in 2019/20 in conjunction with Tauranga City Council, Western Bay of Plenty District Council and the New Zealand Transport Agency. This plan coordinates existing projects that are already identified or underway and provides a structure for collaboratively working together to achieve the desired outcomes from the Western Bay of Plenty Public Transport Blueprint. The Implementation Plan will also cover activities that need to be implemented to support growth in public transport.

During the year, the Urban Form and Transport Initiative (UFTI) was formed. UFTI is a collaborative project led by SmartGrowth and the New Zealand Transport Agency and involves Western Bay of Plenty District Council, Tauranga City Council, Bay of Plenty Regional Council, iwi, and community leaders. The key focus of UFTI is to find answers for housing capacity, intensification, multi-modal transport (such as public transport and cycleways) and network capacity. Along with other teams in Council, our Transportation Planning Activity is involved in this work.

A significant milestone was achieved during the year with the adoption of the Regional Land Transport Plan in December. The Plan combines the thinking from all the Councils in the region into a single strategic document for land transport investment. It is also the way the region as a whole seeks central government funding for transport related activities (including road safety, walking and cycling infrastructure, public transport and road improvements), and it sets the direction for the region's land transport system for the next 30 years.

Phase 1 of the investigation into passenger and freight rail in the Bay of Plenty (Bay of Plenty Passenger and Freight Rail Phase 1 Investigation) was completed. It included a review of current information, evidence and expertise needed to update our knowledge in this area. It was endorsed by the Regional Transport Committee. The second phase will look at what this means with respect to a rapid transit system for Tauranga.

A review of the role of the Regional Transport Committee was completed, which lead to an update of the Terms of Reference for the committee. The Regional Land Transport Plan Annual Report Card which tracks a range of transport indicators to enable trends, was also completed.

Performance Measure

We met the target for two out of the three performance measures for the Transportation Group of Activities during the year. Where a target has not been achieved, commentary is provided below the result.

LEVEL OF SERVICE

Provide a quality cost-effective public transport system

Key Performance Measure: Number of passenger transport trips taken in the region

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	2,800,000	2,712,930	●

Comment: The patronage target of delivering 2,800,000 passenger transport trips during the year was not achieved. The final result missed the target by 3.1 percent. Some of the missing patronage is a result of responding to the Tauranga service outages at the start of 2019, where some buses did not have operative ticketing equipment installed, or it was being used improperly

Across the 11 services operated across the region, patronage has grown on five of the services with patronage increasing for the Tauranga Bayhopper urban, Ōhope, Te Puke and Katikati/Ōmokoroa services. Declines were seen on the remaining services in particular the Tauranga Bayhopper Schools and Rotorua bus services.

It has been positive to see patronage increases for a number of services some services growing including the Tauranga Bayhopper urban service which is the largest service operated by Council. We expect to see an increase in the use of the Tauranga Bayhopper Schools following the introduction of fare free bus service trial for Tauranga school children beginning in 2020, and a review of the Rotorua bus network that is underway in 2019.

Note: One measure under this Group of Activity is not due to be reported on in 2018/19. The measure *'Percentage of Tauranga and Rotorua bus users whose overall satisfaction with the bus service is rated as satisfactory or higher (triennial survey)'*, is next due to be reported in 2020/21.

Key Performance Measure: New Zealand Transport Authority (NZTA) Audit recommendations implemented

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	100%	100%	●

Comment: The target for 2018/19 was achieved.

Key Performance Measure: Percentage of planning and policy reports that are rated satisfactory or higher via an independent assessment process

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	80%	100%	●

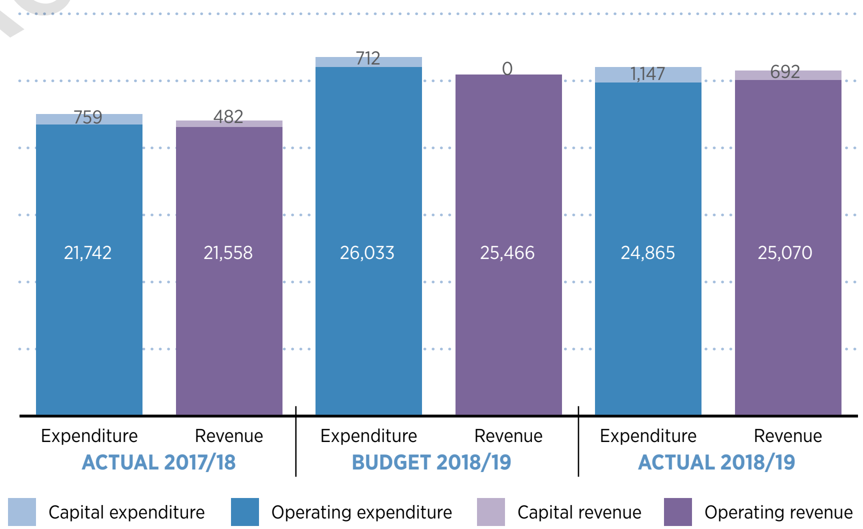
Comment: The target for 2018/19 was exceeded, with 100% being achieved

Budget

Operating revenue during the year was $0.4 million lower than budget due to a subsidy not claimed due to lower expenditure for bus shelter construction and maintenance and road safety. Tauranga school buses have not received revenue as ticketing machines had to be reallocated for the additional services provided.

Operating expenditure is $1.2 million lower than budgeted due to the introduction of the new bus services contract for Tauranga and adjustments in the timing of the implementation of the new ticketing system and the Real Time Passenger Information system. Capital expenditure for the Regional Integrated Ticketing System (RITS) was carried forward from 2017/18 to the electronic ticketing project. NZTA subsidises 65 per cent of the costs associated with the RITS, increasing the anticipated revenue in the current year compared to budget.

HOW MUCH IT COSTS - TRANSPORTATION



Regional Development

Whanaketanga ā-Rohe

A vibrant region

Activities

- Regional Infrastructure
- Regional Economic Development
- Regional Parks

Our Regional Development work involves collaborating with Māori and a variety of community stakeholders to develop initiatives to improve the Bay of Plenty – socially, culturally, economically and environmentally. We want to make sure our region grows in a way that keeps its values safe for future generations.

Delivery highlights

In 2018/19, our support of regional economic development continued through Bay of Connections.

A key focus during the year was the review and reset of the Bay of Connections framework, which saw us engage with more than 250 stakeholders. Bay of Connections 2.0 is focused on advancing economic development priorities in the four sub-regions and advancing regional opportunities that evolve from this engagement. For example, we supported a number of successful Provincial Growth Funding bids during the year, including two Rotorua-based projects identified in the Bay of Connections Visitor Economy Strategy (Lake Rotorua Lakefront Development and Whakarewarewa Forest Development).

In August we were part of the Eastern Bay Regional Leadership Group and its efforts to secure Provincial Growth Funding to advance key local priorities. As a result, the Eastern Bay of Plenty has received funding for several key projects including the Ōpōtiki Harbour Development Project, Whakatāne Tourism and Wharf Development and the Whakatāne Waterfront and Town Centre Regeneration.

We also continued to administer the Regional Infrastructure Fund and other Third Party Infrastructure projects, with the following milestones reached during the 2018/19 financial year:

- The first stage of the $11.4 million Tauranga Harbour Marine Precinct development at Sulphur Point was completed (and opened) in August 2018. The Regional Infrastructure Fund contributed $5 million to the project.
- The new University of Waikato Tauranga Tertiary Campus was opened for the 2019 academic year. This project was jointly funded by the Bay of Plenty

Regional Council, Tauranga Energy Consumer Trust, Tauranga City Council and the University of Waikato. The Regional Council contributed $15 million to the project.

- Construction began on the Scion Innovation Hub in Rotorua, with funding drawdowns expected in 2019/20. The Regional Council contribution to the project is $2.5 million.
- Wastewater schemes were progressed with drawdowns for the Ongare Point wastewater scheme completed and the first drawdown for the Rotoiti/Rotomā reticulation scheme made.

We also continued our role in management and maintenance work of our two regional parks (Pāpāmoa Hills and Onekawa Te Mawhai). Stage 1 of our Pāpāmoa Hills Revitalisation Project (Te Whakarauoratanga o Te Rae o Pāpāmoa) was completed. This stage outlines the capital improvements that will be made to the park over the next two years, particularly to the carpark, track and signs. New stockyards and woolsheds were also completed during the year. During 2018/19, 106,383 people visited the park.

Core operational work also continued at Onekawa Te Mawhai Regional Park with highlights including the planting of 1400 trees, and the installation of a pedestrian counter to assist with monitoring visitor numbers in the future.

Performance Measures

We met the target for both of the performance measures for the Regional Development Group of Activities during the year.

Note: One measure under this Group of Activity is not due to be reported on in 2018/19. The measure *'Percentage of industry stakeholders who are satisfied with Bay of Connections (biennial survey)'*, is next due to be reported in 2019/20.

LEVEL OF SERVICE

Facilitate regional economic development

Key Performance Measure: Sector strategies are reviewed and updated every three years

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
1	1	1	●

Comment: The target for 2018/19 was achieved

Manage our Regional Parks sustainably

Key Performance Measure: Number of visitors to our Regional Parks

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	100,000	106,383	●

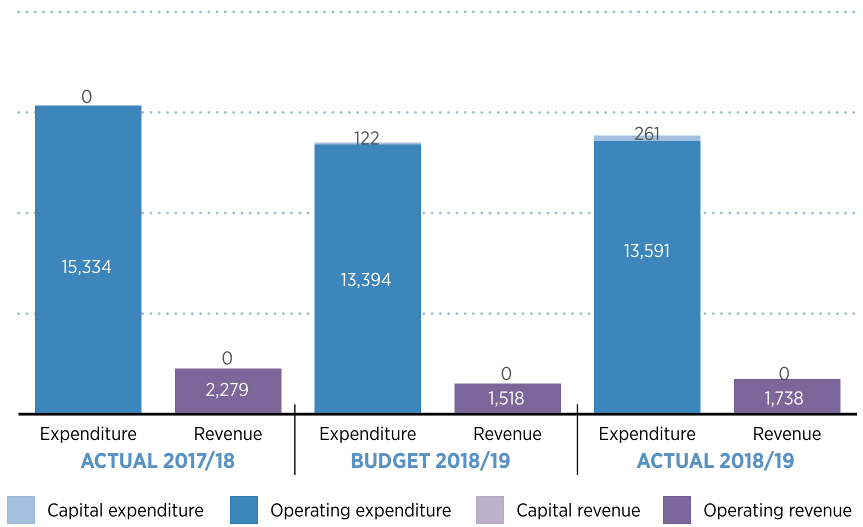
Comment: The target for 2018/19 was achieved

Budget

Actual expenditure of $13.6 million was close to the budget of $13.4 million. Changes to what was budgeted include the Scion Innovation Hub in Rotorua now expected to be completed in the 2019/20 financial year, resulting in a $1.4 million carry forward to 2019/20. An additional $1.9 million was paid during the year for the Rotoiti/Rotomā wastewater reticulation scheme due to the scheme delivering ahead of schedule.

The Regional Economic Activity consultant costs were $0.2 million higher than budget for the Toi Moana BOP Economic Action Plan and the Bay of Connections review. These cost are funded by the Ministry of Business, Innovation and Employment, and the Provincial Growth Fund.

HOW MUCH IT COSTS - REGIONAL DEVELOPMENT



Regional Planning and Engagement

Te Hanga Mahere ā-Rohe me te Whakawhitiwhiti

- *A healthy environment*
- *Freshwater for life*
- *A vibrant region*

Activities

- Regional Planning
- Māori Policy
- Geothermal
- Community Engagement
- Governance Services

Our Regional Planning and Engagement work provides planning and policy advice and informs our overall strategic direction.

This work informs the management of natural and physical resources, supports the development of Māori capacity to contribute to council decision making processes and supports our democratic structure and processes. We also actively engage with the community, building awareness and facilitating involvement.

Delivery highlights

All of the activities in the Regional Planning and Engagement Group (Regional Planning, Māori Policy, Geothermal, Community Engagement and Governance) progressed their respective areas of work for Council. Key highlights for 2018/19 include:

- The Urban Form and Transport Initiative (UFTI) project was launched – a new partnership between SmartGrowth and the New Zealand Transport Authority. The core focus of UFTI is to find answers for housing capacity, intensification, multi-modal transport and network capacity in the western Bay of Plenty sub-region.
- Council's Climate Change Action Plan was adopted on 25 June. This plan brings together the various streams of work connected with climate change across Council and focuses them into a coordinated and coherent approach, covering both mitigation and adaptation. Council also declared a climate emergency and committed to working with the community on transitioning to a low carbon future and adapting to our changed climate.
- The groundwater model was calibrated and initial modelling runs were completed. Groundwater accounts were updated and made available online.
- Updates and independent reviews of the Tauranga and Rotorua Geothermal Reservoir Models were completed.
- A joint research project with GNS (supported by Te Arawa Lakes Trust), involving lake bed metallotelluric surveys on four Rotorua lakes was completed and presented to the public. An Issues and Options Discussion Document and Science Snap Shot report was also prepared for the Rotorua Geothermal System to support community engagement.

- Staff reviewed the implications on Council's work of Central Government's blueprints for freshwater: *Essential Freshwater: Healthy Water, Fairly Allocated* and *Shared Interests in Freshwater* which were released in October 2018.
- Progress was made on the following plan changes:
  - New rules were notified in February 2016 to limit the amount of nitrogen entering Lake Rotorua from land use in order to improve water quality (Plan Change 10). The Environment Court has been considering appeals to those rules in two stages with a hearing held in March 2019. In August 2019 the Environment Court released an interim decision (stage 1) in favour of Regional Council's nitrogen allocation method.
  - The Proposed Regional Coastal Environment Plan was adopted by Council, and was referred to the Minister of Conservation for approval.
  - Decisions on Air Quality (Plan Change 13) were released, and work continues to progress with respect to appeals that were lodged.
  - Work on the Region-wide Water Quantity Plan Change (Proposed Plan Change 9), in response to 14 appeals lodged continues. Pre-mediation discussions are complete, and responses have been prepared.
  - Kaituna-Pongakawa-Waitahanui and Rangitāiki Water Management Areas (Plan Change 12) freshwater quality scenario modelling completed and draft results prepared.
  - The Geothermal Plan Change process was initiated in Rotorua (Ōkurei) through a series of hui, iwi engagement and the establishment of an Ahi Kaa Working Group.
  - Our Draft On-Site Effluent Treatment Plan Change (Plan Change 14) to the Bay of Plenty Regional Natural Resources Plan was released for public feedback between July and October 2018.

Highlights from our Kotahitanga Strategic Engagement work include:

- The development of a guideline for staff - *Taking into Account Iwi Planning Documents under the Resource Management Act 1991*, and supported the Consents Team in the development of Standard Operating Procedures for tangata whenua engagement.
- Komiti Māori endorsed the development of *He Korowai Mātauranga (Mātauranga Māori Framework)* - an internal document that aims to recognise mātauranga Māori in decision making processes. Final drafting of He Korowai Mātauranga Implementation Plan is nearing completion.
- Māori Policy supported tangata whenua in our community including providing high level advice to Te Arawhite on two comprehensive Treaty of Waitangi negotiations for two iwi in the Bay of Plenty region, and hosted four Resource Management Plan training sessions for tangata whenua in the region.
- Student representatives from 13 secondary schools provided recommendations for the Regional Action Plan on Climate Change through the annual Taiohi Taiao Youth Jam event led by Bay of Plenty Regional Council and supported by local authorities, agencies and community organisations.
- $269,000 of Environmental Enhancement Funding was granted to 13 projects across the region with another three projects still in assessment.
- A workshop was held for councillors on Council-Māori relationships in a changing landscape, challenges and opportunities.
- Six Komiti Māori meetings were facilitated during the year.
- Administrative support was provided via our Governance Activity to Council meetings held during the year, including full Council, committee and extraordinary meetings. Changes were also made to our agenda management process to make it more efficient, and work is underway on preparing a new agenda management system for Council.

Performance Measures

We met the target for all of the seven performance measures for the Regional Planning and Engagement Group of Activities during the year.

Commentary for all the performance measures is provided below.

LEVEL OF SERVICE

Provide robust and legislatively compliant planning and policy (Regional Planning and Geothermal)

Key Performance Measure: Percentage of planning and policy reports that are rated satisfactory or higher via an independent assessment process

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
100% (Achieved)	80%	100%	●

Comment: The target for 2018/19 was exceeded, with 100% being achieved

LEVEL OF SERVICE

Building Māori participation in Council decision making

Key Performance Measure: Level of satisfaction of Komiti Māori that the information provided meets their terms of reference

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	80%	100%	●

Comment: The target for 2018/19 was exceeded, with 100% being achieved

Key Performance Measure: Percentage of Kaupapa Māori that are raised at Komiti Māori are actioned, resolved (within the scope and mandate of the Komiti) and reported back to Komiti

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	80%	100%	●

Comment: The target for 2018/19 was exceeded, with 100% being achieved

LEVEL OF SERVICE

Support community projects which help improve our environment

Key Performance Measure: Percentage of completed projects that have achieved their measured goals

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
98% (Achieved)	80%	100%	●

Comment: The target for 2018/19 was exceeded, with 100% being achieved

LEVEL OF SERVICE

Promote good governance and democratic decision making

Key Performance Measure: Percentage of Council and Committee meeting agendas for all scheduled meetings that are available at least two working days before meetings

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
96% (Achieved)	95%	100%	●

Comment: The target for 2018/19 was achieved

Key Performance Measure: Percentage of draft Council and Committee meeting minutes that are published on the Council website within 10 working days after the meeting

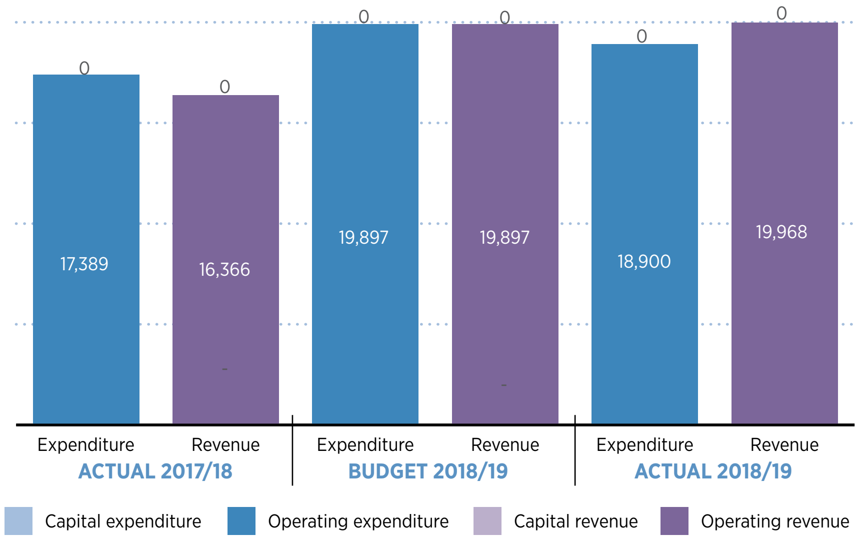
2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
40% (Not achieved)	95%	97%	●

Comment: Significant improvement was recorded regarding the percentage of draft Council and Committee meeting minutes that were published on the Council website within 10 working days. During 2018/19 97% of the meeting minutes were published within the stipulated timeframe, up from only 40% in last year (2017/18)

Budget

The Regional Planning and Engagement Group result of $18.9 million expenditure was $1 million lower than budget. This is due to lower than forecast expenditure for the Environment Enhancement Fund (EEF). Grants for the EEF were fully allocated for the financial year; however as at 30 June a number of community groups had not drawn the available funding. In addition, changes to the timing for delivering the Iwi Management contract as well as efficiencies realised as a result of the fit for purpose review resulted in reduced expenditure.

HOW MUCH IT COSTS - REGIONAL PLANNING AND ENGAGEMENT



Emergency Management

Te Whakahaere Mate Whawhati Tata

Safe and resilient communities

Activities

- Emergency Management

Our Emergency Management Activity provides Civil Defence Emergency Management (CDEM) services to the communities of the Bay of Plenty, as well as regional emergency management leadership.

Along with all councils in the region, Bay of Plenty Regional Council is a member of the Bay of Plenty CDEM Group. Bay of Plenty Regional Council is also the administering authority for the Group. The Bay of Plenty CDEM Group establishes and maintains arrangements that ensure coordination and communication happens, and that support is available when it's needed.

Alongside the Bay of Plenty CDEM Group, Emergency Management Bay of Plenty is a shared service arrangement between councils in the region for delivery of some CDEM activities and working with our communities to increase their understanding and awareness of our hazard-scape.

Through the Group Emergency Management Office, we support the implementation of the Bay of Plenty CDEM Group Plan. We also provide the facility and staff for a Group Emergency Coordination Centre for coordinating responses to emergencies. We invest in growing the capacity and capability of the Bay of Plenty Regional Council to respond to emergencies through staff training and exercises.

We also work on identifying and reducing the risk from hazards by building and improving knowledge, skills and resilience within communities and businesses to prepare for, get through and recover from emergencies. This includes working with communities and volunteers to develop Community Response Plans and Marae Preparedness Plans.

Delivery highlights

A significant piece of work completed during 2018/19 was the development and approval of the new Bay of Plenty CDEM Group Partnership Agreement. The Agreement reaffirms the operational arrangements for CDEM within the Bay of Plenty and defines our collective and individual roles and responsibilities for delivery of CDEM outcomes before, during and after emergencies.

During 2018/19, there were a number of small scale events for the Bay of Plenty CDEM Group. These events were largely responded to by Local Authorities without requiring the activation of coordination centres.

Some non-traditional responses were required during the year to support various efforts including the:

- Ministry of Primary Industries-led Mycoplasma Bovis response,
- District Health Boards during the nurses strike, and the
- Ministry of Civil Defence & Emergency Management support to understanding pan-agency responses in the aftermath of the Christchurch shootings of 15 March 2019.

In a more traditional response manner, the Bay of Plenty CDEM Group deployed six staff – three staff from Emergency Management Bay of Plenty and three staff from Bay of Plenty Regional Council – to support the Nelson-Tasman CDEM Group with the response to the Pigeon Valley fires. Emergency Management Bay of Plenty also managed a number of tsunami advisories including an actual threat in June 2019 where a public notification was issued, and maintained an awareness of the ongoing volcanic fluctuations at Whakaari/White Island.

Whilst there were no declared emergencies, there were:

- 11 separate periods of severe weather (including heavy rain and thunderstorm events) where warnings were disseminated,
- six separate tsunami advisories received with one of the advisories (16 June 2019) developing into a warning which was subsequently cancelled,
- seven separate Volcanic Alert Bulletins issued for Whakaari/ White Island, and
- 25 social media advisory/warning posts to our communities via Facebook/Twitter.

