

Audit and Risk Committee

Tuesday, 11 September 2018 commencing at 9.30 am.

Under Separate Cover:

1. **Item 8.4 - 2017/18 Draft Annual Report Review**

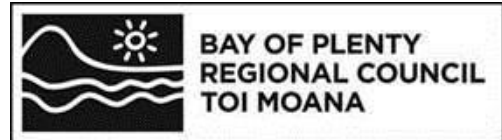
SUPPORTING DOCUMENT 1: Draft Annual Report Summary for the year ending 30 June 2018

SUPPORTING DOCUMENT 2: Draft Annual Report for the year ending 30 June 2018 (*Will be circulated under separate cover once available*)

2. **Review of the proposed amend to the Chief Executive Financial Delegation (New item referred to the Audit and Risk Committee from Regional Council on 6 September 2018)**

Fiona McTavish
Chief Executive
6 September 2018





Receives Only – No Decisions

Report To: Audit and Risk Committee

Meeting Date: 11 September 2018

Report From: Mat Taylor, General Manager, Corporate Performance

2017/18 Draft Annual Report Review

Executive Summary

This report presents the 2017/18 Draft Annual Report and Draft Annual Report Summary to the Audit and Risk Committee. These reports contain the draft financial and non-financial performance results of the Council for the year ending 30 June 2018.

The Draft Annual Report contains both Council and Group results. Group results include our 100 percent Council-owned subsidiary, Quayside Holdings Limited. Quayside Holdings has a 54.14 percent share in the Port of Tauranga Limited.

The Council's 2017/18 draft operating deficit was \$18.0 million. This is compared to a budgeted deficit of \$26.7 million and is a variation of \$8.7 million. Draft capital expenditure was \$36.5 million which was \$ 6.9 million less than the budget of \$ 43.4 million.

The Group recorded a draft operating surplus of \$74.9 million (after income tax). This was an increase of \$12.5 million compared to last year.

We also measured Council's performance through 46 Key Performance Indicators (KPIs). We achieved 40, did not achieve six, therefore we achieved 87% of our KPIs for 2017/18.

The main reasons for financial and non-financial variations are outlined in sections 3 and 4 of this report.

This audit of the Council for the year ending 30 June 2018 is currently in progress. We anticipate receiving verbal audit clearance from Audit New Zealand on 20 September 2018. The final Annual Report will be presented for adopted by Council on 27 September 2018.

The Draft Annual Report 2017/18 and Draft Annual Report Summary 2017/18 are supporting documents to this report, and are available in Stellar Library.

Recommendations

That the Audit and Risk Committee:

1 Receives the report, 2017/18 Draft Annual Report Review;

- 2 Notes the audit of the Council for the year ending 30 June 2018 is in progress and that staff expect verbal audit clearance from Audit New Zealand prior to the Council meeting on 27 September 2018.**
- 3 Reviews and endorses the Draft Annual Report and Draft Annual Report Summary for the year ending 30 June 2018, for adoption by Council on the 27 September 2018.**

1 Introduction

The Regional Council meeting on the 27 September 2018 is scheduled to receive and adopt the Annual Report and Annual Report Summary for the year ending 30 June 2018. The attached supporting documents, Draft Annual Report 2017/18 and Draft Annual Report Summary 2017/18, are provided to the Audit and Risk Committee in its role to receive and review the draft Annual Report. The documents are available in Stellar Library.

2 Overview of Performance for 2017/18

During 2017/18 the focus was on delivering commitments for Year Three of the Long Term Plan 2015-2025.

The Draft Annual Report contains both Council and Group results. Group results include our 100 percent Council-owned subsidiary, Quayside Holdings Limited. Quayside Holdings has a 54.14 percent share in the Port of Tauranga Limited.

The Council's 2017/18 draft operating deficit was \$18.0 million. This is compared to a budgeted deficit of \$26.7 million and is a variation of \$8.7 million. Draft capital expenditure was \$36.5 million which was \$6.9 million less than the budget of \$43.4 million.

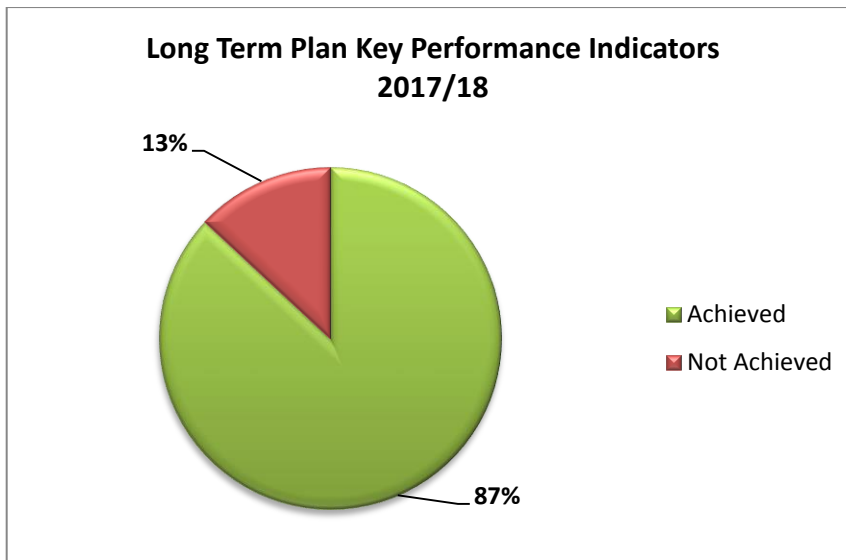
During the year we measured our performance through 46 Key Performance Indicators (KPIs). We achieved the targets set for 40 KPIs, did not achieve six and therefore achieved 87% of our KPIs for 2017/18.

Highlights of work delivered during the year broken down for each of the nine Groups of Activity are included in the Draft Annual Report Summary 2017/18.

The main reasons for financial and non-financial variations are outlined in sections 3 and 4 of this report.

3 Non-Financial performance results

We measure how we are performing by monitoring and reporting against the Key Performance Indicators (KPIs) for our Levels of Service outlined in the Long Term Plan 2015-2025. In 2017/18 we are reporting on 46 KPIs across our activities. During the year we achieved 40 of our KPIs, did not achieve six and therefore we achieved 87% of our KPIs for 2017/18.



In comparison, for 2016/17 we reported on 44 KPIs and achieved 36 (82%) targets, did not achieved six and no data was available for two KPIs. The following table provides further information on the six KPIs that were not achieved during the year, and the two KPIs where no data was available. KPIs have been previously reported through the in-year Council Performance Management Report (CPMR).

