# Te Mahere ā-Tau
# Annual Report 2020/21

*For the financial year 1 July 2020 to 30 June 2021*

BAY OF PLENTY REGIONAL COUNCIL
TOI MOANA

# Mihi

***E ngā mana, e ngā reo, e ngā kārangarangatanga maha, puta noa, tēnā koutou katoa!***

*Mai i ngā Kuri-ā-Whārei ki Tihirau,*
*Mai i Maketū ki Taupō-nui-ā-Tia,*
*Ko te rohe kaunihera tēnei o Toi Moana*

*Kua kaha whakarongo atu mātou o Toi Moana ki ngā reo maha o te rohe nei, me te mea hoki, ko te orangatonutanga o ngā hapori maha te whāinga mātuatua. Ko tētahi o ngā tino whāingā kē atu, ko te āta whakapakari, āta whakakaha i ngā hereherenga kei waenganui i ngā kāhui tāngata maha o te rohe nei.*

*Ko te kaunihera ā rohe o Toi Moana, he waka eke noa. Ā, mā te āta tuitui i ngā taurahere tāngata e tika rawa ai ā mātou mahi, e mārama hoki ai mātou ki te iti kahurangi o tēnā, o tēnā, puta noa i tō tātou rohe.*

*Kia toi te whenua, kia toi te moana, kia toi te taiao, kia toi te tangata! Tīhei Mauriora*

***To all authorities, to all voices, to the many affiliations across our region, we acknowledge you all.***

*From Waihī Beach to the East Cape,*
*From Maketū to the shores of Lake Taupō-nui-ā-Tia,*
*this is our region of The Bay of Plenty Regional Council.*

*We have listened, and taken on board the aspirations of our communities confirming that we are a region seeking wellbeing and vitality together. The focus is to strengthen our connections and relationships with each other and our taiao, our environment.*

*Toi Moana is a waka for all, and there are no exceptions. Together we shall realise our collective aspirations. The ongoing guidance from our communities ensures we never deviate from our commitment to you, our community and our environment.*

*Let the land prosper, let the ocean and lakes prosper, let our environment prosper – 'tis the breath of life.*

# Rārangi Kaupapa
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# Te timatatanga
# **Introduction**



## *From the Chair and Chief Executive*

We are pleased to present our Annual Report for 2020/21. This report presents our financial and service delivery results for 2020/21. This is the third and final Annual Report against our Long Term Plan 2018-2028.

The beginning of this financial year was dominated by ensuring a swift recovery from the significant first effects of the COVID-19 global pandemic within the region, and keeping a close watch on national and global developments. Thankfully, as the year progressed there were no significant outbreaks in the region, which meant our service delivery levels were not significantly adversely affected.

We achieved 28 of our 33 performance targets (85%) and continued to deliver a number of major projects contributing to our Community Outcomes and the wellbeing of our region. Significant achievements this year included work on implementing new rules to bring New Zealand's freshwater resources, waterways and ecosystems to a healthier state. Work was also progressed on a number of flood protection projects contributing to climate change mitigation. These included upgrades to the Kaituna Mole and stage six of the Rangitāiki Floodway project. We also connected and consulted with our community on the Regional Land Transport Plan (RLTP) and progressed work on the Pāpāmoa Hills Cultural Heritage Regional Park upgrade. Our Kaituna River Re-Diversion and Te Awa o Ngatoroirangi/Maketū Estuary Enhancement Project was the winner of the Terry Healy Coastal Project Award from the New Zealand Coastal Society. This project has already made a significant contribution to our coastal and marine environments, and will continue to do so for many years.

Another key piece of work this year was our Long Term Plan 2021-2031. Through the development of the plan, we engaged with our community using both physical and online methods and events, which allowed us to engage with the general public, local authorities, iwi/hapū, local authorities, community boards, and businesses. Despite the effects of COVID-19, we delivered our Consultation Document to audit before Christmas 2020, adopted the full plan before the statutory deadline, and received a record number of formal submissions.

In March 2021, several earthquakes occurred, which resulted in tsunami warnings being issued, with populations in some areas of the region sent to high ground. As a result, planning for tsunamis became a higher priority. This has involved significant stakeholder engagement and local input, with initial work this year and more to happen in the future.

This year marks the 30th anniversary for Quayside Holdings Limited. Not only is this an important milestone to reflect upon, but we are excited by the future before us. The Council Group, which includes our 100% shareholding in Quayside, is pleased to report a record net profit after tax attributed to council of $85.2 million.

Providing strong income to the council, Quayside is focused on diversified commercial return for the good of the region, along with wider benefits such as environmental and cultural considerations and positive social outcomes. This drives intergenerational returns, reduces councils' reliance on rates and benefits the wider community by keeping rates low.

This year's dividend payout to Bay of Plenty Regional Council of $33 million is the largest to date, reducing general rates by an average of $289 per property in the region.

Quayside has achieved significant results, not merely financial, but also in relation to people, the community, and stakeholder relationships. Engagement with local iwi and an understanding of te ao Māori has been a key focus for Quayside this year.

Council has delivered an operating surplus of $7.3 million for the year, and delivered our work programme through operating expenditure of $141.7 million, compared to a budget of $142.4 million. Revenue during the year was $149.0 million compared to budget of $136.8 million. We also delivered a significant capital works programme with capital expenditure of $27.6 million, compared to a budget of $51.5 million.

As we look forward to 2021/22 and beyond, we are excited to begin delivering our new Long Term Plan. One of our main focus areas will be adapting to the changes signalled by Central Government, particularly changes to the Resource Management Act, and new rules and regulations to restore and protect the health of New Zealand's waterways. We are also keen to progress our work on partnerships as we seek greater integration with the different organisations and groups in the region.

**Doug Leeder**
*Chair*

**Fiona McTavish**
*Chief Executive*

# Thriving together - mō te taiao, mō ngā tāngata

## *The way we work*

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

## *Strategic challenges*

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

## COMMUNITY OUTCOMES

### A healthy environment

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

### Freshwater for life

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

### Safe and resilient communities

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

### A vibrant region

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

## OBJECTIVES

### A healthy environment

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

### Freshwater for life

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

### Safe and resilient communities

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

### A vibrant region

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

## *Our values*

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

# Ngā putanga-a-hapori
# **Community Outcomes in Action**

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

# *He taiao ora*

# A healthy environment

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

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

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

We work with the community to protect our freshwater, soils, marine environments and habitat for native wildlife. We manage pest plants and animals. We set rules around what can and can't be done in our environment and ensure the rules are followed, through our consents and monitoring processes.

## KAITUNA MOLE MAINTENANCE

Major maintenance on the Kaituna Mole has been undertaken this year so the structure can continue to be fit-for-purpose and safe for public use. The mole is a popular fishing spot and has not undergone any major maintenance since it was first built in 1958. It was originally built to act as a coastal structure to maintain the river mouth in a fixed position, but later became a recreational facility as well.

The proposed maintenance involved installing 50 metres of new sheet pile facing around the existing sheet piles. The sheet piles will be capped by a new concrete deck, which will also lead into the carpark area. Further works will involve the installation of new handrails and some concrete benches/tables for public use. The works are aimed to be completed before summer 2021.

## NEW RULES REGARDING AQUATIC PESTS

New rules to stop the spread of aquatic pests across the Bay of Plenty came into force this year, with boat ramp users now required to self-certify that their vessels and trailers are free from freshwater fish and plant pests.

The rules in the Bay of Plenty Regional Pest Management Plan 2020–2030 ensure that lake users take an active role in protecting the long-term health of the region's lakes and rivers.

Self-certification checkpoints have been set up at the most popular boat ramps around the Rotorua Te Arawa lakes. The checkpoints have forms that can be completed and displayed on the dashboard of any vehicle used to launch a vessel.


## PĀPĀMOA HILLS CULTURAL HERITAGE REGIONAL PARK UPGRADE

The concept plan for the Pāpāmoa Hills Cultural Heritage Regional Park upgrade was approved this year. The plan was co-designed in partnership with representatives from Waitaha, Ngā Potiki, Ngāti Pūkenga, and Ngāti He, following the acquisition of an additional 25 hectares of land alongside Poplar Lane in 2017.

The concept plan includes a proposal to construct a new 86 space carpark, create an improved entry location with new signs, and provide interpretation to help park users understand some of the cultural and historic context of the land they are visiting.

Construction is intended to start in late 2021 after a detailed design process is completed, which will involve a working party of regional councillors and tangata whenua.

# *He wai māori, he wai oranga*

# Freshwater for life

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

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

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

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

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

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

## FRESHWATER PROTECTION AND RESTORATION

In August new rules to protect and restore New Zealand's freshwater were passed into law. The Essential Freshwater package introduces new rules and regulations to stop further degradation of New Zealand's freshwater resources and improve water quality within five years, reverse past damage and bring New Zealand's freshwater resources, waterways and ecosystems to a healthy state within a generation.

This includes the new National Policy Statement on Freshwater Management (NPS-FM), National Environmental Standards for Freshwater (NES-FW), stock exclusion regulations, and regulations in the measurement and reporting of water takes. Work continues on implementing the NPS-FM.

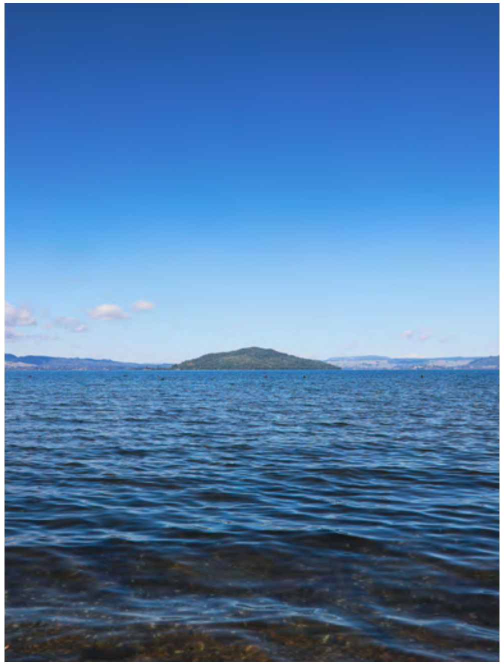
The most immediate changes, which took effect from 3 September are that consents will now be required in some circumstances for:

- intensification of land use,
- winter grazing on forage crops beyond defined limits,
- stock-holding areas and feedlots,
- structures or other works in waterways that restrict fish movement,
- activities that have more than a minor impact on wetlands and streams.

## JOBS FOR NATURE FUNDING

This year it was announced that freshwater improvement efforts in four key catchment areas within our region would be given an injection of $3 million funding from the Jobs for Nature programme, administered by the Ministry for the Environment.

Over the next two years, the Accelerating Bay of Plenty Freshwater Improvement project will employ around 135 people to fence 174 km of waterways on private land and plant up to 450,000 native plants to improve water quality and native biodiversity. Most of the work will focus on excluding livestock from waterways, wetlands and lakes, creating native planting buffers, and retiring and planting erosion-prone land and gullies.



## PROPOSED PLAN CHANGE 10

A final decision was received for Proposed Plan Change 10, Lake Rotorua Nutrient Management to the Regional Natural Resources Plan. This is a major achievement and signals the end of an eight-year piece of work that is a key part of protecting and enhancing the water quality of Lake Rotorua. The Environment Court considered appeals in two stages. A decision on Stage 1 was made on 9 August 2019. The Environment Court stage 2 hearing and Final Decision considered the issue of allocation to Settlement Land in forestry and the Final Decision report was received on 22 December 2020. Subject to a final set of provisions being provided by the Regional Council to implement the decision, and these subsequently being approved by the Environment Court, this will make PPC10 an operative part of the Regional Natural Resources Plan.


# *Kia haumaru, kia pakari te hapori*

# Safe and resilient communities

***Our region is subject to a number of natural hazards, including volcanic activity, earthquakes and extreme rainfall. These events can endanger our communities.***

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

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

We are responsible under the RMA for controlling the use of land to avoid or mitigate the effects of natural hazards, and we work with other local councils and Emergency Management Bay of Plenty, to identify natural hazards and reduce risk. We manage flood risk in four river schemes in the region and recent post-COVID ‘shovel ready’ funding (Crown Infrastructure Funding for flood resilience) will provide for adaptation to the future impacts of climate change.

## RANGITĀIKI FLOODWAY

The construction of Stage 6c of the Rangitāiki Floodway began after resource consent was granted.

This stage focuses on 3km of the right stopbank being raised.

This work will improve how water travels down the Rangitāiki Floodway (Reids Central Canal), during a large flood event in the Rangitāiki River, which will reduce the pressure on the Rangitāiki River stopbanks during large flood events.

## OIL RESPONSE TRAINING EXERCISE

A biannual oil spill response training exercise was held in the Matua/Fergusson Park area. This exercise was based on a scenario of oil impacting on the Matua Estuary from a vessel sinking at a mooring.

This training helps ensure the Regional Council is prepared to respond to an oil incident, and that the Oil Spill Response Plan is co-ordinated and effective. Booms, oil skimmers, boats, and personal protective equipment were used to practice containing and cleaning up oil.

Approximately 30 participants were involved in this inter-agency exercise, including staff from the Regional Council response team, the Regional Harbourmaster, Maritime New Zealand, Tauranga City Council, Department of Conservation, iwi, Waikato Regional Council, and Gisborne District Council.

## PROJECT FUTURE PROOF

Project Future Proof is underway to upgrade Whakatāne flood defence assets in the town centre. These assets include stopbanks, floodwalls, and stop-logs (temporary flood barriers installed at times of higher river flow).

The first part of the project will address known seepage issues (where water passes under the stopbank) on sections of the stopbank along Kakahoroa Drive and Quay Street.

Geotechnical investigations are underway on urban floodwalls and stopbanks downstream to the Muriwai Drive playground. This helps our engineers to better understand the ground conditions and provides information about possible future design options.

# *Toitū te rohe*
# A vibrant region

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

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

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

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

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

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

## NGĀTI RANGITIHI'S TREATY OF WAITANGI DEED OF SETTLEMENT

Councillors and staff attended Ngāti Rangitihi's Treaty of Waitangi Deed of Settlement signing at Rangitihi Marae, Matatā. This was a hugely significant event for Ngāti Rangitihi, and the ceremony included an acknowledgement by the Crown of past Treaty breaches, a formal apology, and the presentation of a Ngāti Rangitihi flag that honours a request made to the Government in 1919.

The Settlement contains provisions for a co-governance forum for the Tarawera Awa to be established (Tarawera Awa Restoration Strategy Group) and for this Strategy Group to develop a Tarawera River Strategy Document. Council has the role of supporting the administration of the Strategy Group for the first three years. The Crown is making a contribution to Council towards the preparation of the strategy document.

## YOUTH ENGAGEMENT

An online youth engagement campaign was carried out and received 173 entries, which have in turn been used to provide advice to elected members.

Three youth engagement workshops and two 'pop ups' (at Ōpōtiki College and Whakatāne High School) were held, which had more than 200 young people participating in them. Youth helped council staff identify the best way to engage with them.

Staff also attended the Ngāi Te Rangi-led event, Rangatahi X, and orientation weeks at the University of Waikato and Toi-Ohomai in partnership with the Transport Operations Team.

