BAY OF PLENTY
REGIONAL COUNCIL
TOI MOANA

Whakaekengia tēnei waka
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Te Mahere Tūroa **Long Term Plan** 2021 - 2031

WĀHANGA TUARUA - VOLUME TWO

Te rārangi kaupapa
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Financial Strategy
Te Rautaki Pūtea

Executive Summary

The purpose of the financial strategy is to facilitate prudent financial management and provide a guide for considering proposals for funding and spending. A comprehensive review of the Regional Council's financial framework was undertaken as part of preparing Long Term Plan 2021-2031 for consultation. The starting premise of the review was that our financial strategy enables our work, rather than constrains our work.

Our financial strategy has been designed to deliver our Strategic Direction and work plans while taking the external financial situation into account. The main results of our Financial Strategy are:

- Planning financially for the whole Council Group.
- Maintaining financial resilience to respond to the impact of climate change and other challenges through increasing the net value of the Council Group's investments.
- Keeping rates low as we recover economically from COVID-19. The general rates increase is 5.8% [(1)] in 2021/22 (an average of $23 per household), then 3% for the next two years. This has been achieved after a 0% increase in 2020/21.

We will achieve these results by:

- Growing dividends from Quayside that are used to reduce rates. The dividend is projected to increase from $33 million in 2020/21 to $40 million in 2021/22 and 2022/23 then grow by 3% per annum to maintain the real value of dividend in line with population growth and inflation.
- Using financial reserves where appropriate. Council is planning to use its reserves to fund capital expenditure where possible due to current interest rate forecasts. In addition to using reserves to fund capital expenditure, Council is also planning to use $59 million of general reserves to fund our $20 million contribution to the Ōpōtiki Harbour Transformation, $7 million towards bus route optimisation as part of the Transport Systems Plan, a $4 million donation to the Te Whare Taonga o Te Arawa (Rotorua Museum), $15 million to support land use change in the Rotorua Te Arawa Lakes, and $750,000 on Lake Tarawera Sewerage Reticulation. These are investments to improve long term wellbeing. In addition, we have budgeted $12 million of reserve use to reduce rates increases over the first three years of this Long Term Plan.
- Increasing the value of non-port investments managed by Quayside Holdings Limited ("Quayside") from $380 million to $700 million by 30 June 2031. This increased value will generate additional profits to fund the dividend to Council, and is also another source of financial resilience in the Council Group.
- Maintaining our ability to borrow. Council is planning to take on $15 million of new additional borrowing to finance its work programme and may use reserves to repay borrowing if this is financially beneficial. Council will borrow and on-lend to Quayside to finance their regional projects like the Rangiuru development.

1 The Financial Strategy uses real rates figures which exclude growth and inflation

Introduction

Council's vision is "Thriving Together –mō te taiaō, mo ngā tāngata". Council has focused its Community Outcomes with an emphasis on a healthy environment; freshwater for life; safe and resilient communities, and a vibrant region.

The financial strategy builds a sustainable budget and levels of service. The financial strategy outlines the key financial results that Council aims to achieve and explains how the Council will be sustainable over the next 10 years.

It is Council's view that the implementation of this financial strategy in the LTP2021-2031 is prudent and sustainable. It will ensure a balance between providing the community with what they need, with keeping core services and functions affordable.

Financial Principles

Council has determined the following financial principles to guide its financial decisions and actions through the LTP2021-2031:

Principle 1: Council balances operating expenditure and revenue except where an alternative approach is more financially prudent.

Principle 2: Council achieves the right mix to fund its activities, and keep rates, and fees and charges, affordable, fair and equitable now and for the future.

Principle 3: Council promotes effective and efficient use of resources to achieve better value for money.

Principle 4: Council creates resilience through robust and agile management practices which minimise or mitigate risk to achieving its financial objectives.

Principle 5: Council supports investment in solutions that are the most appropriate in the long term.

The Council Group

The wider Council Group consists of several Council Controlled Organisations ("CCO") that complement the services that Council delivers directly. As part of the Council Group, Council is the 100% owner of Quayside Holdings Limited which manages our commercial investments, 100% owner of the Toi Moana Trust which manages one of our long term reserve funds, and a part owner of BOPLASS and the Local Government Funding Agency which guarantees us access to shared service arrangements to reduce costs and the ability to borrow at low interest rates.

Quayside Holdings Limited

Council holds a 100% shareholding in Quayside, which manages Council's commercial investments. Quayside's vision is to provide long term financial security to Council, through a diversified investment portfolio and through ensuring our shareholding in the Port of Tauranga is managed in an effective and commercial manner.

Quayside manages commercial investments to optimise growth and returns over the long run for the good of the Bay of Plenty. Specific core activities include the following:

- Port of Tauranga portfolio – holds our 54.14% majority ownership of Port of Tauranga and is responsible for monitoring financial performance, peer relative performance and corporate governance
- Non-Port investment portfolio valued at $380 million as at June 2020. This generates commercial returns and an income stream through a diversified investment portfolio including shares, private equity and real assets.
- Treasury portfolio – targeting both cash and tax efficient management of cash and borrowings to the benefit of Quayside and the wider Council Group.

Toi Moana Trust

Council is the 100% owner of the Toi Moana Trust. This trust is a Portfolio Investment Entity that manages a $45 million diversified investment portfolio and provides distributions to Council which are used to reduce rates.

Bay of Plenty Local Authority Shared Services

Council holds a 16.1% shareholding in Bay of Plenty Local Authority Shared Services Limited, with the eight other local authorities in the Bay of Plenty and Gisborne. This CCO provides shared services and joint procurement initiatives where these are more efficient or effective than can be delivered directly by individual Councils.

Local Government Funding Agency

Council holds a 7.5% shareholding in the Local Government Funding Agency. This CCO provides access to borrowing to Councils across New Zealand at better rates than could be delivered individually.

Strategic Context

A comprehensive review of the Regional Council's financial framework was undertaken. Council has a range of options available to fund work and manage financial risk. These are referred to as our financial levers. This review included the following main steps:

1. Reviewing our expenditure requirement
2. Identifying our financial levers and benchmarking with other regional councils
3. Setting the financial results we aim to achieve
4. Receiving and considering submissions from the community, stakeholders and partners on the work required to deliver our community outcomes and financial goals
5. Finalising our Long Term Plan

Reviewing our expenditure requirements

The focus of the Long Term Plan 2021-2031 is to deliver our Community Outcomes and improve the wellbeing of our communities. We use a strategically driven process, where rates are an end result of the process, rather than an up-front revenue target. Activity planning included a detailed review of discretionary/non-discretionary work, and defined levels of service and performance measures.

Major areas of activity and cost have been developed using a fit for purpose process similar to a zero-based budgeting process. Examples of this include:

- Passenger transport routes have been developed based on a strategic review of routes and future plans, and operators appointed subject to full competitive tender processes.
- Flood protection and control projects are based on requirements determined through the asset management planning process which considers future demand, maintenance and renewal requirements.
- Staff costs have been developed following full reviews of the internal organisational structure and resourcing requirements, and renegotiation of the Collective Employment Agreement in 2019.

This process identified the following factors that are expected to have a significant impact on us over the next ten years and beyond.

COVID-19 The financial impacts of COVID-19 are subject to uncertainty as cases overseas increase and vaccines are developed. International tourism appears unlikely to resume in the short term.

Climate Change Climate Change is the largest risk to Council and the Community in the long term. Council has built climate change forecasts into its resource management and flood protection planning, however, the wide range of scenarios lead to a wide range of potential interventions and costs.

Urban Form and Transport The Western Bay of Plenty is planning for significant changes to accommodate and provide for population growth. This is a collaboration with Tauranga City Council, Western Bay District Council and Waka Kotahi, with each having distinct areas of delivery.

Legislative Change Council is directly affected by Government requirements/standards/legislation. This is particularly the case reform of the Resource Management Act and any new environmental or freshwater standards.

Growth and Inflation The Bay of Plenty continues to grow, and is forecast to have a 12% (16,000) increase in rating units over this Long Term Plan. This increase will not be uniform over the region. Inflation and interest rates are forecast to increase as we recover economically from COVID-19.

Identifying and benchmarking our financial levers

Council has a range of options available to fund work and manage financial risk. These are referred to as our financial levers. Each financial lever has multiple effects. The main financial levers are:

Quayside Dividend Council established Quayside as our commercial investment arm. Council provides guidance regarding the dividend amount. As greater dividends are received, less funds may be available for reinvestment. This may impact on future generations. Council receives a higher percentage of its operating income from investment income than any other regional council.

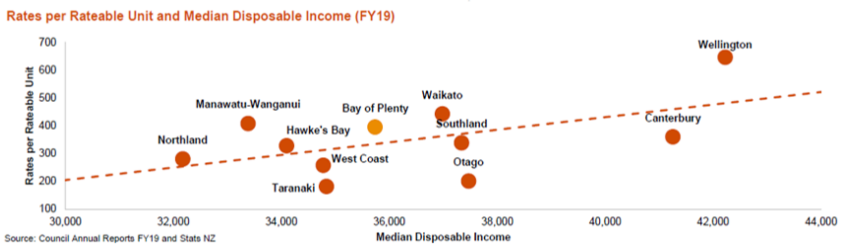
Investments Quayside holds our 54.14% shareholding in the Port of Tauranga as well as a growing portfolio of non-port investments ($380 million as at June 2020). Quayside increases its investments by using any profit it retained after the dividend is paid to Council and Perpetual Preference Shareholders. These investments provide for future dividend increases and financial resilience. In addition, Council holds reserve funds which are in safe investments until needed for cash-flow.

Borrowing Council borrows through the Local Government Funding Agency. Borrowing spreads the cost of an investment over time, which makes it suitable for funding capital projects. Council does have prudential limits on its borrowing and needs to take future interest rate forecasts into account.

Fees and Charges Council seeks to have those that benefit directly from a service pay the costs of provision. This is primarily used for items like resource consents, compliance monitoring, transport and moorings. Council receives a similar percentage of its operating income from fees and charges as other regional councils.

Rates Rates are the last tool that Council considers to fund services. Rates can be kept low in the short term through the use of reserves or by increasing dividend payments from Quayside. However, using reserves can cause large increases in the future and risks the overall financial sustainability of Council. Council used reserves to set a 0% general rates increase in 2020/21 to help the community manage the impacts of COVID-19.

Rates affordability can be assessed by comparing the level to rates to disposable income. Our affordability is generally in line with other regional councils. As each council delivers different levels of service, this is a general indicator of affordability as different regions will have different requirements and community preferences.



Setting the financial results we aim to achieve

After consideration of all of the factors and options, Council has decided to set the following as the key results to ensure our financial sustainability in the long term.

Increasing financial resilience to respond to Climate Change and other challenges

Council has budgeted based on current forecasts for Climate Change. As forecasts are updated there may be changes to existing services, like increased capacity for flood protection, and new requirements imposed on Council. Council has decided to maintain and increase the total value of its sources of capital funding (borrowing headroom, reserves and investments) as a contingency for future requirements.

Council has chosen to allow Quayside to reinvest part of its profits. This also means that the costs of Climate Change are also allocated to the current ratepayers through retaining, rather than distributing, these profits. Council has set a 10 year target for Quayside to increase the value of its non-port investment from $380 million as at 30 June 2020 to $700 million by 30 June 2031. The value of the majority shareholding the Port of Tauranga is not currently included as a source of financial resilience because Council has determined that this is a strategic asset for the region.

Keeping rates affordable as we recover economically from COVID-19

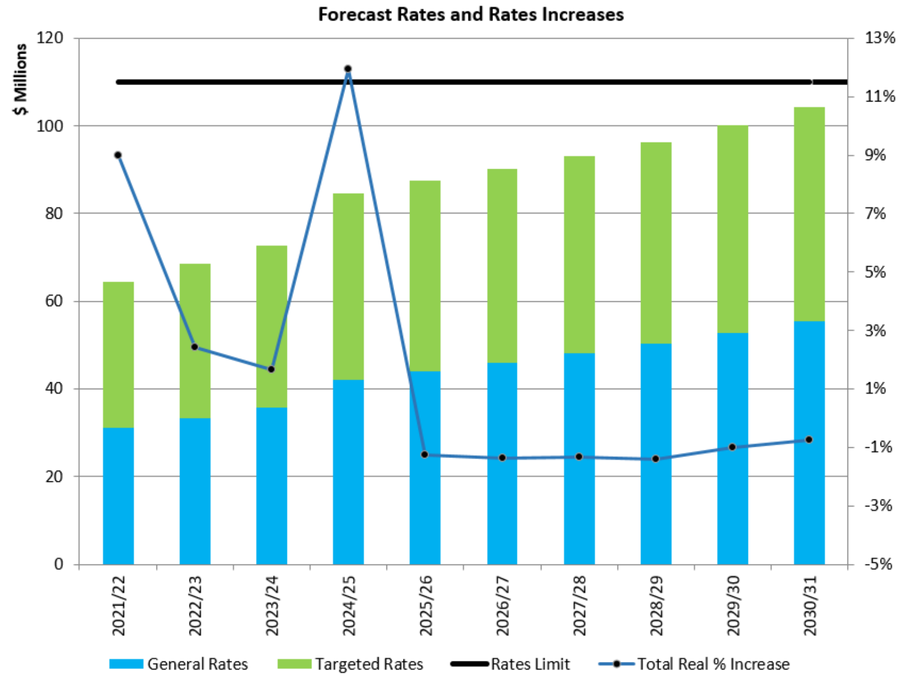
General rates are used to fund our work that benefits the whole region. Investment income and dividends from Quayside will be used to reduce the overall amount of general rates we need to collect. This means relatively small increases in general rates can lead to high percentage changes.

Council set a 0% real general rates increase for 2020/21 to minimise the economic impacts of COVID-19. Current forecasts for economic recovery have improved since early 2020 and moderate rates increases appear to be feasible.

To deliver the services required, we are increasing general rates by 5.8% (an average of $23 per property) in 2021/22, then 3% per annum for the next two years allowing for inflation and growth. These rates increases have been kept low to assist with the region's economic recovery by using some of our accumulated reserves in each of the first three years.

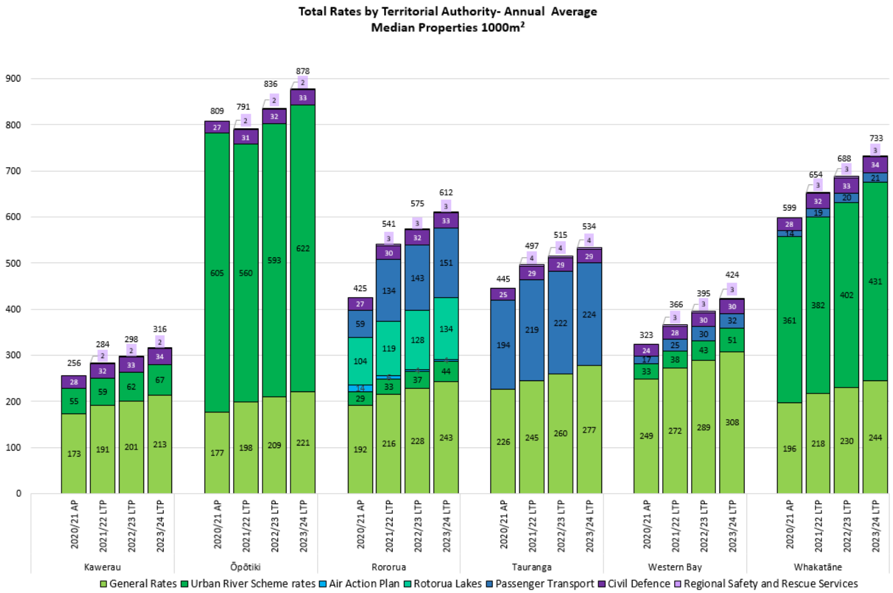
Targeted rates are used to fund work that has a local benefit and ensures the people who benefit pay for that service, making it clearer to everyone where their money is being spent. A new targeted rate has been introduced for Regional Safety and Rescue Services. The average increase to targeted rates which affects the total rates you pay depends on the area in which you live and the services you receive.

The graph below shows total rates, total real rates increases and the quantified limit on rates.



Our rates are based on land value, land area and location. There are no proposed changes to our rating system other than those discussed as consultation topics.

The graph below is an example of how rates will change from what you are paying now to what you will pay in 2021/2022 depending on where you live.



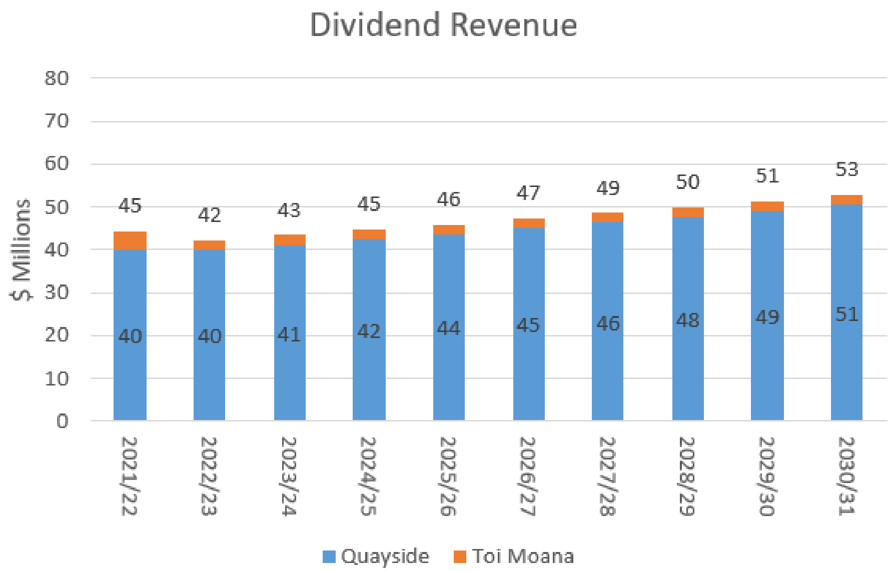
How we will achieve these results?

<u>Growing dividends from Quayside Holdings</u>

We receive an annual dividend from Quayside each year, which we use to reduce the amount we need to collect through general rates. This ensures that our communities benefit directly from our investments. Quayside has been achieving stronger profit growth for several years and has retained a portion of its profits for future regional investment.

Quayside has forecast a substantial dividend for each of the next 10 years, which will comprise around 26 percent of our operating revenue. This has enabled Council to increase the forecast divided received from Quayside from $33.1 million in 2020/21 to $40 million in 2021/22 and 2022/23. After that, the Quayside dividend is forecast to increase at 3% per annum in line with population growth and inflation. This approach will allow for a similar real value of rates saving per household as this dividend is applied to reduce rates increases. The increased dividend is supported by an increasing value of Quayside's investment portfolio (discussed in financial reserves section).

Council has also forecast to receive an average of $2.25m per annum of distributions from Toi Moana Trust which is a $45 million investment managed by Quayside on behalf of Council.



<u>Using financial reserves where appropriate</u>

Our financial management has meant that we have accumulated financial reserves.

We have three main reserves: the Regional Fund, which is available as an alternative funding source, the Toil Moana Fund which is available for long term investment, and the Asset Replacement Reserve which can be used for capital funding or repaying borrowings. We also have reserves which can only be used for specific activities (eg: flood repair reserves funded by targeted rates). Until these reserves are required to fund expenditure, our aim is to optimise our investment returns which we will continue to use to help reduce our rates.

In this Long Term Plan we are planning to use our reserves to fund capital expenditure where possible and this is due to the current interest rates forecasts.

We are also planning to use $59 million of general reserves to fund a $20 million contribution to the Opotiki Harbour Transformation, $7 million towards bus route optimisation as part of the Western Bay Transport Systems Plan, a $4 million donation to the Te Whare Taonga o Te Arawa Rotorua Museum, $15 million to support land use change in the Rotorua Te Arawa Lakes, and $750,000 towards Lake Tarawera Sewerage Reticulation. These are investments to improve long term wellbeing. In addition, we have budgeted $12 million of reserve use to reduce rates increases over the first three years of this Long Term Plan.

Council engages closely with Government on policy directions and has budgeted for the anticipated policy settings including increased resourcing for planning/policy and iwi engagement. Council has budgeted to increase general reserves as a contingency for any change in legislative requirements or to be able to respond to unforeseen circumstances without divesting from other long term investments.

In addition to the reserves held by Council, Quayside has forecast over the period of this Long Term Plan an increase in the value of its non-port investments from $380 million to $700 million. This increased value will generate additional profits to fund the dividend to Council, and is also another source of financial resilience.

The value of the majority shareholding in the Port of Tauranga is not currently included as a source of financial resilience because we have determined that this is a strategic asset for the region that we intend to hold for the long term.

Maintaining our ability to borrow

Since 2018 we have used borrowings to fund capital expenditure because borrowing interest rates were low compared to term deposit rates. This has also included borrowing and on-lending to Quayside to secure better rates than they could achieve directly.

In this Long Term Plan we are forecasting total Council borrowing of $146 million over the next 10 years. We have paid down $50 million of borrowing in 2020/21, and are planning to primarily use reserves to fund capital expenditure and limit new borrowing to $15 million - $2 million of this will be used to fund sustainability initiatives for household in the Bay of Plenty.

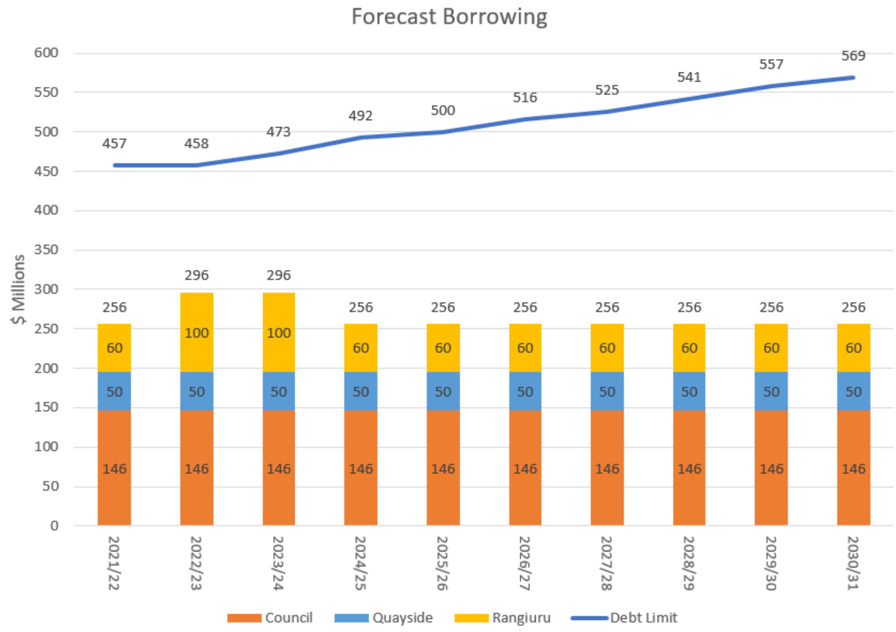
Currently, the most efficient source of funding is forecast to be reserves. Therefore, Council is intending to finance our capital projects primarily from reserves we have accumulated. Our total capital programme for this Long Term Plan is $157 million, of which $49 million is for Flood Protection and Control projects.

When our borrowings need to be refinanced we may choose to repay the borrowing from reserves, depending on the interest rates and our financial requirements at the time. As the decisions to repay or finance borrowing depend on future interest rates and other factors, we have chosen not to show Council repayments to demonstrate that Council remains financially stable even without paying down borrowing.

We have taken an integrated group approach to our financial management which means working with Quayside to achieve the best possible funding outcomes and available returns.

As part of this, Council borrows and on-lends to Quayside Holdings as this minimises the interest cost for the Group. Quayside has $50 million of current on-lending. Council has provided for an additional $100 million to finance the industrial development at Rangiuru, which is forecast to be repaid from sales of the developed industrial land before 30 June 2033.

The graph below shows total borrowing and debt limits.



Quayside Holdings issued $200 million of perpetual preference shares in 2008. The income from this was used to fund our capital expenditure and grants to Regional Infrastructure Projects, and has been fully expended. There are circumstances in which Council could be required to re-purchase this share issue and we ensure that we retain the ability to finance this.

Council currently borrows exclusively from the Local Government Funding Agency, and this borrowing is secured through Council's shareholding in the LGFA and against future rates revenue.

We have set prudent limits around how much we can borrow and we will be well within our debt to revenue ratio limit of 300 perent. The 300% limit applies until 30 Jun 2022, then decreases by 5% per annum until it reaches 280% that applies from 1 July 2025 onwards. This additional capacity to borrow gives us flexibility to respond to unforeseen circumstances.

Borrowing limits and consideration are set in our Treasury Policy.

Balanced budget

We have forecast an overall operating surplus for this Long Term Plan, including a surplus in each of years 4-10. We have forecast an operating deficit for the first three years of the Long Term Plan 2021-2031. This means in each of these years, the money we expect to spend on operating expenditure is more than we expect to receive.

The primary reason for the unbalanced budget is that we are using accumulated reserves to fund key projects to achieve our community outcomes and wellbeing. These include our funding contributions to third party infrastructure through the Regional Fund Reserve, and use of the Rotorua Lakes Deed Funding Reserve and Regional Fund Reserve to support land use change in the Rotorua Te Arawa Lakes. In addition, we are using the Regional Fund Reserve to fund bus route optimisation for the Western Bay Transport Systems Plan which will deliver long-lasting benefits and to reduce general rates as an aid to the region's economic recovery.

We propose to deliver budget surpluses from year four onwards for the reasons noted above. Effective financial management over the 10 years will help ensure we optimise the money we have available in the most efficient way possible.

While Council has an unbalanced budget in the first three years on this Long Term Plan, this is forecast to be offset in the wider Council Group by profits retained by Quayside.

We propose to deliver budget surpluses from year three onwards to provide for increase financial resilience and the ability to respond to legislative, or other, changes.

Infrastructure Strategy Te Rautaki Hanganga

Purpose

The purpose of the Infrastructure Strategy document is to highlight to Council the issues and implications that Council faces over the next 30 years with regard to flood protection and control works, as required by the Local Government Act (2002).The Infrastructure Strategy for the Bay of Plenty Regional Council (BOPRC) must include assets for flood protection and control works, and Council may at its discretion include other assets.

