Annual Report
Te Mahere ā-Tau
2019/20

For the financial year 1 July 2019 to 30 June 2020

BAY OF PLENTY
REGIONAL COUNCIL
TOI MOANA

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.

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.

Freshwater for life

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

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

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

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

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.

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

Contents
Rārangi Kaupapa

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 iwi

Tihei Mauriora!

E ngā mana, e ngā reo, e ngā karangaranga maha, tēnā koutou!

I whakarangona atu e Toi Moana ki ngā moemoeā a ngā hapori. Ka mōhiotia ko Toi Moana he rohe whai painga whai oranga hoki.

Ko te tino pūtake ko te whakapakari ai I ngā momo tūhono i waenganui i a tātou nā ngā wawata, moemoeā hoki.

Ko tō kaunihera ā rohe he waka eke noa.
Nā tō rourou, nā tōku rourou ka ora ia te iwi.

Nā te ārahitanga o ngā Hapori o Toi Moana e kore mātou a Toi Moana e kotiti haere ki te whakapakari ai i tō tātou taiao Hapori anō hoki.

Stretching from Waihī Beach to East Cape

From Maketū to just inland of Lake Taupō

This is the region of the Bay of Plenty Regional Council

Let the land prosper, let the oceans and lakes prosper, let the environment prosper so that we, the people, prosper.

'Tis the breath of life

To all authorities, to all voices, to the many affiliations, Greetings!

Council has listened to the aspirations of its communities confirming that we are a region seeking wellbeing and vitality together.

The focus is to strengthen our connections to each other and our environment guided by your aspirations and ideas.

Your regional council is a waka which we are all in together with no exceptions. Together we shall realise our collective aspirations.

The ongoing guidance from our communities ensures we never deviate from our commitment to you, our communities and environment.

Your representatives
Ngā reo kōrero

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.

From left: Jane Nees, Norm Bruning, Andrew von Dadelszen, Stuart Crosby, David Love, Paula Thompson, Stacey Rose, Lyall Thurston, Kevin Winters, Doug Leeder, Bill Clark, Te Taru White, Matemoana McDonald and Toi Kai Rākau Iti..

Message from the Chair and Chief Executive

We are pleased to present our Annual Report for 2019/20. This report presents our financial results and shows our performance against the targets we set for our service delivery in 2019/20. This is our second Annual Report as part of our Long Term Plan 2018-2028.

2019/20 was a hugely eventful year. With the eruption of Whakaari/White Island and then soon after the COVID-19 global pandemic reaching New Zealand, this year our region has had to deal with significant and unprecedented issues on top of what we would consider our business as usual. The importance of *Thriving Together – mō te taiao, mō ngā tāngata* has been evident within our regional response to both of these events.

These events heavily impacted our service delivery, but we continued to make progress across all of our areas of work and major projects to deliver on our Community Outcomes and improve the wellbeing of our communities. Our performance was monitored and reported through 33 performance measures during the year, and we achieved 28 (85%) of our targets we set through the Long Term Plan 2018-2028.

We were also proud to be recognised at the SOLGM Local Government Excellence Awards. We received three awards including the prestigious Supreme Award for Te Arawa Catfish Killas, our initiative with Te Arawa Lakes Trust which incorporates the mātauranga and tikanga of Te Arawa and has resulted in the removal of 80,000 catfish from Lakes Rotorua and Rotoiti in three years. We also received the Te Puni Kōkiri Award in the Bicultural Leadership category, and the BERL Award for Collaborative Government Action for the project to safely remove dioxin-contaminated sediment from and remediate the Kopeopeo Canal near Whakatāne.

We delivered our work programme through operating expenditure of $138.5 million compared to a budget of $134.0 million. We also delivered $36.4 million of capital expenditure, this is the second biggest capital investment ever made in our history but this was below budget of $59.3 million. We have funded nearly 60% of our services from non-rates revenue and unlike many other councils, this balanced approach to funding has helped us to achieve operating revenue of $138.5 million which is higher than budget of $136.7 million. We have achieved our $1 million savings target focusing on careful management of our resources and process improvements throughout the course of the COVID-19 pandemic.

The Council Group, which includes our 100% shareholding in Quayside Holdings Limited, is pleased to record a moderate net profit after tax attributed to Council of $37.2 million. Overall Quayside's diversified portfolio including our 54.1% shareholding in the Ports of Tauranga, has fared well despite the obvious impacts that COVID-19 had on the general economy. Quayside paid a dividend to Council of $32.1 million to help fund our work in 2019/20, and as we look ahead this approach will continue to ensure we keep our general rates low and deliver regional benefit to our community.

As we look ahead to 2020/21, one of our main areas of focus will be around how we can best assist the region to recover from the effects of COVID-19. Some guidance in direction has been signalled from Central Government, and this will impact the work we do going forward, particularly for our policy and planning work focusing on the new rules and regulations to restore and protect the health of New Zealand's waterways. As we move into the new financial year, we are excited to build upon the progress we made in 2019/20, and the opportunity to deliver on the work set out in our Annual Plan 2020/21.

Doug Leeder
Chairman

Fiona McTavish
Chief Executive

Impact of COVID–19

The outbreak of COVID-19 is having far-reaching effects across the globe, in New Zealand, and within the Bay of Plenty.

At the time this report was being prepared (July 2020), New Zealand was at Alert Level One status with most services returning to a near normal level. However, it now seems clear that we will continue to feel the effects of COVID-19 for some time to come. Central Government has taken strong steps in response to the pandemic and Council will continue to work together with them aiding in the recovery of our region from the virus and its effects.

Once the extent of COVID-19 started to become clear, the Regional Council undertook necessary preparations including the testing of our information technology capabilities to enable staff to work from home. When the Government shifted to Level 4 (Lockdown) on 26 March 2020, we restricted our service delivery to the essential and priority services we provide our community and increased resourcing where needed, for example by increasing the staffing of Civil Defence Emergency Management services. Due to the restriction of the services we could operate under Level 4 we were not able to perform all the services we normally would and therefore some levels of service we committed to in our Long Term Plan were affected, both positively and negatively.

Most notable of the positive impacts was within our Resource Regulation and Monitoring activity, where due to reduced human activity on our environment, there was moderate improvement in air quality (PM10) in some areas. The shift in the number of Regional Council employees working from home also meant there was reduction in the energy use of our Regional Council buildings (and carbon emissions region-wide).

The most notable negative impact on our service levels was a large reduction in patronage of our bus services, although this did have an overall positive impact on environmental outcomes. Another area where COVID-19 has had a significant impact was in our Regional Development Activity, where there is now a need to shift priorities to include projects that can assist with the recovery from COVID-19.

There has been a significant impact on the regional economy. Regional Council signalled its intent to try to lessen this impact on our community by working towards a zero percent real increase to general rates in its Annual Plan 2020/21 and to retain our current Resource Management Act and Building Act Fees and Charges for 2020/21. In addition, Council has worked with Central Government to identify a number of 'shovel ready' projects and 'jobs for nature' projects which are aimed at creating jobs and delivering work aligned to Council outcomes. Council will continue to look for ways to ease the financial burden on our ratepayers, however the challenge this poses is the impact it will have on our revenue that is directly attributed to the delivery of current and future services within the region.

Community Outcomes in Action
Ngā putanga-a-hapori

Bay of Plenty Regional Council's vision Thriving Together – mō te taiao, mō ngā tāngata is about supporting our environment and enabling our people to thrive.

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.

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 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. 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.

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.

Highlights and challenges 2019/20

KAITUNA RIVER REDIVERSION AND TE AWA O NGĀTOROIRANGI/ MAKETU ESTUARY ENHANCEMENT

Construction work began in June 2018 and its completion was publicly celebrated with karakia and a ribbon-cutting ceremony to mark the opening of new re-diversion control gates on 12 February 2020. Through the delivery of this project we are making Te Awa o Ngātoroirangi/the Maketu Estuary healthier for people to swim and fish in. We have restored up to 20 percent of the Kaituna River's freshwater flows into the estuary and we have also re-created 20 hectares of wetlands around the estuary margin, to help filter nutrients and create breeding areas for birds and fish. Working closely with our community, together we have delivered this $16.6 million project on budget, and five months ahead of schedule.

The Kaituna River Rediversion was completed during the year, the project cost $16.6 million and was delivered within budget and five months ahead of schedule.

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 towards maintaining a healthier environment for the community.

The Regional Coastal Environment Plan (RCEP) became operative in December 2019. At this time there were two remaining appeals that were discrete matters relating to Matakana and Motiti. The Environment Court provided full and final decisions on these appeals in June 2020 and the council adopted these remaining parts of the RCEP and now these two resolved appeals have been referred to the Minister of Conservation for approval, which we expect in the new year.

The Lake Rotorua Nutrient Management Environment Court Hearing regarding Plan Change 10 had substantial matters resolved in favour of Regional Council's nitrogen allocation method.

Plan Change 13 (Air Quality) decisions were released in March 2019 and subsequently 10 appeals were lodged. Five of the appeal topics have been resolved through mediation and the Environment Court has released the Consent Orders.

We have engaged with a range of stakeholders and community groups and carried out further investigation of issues raised through the public feedback process on the Draft On-Site Effluent Treatment Plan Change (Plan Change 14) to the Bay of Plenty Regional Natural Resources Plan.

KOPEOPEO CANAL REMEDIATION PROJECT

Completing the remediation of the Kopeopeo Canal was a priority for us during 2019/20. The project, jointly funded with the Ministry for the Environment, safely removed, stored and bioremediated elevated levels of dioxin contaminated sediment from 5.1 kilometres of the Kopeopeo Canal in Whakatāne. 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 included a percentage of impurities that contained dioxins. Physical works for the project are now complete and the project has moved to a monitoring phase. The project was recognised during the year by winning the Australasian Land and Groundwater Association (ALGA) Project Excellence Award for Best Regional Remedial Project and the SOLGM BERL Award for Collaborative Government project.

The Kopeopeo Canal Remediation Project was completed in 2019. The project cost $22 million between 2011 and 2019 with the Ministry for the Environment providing $8 million through the Contaminated Sites Remediation Fund.

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 fresh water resources.

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

We're responsible for two kinds of fresh water: 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 the 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.

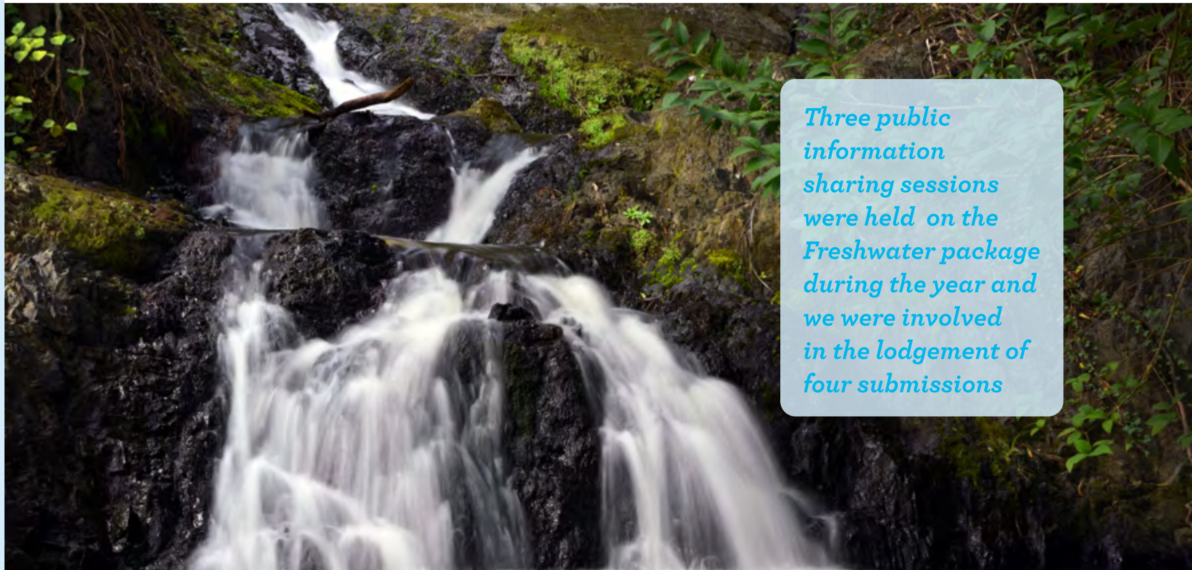
Our work in this area is guided by national legislation, regulations and standards for water that prescribe public processes for setting requirements and rules. This area is becoming increasingly complex and we're working hard to translate the policy into action on the ground.

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.

Highlights and challenges 2019/20

FRESHWATER FUTURES PROGRAMME

Government's 'Action for Healthy Waterways' include changes to the National Policy Statement for Freshwater Management (NPSFM), a new National Environmental Standard for Freshwater (NESFM) and an accelerated planning process to enable better, faster and more consistent freshwater management plans by regional councils (through the RMA amendment bill). It was released for public consultation in September 2019 and contained a number of new requirements to improve the state of our fresh water resources. Three public information sharing sessions were held to discuss the Freshwater package and staff have worked with the Regional Water Sector Group and the region's territorial authorities to prepare submissions. Council lodged a detailed submission which focussed on matters of particular interest within our region. We also lodged a joint submission with the Bay of Plenty's territorial authorities to provide a collaborative regional view and supported the Regional Sector/LGNZ submission and the preparation of submissions by co-governance bodies. Council also provided advice and information to the Ministry for the Environment as requested. Work programmes are under development to support the work we are doing on implementing the Action for Healthy Waterways package once the changes to the policy and regulatory documents are published in the second half of 2020.



Three public information sharing sessions were held on the Freshwater package during the year and we were involved in the lodgement of four submissions

FOCUS CATCHMENTS PROGRAMME

Following Council's approval of a targeted Environmental Grants policy in 2019, this programme is now underway across our different catchments. Land Management Officers have been working with colleagues in the Science and Data Services teams to prepare catchment action plans and monitoring plans. These will prioritise our work with catchment communities. Monitoring has recently been ramped up to both to measure changes over time and to help prioritise the critical source area locations and actions required to improve them. One example is in the upper Rangitāiki catchment where land use intensification has led to an increasing nitrate concentration, posing a potential risk to Rangitāiki water quality and in-stream values. Staff recently met with all of the major landowners, and there is a collective willingness to find a solution together.

Of the programmes underway four are in the Tauranga Harbour catchment (including the Uretara, Te Mania, Kopurererua and Waitao Streams), three are in the Kaituna /Water Management Area (including the Waihī Estuary, Kopuaroa and the Waitepuia/Ford Road catchments), and three are in the Eastern Catchments (including the upper Rangitāiki, Ōhiwa Harbour and the Waiōtahe River).

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 programme is part-funded through a Deed of Funding Agreement with the Crown ($72 million).

Work this year included erosion protection works on the Waitangi Stream, the outlet of Lake Ōkāreka. These works will ensure better management of Lake Ōkāreka levels to protect the surrounding properties and enable the safe discharge of up to 500 L/s – more than double the previous consent allowance. In addition the Lake Ōkāreka land use change project towards low nitrogen loss options was completed during the year. A further 78 hectares of land use change to trees was secured in the catchment, taking the total land use retirement in the catchment by the Programme to just less than 236 hectares. A period of monitoring is now required to establish the effect on lake water quality of the further change.

RESPONSE TO WATER SHORTAGE

As a result of a particularly warm and dry spring and summer this year, the Bay of Plenty, like much of the North Island, experienced drought conditions across the region, with the worst affected area being west of Tauranga. To respond to this, Regional Council appointed a Water Shortage Event Manager to co-ordinate the monitoring of actual and projected in-stream conditions, and management of water abstractions in order to minimise the risk of severe environmental impacts on surface water and aquifers. This required a significant effort from a cross-council team, including Science, Policy, Strategic Engagement, Compliance and Data Services. This is the first time Council has taken these steps and, although no water shortage directions were issued, it provided a valuable opportunity to test our process and identify opportunities to improve it.

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.

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.

Highlights and challenges 2019/20

RESPONSE TO COVID-19

On 13 March, the Bay of Plenty Civil Defence Emergency Management Group activated in support of the All-of-Government response to COVID-19, activating the Group Coordination Centre and all local Emergency Operation Centres. The role of the CDEM Group was to support health through the coordination of two workstreams; the CDEM workstream and the Caring for our Communities (C4C) workstream. The CDEM workstream prioritised and coordinated the regional CDEM interagency response to the consequences of the pandemic. The C4C workstream identified and prioritised vulnerable communities who may be affected by the pandemic and meant that our team was able to get food, blankets and other supplies to the people that really needed them in the region. Other areas we were able to assist was to get PPE, signs and supplies to iwi in support of their required responses. We set up an 0800 call centre as a direct link to those in need and got fresh water to people whose bores had run dry.

CLIMATE CHANGE ACTION PLAN

Climate change is one of the biggest strategic challenges facing our region and impacts on all four of our Community Outcomes. Last financial year Regional Councillors acknowledged climate change as a serious issue for the region by declaring a climate emergency and making a commitment to work with the community on transitioning to a low carbon future and adapting to our changed climate. This year working groups were established to deliver the Climate Change Action Plan's key priorities with initial meetings held. A baseline audit (Toitu Carbonreduce) to establish our current organisational footprint was completed in December 2019 and a number of other initiatives have been undertaken as part of our Climate Change Action Plan response, including five electric buses being added to the Bayhopper bus fleet in October 2019. The electric buses are operating on the NZ Bus operated network and are the first in New Zealand outside of a main metropolitan centre. The buses contribute to Goal 10 in our Climate Change Action Plan to reduce greenhouse gas emissions and form part of the Regional Council's commitment to low carbon public transport.

Other Climate Change Action Plan initiatives include:

- incorporating climate change across decision-making
- a Staff Travel Plan
- a carbon reporting tool for planting programmes
- sustainable procurement policy development

WHAKAARI/WHITE ISLAND ERUPTION

On 9 December 2019, Whakaari/White Island erupted while 47 people were on the island. The response was led by the Bay of Plenty Civil Defence Emergency Management (CDEM) Group and the search and rescue operation was led by NZ Police. The response was conducted in partnership with a number of organisations including Te Rūnanga o Ngāti Awa who provided cultural and spiritual leadership to victims, families, first responders and operational staff.

Those visiting Whakaari/White Island at the time of the eruption included people from New Zealand as well as foreign nationals from Australia, USA, Great Britain, China and Malaysia. Victims were transferred to seven different hospitals across the country, meaning an element of national coordination was required, which was led by the Bay of Plenty CDEM Group. The Whakatāne District Council Emergency Operations Centre (EOC) and the Bay of Plenty CDEM Group Emergency Coordination Centre (GECC) were both activated to support the coordination of welfare services for the victims, their families and other people affected.

On 20 December 2019, response transitioned to the CDEM recovery phase, which continued throughout the Christmas leave period. The recovery phase identified three environment sector groups – social, economic and natural. In the social environment sector group, arrangements were made to provide pathways for those seeking support services. In the economic environment sector group plans were developed to support individuals and businesses affected by the consequences of the eruption and to accelerate economic initiatives to increase business confidence and visitor spend. The natural environment sector group protected the community by issuing a public advisory notice recommending to avoid gathering kaimoana within one kilometre of the island and developed a plan to understand the impacts of the eruption on the environment.

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.

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.

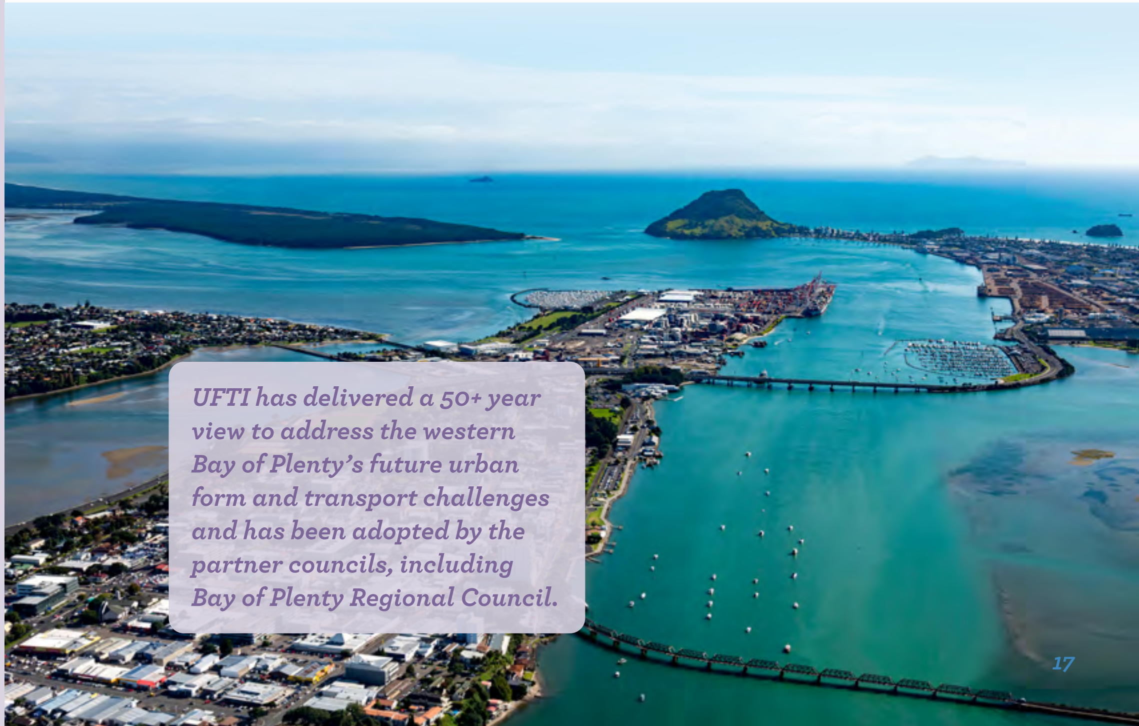
We facilitate Bay of Connections, the economic development framework for the wider Bay of Plenty. Its goal is to grow our region's investment and job opportunities, in partnership with economic development agencies.

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

Highlights and challenges 2019/20

URBAN FORM AND TRANSPORT INITIATIVE

The Urban Form and Transport Initiative (UFTI) is focussed on developing a strategic and integrated delivery plan for western Bay of Plenty's future urban form and multi-modal transport system with a 50+ year horizon. It looks at ways to provide capacity for urban growth, and the future transport system. The final Interim Report was delivered to the SmartGrowth Leadership Group in December 2019. The Interim Report summarised four options to address our urban form and transport challenges in the face of significant growth pressures forecast for the western Bay. The UFTI Final Report was progressed further and was approved by SmartGrowth, and adopted by the partner councils (Bay of Plenty Regional Council, Western Bay of Plenty District Council, and Tauranga City Council) on 1 July 2020 with implementation to begin in the next year.



UFTI has delivered a 50+ year view to address the western Bay of Plenty's future urban form and transport challenges and has been adopted by the partner councils, including Bay of Plenty Regional Council.

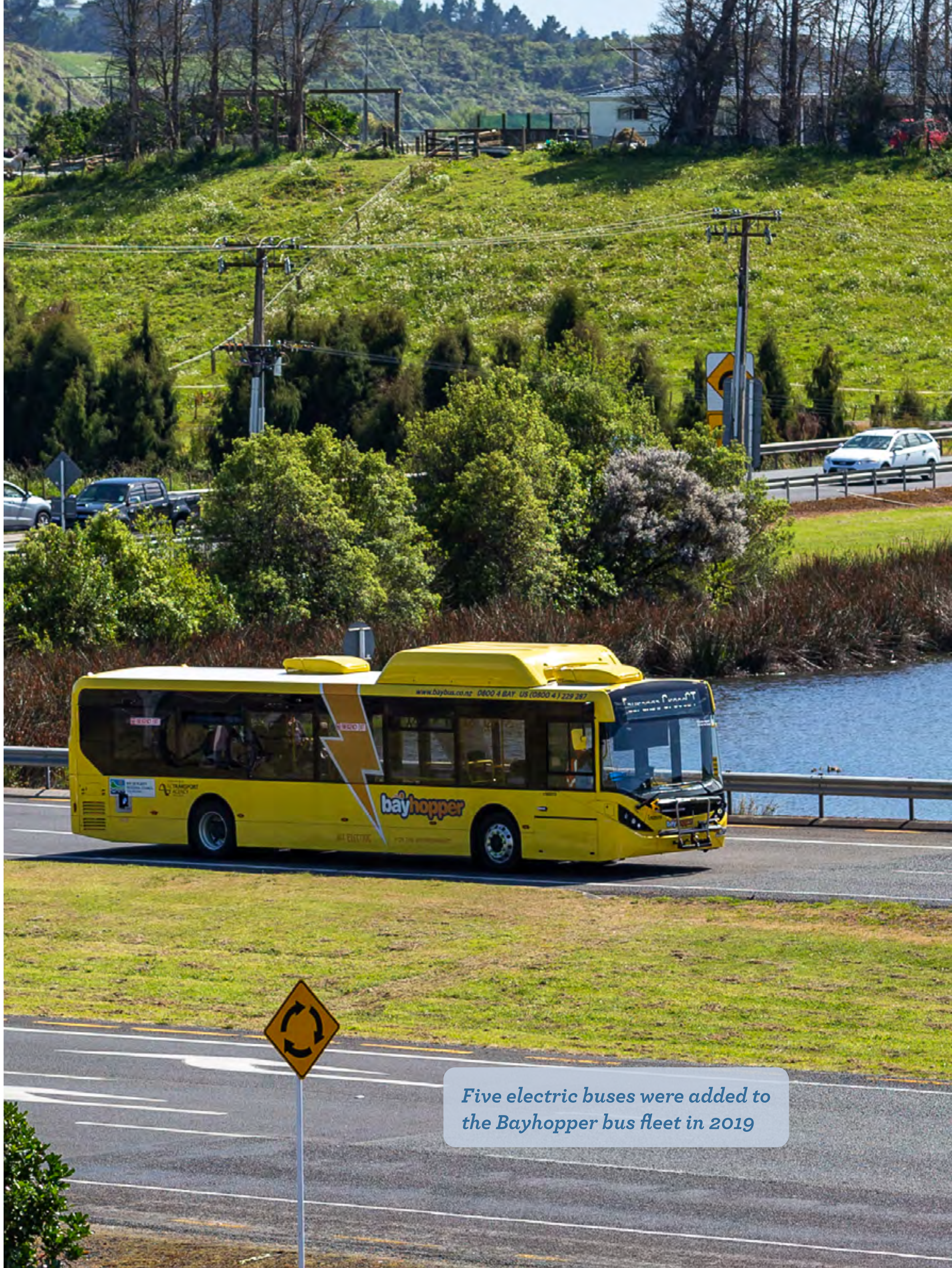
PUBLIC TRANSPORT IN THE BAY OF PLENTY

We plan, contract, fund and monitor passenger transport services for Tauranga, Rotorua and rural areas within the region, including the Bayhopper and Cityride service and concessionary fare schemes such as Total Mobility. This financial year we had more than 2.3 million passenger trips recorded, a 9.4 percent decrease on the previous year. Patronage declined sharply at the end of March as restrictions relating to COVID-19 began to impact our region and the Government shifted the country to Alert Level 4 (lockdown). Our service delivery focussed on supporting the transport needs of essential workers, which meant a reduced number of bus trips and fare-free travel across the network. A reduced service remained in place until the end of Level 3 on Thursday 14 May 2020 and as restrictions eased, and fares remained free, we have begun to experience a rebound in public transport patronage through May and June 2020.

BUILDINGS UPGRADE PROJECT

The refurbishment of Regional House in Tauranga has enabled all of our Tauranga-based staff to be brought together to work from one location. The modernising of the Whakatāne office space, which includes changing the working space to open plan, will see all us benefit from having flexible workspaces.

Environmentally sustainable design features are being integrated into both the Tauranga and Whakatāne offices to significantly reduce our energy use and carbon footprint. Our Rotorua office held its Whakatuwheratanga and officially opened its doors to staff, partners, and the community on 19 March 2020.



Five electric buses were added to the Bayhopper bus fleet in 2019

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 groups 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. This is our second Annual Report to report on those measures and we have achieved most of our targets and came close with several others.

COVID-19 has had an impact on a number of our services, however we have still managed to see improvement in some of our levels of service, including resource consent processing times and the replacement of non-compliant burners in the Rotorua airshed. We have also increased the percentage of compliance monitoring inspections we did to the frequency specified by the Resource Management Act and Building Act Charges Policy, but not by enough to meet a higher target than had been set in previous years.

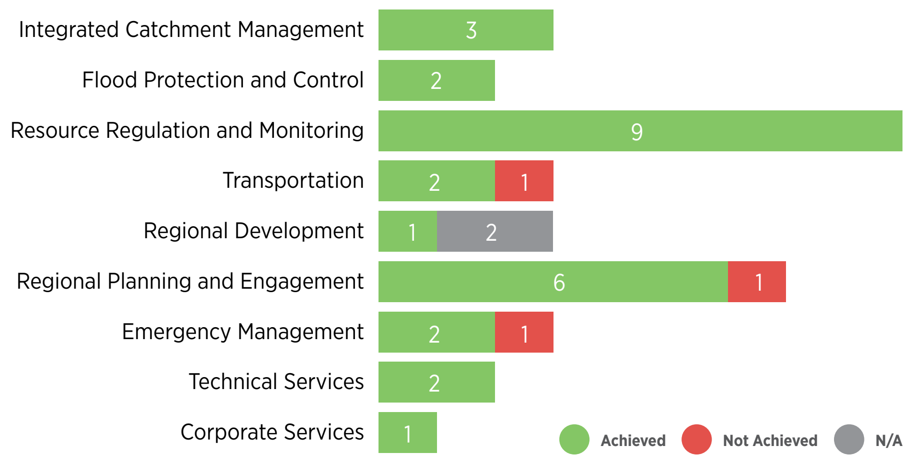
Of the 33 measures we used to track our performance in 2019/20, the summary graph shows that:

- We achieved the targets for 28 measures (85%)
- We have not achieved the targets for three measures (9%)
- Two measures are no longer considered applicable (6%)

Detail on each of the 33 measures, targets and previous results can be found under the group of activity section of this report. This includes commentary regarding the impact of COVID-19 on the service delivery.

We will continue our focus on achieving the targets and delivering on our Community Outcomes during 2020/21.

TARGETS BY GROUP OF ACTIVITIES



Financial Performance
Ngā whakatutukitanga ahumoni

In 2019/20 we delivered an operating surplus of $0.04 million which was below our planned operating surplus of $2.6 million. Our financial resilience has enabled us to respond and adapt to the ongoing impact of COVID-19 and our prudent financial management will ensure our community recovers and can thrive together.

The Council Group, which includes our 100% shareholding in Quayside Holdings Limited, is pleased to record a moderate net profit after tax attributed to Council of $37.2 million.

Operating expenditure

Our operating expenditure is what we spend on the many activities we provide to our community – for example providing public transport, consent processing, supporting local democracy, maintaining infrastructure assets and providing community grants. It also includes all the support services such as finance, communications and technology.

$138.5 million
OPERATING EXPENDITURE
against a budget of $134.0 million

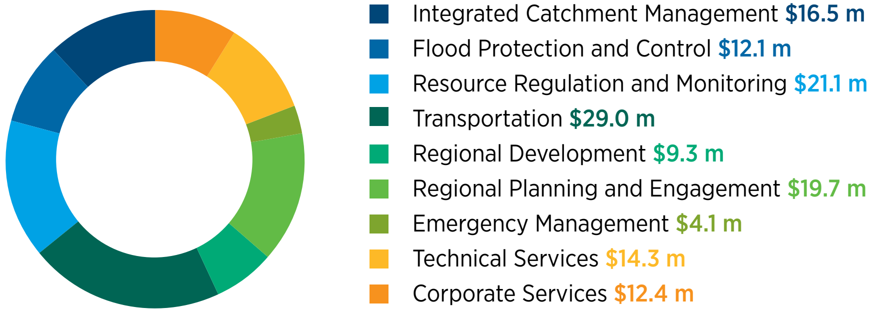
Our total operating expenditure for the year was $138.5 million, $4.5 million higher than budget.

We have increased our investment in the key areas which support our four community outcomes and the community wellbeings. In addition to what we had planned to invest in, we have responded to two major emergencies and we have used our reserves to support the Awatarariki Fanhead Managed Retreat in Matatā.

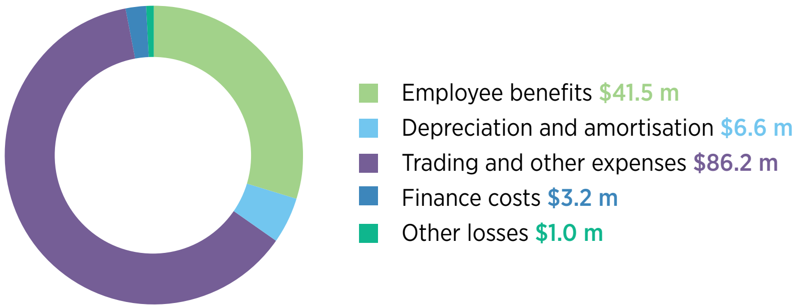
Our incentives programme which aims to improve the health of the Rotorua Te Arawa Lakes has achieved further land use retirement in the catchment during the year although we will defer $6.4 million from 2019/20 into future years. Due to market movement, we have recognised two impairments including $4.5 million for buildings and $2.7 million for our investment in Toi Moana Trust.

We set ourselves an efficiency target to reduce our operating costs. We have achieved efficiency savings of over $1 million through careful management of our resources and process improvements which were necessary throughout the course of COVID-19. This has delivered savings to our communities in areas such as business travel, conferences and meeting related costs. We have also delivered benefits to the Council Group through lower borrowing costs on facilities from the Local Government Funding Agency.

OPERATING EXPENDITURE BY GROUP OF ACTIVITIES



OPERATING EXPENDITURE BY CLASS



Revenue

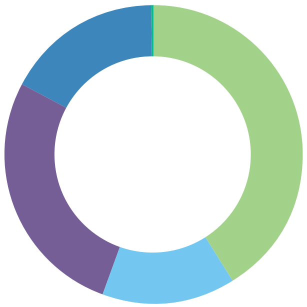
We fund our services and operations through a mix of rates and non-rates sources.

We have funded nearly 60% of our services from non-rates revenue and unlike many other councils, this balanced approach to funding has helped us to achieve operating revenue of $138.5 million which is $1.8 million higher than budget of $136.7 million.

$138.5 million
OPERATING REVENUE
includes $10 million of capital funding

We used $32.1 million of dividend from Quayside to help fund our work in 2019/20, and as we look ahead this approach will continue to ensure we keep our general rates low and deliver regional benefit to our community.

OPERATING REVENUE BY CLASS



- Rates $57.2 m
- Subsidies and grants $20.1 m
- Finance revenue $37.4 m
- Trading and other revenue $23.5 m
- Other gains $0.33 m

OPERATING REVENUE - rates, quayside dividend, other revenue

- Rates $57.2 m
- Quayside dividend $32.1 m
- Other revenue $49.2 m

Capital expenditure

Capital expenditure is what we spend on upgrading, renewing or building new assets.