## REGIONAL LAND TRANSPORT PLAN (RLTP)

The Regional Land Transport Plan (RLTP) was consulted on between 5 March and 6 April 2021 on our Participate Bay of Plenty platform, allowing us to connect with over 1000 visitors that we had to the site. We also received 49 submissions that raised over 400 points. There was a balanced mixture of individual and organisational submitters, although more submissions were received from urban areas, notably Tauranga. Submitters were interested in a range of issues of climate change, economic prosperity through to resilience. Twelve of the 49 submitters presented at formal hearings.

The RLTP integrates thinking from all councils across the region, and is used to gain funding from NZTA/Waka Kotahi for road safety, public transport, walking and cycling, and roading improvements. The final RLTP prioritises integrated planning, demand management, and network optimisation ahead of investing in new infrastructure.

# Te whakaurunga o ngāi Māori ki te tuku whakaaro

# **Māori participation in decision making**

*Across the region more than one third of the population identify as Māori. Collectively, Māori make a significant contribution to the region through ownership of assets; contribution to economic development; leadership in Treaty co-governance forums; and their kaitiaki roles and responsibilities, which influence conservation, preservation and management of natural resources.*

Council staff support Crown and iwi (Te Whakatōhea and Te Whānau-a-Apanui) Treaty negotiations through the provision of operational level advice to inform the future implementation of resource management arrangements included within each settlement. Staff also support iwi to identify their likely resourcing needs, alongside our own costs, necessary to the operation of each arrangement. These matters will be assessed by Cabinet as part of the each settlement package.

This year, Council's submission on the Local Electoral (Māori Wards and Constituencies) Amendment Bill was made verbally (via Zoom) to the Select Committee. The Bill removed binding referendum provisions which applied only to the establishment of Māori Wards.

Council shares an obligation to support the development of Māori capacity and capability to contribute to Council decision making processes. Central to achieving this is our Komiti Māori Committee, which provides direction and guidance on key kaupapa including: partnership opportunities with Māori, and actions to support the delivery of our strategic framework and Community Outcomes. We also partner with iwi and hapū through statutory co-governance fora, working collaboratively towards improved environmental management and outcomes for key resources, including:

- Te Maru o Kaituna River Authority - mandated to restore, protect and enhance the environmental, cultural and spiritual health and wellbeing of the Kaituna River;
- The Rangitāiki River Forum - mandated to protect and enhance the mauri (lifegiving capacity) of the Rangitaiki River and its tributaries.
- Rotorua Te Arawa Lakes Strategy Group - continuing work with Te Arawa Lakes Trust, Rotorua Lakes Council and Ministry for the Environment as part of for the coordinated management of the Rotorua lakes.

We also continued to support the work of non-statutory fora, including the Ōhiwa Harbour Implementation Forum which oversees and monitors the implementation of the Ōhiwa Harbour Strategy and the Tauranga Moana Advisory Group which contributes to the environmental management of Tauranga harbour and its catchments.

During 2020/21 we also supported Māori participation in decision-making processes through a range of activities including:

- Providing engagement advice to support the Tarawera River re-diversion project
- Ngā Kairapu (Regional Sector Māori Interest Group) providing advice and directions to synergise work in the fresh water space, with Te Kahui Wai Māori.
- Defining mahi for students (alongside relevant hapū-iwi), who are being deployed to assist hapū-iwi
- Providing support to Māori business and lands trusts to navigate unique RMA consent matters
- Undertaking a review of the Hapai Ora fund and its operations, to increase its reach and appeal to kaupapa Māori

# Te huringa āhuarangi i Toi Moana
# Climate change in the Bay of Plenty

***Toi Moana Bay of Plenty Regional Council recognises the significant implications that climate change will have for the Bay of Plenty and the need for mitigation and adaptation actions locally and region-wide.***

Following our declaration of a climate change emergency in June 2019, we committed to working with our sectors and communities on transitioning to a low carbon future and preparing ourselves for the changing climate. Our Climate Change Action Plan and Climate Change Statement guides our work in this area, including a focus on reducing our emissions as a Toitu CarbonReduce certified organisation. We also recently consulted with our community as part of the Long Term Plan process, on specific climate change initiatives and the levels of investment for them over the next 10 years.

Last year representatives from across the Bay of Plenty gathered in Te Puke to start work on developing a plan for climate change adaptation and building climate resilience in our Bay of Plenty communities. Hosted by Toi Moana Bay of Plenty Regional Council, the workshop was attended by councillors, iwi representatives and Bay of Plenty climate change experts and was regarded as a vital first step in getting interested agencies together in the same room to figure out a collaborative way forward. The workshop resulted in the creation of a Regional Technical working group that has been designing a Climate Change Risk Assessment process for the region.

Over the past year we have also worked on a range of other activities including:

- **National Framework for Local Government Risk Assessments** – Staff were appointed to a Ministry of Environment working group tasked with preparing a guide for local government climate change risk assessments.
- **Climate Change Commission Submission** - Council submitted on the Climate Change Commission's draft advice to Government on Climate Change Action for Aotearoa, along with a joint regional submission incorporating the Bay of Plenty's local authorities. The Commission received more than 15,000 submissions and their final advice was delivered to Government on 31 May.
- **Priority One Climate Change Survey** – Council supported Priority One to survey more than 100 businesses in the Western Bay of Plenty in January to understand the business communities' awareness, readiness and needs as they relate to the impacts of climate change.
- **Toitū Audit** - Bay of Plenty Regional Council successfully completed the annual audit requirements of its Toitū Carbonreduce certification. The total emissions in 2019/20 were 1,066 tonne $CO_2e$, 8% lower than 2018/19
- **Transport** – Our five electric buses in Tauranga delivered an estimated emissions reduction of 174 tonnes of $CO_2e$ in 2020/21. Since the introduction of free fares for schools in the Tauranga region we have seen a 63% increase in school bus patronage compared to the same period in 2019/20 (noting that this includes the COVID lockdown over March/April 2020).

# Ngā whakatutukitanga-a-ratonga
# Service Delivery Performance

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

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

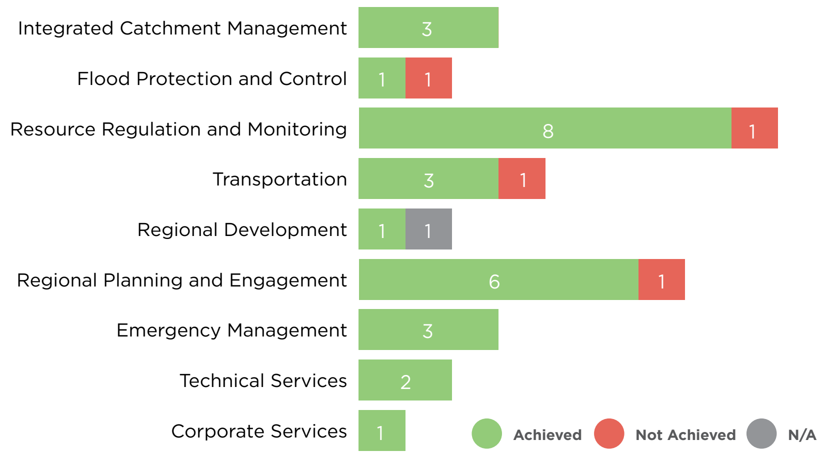
In our Long Term Plan 2018-2028 we agreed on a suite of performance measures. This is our last Annual Report to report on those measures, and we are pleased to report that we have achieved most (85%) of the targets and came close with several others. We have seen improvement in some of our levels of service, including timeliness for both resource consent processing and the publishing of Council and Committee meeting minutes. We have also increased customer satisfaction for persons filing complaints against RMA non-compliance, as well as the staffing, and training, for staff identified for roles in the Emergency Coordination Centre. The passenger transport patronage increased compared to last year, but not by enough to meet the set target.

Of the 33 measures we used to track our performance in 2020/21, the summary graph shows that:

- We achieved the targets for 28 measures (85%)
- We have not achieved the targets for four measures (12%)
- One measure is no longer considered applicable (3%)

Detail on each of the 33 measures, targets and previous results can be found under the group of activity section of this report.

## TARGETS BY GROUP OF ACTIVITIES



# Ngā whakatutukitanga ahumoni
# **Financial Performance**

The Bay of Plenty Regional Council audited results reflect strong progress and resilience despite the evolving response to the COVID-19 pandemic and its impact on Council's operations and across the Group. While the severity, duration and long-term implications of the pandemic continue to be highly uncertain, we remain strongly committed to being fiscally responsible by managing our finances prudently and sustainably. Our financial management approach and our paramount focus on organisational agility, will ensure we can continue to deliver services and infrastructure that our community expects now and in the future, while maintaining regional affordability.

*For the year ended 30 June 2021, Bay of Plenty Regional Council has generated an operating surplus of $7.3 million which was above our planned operating deficit of $5.6 million (2020: $0.04 million surplus).*

The Bay of Plenty Regional Council Group, which includes our 100% shareholding in Quayside Holdings Limited, has achieved net profit after tax attributed to Council of $83.5 million (2020: $36.4 million surplus). We are pleased to report Quayside has paid $33.1 million in dividends to Council reducing general rates in the Bay of Plenty by an average of $289 per property.

In June 2020 Bay of Plenty Regional Council adopted its Annual Plan 2020/2021 in an unprecedented environment due to the impact of COVID-19 pandemic. Compared to the prior year Council projected an increase in operating expenditure of $4 million and a reduction in operating revenue of around $1.6 million resulting in a planned operating deficit of $5.6 million.

Our annual budget included a number of measures to enable relatively high levels of operating investment in the region to continue while maintaining our strong commitment to long-term financial prudence, sustainability and regional affordability. These measures included:

- using our financial reserves to lessen the impact on ratepayers, this included maintaining a planned 0% per cent average general rates increase after growth and inflation
- no changes to our fees and charges policy
- generating efficiencies which include projected spending reductions in areas such as legal fees, business travel, and general expenses, as well as a budgeted efficiency target of $800,000.
- contributing to third party infrastructure projects using reserves and
- requesting additional funding support from central government.

For the year ended 30 June 2021 Council has delivered a strong result with increases in operating revenue, operating expenditure and operating surplus compared to last year. We have delivered our work programme through operating expenditure of $141.7 million, compared to a budget of $142.4 million. Revenue during the year was $149.0 million compared to budget of $136.8 million. We also delivered a significant capital works programme with capital expenditure of $27.6 million, compared to a budget of $51.5 million.

These increases were supported by significant movements in capital revenue due to additional funding support from central government for our 'shovel ready' and 'climate resilience' projects. We've also increased our investment to improve biosecurity, freshwater and biodiversity through the Jobs for Nature programme. Our commitment to our regions COVID-19 recovery meant there was also a strong focus on organisational agility and efficiency.

Details of changes in revenue and expenses compared to Annual Plan 2020/2021 and the prior year are summarised in the following sections of our annual report.

# Operating Expenditure

**OPERATING EXPENDITURE**

**$141.7 million** against a budget of $142.4 million

**(2020: $138.5 million)**

**Total operating expenditure for the year ended 30 June 2021 was $141.7 million, this is $0.7 million lower than budget and $3.2 million higher than last year.**

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

Our commitment to the region's economic recovery from the impacts of the COVID-19 pandemic has shaped our increased investment in the key areas which enhance our four community outcomes and promote community wellbeing. We have also had a strong focus on delivering savings to our communities by reducing corporate related costs in areas such as business travel, legal fees and general expenses.

In addition to what we had planned, we invested a further $4.5 million to improve biosecurity, freshwater, and biodiversity in the region. This increase has been driven by successful funding bids to central government's Jobs for Nature programme. We also experienced higher than planned levels of engagement from landowners to access our Environmental Programmes which provide grants and subsidies for biodiversity and sustainable land management activities.

We have grown our capacity and capability to implement central government direction on freshwater, and to build thriving partnerships with tangata whenua. Regional planning and Māori policy costs were around $1.5 million lower than plan. Consenting and environmental enforcement has contributed to increased costs of $1.4 million and higher recoveries. We will continue to update our work programme through the next Long Term Plan as we translate policy and strategy into action on the ground.

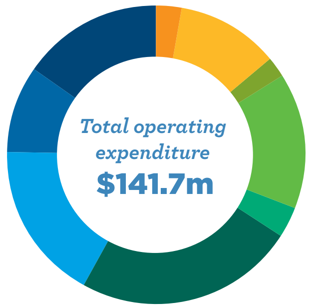
We have made steady progress increasing our bus patronage back to pre-COVID-19 levels delivering around $3.5 million of additional spending in Public Transport compared to the prior year. This increase incorporates COVID-19 impacts, improved conditions for bus drivers through the living wage and rest and meal breaks, and the rollout of a new regional integrated ticketing solution. Our focus for public transport planning in the near term is to optimise our service provision and increase patronage before making substantial new investments. Public transport costs are subsidised by Waka Kotahi.

Our incentives scheme which aims to improve the health of the Rotorua Te Arawa Lakes continues to make progress although we will carry forward $5.2 million of unspent budget to future years. The Rotorua Lakes incentives scheme is funded 50% from the Ministry for the Environment and 50% from financial reserves.

Third party infrastructure grants are $1.2 million lower than budget in relation to the Rotomā/Rotoiti Sewerage Scheme. We anticipate that this grant will be paid to Rotorua Lakes Council in the next financial year. We contributed $2.8 million towards the Awatarariki Fanhead Managed Retreat in Matatā taking our total grant to Whakatāne District Council up to $5 million. We have fund these third party infrastructure grants from our financial reserves.

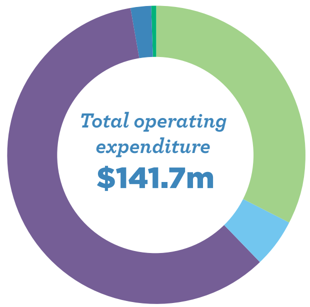
During the year we revalued our assets, and disposed of property, plant and equipment. We've recognise additional non-cash operating costs of around $0.7 million. These increases are offset by lower than planned depreciation and amortisation costs of $1.7 million due to underspends in our capital works programme.

## OPERATING EXPENDITURE BY GROUP OF ACTIVITIES




- Integrated Catchment Management **$21.4 m**
- Flood Protection and Control **$13.3 m**
- Resource Regulation and Monitoring **$24.4 m**
- Transportation **$34.0 m**
- Regional Development **$4.5 m**
- Regional Planning and Engagement **$21.1 m**
- Emergency Management **$3.2 m**
- Technical Services **$15.6 m**
- Corporate Services **$4.2 m**

## OPERATING EXPENDITURE BY CLASS




- Employee benefits $46.2 m
- Depreciation and amortisation $7.5 m
- Trading and other expenses $84.1 m
- Finance costs $3.2 m
- Other losses $0.7 m

# Revenue

**OPERATING REVENUE**
**$149 million** against a budget of $136.8 million
*Includes capital revenue of $14.3 million against a budget of $7.1 million*
**(2020: $138.5 million)**

**Total operating revenue for the year ended 30 June 2021 was $149.0 million, this is $12.2 million higher than budget and $10.5 million higher than last year.**

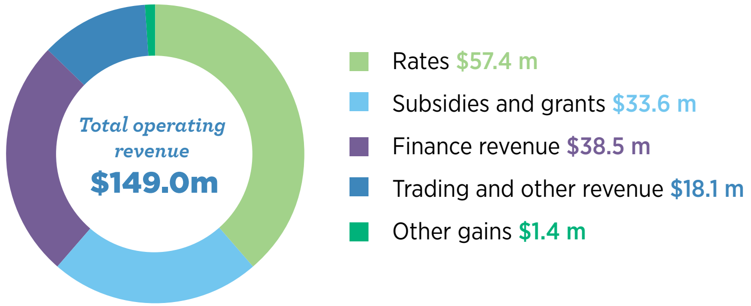
We fund our services and operations through a mix of rates and non-rates sources. We fund around 60% of our services from non-rates revenue and unlike other councils, we have a higher reliance on investment income to fund operating expenditure. This diversified approach to funding has helped us to achieve operating revenue of $149.0 million for the year which is $12.2 million higher than budget of $136.8 million.