Capital and operating spend to meet the levels of service, as agreed with the community, for flood risk management is also included. It is based on the likely scenario of maintaining current flood flow protection as described in the Rivers and Drainage Asset Management Plan.

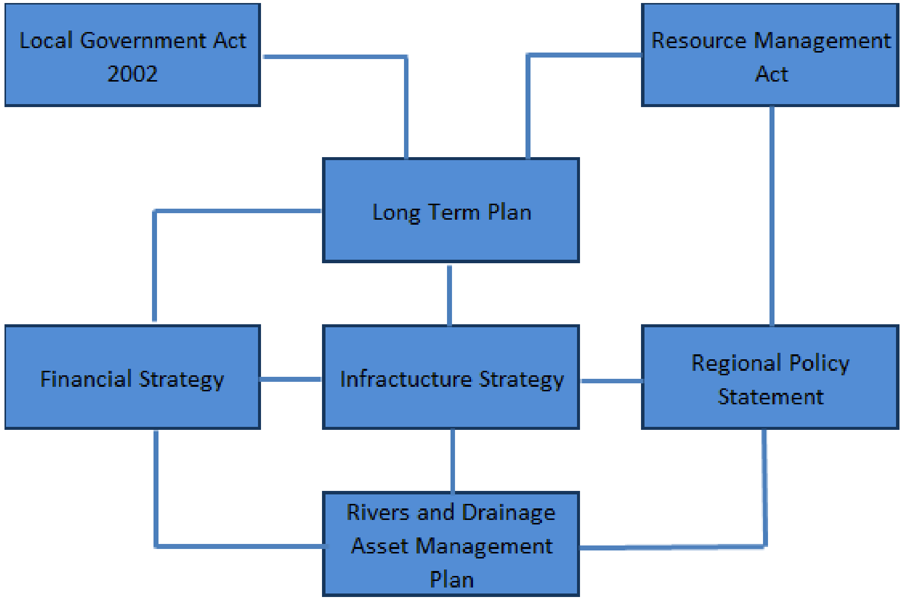
Flood Risk Management faces significant issues over the next 30 years; including sea level rise, more intense and more frequent storms, subsiding ground levels, low population growth in the east (where our schemes are based) leading to further affordability issues and stop banks that are geotechnically unstable during high and prolonged river flows.

The River Scheme Sustainability Project looks at flood mitigation using an integrated catchment wide approach that incorporates ecosystem and optioneering to create 100-year frameworks for each catchment. Planning, community engagement and delivery intends to transition towards this longer-term framework as appropriate.

The Infrastructure Strategy is aligned and linked to other key Council documents and strategies including the Financial Strategy, Regional Policy Statement and Rivers and Drainage Asset Management Plan (AMP). The Infrastructure Strategy is adopted as part of the Long Term Plan process.

Linkages to other Council documents

The Infrastructure Strategy has linkages to other key Council documents. A number of examples are discussed below.



Regional Policy Statement

The Bay of Plenty Regional Policy Statement (RPS) highlights a number of significant resource management issues broadly classified as follows:

- Air quality
- Coastal environment
- Energy and infrastructure
- Geothermal resources
- Integrated resource management
- Iwi resource management
- Matters of national importance
- Urban and rural growth management
- Water quality and land use
- Water quality

A number of these issues are directly related to the Infrastructure Strategy and are discussed in this document. One example is the impact of climate change on infrastructure.

Financial Strategy

The Infrastructure Strategy and Financial Strategy are inter-related. The benefit of services, affordability and equity of rates are critical for the long term wellbeing of the community.

The 30 year financial projections of the Infrastructure Strategy have been integrated into financial models which in turn generate the reserve, borrowing and rating requirements.

The Revenue and Financing Policy describes the funding sources for flood mitigation. The schemes are funded through a combination of targeted and general rates.

Rivers and Drainage Asset Management Plan

The AMP has a 50 year timeframe and financial projection. The Infrastructure Strategy has made use of the current Rivers and Drainage AMP to assist with forecasting future asset requirements and costs.

Service levels in the AMP are in the form of %AEP. These are assessed using 10-15year rolling capacity reviews that incorporate climate change effects.

Any resulting deficiencies in achieving the service levels are then assessed for remediation.

The AMP identifies critical assets. These are defined as:

"Assets that have a high consequence of failure, but not necessarily a high probability of failure.*"*

Quantifying consequence of failure is the key element in determining critical flood protection assets. The consequence criteria that qualifies a Council flood protection asset as 'critical' are assets that:

- Provide direct flood protection to urban environments where large groups of people live in a concentrated manner, i.e. towns, not rural type subdivisions.
- Provide direct flood protection to regionally significant infrastructure.

The asset type identified as having a high consequence of failure was stopbanks. Stopbank lengths identified include the associated assets that form part of the stopbank e.g. a floodgate within a stopbank, floodwalls, important fixed point assets (e.g. diversion structure), culvert within stopbank and rockwork protecting a stopbank.

Context

Assets included in the Infrastructure Strategy

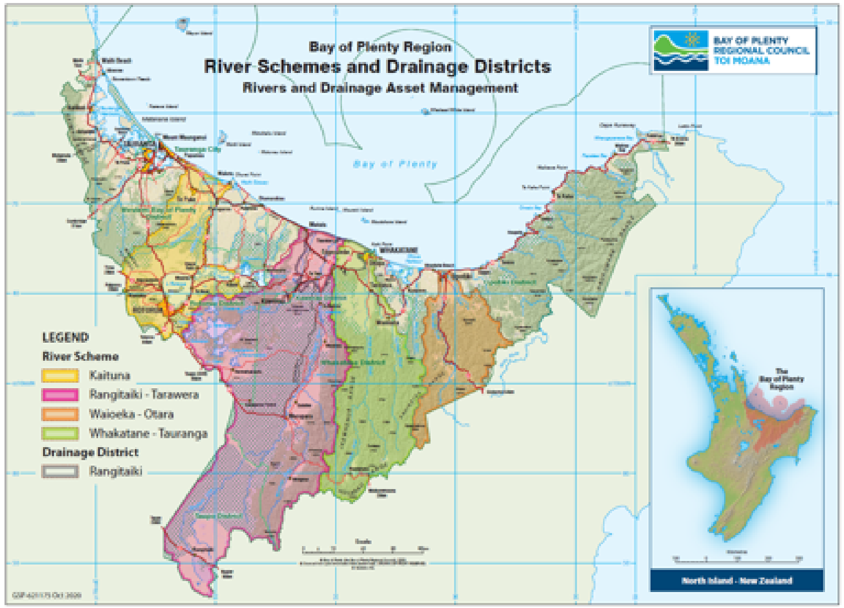
The Local Government Act (2002) requires that the Infrastructure Strategy for BOPRC must include assets for flood protection and control works and Council may at its discretion include other assets.

For this 2021-2051 Infrastructure Strategy Council has opted not to include other assets due to the maturity of the other respective AMP's and the nature of the assets. It is anticipated that the Lakes Assets, largely for water quality purposes, would form part of following Infrastructure Strategies. Regional Parks, Maritime Assets and Property assets are not envisaged to be included in future Infrastructure Strategies.

Consequently, this strategy deals with assets only associated with flood protection and control works, as per our AMP. Assets providing flood protection have a value of $336 million, comprising the bulk of BOPRC's $435 million assets.

Flood Protection and Control Works

The flood protection and control works encompass five separate river and drainage schemes within the Bay of Plenty region (shown in the figure below).



Major Rivers and Drainage schemes within the regional boundaries of BOPRC include:

- Kaituna Catchment Control Scheme
- Rangitaiki-Tarawera Rivers Scheme
- Whakatane-Tauranga Rivers scheme
- Waioeka-Otara Rivers Scheme
- Rangitaiki Drainage Scheme

In general, the flood protection and control works has a level of service of 1% AEP in the lower reaches of each river or control scheme (which encompass the critical assets). Lesser levels of service exist above this as protection is to non-critical rural areas.

The Rangitaiki Drainage Scheme and the drainage components of the other schemes are typically provided with a 20% AEP protection.

Key asset information of the high-value assets is shown below.

Asset	Value (ODRC)	Quantity	Average condition
Stop banks	$226 million	381 km	Good Sub-surface – TBC
Erosion Protection	$69 million	480 km	Good
Waterways	$17 million	496 km	TBC
Pump Stations	$8 million	16	Good
Structures	$16 million	544	Good

There are no planned disposal of assets over the next 30 years.

The critical assets, as identified in the AMP, are the stop banks that protect the towns and industrial areas of Edgecumbe, Whakatāne, Ōpōtiki and Rotorua; as well as the control gates and stoplogs for controlling the water quality and flow out of the Rotorua and Rotoiti lakes.

Note:

1. Stopbanks Sub-surface – Stopbanks Sub-surface – BOPRC is undertaking geotechnical investigations of its stopbank assets. The first phase of this, looking at historic areas of concern is only about halfway through the schemes. Until the first phase, at least, has been completed it is not possible to provide a reliable condition score covering all of the schemes.
2. Waterways – This description covers drains and canals. These are non-critical assets. Asset inspections have not been undertaken as yet of these assets using an asset inspection tool. These will follow once the inspection of all critical assets has been completed. Consequently no condition score can be reliably assigned.

Geographic context

The Bay of Plenty is located on the east coast of the North Island of New Zealand. The region incorporates the full extent of the coastline from Cape Runaway in the east, to Waihī Beach in the west. It captures the coastal City of Tauranga, the township of Whakatāne and the inland city of Rotorua.

On the landward side, the region is mostly bounded by the watersheds of the catchments that flow into the Bay of Plenty; this includes the lakes in the Rotorua District.

The region includes 18 offshore islands including the volcanically active White Island, and the sea extending out to the 12 nautical mile boundary.

The area of the region is 21,740 square kilometers, comprising 12,231 square kilometers of land and 9,509 square kilometers of Coastal Marine Area.

Demographic context

The data presented below is the most up to date data to hand. It encompasses an assessment for the 30 year period from 2018-2048. While it doesn't correspond exactly with the term of this infrastructure strategy it still indicates population trends for the Bay of Plenty Region.

The Bay of Plenty area consists of a number Territorial Local Authority (TLA) areas. Future population growth has been assessed for all TLAs in the Bay of Plenty Region. Projections to 2048 for each area are summarised below.

- Virtually all growth in the Bay of Plenty Region is projected to occur in Tauranga City and the surrounding Western Bay of Plenty District. This is mostly due to very strong inwards migration to the western sub-region.
- There is a projected increase over the region in population of over 83,500 people (a 26% increase).
- Assuming current trends continue, the population in the Western Bay of Plenty District is projected to grow from 53,300 in 2018 to around 68,800 in 2048 (+28%).
- The population of Tauranga City is projected to grow from 142,100 in 2018 to around 199,100 in 2048 (+40%).
- The population of Rotorua District is projected to grow slightly from 74,800 in 2018 to 84,800 by 2048 (+13%)
- The population of the Whakatāne Districts projected to remain approximately stable with slow growth from 37,100 in 2018 to 38,900 in 2048.
- Projections for Kawerau District are extremely uncertain but are projected to remain stable with 7,460 in 2018 and a projected 7,860 in 2048.

  Kawerau District Council does have initiatives to support forestry industry growth. This has seen a slight increase in population in recent years. However, longer term projections are at risk as historic employment industries become obsolete.
- The Ōpōtiki District is projected to remain stable with 9,670 in 2018 and a projected 10,150 in 2048 (+2%). However, it should be noted that economic initiatives like offshore mussel farming have the potential to change these assumptions if able to reverse migration loss.

The trends suggest that if current migration patterns remain, Tauranga City will increase its share of the region's population from 44% in 2018 to 49% in 2048.

The population trends are important for flood management because:

(a) Three of the river schemes are in areas projected to have low population growth for much of the scheme life with asset maintenance occurring at a time the New Zealand Treasury warns of very tight conditions. Thus affordability will likely become an issue in the future if cost repayments of infrastructure exceed the ability to pay.

(b) The risk profile for the region will change as population and investment focus shifts. Thus the need for particular levels of service in some areas may need to change to reflect their changing circumstances.

(c) The high growth areas in the west, that span multiple Council and stakeholder boundaries, require fit-for-purpose flood risk management policy and planning approaches. A number of these areas already suffer from multimillion dollar flood damage and high sediment run-off into Tauranga Harbour and it is imperative that Council collaborates with its partner stakeholders to ensure sustainable integrated catchment plans are in place.

Climate change context

The RPS recognises that provision needs to be made for the effects of climate change in natural hazard risk assessment. It promotes that authoritative up-to-date projections of changes in sea level, rainfall, temperature, and storm frequency and severity will be used as updated scientific data becomes available. A table summarizing projections for the Bay of Plenty Region has been added at the end of this document.

The RPS requires the effects of climate change to be taken account in natural hazard risk assessment and provides minimum sea-level rise projections of:

- 0.6m for relocatable activities/development
- 0.9m where future adaptation options are limited
- an additional sea-level rise of 10mm per annum for activities with life spans beyond 2112

The Ministry for the Environment (MfE) produced guidance on Coastal Hazards and Climate Change Guidelines for local government in December 2017. BOPRC has consequently produced its own guidance document, based on the MfE guidance, that supersedes the RPS projections stated above.

Hence, the sea level rise projections used by BOPRC for the next 10 years are as follows:

- 1.6m for Greenfield developments and new significant infrastructure (RCP 8.5+)
- 1.25m for Brownfield development (RCP 8.5)
- 0.83m for relocatable buildings

NIWA have meanwhile produced a new version of “High Intensity Rainfall Design System Version 4” that incorporates the current predictions of climate change. BOPRC has adopted this version and use it for all of its assessment work.

For all capital works, a provision is made in the design of the asset for the predicted impacts of climate change. For stopbank capacity review and rehabilitation design work, the climate change provision allowed provides for any increase in flood loading forecasted until the next round of capacity review is due. For all major river schemes this occurs every 10 years, and for the upper Kaituna streams, every 15 years. For all other assets, design accounts for expected climate change variances for the term of the assets expected life.

The above philosophy is essentially a dynamic adaptive pathway. BOPRC can alter its flood protection approach, in-line with the River Scheme Sustainability project recommendations, at 10-15 year intervals.

Significant infrastructure issues

The following tables summarise the significant infrastructure issues facing the BOPRC, possible responses to those issues and the implications of taking or not taking the action proposed by the response.

The risk management processes used by the BOPRC are consistent with Australian/New Zealand Standard AS/NZ 4360 which defines risk assessment and management.

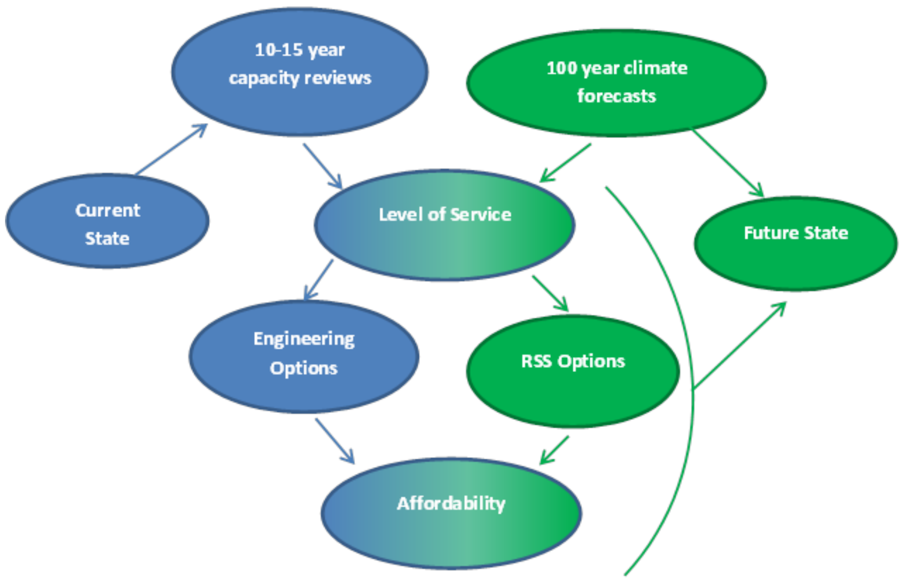
Issues	Options	Implications
Climate change (through sea level rise and increased intensity and frequency of storm events).	•Incrementally increase the capacity of assets (by raising levels of stopbanks over time) to meet anticipated climate change predictions •Increase pumping capacity to maintain drainage level of service •Use River Scheme Sustainability Project outcomes, incorporating whole of catchment planning, to look at alternative sustainable outcomes using a 100 year vision. Lower level of service (refer implications contained in the Affordabiliy issue)	•Significant cost when stopbanks have to be redesigned and constructed when geotechnical integrity is compromised due to greater hydrostatic loads •Increased mass of the raised stopbanks settle over time as are generally founded on compressible material •Land purchase or compensations required as more land is required for the infrastructure •A point is reached where it is no longer feasible to raise the stopbank levels. This could be for geotechnical or economic reasons •Increasing residual risk •Significant cost when pump stations have to be upsized or constructed to pump higher volumes to higher heads •Increased pumping run times as sea level affects ground water levels in low lying coastal areas •Increased costs due to continual pumping •Solutions could include over 30 different structural and non-structural options, which could include the use of wetland or preferentially floodable areas (multiple use of assets). Change in thinking that may not meet with approval from landowners and decision makers •Large areas of farmland potentially converted to other uses •Some options will likely have a prolonged consenting process •The public works act may be needed to procure land •Generate 100 year vision action plans •Long term work programmes need to be developed to ensure land purchases, or similar, are signalled well in advance •Flexibility is required to implement a suite of options that together create an enhanced and affordable flood mitigation paradigm

Issues	Options	Implications
Residual risk Failure of flood protection systems may impact on communities	•Educate the public on residual risk and encourage resilience measures and property values are consequently adversely affected •Update flood maps, including breach scenarios, and encourage TLAs to update District Plans and LIM reports	•Increased costs to property owners in order to improve resilience: eg insurance, water proofing, raising floor levels •Re-run models to include residual risk in the form of breach analysis •Some properties may be identified as flood prone that were not previously •Negative response from landowners
Affordability The cost of maintaining the river schemes will be affected by climate change. This will mean increased pumping, insurance, maintenance and construction costs Low population growth will also effect affordability as costs are likely to increase faster than population	•Reduction in levels of service •Retreat •Use River Scheme Sustainability Project outcomes, incorporating whole of catchment planning, to look at alternative sustainable outcomes using a 100 year vision.	•Insurance cost increases as a result of increasing risk •Property valuations may be affected •Community may not accept reduction in levels of service •Major decision to be made if retreat affects a large amount of properties •Complicated planning exercise •Implications as per climate change issues
Flood events greater than design (cause overtopping of stop banks and widespread inundation behind the stop banks)	•Use models to understand the level of destruction for over design events •Design for overtopping at predetermined locations to ensure best protection for community i.e in rural locations	•Flood damage will create a significant financial and indirect burden on the rate payer and central government •Flood Management and Emergency Management plans will become operative
Levels of Service	•Reduction in levels of service	•Refer affordability implications
Population Growth or Decline Likely decline of population/households within the scheme areas	•Reduce level of service •Use River Scheme Sustainability Project outcomes	•Flexibility is required to implement a suite of options that together create an enhanced and affordable flood mitigation paradigm
Uncertainty of population change, settlement trends long-term	•Design for uncertainty with modular solutions of delayed investment •Develop agreed region wide settlement	•Potential for costs to be greater if growth occurs when it was not expected •Community reluctance – perceived impact on land values
Growth in Tauranga may result in demand to build in flood prone areas	•Provide flood management and engineering advice to reduce flood risk •Develop 100 year action plans	•Ensure that TLAs and BOPRC manage catchments in a holistic manner •Failure to understand whole of catchment solutions will result in an escalation of flood damage and possible loss of life, along with environmental degradation and property damage
Geotechnical issues Tectonic subsidence and ground shrinkage in floodplains. Ground levels are expected to	•Engineering options will review the best ways to manage the lower ground levels ,higher pumping heads and greater hydrostatic loads on stopbanks	•Structural solutions will be expensive

Issues	Options	Implications
drop by around 1 metre over the next 100 years in some floodplains	•Levels of service review	•Trigger levels will be identified to determine when to migrate towards an alternative fit for purpose solution that may, for example, result in different land use practices
Geotechnical condition of existing stop banks	•Upgrade stopbanks •Reduce level of service	•Expensive structural or pressure relief solutions
Earthquakes cause damage to flood protection	•Accept risk and repair if necessary •Upgrade earthquake protection on all assets	•Potential high costs of repair •Consider earthquake standards in new designs •Upgrading all assets is likely to be cost prohibitive
Land Use Change Increased urban development or converting bush/forest into farmland will increase stormwater runoff	•Control increased run off using development measures: eg onsite detention •Increase scheme capacity to account for increased runoff •Restrict or prevent land conversions	•Increased development costs •Increased costs for river schemes •Resistance from property owners •Political pressure due to economic development policy •May need policy changes at a regional or national level to achieve

Rivers Scheme Sustainability

The high costs of repairing damage to the region's river schemes after the 2004, 2010, 2011 and 2017 floods has raised questions around whether the current levels of service, scheme management and growing scheme funding requirements are sustainable into the future.



The River Scheme Sustainability Project is considering the long term risks of the flooding hazard. The project work includes reviewing the current levels of flood protection provided by the schemes, determining the economic value added by the schemes, assessing the affordability of the schemes, assessing flood risk and the level of community acceptance to different levels of flood risk, as well as their willingness to pay for flood protection. The project will also consider the appropriate timing for any rating reviews that may be required.

Flood management options in the longer term may be different to the hard engineering capital intensive structural solutions that are currently the core components of the schemes. Structural, non-structural and other alternative solutions have been identified for some of the river schemes and are being evaluated to enable a truly sustainable strategy.

Options have been looked at for the Rangitaiki and Whakatane-Tauranga Catchments. The options for the Rangitaiki Catchment have been consulted upon and accepted by the Community. Options for the Whakatane-Tauranga Catchment are being finalized and are to be rolled out for consultation during 2021/22. The remaining schemes will be assessed in the coming years as outlined in the River Scheme Sustainability Project Plan included at the end of this Infrastructure Strategy.

The 100 year frameworks for each catchment will enable both the regional council and local councils, with their stakeholders, to move to a restorative position for each catchment which will most probably include a combination of hard and alternative flood mitigation solutions.

Once adopted they will become the new standard level of service for flood management across the region and incorporated into future infrastructure strategies and AMPs.

Infrastructure Strategy Investment Programme

The issues, options and implications highlight the significant infrastructure issues that require an investment programme to manage the risks. The current programme utilises the AMP and other projects such as the River Scheme Sustainability Project. The following explains how the AMP and other projects generate the programme.

Basis of Capital Works Programme

Condition Assessments (Renewals)

BOPRC undertakes periodic condition assessments of its assets. Critical assets are assessed more frequently than non-critical assets. Different assets may have different condition assessments depending on their construction. For example concrete structures are assessed every three years while erosion of riverbanks is at a minimum of six monthly or following a greater than twenty year storm event. The Stopbanks are currently being assessed using a priority system whereby reported problem locations are being investigated first followed by other critical locations. The assessments may lead to a recommendation to replace or remediate the asset.

Capacity Reviews (Level of Service)

Capacity reviews are needed to assess whether the infrastructure is still providing the agreed level of service. Capacity reviews are undertaken every ten years for the major schemes and every fifteen years for the Rotorua streams. The capacity reviews take into account projected changes in rainfall intensity (refer Climate Change Context), changes in river or stream profile, rainfall runoff and changes in river or stream roughness.

If deficiencies are highlighted then designs and estimates are produced to return the scheme back to its agreed level of service.

Scheme Changes (Growth)

In response to growth, in the form of additional development, the scheme boundaries or capacity may need to be increased. Needs are assessed using the capacity reviews.

Again, designs and estimates are produced to provide the agreed level of service.

Note: BOPRC guidelines ask for developers to restrict the increased runoff from development to less than the pre-development state. Unfortunately due to legislative shortcomings this cannot always be achieved.

Longer Term Provisions (Renewals and Level of Service)

The afore mentioned explanations generally feed into the capital works programme in the immediate years (1-3) of the Infrastructure Strategy and AMP. The remaining years rely upon the AMP to predict when an asset needs replacement or major remedial work. Timing is dependent on the expected life of each asset or the capacity reviews. Examples:

- Stopbanks – Allowance is made every ten years to upgrade stopbanks to account for climate change using long range forecasts. Also included is an allowance to account for settlement of stopbanks at a rate of 6% of the total volume of that schemes stopbanks.
- Pump Stations – Allowance is made to replace components within the pump stations at regular intervals while the pump station itself is programmed to be replaced every seventy years.

Placeholders (Renewals)

Periodically there becomes a need to place items in the capital programme as a place holder until more detailed assessment can occur.

Basis of Maintenance and Operations Costs

The operations and maintenance strategy essentially focuses on maintaining the level of service for the term of the expected life span of an asset in a cost-effective manner. To achieve this, the right balance between routine planned and reactive maintenance is required so that assets are managed optimally in terms of functionality and cost. The asset management plan aims to deliver the optimal balance between planned and reactive maintenance work while maintaining levels of service.

The costs to maintain the assets in accordance with the above are based on historic costs with additions as new assets are created.

Note: All of the above explanations could be affected by the outcomes of the River Scheme Sustainability Project as outlined earlier.

Level of Uncertainty

Given the above explanations the following table indicates the level of uncertainty for each type of capital item.

Source	Type	Level of Uncertainty
Condition assessments	Renewal	Low
Capacity Reviews	Level of Service	High
Scheme Changes	Growth	Medium
Longer Term Provisions	Renewal land Level of Service	High
Placeholders	Renewal	High
Maintenance and Operations	Maintenance and Operations	Low

River Scheme Advisory Groups and Council

The River Scheme Advisory Groups are key bodies to determine the appropriate level of service as their members gain the main benefit and pay most of the costs of the Schemes.

Council are the decision makers and will decide ultimately whether to endorse recommendations made to them by Council Staff and the Advisory Groups.