Seventy one Bay of Plenty Regional Council staff collectively participated in Exercise Ranginui and Exercise Ngatahi. These exercises were realistic, scenario based activities that provided staff an opportunity to embed their CDEM knowledge and strengthen their understanding of operational processes and procedures for working with Territorial Authority Emergency Operations Centres and our partner agencies (i.e. NZ Police, Fire and Emergency New Zealand, District Health Boards) in an emergency response setting. Bay of Plenty Regional Council staff also attended a number of other training courses including the Integrated Training Framework – Intermediate course (29 staff), and Psychological First Aid Training (11 staff).

The CDEM Youth Ambassadors Programme was held in March 2019. More than 50 Year 10-11 students from across the region attended the programme, gaining greater understanding of our regional hazard risks, and how they could be more engaged in CDEM within their schools and communities. The programme was an extension of the successful 2018 CDEM Youth Ambassador's programme that was run as part of Taiohi-Taiao Youth Jam 2018.

RECOGNITION OF A JOB WELL DONE

In July 2018, Emergency Management Bay of Plenty and Te Puni Kōkiri were conjointly awarded two awards in the category 'Partners in Preparedness' by the International Association of Emergency Managers (IAEM) for the Marae Emergency Preparedness Project; a partnership between the Bay of Plenty CDEM Group and the Ministry of Māori Development. The project won the 2018 IAEM-Oceania Partners in Preparedness Award and the 2018 IAEM-Global Partners in Preparedness Award. The international success was recognised in a media release by the Minister of Civil Defence, Hon Kris Faafoi.

The annual Emergency Media & Public Affairs (EMPA) New Zealand Awards were presented in Wellington on 22 August 2018. The Bay of Plenty CDEM Group won the EMPA NZ Award for Excellence in Emergency Communication – Readiness and Resilience 2018 for the Taiohi-Taiao Youth Jam 2018.

Performance Measure

We met the target for two of the three performance measures for the Emergency Management Group of Activities during the year. Commentary for each of the performance measures is provided below.

LEVEL OF SERVICE

Provide emergency management response and community initiatives

Key Performance Measure: Percentage of roles that have been identified and staffed for 24 hour operation of the Emergency Coordination Centre

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
90% (Achieved)	85%	89%	●

Comment: The target for 2018/19 was achieved

Key Performance Measure: Percentage of staff identified for roles in the Emergency Coordination Centre that are trained to an appropriate level agreed by the Group

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
79% (Achieved)	85%	64%	●

Comment: An increase in the level of training required to meet the 'trained' standard has contributed to this target not being achieved in 2018/19

A programme is in place to offer this training to all Emergency Coordination Centre staff and significant improvements have been seen during the year with the level of trained staff increasing from 18% at the start of the year to 64% at the end of the year. Council will continue to focus on building the percentage of staff trained to an appropriate level and meeting the target in 2019/20.

Key Performance Measure: Number of Council delivered initiatives to promote community resilience and safety

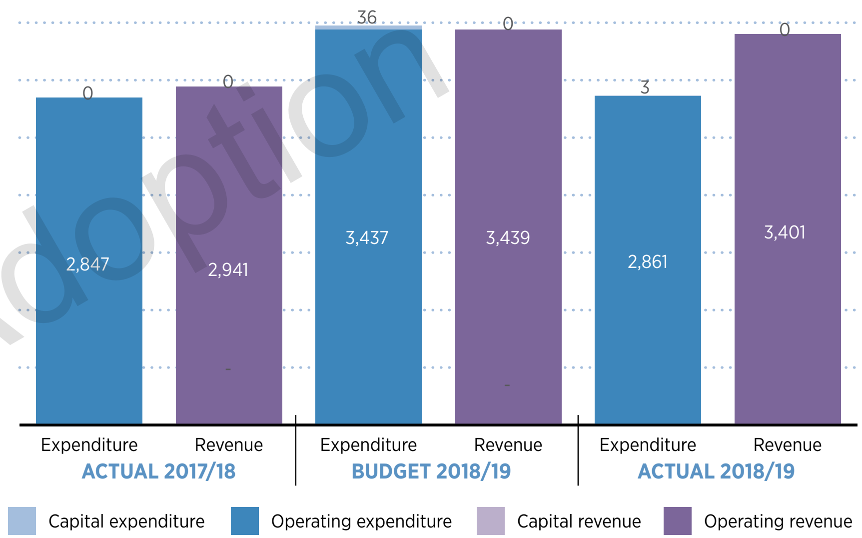
2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
8 (Achieved)	8	8	●

Comment: The target for 2018/19 was achieved

Budget

Operating expenditure is $0.58 million lower than budget. This is due to the recruitment of new staffing positions being deferred until 2019, following the result of a service delivery model review undertaken during the year.

HOW MUCH IT COSTS - EMERGENCY MANAGEMENT



Technical Services

Ngā Ratonga Hangarau

- *A healthy environment*
- *Freshwater for life*
- *Safe and resilient communities*
- *A vibrant region*

Activities

- Geospatial
- Engineering
- Data Services
- Science

Our Technical Services work includes technical advice, information and services to Council and direct to the community.

Delivery highlights

Our Geospatial Activity continued to provide key services throughout the year including online mapping tools and field capture solutions for staff, and easily accessible information for the community. Other key areas of work from the year include:

- The project to scan the entire crown archive of historic Bay of Plenty aerial images (between 1937 – 2005), in partnership with LINZ, has been completed ahead of schedule.
- The Indicative Groundwater Availability and Consented Allocation tool was made available for public use on the Council website. This tool assists users to gain an understanding of the likely availability of groundwater in a given area, and is likely to be particularly useful for those wishing to submit a resource consent application for a water take.
- The application to secure a 50% contribution to funding region wide capture of LiDAR data over the next five years to the Provincial Growth Fund, on behalf of all Bay of Plenty Councils was successful.

Through our Engineering Activity we continued to support other teams in Council, territorial authorities, as well as the general public. Highlights from the year included:

- 197 internal technical reviews for the resource consents team,
- Commented on 335 territorial authorities resource consent applications,
- Providing floor level information for over 500 requests,
- Support to territorial authorities (particularly for flood risk assessments, flood risk mitigation and storm water management),
- The addition of an online service for customers to request flood level reports, and
- Providing advice to the Council's land management teams and landowners including advice on detention dams design and stream bank erosion protection.

Our Data Services Activity delivered on its key projects and core business activities through the year. Highlights included:

- Establishing and implementing the new air quality monitoring programme in the Mount Maunganui Industrial area, and the placement of a number of automated monitoring sites around the region,
- Continuing to develop and improve information delivery tools (including added value data), and the launch of electronic dashboards for Lake Rotorua and Lake Rotoiti management and air quality, and
- Increasing the accreditation scope of the laboratory by developing methods that focus on the delivery of water quality, including the monitoring of recreational bathing sites to support the new 'swimmability' requirements under the National Policy Statement for Freshwater Management.

Our Science Activity also continued to deliver and progress key projects and core activities throughout the year. Key highlights included the development of computer based catchment models to help inform the setting of limits for water quality and quantity (specifically this included eSource catchment water quality models and MODFLOW groundwater models for the Rangitāiki and Kaituna-Pongakawa-Waitahanui water management areas). We also deployed passive sampling devices into Tauranga Harbour and surrounding waterways to detect the presence of emerging organic contaminants (EOCs). The monitoring of ECOs will help us increase our understanding of the quantity of EOCs entering waterways and their impact on our environment.

We also completed our first comprehensive Tauranga Moana State of the Environment Report, which was written co-jointly with Tauranga Moana iwi.

Performance Measures

We met the target for both of the performance measures for the Technical Services Group of Activities during the year.

LEVEL OF SERVICE

Provide the community with ready access to environmental data

Key Performance Measure: Percentage availability through website of real-time deliverable environmental data

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	95%	98%	●

Comment: The target for 2018/19 was achieved

LEVEL OF SERVICE

Provide accessible, trusted and relevant science

Key Performance Measure: Number of environmental indicators with online scorecards

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
4 (Achieved)	7	7	●

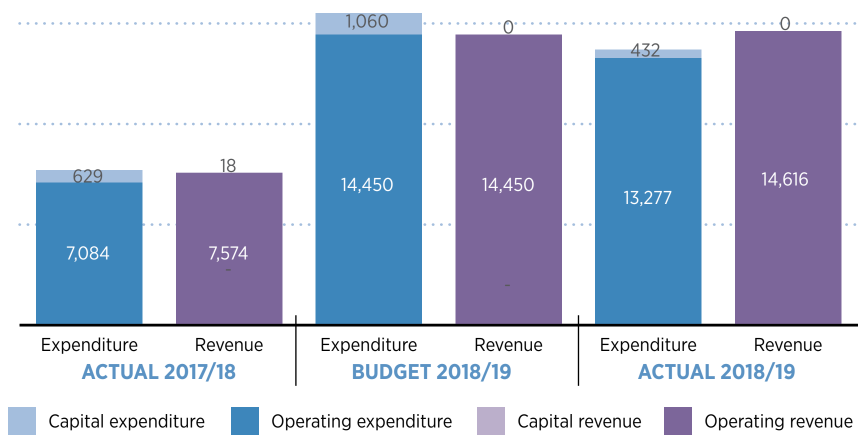
Comment: The target for 2018/19 was achieved

Budget

Operating expenditure of $13.3 million was $1.2 million lower than budget. This was mainly due to contract work budgeted for the periphyton monitoring programme within the Data Services activity now being carried out in-house.

Capital expenditure was $0.43 million compared to budget of $1 million. The underspend was due to delays in the historical imagery digitisation project and delays in new equipment for monitoring fresh and groundwater sites within the Science Activity.

HOW MUCH IT COSTS - TECHNICAL SERVICES



Corporate Services

Ngā Ratonga Rangatōpū

- *A healthy environment*
- *Freshwater for life*
- *Safe and resilient communities*
- *A vibrant region*

Activities

- Communications
- People and Capability
- Internal Services
- Information and Communication Technology
- Finance and Corporate Planning
- Corporate Property

Our Corporate Services provides support services to all of the activities across Council.

These services include Internal Services, Finance and Corporate Planning, Corporate Property, Communications, and Information and Communication Technology.

Delivery highlights

In addition to the work achieved by the organisation as a whole, a number of projects were advanced during the 2018/19 financial year by Corporate. Highlights include:

- We continued to work on the development of our People and Culture Plan. We also completed a review of our Performance and Remuneration framework, and developed a draft performance framework (REM2020) which was been tested with some pilot groups in the organisation.
- We developed and adopted our Annual Plan 2019/20 which sets out our budget for the next financial year, and is based on the second year of our Long Term Plan 2018-2028. Through our consultation process on the draft plan, we received 317 submissions and Councillors and staff spoke to more than 600 people across the region at a range of information and Have Your Say workshop events.
- Throughout the year we have focused on being more efficient and ensuring we deliver value for money to our community. To help keep our costs low, we set ourselves a target to achieve efficiency savings in the year and have achieved $1.2 million through reviewing the way we work, and we carried out a fit for purpose review to make sure we are focused on delivering our services in an efficient and effective manner. The savings are spread across all Groups of Activities.
- A significant amount of work was undertaken during the year on the refurbishment of our Regional House office in Tauranga and the refit of our office in Whakatāne. Environmental sustainable design features are being integrated into both offices, as well as integration of modern, flexible workspaces. We have also secured a tenancy within a new building in Rotorua.

- Information and Communication Technology design work was undertaken during the year for the Group Emergency Coordination Centre. This will provide an avenue for all emergency services (Emergency Management Bay of Plenty, Police, Fire Services, St Johns and others) to work together for future civil defence emergencies.
- We continued to provide Shared Services (technology) for Ōpōtiki District Council and Kawerau District Council.

Performance Measures

The target for the performance measure for the Corporate Services Group of Activities was not achieved.

LEVEL OF SERVICE

Reduce carbon emissions through the installation of energy efficient systems in building refurbishments

Key Performance Measure: Reduction of carbon emissions in relation to building energy use at the Tauranga and Whakatāne sites (baseline is 2016/17 emissions)

2017/18 RESULT	2018/19 TARGET	2018/19 RESULT	RESULT
New Measure	80% of baseline	Not achieved	●

Comment: Achieving this target is dependent on completion of the upgrade of the Whakatāne and Tauranga offices, as the environmentally sustainable design features being installed in each of these sites aim to significantly reduce the organisation's energy use and carbon footprint

A range of factors impacted project delivery during the year with resulting delays to project timing meaning the reduction in building energy use has been delayed and the target not met for 2018/19.

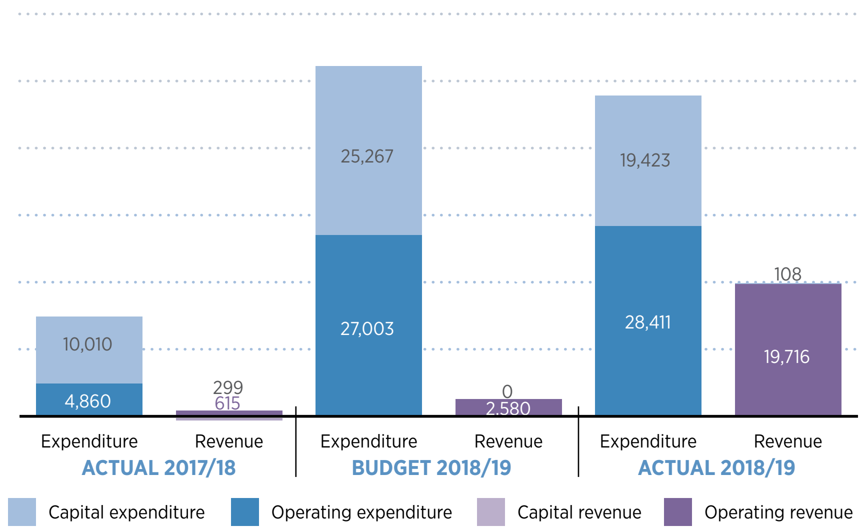
The project is on track to be completed in 2019/20 and the benefits (reduction in carbon emissions through reduced energy use) will accrue following project completion.

Budget

The Corporate Services Group recognised $19.7 in revenue, compared to budget of $2.5 million. A significant amount of the increased revenue is due to a gain on the revaluation of the Put Option liability from $15 million to $3.4 million. Council also received a total subvention payment of $3.0 million from Quayside. Higher than budgeted interest revenue has also been received by Council borrowing an additional $40 million from LGFA to
pre-fund capital expenditure while the borrowing rates are low, and investing surplus funds to obtain an interest enhanced position. Internal interest revenue is $0.27 million higher than anticipated due to internal loans within the Rivers and Drainage Schemes Activity being higher than budget due to capital project delivery and associated subsidies.

Operating expenditure had minimal variance, with actual of $28.4 million compared to budget of $27.0 million before internal charges and recoveries. The organisation budgeted to achieve $0.78 million in efficiency savings ($1.2 million was achieved). These efficiency savings were achieved across the whole organisation as part of the fit for purpose review.

HOW MUCH IT COSTS - CORPORATE SERVICES BEFORE RECOVERIES AND INTERNAL CHARGES



Financials

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, Quayside Properties Limited, Aqua Curo Limited, and Cibus Technologies 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 8.29 percent shareholding in the Local Government Funding Agency (LGFA) along with 29 other councils and Central Government.

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 $31.2 million (2018: $25.5 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 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 2018/19 totalled $31.2 million, and dividend payments to Perpetual Preference Share members totalled $8.6 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 2018/19	Result 2018/19	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 2019.
Generate commercial returns across the investment portfolio.	Five year rolling gross return of >= 7.5% per annum.	Achieved	Five year rolling gross return of 14.13% achieved at 30 June 2019.
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	Annual board assessment completed, noting short term performance and reaffirming long term objectives
Keep Council informed on a 'no surprises' basis, providing quality and timely information.	A minimum of four presentations to Council per annum plus timely advice and support as required.	Achieved	Presentations to Council in September 2018, December 2018, March 2019, and June 2019. 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 no less than biennially.	Achieved	Polices were reviewed at Board meetings in accordance with a policy review schedule.
Meet shareholder distribution expectations as outlined in Statement of Intent (SOI) or as otherwise agreed.	Distributions paid to agreed values per SOI.	Achieved	Cash dividend paid to agreed levels of $31.2 million paid to Council and gross dividend of $8.6 million (net $6.2 million) paid to PPS holders.
Compliance with NZX listing requirements for PPS holders.	No open issues.		Filing of interim and annual financial statements achieved within 60 day deadline. Internal audit compliance systems show 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 Council has been fully informed by BOPLASS on its performance. Of the targets set in the 2018/19 Statement of Intent, all 7 were achieved.

BOPLASS Performance Indicators

Key Performance Indicator	Target 2018/19	Result 2018/19
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.	BOPLASS to provide 0.25 FTE resource and expertise to assist councils in Shared Services developments and 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 where applicable.	Achieved
Review of governance performance and structure to ensure it supports BOPLASS' strategic direction.	Affirmative feedback received from shareholding councils at least annually.	Achieved
Communicate with each shareholding council at appropriate levels.	At least one meeting with each Executive Leadership Team per year.	Achieved
Ensure current funding model is appropriate.	Performance against budgets reviewed quarterly. Company remains financially viable.	Achieved

Local Government Funding Agency (LGFA)

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

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

Performance Targets

The following objectives, policies or performance targets were set for 2018/19.

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
- 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 AIL)
- Meet or exceed the Performance Targets outlined in the Statement of Intent
- Comply with its Treasury Policy, as approved by the Board

Achievements

The 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 2018/19	Result 2018/19	Outcome
Average base margin above LGFA's cost of funds charged to the highest rated Participating Local Authorities	No more than 0.10 percent	0.101	Not achieved
LGFA's annual issuance and operating expense (excluding AIL)	Less than $5.67 million	5.85	Not achieved
Total lending to Participating Local Authorities	At least $8.105 billion	9.262	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	N/A at 30 June 2019 compared to 11 bps at 30 June 2018	Not achieved

Consolidated Financial Statements

Statement of comprehensive revenue and expense for the year ended 30 June 2019

	Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Operating revenue						
Rates	3	50,508	50,879	50,879	39,420	39,420
Subsidies and grants	4	22,870	21,731	21,731	13,678	13,678
Finance revenue	5	38,025	38,877	15,075	32,502	13,272
Trading and other revenue	6	19,822	20,508	335,624	13,490	300,629
Reversal of previous revaluation deficit		-	-	-	-	446
Vested asset revenue		-	306	306	-	-
Other gains	7	-	12,345	30,596	1,281	27,753
Total operating revenue		**131,225**	**144,646**	**454,211**	**100,371**	**395,198**
Operating expenditure						
Employee benefit expenses	8	40,371	38,303	77,599	37,702	76,247
Depreciation and amortisation	17,18	7,363	6,422	34,692	6,214	32,058
Trading and other expenses	9	82,419	76,230	182,210	73,880	168,500
Finance costs	5	2,827	2,571	22,555	-	20,192
Impairment of property, plant and equipment		-	-	499	-	-
Other losses	7	-	2,753	17,477	538	5,514
Total operating expenditure		**132,980**	**126,279**	**335,032**	**118,334**	**302,511**
Share of profit of equity accounted investees	22	-	-	7,075	-	15,253
Surplus/(deficit) before taxation		**(1,755)**	**18,367**	**126,254**	**(17,963)**	**107,940**
Income tax expense	10	-	-	35,317	-	33,023
Surplus/(deficit) after taxation		**(1,755)**	**18,367**	**90,937**	**(17,963)**	**74,917**

Statement of comprehensive revenue and expense for the year ended 30 June 2019 *continued*

	Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Attributable to:						
Equity holders of the parent		(1,755)	18,367	45,497	(17,963)	32,325
Non-controlling interest	28	-	-	45,440	-	42,592
		(1,755)	**18,367**	**90,937**	**(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 2019

	Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Net surplus/(deficit) after tax		**(1,755)**	**18,367**	**90,937**	**(17,963)**	**74,917**
Other comprehensive revenue and expense						
Items that could be reclassified to surplus/(deficit):						
Gain/(loss) on land and building revaluations		693	(8,744)	(8,744)	5,895	5,895
Gain/(loss) on maritime asset revaluations		10	-	-	188	188
Gain/(loss) on Infrastructure assets revaluations		5,259	45,284	45,284	14,546	14,546
Financial assets at fair value through comprehensive revenue and expense		392	171	90	(1,021)	(1,021)
Cash flow hedges - changes in fair value		-	-	(8,942)	-	(3,520)
Cash flow hedges - reclassified to profit or loss		-	-	1,629	-	2,226
Share of net change in cash flow hedge reserves of equity accounted investees.	22	-	-	(308)	-	(71)
Items that will not be reclassified to surplus/(deficit):						
Asset revaluation net of tax		-	-	72,129	-	209,778
Bearer plant revaluation, net of tax		-	-	1,619	-	903
Kiwifruit licence revaluation, net of tax		-	-	255	-	224
Share of net change in revaluation reserve of equity accounted investees.	22	-	-	591	-	1,687
Total other comprehensive revenue and expense		6,354	36,711	103,603	**19,609**	**230,836**
Total comprehensive revenue and expense		**4,599**	**55,078**	**194,540**	**1,645**	**305,752**
Total comprehensive revenue and expense attributable to:						
Equity holders of the parent		4,599	55,078	119,752	1,645	168,226
Non-controlling interest		-	-	74,788	-	137,526
		4,599	55,078	**194,540**	**1,645**	**305,752**

The accompanying notes form part of these financial statements.