The most notable increases in operating revenue came from grants and subsidies of $33.6 million, this result is $10.7 million higher than budget and a 67% increase on last year. Highlights include:

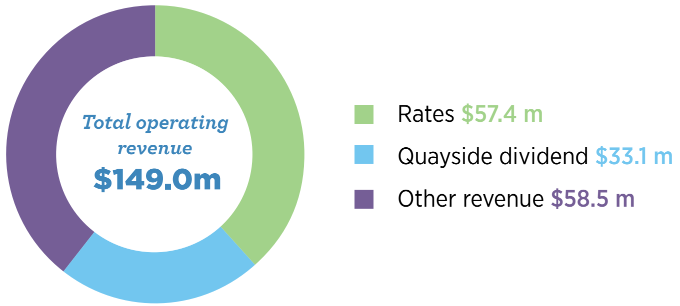
- Crown Infrastructure Partners funding of $11.2 million for 'shovel ready' and climate resilience projects in the area of flood protection and control. We were awarded $23 million over the next four years, significantly reducing our borrowing requirements across six capital projects.
- Additional funding from the Jobs for Nature programme to improve biosecurity, freshwater, and biodiversity in the Bay of Plenty region.
- Provincial Growth Fund support of $2 million to deliver a range of environmental projects as part of Kia Kaha Whakatāne. This was a collaboration with Whakatāne District Council to deliver jobs and urgent economic relief to the workforce particularly those who had lost jobs through COVID-19.
- Lower than planned grants of $2 million from the Ministry for the Environment for the Rotorua Te Arawa Lakes enhancement programme due to timing.

Finance revenue of $38.5 million is largely on budget, this incorporates a dividend from Quayside of $33.1 million. Quayside dividends are used for purposes that provide benefits across the region enabling all ratepayers to benefit from our investment portfolio through lower general rates.

**OPERATING REVENUE BY CLASS**




**OPERATING REVENUE** - Rates, Quayside Dividend, Other Revenue



# Capital expenditure

**CAPITAL INVESTMENT**
**$27.6 million** against a budget of $51.5 million

*Includes $16.5 million on Flood Protection and Control, and $3.2 million on the Buildings Upgrade Project*

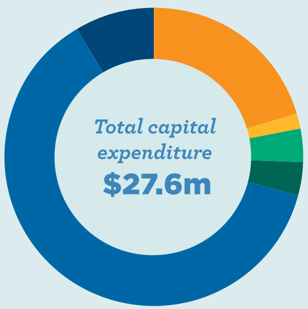
(2020: $36.4 million)

**Total capital expenditure for the year ended 30 June 2021 was $27.6 million, this is $23.9 million lower than budget and $9 million lower than last year.**

Capital expenditure is what we spend on upgrading, renewing or building new assets. We invested $16.5 million in flood protection to help keep people and properties safe. This includes $8 million for the Rangitāiki Floodway Project which was $4 million below budget. We spent $5 million for the April 2017 Flood Repair Project and despite being $6 million below budget, the project has seen 100% of high priority sites completed and 96% of all other sites completed. All remaining flood repairs will be completed by the end of the next financial year. The Kaituna Mole project was underspent by $2 million with works scheduled to commence next year.

We invested a further $3.2 million into the Buildings Upgrade Project which was $4.5 million lower than budget. Work on the Group Coordination Centre within our Tauranga offices are scheduled to be completed early in 2022. We invested $1 million both on our Regional Parks, and implementing a Regional Integrated Ticketing (bee-card) solution for public transport in the Bay of Plenty.

## CAPITAL EXPENDITURE BY GROUP OF ACTIVITIES




- Integrated Catchment Management $2.3 m
- Flood Protection and Control $17.2 m
- Transportation $1.0 m
- Regional Development $1.0 m
- Technical Services $0.5 m
- Corporate Services $5.6 m

# Prudent debt management

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

During 2020/21 we reduced our total borrowings by $50.5 million to $180.9 million as at 30 June 2021. The facilities are provided by the Local Government Funding Agency for a specific purpose including $130.9 million for capital investment, and $50 million for on-lending to our CCO Quayside Holdings Limited which delivers benefits of lower borrowing costs to the Council Group.

Our net debt is (-$21 million) which means we have high levels of liquid assets relative to our debt levels. Consequently our net debt to revenue ratio is (-14%). We take a prudent approach to managing our debt by keeping our net debt to revenue ratio significantly within our prudential limit of 250 per cent.

We have maintained exceptional liquid cover and significant borrowing capacity to support our capital investment and liquidity needs. This approach also offsets risks associated with our high debt levels, including our exposure to Quayside's perpetual preference shares and expansion plans. This is reflected in our AA credit rating which is one of the highest of Councils in New Zealand.

# Credit rating

Maintaining Council's AA credit rating allows us to keep interest costs on borrowings as low as possible – our average borrowing rate is 1.36% for 2020/21.

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

**AA**
**CREDIT RATING**
*S&P Global Ratings*

# *Bay of Plenty Regional Council Group Financial Performance*

## $129.7 million

***Council Group Net Surplus After Tax $83.5 million attributed to equity holders of Council***

We hold a 100 percent shareholding in Quayside Holdings Limited. Quayside holds and manages a majority shareholding in the Port of Tauranga Limited which is valued at $2.57 billion. Quayside acts as the investment arm for the Council to build prosperity for the region with an intergenerational approach.

COVID-19 has had, and continues to have, a significant impact on the New Zealand and global economy. Despite this backdrop, 2020/21 has been an extraordinary financial year for the Quayside Group achieving a net profit after tax of $154.1 million which is consolidated into the Council Group result of $129.7 million.

Providing strong income to the council, Quayside is focused on diversified commercial return for the good of the region, along with wider benefits such as environmental and cultural considerations and positive social outcomes. This drives intergenerational returns, reduces councils' reliance on rates and benefits the wider community by keeping rates low.

In July 2021 Quayside celebrated their 30th anniversary. This year's dividend payout to Bay of Plenty Regional Council of $33.1 million is the largest to date, reducing general rates by $289 per property in the region.

Quayside Holdings Limited saw a record increase in its profit after tax to $51.7 million, up from $19 million in the prior year. Port of Tauranga Limited managed to overcome challenges from the global pandemic reporting a solid financial performance for the year to 30 June 2021. This included a record net profit after tax of $102.4 million (up from an restated $88.7 million the prior year) and an increase in total trade of 3.8% to 25.7 million tonnes.

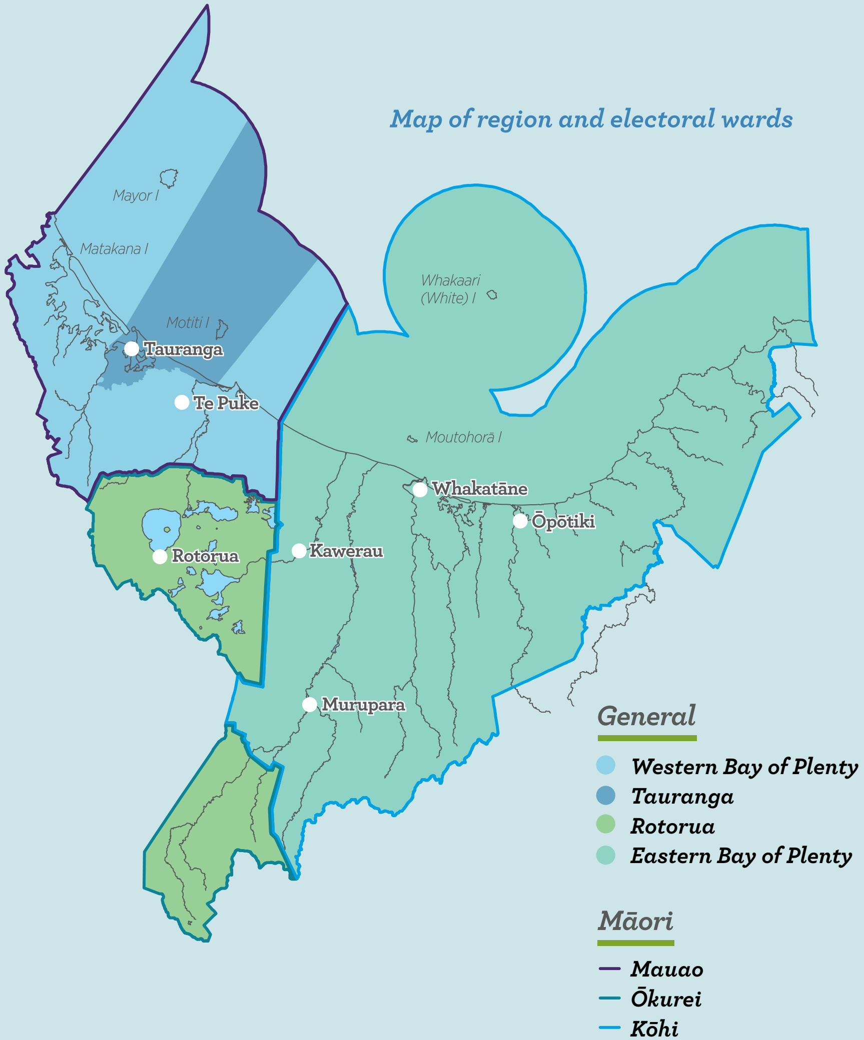
The year has seen significant growth in all three of Quayside's portfolios – investment, real assets and private equity. Quayside manages a diversified equities portfolio which focuses on intergenerational returns, the portfolio performed well and achieved a one-year gross return of 22.22%, and a five-year rolling gross return of 14.49%. The real asset portfolio continues to perform well providing both cash returns and increase in value.

Progress on the industrial Business Park at Rangiuru continues and Quayside is working closely with iwi and community partners to create a vision that will benefit the entire community for future generations. This 148-hectare block of land near Te Puke is strategically placed within easy reach of the central North Island hubs creating efficient access to international markets through direct road and rail corridors to Port of Tauranga.

**Quayside paid dividends to Bay of Plenty Regional Council of $33.1 million, this is the largest to date, reducing general rates on average by $289 per property in the region.**

# Te Rohe o Toi Moana
# Our Region

*Map of region and electoral wards*




# Ngā Tāngata o Toi Moana
# Our people

## WESTERN BAY OF PLENTY

*Population estimates* **195,400**

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

*Age Groups*
- **19%** 0-14 years
- **29%** 15-39 years
- **32%** 40-64 years
- **20%** 65+ years

*Ethnicity**
- **83%** European or Other
- **19%** Māori
- **8%** Asian
- **3%** Pacific Peoples

## EASTERN BAY OF PLENTY

*Population estimates* **54,230**

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

*Age Groups*
- **22%** 0-14 years
- **29%** 15-39 years
- **32%** 40-64 years
- **17%** 65+ years

*Ethnicity**
- **60%** European or Other
- **52%** Māori
- **3%** Pacific Peoples
- **3%** Asian

## ROTORUA

*Population estimates* **74,800**

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

*Age Groups*
- **22%** 0-14 years
- **33%** 15-39 years
- **31%** 40-64 years
- **14%** 65+ years

*Ethnicity**
- **64%** European or Other
- **40%** Māori
- **10%** Pacific Peoples
- **6%** Asian

*Figures are Statistics NZ estimates 2018*
**Multiple answers possible so will total more than 100*

# Ngā Pou Toiora
# Our four wellbeings

*He korowai mātauranga*
**CULTURAL WELLBEING**

*He korowai Tiaki Taiao*
**ENVIRONMENTAL WELLBEING**

*He korowai whakamana tangata*
**ECONOMIC WELLBEING**

*He korowai aroha*
**SOCIAL WELLBEING**

# Ā mātau mahi
# The work we do

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

These nine groups enable us to deliver on the Community Outcomes outlined in our strategic framework. The matrix shows the nine groups of activities and the Community Outcomes they link to most strongly. The following pages report back on our work programmes, financial performance and key performance indicators for 2020/21, using our nine groups of activities. The wellbeings that link most strongly to each of the groups of activities are also shown.

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

*Te Whakahaere Tōpū i Ngā Wai*

# Integrated Catchment Management

### *Activities*

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

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

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

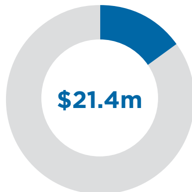
Much of our work is delivered through landowner agreements called Environmental Programmes. We also deliver key projects such as the Kaituna River Re-diversion and operate through a range of partnerships with tangata whenua, industry bodies, district and city councils and central government agencies.

We also work alongside a number of volunteer groups who share our vision to protect our rivers, harbours and open coastlines through Estuary Care, Coast Care, land care and river care groups. This work is often delivered using the guidance and oversight of local government and iwi representatives on our co-governance committees.

## *Performance summary*

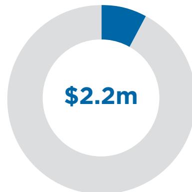
### OUR INVESTMENT

*Operating Expenditure*




15% of overall operating expenditure

*Capital Expenditure*




8% of overall capital expenditure

**PERFORMANCE MEASURE** 3 Achieved 0 Not achieved

## *Impact on community wellbeing*

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

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

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

## *Delivery highlights*

The construction of a series of Detainment Bunds in the upper Ngongotahā Catchment was undertaken this year as one of the recommendations of the Independent Review into the 2018 Ngongotahā Flood event. These bunds are designed to hold back water during peak storm events, and they also reduce the amount of phosphorous and sediment flowing downstream into the lake. The bunds are being 75 percent funded through Crown Infrastructure Funding for flood resilience.

The Ngongotahā Tree Removal Project also progressed steadily, with work starting to remove a number of large eucalyptus trees adjacent to Brookdale Drive. The trees have been undercut by the stream and are in danger of toppling into the stream and causing blockages and damaging private infrastructure. The trees are being felled onto Ngāti Whakaue land and will be cut up to supply firewood to the Ngāti Whakaue Kaumatua Firewood Programme. The tree removal is also being 75 percent funded through the Crown Infrastructure Partnership funding for flood resilience.

The first of more than 60,000 native plants were planted above Kaiate Falls to help improve water quality and increase biodiversity in the Waitao catchment. The plantings are the result of funding secured through the Government's One Billion Trees initiative, which provides for 300,000 trees to be planted during the next four years across the region. Twenty percent of the rural property in the Kaiate Falls catchment will be retired, and 16 native species including mānuka, karamū and kānuka will be planted. Economic benefits include an estimated eight to 10 full time jobs, and stimulus for local native nurseries.