KPIs not achieved:

Activity	Level of service	Key Performance indicator	2017/18 Target	Comments
Tauranga Harbour	The Council works with iwi, landowners and the community groups to improve Tauranga Harbour's indigenous biodiversity, including coastal margins	Number of additional kilometres of waterway margin in the Tauranga Harbour catchment protected to reduce sediment, nutrient and/or bacterial contamination of water.	50	<p>The target for this KPI was not achieved for 2017/18. In total 35 km of waterway margin was protected this year.</p> <p>Over the past three years, 153 km of riparian margin has been protected. This exceeds the cumulative target of 150 km set for the first three years of the Long Term Plan 2015-2025.</p> <p><i>Previous result 2016/17</i> <i>Target: 50</i> <i>Result: 50</i></p>

Rotorua Lakes	Water quality in the Rotorua lakes makes long-term progress towards each lakes Trophic Level Index (TLI) in the Regional Water and Land Plan.	Percentage reduction in exports of nitrogen from the Lake Rotorua catchment in accordance with the Integrated Framework and engineering solutions target.	13%	<p>The 13% target has not been achieved, with a 9.3% reduction achieved. This represents 30 tonnes of nitrogen (actual reduction achieved at lake) calculated as a percentage of 320 tonnes of nitrogen (total reduction required by 2032 as set out in Regional Policy Statement).</p> <p>Although tracking behind target, progress has been made to deliver the large reductions required in the coming years to achieve the 2032 target including through completion of land use incentives agreements which have nitrogen reductions locked into title deeds. Note that once an Incentives Agreement and Deed is signed, the reduction is deemed achieved.</p> <p><u>Previous result 2016/17</u> Target: 12% Result: 5.4%.</p>
Rotorua Air Quality	Air quality in the Rotorua Local Air Management Area (LAMA) meets the National Environmental Standard for Air Quality.	Number of exceedences of PM ₁₀ in the Rotorua LAMA (exceedences of the NESAQ standard).	3	<p>The target of a maximum of 3 exceedences was not achieved. A total of 7 exceedences were recorded for the year.</p> <p>The trend for PM10 concentrations reducing over the past ten years is positive, and the Rotorua Air Activity remains focused on working towards the National Environmental Standard for Air Quality time frame and targets for 2020.</p> <p><u>Previous result 2016/17</u> Target: 3 Result: 15</p>
Resource Consents	Decisions on resource consent applications are made in a timely manner following a robust process.	Percentage of applications processed within statutory timeframes.	99%	<p>276 of 500 (55%) consents for which decisions were made during the period were processed within statutory timeframes. Applications are prioritised to minimise impacts on consent applicants. For example, applicants who can continue to operate under their previous consents will be a lower priority.</p> <p>In 2018/19 Council will focus on seeking opportunities for improving systems and timeframes for processing Resource Consents.</p> <p><u>Previous result 2016/17</u> Target: 99% Result: 67%</p>

Passenger Transport	The Council provides a quality public transport system where fares cover a reasonable proportion of operating costs.	Fare Recovery Ratio	36%	<p>The annual regional fare recovery ratio was 28.6%, 7.4% below target. This is a reflection of the reductions in patronage across all services and a high concession-fare passenger mix in Tauranga.</p> <p>Over the past few years Council have increased the extent and frequency of bus services across the region in response to population growth. In addition, following public consultation in 2017, the Western Bay of Plenty Public Transport Blueprint was confirmed which will mean more buses, more frequently, on improved routes for many in Tauranga and the western Bay, increasing the level of service provided.</p> <p><u>Previous result 2016/17</u> Target: 35% Result: 31%</p>
Passenger Transport	The Council provides a quality public transport system where fares cover a reasonable proportion of operating costs.	Percentage of Tauranga and Rotorua bus users whose overall satisfaction with the bus service is rated as satisfactory or higher (Triennial survey).	77%	<p>This Key Performance Indicator was not achieved, with 56% of Tauranga and Rotorua bus users rating their overall satisfaction with the bus service as satisfactory, or higher (rating 8 or higher on a scale of 0 to 10).</p> <p>Over the past few years Council have increased the extent and frequency of bus services across the region in response to population growth. In addition, following public consultation in 2017, the Western Bay of Plenty Public Transport Blueprint was confirmed which will mean more buses, more frequently, on improved routes for many in Tauranga and the western Bay, increasing the level of service provided.</p> <p><u>Previous result 2016/17</u> No result recorded for 2016/17</p>

4 Financial Results

The Draft Annual Report contains both Council and Group consolidated results (group results include our subsidiary, Quayside Holdings Limited).

The Council's 2017/18 draft operating deficit was \$18.0 million. This compared to a budgeted deficit of \$26.7 million and is a variation of \$8.7 million. Draft capital expenditure was \$36.5 million, \$6.9 million less than the budget of \$43.4 million.

The main reasons for the operating variances to budget are as follows:

4.1 Operating

4.1.1 Operating Revenue

We budgeted for \$98.1 million in operating revenue and received \$100.4 million; \$2.3 million more than budget. This is mainly due to:

- Subsidies and grant revenue - \$1.4 million less than budget. This is mainly due to the Rotorua Lakes Activity Land Use Change Incentive Scheme payments deferred from 2017/18 to 2018/19 and the corresponding funding not being received in 2017/18 from the Ministry for the Environment (MfE).
- Trading and other revenue – \$2.1 million more than budget due to an increase in user fees and charges and other revenue.
- Other gains - \$1.3 million more than budget mainly due to gain on sale of fixed assets, and investment revaluations.

4.1.2 Operating Expenditure

We budgeted for \$124.7 million in operating expenditure and spent \$118.3 million; \$6.4 million less than budget. This is mainly due to:

- \$3.7 million of flood work being classified as capital. This had been budgeted for as operating expenditure; and
- \$2.3 million underspend on land use change incentive noted above

4.2 Capital Expenditure

We spent \$36.5 million in capital expenditure compared to a budget of \$43.4 million; \$6.9 million less than budget.

We spent \$23.8 million on Rivers and Drainage assets, with the largest projects being the Rangitāiki floodway works, the Kopeopeo Canal Remediation Project and flood repair works. Other large capital projects included the Regional House refurbishment (\$4.2 million), Quay Street Building refurbishment (\$1.8 million) and the Tikitere Diversion project (\$0.8 million).

Several projects were not delivered in 2017/18 as originally planned. Budgets for these projects have been re-profiled to 2018/19 or later years through the Long Term Plan 2018-2028 process, depending on the revised project timelines.

The projects that will have budget carried over to 2018/19 include; Kaituna River Re-diversion, building refurbishment projects and the Kopeopeo Canal Remediation Project. Pages 6 to 8 of the full Draft Annual Report provide explanations for the variations to budget.

4.3 Quayside Consolidation Results

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

The Group recorded an operating surplus of \$74.9 million (after income tax). This was an increase of \$12.5 million compared to last year.

5 Next Steps

As the external audit of the Council for the year ending 30 June 2018 is in progress, the attached Annual Report 2017/18 and Annual Report Summary 2017/18 are draft documents.

Final reviews are being carried out by staff and Audit New Zealand, and further changes, for example rounding, may be made for the final Annual Report. Staff anticipate receiving verbal audit clearance from Audit New Zealand on 20 September 2018. The final Annual Report will be presented for adoption by Council on 27 September 2018.

Due to the close timeframe of the two meetings, any changes from the Audit and Risk review may need to be tabled at the Council meeting.

6 Council's Accountability Framework

6.1 Community Outcomes

The Annual Report 2017/18 directly contributes to all Community Outcome/s in the council's previous Long Term Plan 2015-2025.

6.2 Long Term Plan Alignment

This work is planned under the Finance and Corporate Planning Activity in the Long Term Plan 2018-2028.