Statement of changes in equity/net assets for the year ended 30 June 2019

	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Balance at 1 July	429,613	450,708	1,602,892	449,062	1,355,457
Adjustment to accumulated surplus/deficit from the adoption of PBE IFRS 9 and IFRS9	-	3,579	3,305	-	-
	429,613	454,287	1,606,198	449,062	1,355,457
Adjusted balance 1 July					
Total comprehensive revenue and expense previously reported	4,599	55,078	194,540	1,646	305,752
	434,212	509,365	1,800,738	450,708	1,661,210
Increase/(Decrease) in share capital	-	-	(997)	-	(1,460)
Dividends to shareholders	-	-	(62,343)	-	(58,971)
Revaluation surplus transferred to retained earnings on asset disposal	-	-	45	-	-
Non controlling interest adjustments	-	-	(2)	-	(3)
Equity settled share-based payment accrual	-	-	2,038		2,117
Balance at 30 June	**434,212**	**509,365**	**1,739,479**	**450,708**	**1,602,893**
Total comprehensive revenue and expense attributable to:					
Equity holders of the parent	4,599	55,078	119,752	1,646	168,226
Non-controlling interest	-	-	74,788		137,526
	4,599	**55,078**	**194,540**	**1,646**	**305,752**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2019

	Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current assets						
Cash and cash equivalents	11	18,307	138,110	205,097	74,538	116,226
Other financial assets - current	15	17,166	78,069	53,069	38,309	38,309
Trade and other receivables	12	14,511	19,255	79,906	12,577	67,072
Inventories	13	207	235	1,773	227	937
Derivative financial instruments	16	-	-	-	-	-
Total current assets		**50,191**	**235,669**	**339,845**	**125,651**	**222,544**
Non-current assets						
Trade and other receivables - long term	14	2,137	1,820	1,832	2,146	2,171
Property, plant and equipment	17	375,649	424,887	1,962,176	341,602	1,792,523
Intangible assets	18	7,192	6,160	27,675	5,716	26,475
Biological assets	19	-	-	390	-	-
Investment property	20	-	-	27,886	-	21,918
Investments in equity accounted associates	22	-	-	168,668	-	154,636
Other financial assets:						
- Investment in CCO's and other similar entities	15	1,877	7,048	6,956	1,877	1,866
- Investment in other entities	15	124,269	105	178,625	15,483	186,996
Total non-current assets		**511,124**	**440,020**	**2,374,208**	**366,824**	**2,186,585**
Total assets		**561,314**	**675,689**	**2,714,053**	**492,475**	**2,409,129**
Current liabilities						
Trade and other payables	23	12,105	15,888	52,071	20,585	54,244
Employee benefit liabilities	25	4,602	4,716	6,894	4,990	8,070
Borrowings	26	-	90,490	412,490	-	321,845
Derivative financial instruments	16	-	-	1,138	-	-
Current taxation		-	-	10,378	-	10,076
Total current liabilities		**16,707**	**111,094**	**482,971**	**25,575**	**394,235**

Statement of financial position as at 30 June 2019 *continued*

	Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Non-current liabilities						
Employee benefit liabilities	25	1,055	1,202	2,985	1,119	2,865
Borrowings	26	94,340	50,628	397,828	-	324,906
Put option	40	15,000	3,400	-	15,000	-
Derivative financial instruments	16	-	-	20,895	73	11,860
Deferred tax liabilities	24	-	-	69,895	-	72,370
Total non-current liabilities		**110,395**	**55,230**	**491,603**	**16,192**	**412,001**
Total liabilities		**127,102**	**166,324**	**974,574**	**41,767**	**806,236**
Total net assets		**434,212**	**509,365**	**1,739,479**	**450,708**	**1,602,893**
Equity						
Retained earnings	27	191,388	210,485	363,085	204,279	336,697
Reserves	28	242,824	298,880	850,724	246,429	760,646
Total equity attributable to the group		**434,212**	**509,365**	**1,213,809**	**450,708**	**1,097,343**
Non-controlling interest	21,28	-	-	525,670	-	505,550
Total equity		**434,212**	**509,365**	**1,739,479**	**450,708**	**1,602,893**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2019

	Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Cash flows from operating activities						
Rates		50,383	49,219	49,219	41,253	41,253
Grants		21,706	21,941	21,941	13,376	13,376
GST		1,700	(1,650)	(1,650)	62	62
Receipts from customers		20,887	17,979	338,272	13,432	301,177
Interest received		6,709	6,412	7,887	6,583	7,958
Dividends received		31,300	31,342	6,117	25,604	5,146
Taxes refunded		-	-	9	-	-
Taxes paid		-	-	(35,147)	-	(32,030)
Payments to suppliers and employees		(122,463)	(119,837)	(275,905)	(102,465)	(241,316)
Other income		-	-	81	-	84
Interest paid		2,827	(2,571)	(22,347)	-	(20,051)
Net cash from operating activities		**13,049**	**2,835**	**88,477**	**(2,155)**	**75,659**
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment		1,035	1,350	1,408	344	351
Proceeds from sale of investments		-	94,000	136,289	170,000	187,265
Dividends/Distributions from equity accounted investees		-	-	10,113	-	10,146
Realised capital gain on investments		-	391	391	1,075	1,075
Finance lease payments received, including interest		-	-	13	-	13
Repayment of advances from equity accounted investees		-	-	1,000		350
Purchase of property, plant and equipment		(55,420)	(53,859)	(95,016)	(36,377)	(53,908)
Purchase of intangible assets		(2,477)	(2,296)	(3,354)	(1,119)	(1,256)
Purchase of investment property		-	-	(2,415)	-	-
Improvements to investment property		-	-	(66)	-	(1,689)
Purchase of investments/financial assets		(949)	(69,000)	(131,204)	(95,187)	(128,434)
Purchase of biological assets		-	-	(485)	-	-
Investment in equity accounted investee		-	-	(15,401)	-	(9,654)
Net cash from investing activities		**(57,811)**	**(29,414)**	**(98,727)**	**38,736**	**4,259**

Statement of cash flows for the year ended 30 June 2019 *continued*

	Notes	Budget 2018/19 $000	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Cash flows from financing activities						
Repayment of borrowings		-	-	(21,408)	-	(15,007)
Proceeds from borrowings	26	94,340	140,500	184,750	-	30,167
Loan to Quayside Holdings Limited		(50,000)	(50,000)	-		-
Borrower Notes		-	(809)	(809)	-	-
Repurchase of shares		-	-	(1,386)	-	(1,614)
Long term loans - Clean Heat		(2,010)	(295)	(295)	(544)	(544)
Loan repayments - Clean Heat		548	755	755	539	539
Dividends paid		-	-	(62,343)	-	(58,971)
Net cash from financing activities		**42,878**	**90,151**	**99,264**	**(5)**	**(45,430)**
Effects of exchange rate changes on cash and cash equivalents		-	-	(143)	-	142
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**(1,884)**	**63,572**	**88,871**	36,576	34,630
Cash, cash equivalents and bank overdrafts at the beginning of the year		20,190	74,538	116,226	37,962	81,596
Cash, cash equivalents and bank overdrafts at the end of the year	11	**18,306**	**138,110**	**205,097**	**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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Reported profit after tax	**18,367**	**90,936**	**(17,963)**	**74,917**
Items classified as investing/financing activities				
Net gain on investments	(391)	(15,669)	(1,076)	(22,429)
Net gain on sale of property, plant and equipment	(354)	(314)	(206)	(669)
Finance lease interest revenue	-	(2)	-	(3)
	(745)	(15,985)	(1,281)	(23,100)
Add/(less) non cash and non-operating items:				
Depreciation and amortisation	6,422	34,692	6,214	32,058
Amortisation of investments	-	-	(154)	(154)
Vested asset revenue	(306)	(306)	-	-
Fair value movement in non hedge accounted derivatives	(73)	(73)	-	-
Increase/(decrease) in deferred taxation expense	-	(126)	-	(682)
Share based payment reserve	-	2,038	-	2,117
Fair value (gain)/loss on equities	7	7	-	-
Amortisation of interest rate collar premium	-	86	-	64
Reversal of previous revaluation deficit	-	-	-	(446)
Share of (profit)/losses retained by equity accounted investees	-	(7,075)	-	(15,253)
Ineffective portion of change in fair value of cash flow hedge	-	1	244	270
Equity investments - share rights issued for no consideration	-	(208)	-	-
Net change in impairment of hot swap loan	5	5	(15)	(15)
Impairment of property, plant and equipment	-	499	-	-
Loss on sale of property, plant and equipment	2,543	2,543	294	294
Gain on revaluation of put option	(11,600)	-	-	-
	(3,002)	32,083	6,583	18,253

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

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Add/(less) movements in working capital				
Change in receivables	(6,828)	(18,137)	1,895	(5,516)
Change in prepayments	144	144	(507)	(507)
Change in inventories	(8)	(836)	(23)	(596)
Change in taxation payable	-	296	-	1,677
Change in foreign cash deposits	-	143	-	(142)
Change in payables and revenue received in advance	(4,819)	107	8,584	10,117
Change in employee provisions	(274)	(274)	558	558
	(11,785)	(18,557)	10,507	5,591
Net cashflow from operating activities	**2,835**	**88,477**	**(2,154)**	**75,660**

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, Quayside Securities Limited, Aqua Curo Limited, and Cibus Technologies 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 2019. The financial statements were authorised for issue by Council on XX September 2019.

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 Local Government Act 2002 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 32, the remuneration disclosures in note 33, and the severance payment disclosures in note 34. The related party transaction, remuneration, and severance payment disclosures are rounded to the nearest dollar.

Changes in accounting policies

There have been changes in accounting policies this year to reflect the transition to, and adoption of, a new accounting standards PBE IFRS 9 and NZ IFRS 9.

New and amended accounting standards 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.

NZ IFRS 9 Financial Instruments (Subsidiary)

This standard became mandatory for the Subsidiary's 2019 consolidated financial statements with effect from 1 July 2018.

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.

To give effect to the adoption of NZ IFRS 9, at 1 July 2018 an amount of $0.274 million has been transferred from retained earnings to provision for doubtful debts. This amount represents the impact of the new impairment model for financial assets.

A full restatement of financial statements is not required as the impact of doing so is not considered to be material. Hedging relationships continue to be effective.

PBE IFRS 9 Financial instruments (Council)

The Bay of Plenty Regional Council has early adopted this standard in line with the financial statements of its Subsidiary, Quayside Holdings Limited

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.

Main changes for Council under PBE 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.

Changes for the Group under PBE IFRS 9/NZ IFRS 9

Main change for the Group is new financial instrument classification requirements for determining whether an asset/liability is measured at fair value through other comprehensive income or amortised cost. A summary of the classification changes are as follows:

Item in Financials	Measurement Category	
	Original NZ IPSAS 29/PBE IPSAS 29 category	New NZ IFRS 9/ PBE IFRS 9 category
Cash and cash equivalents	Loans and receivables	Amortised cost
Other financial assets	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Other financial assets	Available for sale	Fair Value through Other Comprehensive Income
Investments in subsidiaries	Available for sale	Fair Value through Other Comprehensive Income
Other financial assets	Assets held for trading	Fair Value through Other Comprehensive Income
Other financial assets	Designated at Fair Value	Fair Value through Profit and Loss
Derivative financial instruments	Designated at Fair Value	Hedged accounted derivatives
Trade and other payables	Amortised Cost	Amortised Cost
Put option provision	Assets designated at fair value	Fair Value through Profit and Loss

To give effect to the adoption of PBE IFRS 9/ NZ IFRS 9, at 1 July 2018, the amounts in the table below have been transferred from retained earnings. These amount represents the impact of the new impairment model for financial assets and changes in the measurement base of assets. Hedging relationships continue to be effective.

Classification	Carrying amount		
	Closing balance 30 June 2018 (NZ IPSAS 29/PBE IPSAS 29) $'000	Adoption of NZ IFRS 9/PBE IFRS 9 adjustment $'000	Opening balance 1 July 2018 (NZ IFRS 9/PBE IFRS 9) $'000
Investments in subsidiaries	11	75	**85**
Other financial assets	1,933	3,504	**5,437**
Provision for doubtful debts	0	(274)	**(274)**

New accounting standards and interpretations not yet adopted

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: for annual periods beginning on or after 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: for annual periods beginning on or after 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: for annual periods beginning on or after 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: for annual periods beginning on or after 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: for annual periods beginning on or after 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: for annual periods beginning on or after 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: for annual periods beginning on or after 1 January 2019.

PBE IPSAS 41 Financial instruments

The XRB issued PBE IPSAS 41 Financial Instruments in March 2019. This standard supersedes PBE IFRS 9 Financial Instruments, which was issued as an interim standard. It is effective for reporting periods beginning on or after 1 January 2022. Although the Council has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IFRS 9.

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 $24.2 million and is forecast to decrease net profit after tax by $0.3 million. The *Quayside Group* is required to adopt 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: for annual periods beginning on or after 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 Long Term Plan 2018 - 2028. 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 22)
- 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)
- valuation of biological assets (note 19)
- impairment assessment of intangible assets (note 18)
- lease classification and accounting for arrangements containing a lease (note 30)
- valuation of provisions
- valuation of share rights granted
- valuation of investment properties (note 20)

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.

The directors, 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 32 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 A- to BBB+credit quality. (Source: Moody's, based on empirical observations in the period 1983 to 2018.)

The valuation of the put option as at 30 June 2019 was carried out by PricewaterhouseCoopers, Wellington, on 13 September 2019.

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 Council summary – groups of activities income statement

	Budget 2018/19 $000	Council 2018/19 $000	Council 2017/18 $000
Revenue by groups of activities			
Integrated Catchment Management	21,831	18,894	20,816
Flood Protection and Control	15,180	14,656	13,731
Resource Regulation and Monitoring	18,417	19,993	16,766
Transportation	25,466	25,070	21,558
Regional Development	1,518	1,738	2,279
Regional Planning and Engagement	19,897	19,968	16,366
Emergency Management	3,439	3,401	2,941
Technical Services	14,450	14,616	7,574
Corporate Services*	2,579	19,716	(615)
Revenue	**122,777**	**138,051**	**101,416**
Less internal interest	(4,074)	(4,330)	(1,691)
Capital revenue received	12,522	10,925	648
Total revenue	**131,225**	**144,646**	**100,372**

	Budget 2018/19 $000	Council 2018/19 $000	Council 2017/18 $000
Expenditure by groups of activities			
Integrated Catchment Management	26,747	20,389	27,027
Flood Protection and Control	13,300	13,143	10,712
Resource Regulation and Monitoring	17,685	19,890	18,042
Transportation	26,033	24,865	21,742
Regional Development	13,394	13,591	15,334
Regional Planning and Engagement	19,897	18,900	17,389
Emergency Management	3,437	2,861	2,847
Technical Services	14,450	13,277	7,084
Corporate Services*	2,111	3,693	(152)
Expenditure	**137,054**	**130,610**	**120,026**
Less internal interest	(4,074)	(4,330)	(1,691)
Total expenditure	**132,980**	**126,279**	**118,335**
Net cost of service	**(1,755)**	**18,367**	**(17,963)**

**Figures include overheads and recoveries.*

3 Rates revenue

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
General rates	26,362	26,362	23,755	23,755
Targeted rates	25,098	25,098	16,152	16,152
Less: remissions	(581)	(581)	(487)	(487)
Total rates revenue	**50,879**	**50,879**	**39,420**	**39,420**

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 128,750 rating units within the region as at 30 June 2019, compared to 127,505 as at 30 June 2018.

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 2019, this is consistent with prior year.

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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
New Zealand Transport Agency (Passenger Transport)	10,460	10,460	8,736	8,736
Ministry for the Environment (Te Arawa Rotorua Lakes deed funding)	2,455	2,455	2,402	2,402
Ministry for the Environment (Kopepeo Canal)	3,782	3,782	(472)	(472)
Local Authorities contribution to Civil Defence	1,083	1,083	1,359	1,359
Other subsidies and grants	3,951	3,951	1,652	1,652
	21,731	**21,731**	**13,677**	**13,677**

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2018: 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. Grants received from Ministry for the Environment 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 2018/19	Group 2018/19	Council 2017/18	Group 2017/18
Finance revenue	$000	$000	$000	$000
Foreign dividends	-	2,416	-	1,789
New Zealand dividends	31,342	3,849	25,604	3,327
Interest income	7,462	8,443	6,743	7,738
Income amortisation investments	-	-	154	154
Interest on advances to equity accounted investees	-	292	-	261
Ineffective portion of changes in fair value of cash flow hedges	73	73	-	-
Interest on finance lease	-	2	-	3
Total finance revenue	**38,877**	**15,075**	**32,502**	**13,272**
Finance costs				
Interest expense on borrowings	2,571	22,424	-	20,102
Ineffective portion of changes in fair value of cashflow hedges	-	1	-	26
Currency option expense	-	44	-	-
Amortisation of interest rate collar premium	-	86	-	64
Total finance costs	**2,571**	**22,555**	**-**	**20,192**
Net finance revenue/(costs)	**36,306**	**(7,480)**	**32,502**	**(6,920)**

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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Port services income	-	276,819	-	251,388
Rental income	160	29,386	87	27,336
Marshalling services income	-	4,855	-	4,929
User fees and charges	11,342	11,342	9,694	9,694
Sale of goods - kiwifruit	-	4,268	-	2,996
Other revenue	9,006	8,954	3,709	4,286
Total trading and other revenue	**20,508**	**335,624**	**13,490**	**300,629**

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 (2018: 29.21 hectares).

Kiwifruit income this year includes an upward adjustment of $95,696 in relation to the prior year crop (2018: $185,930 increase 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 2018.

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. For the subsidiary standard credit terms are a month following invoice with any rebate variable component calculated at the client's financial year end. Rebateable sales are eligible for sales volume rebates. When the rebate is accrued, it is accrued as a current liability (rebate payable) based on contracted rates and estimated volumes, and will be paid out in cash. For financial reporting purposes rebates are treated as a reduction in profit or loss. 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.

Rail revenue: this includes providing rail transport services, for which revenue is recognised at a point in time on when the delivery service is completed and goods have been delivered to destination.

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

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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Gains				
Gain on sale of property, plant and equipment	354	354	206	206
Realised foreign exchange gains	-	88	-	84
Realised gain on equity investments	391	3,542	1,076	5,313
Change in fair value of investment property	-	3,487	-	2,824
Unrealised foreign exchange gain on equity investments	-	2	-	44
Gain on revaluation of Put Option	11,600	-	-	-
Unrealised gain on equity investments	-	23,123	-	19,283
Total gains	**12,345**	**30,596**	**1,281**	**27,753**
Losses				
Realised capital loss on investments	202	1,583	-	-
Realised foreign exchange losses	-	132	-	1
Ineffective portion of changes in fair value of cash flow hedges	-	-	244	244
Loss on sale of fixed assets	2,544	2,543	294	294
Loss on revaluation of biological assets	-	95	-	-
Unrealised foreign exchange losses	-	102	-	-
Unrealised capital loss on investments	-	13,015	-	4,975
Net revaluation loss through income statement	7	7	-	-
Total losses	**2,753**	**17,477**	**538**	**5,514**
Net gains/(losses)	**9,592**	**13,119**	**744**	**22,240**

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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Salaries and wages	34,435	71,733	33,928	70,627
Superannuation	1,142	2,576	1,066	2,308
Other employee related expenses	2,726	3,290	2,708	3,312
Total employee benefit expenses	**38,303**	**77,599**	**37,702**	**76,247**

9 Trading and other expenses

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Fees to auditors				
-fees to Audit New Zealand for audit of Council and Quayside Holdings Group financial statements	132	241	131	233
-fees to Audit New Zealand for audit of Council LTP	-	-	79	79
-fees to Audit New Zealand for audit of Council Debenture Trust Deed	6	6	5	5
-fees to KPMG for audit of Port of Tauranga Group Financial Statements	-	153	-	163
-fees to KPMG for review of Port of Tauranga half year financial statements	-	12	-	12
-fees to KPMG for Port of Tauranga Group Treasury function review	-	33	-	-
-fees to KPMG for Port of Tauranga Group Data insights risk review of GST and tax fixed asset register	-	12	-	-
-fees to KPMG for Port of Tauranga Group Hedge accounting policy review	-	7	-	-
-fees to KPMG for Port of Tauranga payments data analysis review	-	-	-	22
Bad debts written-off	891	861	109	109
Consultation fees	5,118	5,118	4,792	4,792
Contracted services for port operations	-	63,775	-	58,797
Contract work	36,267	36,267	30,871	30,871
Direct fuel and power expenses	745	10,091	711	9,941
Directors' fees	-	1,104	-	1,059
Grants, contributions and sponsorships	15,174	15,174	16,454	16,454
Insurance	1,163	1,163	697	697
Legal fees	1,669	1,699	1,589	1,589
Maintenance costs	2,045	14,024	1,635	10,981
Operating lease payments	1,225	2,937	1,018	2,357
Operational materials	1,964	1,964	2,522	2,522
Orchard expenses	-	1,363	-	794

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Other expenses	8,251	24,626	11,485	25,241
Professional development	1,087	1,087	1,276	1,276
Rates	220	220	196	196
Valuation costs	273	273	310	310
Total trading and other expenses	**76,230**	**182,210**	**73,880**	**168,500**

The total value of all assets that are covered by insurance contracts, are $130 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 $313 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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Profit/(loss) before income tax for the period	**18,368**	**126,254**	**(17,963)**	**107,940**
Income tax on the surplus/(deficit) for the period at 28%	5,143	47,412	(5,030)	37,412
Tax effect of amounts which are non deductible / (taxable) in calculating taxable income:				
Non-taxable income	6,990	6,990	14,947	14,947
(Gain)/loss on investments	-	(3,224)	-	(5,179)
Fair value loss/(gain) on investment property	-	(976)	-	(791)
Fair value loss/(gain) on biological assets		27		
Foreign dividend regime	-	350	-	243
Share of equity accounted investees after tax income, excluding CODA group	-	(2,972)	-	(3,210)
Dividend imputation credits	(12,133)	(12,861)	(9,917)	(10,744)
Other attributed (income)/loss		(256)	-	(123)
Tax losses utilised		(41)	-	(262)
Non assessable income/expenditure	-	91	-	67
Temporary differences	-	902	-	725
Other	-	(125)	-	(62)
Income tax expense	-	**35,317**	-	**33,023**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
The income tax is represented by:				
Current tax expense				
Tax payable in respect of the current period	-	35,736	-	33,707
Adjustment for prior period	-	(293)	-	(2)
Total current tax expense	-	**35,443**	-	**33,705**
Deferred tax expense				
Origination/reversal of temporary differences	-	(44)	-	(683)
Adjustment for prior period	-	(82)	-	1
Total deferred tax expense	-	**(126)**	-	**(682)**
Income tax expense	-	**35,317**	-	**33,023**

An agreement between Council and Quayside Holdings Limited has utilised $3.0 million of Council's $4.56 million available tax losses, by way of subvention payment.

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. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

11 Cash and cash equivalents

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Cash at bank and in hand	11,322	78,309	9,838	51,526
Term deposits with maturities less than 3 months	126,788	126,788	64,700	64,700
Total cash and cash equivalents	**138,110**	**205,097**	**74,538**	**116,226**

While cash and cash equivalents at 30 June 2019 are subject to the expected credit loss requirements of IFRS 9, no loss allowance has been recognised because the estimated loss allowance for the credit losses is trivial.

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.

Financial assets at fair value through other comprehensive revenue and expenses.

In respect of the Parent accounts, the accounting policy is to account for subsidiary investments at fair value through other comprehensive revenue and expenses. 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

Financial assets at fair value through other comprehensive revenue and expenses are non-derivative assets that are designated as financial assets at fair value through other comprehensive revenue and expenses on initial recognition and are not held for trading. These financial assets are recognised initially at fair value plus any directly attributable transaction costs.

They are subsequently measured at their fair value with gains and losses recognised in other comprehensive revenue and expense. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred within equity to retained earnings. Dividends from these financial assets are recognised in profit and loss.