In January, a project was created within the Waitepuia sub-catchment (between Te Puke, Paengaroa, and Maketū and Little Waihī urban settlements) to address water quality issues including elevated levels of E. coli bacteria, nitrate-nitrite-nitrogen and total nitrogen. Currently, elevated levels of contaminants move into the sensitive receiving environment of the Te Awa o Ngatoroirangi/Maketū Estuary, which could may result in unsafe conditions for recreational contact, and impact estuarine health and freshwater wildlife. Council staff are now taking this information to landowners and working with them to identify and implement actions that can contribute to improving environmental health in the catchment.

Environmental monitoring work carried out this year in the Te Awa o Ngatoroirangi/Maketū Estuary shows early signs of environmental improvement resulting from work completed in 2017 to restore tidal inflows and wetlands around Papahikahawai. Shellfish including tuangi (cockles) and titiko (mud snails) have been quick to return to the areas that have been restored, as well as large numbers of crabs, fish and birds. Council's monitoring results show significant increases in the number, size and variety of species that live in the estuary at many locations and have also had recently reported sightings of threatened bird species such as moho pereru (banded rail) and matuku (Australasian bittern) in the new wetlands along the south-western edge of Papahikahawai Island.

## *Performance Measures*

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

### LEVEL OF SERVICE

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

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 6 (Achieved) | 4 | 7 | ● |

**Comment:** The target for 2020/21 was achieved, with seven new Priority Biodiversity Sites coming into active management during the year, improving on last year's result (six sites).

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 4 (Achieved) | 3 | 4 | ● |

**Comment:** The target for 2020/21 was achieved, with four of the twelve Rotorua Lakes reaching their TLI Targets, and 10 lakes showing either consistent or improved three year rolling values.

The lakes achieving their TLI values were Lake Ōkaro, Ōkataina, Rotomā and Rotomahana. The same lakes achieved their target values last year, with the exception of Ōkataina where a slightly worse value from 2017/18 was replaced by a better value this year, thereby improving the three year rolling value and achieving the target. Lake Rotorua achieved the target last year, but had higher TLI values this year, causing it to exceed the target. This was predominantly due to an increase in phosphorus concentrations within the lake in early 2021.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 79% (Achieved) | 75% | 79% | ● |

**Comment:** The target for 2020/21 was achieved, with 79% of the monitored river and stream sites meeting the swimmability requirements, which is the same result as last year (79%). Council continuously work to identify sources and types of E-coli entering the waterway and then negotiate Environmental Programmes with landowners to reduce the risk of run-off, through a number of alternative actions. Samples for swimmability are taken during the bathing season, which runs from October to April.

# *Funding impact statement for the year ended 30 June 2021 for Integrated Catchment Management*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | 5,467 | 6,063 | 5,015 |
| Targeted rates | 3,134 | 3,275 | 2,930 |
| Subsidies and grants for operating purposes | 5,572 | 5,217 | 3,112 |
| Fees and charges | 21 | 22 | 1 |
| Internal charges and overheads recovered | 530 | 530 | (1) |
| Local authorities fuel tax, fines infringement fees and other receipts | 8,252 | 9,129 | 7,670 |
| **Total operating funding (A)** | **22,976** | **24,236** | **18,726** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 20,636 | 21,103 | 15,847 |
| Finance costs | 1,403 | 1,845 | 949 |
| Internal charges and overheads applied | 4,371 | 4,622 | 3,805 |
| Other operating funding applications | 0 | 0 | 0 |
| **Total applications of operating funding (B)** | **26,410** | **27,570** | **20,601** |
| **Surplus (deficit) of operating funding (A-B)** | **(3,434)** | **(3,335)** | **(1,875)** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 2,150 | 1,400 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 10,633 | 2,997 | 2,250 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| **Total sources of capital funding (C)** | **12,783** | **4,397** | **2,250** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 12,783 | 4,397 | 1,807 |
| - to replace existing assets | 0 | 0 | 443 |
| Increase (decrease) in reserves | (3,435) | (3,335) | (1,875) |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 0 | 0 | 0 |
| **Total applications of capital funding (D)** | **9,348** | **1,062** | **375** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Surplus (deficit) of capital funding (C-D)** | **3,435** | **3,335** | **1,875** |
| **Funding balance (A-B) + (C-D)** | **0** | **(0)** | **0** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 923 | 1,039 | 1,038 |
| Loss on sale of property, plant and equipment | 0 | 0 | 695 |
| Vested asset revenue | 0 | 0 | 0 |
| Note 2: This financial statement includes: | | | |
| Internal interest | 1,403 | 1,845 | 949 |

## BUDGET VARIANCE EXPLANATIONS

**Sources of operating funding**
Sources of operating funding is lower than LTP Year 3. Additional funding from the Jobs for Nature programme to improve freshwater and biodiversity in the Bay of Plenty region was received. This was offset with lower grants from the Ministry for the Environment for the Rotorua Te Arawa Lakes enhancement programme and lower general rates due to the use of reserves to lessen the impacts of Covid-19 on the community.

**Applications of operating funding**
Applications of operating funding is lower than LTP Year 3. There was lower expenditure on the Rotorua Lakes incentives scheme which was partially offset with higher than planned expenditure to improve freshwater and biodiversity, higher Environmental Programmes, higher other losses due to disposals of Rotorua Lakes Programme floating wetland and write off of the Tikitere costs.

**Sources of capital funding**
Sources of capital funding is lower than LTP Year 3. Funding from Ministry for the Environment for the Rotorua Lakes Tikitere project as this did not proceed.

**Applications of capital funding**
Applications of capital funding is lower than LTP Year 3. The Rotorua Lakes Tikitere Project did not proceed as alternative engineering solutions were investigated to achieve water quality targets.

*Te Pare me te Whakahaere Waipuke*

# Flood Protection and Control

### *Activities*

- Rivers and Drainage Schemes
- Regional Flood Risk Coordination

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

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

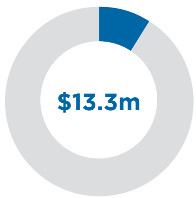
We offer river and stream management advisory services to landowners across the region and flood response activities to river and drainage scheme stakeholders. We also have responsibility for managing activities associated with the Floodway and Drainage Bylaw.

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

## *Performance summary*

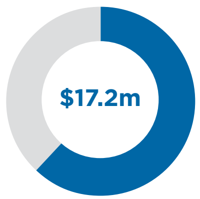
### OUR INVESTMENT

*Operating Expenditure*




10% of overall
operating expenditure

*Capital Expenditure*




62% of overall
capital expenditure

**PERFORMANCE MEASURE** 1 Achieved 1 Not achieved

## *Impact on community wellbeing*

We contribute to both social and environmental wellbeing for the community by working towards keeping people safe from the impacts of flooding, and by providing and maintaining drainage networks for some of the region's most productive land. As well as maintaining and improving flood protection and drainage assets, we manage flood risk by our flood forecasting, floodplain monitoring, flood response operations (during heavy rain events), and river and engineering survey activities. We also work on the development of floodplain management strategies to ensure we are responding to our ever-changing climate.

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

## *Delivery highlights*

In December, Council voted to adopt the Flood Protection and Drainage Bylaws 2020, bringing to fruition an 18-month-long process of consultation, review, submissions and hearings. The new Bylaws came into force on 1 February 2021. The Bylaws only apply to assets managed by Bay of Plenty Regional Council as part of the region's flood protection and land drainage schemes. The Local Government Act 2002 requires all bylaws to be reviewed every 10 years to ensure they are fit-for-purpose, informed by the latest science and data, and in this case, the learnings from flood events in the intervening years. The review also took into account climate change projections, land use changes and increased pressure from land development. The Bylaws outline when you need to speak with Council, and if necessary apply for a Bylaw Authority. This ensures landowners and council work together to develop the best approach to managing activities within Bylaw Applicable Areas (land close to river stopbanks).

Our Flood Repair Project was set up following the extreme weather events of 2017. This year the project as a whole has seen 100 percent of high priority sites and 96 percent of all other sites completed with all repairs aiming to be completed by 30 June 2022. The budget for the 2020/21 year was $11.3m and resulted in 93 percent completion of all sites.

The Rivers and Drainage Assets team received the external peer review of their valuation of the Councils flood protection and drainage assets. The peer review confirmed Council's valuation of 2,436 individual assets with a replacement cost of over $360 million. The valuation underpins the work of the Asset Management Plan review and financial modelling for the 2021-2031 Long Term Plan development. The reviewers confirmed the valuation with no tags or adjustments.

Work continues to implement the findings of the independent review, following the April 2018 Flood event that affected Ngongotahā. A team comprising the flood modellers, designers, Rotorua Lakes Council staff, and Regional Council staff walked over the Ngongotahā Stream flood mitigation area to review the Concept Plan for flood mitigation works alongside the potential design consultants. The project is one of the Flood Resilience suite of projects that has attracted Crown Infrastructure Partners funding.

# Performance Measures

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

### LEVEL OF SERVICE

***Provide flood protection and drainage***

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 90% (Achieved) | 90% | 64% | ● |

**Comment:** This measure looks at what percentage of planned expenditure, both capital and operational, has been spent. The target for 2020/21 was not achieved. This year budgeted for the delivery of a significant Rivers and Drainage Operational and Capital Works Programme of $42,722,800. The programme included maintenance works across all managed schemes, operationally focused upgrades, new and upgraded assets, investigation and modelling, flood repairs and further stages of the Rangitāiki Floodway. All maintenance work in managed rivers and drainage schemes was delivered in keeping with the 2020/21 work programme and budget, while parts of the capital works programme were underspent.

Notable is that the four-year April 2017 Flood Repair programme completed all required work but was delivered significantly under budget due to various savings. After adjusting for the savings from the flood repair project, over 74 percent of the operational and capital works programme was delivered in 20/21. Parts of the capital works underspend will be carried forward into the 2021/22 work programme and budget.

The capital work programme has increased significantly in the last couple of years, with a variety of complex multiyear and multifaceted projects. Adjustments have been needed to allow for district plan changes, overseas supply issues, additional consultation and fitting in with other agencies' timelines. There has also been heavy demand on key contractors and consultants in the infrastructure space during the last 12 months.

### LEVEL OF SERVICE

***Provide the community with timely warning of potential flooding***

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 90% | 100% | ● |

**Comment:** The target for 2020/21 was achieved, with Council providing 100% of the flood warnings in accordance with the flood warning manual. In total, 5 flood warning messages were issued in the river scheme areas during the year.

# *Funding impact statement for the year ended 30 June 2021 for Flood Protection & Control*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | 1,741 | 2,021 | 2,071 |
| Targeted rates | 11,222 | 12,434 | 10,641 |
| Subsidies and grants for operating purposes | 0 | 0 | 1,334 |
| Fees and charges | 12 | 12 | 0 |
| Internal charges and overheads recovered | 1,384 | 1,410 | 1,028 |
| Local authorities fuel tax, fines infringement fees and other receipts | 2,924 | 3,380 | 3,383 |
| **Total operating funding (A)** | **17,282** | **19,257** | **18,459** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 8,213 | 7,876 | 9,770 |
| Finance costs | 2,915 | 3,567 | 2,337 |
| Internal charges and overheads applied | 3,311 | 3,499 | 3,174 |
| Other operating funding applications | 0 | 0 | 0 |
| **Total applications of operating funding (B)** | **14,439** | **14,942** | **15,281** |
| **Surplus (deficit) of operating funding (A-B)** | **2,843** | **4,314** | **3,178** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 11,276 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 18,030 | 14,284 | 17,191 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 2,984 | 5,701 | 2,301 |
| **Total sources of capital funding (C)** | **21,014** | **19,985** | **30,768** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 7,462 | 8,053 | 10,912 |
| - to replace existing assets | 13,551 | 11,932 | 6,278 |
| Increase (decrease) in reserves | 2,843 | 4,314 | 16,756 |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 0 | 0 | 0 |
| **Total applications of capital funding (D)** | **23,856** | **24,299** | **33,946** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Surplus (deficit) of capital funding (C-D)** | **(2,843)** | **(4,314)** | **(3,178)** |
| **Funding balance (A-B) + (C-D)** | **0** | **0** | **0** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 1,248 | 1,465 | 1,362 |
| Gain on sale of fixed assets | 0 | 0 | 0 |
| Loss on sale of fixed assets | 0 | 0 | 0 |
| Vested asset revenue | 0 | 0 | 0 |
| Asset revenue gain | 0 | 0 | (577) |
| Note 2: This financial statement includes: | | | |
| Internal interest | 2,915 | 3,567 | 2,337 |

## BUDGET VARIANCE EXPLANATIONS

**Sources of operating funding**
Sources of operating funding is lower than LTP Year 3. Targeted rates were lower due to the use of reserves to lessen the impacts of Covid-19; this is offset by higher grants from Provincial Growth Fund to deliver a range of environmental projects as part of Kia Kaha Whakatāne. Lower finance costs were due to rescheduling of the capital works programme.

**Applications of operating funding**
Applications of operating funding is higher than LTP Year 3. This is due to expenditure towards Kia Kaha Whakatāne which was offset with lower finance costs were due to the scheduling of the capital works programme for 2020/21.

**Sources of capital funding**
Sources of capital funding is higher than LTP Year 3. This is due to Crown Infrastructure Partners funding for 'shovel ready' and climate resilience projects and timing of insurance recoveries for the April 2017 Flood Repair Project.

**Applications of capital funding**
Applications of capital funding is higher than LTP Year 3. This is due to rescheduling of the capital works programme including Rangitāiki Floodway Project and April 2017 Flood Repair Project.

*Ngā Ture Rawa me te Aroturuki*

# Resource Regulation and Monitoring

### *Activities*

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

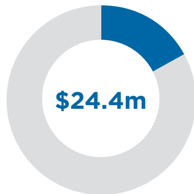
*Our Resource Regulation and Monitoring work protects and maintains our environment, on land, air and at sea.*

We help to ensure the environmental impacts of people and businesses in our region are minimised and managed appropriately. Some of the ways we do this are by controlling pests; granting and monitoring consents; responding to complaints and pollution incidents and monitoring and improving local air quality. We are also responsible for ensuring the rules set out in national legislation, and in our own regional policies and plans, are followed.

## *Performance summary*

### OUR INVESTMENT

*Operating Expenditure*




17% of overall operating expenditure

*Capital Expenditure*


0% of overall capital expenditure

**PERFORMANCE MEASURE** 8 Achieved 1 Not achieved

## *Impact on community wellbeing*

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

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

Environmental Economic Cultural Social

## *Delivery highlights*

The Biosecurity Dive team carried out another full round of surveillance at the two marinas in Tauranga Moana. During the surveillance a vessel was detected with Mediterranean fanworm. The team removed 19 small Mediterranean fanworms from the vessel's trim tabs. There were other fanworms present that were too small to remove, so the owner of the vessel was required to haul the vessel out of the water and complete a hull clean so that all of the fanworms were removed.