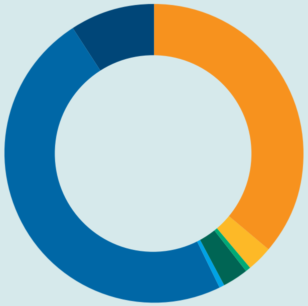
We delivered $36.4 million of capital investing, this is the second biggest capital investment ever made in our history but this was lower than our budget of $59.3 million.

$36.4 million
CAPITAL INVESTMENT IN 2019/20
Invested $16.5 million on Flood Protection and Control and $9.2 million on the Buildings Upgrade Project

We invested $16.5 million in flood protection to help keep people and properties safe. This includes $4.3 million for the Rangitāiki Floodway Project and $8.7 million for the April 2017 Flood Repair Project.

We invested a further $9.2 million into the Buildings Upgrade Project and $3 million to complete both the Kopeopeo Canal Remediation and the Kaituna River Rediversion and Te Awa O Ngatoroirangai / Maketū Estuary Enhancement Projects.

CAPITAL EXPENDITURE BY GROUP OF ACTIVITIES



- Integrated Catchment Management $3.3 m
- Flood Protection and Control $17.5 m
- Resource Regulation and Monitoring $0.1 m
- Transportation $1.0 m
- Regional Development $0.2 m
- Technical Services $1.1 m
- Corporate Services $13.2 m

Prudent debt management

We use debt to fund capital investment so that we spread the cost of those assets across the generations who will benefit from them.

$191 million
OF TOTAL DEBT
an increase of $50 million in 2019/20.

$141 million of debt to fund capital investment and $50 million of debt to on-lend to Quayside.

($53 million)
NET DEBT

(38.4%)
DEBT TO REVENUE RATIO

During 2019/20 we increased our total borrowings by $50 million to $191 million as at 30 June 2020. The facilities are provided for a specific purpose including $141 million for capital investment, and $50 million for on-lending to Quayside Holdings Limited.

While this level of debt seems like a big number, our net debt is ($53 million) which means we have high levels of liquid assets relative to our debt levels. Consequently our net debt to revenue ratio is (38.4%).

We take a prudent approach to managing our debt by keeping our net debt to revenue ratio significantly within our prudential limit of 270 per cent. This is reflected in our AA credit rating which is one of the highest of Councils in New Zealand.

Credit rating

AA
CREDIT RATING
S&P Global Ratings

Maintaining Council's AA credit rating allows us to keep interest costs on borrowings as low as possible – our average borrowing rate is 1.7% for 2019/20.

Our prudent financial management is recognised by the credit rating agency S&P Global Ratings and our credit rating remains AA, with a 'stable' outlook.

Group Financial Performance

We hold a 100 percent shareholding in Quayside Holdings Limited. Quayside holds and manages a majority shareholding in the Port of Tauranga Limited. Quayside provides long term financial security to Regional Council through a diversified investment portfolio and by ensuring the Port of Tauranga shareholding is managed in an effective and commercial manner.

$37.2 million
Council Group Net Surplus After Tax attributed to equity holders of Council

The global pandemic has set a challenging backdrop for global investment markets. Despite this, Quayside has continued to diversify its portfolio of assets to support shareholder growth and sustained benefits to the Bay of Plenty region. Quayside was pleased to record a moderate increase in net profit after tax to $18.8 million.

The Port of Tauranga had a solid year despite the impact of the first COVID-19 lock-down and changes in demand for logs, showing the benefits of being a strong export port with a diversified range of cargo. The Port showed a modest decline in net profit after tax of 10.5% to $90 million.

Quayside's diversified portfolio fared well despite the obvious impacts that COVID-19 had on the general economy. Quayside showed strong financial performance across most of its portfolio, delivering on both its return and diversification expectations. The non-port component of the Quayside balance sheet grew 9.4% in the past year, to $380 million. This represents a combination of capital growth, retained earnings and debt to support further asset diversification.

Investments during the year included the joint venture Lakes Commercial Developments Limited, which completed of the Regional Council offices on Fenton Street, Rotorua. Significant advances were also made by Quayside on its development project east of Tauranga, the Rangiuru Business Park.

Quayside is pleased to provide a record dividend to shareholders - net distributions of $32.1 million to Bay of Plenty Regional Council and $5.6 million to Perpetual Preference Shareholders. Quayside has provided over $300 million of dividends to Council over its life to the benefit of the Bay of Plenty region.

Ratepayers continue to benefit from enhanced regional development and future-proofed investment returns – Quayside has provided distributions and capital worth over $500 million for the benefit of Bay of Plenty Regional Council and regional stakeholders.

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 39 iwi, 260 hapū and 180 marae located across the region.

Te Moana nui a Toi – close to a third of the Bay of Plenty population are Māori. Within our region there are approximately 1800 land trusts covering more than 5000 Māori land blocks (40 percent Māori land). There are multiple marae which are used by Māori and the wider community. Māori make a significant contribution to the region through their ownership of assets; contribution to economic development; leadership in Treaty co-governance forums; and their kaitiaki roles and responsibilities which influence conservation, preservation and management of natural resources.

He Korowai Mātauranga (Mātauranga Māori Framework), an internal Regional Council document that aims to recognise Mātauranga Māori in decision-making processes has been finalised and is operational. A number of key actions that support the Plan have progressed including the establishment of the following dedicated roles:

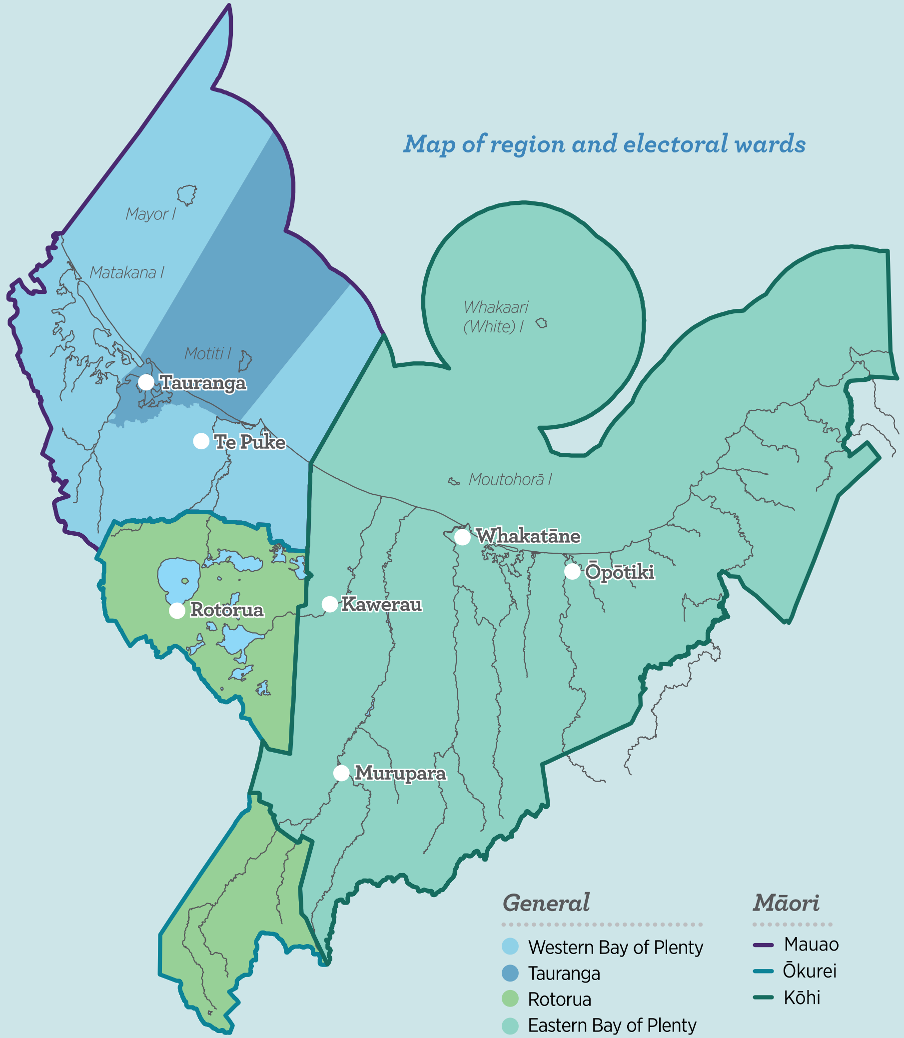
- A Putaiao Mātauranga (Mātauranga Māori Scientist) role within the Science Team,
- A dedicated Senior Māori Communications Advisor role within the Communications Team,
- An RMA Kaupapa Māori Advisor role within the Environmental Strategy Team,
- A Māori Capacity Advisor role within the People and Capability Team, and
- Student internment roles to build Māori capacity.

During 2019/20 we also supported Māori participation in decision-making processes through a range of activities including:

- Supporting Māori Economic Development – identifying ways Council can add value to Māori economic recovery through Komiti Māori, a core committee that provides direction and guidance on Council's obligations to Māori in relation to effective engagement.
- Two comprehensive Iwi Management Plans were also lodged with Komiti Māori after receiving funding and support.
- Supporting tangata whenua in our community including providing ongoing high level advice to Te Arawhiti on three comprehensive Treaty of Waitangi claims and hosting five Resource Management Plan training sessions for tangata whenua in the region.
- Holding several sub-regional hui with Māori to help inform decision-making processes.
- The Rotorua Geothermal Ahi Kaa Roa Roopu was established to support the Geothermal Plan Change.

Our Region

Te Rohe o Toi Moana



Our people

Ngā Tāngata o Toi Moana

WESTERN BAY OF PLENTY

Population projections **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 **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 **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 projections 2018

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

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 below shows the nine groups of activities and the Community Outcomes they most strongly link to. Local authorities are also required to identify effects that any activity within each group of activity has had on the four well-beings of the community; **social**, **economic, environmental** and **cultural**. Following the well-being effects is the report back on our work programmes, financial performance and key performance indicators for 2019/20, using our nine groups of activities.

	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	●	●	●	●

Our four wellbeings

Ngā Pou Toiora

He korowai mātauranga

CULTURAL WELLBEING

He korowai Tiaki Taiao

ENVIRONMENTAL WELLBEING

He korowai whakamana tangata

ECONOMIC WELLBEING

He korowai aroha

SOCIAL WELLBEING

Integrated Catchment Management

Te Whakahaere Tōpū i Ngā Wai

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.

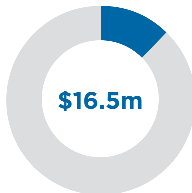
Much of our work is delivered through landowner agreements called Environmental Programmes. We also deliver key projects such as the Kaituna River Re-diversion directly, and operate through a range of partnerships with tangata whenua, industry bodies, district and city councils and central government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

Performance summary

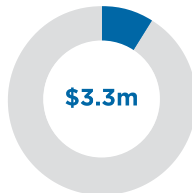
OUR INVESTMENT

Operating Expenditure



12.3% of overall operating expenditure

Capital Investment



9.03% of overall capital investment

PERFORMANCE MEASURE 3 Achieved 0 Not achieved

Impact on community wellbeing

We facilitate environmental wellbeing to the community through the work we do to improve water quality in Focus Catchments, including the swimmability of our rivers, and the ecological health of our waterbodies. We also work to protect and manage a range of the region's biodiversity and carry out significant environmental enhancement projects such as wetland creation and re-connecting waterbodies.

Social and Cultural wellbeing is supported through this activity by helping local communities understand the environmental issues in their catchments and engaging them in the process of improving them. In particular Hapū, iwi and landowners are supported in their kaitiakitanga efforts, where these align with Council's Community Outcomes.

Environmental Economic Cultural Social

Delivery highlights

We continued to coordinate and administer the Tauranga Moana Programme, overseen by the Tauranga Moana Advisory Group, which includes iwi, district, city and Regional Council representatives. We worked on 125 Environmental Programmes, Care Group agreements or partnership projects, of which 17 were new this year. Ten of the active agreements include at least some part of a Priority Biodiversity Site, and a further 38 include work on other biodiversity values.

We worked with the Manaaki Kaimai Mamaku Trust and Forum to fund a doubling of animal pest control in the forests where social licence to operate exists, and to work with hapū and community groups to expand this further in coming years. We supported Estuary Care and Coast Care groups to help restore coastal margins, and catchment care groups to improve their environment.

The Kaituna River Re-diversion and Te Awa o Ngatoroirangi / Maketū Estuary Enhancement Project was completed five months ahead of schedule and on budget. The project was commissioned with a celebratory event on 12 February 2020, with nine of the 12 culverts opened. We worked on 42 Environmental Programmes, Care Group agreements or partnership projects, of which eight were new this year. Seven of the active agreements include at least some part of a Priority Biodiversity Site, and a further 14 include work on other biodiversity values.

We supported Te Maru o Kaituna River Authority to prepare and release its action plan (Te Tini a Tuna), and are actively involved in assisting with its implementation. As part of Te Pourepo o Kaituna Wetland Creation Project 21 hectares of new wetland was created at Tumu Kawa between the Tauranga Eastern Link and the Lower Kaituna Wildlife Management Reserve.

Within the Eastern Catchments activity we worked in partnership with Ngāti Manawa, landowners and the Ministry for the Environment to start the restoration of three significant wetlands in the mid-Rangitāiki catchment. We supported both the Rangitāiki River Forum and the Ōhiwa Harbour Implementation Forum's work through the implementation and reporting of agreed actions. We worked on 66 Environmental Programmes, care group agreements or partnership projects, of which 27 were new this year. Twenty of the active agreements include at least some part of a Priority Biodiversity Site.

The Rotorua Lakes activity continued to deliver a co-ordinated programme of work through the Rotorua Te Arawa Lakes Programme. On 2 June 2020 a Consent Order was issued resolving all outstanding appeals on Proposed Plan Change 10 of the Regional Natural Resources Plan other than one outstanding matter relating to an additional allocation of nitrogen to Treaty of Waitangi Settlement Land. The Court has now set a date of 7 September 2020 to begin a hearing into the remaining appeal point. This means that Proposed Plan Change 10 is operative in terms of implementation and has been a key focus for the activity over the previous year. Regional Council staff continue to require landowners to prepare Nutrient Management Plans, obtain resource consent for farming and land use in the catchment and submit records. In-particular all properties over 40ha that are not low-intensity are now required to hold resource consent for their land use activity. To support the implementation of Plan Change 10, during the year a database was developed to accurately record, manage and administrate nutrient allocations in the catchment. Another staff activity supporting the implementation of Plan Change 10 is assisting landowners to establish good management practice on their properties, such as land retirement and construction of detainment bunds through Environmental Programmes. There are now number of examples of these throughout the Lakes Catchments.

The focus of the Integrated Catchment Programme Management team has been to coordinate, communicate and deliver agreed outcomes for the catchment programmes and leadership team priorities throughout 2019/20. We completed a number of science projects to better understand the condition and trends in regional biodiversity, including the threatened frost flat communities in the upper Rangitāiki, and gains and losses of vegetation from Significant Natural Areas in each of our districts.

We also supported wilding pine control in upper Rangitāiki frost flat communities. This highly threatened ecosystem type has lost a significant proportion of its extent to wilding pines over the last decade. We also exceeded our Long Term Plan key performance indicator by bringing six new Priority Biodiversity Sites under active management.

Performance Measures

We met the target for all 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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
7 (Achieved)	4	6	●

Comment: The target for 2019/20 was achieved. Council signed agreements to actively manage six new Priority Biodiversity Sites during the year. COVID-19 had no material impact on the performance measure.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
1 (Not Achieved)	2	4	

Comment: The target for 2019/20 was achieved, with four of the twelve Rotorua Lakes reaching their TLI Targets, and ten lakes showing progress. This is an improvement on last year's result where one lake reached its TLI Targets.

Low levels of cyanobacterial blooms, possibly a result of low rainfall, have had an a positive impact on the values. Furthermore, a revision of the phosphorus analysis method has led to corrections for phosphoric concentrations, improving the historic TLI values for some lakes. Due to sampling not being undertaken during Covid-19 (March, April, May), TLI parameters were supplemented by averaged data for missing months.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
75% (Achieved)	75%	79%	

Comment: The target for 2019/20 was achieved, with 79% of the monitored river and stream sites meeting the swimmability requirements, improving on last year's result (75%).

Council continuously work to identify sources and types of *E-coli* entering the waterway and then negotiate Environmental Programmes with landowners to reduce the risk of run-off, through a number of alternative actions.

COVID-19 had no material impact on the performance measure as the swimming season runs from October to April and the final samples for the season were collected just before Alert Level 4 came into force.

Funding impact statement for the year ended 30 June 2020 for Integrated Catchment Management

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	5,036	5,467	5,275
Targeted rates	3,134	3,134	3,068
Subsidies and grants for operating purposes	5,931	5,572	3,037
Fees and charges	21	21	0
Internal charges and overheads recovered	520	530	17
Local authorities fuel tax, fines infringement fees and other receipts	7,708	8,252	8,461
Total operating funding (A)	**22,351**	**22,976**	**19,858**
Applications of operating funding			
Payments to staff and suppliers	21,481	20,618	11,616
Finance costs	797	1,403	1,203
Internal charges and overheads applied	4,176	4,389	3,735
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**26,454**	**26,410**	**16,554**
Surplus (deficit) of operating funding (A-B)	**(4,103)**	**(3,435)**	**3,304**
Sources of capital funding			
Subsidies and grants for capital expenditure	250	2,150	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	7,828	10,633	3,286
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)	**8,078**	**12,783**	**3,286**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	8,078	12,783	3,001
- to replace existing assets	0	0	285
Increase (decrease) in reserves	(4,103)	(3,435)	3,304
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**3,975**	**9,348**	**6,590**
Surplus (deficit) of capital funding (C-D)	**4,103**	**3,435**	**(3,304)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	813	923	890
Loss on sale of property, plant and equipment	0	0	227
Note 2: This financial statement includes:			
Internal interest	797	1,403	1,203

BUDGET VARIANCE EXPLANATIONS

Sources of operating funding

Subsidies and grants for operating purposes is *lower* than LTP Year 2 mainly due to delays in the Rotorua Te Arawa Lakes land use change incentives programme affecting the timing of deed funding from the Ministry for the Environment.

Applications of operating funding

Payments to suppliers is *lower* than LTP Year 2 and this is mainly due to delays in the Rotorua Te Arawa Lakes land use change incentives programme.

Sources of capital funding

Capital grants funding within the Rotorua Te Arawa Lakes programme is *lower* than LTP Year 2 due to the Tikitere Diversion project not proceeding and this is affecting the timing of deed funding from the Ministry for the Environment.

Flood Protection and Control

Te Pare me te Whakahaere Waipuke

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.

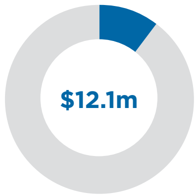
We offer river and stream management advisory services to landowners across the region and flood response activities to river and drainage scheme stakeholders. We also have responsibility for managing activities associated with the Floodway and Drainage Bylaw.

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.

Performance summary

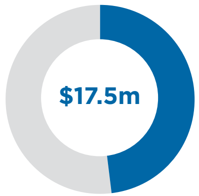
OUR INVESTMENT

Operating Expenditure



10.3% of overall
operating expenditure

Capital Investment



48.12% of overall
capital investment

PERFORMANCE MEASURE 2 Achieved 0 Not achieved

Impact on community wellbeing

We contribute to both social and environmental wellbeing for the community by working towards keeping people safe and to provide drainage to some of the region's most productive land. We do this by building and maintaining flood protection and drainage assets (such as stopbanks and river edge protection), managing the risks from the multiple major river and drainage schemes which includes flood forecasting, floodplain monitoring and river and engineering surveys. We also work on the development of floodplain management strategies to ensure they are appropriately maintained.

Environmental **Economic** Cultural **Social**

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 included regular reporting to the River Scheme Advisory Groups. A satellite Rivers and Drainage depot was established in the lower Kaituna Catchment this year. The depot comprises an area of dedicated storage/workshop space and provides a base for Rivers and Drainage operations staff to undertake maintenance works and soon will also provide office space for both Coastal Catchments and Rivers and Drainage teams in the catchment to support business as usual and flood response operations.

During 2019/20 we continued repair works that resulted from an April 2017 flood event which caused significant damage to river and drainage networks and assets across the region. We have also continued to carry out the flood repair programme. A total of 124 sites were completed during 2019/20 and the total programme is now 72% complete. The flood repair project is expected to be completed during the summer of 2021/22.

Also during the year the performance assessment of the river scheme critical assets was completed. This information is now being used to prioritise future renewal and capital work programmes. This work included a review of recent capital works programmes to ensure asset information is up to date for future valuations.

We also began work on a number of flood modelling work streams across our managed river schemes and other key waterways. The purpose of the work is to help assess flood protection system performance, determine whether acceptable levels of service are being met and identify areas for improvement. This work is currently underway for Whakatāne River, Rangitāiki River and Floodplain, Waioeka-Otara Rivers, and Ngongotahā and Utuhina Streams.

We released the Flood Protection and Drainage Bylaw 2020 Statement of Proposal for consultation in March 2020. This is a critical part of protecting our flood protection and land drainage assets: stopbanks, floodways, pump stations, drains, and canals. These assets are necessary to protect the community in times of flooding. Regional Council decided to proceed with the consultation during COVID-19 alert levels and received broad feedback on the bylaw. As a result of that response the Council decided to undertake more targeted consultation with the community. The bylaw hearings were held in August.

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. Work on the project continued with the completion of Stage 5 (bifurcation) and the start of Stage 7 (upgrades to the left and right stopbanks between Hydro Road and State Highway 2 Awakeri). Comprehensive consultation was carried out with affected landowners and the wider community on design options to upgrade the spillway section and on the estimated costs to fully complete the floodway through Stage 6 stopbank upgrade works and the spillway construction. An independent review of the final two stages was also completed. The Project is planned for completion in 2021/22.

There was progress on the flood mitigation options for the Ngongotahā Stream during 2019/20. A suite of options was presented to the Ngongotahā Flood Review – Community Reference Group, following the analysis of outcomes from flood modelling work. Next steps involve further engagement with landowners affected by the proposed solutions and the development of cost estimates for those solutions. The Ngongotahā Community Reference group was established following the February 2018 flood event to help guide the delivery of the Ngongotahā Flood Review Action Plan.

Performance Measures

We met the target for both performance measures for the Flood Protection and Control Group of Activities during the year. Commentary for each performance measure is provided below.

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)

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
91% (Achieved)	90%	90%	

Comment: The target for 2019/20 was achieved. Performance through to the end of Q3 was below target, mainly due to a region-wide rock supply shortage (used for flood repairs and erosion protection works). When COVID-19 Alert Level 4 came into force, all but essential capital and maintenance work was put on hold, resulting in a negative impact on the delivery of the original work programme. To address the issue of long-term rock supply, a Rock Supply Strategy has been approved. The procurement plan to support the strategy is currently being developed.

Due to these factors, Council approved changes to the original works programme including deferring some works to the 2020/21 year.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	100%	100%	

Comment: COVID-19 had no material impact on the measure, and Council continued to deliver the same level of service through out the various alert levels.

Funding impact statement for the year ended 30 June 2020 for Flood Protection & Control

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	1,614	1,741	1,985
Targeted rates	10,110	11,222	11,621
Subsidies and grants for operating purposes	714	0	0
Fees and charges	11	12	0
Internal charges and overheads recovered	1,331	1,384	1,068
Local authorities fuel tax, fines infringement fees and other receipts	2,730	2,924	3,564
Total operating funding (A)	**16,510**	**17,282**	**18,238**
Applications of operating funding			
Payments to staff and suppliers	7,744	8,213	8,729
Finance costs	2,302	2,915	2,827
Internal charges and overheads applied	3,174	3,311	3,087
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**13,221**	**14,439**	**14,643**
Surplus (deficit) of operating funding (A-B)	**3,289**	**2,843**	**3,595**
Sources of capital funding			
Subsidies and grants for capital expenditure	4,850	0	2,465
Development and financial contributions	0	0	0
Increase (decrease) in debt	10,243	18,030	17,516
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	7,422	2,984	7,042
Total sources of capital funding (C)	**22,515**	**21,014**	**27,023**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	8,900	7,462	7,229
- to replace existing assets	13,615	13,551	10,287
Increase (decrease) in reserves	3,289	2,843	13,102
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**25,804**	**23,856**	**30,618**
Surplus (deficit) of capital funding (C-D)	**(3,289)**	**(2,843)**	**(3,595)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	1,410	1,248	1,325
Loss on sale of property, plant and equipment	0	0	(109)
Note 2: This financial statement includes:			
Internal interest	2,302	2,915	2,827

BUDGET VARIANCE EXPLANATIONS

Sources of capital funding

Grants for capital expenditure is *higher* than LTP Year 2 due the timing of claims to the Ministry for the Environment to part-fund the Kopeopeo Canal Remediation Project in Whakatāne.

Other dedicated capital funding is higher than LTP Year 2 due the timing of insurance claims in relation to the April 2017 Flood Repair Project.

Applications of capital funding

Applications of capital funding to replace existing assets is *lower* than LTP Year 2 mainly due to underspends on the April 2017 Flood Repair Project. Overall work progressed with stable summer conditions however the Covid-19 pandemic slowed the completion of works supported by contractors as has restricted rock supply.

The increase in reserves is higher than the LTP Year 2 is mainly due to the timing of claims in relation to grants and insurance recoveries for capital expenditure.

Resource Regulation and Monitoring

Ngā Ture Rawa me te Aroturuki

Activities

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

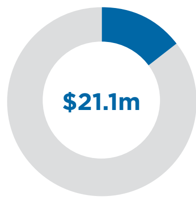
Our Resource Regulation and Monitoring work protects and maintains our environment, on land, air and at sea.

We help to ensure the environmental impacts of people and businesses within our region are minimised and managed appropriately. Some of the ways we do this is by controlling pests; granting and monitoring consents; responding to complaints and pollution incidents and monitoring and improving 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.

Performance summary

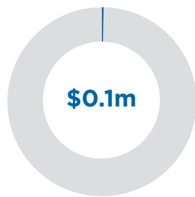
OUR INVESTMENT

Operating Expenditure



14.7% of overall operating expenditure

Capital Investment



0.39% of overall capital investment

PERFORMANCE MEASURE 9 Achieved 0 Not achieved

Impact on community wellbeing

Environmental Wellbeing is supported through our resource consents activity that ensures that consideration is given to environmental issues when sustainable resource management decisions are made and also that the rules are applied appropriately to optimise long term productivity of land, as does our regulatory compliance team by the monitoring of resource consents and responding to complaints on our pollution hotline. Our Air Quality activity contributes to environmental wellbeing by running programmes to improve the region's air quality. Pest control work ensures animals do not cause harm or nuisance to residents or visitors and also helps to protect ecosystem services (e.g. pollination, soil quality, clean water) which support our environment and economic interests across the region.

Our Maritime team helps with social wellbeing by keeping people safe on the water by providing a 24/7 navigation safety and oil spill response across the region.

Environmental Economic Cultural **Social**

Delivery highlights

Our Biosecurity activity continued to work to manage pest plants and pest animals. We carried out the world's first release of a new biocontrol agent for moth plant. The moth plant beetle was released at Matapihi, near Tauranga, in collaboration with Ngāi Tukairangi Trust. Funding for this agent was provided by the National Biocontrol Collective, of which Regional Council is a member.

Catfish in Lake Rotoiti and Rotorua continued to be netted throughout 2019/20 with a stand down period during COVID-19 Alert Levels 4 and 3. The catch rate over 2019/20 was significantly higher than previous years, with more than 60,000 catfish being removed from the lake and 1482 nets being set. This compares to the 2018/19 season of 24,935 catfish being removed from 5047 nets. Further research is being carried out to investigate potential biocontrol methods with our project partner Te Arawa Lakes Trust and research agencies.

A significant infestation of Mediterranean fanworm was detected near the demolition wharf in Tauranga Harbour. More than 700 fanworms were controlled. Surveillance also detected Asian paddle crabs in Ōhiwa Harbour indicating a range expansion of this pest which will need monitoring.

Alligator weed continues to be one of the highest priority pest plant species for the Biosecurity programme with 15 sites across the region being managed. These sites cover a large variety of environments and land-uses including pasture, maize, kiwifruit, wetlands, and waterways; which increase the complexity of the management programme. No new sites were detected in the 2019/20 season. Of the 15 sites under management, 13 showed a reduction in alligator weed density from the previous year as a result of the proactive management, and two have shown a slight increase (due to favourable environmental conditions).

A population of wallabies was detected in Kāingaroa Forest south of the wallaby containment area. We have now controlled this population and early monitoring indicates no wallabies survived the operation. We will continue monitoring this area for the next couple of years to confirm eradication of the population.

Our Rotorua Air Quality programme continued its efforts to improve the Rotorua urban airshed air quality. In the 2019/20 year 677 non-compliant solid fuel burners were removed or replaced and Regional Council assisted 228 property owners with their non-compliant solid fuel burners meaning now more than 80 percent of non-compliant solid fuel burners in the Rotorua Airshed have been removed or replaced.

Our resource consent team continued to process consents with 513 applications processed during the year. This was an 11 percent increase from 2018/2019. High standards for resource consent processing times have been maintained with 95 percent of all applications being processed within statutory timeframes. This carries on the strong improvement compared to 2017/18 where only 55 percent of consents were processed within statutory timeframes. This was mostly due to changes made since 2018 in the way the team has been resourced and changes to internal systems and processes.

Eighty four percent of consent applicants responding to the consents customer satisfaction survey were either satisfied (59 percent) or very satisfied (26 percent) with the service they received when applying for resource consents.

During the COVID-19 response, consent processing was mostly unaffected with more than 100 consents processed during Levels 2, 3 and 4. Two virtual hearings were also successfully held. Also during the year, Council's decisions have been upheld in two Environment Court decisions (Otakiri Spring water bottling, and Transpower realignment over Rangataua Bay). Both these decisions have been appealed to the High Court.

Our regulatory compliance team conducted more than 4000 inspections for consented activities during the year, almost 1000 more than the year before, and reviewed 8763 performance monitoring data reports provided by consent holders. Across both site inspections and monitoring submissions, 84 percent were assessed to be complying with relevant consent conditions, which is an improvement on 2018/19 (80.5 percent for site inspections, and 71 percent for performance monitoring).

The regulatory compliance team also responded to 3860 service requests received through the Council's Pollution Hotline, nine percent more than the year before. This continues the trend that we have been seeing of increased calls to the hotline across the past five years. Despite this increase, staff responded to 100 percent of all urgent calls, and customer satisfaction surveys returned 88 percent positive feedback.

Decisions were received from the courts in relation to four prosecutions and an enforcement order application, with fines totalling $101,875. At the time of reporting, 13 cases remain before the courts, relating to offences from 2017 to present.

Within our Maritime activity there were 353 bylaw breaches (warnings) and 79 infringements issued during the summer season. At the same time we engaged with more than 15,462 harbour and lakes users to help ensure understanding and compliance with the Bay of Plenty Navigation and Safety Bylaw.

We assisted work at the marine precinct and in the harbour recovering more than 10 tonnes of rubbish and participated fully in the Port and Harbour Safety Code (PHSC) with our Port and MNZ partners including auditing Bluff.

We also responded to a large number of oil spills for this financial year, the most significant one occurring in the middle of the Level 4 lockdown and as such requiring extra considerations to try as much as possible to keep to the COVID-19 protocols.

Performance Measures

We met the target for all 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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
145 (Not Achieved)	200	280	●

Comment: 280 replacements of non-compliant burners in the Rotorua Airshed have been attributed to the Rotorua Air Quality programme, exceeding the full year target of 200. The number of replacements is a significant increase compared to last year, which has been supported by the regulation coming into effect at 31 January 2020 making non-compliant solid fuel burners illegal to use. During Alert Levels 4 and 3, period heating and insulation installations were on-hold but to ensure occupants remained warm and safe Council introduced a process for temporary use of non-compliant burners.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	100%	100%	●

Comment: The target for 2019/20 was achieved. COVID-19 had no material impact on the measure. Pests are unwanted plants and animals that have significant impacts on our environment, economy and our people. The Regional Pest Management Plan for the Bay of Plenty sets out what Council seeks to achieve through our efforts to manage pest plants and pest animals in the region. Each year Council produce an annual operational plan that sets operational targets and specific performance measures that link to the outcomes and objectives in the long-term Regional Pest Management Plan.

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)

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
3.7% (Achieved)	<5%	2.8%	●

Comment: This is an improvement compared to last year's result of 3.7 percent, mainly driven by process development. A small drop in lodged consents applications could be noted during March and April, but the volume rebounded in May. COVID-19 did not affect the service level, as staff were able to work from home without the consents processing capacity being materially impacted.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
77% (Not Achieved)	80%	84%	●

Comment: The target for 2019/20 was achieved. The percentage of customers who are satisfied overall with the service provided during the consents process increased from last year (77 percent), with 84 percent of customers being either satisfied or very satisfied. Customer satisfaction increased during COVID-19, indicating that the ability to maintain service levels was appreciated by customers.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	95%	100%	●

Comment: The target for 2019/20 was achieved. The hotline was operating throughout the COVID-19 Alert Levels and all urgent complaints were responded to within the timeframe.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
94% (Achieved)	80%	88%	●

Comment: The target for 2019/20 was achieved. COVID-19 had no material impact on the measure.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
77% (Not achieved)	85%	85%	●

Comment: The target for 2019/20 was achieved and the result of 85 percent was an improvement from last year (77 percent). The improvement was a result of continuous process improvements and staff prioritisations. COVID-19 meant that a number of inspections scheduled during Alert Levels 4 and 3 could not be completed and had to be postponed. Upon resuming normal operations, focus was directed at high risk priorities, and postponed inspections have been slated for completion in early 2020/21.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100%	90%	99%	●

Comment: The target for 2019/20 was achieved. The inspection frequency of navigation aids slowed down slightly during COVID-19 Alert Levels 4 and 3 due to operational re-prioritisations, but had no material impact on the performance.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100%	95%	100%	●

Comment: All reported spills were responded to within the timeframe, including one oil spill occurring during COVID-19 Alert Level 4. Each spill is assessed on its own merit and response can include staff and vessels attending on site or contacting relevant parties and monitoring the situation.