Accounting policy for the comparative year under NZ IAS 39 (Subsidiary)

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

12 Trade and other receivables (current)

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Rates receivables	6,000	6,000	4,341	4,341
Trade receivables	2,160	50,389	1,727	43,835
Kiwifruit income receivable	-	2,844	-	2,162
Trade receivables from equity accounted investees, subsidiaries and related parties	-	616	-	746
Advances to equity accounted investees	-	5,319	-	6,319
Taxation receivable	-	19	-	-
Prepayments and sundry receivables	12,256	15,880	6,809	9,969
	20,416	**81,067**	**12,877**	**67,372**
Less provision for impairment trade and rates receivables	(1,161)	(1,161)	(300)	(300)
Total current trade and other receivables	**19,255**	**79,906**	**12,577**	**67,072**

	Council 2018/19 $000	Council 2017/18 $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	12,299	8,150
Receivables from exchange transactions - this includes outstanding amounts for the sale of goods and services and clean heat rates	6,956	4,427
Total current receivables	**19,255**	**12,577**

The ageing of trade receivables at reporting date was:

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Not past due	1,466	33,351	1,513	26,484
Past due but not impaired 0 - 30 days	381	14,781	39	16,070
Past due but not impaired 30 - 60 days	58	1,397	39	930
Past due but not impaired 60 - 90 days	-	601	28	49
More than 90 days	255	259	108	302
Total trade receivables	**2,160**	**50,389**	**1,727**	**43,835**

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, debt write-offs and future expected losses.

Refer to Note 37 for detailed disclosure of the calculation of expected credit losses for 2019 following the adoption of PBE IFRS 9/NZ IFRS 9.

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Individual impairment	125	125	70	70
Collective impairment	1,036	1,036	230	230
Total provision for impairment	**1,161**	**1,161**	**300**	**300**

Judgements

A provision for doubtful receivables is established when the assessment under PBE IFRS 9 or NZ IFRS 9 (Council or Subsidiary) deems a provision is required. Movements in the provision for impairment of receivables are disclosed as part of Note 37.

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 2019 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.

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.

Short-term receivables are recorded at the amount due, less an allowance for credit losses. The simplified expected credit loss model of recognising lifetime expected credit losses for receivables is applied.

In measuring expected credit losses, short-term trade and sundry receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

Previous accounting policy for impairment of receivables

In the previous year, the allowance for credit losses was based on the incurred credit loss model. An allowance for credit losses was recognised only when there was objective evidence that the amount due would not be fully collected.

13 Inventories

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Inventory of parts and consumables	235	1,773	227	937
Kiwifruit stock on hand	-	-	-	-
	235	**1,773**	**227**	**937**

There were no inventories written off or pledged as security for liabilities during the year (2018: 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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Other receivables	-	12	-	25
Rotorua Hot Swap debtors	1,820	1,820	2,146	2,146
Total trade and other receivbles (non-current)	**1,820**	**1,832**	**2,146**	**2,171**

	Council 2018/19 $000	Council 2017/18 $000
Total non-current receivables comprise:		
Receivables from exchange transactions - this includes outstanding amounts for clean heat rates	1,820	2,146
Total non-current receivables	**1,820**	**2,146**

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 (current and non-current)

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current				
Term deposits	23,000	48,000	25,000	25,000
Receivables	-	-		
Loan to Quayside Holdings Ltd	50,000	-	-	-
Fair value through equity				
Bond and other fixed rate notes	5,069	5,069	13,309	13,309
Total current portion	78,069	53,069	38,309	38,309
Non-current portion				
Investment in CCO's and similar entities				
Shares in subsidiaries	91	-	11	-
Unlisted shares in NZ LGFA Ltd	6,154	6,153	1,866	1,866
Borrower notes LGFA	803	803		
Total investment in CCO's and other similar entities	**7,048**	**6,956**	**1,877**	**1,866**
Non-current portion				
Fair value through surplus or deficit				
Other equity investments	105	178,625	67	171,580
Floating rate notes - interest swaps	-	-	-	-
Fair value through equity				
Bond and other fixed rate notes	-	-	15,416	15,416
Term deposits	-	-	-	-
Total investments in other entitles	**105**	**178,625**	**15,483**	**186,996**
Total non-current portion	**7,153**	**185,581**	**17,360**	**188,862**
Total other financial assets	**85,222**	**238,650**	**55,669**	**227,171**

The classification of financial assets in 2018/19 has changed compared to the prior year due to the early adoption of PBE IFRS 9/NZ IFRS 9. Refer to Note 1 for details of these changes.

Intercompany loans are made via funds drawdown by Quayside Holdings Limited from the Westpac Tranche Lines and Bay of Plenty Regional Council loan facility. This facility has interest on charged at the rate charged on the Tranche Line from the Westpac Banking Corporation and Bay of Plenty Regional Council. 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 and investments in managed funds. Current other financial assets comprise a $48 million (2018: nil) term deposit held by Quayside Holdings Limited and Council.

Quayside Holdings Limited has an uncalled capital capital commitments of $22.8 million (2018: $8.9 million) in relation to equity managed fund investments.

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 each for these 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 2019, the amount uncalled is $81.8 million (2018: $81.8 million). 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 fair value of equity investments measured at fair value through comprehensive revenue and expenses is based on quoted market prices at the reporting date and are categorised under the level 1 fair value hierarchy.

A financial asset is mandatorily measured at fair value through profit or loss if it is not measured at amortised cost or designated at fair value through comprehensive income upon initial recognition. Attributable transaction costs are recognised in profit or loss as incurred.

Financial assets mandatorily measured at fair value through profit or loss are measured at fair value and changes therein, which takes in to account any dividend income, are recognised in profit or loss.

Financial assets mandatorily measured at fair value through profit or loss include: equity securities.

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 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.

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.

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

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 in prior year only

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

16 Derivative financial instruments

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current assets	-	-	-	-
Total current assets	-	-	-	-
Non-current assets				
Interest rate derivatives - not designated as hedges	-	-	-	-
Total non current assets	**-**	**-**	**-**	**-**
Total assets	**-**	**-**	**-**	**-**
Current liabilities				
Foreign currency derivatives - cash flow hedges	-	266	-	-
Interest rate derivatives - cash flow hedges	-	872	-	-
Total current liabilities	**-**	**1,138**	**-**	**-**
Non-current liabilities				
Interest rate derivatives - not designated as hedges	-	-	73	73
Interest rate derivatives - cash flow hedges	-	20,895	-	11,787
Total non current liability portion	**-**	**20,895**	**73**	**11,860**
Total liabilities	**-**	**22,033**	**73**	**11,860**

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.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The notional amount of the hedging instrument must match the designated amount of the hedged item for the hedge to be effective.

Sources of hedge ineffectiveness are:

- Material changes in credit risk that affect the hedging instrument but do not affect the hedged item
- Drawn liabilities that fall below the hedging amount, causing the hedge ratio to exceed 100%.

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:

Valuation Input	*Source*
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.
Foreign exchange forward prices	Published spot foreign rates and interest rate differentials.

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.

The Group's hedging policy parameters are:

Interest rate derivatives

Debt Maturity	*Minimum Hedging %*	*Maximum Hedging %*
0-1 year	45	100
1-3 years	30	85
3-5 years	15	65
5-10 years	0	50

Foreign exchange derivatives

Expenditure	*Minimum Hedging %*	*Maximum Hedging %*
Upon Board approval of capital expenditure denominated in a foreign currency	0	50
Upon signing of contract with supplier for capital expenditure denominated in a foreign currency	75	100

17 Property plant and equipment

2019	Cost / revaluation 01 July 2018	Accumulated depreciation and impairment charges 01 July 2018	Carrying amount 01 July 2018	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 30 June 2019	Accumulated depreciation and impairment charges 30 June 2019	Net book value amount 30 June 2019
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Bay of Plenty Regional Council														
Operational assets:														
Land	7,030	-	7,030	-	(1,100)	-	-	-	591	-	-	6,521	-	6,521
Buildings	11,938	(3)	11,935	18,263	-	(45)	-	(171)	(8,004)	3	171	22,152	-	22,152
Plant and Equipment	26,962	(16,937)	10,025	2,590	(2,546)	74	-	(3,016)	-	2,121	(6)	27,080	(17,838)	9,242
Maritime	687	(6)	681	-	(2)	(0)	-	(66)	-	0	-	685	(72)	613
Works In Progress	9,101	-	9,101	(989)	-	7	-	-	-	-	-	8,119	-	8,119
Infrastructural assets:														
Flood Protection														
Kaituna	52,090	(253)	51,837	454	(0)	20	-	(340)	9,670	-	281	62,234	(312)	61,922
Rangitaiki/Tarawera	77,699	(229)	77,471	2,576	(110)	-	-	(270)	15,595	-	229	95,760	(270)	95,490
Whakatāne/Tauranga	53,494	(210)	53,284	1,552	(122)	(0)	-	(246)	12,199	-	212	67,123	(244)	66,879
Waioeka/Otara	35,304	(109)	35,194	2,094	(212)	-	-	(134)	7,718	-	109	44,904	(135)	44,769
Rangitaiki Drainage	14,405	(30)	14,375	-	(26)	(26)	-	(18)	(69)	-	25	14,284	(23)	14,261
Communal Pumping	5,272	(3,048)	2,224	-	-	-	-	(235)	-	-	-	5,272	(3,283)	1,989
Other Structures	1,060	-	1,060	-	-	-	-	-	-	-	-	1,060	-	1,060
WIP Rivers & Drainage	41,560	-	41,560	28,341	-	(2)	-	-	-	-	-	69,899	-	69,899
Lakes Restoration	10,552	(97)	10,455	1	-	-	-	(890)	-	-	-	10,553	(987)	9,566
WIP Lakes Restoration	2,101	-	2,101	719	(1,790)	4	-	-	-	-	-	1,034	-	1,034
Restricted assets:														
Parks Land	7,261	-	7,261	-	-	0	-	-	(1,505)	-	-	5,755	-	5,755
Parks Buildings	1,281	(81)	1,200	261	-	-	-	(38)	-	-	-	1,542	(119)	1,423
Other Restricted Land	2,527	-	2,527	32	-	-	-	-	-	-	-	2,560	-	2,560
Flood Protection	2,340	(61)	2,279	-	-	-	-	(3)	(676)	-	33	1,664	(31)	1,633
Council property plant and equipment	**362,664**	**(21,064)**	**341,600**	**55,894**	**(5,908)**	**32**	**-**	**(5,427)**	**35,519**	**2,124**	**1,054**	**448,201**	**(23,314)**	**424,887**

	Cost / revaluation 01 July 2018 $000	Accumulated depreciation and impairment charges 01 July 2018 $000	Carrying amount 01 July 2018 $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 2019 $000	Accumulated depreciation and impairment charges 30 June 2019 $000	Net book value amount 30 June 2019 $000
Subsidiary														
Freehold land	730,406	-	730,406	22					72,776			803,204	-	803,204
Freehold buildings	105,991	(38)	105,953	10,237	(1,300)		(463)	(4,170)		466		114,928	(4,205)	110,723
Wharves and hardstanding	301,579	-	301,579	17,233				(11,147)				318,812	(11,147)	307,665
Harbour improvements	173,284	-	173,284	1,183				(1,291)				174,467	(1,291)	173,176
Bearer Plants	9,167	-	9,167					(539)	1,709		539	10,876	-	10,876
Plant and equipment	217,309	(87,696)	129,613	2,909	(1,036)		(36)	(10,471)		938		219,182	(97,265)	121,917
Capital work in progress	5,573	-	5,573	9,083								14,656	-	14,656
Subsidiary property plant and equipment	**1,543,309**	**(87,734)**	**1,455,575**	**40,667**	**(2,336)**	**-**	**(499)**	**(27,618)**	**74,485**	**1,404**	**539**	**1,656,125**	**(113,908)**	**1,542,217**
Elimination of interest capitalised	(4,654)	-	(4,654)	(274)	-	-	-	-	-	-	-	(4,928)	-	(4,928)
Total Group property plant and equipment	**1,901,320**	**(108,798)**	**1,792,521**	**96,287**	**(8,244)**	**32**	**(499)**	**(33,045)**	**110,004**	**3,528**	**1,593**	**2,099,398**	**(137,222)**	**1,962,176**

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 totaling $10.1 million in 2017. No further impairment was recognised in the 2018 year. In 2019 the impairment was adjusted down by $3 million, to $7.1 million.

The latest valuation for Flood Protection assets was at 1 July 2019 with the estimated replacement cost as below:

Flood Protection & Control Works	Closing Book Value $000	Constructed by Council $000	Transferred to Council $000	Estimated Replacement Cost $000
as at 30 June 2019	284,953	6,075	-	288,656
as at 30 June 2018	244,483	1,669	-	248,362

2018	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
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**

Council

Land

The most recent valuation of land was performed by an independent registered valuers, Grant Utteridge, Miles Mander, Michael Reay and Dean Brunton, of Telfer Young. The valuation was effective as at 30 June 2019.

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 valuers, Grant Utteridge, Miles Mander, Michael Reay and Dean Brunton, of Telfer Young. The valuation was effective as at 30 June 2019.

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 2019 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	
	2019	**2018**
	Notional Carrying Amount	Notional Carrying Amount
	$000	$000
Freehold land	117,601	117,579
Freehold buildings	81,329	75,125
Wharves and hardstanding	116,739	105,174
Harbour improvements	61,118	62,393
Bearer Plants	1,052	1,117
Total notional carrying amount	**377,839**	**361,388**

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.*

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

Land, buildings, harbour improvements, and wharves and hardstanding assets

Judgement is required to determine whether the fair value of land, buildings, wharves and hardstanding, and harbour improvements assets have changed materially since the last revaluation. The determination of fair value at the time of the revaluation requires estimates and assumptions based on market conditions at that time. Changes to estimates, assumptions or market conditions subsequent to a revaluation will result in changes to the fair value of property, plant and equipment.

Remaining useful lives and residual values are estimated based on Management's judgement, previous experience and guidance from registered valuers. Changes in those estimates affect the carrying value and the depreciation expense in the income statement.

At the end of each reporting period, the Group makes an assessment whether the carrying amounts differ materially from the fair value and whether a revaluation is required. The assessment considers movements in the capital goods price indices and other market indicators since the previous valuations.

The *Port of Tauranga Group* revalued land assets at 30 June 2019, due to indicators of potential material movement in the fair value of the asset class. At 30 June 2019, the assessment is that there is no material change compared with carrying value in the fair value of buildings, wharves and hardstanding, and harbour improvements.

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

Bearer plants

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2019 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 valuation

The valuation of land assets was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by $72.8 million.

Land assets are 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 interim valuation was performed on a desk top basis with no physical inspection of the sites or review of land titles for each property. Therefore the work performed is less than that which would be undertaken at the full revaluation cycle.

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

Asset valuation method	Key valuation assumptions	Hectares	2019		2018	
			Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Direct sales comparison	Tauranga (Sulphur Point) / Mount Maunganui – wharf and industrial land per square metre	181.7	$330 - $770	$411	$300-700	$374
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	$568 - $596	$592	$500-525	$522
	Rolleston land – MetroPort Christchurch per square metre	15	$100	$100	$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 last valuation was carried out at 30 June 2018 by Colliers International New Zealand Limited. The majority of assets are valued on a combined land and building basis using a Capitalised Income Model with 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 significant assumptions applied in the valuation of these building assets are:

Asset valuation method	Key valuation assumptions	2019		2018	
		Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Capitalised income model	Market capitalisation rate	5.00 - 8.00%	5.47%	5.00 - 8.00%	5.47%

Wharves and hardstanding, and harbour improvements

The last valuation of wharves and hardstanding, and harbour improvements assets was carried out at 30 June 2018 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 is 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	2019		2018	
		Range of significant assumptions	Weighted average	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	$5,000 - $7,000	$6,446
	Earthworks construction replacement unit cost rates per square metre	$9	$9	$9	$9
	Basecourse construction replacement unit cost rates per square metre	$20 - $40	$31	$20 - $40	$31
	Asphalt construction replacement unit cost rates per square metre	$23 - $50	$44	$23 - $50	$44
	Capital dredging replacement unit cost rates per square metre	$4 - $75	*	$4 - $75	*
	Depreciation method	Straight line basis	Not applicable	Straight line basis	Not applicable
	Channel assets (capital dredging) useful life	Indefinite	Not applicable	Indefinite	Not applicable
	Pavement – remaining useful lives	2-32 years	14 years	2-32 years	14 years
	Wharves remaining useful lives	0-65 years	24 years	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 for land			
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 for buildings			
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 for buildings, wharves and hardstanding, and harbour improvements			
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 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.

Any increase in carrying value from revaluation shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. If an asset's carrying amount is decreased as a result of revaluation, the decrease shall be recognised in profit or loss 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.

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 50 years	2% - 50%
Infrastructural assets:		
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%
Wharves and hardstanding:		
Wharves	44 to 70 years	1.43% to 2.27%
Basecourse	50 years	2%
Asphalt	15 years	6.67%
Plant and equipment		
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

2019	Cost	Accumulated amortisation and impairment charges	Carrying amount	Additions	Disposals	Adjustments	Amortisation charges	Revaluation surplus	Impairment charges	Current year disposals	Depn write back on reval-uation adjustments	Cost / revaluation	Accumulated amortisation and impairment charges	Net book value
	01 July 2018	01 July 2018	01 July 2018				Current Year					30 June 2019	30 June 2019	30 June 2019
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Bay of Plenty Regional Council														
Intangible assets:														
Computer Software	11,200	(6,638)	4,563	2,143	(268)	-	(996)	-	-	268	-	13,075	(7,366)	5,709
Work in Progress	1,154	-	1,154	(644)	-	(59)	-	-	-	-	-	451	-	451
Council intangible assets	**12,354**	**(6,638)**	**5,715**	**1,499**	**(268)**	**(59)**	**(996)**	**-**	**-**	**268**	**-**	**13,526**	**(7,366)**	**6,160**
Subsidiary														
Computer Software	4,154	(1,736)	2,418	486	-	-	(422)	-	-	-	-	4,640	(2,158)	2,482
Rail Services Agreement	10,000	(9,387)	613	567	-	-	(124)	-	-	-	-	10,567	(9,511)	1,056
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	2,238	-	2,238	-	-	-	(106)	249	-	-	106	2,487	-	2,487
Subsidiary intangible assets	**31,882**	**(11,123)**	**20,759**	**1,053**	**-**	**-**	**(652)**	**249**	**-**	**-**	**106**	**33,184**	**(11,669)**	**21,515**
Group														
Computer Software	15,354	(8,374)	6,981	2,629	(268)	-	(1,418)	-	-	268		17,715	(9,524)	8,191
Rail Services Agreement	10,000	(9,387)	613	567	-	-	(124)	-	-	-		10,567	(9,511)	1,056
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-		15,490	-	15,490
Kiwifruit Licence	2,238	-	2,238	-	-	-	(106)	249	-	-		2,487	-	2,487
Work in Progress	1,154	-	1,154	(644)	-	(59)	-	-	-	-		451	-	451
Group intangible assets	**44,236**	**(17,761)**	**26,475**	**2,552**	**(268)**	**(59)**	**(1,648)**	**249**	**-**	**268**	**-**	**46,710**	**(19,035)**	**27,675**

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 reval-uation 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														
Computer Software	3,167	(1,374)	1,793	987	-	-	(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	-	2,158
Subsidiary intangible assets	**31,782**	**(10,638)**	**21,144**	**987**	**-**	**(1,176)**	**(565)**	**289**	**-**	**-**	**80**	**31,882**	**(11,123)**	**20,679**
Group														
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)**	**26,443**	**2,106**	**(17)**	**(1,176)**	**(1,604)**	**289**	**-**	**17**	**-**	**44,236**	**(17,761)**	**26,476**

	Group	
	2018/19	2017/18
Kiwifruit Licence Revaluation Reserve	$000	$000
Opening Balance	1,670	1,446
Revaluation reversal	-	(47)
Revaluation, net of tax	255	271
Closing balance	**1,925**	**1,670**

G3 licences

The G3 licences held are for a total of 8.29 hectares (2018: 8.29 hectares). The 2014 to 2019 harvest returns has increased the value of G3 licences. A registered valuer at 30 June 2019 has determined that the fair value for licences held by the Quayside Group is $2,487,000. The original cost of the licences is $57,649. The fair value measurement for these assets is categorised as a level 1 fair value. The notional carrying amount that would have been recognised, had the licences been carried under the cost model, would be $50,129 (2018: $52,636).

Judgements

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

Goodwill was tested for impairment at 30 June 2019 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

Restrictions

There are no restrictions over the title of the intangible assets.

Security

No intangible assets are pledges as security for liabilities.

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. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter.

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 Biological assets

This note is for the subsidiary only.

	Group	Group
	2018/19	**2017/18**
Forestry	$000	$000
Balance at 1 July	-	-
Additions	485	-
Change in fair value less estimated costs to sell	(95)	-
Balance at 30 June	**390**	-

During the year an investment property was purchased in Paengaroa, which included a 113.6ha radiata pine forestry block. Fair value of the forestry block has been determined by independent registered valuation at 30 June 2019 as $404,000 less costs to sell. Fair value has been determined by using the income approach (Discounted Cash Flow) by assessing the net present value of estimated future costs and revenues pertaining to the standing tree crop, using a discount rate of 7.5%. The fair value measurement is categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs) – refer to Note 2 for fair value measurement hierarchy. The significant assumptions applied in the valuation of these assets are:

1. Discounted Cash Flow (DCF) Approach has been applied to the anticipated pre-tax cash flows (future revenues and costs) for the current tree crop rotation.

2. A notional freehold land rental of NZ$360/ha p.a.

3. A pre-tax implied discount rate of 7.5% p.a. which was derived from the recent market transactions.

Sensitivity of tree crop value to discount rate Tree Crop Value Discount Rate (pre-tax) (NZ$ 000's)	
6.00%	805
6.50%	654
7.00%	521
7.50%	**404**
8.00%	301
8.50%	210
9.00%	130

Implied discount rates (IDR) on pre-tax cash flows - Analysis Implied Discount Rate	
Recent transaction range	3.7% - 10.8%
Average last 6 years	7.50%
Area-weighted average last 6 years	6.70%

Sensitivity of tree crop value to log prices and production costs Discount Rate (pre-tax) (NZ$ 000's)					
(NZ$'000)	**Log Prices**				
Production Costs	-10%	-5%	Base	5%	10%
10%	125	228	331	434	537
5%	**161**	**264**	**368**	**471**	**574**
Base	198	301	404	507	610
-5%	235	338	441	544	647
-10%	271	374	478	581	684

Kiwifruit crop

Harvesting kiwifruit crop takes place in April to June each year. At 30 June 2019 the crop is measured at fair value which is nil $ (2018:nil $). The fair value is deemed to be cost as insufficient biological transformation has occurred.

20 Investment properties

The Council has no investment properties. This note is for the subsidiary only.

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Balance at 1 July	-	21,918	-	17,405
Additions - work in progress (at cost)	-	66	-	362
Subsequent expenditure (at cost)	-	-	-	1,327
Additions - Acquisitions (at cost)	-	2,415	-	-
Realised gains on sale	-	-	-	-
Fair value gains on valuation	-	3,487	-	2,824
Balance at 30 June	**-**	**27,886**	**-**	**21,918**
Rental income from investment properties	-	457	-	303
Expenses from investment property generating income	-	113	-	37

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 Rangiuru 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 Rangiuru Business Park. The value of this work was not included in the independent registered valuations, as the bore is not yet operational.