In late October, a new agreement between the Regional Council and Kiwifruit Vine Health (KVH) confirmed a decade of action against wild kiwifruit as part of efforts to control the spread of this pest plant in the Bay of Plenty. Wild kiwifruit can rapidly form a dense, heavy blanket of growth, smothering and eventually killing or toppling trees and shrubs beneath. It is a significant threat to native bush and forestry. The kiwifruit industry, represented by KVH, has partnered with the Regional Council in helping manage wild kiwifruit since 1998 and this agreement will ensure the work continues over the next 10 years. Kiwifruit Vine Health and New Zealand Kiwifruit Growers Incorporated had asked that wild kiwifruit be declared a 'progressive control pest' in the Regional Council's new Regional Pest Management Plan.

Within our Maritime activity there were 551 bylaw breaches (warnings) and 114 infringements issued during the year. We noted increased activity out on the water during the year, and engaged with more than 14,850 harbour and lakes users to help ensure understanding and compliance with the Bay of Plenty Navigation and Safety Bylaw. As part of the Port and Harbour Safety Code requirement, the Regional Council and the Port of Tauranga conducted a Tauranga Port & Harbour Marine Risk Assessment. This exercise took more than a month to complete including engagement with all the relevant stakeholders and iwi. The result was a comprehensive report outlining risks identified as well a number of recommendations to mitigate these risks.

We responded to a large number of oil spills during the year, and conducted a biannual interagency oil spill response exercise training. The exercise involved approximately 30 participants from agencies and iwi, including but not limited to Bay of Plenty Regional Council, Maritime New Zealand, Department of Conservation and Tauranga City Council.

The new harbourmaster initiated contacts with iwi in the region and visited marae in the region in order to introduce himself and his team and to build and foster good working relationships. This will be an ongoing activity with the intent of educating and training the rangatahi in the region with regard to safety on the water and compliance with the navigational bylaws.

Maritime New Zealand approved the Toi Moana Harbourmaster's application for extra funding to increase maritime patrols, including weekends and holidays, on the Kaituna River. The Kaituna River has seen a significant increase in recreational activity, which inevitably leads to safety issues and complaints. The increased patrol activity helps to reduce risky behaviour and keeps our communities safer.

Improvements in Mount Maunganui air quality were delivered with fewer exceedances of national dust limits, and no exceedances of hydrogen sulphide limits in the Mount Maunganui Airshed. The Air Quality Working Party was formed to bring together tangata whenua, industry, agencies and the community to guide continued improvements into the future.

Our Rotorua Air Quality programme continued its efforts to improve Rotorua urban airshed air quality. In the 2020/21 year, at least 327 non-compliant solid fuel burners were removed or replaced and Regional Council assisted 142 property owners with their non-compliant solid fuel burners. At the beginning of 2020/21, more than 80 percent of non-compliant solid fuel burners in the airshed had already been removed or replaced.

The Rotorua air quality heating schemes closed for more applications on 30 April 2021, and ceased on 30 June 2021. This means that the number of removals and replacements dropped significantly in the fourth quarter. There are about 40 replacements that were not yet completed by 30 June 2021 but will be retrofitted with replacement heating before 30 September 2021.

A decision was received on an environmental enforcement matter involving Ziwi Ltd and discharges of offensive odour from Ziwi's petfood factory in Mount Maunganui. Ziwi pleaded guilty to the charges and were convicted and fined $66,000. This is an encouraging result given the amount of complaints we have received from the community in relation to the facility, which also remains subject to an enforcement order for Ziwi to implement steps that will reduce the risk of ongoing breaches.

This year, a decision was also reached in regard to the resource consent application submitted by Timaru Oil Services Limited for the development of a new jet fuel storage facility in Mount Maunganui. The decision reached by the Independent commissioner under the Resource Management Act was that resource consent was declined for several reasons, including the determination that the amenity and cultural effects associated with the proposed tanks were not acceptable.

We also received decisions from the courts in relation to the following Regional Council prosecutions:

- BOPRC v Rerewhakaaitu Farm Ltd, a prosecution in relation to a discharge of dairy effluent to land, which ultimately reached a stream. Following a trial, Rerewhakaaitu Farm Ltd were found guilty for their role in the discharge, and have been convicted and fined $24,000. Judge Hassan declined the defendant's application for a discharge without conviction, and considered that the "black mark" of a conviction was not out of all proportion to the gravity of the offending.
- BOPRC v CRS Tauranga Ltd, a prosecution in relation to a series of discharges of sediment-contaminated stormwater into Tauranga Harbour in July and October 2019. CRS pled guilty to the charges and were subsequently convicted and fined $86,250. Judge Dickey noted in her decision that CRS has "dragged its feet" in addressing the problem, despite being aware of the issue for at least a year prior to the discharges.

Our resource consent team processed 680 applications in the year, a 30 percent increase from 2019/20. Despite this significant volume increase, 98 percent of consents were processed within statutory timeframes (a 3 percent improvement) and 84 percent of customers were satisfied. This continues the strong improvement since 2017/18, when only 55 percent of consents were processed within statutory timeframes.

Our regulatory compliance team conducted 4,861 compliance monitoring inspections for consented activities during the year, almost 800 more than the year before, and reviewed 11,677 performance monitoring data reports provided by consent holders. Across both site inspections and monitoring submissions, 86 percent were assessed to be complying with relevant consent conditions, which is an improvement on 2019/20 (78 percent for site inspections, and 86 percent for performance monitoring).

The regulatory compliance team also responded to 3,736 service requests received through the Council's Pollution Hotline, three percent less than the year before. Although a minor reduction, it is notable that this is the first time that calls have reduced since 2011/12. Staff have continued to provide a high level of service to customers, responding to 100 percent of all urgent calls, and receiving positive feedback from 88 percent of customer satisfaction surveys.

## *Performance Measures*

We met the target for eight of the nine performance measures for the Resource Regulation and Monitoring group of activities during the year. Commentary for each performance measure is provided below.

### LEVEL OF SERVICE
### *Improve air quality*

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 280 (Achieved) | 200 | 142 | ● |

**Comment:** The target for 2020/21 was not achieved. While performance in quarter one and two was reasonably strong, it was clear quite early in the year that the full year target would not be met, largely due to the high number of removals or replacements that have occurred in previous years. Furthermore, the Rotorua air quality heating schemes closed for more applications on 30 April 2021. This means that the number of removals and replacements dropped significantly in the fourth quarter, and at the end of 2020/21, replacement of 142 non-compliant burners had been attributed to the program.

There are about 40 replacements that were not yet completed by 30 June 2021 but will be retrofitted with replacement heating before 30 September 2021. These are not included in the reported number above. At the beginning of 2020/21, more than 80 percent of non-compliant solid fuel burners in the airshed had already been removed or replaced.

### LEVEL OF SERVICE
### *Deliver effective pest management*

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 100% | 100% | ● |

**Comment:** The target for 2020/21 was achieved. Pests are unwanted plants and animals that have significant impacts on our environment, economy and our people. The Regional Pest Management Plan for the Bay of Plenty sets out what Council seeks to achieve through our efforts to manage pest plants and pest animals in the region. Each year Council produce an annual operational plan that sets operational targets and specific performance measures that link to the outcomes and objectives in the long-term Regional Pest Management Plan.

### LEVEL OF SERVICE
### *Provide a clear and timely resource consent process consistent with our regional planning documents*

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 2.8% (Achieved) | <5% | 1.7% | ● |

**Comment:** The target for 2020/21 was achieved. 9 discounts have been issued from 521 decisions made on applications received within the period, constituting 1.7 percent of the new consent applications. This is an improvement compared to last year's result of 2.8 percent, mainly driven by process development.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 84% (Achieved) | 80% | 84% | ● |

**Comment:** The target for 2020/21 was achieved. The percentage of customers who are satisfied overall with the service provided during the consents process remained at the same level as last year, with 84 percent of customers being either satisfied or very satisfied.

## LEVEL OF SERVICE

### *Respond to environmental incident complaints*

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 95% | 100% | ● |

**Comment:** The target for 2020/21 was achieved. All urgent complaints were responded to within 12 hours. In total, 59 urgent complaints were responded to during the year (62 complaints were responded to in FY2019/20).

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 88% (Achieved) | 80% | 97% | ● |

**Comment:** The target for 2020/21 was achieved. 97 percent of customers were satisfied with the staff response to their substantiated complaints, which is an increase from last year's result (88%).

## LEVEL OF SERVICE

### *Ensure consent conditions are monitored and complied with*

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 85% (Achieved) | 90% | 94% | ● |

**Comment:** The target for 2020/21 was achieved. The result of 94 percent was an improvement from last year (85 percent), and above the 2020/21 target of 90 percent. The improved result was due to several factors; improved processes, an ongoing focus on high risk priorities and an absence of disruptions outside of Council's control (such as Covid-19).

The regulatory compliance team conducted more than 4,861 inspections for consented activities and reviewed 11,677 performance monitoring data reports provided by consents holders. This is an increase to last year of more than 800 inspections.

## LEVEL OF SERVICE

### *Minimise risks and effects of maritime oil spills and navigation hazards*

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 99% (Achieved) | 90% | 99% | ● |

**Comment:** The target for 2020/21 was achieved. On average, 99 percent of the navigation aids in the region were rated as being of good quality or higher. This is the same result as last year (99 percent). By the end of 2020/21, there were 805 navigation aids being managed by the Maritime team.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 95% | 100% | ● |

**Comment:** The target for 2020/21 was achieved. All reported spills were responded to within the timeframe. This is the same result as last year (99 percent).

# *Funding impact statement for the year ended 30 June 2021 for Resource Regulation & Monitoring*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | 5,311 | 5,646 | 5,716 |
| Targeted rates | 1,161 | 1,327 | 828 |
| Subsidies and grants for operating purposes | 60 | 60 | 2,938 |
| Fees and charges | 4,804 | 4,894 | 5,870 |
| Internal charges and overheads recovered | 0 | 0 | 899 |
| Local authorities fuel tax, fines infringement fees and other receipts | 8,247 | 8,738 | 9,777 |
| **Total operating funding (A)** | **19,582** | **20,666** | **26,028** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 12,146 | 12,551 | 17,949 |
| Finance costs | 268 | 330 | 78 |
| Internal charges and overheads applied | 6,117 | 6,533 | 7,186 |
| Other operating funding applications | 153 | 175 | 47 |
| **Total applications of operating funding (B)** | **18,684** | **19,589** | **25,259** |
| **Surplus (deficit) of operating funding (A-B)** | **898** | **1,076** | **768** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 261 | 111 | 35 |
| Gross proceeds from sale of assets | 0 | 0 | 27 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| **Total sources of capital funding (C)** | **261** | **111** | **62** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 0 | 0 | 0 |
| - to replace existing assets | 261 | 111 | 35 |
| Increase (decrease) in reserves | 142 | 120 | 210 |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 756 | 956 | 585 |
| **Total applications of capital funding (D)** | **1,159** | **1,187** | **830** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Surplus (deficit) of capital funding (C-D)** | **(898)** | **(1,076)** | **(768)** |
| **Funding balance (A-B) + (C-D)** | **0** | **0** | **(0)** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 92 | 99 | 85 |
| Loss on Sale of fixed assets | 0 | 0 | 1 |
| Vested asset revenue | 0 | 0 | 0 |
| Note 2: This financial statement includes: | | | |
| Internal interest | 268 | 330 | 78 |

## BUDGET VARIANCE EXPLANATIONS

**Sources of operating funding**
Sources of operating funding were higher than LTP Year 3 due to additional funding from the Jobs for Nature programme to improve biosecurity in the Bay of Plenty region and higher fees and charges for Consents and Regulatory Compliance.

**Applications of operating funding**
Applications of operating funding were higher than LTP Year 3. This is due biosecurity Jobs for Nature work including wilding pines, additional wallaby projects, additional non-recovery costs associated with central government, higher consent processing costs and legal expenses for prosecutions.

*Ikiiki*

# Transportation

### *Activities*

- Passenger Transport
- Transport Planning


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

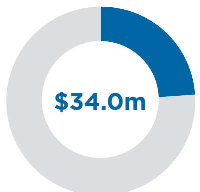
We also support national and local road safety programmes and fund ongoing maintenance of an existing stock truck effluent facility. We provide transport planning to meet our obligations under the Land Transport Management Act 2003 – our plans are laid out in the Regional Land Transport Plan, which we develop in partnership with the local councils and the New Zealand Transport Agency. Our aim is to support an effective and efficient transport network and establish a more collaborative approach to providing public transport.

We have run several public transport trials, including free fares for students in Tauranga before and after school, which has been highly successful, trialled tertiary connecting services and topped up super gold card services.

## *Performance summary*

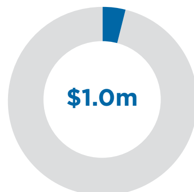
### OUR INVESTMENT

*Operating Expenditure*




24% of overall
operating expenditure

*Capital Expenditure*




4% of overall
capital expenditure

**PERFORMANCE MEASURE** 3 Achieved 1 Not achieved

## *Impact on community wellbeing*

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

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

## *Delivery highlights*

Patronage has shown a robust recovery following the COVID-19 restrictions in 2020, with year-on-year growth across most areas of the network.

There were 2.66 million trips taken in the region this year, a slight increase on 2018/19 and significantly higher than 2019/20.

Bus Patronage for all services over the final quarter of the year was 691,666, making it the highest fourth quarter result since 2017/18. This was a 131 percent increase on the same period last year (although this reflects the impact of COVID-19 lockdowns in the last quarter of 2019/20), and a 0.5 percent increase on quarter four in 2018/19. Tauranga (urban and school combined) in particular saw the strongest quarter in four years. While the growth has been modest, the combined rural services have had their best year since 2014/15.

A free fare trial for Tauranga schools was established to see whether this would help relieve traffic congestion. The trial commenced on 27 January 2020, and was originally intended to end 18 December 2020, but has since been extended to December 2021. In June 2020 there were approximately 14,000 more student trips than in June 2019 (60,280 vs. 46,252).

The Urban Form and Transport Initiative (UFTI) Final Report was released in July and outlined the optimal future land use and transport programme for the western Bay of Plenty. The Connected Centres programme would see more homes built in existing and new growth areas, improved road networks, increased bus services, and improved walking and cycling connections developed over the next 30-70 years. It caters for approximately 200,000 additional people, 95,000 new homes and 2,000,000 additional daily transport movements expected in the western Bay of Plenty during that time.

In July 2020, we introduced the new Regional Integrated Ticketing System. The Bee Card is an electronic card that allows passengers to tag on and off with ease. Topping up is easy and can be done online, at your local council building, at nominated retailers and in some regions on the bus. The Bee Card can be used in the Eastern Bay, Ōmokoroa, Katikati, Rotorua, and Tauranga, and is already in service in Northland, Waikato, Taranaki, and Hawkes Bay. This new system will give us better passenger information, so we can plan better routes and timetables.

December 2020 saw a shift to the Dynamis system for real-time tracking and predictions. Dynamis has been developed in New Zealand and we are a flagship council for this innovative and rapidly developing system which allows us to provide the same system across all of our operators across the region. Dynamis is able to pull the GPS data directly from the INIT ticket machines.

Since Dynamis has gone live, we have been able to provide live tracking on our website as well as extend the Transit App service region-wide. A schedule adherence report has also become available and has helped identify areas that require improvement through the provision of more accurate data, which assists planning and contract management.