Infrastructure Strategy Investment Programme Assumptions

The Infrastructure Strategy Investment Programme is based on the following assumptions:

- The AMP has been used as the primary source of capital infrastructure and operational costs
- There is no planned disposal of assets or planned deferred expenditure.
- Expenditure figures are based on maintaining the current levels of service
- Asset lifecycle costs are based on useful remaining lives, condition assessments (where completed) and risks consistent with the International Infrastructure Management Manual.
- Geotechnical investigations do not result in significant rebuilds of stopbanking
- The last remaining April 2017 flood event repairs have been included using the initial estimates undertaken in 2017.
- Development is controlled so that it does not affect the schemes capacity
- Placeholder provisions will be updated once more information is known
- Maintenance costs and some other operational costs are identical for each year, based on the assumption that most capital works replace like with like and there will be limited new infrastructure that does not replace infrastructure already maintained. The current figures are generated by the AMP model to create annualised figures to create a smoothing for rates.
- Allowance has been made for a 1-in-5 year and 1-in-10year flood damage repair costs throughout the 30 years within the maintenance and operational costs.
- The capital costs include costs of 15% for engineering and project management, 20% for resource consents and 30% contingencies.
- Future improvements to the AMP model will allow for improved forecasting of operational costs based on the Renewal and Asset Programme, area serviced and other system influences such as the beneficial influences of programmes like the River Scheme Sustainability Project

Total expenditure

In addressing the issues identified in the previous section of this strategy, BOPRC expects to spend $104.2 million on new or replacement infrastructure in our Rivers and Drainage Schemes, between 2021 and 2051 (30 years). Over the same period,$611.7 million is expected to be spent on operations which include maintenance, insurance, limited flood damage repairs, engineering analysis and modelling, and loan repayments in our Rivers and Drainage Schemes.

Infrastructure activity	Capital expenditure	Operational expenditure
River Scheme Management	$104.2m	$611.7m

Capital expenditure highlights

Table 1 shows the expected year on year expenditure up to 2031 and then takes an average spend over five year blocks up to 2051. The following graph also includes the operational expenditure to show how expenditure is dominated by operational requirements.

Example key capital projects include:

- Replacement of the Ford Road Pump Station and adjacent stop banking on the Kaituna Scheme
- New pump station covering drainage area downstream of Te Puke
- Ngongotaha Stream Mitigation
- Tarawera River Stopbanking Upgrades
- Rangitaiki River Floodwalls
- Rangitāiki Floodway Spillway
- Whakatane Urban Floodwalls
- Waioeka Otara Stopbank Upgrades

Figure 1: BOPRC Flood Protection and Control Summary of Capital and Operational Expenditure 2021-2051

River Schemes Forecast Expenditure over 30 years

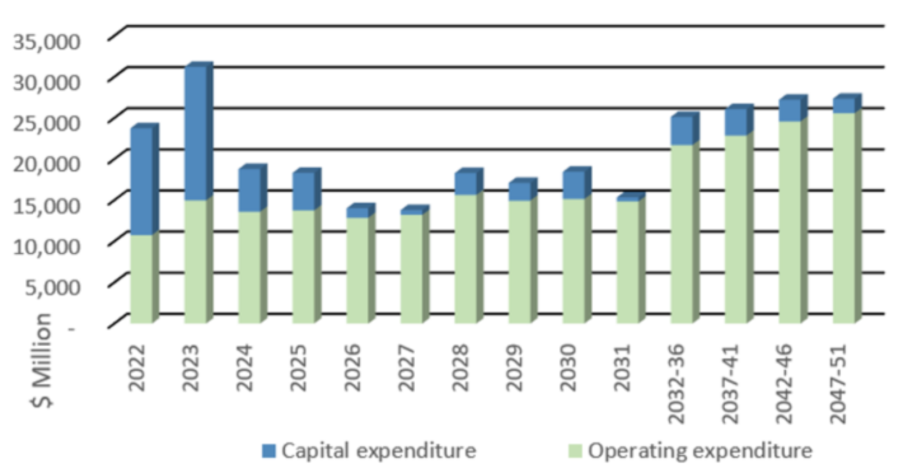


Table 1: BOPRC Flood Protection and Control Detailed Operational Expenditure 2021-2051

AMP cost categories	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000	2032-2036 $000	2037-2041 $000	2042-2046 $000	2047-2051 $000
Maintenance and operating costs	5,038	5,046	5,191	5,336	5,485	5,630	5,784	5,943	6,012	6,176	45,215	48,614	50,159	52,245
Flood event	-	3,595	1,617	1,344	-	-	2,056	932	774	-	8,681	6,064	7,179	5,314
Disaster Insurance	819	928	1,051	1,190	1,348	1,524	1,725	1,952	2,209	2,498	13,557	14,983	16,121	17,390
Internal interest	1,381	1,463	1,548	1,536	1,491	1,403	1,328	1,264	1,203	1,131	4,775	5,476	6,172	6,966
Depreciation	1,222	1,350	1,469	1,478	1,495	1,505	1,513	1,531	1,547	1,557	10,914	11,900	12,652	13,404
Overheads	2,302	2,606	2,722	2,877	3,049	3,163	3,228	3,323	3,395	3,492	25,402	27,758	29,599	31,441
Total expenditure	**10,761**	**14,987**	**13,598**	**13,761**	**12,868**	**13,226**	**15,633**	**14,945**	**15,138**	**14,853**	**108,544**	**114,795**	**121,882**	**126,760**
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032-36**	**2037-41**	**2042-46**	**2047-51**
Operating expenditure	10,761	14,987	13,598	13,761	12,868	13,226	15,633	14,945	15,138	14,853	21,709	22,867	24,587	25,586
Capital expenditure	12,487	16,227	5,192	4,567	1,166	586	2,663	2,170	3,326	503	3,428	3,218	2,640	1,762

Major Flood Control Capital Works Programme summary

Major new flood control infrastructure projects (defined as being $500,000 or more of capital expenditure in the AMP) that are expected to be undertaken in the 2021-2051 period are shown in the table below. The entries marked with a * are placeholder costs (as explained earlier). The estimated capital costs include inflation.

Major work	Project Cost $000	Timing	Type
Kaituna Catchment Control Scheme			
Ford Road Pump Station Replacement	10,509	2021/22 - 2023/24	Renewal
Te Puke Storm Water	2,560	2021-2022	Growth
Kaituna Mole Upgrade	578	2021-2022	Renewal
Lower Kaituna Stopbank Reconstruction	1,633	2027-2028	Level of Service
Bell Rd Pump Station Mitigation	1,252*	2028-2029	Level of Service
Utuhina Stopbank Construction	645	2021-2022	Level of Service
Ngongataha Mitigations	1,638	2021-2022	Growth
Upper Kaituna Stopbank Construction	850	2024/25 – 2025/26	Level of Service
Lower Kaituna Stopbank Reconstruction	2,764	2037-2038	Level of Service
Lower Kaituna Stopbank Reconstruction	3,241	2047-2048	Level of Service
Upper Kaituna Stopbank Construction	1,259	2040-2041	Level of Service
Upper Kaituna Stopbank Construction	1,569	2055-2056	Level of Service
Ohau/Okere Consent Renewal	3,000	2043-2044	Renewal
Bell Rd Box Culvert	724	2032-2033	Renewal
Bell Rd C Pumps	873	2047-2048	Renewal

Major work	Project Cost $000	Timing	Type
Rangitāiki – Tarawera Rivers Scheme			
Rangitaiki Spillway Construction	2,867	2021-2022	Level of Service
Rang-Tara Stopbank Construction	952	2021-2022	Level of Service
Tarawera Stopbank Construction	632	2022-2023	Level of Service
Rangitaiki River Floodwalls Construction	2,920	2022-2023	Renewal
Tarawera Stopbank Construction	1,303	2023-2024	Level of Service
Rang-Tara Stopbank Construction	4,479	2031/32 – 2033/34	Level of Service
Rang-Tara Stopbank Construction	5,310	2041/42 – 2043/44	Level of Service
Whakatāne – Tauranga Rivers Scheme			
Whakatāne Urban Stopbank Construction	1,024*	2021-2022	Level of Service
2017 Flood Repair Project	717	2021-2022	Renewal
Whakatāne Urban Stopbank Construction	1,054*	2022-2023	Level of Service
Whakatāne Urban Stopbank Construction	1,086*	2023-2024	Level of Service
Canal Stopbank Construction	1,453*	2024-2025	Level of Service
Canal Stopbank Construction	1,871	2034-2035	Level of Service
Canal Stopbank Construction	1,688	2044-2045	Level of Service
Whakatane River Stopbanks	1,777	2029-2030	Level of Service
Whakatane River Stopbanks	2,290	2039-2040	Level of Service
Whakatāne River Stopbanks	2,036	2049-2050	Level of Service

Major work	Project Cost $000	Timing	Type
Whakatane River Floodwalls	2,565	2031-2032	Renewal
Whakatāne Marist - Trident High School Stopbank Construction	2,236*	2024-2025	Renewal
Te Rahu Floodgate Structure	1,554	2040-2041	Renewal
Rangitaiki Drainage Scheme			
Culvert Replacements	527	2022/23	Renewal
East Drain Construction	632*	2022/23	Level of Service
Culvert Replacements	543	2023/24	Renewal
Waioeka-Otara Rivers Scheme			
Waioeka-Otara Stopbank Construction	1,702	2022-2023	Level of Service
Waioeka-Otara Stopbank Construction	3,096	2032-2033	Level of Service
Waioeka-Otara Stopbank Construction	3,943	2042-2043	Level of Service

Infrastructure strategy improvement plan

The Infrastructure Strategy is a live document and will develop as new information is incorporated. The improvement plan will consider:

(a) The results of the River Scheme Sustainability Project with its deliverable of 100 year integrated catchment frameworks,

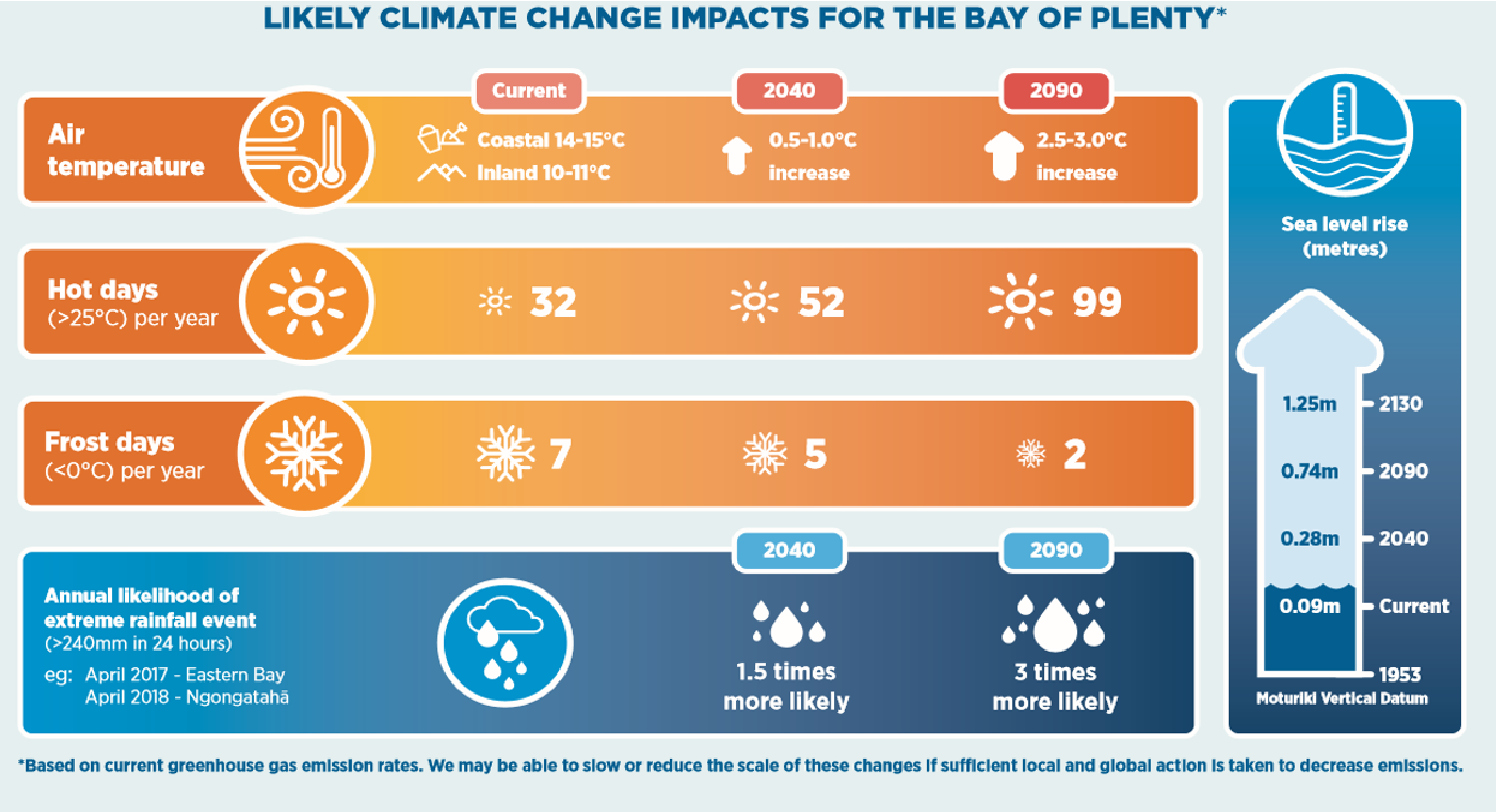
(b) Climate change, earthquake, tectonic subsidence and other natural hazards that could impact on flood infrastructure,

(c) Other key council projects and programmes such as the Invest Bay of Plenty Spatial Plan, Water Programme, Tauranga Harbour Strategy and similar.

Rivers Scheme Sustainability Project Plan

River Scheme Sustainability Project Plan									
Catchment	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028
Rangitāiki - Tarawera , drainage scheme	Upper catchment options	Lower catchment options	Feasibility and Costing	Affordability	Decision Making*	**Flood Plain management strategy**			
Whakatāne-Tauranga	Options	Feasibility and Costing	Affordability	Decision Making*	**Flood Plain management strategy**				
Waioeka-Otara			Options	Feasibility and Costing	Affordability	Decision Making*	**Flood Plain management strategy**		
Kaituna					Options	Feasibility and Costing	Affordability	Decision Making*	**Flood Plain management strategy**

Summary of likely Climate Change projections - Bay of Plenty



The data in this infographic is based on a report commissioned by Council and delivered by NIWA called 'Climate change projections and impacts for the Bay of Plenty Region - October 2019' this is available at: https://atlas.boprc.govt.nz/api/v1/edms/document/A3434328/content. In addition, the report relies on data from the Intergovernmental Panel on Climate Change IPCC 5th Assessment report, available at: https://www.ipcc.ch/report/ar5/syr/.

Prospective Financial Statements
Ngā Whakaaturanga Pūtea e Marohiatia Ana

Prospective statement of comprehensive revenue and expenses

Annual Plan 2020/21 $000		Notes	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Operating revenue											
28,471	General rates		31,118	33,327	35,812	42,074	43,954	45,910	48,048	50,366	52,851	55,461
28,727	Targeted rates		33,212	35,201	36,915	42,580	43,487	44,247	45,113	46,013	47,353	48,948
22,892	Subsidies and grants		29,118	25,463	25,465	24,265	23,022	23,558	20,781	21,138	21,708	22,418
11,080	Fees and charges		12,694	12,476	12,928	13,518	14,157	14,722	15,282	15,925	16,532	17,032
5,781	Finance income		2,125	3,262	3,367	3,524	3,179	3,593	4,199	4,979	6,179	7,033
33,200	Dividends		44,600	42,350	43,550	44,786	46,059	47,370	48,721	50,112	51,545	53,021
6,702	Other revenue		4,793	3,412	3,159	3,275	3,394	3,513	3,640	3,773	3,914	3,974
136,853	**Total operating revenue**	1	**157,659**	**155,491**	**161,197**	**174,022**	**177,254**	**182,913**	**185,784**	**192,307**	**200,081**	**207,888**
	Operating expenditure											
44,432	Personnel expenses		47,726	49,233	50,572	51,898	53,257	54,125	55,256	56,349	57,615	59,167
9,130	Depreciation and amortisation	3	7,706	8,772	9,402	9,532	9,286	8,900	8,507	7,795	7,559	7,442
3,258	Finance costs		3,501	5,002	5,864	6,245	5,790	6,001	6,290	6,535	6,621	6,779
85,625	Trading and other expenses		104,803	108,258	97,730	99,621	100,585	103,341	101,257	102,033	104,938	107,492
142,445	**Total operating expenditure**	1	**163,735**	**171,265**	**163,568**	**167,297**	**168,918**	**172,367**	**171,310**	**172,712**	**176,733**	**180,880**
(5,592)	**Net surplus (deficit)**		**(6,076)**	**(15,774)**	**(2,371)**	**6,725**	**8,336**	**10,546**	**14,474**	**19,595**	**23,348**	**27,007**

Prospective statement of comprehensive revenue and expenses *continued*

Annual Plan 2020/21 $000		Notes	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Other comprehensive revenue and expense											
1,536	Gain on property revaluations		0	3,859	0	0	7,727	0	0	9,316	0	0
7,875	Gain on infrastructure asset revaluations		15,310	18,489	22,296	21,957	24,110	27,719	27,518	30,103	35,013	36,063
16	Gain on maritime asset revaluations		0	0	148	0	0	213	0	0	258	0
158	Financial assets at fair value through other comprehensive revenue and expense		62	63	66	68	72	75	78	78	78	78
9,585	**Total other comprehensive revenue and expense**		**15,372**	**22,412**	**22,510**	**22,025**	**31,909**	**28,006**	**27,596**	**39,497**	**35,349**	**36,141**
3,993	**Total comprehensive revenue and expense**		**9,297**	**6,638**	**20,139**	**28,750**	**40,245**	**38,553**	**42,070**	**59,093**	**58,697**	**63,149**

Prospective statement of changes in net assets/equity

Annual Plan 2020/21 $000		Notes	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
542,655	**Balance at 1 July**		537,929	547,226	553,864	574,003	602,753	642,998	681,550	723,620	782,713	841,410
3,993	Total comprehensive revenue and expense previously reported		9,297	6,638	20,139	28,750	40,245	38,553	42,070	59,093	58,697	63,149
528,648	**Balance at 30 June**		**547,226**	**553,864**	**574,003**	**602,753**	**642,998**	**681,550**	**723,620**	**782,713**	**841,410**	**904,559**
	Total comprehensive revenue and expense attributable to:											
3,993	Equity holders of the parent		9,297	6,638	20,139	28,750	40,245	38,553	42,070	59,093	58,697	63,149

Prospective statement of financial position

Annual Plan 2020/21 $000		Notes	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Current assets											
24,166	Cash and cash equivalents		25,965	29,827	30,670	27,184	27,032	27,052	27,423	27,042	27,042	27,042
16,914	Trade and other receivables		24,963	25,712	26,535	27,384	28,288	29,193	30,186	31,242	32,367	33,532
179,606	Other financial assets - current		58,948	17,094	6,021	5,110	13,098	25,254	18,386	37,718	43,984	56,447
245	Inventories		258	266	274	283	292	302	312	323	334	346
220,931	**Total current assets**		**110,134**	**72,899**	**63,500**	**59,962**	**68,710**	**81,801**	**76,307**	**96,325**	**103,728**	**117,368**
	Non-current assets											
1,857	Trade and other receivables - non-current		721	605	462	334	266	198	162	107	78	37
516,276	Property plant and equipment		552,157	597,519	628,257	663,392	696,268	722,892	751,806	792,199	829,827	865,685
5,498	Intangible assets		5,745	4,954	4,101	3,348	2,896	2,617	2,445	2,396	2,386	2,417
17	Investments in equity accounted associates		10	10	10	10	10	10	10	10	10	10
	Other financial assets:											
87	- Investment in other entities		51	51	51	51	51	51	51	51	51	51
10,148	- Investment in CCO's and other similar entities		56,481	56,764	57,514	56,524	56,704	56,929	56,929	56,929	56,929	56,929
25,000	- Loans to related parties (Quayside Holdings Limited)		110,000	150,000	150,000	110,000	110,000	110,000	110,000	110,000	110,000	110,000
6,342	- Other financial assets - non current		0	0	0	0	0	0	20,000	20,000	35,000	50,000
565,226	**Total non-current assets**		**725,164**	**809,902**	**840,394**	**833,658**	**866,194**	**892,697**	**941,402**	**981,692**	**1,034,280**	**1,085,128**
786,157	**Total assets**		**835,298**	**882,801**	**903,894**	**893,619**	**934,904**	**974,498**	**1,017,709**	**1,078,017**	**1,138,008**	**1,202,495**
	Current liabilities											
16,542	Trade and other payables		21,564	22,211	22,922	23,655	24,436	25,218	26,075	26,988	27,960	28,966
4,916	Employee benefit liabilities		6,152	6,337	6,540	6,749	6,972	7,195	7,439	7,700	7,977	8,264
90,500	Borrowings - short term		95,900	85,000	95,000	85,000	85,000	85,000	85,000	85,000	85,000	85,000
111,958	**Total current liabilities**		**123,616**	**113,548**	**124,461**	**115,404**	**116,408**	**117,413**	**118,515**	**119,688**	**120,936**	**122,230**

Prospective statement of financial position *continued*

Annual Plan 2020/21 $000		Notes	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Non-current liabilities											
1,251	Employee benefit liabilities - long term		1,056	1,089	1,129	1,163	1,199	1,235	1,274	1,316	1,361	1,407
140,900	Borrowings - long term		160,000	210,900	200,900	170,900	170,900	170,900	170,900	170,900	170,900	170,900
3,400	Put option		3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400	3,400
145,551	**Total non-current liabilities**		**164,456**	**215,389**	**205,429**	**175,463**	**175,499**	**175,535**	**175,574**	**175,616**	**175,661**	**175,707**
257,509	**Total liabilities**		**288,072**	**328,937**	**329,890**	**290,867**	**291,906**	**292,947**	**294,089**	**295,304**	**296,597**	**297,937**
528,648	**Total net assets**		**547,226**	**553,864**	**574,003**	**602,752**	**642,998**	**681,550**	**723,620**	**782,713**	**841,411**	**904,559**
	Equity											
192,685	Retained earnings		197,488	209,279	216,719	229,146	229,732	228,146	229,370	230,295	232,641	232,467
198,183	Asset revaluation reserve		225,464	247,875	270,385	292,410	324,319	352,325	379,921	419,419	454,768	490,910
40,234	Asset replacement reserve		45,037	38,201	34,802	27,227	30,813	37,482	41,878	47,748	52,843	61,013
89,229	General reserves		67,549	50,234	45,135	47,399	50,563	54,995	64,856	77,529	93,119	111,020
3,431	Targeted rates reserves		4,978	4,199	3,563	3,527	3,501	3,489	3,482	3,486	3,520	3,574
4,887	Restricted reserves		6,709	4,074	3,398	3,044	4,067	5,110	4,111	4,235	4,517	5,573
528,648	**Total equity**		**547,226**	**553,864**	**574,003**	**602,752**	**642,998**	**681,550**	**723,620**	**782,713**	**841,411**	**904,559**

Prospective statement of cash flows

Annual Plan 2020/21		Notes	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
$000			$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
	Cash flows from operating activities											
57,198	General and targeted rates		64,329	68,528	72,727	84,654	87,442	90,158	93,161	96,380	100,203	104,410
22,892	Grants & subsidies		29,118	25,463	25,465	24,265	23,022	23,558	20,781	21,138	21,708	22,418
95	GST		1,815	1,857	1,901	1,947	1,996	2,048	2,103	2,160	2,225	2,295
17,782	Other receipts from customers		17,486	15,888	16,087	16,793	17,552	18,235	18,922	19,698	20,446	21,006
5,781	Interest income (received)		2,125	3,262	3,367	3,524	3,179	3,593	4,199	4,979	6,179	7,033
(3,258)	Interest paid		(3,501)	(5,002)	(5,864)	(6,245)	(5,790)	(6,001)	(6,290)	(6,535)	(6,621)	(6,779)
33,200	Dividends		44,600	42,350	43,550	44,786	46,059	47,370	48,721	50,112	51,545	53,021
(85,622)	Payments to suppliers		(104,803)	(108,258)	(97,730)	(99,621)	(100,585)	(103,341)	(101,257)	(102,033)	(104,938)	(107,492)
(44,433)	Payments to employees		(47,726)	(49,233)	(50,572)	(51,898)	(53,257)	(54,125)	(55,256)	(56,349)	(57,615)	(59,167)
3,635	**Net cash from operating activities**		**3,445**	**(5,145)**	**8,932**	**18,204**	**19,618**	**21,494**	**25,084**	**29,550**	**33,132**	**36,744**
	Cash flows from investing activities											
0	Proceeds from sale of property, plant & equipment		0	0	0	0	0	0	0	0	0	0
(50,715)	Purchase of property, plant & equipment		(34,252)	(30,670)	(16,622)	(21,738)	(9,653)	(7,094)	(9,511)	(8,501)	(9,687)	(7,054)
(947)	Purchase of intangible assets		(321)	(320)	(220)	(220)	(220)	(220)	(219)	(219)	(219)	(213)
(38,995)	Purchase of investments		0	0	0	(1,018)	(9,951)	(14,102)	(15,116)	(21,293)	(23,278)	(29,507)
54,776	Investment withdrawals		22,208	39,860	9,080		0	0	0	0	0	0
(35,881)	**Net cash from investing activities**		**(12,364)**	**8,870**	**(7,763)**	**(22,977)**	**(19,824)**	**(21,416)**	**(24,847)**	**(30,013)**	**(33,184)**	**(36,775)**