During the year a new investment property was purchased in Paengaroa. This property consists of horticultural land, a forestry block and a residential rental.

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 orchards.
- Improvement values have been assessed with regard to their income producing capacity, depreciated replacement cost and an analysis of sales where properties have included similar asset types.

Policies

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Cost includes any expenditure that is directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Properties leased to third parties under operating leases are generally classified as investment property unless:

- the occupants provide services that are integral to the operation of the Group's business and those services could not be provided efficiently and effectively by the lessee in another location;
- the property is being held for future delivery of services by the Group; or
- the lessee uses services of the Group and those services are integral to the reasons for the lessee's occupancy of the property

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its costs for subsequent accounting.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Any improvements in investment property will be recognised initially at cost whilst the work is in progress, and will subsequently be included in the fair value revaluation once the work is complete.

21 Investments in subsidiaries

Investments in subsidiaries comprise:

Name of Entity	Principal Activity	Interest Held by Group 2019 %	2018 %	Balance date
Subsidiaries of Bay of Plenty Regional Council:				
BoPLASS Limited		16.13	17.24	30 June
Quayside Holdings Limited		100.00	100.00	30 June
Subsidiaries of Quayside Holdings Limited:				
Quayside Unit Trust (QUT)	Majority shareholder in POT	100.00	100.00	30 June
Quayside Investment Trust (QIT)	Holds equity investments	100.00	100.00	30 June
Quayside Securities Limited (QSL)	Trustee for QUT and QIT	100.00	100.00	30 June
Quayside Properties Limited (QPL)	Holds investment properties	100.00	100.00	30 June
Cibus Technologies Limited (CTL)	Shell company	100.00		30 June
Aqua Curo Limited (ACL)	Shell company	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% (2018: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2018: 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 2019 was $6.25 (2018: $5.09) which has resulted in an increase in the fair value of the investment in Port of Tauranga Limited of $427.4 million (2018: $239.5 million).

Ownership interest in Port of Tauranga Limited	2019 $000	2018 $000
Non current assets	1,682,982	1,599,147
Current assets	65,879	57,884
Non current liabilities	(213,280)	(214,038)
Current liabilities	(369,696)	(321,013)
Net Assets (100%)	1,165,885	1,121,980
Group's share of net assets 54.14% (2018: 54.14%)	631,210	607,440
Non Controlling Interest 45.86% (2018: 45.86%)	534,675	514,540
Accounting adjustment to non controlling interest	(9,005)	(8,990)
Reported non controlling interest	525,670	505,550
Port of Tauranga Group - summary of financial performance and cashflow		
Operating revenue	313,263	283,726
Profit after income tax	100,577	94,273
Total comprehensive income	165,533	304,397
Net cash inflow from operating activities	112,189	99,431
Ending cash and cash equivalents	3,903	5,836

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.

Financial assets at fair value through other comprehensive revenue and expenses

In respect of Quayside Holdings Limited accounts, the accounting policy is to account for subsidiary investments at fair value through other comprehensive income. 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

Financial assets at fair value through other comprehensive income are non-derivative assets that are designated as financial assets at fair value through other comprehensive income on initial recognition and are not held for trading. These financial assets are recognised initially at fair value plus any directly attributable transaction costs.

They are subsequently measured at their fair value with gains and losses recognised in other comprehensive revenue and expense. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred within equity to retained earnings. Dividends from these financial assets are recognised in profit and loss.

Accounting policy for the comparative year under NZ IAS 39

In respect to Quayside Holdings Limited accounts 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 revaluation reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

22 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		2019 %	2018 %
Quayside Holdings Limited				
Huakiwi Developments Limited Partnership	Orchard development	Joint venture	50.00	50.00
WNT Ventures	Technological incubator	Associate	20.00	20.00
Ōpōtiki Packing & Coolstorage Limited	Kiwifruit packhouse	Associate	10.10	10.10
HoneyLab Limited	Honey products	Associate	18.79	18.84
Rhondium Limited	Dental technology	Associate	10.60	10.13
Techion Holdings Limited	Diagnostic technology	Associate	20.82	20.82
Oriens Capital	Private equity fund	Associate	19.77	19.77
Quayside Properties Limited				
Lakes Commercial Developments Limited	Commercial property development	Joint venture	50.00	-
Tauranga Commercial Developments Limited	Commercial property development	Joint venture	50.00	-
Port of Tauranga Limited				
Coda Group Limited Partnership	Freight logistics and warehousing	Joint venture	50.00	50.00
Northport Limited	Sea Port	Joint venture	50.00	50.00
PrimePort Timaru Limited	Sea Port	Joint venture	50.00	50.00
PortConnect Limited	On line cargo management	Joint venture	50.00	50.00
Timaru Container Terminal Limited	Sea Port	Joint venture	50.10	50.10

**Non-standard balance dates of Parent equity 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	Group
	2019	**2018**
	$000	$000
Associates		
Balance at 1 July	14,471	10,431
Share of after net profit after tax	(673)	276
Share of revaluation reserve	143	(24)
Share of total comprehensive income	**(530)**	**252**
New investment during the year	5,966	3,909
Distributions received	(277)	(121)
Balance at 30 June	**19,630**	**14,471**
Joint Ventures		
Balance at 1 July	140,165	127,583
Share of after net profit after tax	7,748	14,977
Share of hedging reserve	(308)	(71)
Share of revaluation reserve	448	1,711
Share of total comprehensive income	**7,888**	**16,617**
New investment during the year	10,835	6,000
Distributions received	(9,850)	(10,035)
Balance at 30 June	**149,038**	**140,165**
Total Equity Accounted Investees	**168,668**	**154,636**

Quayside Group

The Parent has committed uncalled capital in its equity accounted investees of $12.2 million (2018: $9.7 million).

There are no contingent liabilities relating to the Parent's interests in its equity accounted investees.

The following table summarises the financial information of individually immaterial Equity Accounted interests in associates, as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. These Equity Accounted Investees relates to the Parent only, as the *Port of Tauranga Group* only has Equity Accounted Investee interests in Joint Ventures – shown separately below.

Summarised financial information of immaterial equity accounted investees - Associates:

Subsidiary	2019 $000	2018 $000
Cash and cash equivalents	2,257	2,501
Total current assets	28,024	22,138
Total non current assets	82,498	60,262
Total assets	**110,522**	**82,400**
Current financial liabilities excluding trade and other payables and provisions	11,173	11,392
Total current liabilities	**22,105**	**19,389**
Non current financial liabilities excluding trade and other payables and provisions	29,308	22,340
Total non current liabilities	**29,308**	**22,340**
Total liabilities	**51,413**	**41,729**
Net assets	**59,109**	**40,671**
Group's share of net assets	**8,834**	**5,067**
Goodwill acquired on acquistion of equity accounted investees	**10,796**	**9,404**
Carrying amount of equity accounted investees	**19,630**	**14,471**
Revenues	61,228	61,227
Depreciation and amortisation	(3,896)	(3,069)
Interest expense	(1,043)	(731)
Net profit before tax	**(4,161)**	**3,785**
Tax expense	(397)	(757)
Net profit after tax	**(4,558)**	**3,028**
Other comprehensive income	1,416	(350)
Total comprehensive income	**(3,142)**	**2,678**
Group's share of net profit after tax	**(673)**	**300**
Group's share of total comprehensive income	**(530)**	**253**
Group's share of dividends/distributions	**277**	**121**

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:

Subsidiary 2019	Northport Limited NZ $000	Coda Group Limited Partnership NZ $000	Other equity accounted investees NZ $000	Total NZ $000
Cash and cash equivalents	386	3,748	5,549	9,683
Total current assets	4,766	26,091	11,738	42,595
Total non current assets	131,515	40,053	123,565	295,133
Total assets	**136,281**	**66,144**	**135,303**	**337,728**
Current financial liabilities excluding trade and other payables and provisions	-	2,749	6,738	9,487
Total current liabilities	4,812	20,101	12,414	37,327
Non current financial liabilities excluding trade and other payables and provisions	35,341	7,417	28,384	71,142
Total non current liabilities	35,341	7,417	28,384	71,142
Total liabilities	**40,153**	**27,518**	**40,798**	**108,469**
Net assets	**96,128**	**38,626**	**94,505**	**229,259**
Group's share of net assets	**48,064**	**19,313**	**47,260**	**114,637**
Goodwill acquired on acquistion of equity accounted investees	**-**	**29,414**	**4,987**	**34,401**
Carrying amount of equity accounted investees	**48,064**	**48,727**	**52,247**	**149,038**

Subsidiary continued	Northport Limited	Coda Group Limited Partnership	Other equity accounted investees	Total
2019	**NZ $000**	**NZ $000**	**NZ $000**	**NZ $000**
Revenues	42,622	215,844	36,908	295,374
Depreciation and amortisation	(3,818)	(1,799)	(2,547)	(8,164)
Interest expense	(1,813)	(18)	(1,246)	(3,077)
Net profit before tax	24,028	(7,072)	6,584	23,450
Tax expense	6,038	-	2,010	8,048
Net profit after tax	17,990	(7,072)	4,574	15,492
Other comprehensive income	(296)	-	576	280
Total comprehensive income	**17,694**	**(7,072)**	**5,150**	**15,772**
Group's share of net profit after tax	**8,995**	**(3,536)**	**2,289**	**7,748**
Group's share of total comprehensive income	**8,847**	**(3,536)**	**2,577**	**7,888**
Group's share of dividends/distributions	**9,190**	**-**	**650**	**9,850**

Summarised financial information of equity accounted investees - Joint Ventures:

Subsidiary	Northport Limited	Coda Group Limited Partnership	Other equity accounted investees	Total
2018	**NZ $000**	**NZ $000**	**NZ $000**	**NZ $000**
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 acquistion 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**

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 2019 the Parent of Quayside group 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 2019 and confirmed that no adjustment was required.

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.

23 Trade and other payables

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current				
Trade payables	4,515	16,817	3,411	14,891
Accrued expenses	9,525	28,134	15,858	37,713
Payables to equity accounted investees and related parties	-	5,013	-	45
Income in advance	1,848	2,108	1,316	1,595
Total trade and other payables	15,888	52,072	20,585	54,244
Non current				
Accounts payable	-	-	-	-
Total trade and other payables	**15,888**	**52,072**	**20,585**	**54,244**

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 $ (2018: nil $).

Policies

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost.

Payables - current

Council only	Council 2018/19 $000	Council 2017/18 $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	15,888	20,585
Total current receivables	**15,888**	**20,585**

24 Deferred taxation

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

	Assets		Liabilities		Net	
	2018/19	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Subsidiary	$000	$000	$000	$000	$000	$000
Deferred tax (asset)/liability						
Tax Losses	-	(123)	-	-	-	(123)
Biological assets	(27)	-	-	-	(27)	-
Property, plant and equipment	-	-	76,799	77,566	76,799	77,566
Investment property	-	(838)	118	-	118	(838)
Intangible assets	-	-	1,237	1,028	1,237	1,028
Finance lease receivables	-	-	7	10	7	10
Derivatives	(6,246)	(3,402)	-	-	(6,246)	(3,402)
Provisions and accruals	(1,993)	(1,871)	-	-	(1,993)	(1,871)
Total	**(8,266)**	**(6,234)**	**78,161**	**78,604**	**69,895**	**72,370**

	Recognised in the Income Statement		Recognised in Comprehensive income	
	2018/19	**2017/18**	**2018/19**	**2017/18**
Subsidiary	$000	$000	$000	$000
Tax Benefit	123	(123)	-	-
Property, plant and equipment	(1,163)	(1,266)	395	16,088
Investment property	956	752	-	-
Intangible assets	110	(32)	100	106
Finance lease receivables	(3)	(3)	-	-
Derivatives	-	-	(2,844)	(504)
Provisions and accruals	(122)	(10)	-	-
Total	**(126)**	**(682)**	**(2,349)**	**15,690**

Unrecognised tax losses or temporary differences

A deferred tax asset of $40,971 was not recognised in the prior year for excess imputation credits converting to tax losses of $146,327 in relation to Quayside Unit Trust – this loss was utilised in the current period. There are no 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.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

25 Employee benefit liabilities

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current				
Accrued Pay				
Opening balance	2,065	2,065	1,833	1,833
Charged/credited to the income statement				
Additional provisions	2,027	2,027	2,065	2,065
Used during year	(2,065)	(2,065)	(1,833)	(1,833)
Closing balance	**2,027**	**2,027**	**2,065**	**2,065**
Annual Leave				
Opening balance	2,700	2,700	2,417	2,417
Charged/credited to the income statement				
Additional provisions	2,467	2,467	2,700	2,700
Used during year	(2,700)	(2,700)	(2,417)	(2,417)
Closing balance	**2,467**	**2,467**	**2,700**	**2,700**
Sick leave				
Opening balance	55	55	55	55
Charged/credited to the income statement				
Additional provisions	57	57	55	55
Used during year	(55)	(55)	(55)	(55)
Closing balance	**57**	**57**	**55**	**55**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Long service leave				
Opening balance	170	170	127	127
Charged/credited to the income statement				
Additional provisions	87	87	170	170
Used during year	(92)	(92)	(127)	(127)
Closing balance	**164**	**164**	**170**	**170**
Employee benefits - profit sharing and bonuses				
Opening balance	-	2,262	-	1,933
Charged/credited to the income statement				
Additional provisions	-	2,698	-	3,061
Used during year	-	(2,782)	-	(2,732)
Closing balance	**-**	**2,178**	**-**	**2,262**
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-	818	-	401
Charged/credited to the income statement				
Utilised during the period	-	(958)	-	(401)
Additional provisions	-	140	-	386
Transferred to/from non-current	-	-	-	432
Closing balance	**-**	**-**	**-**	**818**
Total Current	**4,716**	**6,894**	**4,990**	**8,070**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Non current				
Long service leave				
Opening balance	1,119	2,865	1,017	2,473
Charged/credited to the income statement				
- Additional provisions	1,202	1,396	1,119	1,629
- Unused amounts reversed	(1,119)	(1,194)	(1,017)	(1,072)
Used during year	-	(82)	-	(165)
Closing balance	**1,202**	**2,985**	**1,119**	**2,865**
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-	-	-	432
Charged/credited to the income statement				
- Additional provisions	-	-	-	-
- Transferred to/from current	-	-	-	(432)
Used during year	-	-	-	-
Closing balance	-	-	-	-
Total non current	**1,202**	**2,985**	**1,119**	**2,865**
Total employee benefit liabilities	**5,918**	**9,879**	**6,109**	**10,936**

Long service leave

Council

The present value of retirement and long service leave obligations depend on a number of factors. 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

Employee benefits - long service leave provision

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.

Employee benefits – management long term incentive plan

Members of Port of Tauranga Limited's Executive Management Team are eligible to receive payment under the Management Long Term Incentive Plan. The plan is classified as a cash settled share based payment plan 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 statement during the period is $0.14m (2018: $0.39m)

The current cash settled share based payment plan has been replaced and vested for the last time in the 2018 financial year with payment made in August 2018

Employee benefits – 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.

26 Loans and borrowings

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 37.

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current				
Borrowings from LGFA NZ Limited	90,490	90,490	-	-
Westpac debt facility	-	-	-	46,510
Commercial papers	-	220,000	-	220,000
Fixed Rate Bond - 1st issue	-	50,000	-	
Advances from employees	-	-	-	335
Multi-option facility	-	2,000	-	5,000
Standby revolving cash advance facility	-	50,000	-	50,000
Total current borrowings	**90,490**	**412,490**	**-**	**321,845**
Non current				
Borrowings from LGFA NZ Limited	50,628	50,628	-	-
Westpac debt facility	-	28,102	-	-
Fixed Rate Bond - 1st issue	-	-	-	50,000
Fixed Rate Bond - 2nd issue	-	75,000	-	75,000
Standby revolving cash advance facility	-	49,000	-	5,000
Advances from employees	-	213	-	21
Perpetual Preference Share Quayside Holdings Limited	-	194,885		194,885
Total non-current borrowings	**50,628**	**397,828**	**-**	**324,906**
Total borrowings Group	**141,118**	**810,318**	**-**	**646,751**

Term and debt repayment schedule

Council 2019 Non current	**Maturity**	**Coupon**	**Committed Facilities** NZ$000	**Undrawn Facilities** NZ$000	**Carrying Value** NZ$000
LGFA NZ Ltd Borrowing	2025	2.47%	15,000	-	15,000
LGFA NZ Ltd Borrowing	2023	2.15%	15,000	-	15,000
LGFA NZ Ltd Borrowing	2021	1.77%	20,500	-	20,500
Total non current			**50,500**	**-**	**50,500**
Current					
LGFA NZ Ltd Borrowing	2019	2.23%	20,000	-	20,000
LGFA NZ Ltd Borrowing	2019	2.16%	25,000	-	25,000
LGFA NZ Ltd Borrowing	2019	1.92%	25,000	-	25,000
LGFA NZ Ltd Borrowing	2019	Floating	20,000	-	20,000
Total current			**90,000**	**-**	**90,000**
Total Council			**140,500**	**-**	**140,500**

There were nil borrowings for Council for the year ended 30 June 2019.

Subsidiary 2019	Maturity	Coupon	Committed Facilities $000	Undrawn Facilities $000	Carrying Value $000
Non current					
Westpac borrowings (Parent entity)	2021	Floating	55,000	26,898	28,102
Bay of Plenty Regional Council (Parent entity)	2021	Floating	50,000	-	50,000
Standby revolving cash advance facility	2023	Floating	200,000	151,000	49,000
Fixed rate bond - 2nd issue	2021	4.790%	75,000	-	75,000
Standby revolving cash advance facility	2022	Floating	180,000	180,000	-
Advances from employees	Various	0%	-	-	213
Total non current			560,000	357,898	202,315
Current					
Fixed rate bond - 1st issue	2019	Floating	50,000	-	50,000
Standby revolving cash advance facility	2019	Floating	50,000	-	50,000
Multi option facilitiy	2019	Floating	5,000	3,000	2,000
Commercial papers	<3 months	Floating	-	-	220,000
Total current			105,000	3,000	322,000
Total			**665,000**	**360,898**	**524,315**

Subsidiary 2018	Maturity	Coupon	Committed Facilities $000	Undrawn Facilities $000	Carrying Value $000
Non current					
Standby revolving cash advance facility	2022	Floating	100,000	100,000	-
Fixed rate bond - 2nd issue	2021	4.79%	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	5.87%	50,000	-	50,000
Advances from employees	Various	0%	-	-	21
Total non current			405,000	275,000	130,021
Current					
Westpac borrowings (Parent entity)	2018	Floating	70,000	23,490	46,510
Standby revolving cash advance facility	2019	Floating	100,000	50,000	50,000
Multi option facilitiy	2018	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**

LGFA NZ Borrowings

Council has a number of financing arrangements with the LGFA, totaling $140.5 million (2018: $nil). The facilities all provide borrowing for a specific purpose, including $90.0 million for capital expenditure, and $50.0 million for on-lending to Quayside Holdings Limited. Borrowed funds for capital expenditure were subsequently re-invested in term deposits to align with future cash flows. In October 2018, Council borrowed from the LGFA, which then provided the ability to enter a $50 million financing arrangement with Quayside Holdings Limited. This facility expires on 30 June 2021.

Council's debt to revenue ratio at year end was -44 percent, this is within the limit of 250 percent.

Westpac Banking Corporation

Quayside Holdings Limited has a $55.0 million (2018: $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 2021.

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 2019 the Port of Tauranga Group had $220.0 million of commercial paper debt that is classified within current liabilities (2018: $220.0 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 $430.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and MUFG Bank Limited, Auckland Branch (2018: $380.0 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand branch and MUFG Bank Limited, Auckland Branch). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers. The facility was refinanced on 29 July 2019.

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 (2018: $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 $17.3 million (2018: $17.9 million), mortgages over the land and building assets $913.8 million (2018: $836.2 million), and by a general security agreement over the assets of the Port of Tauranga Limited $1,631.6 million (2018: $1,611.9 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 3.75% at 30 June 2019 (2018: 3.26%) for the *Quayside Group* and 3.08% (2018: 3.10%) for Quayside Holdings Limited.