Funding impact statement for the year ended 30 June 2020 for Resource Regulation & Monitoring

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	4,902	5,311	5,434
Targeted rates	1,031	1,161	924
Subsidies and grants for operating purposes	60	60	41
Fees and charges	4,655	4,804	4,933
Internal charges and overheads recovered	0	0	846
Local authorities fuel tax, fines infringement fees and other receipts	7,768	8,247	9,201
Total operating funding (A)	**18,417**	**19,582**	**21,378**
Applications of operating funding			
Payments to staff and suppliers	11,567	12,146	14,760
Finance costs	175	268	118
Internal charges and overheads applied	5,726	6,117	6,856
Other operating funding applications	131	153	210
Total applications of operating funding (B)	17,599	18,684	21,944
Surplus (deficit) of operating funding (A-B)	**818**	**898**	**(566)**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	106	261	142
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)	**106**	**261**	**142**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $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	106	261	142
Increase (decrease) in reserves	262	142	(1,122)
Other operating funding applications	0	0	0
Increase (decrease) of investments	556	756	556
Total applications of capital funding (D)	**924**	**1,159**	**(425)**
Surplus (deficit) of capital funding (C-D)	**(818)**	**(898)**	**566**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	85	92	87
Loss on sale of property, plant and equipment	0	0	25
Note 2: This financial statement includes:			
Internal interest	175	268	118

BUDGET VARIANCE EXPLANATIONS

Applications of operating funding

Payments to staff and suppliers is *higher t*han LTP Year 2. Biosecurity included additional expenditure in relation to the work for the National Biocontrol Collective (cost-recoverable) and catfish control promotions. In addition Resource Consent applications costs is higher, and there is additional legal expenses in Regulatory Compliance as a number of cases are progressing to court hearings.

Applications of capital funding

The use of reserves in 2019/20 is *higher* than planned due to higher than planned operating expenditure (see comments above).

Transportation

Ikiiki

Activities

- Passenger Transport
- Transport Planning

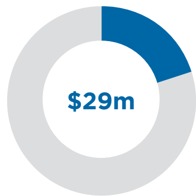
We plan, contract, fund and monitor passenger transport services in the region, including the Bayhopper services, and concessionary fare schemes such as Total Mobility.

We also support national and local road safety programmes and fund ongoing 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 network and establish a more collaborative approach to providing public transport.

Performance summary

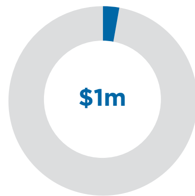
OUR INVESTMENT

Operating Expenditure



20.1% of overall operating expenditure

Capital Investment



2.81% of overall capital investment

PERFORMANCE MEASURE 2 Achieved 1 Not achieved

Impact on community wellbeing

Our passenger transport and transport planning services offer social, environmental and economic wellbeing by improving accessibility to employment, education and essential services for the community and helping reduce road congestion and emissions. This activity also ensures community transport aspirations are incorporated into planning for efficient transport networks and the shift to active/shared modes to help to decrease carbon emissions.

Environmental **Economic** Cultural **Social**

Delivery highlights

A one-year fare-free school bus trial began in early February 2020, with the start of term one. This saw an increase in patronage by school students with February patronage up 75 percent on the previous year and March trending well ahead of the previous year until the restrictions imposed by the response to COVID-19 came into force in late March. We have since seen patronage quickly jump back to pre-COVID levels.

Five tertiary/commuter services launched in February to provide free access to tertiary institutes for students in other regional centres and townships. The five services provide access to Toi Ohomai and University of Waikato for students travelling from Whakatāne, Katikati and Rotorua to Tauranga; and Murupara and Tauranga to Rotorua.

There have been a number of service changes and new additions across the network following feedback from the public. The most significant were the following:

- Goldline route extended to Te Puke offering six return trips a day, seven days a week, from Mt Maunganui to Te Puke via Bayfair and Pāpāmoa Plaza,
- New route 51 is seven days a week service between 9am and 3pm, linking Pyes Pā with The Lakes and Tauranga Crossing,
- New route 57 is a weekend only service between 10am and 3pm, linking Greerton and Pyes Pā with the Pyes Pā Memorial Gardens,
- Reinstated routes 36 in Pāpāmoa, 41 in Maungatapu and 71 in Matua, and
- Increased services for Ōmokoroa and new bus stops were also put in place on Vivian Drive, Harbour View Road and Ōmokoroa Road to improve accessibility for customers.

This year also saw work progress on our transition to the Bee Card. A prepay travel smartcard used in nine regions of New Zealand, Northland, Waikato, Bay of Plenty, Hawke's Bay, Taranaki, Manawatu-Whanganui, Nelson, Otago and Invercargill. The cards require the use of the Regional Integrated Ticketing System (RITS) and these machines were installed on all buses across the region toward the end of the financial year.

During November 2019, a new national online management solution called Ridewise was introduced for Total Mobility replacing the paper voucher system. There are now 3100 clients in the Bay of Plenty who are part of Ridewise. This was achieved with the help of 44 partner agencies. In November 2019, 4700 client trips were processed and after two months, 95 percent of total trips were through the Ridewise Solution. Feedback from clients and partner agencies is that the service is much simpler.

Performance Measure

We met the target for two out of the three performance measures for the Transportation group of activities during the year. Commentary for each performance measure is provided below.

LEVEL OF SERVICE

Provide a quality cost-effective public transport system

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
2,712,930	2,877,000	2,375,740	●

Comment: The target for 2019/20 was not achieved, largely due to the impact of COVID-19. At the end of quarter three, patronage was up 2.6 percent on the same period in the previous year, despite having operated for one week during COVID-19 Alert Level 4.

Throughout Levels 3 and 4, a reduced level of bus services was operated with free fares to ensure access to essential services. A significant decrease in patronage was noted during this period. All services returned to normal when Level 2 was announced, resulting in a rebound in patronage. Fares continued to be free to the end of June. Overall, quarter four patronage was down 58 percent on the same period in the previous year.

Council introduced a new ticketing system for bus services in June 2020. This resulted in a period where not all bus trips were recorded through ticket machines. This occurred during a period of zero fares, thereby having no impact on fare revenue and did not impact service levels.

For the full year, patronage decreased by 12.5 percent, resulting in the target being missed.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	100%	100%	●

Comment: The target for 2019/20 was achieved. COVID-19 had no impact on the measure.

The most recent audit was carried out in September 2019 with the final audit report dated January 2020. In the audit, it was found that there were no unresolved issues from the previous audit in March 2017 and that the audit rating assessment was 'Effective'. No recommendations were required to be implemented.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	80%	100%	●

Comment: The target for 2019/20 was exceeded, with 100 percent of the assessed planning and policy reports being rated satisfactory or higher through an independent policy advice quality review assessment by NZIER.

Funding impact statement for the year ended 30 June 2020 for Transportation

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	807	721	722
Targeted rates	8,405	9,834	11,561
Subsidies and grants for operating purposes	9,978	11,048	12,857
Fees and charges	4,309	4,780	2,617
Internal charges and overheads recovered	734	757	598
Local authorities fuel tax, fines infringement fees and other receipts	1,966	1,821	2,302
Total operating funding (A)	**26,200**	**28,961**	**30,657**
Applications of operating funding			
Payments to staff and suppliers	25,008	27,304	28,128
Finance costs	10	29	31
Internal charges and overheads applied	1,460	1,505	1,411
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**26,478**	**28,838**	**29,570**
Surplus (deficit) of operating funding (A-B)	**(278)**	**123**	**1,087**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	631
Development and financial contributions	0	0	0
Increase (decrease) in debt	712	0	1,023
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)	**712**	**0**	**1,653**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	712	0	1,023
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(278)	123	1,718
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**434**	**123**	**2,741**
Surplus (deficit) of capital funding (C-D)	**278**	**(123)**	**(1,087)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	288	346	21
Note 2: This financial statement includes:			
Internal interest	10	29	31

BUDGET VARIANCE EXPLANATIONS

Sources of operating funding

Targeted rates is *higher* than LTP Year 2. This is due to additional funding in Annual Plan 2019/20 to fund a trial of new bus services to improve access to tertiary education across the Bay of Plenty, and to fund a trial of fare-free bus travel for Tauranga school students.

Subsidies and grants for operating purposes were *higher* than LTP Year 2 due to the additional Waka Kotahi subsidy for the impacts of the Covid-19 pandemic which is to offset lower than planned fare revenue.

Fees and charges were *lower* than LTP Year 2 due to the impacts of the fare-free trial services and the impacts of fare-revenue foregone due to the Covid-19 pandemic (see comments above).

Applications of operating funding

Payments to staff and suppliers is *higher* than LTP Year 2 mainly due to the additional costs associated with the trial bus services, legislation which affects rest and meal breaks for bus drivers, and the ticketing equipment required until the implementation of the Regional Integrated Ticketing Solution.

Sources and applications of capital funding

The increase in debt is higher than LTP Year 2 as the delivery of the Regional Integrated Ticketing Solution (i.e. the new Bee-Card).was rescheduled from LTP Year 1 to 2019/20.

The increase in reserves is higher than planned due to a favourable operating funding surplus (see comments above).

Regional Development

Whanaketanga ā-Rohe

Activities

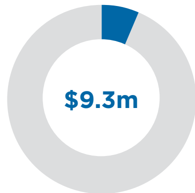
- Regional Infrastructure
- Regional Economic Development
- Regional Parks

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.

Performance summary

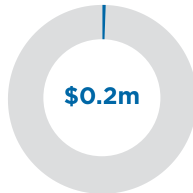
OUR INVESTMENT

Operating Expenditure



6.5% of overall operating expenditure

Capital Investment



0.56% of overall capital investment

PERFORMANCE MEASURE 1 Achieved 2 Not applicable

Impact on community wellbeing

The effect on economic wellbeing for this activity includes the investment made in infrastructure to support sustainable development within the region and an economic development strategy to stimulate the region's economic growth and provide support for projects that are focused on the region's recovery from the impact of COVID-19. Our regional parks activity protects areas of significant environmental value and helps to attract people and activities to the region, which can result in increased spending within the local community.

Environmental **Economic** **Cultural** **Social**

Delivery highlights

A key focus during the year was the review and reset of the Bay of Connections framework and refocus on the development of a Regional Transitions (or Evolution) Plan, that supports environmental, social, cultural and economic growth and wellbeing. This would identify the challenges and opportunities for the region in these areas, highlighting our unique priorities and strengths, and providing a pathway to achieve such a transition for our region. A transitions plan is becoming a standard response of local government agencies as they attempt to tackle some of the large and complex issues that act as a disrupter to the resilience of our communities, industries and business, both now and into the future.

COVID-19 has created an unprecedented economic situation, the impact of which is still being determined. Two obvious streams of work have developed from the COVID-19 outbreak – a Bay of Connections Recovery Strategy that looks across and supports the wider region (including Taupō) which will eventually morph into the Regional Transitions Plan and a Bay of Plenty Regional Council-specific Recovery Programme. This Recovery Programme is a suite of regional council-led initiatives to support recovery post COVID-19. The programme comprises a mix of business as usual and additional work that the regional council would otherwise do.

The programme involves:

- Supporting Māori Economic Development – identifying ways in which Council can add value to Māori economic recovery, such providing funding to Toi Kai Rawa for 2020/21.
- Data Support, Dashboard and GIS series to support data needs for councils and EDAs and to develop a regional overview.
- Economic Stimulus Work – submitting projects for Crown Funding, including 30 Green Projects, three Crown Infrastructure Projects (CIPS) and transport infrastructure projects.
- Developing a sustainable procurement policy.
- Supporting recovery through regional council processes – to look at efficiencies to support process; not to circumvent process.

We also continued to administer the Regional Infrastructure Fund and other third party infrastructure projects, with the following milestones reached during the 2019/20 financial year:

- Government confirmed funding for the Ōpōtiki Harbour Transformation, and a formal funding agreement for the regional council's $20 million contribution is in progress.
- The Scion innovation Centre in Rotorua is nearly ready to open, and the regional council funded components ($2.5 million) have been completed and paid for.
- The bulk of the Rotoiti/Rotomā wastewater scheme has been completed by Rotorua Lakes Council and the majority of the regional council's total funding contribution of $8.56 million has been paid, with $2.07 million paid in 2019/20. The regional council's remaining contribution, after all payments to date is $820,000.
- The Regional Council and Government confirmed funding contributions ($5 million each) for the Awatarariki Fanhead Managed Retreat in Matatā. The first land purchases have been made by Whakatāne District Council and the regional council has paid its agreed share of costs for these ($2.2 million). The remaining $2.7 million is planned to be paid in 2020/21.

During the 2019/20 year there were 102,593 visitors counted at Pāpāmoa Hills Regional Park, and 16,664 visitors counted at Onekawa/Te Mawhai Regional Park. These numbers would have likely been higher if the COVID-19 lockdown restrictions had not impacted on travel and recreation.

We continued our role in management and maintenance work of our two regional parks (Pāpāmoa Hills and Onekawa Te Mawhai), including further retirement and planting of steep and wet areas. At Pāpāmoa Hills, the increased use of sheep (along with cattle) for grazing is improving the pasture density and thereby reducing the impact of pedestrians and erosion on the archaeological and cultural values.

Following the construction of the stockyards and woolshed in 2018/19, this year's capital project was the successful installation of a bore and pump system to reticulate water for stock drinking. The previous system was unreliable.

The Pāpāmoa Hills Revitalisation Project (Te Whakarauoratanga o Te Rae o Pāpāmoa) was progressed with the engagement of a design and planning team to work with mana whenua, stakeholders and park users. This team's work will lead to construction of a new park entrance, car parking facilities, interpretation and an improved visitor experience.

Performance Measures

We met the target for one out of three performance measures for the Regional Development group of activities during the year. Commentary for each performance measure is provided below. Two of the measures are no longer applicable for reporting due to changes in the activity.

LEVEL OF SERVICE

Facilitate regional economic development

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
1	1	Not Applicable	●

Comment: This measure is no longer applicable so no data is available. Following a review and reset of the Bay of Connections framework in late 2018/19, which saw Council engage with more than 250 stakeholders, a shift in focus for Bay of Connections occurred which has meant this measure is no longer reported on.

Changing from a sector strategy based approach, key priority areas were reset to include the Māori economy, infrastructure, workforce development and supporting the progression of a low carbon, circular economy.

Key Performance Measure: Percentage of industry stakeholders who are satisfied with Bay of Connections

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
N/A (Biennial measure)	80%	Not Applicable	●

Comment: This measure is no longer applicable so no data is available. Following a review and reset of the Bay of Connections framework in late 2018/19, which saw Council engage with more than 250 stakeholders, a shift in focus for Bay of Connections occurred which has meant this measure is no longer reported on.

Changing from a sector strategy based approach, key priority areas were reset to include the Māori economy, infrastructure, workforce development and supporting the progression of a low carbon, circular economy.

LEVEL OF SERVICE

Manage our Regional Parks sustainably

Key Performance Measure: Number of visitors to our Regional Parks

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
106,383	105,000	119,256	●

Comment: The number of people using the parks was significantly ahead of target up until COVID-19 Alert Level 4 came into force. Under Level 4, people were instructed to stay at home in their bubble other than for essential personal movement. While safe recreational activity was allowed in the local area, the restrictions resulted in visitor numbers decreasing by 95 percent. However, as restrictions eased and the country de-escalated the alert levels, visitor numbers surged and the full year target was achieved.

Funding impact statement for the year ended 30 June 2020 for Regional Development

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	599	618	662
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	8	8	0
Internal charges and overheads recovered	0	0	0
Local authorities fuel tax, fines infringement fees and other receipts	911	927	1,038
Total operating funding (A)	**1,518**	**1,552**	**1,700**
Applications of operating funding			
Payments to staff and suppliers	12,872	2,243	8,706
Finance costs	2	10	11
Internal charges and overheads applied	489	506	566
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**13,363**	**2,758**	**9,283**
Surplus (deficit) of operating funding (A-B)	**(11,844)**	**(1,206)**	**(7,583)**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	122	300	203
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)	**122**	**300**	**203**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	122	300	203
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(11,844)	(1,206)	(7,583)
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**(11,722)**	**(906)**	**(7,380)**
Surplus (deficit) of capital funding (C-D)	**11,844**	**1,206**	**7,583**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	32	44	43
Note 2: This financial statement includes:			
Internal interest	2	10	11

BUDGET VARIANCE EXPLANATIONS

Applications of operating and capital funding

Payments to staff and suppliers is *higher* than LTP Year 2. Third party infrastructure grants which were scheduled to be paid in LTP Year 1 were included in 2019/20. Council also approved additional expenditure in relation to the Awatarariki Fanhead Managed Retreat in Matatā.

The decrease in reserves is *higher* than planned due to higher than planned operating expenditure (see comments above).

Regional Planning and Engagement

Te Hanga Mahere ā-Rohe me te Whakawhitiwhiti

Activities

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

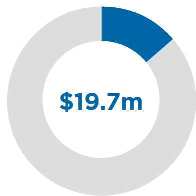
Our Regional Planning and Engagement work provides planning and policy advice and informs our overall strategic direction.

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.

Performance summary

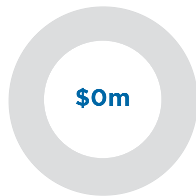
OUR INVESTMENT

Operating Expenditure



13.7% of overall operating expenditure

Capital Investment



0% of overall capital investment

PERFORMANCE MEASURE 6 Achieved 1 Not achieved

Impact on community wellbeing

Environmental, Social, and Cultural wellbeing are supported by providing policy analysis and developing plans focusing on sustainable use of resources including fresh water, air quality, and coastal management through the Regional Planning Activity. Our Māori policy activity supports to economic and cultural wellbeing by providing strategic advice, support and leadership on Māori relationship management, engagement and policy, to ensure we meet our statutory responsibilities to Māori in the region.

The work we do engaging with the community supports their environmental and social wellbeing by building awareness, involvement, education and accountability. Our governance activity contributes to social wellbeing through supporting open and transparent governance which enables the community to better understand and participate in Council processes and help deliver outcomes that support the region.

Environmental **Economic** **Cultural** **Social**

Delivery highlights

Council hosted the Hands on Water Expo in partnership with six other agencies and organisations. The expo helped students from 16 schools learn how to care for their catchment. The event is focused on primary students and has been held annually since 2012.

More than $190,000 of Environmental Enhancement Funding was granted to 13 projects across the region. Another seven projects requesting $115,000 are still in the assessment phase. Projects include pest control, native planting, solar energy, community garden and marine clean ups.

The 2019 Local Government elections were held in October resulting in three new representatives in the Kōhī, Ōkurei and Tauranga Constituencies. Council adopted a new Committee Structure to ensure decision making mechanisms were fit for purpose with improved integration and role clarity. Governance Services extended administration services to include LGNZ Zone 2 and Bay of Plenty Mayoral Forums and helped with the development of new agenda management system which was planned for rollout in early July 2020.

Council lodged a submission to the Draft National Policy on Indigenous Biodiversity which was created to identify, protect, manage and restore indigenous biodiversity under the Resource Management Act 1991 (RMA). Staff also provided input on the development of geothermal provisions within the Policy.

Highlights from our Kotahitanga Strategic Engagement work include:

- Te Hononga: The Māori Engagement Plan for the National Policy Statement for Freshwater Management (NPSFM) was approved by Council in June 2020. Staff are now in the process of implementing the plan and coordinating this work as part of the wider NPSFM implementation project.
- Council granted seed funding to assist Te Arawa Lakes Trust in establishing an Environmental Hub which will help build capacity through technical support for hapū/iwi from Te Arawa.
- Council provided financial support to Toi Kai Rawa to assist its role as a regional Māori Economic Development entity.
- Staff are supporting Iwi in their bids for post-COVID-19 crown funding to help with job creation for green and shovel ready projects.

Highlights from our Geothermal work include:

- An issues and options document being developed for Rotorua Geothermal Systems and engagement on this document carried out through hui, open days and stakeholder workshops.
- The Rotorua Geothermal Ahi Kaa Roa Roopu (established to support the Geothermal Plan Change) drafted a report on Mātauranga Māori for geothermal resources.
- The Rotorua Geothermal Reservoir Model was reviewed and updated, and a project to determine the relationship between geothermal reservoir conditions and surface feature behaviour in Rotorua was initiated.
- A science snap shot on all geothermal systems in the region was initiated.
- Annual reporting to the Peer Review Panel for the Kawerau Geothermal System was completed.

Performance Measures

We met the target for six out of the seven performance measures for the Regional Planning and Engagement Group of Activities during the year. Commentary for each performance measure 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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	80%	100%	●

Comment: The target for 2019/20 was exceeded, with 100 percent of the assessed planning and policy reports being rated satisfactory or higher through an independent policy advice quality review assessment by NZIER.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	80%	100%	●

Comment: The target for 2019/20 was achieved. One Komiti Māori meeting was cancelled during COVID-19 alert level 4. However, timely pānui (newsletters) were provided to the Komiti members during the period, and the following Komiti Māori meeting was held as planned.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	80%	100%	●

Comment: The target for 2019/20 was achieved. COVID-19 had no impact on the level of service.

LEVEL OF SERVICE

Support community projects which help improve our environment

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	80%	100%	●

Comment: The target for 2019/20 was achieved. COVID-19 had limited impact by prompting changes to some project plans and timeframe, but did not affect the level of service.

The Environmental Enhancement Fund (EEF) supports local projects that aim to enhance, preserve or protect the region's natural or historic character.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
100% (Achieved)	95%	97%	●

Comment: The target for 2019/20 was achieved. 62 out of 64 meeting agendas were available on time, resulting in 97% achievement. COVID-19 affected the result slightly negatively in that extraordinary meetings were being scheduled with shorter timeframes, yet the publishing timeframe remained the same. All statutory timeframes were met and exceeded.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
97% (Achieved)	95%	89%	●

Comment: The target for 2019/20 was not achieved. 57 out of 64 minutes of meetings were published on time, resulting in 89 percent achievement. Most of the late meeting minutes happened prior to COVID-19 and was due to seeking external input that could not be obtained in time. COVID-19 affected the result negatively by decreasing the number of planned meetings, making it more difficult to catch up with the target, and implementing new practises such virtual meetings which impacted on established routines and processes.

Funding impact statement for the year ended 30 June 2020 for Regional Planning & Engagement

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	7,893	8,264	8,372
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	3
Fees and charges	0	0	(32)
Internal charges and overheads recovered	0	0	11
Local authorities fuel tax, fines infringement fees and other receipts	12,004	12,399	12,685
Total operating funding (A)	**19,897**	**20,663**	**21,039**
Applications of operating funding			
Payments to staff and suppliers	12,992	13,475	12,715
Finance costs	0	0	0
Internal charges and overheads applied	6,905	7,187	7,028
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**19,897**	**20,663**	**19,744**
Surplus (deficit) of operating funding (A-B)	**0**	**0**	**1,295**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	0	0	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**0**	**0**	**0**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $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	0	0	1,295
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**0**	**0**	**1,295**
Surplus (deficit) of capital funding (C-D)	**0**	**0**	**(1,295)**
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

BUDGET VARIANCE EXPLANATIONS

Applications of operating and capital funding

Payments to staff and suppliers is *lower* than LTP Year 2 due to savings achieved through the Covid-19 pandemic in relation to Council meetings (e.g. catering, hospitality, elected member payments), as well as staff travel and accommodation.

The increase in reserves is *higher* than planned due to a favourable operating funding surplus (see comments above).

Emergency Management

Te Whakahaere Mate Whawhati Tata

Activities

- Emergency Management

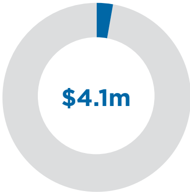
Our Emergency Management Activity provides Civil Defence Emergency Management (CDEM) services to the communities of the Bay of Plenty, as well as regional emergency management leadership.

Along with all councils in the region, the regional council is a member of the Bay of Plenty CDEM Group and also acts as 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 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.

Performance summary

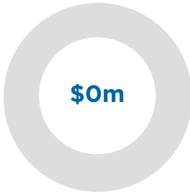
OUR INVESTMENT

Operating Expenditure



2.9% of overall
operating expenditure

Capital Investment



0% of overall
capital investment

PERFORMANCE MEASURE 2 Achieved 1 Not achieved

Impact on community wellbeing

This group of activities indirectly supports all four aspects of community wellbeing by building resilience in the community and ensuring Council is prepared in an emergency through establishing systems and plans and providing training and information. This preparation helps the community remain safe during these times.

Environmental Economic Cultural Social

Delivery highlights

The role of the CDEM Group during the COVID-19 pandemic was to provide support through the coordination of two workstreams; the CDEM workstream and the Caring for our Communities (C4C) workstream.

The CDEM workstream prioritised and coordinated the regional CDEM interagency response to the consequences of the pandemic. This included facilitating an effective emergency service response, coordinating inter-agency logistics and ensuring the sustainability of supply chains and lifeline utilities across the Bay of Plenty. Some examples of work conducted in the CDEM workstream included supporting territorial authorities to coordinate freedom campers and NZ Police to identify temporary morgue facilities. It included supporting health to identify and establish Community Based Assessment Centres, establish emergency accommodation for self-isolation of health staff and securing facilities for quarantine of close contact cases. There was also a large amount of inter-agency public information management taking place in order to ensure our partners key messaging reached our communities and were consistent.

The C4C workstream identified and prioritised vulnerable communities who may be affected by the pandemic. The framework highlighted priority groups who were at a higher risk of contracting the virus, required continuity of social services or were vulnerable due to language, cultural or geographic barriers. Network Owners were identified from social service organisations, who normally have extensive networks with these priority communities, to provide leadership and coordination of support. One of the key pieces of work for the Bay of Plenty CDEM Group within this workstream was the coordination and provision of household goods and services. This included the establishment of a call centre, which could conduct needs assessments and, through the local Emergency Operation Centres (EOCs), task local organisations to provide essential supplies to those in need. This needs assessment would also identify supporting agencies and direct people to those agencies. Targeted support was provided to individuals as well as supporting and resourcing local social service agencies, including foodbanks and Iwi organisations, who were supporting their communities. To support the coordination of household goods and services the Āwhina Welfare System, a national tool for conducting and coordinating needs assessments, was implemented within the region. This required a large amount of planning, training and troubleshooting but will provide the Bay of Plenty CDEM Group with a solid foundation to implement the system during the next response.

The Bay of Plenty CDEM Group Partnership Agreement between the seven Local Authority members of the Bay of Plenty CDEM Group and Emergency Management Bay of Plenty was agreed shortly before the start of the financial year. Local authorities have conducted an analysis of the services they need to provide under the new agreement in order for them to understand the resources they need to best deliver these services. To realign resourcing against the roles and responsibilities of the agreement, Emergency Management Bay of Plenty has undergone a restructure and are conducting a handover with Local Authorities to transition to the new arrangements of the agreement.

The International Association of Emergency Managers (IAEM) announced that the Bay of Plenty Civil Defence Youth Ambassador Programme, a collaboration between the regional council, Emergency Management Bay of Plenty and Bay of Plenty schools, won the 2019 IAEM-Oceania Partners in Preparedness Award and the 2019 IAEM-Global Partners in Preparedness Award.

As well as the above the Bay of Plenty CDEM Group have also been involved in the following activities:

- Supported the response to a bus crash in the Rotorua area.
- Supported the Ministry of Primary Industries led response and recovery to the drought classified as a large-scale adverse event.
- Maintained oversight of 16 severe weather events declared by MetService.
- Shared 19 GNS Science Volcanic Alert Bulletins.
- Issued 38 advisories/warnings via social media.
- Supported the test of the national alerting tool, the Emergency Mobile Alert.
- Supported the national earthquake drill – ShakeOut.
- Supported the Kawerau District Council water contamination response.

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 performance measure 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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
89% (Achieved)	85%	85%	●

Comment: The target for 2019/20 was achieved. This result has trended downward slightly during the year and is a decrease compared to last year (89 percent).

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
64% (Achieved)	85%	89%	●

Comment: Despite operational response commitments (Whakaari/White Island, and COVID-19), Council prioritised the training of staff to an appropriate level this year in order to improve on the 2018/19 results and ensure we achieved our target.

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	6	●

Comment: The target for 2019/20 was not achieved. Six community initiatives were completed and two were partially completed, which is due to operational commitments (Whakaari/White Island, COVID-19) being prioritised.

Funding impact statement for the year ended 30 June 2020 for Emergency Management

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	0	0	0
Targeted rates	2,311	2,386	2,420
Subsidies and grants for operating purposes	1,087	1,112	1,071
Fees and charges	0	0	0
Internal charges and overheads recovered	0	0	141
Local authorities fuel tax, fines infringement fees and other receipts	41	42	1,045
Total operating funding (A)	**3,439**	**3,540**	**4,677**
Applications of operating funding			
Payments to staff and suppliers	2,498	2,550	3,014
Finance costs	1	1	0
Internal charges and overheads applied	939	985	1,239
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**3,437**	**3,536**	**4,254**
Surplus (deficit) of operating funding (A-B)	**2**	**4**	**423**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	36	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)	**36**	**0**	**0**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	36	0	0
- to replace existing assets	0	0	0
Increase (decrease) in reserves	2	4	423
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**38**	**4**	**423**
Surplus (deficit) of capital funding (C-D)	**(2)**	**(4)**	**(423)**
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	1	1	0

BUDGET VARIANCE EXPLANATIONS

Sources and applications of operating funding

Other receipts is *higher* than LTP Year 2 due to the recovery of unbudgeted costs from central government for the Whakaari/White Island eruption and the COVID-19 pandemic responses.

Technical Services

Ngā Ratonga Hangarau

Activities

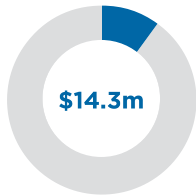
- Geospatial
- Engineering
- Data Services
- Science

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

Performance summary

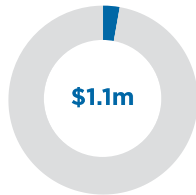
OUR INVESTMENT

Operating Expenditure



10% of overall operating expenditure

Capital Investment



2.97% of overall capital investment

PERFORMANCE MEASURE 2 Achieved 0 Not achieved

Impact on community wellbeing

This group of activities contributes to environmental wellbeing by performing monitoring, reporting on flood and drought levels, and providing accessible, relevant and trusted science that empowers others to make informed decisions on water, air and land use.

Economic wellbeing is supported by correctly identifying and modelling various environmental factors, which leads to businesses being able to plan for long-term trends/changes and develop a sustainable future.

Environmental Economic Cultural Social

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 Provincial Growth Fund funded project to capture region wide LiDAR (elevation) data over the next four years began. Progress to date is currently ahead of schedule with 23 percent of the Bay of Plenty already captured.
- Our public mapping web page (BOP Maps) was upgraded this year, with an improved user interface and access to more open data and applications. Good feedback has been received from customers.
- The establishment of a shared Bay of Plenty Council Cloud GIS Platform specifically for Civil Defence purposes worked very well during the COVID-19 response. The regional council plus all territory authorities contributed and having this in-place before COVID-19 struck ensured consistent information was mapped and shared across the region.

Through our Engineering activity we provide technical advice and support across council, to other local authorities, and the general public. The advice ensures that community assets are well planned and that development is carried out in a manner that does not create unnecessary risk or adverse effects. Highlights from the year included:

- 132 internal technical reviews for the resource consents team.
- Comments made on 311 territorial authority resource consent applications.
- Providing floor level information for more than 420 requests.
- Providing support to territorial authorities (particularly for flood risk assessments, flood risk mitigation and storm water management).
- Maintained an online service for customers to request flood level reports.
- Providing advice to Council's Catchment Management teams and landowners including advice on detention dam design and stream bank erosion protection.
- The establishment of the Natural Hazard Working Group (Bay of Plenty Regional Council, Tauranga City Council and Western Bay of Plenty District Council). The purpose of the group is review and recommend solutions to implementation issues associated with the natural hazards provisions of the Bay of Plenty Regional Policy Statement

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

- A number of additional automated monitoring stations placed within the region collecting rainfall, groundwater and water quality to support flood management, engineering and science activities.
- Continuing to develop and improve information delivery tools, of particular note are water and air quality dashboards presented on the web-enabled Environmental Data Portal and a number of new reporting tools that were built to support the drought event of summer 2020.
- Collaborating with the University of Waikato to explore new water quality analyses methodologies.
- Accepting 9770 samples and carrying out a total of 73,350 tests in our lab for the year. Importantly the laboratory continued to act as an essential service over the COVID-19 lockdown providing drinking water testing to local councils.

- Some of the lowest ever measured flows were present in many parts of the region during the summer of 2020 with intensive catchment and river monitoring programmes implemented in response.

Our Science activity also continued to deliver and progress key projects and core activities throughout the year. Key highlights included:

- Two deep groundwater monitoring bores were successfully installed near Te Teko (Rangitāiki/Tarawera catchments). This is one of the regional council's deepest groundwater monitoring sites and was completed into the Matahina ignimbrite to a depth of 410.80m. Information and data obtained from this project will be used to construct and update geological and numerical models that form the basis for water allocation decisions.
- A number of science projects were initiated to take advantage of the opportunities provided by advances in aerial drone technology. These include surveys of sections of the Oeuteheuheu Stream and Pongakawa Stream to identify groundwater inputs, and coastal biodiversity monitoring work in the Motiti Protection Area.
- A review of the Bay of Plenty Regional Council Science Plan was initiated and the new plan is expected to be completed in the second half of 2020. The review found that more than 90 percent of 65 key projects were completed under the original plan.
- Significant progress was made in embedding mātauranga Maori into the Science activity. A key action was the recruitment in 2019 of a mātauranga specialist (Pūtaiao Mātauranga) to enhance the use of mātauranga information in council decision making.

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

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
98%	95%	98.7%	●

Comment: The target for 2019/20 was achieved. COVID-19 had no impact on the measure.

LEVEL OF SERVICE
Provide accessible, trusted and relevant science

Key Performance Measure: Number of environmental indicators with online scorecards

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
7 (Achieved)	9	9	●

Comment: The target for 2019/20 was achieved. COVID-19 had no impact on the measure.

Funding impact statement for the year ended 30 June 2020 for Technical Services

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	5,084	5,371	5,303
Targeted rates	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees and charges	1,444	2,020	1,973
Internal charges and overheads recovered	0	0	524
Local authorities fuel tax, fines infringement fees and other receipts	7,921	8,252	8,280
Total operating funding (A)	**14,450**	**15,643**	**16,080**
Applications of operating funding			
Payments to staff and suppliers	9,087	9,794	9,322
Finance costs	12	65	38
Internal charges and overheads applied	4,608	4,931	5,067
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**13,707**	**14,789**	**14,426**
Surplus (deficit) of operating funding (A-B)	**743**	**854**	**1,654**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	1,060	1,249	1,080
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	0
Total sources of capital funding (C)	**1,060**	**1,249**	**1,080**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	758	920	1,093
- to replace existing assets	301	329	(13)
Increase (decrease) in reserves	743	854	1,654
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**1,803**	**2,103**	**2,734**
Surplus (deficit) of capital funding (C-D)	**(743)**	**(854)**	**(1,654)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	743	854	481
Note 2: This financial statement includes:			
Internal interest	12	65	38

Corporate Services

Ngā Ratonga Rangatōpū

Activities

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

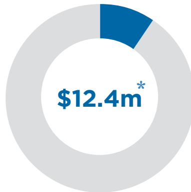
Our Corporate Services provides support services to all of the activities across Council.