Prospective statement of cash flows *continued*

Annual Plan 2020/21 $000		Notes	2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Cash flows from financing activities											
40,000	Proceeds from borrowings		75,000	40,000	0	0	0	0	0	0	0	0
0	Repayment of borrowings		0	0	0	(40,000)	0	0	0	0	0	0
0	Loan issued to QHL		(60,000)	(40,000)	0	40,000	0	0	0	0	0	0
(840)	Borrower Notes issued		(2,500)	(1,273)	(750)	(250)	(500)	(625)	0	0	0	0
0	Borrower Notes repaid		898	990	0	1,240	320	400	0	0	0	0
(2,010)	Loans issued to ratepayers		0	0	0	0	0	0	0	0	0	0
770	Loan repayments from ratepayers		426	421	423	297	233	167	134	81	51	31
37,920	**Net cash from financing activities**		**13,824**	**138**	**(327)**	**1,287**	**53**	**(58)**	**134**	**81**	**51**	**31**
5,674	**Net increase/ (decrease) in cash, cash equivalents and bank overdrafts**		**4,904**	**3,863**	**842**	**(3,485)**	**(153)**	**21**	**371**	**(381)**	**0**	**1**
18,492	Cash, cash equivalents and bank overdrafts at the beginning of the year		21,061	25,965	29,828	30,670	27,185	27,032	27,052	27,424	27,042	27,042
24,166	**Cash, cash equivalents and bank overdrafts at the end of the year**		**25,965**	**29,828**	**30,670**	**27,185**	**27,032**	**27,052**	**27,424**	**27,042**	**27,042**	**27,043**

Notes to Prospective financial statements

Note 1 Summary financial statements - reconciliation to income and funding impact statement

Annual Plan 2020/21 $000		2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Revenue by group of activities										
27,028	Catchment Management	32,406	30,691	31,124	31,561	32,326	33,956	31,859	32,858	33,922	35,071
17,426	Flood Protection & Control	19,056	20,111	21,501	23,410	24,355	25,204	26,074	27,076	28,055	29,042
15,273	Resource Regulation & Monitoring	16,080	15,783	16,302	17,146	17,698	18,304	18,842	19,577	20,286	20,900
31,396	Transport and Urban Planning	40,814	42,073	45,046	50,975	52,314	53,373	54,771	56,332	58,304	60,489
21,995	Democracy, Engagement and Planning	23,990	24,466	25,581	27,936	29,213	30,005	31,067	31,869	33,217	34,449
3,001	Emergency Management	3,425	3,582	3,703	3,789	3,898	4,006	4,072	4,177	4,274	4,372
13,591	Support Services	14,327	15,447	16,203	17,554	17,414	18,030	19,064	20,382	21,989	23,529
129,712	**Activity operating revenue**	**150,097**	**152,153**	**159,461**	**172,372**	**177,219**	**182,879**	**185,749**	**192,272**	**200,047**	**207,853**
	Reconciliation to income statement										
7,144	Plus subsidies and grants for capital expenditure	7,562	3,338	1,736	1,650	35	35	35	35	35	35
136,854	**Total operating revenue - income statement**	**157,659**	**155,491**	**161,197**	**174,022**	**177,254**	**182,913**	**185,784**	**192,307**	**200,081**	**207,888**
	Reconciliation to funding impact statement										
(3,404)	Less subsidies and grants for capital expenditure	(5,713)	(2,975)	(1,736)	(1,650)	(35)	(35)	(35)	(35)	(35)	(35)
(3,740)	Less other dedicated capital funding	(1,848)	(363)	0	0	0	0	0	0	0	0
129,710	**Total sources of operating funding**	**150,097**	**152,153**	**159,461**	**172,372**	**177,219**	**182,879**	**185,749**	**192,272**	**200,047**	**207,853**

Note 1 Summary financial statements - reconciliation to income and funding impact statement *continued*

Annual Plan 2020/21 $000		2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Expenditure by group of activities										
32,352	Catchment Management	35,123	31,461	31,420	31,264	31,189	32,533	26,545	26,523	26,830	27,454
13,375	Flood Protection & Control	14,302	18,598	17,314	17,638	16,978	17,596	20,171	19,708	20,197	20,122
15,210	Resource Regulation & Monitoring	15,770	15,511	16,020	16,371	16,847	17,316	17,629	18,112	18,533	18,959
34,609	Transport and Urban Planning	42,473	44,060	48,450	50,533	51,751	52,588	53,875	55,261	57,029	59,006
25,946	Democracy, Engagement and Planning	35,644	39,416	26,840	27,616	28,716	28,577	28,905	28,482	29,128	29,666
3,847	Emergency Management	3,424	3,581	3,701	3,787	3,896	4,004	4,069	4,173	4,269	4,367
17,107	Support Services	16,998	18,638	19,822	20,089	19,540	19,753	20,116	20,453	20,747	21,305
142,447	**Total operating expenditure**	**163,735**	**171,265**	**163,568**	**167,297**	**168,918**	**172,367**	**171,310**	**172,712**	**176,733**	**180,880**
	Reconciliation to income statement										
142,447	**Total expenditure - income statement**	**163,735**	**171,265**	**163,568**	**167,297**	**168,918**	**172,367**	**171,310**	**172,712**	**176,733**	**180,880**
	Reconciliation to funding impact statement										
(9,130)	Less depreciation	(7,706)	(8,772)	(9,402)	(9,532)	(9,286)	(8,900)	(8,507)	(7,795)	(7,559)	(7,442)
133,316	**Total applications of operating funding**	**156,029**	**162,493**	**154,166**	**157,765**	**159,632**	**163,467**	**162,803**	**164,917**	**169,174**	**173,439**
(5,593)	**Net cost of service**	**(6,076)**	**(15,774)**	**(2,371)**	**6,725**	**8,336**	**10,546**	**14,474**	**19,595**	**23,348**	**27,007**
(3,606)	**Surplus (deficit) of operating funding**	**(5,932)**	**(10,340)**	**5,295**	**14,607**	**17,587**	**19,412**	**22,946**	**27,356**	**30,873**	**34,414**

Each group of activity financial statement includes internal costs, internal revenues, and non-monetary transactions.

In order to fairly reflect the total external operations for the Council in the income statement, capital revenue is included as shown.

In order to comply with schedule 10 of the Local Government Act 2002, internal and non-monetary transactions are eliminated in the funding impact statement (whole of council) as shown.

Note 2 Reserves

Annual Plan 2020/21 $000		2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Asset Revaluation Reserve										
187,769	Opening balance surplus (deficit)	208,355	223,665	246,014	268,458	290,415	322,252	350,183	377,701	417,121	452,392
9,428	Deposits	15,310	22,349	22,444	21,957	31,837	27,931	27,518	39,419	35,271	36,063
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
197,197	**Closing balance surplus (deficit)**	**223,665**	**246,014**	**268,458**	**290,415**	**322,252**	**350,183**	**377,701**	**417,121**	**452,392**	**488,456**
	Financial Assets Reserve										
828	Opening balance surplus (deficit)	1,735	1,799	1,861	1,927	1,995	2,067	2,142	2,220	2,298	2,376
158	Deposits	64	62	66	68	72	75	78	78	78	78
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
986	**Closing balance surplus (deficit)**	**1,799**	**1,861**	**1,927**	**1,995**	**2,067**	**2,142**	**2,220**	**2,298**	**2,376**	**2,454**
198,183	**Total Asset Revaluation Reserves**	**225,464**	**247,875**	**270,385**	**292,410**	**324,319**	**352,325**	**379,921**	**419,419**	**454,768**	**490,910**
	Asset Replacement Reserve										
22,845	Opening balance surplus (deficit)	28,928	45,039	38,201	34,802	27,227	30,813	37,482	41,878	47,748	52,843
73,771	Deposits	16,111	13,724	13,443	14,384	13,459	13,983	14,127	14,590	15,000	15,439
(56,381)	Withdrawals	0	(20,562)	(16,843)	(21,959)	(9,873)	(7,314)	(9,731)	(8,720)	(9,906)	(7,268)
40,235	**Closing balance surplus (deficit)**	**45,039**	**38,201**	**34,802**	**27,227**	**30,813**	**37,482**	**41,878**	**47,748**	**52,843**	**61,013**
40,235	**Total Asset Replacement Reserves**	**45,039**	**38,201**	**34,802**	**27,227**	**30,813**	**37,482**	**41,878**	**47,748**	**52,843**	**61,013**
	Equalisation Fund Reserve										
10,079	Opening balance surplus (deficit)	1,020	(1,387)	(5,057)	(7,783)	(7,783)	(6,915)	(4,404)	421	8,387	19,404
0	Deposits	304	1,141	1,313	5,807	5,854	7,546	9,812	12,757	15,233	16,451
(4,739)	Withdrawals	(2,711)	(4,811)	(4,038)	(5,807)	(4,987)	(5,036)	(4,987)	(4,790)	(4,216)	(3,181)
5,340	**Closing balance surplus (deficit)**	**(1,387)**	**(5,057)**	**(7,783)**	**(7,783)**	**(6,915)**	**(4,404)**	**421**	**8,387**	**19,404**	**32,674**

Note 2 Reserves *continued*

Annual Plan 2020/21 $000		2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Infrastructure Fund Reserve										
9,198	Opening balance surplus (deficit)	0	0	0	0	0	0	0	0	0	0
0	Deposits	0	0	0	0	0	0	0	0	0	0
(3,745)	Withdrawals	0	0	0	0	0	0	0	0	0	0
5,453	**Closing balance surplus (deficit)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Regional Project Fund Reserve										
32,925	Opening balance surplus (deficit)	34,379	23,937	10,291	7,917	10,181	12,478	14,400	19,435	24,141	28,715
3,510	Deposits	4,971	5,057	5,152	5,122	5,155	5,135	5,186	4,856	4,724	4,781
(3,000)	Withdrawals	(15,413)	(18,703)	(7,526)	(2,859)	(2,859)	(3,214)	(150)	(150)	(150)	(150)
33,435	**Closing balance surplus (deficit)**	**23,937**	**10,291**	**7,917**	**10,181**	**12,478**	**14,400**	**19,435**	**24,141**	**28,715**	**33,346**
	Toi Moana reserve										
45,000	Opening balance surplus (deficit)	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
45,000	**Closing balance surplus (deficit)**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**	**45,000**
89,228	**Total General Reserves**	**67,549**	**50,234**	**45,135**	**47,399**	**50,563**	**54,995**	**64,856**	**77,529**	**93,119**	**111,020**
	Rates Current Account Reserve										
6,086	Opening balance surplus (deficit)	5,798	4,978	4,199	3,563	3,526	3,501	3,489	3,482	3,486	3,520
585	Deposits	623	492	361	261	208	155	127	85	85	85
(3,241)	Withdrawals	(1,443)	(1,271)	(998)	(297)	(233)	(167)	(134)	(81)	(51)	(31)
3,430	**Closing balance surplus (deficit)**	**4,978**	**4,199**	**3,563**	**3,526**	**3,501**	**3,489**	**3,482**	**3,486**	**3,520**	**3,574**
3,430	**Total Targeted Rates Reserves**	**4,978**	**4,199**	**3,563**	**3,526**	**3,501**	**3,489**	**3,482**	**3,486**	**3,520**	**3,574**

Note 2 Reserves *continued*

Annual Plan 2020/21 $000		2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Environmental Enhancement Fund										
465	Opening balance surplus (deficit)	274	274	274	274	274	274	274	274	274	274
333	Deposits	333	332	332	331	331	331	330	330	329	321
(333)	Withdrawals	(333)	(332)	(332)	(331)	(331)	(331)	(330)	(330)	(329)	(321)
465	**Closing balance surplus (deficit)**	**274**	**274**	**274**	**274**	**274**	**274**	**274**	**274**	**274**	**274**
	Disaster Reserve										
1,744	Opening balance surplus (deficit)	3,256	4,264	1,632	956	602	1,625	2,669	1,669	1,793	2,075
994	Deposits	1,008	963	941	990	1,024	1,043	1,056	1,056	1,056	1,056
0	Withdrawals	0	(3,595)	(1,617)	(1,344)	0	0	(2,056)	(932)	(774)	0
2,738	**Closing balance surplus (deficit)**	**4,264**	**1,632**	**956**	**602**	**1,625**	**2,669**	**1,669**	**1,793**	**2,075**	**3,131**
	Rotorua Lakes Deed Funding Reserve										
3,401	Opening balance surplus (deficit)	1,820	0	0	0	0	0	0	0	0	0
0	Deposits	0	0	0	0	0	0	0	0	0	0
(3,000)	Withdrawals	(1,820)	0	0	0	0	0	0	0	0	0
401	**Closing balance surplus (deficit)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Kaituna NZTA reserve										
606	Opening balance surplus (deficit)	604	604	604	604	604	604	604	604	604	604
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
606	**Closing balance surplus (deficit)**	**604**	**604**	**604**	**604**	**604**	**604**	**604**	**604**	**604**	**604**

Note 2 Reserves *continued*

Annual Plan 2020/21 $000		2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	CDEM Group Reserve										
570	Opening balance surplus (deficit)	887	887	887	887	887	887	887	887	887	887
0	Deposits	0	0	0	0	0	0	0	0	0	0
(570)	Withdrawals	0	0	0	0	0	0	0	0	0	0
0	**Closing balance surplus (deficit)**	**887**	**887**	**887**	**887**	**887**	**887**	**887**	**887**	**887**	**887**
	Kaituna River Authority Reserve										
190	Opening balance surplus (deficit)	188	188	188	188	188	188	188	188	188	188
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
190	**Closing balance surplus (deficit)**	**188**	**188**	**188**	**188**	**188**	**188**	**188**	**188**	**188**	**188**
	Kaituna River Remediation										
487	Opening balance surplus (deficit)	491	491	491	491	491	491	491	491	491	491
0	Deposits	0	0	0	0	0	0	0	0	0	0
0	Withdrawals	0	0	0	0	0	0	0	0	0	0
487	**Closing balance surplus (deficit)**	**491**	**491**	**491**	**491**	**491**	**491**	**491**	**491**	**491**	**491**
4,887	**Total Restricted Reserves**	**6,708**	**4,076**	**3,400**	**3,046**	**4,069**	**5,112**	**4,113**	**4,237**	**4,519**	**5,575**
	Total Reserves										
322,193	Opening balance surplus (deficit)	332,735	349,739	344,585	357,284	373,608	413,266	453,404	494,251	552,419	608,770
88,779	Deposits	38,724	44,121	44,052	48,920	57,940	56,199	58,233	73,171	71,776	74,274
(75,009)	Withdrawals	(21,720)	(49,275)	(31,353)	(32,597)	(18,282)	(16,061)	(17,387)	(15,003)	(15,425)	(10,951)
335,963	**Closing balance surplus (deficit)**	**349,739**	**344,585**	**357,284**	**373,608**	**413,266**	**453,404**	**494,251**	**552,419**	**608,770**	**672,092**

Note 3 Depreciation and amortisation

Annual Plan 2020/21 $000		2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Depreciation and amortisation by group of activities										
1,182	Catchment Management	1,273	1,397	1,417	1,415	1,385	1,406	1,311	774	781	789
1,874	Flood Protection & Control	1,456	1,584	1,704	1,713	1,729	1,740	1,747	1,766	1,781	1,791
81	Resource Regulation & Monitoring	67	62	70	71	75	81	85	92	94	96
390	Transport and Urban Planning	377	434	429	520	455	241	185	185	93	0
0	Democracy, Engagement and Planning	0	0	0	0	0	0	0	0	0	0
0	Emergency Management	6	11	16	21	24	25	25	25	25	25
5,603	Support Services	4,526	5,283	5,766	5,792	5,617	5,407	5,153	4,953	4,786	4,740
9,130	**Total depreciation and amortisation**	**7,706**	**8,772**	**9,402**	**9,532**	**9,286**	**8,900**	**8,507**	**7,795**	**7,559**	**7,442**

Note 4 Financial Prudence

Long Term Plan 2021-2031 disclosure statement for period commencing 1 July 2021

What is the purpose of this statement?

This statement discloses Council's planned financial performance in relation to various benchmarks, to assess whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Council is required to include this statement in its LTP 2021-2031 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 the statement.

Quantified limit on rates	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
General rates	31,118	33,327	35,812	42,074	43,954	45,910	48,048	50,366	52,851	55,461
Targeted rates	33,212	35,201	36,915	42,580	43,487	44,247	45,113	46,013	47,353	48,948
Planned Total rates	**64,329**	**68,528**	**72,727**	**84,654**	**87,442**	**90,158**	**93,161**	**96,380**	**100,203**	**104,410**

Rates affordability benchmark

Council meets the rates affordability benchmark if:

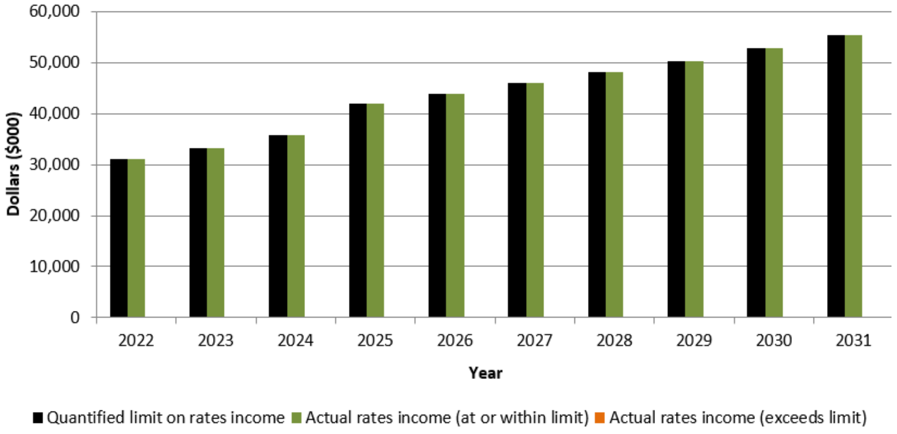
Its planned rates income equals or is less than each quantified limit on rates; and

Its planned rates increase equals or is less than each quantified limit on rates increases.

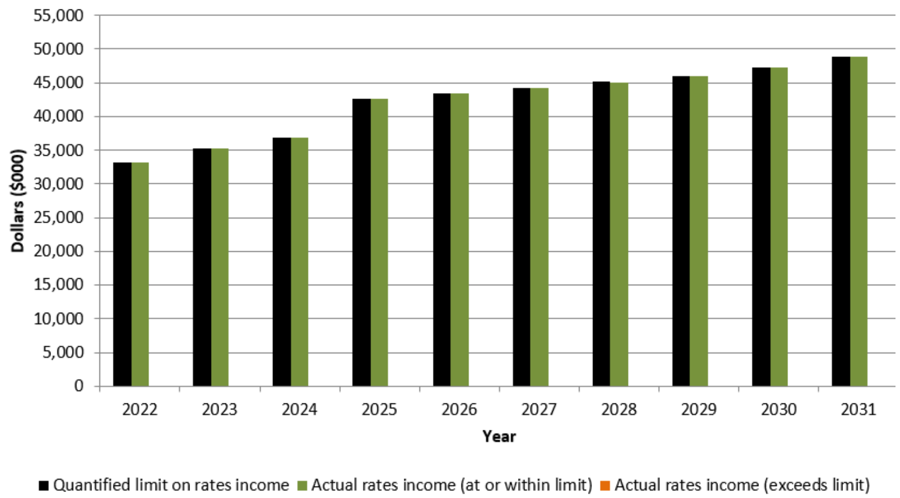
Rates (income) affordability

The following graphs compare the Council's planned rates income with a quantified limit on real rate increases in the financial strategy in Council's LTP 2021-2031. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars.

General rates



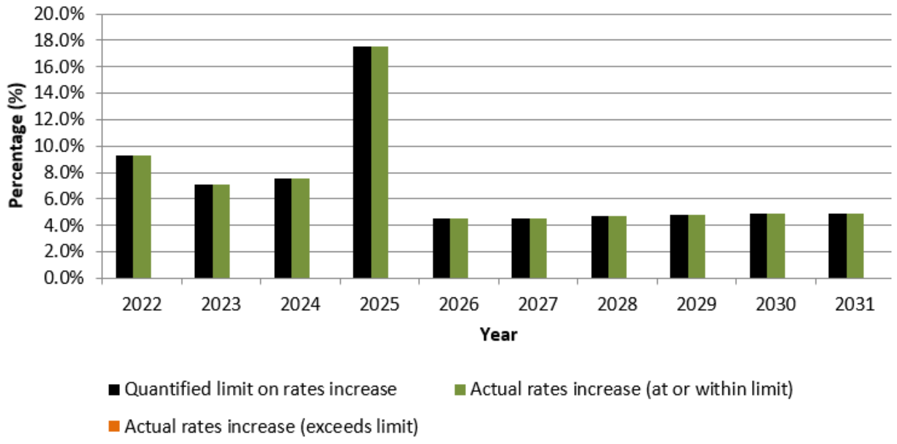
Targeted rates



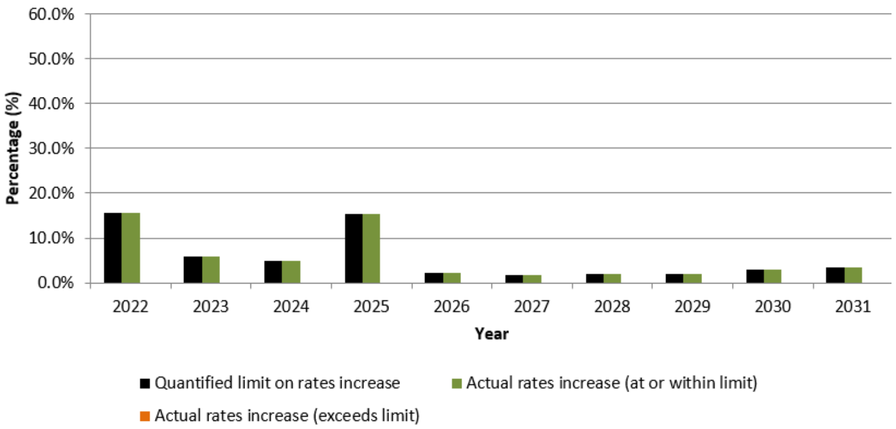
Rates (increase) affordability

The following graphs compare Council's planned rates increases with a quantified limit on real rates increases in the financial strategy in Council's LTP 2021-2031. The quantified limit is set for each financial year and measured as percentage rate rise from the previous financial year.

General rates



Targeted rates



Debt affordability benchmark

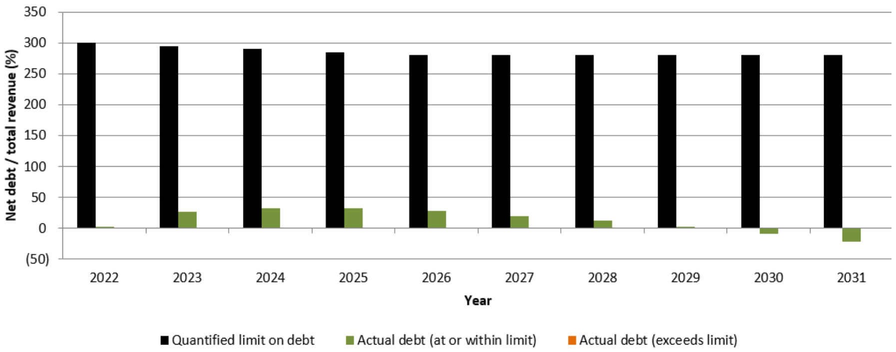
Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

The following graphs compare Council's planned debt with a quantified limit on borrowing in the financial strategy included in Council's LTP 2021-2031. The quantified limit is set for borrowing within the following macro limits:

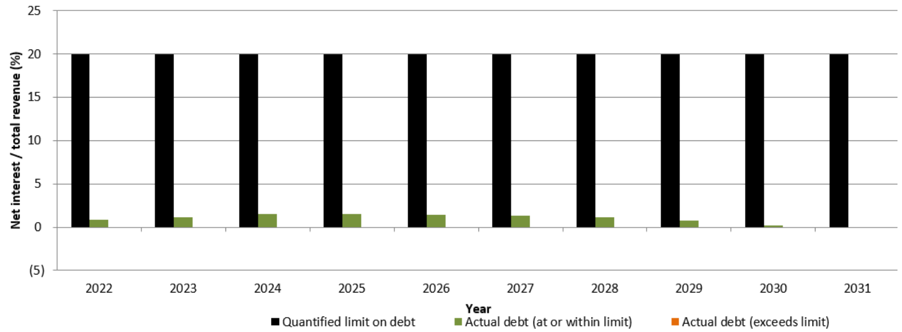
Financial covenant [1]	Limit
Net debt [2] / Total revenue [3]	<280%-300%
Net interest / Total revenue	<20%
Net interest / Annual rates revenue	<30%
Liquidity [4]	>110%

1. Financial covenants are measured on Council only, not the consolidated group.
2. Net debt is defined as total debt less 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 divided by external debt.