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

27 Retained earnings

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Retained Earnings				
Balance at 1 July	204,279	336,696	173,854	262,294
Adjustment on adoption of IFRS9 and PBE IFRS9	3,579	3,429	-	-
Profit share	18,367	45,415	(17,963)	32,325
Dividends paid	-	(6,221)	-	(6,221)
Reclassification of prior year retained earnings	-	-	-	-
Non-controlling interest adjustments	-	27	-	1
Movement in subsidiary's employee share scheme	-	(547)	-	(800)
Adjustment for vesting of equity settled share based payment	-	-	-	709
Revaluation surplus transferred to retained earnings on asset disposal	-	25	-	-
Transfers from:				
Restricted reserve - disaster	2,426	2,426	4,363	4,363
Asset replacement reserve	59,548	59,548	10,032	10,032
Infrastructure fund reserve	31,953	31,953	43,383	43,383
Regional project fund	45,000	45,000	4,159	4,159
Environmental enhancement fund	257	257	441	441
Equalisation fund reserve	10,120	10,120	7,619	7,619
Current account reserve	2,168	2,169	4,605	4,605
Rotorua Lakes restoration reserve	2,484	2,484	2,332	2,332
CDEM Group reserve	-	-	-	-
Kaituna river authority	45	45	26	26
Rotorua Air	755	755	4,434	4,434
Transfers to:				
Restricted reserve - disaster	(54)	(54)	(2,264)	(2,264)
Asset replacement reserve	(74,369)	(74,369)	(8,200)	(8,200)
Infrastructure fund reserve	(1,212)	(1,212)	-	-
Regional project fund	(23,788)	(23,788)	(4,843)	(4,843)
Toi Moana reserve	(45,000)	(45,000)	-	-
Environmental enhancement fund	(306)	(306)	(310)	(310)
Equalisation fund reserve	(16,313)	(16,313)	(7,619)	(7,619)
Current account reserve	(3,932)	(3,932)	(5,400)	(5,400)
Rotorua Lakes restoration reserve	(4,732)	(4,732)	(215)	(215)
CDEM Group reserve	(113)	(113)	(174)	(174)
Kaituna river authority	(4)	(4)	(5)	(5)
Rotorua Air	(560)	(560)	(3,976)	(3,976)
General reserve	(113)	(112)	-	-
Balance as at 30 June	**210,485**	**363,085**	**204,279**	**336,696**

28 Other reserves

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Asset revaluation reserve				
Opening balance	144,508	663,792	123,878	526,120
Revaluation - land and buildings	(8,745)	(8,745)	5,895	5,895
Revaluation - Maritime	-	-	188	188
Revaluation - infrastructure assets	45,285	45,285	14,547	14,546
Revaluation - Port assets	-	39,541	-	115,001
Net change in share of equity accounted revaluation reserve	-	389	-	914
Bearer plant revaluation	-	1,619	-	903
Kiwifruit licence revaluation	-	255	-	224
Transfers to:	-	-	-	-
Retained earnings	-	-	-	-
Closing balance	**181,048**	**742,136**	**144,508**	**663,791**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Asset replacement reserve				
Opening balance	(5,515)	(5,515)	(3,681)	(3,683)
Transfers from:				
Retained Earnings	74,369	74,369	8,200	8,200
Transfers to:				
Retained Earnings	(59,547)	(59,547)	(10,033)	(10,033)
Closing balance	**9,307**	**9,307**	**(5,514)**	**(5,514)**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Environmental enhancement fund				
Opening balance	416	416	547	547
Transfers from:				
Retained Earnings	306	306	310	310
Transfers to:				
Retained Earnings	(257)	(257)	(441)	(441)
Closing balance	**465**	**465**	**416**	**416**
Restricted reserve - disaster				
Opening balance	4,000	4,000	6,098	6,098
Transfers from				
Retained earnings	54	54	2,264	2,264
Transfers to:				
Retained earnings	(2,426)	(2,426)	(4,362)	(4,362)
Closing balance	**1,628**	**1,628**	**4,000**	**4,000**
Hedging cash flow reserve				
Opening balance	-	(5,066)	-	(4,317)
Net effective portion of changes in fair value of cashflow hedges, net of tax	-	(4,902)	-	(1,930)
Net change in fair value of cashflow hedges transferred to profit or loss, net of tax	-	893	-	1,220
Net changes in cashflow hedges transferred to property, plant and equipment, net of tax	-	-	-	-
Net change in share of equity accounted investees revaluation reserve	-	(169)	-	(39)
Non-controlling interest adjustments	-	-	-	-
Retained earnings	-	-	-	-
Closing balance	**-**	**(9,244)**	**-**	**(5,066)**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Equalisation fund reserve				
Opening balance	-		-	-
Transfers from:				
Retained earnings	16,313	16,313	7,619	7,619
Transfers to:				
Retained earnings	(10,120)	(10,120)	(7,619)	(7,619)
Environmental enhancement fund	-	-	-	-
Closing balance	**6,193**	**6,193**	**-**	**-**
CDEM Group Reserve				
Opening balance	775	775	601	601
Transfers from:				
Retained earnings	113	113	174	174
Transfers to:				
Retained earnings	-	-	-	-
Environmental enhancement fund	-	-	-	-
Closing balance	**888**	**888**	**775**	**775**
Kaituna River Authority Reserve				
Opening balance	234	234	255	255
Transfers from:				
Retained earnings	4	4	5	5
Transfers to:				
Retained earnings	(45)	(45)	(26)	(26)
Environmental enhancement fund	-	-	-	-
Closing balance	**193**	**193**	**234**	**234**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Infrastructure fund reserve				
Opening balance	46,257	46,257	89,641	89,641
Transfer from:				
Retained earnings	1,212	1,212	-	-
Transfer to:				
Retained earnings	(31,954)	(31,954)	(43,384)	(43,384)
Closing balance	**15,515**	**15,515**	**46,257**	**46,257**
Regional Fund				
Opening balance	51,832	51,832	51,147	51,147
Transfer from:				
Retained earnings	23,788	23,788	4,843	4,843
Transfer to:				
Retained earnings	-	-	(4,159)	(4,159)
Toi Moana Fund	(45,000)	(45,000)		
Closing balance	**30,620**	**30,620**	**51,831**	**51,831**
Toi Moana				
Opening balance	-	-	-	-
Transfer from:				
Regional Fund	45,000	45,000	-	-
Transfer to:				
Retained earnings	-	-	-	-
Closing balance	**45,000**	**45,000**	**-**	**-**

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Current accounts				
Opening balance	3,517	3,517	3,180	3,180
Transfer from:				
Retained earnings	3,936	3,936	4,942	4,942
Rotorua Air Clean Heat	-	-	4,434	4,434
Transfer to:				
Retained earnings `	(2,923)	(2,923)	(5,063)	(5,063)
Rotorua Air Clean Heat	556	556	(3,976)	(3,976)
Closing balance	**5,086**	**5,086**	**3,517**	**3,517**
Rotorua Lakes restoration reserve				
Opening balance	(208)	(208)	1,909	1,909
Transfer from:				
Retained earnings	4,732	4,732	215	215
Current account reserve	-	-	-	-
Transfer to:				
Retained earnings `	(2,484)	(2,484)	(2,332)	(2,332)
Closing balance	**2,040**	**2,040**	**(208)**	**(208)**
Financial assets available for sale reserve				
Opening balance	613	613	1,634	1,634
Net fair value gains / (losses)	284	284	(1,021)	(1,021)
Reclassification to surplus or deficit on disposal	-	-	-	-
Closing balance	**897**	**897**	**613**	**613**
Total reserves	**298,880**	**850,724**	**246,429**	**760,646**

Reserves

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

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 infrastucture projects. It is replenished through budgeted contributions from activities, and is available for use by all activities.

Toi moana reserve

The Toi Moana Fund was established during the year as part of the 2018-2028 Long Term Plan, using $45 million from the Regional Fund. This fund was established for investment purposes to optimise returns of the Council over the long run. This reserve was transferred to Quayside Holdings Limited to manage on behalf of Council on 1 July, 2019 as per Note 36.

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, the number of shares originally issued to Kotahi increased to 10,000,000. 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. In the prior year 1,500,000 shares were vested in accordance with the volume commitment agreement, which resulted in an adjustment to non-controlling interest.

The increase in the reserve of $1.30 million (2018: $1.20 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 2019 the balance of the equity settled share-based payment reserve was $2.40 million (2018: $1.10 million). 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.

Employee Share Ownership Plan

The Port of Tauranga Limited has an Employee Share Ownership Plan (ESOP). During the year 128,820 shares at $3.02 per share were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2018: 53,400 shares at $2.88 per share).

During the year 194,200 shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2018: 18,450).

Non controlling interest

Non controlling interest of 45.86% (2018: 45.86%) is the existing share of Port of Tauranga Limited's consolidated equity which is not owned by *Quayside Group*. A change in non controlling interest in prior years arose from Port of Tauranga Limited's freight alliance with Kotahi involving the issue of ordinary shares to Kotahi, subject to meeting certain freight volume commitments over a 10 year period, as disclosed in (c) above.

29 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 2018 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 2019 is $0.8 million (2018: $0.9 million) with a corresponding increase in the share based payments reserve

Number of Share Rights Issued to Executives:

Grant Date	Scheme End Date	Right Type	Balance as at 30 June 2018	Granted During the Year	Balance as at 30 June 2019
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
1 July 2018	30 June 2021	EPS	-	108,500	108,500
1 July 2018	30 June 2021	TSR	-	90,417	90,417
Total LTI Plan			**457,241**	**198,917**	**656,158**

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
1 July 2018	30 June 2021	EPS	5.10	1.72	16.30	4.64
1 July 2018	30 June 2021	TSR	5.10	1.72	16.30	2.00

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.*Management Long Term Incentive Plan – Cash Settled*

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.

30 Commitments

Capital commitments

	Council 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Estimated capital commitments contracted for at balance date but not yet provided for	11,377	30,977	16,376	30,276
Total capital commitments	**11,377**	**30,977**	**16,376**	**30,276**

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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Not later than one year	750	750	768	861
Later than one year and not later than five years	506	506	1,147	1,147
Later than five years	285	285	267	267
Total non-cancellable operating leases	**1,541**	**1,541**	**2,182**	**2,275**

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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Not later than one year	128	18,619	77	14,956
Later than one year and not later than five years	434	41,471	308	21,207
Later than five years	1,480	41,201	-	33,007
Total non-cancellable operating leases	**2,042**	**101,291**	**385**	**69,170**

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.

31 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 2019 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 2019, LGFA had borrowings totalling $9,531 million (2018: $8,272 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 minimal 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 2019 for the subsidiary there were no contingent liabilities.

32 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, Cibus Technologies Limited, Aqua Curo Limited 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:

	2018/19	2017/18
Transactions with Related Parties:	$000	$000
Bay of Plenty Regional Council		
Loan payable by Quayside Holdings Limited	50,000	-
Interest payable by Quayside Holdings Limited	478	-
Interest paid by Quayside Holdings Limited	250	-
Loan facility fees received from Quayside Holdings Limited	75	-
Subvention payment payable by Quayside Holdings Limited	3,005	-
Services provided to Quayside Holdings Limited	-	-
Services provided to Quayside Properties Limited	-	2
Services provided to Port of Tauranga Limited	-	29
Quayside Unit Trust		
Dividends paid to Quayside Holdings Limited	78,900	59,500
Interest received by Quayside Holdings Limited	271	356
Interest receivable by Quayside Holdings Limited	13	60
Loan receivable by Quayside Holdings Limited	8,331	10,331
Loan repayment received by Quayside Holdings Limited	2,000	8,000
Dividends received from Port of Tauranga Limited	66,318	62,267
Quayside Properties Limited		
Interest received by Quayside Holdings Limited	641	522
Interest receivable by Quayside Holdings Limited	167	72
Loan receivable by Quayside Holdings Limited	23,421	17,157
Loan advanced by Quayside Holdings Limited	6,264	-
Office lease provided to Quayside Holdings Limited	38	18
Accounts payable by Quayside Holdings Limited	-	15
Accounts receivable by Quayside Holdings Limited	33	21
Management fees paid to Quayside Holdings Limited	111	110

Transactions with Related Parties:	2018/19 $000	2017/18 $000
Quayside Investment Trust		
Consideration for units redeemed by Quayside Holdings Limited	-	-
Consideration for units purchased by Quayside Holdings Limited	13,000	20,250
Quayside Securities Limited		
Management fees paid to Quayside Holdings Limited	76	74
Quayside Group Transactions with Equity Accounted Investees		
Services provided by Quayside Holdings Limited	112	144
Accounts payable by Quayside Holdings Limited	1,400	-
Accounts receivable by Quayside Holdings Limited	31	5
Port of Tauranga Group Transactions with Equity Accounted Investees		
Services provided to Port of Tauranga Limited	556	441
Services provided by Port of Tauranga Limited	3,824	2,743
Accounts receivable by Port of Tauranga Limited	239	285
Accounts payable by Port of Tauranga Limited	125	45
Advances by Port of Tauranga Limited	5,319	6,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	3	-
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	3,913	3,973
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	345	455
Accounts receivable by Port of Tauranga Trustee Company Limited	3	-

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.

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 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 $31.2 million. (2018: $25.5 million).

Loan to Quayside Holdings

During the year a loan was established between the Council to Quayside Holdings Ltd. Council has worked with Quayside Holdings Ltd to achieve the best funding outcomes and available returns achieve the best funding outcomes and available returns.

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 2019. 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 five shares (16.13%).

During 2018/19 the Council was invoiced by BOPLASS for the following services:

	2018/19	2017/18
	$	$
Advisory group levies	-	-
Aerial photography	96,583	96,583
Annual contribution	57,209	57,209
GIS shared services	-	2,856
Maintenance	6,174	16,971
Media monitoring services	31,320	23,434
Memberships, licenses and training	24,033	14,810
Other projects	-	14,123
Regional network lease	120,483	203,386
Shared services	4,600	-
Total expenses	**340,402**	**429,372**

During 2018/19 the Council was paid by BOPLASS for the following services:

	2018/19	2017/18
	$	$
Other operational costs	18,559	18,559
Total operational expenses	**18,559**	**18,559**

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 (Stuart Crosby and Paula Thompson) were directors of Quayside Holdings Limited, Quayside Securities Limited and Quayside Properties Limited at 30 June 2019. The Chief Executive of Bay of Plenty Regional Council (Fiona M^cTavish) was appointed as Director of the above companies effective on 30 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	Group	Council	Group
	2018/19	2018/19	2017/18	2017/18
	$000	$000	$000	$000
Salaries and other short-term employee benefits	1,147	6,012	1,465	7,156
Other long-term benefits	-	-	-	-
Post employment benefits	23	23	29	29
Councillor remuneration	1,013	1,013	53	53
Directors fees	-	1,104	-	1,059
Termination Benefits	-	-	-	-
Total	**2,183**	**8,152**	**1,547**	**8,297**

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 2018/19 $000	Council 2017/18 $000
Councillors - Full time equivalent members*	14	14
Executive Leadership Team - Full time equivalent	5	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.

33 Remuneration

Remuneration of the Chief Executive (Council)

The Chief Executive of the Bay of Plenty Regional Council (Fiona McTavish, appointed on 30 June 2018 under section 42(1) of the Local Government Act 2002) received remuneration of $320,000.

Remuneration of Councillors

	2018/19 $	2017/18 $
D Leeder	143,742	138,592
J Nees	86,484	87,030
P Thompson	89,735	79,220
A Tahana	67,339	67,696
J Cronin	67,339	67,016
L Thurston	67,339	67,016
N Bruning	67,339	67,016
S Crosby	67,339	67,016
A Von Dadelszen	70,245	61,546
D Love	57,120	57,406
S Marr	57,120	56,846
K Winters	57,120	56,846
B Clark	57,120	56,846
M McDonald	57,120	56,846
Total	**1,012,500**	**986,938**

Remuneration of Directors

	2018/19	2017/18
	$	$
D A Pilkington	167,000	167,000
R McLeod	180,500	133,416
K R Ellis	102,500	102,500
J C Hoare	100,000	100,000
A R Lawrence	92,500	92,500
D W Leeder	90,000	90,000
R Tait	69,000	69,000
M Smith	-	58,500
J M Nees*	18,000	53,000
P Thompson	53,000	53,000
W Parker	53,000	53,000
B Hewlett	53,000	35,000
A W Baylis	-	30,833
A M Andrew	90,000	21,250
S Crosby*	35,000	-
Total	**1,103,500**	**1,058,999**

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

*J M Nees retired from the Board of Directors on 31 October 2018 and S Crosby was appointed on 1 November 2018.

Remuneration of Council Employees

		2018/19	2017/18
	< $60,000	128	125
	$60,000 - $79,999	86	83
	$80,000 - $99,999	113	113
	$100,000 - $119,999	56	38
	$120,000 - $139,999	17	21
	$140,000 - $159,999	12	11
*	$160,000 - $319,999	9	10
	Total Employees	421	401

* 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 2019, the Council employed 342 full-time employees (2018: 330), with the balance of staff 79 representing 56 full-time equivalent staff (2018: 49). A full time employee is determined on the basis of a 37.5 or 40 hour working week.

34 Severance

For the year ended 30 June 2019, the Council made one (2018: nil) severance payment to employees for $45,261 (2018: $0).

35 Segmental reporting

This note is for the subsidiary only.

At 30 June 2019 the 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 2019			
Total segment revenue	313,263	71,043	384,306
Inter-segment revenue	-	(66,318)	(66,318)
Revenue (from external customers)	313,263	4,725	317,988
Other income/gains	-	36,110	36,110
Finance income	417	1,661	2,078
Finance costs	(18,594)	(1,919)	(20,513)
Depreciation and amortisation	(27,585)	(685)	(28,270)
Impairment of property, plant and equipment	(499)	-	(499)
Other expenditure/losses	(140,093)	(22,916)	(163,009)
Income tax expense	(34,432)	(885)	(35,317)
Shaire of profit of Equity Accounted Investees	8,100	(1,025)	7,075
Net profit after tax	**100,577**	**15,066**	**115,643**

	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**

The segment assets at 30 June are:

Segment Assets	$000	$000	$000
30 June 2019	1,748,861	348,006	2,096,867
30 June 2018	1,657,031	264,288	1,921,319

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).

36 Events after the balance sheet date

On 1st July 2019, Quayside Holdings Limited established a new PIE Trust the 'Toi Moana Trust'. The Trustee of this Trust will be Quayside Securities Limited and the majority of units in the new Trust will be issued to Bay of Plenty Regional Council.

In August 2019 the Reserve Bank of NZ lowered the Official Cash Rate (OCR) to 1%. This will have a significant downward impact on interest rates in the foreseeable future. This will result in lower interest costs on floating rate debt and higher payments on interest rate swaps.

Subsidiary

On 29 July 2019, the Port of Tauranga Limited refinanced a tranche of its $430m Standby Revolving Cash Advance Facility, increasing the facility size by $50m to $480m. The Tranche 1 $50m facility was increased by $50m to $100m and the maturity date of this tranche was extended from 1 October 2019 to 29 January 2021.

37 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 (Council)
- *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 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. For the purposes of this note, the Group comprises two governance structures:

- Quayside Group – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited and Cibus Technologies Limited and its equity accounted investees.
- Port of Tauranga Group – comprising the Port of Tauranga Limited and its subsidiaries and its equity accounted investees. This group is owned 54.14% (2018: 54.14%) by the Quayside Group.

The Board of Directors of each 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:

	Fair Value through other Comprehensive Income	Fair Value through Profit & Loss	Hedge accounted derivatives	Other amortised cost	Total carrying amount	Fair value
	$000	$000	$000	$000	$000	$000
Group 2018/19						
Financial assets						
Cash and cash equivalents	-	-	-	205,097	205,097	205,097
Other financial assets	-	-	-	53,069	53,069	53,069
Trade and other receivables	-	-	-	75,640	75,640	75,640
Total current financial assets	-	-	-	333,806	333,806	333,806
Trade and other receivables	-	-	-	1,832	1,832	1,832
Other financial assets	185,583	-	-	-	185,583	185,583
Total non current financial assets	185,583	-	-	1,832	187,415	187,415
Total financial assets	**185,583**	**-**	**-**	**335,639**	**521,221**	**521,221**
Financial liabilities						
Borrowings	-	-	-	412,000	412,000	413,099
Trade and other payables	-	-	-	28,423	28,423	28,423
Derivative instruments	-	-	1,138	-	1,138	1,138
Total current financial liabilities	-	-	1,138	440,423	441,561	442,660
Derivative financial instruments	-	-	20,895	-	20,895	20,895
Borrowings	-	-	-	202,815	202,815	205,807
Put option provision	-	3,400	-	-	3,400	3,400
Total non current financial liabilities	-	3,400	20,895	202,815	227,110	230,102
Total financial liabilities	**-**	**3,400**	**22,033**	**643,238**	**668,671**	**672,762**

	Fair Value through other Comprehensive Income	Fair Value through Profit & Loss	Hedge accounted derivatives	Other amortised cost	Total carrying amount	Fair value
	$000	$000	$000	$000	$000	$000
Council 2018/19						
Financial assets						
Cash and cash equivalents	-	-	-	138,110	138,110	138,110
Other financial assets	-	-	-	78,069	78,069	78,069
Trade and other receivables	-	-	-	18,169	18,169	18,169
Total current financial assets	-	-	-	234,348	234,348	234,348
Investments in subsidiaries	91	-	-	-	91	91
Trade and other receivables	-	-	-	1,820	1,820	1,820
Other financial assets	7,063	-	-	-	7,063	7,063
Total non current financial assets	7,154	-	-	1,820	8,974	8,974
Total financial assets	**7,154**	**-**	**-**	**236,169**	**243,322**	**243,322**
Financial liabilities						
Borrowings	-	-	-	90,000	90,000	90,490
Trade and other payables	-	-	-	14,039	14,039	14,039
Derivative instruments	-	-	-	-	-	-
Total current financial liabilities	-	-	-	104,039	104,039	104,529
Derivative financial instruments	-	-	-	-	-	-
Borrowings	-	-	-	50,500	50,500	50,628
Put option provision	-	3,400	-	-	3,400	3,400
Total non current financial liabilities	-	3,400	-	50,500	53,900	54,028
Total financial liabilities	**-**	**3,400**	**-**	**154,539**	**157,939**	**158,557**

	Loans and receivables	Assets designated at fair value	Assets held for trading	Available for-sale	Held to maturity	Other amortised cost	Fair value
	$000	$000	$000	$000	$000	$000	$000
Group 2017/18							
Financial assets							
Cash and cash equivalents	116,226	-	-	-	-	-	116,226
Other financial assets	38,309	-	-	-	-	-	38,309
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other receivables	62,929	-	-	-	-	-	62,929
Total current financial assets	217,464	-	-	-	-	-	217,464
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other receivables	2,171	-	-	-	-	-	2,171
Other financial assets	-	171,513	1,933	15,416	-	-	188,862
Total non current financial assets	2,171	171,513	1,933	15,416	-	-	191,034
Total financial assets	**219,635**	**171,513**	**1,933**	**15,416**	**-**	**-**	**408,498**
Financial liabilities							
Derivative financial instruments	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	321,845	321,845
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	31,411	31,411
Total current financial liabilities	-	-	-	-	-	353,256	353,256
Derivative financial instruments	(3,340)	15,127	-	-	-	73	11,860
Borrowings	-	-	-	-	-	324,906	329,599
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-
Put option provision	-	-	-	-	-	-	-
Total non current financial liabilities	(3,340)	15,127	-	-	-	324,979	341,459
Total financial liabilities	**(3,340)**	**15,127**	**-**	**-**	**-**	**678,235**	**694,715**

	Loans and receivables	Assets designated at fair value	Assets held for trading	Available for-sale	Held to maturity	Other amortised cost	Fair value
	$000	$000	$000	$000	$000	$000	$000
Council 2017/18							
Financial assets							
Cash and cash equivalents	74,538	-	-	-	-	-	74,538
Other financial assets	38,309	-	-	-	-	-	38,309
Derivative financial instruments	-	-	-	-	-	-	-
Trade and other receivables	11,347	-	-	-	-	-	11,347
Total current financial assets	124,194	-	-	-	-	-	124,194
Derivative financial instruments	-	-	-	-	-	-	-
Investments in subsidiaries	-	-	-	11	-	-	11
Trade and other receivables	2,146	-	-	-	-	-	2,146
Other financial assets	-	-	1,933	15,416	-	-	17,349
Total non current financial assets	2,146	-	1,933	15,427	-	-	19,507
Total financial assets	**126,341**	**-**	**1,933**	**15,427**	**-**	**-**	**143,701**
Financial liabilities							
Derivative financial instruments	-	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	19,268	19,268
Total current financial liabilities	-	-	-	-	-	19,268	19,268
Derivative financial instruments	-	-	-	-	-	73	73
Borrowings	-	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-	-
Put option provision	-	15,000	-	-	-	-	15,000
Total non current financial liabilities	-	15,000	-	-	-	73	15,073
Total financial liabilities	**-**	**15,000**	**-**	**-**	**-**	**19,341**	**34,341**

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 2018/19 $000	Group 2018/19 $000	Council 2017/18 $000	Group 2017/18 $000
Trade and other receivables - current	18,169	75,644	11,347	62,929
Trade and other receivables - non current	1,820	1,832	2,146	2,146
Derivative financial instruments	-	-	-	-
Other financial assets	78,069	53,069	38,309	38,309
Cash and cash equivalents	138,110	205,097	74,538	116,226
Total credit risk	236,168	335,642	126,341	219,611

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are calculated based on the probability of a default event occurring within the next 12 months. The probability of default has been calculated on historical and forecast information for use in this calculation.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date. The Council and the Subsidiary have established a provision matrix that is based on its historical credit loss experience.