## *Performance Measure*

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

### LEVEL OF SERVICE

***Provide a quality cost-effective public transport system***

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 2,375,740 (Not Achieved) | 2,954,000 | 2,664,380 | ● |

**Comment:** The target for 2020/21 was not achieved.

There were 2.66 million trips taken in the region this year, significantly higher than 2019/20 but lower than the 2020/21 Target.

Patronage rebounded quickly after the drop in patronage levels during COVID-19 lockdown restrictions at the last quarter of FY19/20. Despite temporarily moving back to COVID-19 Alert Level 2 on 12 August 2020, and embedding the new ticketing system RITS/Bee Card, patronage was up by 5.1 percent during quarter one compared to the same period last year. The same trend continued throughout the year, showing a robust recovery in patronage with year-on-year growth across most areas of the network. 2020/21 ended on a particularly high note during quarter four, when Tauranga (Urban and School Services) saw the strongest quarter in four years. The total bus patronage for all services during quarter four was the strongest result for that period since 2017/18.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 100% | 100% | ● |

**Comment:** The target for 2020/21 was achieved.

**Key Performance Measure:** Percentage of Tauranga and Rotorua bus users whose overall satisfaction with the bus service is rated as satisfactory or higher (triennial survey)

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| Not applicable | 77% | 79% | ● |

**Comment:** The target for 2020/21 was achieved. 79 percent of Tauranga and Rotorua bus users were satisfied overall with their most recent bus trip, thereby exceeding the target of 77 percent.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 80% | 100% | ● |

**Comment:** The target for 2020/21 was exceeded, with 100 percent of the assessed planning and policy reports being rated satisfactory or higher through an independent policy advice quality review assessment by NZIER. The median score for the assessed papers and reports increased for the fourth year in a row, and compared favourably to other local authorities that have been reviewed.

# *Funding impact statement for the year ended 30 June 2021 for Transportation*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | 721 | 755 | 1,126 |
| Targeted rates | 9,834 | 9,912 | 11,589 |
| Subsidies and grants for operating purposes | 11,048 | 11,189 | 14,151 |
| Fees and charges | 4,780 | 5,150 | 2,168 |
| Internal charges and overheads recovered | 757 | 773 | 440 |
| Local authorities fuel tax, fines infringement fees and other receipts | 1,821 | 1,869 | 2,915 |
| **Total operating funding (A)** | **28,961** | **29,648** | **32,389** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 27,304 | 27,704 | 32,482 |
| Finance costs | 29 | 25 | 35 |
| Internal charges and overheads applied | 1,505 | 1,565 | 1,275 |
| Other operating funding applications | 0 | 0 | 0 |
| **Total applications of operating funding (B)** | **28,838** | **29,294** | **33,792** |
| **Surplus (deficit) of operating funding (A-B)** | **123** | **354** | **(1,403)** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 732 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 0 | 0 | 411 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| **Total sources of capital funding (C)** | **0** | **0** | **1,143** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 0 | 0 | 996 |
| - to replace existing assets | 0 | 0 | 0 |
| Increase (decrease) in reserves | 123 | 354 | (1,256) |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 0 | 0 | 0 |
| **Total applications of capital funding (D)** | **123** | **354** | **(260)** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Surplus (deficit) of capital funding (C-D)** | **(123)** | **(354)** | **1,403** |
| **Funding balance (A-B) + (C-D)** | **(0)** | **(0)** | **0** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 346 | 354 | 638 |
| Gain on disposal of property, plant and equipment | 0 | 0 | 0 |
| Vested Asset Revenue | 0 | 0 | 0 |
| Note 2: This financial statement includes: | | | |
| Internal interest | 29 | 25 | 35 |

## BUDGET VARIANCE EXPLANATIONS

**Sources of operating funding**

Sources of operating funding is higher than LTP Year 3 due to fare-free travel for Tauranga schools and tertiary services, plus higher operating expenditure overall for public transport. Additional Waka Kotahi funding was received for reduced fare revenue due to COVID-19 impacts and free fares for the implementation of the Regional Integrated Ticketing Solution.

**Applications of operating funding**

Applications of operating funding is higher than LTP Year 3. Public transport operations cost increases include COVID-19 impacts, improved conditions for bus drivers through living wages and rest and meal breaks, and the rollout of a new regional integrated ticketing solution. Some of this is offset with reduced consultants costs.

*Whanaketanga ā-Rohe*

# Regional Development

### *Activities*

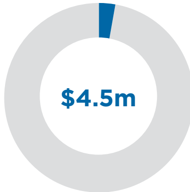
- Regional Infrastructure
- Regional Economic Development
- Regional Parks

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

## *Performance summary*

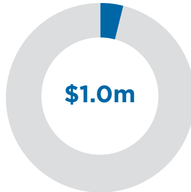
### OUR INVESTMENT

*Operating Expenditure*




3% of overall operating expenditure

*Capital Expenditure*




4% of overall capital expenditure

**PERFORMANCE MEASURE** 1 Achieved 1 Not applicable

## *Impact on community wellbeing*

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

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

## *Delivery highlights*

A priority early in the year was to continue supporting post COVID-19 recovery through the delivery of a regional recovery project. Focused on 'leading what we lead' and opportunities to add value, the project had two components: a Bay of Plenty Regional Council-specific Recovery Programme - including stimulus projects that delivered jobs and value-add initiatives within our existing work – and the Bay of Connections Regional Recovery Framework, which complemented work done by other agencies and informed future thinking and action planning. In addition to these activities, we provided funding to economic development agencies such as Priority One, Toi EDA and Toi Kai Rawa to enable them to support and serve their communities.

The Bay of Connections Data Project came to the fore in the post COVID-19 environment. Created to provide quality data and insights to support interventions within regional economic development priority areas, we were able to provide valuable, timely and relevant data to a range of stakeholders to support decision-making. Cross-agency collaboration led to the establishment of a Regional Data Group to share expertise, insights and develop collective solutions. The group continues to meet quarterly, and is convened by Bay of Connections.

With the region's economy bouncing back well after the initial COVID-19 response and lockdown, we have been able to return our focus to advancing business-as-usual activities. Bay of Connections has identified a solid work programme that will allow the delivery of several projects that address regional-level issues and connect the EDAs, TLAs and other stakeholders across our region. A key piece of work is developing a Regional Cycle Network strategy to connect the numerous trails within each district to create wider social, economic, environmental and cultural benefits. The regional strategy will be used to engage with relevant agencies and stakeholders, and develop an action plan for people to take ownership of various components. A connected regional cycle network will provide an impetus to economic recovery, particularly in the hard hit tourism sector, and enhance low carbon transport networks.

We continued to administer the Regional Infrastructure Fund and other third party infrastructure projects, with the following milestones reached during the 2020/21 financial year:

- The multi-party funding agreement for Ōpōtiki Harbour Transformation has been approved, including specifying what the Regional Council's $20 million contribution can be used on.
- The bulk of the Rotoiti/Rotomā wastewater scheme has been completed by Rotorua Lakes Council, and the majority of the Regional Council's total funding contribution of $8.56 million has been paid.
- The Regional Council has paid its $5 million contribution towards the Awatarariki Managed Retreat managed by Whakatāne District Council.

During the 2020/21 year there were 95,818 visitors counted at Pāpāmoa Hills Regional Park, and 20,337 visitors counted at Onekawa Te Mawhai Regional Park. These numbers are likely to have been higher if the COVID-19 lockdown restrictions had not impacted on travel and recreation.

Regional Council continued our role along with our Cultural Advisory Committee and stakeholders to manage and improve our two regional parks (Pāpāmoa Hills and Onekawa Te Mawhai), including further retirement and planting of strategic areas. Stock management is carefully considered throughout the park to ensure archaeological features are protected and damage to these features is minimised.

Following the construction of the stockyards and woolshed in 2018/19, a significant capital project was completed which meant a water bore was drilled and water pumped to a holding tank at the top of the property. Troughs over the farm are gravity fed from this tank. With no power at the woolshed site, a series of solar panels were installed to power the pumps. The previous system relying on rainfall was unreliable.

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

# Performance Measures

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

## LEVEL OF SERVICE

### *Facilitate regional economic development*

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| Not Applicable | 1 | Not Applicable | ● |

**Comment:** This measure is no longer applicable so no data is available. Bay of Connections, Council's mechanism to deliver work under this activity, underwent a review in late 2018 and early 2019. This has resulted in a shift in focus for the activity.

## LEVEL OF SERVICE

### *Manage our Regional Parks sustainably*

**Key Performance Measure:** Number of visitors to our Regional Parks

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 119,256 (Achieved) | 110,000 | 116,155 | ● |

**Comment:** The target for 2020/21 was achieved. The Regional Parks had 116,155 visitors in total during the year, which was higher than the annual target, but also a slight decrease (2.6 percent) compared to last year (119,256).

## *Funding impact statement for the year ended 30 June 2021 for Regional Development*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | 618 | 633 | 772 |
| Targeted rates | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 8 | 8 | 0 |
| Internal charges and overheads recovered | 0 | 0 | 1 |
| Local authorities fuel tax, fines infringement fees and other receipts | 927 | 947 | 1,100 |
| **Total operating funding (A)** | **1,552** | **1,588** | **1,873** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 2,243 | 6,076 | 3,909 |
| Finance costs | 10 | 34 | 23 |
| Internal charges and overheads applied | 506 | 534 | 555 |
| Other operating funding applications | 0 | 0 | 0 |
| **Total applications of operating funding (B)** | **2,758** | **6,644** | **4,486** |
| **Surplus (deficit) of operating funding (A-B)** | **(1,206)** | **(5,056)** | **(2,613)** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 300 | 1,050 | 983 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| **Total sources of capital funding (C)** | **300** | **1,050** | **983** |
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 300 | 1,050 | 983 |
| - to replace existing assets | 0 | 0 | 0 |
| Increase (decrease) in reserves | (1,206) | (5,056) | (2,613) |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 0 | 0 | 0 |
| **Total applications of capital funding (D)** | **(906)** | **(4,006)** | **(1,630)** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Surplus (deficit) of capital funding (C-D)** | **1,206** | **5,056** | **2,613** |
| **Funding balance (A-B) + (C-D)** | **0** | **(0)** | **0** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 44 | 79 | 49 |
| Impairment of property, plant and equipment | 0 | 0 | 0 |
| Vested Asset Revenue | 0 | 0 | 0 |
| Note 2: This financial statement includes: | | | |
| Internal interest | 10 | 34 | 23 |

### BUDGET VARIANCE EXPLANATIONS

**Applications of operating funding**
Applications of operating funding is lower than LTP Year 3. Third party infrastructure grants are lower than budget in relation to the Rotomā/Rotoiti Sewerage Scheme, higher for the Awatarariki Fanhead Managed Retreat in Matatā, and lower for Ōpōtiki Harbour Transformation Project as funding is not required until LTP 2021-2031.

**Applications of capital funding**
Applications of capital funding is lower than LTP Year 3 as third party infrastructure funds were rescheduled resulting in lower than planned reserves use.

*Te Hanga Mahere ā-Rohe me te Whakawhitiwhiti*

# Regional Planning and Engagement

***Activities***

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

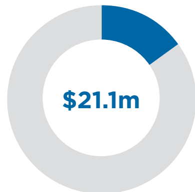
***Our Regional Planning and Engagement work provides planning and policy advice and informs our overall strategic direction.***

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

## *Performance summary*

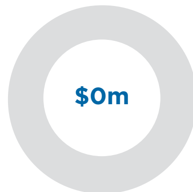
### OUR INVESTMENT

***Operating Expenditure***




15% of overall operating expenditure

***Capital Expenditure***




0% of overall capital expenditure

**PERFORMANCE MEASURE** 6 Achieved 1 Not achieved

## Impact on community wellbeing

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

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

Environmental Economic Cultural Social

## Delivery highlights

Draft Change 5 (Kaituna River) to the Bay of Plenty Regional Policy Statement was open for community and stakeholder consultation in August 2020. Change 5 recognises and provides for the vision, objectives and desired outcomes of the Kaituna River Document 'Kaituna He Taonga Tuku Iho – A Treasure Handed Down'. The draft change includes a vision, objectives, policies and methods specific to the Kaituna River and its tributaries. The comments period closed and Change 5 is to be notified for formal submissions later in the year.

This year, submissions were received on the Water Services Bill. This omnibus bill will implement the Government's decision to comprehensively reform the drinking water regulatory system, with targeted reforms to improve the regulation and performance of wastewater and stormwater networks. Staff worked on preparing a submission and assessing the implications of the Water Services Bill for the Regional Council, including increased monitoring, science and reporting requirements.

Members from the Territorial Local Authority Freshwater Forum met to discuss upcoming water reforms specific to drinking water protection. Council staff shared information about drinking water sources (municipal and private) and discussed information gaps along with ideas to address these gaps. There was support for Councils to continue working together to improve and share drinking water source information.

Staff attended this year's annual meeting of the Coastal Planners and Marine Scientists Sector Interest Group (C-SIG). The hui focused on estuaries – ki uta ki tai – mountains to sea. The Sector Interest Group, which is comprised of 16 Regional Councils, took a collaborative approach to the hui and invited colleagues from Ministry for the Environment (MfE), Ministry for Primary Industries, Department of Conservation and the Parliamentary Commissioner for the Environment to join the regional sector discussion in Wellington. MfE facilitated the collaboration by providing the location and support for the meeting, which was appreciated. The hui provided a face to face opportunity to share regional science monitoring and coastal planning expertise and experience with respective regional authorities and with central government. MfE encouraged the group to identify regulatory solutions that could be adopted in a relatively quick timeframe while also ensuring that elements can be staged and tested with regional councils.

Governance Services continued to ensure Council's meeting systems and processes were delivered in an effective and efficient manner. New electronic agenda and minute distribution software was introduced to support Council's Climate Change Action Plan. The Kotahitanga Strategic Engagement team delivered a Māori-focused information document to accompany the Long Term Plan during consultation, as well as internal guidelines for translations. It also supported the consents teams with their cultural training and helped provide training on cultural values assessments.

This year our Community Engagement team led the rollout of our new online engagement site Participate Bay of Plenty, which uses the HiVE platform. The site was made accessible to the public at www.participate.boprc.govt.nz and was used to collect submission points with regard to consultation topics for the Long Term Plan 2021-31, Regional Land Transport Plan and for the Fees and Charges policy. The team also supported an Ōhiwa Harbour Implementation Forum workshop to identify opportunities in the Long Term Planning process to support their strategy.

Staff also supported a stand at the Rangitāiki River Festival with information on the Long Term Plan, and additional sign ups to Participate Bay of Plenty and also attended the first BOP Engagers Forum for 2021, hosted by Kawerau District Council. This hui is for engagement practitioners from across the region to network and share best practice. Twenty four attendees representing nine organisations participated.