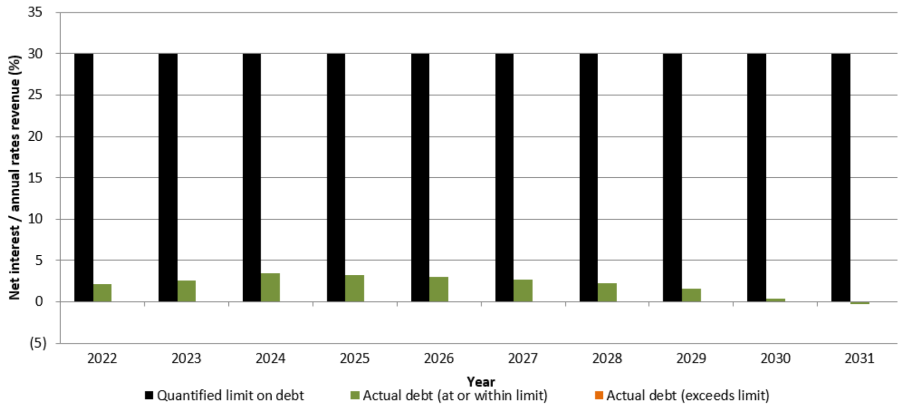
Net debt/total revenue



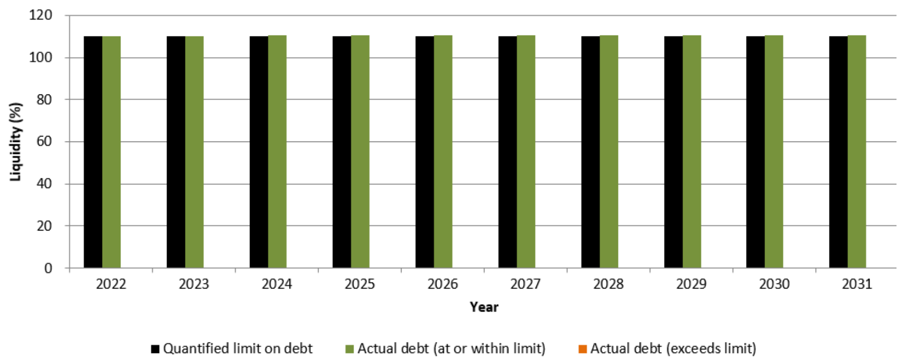
Net interest/total revenue



Net interest/annual rates revenue



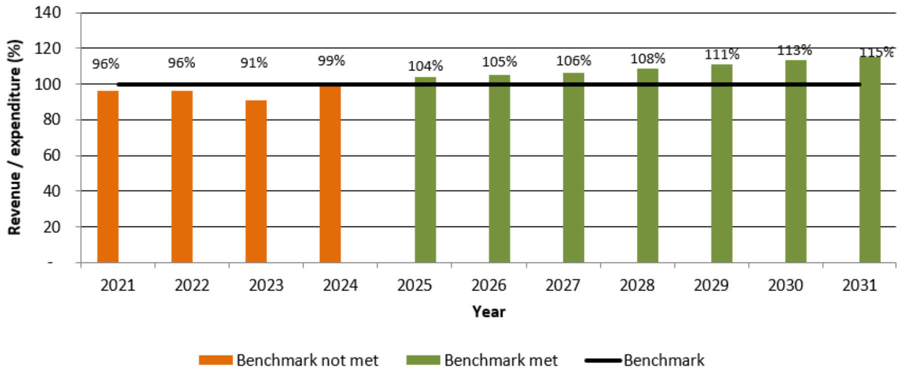
Liquidity



Balanced budget benchmark

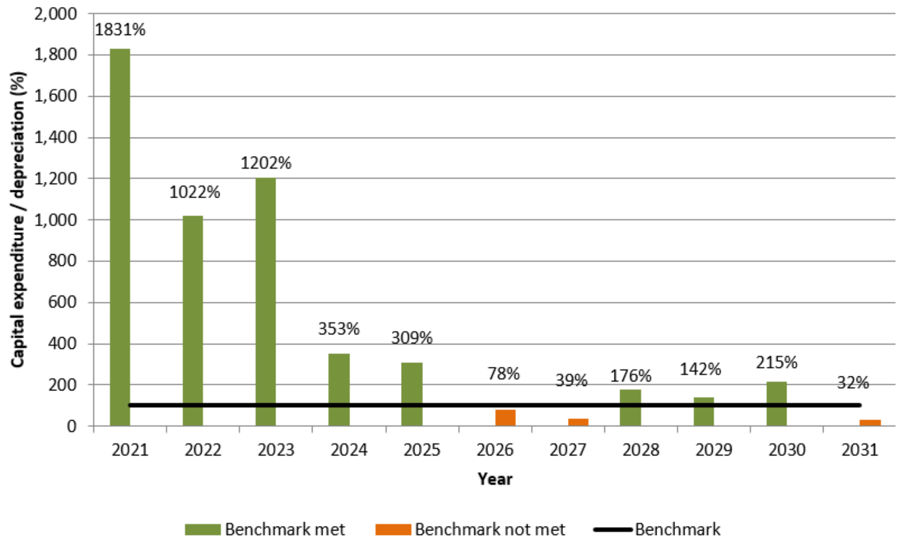
The following graph displays Council's planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment) as a proportion of planned operating expenses (excluding losses on derivative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

Council meets this benchmark if planned revenue equals or is greater than its operating expenses.



Essential services benchmark

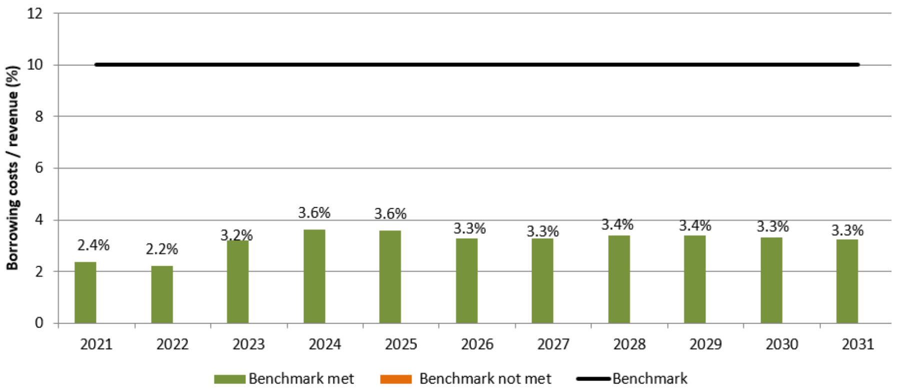
The following graph displays Council's planned capital expenditure on network services as a proportion of expected depreciation on network services. Council meets this benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.



Debt servicing benchmark

The following graph displays Council's planned borrowing costs as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plan or equipment).

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



Accounting Policies
Ngā Kaupapahere Kaute

Reporting entity

Bay of Plenty Regional Council (Council) is a regional local authority 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.

Council's primary objective is to provide goods or services for the community and social benefit, rather than making a financial return. Accordingly, Council has designated itself and the group as public benefit entities (PBEs) for the purposes of financial reporting.

The group consists of the ultimate parent, 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 54.1% of the shares in the Port of Tauranga Limited (Port Company). Council's subsidiaries are incorporated and domiciled in New Zealand.

The principal activity of the Toi Moana Trust is financial investment. These prospective financial statements report on all budgets for Council activities for each of the 10 years ending 30 June.

These prospective statements are Council's only and are not consolidated with the statements of any subsidiaries (Quayside Holdings Limited companies and the Toi Moana Trust, the Group).

Basis of preparation

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

Statement of Compliance

The prospective financial statements of Council have been prepared in accordance with the requirements of the Local Government Act 2002, Part 6 Section95 and Part 2 of Schedule 10 which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP) with the exception of the Funding Impact Statements (FIS).

The prospective financial statements comply with the Public Benefit Entity International Public sector Accounting Standards (PBE IPSAS)for Tier 1 entities and with the Public Benefit Entities Financial Reporting Standard- PBE FRS 42 Prospective Financial Statements, issued for 1 January 2019.

These financial statements use forecast opening balances for the period ending 30 June 2021 and estimates have been restated accordingly, if required.

The information in the prospective financial statements is uncertain and preparation requires exercise of judgement. Actual financial results achieved for the period covered are likely to vary from the information presented, and the variations may be significant. Events and circumstances may not occur as expected or may not have been predicted, or Council may subsequently take actions that differ from the proposed courses of action on which the prospective financial statements are based.

Council authorised the prospective financial statements on 24 June 2021.

Council, which is authorised to do so and believes that the assumptions underlying these prospective financial statements are appropriate, has approved the LTP 2021-2031 for distribution.

Council and its management accepts responsibility for the preparation of its prospective financial statements, including appropriateness of assumptions underlying the prospective financial statements and all other required disclosures. Actual financial results have been incorporated to the extent that they affect the opening forecast prospective statement of financial position as at 1 July 2021. Council does not intend to update the prospective financial statements subsequent to presentation.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by the revaluation of land and buildings, certain infrastructural assets and financial instruments (including derivative instruments).

Presentation currency and rounding

Financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

Changes in accounting policies

There have been no changes in accounting policies.

Standards issued

New standards, amendments and interpretation issued but not yet effective have not been adopted early by Council but will be applied with any resulting reporting changes as from:

- PBE IPSAS 41 Financial instruments, issued for 1 January 2022
- PBE FRS 48 Service Performance Reporting, issued for January 2021
- PBE IPSAS 2 Cash flow statements, issued for 1 January 2021
- PBE IAS 12 Income Taxes

Significant accounting policies

Consolidation

Council has not presented group prospective financial statements because it believes that the parent prospective financial statements are more relevant. The main purpose of prospective financial statements in the LTP 2021-2031 is to provide users with information about the core services Council intends to provide ratepayers, the expected cost of those services and, as a consequence, how much Council requires in rates to fund intended levels of service. The level of rates funding required is not affected by subsidiaries, except to the extent that Council obtains distributions from, or further invests in those subsidiaries. Such effects are included in the prospective financial statements.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of Council activities. Revenue is shown, net of GST, rebates and discounts. The specific accounting policies for significant revenue items are explained below:

Rates revenue

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. 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 Council has received an application that satisfies its rates remission policy.

Government grants

Council receives funding assistance from the Waka Kotahi NZ Transport Agency, which subsidies part of Council's passenger transport services. Council also receives Crown Infrastructure Partnership funding to assist with infrastructure projects. The subsidies are recognised as revenue upon entitlement once conditions pertaining to eligible expenditure have been fulfilled.

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.

Finance revenue

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

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

Rental income

Rental income from property leased under operating leases, is recognised in the statement of comprehensive revenue and expense 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.

Provision of services

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

Resource consent revenue

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

Vested or donated physical assets

For assets received for no, or nominal consideration, the asset is recognised at its fair value when 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.

Other Income

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

Expenses

Finance expenses

Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions and impairment losses recognized on financial asset (except for trade receivables). All borrowing costs are recognised in the statement of comprehensive revenue and expense using the effective interest method. Council does not capitalise borrowing costs.

Grant expenditure

Non-discretionary grants are those that are awarded if the grant application meets 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 Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by Council and the approval has been communicated to the applicant.

Leases

Where Council is the lessee

Leases, where Council substantially assumes 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, 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 period of the lease. Lease incentives are recognized as an integral part of the total lease expense, over the term of the lease.

Where Council 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 property, plant and equipment in the balance sheet, 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.

Assets

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on 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.

Receivables

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

Inventories

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, when applicable, for any loss of service potential. Where inventory is acquired a 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.

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 subsidiaries (Quayside Holdings Limited and Toi Moana Trust) is carried at cost less impairment.

Intercompany loans

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

Unlisted shares

Unlisted shares are carried at fair value. The investment in shares held by Council, consisting of 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 notes

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

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 the 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
Amoritsed cost	Amortised cost less provision 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

There were no 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).

Accounting for derivative financial instruments and hedging activities

Council 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, Council does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

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

Cash flow hedge

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the highly probable forecast transaction, upon which the hedge 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 surplus or deficit, in the same period that the hedged item affects the statement of comprehensive revenue and expense.

Fair value hedges

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

Property, plant and equipment

Property, plant and equipment consist of:

- Operational assets – Operational assets include land, buildings, plant and equipment, maritime assets and motor vehicles
- Restricted assets – Restricted assets are regional parks owned by 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 Council. Each class includes all items that are required for it to function, such as stopbanks, flood gates and drainage networks and structures

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 recognized at cost less impairment, if any, and it not depreciated.

Revaluation

Land, buildings, rivers and drainage and maritime assets are measured at fair value, based on periodic valuations by external independent valuers or valuations by Council employees which are reviewed by external independent consultants Council 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.

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 recognized 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 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 Council 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 probably that future economic benefits or service potential associated with the item will flow to Council 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 is calculated on a straight line basis and expensed over their useful lives. The useful lives and depreciation rates of the major classes of assets have been estimated as follows:

Class	Useful life	Depreciation rate
Buildings	5 to 100 years	1% - 20%
Plant and equipment	2 to 50 years	2% - 50%
Maritime	15 to 40 years	2.5% - 6.67%
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
Water ways	N/A	0%
Edge protection	N/A	0%
Buffer zone plantings	N/A	0%
Fencing	N/A	0%
Stop banks	see below	0.30%

The stop banks are maintained to convey their design flood carrying capacity. However, settlement of 50 percent of the freeboard will be allowed before stop bank reconstruction is undertaken. Stop bank reconstruction will be required on average every 20 years. To account for this, a depreciation rate of 0.3 percent is used. After 20 years the stop banks will have lost 6 percent of their value.

Intangible assets

Intangible assets which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses. The estimated useful lives for the current and comparative periods are as follows:

- Computer software 1 to 10 years

The carrying amounts of Council's intangibles are reviewed at each reporting date to determine whether there is any objective evidence of impairment.

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use by the Council are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of Council's website are recognised as an expense when incurred.

Software acquisitions and development assets, which have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

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 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.

Liabilities

Payables

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.

Provisions

A provision is recognised if, as a result of a past event, the Council 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 with 12 months after the end of period in which the employee renders the related service are measured on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.

A liability for sick leave is recognized to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

Short-term employee benefit obligations are measured on an undiscounted basis and are expenses as the related service is provided.

Long-term employee benefits

Council grants employees one-off annual leave entitlement's 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 non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to Kiwisaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

Loans and borrowings

Loans and borrowings are recognised at fair value plus any directly attributable transaction costs, if the Council becomes party to the contractual provisions of the instrument. Loans and borrowings are derecognized if the Council's obligations as specified in the contract expire or are discharged or cancelled.

Subsequent to initial recognition, all borrowings are measured at amortised cost using the effective interest method, less any impaiment losses.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Financial guarantee contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, the fair value of the liability is initially measured using a valuation technique, such as considering the credit enhancement arising from the guarantee or the probability that Council will be required to reimburse a holder for a loss incurred discounted to present value. If the fair value of a guarantee cannot be reliably determined, a liability is only recognised when it is probable there will be an outflow under the guarantee.

Financial guarantees are subsequently measured at the higher of:

- The present value of the estimated amount to settle the guarantee obligation if it is probable there will be an outflow to settle the guarantee
- The amount initially recognised less, when appropriate, cumulative amortisation as revenue

Equity

Council's capital is its equity (or ratepayers' funds), which comprise of retained earnings and reserves. Equity is represented by net assets.

Council has the following Council created reserves:

- Reserves for different areas of benefit
- Self-insurance reserves

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. Release of these funds can generally only be approved by Council.

Council holds the following reserves. All reserves are cash reserves except for the asset revaluation reserve and financial asset reserve.

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, maritime, or property assets.

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.

Equalisation reserve

This reserve is used to record surpluses and deficits from all general funded activities.

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

Toi Moana reserve

This reserve is used to provide optimised long term investment returns without the restraint of liquidity requirements. This reserve is used by the Treasury programme within Corporate Activity.

Rates current account

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 Council (general and targeted rate) funding allocated to match MfE funds. This reserve is used by the Rotorua Lakes Activity.

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.

Financial assets 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 Corporate Activity.

Goods and Services 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.

Rates Funding Impact Statements are disclosed inclusive of GST.

Cost allocation

The cost of service for each activity of council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

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.

Where material, information on the major assumptions is provided in the relevant accounting policy or will be provided in the relevant note.

Estimates and underlying assumptions are reviewed on an ongoing basis. Judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the ten years are outlined below:

- valuation of land and buildings, and infrastructure assets
- valuation of derivative financial instruments
- intangible assets
- lease classification and accounting for arrangements containing a lease
- provisions
- valuation of investments in subsidiaries

Significant assumptions

A number of forecasting assumptions have been used in the development of this LTP 2021-2031.

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 Put option is valued annually.

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 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 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
- Probability of default is consistent with a A-/BBB+ credit quality (Source: Moody's, based on empirical observations in the period 1983 to 2018.)

The latest valuation of the Put option was carried out on 17 September 2020 PricewaterhouseCoopers, Wellington.

Infrastructural assets

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

- The physical deterioration and condition of an asset, for example 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, 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, adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Council's Asset Management Planning activities, which gives Council further assurance over its useful life estimates.

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

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques.

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

The nominal value less impairment provision of trade receivables and payables, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate, that is available to Council for similar financial instruments.

Prospective financial information

The financial information contained in this document is prospective financial information in terms of accounting standard PBE FRS 42.

The purpose of the financial information is to provide ratepayers and interested parties the prospective future financial performance, financial position and cash flows of Council.

The actual results achieved for any particular financial year are also likely to vary from the information presented and may vary materially, depending on the circumstances that arise during that period.

Rounding

Some rounding variances may occur in the financial statements due to stating dollar amounts to the nearest $1,000.

Council Controlled Organisations Ngā Pakihi a Te Kaunihera

Introduction

A *Council Controlled Organisation* (CCO) is any company or entity in which one or more local authorities, whether or not jointly with other local authorities, controls 50% or more of the voting rights, or the right to appoint 50% or more of the governing body of the company or entity. CCOs that are for profit are called Council Controlled Trading Organisations (CCTO). CCOs and CCTOs are established under the Local Government Act 2002.

Bay of Plenty Regional Council (Council) is a shareholder in four CCO companies and that helps it achieve its regional goals.

Quayside Holdings Limited (Quayside) independently manages commercial investments, such as a strategic holding in Port of Tauranga Limited. Council owns 100 percent of the voting interests in Quayside.

Toi Moana Trust is a financial investment designed to optimise returns on funds that were available for long-term investment and to protect the capital value of the initial investment. Council owns majority of the units in Toi Moana Trust.

BOPLASS Limited(Bay of Plenty Local Authority Shared Services) independently supports all councils in the region in efficiently delivering shared services. Council is one of nine shareholders in the Bay of Plenty and Gisborne, with a 16.13% shareholding.

The Local Government Funding Agency(LGFA) was established by the Local Government Borrowing Act 2011. It allows New Zealand councils to invest and call on loans to fund services at cheaper rates than they could through the private sector market. Council is a shareholder (7.46% as at May 2021), along with 29 other local authorities throughout New Zealand and Central Government.

This chapter provides an overview of these organisations, including their performance measures (where applicable) for Years One to 10 of this LTP 2021-2031. Council reports on the financials and performance of our CCOs in our annual reports.

Quayside Holdings Limited

Quayside Holdings Limited's (Quayside) objective is to derive commercial returns through commercial management and monitoring its investments.

Subsidiary companies of Quayside (collectively the Quayside Group) include:

- Quayside Securities Limited (100% owned)
- Quayside Unit Trust (100% owned)
- Quayside Investment Trust (100% owned)
- Quayside Properties Limited (100% owned)
- Port of Tauranga Limited (54.14% owned)
- Aqua Curo Limited (100% owned)
- Cibus Technologies Limited (100% owned)

History

The Quayside Group was established in 1991 when Quayside gained a majority interest in POTL from Council. The interest was acquired by Quayside Unit Trust, with Quayside Securities Limited acting as trustee for the Unit Trust. In time, Quayside Properties Limited was established to invest in regional property infrastructure. Quayside Securities Limited also acts as trustee for Quayside Investment Trust, a wholly owned Portfolio Investment Entity established in 2014.

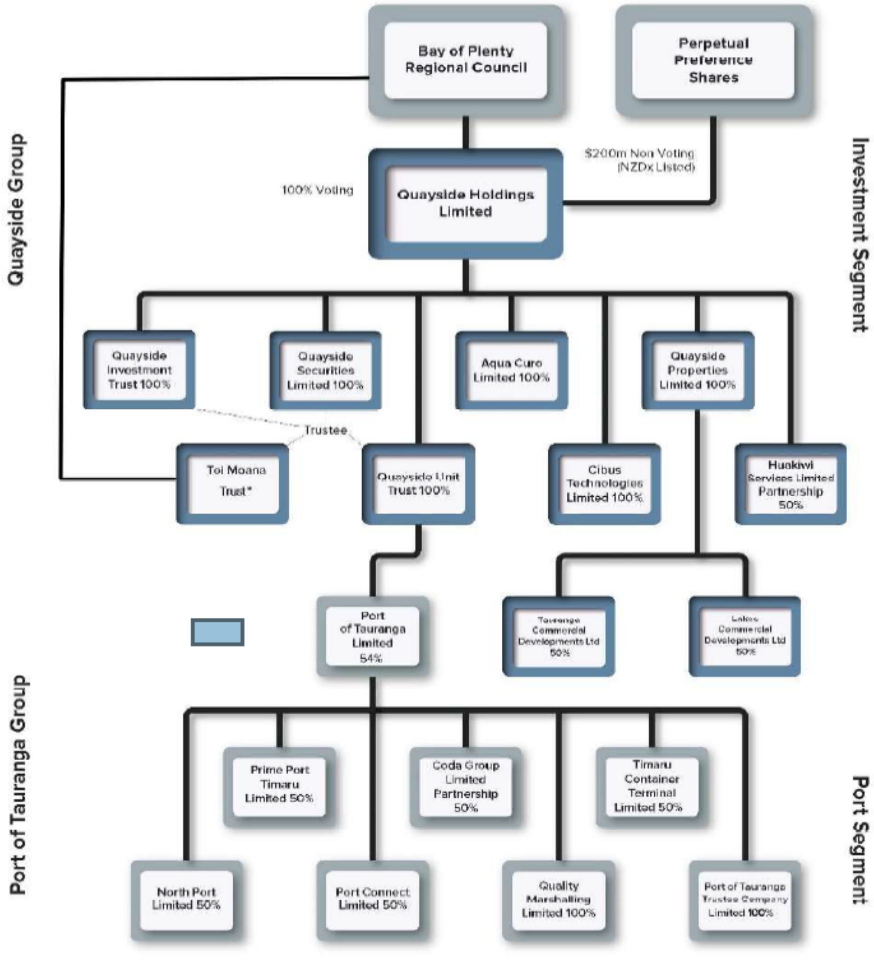
Perpetual Preference Shares

In March 2008, Council sold 200,000,783 Perpetual Preference Shares (PPS) in Quayside to the public at $1 per share.

The shares are listed on the NZX Debt Market (NZDX) and are able to be bought and sold by public shareholders. Shareholders receive a fixed rate of dividend, which is reset every three years. The last reset occurred on 12 March 2020, and the dividend was reset at 2.46%.

Proceeds from the sale of the shares raised $200 million, providing a significant source of readily-accessible funds to meet Council's capital requirements and to assist selected regional infrastructure development, for this LTP 2021-2031 and beyond.

Quayside Group Structure



**Quayside Securities Ltd is the Trustee for theToi Moana Trust. Bay of Plenty Regional Council holds the majority of units.*

Group objectives

Every year Quayside as a CCO is required to submit a Statement of Intent. This document outlines the objectives and targets of the Quayside Group. The following objectives were agreed:

- To be an effective cornerstone shareholder, allowing the Port of Tauranga Limited (POTL) (or any other subsidiary) to perform as an independent commercial company through the effective separation of Council and Port responsibilities
- To enable the Council to undertake commercial activities in accord with the Local Government Act 2002
- To act as a responsible commercially focussed investor and manager, targeting long-term commercial returns, delivering growth and income through an endowment portfolio
- To provide Council with a consistent, sustainable, inflation proof intergenerational revenue stream through annual distributions
- To access additional commercial expertise through the appointment of independent directors
- To provide appropriate access to efficient funding to Quayside and Council
- Seek and/or where requested by Council, identify, analyse, implement and/or manage new commercial opportunities
- To work openly with Council to provide regional benefit, while investing for commercial returns
- To provide expert advice to Council for financial and commercial decision marking
- To ensure open dialogue exists between the Group and the Council
- To comply with all relevant legislation as a CCO, CCTO and an issuer on the debt exchange of the NZX
- To work openly and inclusively with interest Māori Groups
- To promote within the group social and corporate responsibility including climate change
- To promote rigorous health and safety management, and sound and equitable employment practices in accordance with the group policy on diversity and inclusion

Assets and ownership objectives

As at 30 June 2020 the market value of the Quayside investment in POTL was $2.798 billion. This represents 54.14% of the total shares issued by POTL. Retaining majority ownership of this asset is deemed strategic to both Quayside and Council.

Distributions

In the year to 30 June 2020 Quayside made net distributions of $32.1 million to Council and $7.7 million to Perpetual Preference Shareholders.

Quayside pays distributions to shareholders out of available cash flow. The distributions targeted for the next three years to 30 June are:

Distributed to:	2020/21 Forecast $ million	2021/22 Forecast $ million	2022/23 Forecast $ million
Council	$40.0	$40.0	$41.2
Perpetual Preference Shareholders (net)	$4.9	$5.6	$7.6
Total Distribution	$44.9	$45.6	$45.8

Governance

Quayside and its subsidiaries are independent from Council in management and governance. Quayside is governed by a Board of Directors.

The directors of Quayside are appointed by Council. The current directors are Sir Rob McLeod (Chairman), Stuart Crosby, Fiona McTavish, Dr Warren Parker, Keiran Home, Paula Thompson and Brett Hewlett. The Chief Executive of Quayside is Scott Hamilton.

POTL is publicly listed on the NZX Main Board (NZSX), with directors appointed through its Annual General Meeting.

Toi Moana Trust

Background

Toi Moana Trust (the Trust) was established in 2019 as a portfolio investment entity (PIE), with Council owning majority of the units in the Trust. The Trust is a subsidiary of Council.

Objectives

Every year Toi Moana Trust as a CCO is required to submit a Statement of Intent. This document outlines the objectives and states the Toi Moana Trust was established to provide investment management activities for the Bay of Plenty Regional Council's Toi Moana Fund.

The primary objective is providing optimized long-term investment returns without the restraint of liquidity requirements to Council. Its secondary objective is to protect the capital value of its investment over the longer term.

Governance

Quayside Holdings Limited has been appointed to be the manager (the Manager) of the Trust. The role of the manager commenced on 1 July 2019. Quayside Holdings Limited is the parent of Quayside Securities Limited. Toi Moana Trust is a PIE under the Quayside Investment Trusts, Trust Deed. Quayside Securities Limited is a corporate trustee of the assets of Quayside Investment Trusts.

BOPLASS Ltd

Background

The local authorities in the Bay of Plenty and Gisborne regions established BOPLASS Ltd in 15 October 2007. It was established to investigate, develop and deliver shared services, joint procurement and communications where and when they can be done more effectively for any combinations of some or all of the councils.

Council is a shareholder in BOPLASS Ltd, with eight other local authorities in the Bay of Plenty and Gisborne (as at May 2021 Council has a 16.1% shareholding).

Objectives

The objective of BOPLASS Ltd as stated in its Statement of Intent is:

"Working together with the full support and involvement of staff, we will provide benefit to Councils and their stakeholders through improved levels of service, reduced costs, improved efficiency and/or increased value through innovation."