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

Performance summary

OUR INVESTMENT

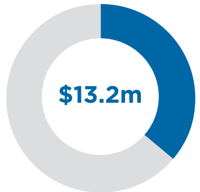
Operating Expenditure



9.5% of overall operating expenditure

**After internal charges and recoveries*

Capital Investment



36.13% of overall capital investment

PERFORMANCE MEASURE 1 Achieved 0 Not achieved

Impact on community wellbeing

Activities in this group indirectly support all four aspects of community wellbeing by delivering a range of corporate and support services to support other activities. In addition, the corporate property activity carries out improvements to the organisation's practices and assets to reduce carbon emissions from Council energy use, contributing to Environmental Wellbeing.

Environmental Economic Cultural Social

Delivery highlights

In addition to the work achieved by the organisation as a whole, a number of projects were advanced during the 2019/20 financial year by our Corporate Services teams which include:

- The Toitu Carbonreduce baseline audit has been completed to capture council's carbon footprint and achieve a globally recognised certification. Annual targets have been set to manage and reduce greenhouse gas emissions across energy use, travel, waste management, fleet and freight in an effort to become a more sustainable organisation.
- An internal call centre was established in January 2020 to manage all general enquiries and triage as many calls as possible at the first point of contact to simplify and improve our customers' experience. The pollution hotline and transport school bus enquiries were added later in the year as part of a staged process to bring all council call enquiries in-house.
- As part of our Civil Defence Emergency Management response, we were mandated to set up a call centre to manage all incoming calls received to a dedicated 0800 number servicing the Bay of Plenty. The purpose of the call centre was to provide welfare support to people who were not able to access essentials like food and medication during the COVID-19 event. A total of 2748 welfare calls were received during the 11 weeks that the call line was operational.
- The development and implementation of our Digital Plan (Te Mahere Matihiko) and Technology Roadmap. Te Mahere Matihiko provides our technology strategy for the next three years (2020-2023) and outlines the effective and targeted use of technology to improve organisational processes, build capability, increase engagement and support the customer experience and outcomes for our community. The Technology Roadmap provides a view of how Te Mahere Matihiko will be executed over time and is a living document that will be refined as part of the Long Term Plan planning process.
- A visibility campaign ran throughout the year to establish a stronger platform of public awareness about who we are and what we do. The first phase of the campaign was centred around high-impact branding to promote our visual identity, the second phase of the campaign focussed on our role during COVID-19 Alert Levels 1-4, using staff members to highlight our close community ties.

Performance Measures

The target for the performance measure for the Corporate Services Group of Activities was 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)

2018/19 RESULT	2019/20 TARGET	2019/20 RESULT	RESULT
Not achieved	≤60% of baseline	48% of baseline	●

Comment: The target for 2019/20 was achieved. The upgrade of Regional House in Tauranga has been completed, with Council moving into the building in December 2019. Energy use for the first seven months of occupation have shown that the energy efficient systems installed in the building have reduced the carbon emissions generated by more than the target.

A range of factors have impacted the project delivery timeframes for the Whakatāne building upgrade, which has meant that the expected carbon reductions have not yet materialised for the site. The rate of reduction in energy consumption for the stages of the building that have been completed, however, indicates that when the upgrade work has finished, the expected reductions will be achieved.

Due to the reduction in emissions for the Tauranga site, the combined result was enough to achieve the target. COVID-19 had a small, positive, effect on the target, as the sites had a lower occupancy, but HVAC and lighting were still operational to support on-site staff.

Funding impact statement for the year ended 30 June 2020 for Corporate Services

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Source of operating funding			
General rates, uniform annual general charges, rates penalties	(208)	(208)	45
Targeted rates	(211)	(211)	(152)
Subsidies and grants for operating purposes	0	0	0
Fees and charges	176	176	425
Internal charges and overheads recovered	30,106	31,724	26,962
Local authorities fuel tax, fines infringement fees and other receipts	2,823	4,253	2,914
Total operating funding (A)	**32,686**	**35,734**	**30,195**
Applications of operating funding			
Payments to staff and suppliers	19,410	19,402	23,403
Finance costs	3,602	6,003	4,498
Internal charges and overheads applied	5,214	5,465	923
Other operating funding applications	0	0	0
Total applications of operating funding (B)	**28,226**	**30,871**	**28,824**
Surplus (deficit) of operating funding (A-B)	**4,461**	**4,863**	**1,371**
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	24,232	16,801	13,153
Gross proceeds from sale of assets	1,035	0	151
Lump sum contributions	0	0	0
Other dedicated capital funding	0	0	14
Total sources of capital funding (C)	**25,267**	**16,801**	**13,318**

	Yr 1 LTP 2018-2028 $000	Yr 2 LTP 2018-2028 $000	Actual 2019/20 $000
Applications of capital funding			
Capital expenditure			
- to meet additional demand	0	0	0
- to improve levels of service	18,543	12,134	8,840
- to replace existing assets	6,724	4,667	4,313
Increase (decrease) in reserves	4,461	4,863	1,536
Other operating funding applications	0	0	0
Increase (decrease) of investments	0	0	0
Total applications of capital funding (D)	**29,728**	**21,664**	**14,688**
Surplus (deficit) of capital funding (C-D)	**(4,461)**	**(4,863)**	**(1,371)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**
Note 1: This financial statement excludes:			
Depreciation and amortisation	3,992	4,548	3,772
Loss on sale of property, plant and equipment	0	0	782
Impairment of property, plant and equipment	0	0	4,555
Investment amortisation	0	0	0
Gain on disposal of property, plant and equipment	0	0	(150)
Gain on revaluation of Put Option	0	0	0
Fair value adjustments	0	0	2,752
Vested Asset Revenue	0	0	0
Note 2: This financial statement includes:			
Internal interest	(3,299)	(4,692)	(4,228)

BUDGET VARIANCE EXPLANATIONS

Sources of operating funding

Other receipts is *lower* than LTP Year 2. This is due to the impact of lower interest investment returns in 2019/20. However, Council received an unbudgeted subvention payment from Quayside of $1.2 million in 2019/20.

Internal charges and overheads recovered were also *lower* than LTP Year 2.

Applications of operating funding

Payments to staff and suppliers were *higher* than LTP Year 2. This is mainly due to the unbudgeted write off of hot swaps of $1.6 million. Various other contributing factors resulted in higher than planned rates write-offs of $0.4 million and overall additional resources. Internal charges and overheads applied were *lower* than LTP Year 2.

Sources of capital funding

The increase in debt is *lower* than LTP Year 2 due to lower than planned capital expenditure.

Applications of capital funding

Capital expenditure is *lower* than LTP Year 2 mainly due to delays with the Buildings Upgrade Project.

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 has a majority unit holding in Toi Moana Trust established on 1 July 2019. Quayside Securities Limited acts as the trustee of the Toi Moana Trust.
- 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 $32.1 million (2019: $31.2 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 2019/20 totaled $32.1 million, and dividend payments to Perpetual Preference Share members totaled $7.7 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 2019/20	Result 2019/20	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 2020
Generate commercial returns across the investment portfolio.	Five year rolling gross return of >= 7.5% per annum.	Achieved Not applicable	Five year rolling gross return of 12.13% for the Quayside consolidated group achieved at 30 June 2020. One year rolling gross return of negative 5.67% for the Toi Moana Trust, achieved at 30 June 2020 *(the Trust has only been in operation for one year).*
Adherence to industry standards including responsible investing.	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment frameworks: Monthly reporting of SIPO Dashboard to the Board. Six monthly audits of investments and adherence to SIPO and responsible investment policy.	Substantially met	SIPO monitoring reported at full Board meetings. 6 instances of passive breaches noted. Six monthly audits not conducted as not deemed necessary given SIPO monitoring on a monthly basis.
Generate long term commercial returns and / or regional benefit through a portfolio of real assets.	Annual board assessment of the benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors.	Achieved	The annual board assessment was completed in June 2020, reaffirming long term objectives.
Generate long term commercial returns and or regional benefit through a portfolio of private equity assets.	Annual board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.	Achieved	The annual board assessment was completed in June 2020, 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 per annum to Council, as shareholders. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.	Achieved	Presentations to Council in August 2019, September 2019, October 2019, February 2020, April 2020, and June 2020. Open communication with Council maintained throughout the year through regular meetings with Quayside Chief Executive and Council management.
Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	Achieved	Policies were reviewed at Board meetings in accordance with the bi-annual cycle.
Meet shareholder distribution expectations as outlined in Statement of Intent (SOI) or as otherwise agreed.	Distributions paid to agreed values.	Achieved	Cash dividend of $32.1m (target $32.1m) paid to Council as per the SOI. Gross PPS dividend of $7.7m (target $8.6m) paid to PPS holders*. *Note the PPS dividend target payment was a forecast only due to the rate reset in March 2020.
Compliance with NZX listing requirements for PPS holders.	Matters of material impact are disclosed in line with QHL framework for continuous disclosure. Board reporting of PPS compliance and monitoring.	Achieved	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.

Toi Moana Trust

Council set aside $45 million to establish the Toi Moana Trust as part of its Financial Strategy for the Long Term Plan 2018-2028. This financial investment was designed to optimise returns on funds that were available for long-term investment and to protect the capital value of the initial investment.

Performance Targets and Objectives

The objectives of this fund are capital protection of the initial investment and a targeted cash yield is 5.0% per annum. The investment guidelines are based on an investment time frame of five years. Interim fluctuations should be viewed with appropriate perspective.

The risk management parameters are specified in Councils' Treasury Policy and the Toi Moana Trust Statement of Investment and Performance Objectives.

Achievements

During the year, the Toi Moana Trust was established with Quayside Securities Limited as Trustees and funds fully invested by January 2020. The Council has been fully informed by the directors of the Trust through quarterly reporting.

The Treasury Management Group increased meeting frequency to monitor financial impacts of the COVID-19 pandemic.

Toi Moana Trust Performance Indicators

The Toi Moana Trust has objectives defined in its Statement of Investment and Performance Objectives which are shown below.

Key Performance Indicator	Target 2019/20	Result 2019/20	Outcome
Generate commercial returns across the investment portfolio.	Annual net cash flow return of 5%	The fund has returned a 2.4% cash return	Not Achieved
Capital preservation	Long term capital preservation over an initial period of seven years.	The capital value has decreased to $42.3m from $45m.	Not Achieved
Investments must be in accordance with its Principles of Responsible Investment.	Investments must be screened from an ethical perspective and we must avoid investing in companies whose principal business activity is: • The manufacture and sale of armaments • The manufacture and sale of tobacco • The promotion of gambling	All investments were screened by both the Investment Manager and their external advisors.	Achieved
Keep Council informed on a 'no surprises' basis, providing quality and timely information.	Quarterly reporting on investment fund performance. Timely advice and support as required.	BOPRC received quarterly reports in October 2019, January and April 2020. Open communication with Council maintained throughout the year through regular Treasury meetings with Quayside CE and Council management.	Achieved

The Toi Moana Trust has not met its SIPO performance objectives for the 2020 year. The net cash yield is below target as the portfolio was not invested for a full year, this is the first year of operations. Covid-19 impacted on the capital value of the portfolio however it has seen some strong recovery.

The Trust is a member of the *Quayside Group* for Governance purposes, as Quayside Securities Limited is the appointed Trustee of Toi Moana Trust. The *Quayside Group* is required to prepare a Statement of Service Performance reporting on performance measures and results. While the *Quayside Group* reports on the results of nine targets in its Statement of Intent, the results below report on the targets that are relevant to the Toi Moana Trust.

Key Performance Indicator	Target 2019/20	Result 2019/20	Outcome
2. Generate commercial returns across the investment portfolio.	Five year rolling gross return of >= 7.5% p.a	One year rolling gross return of negative 5.67% for the Toi Moana Trust, achieved at 30 June 2020 *(the Trust has only been in operation for one year).*	Not applicable
3. Adherence to industry standards including responsible investing.	Management and monitoring of investment portfolio against Quayside SIPO and Responsible Investment frameworks: • Monthly reporting of SIPO Dashboard to the Board. • Six monthly audits of investments and adherence to	While Quayside reports on monitoring against its Group SIPO, SIPO monitoring against the Toi Moana Trust is also reported at full Board meetings. This reporting has occurred since February 2020, once the fund was fully invested. 3 instances of passive breaches noted.	Not Achieved

	SIPO and responsible investment policy.	Six monthly audits not conducted as they were deemed necessary given SIPO monitoring on a monthly basis.	
6. Keep Council informed on a 'no surprises' basis, providing quality and timely information.	A minimum of four presentations per annum to Council, as shareholders. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.	Presentations to Council in August 2019, September 2019, October 2019, February 2020, April 2020, and June 2020, which included updates on the Toi Moana Trust. Open communication with Council maintained throughout the year through regular meetings with Quayside Chief Executive and Council management. Additionally, quarterly reports (quarters ending Sept, Dec, March, June) on the performance and position of the Toi Moana Trust were delivered to Council.	Achieved
7. Ensure Group policies and procedures are current and appropriate.	All policies and procedures to be reviewed no less than biennially.	Policies were reviewed at Board meetings in accordance with the bi-annual cycle.	Achieved

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 2019/20 Statement of Intent, all 6 were achieved.

BOPLASS Performance Indicators

Key Performance Indicator	Target 2019/20	Result 2019/20
Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils.	Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through positive procurement process involving two or more vendors where applicable.	Achieved
Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils.	A minimum of four new procurement initiatives. Initiatives provide financial savings of greater then 5% and/or improved service levels to the participating councils.	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 development or projects. 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.	Number of listed projects to increase by 10% per year. Number of active users to increase by 20% per year.	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 2019/20.

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 to other sources of financing;
- Offering short and long-term borrowings with flexible lending terms;
- Enhancing the certainty of access to debt markets for Participating Local Authorities, subject always to operating in accordance with sound business practice; and
- Being the debt funder of choice for New Zealand local government.

LGFA will monitor the quality of the asset book so that it remains of a high standard by ensuring it understands each Participating Local Authority's financial position and the general issues confronting the Local Government sector. This includes:

- LGFA will review each Participating Local Authority's financial position, its financial headroom under LGFA policies and endeavour to visit each Participating Local Authority on an annual basis;
- Implement the changes to the Foundation Policies that were approved at the November 2018 AGM to allow for lending to CCOs. Changes to operational policies and practices need to ensure that no additional risk is borne by lenders, guarantors or the Crown; and
- LGFA will analyse finances at the Council group level where appropriate and report to shareholders as to which Participating Local Authorities are measured on a group basis.

LGFA will take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

LGFA has several additional objectives which complement the primary objectives. These objectives will be measurable and achievable and the performance of the company in achieving its objectives will be reported annually. 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;
- Provide at least 75% of aggregate long-term debt funding to the Local Government sector;
- Achieve the financial forecasts (excluding the impact of AIL) set out in section 4 of the SOI;
- Ensure its products and services are delivered at a cost that does not exceed the forecast for issuance and operating expenses set out in section 4 of the SOI;
- Take appropriate steps to ensure compliance with the Health and Safety at Work Act 2015;
- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
- Introduce CCO lending by December 2019 and report quarterly, the volume of lending to CCOs; and
- 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 2019/20	Result 2019/20	Outcome
LGFA's net interest income	Greater than $17.9 million	$18.2 million	Achieved
LGFA's annual issuance and operating expense (excluding AIL)	Less than $6.3 million	$6.26 million	Achieved
Total lending to Participating Local Authorities	At least $9,792 million	$10,899 million	Achieved
Conduct an annual survey of councils who borrow from LGFA	Achieve at least an 80% satisfaction score as to the value added by LGFA to the council borrowing activities	100%	Achieved

Meet all lending requests from Participating Local Authorities, where those requests meet LGFA operational and covenant requirements			Achieved
Achieve 75% market share of all council borrowing in New Zealand	75%	86%	Achieved
Review each participating Local Authority's financial position, its headroom under LGFA policies and arrange to meet each Participating Local Authority at least annually		Although travel restrictions due to the COVID-19 lockdown restricted our ability to meet with councils during the final quarter of the year, LGFA conducted 38 visits to 31 different councils over the 12-month period to June 2020 to discuss their financial performance and any developments with the underlying council operations.	Not Achieved
No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015		There were two compliance breaches of the Treasury Policy during the 12-month period ending 30 June 2020. There was no financial loss to LGFA from either breach and reputational risk was assessed to be minimal.	Not Achieved
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due			Achieved
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency			Achieved

Consolidated Financial Statements

Statement of comprehensive revenue and expense for the year ended 30 June 2020

	Notes	Budget 2019/20 $000	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Operating revenue						
Rates	3	56,913	57,239	57,239	50,879	50,879
Subsidies and grants	4	23,032	20,104	20,104	21,731	21,731
Finance revenue	5	38,727	37,414	12,005	38,877	15,075
Trading and other revenue	6	18,025	23,505	330,525	20,508	335,624
Reversal of previous revaluation deficit		-	-	175	-	-
Vested asset revenue		-	-	-	306	306
Other gains	7	-	267	45,057	12,345	30,596
Total operating revenue		**136,698**	**138,529**	**465,105**	**144,646**	**454,211**
Operating expenditure						
Employee benefit expenses	8	42,050	41,494	82,818	38,303	77,599
Depreciation and amortisation	17,18	8,138	6,618	36,385	6,422	34,692
Trading and other expenses	9	80,316	86,161	191,850	76,230	182,210
Finance costs	5	3,547	3,185	22,151	2,571	22,555
Impairment of property, plant and equipment		-	-	-	-	499
Other losses	7	-	1,034	29,678	2,753	17,477
Total operating expenditure		**134,051**	**138,492**	**362,882**	**126,279**	**335,032**

Statement of comprehensive revenue and expense for the year ended 30 June 2020 *continued*

	Notes	Budget 2019/20 $000	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Net gain on disposal of investments		-	-	-		
Impairment of investment in equity accounted investees	22	-	-	(7,846)		
Share of profit of equity accounted investees	22	-	2	9,496	-	7,075
Surplus/(deficit) before taxation		**2,647**	**39**	**103,873**	**18,367**	**126,254**
Income tax expense	10	-	-	25,910	-	35,317
Surplus/(deficit) after taxation		**2,647**	**39**	**77,963**	**18,367**	**90,937**
Attributable to:						
Equity holders of the parent		2,647	39	37,289	18,367	45,497
Non-controlling interest	28	-	-	40,674	-	45,440
		2,647	**39**	**77,963**	**18,367**	**90,937**

The accompanying notes form part of these financial statements.

Statement of other comprehensive revenue and expense for the year ended 30 June 2020

	Notes	Budget 2019/20 $000	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Net surplus/(deficit) after tax		**2,647**	**39**	**77,963**	**18,367**	**90,937**
Other comprehensive revenue and expense						
Items that could be reclassified to surplus/(deficit):						
Gain/(loss) on land and building revaluations		1,221	(79)	(79)	(8,744)	(8,744)
Gain/(loss) on Infrastructure assets revaluations		6,573	18,357	18,357	45,284	45,284
Gain/(loss) on maritime asset revaluations		12	-	-	-	-
Financial assets at fair value through comprehensive revenue and expense		276	680	677	171	90
Cash flow hedges - changes in fair value		-	-	(7,555)	-	(8,942)
Cash flow hedges - reclassified to profit or loss		-	-	2,341	-	1,629
Share of net change in cash flow hedge reserves of equity accounted investees.	22	-	-	(186)	-	(308)
Items that will not be reclassified to surplus/(deficit):						
Asset revaluation net of tax		-	-	36,876	-	72,129
Bearer plant revaluation, net of tax		-	-	(1,841)	-	1,619
Kiwifruit licence revaluation, net of tax		-	-	685	-	255
Share of net change in revaluation reserve of equity accounted investees.	22	-	-	286	-	591
Total other comprehensive revenue and expense		8,081	18,958	49,561	36,711	103,603
Total comprehensive revenue and expense		**10,729**	**18,997**	**127,524**	**55,078**	**194,540**
Total comprehensive revenue and expense attributable to:						
Equity holders of the parent		10,729	18,997	72,531	55,078	119,752
Non-controlling interest		-	-	54,993	-	74,788
		10,729	**18,997**	**127,524**	**55,078**	**194,540**

The accompanying notes form part of these financial statements.

Statement of changes in equity/net assets for the year ended 30 June 2020

	Notes	Budget 2019/20 $000	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Balance at 1 July		**462,605**	**509,365**	**1,739,479**	**450,708**	**1,602,892**
Adjustment to accumulated surplus/deficit from the adoption of PBE IFRS 9 and IFRS 9		-	-	-	3,579	3,305
Adjustment to accumulated surplus/deficit from the adoption of PBE IPSAS 36	22	-	(10)	(10)	-	-
Adjusted balance 1 July		462,605	509,355	1,739,469	454,287	1,606,198
Total comprehensive revenue and expense previously reported		10,729	18,997	127,524	55,078	194,540
		473,334	528,352	1,866,993	509,365	1,800,738
Increase/(Decrease) in share capital		-	-	2,047	-	(997)
Dividends to shareholders		-	-	(62,613)	-	(62,343)
Revaluation surplus transferred to retained earnings on asset disposal		-	-	-	-	45
Non controlling interest adjustments		-	-	1	-	(2)
Equity settled share-based payment accrual		-	-	1,167	-	2,038
Balance at 30 June		**473,334**	**528,352**	**1,807,595**	**509,365**	**1,739,479**
Total comprehensive revenue and expense attributable to:						
Equity holders of the parent		10,729	18,997	72,531	55,078	119,752
Non-controlling interest		-	-	54,993	-	74,788
		10,729	**18,997**	**127,524**	**55,078**	**194,540**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2020

	Notes	Budget 2019/20 $000	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Current assets						
Cash and cash equivalents	11	33,607	39,522	113,043	138,110	205,097
Other financial assets - current*	15	67,400	110,000	110,000	28,069	53,069
Trade and other receivables	12	13,110	23,900	82,557	19,255	79,906
Inventories	13	237	247	1,708	235	1,773
Held for Sale - Investment Property	20	-	-	905	-	-
Total current assets		**114,354**	**173,669**	**308,213**	**185,669**	**339,845**
Non-current assets						
Trade and other receivables - long term	14	2,189	1,571	1,571	1,820	1,832
Property, plant and equipment	17	455,254	467,004	2,054,261	424,887	1,962,176
Intangible assets	18	6,938	6,580	28,874	6,160	27,675
Biological assets	19	-	-	502	-	390
Investment property	20	-	-	53,561	-	27,886
Investments in equity accounted associates	22	-	10	166,642	-	168,668
Other financial assets:						
- Investment in CCO's and other similar entities	15	1,877	101,941	10,002	57,048	6,956
- Investment in other entities*	15	125,067	51	243,759	105	178,625
Total non-current assets		**591,325**	**577,157**	**2,559,172**	**490,020**	**2,374,208**
Total assets		**705,679**	**750,827**	**2,867,385**	**675,689**	**2,714,053**

*Prior year restatement. Refer to note 15.

Statement of financial position as at 30 June 2020 *continued*

	Notes	Budget 2019/20 $000	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Current liabilities						
Trade and other payables	23	21,458	20,773	54,905	15,888	52,071
Employee benefit liabilities	25	5,202	5,890	6,614	4,716	6,894
Borrowings	26	100,000	75,900	334,900	90,490	412,490
Derivative financial instruments	16	-	-	-	-	1,138
Current taxation		-	-	8,992	-	10,378
Total current liabilities		**126,660**	**102,563**	**405,411**	**111,094**	**482,971**
Non-current liabilities						
Employee benefit liabilities	25	1,165	1,011	4,168	1,202	2,985
Borrowings	26	89,520	115,500	554,949	50,628	397,828
Put option	41	15,000	3,400	-	3,400	-
Derivative financial instruments	16	-	-	29,359	-	20,895
Deferred tax liabilities	24	-	-	65,903	-	69,895
Total non-current liabilities		**105,685**	**119,911**	**654,379**	**55,230**	**491,603**
Total liabilities		**232,345**	**222,474**	**1,059,790**	**166,324**	**974,574**
Total net assets		**473,334**	**528,352**	**1,807,595**	**509,365**	**1,739,479**
Equity						
Retained earnings	27	197,879	194,706	379,050	210,485	363,085
Reserves	28	275,455	333,646	904,528	298,880	850,724
Total equity attributable to the group		**473,334**	**528,352**	**1,283,578**	**509,365**	**1,213,809**
Non-controlling interest	28	**-**	-	524,017	-	525,670
Total equity		**473,334**	**528,352**	**1,807,595**	**509,365**	**1,739,479**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2020

	Notes	Budget 2019/20 $000	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Cash flows from operating activities						
Rates		56,815	53,978	53,978	49,219	49,219
Grants		23,003	20,012	20,012	21,941	21,941
GST		96	1,386	1,386	(1,650)	(1,650)
Receipts from customers		17,914	21,462	345,489	17,979	338,272
Interest received		6,507	4,655	5,805	6,412	7,887
Dividends received		32,200	32,186	6,024	31,342	6,117
Taxes refunded		-	-	66	-	9
Taxes/subvention paid		-	-	(35,291)	-	(35,147)
Payments to suppliers and employees		(122,939)	(115,175)	(271,893)	(119,837)	(275,905)
Other income		-	-	140	-	81
Interest paid		(3,547)	(2,502)	(22,326)	(2,571)	(22,347)
Net cash from operating activities		**10,049**	**16,002**	**103,390**	**2,835**	**88,477**
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment		-	194	289	1,350	1,408
Proceeds from sale of investment property		16,005	78,000	188,161	-	-
Proceeds from sale of investments		-	-	10,115	94,000	136,289
Dividends/Distributions from equity accounted investees		-	-	-	-	10,113
Realised capital gain on investments		-	-	13	391	391
Finance lease payments received, including interest		-	-	-	-	13
Repayment of advances from equity accounted investees			-	(4,991)	-	1,000
Purchase of property, plant and equipment		(56,975)	(34,867)	(73,171)	(53,859)	(95,016)
Purchase of intangible assets		(2,380)	(1,650)	(2,237)	(2,296)	(3,354)
Purchase of investment property		-	-	(19,412)	-	(2,415)
Improvements to investment property		-	-	(80)	-	(66)
Purchase of investments/financial assets		-	(205,000)	(301,192)	(69,000)	(131,204)
Purchase of biological assets		-	-	-	-	(485)
Investment in equity accounted investee		-	-	(7,065)	-	(15,401)
Net cash from investing activities		**(43,350)**	**(163,323)**	**(209,570)**	**(29,414)**	**(98,727)**

Statement of cash flows for the year ended 30 June 2020 *continued*

	Notes	Budget 2019/20 $000	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Cash flows from financing activities						
Proceeds from share/units issue		-	-	-	-	-
Repayment of borrowings		-	-	(107,774)	-	(21,408)
Proceeds from borrowings	26	50,000	50,282	187,322	140,500	184,750
Loan to Quayside Holdings Limited		-	-	-	(50,000)	-
Repayment of loan from Quayside Holdings Limited		-	400	-	-	-
Borrower Notes		-	(2,259)	(2,259)	(809)	(809)
Repurchase of shares		-	-	(716)	-	(1,386)
Repayment of lease liabilities		-	-	(472)	-	-
Long term loans - Clean Heat		(2,010)	(405)	(405)	(295)	(295)
Loan repayments - Clean Heat		581	714	714	755	755
Dividends paid		-	-	(62,613)	-	(62,343)
Net cash from financing activities		**48,571**	**48,732**	**13,797**	**90,151**	**99,264**
Effects of exchange rate changes on cash and cash equivalents		-	-	328	-	(143)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		15,270	(98,590)	(92,055)	63,572	88,871
Cash, cash equivalents and bank overdrafts at the beginning of the year		18,339	138,111	205,098	74,538	116,226
Cash, cash equivalents and bank overdrafts at the end of the year	11	**33,609**	**39,522**	**113,043**	**138,110**	**205,097**

The accompanying notes form part of these financial statements.

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

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Reported profit after tax	**39**	**77,963**	**18,367**	**90,936**
Items classified as investing/financing activities				
IFRS16 lease expenses	-	434	-	-
Finance lease interest revenue	-	(2)	-	(2)
Net gain on investments	-	(19,812)	(391)	(15,669)
Net gain on sale of property, plant and equipment	(259)	(191)	(354)	(314)
	(259)	(19,571)	(745)	(15,985)
Add/(less) non cash and non-operating items:				
Depreciation and amortisation	6,618	36,422	6,422	34,692
Impairment of property, plant and equipment	4,555	4,555	-	499
(Decrease)/Increase in deferred taxation expense	-	(7,943)	-	(126)
Ineffective portion of change in fair value of cash flow hedge	-	(1)	-	1
Amortisation of interest rate collar premium	-	86	-	86
Reversal of previous revaluation deficit	-	(175)	-	-
Share of net profit after tax retained by equity accounted investees	(2)	(9,496)	-	(7,075)
Equity investments - share rights issued for no consideration	-	-	-	(208)
Impairment of investment in subsidiaries	2,752	2,752	-	-
Impairment of investment in equity accounted investees	-	7,846	-	-
Increase in equity settled share based payment accrual	-	1,167	-	2,038
Vested asset revenue	-	-	(306)	(306)
Fair value movement in non hedge accounted derivatives	-	-	(73)	(73)
Borrower notes fair value adjustment	(7)	(7)	7	7
Net change in impairment of hotswap loans	-	-	5	5
Loss on sale of property, plant and equipment	1,034	1,034	2,543	2,543
Gain on revaluation of put option	-	-	(11,600)	-
Unrealised foreign exchange gains	-	(2)	-	-
Net unrealised (gain)/loss on capital investments	-	4,018	-	-
	14,950	40,256	(3,002)	32,083

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

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Add/(less) movements in working capital				
Change in receivables	(4,382)	4,839	(6,828)	(18,137)
Change in prepayments	(203)	(203)	144	144
Change in inventories	(12)	65	(8)	(836)
Change in taxation payable	-	(1,270)	-	296
Change in foreign cash deposits	-	(301)	-	143
Change in payables and revenue received in advance	4,884	744	(4,819)	107
Change in employee provisions	984	984	(274)	(274)
	1,272	4,858	(11,785)	(18,557)
Net cashflow from operating activities	**16,002**	**103,506**	**2,835**	**88,477**

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 subsidiaries, Quayside Holdings Limited (a 100% owned investment company) and the Toi Moana Trust Fund, a majority owned portfolio investment entity (PIE). 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, Quayside Investment Trust and Toi Moana 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 principal activity of the Toi Moana Trust is financial investment.

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 2020. The financial statements were authorised for issue by Council on 17 December 2020.

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 the new PBE IPSAS 34 to 38 accounting standards.

New and amended accounting standards 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.

The amendments have had no impact on the 30 June 2020 financial statements.

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. This new Standard supersedes PBE IPSAS 6.

This standard has had no significant impact on the 30 June 2020 financial statements

PBE IPSAS 35 Consolidated financial statements

Introduced 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 (whichis 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.

This standard has had no significant impact on the 30 June 2020 financial statements.

PBE IPSAS 36 Investments in associates and joint ventures

Requires the use of the equitymethod 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.

BOPLASS was previously measured at fair value as a financial instrument under PBE IFRS 9. The introduction of PBE IPSAS 36 has resulted in BOPLASS now being considered to be an associate and accordingly measured using equity accounting.

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.

This standard has had no impact on the 30 June 2020 financial statements.

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.

The impact of the new requirements of PBE IPSAS 38 on the 30 June 2020 financial statements is additional disclosures in relation to the subsidiaries of Council.

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.

New accounting standards and interpretations not yet adopted

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.

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.

2018 Omnibus Amendments to PBE standards

The following standards are amended by this document:

PBE IPSAS 2 Cash Flow Statements

Disclosure Initiative (Amendments to IAS 7), issued by the IASB in January 2019, amended IAS 7 Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial assets. The IPSASB subsequently amended IPSAS 2 Cash Flow Statements in Improvements to IPSAS, 2018 and the NZASB amended PBE IPSAS 2 in 2018 Omnibus Amendments to PBE Standards. This applies for annual periods beginning on or after 1 January 2021.

PBE IAS 12 Income Taxes

The amendments incorporate the guidance in NZ IFRIC 23 Uncertainty over Income Tax Treatments into PBE IAS 12 Income Taxes. These amendments clarify how to apply the recognition and measurement requirements in PBE IAS 12 when there is uncertainty over income tax treatments.

Effective date: for annual periods beginning on or after 1 January 2020.

An assessment of the impact of PBE IAS 12 has not been performed however Council does not expect any signficant changes resulting from the amendment to the accounting standard.

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 to have exposure or rights to variable 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, Quayside Unit Trust and Toi Moana 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 Annual Plan 2019/20. 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 share rights granted (note 29)
- valuation of investment properties (note 20)
- impairment assessment of investments in equity accounted investees (note 22)

Classification of property

The subsidiary owns several properties, which have been purchased for long term capital appreciation and/or rental rather than for short term sale in the ordinary course of business. The current carrying value of this investment property is $54.5m (2019: $27.9m). In the case of the industrial land held by Quayside Properties Limited for development as Rangiuru Business Park, the revenue derived from operating the land as kiwifruit orchards and leased grazing is incidental to holding these properties and provides short-term benefit in the form of cash returns to the subsidiary whilst the land is developed. These incidental cash flows are independent of the cashflows generated by other assets held by the Group. The kiwifruit bearer plants on the land are classified as property, plant and equipment – refer to note 10, while the underlying land is classified as investment property.

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

Classification of Perpetual Preference Shares

The QHL 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 2020 was carried out by PricewaterhouseCoopers, Wellington, on 17 September 2020.

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.

Financial Instruments

Financial Assets – Classification and Subsequent Measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value Through Profit and Loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2 Council summary – groups of activities income statement

	Budget 2019/20 $000	Council 2019/20 $000	Council 2018/19 $000
Revenue by groups of activities			
Integrated Catchment Management	21,925	19,841	18,894
Flood Protection and Control	16,915	17,279	14,656
Resource Regulation and Monitoring	19,972	20,531	19,993
Transportation	30,184	30,059	25,070
Regional Development	1,665	1,700	1,738
Regional Planning and Engagement	20,971	21,027	19,968
Emergency Management	3,574	4,536	3,401
Technical Services	15,470	15,555	14,616
Corporate Services*	3,437	3,389	19,716
Revenue	**134,111**	**133,917**	**138,051**
Less internal interest	(6,436)	(5,541)	(4,330)
Capital revenue received	9,022	10,153	10,925
Total revenue	**136,698**	**138,529**	**144,646**

	Budget 2019/20 $000	Council 2019/20 $000	Council 2018/19 $000
Expenditure by groups of activities			
Integrated Catchment Management	26,444	17,654	20,389
Flood Protection and Control	14,929	14,900	13,143
Resource Regulation and Monitoring	19,348	21,211	19,890
Transportation	30,611	28,992	24,865
Regional Development	6,431	9,326	13,591
Regional Planning and Engagement	21,182	19,733	18,900
Emergency Management	3,571	4,113	2,861
Technical Services	15,440	14,383	13,277
Corporate Services*	2,532	13,722	3,692
Expenditure	**140,487**	**144,033**	**130,609**
Less internal interest	(6,436)	(5,541)	(4,330)
Total expenditure	**134,051**	**138,492**	**126,278**
Net cost of service	**2,647**	**37**	**18,368**

**Figures include overheads and recoveries.*

3 Rates revenue

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
General rates	28,110	28,110	26,362	26,362
Targeted rates	29,793	29,793	25,098	25,098
Less: remissions	(664)	(664)	(581)	(581)
Total rates revenue	**57,239**	**57,239**	**50,879**	**50,879**

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 130,030 rating units within the region as at 30 June 2020, compared to 128,750 as at 30 June 2019.