Subsidiary

For advances to Equity Accounted Investees, which have not had a significant increase in credit risk since initial recognition, ECLs are calculated based on the probability of a default event occurring within the next 12 months. An industry-accepted probability of default has been obtained for use in this calculation.

The following tables details loss allowance for trade receivables for Council, and Subsidiary:

Council 2018/19 **Aging**	**Expected loss rate (default rate)** %	**Trade Receivables as at 30 June 2019** $000	**Loss allowance on trade receivables** $000
Current	0.94%	1,465	14
30 -60 days	36.31%	381	138
60 - 90 days	36.94%	58	22
90 + days	51.76%	0	0
180+ days	0.20%	255	1
		2,160	175

Subsidiary 2018/19 **Aging**	**Expected loss rate (default rate)** %	**Trade Receivables as at 30 June 2019** $000	**Loss allowance on trade receivables** $000
Current	0.01%	35,368	5
30 -60 days	0.03%	14,400	4
60-90 Days	0.28%	1,339	4
90+ Days	1.49%	605	9
		51,712	22

Council

The movement in the provision and impairment of the financial assets are as follows

Movement in Provision	**2019 $'000**	**2018 $'000**
At 1 July	**300**	**196**
Additional provisions made during the year	**930**	**127**
Provisions reversed during the year	**(69)**	**(23)**
Closing balance at 30 June	**1,161**	**300**

Subsidiary

The movement in the provision and impairment of the financial assets are as follows:

Movement in Provision	2019 $'000	2018 $'000
Adjustment to opening balance on adoption of NZ IFRS 9	274	-
Provision for trade receivables	10	-
Provision for advances to Equity Accounted Investees	10	-
Bad debts written off	(3)	-
Closing balance at 30 June	**291**	-

Credit risk management policies

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 Group to credit risk, principally consist of bank balances. Unless otherwise approved by Council, cash deposits are required to be with institutions with a credit rating of BBB or above and have individual counterparty limits and category limits which must be complied with under the Treasury Policy.

Default

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as security (if any is held).

Write-off

Group

Council has recognised an ECL allowance of $189,000 for the Hot Swap Loan and $846,000 for Rates Receivable on adoption of PBE IFRS 9. No further ECL allowance has been recognised because these amounts are considered trivial.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Concentrations of credit risk

Council

The significant concentrations of credit risk at reporting date relate to cash and cash equivalents and receivables.

Due to the timing of its cash inflows and outflows, Council invests surplus cash with registered banks in accordance with the Treasury Policy. Council's investments in term deposits are considered to be low-risk investments. The credit ratings of banks are monitored for credit deterioration.

For receivables, Council monitors and manages receivables based on their ageing and adjusts the expected credit loss allowance accordingly,

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 62.7% of total Group revenue (2018: 65.9%). 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:

Group 2018/19	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
Non derivative financial liabilities							
Borrowings	860,318	689,356	467,906	4,295	153,821	47,965	15,371
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	31,904	31,904	31,904	-	-	-	-
Total non derivative financial liabilities	892,222	721,261	499,810	4,295	153,821	47,965	15,371
Derivatives							
Interest rate derivatives							
- Outflow	21,767	23,656	1,643	2,159	9,804	7,053	2,997
Forward exchange contracts							
- Inflow	-	-	-	-	-	-	-
Foreign currency derivatives							
- Outflow	294	295	295	-	-	-	-
- Inflow	(28)	(28)	(28)	-	-	-	-
Total derivatives	22,033	23,923	1,910	2,159	9,804	7,053	2,997
Total liquidity risk	**914,255**	**745,184**	**501,720**	**6,454**	**163,625**	**55,018**	**18,368**

Council 2018/19	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
Non derivative financial liabilities							
Borrowings	141,118	144,976	90,766	528	21,556	16,757	15,371
Trade and other payables	14,039	14,039	14,039	-	-	-	-
Total non derivative financial liabilities	155,157	159,016	104,805	528	21,556	16,757	15,371
Derivatives							
Interest rate derivatives							
-Outflow	-	-	-	-	-	-	-
-Inflow	-	-	-	-	-	-	-
Total derivatives	-	-	-	-	-	-	-
Total liquidity risk	**155,157**	**159,016**	**104,805**	**528**	**21,556**	**16,757**	**15,371**

Group 2017/18	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
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	-	-	-	-
Total non derivative financial liabilities	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	-	-	-	-	-	-	-
Total derivatives	11,860	13,212	1,365	1,329	2,912	6,481	1,125
Total liquidity risk	**689,940**	**516,216**	**364,466**	**5,295**	**58,976**	**86,354**	**1,125**

Council 2017/18	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
Non derivative financial liabilities							
Borrowings	-	-	-	-	-	-	-
Trade and other payables	19,268	19,268	19,268	-	-	-	-
Total non derivative financial liabilities	19,268	19,268	19,268	-	-	-	-
Derivatives							
Interest rate derivatives							
-Outflow	73	73	-	-	73	-	-
-Inflow	-	-	-	-	-	-	-
Total derivatives	73	73	-	-	73	-	-
Total liquidity risk	**19,341**	**19,341**	**19,268**	**-**	**73**	**-**	**-**

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 total nominal value of interest rate derivatives outstanding is $125 million.

The average interest rate on interest rate derivatives is 3.9%.

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**	**Group**	**Council**	**Group**
	2018/19	**2018/19**	**2017/18**	**2017/18**
	$000	$000	$000	$000
Fixed rate instruments				
Term Deposits	149,788	174,788	38,309	38,309
Bonds and fixed rate notes	5,069	5,069	15,416	15,416
Finance lease receivables	-	-	-	-
Fixed Rate Bond	-	(125,000)	-	(125,000)
Finance lease payables	-	-	-	-
Deferred consideration	-	-	-	-
Interest rate derivatives (net)	-	-	-	(11,787)
Total	**154,857**	**54,857**	**53,725**	**(83,062)**
	-			
Variable rate instruments	-			
Commercial papers	-	(220,000)	-	(220,000)
Standby revolving cash advance facility	-	(99,000)	-	(55,000)
Interest rate derivatives	-	(21,767)	-	(11,787)
Westpac borrowings	-	(28,102)	-	(46,510)
Floating rate notes	-	(2,000)	-	(5,000)
Cash balances	11,318	78,305	74,538	116,226
Total	**11,318**	**(292,564)**	**74,538**	**(222,071)**

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 2018.

Subsidiary	Profit or Loss 100 bp decrease	Profit or Loss 100 bp increase	Cash Flow Hedge Reserve 100 bp decrease	Cash Flow Hedge Reserve 100 bp increase
	$000	$000	$000	$000
Variable rate instruments	(2,389)	2,419	-	-
Interest rate derivatives	1,659	(1,488)	7,337	(7,774)
30 June 2019	(730)	931	7,337	(7,774)
Variable rate instruments	(2,037)	2,067	-	-
Interest rate derivatives	1,356	(1,185)	6,271	(7,080)
30 June 2018	(681)	882	6,271	(7,080)

(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 2018/19	Council 2018/19	Group 2017/18	Council 2017/18
	$000	$000	$000	$000
Cash - AUD	6,704	-	2,571	-
Cash - USD, EUR, GBP	8,182	-	531	-
Equities - AUD	27,404	-	33,333	-
Equities - USD, EUR, GBP	45,561	-	48,867	-
Total foreign currency risk	**87,851**	**-**	**85,302**	**-**

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 2018.

Subsidiary	Profit or loss 10% increase	Profit or loss 10% decrease	Reserves 10% increase	Reserves 10% decrease
	$000	$000	$000	$000
Cash - AUD	670	(670)	-	-
Cash - USD, EUR, GBP	818	(818)		
Equities - AUD	2,740	(2,740)	-	-
Equities - USD, EUR, GBP	4,556	(4,556)	-	-
30 June 2019	8,784	(8,784)	-	-
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)	-	-

(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.

Subsidiary	**2018/19**	**2017/18**
	$000	**$000**
Equities - NZD	97,897	89,313
Equities - AUD	27,404	33,333
Equities - USD, EUR, GBP, CAD, SGD	45,561	48,867
30 June 2019	**170,862**	**171,513**

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.

	10% increase	**10% decrease**
	$000	**$000**
Equities - NZD	9,790	(9,790)
Equities - AUD	2,740	(2,740)
Equities - USD, EUR, GBP, CAD, SGD	4,556	(4,556)
30 June 2019	**17,086**	**(17,086)**
Equities - NZD	8,931	(8,931)
Equities - AUD	3,333	(3,333)
Equities - USD, EUR, GBP, CAD	4,887	(4,887)
30 June 2018	**17,151**	**(17,151)**

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 2019, 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 $367,887 (2018: $352,632).

38 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

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.

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 Limited has complied with all capital management policies and covenants during the reporting period.

39 Explanation of major variances against budget

Explanations for major variations from the Council's budget figures in the 2018-2028 Long Term Plan are as follows:

Statement of comprehensive revenue and expense

Operating revenue

Total operating revenue was $144.6 million which was $13.4 million higher than budget of $131.2 million. The major reason for the increased revenue was due to a gain on the revaluation of the Put Option Liability of $11.6 million. This is a non-cash gain which is eliminated on the consolidation of the Group accounts.

Other major variances within the revenue classes are identified below:

- Subsidies and grant revenue - $1.1 million less than budget due to reduced grant funding from Ministry for Environment due to reduced uptake of the Land Incentive contract payments made (Te Arawa Rotorua Lakes).
- Finance revenue - $0.9 million higher than budget due to Council borrowing an additional $40 million from the LGFA to pre-fund capital expenditure and investing these funds to align with cash flow requirements.
- Council received additional revenue of $3 million due to a subvention payment from Quayside Holdings Limited.

Operating expenditure

Operating expenditure was $126.3 million which was $6.7 million less than budget of $133.0 million. This mainly relates to:

- Underspend of $6.1 million within the Te Arawa Rotorua Lakes programme due to low uptake of the Land Incentive payments
- Savings of $1.2 million due to the organisational fit for purpose review

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

Statement of financial position

Assets

Current assets are $235.7 million compared to budget of $50.2 million which is $185.5 million higher than planned. This is attributed to:

- Cash and cash equivalents are $138.1 million compared to budget of $18.3 million which is $119.8 million higher than planned. Term deposits were invested for shorter periods than originally planned due to cashflow requirements and favourable shorter term interest rates.
- Other financial assets includes a $50 million loan to Quayside Holdings Limited. This was budgeted for in non-current assets.

Non-current assets are $440.0 million compared to $511.1 million which is $71.1 million less than planned, this is attributed to:

- Other financial assets were $124.2 million less than planned. $50 million is for the loan to QHL reported in current assets. The balance relates to term deposits that were planned as long term however due to the maturity profile, are now recorded as cash and cash equivalents.
- This decrease was partially offset by Property Plant and Equipment which was $424.9 million compared to a budget of $375.7 million. This was $49.2 million more than planned, mainly due to higher than expected asset revaluations.

Liabilities

Total liabilities are $166.3 million compared to budget of $127.1 million which was $39.2 million more than planned. An additional $40 million borrowings was drawn down from LGFA for capital expenditure, these borrowings were re-invested to align with future cash flows.

Equity

Total equity has increased by $75.2 million. This is mainly due to higher than planned infrastructure asset revaluations in 2017/18 and 2018/19, and a higher than expected surplus mainly due to the decrease in the value of the Put Option Liability.

Statement of Cashflows

Net cash from operating activities was $10.2 million less than planned mainly due lower cash receipts from customers.

Net cash from investing activities is $28.4 million higher than planned. Borrowings have been used to fund additional term deposits.

Net cash from financing activities is $47.3 million higher than planned due to increased borrowings used to fund term investments.

40 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 2019 was carried out by PricewaterhouseCoopers (PwC), Wellington on 9 September 2019. PwC has applied Quayside Holdings Limited an updated credit rating range from A- to 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 $2.9 million to $3.4 million for the Put Option. In 2017/18 this range was $11.6 million to $15 million.

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

Credit rating	Rating score	A-/BBB+	BBB	BB+
	Income statement	$12.1 million	$10.5 million	$2.1 million
	Balance sheet	$2.9 million	$4.5 million	$12.9 million

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

Credit recovery rate	Rating score	33.9%	26.8%	14.0%
	Income statement	$12.4 million	$12.1 million	$11.6 million
	Balance sheet	$2.6 million	$2.9 million	$3.4 million

41 Funding impact statements

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 (whole of Council)

	Annual Plan 2017/18 $000	Actual 2017/18 $000	Annual Plan 2018/19 $000	Actual 2018/19 $000
Source of operating funding				
General rates, uniform annual general charges, rates penalties	22,950	23,494	25,728	26,077
Targeted rates	16,034	15,926	24,780	24,802
Subsidies and grants for operating purposes	14,714	13,030	17,770	13,239
Fees and charges	9,563	9,710	10,625	11,352
Interest and dividends from investments	32,687	32,316	38,025	38,804
Local authorities fuel tax, fines infringement fees and other receipts	1,825	6,580	1,775	7,420
Total operating funding (A)	**97,772**	**101,056**	**118,703**	**121,694**
Applications of operating funding				
Payments to staff and suppliers	118,069	111,392	122,659	114,442
Finance costs	0	1,691	2,827	2,773
Other operating funding applications	231	191	131	91
Total applications of operating funding (B)	**118,301**	**113,274**	**125,617**	**117,306**
Surplus (deficit) of operating funding (A-B)	**(20,529)**	**(12,219)**	**(6,914)**	**4,388**
Sources of capital funding				
Subsidies and grants for capital expenditure	342	648	5,100	8,492
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	0	0	44,340	54,352
Gross proceds from sale of assets	398	158	1,035	1,181
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	7,422	2,127
Total sources of capital funding (C)	**740**	**806**	**57,897**	**66,152**

	Annual Plan 2017/18 $000	Actual 2017/18 $000	Annual Plan 2018/19 $000	Actual 2018/19 $000
Applications of capital funding				
Capital expenditure				
- to meet additional demand	0	0	0	0
- to improve levels of service	28,196	24,607	37,150	37,821
- to replace existing assets	15,209	11,829	20,747	18,766
Increase (decrease) in reserves	(63,792)	(47,854)	(7,470)	13,394
Increase (decrease) of investments	597	5	556	560
Total applications of capital funding (D)	**(19,789)**	**(11,413)**	**50,983**	**70,540**
Surplus (deficit) of capital funding (C-D)	**20,529**	**12,219**	**6,914**	**(4,388)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**	**0**

Note: This financial statement excludes:

Depreciation and amortisation	6,463	6,214	7,363	6,422
Loss on sale of property, plant and equipment	0	294	0	2,543
Investment amortisation	0	(154)	0	0
Gain on sale of property, plant and equipment	0	(206)	0	(354)
Fair value of cash flow hedge	0	0	0	(66)
Gain on revaluation of Put Option	0	0	0	(11,600)
Vested asset revenue	0	0	0	(306)

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Integrated Catchment Management

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	6,079	5,036	5,036
Targeted rates	4,014	3,134	3,134
Subsidies and grants for operating purposes	4,655	5,931	2,384
Fees and charges	289	21	2
Internal charges and overheads recovered	889	520	506
Local authorities fuel tax, fines infringement fees and other receipts	12,166	7,708	8,338
Total operating funding (A)	**28,092**	**22,351**	**19,400**
Applications of operating funding			
Payments to staff and suppliers	23,223	21,490	13,227
Finance costs	883	797	829
Internal charges and overheads applied	7,518	4,167	4,159
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**31,624**	**26,454**	**18,215**
Surplus (deficit) of operating funding (A-B)	**(3,532)**	**(4,103)**	**1,185**
Sources of capital funding			
Subsidies and grants for capital expenditure	250	250	125
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	7,828	13,207
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)	**250**	**8,078**	**13,332**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	3,248	8,078	13,262
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(6,530)	(4,103)	1,256
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(3,282)**	**3,975**	**14,518**
Surplus (deficit) of capital funding (C-D)	**3,532**	**4,103**	**(1,185)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	833	813	891
Note 2: This financial statement includes:			
Internal interest	883	797	829

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Flood Protection & Control

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	1,504	1,614	1,614
Targeted rates	9,543	10,110	10,110
Subsidies and grants for operating purposes	60	714	0
Fees and charges	11	11	55
Internal charges and overheads recovered	0	1,331	1,371
Local authorities fuel tax, fines infringement fees and other receipts	2,943	2,730	2,877
Total operating funding (A)	**14,063**	**16,510**	**16,027**
Applications of operating funding			
Payments to staff and suppliers	5,841	7,744	7,012
Finance costs	2,367	2,302	2,672
Internal charges and overheads applied	2,462	3,174	3,112
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**10,670**	**13,221**	**12,795**
Surplus (deficit) of operating funding (A-B)	**3,392**	**3,289**	**3,231**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	4,850	7,647
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	10,243	19,771
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	7,422	2,047
Total sources of capital funding (C)	**0**	**22,515**	**29,465**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	4,751	8,900	10,137
- to replace existing assets	3,320	13,615	11,814
Increase (decrease) in reserves	(4,679)	3,289	10,745
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**3,392**	**25,804**	**32,696**
Surplus (deficit) of capital funding (C-D)	**(3,392)**	**(3,289)**	**(3,231)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	1,248	1,410	1,249
Loss on sale of fixed assets	0	0	470
Vested asset revenue	0	0	(306)
Note 2: This financial statement includes:			
Internal interest	2,367	2,302	2,672

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Resource Regulation & Monitoring

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	3,789	4,902	4,902
Targeted rates	1,903	1,031	1,050
Subsidies and grants for operating purposes	0	60	0
Fees and charges	3,705	4,655	5,379
Internal charges and overheads recovered	0	0	103
Local authorities fuel tax, fines infringement fees and other receipts	6,014	7,768	8,661
Total operating funding (A)	**15,411**	**18,417**	**20,096**
Applications of operating funding			
Payments to staff and suppliers	8,806	11,567	13,788
Finance costs	431	175	130
Internal charges and overheads applied	5,260	5,726	5,857
Other operating funding applications	645	131	91
Total applications of operating funding (B)	**15,143**	**17,599**	**19,866**
Surplus (deficit) of operating funding (A-B)	**268**	**818**	**230**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	915	106	106
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)	**915**	**106**	**106**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	105	0	0
- to replace existing assets	0	106	106
Increase (decrease) in reserves	(932)	262	(330)
Other operating funding applications	0	0	0
Increase (decrease) of investments	2,010	556	560
Total applications of capital funding (D)	**1,183**	**924**	**336**
Surplus (deficit) of capital funding (C-D)	**(268)**	**(818)**	**(230)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	64	85	78
Loss on Sale of fixed assets	0	0	49
Note 2: This financial statement includes:			
Internal interest	431	175	130

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Transportation

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	1,849	807	807
Targeted rates	3,672	8,405	8,405
Subsidies and grants for operating purposes	7,190	9,978	9,768
Fees and charges	5,224	4,309	3,959
Internal charges and overheads recovered	0	734	236
Local authorities fuel tax, fines infringement fees and other receipts	3,592	1,966	2,131
Total operating funding (A)	**21,527**	**26,200**	**25,305**
Applications of operating funding			
Payments to staff and suppliers	20,188	25,008	24,117
Finance costs	0	10	7
Internal charges and overheads applied	1,238	1,460	955
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**21,426**	**26,478**	**25,078**
Surplus (deficit) of operating funding (A-B)	**101**	**(278)**	**227**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	692
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	712	1,147
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**	**712**	**1,839**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	0	712	1,147
- to replace existing assets	0	0	0
Increase (decrease) in reserves	101	(278)	919
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**101**	**434**	**2,066**
Surplus (deficit) of capital funding (C-D)	**(101)**	**278**	**(227)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	1,073	288	23
Note 2: This financial statement includes:			
Internal interest	0	10	7

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Regional Development

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	538	599	599
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	8	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines infringement fees and other receipts	1,179	911	1,139
Total operating funding (A)	**1,717**	**1,518**	**1,738**
Applications of operating funding			
Payments to staff and suppliers	14,926	12,872	13,068
Finance costs	0	2	3
Internal charges and overheads applied	745	489	484
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**15,671**	**13,363**	**13,555**
Surplus (deficit) of operating funding (A-B)	**(13,954)**	**(11,844)**	**(11,817)**
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	122	261
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**	**122**	**261**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	0	122	261
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(13,954)	(11,844)	(11,817)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(13,954)**	**(11,722)**	**(11,556)**
Surplus (deficit) of capital funding (C-D)	**13,954**	**11,844**	**11,817**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	17	32	36
Note 2: This financial statement includes:			
Internal interest	0	2	3

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Regional Planning & Engagement

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	5,470	7,893	7,893
Targeted rates	0	0	0
Subsidies and grants for operating purposes	150	0	7
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines infringement fees and other receipts	8,404	12,004	12,068
Total operating funding (A)	**14,024**	**19,897**	**19,968**
Applications of operating funding			
Payments to staff and suppliers	9,611	12,992	12,022
Finance costs	0	0	0
Internal charges and overheads applied	5,865	6,905	6,879
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**15,475**	**19,897**	**18,900**
Surplus (deficit) of operating funding (A-B)	**(1,451)**	**(0)**	**1,067**
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 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $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	(1,451)	0	1,067
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(1,451)**	**0**	**1,067**
Surplus (deficit) of capital funding (C-D)	**1,451**	**0**	**(1,067)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	0	0	0
Note 2: This financial statement includes:			
Internal interest	0	0	0

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Emergency Management

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	534	0	0
Targeted rates	0	2,311	2,311
Subsidies and grants for operating purposes	1,511	1,087	1,080
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	(1)
Local authorities fuel tax, fines infringement fees and other receipts	866	41	10
Total operating funding (A)	**2,911**	**3,439**	**3,400**
Applications of operating funding			
Payments to staff and suppliers	2,151	2,498	1,930
Finance costs	0	1	0
Internal charges and overheads applied	921	939	929
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**3,072**	**3,437**	**2,859**
Surplus (deficit) of operating funding (A-B)	**(161)**	**2**	**541**
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	36	3
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**	**36**	**3**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	38	36	3
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(199)	2	541
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(161)**	**38**	**544**
Surplus (deficit) of capital funding (C-D)	**161**	**(2)**	**(541)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	8	0	0
Note 2: This financial statement includes:			
Internal interest	0	1	0