Nature and scope of activities

The principle nature and scope of the activities of BOPLASS Ltd is to:

- Use joint procurement to add value to goods and services sourced for its constituent Councils
- Establish the underlying technology, framework, platform and policies to enable and support delivery of Shared Services
- Facilitate initiatives that benefit councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value
- Pursue best practice in the management of all activities to obtain best value and minimise risk
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, Council contributions or Government funding where available
- Allow other councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly
- Actively monitor and engage with shared service developments across the public sector to identify opportunities for further development and establishing best practice
- Represent the collective views of its shareholders in matters with which it is associated

Governance

BOPLASS Ltd will conduct itself in accordance with its Constitution, its annual Statement of Intent agreed with shareholders, the provisions of the Companies Act 1993 and the Local Government Act 2002.

The company is governed by its directors. To ensure total synergy between the company's activities and its local authority shareholders' activities, the nine Directors are also the Chief Executives of their respective shareholding local authorities. The dual roles recognise the interdependence of BOPLASS and its councils in the undertaking of its activities.

The Board also includes an independent Chair, appointed with specific skills and knowledge to add incremental value. This appointment brings experience and specialist skills that are complementary to those held by the other Directors.

Local Government Funding Agency

Background

Council became a partner of the Local Government Funding Agency (LGFA) following a public consultation process in 2011. The nature of the 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.

The LGFA was established by the Local Government Borrowing Act 2011. Council is a shareholder (7.46% as at May 2021) along with other local authorities throughout New Zealand and Central Government.

Nature and scope of activities

LGFA will raise debt funding, either domestically and/or offshore in either New Zealand dollars or foreign currency, and provide debt funding to New Zealand local authorities and CCO's and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with that business.

Objectives

LGFA operates with the primary objective of optimising the debt funding terms and conditions for participating Local Authorities. This includes:

- Providing interest cost savings relative to alternative sources of financing;
- Offer flexible short and long-term lending products that meet Participating Borrowers' borrowing requirements;
- Delivering operational best practice and efficiency for its lending services; and
- Ensuring certainty of access to debt markets, subject always to operating in accordance with sound business practice.

Quayside Holdings Limited Performance Indicators

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2019/20**	**Year One 2021/22**	**Year Two 2022/2023**	**Year Three 2023/2024**	**Year Four to Year 10 2024/25 to 2030/31**
Quayside Holdings Limited *(1)*	Maintain a majority holding in the Port of Tauranga Limited	54.14% holding at 30 June 2020	Holding of greater than 50.1%	Holding of greater than 50.1%	Holding of greater than 50.1%	Not available
	Generate commercial returns across the investment portfolio	12.13% three year rolling gross return	Five year rolling gross return of at least 7.0% per annum	Five year rolling gross return of at least 7.0% per annum	Five year rolling gross return of at least 7.0% per annum	Not available
	Generate long-term commercial returns and/or regional benefit through a portfolio of real assets	Annual Board assessment for each asset completed in June 2020	Annual Board assessment of benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors.	Annual Board assessment of benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors.	Annual Board assessment of benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors.	Not available
	Generate long-term commercial returns and/or regional benefit through a portfolio of private equity assets	Achieved	Annual Board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.	Annual Board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.	Annual Board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors.	Not available
	Keep Council informed on a no surprises basis, providing quality and timely information Provide Council with timely advice on financial and commercial decision making as required	Achieved	A minimum of four presentations per annum to Council, as shareholders. Quarterly reporting on Group financial position and risk. Timely advice and support, as required. Matters of urgency are reported to Council at the earliest opportunity. Long term forecasting of key financial information and key risks provided to Council annually.	A minimum of four presentations per annum to Council, as shareholders. Quarterly reporting on Group financial position and risk. Timely advice and support, as required. Matters of urgency are reported to Council at the earliest opportunity. Long term forecasting of key financial information and key risks provided to Council annually.	A minimum of four presentations per annum to Council, as shareholders. Quarterly reporting on Group financial position and risk. Timely advice and support, as required. Matters of urgency are reported to Council at the earliest opportunity. Long term forecasting of key financial information and key risks provided to Council annually.	Not available
	Ensure Group Policies and Procedures are current and appropriate	Achieved	All policies and procedures to be reviewed biennially	All policies and procedures to be reviewed biennially	All policies and procedures to be reviewed biennially	Not available

1. The KPIs for Quayside measure the performance of the QHL Group as a whole and are not for individual subsidaries of the Group

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2019/20**	**Year One 2021/22**	**Year Two 2022/2023**	**Year Three 2023/2024**	**Year Four to Year 10 2024/25 to 2030/31**
Quayside Holdings Limited *(1)*	Meet shareholder distribution expectations as outlined in SOI, Distribution Policy, or as otherwise agreed	Achieved	Distributions paid to agreed values Policy discussion with Council on the use of any future special dividends received from POTL	Distributions paid to agreed values Policy discussion with Council on the use of any future special dividends received from POTL	Distributions paid to agreed values Policy discussion with Council on the use of any future special dividends received from POTL	Not available
	Compliance with NZX listing requirements for PPS	Achieved	Matters of material impact are disclosed in line with continuous disclosure requirements. Board reporting of PPS compliance and monitoring.	Matters of material impact are disclosed in line with continuous disclosure requirements. Board reporting of PPS compliance and monitoring	Matters of material impact are disclosed in line with continuous disclosure requirements. Board reporting of PPS compliance and monitoring	Not available
	Investments must be in accordance with the Group Principles of Responsible Investment	Not measured	Investments must be screened from an ethical perspective and meet the following criteria. 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. Investment selection and management of investments in accordance with the principles for responsible investment set out in the Quayside SIPO. Board reporting of SIPO compliance dashboard at each meeting. Annual audits of investment adherence to SIPO, including responsible investment principles.	Investments must be screened from an ethical perspective and meet the following criteria. 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. Investment selection and management of investments in accordance with the principles for responsible investment set out in the Quayside SIPO. Board reporting of SIPO compliance dashboard at each meeting. Annual audits of investment adherence to SIPO, including responsible investment principles.	Investments must be screened from an ethical perspective and meet the following criteria. 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. Investment selection and management of investments in accordance with the principles for responsible investment set out in the Quayside SIPO. Board reporting of SIPO compliance dashboard at each meeting. Annual audits of investment adherence to SIPO, including responsible investment principles.	Not available

1. The KPIs for Quayside measure the performance of the QHL Group as a whole and are not for individual subsidaries of the Group

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2019/20**	**Year One 2021/22**	**Year Two 2022/2023**	**Year Three 2023/2024**	**Year Four to Year 10 2024/25 to 2030/31**
Quayside Holdings Limited *(1)*	Investments must be in accordance with principles of socially responsible investments	Not measured	Management to screen all investments for their environmental social and governance (ESG) impact, including climate change and sustainability. A summary to be included in all investment papers presented to the board for all private equity and real asset investments. Measureable ESG objectives set by management and annually reported on the same to the Board and Council via the annual report.	Management to screen all investments for their environmental social and governance (ESG) impact, including climate change and sustainability. A summary to be included in all investment papers presented to the board for all private equity and real asset investments. Measureable ESG objectives set by management and annually reported on the same to the Board and Council via the annual report.	Management to screen all investments for their environmental social and governance (ESG) impact, including climate change and sustainability. A summary to be included in all investment papers presented to the board for all private equity and real asset investments. Measureable ESG objectives set by management and annually reported on the same to the Board and Council via the annual report.	Not Available

1. The KPIs for Quayside measure the performance of the QHL Group as a whole and are not for individual subsidaries of the Group

Toi Moana Trust Performance Indicators

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2019/20**	**Year One 2021/22**	**Year Two 2022/2023**	**Year Three 2023/2024**	**Year Four to Year 10 2024/25 to 2030/31**
Toi Moana Trust	Generate commercial returns across the Investment Portfolio	Not achieved	Annual cash distribution of 3.5%	Annual cash distribution of 3.5%	Annual cash distribution of 3.5%	Not available
	Capital preservation	Not achieved	Long term capital preservation over an initial period of seven years	Long term capital preservation over an initial period of seven years	Long term capital preservation over an initial period of seven years	Not available
	Investments must be in accordance with its principles of Responsible Investment of the Quayside Group	Achieved	Investments must be screened from an ethical perspective and meet the following criteria. 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. Investment selection and management of investments must be in accordance with the principles for responsible investment set out in the Toi Moana Trust SIPO. Council reporting of SIPO compliance.	Investments must be screened from an ethical perspective and meet the following criteria. 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. Investment selection and management of investments must be in accordance with the principles for responsible investment set out in the Toi Moana Trust SIPO. Council reporting of SIPO compliance.	Investments must be screened from an ethical perspective and meet the following criteria. 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. Investment selection and management of investments must be in accordance with the principles for responsible investment set out in the Toi Moana Trust SIPO. Council reporting of SIPO compliance.	Not available

			Target			
Council-Controlled Organisation	Key performance indicators	Result at 2019/20	Year One 2021/22	Year Two 2022/2023	Year Three 2023/2024	Year Four to Year 10 2024/25 to 2030/31
Toi Moana Trust	Investments must be in accordance with its Principles of Socially Responsible Investment.	Achieved	As an Organisation with a focus on environmental factors investments should be screened for their impact on the environmental, social and governance considerations, including climate change and sustainability. Annual report to the Council on Toi Moana Trust compliance with responsible investment principles, including ESG industry standards and best practice.	As an Organisation with a focus on environmental factors investments should be screened for their impact on the environmental, social and governance considerations, including climate change and sustainability. Annual report to the Council on Toi Moana Trust compliance with responsible investment principles, including ESG industry standards and best practice.	As an Organisation with a focus on environmental factors investments should be screened for their impact on the environmental, social and governance considerations, including climate change and sustainability. Annual report to the Council on Toi Moana Trust compliance with responsible investment principles, including ESG industry standards and best practice.	Not available
	Keep Council informed on a no surprises basis, providing quality and timely information.	Achieved	Quarterly reporting on investment fund performance. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.	Quarterly reporting on investment fund performance. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.	Quarterly reporting on investment fund performance. Timely advice and support as required. Matters of urgency are reported to Council at the earliest opportunity.	Not available
	Meet Shareholders distribution expectations as outlined in SOI or as otherwise agreed.	Not measured	Distributions paid to agreed values	Distributions paid to agreed values	Distributions paid to agreed values	Not available

BOPLASS Limited Performance Indicators

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2019/20**	**Year One 2021/22**	**Year Two 2022/2023**	**Year Three 2023/2024**	**Year Four to Year 10 2024/25 to 2030/31**
BOPLASS Limited	Ensure supplier agreements are proactively managed to maximise benefits of BOPL.ASS councils	Achieved	Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through positive procurement process involving two or more vendors where applicable.	Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through positive procurement process involving two or more vendors where applicable.	Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through positive procurement process involving two or more vendors where applicable.	Not Available
	Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils	Achieved	Four initiatives	Four initiatives	Four initiatives	Not Available
	Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties	N/A – new measure in 2020/21	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.	Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken annually.	Not Available
	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	Achieved	Number of listed projects to increase by 10% per year. Number of active users to increase by 20% per year	Number of listed projects to increase by 10% per year. Number of active users to increase by 20% per year	Number of listed projects to increase by 10% per year. Number of active users to increase by 20% per year	Not Available

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2019/20**	**Year One 2021/22**	**Year Two 2022/2023**	**Year Three 2023/2024**	**Year Four to Year 10 2024/25 to 2030/31**
BOPLASS Limited	Communicate with each shareholding council at appropriate levels	Achieved	At least one meeting with each Executive Leadership Team per year	At least one meeting with each Executive Leadership Team per year	At least one meeting with each Executive Leadership Team per year	Not Available
	Ensure current funding model is appropriate	Achieved	Performance against budgets reviewed quarterly. Company remains financially viable	Performance against budgets reviewed quarterly. Company remains financially viable	Performance against budgets reviewed quarterly. Company remains financially viable	Not Available

Local Government Funding Agency (LGFA) Performance Indicators

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2019/20**	**Year One 2021/22**	**Year Two 2022/2023**	**Year Three 2023/2024**	**Year Four to Year 10 2024/25 to 2030/31**
Local Government Funding Agency (LGFA)	LGFA'S total operating income	Achieved actual result of $18.2 million (target of greater than $17.9 million)	Greater than $18.7 million	Greater than $24.2 million	Greater than $27.6 million	Not available
	LGFA's annual issuance and operating expense (excluding AIL)	Achieved actual $6.26 million (target less than $6.3 million)	Less than $7 million	Less than $7.2 million	Less than $7.4 million	Not available
	Total lending to Participating Local Authorities	Achieved actual of $10,899 million (target of at least $9,792 million)	At least $12.874 million	At least $13.291 million	At least $13.578 million	Not available
	Conduct an annual survey of Participating Borrowers who borrow from LGFA and achieve at least an 85% satisfaction score as to the value added by the LGFA to the borrowing activities	Achieved	85%	85%	85%	Not available
	Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements	Achieved	Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements	Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements	Meet all lending requests from Participating Borrowers, where those requests meet LGFA operational and covenant requirements	Not available
	Achieve 85% market share of all council borrowing in New Zealand	Achieved	85%	85%	85%	Not available

			Target			
Council-Controlled Organisation	**Key performance indicators**	**Result at 2019/20**	**Year One 2021/22**	**Year Two 2022/2023**	**Year Three 2023/2024**	**Year Four to Year 10 2024/25 to 2030/31**
Local Government Funding Agency (LGFA)	Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually	Not Achieved	Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.	Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.	Review each Participating Borrower's financial position, its headroom under LGFA policies and arrange to meet each Participating Borrower at least annually.	Not available
	No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015	Achieved	Zero breaches	Zero breaches	Zero breaches	Not available
	Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due	Achieved	Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.	Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.	Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due.	Not available
	Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency	Achieved	Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency	Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency	Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency	Not available

Funding Impact Statements
Ngā Pūrongo Pānga Tuku Pūtea

The Funding Impact Statements on the following pages are presented for compliance with Local Government (Financial Reporting and Prudence) Regulations 2014. In accordance with the regulations, the information presented is incomplete and not prepared in compliance with generally accepted accounting practice. It should not be relied upon for any other purpose than compliance with the Local Government (Financial Reporting and Prudence) Regulations 2014. The key differences between the Funding Impact Statements and the Statement of Comprehensive Revenue and Expense are: depreciation and vested assets are excluded from all Funding Impact Statements; and the Group of Activities Funding Impact Statement includes internal borrowing.

Bay of Plenty Regional Council: Funding impact statement for 2021-2031 long-term plan (whole of council)

Annual Plan 2020/21		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
$000		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
	Sources of operating funding										
28,471	General rates, uniform annual general charges, rates penalties	31,118	33,327	35,812	42,074	43,954	45,910	48,048	50,366	52,851	55,461
28,727	Targeted rates	33,212	35,201	36,915	42,580	43,487	44,247	45,113	46,013	47,353	48,948
19,488	Subsidies and grants for operating purposes	23,405	22,488	23,729	22,615	22,988	23,523	20,746	21,103	21,673	22,384
11,114	Fees and charges	12,728	12,511	12,965	13,555	14,196	14,761	15,322	15,967	16,575	17,075
38,980	Interest and dividends from investments	46,725	45,612	46,917	48,310	49,238	50,963	52,920	55,091	57,724	60,054
2,929	Local authorities fuel tax, fines, infringement fees, and other receipts	2,910	3,014	3,123	3,238	3,356	3,474	3,600	3,731	3,871	3,931
129,709	**Total operating funding (A)**	**150,097**	**152,153**	**159,461**	**172,372**	**177,219**	**182,879**	**185,749**	**192,272**	**200,047**	**207,853**
	Applications of operating funding										
129,882	Payments to staff and suppliers	152,528	157,491	148,302	151,520	153,842	157,466	156,513	158,382	162,553	166,660
3,258	Finance costs	3,501	5,002	5,864	6,245	5,790	6,001	6,290	6,535	6,621	6,779
175	Other operating funding applications	0	0	0	0	0	0	0	0	0	0
133,315	**Total applications of operating funding (B)**	**156,029**	**162,493**	**154,166**	**157,765**	**159,632**	**163,467**	**162,803**	**164,917**	**169,174**	**173,439**
(3,606)	**Surplus (deficit) of operating funding (A - B)**	**(5,932)**	**(10,340)**	**5,295**	**14,607**	**17,587**	**19,412**	**22,946**	**27,356**	**30,873**	**34,414**

Annual Plan 2020/21 $000		2021/22 $000	2022/23 $000	2023/24 $000	2024/25 $000	2025/26 $000	2026/27 $000	2027/28 $000	2028/29 $000	2029/30 $000	2030/31 $000
	Sources of capital funding										
3,404	Subsidies and grants for capital expenditure	5,713	2,975	1,736	1,650	35	35	35	35	35	35
0	Development and financial contributions	0	0	0	0	0	0	0	0	0	0
48,101	Increase (decrease) in debt	34,572	10,428	0	0	0	0	0	0	0	0
0	Gross proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
0	Lump sum contributions	0	0	0	0	0	0	0	0	0	0
3,740	Other dedicated capital funding	1,848	363	0	0	0	0	0	0	0	0
55,245	**Total sources of capital funding (C)**	**42,134**	**13,766**	**1,736**	**1,650**	**35**	**35**	**35**	**35**	**35**	**35**
	Applications of capital funding										
	Capital expenditure										
0	- to meet additional demand	4,198	0	0	0	0	0	0	0	0	0
34,408	- to improve the level of service	22,345	21,118	12,962	19,491	6,941	4,785	6,546	5,595	4,488	4,685
17,097	- to replace existing assets	8,029	9,872	3,881	2,467	2,931	2,529	3,184	3,124	5,418	2,582
(451)	Increase (decrease) in reserves	1,067	(28,036)	(10,172)	(5,962)	7,541	11,977	13,123	18,585	20,917	27,096
585	Increase (decrease) of investments	563	472	361	261	208	155	127	85	85	85
51,639	**Total applications of capital funding (D)**	**36,202**	**3,426**	**7,031**	**16,257**	**17,622**	**19,446**	**22,981**	**27,390**	**30,907**	**34,449**
3,606	**Surplus (deficit) of capital funding (C - D)**	**5,932**	**10,340**	**(5,295)**	**(14,607)**	**(17,587)**	**(19,412)**	**(22,946)**	**(27,356)**	**(30,873)**	**(34,414)**
0	**Funding balance ((A - B) + (C - D))**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	Note: This financial statement excludes:										
9,130	Depreciation and amortisation	7,706	8,772	9,402	9,532	9,286	8,900	8,507	7,795	7,559	7,442

Revenue and Financing Policy Kaupapahere Whai Moni me te Pūtea

Purpose

To present Bay of Plenty Regional Council's (Council) policies for financing its planned groups of activities, including proposed funding sources.

Under sections 102 and 103 of the Local Government Act 2002 (the Act), Council must adopt a Revenue and Financing Policy.

Introduction

Section 101(1) of the Local Government Act requires us to manage our revenue, expenses, assets, liabilities, investments and general financial dealings prudently, and in a manner that promotes the current and future interests of the community.

This Policy describes how Council will use revenue and financing sources to fund its activities. Tables than set out a summary of our funding sources for operating and capital expenditure by activity. Our comprehensive section 101(3) analysis is separately documented in the Funding Needs Analysis.

We have assessed the sources of revenue and finance for each activity using the following criteria as set out by the Act:

- Community outcomes the activity primarily contributes to
- Distribution of benefits between the community as a whole, any identifiable part of the community and individuals
- The period in or over which benefits are expected to occur
- The extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity
- The costs and benefits, including consequences for transparency and accountability, of funding the Activity distinctly from other Activities
- The overall impact of any allocation of liability for revenue needs in the community

Section 103(2) of the Act allows us to fund our activities from:

- General rates
  - i. including choice of valuation system
  - ii. differential rating
  - iii. Uniform Annual General Charges (UAGC)
- Targeted rates
- Lump sum contributions
- Fees and charges
- Interest and dividends from investment
- Borrowings
- Proceeds from asset sales
- Development contributions
- Financial contributions under the Resource Management Act 1991
- Grants and Subsidies
- Any other source

General funds as referred to throughout this document is a combination of investment income (interest and dividends) and general rates (including UAGC) and general reserves.

The following sections outline the main funding sources that are available for operating and capital expenditure. Consideration of our Financial Principles has led to an indicative order of preference for the funding sources.

Funding sources for operating expenditure

Operating expenditure is the day to day spending that maintains the services delivered by Council. This includes contributions to the wear and tear on assets used (depreciation), interest charged on borrowing (both internal and external) for capital projects and corporate services overheads.

Some activities may be best funded from user fees and charges such as bus fares, others with targeted rates such as the drainage scheme maintenance and others from the general rate such as regional planning.

After consideration of the legislative analysis and Financial Principles, the following are the preferred order of funding sources for operating expenditure:

<u>First priority for operating funding</u>

- Grants, subsidies, sponsorship and other sources of revenue
- Fees and charges where benefit can be assigned to individuals
- Financial contributions (not currently used)

<u>Second Priority for operating funding</u>

- Targeted rates where benefit can be assigned geographically or to itemise specific rates requirements

<u>Third Priority for Funding</u>

- Investment income (interest and dividends)
- General rates including UAGC

<u>Last Priority for Funding</u>

- Reserves
- Borrowing

This order of preference has been used as part of the proposed funding model for each activity.

Grants and subsidies

Council receives grants and subsidies from other organisations, including Central Government agencies and local authorities, to help fund some of its activities. Grants and contributions are used to fund specific activities and projects for national or local benefit. The main Government subsidies Council receives are from the New Zealand Transport Agency for passenger transport services and the Ministry for the Environment for the Rotorua Lakes activity.

Other sources

Other operating revenue includes:

- Charges to land owners for contributing to land management activities on their property
- Rent from Council owned properties leased to third parties
- Contributions from the New Zealand Transport Agency, local authorities and gravel-extraction revenue for flood protection activities
- Management fees for administrative support to Council controlled organisations

Fees and charges

Fees and charges are charged directly to users of a service or facility for the private benefit they receive.

The concept of user-pays is consistent with the ‘benefit/contributor principle’, where the users pay for private benefit from the service. It is also consistent with the principle that those causing the need to undertake the activity (exacerbators) pay for work required as a consequence.

User charges are applied where it is not practical for Council to establish a targeted rate on individual consumers to recover the cost of the service. Where user charges are impractical or ineffective, we may set a range of fees and charges to partly fund the private good component of an activity that delivers tangible private benefits.

Under Section 36 of the Resource Management Act 1991, Council can set administrative fees and charges for a range of matters.

These matters are set out in our Section 36 Resource Management Act and Building Act Charges Policy. Under section 150 of the Local Government Act 2002 the Council can set fees or charges for matters provided for in bylaws. Fees must be prescribed either in the bylaw, or following consultation in a manner that gives effect to the requirements of section 82 of the Local Government Act 2002.

Council’s Regional Navigation Safety Bylaw (clause 5.6) contains provision for charges to be made for mooring licenses, commercial operating licenses and Port charges.

Council also collects the revenue directly from ticketing for bus travel under it's bus contract. This system allows Council the flexibility to charge user fees or to offer more benefits to users of public transport.

In addition, local authorities are empowered to set fees for any service (not covered by other legislation) as one of the consequences of the general power of competence provided in section 12 of the LGA.

Financial contributions

Section 108(2)(a) of the Resource Management Act 1991 authorises Council to include, as a resource consent condition, a financial contribution for purposes as stated in a regional plan.

For more details see Council's Policy on Development Contributions and Financial Contributions.

Targeted rates

Targeted rates are used to fund discrete activities.

Council has set one or more targeted rates to fund a single activity, or a single targeted rate to fund multiple sub-activities within an Activity. Targeted rates may be set on a uniform basis for all rateable land on which the rate is set, or differentially for different categories of rateable land identified in the funding impact statement.

Investment income (interest and dividends)

Council has a range of investments which return interest and dividends. Our major cash investments include day-to-day surplus funds, funds from the sale of Port of Tauranga Limited (POTL) shares in 1991 to Quayside Holdings Limited (Quayside) and the issue of the Perpetual Preference Shares in Quayside during 2007/08. Term investments include a 100 percent shareholding in Quayside (a Council-Controlled Organisation) and a range of day-to-day reserve investments (see the section on Council Controlled Organisations for more detail).

These investments are corporate income sources that do not directly relate to a specific activity, and form a component of 'general funds'. General funds are made up of investment income and regional general rates. To ensure investment income benefits are shared by all ratepayers, we will continue to use our investment income to reduce general rates. Without the investment income off-set, revenue required from general rates would have to increase significantly to fund current levels of service.

Council has decided that the use of special dividend proceeds from the POTL (through Quayside) will be considered year by year. If used to offset operating expenditure it will be distributed through general funds.

General rates

General rates are sets at a uniform rate in the dollar of rateable value for all rateable land within the Bay of Plenty. Council has adopted the land value system for calculating its general rate. Because rating re-valuations occur across the region in different years, this rate is set on an equalised land-value basis.

The benefits of most of our activities are evenly distributed across the region. Council has adopted a land value system for the general rate as our activities, which are part-funded by the general rate, deliver benefits more closely aligned with land values than capital values. For example, the integrated and sustainable management of natural and physical resources is more likely to have a long-term impact on land resources and land values than on the capital improvements associated with that land.

Uniform Annual General Charge

Council sets a UAGC as a fixed amount per rating unit.

The impact of a UAGC is to set a component of rates as a fixed charge per rating unit, and to separate this charge from the valuation base used to calculate the general rate.

The Local Government (Rating) Act 2002 limits rates set on a uniform basis, including the UAGC, to 30%.

Because we believe that more than 30% of our total rate revenue could be levied through a fixed value targeted rate and UAGC, due to the nature of our activities having an even distribution of public good benefits, we have set our UAGC at the maximum permissible under the Act. Council has considered the affordability of rates when making this decision.

Reserves

Council has a number of cash funded reserve funds and some of these reserves funds are available to meet operating costs. Surplus funds from previous years (in the form of reserves) may be used to fund expenditure. Council generally uses these funds for the purpose that the reserve was created. Establishing and using these reserves is agreed through the Long Term Plan and Annual Plan processes.

Borrowing

Council generally plans to fund all cash operating costs from sources other than borrowing but may in specific circumstances, where it determines prudent to do so, fund some operating costs from borrowing.

Lump sum and development contributions

Council does not use lump sum or development contributions as a source of revenue.

Funding alternatives

Council will consider funding alternatives as they become available during the Long Term Plan period. These alternatives may be considered significant at the time, and if so we will engage with the community as required following an assessment of the issue against Council's Significance and Engagement policy.