Current Budget Implications

This work is being undertaken within the current budget for the Finance and Corporate Planning Activity in Year 1 of the Long Term Plan 2018-2028.

Future Budget Implications

There are no future financial implications as a result of this work.

Debbie Hyland
Finance and Corporate Planning Manager

for General Manager, Corporate Performance

6 September 2018



**Annual Report
Summary**

Te Mahere ā-Tau whakarāpopoto

For the financial year 1 July 2017 to 30 June 2018





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Our year in review

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

Our operating environment continued to change, and that influenced our work programmes during the year. Throughout the year we developed and consulted with our community on our Long Term Plan 2018-2028 consultation document. This gave us the opportunity to engage with a wide range of stakeholders including the general public, iwi, local authorities, community boards, and business and helped inform how we will deliver our activities for our community over the next 10 years.

We also maintained a strong focus on water management, with progress made implementing the Government's National Policy Statement for Freshwater Management. This included finalising values and objectives for Kaituna and Rangitaiki Water Management Areas (Plan Change 12) while continuing modelling work. This contributes to setting limits for policy to care for water quality and quantity in the region.

Improving water quality in Rotorua's lakes continued to be a significant part of our work during the year. The Lake Rotorua Incentives Scheme progressed, with six incentive agreements put in place that, when fully implemented, will see 11.5 tonnes of nitrogen permanently removed from Lake Rotorua.

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

Repairs on our flood defence assets continued in the wake of the flooding experienced in April 2017, particularly in Edgumbe, but also in other areas throughout the region. Repair works have been progressing ahead of the original programme schedule and 119 (23%) of the highest priority work sites have been completed.

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

Significant progress has been made to support the Kaituna River Re-diversion and Ongatoto/Maketu Estuary Enhancement Project and more than 100 people, including representatives from six Te Arawa iwi gathered at Tukotahi Marae to celebrate the start of construction work on 12 June 2018. In conjunction, the Papahikahawai Island Biodiversity Management Plan is on track with 90% of all plants now in, as a result of 20,000 new plants put in during the winter of 2018.

Bus services continued for Tauranga, Rotorua and rural areas with over 2.9 million passengers boarding the services throughout the year. The Western Bay of Plenty Public Transport Blueprint was completed and approved. The Transport Planning Activity completed a review of the Regional Land Transport Plan and submitted this to the New Zealand Transport Agency.

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

We set ourselves some substantial goals for this past financial year, and considering the challenging environment we operate in, we are pleased to report considerable progress. Our performance was monitored and reported through 46 Key Performance Indicators (KPIs) during the year and we achieved 40 (87%) of our KPIs for the year.

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

As we look ahead to 2018/19, we are excited about building on the progress we have made to date and to deliver on our new Long Term Plan.



Douglas Leeder
Chairman



Fiona McTavish
Chief Executive

Our vision

Tā mātau matakitenga

Thriving together – mō te taiao, mō ngā tāngata

Our vision reinforces the connection between our environment and our people. Our focus is on ensuring both thrive.

We need to protect and maintain our unique environment because natural resources, such as water, air and land, are vital to how we live. They are what give us sustenance, form the basis of our economy and generate our sense of community. We have an obligation to balance enjoying and using this environment now with protecting it for future generations.

In achieving our vision, our work is focused under five community outcomes:

Water Quality and Quantity

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

Environmental Protection

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

Resilience and Safety

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

Regional Collaboration & Leadership

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

Economic Development

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

For more information on the Vision, Strategic Issues and Community Outcomes refer to LTP 2015-2025 pages 16, 17, 21, 22.

Working with Māori

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

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

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

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

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

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

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



Integrated Catchment Management

Te Rōpū Whakahaere Whaitua Awa

Integrated Catchment Management
Summary of how we did:

14 Targets achieved

2 Targets not achieved

Overall, we achieved 14 of the 16 targets for the Integrated Catchment Management Group Key Performance Indicators (KPIs) for the 2017/18 year. The targets not achieved were:

- The number of additional kilometres of waterway margin in the Tauranga Harbour Catchment. However, 153 km of riparian margin has been protected and this exceeds the cumulative three-year target of 150 km set.
- The percentage reduction in exports of nitrogen from the Lake Rotorua Catchment.

What we do

The Integrated Catchment Management Group integrates services in five geographic areas of the Bay of Plenty (Tauranga Harbour, Rotorua Lakes, and Kaituna, Rangitāiki, and the Eastern Bay catchments) to assist landowners and community volunteers in protecting the natural character of the land, waterways, harbours and associated forest, wetland and coastal environments in the catchments.

The key benefits that the Integrated Catchment Management activities aim to deliver are water quality and quantity management, erosion control and soil conservation, biodiversity protection and enhancement and coastal dune resilience.

What we did

More than 144 additional kilometres of waterway margin was protected, and biodiversity was actively managed at 80 high value ecological sites and 121 other ecological sites across the five catchments in

the region.

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

The Rotorua Lakes Activity has continued to deliver a co-ordinated programme of work through the Rotorua Te Arawa Lakes Programme. We partner with Te Arawa Lakes Trust and Rotorua Lakes Council in the Programme, which is part-funded by the Ministry for the Environment and focused on managing long-term water quality via nutrient reduction targets, primarily nitrogen, set in the Regional Policy Statement for Lake Rotorua and other lake action plans.

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

This service has become part of our core business and by the end of the financial year there were more than 143 farming enterprises registered for the service, and 80 Nutrient Management Plans in process, or complete.

The Lake Rotorua Incentives Scheme was established to encourage land use change to permanently remove nitrogen from entering the lake. Work to support this scheme progressed throughout the year with five incentive scheme agreements signed in 2017/18, which will result in 11.5 tonnes of nitrogen being permanently removed from Lake Rotorua, once they are fully implemented.

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

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

Activity in Tauranga Harbour Catchment progressed well during 2017/18. We continued to coordinate and administer the Tauranga Moana Programme, including the Tauranga Moana Advisory Group, which includes iwi, district, city and Regional Council representatives.

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

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

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

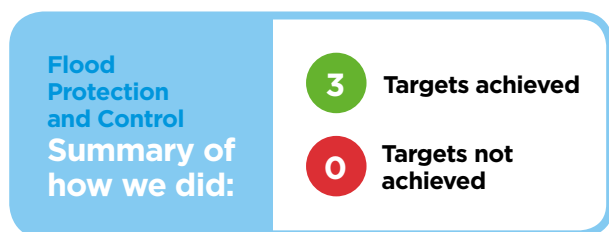
In the Kaituna Catchment, significant progress has been made to support the Kaituna River Re-diversion and Ongatoro/Maketu Estuary Enhancement Project. Stage Two construction procurement has been completed and more than 100 people, including representatives from six Te Arawa iwi gathered at Tukotahi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

Progress continued throughout the year on the Rangitāiki River Forum and industry/iwi partnership projects, with Te Ara Whānui O Rangitāiki – Pathways to the Rangitāiki, and success in including provisions into Council's Regional Policy Statement.