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

The total land value of rating units within the region is $56,330,822,933 as at 30 June 2020, compared to $50,234,082,992 as at 30 June 2019.

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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
New Zealand Transport Agency (Passenger Transport)	13,488	13,488	10,460	10,460
Ministry for the Environment (Te Arawa Rotorua Lakes deed)	2,834	2,834	2,455	2,455
Ministry for the Environment (Kopeopeo Canal)	2,189	2,189	3,782	3,782
Local Authorities contribution to Civil Defence	1,030	1,030	1,083	1,083
Other subsidies and grants	563	563	3,951	3,951
	20,104	**20,104**	**21,731**	**21,731**

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2019: nil).

Policies

Government grants

The Council receives funding assistance from the Waka Kotahi NZ 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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Finance revenue				
Foreign dividends	-	1,830	-	2,416
New Zealand dividends	32,186	4,051	31,342	3,849
Interest income	5,227	5,730	7,462	8,443
Interest on advances to equity accounted investees	-	356	-	292
Ineffective portion of changes in fair value of cash flow hedges	-	35	73	73
Interest on finance lease	-	2	-	2
Total finance revenue	**37,414**	**12,005**	**38,877**	**15,075**
Finance costs				
Interest expense on borrowings	3,185	22,065	2,571	22,424
Ineffective portion of changes in fair value of cashflow hedges	-	-	-	1
Currency option expense	-	-	-	44
Amortisation of interest rate collar premium	-	86	-	86
Total finance costs	**3,185**	**22,151**	**2,571**	**22,555**
Net finance revenue/(costs)	**34,229**	**(10,146)**	**36,306**	**(7,480)**

Policies

Finance revenue

Finance revenue comprises interest income on bank deposits and, finance lease interest 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.

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

Finance costs

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.

The Council and Group do not capitalise borrowing costs.

6 Trading and other revenue

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Container terminal revenue	-	178,394	-	176,473
Multi-cargo revenue	-	52,584	-	60,948
Marine services revenue	-	40,281	-	43,367
Sale of goods - kiwifruit	-	5,026	-	4,268
Transport services income	-	-	-	-
Rental income	110	30,669	160	29,386
User fees and charges	9,793	9,793	11,342	11,342
Other revenue	13,602	13,779	9,006	9,840
Total trading and other revenue	**23,505**	**330,526**	**20,508**	**335,624**

Subsidiary:

The *Quayside Group* has several kiwifruit orchards. All 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 (2019: 29.21 hectares).

Kiwifruit income this year includes an upward adjustment of $932,021 in relation to the prior year crop (2019: $95,696 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 2019.

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. 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:

Provision of 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.

Container terminal revenue: relates to the handling, processing, storage and rail of containers. Contracts are entered into with shipping lines and cargo owners. The primary performance obligations identified include the load and discharge of containers (which include the services provided to support the handling of containers). Container terminal revenue is recognised over time based on the number of containers exchanged (an output method). This method is considered appropriate as it allows revenue to be recognised based on the Group's effort to satisfy the performance obligation. The transaction price is determined by the contract and adjusted by variable consideration (rebates). Rebates are based on container volume and the Group accounts for the variable consideration using the expected value method. The expected value is the sum of probability weighted amounts in a range of possible consideration amounts. The Group estimates container volumes based on market knowledge and historical data.

Multi cargo revenue: relates to the wharfage and storage of bulk goods. Contracts are entered into with cargo owners. The stevedoring services are provided by a third party. Multi cargo revenue is recognised after the vessel's departure, at a point in time, except storage revenue which is recognised over time. The transaction price for multi cargo services is determined by the contract.

Marine Services revenue: relates directly to the visit of a vessel to the port and includes fees for pilotage, towage and mooring. Contracts are entered into with vessel operators. The performance obligations identified include vessel arrival, departure and berthage. Revenue is recognised over time, based on time elapsed, as customers are charged a daily service fee for each day in the Port. The transaction price for marine services is determined by the contract.

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.

Other income: is recognised when the right to receive payment is established.

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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Gains				
Gain on sale of property, plant and equipment	260	260	354	354
Realised foreign exchange gains	-	562	-	88
Realised gain on equity investments	-	10,265	391	3,542
gain on revaluation of biological assets	-	112	-	-
Change in fair value of investment property	-	7,505	-	3,487
Unrealised foreign exchange gain on equity investments	-	50	-	2
Gain on revaluation of Put Option	-	-	11,600	-
Unrealised gain on equity investments	-	26,296	-	23,123
Gain on fair value of borrower notes	7	7	-	-
Total gains	**267**	**45,057**	**12,345**	**30,596**
Losses				
Realised capital loss on investments	-	4,910	202	1,583
Realised foreign exchange losses	-	34	-	132
Loss on sale of fixed assets	1,034	1,034	2,544	2,543
Loss on revaluation of biological assets	-	-	-	95
Unrealised foreign exchange losses	-	249	-	102
Unrealised capital loss on investments	-	23,451	-	13,015
net revaluation loss through income statement	-	-	7	7
Total losses	**1,034**	**29,678**	**2,753**	**17,477**
Net gains/(losses)	**(767)**	**15,379**	**9,592**	**13,118**

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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Salaries and wages	37,766	77,010	34,435	71,733
Superannuation	1,158	2,612	1,142	2,576
Other employee related expenses	2,570	3,196	2,726	3,290
Total employee benefit expenses	**41,494**	**82,818**	**38,303**	**77,599**

9 Trading and other expenses

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Fees to auditors				
Audit fees for the audit and review of the financial statements:				
-Audit New Zealand for audit of Council and Quayside Holdings Group financial statements	134	276	132	241
-Audit New Zealand for audit of other Quayside group entities	-	2	-	-
-KPMG for audit of other Quayside group entities	-	18	-	-
-KPMG for principal auditor of the Port of Taurang group	-	201	-	165
-Audit New Zealand for audit of Council Debenture Trust Deed	6	6	6	6
Fees paid for other services provided by the principal auditor of the Port of Tauranga Group:				
-KPMG for Treasury function review	-	-	-	33
-KPMG for Data analytics review of GST and fixed assets	-	13	-	12
-KPMG for Hedge accounting policy review	-	-	-	7
Bad debts written-off	42	42	891	861
Consultation fees	4,996	4,996	5,118	5,118
Contracted services for port operations	-	61,363	-	63,775
Contract work	40,454	40,454	36,267	36,267
Direct fuel and power expenses	634	10,829	745	10,091
Directors' fees	-	1,146	-	1,104
Grants, contributions and sponsorships	11,693	11,693	15,174	15,174
Impairment of property, plant and equipment on revaluation	4,555	4,555	-	-
Impairment of investment in subsidiary	2,752	2,752	-	-
Insurance	1,410	1,410	1,163	1,163
Legal fees	1,941	1,941	1,669	1,699
Maintenance costs	1,776	13,319	2,045	14,024
Operating lease payments	1,019	1,019	1,225	2,937
Operational materials	2,576	2,576	1,964	1,964
Orchard expenses	-	1,392	-	1,363
Other expenses	10,809	30,484	8,251	24,626
Professional development	897	897	1,087	1,087
Rates	193	193	220	220
Valuation costs	273	273	273	273
Total trading and other expenses	**86,161**	**191,850**	**76,230**	**182,210**

The total value of all assets that are covered by insurance contracts, are $150 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 $463 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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Profit/(loss) before income tax for the period	**39**	**103,873**	**18,368**	**126,254**
Income tax on the surplus/(deficit) for the period at 28%	11	38,970	5,143	47,412
Tax effect of amounts which are non deductible / (taxable) in calculating taxable income:				
Non-taxable income	12,472	12,472	6,990	6,990
Fair value (loss)/gain through profit and loss	-	(3,603)	-	(4,173)
Foreign dividend regime	-	453	-	350
Tax effect on change to depreciation rate for buildings		(3,851)		
Impairment of investment in equity accounted investees		1,956		
Share of equity accounted investees after tax income, excluding CODA Group limited partnership	-	(2,627)	-	(2,972)
Dividend imputation credits/other tax credits	(12,483)	(13,265)	(12,133)	(12,861)
Other attributed income/(loss)		(647)	-	(256)
Group loss offset election		(567)		
Tax losses utilised			-	(41)
Tax losses unutilised		(4,062)		-
Prior period adjustment		516		-
Temporary differences	-	-	-	902
Taxable income attributed to unit holders				
Other	-	165	-	(34)
Income tax expense	**-**	**25,910**	**-**	**35,317**

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
The income tax is represented by:				
Current tax expense				
Tax payable in respect of the current period	-	33,200	-	35,736
Adjustment for prior period	-	653	-	(293)
Total current tax expense	-	**33,853**	-	**35,443**
Deferred tax expense				
Origination/reversal of temporary differences	-	(3,974)	-	(44)
Tax effect on change to depreciation rate for buildings	-	(3,851)	-	-
Adjustment for prior period	-	(118)	-	(82)
Total deferred tax expense	-	**(7,943)**	-	**(126)**
Income tax expense	**-**	**25,910**	-	**35,317**

Subsidiary	Group 2019/20 $000	Group 2018/19 $000
Income tax recognised in other comprehensive revenue and expense:		
Revaluation of property, plant and equipment	5,713	395
Revaluation of intangibles	266	100
Cashflow hedges	(2,028)	(2,844)
Total	**3,951**	**(2,349)**

Imputation credit account - Subsidiary	Group 2019/20 $000	Group 2018/19 $000
Quayside Holdings Limited		
Imputation credits available for use in subsequent periods	**104,471**	**103,098**

Council is intending to transfer tax losses of $3.1 million to the Quayside Holdings Group by subvention payment of $1.1 million and loss offset of $2 million.

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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Cash at bank and in hand	24,522	98,043	11,322	78,309
Term deposits with maturities less than 3 months	15,000	15,000	126,788	126,788
Total cash and cash equivalents	**39,522**	**113,043**	**138,110**	**205,097**

While cash and cash equivalents at 30 June 2020 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 (30 June 2019: nil).

$6.4 million of cash balances relate to restricted funds. The cash is held in relation to a performance bond and is restricted for council use.

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.

Bank term deposits are initially measured at the amount invested. A loss allowance for expected credit losses recognized if the estimated loss allowance is not trivial.

12 Trade and other receivables (current)

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Rates receivables	9,262	9,262	6,000	6,000
Trade receivables	4,002	47,107	2,160	50,389
Kiwifruit income receivable	-	3,242	-	2,844
Trade receivables from equity accounted investees, subsidiaries and related parties	-	234	-	616
Advances to equity accounted investees	-	9,810	-	5,319
Taxation receivable	-	-	-	19
Prepayments and sundry receivables	11,044	13,992	12,256	16,171
	24,308	**83,647**	**20,416**	**81,358**
Less provision for impairment trade and rates receivables	(408)	(408)	(1,161)	(1,161)
Less provision for expected credit losses - trade receivables	-	(201)	-	(22)
Less provision for expected credit losses - advances to equity accounted investees	-	(481)	-	(269)
Total current trade and other receivables	**23,900**	**82,557**	**19,255**	**79,906**

	Council 2019/20 $000	Council 2018/19 $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	14,839	12,299
Receivables from exchange transactions - this includes outstanding amounts for the sale of goods and services and clean heat rates	9,061	6,956
Total current receivables	**23,900**	**19,255**

The ageing of trade receivables at reporting date was:

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Not past due	3,693	33,896	1,466	33,351
Past due but not impaired 0 - 30 days	54	11,496	381	14,781
Past due but not impaired 30 - 60 days	19	1,097	58	1,397
Past due but not impaired 60 - 90 days	24	116	-	601
More than 90 days	212	504	255	259
Total trade receivables	**4,002**	**47,109**	**2,160**	**50,389**

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.

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.

The subsidiary has recognised an additional $0.2 million due to large forecast reductions in both New Zealand and global GDP over the next year, as a result of COVID-19. There has been no indication of a change in customer payment behaviour, compared with pre-COVID-19 behaviour. On that basis, the following table details loss allowance for trade receivables:

Council 2019/20	**Expected loss rate (default rate)**	**Trade Receivables as at 30 June 2020**	**Loss allowance on trade receivables**
Aging	%	$000	$000
Current	1.61%	3,693	59
30 -60 days	18.40%	54	10
60 - 90 days	45.23%	19	9
90 + days	76.24%	24	18
180+ days	7.28%	212	15
		4,003	**112**

Council 2018/19	**Expected loss rate (default rate)**	**Trade Receivables as at 30 June 2019**	**Loss allowance on trade receivables**
Aging	%	$000	$000
Current	0.94%	1,465	14
30 -60 days	36.31%	381	138
60 - 90 days	36.94%	58	22
90 + days	51.75%	-	-
180+ days	0.20%	255	1
		2,160	**175**

Subsidiary 2019/20	Expected loss rate (default rate)	Trade Receivables as at 30 June 2020	Loss allowance on trade receivables
Aging	%	$000	$000
Current	0.01%	31,383	30
30 -60 days	0.04%	11,442	50
60-90 Days	4.50%	1,078	50
90+ Days	18.30%	384	71
		44,287	**201**

Subsidiary 2018/19	Expected loss rate (default rate)	Trade Receivables as at 30 June 2019	Loss allowance on trade receivables
Aging	%	$000	$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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
At 1 July	1,161	1,161	300	300
Additional provisions made during the year	408	408	930	930
Provisions reversed during the year	(1,161)	(1,161)	(69)	(69)
At 30 June	**408**	**408**	**1,161**	**1,161**

Movement in Provision	2020 $'000	2019 $'000
Adjustment to opening balance on adoption of NZ IFRS 9	291	274
Provision for trade receivables	179	10
Provision for advances to Equity Accounted Investees	212	10
Bad debts written off	-	(3)
Closing balance at 30 June	**682**	**291**

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 above.

Advances to equity accounted investees

The subsidiary 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. An advance from the subsidiary to an Equity Accounted Investee of $4.5m was repayable by 31 July 2020 but was subsequently extended for a further month and was repaid in full on the 26th August 2020.

Kiwifruit income receivable

The kiwifruit income receivable is based on a forecast of proceeds to be received from Zespri on the harvest of the 2020 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the revenue 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

Short-term receivables and prepayments 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.

Receivables with a short duration are not discounted. Short term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

13 Inventories

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Inventory of parts and consumables	247	1,708	235	1,773
Kiwifruit stock on hand	-	-	-	-
	247	**1,708**	**235**	**1,773**

There were no inventories written off or pledged as security for liabilities during the year (2019: 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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Other receivables	-	-	-	12
Rotorua Hot Swap debtors	1,571	1,571	1,820	1,820
Total trade and other receivbles (non-current)	**1,571**	**1,571**	**1,820**	**1,832**

	Council 2019/20 $000	Council 2018/19 $000
Total non-current receivables comprise:		
Receivables from exchange transactions - this includes outstanding amounts for clean heat rates	1,571	1,820
Total non-current receivables	**1,571**	**1,820**

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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Current				
Term deposits	110,000	110,000	23,000	48,000
Bond and other fixed rate notes	-	-	5,069	5,069
Total current portion	**110,000**	**110,000**	**28,069**	**53,069**
Non-current portion				
Investment in CCO's and similar entities				
Investment in Quayside Holdings Ltd	91	-	91	-
Investment in Toi Moana Trust	42,248	-	-	-
Unlisted shares in NZ LGFA	6,939	6,939	6,154	6,153
Borrower notes NZ LGFA	3,062	3,062	803	803
Loan to Quayside Holdings Ltd*	49,600	-	50,000	-
Total investment in CCO's and other similar entities	**101,941**	**10,002**	**57,048**	**6,956**
Non-current portion				
Investments in other entities				
Advances to Equity accounted investees	-	500	-	-
Other equity investments	-	243,208	-	178,520
Investment in Civic Financial Services Limited	51	51	105	105
Total investments in other entities	**51**	**243,759**	**105**	**178,625**
Total non-current portion	**101,992**	**253,761**	**7,153**	**185,581**
Total other financial assets	**211,992**	**363,761**	**85,222**	**238,650**

* 2018/19 Loan to Quayside Holdings Limited restated.

Other financial assets

Other financial assets represent the diversified equity portfolio of the Group that are traded in active markets and investments in managed funds.

Term deposits

Current other financial assets comprise a $110 million (2019: $48 million) term deposit held by Council.

Investment in Quayside Holdings Limited

The investment in Quayside Holdings Limited is measured at cost of $91,000. The fair value of the investment in Quayside Holdings Limited as at 30 June 2020 is $1,472 billion (2019: $1,427 billion).

Refer to the Annual report 2019/20 of Quayside Holdings Limited for more information (www.quaysideholdings.co.nz).

Investment in Toi Moana Trust

The investment in Toi Moana Trust (established 1 July 2019) is measured at cost less impairment. The initial cost of the investment was $45 million. Council have done an impairment assessment at 30 June 2020, resulting in an impairment loss of $2.752 million. This has resulted in the value for Toi Moana Trust as at 30 June 2020 being $42.248 million.

Borrower notes

Borrower notes are subordinated convertible debt instruments that the council subscribes for in an amount equal to 1.6% of the total borrowing from LGFA NZ. LGFA NZ will redeem borrower notes when the Council’s related borrowings are repaid or no longer owing to LGFA NZ.

Loans to related parties

Council

Intercompany loans are made to Quayside Holdings Limited through funds drawn down by Council from the NZ LGFA.

Subsidiary

Intercompany loans are made through funds drawn down by Quayside Holdings Limited from the Westpac Tranche Lines and Bay of Plenty Regional Council loan facility.

The Westpac Banking Corporation facility has interest on charged at the rate charged on the Tranche. The Bay of Plenty Regional Council facility has interest on charged at cost plus margin.

Other equity investments

Other equity investments represent the diversified equity portfolio of the Quayside Holdings Group that are traded in active markets and direct investment into private equity and managed funds.

Quayside Investment Trust has invested in New Zealand, Australian and International Equities which are managed by an investment manager. Investment reports from the investment manager are received to provide a basis for the valuation. The investment manager values the investments using quoted market prices.

Quayside Holdings Limited has other equity investments of $20.1 million (2019: $19.5 million) comprising unlisted direct equity investments and investments in venture capital managed funds. All of the Quayside Holdings Limited subsidiaries other equity investments are either audited to a balance date earlier than 30 June 2020 (31 December or 31 March) or are unaudited. The accounting as at 30 June is based on unaudited management accounts. Quayside Holdings Limited management accepts the use of management accounts on the basis that these are reviewed by management and changes, if any, between management accounts and audited accounts, would be unlikely to result in a material impact on the carrying value of the investment.

Venture capital managed funds are measured to fair value based on the latest quarterly reports provided by the fund managers. The fund managers have used a variety of valuation techniques in valuing the underlying investments consistent with the guidance from the International Private Equity and Venture Capital Valuation Board (IPEV). These include revenue and earnings multiples, discounted cash flows or earnings, market evidence, and transaction prices for recent investment. In some cases cost is assessed as a reasonable approximation of fair value.

In the case of Quayside's Subsidiaries’ unlisted equity investments, management has assessed that the net asset value of the investee or cost of the investment adjusted for share of subsequent profits and losses provide the most appropriate estimation of fair value at balance date.

While the Quayside Board is of the view that the fair values of the venture capital managed funds and unlisted equity investments in these financial statements represent the best available information, uncertainty exists over the fair value of the investments in the absence of an active market to determine fair value. There is inherent uncertainty and difficulty in measuring the fair value of early stage unlisted investments.

Some of the fund managers have reported that the Covid-19 pandemic has caused increased uncertainty in their assessments of fair value. Where appropriate the valuations have taken into account the special valuation guidance issued by IPEV in response to the Covid-19 crisis. The Quayside Holdings Limited Directors have reviewed the investments for impairment and are satisfied that no impairment is required.

Uncalled capital commitments

Quayside Holdings Limited has an uncalled capital commitments of $42.8 million (2019: $22.8 million) in relation to equity managed fund investments.

Restrictions and exposure to risks

There are no significant restrictions on the transfer of cash, other assets, or loan/advances being made or repaid, between Council and its subsidiaries or associates.

There are no guarantees or other restrictions that may restrict dividends and other capital distributions being made.

Should the subsidiaries require financial or other support, Council may be requested to contribute. Council has not been requested to or provided financial or other support to any subsidiaries or associates to date.

Council could be exposed to losses in the event of the subsidiaries liquidating or ceasing operations.

Classification of financial instruments

For the purpose of measurement, the group and council's financial assets and liabilities are classified into the following categories:

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Financial assets at amortised costs				
Term deposits	110,000	110,000	23,000	48,000
Investments in Quayside Holdings Ltd	91	-	91	-
Investment in Toi Moana Trust	42,248	-	-	-
Loan to Quayside Holdings Ltd*	49,600	-	50,000	-
Advances to Equity accounted investees	-	500		
Total Financial assets at amortised costs	**201,939**	**110,500**	**73,091**	**48,000**
Financial assets at fair value through other comprehensive revenue and expense				
Bond and other fixed rate notes	-	-	5,069	5,069
Unlisted shares in NZ LGFA	6,939	6,939	6,154	6,153
Investment in Civic Financial Services Limited	51	51	105	105
Total Financial assets at fair value through other comprehensive revenue and expense	**6,990**	**6,990**	**11,328**	**11,327**
Financial assets at fair value through surplus or deficit				
Other equity investments	-	243,208	-	178,520
Borrower notes NZ LGFA	3,062	3,062	803	803
Total Financial assets at fair value through surplus or deficit	**3,062**	**246,270**	**803**	**179,323**
Total	**211,992**	**363,761**	**85,222**	**238,650**

* 2018/19 Loan to Quayside Holdings Limited restated.

Prior year classification disclosure error:

The loan to Quayside Holdings Limited of $50 million was incorrectly disclosed as a current financial asset in the annual report for 2018/19. The 2018/19 comparatives have been changed to correctly reflect the maturity date of the loan.

	Council 2018/19 Annual Report '000	Adjustment '000	Council 2018/19 Restated '000
Statement of Financial Position			
Other financial assets - current	78,069	(50,000)	28,069
Total current assets	235,669	(50,000)	185,669
Other financial assets - investment in other entities	105	50,000	50,105
Total non-current assets	440,020	50,000	490,020
Note 15			
Current portion			
Loan to Quayside Holdings Ltd	50,000	(50,000)	-
Non-Current portion			
Loan to Quayside Holdings Ltd	-	50,000	50,000

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.

Investment in subsidiaries

Bay of Plenty Regional Council's investment in Quayside Holdings Limited and Toi Moana Trust is carried at cost less impairment.

Unlisted shares

Unlisted shares are carried at fair value. The investment in shares held by Council, consisting of NZ LGFA and Civic Financial Services Ltd, have all been designated as equity investments. This measurement basis is considered more appropriate than through surplus or deficit because the investments have been made for long-term strategic purposes rather than to generate a financial return through trading.

Borrowers note

Borrowers notes are measured at fair value through surplus or deficit.

Loans to related parties

Loans to related parties are held at cost and annually assessed for impairment.

Intercompany loans

Intercompany loans are initially recognised at fair value. They are subsequently measured at amortized 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).

Other equity investments

Other equity investments represent the diversified equity portfolio of the Group that are traded in active markets and direct investment into private equity and managed funds.

Investments in unlisted venture capital funds and unlisted equity investments are not traded in active markets. The fair value is categorised under the level 3 fair value hierarchy

Financial assets mandatorily measured at fair value through profit or loss include share market investments and other equity investments.

The fair value of share market investments measured at fair value through the income statement is based on quoted market prices at the reporting date and are categorised under the level 1 fair value hierarchy. Share market investments are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Classification of financial instruments

For the purpose of measurement, the group and council's financial assets and liabilities are classified into categories. The classification depends on the purpose for which the financial assets and liabilities are held. Management determines the classification of financial assets and liabilities and recognises these at fair value at initial recognition. Subsequent measurement and the treatment of gains and losses are presented below:

Categories	Subsequent measurement	Treatment of gains and losses
Fair value through surplus or deficit	Fair value	Surplus or deficit
Fair value through other comprehensive revenue and expenditure	Fair value	Other comprehensive revenue and expenditure
Amortised cost	Amortised cost less provison for impairment	Surplus or deficit
Financial liabilities at amortised cost	Amortised cost	Surplus or deficit

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.

Impairment

The investment in Toi Moana Trust of $45 million was impaired due to market conditions to $42.2 million as at 30 June 2020. The impairment expense has been disclosed in Note 9. There were no other impairment expenses or provisions for other financial assets. None of the financial assets are either past due or impaired.

Impairment of loans to related parties and financial guarantee contracts

For loans to related parties and financial guarantees, expected credit losses (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. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

The financial effects are not material and the balances are not adjusted (2019:nil).

16 Derivative financial instruments

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
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	-	-	-	-
Interest rate derivatives - cash flow hedges	-	29,359	-	20,895
Total non current liability portion	**-**	**29,359**	**-**	**20,895**
Total liabilities	**-**	**29,359**	**-**	**22,033**

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.

The subsidiaries policy of ensuring a certain level of its interest rate risk exposure is at a fixed rate, is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to movements in interest rates. The Group applies a hedge ratio of 1:1.

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

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

Foreign exchange derivatives

	Minimum Hedging	*Maximum Hedging*
Expenditure	*%*	*%*
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

2020

	Cost / revaluation 01 July 2019 $000	Accumulated depreciation 01 July 2019 $000	Carrying amount 01 July 2019 $000	Additions $000	Disposals $000	Adjustments $000	Depreciation $000	Revaluation surplus $000	Adjustments to accumulated depreciation $000	Depreciation write back on disposals $000	Depreciation write back on revaluation adjustments $000	Cost / revaluation 30 June 2020 $000	Accumulated depreciation 30 June 2020 $000	Net book value amount 30 June 2020 $000
Bay of Plenty Regional Council														
Operational assets:														
Land	6,521	-	6,521	-	-	-	-	259	-	-	-	6,780	-	6,780
Buildings	22,152	-	22,152	11,143	-	391	(316)	(5,350)	(143)	-	460	28,336	1	28,337
Plant and Equipment	27,080	(17,838)	9,242	6,192	(2,807)	(391)	(2,793)	-	162	2,008	-	30,074	(18,461)	11,613
Maritime	685	(72)	613	211	(16)	-	(76)	-	-	3	-	880	(145)	735
Works In Progress	8,119	-	8,119	(3,730)	-	-	-	-	-	-	-	4,389	-	4,389
Infrastructural assets:														
Flood Protection														
Kaituna	62,234	(312)	61,922	17,615	-	-	(350)	797	-	-	312	80,646	(350)	80,296
Rangitaiki/Tarawera	95,760	(270)	95,490	12,901	-	-	(281)	4,062	-	-	270	112,723	(281)	112,442
Whakatāne/Tauranga	67,123	(244)	66,879	4,122	-	2	(272)	10,302	(2)	-	245	81,549	(273)	81,276
Waioeka/Otara	44,904	(135)	44,769	3,210	110	-	(132)	557	-	-	134	48,781	(133)	48,648
Rangitaiki Drainage	14,284	(23)	14,261	635	-	-	(25)	945	-	-	23	15,864	(25)	15,839
Communal Pumping	5,272	(3,283)	1,989	-	-	-	(235)	-	-	-	-	5,272	(3,518)	1,754
Other Structures	1,060	-	1,060	-	-	-	-	-	-	-	-	1,060	-	1,060
WIP Rivers & Drainage	69,899	-	69,899	(39,835)	-	-	-	-	-	-	-	30,064	-	30,064
Lakes Restoration	10,553	(987)	9,566	-	-	-	(890)	-	-	-	-	10,553	(1,877)	8,676
WIP Lakes Restoration	1,034	-	1,034	444	-	-	-	-	-	-	-	1,478	-	1,478
Rivers & Drainage - Non Scheme	-	-	-	21,256	-	-	-	-	-	-	-	21,256	-	21,256
Restricted assets:														
Parks Land	5,755	-	5,755	-	-	-	-	-	-	-	-	5,755	-	5,755
Parks Buildings	1,542	(119)	1,423	150	-	-	(43)	-	-	-	-	1,692	(162)	1,530
Other Restricted Land	2,560	-	2,560	204	-	-	-	-	-	-	-	2,764	-	2,764
Flood Protection	1,664	(31)	1,633	-	-	-	(31)	679	-	-	31	2,343	(31)	2,312
Council property plant and equipment	**448,201**	**(23,314)**	**424,887**	**34,518**	**(2,713)**	**2**	**(5,444)**	**12,251**	**17**	**2,011**	**1,475**	**492,259**	**(25,255)**	**467,004**

	Cost / revaluation 01 July 2019	Accumulated depreciation 01 July 2019	Carrying amount 01 July 2019	Additions	Disposals	Adjustments	Depreciation	Revaluation surplus	Adjustments to accumulated depreciation	Depreciation write back on disposals	Depreciation write back on revaluation adjustments	Cost / revaluation 30 June 2020	Accumulated depreciation 30 June 2020	Net book value amount 30 June 2020
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Subsidiary														
Freehold land	803,204	-	803,204	-	-	-	-	22,352	-	-	-	825,556	-	825,556
Freehold buildings	114,928	(4,205)	110,723	5,323	(145)	4,687	(4,373)	12,652	(96)	145	8,475	137,445	(54)	137,391
Wharves and hardstanding	318,812	(11,147)	307,665	6,940	-	(4,687)	(11,675)	-	96	-	-	321,065	(22,726)	298,339
Harbour improvements	174,467	(1,291)	173,176	1,284	-	-	(1,518)	-	-	-	-	175,751	(2,809)	172,942
Bearer Plants	10,876	-	10,876	-	-	-	(680)	(3,238)	-	-	680	7,638	-	7,638
Plant and equipment	219,182	(97,265)	121,917	29,494	(1,184)	-	(10,762)	-	-	1,032	-	247,492	(106,995)	140,497
Capital work in progress	14,656	-	14,656	(4,383)	-	-	-	-	-	-	-	10,273	-	10,273
Subsidiary property plant and equipment	**1,656,125**	**(113,908)**	**1,542,217**	**38,658**	**(1,329)**	**-**	**(29,008)**	**31,766**	**-**	**1,177**	**9,155**	**1,725,220**	**(132,584)**	**1,592,636**
Elimination of interest capitalised	(4,928)	-	(4,928)	(451)	-	-	-	-		-	-	(5,379)	-	(5,379)
Total Group property plant and equipment	**2,099,398**	**(137,222)**	**1,962,176**	**72,725**	**(4,042)**	**2**	**(34,452)**	**44,017**	**17**	**3,188**	**10,630**	**2,212,100**	**(157,839)**	**2,054,261**

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 2020 the impairment was adjusted down to $2.8 million, a reduction of $4.3 million from 2019 (2019: Impairment was $7.1 million).

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

	Closing Book Value	Constructed by Council	Transferred to Council	Estimated Replacement Cost
Flood Protection & Control Works	$000	$000	$000	$000
as at 30 June 2020	339,280	44,187	-	346,136
as at 30 June 2019	284,953	6,075	-	288,656

2019	Cost / revaluation 01 July 2018	Accumulated depreciation 01 July 2018	Carrying amount 01 July 2018	Additions	Disposals	Adjustments	Depreciation	Revaluation surplus	Adjustments to accumulated depreciation	Depreciation write back on disposals	Depreciation write back on revaluation adjustments	Cost / revaluation 30 June 2019	Accumulated depreciation 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	Accumulated depreciation 01 July 2018	Carrying amount 01 July 2018	Additions	Disposals	Adjustments	Depreciation	Revaluation surplus	Adjustments to accumulated depreciation	Depreciation write back on disposals	Depreciation write back on revaluation adjustments	Cost / revaluation 30 June 2019	Accumulated depreciation 30 June 2019	Net book value amount 30 June 2019
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$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**

Notional carrying amounts

Subsidiary

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	
	2020	**2019**
	Notional Carrying Amount	Notional Carrying Amount
	$000	$000
Freehold land	117,601	117,601
Freehold buildings	87,246	81,329
Wharves and hardstanding	112,633	116,739
Harbour improvements	62,183	61,118
Bearer Plants	986	1,052
Total notional carrying amount	**380,649**	**377,839**

Restriction on title

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:

An area of 12,000 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 Land Information New Zealand.

Security

Council:

No items of property, plant and equipment have been pledged as security against certain loans and borrowings of Council.

Subsidiary:

Certain items of property, plant and equipment have been pledged as security against certain loans and borrowings of *Port of Tauranga Group*. Details of the security have been disclosed in Note 26.

Occupation of foreshore

Subsidiary:

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.

Capital Commitments

Council:

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $1.7 million (2019: $11 million).

Subsidiary:

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $7.0 million (2019: $19.6 million).

Judgements

Fair values:

Land, buildings, rivers and drainage, maritime, restricted assets, harbour improvements, and wharves and hardstanding assets

Judgement is required to determine whether the fair value of land, buildings, rivers and drainage, maritime, restricted assets, 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.

In line with policy, at 30 June 2020, the *Port of Tauranga Group* adjusted the carrying value of land based on a desktop valuation. The Group also revalued buildings due to indicators of potential material movement in the fair value of the asset class. At 30 June 2020, the assessment is that there is no material change compared with carrying value in the fair value of 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).

Bearer plants

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2020 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 loss on revaluation this year is reflective of a change in the assumption of the highest and best use of the underlying land upon which the bearer plants are located.

Valuations

Council

Land

The most recent valuation of operational land was performed by an independent registered valuers, Grant Utteridge and Michael Reay, of Telfer Young. The valuation was effective as at 30 June 2020.

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 operational buildings was performed by an independent registered valuers, Grant Utteridge and Michael Reay, of Telfer Young. The valuation was effective as at 30 June 2020.

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

The risk associated with Covid-19 is considered to have a relatively low to moderate impact on the value of Council buildings. Adjustments have been made to the assumptions used in the fair value determinations of the buildings to account for the increased risk. The valuers have stated that there is a greater degree of uncertainty attached to their valuation this year due to market uncertainty that exists due to Covid-19. This has not had a significant impact on the value due to the nature of the assets.