Funding sources for capital expenditure

Capital expenditure is costs associated with the purchase, improvement and replacement of assets. After consideration of the legislative analysis and Financial Principles, the following are the preferred order of funding sources for capital expenditure.

- Proceeds from the sale of redundant assets
- Grants, subsidies, sponsorship and other sources of revenue that directly apply to the given asset
- Reserves and/or borrowing depending which is the most efficient source of funding

Capital expenditure on new assets is generally not directly funded by rates as this places the entire cost on current ratepayers. Instead, the use of reserves and/or borrowing, allows for the cost to be spread over time through interest and depreciation so that all beneficiaries of the asset contribute towards the cost.

Any net operating surpluses are accumulated into various reserve funds. A specific asset replacement reserve is accumulated through funding depreciation and available for renewal of existing assets.

Proceeds from the sale of assets

Proceeds from asset sales are generally used to repay debt or off-set the borrowing requirements for the asset and its activity if it doesn't meet the Council's determination.

Grants and subsidies

Council receives grants and subsidies from other organisations, including Central Government agencies and city and district councils, to help fund some of its capital expenditure. Grants and subsidies are used whenever they are available.

Reserves and/or borrowing

Council maintains some reserve funds for capital expenditure. Capital expenditure is funded from the most efficient source, which may include borrowing.

Assessing the impact of funding needs

Council has applied the above preferences for the use of funding sources to each activity in its Funding Needs Analysis. Following section 101(3)(a) assessment Council has considered its funding mix against the overall impact of any allocation of liability for revenue needs on the community as required by section 101(3)(b).

The Long Term Plan Financial Principle which guides Council in assessing the funding mix is Principle 2:

- Council achieves the right mix to fund its activities, and keeps rates, fees and charges, affordable, fair and equitable.

Examples of how the Council has balanced its approach to funding its activities include:

- Aligning the Policy on Remission and Postponement of Rates with the local authorities. This ensures the Council's ratepayers have access to the same affordability tools, such as considering financial hardship, options for reverse equity of properties, consistent application of criteria for rates on Māori freehold land and remissions of rates for social/cultural purposes such as recreational facilities, as they do for their local authority rates
- Developing the forestry and bush remission to encourage better land use practices to lessen the amount of nutrients entering the Rotorua Lakes
- Seeking alternative funding sources outside the region where wider interests exist
- Using general funds and reserves to spread the costs of services throughout the region to reduce the burden on small communities of interest, and when Council services proved wider and indirect benefits across different elements of well-being
- Considering inter-generational equity when funding depreciation and capital projects so current and future ratepayers pay their fair share

Summary of funding sources

Tables 1 and 2 show the indicative percentages each funding source is used to fund costs following our section 101(3)(a) and 101(3)(b) assessment.

Table 1: Summary of operating expenditure funding sources by sub-activity

LTP 2021-2031 Version 2 - Summary of Operating Expenditure Funding Sources (10 year average)							
Group of activities	Activity / Sub Activity	General funds	Targeted rates	User fees and charges and other revenue	Grants and subsidies	Reserves	Total
Catchment Management	Activity: Coastal Catchments	80-100%		0-20 %	0-20 %		100%
	Activity: Rotorua Lakes						
	120 - Catchment General	40-60%	40-60%		0-20%		100%
	123 - Sustainable Water	0-20%	0-20%		40-60%	40-60%	100%
	Activity: Regional Parks	80-100%		0-20 %			100%
	Activity: Biosecurity	80-100%		0-20 %	0-20 %		100%
Flood Protection and Control	Activity: Rivers and Drainage Schemes						
	210 - Kaituna Rivers Scheme	0-20 %	60-80%	0-20 %		0-20 %	100%
	211 - Rangitaiki-Tarawera Rivers Scheme	0-20 %	60-80%	0-20 %		0-20 %	100%
	212 - Whakatane-Tauranga Rivers Scheme	0-20 %	60-80%	0-20 %		0-20 %	100%
	213 - Waioeka-Otara Rivers Scheme	0-20 %	60-80%	0-20 %		0-20 %	100%
	214 - Rangitaiki Drainage Schemes		100%				100%
	215 - Minor Rivers and Drainage Schemes	0-20 %	80-100%				100%
	216 - Non-Rivers Scheme Works	100%					100%
	Activity: Regional Flood Risk Coordination	100%					100%
Resource Regulation & Monitoring	Activity: Air Quality	40-60%	40-60%				100%
	Activity: Resource Consents	40-60%		40-60%			100%
	Activity: Regulatory Compliance	60-80%		20-40%			100%
	Activity: Maritime Operations	60-80%		20-40%	0-20 %		100%

LTP 2021-2031 Version 2 - Summary of Operating Expenditure Funding Sources (10 year average)							
Group of activities	Activity / Sub Activity	General funds	Targeted rates	User fees and charges and other revenue	Grants and subsidies	Reserves	Total
Transportation and Urban Planning	Activity: Public Transport						
	410 - Tauranga Public Transport		40-60%	0-20 %	40-60%	0-20 %	100%
	411 - Rotorua Public Transport		40-60%	0-20 %	40-60%		100%
	413 - Western Public Transport		40-60%	0-20 %	40-60%		100%
	414 - Whakatāne Public Transport		40-60%	0-20 %	40-60%		100%
	412 - Regional Public Transport	60-80%		0-20 %	20-40%		100%
	Activity: Transport and Urban Planning	80-100%			0-20 %		100%
Demoncracy Engagement and Planning	Activity: Environmental Strategy	100%					100%
	Activity: Policy and Planning	100%					100%
	Activity: Maori Policy	100%					100%
	Activity: Community Engagement	80-100%	0-20 %				100%
	Activity: Governance Services	100%					100%
	Activity: Regional Development	20-40%				60-80%	100%
Emergency Management	Activity: Emergency Management						
	710 - Bay of Plenty Civil Defence Emergency Management Group		100%				
	711 - Regional Response		80-100%	0-20 %			
Support Services	Activity: Technical Support	80-100%		0-20 %			

Table 2: Summary of capital expenditure funding sources by sub-activity

Summary of capital expenditure funding sources by activity				
Group of activities	Activity	Reserves	External/ internal loans	Capital grants, subsidies, insurance recoveries
Catchment Management	Coastal Catchments	o	o	
	Rotorua Lakes	o	o	
	Rotorua Lakes - Deed	o	o	o
	Regional Parks	o	o	
Flood Protection and Control	Kaituna Catchment Rivers Scheme	o	o	o
	Rangitāiki - Tarawera Rivers scheme	o	o	o
	Whakatāne - Tauranga Rivers scheme	o	o	o
	Waioeka - Otara rivers scheme	o	o	o
	Rangitāiki Drainage Schemes	o	o	o
	Non-Rivers Scheme Works	o	o	o
	Regional Flood Risk Coordination	o	o	o
Resource Regulation and Monitoring	Air Quality		o	
	Maritime Operations	o	o	
Transportation and Urban Planning	Tauranga Public Transport	o	o	o
	Rotorua Public Transport	o	o	o
	Western Bay Public Transport	o	o	o
	Whakatāne Public Transport	o	o	o
	Regional Public Transport	o	o	o
Support Services	Technical Support	o	o	
	Corporate Support	o	o	

Rates Funding Impact Statements Ngā Pūrongo Pānga Pūtea Reiti

Introduction

Bay of Plenty Regional Council (Council) has prepared this Funding Impact Statement in accordance with Clause 15, Part 1 of Schedule 10 of the Local Government Act 2002. Examples of the impact of rating proposals on the rates assessed on different categories of land are included in the LTP 2021-2031 introduction section.

In accordance with clause 15(6) of schedule 10 of the Local Government Act 2002 the sources of funding as set out in this Rates Funding Impact Statement are intended to be used for all years of the LTP.

All 2021/22 rates tables are GST inclusive.

General rates

General rates based on land value

The general rate is set in accordance with Sections 13 and 131 of the Local Government (Rating) Act 2002 based on the projected valuation of all rateable land in the districts of the constituent territorial authorities at a uniform rate in the dollar. The general rate is effectively uniform; the differences in the rate in the dollar for each constituent district are a reflection of the differing revaluation dates.

General Rates Land Value	**$14,309,676**
Constituent Authority	**Rates expressed as cents per dollars of rateable land value**
Kawerau	0.025515
Ōpōtiki	0.024562
Rotorua (Part)	0.021713
Taupō (Part)	0.022437
Tauranga	0.023850
Western Bay of Plenty	0.023665
Whakatāne	0.023799
Offshore Islands	0.153450

Uniform annual general charge

In addition, a Uniform Annual General Charge (UAGC) is set in accordance with Section 15(1)(a) of the Local Government (Rating) Act 2002 for all rateable land within the region. It is calculated as a fixed amount per rating unit.

Uniform Annual General Charge	$21,714,856
Fixed amount per rating unit	$164.08

Major Rivers and Drainage Scheme targeted rates

Scheme rating maps for all major rivers and drainage schemes are available from Council. For detail on how to access these maps visit our website www.boprc.govt.nz

The targeted rates are set for the Flood Protection and Control Group of Activities.

Kaituna Catchment Control Scheme targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the Kaituna Catchment Control Scheme within the Tauranga, Western Bay of Plenty and Rotorua constituent districts.

Council sets two targeted rates; the first on where the land is situated and calculated using the area of land within the rating unit, and the second on where the land is situated and calculated using the extent of service provided.

Kaituna Catchment Control Scheme targeted rates			
Category	**Rate per hectare $**	**Site component $**	**Revenue sought $**
A1P	242.14	242.14	486,395
A2P	193.71	217.93	29,121
A3P	145.28	193.71	24,680
A4P	96.86	169.50	26,895
A1	193.71	181.61	119,983
A2	157.39	157.39	56,350
A3	121.07	157.39	56,578
A4	84.75	157.39	33,771
A5	72.64	157.39	94,506
A6	60.54	133.18	23,366
A7	43.59	121.07	22,368
A8	29.06	N/A	3,212
A9	9.69	N/A	843
A10	4.84	N/A	803
A11	2.42	N/A	588
B1	29.06	72.64	24,947
B2	21.79	60.54	7,810
B3	12.11	48.43	22,715
B4	7.26	36.32	39,868
B5	4.84	36.32	70,371

Category	Rate per hectare $	Site component $	Revenue sought $
C1	7.26	36.32	7,666
C2	4.24	36.32	121,249
C3	2.91	36.32	33,626
C4	2.42	N/A	5,108
C6R	1.45	N/A	1,570
C8	0.97	24.21	6,889
C5	2.91	24.21	126,568
C6	1.69	19.37	19,068
C7	0.97	72.64	2,676
C9	0.73	19.37	4,826
R01	48.43	96.86	24,919
R02	N/A	72.64	76,098
R03	36.32	30.27	734,415
TP1	24.21	36.32	107,446
Total			**2,417,294**

** N/A = Not Applicable*

Rangitāiki-Tarawera Rivers Scheme targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the Rangitāiki–Tarawera Rivers Scheme catchment within the Whakatāne, Kawerau, Rotorua and Taupō constituent districts. The Council sets one targeted rate on where the land is situated and the extent of service provided, calculated using the area of land within the rating unit.

Rangitāiki-Tarawera Rivers Scheme targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A1	166.82	1,355,858
A2	118.16	185,838
A3	90.36	165,609
A4	69.51	79,570
A5	59.08	406,690
A6	20.85	3,448
B1	104.26	223,212
B2	83.41	40,486
B3	62.56	44,392
B4	48.65	417,491
B5	34.75	55,707
B6	12.51	463
B7	9.73	1,749
C1	9.04	71,317
C2	6.26	323,390
C3	2.09	197,729
C4	1.39	87,167
C5	1.04	22,456
U1	5,317.27	210,026
U2	5,004.49	288,116
U3	903.59	22,670
U4	590.81	465,868
U5	417.04	42,475
Total		**4,711,727**

Whakatāne-Tauranga Rivers Scheme targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the Whakatāne-Tauranga Rivers Scheme catchment within the Whakatāne constituent district. Council sets two targeted rates; the first on where the land is situated and calculated using the area of land within the rating unit, and the second on where the land is situated and calculated using the extent of service provided.

Whakatāne-Tauranga Rivers Scheme targeted rates			
Category	**Rate per hectare $**	**Site component $**	**Revenue sought $**
A1	171.11	171.11	126,447
A2	144.78	144.78	57,506
A3	118.46	125.04	188,787
A4	98.72	111.88	303,218
A5	72.39	N/A	17,481
A6	52.65	92.13	23,313
A7	39.49	78.97	29,731
A8	26.32	72.39	64,687
A9	13.16	N/A	1,700
B1	59.23	N/A	130,759
B2	32.91	59.23	93,159
B3	26.32	39.49	51,356
B4	19.74	32.91	8,856
B5	2.63	N/A	1,184
C1	7.90	65.81	36,060
C2	5.26	26.32	52,245
C3	3.95	26.32	37,296
C4	2.63	6.58	6,188
C5	1.32	6.58	31,978
U1	592.30	177.69	475,692
U2	434.35	138.20	137,520
U3	230.34	92.13	215,540
U4	144.78	78.97	107,879
U5	13.16	N/A	9
Total			**2,198,591**

** N/A = Not Applicable*

Waioeka-Otara Rivers Scheme targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the Waioeka-Otara Rivers Scheme catchment within the Ōpōtiki constituent district. Council sets two targeted rates; the first on where the land is situated and calculated using the area of land within the rating unit, and the second on where the land is situated and calculated using the extent of service provided.

Waioeka-Otara Rivers Scheme targeted rates			
Category	**Rate per hectare $**	**Site component $**	**Revenue sought $**
A1A	370.07	427.00	22,015
A2	199.27	313.14	27,143
A2A	284.67	355.84	12,862
A3	170.80	256.20	128,861
A3A	227.73	313.14	6,538
A4	142.33	199.27	76,798
A4A	185.03	256.20	4,308
A5	128.10	199.27	59,035
A6	99.63	199.27	906
A7	85.40	199.27	10,100
A8	71.17	199.27	92,878
B1	56.93	N/A	15,355
B2	8.54	N/A	146
C1	14.23	170.80	41,811
C2	8.54	170.80	14,569
C3	5.69	142.33	14,009
C4	4.27	56.93	20,332
C5	2.85	56.93	3,160
C6	1.14	56.93	10,208
R	2.85	N/A	270
U1AC	1,708.01	1,252.54	50,595

Category	Rate per hectare $	Site component $	Revenue sought $
U1AR	854.01	626.27	71,361
U1C	1,366.41	1,024.81	150,886
U1R	683.20	512.40	433,312
U2AC	1,252.54	910.94	15,810
U2AR	626.27	455.47	53,562
U2C	910.94	797.07	10,315
U2R	455.47	398.54	122,844
U3R	113.87	227.73	95,578
Total			**1,565,567**

** N/A = Not Applicable*

Rangitāiki Drainage targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land in the defined Rangitāiki Drainage Rating Area situated on the Rangitāiki Plains within the Whakatāne constituent district. Council sets one targeted rate on where the land is situated and the extent of service provided, calculated using the area of land within the rating unit.

Rangitāiki Drainage targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	68.32	528,609
B	61.48	68,349
C	57.38	82,934
D	49.87	305,390
E	40.99	111,780
F	30.74	76,037
G	23.23	86,687
H	17.08	1,903
I	8.20	6,308

Category	Rate per hectare $	Revenue sought $
U1	136.63	32,327
U2	68.32	4,164
Total		**1,304,488**

Passenger Transport targeted rate

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 as an amount per rating unit on all rateable properties within the defined boundaries of Tauranga City, urban Rotorua, Western Bay district and the Whakatane district. The different rate in each location reflects the Passenger Transport services provided in each location.

The targeted rates are set for the Transportation Group of Activities - Passenger Transport.

Passenger Transport targeted rate		
Category	**Rate per rating unit $**	**Revenue sought $**
Tauranga City	218.73	12,977,823
Rotorua Urban	133.55	2,969,379
Western Bay District	25.04	566,923
Whakatāne District	19.42	293,854
Total		**16,807,979**

Rotorua Lakes targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating Act) 2002 for all rateable properties over the whole area of land of Rotorua District within the Bay of Plenty Regional Council region, with categories of land further defined by the area of land within the rating unit. Liability for the targeted rates is calculated as a fixed amount per rating unit.

The targeted rate is set for the Integrated Catchment Management Group of Activities - Rotorua Lakes Activity.

Rotorua Lakes Programme targeted rate		
Category - All Properties	**Rate per rating unit $**	**Revenue sought $**
0 - 1.9999ha	119.35	3,072,756
2 - 9.9999ha	255.93	180,476
10ha and over	830.59	636,333
Total		**3,889,565**

Rotorua Air Action Plan Implementation targeted rates

A targeted rate is set uniformly in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land within the defined boundaries of urban Rotorua with liability calculated as a fixed amount per rating unit.

The targeted rate is set for the Resource Regulation Group of Activities - Rotorua Air Quality Activity.

Rotorua Air Action Plan Implementation targeted rate		
Category	**Rate per rating unit $**	**Revenue sought $**
Rotorua Urban	5.57	123,780

Rotorua Air - Clean Heat Conversion targeted rates

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for rateable properties within the Rotorua Airshed Area and who have received loans from the Council for installing cleaner heat alternatives. The liability is calculated on the type of conversion installed, the loan amount, and interest rate, provided under the Clean Heat Conversion scheme.

Rotorua Air Clean Heat Conversion targeted rates		
Category	**Rate per rating unit $**	**Revenue sought $**
CH001	680.00	46,920
CH002	660.00	17,820
CH003	640.00	20,480
CH004	620.00	17,360
CH005	600.00	15,000
CH006	580.00	9,280
CH007	560.00	8,400
CH008	540.00	13,500
CH009	520.00	2,080
CH010	500.00	3,000
CH011	480.00	4,320
CH1	460.00	133,860
CH2	455.00	19,565
CH3	450.00	18,900
CH4	445.00	8,455
CH5	440.00	21,560
CH6	435.00	13,920
CH7	430.00	18,920

Category	Rate per rating unit $	Revenue sought $
CH8	425.00	11,900
CH9	420.00	10,920
CH10	415.00	12,865
CH11	410.00	8,200
CH12	405.00	8,100
CH13	400.00	7,600
CH14	395.00	15,800
CH15	390.00	11,700
CH16	385.00	15,015
CH17	380.00	3,800
CH18	375.00	8,250
CH19	370.00	7,770
CH20	365.00	5,840
CH21	360.00	6,480
CH22	355.00	2,840
CH23	350.00	4,900
CH24	345.00	8,280
CH25	340.00	4,420
CH26	335.00	5,025
CH27	330.00	9,240
CH28	325.00	12,350
CH29	320.00	4,480
CH30	315.00	4,410
CH31	310.00	3,720
CH32	305.00	1,830
CH33	300.00	4,500
CH34	295.00	5,310

Category	Rate per rating unit $	Revenue sought $
CH35	290.00	5,800
CH36	285.00	2,280
CH37	280.00	3,920
CH38	275.00	3,575
CH39	270.00	7,560
CH40	265.00	1,060
CH41	260.00	2,600
CH42	255.00	2,805
CH43	250.00	2,250
CH44	245.00	1,960
CH45	240.00	1,440
CH46	235.00	2,350
CH47	230.00	1,840
CH48	225.00	9,675
Total		**648,000**

Civil Defence Emergency Management targeted rate

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 as an amount per rating unit on all rateable properties within the defined boundaries of Kawerau, Opotiki, Rotorua, Tauranga, Western Bay of Plenty and Whakatane constituent districts and calculated on where the rateable unit is situated.

The targeted rates are set for the Emergency Management Group of Activities.

Civil Defence Emergency Management targeted rate		
Category - All Properties	**Rate per rating unit $**	**Revenue sought $**
Kawerau	31.72	92,246
Ōpōtiki	30.56	152,947
Rotorua	30.24	823,007
Tauranga	28.64	1,699,107
Western Bay of Plenty	28.28	640,353
Whakatāne	31.99	484,115
Total		**3,891,775**

Regional Safety and Rescue Services targeted rate

A targeted rate is set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 as an amount per rating unit on all rateable properties within the defined boundaries of Kawerau, Ōpōtiki, Rotorua, Tauranga, Western Bay of Plenty and Whakatāne constituent districts and calculated on where the rateable unit is situated.

The targeted rate is set for the Democracy, Engagement and Planning Group of Activities – Community Engagement Activity.

Regional Safety and Rescue Services targeted rate		
Category - All Properties	**Rate per rating unit $**	**Revenue sought $**
Kawerau	1.59	4,633
Ōpōtiki	2.39	11,958
Rotorua	3.19	86,723
Tauranga	3.98	236,319
Western Bay of Plenty	3.19	72,145
Whakatāne	3.19	48,222
Total		**460,000**

Minor Rivers and Drainage Schemes targeted rates

Council sets and collects rates from three minor rivers and drainage schemes situated in the Ōpōtiki area, and from 34 minor communally pumped drainage schemes situated on the Rangitāiki Plains.

Scheme rating maps for all minor schemes are available from Council. To see these maps visit our website www.boprc.govt.nz

Minor Rivers and Drainage Schemes targeted differential rates

Targeted rates are set differentially in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the defined communal pumped drainage and defined minor rivers and drainage schemes. Council sets one targeted rate on where the land is situated and the extent of service provided, calculated using the area of land within the rating unit.

Ōpōtiki

The following tables detail rate requirements for the three Ōpōtiki-based minor rivers and drainage schemes.

Waiotahi River District targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	108.88	11,825
B	87.10	14,163
C	65.33	12,490
D	36.29	1,974
E	21.78	1,653
F	10.89	2,055
Total		**44,160**

Huntress Creek Drainage District targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	82.09	17,301
B	62.93	4,993
C	41.04	2,979
D	27.36	1,458
E	19.15	627
F	8.21	2,772
Total		**30,130**

Waiotahi Drainage District targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	50.70	4,329
B	42.25	8,780
C	33.80	2,134
D	25.35	1,139
E	16.90	72
F	8.45	1,946
Total		**18,400**

Rangitāiki Plains

The following tables detail rate requirements for minor communally pumped drainage schemes on the Rangitāiki Plains.

Awaiti West Pumped Drainage Scheme targeted rate		
Category	**Rate per hectare $**	**Revenue sought $**
A	97.83	1,233
B	45.00	6,624
C	19.57	3,861
D	9.78	472
Total		**12,190**

Omeheu Adjunct Communal Pumped Drainage Scheme targeted rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	58.77	604
B	44.08	3,533
C	32.32	1,800
D	17.63	1,540
E	8.82	478
F	2.94	69
URBAN	155.74	6,696
Total		**14,720**

Murray's Communal Pumped Drainage Scheme rates		
Category	**Rate per hectare $**	**Revenue sought $**
A	38.56	4,795
B	27.76	329
C	24.68	1,008
D	10.80	423
Total		**6,555**

Minor Drainage Schemes uniform targeted rates

Targeted rates are set uniformly in accordance with Sections 16, 17 and 18 of the Local Government (Rating) Act 2002 for all rateable land situated in the defined drainage and defined minor rivers and drainage schemes. Council sets a uniform targeted rate in each category which is based on where the land is situated and calculated based on the area of the land.

Minor Drainage Schemes targeted uniform rates		
Category	**Rate per hectare $**	**Revenue sought $**
Awakeri	64.46	18,400
Baird-Miller	125.35	17,250
Foubister	142.46	14,950
Greigs Road	33.84	24,150

Category	Rate per hectare $	Revenue sought $
Hyland-Ballie	51.19	12,075
Kuhanui	126.14	10,465
Longview-Richlands	64.48	7,475
Martin	29.25	3,910
Massey	59.31	25,300
Mexted-Withy	68.21	18,975
Noord-Vierboon	23.61	2,760
Omeheu East	125.58	51,750
Pedersen - Topp	30.18	3,450
Platts	38.39	14,145
Reynolds	278.25	35,650
Robins Road	92.29	17,250
Robinsons	172.27	12,650
Thompson-Ernest	36.03	19,550
Travurzas	13.36	2,645
Wylds	25.71	4,830
Awaiti East	262.27	37,375
Total		**355,005**

Lump Sum Contributions

Council will not be inviting lump sum contributions for any targeted rates.

Examples of 2021/22 General and Targeted rates

The examples show the impact of general and targeted rates for a range of property values and sizes for different rating categories.