We continued work on the Ōhiwa Harbour Implementation Forum and industry/iwi partnership projects, with the Ōhiwa Harbour Strategy continuing to be delivered. During 2017/18, two hui and two workshops were held with the Ōhiwa Harbour Implementation Forum reporting on the implementation of the Ōhiwa Harbour Strategy and wider catchment issues.

Flood Protection and Control

Te Rōpū Kaupare me te Whakahaere Waipuke



We achieved all of the three targets for the Flood Protection and Control Group Key Performance Indicators (KPIs).

What we do

We are responsible for managing the rivers and drainage schemes for five major, and 37 minor river and drainage schemes in the region. Our responsibilities include providing flood protection stop banks, flood pump stations, floodgates and erosion control structures and constructing floodways. We carry out regular maintenance of structures, stream clearing and lake level monitoring and management for Lakes Rotorua and Rotoiti. Additionally, we provide leadership, management, information and advice on flood related issues in order to help manage flood risks and flood hazards in the Bay of Plenty.

The Kopeopeo Canal Remediation Project is also delivered under this Activity.

What we did

In April 2017, our region experienced a significant weather event (Cyclone Debbie) resulting in serious flooding, particularly from the Rangitaiki River at Edgecumbe, but also in other areas throughout the region. The event caused extensive damage to our flood defences and subsequently the work to carry out repairs has been a priority during 2017/18. Repair works have been progressing ahead of the original programme schedule and 119 (23%) of the highest priority work sites have been completed. Council has

incurred costs for flood repairs that are expected to be partially recoverable in future years from the Government and insurance. In addition, flood risk coordination works have continued to be developed to support the flood protection works. This includes optioneering, river and geotechnical analysis, surveying and modelling.

Remediation of the Kopeopeo Canal continues to be a high priority project for the Council. The project is co-funded by the Ministry for the Environment and early progress on works has commenced, including the construction of two containment sites, two flood control structures and sediment dredging of 1.8 kms of the overall 5.1 km canal length. Ongoing community engagement continues via the regular Community Liaison Group Meetings, updates to the project website and reporting to stakeholder groups.

Work on the Rangitāiki Floodway project continued during the year with Stage 4 well underway and resource consents for variations within the project have been lodged.



Resource Regulation and Monitoring

Te Rōpū Whakarite Rawa me te Aroturuki

Resource Regulation and Monitoring
Summary of how we did:

6 Targets achieved
2 Targets not achieved

We achieved six of the eight targets for the Resource Regulation and Monitoring Group Key Performance Indicators (KPIs). The targets not achieved were the percentage of applications processed within statutory timeframes in the Resource Consents Activity; and the number of exceedances of the Rotorua air quality target. One KPI from this group of activities was not due to be reported on this year.

What we do

Our Resource Regulation and Monitoring Group provides a range of services direct to the community, including:

- Biosecurity – provides regional leadership in pest plant and pest animal management.
- Rotorua Air Quality – improves the quality of the Rotorua urban airshed.
- Resource Consents – processes and makes decisions on resource consent applications under the Resource Management Act 1991 and/or rules in our regional plans.
- Pollution Prevention – ensures development activities involving water, geothermal, air, land and coastal resources do not negatively impact on the natural environment or put people's health at risk.
- Maritime – ensures navigation safety and maritime oil spill response is provided 24/7 in the Bay of Plenty region.

What we did

We continued to deliver on core business activities

including the implementation and review of the Marine Biosecurity Management Plan and the continued management of the Mediterranean fanworm and clubbed tunicate in the Tauranga Harbour. We also detected and investigated Asian paddle crab incursions in Tauranga Harbour.

We progressed with the delivery of the Regional Pest Management Plan and identified several new pest incursions, including a significant expansion of catfish within Lake Rotoiti.

We significantly reduced the abundance of Noogoora bur and had success in initial controls of Spartina at Maketū. We also undertook biological controls with releases of Tradescantia rust, Privet lacebug, and broom gallmite. Other agents, including the woolly nightshade lacebug and Californian green thistle beetle were redistributed around the region from established sites.

A number of actions in the wallaby programme have been completed in support of the goal to contain the spread of dama wallaby. This programme is a collaboration between Bay of Plenty Regional Council, Waikato Regional Council, and the Department of Conservation. Achievements this year included:

- Development of a national business case to support potential central government funding of wallaby management and a continued focus on the containment of wallabies.
- Control work at Kaharoa has reduced the population to a single animal, while maintaining the Matahina operation.
- An operation at Rotoehu forest has resulted in a 97% reduction in wallaby numbers.

We continued to administer the Rotorua Air Quality Working Party involving Rotorua Lakes Council, Housing New Zealand and the Bay of Plenty District Health Board. We coordinated Council's voluntary targeted rate scheme (the Rotorua Hot Swap Scheme) which supports the rules by allowing property owners, including landlords, to replace their heating and insulation. We also administered the Low-Income



Heating Grant Scheme to give heat pumps or ultra-low emission burners to eligible, low-income owner occupiers in exchange for their non-compliant fires.

Resource consent work increased by 11% from the previous year with 500 applications processed in 2017/18.

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

- Completing an Environment Court hearing for the Rena Consents, with a final decision to uphold Council's decision to grant consent for the remainder of the wreck to remain in place.
- Granting consents to the Rotoiti/Rotomā Sewerage Scheme, the expansion of a water bottling consent at Otakiri Springs, and the construction of the Tauranga Northern Link following public processes.

Pollution Prevention work continued during 2017/18, with 2,834 complaints being received via the Pollution Hotline, an increase of 4% from the previous year.

We continued to deliver a high level of service to customers, responding to 100% of all urgent complaints within 12 hours of receipt of the initial complaint.

We inspected and assessed resource consent compliance, carrying out 2,638 compliance inspections relating to 1,514 individual resource consents. Of these, 75% were fully compliant with consent conditions.

We continued to administer the Waste Resources Advisory Group by allocating \$7,500 of an available \$50,000 funds to the Waste Management Institute New Zealand (\$5,000) and On-Site Effluent Treatment Water New Zealand (\$2,500).

Maritime operations work carried out during 2017/18 included completing both an internal review of the Port and Harbour Safety Code and the safe boating programme for a second year. We also increased the number of summer patrols across the region, provided for full patrols in Ohiwa for the first time and conducted navigational aid maintenance throughout the region.

Transportation

Te Rōpū Ikiiki

Transportation
Summary of
how we did:

- 1 Targets achieved
- 2 Target not achieved

We achieved one of three Transportation Group Key Performance Indicators (KPIs) in 2017/18. The two targets not achieved were the Fare Recovery Ratio and the percentage of Tauranga and Rotorua bus users whose overall satisfaction with the bus service is rated as satisfactory, or higher.

What we do

We provide public passenger transport across the region and mobility for those with limited transport options. We also support national and local road safety programmes and provide transport planning to meet our obligations under the Land Transport Management Act 2003. We aim to support an effective and efficient transport network and establish a more collaborative approach to providing public transport.

What we did

We continued to support the development, implementation and marketing of contracted passenger transport services and regional road safety campaigns during 2017/18. Bus services continued for Tauranga, Rotorua and rural areas with over 2.9 million passengers boarding the services throughout the year, while an additional public transport service was trialled between Waihi Beach, Waihi and Katikati. The Western Bay of Plenty Public Transport Blueprint was completed and approved, incorporating a review of the Tauranga bus network with a new contract awarded in April 2018.