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 consist of flood protection and lakes.

The most recent valuation for lakes was carried out as at 30 June 2018 by Darroch Limited.

Flood protection 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 IPSAS17), and Property Institute of New Zealand standards with peer review from Opus International Consultants Limited.

Infrastructure assets are valued using the optimised replacement cost method.

Key assumptions in the flood protection valuation include:

- Unit rates for flood protection assets were based on the most recent construction costs and industry quotes. Where there was no current construction cost information available, the prior year rates are used and indexed for the impact of inflation.
- Useful lives for the assets were taken from New Zealand Infrastructure Valuation and Depreciation Guidelines. The remaining useful life of an asset was calculated by deducting asset age from the total useful lives.

Restricted assets

Restricted assets are valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values for land. Market values and capitalisation rates were applied to reflect market value for buildings.

Subsidary:

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 $22.4 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	2020		2019	
			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	$360-$930	$417	$330 - $770	$411
	Auckland land – land adjacent to MetroPort Auckland per square metre	6.8	$720-$800	$746	$568 - $596	$592
	Rolleston land – MetroPort Christchurch per square metre	15	$110	$110	$100	$100

- *Waterfront access premium:* A premium of approximately 25% has been applied to the main wharf land areas reflecting the locational benefits this land asset gains from direct waterfront access.
- *No restriction of title*: Valuation is made on the assumption that having no legal title to the Tauranga harbour foreshore will not detrimentally influence the value of land assets.
- *Highest and best use of land: Subject to relevant local authority's zoning regulations.*
- *Tauranga and Mount Maunganui:* The majority of land is zoned "Port Industry" under the Tauranga City Plan and a small portion of land at both Sulphur Point and Mount Maunganui has "Industry" zoning
- *Auckland:* The land is zoned "Heavy Industry Zone" under the Auckland Unitary Plan
- *Rolleston:* The land is zoned "Business 2A" under the Selwyn District Plan.

Building valuations

The valuation of buildings was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of buildings by $21.1 million. 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 value of land is deducted from the overall property valuation to give rise to a building valuation.

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

Asset valuation method	Key valuation assumptions	2020		2019	
		Range of significant assumptions	Weighted average	Range of significant assumptions	Weighted average
Capitalised income model	Market capitalisation rate	4.50% - 8.00%	6.84%	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 are 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	2020		2019	
		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

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*

Initial recognition and subsequent measurement

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. After initial recognition, certain classes of property, plant and equipment are revalued. Work in progress is recognised at cost less impairment, if any, and is not depreciated.

Revaluation

Land, buildings, rivers and drainage, maritime, restricted assets, 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

2020	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 2019	01 July 2019	01 July 2019				Current Year					30 June 2020	30 June 2020	30 June 2020
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Bay of Plenty Regional Council														
Intangible assets:														
Computer Software	13,075	(7,366)	5,709	689	(179)	(20)	(1,174)	-	-	179	-	13,566	(8,361)	5,205
Work in Progress	451	-	451	961	-	(37)	-	-	-	-	-	1,375	-	1,375
Council intangible assets	**13,525**	**(7,366)**	**6,159**	**1,650**	**(179)**	**(57)**	**(1,174)**	**-**	**-**	**179**	**-**	**14,941**	**(8,361)**	**6,580**
Subsidiary														
Computer Software	4,640	(2,158)	2,482	587	-	-	(497)	-	-	-	-	5,227	(2,655)	2,572
Consents and Contracts	10,567	(9,511)	1,056	-	-	-	(139)	-	-	-	-	10,567	(9,650)	917
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	2,487	-	2,487	-	-	-	(123)	828	-	-	123	3,315	-	3,315
Subsidiary intangible assets	**33,184**	**(11,669)**	**21,515**	**587**	**-**	**-**	**(759)**	**828**	**-**	**-**	**123**	**34,599**	**(12,305)**	**22,294**
Group														
Computer Software	17,715	(9,524)	8,191	1,276	(179)	(19)	(1,671)	-	-	179	-	18,793	(11,016)	7,777
Consents and Contracts	10,567	(9,511)	1,056	-	-	-	(139)	-	-	-	-	10,567	(9,650)	917
Goodwill	15,490	-	15,490	-	-	-	-	-	-	-	-	15,490	-	15,490
Kiwifruit Licence	2,487	-	2,487	-	-	-	(123)	828	-	-	123	3,315	-	3,315
Work in Progress	451	-	451	961	-	(37)	-	-	-	-	-	1,375	-	1,375
Group intangible assets	**46,710**	**(19,035)**	**27,674**	**2,237**	**(179)**	**(56)**	**(1,933)**	**828**	**-**	**179**	**123**	**49,540**	**(20,666)**	**28,874**

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
Consents and Contracts	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
Consents and Contracts	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
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**	**106**	**46,710**	**(19,035)**	**27,675**

	Group	
	2019/20	2018/19
Kiwifruit Licence Revaluation Reserve	$000	$000
Opening Balance	1,925	1,670
Revaluation reversal	-	-
Revaluation, net of tax	685	255
Closing balance	**2,610**	**1,925**

G3 licences

The G3 licences held are for a total of 8.29 hectares (2019: 8.29 hectares). A registered valuer at 30 June 2020 determined that the fair value for the licences held by the Quayside Group was $3,341,800. The current valuation is based on $400,000 per hectare, which was the median G3 licence cost from Zespri's 2020 release of licences, which was over subscribed for. The original cost of the licences is $57,649. There are not restrictions over the title of the intangible assets. The fair value measurement for these assets is catagorised 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 $47,623 (2019: $50,129).

Judgements

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

Goodwill was tested for impairment at 30 June 2020 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

Software acquisition and development

Acquired computer softwarelicences 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 withdevelopment and maintenance of the Council's website are recognised as an expense when incurred.

Software acquisitions and developmentassets, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

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.

Amortisation:

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date when the asset is derecognized. The amortization charge for each financial year is expensed in the surplus or deficit.

The estimated useful lives for the current and comparative periods are as follows:

Consents and contracts	10 to 35 years
Computer software	1 to 10 years

Disposals

Gains and losses from the disposal of intangible assets are recognized in surplus or deficit.

Impairment of intangible assets

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. An impairment loss is recognized in surplus or deficit 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.

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.

19 Biological assets

This note is for the subsidiary only.

Forestry	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Balance at 1 July	-	390	-	-
Additions	-	-	-	485
Change in fair value less estimated costs to sell	-	112	-	(95)
Balance at 30 June	**-**	**502**	**-**	**390**

The forestry block comprises 110.6 hectares of pinus radiata with planted years ranging from 2013 to 2018. The crop has an expected rotation of 26 years, which would yield revenue in the years 2039 to 2044.

Fair value of the forestry block has been determined by independent registered valuation at 30 June 2020. 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. Notable reasons for the increase in the tree crop value in the last 12 months are as a result of higher long-term log price assumptions, based on forecast market conditions and the maturing of the crop. 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. (2019: $360)

3. A pre-tax implied discount rate of 7.5% p.a. (2019: 7.5%) 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%	945.20
6.50%	787.30
7.00%	647.10
7.50%	**522.50**
8.00%	412.00
8.50%	313.90
9.00%	226.90

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%	219.5	331.4	443.4	555.3	667.3
+5%	259.0	371.0	483.0	594.9	706.9
Base	298.6	410.6	522.5	634.5	746.5
-5%	338.2	450.2	562.1	674.1	786.0
-10%	377.8	489.7	601.7	713.7	825.6

Kiwifruit crop

Harvesting kiwifruit crop takes place in April to June each year. At 30 June the crop is measured at fair value which is nil (2019: 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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Balance at 1 July	-	27,886	-	21,918
Additions - work in progress (at cost)	-	80	-	66
Additions - Acquisitions (at cost)	-	18,995	-	2,415
Fair value gains on valuation	-	7,505	-	3,487
Balance at 30 June	**-**	**54,466**	**-**	**27,886**
Classified as:				
Investment property - Held for sale - Current	-	905	-	-
Investment property - Non current	-	53,561	-	27,886
	-	**54,466**	**-**	**27,886**
Rental income from investment properties		992	-	457
Expenses from investment property generating income		170	-	113

Description of investment properties

Investment properties held by Quayside Holdings Limited Group include the following:

Asset type	Location	Current Use
Commercial Building	Tauranga CBD	Commercial Lease
Industrial Building	Mount Maunganui	Commercial Lease
Residential Rural Block	Tauriko	Residential Rental
Rural Block	Paengaroa	Grazing/Forestry
Industrial Zoned Land for future development as a ‘Rangiuru Business Park’.	Rangiuru, Te Puke	Kiwifruit orchards, leased dairy grazing land and residential rentals.

Acquisitions

During the year, the Quayside Holdings Limited Group acquired an industrial building in Mount Maunganui as well as additional land at Rangiuru, which is strategic to the proposed business park development.

Investment property work in progress includes the costs incurred to date in drilling of a water bore for the Rangiuru Business Park. The value of this work was not included in the independent registered valuation as the bore will not become operational until the business park is developed.

Property held for sale

During the year the rural block at Paengaroa was subdivided. At balance date there was an unconditional contract for sale of the subdivided block, which is due to settle in September 2020. This block is shown separately as a ‘held for sale’ asset in the statement of financial position and has been revalued to the actual amount received per the unconditional sales agreement.

Valuation of investment properties

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 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 revaluation gain this year is predominantly driven by a change in the ‘highest and best use’ for the land at Rangiuru Business Park. 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. A summary of the valuation methods and significant assumptions applied in the valuation of these assets are:

Asset type	Valuation Method adopted	Highest and best use	Significant assumptions
Commercial & Industrial Buildings	Capitalisation approach and Discounted Cash Flow Analysis	Current use	Net market rent of $320 per sqm (Commercial) Net market rent of $175.83 (Industrial) Capitalisation rate of 5.25% and 5.625% Discount rate of 6%
Residential Rural Block - Tauriko	Market approach	Current use	-
Rural block - Paengaroa	Market approach	Current use	-
Rangiuru Business Park	Market approach	Stage 1 Land – Industrial park development Stage 2 land – Orchard/rural use.	-

Change in highest and best use

All the properties within the Rangiuru Business Park have a dual zoning of rural and industrial. Previous valuations had considered that the highest and best use was as rural properties, however this is no longer the case due to rapid uptake and demand for industrial zoned land within the greater region.

Vacant industrial land in most of Tauranga's established industrial locations is in limited supply and is rarely presented to the market. The limited supply and increasing land prices throughout Tauranga is likely to lead to an increase in demand for industrial land in the nearby Te Puke, Te Puna and Katikati localities, and there will likely be a requirement for the development of new industrial areas such as the Rangiuru business estate if the current level of demand continues.

In most cases the overall value as orchard properties is still the highest and best use, but the current revaluations reflect that the underlying land values are increasing substantially, to be more in line with future industrial zoned land within the region, albeit discounted to reflect that development is still some time off and that extensive earthworks and infrastructure is still required.

For the purposes of revaluation, the land within the business park has been classified as either stage 1 or stage 2, which reflects the readiness for potential redevelopment. The highest and best use of the property within stage 1 is for redevelopment of the land to industrial use, while for any land located outside of stage 1, the highest and best use remains as rural/orchard use.

While the change in the highest and best use to industrial redevelopment land increases the values of the underlying land in stage 1, it also reduces the values of any improvements on those blocks, to reflect that in almost all instances these improvements will be removed or demolished to allow development to occur, and thus their useful life is limited. This includes the bearer plants on orchards within stage 1, which have been written down by $1.1 million this year. The reduction in improvements values does not include the G3 licences, which can be sold off separately.

Commitments

The Quayside Holdings Limited Group has a contractual commitment of $4.32 million at year-end in relation to the settlement on the purchase of an investment property (June 2019: nil).

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

		Interest Held by Group		
Name of Entity	Principal Activity	2020 %	2019 %	Balance date
Subsidiaries of Bay of Plenty Regional Council:				
Toi Moana Trust	Holds equity investments*	100.00	0.00	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, QIT and Toi Moana Trust	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	100.00	30 June
Aqua Curo Limited (ACL)	Involvement with macroalgae for bioremediation purposes	100.00	100.00	30 June
Port of Tauranga Limited (POT)	Port company	54.14	54.14	30 June
Subsidiaries of Port of Tauranga Limited:				
Port of Tauranga Trustee Company Limited	Holding company for employee share scheme	100.00	100.00	30 June
Quality Marshalling (Mount Maunganui) Limited	Marshalling and terminal operations services	100.00	100.00	30 June

* Council hold 45,000,000 of the 45,001,000 units in Toi Moana Trust.

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% (2019: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2019: 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 2020 was $7.60 (2019: $6.25) which has resulted in an increase in the fair value of the investment in Port of Tauranga Limited of $497.4 million (2019: $427.4 million).

Ownership interest in Port of Tauranga Limited	**2020**	**2019**
	$000	$000
Non current assets	1,755,839	1,682,982
Current assets	61,347	65,879
Non current liabilities	(352,133)	(213,280)
Current liabilities	(301,473)	(369,696)
Net Assets (100%)	1,163,580	1,165,885
Group's share of net assets 54.14% (2019: 54.14%)	629,962	631,210
Non Controlling Interest 45.86% (2019: 45.86%)	533,618	534,675
Accounting adjustment to non controlling interest	(9,601)	(9,005)
Reported non controlling interest	524,017	525,670
Port of Tauranga Group - summary of financial performance and cashflow		
Operating revenue	301,985	313,263
Profit after income tax	90,027	100,577
Total comprehensive income	121,719	165,533
Net cash inflow from operating activities	117,137	112,189
Ending cash and cash equivalents	8,565	3,903

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.

Refer to Note 15 for the accounting policy of Financial assets at fair value through other comprehensive revenue and expenses

22 Investments in equity accounted investees

Name of Entity	Principal Activity		2020 %	2019 %	Balance Date
Bay of Plenty Regional Council					
BOPLASS Limited	Local authority shared services	Associate	16.13	-	30 June
Quayside Holdings Limited					
Huakiwi Developments Limited Partnership	Orchard development	Joint venture	50.00	50.00	31 Mar*
WNT Ventures	Technological incubator	Associate	20.00	20.00	30 June
Ōpōtiki Packing & Coolstorage Limited	Kiwifruit packhouse	Associate	10.10	10.10	31 Dec*
HoneyLab Limited	Honey products	Associate	21.44	18.79	31 Mar*
Rhondium Limited	Dental technology	Associate	13.02	10.60	31 Dec*
Techion Holdings Limited	Diagnostic technology	Associate	29.87	20.82	30 June
Oriens Capital	Private equity fund	Associate	19.77	19.77	31 Mar*
Quayside Properties Limited					
Lakes Commercial Developments Limited	Commercial property development	Joint venture	50.00	50.00	30 June
Tauranga Commercial Developments Limited	Commercial property development	Joint venture	50.00	50.00	30 June
Port of Tauranga Limited					
Coda Group Limited Partnership	Freight logistics and warehousing	Joint venture	50.00	50.00	30 June
Northport Limited	Sea Port	Joint venture	50.00	50.00	30 June
PrimePort Timaru Limited	Sea Port	Joint venture	50.00	50.00	30 June
PortConnect Limited	On line cargo management	Joint venture	50.00	50.00	30 June
Timaru Container Terminal Limited	Sea Port	Joint venture	50.10	50.10	30 June

**Non-standard balance dates of QHL equity accounted investees are aligned to their business cycle and are accepted on the basis they are not material to QHL or the QHL Group. All of QHL's equity accounted investments except for Techion Holdings Limited and WNT Ventures, are audited to a balance date earlier than 30 June 2020 (31 December or 31 March). The equity accounting for these investments with non-aligned balance dates is based on unaudited management accounts as at 30 June, which have been reviewed by QHL management. WNT Ventures and Techion Holdings Limited have balance dates of 30 June, but audited accounts are generally not available before reporting date. The equity accounting for WNT Ventures and Techion Holdings Limited is therefore based on unaudited management accounts at 30 June. The Group accepts the use of unaudited management accounts on the basis that changes, if any, between management accounts and audited accounts, would not be material to QHL or the QHL Group.*

The Equity Accounted Investees of the Group are all incorporated / established in New Zealand.

The joint venture and associate investments of Quayside Holdings Limited and Quayside Properties Limited are held for investment purposes, to diversify Quayside Group's income earning asset base.

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

Carrying value of investments in Equity Accounted Investees:

	Council	Group	Council	Group
	2020	**2020**	**2019**	**2019**
	$000	$000	$000	$000
Associates				
Balance at 1 July	-	19,630	-	14,471
Initial recognition upon transition to PBE IPSAS 36	18	18	-	-
2019 Impairment on transition to PBE IPSAS 36	(11)	(11)	-	-
Share of after net profit after tax 2019	1	1	-	-
Adjusted balance as at 1 July	8	19,638	-	14,471
Share of after net profit after tax	2	115	-	(673)
Share of revaluation reserve	-	70	-	143
Share of total comprehensive income	**2**	**185**	**-**	**(530)**
New investment during the year	-	3,287	-	5,966
Impairment of investment	-	(860)	-	-
Distributions received	-	(19)	-	(277)
Balance at 30 June	**10**	**22,231**	**-**	**19,630**
Joint Ventures				
Balance at 1 July	-	149,038	-	140,165
Share of after net profit after tax	-	9,381	-	7,748
Share of hedging reserve	-	(186)	-	(308)
Share of revaluation reserve	-	216	-	448
Share of total comprehensive income	**-**	**9,411**	**-**	**7,888**

	Council	Group	Council	Group
	2020	**2020**	**2019**	**2019**
	$000	$000	$000	$000
New investment during the year	-	3,050	-	10,835
Impairment of investment	-	(6,986)	-	-
Distributions received	-	(10,102)	-	(9,850)
Balance at 30 June	**-**	**144,411**	**-**	**149,038**
Total Equity Accounted Investees	**10**	**166,642**	**-**	**168,668**

Quayside Group

The Parent has committed uncalled capital in its equity accounted investees of $8.2 million (2019: $12.2 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:

	Council 2020 $000	Group 2020 $000	Council 2019 $000	Group 2019 $000
Cash and cash equivalents	1,132	2,745	-	2,257
Total current assets	**1,367**	**23,672**	**-**	**28,024**
Total non current assets	**18**	**98,336**	**-**	**82,498**
Total assets	**1,385**	**122,008**	**-**	**110,522**
Current financial liabilities excluding trade and other payables and provisions	1,198	5,754	-	11,173
Total current liabilities	**1,355**	**15,175**	**-**	**22,105**
Non current financial liabilities excluding trade and other payables and provisions	-	28,142	-	29,308
Total non current liabilities	**-**	**28,142**	**-**	**29,308**
Total liabilities	**1,355**	**43,317**	**-**	**51,413**
Net assets	**30**	**78,691**	**-**	**59,109**
Group's share of net assets	5	12,616	-	8,834
Goodwill acquired on acquistion of equity accounted investees	-	9,605	-	10,796
Carrying amount of equity accounted investees	**5**	**22,221**	**-**	**19,630**
Revenues	1,405	63,564	-	61,228
Depreciation and amortisation	(8)	(4,161)	-	(3,896)
Interest expense	-	(905)	-	(1,043)
Net profit before tax	(15)	56	-	(4,161)
Tax expense	-	32	-	(397)
Net profit/(loss) after tax	(15)	88	-	(4,558)
Other comprehensive income	-	690	-	1,416
Total comprehensive income	**(15)**	**778**	**-**	**(3,142)**
Group's share of net profit after tax	**(2)**	**113**	**-**	**(673)**
Group's share of total comprehensive income	**(2)**	**183**	**-**	**(530)**
Group's share of dividends/distributions	**-**	**19**	**-**	**277**

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 2020	Northport Limited NZ $000	Coda Group Limited Partnership NZ $000	Other equity accounted investees NZ $000	Total NZ $000
Cash and cash equivalents	325	2,923	7,773	11,021
Total current assets	5,366	22,782	14,689	42,837
Total non current assets	141,676	98,796	152,290	392,762
Total assets	**147,042**	**121,578**	**166,979**	**435,599**
Current financial liabilities excluding trade and other payables and provisions	-	(1,539)	(8,179)	(9,718)
Total current liabilities	(5,542)	(15,345)	(19,483)	(40,370)
Non current financial liabilities excluding trade and other payables and provisions	(46,298)	(69,551)	(45,292)	(161,141)
Total non current liabilities	(46,298)	(69,551)	(45,405)	(161,254)
Total liabilities	**(51,840)**	**(84,896)**	**(64,888)**	**(201,624)**
Net assets	95,202	36,682	102,091	233,975
Group's share of net assets	47,601	18,341	51,053	116,995
Goodwill acquired on acquistion of equity accounted investees	-	22,428	4,988	27,416
Carrying amount of equity accounted investees	**47,601**	**40,769**	**56,041**	**144,411**

Subsidiary continued	Northport Limited	Coda Group Limited Partnership	Other equity accounted investees	Total
2020	**NZ $000**	**NZ $000**	**NZ $000**	**NZ $000**
Revenues	39,840	219,000	39,484	298,324
Depreciation and amortisation	(4,054)	(14,600)	(4,056)	(22,710)
Interest expense	(1,850)	(3,240)	(1,420)	(6,510)
Net profit before tax	22,527	(1,944)	5,776	26,359
Tax expense	(4,937)	-	(2,663)	(7,600)
Net profit after tax	17,590	(1,944)	3,113	18,759
Other comprehensive income	(1,026)	-	1,086	60
Total comprehensive income	**16,564**	**(1,944)**	**4,199**	**18,819**
Group's share of net profit after tax	**8,795**	**(972)**	**1,558**	**9,381**
Group's share of total comprehensive income	**8,282**	**(972)**	**2,101**	**9,411**
Group's share of dividends/distributions	**8,745**	**-**	**1,357**	**10,102**

Summarised financial information of equity accounted investees - Joint Ventures:

Subsidiary	Northport Limited	Coda Group Limited Partnership	Other equity accounted investees	Total
2019	**NZ $000**	**NZ $000**	**NZ $000**	**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**
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**

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

Bay of Plenty Regional Council

As at 30 June 2020 Bay of Plenty Regional Council 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 Council 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.

Quayside Holdings Limited

As at 30 June 2020 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.

QHL Management reviewed each of the investments in associates and joint ventures for indicators of impairment, including considering the impact of the COVID-19 pandemic. The investment in an equity accounted investee was tested for impairment at 30 June 2020 based upon the fair value of the investment. Fair value was determined with reference to the latest entry price paid for subscription of new capital into the investee. As a result of the impairment testing, the Parent has impaired its investment by $860,253.

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 Limited Partnership was tested for impairment at 30 June 2020 based upon the value-in-use of the investment. Value-in-use was determined by discounting five year future cash flows and was based upon the following key assumptions:

- Cash flow projections for the years 2021 to 2023 were projected using management forecasts.
- An annual growth rate of 5% has been included in cash flow projections for the years 2024 and 2025.
- Terminal cash flows were estimated using a constant growth rate of 1.25% after year five.
- An after tax discount rate of 8.7% was applied in determining the recoverable amount of the investment.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources.

As a result of impairment testing performed, the Group has impaired its investment in Coda Group Limited Partnership by $7.0 million.

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.

Previous accounting policy of associate

BoPLASS has previously been measured at fair value in accordance with PBE IFRS 9. The change in accounting standard PBE IPSAS 37 resulted in a change in classification of BoPLASS to an associate.

23 Trade and other payables

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Current				
Trade payables	4,390	12,019	4,515	16,817
Accrued expenses	8,155	32,735	9,525	28,134
Payables to equity accounted investees and related parties	-	1,829	-	5,013
Income in advance	8,228	8,321	1,848	2,108
Total trade and other payables	**20,773**	**54,904**	**15,888**	**52,072**

Payables denominated in currencies other than the functional currency are nil $ (2019: nil $).

Policies

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

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 - current

Council only	Council 2019/20 $000	Council 2018/19 $000
Total current payables comprise:		
Payables and deferred revenue under non-exchange transactions - this includes grants payable	-	-
Payables and deferred revenue under exchange transactions - this includes trade payables, income in advance and accruals	20,773	15,888
Total current payables	**20,773**	**15,888**

24 Deferred taxation

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

	Assets		Liabilities		Net	
	2019/20	**2018/19**	**2019/20**	**2018/19**	**2019/20**	**2018/19**
Group	$000	$000	$000	$000	$000	$000
Deferred tax (asset)/liability						
Tax Losses	(4,301)	-	-	-	(4,301)	-
Biological assets	-	(27)	5	-	5	(27)
Property, plant and equipment	-	-	77,893	76,799	77,893	76,799
Investment property	-	-	1,981	118	1,981	118
Intangible assets	-	-	1,435	1,237	1,435	1,237
Finance lease receivables	-	-	4	7	4	7
Derivatives	(8,273)	(6,246)	-	-	(8,273)	(6,246)
Provisions and accruals	(2,416)	(1,993)	-	-	(2,416)	(1,993)
Equity accounted investees	(425)	-	-	-	(425)	-
Total	**(15,415)**	**(8,266)**	**81,318**	**78,161**	**65,903**	**69,895**

	Recognised in the Income Statement		Recognised in Comprehensive income	
	2019/20	**2018/19**	**2019/20**	**2018/19**
Group	$000	$000	$000	$000
Tax benefit	(4,301)	123	-	-
Property, plant and equipment	(4,618)	(1,163)	5,713	395
Biological assets	31	(27)	-	-
Investment property	1,863	956	-	-
Intangible assets	(68)	110	266	100
Finance lease receivables	(3)	(3)	-	-
Derivatives	1	-	(2,028)	(2,844)
Provisions and accruals	(423)	(122)	-	-
Equity accounted investees	(425)	-	-	-
Total	**(7,943)**	**(126)**	**3,951**	**(2,349)**

Council has not recognised a deferred tax asset in relation to tax losses of $14.4 million. However, the deferred tax asset has been recognised at the group level.

Unrecognised tax losses or temporary differences

There are no material unrecognised temporary differences in the Group.

Tax Depreciation of Buildings

On 25 March 2020 the Government enacted the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act (Act). The Act reintroduces depreciation deductions on industrial and commercial buildings with effect from the start of the 2021 tax year. Tax depreciation on buildings with an estimated useful life of 50 years or more was previously removed from the start of the 2012 tax year. The 2012 law change reduced the tax base which resulted in the recognition of deferred tax liabilities for those buildings. The reinstatement of tax depreciation on those buildings in the current year will increase the tax base and reduce the existing deferred tax liability. The quantum of the tax base going forward reflects the tax depreciation deductions available over the remaining economic life of the buildings. The impact of this law change has resulted in a decrease to tax expense and a movement in deferred tax of $3.9 million.

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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Current				
Accrued Pay				
Opening balance	2,027	2,027	2,065	2,065
Charged/credited to the income statement		-		
Additional provisions	2,687	2,687	2,027	2,027
Used during year	(2,027)	(2,027)	(2,065)	(2,065)
Closing balance	**2,687**	**2,687**	**2,027**	**2,027**
Annual Leave				
Opening balance	2,467	2,467	2,700	2,700
Charged/credited to the income statement		-		
Additional provisions	2,971	2,971	2,467	2,467
Used during year	(2,467)	(2,467)	(2,700)	(2,700)
Closing balance	**2,971**	**2,971**	**2,467**	**2,467**
Sick leave				
Opening balance	57	57	55	55
Charged/credited to the income statement		-		
Additional provisions	60	60	57	57
Used during year	(57)	(57)	(55)	(55)
Closing balance	**60**	**60**	**57**	**57**
Long service leave				
Opening balance	164	164	170	170
Charged/credited to the income statement	-	-		
Additional provisions	100	100	87	87
Used during year	(92)	(92)	(92)	(92)
Closing balance	**172**	**172**	**164**	**164**
Employee benefits - profit sharing and bonuses				
Opening balance	-	2,178	-	2,262
Charged/credited to the income statement	-	-	-	-
Additional provisions	-	2,414	-	2,698
Used during year	-	(2,823)	-	(2,782)
Transferred to non current	-	(1,045)	-	-
Closing balance	**-**	**724**	**-**	**2,178**
Employee benefits - Management Long Term Incentive (LTI)				
Opening balance	-	-	-	818
Charged/credited to the income statement	-	-		
Utilised during the period	-	-	-	(958)
Additional provisions	-	-	-	140
Transferred to/from non-current	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**
Total Current	**5,890**	**6,614**	**4,716**	**6,894**

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Non current				
Long service leave				
Opening balance	1,202	2,985	1,119	2,865
Charged/credited to the income statement				
- Additional provisions	1,011	1,492	1,202	1,396
- Unused amounts reversed	(1,202)	(1,267)	(1,119)	(1,194)
Used during year	-	(88)	-	(82)
Closing balance	**1,011**	**3,122**	**1,202**	**2,985**
Employee benefits - profit sharing and bonuses				
Opening balance	-	-	-	-
Charged/credited to the income statement	-	-	-	-
Utilised during the period	-	-	-	-
Unused amounts reversed	-	-	-	-
Additional provisions	-	-	-	-
Transferred from current	-	1,045	-	-
Closing balance	**-**	**1,045**	**-**	**-**
Total non current	**1,011**	**4,167**	**1,202**	**2,985**
Total employee benefit liabilities	**6,901**	**10,781**	**5,918**	**9,879**

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

Underlying assumptions for provisions relate to the probabilities of employees reaching the required vesting period to qualify for long service leave. Probability factors for reaching long service leave entitlements are based on historic employee retention information.

Management long term incentive 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.

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

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 salariesand wages accruedup to balance date, annualleave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leaveis recognised to the extentthat 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.

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.

Presentation of employee entitlements

Sick leave, annual leave and vested long service leave are classified as a current liability. Non-vested long service leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

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 38.

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Current				
Borrowings from LGFA NZ Limited	75,900	75,900	90,490	90,490
Commercial papers	-	184,000	-	220,000
Fixed Rate Bond - 1st issue	-	75,000	-	50,000
Multi-option facility	-	-	-	2,000
Standby revolving cash advance facility	-	-	-	50,000
Total current borrowings	**75,900**	**334,900**	**90,490**	**412,490**
Non current				
Borrowings from LGFA NZ Limited	115,500	115,500	50,628	50,628
Westpac debt facility	-	15,106	-	28,102
Fixed Rate Bond - 2nd issue	-	-	-	75,000
Standby revolving cash advance facility	-	229,000	-	49,000
Advances from employees	-	458	-	213
Perpetual Preference Share Quayside Holdings Limited	-	194,885	-	194,885
Total non-current borrowings	**115,500**	**554,949**	**50,628**	**397,828**
Total borrowings Group	**191,400**	**889,849**	**141,118**	**810,318**

Term and debt repayment schedule

Council 2020 Non current	**Maturity**	**Coupon**	**Committed Facilities** NZ$000	**Undrawn Facilities** NZ$000	**Carrying Value** NZ$000
LGFA NZ Ltd Borrowing	2022	1.010%	25,000	-	25,000
LGFA NZ Ltd Borrowing	2022	1.690%	15,500	-	15,500
LGFA NZ Ltd Borrowing	2023	2.150%	15,000	-	15,000
LGFA NZ Ltd Borrowing	2025	2.470%	15,000	-	15,000
LGFA NZ Ltd Borrowing	2026	1.740%	20,000	-	20,000
LGFA NZ Ltd Borrowing	2027	1.910%	25,000	-	25,000
Total non current			115,500	-	115,500
Current					
LGFA NZ Ltd Borrowing	2021	1.190%	25,000	-	25,000
LGFA NZ Ltd Borrowing	2021	1.610%	30,000	-	30,000
LGFA NZ Ltd Borrowing	2021	1.190%	400	-	400
LGFA NZ Ltd Borrowing	2021	1.770%	20,500	-	20,500
Total current			75,900	-	75,900
Total Council			**191,400**	**-**	**191,400**

Subsidiary 2020	Maturity	Coupon	Committed Facilities $000	Undrawn Facilities $000	Carrying Value $000
Non current					
Westpac borrowings	2021	Floating	55,000	39,894	15,106
Bay of Plenty Regional Council	2022	Floating	50,000	400	49,600
Standby revolving cash advance facility	2023	Floating	200,000	121,000	79,000
Standby revolving cash advance facility	2022	Floating	180,000	130,000	50,000
Standby revolving cash advance facility	2021	Floating	200,000	100,000	100,000
Advances from employees	Various	0%	-	-	458
Total non current			685,000	391,294	294,164
Current					
Fixed rate bond	2021	4.792%	75,000	-	75,000
Multi option facilitiy	2020	Floating	5,000	5,000	-
Commercial papers	<3 months	Floating	-	-	184,000
Total current			80,000	5,000	259,000
Total			**765,000**	**396,294**	**553,164**

Council 2019	Maturity	Coupon	Committed Facilities $000	Undrawn Facilities $000	Carrying Value $000
Non current					
LGFA NZ Ltd Borrowing	2025	2.470%	15,000	-	15,000
LGFA NZ Ltd Borrowing	2023	2.150%	15,000	-	15,000
LGFA NZ Ltd Borrowing	2021	1.770%	20,500	-	20,500
Total non current			50,500	-	50,500
Current					
LGFA NZ Ltd Borrowing	2019	2.230%	20,000	-	20,000
LGFA NZ Ltd Borrowing	2019	2.160%	25,000	-	25,000
LGFA NZ Ltd Borrowing	2019	1.915%	25,000	-	25,000
LGFA NZ Ltd Borrowing	2019	Floating	20,000	-	20,000
Total current			90,000	-	90,000
Total			**140,500**	**-**	**140,500**

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	5.865%	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**

LGFA NZ Borrowings

Council has a number of financing arrangements with the LGFA, totaling $191.5 million (2019: $140.5). 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 originally expired on 30 June 2021, but was extended a further year to 30 June 2022 during the year.

Council's debt to revenue ratio at year end was -22 percent, this is within the limit of 250 percent.

Westpac Banking Corporation

Quayside Holdings Limited has a $55.0 million (2019: $55.0 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 a $75.0 million fixed rate bond with final maturity on 29 January 2021.

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 2020 the Port of Tauranga Group had $184.0 million of commercial paper debt that is classified within current liabilities (2019: $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 $580.0 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 (2019: $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). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

Multi option facility

The Port of Tauranga Limited has a $5.0 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2019: $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 $16.6 million (2019: $17.3 million), mortgages over the land and building assets $962.8 million (2019: $913.8 million), and by a general security agreement over the assets of the Port of Tauranga Limited $1,768.6 million (2019: $1,631.6 million).

The Council's secured loans are secured over rates of Council.

Covenants

The Port of Tauranga Limited borrows under a negative pledge arrangement, which with limited circumstances does not permit it to grant any security interest over its assets. The negative pledge deed requires the Port of Tauranga Limited to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. 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 2.66% at 30 June 2020 (2019: 3.75%) for the *Quayside Group* and 2.21% (2019: 3.08%) 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.

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.