Kawerau				
	Land Value $	**Land Area m2**	**General Rates**	**Targeted Rates**
Lower	83,000	500	185.26	62.86
Middle	106,000	1,000	191.13	92.40
Upper	120,000	2,000	194.70	151.48

Ōpōtiki				
	Land Value $	**Land Area m2**	**General Rates**	**Targeted Rates**
Lower	78,000	500	183.24	559.02
Middle	140,000	1,000	198.47	593.18
Upper	290,000	2,000	235.31	661.50

Rotorua (Part)				
	Land Value $	**Land Area m2**	**General Rates**	**Targeted Rates**
Lower	190,000	500	205.33	322.89
Middle	240,000	1,000	216.19	324.70
Upper	355,000	2,000	241.17	328.33

Tauranga				
	Land Value $	**Land Area m2**	**General Rates**	**Targeted Rates**
Lower	275,000	500	229.67	251.35
Middle	340,000	1,000	245.17	251.35
Upper	460,000	2,000	273.79	251.35

Western Bay of Plenty				
	Land Value $	Land Area m2	General Rates	Targeted Rates
Lower	295,000	500	233.90	93.31
Middle	455,000	1,000	271.76	94.52
Upper	685,000	2,000	326.19	96.94

Whakatāne				
	Land Value $	Land Area m2	General Rates	Targeted Rates
Lower	141,000	500	197.64	285.71
Middle	225,000	1,000	217.63	436.86
Upper	345,000	2,000	246.19	739.17

Schedule to Funding impact statement - rates requirement

	Annual Plan	2021-2031 Long Term Plan									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
GENERAL RATES											
General rates based on land value	12,132	12,443	13,602	14,773	17,467	18,524	19,680	20,930	22,298	23,652	25,018
Uniform annual general charge	16,547	18,882	19,933	21,247	24,815	25,638	26,438	27,326	28,276	29,407	30,651
Rates remissions	(208)	(208)	(208)	(208)	(208)	(208)	(208)	(208)	(208)	(208)	(208)
Total general rates	**28,471**	**31,118**	**33,327**	**35,812**	**42,074**	**43,954**	**45,910**	**48,048**	**50,366**	**52,851**	**55,461**
TARGETED RATES											
Rotorua Lakes Activity targeted rate	2,930	3,382	3,625	3,815	4,134	4,184	4,333	4,387	4,281	4,345	4,397
Kaituna Catchment Control Scheme targeted rate	1,844	2,102	2,389	2,791	3,147	3,273	3,375	3,507	3,682	3,803	3,917
Rangitaiki-Tarawera Rivers Scheme targeted rate	3,830	4,097	4,303	4,613	5,000	5,114	5,216	5,318	5,438	5,543	5,691
Whakatāne-Tauranga Rivers Scheme targeted rate	1,820	1,912	2,024	2,153	2,420	2,600	2,687	2,771	2,868	2,990	3,137
Waioeka-Otara Rivers Scheme targeted rate	1,549	1,361	1,442	1,512	1,584	1,625	1,689	1,752	1,809	1,873	1,972
Rangitaiki Drainage Schemes targeted rate	1,088	1,134	1,201	1,270	1,331	1,388	1,443	1,494	1,550	1,591	1,652
Minor Rivers and Drainage Schemes targeted rate	518	418	743	767	787	810	835	856	879	905	930
Rotorua Air Quality targeted rate	278	108	78	75	72	70	69	69	69	69	70
Rotorua Air - Clean Heat Conversion targeted rate	585	563	472	361	261	208	155	127	85	85	85
Tauranga Passenger Transport targeted rate	9,919	11,285	11,621	11,939	15,985	16,050	15,950	16,098	16,323	16,823	17,580
Rotorua Passenger Transport targeted rate	1,141	2,582	2,765	2,926	3,040	3,196	3,378	3,512	3,657	3,814	3,897
Western Bay Passenger targeted rate	346	493	600	624	652	680	707	736	766	798	801
Whakatāne Passenger Transport targeted rate	183	256	264	275	289	303	315	328	342	357	364

	Annual Plan	2021-2031 Long Term Plan									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
TARGETED RATES continued											
Community Engagement - Regional Safety and Rescue Services (RSRS) targeted rate	0	400	400	400	400	400	400	400	400	400	400
Civil Defence Emergency Management targeted rate	2,962	3,384	3,540	3,660	3,745	3,853	3,960	4,024	4,128	4,223	4,321
Rates remissions	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)	(266)
Total targeted rates	**28,727**	**33,212**	**35,201**	**36,915**	**42,580**	**43,487**	**44,247**	**45,113**	**46,013**	**47,353**	**48,948**
Total rates	**57,198**	**64,329**	**68,528**	**72,727**	**84,654**	**87,442**	**90,158**	**93,161**	**96,380**	**100,203**	**104,410**

Significance and Engagement Policy Summary Kaupapahere Hiranga me te Whakawhitiwhiti

Introduction

Bay of Plenty Regional Council (Council) is required to have this policy under section 76AA of the Local Government Act 2002 (LGA). Amendments to the LGA in 2014 provided more flexibility in how and when Council will consult on a range of decisions. In some cases Council may exercise discretion when deciding what process to follow and this policy advises the public of how that discretion will be exercised.

Note: This section is a summary of the Significance and Engagement Policy, the full policy is available on our website www.boprc.govt.nz.

Purpose and Scope

The purpose of this policy is to:

- Enable Council and its communities to identify the degree of significance attached to particular issues, proposals, assets, decisions and activities
- Provide clarity about how and when communities can expect to be engaged in Council's decision making process
- Provide direction from the beginning of a decision making process about the extent of expected public engagement and the form of engagement required (i.e. what tools will be used to suit the particular community)

This policy is broad in scope as it is relevant to the process followed by all projects and initiatives at every level across the organisation.

Key Definitions under this Policy

Community	A group of people living in the same place or having a particular characteristic in common- includes interested parties, affected people, key stakeholders and iwi/hapu.
Decisions	Refers to all the decisions made by or on behalf of Council, including those made by officers under delegation. Note that management decisions made by officers under delegation during the implementation of Council decisions will not be deemed to be significant.
Engagement	A term used to describe when we purposely approach affected communities to help shape decisions about our proposed plans and actions. This is a process that involves all or some of the community and focusses on generating ideas, decision making or problem solving.
Significance	As defined in section 5 of the LGA: *"in relation to any issue, proposal, decision, or other matter that concerns or is before a local authority, means the degree of importance of the issue, proposal, decision, or matter, as assessed by the local authority, in terms of its likely impact on, and likely consequences for:* *1. the district or region.* *2. any persons who are likely to be particularly affected by, or interested in, the issue, proposal, decision, or matter.* *3. the capacity of the local authority to perform its role, and the financial and other costs of doing so."*
Strategic Asset	Section 76AA(3) of the LGA requires a significance and engagement policy to list the assets considered by Council to be strategic assets (attached in Schedule 1).

General approach to determining significance of a decision and the level of engagement required

The purpose of Local Government reinforces that Council acts on behalf of its community and works with them to decide what public services and infrastructure will be provided and at what cost. The context for determining significance under this policy is the purpose of Local Government and the role and powers of local authorities as outlined in Part 2 of the LGA.

A consistent procedure must be followed for all matters. As a general principle, the more significant an issue is, the greater the need for community engagement.

Final decisions on the level of significance of a proposal or decision will be made by full Council, Council committees and staff in accordance with standing orders and Council delegations.

Thresholds and criteria

In the context of Part 2 of the LGA, Council will apply the following thresholds and criteria on a case-by-case basis when assessing whether a proposal or decision is significant.

Criteria	Threshold
Financial cost of the decision.	It involves unbudgeted expenditure exceeding 10% of Council's total expenditure for the year.
Likely effect on Council's ability to fulfil its statutory functions or perform its statutory roles.	It potentially adversely affects Council's ability to fulfil its statutory functions or roles under any enactment.
Likely impact of the decision on the community.	There are major potential impacts on the environmental, social, economic or cultural interests of most of the Bay of Plenty community.

If a decision meets ANY of the thresholds above then the decision has a HIGH degree of significance.

If a decision does not exceed the above threshold, Council will tailor its decision making process on a case by case basis to ensure compliance with sections 77 and 78 of the LGA in proportion to the level of significance of the decision. Section 77 and 78 require Council to consider various options, impacts, views and preferences of persons likely to be affected by a decision.

This further consideration of significance will be determined by consideration of the following matters:

- Whether the decision is within existing budgets and implements the current long term plan or annual plan; and
- Whether the financial costs and implications of the decision are known and provided for.

Council will also consider whether the decision follows and/or implements a Council decision that was made as part of a prescribed statutory process that involved a consultation process (e.g. under the Resource Management Act 1991).

Procedure for decisions of high significance

When any issue is determined as being 'significant' (i.e. it has a HIGH degree of significance) certain steps must be taken to meet Council's statutory requirements. In particular, Council will consider reasonably practicable options and community views and preferences in accordance with sections 77 and 78 of the LGA before determining a course of action. Council will also comply with any other requirements under Part 6 of the LGA in relation to significant matters. Where practicable, significant proposals or decisions will be included in the consultation document for each long term plan.

Council's decision making framework will be reviewed from time to time by the Chief Executive to ensure it remains complaint with all legislative requirements. An assessment of the degree of significance of proposals and decisions and the appropriate level of engagement will be considered with discretion and judgement in accordance with this policy on a case-by-case basis.

In exceptional cases Council may wish to make a decision that is inconsistent with this policy. For example, if in the opinion of Council, failure to make a decision urgently would result in unreasonable or significant damage to property, or risk to people's health and safety, or the loss of a substantial opportunity to achieve one or more Council outcomes. This process is provided for in section 80 of the LGA.

Community engagement

A consistent and transparent approach is required to identify, communicate and/or engage with communities. Council must apply the principles of consultation in section 82 of the LGA in its engagement planning, however, 'consultation' as referred to in section 82, is only one of a range of tools for engaging with the community.

Engagement is a wider concept than consultation, differing levels of engagement may be required during the various phases of decision making on an issue, and for different stakeholders.

The following excerpt from the Council's spectrum of engagement shows increasing levels of public engagement in decision making as you progress from left to right. In general, the more significant an issue is, the greater the need for community engagement. Note the full Council Spectrum of Engagement is contained in the full policy on the Council's website.

Engaging with Māori

Council acknowledges the unique status of Māori and will continue to utilise a range of different mechanisms to engage with the wider Māori community and ensure their views are appropriately represented in the decision-making process. Council is committed to providing relevant information in a suitable format and through suitable forums to inform Māori contribution and improve their access to Council's engagement and decision-making processes.

Council is also aware of the amendments made to other primary legislation governing the responsibilities of Council. For example, the recent changes to the Resource Management Act 1991, including providing for iwi to invite councils into Mana Whakahono a Rohe/Iwi Participation Agreements which will include particular obligations to Maori that council must fulfil.

Strategic Assets

The following is a list of assets or group of assets that Council needs to retain, if it is to maintain its capacity to achieve or promote any outcome that it determines to be important to the current or future wellbeing of the community. Assets that Council considers to be strategic assets are:

1. Council's shareholding in Quayside
2. Council's majority shareholding in POTL which is held through Quayside
3. Council's Flood Protection and Drainage Schemes

Significant Forecasting Assumptions
Ngā Whakapae Matapae Nui

Introduction

A number of forecasting assumptions have been used in developing this LTP 2021-2031. Significant forecasting assumptions are explained below.

Risks have been identified, and significant risks are included in the Financial Strategy. They demonstrate sensitivity on investment income, investment interest rates and dividends received.

General assumptions with a low risk on the impact to cost drivers in the LTP 2021-2031 are outlined in the Financial Strategy. These assumptions include population change, Central Government policy and decisions and Council's position on external borrowing.

Assumptions on how revenue is applied to activities is determined by the Revenue and Financing Policy.

Following each local body election the risk arises that newly-elected Councillors may change their priorities to meet the needs of the community. The next election will be held in 2022.

Forecasting assumptions

Assumptions have come from:

- Legislative requirements
- Council's funding and financial policies
- Relevant financial reporting standards
- Approved asset management plants
- Demographic and economic information
- Industry best practices and norms

	Assumption	Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)
Organisational assumptions			
1	**Local government structure in the Bay of Plenty** We assume that there will be no change to the current local government structure in the Bay of Plenty, including one regional council and seven district/city councils, before 1 July 2024. We anticipate there will be some change in responsibility for three-waters provision.	Medium	-
2	**Governance structure** We assume that there will be no change in Council structure, including the Chairman, Deputy Chair, nine Councillors and three Māori Councillors. A representation review is expected to be carried out in 2021; this may impact the future Governance structure.	Low	-
3	**Impacts on our work programme** A change in local government structure and responsibilities will not significantly affect our work programme before 1 July 2024.	Low	-

	Assumption	Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)
4	**Availability of staff/contractors** We assume that we will be able to find and retain skilled staff and contractors to undertake the work required, to the agreed standards, deadlines and cost. There may be short periods when individual positions are vacant to allow for recruitment etc and a vacancy factor of 8.7% has been applied to staff costs.	Low	-
5	**Business continuity planning** We assume that we will be able to continue operating to deliver essential services to the community in the event of a disaster. Experiences with White Island and Covid-19 have provided further evidence of this.	Low	-
6	**Project management** We assume that the projects in the LTP 2021-2031 will be within costs, quality and the timeframes specified. Projects have appropriate contingencies included within their budget.	Medium	-
Environmental assumptions			
7	**Climate Change** Our assumed potential impacts of Climate Change are disclosed through our Infrastructure Strategy 2021-2051. We assume there will be some changes to rainfall and other climactic patterns primarily affecting flood control. Climate change is one of Council's Strategic Priorities.	Medium	-
8	**Natural hazards/disasters** Our region is at risk of a range of natural hazards, such as earthquakes, flooding, drought, debris flow, slips, tornado, fire and volcanic activity. We experienced a significant volcanic eruption recently and continued to provide core services.	Medium	-
9	**Land use changes** We assume that the current use of land will not change significantly over the course of this LTP 2021-2031 (with the exception of the Rotorua catchment area).	Low	-
External assumptions			
10	**Central Government policies/priorities** It is assumed that Central Government will not change its relevant policies and priorities without advanced notice to local authorities. We assume that work underway relevant to the management and regulation of natural resources will have a significant effect on our work.	Medium	-
11	**COVID-19** Current COVID-19 forecasts are for relatively minor health impacts from 2021 onwards. This is based on NZ's Covid-19 protocols track record of success and vaccine roll out nationally and internationally, which should reduce the frequency, scale and severity of future outbreaks. The Treasury 2021 Budget Economic and Fiscal update uses the working assumption that Alert Level 1 restrictions will be in place until the end of 2021, a partial easing of border restrictions from July 2021, and a significant opening of the border from January 2022 (noting some restrictions will remain in place for longer).	Low	-

	Assumption	Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)
11	**COVID-19 (continued)** Economic impacts likely to remain focussed on tourism sector and potentially some import/export markets. BERL has provided updated advice to BOPRC that a 'faster rebuild' scenario is appropriate for the Bay of Plenty and their advice has been included in the financial assumptions. Financial impacts of the intial COVID-19 outbreak and lock-downs were relatively minor on Bay of Plenty Regional Council given the range of essential services we provide and considering the reduced likelihood of future outbreaks the overall risk is rated as low.	Low	-
12	**Surrounding local authorities policies/priorities** We assume that surrounding local authorities' policies and priorities will not significantly change.	Medium	-
13	**Treaty of Waitangi settlements** We assume that Treaty of Waitangi Settlements will continue to be progressed and the Council will respond to any changes.	Low	-
14	**Legislative change** There will be change to legislation affecting our work programme, including how we operate, what we do and who pays for what. In particular, we assume the Resource Management Act will be replaced, and that there will be change in the legislative responsibilities of councils in regards to the Three Waters Reform Programme.	Medium	-
Financial Assumptions			
15	**Cost factors** We use best estimates to predict what things will cost in the future. This includes inflation estimates. We have used the Business and Economic Research Limited (BERL) Local Government Cost Index (LGCI) as a basis for estimating inflation.	Low	

2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
2.40%	3.00%	3.20%	3.20%	3.30%	3.20%	3.40%	3.50%	3.60%	3.60%

16	**Grants and subsidies** We get funding from a number of sources, including grants and subsidies from external organisations. We assume that the rate of funding for the longstanding arrangements will remain consistent, these include: - Waka Kotahi NZTA subsidy for passenger transport services at 51% for 2021-24, and assume 50-100% for the remaining years; - Central Government contribution towards the Rotorua Lakes Protection and Restoration Action Programme – 50 %. We assume there may be other funding arrangements in relation to central government recovery related projects.	High	Changes in revenue may be significant depending on the scale of funding arrangements. We would also need to consider the operational and capital expenditure impacts, if any, and the relevant resourcing required to carry out the work.

	Assumption					Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)		
17	**Quayside Dividend income** Dividends from Quayside Holdings Limited (Quayside) are used to reduce our general rates requirement. Forecast annual dividends percentage increases for the next 10 years have been provided by Quayside. It is assumed that increases will be at the following levels:					Medium	Changes in revenue may be significant depending on the scale of funding arrangements. We would also need to consider the operational and capital expenditure impacts, if any, and the relevant resourcing required to carry out the work.		
2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
$40.0 million	$40.0 million	$41.2 million	$42.4 million	$43.7 million	$45.0 million	$46.4 million	$47.8 million	$49.2 million	$50.7 million
18	**Toi Moana Dividend** It is assumed that the Toi Moana Trust will achieve an average dividend and capital preseveration in line with the Trust's establishment documents.					Medium	Changes in investment performance from year to year may result in Council choosing to receive a different dividend amount or redeem investment units.		
2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
5% + $2.25 million catch up dividend	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
19	**Investment income** It is assumed that we will gain investment income based on the forecast investment interest rates provided by the Council's Treasury Advisor as below. This is the forecast Term Deposit rate.					High	Changes in the performance of the Council's investment portfolio will influence the Council's general rates and/or debt requirements. We would also need to consider reducing costs, increasing revenue and/or reducing levels of service.		
2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
0.75%	0.85%	0.95%	1.15%	1.15%	1.65%	2.10%	2.35%	2.85%	2.85%
20	**Rates rebate for clean heat tareget rates** We charge an annual rate of up to $592 per rateable unit for the Clean Heat targeted rate. We assume that we can waive this targeted rate for those ratepayers who qualify under the Central Government's rates rebate scheme. The number of ratepayers applying for a rebate are projected as follows:					Low			
2021/22	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**2028/29**	**2029/30**	**2030/31**
89	85	60	30	15	5	3	2	0	0
21	**Lifecycle of assets** The lifecycle of assets is outlined in the Statement of Accounting Policies.					Low			
22	**Sources of funds for the future replacement of assets** The sources of funds for future replacement of assets are outlined in the Revenue and Financing Policy.					Low			

	Assumption	Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)
23	**Renewal of assets – depreciation funding** We will continue to fund our asset renewal programme through rates-funded depreciation. Depreciation of our assets is based on their lifecycle.	Low	
24	**Regional Fund reserves for infrastructure work** Regional Fund Reserves may fund new infrastructure work and be applied to selected operating projects and to reduce general rates.	Medium	
25	**Revaluation of non-current assets** We revalue most of our fixed assets regularly (at least every three years) to ensure that the carrying values do not differ materially from the fair value. The following BERL adjustors will be used to revalue our assets:	Medium	

2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Earthmoving									
3.8%	4.3%	4.5%	4.5%	4.7%	4.8%	4.9%	5.1%	5.3%	5.5%
Property									
2.4%	3.0%	3.2%	3.2%	3.3%	3.2%	3.4%	3.5%	3.6%	3.6%

	Assumption	Degree of uncertainty (H/M/L)	Potential effects on the financial estimates (High only)
26	**Number of rating units** We assume that the number of rating units will increase each year as more dwellings are built or properties are divided. Rating unit figures have been calculated using local authority's test rate strikes, growth predictions from Statistics NZ and updated for key assumptions by Council.	Medium	

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Kawerau District Council	2,908	2,913	2,917	2,922	2,927	2,932	2,937	2,941	2,946	2,951
Ōpōtiki District Council	5,004	5,023	5,042	5,061	5,081	5,100	5,119	5,139	5,158	5,178
Rotorua District Council (Part)	27,217	27,290	27,364	27,438	27,512	27,586	27,661	27,736	27,810	27,886
Taupō District Council (Part)	21	21	21	21	21	21	21	21	21	21
Tauranga City Council	59,333	60,293	61,268	62,468	63,692	64,939	66,211	67,508	68,922	70,365
Western Bay of Plenty District Council	22,642	22,979	23,320	23,667	24,019	24,377	24,739	25,107	25,480	25,859
Whakatāne District Council	15,136	15,192	15,248	15,305	15,361	15,418	15,475	15,532	15,590	15,648
Offshore Islands	80	80	80	80	80	80	80	80	80	80
Total Rating Units	**132,341**	**133,791**	**135,262**	**136,963**	**138,693**	**140,453**	**142,243**	**144,064**	**146,008**	**147,988**

<table>
<tr><th></th><th colspan="5">Assumption</th><th>Degree of uncertainty (H/M/L)</th><th colspan="3">Potential effects on the financial estimates (High only)</th></tr>
<tr><td>27</td><td colspan="5">Estimation of Put Option provision
The Council has a $3 million Put Option provision which relates to the issue of Perpetual Preference Shares (PPS) in January 2008 by its subsidiary Quayside. The $3 million valuation is as at 30 June 2020.</td><td>Medium</td><td colspan="3"></td></tr>
<tr><td>28</td><td colspan="5">Borrowing and expected external interest rates
If the Council decides to draw down external loans for projects they will be subject to interest rates. The rates below have been calculated by Council using LGFA indicators, and then compared to advice from BanCorp Treasury Services Limited. These represent the interest on new loans, not the weighted average cost of borrowing.</td><td>Medium</td><td colspan="3"></td></tr>
<tr><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th><th>2025/26</th><th>2026/27</th><th>2027/28</th><th>2028/29</th><th>2029/30</th><th>2030/31</th></tr>
<tr><td>0.6%</td><td>0.8%</td><td>1.1%</td><td>1.3%</td><td>1.6%</td><td>1.8%</td><td>2.0%</td><td>2.3%</td><td>2.4%</td><td>2.6%</td></tr>
<tr><td>29</td><td colspan="5">Overhead allocations
The way we work out overheads and costs associated with each Council activity will stay the same during the LTP 2021-2031.</td><td>Medium</td><td colspan="3"></td></tr>
<tr><td>30</td><td colspan="5">Borrowing and expected internal interest rates
Interest rates for internal loans represent the weighted average cost of borrowing, a margin for transactions, and is smoothed to avoid large fluctuations in targeted rates. Internal interest is an internal transaction and does not impact the bottom line.</td><td>Low</td><td colspan="3"></td></tr>
<tr><th>2021/22</th><th>2022/23</th><th>2023/24</th><th>2024/25</th><th>2025/26</th><th>2026/27</th><th>2027/28</th><th>2028/29</th><th>2029/30</th><th>2030/31</th></tr>
<tr><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td><td>2.0%</td></tr>
<tr><td>31</td><td colspan="5">Insurance
We assume that we will be able to obtain insurance cover and that the cost for insurance will be higher than for the previous years due to the impact of recent global events, plus inflation. We also assume budgeted insurance proceeds are received as planned.</td><td colspan="4">Low</td></tr>
<tr><th colspan="10">Population assumptions</th></tr>
<tr><td>32</td><td colspan="5">Growth forecasting
Population across the region is expected to reflect the population projects set out below [1]</td><td colspan="4">Low</td></tr>
</table>

Data released March 2021

Dataset: Subnational population projections, by age and sex, 2018 (base) - 2048 update							
Projection	Medium						
Year at 30 June	2018	2023	2028	2033	2038	2043	2048
Area							
Total New Zealand by region	4,900,600	5,222,400	5,460,500	5,679,000	5,876,400	6,055,800	6,215,800
Bay of Plenty region	320,800	346,900	361,700	374,400	385,500	395,500	404,300
Kawerau District Council	7,460	7,910	8,000	8,020	7,970	7,860	7,720
Ōpōtiki District Council	9,670	10,250	10,350	10,400	10,300	10,150	9,910
Rotorua District Council	74,800	78,900	80,700	82,200	83,400	84,200	84,800
Tauranga City Council	142,100	156,900	166,300	175,000	183,300	191,400	199,100
Western Bay of Plenty District Council	53,300	58,100	60,900	63,300	65,200	66,700	68,000
Whakatāne District Council	37,100	38,800	39,300	39,500	39,500	39,300	38,900

(1) data extracted on 21 May 2021 01:23 UTC (GMT) from NZ Stat

Source: *http://nzdotstat.stats.govt.nz/WBOS/Index.aspx?DataSetCode=TABLECODE7549*

Significant Negative Effects
Ngā Pānga Kino Nui

Council's activities are provided to the region with the intention of delivering positive outcomes and community wellbeing through working towards our vision 'Thriving together - mō te taiao, mō ngā tāngata'.

Alongside the positive impacts delivered through our seven Groups of Activities, there may also be some negative effects that the group of activities may have on the social, economic, environmental, or cultural well-being of the local community. The following table lists the significant negative effects that have been identified across our seven Groups of Activities, and the approach to managing and or mitigating that impact. Only a small number of significant negative effects have been identified, and in some cases no significant negative effects are identified for a Group of Activities.

Group of Activities	Significant Negative Effects	Mitigation
Integrated Catchment Management	Making the change to more sustainable land uses and land use practice may have negative impacts on economic, cultural and social wellbeing for individual landowners, and possibly the regional economy. This will be primarily through implementing water quality and quantity requirements under the National Policy Statement for Freshwater Management. Biosecurity rules may impose land use restrictions resulting in impacts on economic wellbeing on individuals within our communities.	As part of our planning processes, we ordinarily carry out cost benefit analysis that is proportionate to the type of proposal or plan being considered. This includes analysis under S32 of the Resource Management Act 1991. Clear opportunities are provided to Māori and our wider community to express their views though the planning process. We endeavour to take a balanced approach and take into account the views of our community through the development and implementation of our Biosecurity rules, including for example, the development of our Regional Pest Management Plan.
Flood protection and control	Potential negative effects on the environment as a result of council's delivery of flood control and land drainage functions. Restrictions on land use through the Floodway and Drainage Bylaw.	Civil construction works must comply with all relevant RMA Plans, and resource consent processes with appropriate public consultation occur frequently to ensure that effects of concern to the community are understood and adverse effects are avoided, remedied or mitigated. All activities undertaken by the Rivers and Drainage team of council comply with our environmental code of practice and relevant industry design standards. Where a significant change to an activity is proposed, clear opportunities are provided to the community to express their views via the engagement processes set out through Councils Significance and Engagement Policy.

Group of Activities	Significant Negative Effects	Mitigation
Resource Regulation and Monitoring	Increasing costs and/or changes to current practice to meet environmental standards as set by Regional Planning work may impact economic wellbeing.	As part of our planning processes, we ordinarily carry out cost benefit analysis that is proportionate to the type of proposal or plan being considered. This includes analysis under S32 of the Resource Management Act 1991.
Transportation and Urban Planning	Transport service delivery has varied levels of service across the region. This may lead to perceptions of under or over provision impacting social and economic wellbeing.	Transport is part funded by user charges and by targeted rates. This ensures that the appropriate beneficiaries of the service pay for it.
Democracy, Engagement and Planning	Increasing the amount of regulation in regional plans and increasing environmental standards, including developing and implementing water quality and quantity requirements under the National Policy Statement for Freshwater Management, may result in increased compliance costs to resource users or changes to allowable uses impacting economic wellbeing.	As part of our planning processes, we ordinarily carry out cost benefit analysis that is proportionate to the type of proposal or plan being considered. This includes analysis under S32 of the Resource Management Act 1991.
Emergency Management	There is no significant negative effect of providing this service.	
Support Services	There is no significant negative effect of providing this service. Technical Services (Science, data, and geospatial services) support Regional Planning work.	

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