A review of the Regional Land Transport Plan was carried out during the year and this was submitted to the New Zealand Transport Agency. A high level of interest was shown by the community through consultation on the draft plan.



Regional Development

Te Rōpū Whakawhanaketanga ā-Rohe

Regional Development
Summary of
how we did:

4 Targets achieved
0 Target not achieved

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

What we do

We work collaboratively with a variety of stakeholders to support the development of the Bay of Plenty region. Our efforts centre around three key activities:

- Regional Infrastructure – we provide funding for infrastructure projects, delivered by third parties, to improve economic performance. Funding assistance is provided through direct funding, or through the contestable Regional Infrastructure Fund.
- Regional Economic Development – we provide leadership, facilitation and support across the region for economic development. This is directed through delivery of the Bay of Connections Economic Development Strategy with partner organisations.
- Regional Parks – we provide ownership and management of two key pieces of land (Pāpāmoa Hills Regional Park and Onekawa Te Māwhai Regional Park) for cultural heritage protection, natural environment protection and enhancement, and the long-term enjoyment and benefit of the region's residents and visitors.

What we did

We continued to administer the Regional Infrastructure Fund and provided funding to third party infrastructure projects that have regional significance. This year, Council made contributions towards the Tauranga Marine Precinct, Tauranga tertiary campus and the Te Puna West sewerage scheme. The Ongare Point, Lake Rotoma and Lake Rotoiti sewerage projects have been supported by Council with funding yet to be finalised.

We also completed a review of our funding of third party infrastructure in conjunction with the Long Term Plan 2018-2028, and adopted a new Third Party Infrastructure Funding Policy to assess funding requests.

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

- Re-planting the area within the Pāpāmoa Hills Regional Park where pine forest was harvested in the summer of 2016/17, including the newly purchased 12.4 hectares.
- Fencing and water infrastructure were improved at the 25 hectare Lennard block.
- In collaboration with tangata whenua partners, substantial planning work went into the Pāpāmoa Hills Upgrade Project which is now included in the Long Term Plan for 2018-28.

We continued our role in leading and facilitating economic development in the Bay of Plenty, through the Bay of Connections portfolio. We commenced a review of the Bay of Connections Strategy, updated the Aquaculture and Rugby Sevens strategies and continued work on implementing the Maori, Energy, Forestry and Wood Processing and Freight Logistic strategies. We also continued our work on the partnership with Central Government for the Regional Growth Study.



Regional Planning and Engagement

Te Rōpū Waihanga Mahere ā-Rohe me te Whakawhitiwhiti

Regional Planning and Engagement
Summary of how we did:

8 **Targets achieved**
0 **Targets not achieved**

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

What we do

Our Regional Planning and Engagement Group provides a range of services to Council and to the community, including:

- Regional Planning – provides Council with planning and policy advice.
- Māori Policy – provides advice, support and leadership on Māori relationship management.
- Geothermal – develops and implements a second generation Geothermal Planning Framework under the Resource Management Act.
- Kotahitanga/Strategic Engagement – provides support and advice on Council activities, and externally through specific programmes to build awareness, involvement, engagement and education to help achieve sustainable development of the region.
- Governance Services – ensures the Council provides good governance and accountability while conducting its business in an open, transparent and democratically accountable manner.

What we did

The Regional Planning Activity progressed a number of key planning documents and delivered a steady stream of policy work during 2017/18. Regional Policy Statement related work included:

- Council's decisions notified for the Rangitāiki River plan change.
- Appeals resolved to Proposed Change 2 – Natural Hazards.
- Treaty of Waitangi Settlement legislative requirements were met, enabling Proposed Change 3 – Rangitāiki River.
- Proposed Change 4 – Tauriko West Urban Limits – was publicly notified for submissions.

Regional Natural Resources Plan work included:

- The water allocation plan change was notified with submissions heard.
- The Regional Air Plan Change was notified and incorporated.
- Draft Plan Change 14 – On-Site Effluent Treatment (OSET) – approved for community consultation.

Council also facilitated the Komiti Māori Meetings while supporting Māori participation in Council activities, such as co-governance and resource management across the region.

Council sponsored three iwi members to attend hearing commissioner training, while supporting wananga, iwi management plans, kaitiaki forums and running Resource Management Act training sessions for tangata whenua.

The Environmental Enhancement Fund was also administered with 19 successful applications and \$310,000 in funding allocated. A further \$122,000 was allocated via the Community Initiatives Fund.

We continued to provide support to the Enviroschools Programme, youth programmes, and Pollution Busters work. Highlights for 2017/18 include:

- Delivering a three day Civil Defence themed Taiohi Taiao/Youth Jam to 60 students from across the region.
- Leading the Hands on Water event and an Environmental Expo attended by schools from throughout the region while supporting the Instep Young Leaders Programme.
- Facilitating the Enviroschools Programme with schools/kura/early learning centres and celebrated the first kindergarten to achieve GreenGold (Katikati).

Administrative support was also provided via our Governance Activity to 95 meetings, including full Council, committee and extraordinary meetings.



Emergency Management

Te Rōpū Whakahaere Mate Whawhati Tata



We achieved all three targets for the Emergency Management Group key performance indicators (KPIs).

What we do

The Emergency Management Group provides Civil Defence Emergency Management (CDEM) services to the Council, as well as regional emergency management leadership. This includes providing coordination and support to the Bay of Plenty CDEM Group and coordination services to the Lifelines Group.

What we did

The Emergency Management Activity continued to provide its core CDEM services, as noted above. From 1 July 2015, the operational delivery of CDEM has been delivered via Emergency Management Bay of Plenty on behalf of all participating Councils within the Bay of Plenty CDEM Group. The Council is a partner in the Bay of Plenty CDEM Group and is the administering authority for the Group. Other core activities carried out during 2017/18 included:

- The Bay of Plenty CDEM Group Joint Committee adopting the CDEM Group Annual Plan.
- The Annual Report for the 2016/17 financial year was prepared and circulated to key stakeholders, while three quarterly reports have been prepared to track progress against the 2017/18 Annual Plan.
- The Bay of Plenty Natural Hazards Programme continued to progress the implementation of the natural hazard provisions within the Bay of Plenty Regional Policy Statement.
- The upgrade work for the new Group Emergency Coordination Centre is being undertaken as part of Bay of Plenty Regional Council's office upgrade programme. Upgrade work will likely commence in 2019 with design refinement currently underway.
- Actively engaging with the community to increase the level of awareness, preparedness and resilience by undertaking eight initiatives and achieving our target.
- The Checklist Compendium was completed in May 2018 and was developed to address the key corrective actions from the exercise in Tangaroa in 2016, and after the April 2017 flooding event in the eastern Bay of Plenty.

Technical Services

Te Rōpū Ratonga Hangarau

Technical Services

Summary of how we did:



There is one Key Performance Indicator (KPI) for the Technical Services Group and this sits in the Science Activity. The KPI focuses on whether the community has ready access to State of the Environment information by publishing a number of online environmental indicator scorecards. This KPI was met for 2017/18.