27 Retained earnings

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Retained Earnings				
Balance at 1 July	210,485	363,085	204,279	336,696
Adjustment on adoption of IFRS 9 and PBE IFRS 9	-	-	3,579	3,429
Adjustment on adoption of PBE IPSAS 36	(10)	(10)	-	-
Profit share	39	37,289	18,367	45,415
Dividends paid	-	(5,551)	-	(6,221)
Reclassification of prior year retained earnings	-	405	-	-
Non-controlling interest adjustments	-	-	-	27
Movement in subsidiary's employee share scheme	-	(386)	-	(547)
Adjustment for vesting of equity settled share based payment	-	28	-	-
Revaluation surplus transferred to retained earnings on asset disposal	-	-	-	25
Transfers from:				
Restricted reserve - disaster	1	1	2,426	2,426
Asset replacement reserve	42,860	42,860	59,548	59,548
Infrastructure fund reserve	5,980	5,980	31,953	31,953
Regional project fund	2,167	2,167	45,000	45,000
Environmental enhancement fund	503	503	257	257
Equalisation fund reserve	7,622	7,622	10,120	10,120
Current account reserve	-	-	2,168	2,169
Rotorua Lakes restoration reserve	761	761	2,484	2,484
Kaituna river authority	9	9	45	45
Rotorua Air	714	714	755	755

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Transfers to:				
Restricted reserve - disaster	(636)	(636)	(54)	(54)
Asset replacement reserve	(58,671)	(58,671)	(74,369)	(74,369)
Infrastructure fund reserve	-	-	(1,212)	(1,212)
Regional project fund	(4,253)	(4,253)	(23,788)	(23,788)
Toi Moana reserve	-	-	(45,000)	(45,000)
Environmental enhancement fund	(313)	(313)	(306)	(306)
Equalisation fund reserve	(6,260)	(6,260)	(16,313)	(16,313)
Current account reserve	(3,391)	(3,392)	(3,932)	(3,932)
Rotorua Lakes restoration reserve	(2,897)	(2,897)	(4,732)	(4,732)
CDEM Group reserve	-	-	(113)	(113)
Kaituna river authority	(4)	(4)	(4)	(4)
Rotorua Air	-	-	(560)	(560)
General reserve	-	-	(113)	(112)
Balance as at 30 June	**194,706**	**379,050**	**210,485**	**363,085**

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 2020, the amount uncalled is $81.8 million (2019: $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.

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.

28 Other reserves

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Asset revaluation reserve				
Opening balance	181,048	742,135	144,508	663,792
Revaluation - land and buildings	(79)	(79)	(8,745)	(8,745)
Revaluation - Maritime	-	-	-	-
Revaluation - infrastructure assets	18,357	18,357	45,285	45,285
Revaluation - Port assets	-	20,216	-	39,541
Net change in share of equity accounted revaluation reserve	-	188	-	389
Bearer plant revaluation	-	(1,841)	-	1,619
Kiwifruit licence revaluation	-	685	-	255
Closing balance	**199,327**	**779,661**	**181,048**	**742,136**
Asset replacement reserve				
Opening balance	9,307	9,307	(5,515)	(5,515)
Transfers from:				
Retained Earnings	58,671	58,671	74,369	74,369
Transfers to:				
Retained Earnings	(42,860)	(42,860)	(59,547)	(59,547)
Closing balance	**25,118**	**25,118**	**9,307**	**9,307**

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Environmental enhancement fund				
Opening balance	465	465	416	416
Transfers from:				
Retained Earnings	313	313	306	306
Transfers to:				
Retained Earnings	(503)	(503)	(257)	(257)
Closing balance	**274**	**274**	**465**	**465**
Restricted reserve - disaster				
Opening balance	1,628	1,628	4,000	4,000
Transfers from				
Retained earnings	636	636	54	54
Transfers to:				
Retained earnings	(1)	(1)	(2,426)	(2,426)
Closing balance	**2,263**	**2,263**	**1,628**	**1,628**
Hedging cash flow reserve				
Opening balance	-	(9,244)	-	(5,066)
Net effective portion of changes in fair value of cashflow hedges, net of tax	-	(4,142)	-	(4,902)
Net change in fair value of cashflow hedges transferred to profit or loss, net of tax	-	1,283	-	893
Net change in share of equity accounted investees revaluation reserve	-	(102)	-	(169)
Closing balance	**-**	**(12,205)**	**-**	**(9,244)**

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Equalisation fund reserve				
Opening balance	6,193	6,193	-	-
Transfers from:				
Retained earnings	6,260	6,260	16,313	16,313
Transfers to:				
Retained earnings	(7,622)	(7,622)	(10,120)	(10,120)
Environmental enhancement fund	-	-	-	-
Closing balance	**4,831**	**4,831**	**6,193**	**6,193**
CDEM Group Reserve				
Opening balance	888	888	775	775
Transfers from:				
Retained earnings	-	-	113	113
Closing balance	**888**	**888**	**888**	**888**
Kaituna River Authority Reserve				
Opening balance	193	193	234	234
Transfers from:				
Retained earnings	4	4	4	4
Transfers to:				
Retained earnings	(9)	(9)	(45)	(45)
Closing balance	**188**	**188**	**193**	**193**

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Infrastructure fund reserve				
Opening balance	15,515	15,515	46,257	46,257
Transfer from:				
Retained earnings	-	-	1,212	1,212
Transfer to:				
Retained earnings	(5,980)	(5,980)	(31,954)	(31,954)
Closing balance	**9,535**	**9,535**	**15,515**	**15,515**
Regional Fund				
Opening balance	30,620	30,620	51,832	51,832
Transfer from:				
Retained earnings	4,253	4,253	23,788	23,788
Transfer to:				
Retained earnings	(2,167)	(2,167)	-	-
Toi Moana Fund	-	-	(45,000)	(45,000)
Closing balance	**32,706**	**32,706**	**30,620**	**30,620**
Toi Moana				
Opening balance	45,000	45,000	-	-
Transfer from:				
Regional Fund	-	-	45,000	45,000
Closing balance	**45,000**	**45,000**	**45,000**	**45,000**

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Current accounts				
Opening balance	5,086	5,086	3,517	3,517
Transfer from:				
Retained earnings	2,676	2,677	3,936	3,936
Transfer to:				
Retained earnings `	-	-	(2,923)	(2,923)
Rotorua Air Clean Heat	-	-	556	556
Closing balance	**7,762**	**7,763**	**5,086**	**5,086**
Rotorua Lakes restoration reserve				
Opening balance	2,040	2,040	(208)	(208)
Transfer from:				
Retained earnings	2,897	2,897	4,732	4,732
Transfer to:				
Retained earnings `	(761)	(761)	(2,484)	(2,484)
Closing balance	**4,176**	**4,176**	**2,040**	**2,040**
Financial assets available for sale reserve				
Opening balance	897	897	613	613
Net fair value gains / (losses)	752	752	284	284
Reclassification to surplus or deficit on disposal	(72)	2,680	-	-
Closing balance	**1,577**	**4,329**	**897**	**897**
Total reserves	**333,646**	**904,528**	**298,880**	**850,724**

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 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.

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. During the period the Container Volume Commitment Agreement was extended by seven years and now expires on 31 July 2031.

The increase in the reserve of $1.3m (2019: $1.3m) 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 2020 the balance of the equity settled share-based payment reserve was $3.6 million (2019: $2.4 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 2,940 shares at $3.55 per share were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2019: 128,820 shares at $3.02 per share).

During the year no shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2019: 194,200).

Non controlling interest

Non controlling interest of 45.86% (2019: 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.

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 2020 is -$0.1 million (2019: $0.8 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 2019	Granted During the Year	Vested during the Year	Fortified During the Year	Balance as at 30 June 2020
1 March 2018	30 June 2019	EPS	127,470	-	127,470	-	-
1 March 2018	30 June 2019	TSR	106,225	-	100,276	5,949	-
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
1 July 2019	30 June 2022	EPS	-	90,058	-	-	90,058
1 July 2019	30 June 2022	TSR	-	75,050	-	-	75,050
Total LTI Plan			**656,158**	**165,108**	**227,746**	**5,949**	**587,571**

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 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
1 July 2019	30 June 2022	EPS	6.28	0.80	17.60	6.02
1 July 2019	30 June 2022	TSR	6.28	0.80	17.60	2.72

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.

30 Commitments

Capital commitments

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Estimated capital commitments contracted for at balance date but not yet provided for	1,697	13,017	10,957	30,557
Total capital commitments	**1,697**	**13,017**	**10,957**	**30,557**

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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Not later than one year	466	466	750	750
Later than one year and not later than five years	1,114	1,114	506	506
Later than five years	922	922	285	285
Total non-cancellable operating leases	**2,502**	**2,502**	**1,541**	**1,541**

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.

Lease payments for some contracts include CPI increases, but there are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, the company may obtain bank guarantees for the term of the lease. Although the company is exposed to changes in the residual value at the end of the current leases, the company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Not later than one year	128	22,561	128	18,619
Later than one year and not later than five years	280	46,689	434	41,471
Later than five years	1,378	45,702	1,480	41,201
Total non-cancellable operating leases	**1,785**	**114,951**	**2,042**	**101,291**

Policies

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.

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 2020 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 2020, LGFA had borrowings totalling $11,907 million (2019: $9,531 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 2020 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:

	2019/20	**2018/19**
Transactions with Related Parties:	$000	$000
Bay of Plenty Regional Council		
Services provided to Quayside Properties Limited	8	5
Interest paid by Quayside Holdings Limited	800	867
Interest payable by Quayside Holdings Limited	110	481
Dividends paid by Quayside Holdings Limited	32,100	31,200
Loan drawn down by Quayside Holdings Limited	-	50,000
Loan repaid by Quayside Holdings Limited	400	-
Loan payable by Quayside Holdings Limited	49,600	50,000
Subvention payment payable by Quayside Holdings Limited	-	408
Subvention payment payable by Quayside Unit Trust	365	649
Subvention payment payable by Quayside Properties Limited	787	1,945
Subvention payment payable by Quayside Securities Limited	-	2
Services provided to Port of Tauranga Limited	21	76
Consideration for units issued by Toi Moana Trust	45,000	-
Quayside Unit Trust		
Dividends paid to Quayside Holdings Limited	105,100	78,900
Interest received by Quayside Holdings Limited	111	271
Interest receivable by Quayside Holdings Limited	-	13
Loan receivable by Quayside Holdings Limited	-	8,331
Loan repayment received by Quayside Holdings Limited	8,331	2,000
Dividends received from Port of Tauranga Limited	67,424	66,318

Transactions with Related Parties:	2019/20 $000	2018/19 $000
Quayside Properties Limited		
Interest received by Quayside Holdings Limited	712	641
Interest receivable by Quayside Holdings Limited	136	167
Loan advanced by Quayside Holdings Limited	23,803	6,264
Loan repaid to Quayside Holdings Limited	23	-
Loan receivable by Quayside Holdings Limited	47,200	23,421
Office lease provided to Quayside Holdings Limited	38	38
Accounts receivable by Quayside Holdings Limited	46	33
Management fees paid to Quayside Holdings Limited	114	111
Quayside Investment Trust		
Consideration for units purchased by Quayside Holdings Limited	37,607	13,000
Consideration for units redeemed by Quayside Holdings Limited	3,500	-
Quayside Securities Limited		
Management fees paid to Quayside Holdings Limited	77	76
Aqua Curo Limited		
Capital investment by Quayside Holdings Limited	1,000	-
Toi Moana Trust		
Fund management fee payable to Quayside Holdings Limited	56	-
Trustee fees paid to Quayside Securities Limited	61	-

Transactions with Related Parties:	2019/20 $000	2018/19 $000
Transactions with Equity Accounted Investees - Quayside Group		
Services provided by Quayside Holdings Limited	133	112
Accounts payable by Quayside Holdings Limited	500	1,400
Accounts receivable by Quayside Holdings Limited	70	31
Loans advanced by Quayside Holdings Limited	4,691	-
Loan repayment received by Quayside Holdings Limited	200	-
Loan receivable by Quayside Holdings Limited	4,491	-
Interest charged by Quayside Holdings Limited	137	-
Interest receivable by Quayside Holdings Limited	15	-
Capital contribution payable by Quayside Properties Limited	125	-
Capital contributions by Quayside Properties Limited	225	4,185
Loan advanced by Quayside Properties Limited	500	-
Loan payable to Quayside Properties Limited	500	-
Interest charged by Quayside Properties Limited	14	-
Interest payable to Quayside Properties Limited	14	-
Transactions with Equity Accounted Investees - Port of Tauranga Group		
Services provided to Port of Tauranga Limited	551	556
Services provided by Port of Tauranga Limited	4,987	3,824
Accounts receivable by Port of Tauranga Limited	27	239
Accounts payable by Port of Tauranga Limited	342	125
Advances by Port of Tauranga Limited	5,319	5,319
Services provided to Quality Marshalling (Mount Maunganui) Limited	18	3
Services provided by Quality Marshalling (Mount Maunganui) Limited	4,028	3,913
Accounts receivable by Quality Marshalling (Mount Maunganui) Limited	365	345
Accounts payable by Quality Marshalling (Mount Maunganui) Limited	1	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 $32.1 million. (2019: $31.2 million).

Loan to Quayside Holdings

In 2019 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.

Transfer to Toi Moana Trust

During the year Council transferred $45 million cash to Toi Moana Trust as a financial investment to optimise returns on funds.

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 2020. The purpose of the company is to foster collaboration between the nine shareholder councils in the delivery of "back office" services. Fiona McTavish, 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 2019/20 the Council was invoiced by BOPLASS for the following services:

	2019/20	2018/19
	$	$
Aerial photography	96,583	96,583
Annual contribution	57,209	57,209
Maintenance	-	6,174
Media monitoring services	26,548	31,320
Memberships, licenses and training	37,682	24,033
Other projects	2,967	-
Regional network lease	91,133	120,483
Shared services	-	4,600
Total expenses	**312,122**	**340,402**

During 2019/20 the Council was paid by BOPLASS for the following services:

	2019/20	2018/19
	$	$
Other operational costs	-	18,559
Total operational expenses	**-**	**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 2020. The Chief Executive of Bay of Plenty Regional Council (Fiona McTavish) 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

Non-monetary remuneration that is able to be reliably measured is included in the aggregate amount of remuneration of key management personnel disclosed for the period.

	Council 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Salaries and other short-term employee benefits	1,491	6,266	1,147	6,012
Post employment benefits	29	29	23	23
Councillor remuneration	994	994	1,013	1,013
Directors fees	-	1,146	-	1,104
Total	**2,514**	**8,435**	**2,183**	**8,152**

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 2019/20 $000	Council 2018/19 $000
Councillors - Full time equivalent members*	14	14
Executive Leadership Team - Full time equivalent	6	5

**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 $365,837.

Remuneration of Councillors

	2019/20	2018/19
	$	$
D Leeder	145,977	143,742
J Nees	80,314	86,484
P Thompson	71,525	89,735
A Tahana*	20,819	67,339
J Cronin*	20,819	67,339
L Thurston	67,733	67,339
N Bruning	62,713	67,339
S Crosby	62,713	67,339
A Von Dadelszen	64,574	70,245
D Love	64,574	57,120
S Marr*	17,660	57,120
K Winters	64,574	57,120
B Clark	59,554	57,120
M McDonald	64,574	57,120
T Iti**	41,894	-
S Rose**	41,894	-
T White**	41,894	-
Total	**993,805**	**1,012,500**

**July to October 2019*

***October to June 2020*

Remuneration of Directors

	2019/20	2018/19
	$	$
R Macleod	189,200	180,500
D A Pilkington	173,680	167,000
K R Ellis	106,600	102,500
J C Hoare	104,000	100,000
A R Lawrence	96,200	92,500
D W Leeder	93,600	90,000
A M Andrew	93,600	90,000
R Tait	24,000	69,000
P Thompson	53,000	53,000
W Parker	53,000	53,000
B Hewlett	53,000	53,000
S Crosby	53,000	35,000
K Horne	53,000	-
J M Nees	-	18,000
Total	**1,145,880**	**1,103,500**

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

Remuneration of Council Employees

	2019/20	2018/19
< $60,000	89	96
$60,000 - $79,999	104	103
$80,000 - $99,999	140	140
$100,000 - $119,999	69	40
$120,000 - $139,999	26	20
$140,000 - $159,999	9	14
$160,000 - $239,999	10	7
$320,000 - $379,999	1	1
Total Employees	448	421

** 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 2020, the Council employed 359 full-time employees (2019: 342), with the balance of staff (89) representing 61 full-time equivalent staff (2019: 56). 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 2020, the Council made two (2019: one) severance payments to employees totaling $41,696 (2019: $45,261).

The value of each of the severance payments was $36,896 and $4,800.

35 Segmental reporting

This note is for the subsidiary only.

At 30 June 2020 the Quayside Holdings Limited 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 2020			
Total segment revenue	301,985	73,381	375,366
Inter-segment revenue	-	(67,424)	(67,424)
Revenue (from external customers)	301,985	5,957	307,942
Other income/gains	-	46,054	46,054
Finance income	310	1,368	1,678
Finance costs	(18,840)	(1,581)	(20,421)
Depreciation and amortisation	(29,746)	(846)	(30,592)
Reversal of previous revaluation deficit	175	-	175
Other expenditure/losses	(139,758)	(27,980)	(167,738)
Impairment of property, plant and equipment	(6,986)	(860)	(7,846)
Share of profit of equity accounted investees	11,305	(1,811)	9,494
Income tax expense	(28,418)	(1,454)	(29,872)
Net profit after tax	**90,027**	**18,847**	**108,874**

	Port	Investing	Total
	$000	$000	$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)
Reversal of previous revaluation deficit	(499)	-	(499)
Other expenditure/losses	(140,093)	(22,916)	(163,009)
Share of profit of equity accounted investees	(34,432)	(885)	(35,317)
Income tax expense	8,100	(1,025)	7,075
Net profit after tax	**100,577**	**15,066**	**115,643**

The segment assets at 30 June are:

	Port	Investing	Total
Segment Assets	$000	$000	$000
30 June 2020	1,817,186	380,636	2,197,822
30 June 2019	1,748,861	348,006	2,096,867

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

Council

Regional Councils were invited to submit projects for consideration to the Crown Infrastructure Partners (CIP) for Infrastructure improvements, required to be ‘shovel-ready’ projects.

In July 2020, Council was successful in two applications and awarded funding of $23 million to assist in New Zealand’s recovery post Covid-19.

The two applications relate to the Rangitāiki Floodway and spillway and the other is a collection of five smaller flood resilience infrastructure projects across the region.

Subsidiary

On 28th July 2020 a net dividend of $1,655 per share ($16,550,000) was declared to ordinary shareholders, payable on 30th July 2020.

On 1st September 2020 a net dividend of $0.004428 per share was declared to perpetual preference shareholders, payable on 12th September 2020.

No other dividends were declared after the balance date but prior to the date of signing these accounts.

The financial statements were approved by the Board of Directors on 24 November 2020.

The Government's Provincial Gowth Fund (PGF) announced on 31st July 2020 that it will contribute $18 million to unlock development plans for the Rangiuru Business Park. These funds will be utilised by Quayside Properties Limited to further advance the development of the business park.

In August 2020, the $4.5 million loan from Quayside Holdings Limited to an equity accounted investee was repaid in full.

On Wednesday 12 August 2020 at 12.00pm, the Auckland regions moved to Alert Level 3 and the rest of the New Zealand moved to Alert Level 2. This Alert Level escalation had no material impact on the performance of the Group or Council.

37 COVID-19 impacts

Council has incurred unbudgeted costs and revenue forgone as a result of COVID-19. Some transactions have had a nil effect on Council's overall surplus/deficit due to central government subsidy and recovery schemes. These are:

- Passenger Transport revenue forgone of $0.9 million, plus additional operational costs and fare payments of $0.3 million. Waka Kotahi NZ Transport Agency provided a 100% subsidy of $1.2 million.
- Civil Defence Emergency Management additional costs incurred in relation to COVID-19 response and activation of the GECC of $1.1 million. As at 30 June 2020 $0.8 million has been recovered.
- Other costs incurred totalling $0.6 million include additional communications and cost of Council staff responding and working in the GECC.

As at 30 June 2020 there is uncertainty of the long term effect the COVID-19 pandemic will have on Council and its subsidiaries. The areas the Group anticipate may be impacted include the fair value and carrying amounts of assets and liabilities. The key assumptions and judgements used in our asset valuations in 2020 are in Note 17 of these financial statements. The key assumptions and judgements used for the valuation of the put option are in Note 40 of these financial statements.

Asset	COVID-19 Assessment
Cash and Cash Equivalent	No impact to carrying value. All cash held with banks with reputable financial institutions.
Receivables and Prepayments	The Group has reviewed its provision for expected credit losses as a result of the deteriorating outlook for the New Zealand economy. Refer to note 12 for more details.
Property, Plant and Equipment	The Quayside Holdings Limited group's property, plant and equipment (excluding plant and equipment) are held at fair value, and land and buildings and bearer plants have been revalued as at 30 June 2020 following an independent valuation by Colliers International New Zealand Limited. Colliers have reported their valuation on the basis of "material valuation uncertainty", given the unprecendented set of circumstances on which to base a judgement. Refer to note 17 for more detail. The Council property, plant and equipment (excluding plant and equipment are held at fair value. Land and operational buildings have been revalued as at 30 June 2020 following an independent valuation by Telfer Young. Flood protection assets were revaluaed on 1 July 2019 by engineers of the Council with peer review performed by Opus International Consultants Limited.
Biological Assets	The Group's biological assets are revalued annually to fair value by independent valuation and the valuations appropriately reflect the market uncertainty that exists due to COVID-19.
Investment Property	The Group's investment properties are revalued annually to fair value by independent valuation. The valuers have stated that there is a greater degree of uncertainty attached to their valuations this year due to market uncertainty that exists due to COVID-19. Refer to note 20 for more detail.
Financial Assets – Equity Investments	The Group's equity investments are measured at fair value based on quoted market prices at 30 June 2020. Post balance date the equity portfolio continues to recover losses made in the March/April period.
Financial assets - other investments	The Group's other investments are measured at fair value based on the net assets of the entities invested in.
Right-of-use Assets	COVID-19 has not had any impact on any of the lease agreements underpinning these right-of-use assets. The Group has not sought any rent relief from landlords or changed its view on likely contract extensions.
Intangible Assets	The Group continues to use its intangible assets to the fullest extent possible, as such, there are no indications of impairment of any of the Group's intangible assets as a result of COVID-19.
Goodwill	An impairment test was performed on goodwill and no impairment was identified.
Investment in Equity Accounted Investees	An impairment test was performed on Coda Group Limited Partnership and on equity accounted investee of the subsidiary due to the impact of COVID-19 on its operations. Refer to note 22 for more detail. There were no impairment indicators for the remaining Equity Accounted Investees.

Tax Depreciation on Buildings

On 25 March 2020 the Government enacted the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Act (Act). The Act reintroduces depreciation deductions on industrial and commercial buildings with effect from the start of the 2021 tax year. This applied to Council's subsidarieis only.

38 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. The Toi Moana Trust is also included in the Quayside Group Structure with Quayside Securities Limited acting as the trustee.
- *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.

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	Other amortised cost	Total carrying amount	Fair value
	$000	$000	$000	$000	$000
Council 2019/20					
Financial assets					
Cash and cash equivalents	-	-	39,522	39,522	39,522
Other financial assets	-	-	110,000	110,000	110,000
Trade and other receivables	-	-	20,729	20,729	20,729
Total current financial assets	-	-	170,251	170,251	170,251
Investments in subsidiaries	-	-	42,339	51	51
Trade and other receivables	-	-	1,571	1,571	1,571
Other financial assets	6,991	3,062	49,600	59,654	101,941
Total non current financial assets	6,991	3,062	93,510	61,276	103,563
Total financial assets	**6,991**	**3,062**	**263,761**	**231,527**	**273,814**
Financial liabilities					
Borrowings	-	-	75,900	75,900	75,900
Trade and other payables	-	-	12,545	12,545	12,545
Total current financial liabilities	-	-	88,445	88,445	88,445
Borrowings	-	-	115,500	115,500	115,500
Put option provision	-	3,400	-	3,400	3,400
Total non current financial liabilities	-	3,400	115,500	118,900	118,900
Total financial liabilities	**-**	**3,400**	**203,945**	**207,345**	**207,345**

	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
<u>**Group 2019/20**</u>						
Financial assets						
Cash and cash equivalents	-	-	-	113,043	113,043	113,043
Other financial assets	-	-	-	110,000	110,000	110,000
Trade and other receivables	-	-	-	76,378	76,378	76,378
Total current financial assets	-	-	-	299,421	299,421	299,421
Trade and other receivables	-	-	-	1,571	1,571	1,571
Other financial assets	6,990	246,270	-	500	253,760	253,760
Total non current financial assets	6,990	246,270	-	2,071	255,331	255,331
Total financial assets	**6,990**	**246,270**	**-**	**301,493**	**554,752**	**554,752**
Financial liabilities						
Borrowings	-	-	-	334,900	334,900	334,900
Trade and other payables	-	-	-	22,102	22,102	22,102
Derivative instruments	-	-	-	-	-	-
Total current financial liabilities	-	-	-	357,002	357,002	357,002
Derivative financial instruments	-	-	29,359	-	29,359	29,359
Borrowings	-	-	-	360,064	360,064	360,064
Put option provision	-	3,400	-	-	3,400	3,400
Total non current financial liabilities	-	3,400	29,359	360,064	392,823	392,823
Total financial liabilities	**-**	**3,400**	**29,359**	**717,066**	**749,825**	**749,825**

	Fair Value through other Comprehensive Income	Fair Value through Profit & Loss	Other amortised cost	Total carrying amount	Fair value
	$000	$000	$000	$000	$000
Council 2018/19					
Financial assets					
Cash and cash equivalents	-	-	138,110	138,110	138,110
Other financial assets*	-	-	28,069	28,069	28,069
Trade and other receivables	-	-	18,169	18,169	18,169
Total current financial assets	-	-	184,348	184,348	184,348
Investments in subsidiaries	91	-	-	91	91
Trade and other receivables	-	-	1,820	1,820	1,820
Other financial assets*	7,063	-	50,000	57,063	57,063
Total non current financial assets	7,154	-	51,820	58,975	58,975
Total financial assets	**7,154**	**-**	**236,169**	**243,323**	**243,323**
Financial liabilities					
Borrowings	-	-	90,000	90,000	90,490
Trade and other payables	-	-	14,039	14,039	14,039
Derivative financial 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**

*Restated other amortised cost from prior year, Refer to note 15. (2019: Current - $78,069, non-current - $0)

	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
<u>**Group 2018/19**</u>						
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	-	-	-	28,419	28,423	28,423
Derivative financial instruments	-	-	1,138	-	1,138	1,138
Total current financial liabilities	-	-	1,138	440,419	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**	**643,234**	**668,671**	**672,762**

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 2019/20 $000	Group 2019/20 $000	Council 2018/19 $000	Group 2018/19 $000
Trade and other receivables - current	20,729	76,378	18,169	75,644
Trade and other receivables - non current	1,571	1,571	1,820	1,832
Other financial assets - current	110,000	110,000	28,069	53,069
Other financial assets - non current	49,600	-	50,000	-
Cash and cash equivalents	39,522	113,043	138,110	205,097
Total credit risk	**221,422**	**300,992**	**236,168**	**335,642**

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

Council

Council has recognised an ECL allowance of $166,000 (2019: $189,000) for the Hot Swap Loan and $129,000 (2019: $846,000) for Rates Receivable in line with 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 64.1% of total Group revenue (2019: 62.7%). 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 2019/20	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	889,849	766,463	561,624	13,168	109,735	35,637	46,300
Deferred consideration	-	-	-	-	-	-	-
Trade and other payables	22,102	22,102	22,102	-	-	-	-
Total non derivative financial liabilities	911,951	788,565	583,727	13,168	109,735	35,637	46,300
Derivatives							
Interest rate derivatives							
- Outflow	29,359	30,947	2,931	3,469	7,930	15,333	1,284
Total derivatives	29,359	30,947	2,931	3,469	7,930	15,333	1,284
Total liquidity risk	**941,310**	**819,512**	**586,658**	**16,637**	**117,665**	**50,970**	**47,584**

Council 2019/20	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	191,400	201,646	77,321	1,591	42,531	33,904	46,300
Trade and other payables	12,545	12,545	12,545	-	-	-	-
Total non derivative financial liabilities	203,945	214,191	89,866	1,591	42,531	33,904	46,300
Total liquidity risk	**203,945**	**214,191**	**89,866**	**1,591**	**42,531**	**33,904**	**46,300**

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
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							
Total liquidity risk	**155,157**	**159,016**	**104,805**	**528**	**21,556**	**16,757**	**15,371**

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 $280 million (2019: $310 Million).

The average interest rate on interest rate derivatives is 3.3% (2019: 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 2019/20** $000	**Group 2019/20** $000	**Council 2018/19** $000	**Group 2018/19** $000
Fixed rate instruments				
Term Deposits	125,000	125,000	149,788	174,788
Bonds and fixed rate notes	-	-	5,069	5,069
Fixed Rate Bond	-	(75,000)	-	(125,000)
Total	**125,000**	**50,000**	**154,857**	**54,857**
Variable rate instruments				
Commercial papers	-	(184,000)	-	(220,000)
Standby revolving cash advance facility	-	(229,000)	-	(99,000)
Interest rate derivatives	-	(29,359)	-	(21,767)
Westpac borrowings	-	(15,106)	-	(28,102)
Floating rate notes	-	-	-	(2,000)
Cash balances	24,522	98,043	11,318	78,305
Total	**24,522**	**(359,422)**	**11,318**	**(292,564)**

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 2018/19.

	Profit or Loss		**Cash Flow Hedge Reserve**	
Subsidiary	**100 bp decrease**	**100 bp increase**	**100 bp decrease**	**100 bp increase**
	$000	$000	$000	$000
Variable rate instruments	(2,927)	2,968	-	-
Interest rate derivatives	1,477	(1,477)	7,886	(8,360)
30 June 2020	(1,450)	1,491	7,886	(8,360)
Variable rate instruments	(2,389)	2,419	-	-
Interest rate derivatives	1,135	(1,135)	7,337	(7,774)
30 June 2019	(1,254)	1,284	7,337	(7,774)

(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:

	Council 2019/20	**Group 2019/20**	**Council 2018/19**	**Group 2018/19**
	$000	$000	$000	$000
Cash - AUD	-	3,586	-	6,704
Cash - USD, EUR, GBP	-	5,197	-	8,182
Equities - AUD	-	29,465	-	27,404
Equities - USD, EUR, GBP	-	50,909	-	45,561
Total foreign currency risk	**-**	**89,157**	**-**	**87,851**

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 2019.

	Profit or loss		**Reserves**	
Subsidiary	**10% increase**	**10% decrease**	**10% increase**	**10% decrease**
	$000	$000	$000	$000
Cash - AUD	359	(259)	-	-
Cash - USD, EUR, GBP	520	(520)		
Equities - AUD	2,947	(2,947)	-	-
Equities - USD, EUR, GBP	5,091	(5,091)	-	-
30 June 2020	8,917	(8,817)	-	-
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)	-	-

(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	2019/20	2018/19
	$000	$000
Unlisted private equity and managed funds	20,094	7,658
Equities - NZD	101,683	97,897
Equities - AUD	29,465	27,404
Equities - USD, EUR, GBP, CAD, SGD	50,909	45,561
30 June	**202,151**	**178,520**

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
Unlisted private equity and managed funds	2,009	(2,009)
Equities - NZD	10,168	(10,168)
Equities - AUD	2,947	(2,947)
Equities - USD, EUR, GBP, CAD, SGD	5,091	(5,091)
30 June 2020	**20,215**	**(20,215)**

	10% increase	10% decrease
	$000	$000
Unlisted private equity and managed funds	766	(766)
Equities - NZD	9,790	(9,790)
Equities - AUD	2,740	(2,740)
Equities - USD, EUR, GBP, CAD	4,556	(4,556)
30 June 2019	**17,852**	**(17,852)**

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 2020, 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 $400,356 (2019: $367,887).

Market liquidity risk

Market liquidity risk is the risk that insufficient liquidity in the market for a security will limit the ability of the security to be sold, resulting in the QHL Group suffering a financial loss. The QHL Group is subject to market liquidity risk if investments are made in relatively illiquid securities, such as unlisted investments. The QHL Group seeks to minimise its exposure to this risk through having sufficient liquid investments.

Financial instruments categories and fair value hierarchy

The QHL Group's other equity investments are mandatorily measured at fair value through the income statement. The table below analyses financial instruments carried at fair value, by level of valuation.

The following table presents the QHL Group's financial assets and liabilities that are measured at fair value at 30 June 2020 and 30 June 2019.

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2020				
Financial assets at fair value through profit or loss				
Listed equity investments	182,057	-	-	182,057
Unlisted direct investments	-	-	6,211	6,211
Unlisted managed funds	-	-	13,883	13,883
	182,057	**-**	**20,094**	**202,151**

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2019				
Financial assets at fair value through profit or loss				
Listed equity investments	170,862	-	-	170,862
Unlisted direct investments	-	-	4,290	4,290
Unlisted managed funds	-	-	3,368	3,368
	170,862	**-**	**7,658**	**178,520**

Transfers between levels in the fair value hierarchy

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the QHL Board and management determine whether transfers have occurred between levels in the hierarchy by reassessing categorisation throughout each reporting period. There were no transfers between levels in the current or prior year.

Reconciliation of fair value measurement under Level 3 hierarchy

The table below shows a reconciliation of fair value movements in Level 3 financial instruments.

	2020 $000	2019 $000
Opening Balance	7,658	1,472
Purchases	13,117	6,531
Sales	-	(241)
Unrealised gains and losses recognised in net fair value gains on financial instruments held at fair value through profit or loss	(681)	(245)
Realised gains and losses recognised in net fair value gains on financial instruments held at fair value through profit or loss	-	141
Closing Balance	**20,094**	**7,658**

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy the amount of the total gains or losses for the period included in income that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period was a $0.7 million loss (2019: $0.3 million loss), and these amounts are recognised as part of the 'Other Losses' (Note 6 b) line item of the income statement.

Fair value sensitivity

	Non-market observable input	Movement	Impact on fair value measurement	
			Increase	Decrease
		%	$000	$000
2020 – Parent and Group				
Unlisted direct investments	(i)	(i)	124	-124
Unlisted managed funds	(i)	(i)	278	-278
2019 – Parent and Group				
Unlisted direct investments	(i)	(i)	86	-86
Unlisted managed funds	(i)	(i)	68	-68

(i) The Group's investments that have been categorised as private equity and are held either directly or via externally managed investment vehicles. The Board and management have assessed that the reasonably likely movement in fair value in a one-year period is: 20% for direct private equity investments and 20% for managed funds based on internal risk modelling. The volatility seen in financial markets during the year ended 30 June 2020 resulted in movements in excess of these percentages for certain assets. This degree of volatility is however considered unusual and, given this and the relative recovery of financial markets by 30 June 2020, the likely movements in value are still considered appropriate. Reporting from investment managers regarding externally-managed investments has been scrutinised to ensure the impact of Covid-19 has been adequately considered and reflected in the valuation of the investments under their stewardship.