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Technical Services

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	2,295	5,084	5,084
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	932	1,444	1,548
Internal charges and overheads recovered	3,803	0	56
Local authorities fuel tax, fines infringement fees and other receipts	3,733	7,921	7,984
Total operating funding (A)	**10,763**	**14,450**	**14,672**
Applications of operating funding			
Payments to staff and suppliers	6,578	9,087	8,345
Finance costs	0	12	6
Internal charges and overheads applied	3,659	4,608	4,402
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**10,238**	**13,707**	**12,753**
Surplus (deficit) of operating funding (A-B)	**525**	**743**	**1,919**
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	1,060	432
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**	**1,060**	**432**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	47	758	355
- to replace existing assets	836	301	77
Increase (decrease) in reserves	(359)	743	1,919
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**525**	**1,803**	**2,351**
Surplus (deficit) of capital funding (C-D)	**(525)**	**(743)**	**(1,919)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	1,009	743	580
Note 2: This financial statement includes:			
Internal interest	0	12	6

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2019 for Corporate Services

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	(71)	(208)	141
Targeted rates	(99)	(211)	(209)
Subsidies and grants for operating purposes	0	0	0
Fees and charges	0	176	409
Internal charges and overheads recovered	22,977	30,106	33,139
Local authorities fuel tax, fines infringement fees and other receipts	608	2,823	7,348
Total operating funding (A)	**23,415**	**32,686**	**40,828**
Applications of operating funding			
Payments to staff and suppliers	19,499	19,410	21,146
Finance costs	718	3,602	3,457
Internal charges and overheads applied	0	5,214	8,421
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**20,217**	**28,226**	**33,024**
Surplus (deficit) of operating funding (A-B)	**3,198**	**4,461**	**7,805**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	28
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	24,232	19,423
Gross proceeds from sale of assets	323	1,035	1,181
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	80
Total sources of capital funding (C)	**323**	**25,267**	**20,712**

	Yr 3 LTP 2015-2025 $000	Yr 1 LTP 2018-2028 $000	Actual 2018/19 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	8,556	18,543	12,655
- to replace existing assets	3,887	6,724	6,768
Increase (decrease) in reserves	(8,922)	4,461	9,094
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**3,521**	**29,728**	**28,517**
Surplus (deficit) of capital funding (C-D)	**(3,198)**	**(4,461)**	**(7,805)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	2,687	3,992	3,565
Loss on sale of property, plant and equipment	0	0	236
Investment amortisation	0	0	0
Gain on sale of property, plant and equipment	0	0	(354)
Gain on revaluation of Put Option	0	0	(11,600)
Fair value of cash flow hedges	0	0	(66)
Vested asset revenue	0	0	0
Note 2: This financial statement includes:			
Internal interest	718	(3,299)	(3,647)

42 Internal loans

Council

	Opening Balance 01 July 2018 $000	Loan Advances $000	Loan Repayments $000	Closing Balance 30 June 2019 $000	Interest Charges $000
Integrated Catchment Management Group of Activities					
Kaituna Catchments	2,430	12,543	(243)	14,731	288
Rotorua Lakes	12,953	4,057	(2,541)	14,469	541
	15,383	16,600	(2,784)	29,200	829
Resource Regulation and Monitoring Group of Activities					
Rotorua Air Activity - Clean Heat	3,292	295	(759)	2,828	129
Maritime	0	106	(1)	105	1
	3,292	401	(759)	2,934	130
Flood Protection and Control Works Group of Activities					
Kaituna Catchment Control Scheme	3,832	2,074	(261)	5,644	167
Rangitaiki - Tarawera Rivers Scheme	31,926	8,287	(6,757)	33,456	1,384
Whakatāne - Tauranga Rivers Scheme	6,213	1,774	(1,394)	6,593	261
Waioeka - Otara Rivers Scheme	4,376	3,012	(1,176)	6,213	214
Rangitaiki Drainage Scheme	1,064	51	(46)	1,068	42
Non-Scheme	14,603	6,583	(4,310)	16,876	604
	62,014	21,781	(13,944)	69,851	2,672
Corporate Services Group of Activities					
Communications	0	4	(0)	4	0
Buildings	9,431	15,528	(732)	24,227	631
Plant	0	383	(5)	378	10
Vehicles	0	1,142	(11)	1,132	11
Information Services	0	1,207	(40)	1,168	16
Information Technology	0	1,384	(12)	1,371	15
	9,431	19,648	(801)	28,279	683
Transportation Group of Activities					
Tauranga Passenger Transport	0	1,279	(697)	582	7
	0	1,279	(697)	582	7
Regional Development Group of Activities					
Regional Parks	0	259	(2)	257	3
	0	259	(2)	257	3
Emergency Management Group of Activities					
CDEM Group	0	3	(0)	3	0
	0	3	(0)	3	0
Technical Services Group of Activities					
Geospatial	0	116	(3)	113	3
Data Services	0	245	(2)	243	2
Science	0	77	(1)	77	1
	0	438	(5)	433	6
Total	**90,120**	**60,410**	**(18,993)**	**131,538**	**4,330**

43 Depreciation and amortisation expense by Group of Activity

	Council 2018/19 $000	Council 2017/18 $000
Directly attributable depreciation and amortisation expense by group of activity:		
Integrated Catchment Management	891	754
Flood Protection & Control	1,249	1,122
Resource Regulation & Monitoring	78	84
Transportation	23	40
Regional Development	36	34
Regional Planning & Engagement	0	0
Emergency Management	0	0
Technical Services	580	637
Corporate Services	3,565	3,544
Total depreciation and amortisation	**6,422**	**6,214**

44 Financial Prudence

Annual report disclosure statement for year ending 30 June 2019

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-

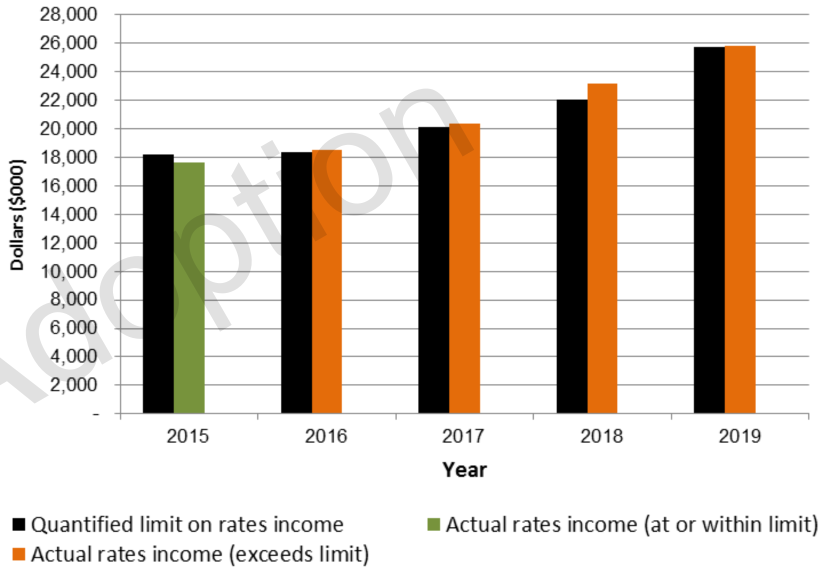
- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increase equal or are less than each quantified limit on rates increases

Rates (income) affordability

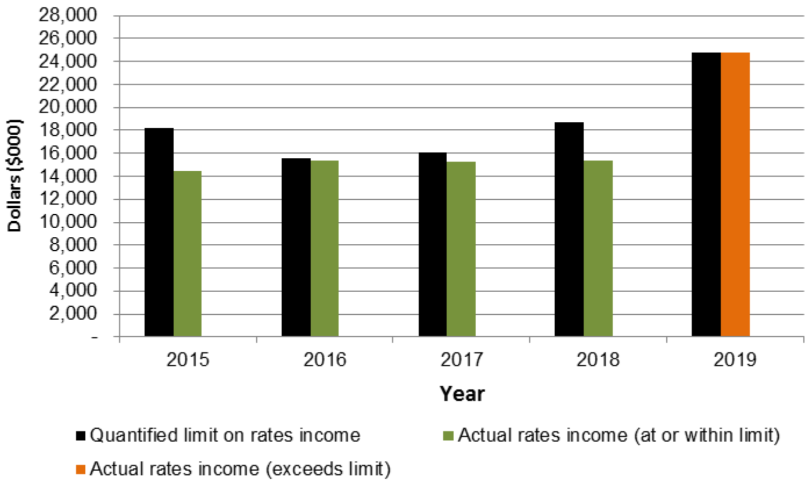
The following graphs compare the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits for rates are from long-term plan 2018-2028.

Quantified limit on rates	2015	2016	2017	2018	2019
	$000	$000	$000	$000	$000
General rates	18,169	18,340	20,080	21,988	25,728
Targeted rates	18,205	14,940	16,092	18,669	24,780
Planned rates	**36,374**	**33,280**	**36,172**	**40,657**	**50,508**

General rates



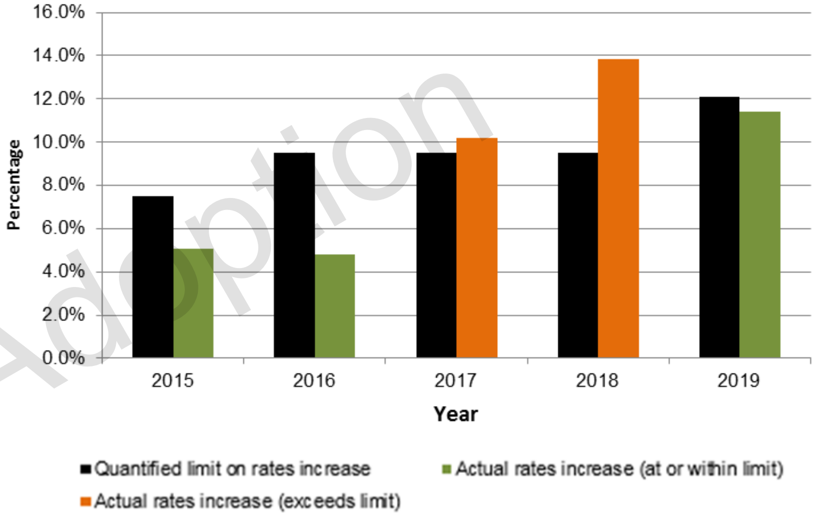
Targeted rates



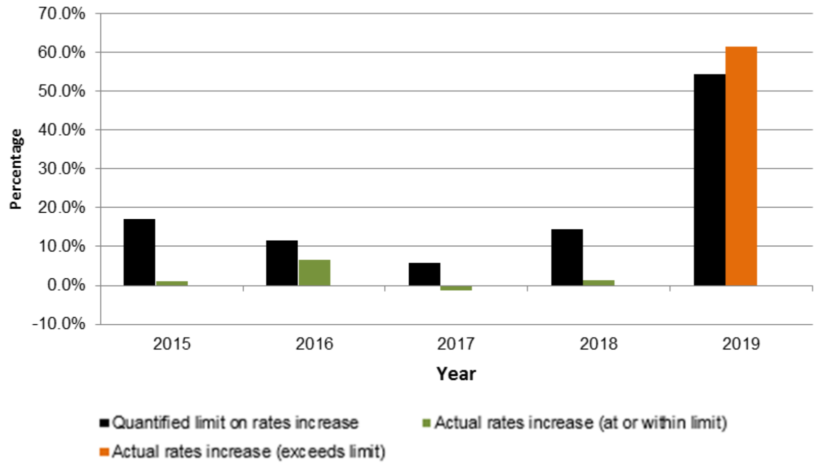
Rates (increases) affordability

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

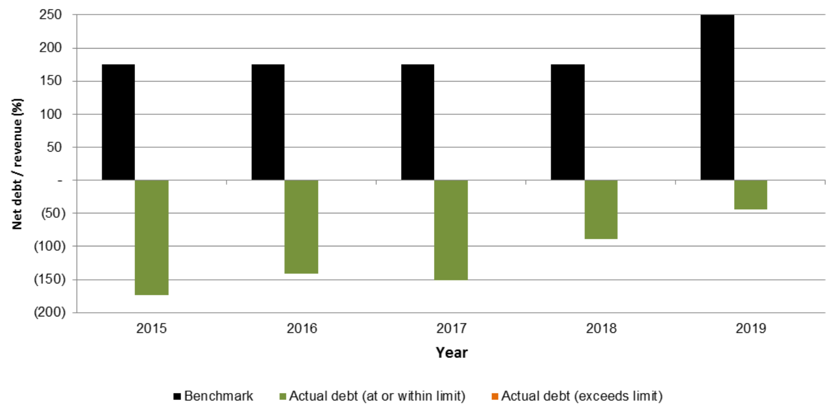
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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:

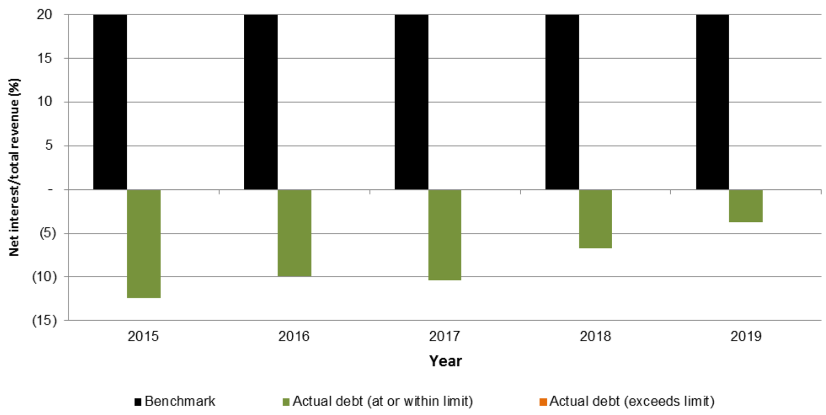
Financial covenant [1]	Limit
Net debt [2] / Total revenue [3]	<250%
Net interest / Total revenue	<20%
Net interest / Annual rates revenue	<30%
Liquidity [4]	>110%

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.

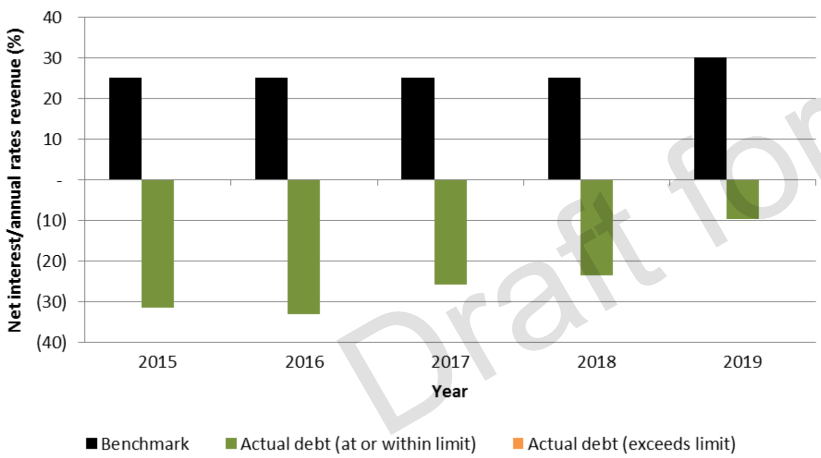
Net debt / total revenue



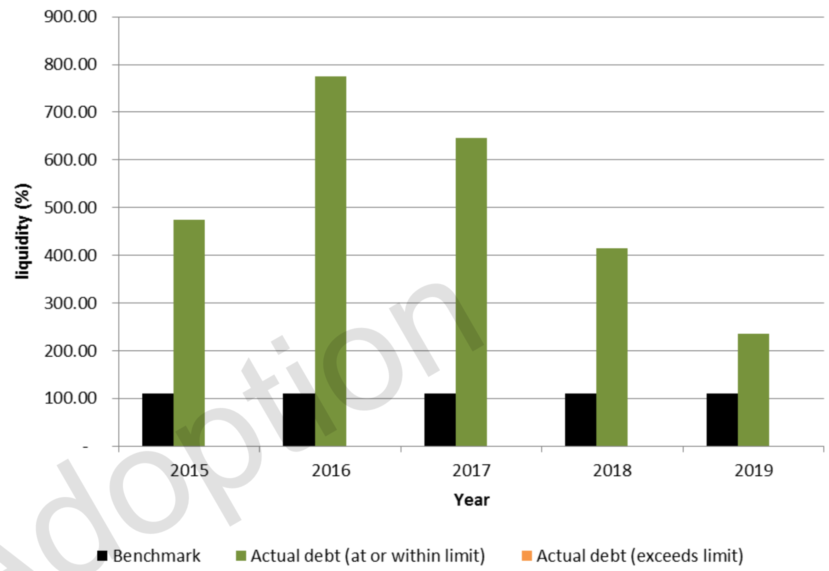
Net interest / total revenue



Net interest / annual rates revenue



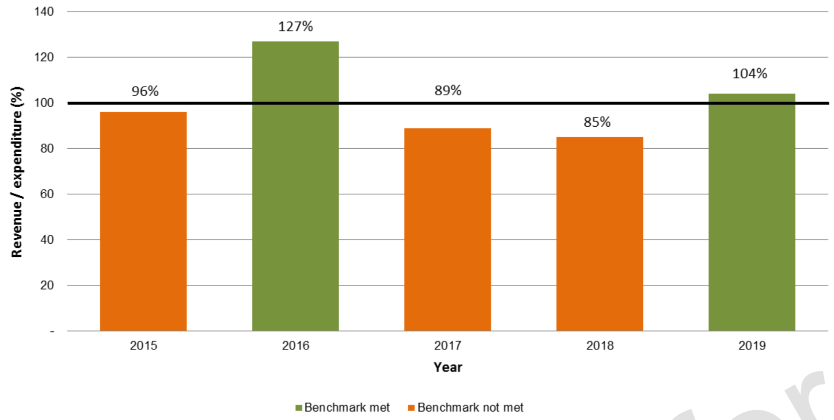
Liquidity



Balanced budget benchmark

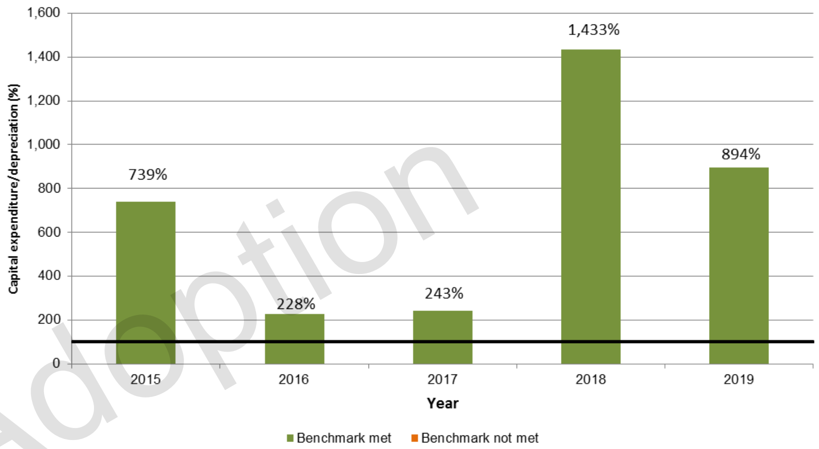
The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial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

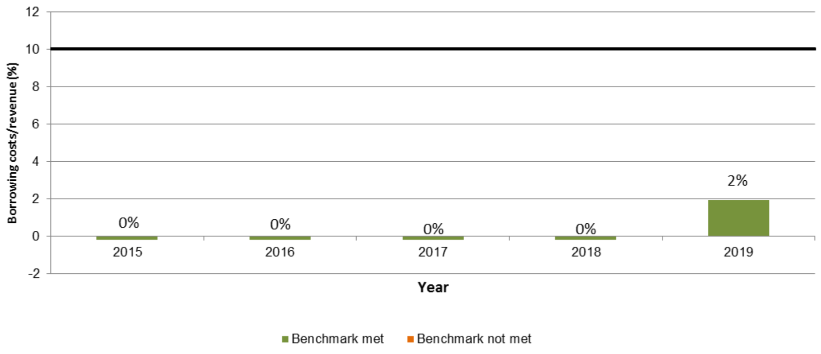
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals, or is greater than depreciation on network services.



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).

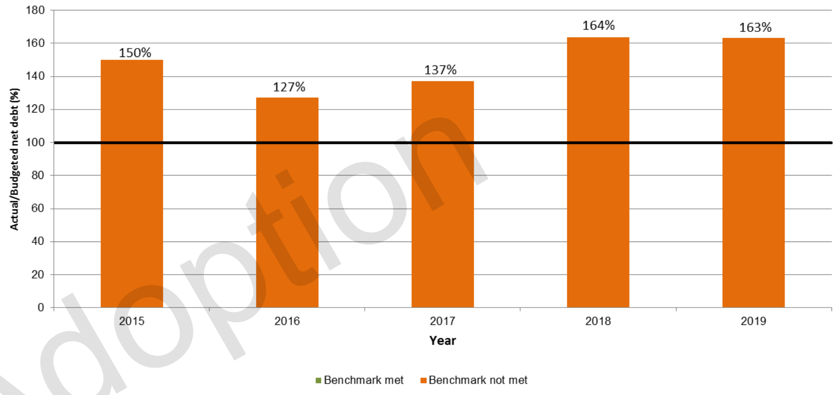
Because Statistics New Zealand projects the Council's population will grow *more slowly* than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 % of its revenue.



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).

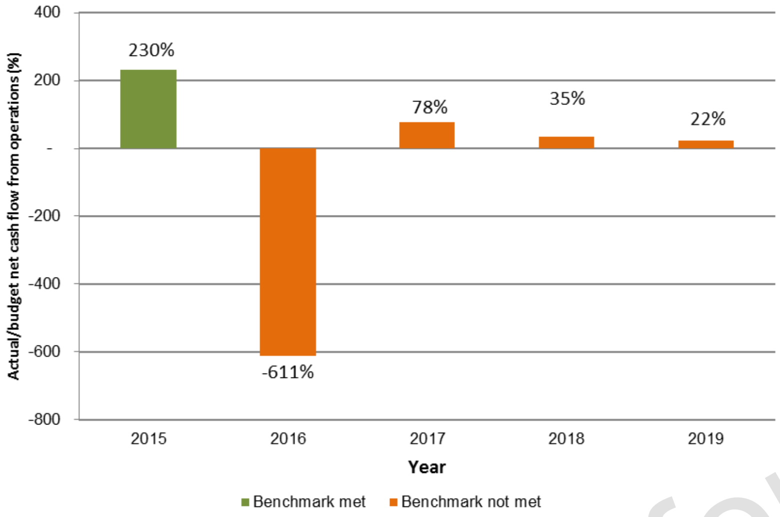
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



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.



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 2019 fairly reflect the financial position, financial performance and service performance achievements of the Bay of Plenty Regional Council and Group.

Douglas Leeder , **Chairman**
xx September 2019

Fiona McTavish, **Chief Executive**
xx September 2019

Audit Report

Placeholder

Placeholder

Placeholder

Placeholder

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