What we do

Our Technical Services Group provides technical advice, information and services to the Council and direct to the community. These services include Geospatial, Engineering, Science and Data Services.

What we did

We continued to provide geospatial services to Council through online mapping tools and field capture solutions, while also providing the community with direct access to information and data that we hold about our region through BOP-Maps (maps.boprc.govt.nz). We assisted with the setup of a regional geographic information system (GIS) system for Emergency Management planning and responses. Alongside Land Information New Zealand and other Bay of Plenty Territorial Authorities, we also supported the procurement and public dissemination of aerial and historic aerial imagery.

As part of our Engineering Activity we:

- Provided updates to the Rivers and Drainage Asset Management Plan 2018-2068 and the new Infrastructure Strategy.
- Provided general technical engineering advice and supported the Tauranga Harbour Coastal Inundation Study.
- Contributed to District Plan reviews and presented at the Opotiki District Plan hearings.

- Provided capital projects support on rivers and drainage work associated with the Rangitāiki Floodway, the College Road Stopbank Realignment and the Kaituna River re-diversion and Maketu Estuary enhancement projects and undertaking modifications where necessary.
- Completed 168 technical reviews of resource consents, commented on 256 district and city Council resource consent applications and managed 384 flood level requests.

Our Data Services activity delivered a range of services through the year including:

- Accepting 10,610 laboratory samples – an increase of 10% compared to 2016/17.
- Undertaking 53 coastal beach profiles along the Bay of Plenty coast line to identify coastal erosion and accretion.
- Maintaining 160 automated monitoring stations while delivering a wide range of environmental monitoring parameters.
- A 97.7% delivery rate of real time data to the public, via the internet.
- Providing a number of flood flow measurements and analysis.

We continued to expand on our science capabilities to support good decision making. We undertook exploratory drilling in the Ōpōtiki District with the aim of investigating the geology and establishing a groundwater monitoring network.

We supported the development of computer based predictive models for catchment water quality and quantity, and groundwater in the Kaituna and Rangitāiki Water Management Areas. We completed surveys on whitebait spawning areas, and investigated the ecological health and water quality of drains in the Kaituna and Rangitāiki Plains.

We also commenced the installation of an expanded continuous air quality monitoring network in the Mount Maunganui port and industrial area and began development of an air dispersion model for the area.

Corporate Services

Te Rōpū Ratonga Tōpū

What we do

Our Corporate Services Group provides support services to all our activities. These services include Communications, Organisational Planning and Reporting, People and Performance, Support Services, Corporate Property, Finance and Information and Communication Technology.

What we did

Overall, we made significant progress during the year. In addition to delivering our regular services, key internal projects such as the building upgrade project advanced and our Long Term Plan 2018-2028 was adopted.

Project Upgrade is the name we have given to the building upgrade work happening across the organisation. The project involves the refurbishment of the Regional House building in Tauranga to centralise operations, modernisation of the Whakatāne office space, and identifying options, for when the lease on the existing building in Rotorua ends in 2020.

During the year we developed our new Long Term Plan 2018-2028. This gave us the opportunity to review our Strategic Framework and adopt a new structure of Community Outcomes and Activities, to help position the Council to better deliver for our community over the next 10 years. We consulted on the Long Term Plan 2018-2028 in February/March 2018 with more than 40 meetings and events held across the region and a series of public hearings held in April. These events enabled engagement with a wide range of stakeholders including the general public, iwi, local authorities, community boards, and business. The final plan was adopted in June and came into force on 1 July 2018.

We also implemented a drug and alcohol testing programme and improved Health and Safety due diligence reporting.



Our Financial Highlights

Group financial performance

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

The group recorded an operating surplus of \$74.9 million after income tax.

Council financial performance

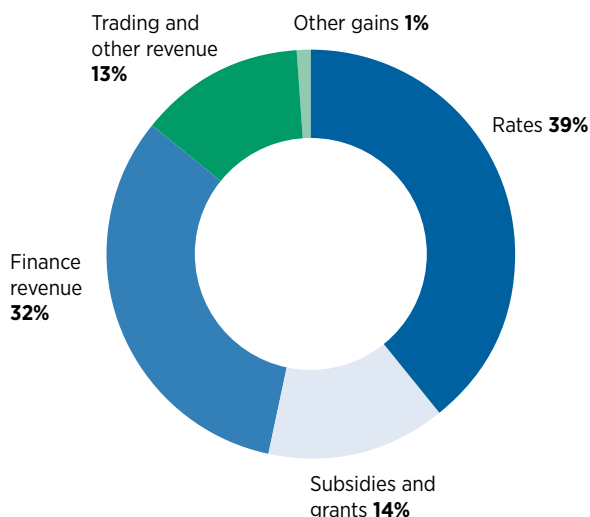
Operating overview

The 2017/18 financial year ended with a Council operating deficit of \$18 million, compared to a budgeted deficit of \$26.7 million.

Our revenue

We budgeted for \$98.1 million in revenue, and received \$100.4 million; \$2.3 million more than planned. The increase is mainly due to gains on investment and higher user fees and charges.

Where our revenue came from



Rates

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

Our rates revenue is made up of general rates (based on land value) and targeted rates (levied on those who benefit from the service). General rates made up more than half of our rates revenue during 2017/18.

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

Subsidies and grants

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

Finance revenue

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

Trading and other revenue

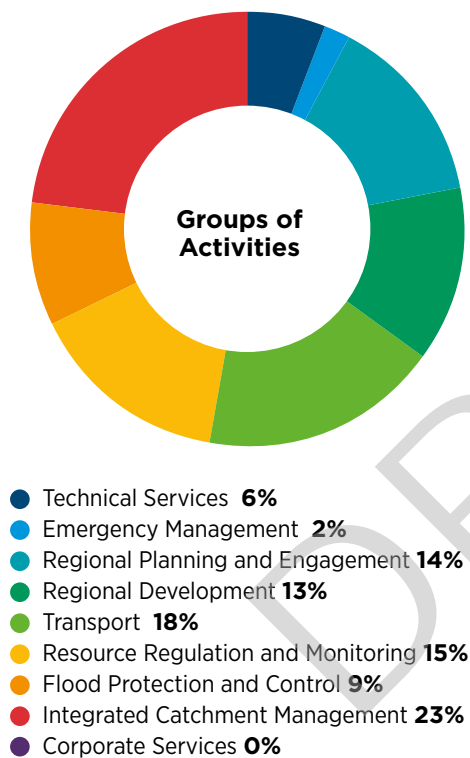
Our trading and other revenue is made up of user fees and charges, and other revenue. This year we received \$13.5 million; \$2.1 million more than budget.

Our operating expenditure

Operating overview

This year we spent \$118.3 million which was \$6.4 million less than budget. Operating expenditure provides services to our community as set out in our Annual Plan. The reduced expenditure was mainly due to \$3.7 million of flood work being classified as capital, and \$2.3 million underspend on land use change incentives.

How our operating expenditure was spent



Capital expenditure

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

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

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

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

Funding for capital expenditure

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

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

Our balance sheet

The Council's total equity (net assets) at the end of the financial year was \$450.7 million. This is \$8.2 million less than budget.