The New Zealand Geothermal Workshop was held in Paihia from November 24 to 26, and was attended by several staff. This is an international event, attended by Crown Research Agencies, Government entities and key stakeholders in the geothermal industry. Staff presented an update on the Regional Council's Geothermal Programme and submitted and presented a joint paper looking at comparisons between the Icelandic district heating model and Rotorua geothermal home heating opportunities. The Rotorua Waiariki Ahi Ka Roa Roopu, a hau kainga group set up to work with the Regional Council on the Rotorua System Management Plan and Geothermal Plan Change process, also submitted a paper. The paper was based on their report Ngā Waiariki o Rotorua he Kohikohinga: Hau Kainga Perspectives on the Health and Wellbeing of Geothermal Taonga in Rotorua.

A meeting was held with Ngati Tuwharetoa Settlement Trust and Ngati Tuwharetoa Geothermal Assets Ltd Chief Executive, Spence McClintock, to discuss the review of the Kawerau Geothermal System Management Plan. The Trust agreed to work with Council on the SMP review. Some concerns were expressed regarding the application for discharge to the Tarawera River and the upcoming hearing. A relationship building meeting has been requested at Governance level with the Regional Council Chief Executive and Councillors, particularly Maori Constituency Councillors.

## *Performance Measures*

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

### LEVEL OF SERVICE

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

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 80% | 100% | ● |

**Comment:** The target for 2020/21 was exceeded, with 100 percent of the assessed planning and policy reports being rated satisfactory or higher through an independent policy advice quality review assessment by NZIER. The median score for the assessed papers and reports increased for the fourth year in a row, and compared favourably to other local authorities that have been reviewed.

### LEVEL OF SERVICE

### *Building Māori participation in Council decision making*

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100%(Achieved) | 80% | 78% | ● |

**Comment:** 78% of the respondents were satisfied that the information provided met the Komiti Māori terms of reference. This is just under the target of 80%. The survey recorded some useful suggestions on future improvements, noting that Komiti Māori has recently become a committee of the whole and approved its work plan.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 80% | 100% | ● |

**Comment:** The target for 2020/21 was achieved.

### LEVEL OF SERVICE

***Support community projects which help improve our environment***

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 100% (Achieved) | 80% | 100% | ● |

**Comment:** The target for 2020/21 was achieved. Seven EEF projects completed during the financial year, with projects in the areas of pest trapping, sea litter collection, weeding, and planting. Groups completing projects included Predator Free Bay of Plenty, Ngā Maunga Kaitiaki Trust Board, Tauranga Bridge Marina, Whakamarama Community Inc, Ngāti Hangarau, Tarawera Care Group, and Preston Park. All seven EEF projects achieved their goals.

### LEVEL OF SERVICE

***Promote good governance and democratic decision making***

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 97% (Achieved) | 95% | 100% | ● |

**Comment:** The target for 2020/21 was achieved. 59 out of 59 meeting agendas were available on time, resulting in 100 percent achievement. This was an improvement on the result from last year (97 percent), when 64 meetings were held. All statutory timeframes were met and exceeded.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 89% (Not Achieved) | 95% | 98% | ● |

**Comment:** The target for 2020/21 was achieved. 62 out of 63 meeting minutes were published on the website within 10 working days after the meeting was held. This is an improvement compared to last year, when the target was not achieved (89 percent), largely due to new meeting practices being implemented on short notice during COVID-19, thereby impacting on established routines and processes.

## *Funding impact statement for the year ended 30 June 2021 for Regional Planning & Engagement*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | 8,264 | 8,378 | 8,587 |
| Targeted rates | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 0 | 0 | 3 |
| Fees and charges | 0 | 0 | 90 |
| Internal charges and overheads recovered | 0 | 0 | 9 |
| Local authorities fuel tax, fines infringement fees and other receipts | 12,399 | 12,543 | 12,297 |
| **Total operating funding (A)** | **20,663** | **20,920** | **20,986** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 13,475 | 13,333 | 13,740 |
| Finance costs | 0 | 0 | 0 |
| Internal charges and overheads applied | 7,187 | 7,587 | 7,388 |
| Other operating funding applications | 0 | 0 | 0 |
| **Total applications of operating funding (B)** | **20,663** | **20,920** | **21,127** |
| **Surplus (deficit) of operating funding (A-B)** | **0** | **(0)** | **(141)** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 0 | 0 | 0 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| **Total sources of capital funding (C)** | **0** | **0** | **0** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 0 | 0 | 0 |
| - to replace existing assets | 0 | 0 | 0 |
| Increase (decrease) in reserves | 0 | 0 | (141) |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 0 | 0 | 0 |
| **Total applications of capital funding (D)** | **0** | **0** | **(141)** |
| **Surplus (deficit) of capital funding (C-D)** | **0** | **0** | **141** |
| **Funding balance (A-B) + (C-D)** | **0** | **(0)** | **(0)** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 0 | 0 | 0 |
| Gain on disposal of property, plant and equipment | 0 | 0 | 0 |
| Vested Asset Revenue | 0 | 0 | 0 |
| Note 2: This financial statement includes: | | | |
| Internal interest | 0 | 0 | 0 |

### BUDGET VARIANCE EXPLANATIONS

**Applications of operating funding**
Applications of operating funding is higher than LTP Year 3 as we have increased our capacity and capability to implement central government direction on freshwater, and to build thriving partnerships with tangata whenua.

# *Te Whakahaere Mate Whawhati Tata*

# Emergency Management

### *Activities*

- Emergency Management


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

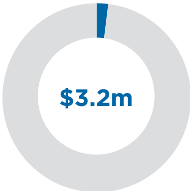
Along with all councils in the region, the regional council is a member of the Bay of Plenty CDEM Group and also acts as the administering authority for the Group. The Bay of Plenty CDEM Group establishes and maintains arrangements that ensure coordination and communication happens, and that support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

Emergency Management Bay of Plenty is a shared service arrangement between councils in the region to coordinate delivery of CDEM activities and working with our communities to increase their understanding and awareness of our hazard-scape. Through the Group Emergency Management Office, we support the implementation of the Bay of Plenty CDEM Group Plan. We also provide the facility and staff for a Group Emergency Coordination Centre for coordinating responses to emergencies. We invest in growing the capacity and capability of the regional council to respond to emergencies through staff training and exercises. We also work on identifying and reducing the risk from hazards by building and improving knowledge, skills and resilience within communities and businesses to prepare for, get through and recover from emergencies. This includes working with communities and volunteers to develop Community Response Plans and Marae Preparedness Plans.

## Performance summary

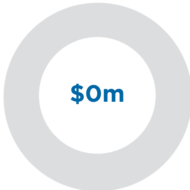
### OUR INVESTMENT

*Operating Expenditure*




2% of overall
operating expenditure

*Capital Expenditure*




0% of overall
capital expenditure

**PERFORMANCE MEASURE** 3 Achieved 0 Not achieved

## Impact on community wellbeing

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

Environmental Economic Cultural Social

## Delivery highlights

COVID-19 has continued to be a significant focus for CDEM Group coordination. The Caring for Communities work stream, which identified and prioritised vulnerable communities who may be affected by the pandemic, was a key focus in the first quarter of the year. Although this work stream has been wound back, planning for COVID-19 resurgence has remained a top priority for the group. This includes continued planning for regional lockdowns and inter-agency coordination should any cases emerge in the Bay of Plenty region. This work will continue to be a key work stream for the Group through the following financial year.

Leading the coordination of the recovery from the Whakaari / White Island volcanic eruption has remained a key focus and has involved leading and coordinating a multi-agency and partner approach.

The critical role of iwi partners during CDEM events was highlighted during the Whakaari / White Island response and recovery. It was fitting that Te Rūnanga o Ngāti Awa was recognised at the National Emergency Management Conference in Wellington with the award for Manaakitanga in the emergency management environment. In addition, the Bay of Plenty CDEM group received the award for Excellence in Emergency Communications (Recovery) at the Emergency Media and Public Affairs (EMPA) awards in March. Further building the relationship between CDEM and iwi remains a priority for the Group in the next financial year.

Following the March 5th earthquakes and tsunami events, supporting tsunami planning for the region has become a key priority and will require significant stakeholder engagement and local input. In addition, this has led to enhanced public/media information activity both during the early stages of a potential activation/response and after in respect of readiness and response communications. This has expanded and enhanced our social media presence and the degree to which we work with local and national media to ensure efficient public information sharing across all channels.

EMBOP has taken receipt of the Covertex habitation unit, more commonly known as a mobile Emergency Operations Centre. These large mobile inflatable tents will allow us to provide further support across the region with the provision of temporary logistics and operational support during emergency response and recovery activities.

The Group has also responded to and/or supported several event responses across the region and around the country. These included communications during 16 severe weather warnings, the national Shakeout earthquake drill, and supporting a Hawkes Bay district flood response.

## *Performance Measure*

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

### LEVEL OF SERVICE

***Provide emergency management response and community initiatives***

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 85% (Achieved) | 85% | 100% | ● |

**Comment:** The target for 2020/21 was achieved. The result is an improvement on last year (85%) and well above the target for 2020/21.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 89% (Achieved) | 85% | 100% | ● |

**Comment:** The target for 2020/21 was achieved. The result is an improvement on last year (89%) and well above the target for 2020/21.

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 6 (Not achieved) | 8 | 8 | ● |

**Comment:** The target for 2020/21 was achieved. Eight community initiatives were completed, which is an increase compared to last year (6) when operational commitments (Whakaari/White Island, COVID-19) had to be prioritised.

# *Funding impact statement for the year ended 30 June 2021 for Emergency Management*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | 0 | 0 | 0 |
| Targeted rates | 2,386 | 2,465 | 2,962 |
| Subsidies and grants for operating purposes | 1,112 | 1,141 | 45 |
| Fees and charges | 0 | 0 | 0 |
| Internal charges and overheads recovered | 0 | 0 | 65 |
| Local authorities fuel tax, fines infringement fees and other receipts | 42 | 43 | 123 |
| **Total operating funding (A)** | **3,540** | **3,649** | **3,194** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 2,550 | 2,600 | 2,189 |
| Finance costs | 1 | 1 | 0 |
| Internal charges and overheads applied | 985 | 1,042 | 1,101 |
| Other operating funding applications | 0 | 0 | 0 |
| **Total applications of operating funding (B)** | **3,536** | **3,644** | **3,290** |
| **Surplus (deficit) of operating funding (A-B)** | **4** | **5** | **(96)** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 42 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 0 | 11 | 42 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| **Total sources of capital funding (C)** | **0** | **11** | **83** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 0 | 11 | 42 |
| - to replace existing assets | 0 | 0 | 0 |
| Increase (decrease) in reserves | 4 | 5 | (54) |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 0 | 0 | 0 |
| **Total applications of capital funding (D)** | **4** | **16** | **(12)** |
| **Surplus (deficit) of capital funding (C-D)** | **(4)** | **(5)** | **96** |
| **Funding balance (A-B) + (C-D)** | **(0)** | **0** | **(0)** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 0 | 0 | 0 |
| Gain on disposal of property, plant and equipment | 0 | 0 | 0 |
| Vested Asset Revenue | 0 | 0 | 0 |
| Note 2: This financial statement includes: | | | |
| Internal interest | 1 | 1 | 0 |

## BUDGET VARIANCE EXPLANATIONS

**Sources of operating funding**
Sources of operating funding is lower than LTP Year 3 due to lower overall expenditure. Lower grants and subsidies is because CDEM is now funded from regional targeted rates.

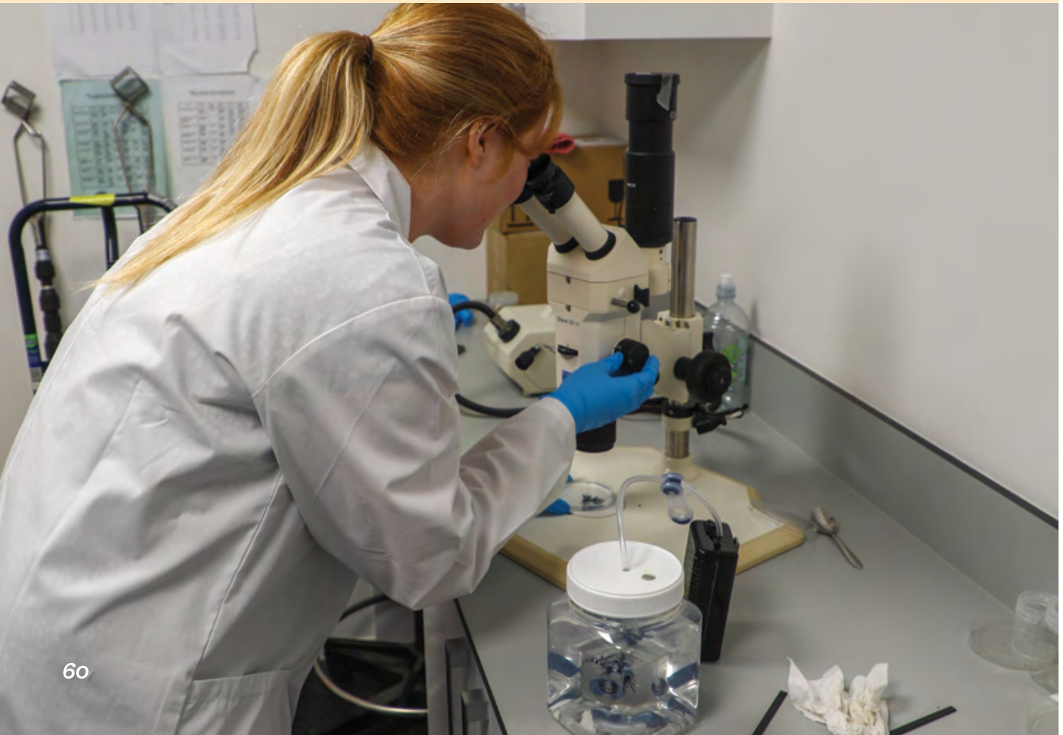
**Applications of operating funding**
Applications of operating funding is lower than LTP Year 3 due to ongoing efficiencies within CDEM arising from fit for purpose reviews.

*Ngā Ratonga Hangarau*

# Technical Services

### *Activities*

- Geospatial
- Engineering
- Data Services
- Science

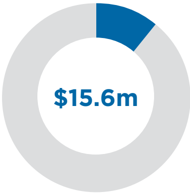


*Our Technical Services work includes technical advice, information and services to Council and direct to the community.*

## *Performance summary*

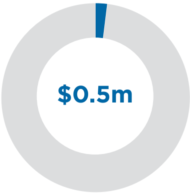
### OUR INVESTMENT

*Operating Expenditure*




11% of overall operating expenditure

*Capital Expenditure*




2% of overall capital expenditure

**PERFORMANCE MEASURE** 2 Achieved 0 Not achieved

## Impact on community wellbeing

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

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




### Delivery highlights

The joint Bay of Plenty Regional Council/Land Information NZ project to capture region-wide LIDAR data released its first block of information (north-west Bay of Plenty including Tauranga) to the public. This information enables highly accurate 3D mapping. In addition, new aerial imagery (colour and infra-red) of Tauranga City, Rotorua Lakes, and the Western Bay of Plenty District Council regions has been captured.

A climate change application has been developed that enables the community to view projected changes across the Bay of Plenty, depending on the number of hot days and the degree of sea level rise under different scenarios.

Our engineering team provided input into 341 territorial authority resource consent applications, 231 regional council resource consents, as well as floor level information for more than 742 customers. It also conducted a review of our Stopbank Design and Construction Guidelines, based on in-house experience and information from national and international bodies.