Valuations for these investments are provided by investment managers or administrators if held via a managed structure. The QHL Group does not always have access to the underlying valuation models to fully disclose sensitivities to specific assumptions.

39 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. Quayside Securities Limited is the trustee for the Toi Moana Trust. The objectives of capital management of Toi Moana Trust therefore align with the Quayside Group objectives.

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.

40 Explanation of major variances against budget

Explanations for major variations from the Council's budget figures in the 2019/20 Annual Plan are as follows:

Statement of comprehensive revenue and expense

Operating revenue

Total operating revenue was $138.5 million which was $1.8 million higher than budget of $136.7 million. The reasons for the variances are identified below:

Subsidies and grants

Subsidies and grants revenue is $2.9 million *lower* than budget mainly due to the below variances.

- Integrated Catchment Management - Rotorua Te Arawa Lakes is $2.2 million *lower* than budget mainly due to delays in the land use change incentives programme affecting the timing of operating grants from the Ministry for the Environment. Similarly, capital revenue is $2.1 million *lower* than budget due to the Tikitere Diversion project not proceeding which this is affecting the timing of capital grants from the Ministry for the Environment. Unspent Ministry for the Environment funding in 2019/20 has been carried forward to future years.
- Flood Protection and Control - capital grants revenue is $0.8 million *higher* than budget due the timing of claims to the Ministry for the Environment for the completed Kopeopeo Canal Remediation Project.
- Public Transport – $1.3 million *higher* than budget mainly due to the additional Waka Kotahi subsidy for the impacts of the Covid-19 pandemic which offsets fare revenue forgone (within trading and other revenue – see below). In addition, capital grants from Waka Kotahi is $0.5 million *lower* than budget as the go-live for Regional Integrated Ticketing Solution is scheduled in July 2020 (i.e. implementation of the new Bee-Card).

Finance revenue

- Corporate - finance revenue is $1.3 million *lower* than budget. This unfavourable variance comprises of $2.2 million *lower* distributions from the investments in Toi Moana Trust; and $0.9 million *higher* than planned interest revenue off cash and other financial assets.

Trading and other revenue

Trading and other revenue is $5.5 million *higher* than budget mainly due to the below variances.

- Flood Protection and Control – operating revenue is $0.3 million *higher* than budget from gravel extractions. Capital revenue is $3.0 million *higher* than budget due the timing of insurance claims for flood damage repairs.
- Resource Regulation and Monitoring - Biosecurity is $0.48 million *higher* than budget due to unbudgeted cost recoveries from the National Biocontrol Collective; and Regulatory Compliance is $0.47 million *lower* than budget for RMA section 36 fees and charges.
- Public Transport - $1.6 million *lower* bus fares due to reduced patronage and fare-free travel during the COVID-19 pandemic through to 30 June 2020. As noted above, the majority of the fare revenue forgone is offset with an additional subsidy from Waka Kotahi, as well as some additional advertising revenue.
- Emergency Management - $1 million *higher* than budget due to the recovery of costs from central government for the Whakaari/White Island eruption and the Covid-19 pandemic responses.
- Corporate Services - $1.1 million *higher* than budget in Corporate Tax due to a subvention payment from Quayside Holdings Limited to offset its tax liabilities with Council’s available tax losses. In addition, Corporate Treasury has reclassified the movement in the doubtful debts provision which has resulted in additional operating revenue of $800,000.

Operating expenditure

Operating expenditure was $138.5 million which was $4.5 million higher than the budget of $134.0 million. Variances in the classes of expenditure include:

Employee benefit expenses

Employee benefit expenses is $0.5 million *lower* than budget due several fit for purpose reviews, and prudent management of our employee resources and vacancies. This underspend is offset by Council’s 2019/20 efficiency budget in trading and other expenses.

Trading and other expenses

Trading and other expenses is $1.5 million *lower* than budget mainly due to:

- Integrated Catchment Management - Rotorua Te Arawa Lakes land use change incentives is $6.4 million *lower* than budget, as noted above this funding is carried forward to future years. Consultants is $0.9 million *lower* than budget mainly due to the impacts of the Covid-19 pandemic on various projects.
- Flood Protection and Control - contractor and consultant costs is $0.7 million *higher* than budget. Overall work progressed with stable summer conditions however the Covid-19 pandemic slowed the completion of works supported by contractors. Council also approved $1.2 million additional budget to cover damage caused by a flood event in July 2019 in the Whakatāne-Tauranga and Waioeka-Otara river schemes; some of this work was delayed due to restricted rock supply.
- Resource Regulation and Monitoring - $1.8 million *higher* than budget comprising of $1.0 million in Biosecurity due to the National Biocontrol Collective (cost-recoverable) and catfish control promotions; $0.6 million additional Resource Consent applications costs; as well as $0.5 million additional legal expenses in Regulatory Compliance as a number of cases are progressing to court hearings. Some of this variance is offset with an *under-spend* in Maritime of $0.25 million relating to various items including external legal advice.
- Regional Planning - grants expenditure within the Regional Infrastructure activity is $2.8 million *higher* than budget mainly due to $2 million of additional expenditure approved by Council for the Awatarariki Fanhead Managed Retreat in Matata, as well as the final milestone payment on the Tauranga Tertiary Campus.
- Public Transport - $1.3 million *lower* than budgeted expenditure in Tauranga, Western Bay and Rotorua bus operations. Some of this variance is offset by *higher* than planned expenditure of $0.38 million on various items including additional ticketing equipment required prior to the implementation of the Regional Integrated Ticketing Solution, as well as external legal advice.
- Emergency Management - $0.9 million *higher* than budget primarily due to the additional costs for the Whakaari/White Island Eruption and the COVID-19 responses. These costs were fully recoverable.

- Regional Planning and Engagement - Governance is $0.7 million *lower* than budget due to savings in meeting related costs (e.g. catering and hospitality), elected member payments, and lower than expected travel and accommodation costs mainly due to the impacts of the Covid-19 pandemic. Similarly Regional Planning is $0.37 million underspent.
- Corporate Services - Other expenses are $7.25 million *higher* than budget due to the impairment of buildings $4.5 million in Corporate Property and an impairment of Toi Moana Trust investment of $2.75 million in Corporate Treasury. These are non-cash transactions. In addition Corporate Property costs were $0.8 million *higher* than budget due to insurance, and additional rent, repairs and maintenance costs.

Finance costs

Finance costs is $0.4 million *lower* than budget due to lower than planned interest rates on debt held with the Local Government Funding Agency.

Other losses

Other losses is $1.0 million *higher* than budget due to the loss on disposals of property, plant and equipment.

Statement of financial position

Assets

Total assets is $45.1 million *higher* than budget due to the below major variances.

Current assets

Current assets is $59.3 million *higher* than budget due to the below major variances.

- Other financial assets is $42.6 million *higher* than budget due to term deposits that were planned as non-current however due to the maturity date are recorded as current assets.
- Trade and other receivables were $10.8 million *higher* than planned mainly due to:
    - Rates receivables were $9.3 million which was $4.8 million *higher* than budget of $4.5 million due to lower than expected receipts from the Territorial Authorities (who collect rates on behalf of Council).
    - Interest receivables is $2.6 million which was $1.6 million *higher* than budget of $1 million due to the maturity profile of term deposits.
    - An *higher* than planned increase of $7.7 million in trade debtors and other receivables makes up the balance of the variances in current assets.

Non-current assets

Non-current assets is $14.2 million *lower* than budget due to the below major variances.

- Property, plant and equipment was $11.7 million more than planned, mainly due to higher than expected infrastructure asset revaluations. This variance is partly offset by lower capital expenditure.
- Other financial assets is $25.0 million *lower* than budget. This is mainly due to term investments planned as non-current however due to the maturity date are recorded as current assets.

Liabilities

Total liabilities is $9.9 million *lower* than budget due to the below major variances.

- The put option is valued at $3.4 million which is $11.6 million *lower* than budget.
- Total current and non-current borrowings is $1.9 million *higher* than budget to meet capital funding requirements. Short term borrowings is $24.1 million *lower* than budget and non-current borrowings is $26 million *higher* than budget. The maturity date of some loans has been extended to maintain Treasury Policy compliance, and this has meant that some borrowings have been re-classified between current and non-current.

Equity

Total equity is $55.0 million *higher* than budget mainly due to infrastructure asset revaluations and impairment reviews in 2018/19 and 2019/20.

Statement of Cashflows

Net cash from operating activities is $6.0 million *higher* than budget due to lower than expected payments to suppliers.

Net cash from investing activities is $1120.0 million *higher* than budget. A change in the maturity profile of investments has resulted in investments that were budgeted for as cash being reinvested for longer terms therefore classified as investing activities.

41 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 2020 was carried out by PricewaterhouseCoopers (PwC), Wellington on 17 September 2020. PwC has applied Quayside Holdings Limited an updated credit rating range from A- to BBB- 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 $2.7 million to $3.5 million for the Put Option. In 2018/19 this range was $2.9 million to $3.4 million.

Sensitivity of the indicative valuation to 22.4% recovery			
Rating score	A-	BBB	BBB-
Income statement	-$0.06 million	-$1.36 million	-$3.98 million
Balance sheet	$3.46 million	$4.76 million	$7.38 million

Sensitivity of the indicative valuation to 40% recovery			
Rating score	A-	BBB	BBB-
Income statement	$0.73 million	-$0.28 million	-$2.30 million
Balance sheet	$2.67 million	$3.68 million	$5.70 million

42 Funding impact statement

Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2020 (whole of Council)

	Annual Plan 2018/19 $000	Actual 2018/19 $000	Annual Plan 2019/20 $000	Actual 2019/20 $000
Source of operating funding				
General rates, uniform annual general charges, rates penalties	25,728	26,077	27,544	27,797
Targeted rates	24,780	24,802	29,369	29,442
Subsidies and grants for operating purposes	17,770	13,239	18,317	17,008
Fees and charges	10,625	11,352	11,566	9,916
Interest and dividends from investments	38,025	38,804	38,728	37,414
Local authorities fuel tax, fines infringement fees and other receipts	1,775	7,420	2,152	6,536
Total operating funding (A)	**118,703**	**121,694**	**127,675**	**128,112**
Applications of operating funding				
Payments to staff and suppliers	122,659	114,442	122,213	120,138
Finance costs	2,827	2,773	3,547	3,185
Other operating funding applications	131	91	153	210
Total applications of operating funding (B)	**125,617**	**117,306**	**125,913**	**123,533**
Surplus (deficit) of operating funding (A-B)	**(6,914)**	**4,388**	**1,762**	**4,579**
Sources of capital funding				
Subsidies and grants for capital expenditure	5,100	8,492	4,715	3,096
Development and financial contributions	0	0	0	0
Increase (decrease) in debt	44,340	54,352	50,332	36,402
Gross proceds from sale of assets	1,035	1,181	0	151
Lump sum contributions	0	0	0	0
Other dedicated capital funding	7,422	2,127	4,307	7,057
Total sources of capital funding (C)	**57,897**	**66,152**	**59,354**	**46,706**

	Annual Plan 2018/19 $000	Actual 2018/19 $000	Annual Plan 2019/20 $000	Actual 2019/20 $000
Applications of capital funding				
Capital expenditure				
- to meet additional demand	0	0	0	0
- to improve levels of service	37,150	37,821	40,111	21,387
- to replace existing assets	20,747	18,766	19,244	15,015
Increase (decrease) in reserves	(7,470)	13,394	1,219	14,325
Increase (decrease) of investments	556	560	543	556
Total applications of capital funding (D)	**50,983**	**70,540**	**61,116**	**51,283**
Surplus (deficit) of capital funding (C-D)	**6,914**	**(4,388)**	**(1,762)**	**(4,577)**
Funding balance (A-B) + (C-D)	**0**	**0**	**0**	**0**
Note: This financial statement excludes:				
Depreciation and amortisation	7,363	6,422	8,138	6,618
Loss on sale of property, plant and equipment	0	2,543	0	1,034
Impairment of property, plant and equipment	0	0	0	4,555
Gain on disposal of property, plant and equipment	0	(354)	0	(259)
Fair value adjustments	0	(66)	0	2,752
Gain on revaluation of Put Option	0	(11,600)	0	0
Vested Asset Revenue	0	(306)	0	0

43 Internal loans

Council

	Opening Balance 01 July 2019	Loan Advances	Loan Repayments	Closing Balance 30 June 2020	Interest Charges
	$000	$000	$000	$000	$000
Integrated Catchment Management Group of Activities					
Kaituna Catchments	14,731	2,588	(543)	16,776	627
Rotorua Lakes	14,469	973	(900)	14,542	576
	29,200	3,561	(1,443)	31,318	1,203
Resource Regulation and Monitoring Group of Activities					
Rotorua Air Activity - Clean Heat	2,828	405	(705)	2,528	110
Maritime	105	142	(6)	241	8
	2,934	547	(712)	2,769	118
Flood Protection and Control Works Group of Activities					
Kaituna Catchment Control Scheme	5,644	4,322	(1,223)	8,743	251
Rangitaiki - Tarawera Rivers Scheme	33,456	8,363	(2,086)	39,733	1,420
Whakatāne - Tauranga Rivers Scheme	6,593	3,010	(2,233)	7,370	260
Waioeka - Otara Rivers Scheme	6,213	223	(1,373)	5,063	206
Rangitaiki Drainage Scheme	1,068	557	(214)	1,411	44
Non-Scheme	16,876	1,041	(2,796)	15,121	646
	69,851	17,516	(9,926)	77,441	2,827

	Opening Balance 01 July 2019	Loan Advances	Loan Repayments	Closing Balance 30 June 2020	Interest Charges
	$000	$000	$000	$000	$000
Corporate Services Group of Activities					
Communications	4	0	(0)	3	0
Buildings	24,227	9,301	(967)	32,561	1,106
Plant	486	241	(35)	691	24
Vehicles	798	842	(39)	1,601	47
Information Services	378	603	(14)	967	65
Information Technology	1,132	758	(49)	1,840	70
	27,024	11,745	(1,104)	37,663	1,313
Transportation Group of Activities					
Tauranga Passenger Transport	582	1,023	(657)	948	31
	582	1,023	(657)	948	31
Regional Development Group of Activities					
Regional Parks	257	203	(10)	450	11
	257	203	(10)	450	11
Emergency Management Group of Activities					
CDEM Group	3	0	0	3	0
	3	0	0	3	0
Technical Services Group of Activities					
Geospatial	113	176	(7)	282	8
Engineering	0	5	0	5	0
Data Services	243	324	(11)	555	14
Science	77	576	(13)	640	16
	433	1,080	(31)	1,482	38
Total	**130,283**	**35,674**	**(13,882)**	**152,073**	**5,541**

44 Depreciation and amortisation expense by Group of Activity

	Council 2019/20 $000	Council 2018/19 $000
Directly attributable depreciation and amortisation expense by group of activity:		
Integrated Catchment Management	890	891
Flood Protection & Control	1,325	1,249
Resource Regulation & Monitoring	87	78
Transportation	21	23
Regional Development	43	36
Regional Planning & Engagement	0	0
Emergency Management	0	0
Technical Services	481	580
Corporate Services	3,771	3,565
Total depreciation and amortisation	**6,618**	**6,422**

45 Financial Prudence

Annual report disclosure statement for year ending 30 June 2020

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-

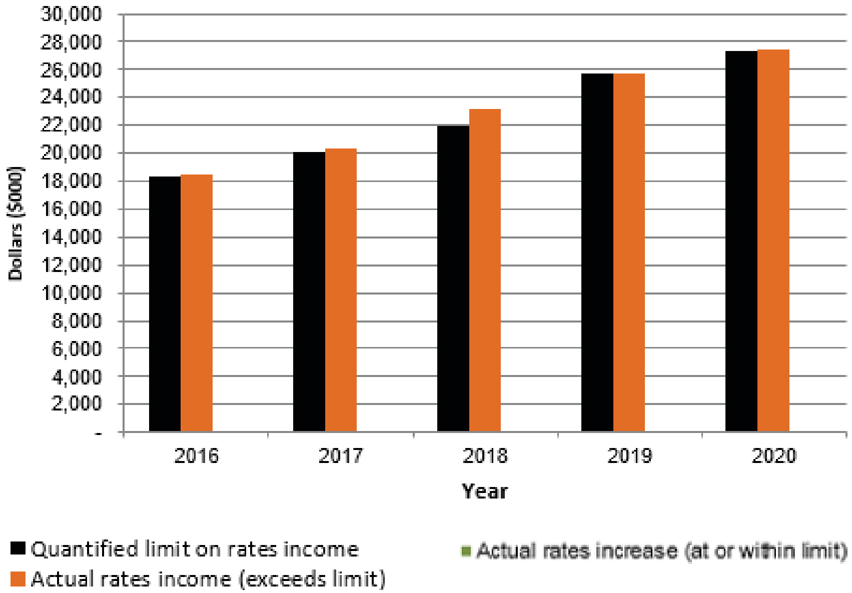
- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increase equal or are less than each quantified limit on rates increases

Rates (income) affordability

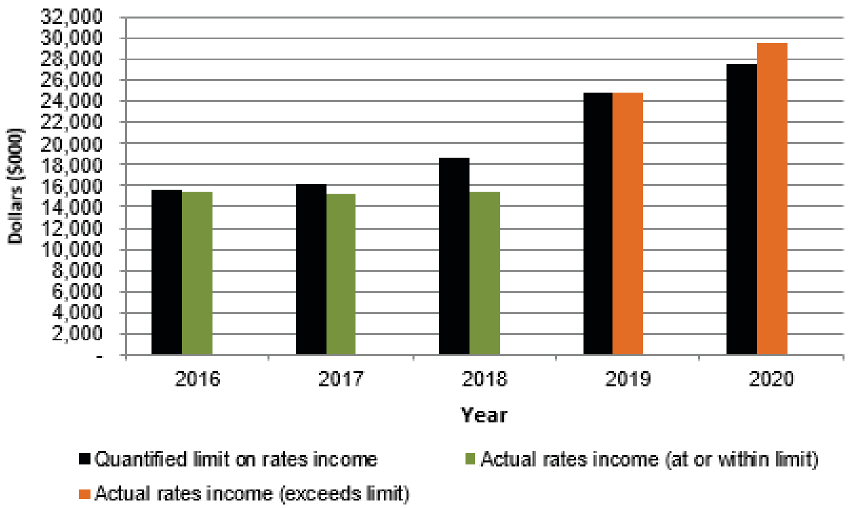
The following graphs compare the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits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

Quantified limit on rates	2016	2017	2018	2019	2020
	$000	$000	$000	$000	$000
General rates	18,340	20,080	21,988	25,728	27,285
Targeted rates	14,940	16,092	18,669	24,780	27,526
Planned rates	**33,280**	**36,172**	**40,657**	**50,508**	**54,811**

General rates



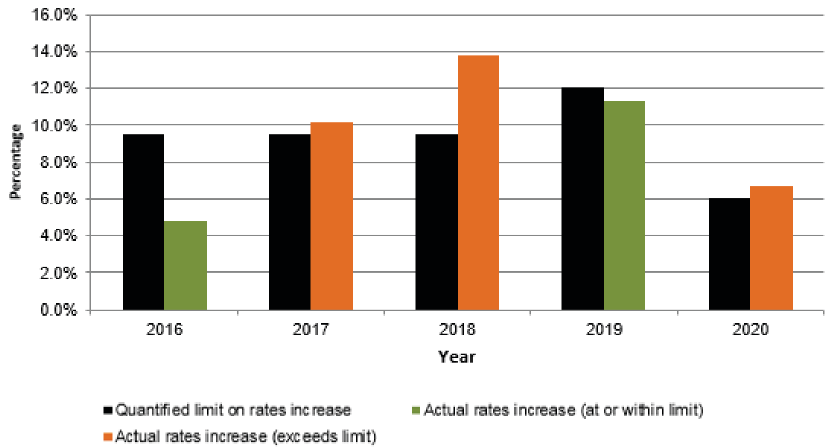
Targeted rates



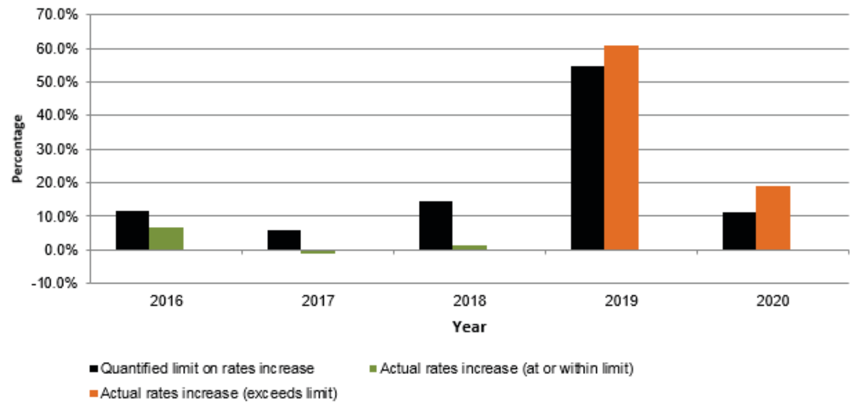
Rates (increases) affordability

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

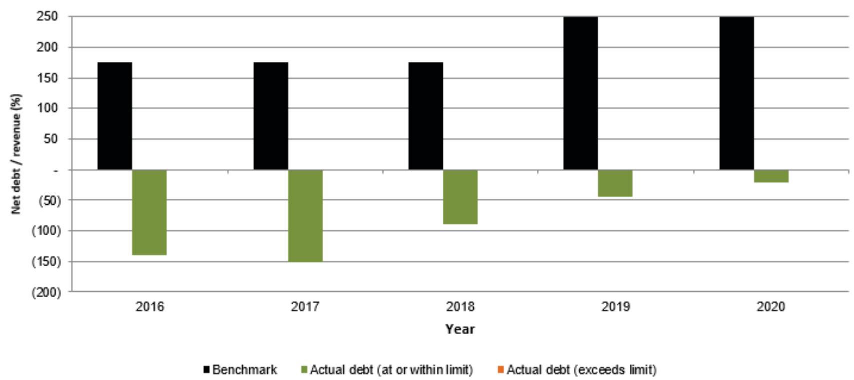
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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:

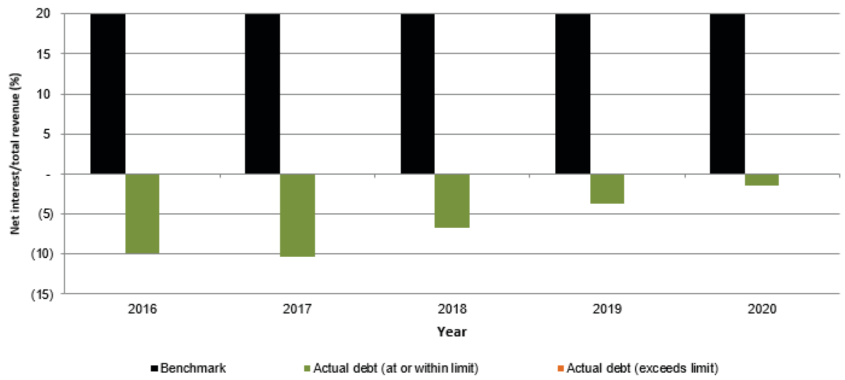
Financial covenant [1]	Limit
Net debt [2] / Total revenue [3]	<250%
Net interest / Total revenue	<20%
Net interest / Annual rates revenue	<30%
Liquidity [4]	>110%

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.

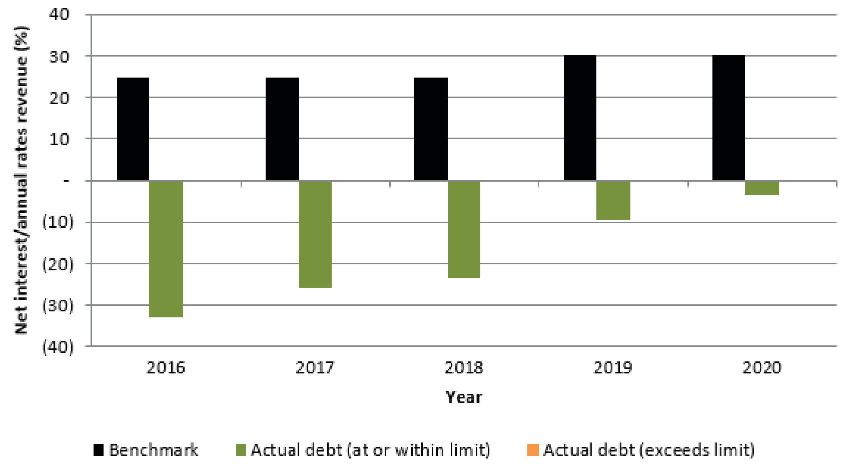
Net debt / total revenue



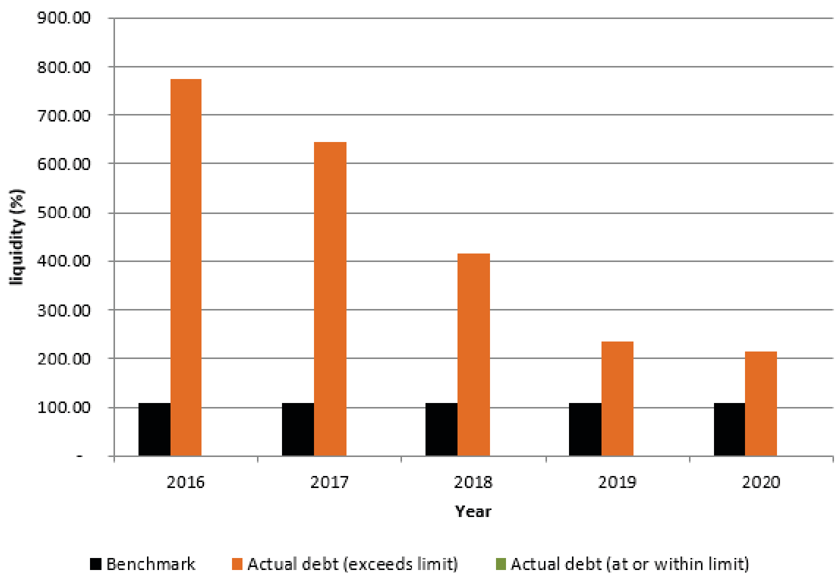
Net interest / total revenue



Net interest / annual rates revenue



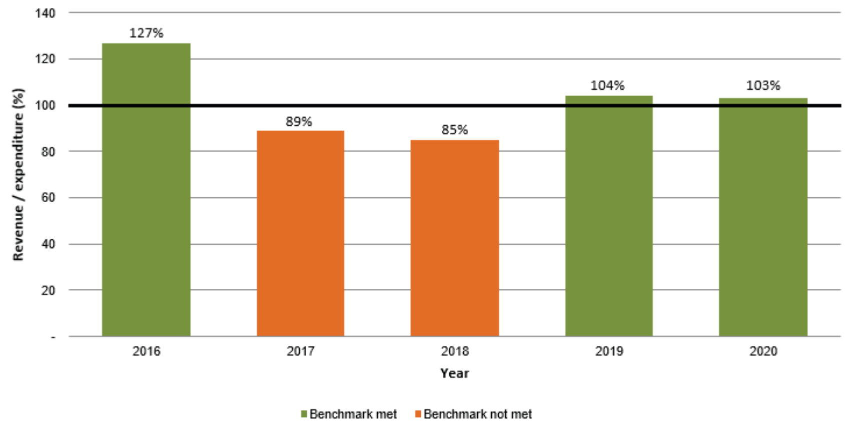
Liquidity



Balanced budget benchmark

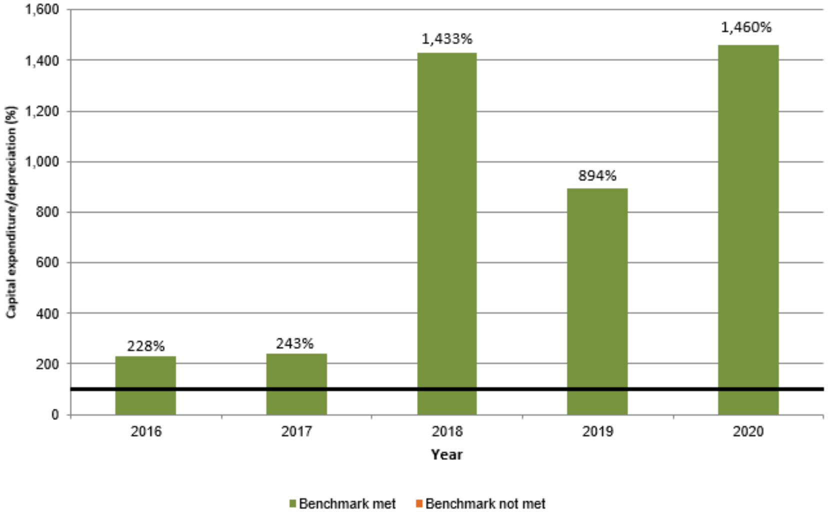
The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial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

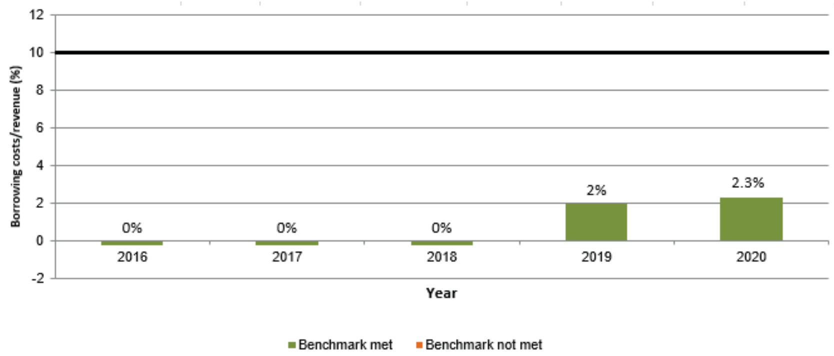
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals, or is greater than depreciation on network services.



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).

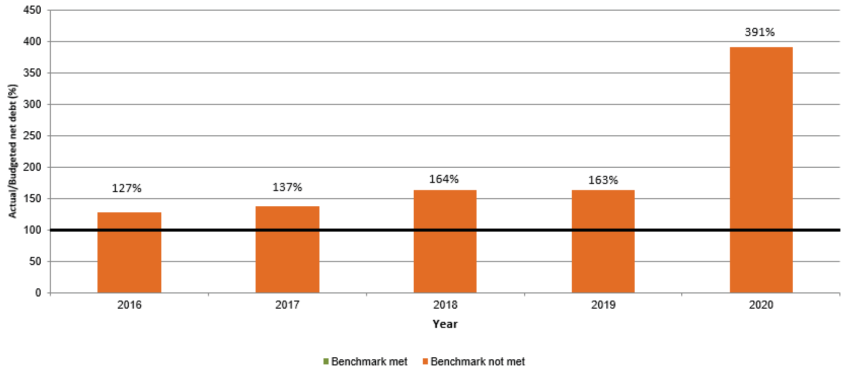
Because Statistics New Zealand projects the Council's population will grow *more slowly* than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 % of its revenue.



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.

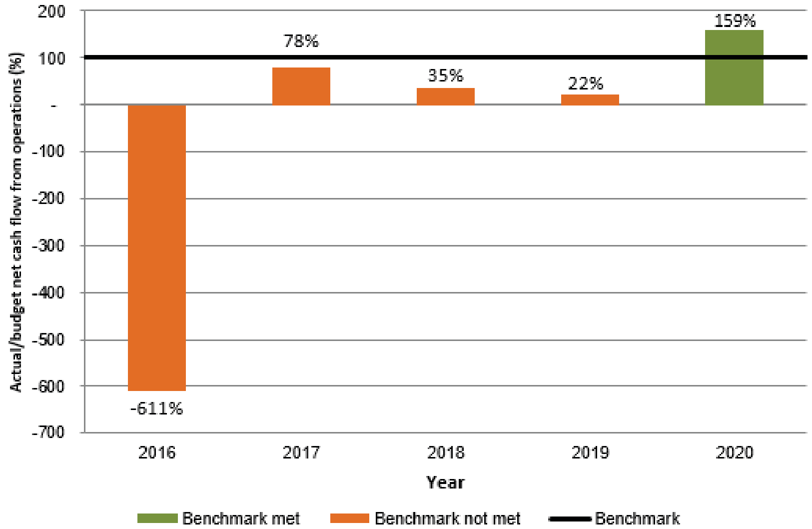


Restricted funds relating to performance bonds of $6.4 million has been included in the debt control benchmark. Should the restricted funds be excluded, a result of 308% is achieved for 2020.

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 2020 fairly reflect the financial position, financial performance and service performance achievements of the Bay of Plenty Regional Council and Group.

Douglas Leeder
Chairman

17 December 2020

Fiona McTavish
Chief Executive

17 December 2020

Independent Auditor's Report

To the readers of Bay of Plenty Regional Council's annual report for the year ended 30 June 2020

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

We are also required to report on:

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

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

We completed our work on 17 December 2020. This is the date on which we give our report.

OPINION ON THE AUDITED INFORMATION

In our opinion:

- the financial statements on pages 77 to 180 and pages 182 to 183:
  - present fairly, in all material respects:
- the Regional Council and Group's financial position as at 30 June 2020;
- the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 181, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- the Service Delivery Performance on pages 19, 27 to 69:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2020, including:
- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and

- the statement about capital expenditure for each group of activities on pages 33 to 68, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's long term plan; and
- the funding impact statement for each group of activities on pages 33 to 69, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

REPORT ON THE DISCLOSURE REQUIREMENTS

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 183 to 189, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and Group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

EMPHASIS OF MATTER – IMPACT OF COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Regional Council as set out in note 37 to the financial statements and page 19 of the service delivery performance

BASIS FOR OUR OPINION ON THE AUDITED INFORMATION

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

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

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

RESPONSIBILITIES OF THE COUNCIL FOR THE AUDITED INFORMATION

The Council is responsible for meeting all legal requirements that apply to its annual report.

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

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

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDITED INFORMATION

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

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

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

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

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

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the Service Delivery Performance, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

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

OTHER INFORMATION

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 2 to 18, 20 to 23, 71 to 76 and 190, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENCE

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

In addition to our audit and our report on the disclosure requirements, we carry out a limited assurance engagement related to the Regional Council's debenture trust deed, which are compatible with those independence requirements. Other than this engagement, we have no relationship with or interests in the Regional Council.

Leon Pieterse
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

BAY OF PLENTY
REGIONAL COUNCIL
TOI MOANA

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