Our assets

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

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

Our liabilities

Our liabilities were \$41.8 million at the end of the year, compared to our budget of \$30.1 million. This is significantly higher than budget due to increased trade and other payables for large projects.

Our equity

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

Included in our equity at 30 June 2018 is a \$46.3 million Infrastructure reserve. This fund was initially established with the proceeds of the PPS in March 2008. The use is subject to a binding ruling issued by Inland Revenue. At 30 June 2018 Council had allocated all of the original \$200 million PPS share issue fund to specific expenditure.

Summary financial statements and notes to the accounts

Summary extract from the statement of accounting policies

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

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

The group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return. The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The information included in the summary financial statements has been prepared in accordance with PBE FRS43; Summary Financial Statements. All disclosures in the summary are extracted from the Bay of Plenty Regional Council full financial statements, authorised for issue by Council on 27 September 2018. The full financial statements have been audited by Audit New Zealand, and comply with PBE standards, receiving an unmodified audit opinion on 27 September 2018.

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

Bay of Plenty Regional Council summary statement of comprehensive revenue and expense for the year ended 30 June 2018

Council 2016/17 \$'000	Group 2016/17 \$'000		Budget 2017/18 \$'000	Council 2017/18 \$'000	Group 2017/18 \$'000
Revenue					
91,509	335,879	Operating revenue	98,114	99,090	367,445
416	19,469	Other gains	-	1,281	27,753
91,925	355,348	Total operating revenue	98,114	100,371	395,198
Expenditure					
104,707	250,462	Operating expenditure	124,765	117,797	276,806
-	20,249	Finance costs	-	-	20,192
373	7,547	Other losses	-	538	5,514
105,080	278,259	Total operating expenditure	124,765	118,335	302,512
-	13,282	Share of profit of equity accounted investees	-	-	15,253
(13,155)	90,564	Net surplus/(deficit) before tax	(26,650)	(17,963)	107,940
-	28,146	Income tax expense	-	-	33,023
(13,155)	62,418	Net surplus/(deficit) after tax	(26,650)	(17,963)	74,917
Attributable to:					
(13,155)	24,822	Equity holders of the parent	(26,650)	(17,963)	32,325
-	37,596	Non-controlling interest	-	-	42,592
(13,155)	62,418		(26,650)	(17,963)	74,917

Operating revenue

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

- User fees and charges and other revenue - \$2.1 million more than budget
- Other gains - The revaluation of investments and sale of assets \$1.3 million
- Subsidies and grant revenue: \$1.4 million less than budget. Reduced grant funding received from the Ministry for the Environment due to fewer Land Incentive contract payments made (Te Arawa Rotorua Lakes).

Operating expenditure

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

- \$3.7 million flood works being classified as capital, and
- \$2.3 million underspend on land use change incentive payments.

Bay of Plenty Regional Council summary statement of other comprehensive revenue and expense for the year ended 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000		Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
(13,155)	62,418	Net surplus/(deficit) before tax	(26,650)	(17,963)	74,917
(2,768)	61,274	Asset revaluation and impairment charges	7,441	20,630	231,311
(2,815)	4,787	Financial asset fair value changes	(662)	(1,021)	(476)
(18,738)	128,479	Total comprehensive revenue and expense	(19,872)	1,646	305,752
		Attributable to:			
(18,738)	59,220	Equity holders of the parent	(19,872)	1,646	168,226
-	69,259	Non-controlling interest	-	-	137,526
(18,738)	128,479		(19,872)	1,646	305,752

Bay of Plenty Regional Council summary statement of changes in equity/net assets for the year ended 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000		Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
467,800	1,283,388	Balance at 1 July	462,361	449,062	1,355,457
(18,738)	128,479	Total comprehensive revenue and expense previously reported	(19,872)	1,646	305,753
449,062	1,411,867		442,489	450,708	1,661,210
-	14	Increase in paid up capital	-	-	(1,460)
-	(57,849)	Dividends to non-controlling interest	-	-	(58,971)
-	1,425	Equity settled share-based payment accrual	-	-	2,117
449,062	1,355,457	Balance at 30 June	442,489	450,708	1,602,893
		Total comprehensive revenue and expense attributable to:			
(18,738)	59,220	Equity holders of the parent	(19,872)	1,646	167,973
-	69,259	Non-controlling interest	-	-	137,526
(18,738)	128,479		(19,872)	1,646	305,499

Bay of Plenty Regional Council summary statement of financial position
as at 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000		Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
152,506	243,700	Current assets	45,710	125,651	222,544
328,663	1,873,512	Non-current assets	426,805	366,824	2,186,585
481,169	2,117,212	Total assets	472,515	492,475	2,409,129
16,090	315,983	Current liabilities	13,888	25,575	394,235
16,017	445,772	Non-current liabilities	16,138	16,192	412,001
32,107	761,755	Total liabilities	30,026	41,768	806,236
449,062	935,427	Total equity attributable to the group	442,489	450,708	1,097,343
-	420,030	Non controlling interest	-	-	505,550
449,062	1,355,457	Total equity	442,489	450,708	1,602,893

Assets

Assets were \$20 million more than budget due to the change in timing of receipts and payments, and an increase in asset revaluation

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

Bay of Plenty Regional Council summary statement of cashflows
for the year ended 30 June 2018

Council 2016/17 \$000	Group 2016/17 \$000		Budget 2017/18 \$000	Council 2017/18 \$000	Group 2017/18 \$000
(3,866)	75,090	Net cash inflows/(outflows) from operating activities	(6,237)	(2,155)	75,659
23,947	(39,248)	Net cash inflows/(outflows) from investing activities	2,406	38,735	4,259
(561)	5,106	Net cash inflows/(outflows) from financing activities	(1,413)	(5)	(45,430)
-	0	Effects of exchange rate changes on cash and cash equivalents	-	-	142
19,520	40,978	Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(5,244)	36,576	34,630
18,442	40,618	Cash, cash equivalents and bank overdrafts at the beginning of the year	17,679	37,962	81,596
37,962	81,596	Cash, cash equivalents and bank overdrafts at the end of the year	12,435	74,538	116,226

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

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

Net cash from financing activities was lower than budget by \$1.4 million due to fewer Clean Heat loans issued.

Contingent liabilities

Financial guarantee - New Zealand Local Government Funding Agency

The Bay of Plenty Regional Council is a shareholder of The New Zealand Local Government Funding Agency Limited. This entity was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. Standard and Poor's have given the entity a credit rating of AA+ which is equal to New Zealand Government sovereign rating.

As at 30 June 2018 Bay of Plenty Regional Council is one of the 31 shareholders made up of 30 local authorities and central government. All 30 local authority shareholders have uncalled capital equal to their individual shareholding and totalling \$20 million in aggregate which can be called on in the event that an imminent default is identified. Also together with the other shareholders, Bay of Plenty Regional Council is a guarantor of all of NZLGFA borrowings. As at 30 June 2018, NZLGFA had borrowings totalling \$8,272 million (2017: \$7,946 million).

Financial reporting standards require Bay of Plenty Regional Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local Government legislation would enable local authorities to levy a rate, to recover sufficient funds to meet any debt obligations if further funds were required.

Uncalled capital

The Council is liable for the uncalled capital in its wholly owned subsidiary, Quayside Holdings Limited, of \$81,829,918 being 2,003,190,217 Redeemable Preference Shares at 0.000004 cents per share

Commitments

Capital commitments				
	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Estimated capital commitments contracted for at balance date but not yet provided for	16,376	30,276	5,800	40,200
Total capital commitments	16,376	30,276	5,800	40,200
Operating leases as lessee				
	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Not later than one year	768	768	769	769
Later than one year and not later than five years	1,147	1,147	1,779	1,779
Later than five years	267	267	428	428
Total non-cancellable operating leases	2,182	2,182	2,976	2,976
Operating leases as lessor				
	Council 2017/18 \$000	Group 2017/18 \$000	Council 2016/17 \$000	Group 2016/17 \$000
Not later than one year	77	14,956	77	22,553
Later than one year and not later than five years	308	21,207	308	23,281
Later than five years	-	33,007	-	15,629
Total non-cancellable operating leases	385	69,170	385	61,463

Related party transactions

Bay of Plenty Regional Council is the parent of the Group and controls Quayside Holdings Limited and its subsidiaries, Quayside Properties Limited, Quayside Securities Limited, Quayside Investment Trust and Quayside Unit Trust. Through the shareholding in Quayside Securities Limited as Trustee for Quayside Unit Trust, a controlling interest is held in the POTL and its subsidiaries and equity accounted investees.

Two Councillors of the Bay of Plenty Regional Council (Jane Nees and Paula Thompson) were directors of Quayside Holdings Limited, Quayside Securities Limited and Quayside Properties Limited at 30 June 2018.

The Chief Executive of Bay of Plenty Regional Council (Fiona McTavish) was appointed as Director of the above companies in effective 30 June 2018. The former Chief Executive of Bay of Plenty Regional Council (Mary-Anne Macleod) ceased as director on 29 June 2018.

The Chairman of the Bay of Plenty Regional Council (Douglas Leeder) was appointed as a director of Port of Tauranga Limited in October 2015.

Events after balance sheet date

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



Audit report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

DRAFT

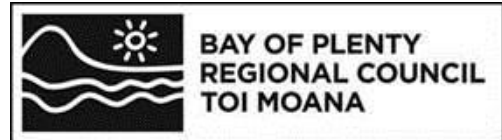
To come

You can view the full
Annual Report on
Bay of Plenty Regional
Council's website
www.boprc.govt.nz

The Annual Report Summary
report does not provide as
complete an understanding of
Bay of Plenty Regional Council's
activities as provided by the
full Annual Report. If you would
like a copy of the 2017/18
Annual Report please visit
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Alternatively, call 0800 884 880
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Receives Only – No Decisions

Report To: Audit and Risk Committee

Meeting Date: 11 September 2018

Report From: Mat Taylor, General Manager, Corporate Performance

Review of the proposed amendment to the Chief Executive's Financial Delegation

Executive Summary

This report presents the proposed amendments to the Chief Executive's Financial Delegation limit to the Audit and Risk Committee for review and endorsement, prior to review and approval by Council on 27 September 2018.

The Council's current Chief Executive Delegations Manual includes financial delegations. The Chief Executive's financial delegation is currently \$400,000 and this limit was approved by Council on 26th June 2014.

Staff propose the single financial delegation limit for the Chief Executive is increased to \$2,000,000 so that Council can operate efficiently and expediently when conducting its day to day business.

Delegations are made pursuant to Clause 32 of Schedule 7 of the Local Government Act 2002.

Recommendations

That the Audit and Risk Committee:

- 1 Receives the report, Review of the proposed amendment to the Chief Executive's Financial Delegation;**
- 2 Reviews and endorses the proposed amendment to the Chief Executive's financial delegation limit to \$2,000,000 (excluding GST) as set out in this report, for approval by Council on 27 September 2018.**

1 Background

Delegation is the conveying of a duty or power to act to another person, including the authority that the person making the decision would themselves have had in carrying out that duty or exercising that power.

For the purposes of administrative efficiency and expediency when conducting its day-to-day business, the Council delegates certain statutory duties, responsibilities and powers to its committees, other bodies, or staff.

Likewise, the Chief Executive delegates certain duties and responsibilities to staff. These delegations are a necessary operational requirement to promote efficient, expedient, and effective decision-making.

Delegations avoid administrative delays and inefficiencies that might otherwise occur if matters have to be referred to the Council (or Chief Executive) every time a financial decision needs to be made, while continuing to maintain an appropriate level for approvals that would still require Council authorisation.

2 Legal authority

In most cases the Council has the primary power of delegation, as it is the body that is specified as the delegate in the empowering legislation. In some specific instances the legislation empowers the Chief Executive directly who will have the power of delegation.

The Council's authority to delegate to its standing committees, subcommittees, members, or staff is principally derived from Schedule 7, Clause 32 of the Local Government Act 2002 (LGA).

3 Definition of financial delegation

Section 1.3.5 of the Council's Chief Executive Delegations Manual defines financial delegations as "the authority to approve a contract or tender for goods or services or works, authorise a purchase requisition / purchase order for release to a supplier, accept goods or services received or authorise a supplier invoice for payment".

4 Chief Executive's financial delegation sum

This report presents the proposed amendments to the Chief Executive's Financial Delegation limit to the Audit and Risk Committee for review and endorsement, prior to consideration by Council on 27 September 2018.

Section 5 of the Council's Chief Executive Delegations Manual sets the general financial delegation limit of the Chief Executive as \$400,000.

The size, scale and complexity of the Council has grown substantially in recent years, and will continue to do so throughout the term of this Long Term Plan. As a result, staff will seek to propose the amount delegated to the Chief Executive is amended to \$2,000,000 (excluding GST) in order for the organisation to operate efficiently and with agility.

Large and significant projects and programmes will continue to require Council specific approval as they do now, should an amended delegation be approved by Council on 28 September 2018. In addition, the Council's financial reporting process will include a summary of material contracts entered into during the preceding period.

The Chief Executive has the authority to further delegate responsibilities, duties and powers up to the amount delegated by Council to the Chief Executive. The Chief Executive's specific delegations in relation to the Treasury Function, and approved as part of the Long Term Plan process, remain unchanged by this general delegation.

5 Next steps

Staff will consider the feedback from the Audit and Risk Committee on the proposed amendment to the Chief Executive's Financial Delegation limit.

Council will consider and approve the Chief Executives Financial Delegation limit on 27 September 2018.

6 Council's Accountability Framework

6.1 Community Outcomes

This project/proposal directly contributes to the all Community Outcome/s in the council's Long Term Plan 2018-2028.

6.2 Long Term Plan Alignment

This work is planned under the Regional Planning and Engagement Group of Activities in the Long Term Plan 2018-2028.

Current Budget Implications

This work is being undertaken within the current budget for the Governance Services Activity in Year 1 of the Long Term Plan 2018-2028.

Future Budget Implications

Future work on the Chief Executive's Delegations Manual is provided for in Council's Long Term Plan 2018-2028.

Debbie Hyland

Finance and Corporate Planning Manager

for General Manager, Corporate Performance

6 September 2018