Our science team installed new wells as Te Teko for hydrogeology purposes, and revised its Mahere Taiao Science Plan for the next three years, focusing on Te Hononga o ngā Mātauranga, the joining of knowledge. In addition, the team is conducting fish biodiversity monitoring on coastal reefs to support the management of the Motiti Protection Area.

Our data services team passed its IANZ audit. The team has extended its scope of accreditation to include sampling, so it will be accredited for potable waters, environmental, coastal, trade, and effluents. This will enhance future State of the Environment reports, and also improve support to enforcement proceedings. The team has also performed low flow surveys in selected catchments throughout the region, which in turn are being used to develop models to support water resource allocation and management.

## Performance Measures

We met the target for both of the performance measures for the Technical Services group of activities during the year.

### LEVEL OF SERVICE

***Provide the community with ready access to environmental data***

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 98.7% (Achieved) | 95% | 96.8% | ● |

**Comment:** The target for 2020/21 was achieved. The result is a decrease compared to last year (98.7%), but still well above the target for 2020/21. The reduction in data availability was driven by a developing failure in one of the multi-parameter wave buoys. This issue was rectified in June 2021 when a new communication module was fitted to the buoy.

### LEVEL OF SERVICE

***Provide accessible, trusted and relevant science***

**Key Performance Measure:** Number of environmental indicators with online scorecards

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 9 (Achieved) | 10 | 13 | ● |

**Comment:** The target for 2020/21 was achieved. In total, 13 scorecards are available on the BOPRC website. This result is an increase compared to last year (9).

## *Funding impact statement for the year ended 30 June 2021 for Technical Services*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | 5,371 | 5,647 | 5,232 |
| Targeted rates | 0 | 0 | 0 |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 2,020 | 2,090 | 1,946 |
| Internal charges and overheads recovered | 0 | 0 | 513 |
| Local authorities fuel tax, fines infringement fees and other receipts | 8,252 | 8,652 | 7,793 |
| **Total operating funding (A)** | **15,643** | **16,389** | **15,483** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 9,794 | 9,962 | 10,419 |
| Finance costs | 65 | 109 | 47 |
| Internal charges and overheads applied | 4,931 | 5,241 | 5,186 |
| Other operating funding applications | 0 | 0 | 0 |
| **Total applications of operating funding (B)** | **14,789** | **15,311** | **15,652** |
| **Surplus (deficit) of operating funding (A-B)** | **854** | **1,078** | **(169)** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 1,249 | 1,162 | 527 |
| Gross proceeds from sale of assets | 0 | 0 | 0 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| **Total sources of capital funding (C)** | **1,249** | **1,162** | **527** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 920 | 757 | 452 |
| - to replace existing assets | 329 | 405 | 75 |
| Increase (decrease) in reserves | 854 | 1,078 | (169) |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 0 | 0 | 0 |
| **Total applications of capital funding (D)** | **2,103** | **2,240** | **358** |
| **Surplus (deficit) of capital funding (C-D)** | **(854)** | **(1,078)** | **169** |
| **Funding balance (A-B) + (C-D)** | **0** | **0** | **0** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 854 | 1,078 | 519 |
| Gain on disposal of property, plant and equipment | 0 | 0 | 0 |
| Vested Asset Revenue | 0 | 0 | 0 |
| Note 2: This financial statement includes: | | | |
| Internal interest | 65 | 109 | 47 |

### BUDGET VARIANCE EXPLANATIONS

**Applications of capital funding**

Applications of capital funding is lower than LTP Year 3 due to underspends in geospatial, data services, and science ground water monitoring.

*Ngā Ratonga Rangatōpū*

# Corporate Services

### *Activities*

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

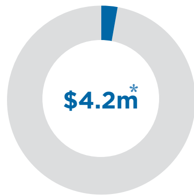
*Our Corporate Services provides support services to all of the activities across Council.*

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

## *Performance summary*

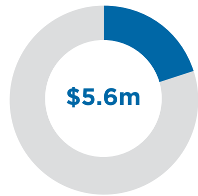
### OUR INVESTMENT

*Operating Expenditure*




3% of overall operating expenditure

*Capital Expenditure*




20% of overall capital expenditure

**Figures include overheads and recoveries.*

**PERFORMANCE MEASURE** 1 Achieved 0 Not achieved

## *Impact on community wellbeing*

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

Environmental Economic Cultural Social

## *Delivery highlights*

In addition to the work achieved by the organisation as a whole, a number of projects were advanced during the 2020/21 financial year by our Corporate Services teams.

We developed the Long Term Plan 2021-2031. This involved a comprehensive governance programme, the development of levels of service for all activities, the development of budgets, and then combining this into a document that is concise, succinct, and easy for members of the community to read and understand.

We put together a comprehensive campaign aimed at strengthening public awareness of regional council activities, public transport, and pests such as the Dama Wallaby. In addition, our communications campaign around the Long Term Plan saw a record number of public submissions.

Internally, there has been a focus on delivering our Digital Roadmap. For this year, that has included implementing a new Customer Relationship Management (CRM) system to improve customer interactions, as well as tools for additional collaboration and communication, such as Microsoft Teams and our new intranet, Tārai. In addition, we have moved our Enterprise Resource Planning (ERP) system, TechnologyOne, to the cloud for increased security and resilience.

Following the Government mandate to transition all light vehicles to electric by 2025, Council purchased four new electric vehicles to replace diesel vehicles. Replacing one electric vehicle saves 3TCO2 from our total annual emissions.

## *Performance Measures*

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

### LEVEL OF SERVICE

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

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

| 2019/20 RESULT | 2020/21 TARGET | 2020/21 RESULT | RESULT |
|---|---|---|---|
| 48% (Achieved) | ≤50% of baseline | 35% of baseline | ● |

**Comment:** The target for 2020/21 was achieved. The upgrade of Regional House in Tauranga was completed in FY2019/20, and the upgrade of the Whakatāne building was completed in 2020/21. Initiatives such as utilising solar panels and optimisation of the HVAC system have contributed to the improved result (using 35 percent of the baseline energy) compared to last year (using 48 percent of the baseline energy).

## *Funding impact statement for the year ended 30 June 2021 for Corporate Services*

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Source of operating funding** | | | |
| General rates, uniform annual general charges, rates penalties | (208) | (208) | 230 |
| Targeted rates | (211) | (211) | (301) |
| Subsidies and grants for operating purposes | 0 | 0 | 0 |
| Fees and charges | 176 | 176 | 365 |
| Internal charges and overheads recovered | 31,724 | 33,741 | 32,268 |
| Local authorities fuel tax, fines infringement fees and other receipts | 4,253 | 5,127 | 3,521 |
| **Total operating funding (A)** | **35,734** | **38,625** | **36,083** |
| **Applications of operating funding** | | | |
| Payments to staff and suppliers | 19,402 | 20,158 | 24,091 |
| Finance costs | 6,003 | 8,522 | 4,487 |
| Internal charges and overheads applied | 5,465 | 5,814 | 5,388 |
| Other operating funding applications | 0 | 0 | 0 |
| **Total applications of operating funding (B)** | **30,871** | **34,493** | **33,966** |
| **Surplus (deficit) of operating funding (A-B)** | **4,863** | **4,132** | **2,117** |
| **Sources of capital funding** | | | |
| Subsidies and grants for capital expenditure | 0 | 0 | 0 |
| Development and financial contributions | 0 | 0 | 0 |
| Increase (decrease) in debt | 16,801 | 3,994 | 5,604 |
| Gross proceeds from sale of assets | 0 | 0 | 194 |
| Lump sum contributions | 0 | 0 | 0 |
| Other dedicated capital funding | 0 | 0 | 0 |
| **Total sources of capital funding (C)** | **16,801** | **3,994** | **5,797** |

| | Yr 2 LTP 2018-2028 $000 | Yr 3 LTP 2018-2028 $000 | Actual 2020/21 $000 |
|---|---|---|---|
| **Applications of capital funding** | | | |
| Capital expenditure | | | |
| - to meet additional demand | 0 | 0 | 0 |
| - to improve levels of service | 12,134 | 1,371 | 2,149 |
| - to replace existing assets | 4,667 | 2,623 | 3,454 |
| Increase (decrease) in reserves | 4,863 | 4,132 | 2,310 |
| Other operating funding applications | 0 | 0 | 0 |
| Increase (decrease) of investments | 0 | 0 | 0 |
| **Total applications of capital funding (D)** | **21,664** | **8,126** | **7,914** |
| **Surplus (deficit) of capital funding (C-D)** | **(4,863)** | **(4,132)** | **(2,117)** |
| **Funding balance (A-B) + (C-D)** | **0** | **0** | **(0)** |
| Note 1: This financial statement excludes: | | | |
| Depreciation and amortisation | 4,548 | 4,684 | 3,779 |
| Loss on sale of property, plant and equipment | 0 | 0 | 2 |
| Impairment of property, plant and equipment | 0 | 0 | 0 |
| Investment amortisation | 0 | 0 | 0 |
| Gain on disposal of property, plant and equipment | 0 | 0 | (440) |
| Gain on revaluation of Put Option | 0 | 0 | (400) |
| Fair value adjustments | 0 | 0 | 0 |
| Vested Asset Revenue | 0 | 0 | 0 |
| Note 2: This financial statement includes: | | | |
| Internal interest | (4,692) | (5,913) | (3,468) |

## BUDGET VARIANCE EXPLANATIONS

**Sources of operating funding**
Sources of operating funding is lower than LTP Year 3. Interest revenue from cash and other financial assets is lower due to low interest rates.

**Applications of operating funding**
Applications of operating funding is lower than LTP Year 3. This is due to lower than planned finance costs. These are offset by higher than planned expenditure in respect of various projects including rates collection, financial framework review, IRD risk review which required additional consultancy support, and write off relating to clean heat (non-cash).

**Sources of capital funding**
Sources of capital funding is higher than LTP Year 3 due to increased use of borrowings to fund capital expenditure.

**Applications of capital funding**
Applications of capital funding is lower than LTP Year 3. Higher than planned capital expenditure is mainly due to the buildings upgrade project, this is offset with lower than planned contributions to reserves.

# Financials

# Statement of Involvement in Council Controlled Organisations (CCOs)

The Council has control over the following entities:

- Quayside Holdings Limited and its subsidiaries, Quayside Securities Limited and Quayside Securities Limited as trustee for the Quayside Unit Trust and Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited, and Cibus Technologies Limited. Quayside Securities Limited as trustee for the Quayside Unit Trust holds 54.14 percent shareholding in Port of Tauranga
- The Council has a majority unit holding in Toi Moana Trust established on 1 July 2019. Quayside Securities Limited acts as the trustee of the Toi Moana Trust.
- The Council holds a 16.13 percent shareholding in Bay of Plenty Local Authority Shared Services Limited (BOPLASS Ltd) along with eight other local authorities
- The Council also has a 8.29 percent shareholding in the Local Government Funding Agency (LGFA) along with 29 other councils and Central Government.

The provision of financial assistance by Bay of Plenty Regional Council to Quayside Holdings Ltd, BOPLASS Ltd and LGFA is by share capital.

## Quayside Group

### Performance Targets and Objectives

The Council's objective in establishing the Quayside Group was to achieve optimal commercial performance from the region's shareholding in Port of Tauranga Limited (the Port) while maximising the return to the ratepayers of the Bay of Plenty region.

The Council's budgeted requirement for dividend income of $33.1 million (2020: $32.1 million) was met.

The performance of Quayside Holdings Limited in undertaking its monitoring and advisory functions will be assessed with respect to:

- The quality of financial and other analysis
- The robustness and accuracy of the information relied upon in providing advice
- The clarity, timeliness and materiality of advice
- Compliance with the Council's expectation that the Quayside Group maintain a majority holding in the Port of Tauranga Limited
- Compliance with the Council's expectation that there should be "no surprises" arising from management and commercial performance of the assets held by the Quayside Group
- Achievement of cash dividend payments to the Council and Perpetual Preference Share (PPS) holders during the year

### Achievements

During the year the Council has been fully informed by Quayside Holdings Limited about the performance of the shareholding in Port of Tauranga Limited and other investments. The performance has broadly met the shareholders' expectations as defined in the Quayside Statement of Intent. Specifically, net dividend payments to Council in 2020/21 totaled $33.1 million, and dividend payments to Perpetual Preference Share members totaled $4.9 million in accordance with the Investment Statement, thereby satisfying the Statement of Intent target for the year.

## Quayside Holdings Limited Performance Indicators

| Key Performance Indicator | Target 2020/21 | Result 2020/21 | Comment |
|---|---|---|---|
| Maintain a majority holding in the Port of Tauranga Limited. | Holding of greater than 51% | Achieved | Quayside held 54.14% of Port of Tauranga Shares as at 30 June 2021 |
| Generate commercial returns across the investment portfolio. | Five year rolling gross return of >= 7.5% per annum. | Achieved | Five year rolling gross return of 14.49% for the Quayside consolidated group achieved at 30 June 2021. |
| Generate long term commercial returns and / or regional benefit through a portfolio of real assets. | Annual board assessment of the benefit of real assets, considering portfolio alignment, long term commercial return and any regional benefit factors. | Achieved | The annual board assessment was completed in June 2021, reaffirming long term objectives. |
| Generate long term commercial returns and or regional benefit through a portfolio of private equity assets. | Annual board assessment of the benefit of each private equity asset holding, considering portfolio alignment, long term commercial return and any regional benefit factors. | Achieved | The annual board assessment was completed in June 2021, noting short term performance and reaffirming long term objectives. |
| Keep Council informed on a 'no surprises' basis, providing quality and timely information. | A minimum of four presentations per annum to Council, as shareholders. | Achieved | Presentations to Council in September 2020, December 2020, April 2021 and June 2021. |
| | Timely advice and support as required.<br>Matters of urgency are reported to Council at the earliest opportunity. | | Open communication with Council maintained throughout the year through regular meetings with Quayside Chief Executive and Council management. |
| Ensure Group policies and procedures are current and appropriate. | All policies and procedures to be reviewed no less than biennially. | Not achieved | Four policies were not updated and approved biennially:<br>- One approved by the board in July<br>- One is having a final review completed by an external party<br>- Two policy reviews are with the executive for review with a targeted completion by the end of 2021 |
| Meet shareholder distribution expectations as outlined in Statement of Intent (SOI) or as otherwise agreed. | Distributions paid to agreed values. | Achieved | Cash dividend of $33.1m (target $33.1m) paid to Council as per the SOI. |
| | | | Gross PPS dividend of $4.9m (target $4.9m) paid to PPS holders. |
| Compliance with NZX listing requirements for PPS holders. | Matters of material impact are disclosed in line with QHL framework for continuous disclosure. | Achieved | Filing of interim and annual financial statements achieved within 60 day deadline. |
| | Board reporting of PPS compliance and monitoring. | | Internal audit compliance systems show no open issues or instances of non-compliance with NZX requirements. |

| Key Performance Indicator | Target 2020/21 | Result 2020/21 | Comment |
|---|---|---|---|
| Investments must be in accordance with the Group Principles of Responsible Investment. | Investments must be screened from an ethical perspective and meet the following criteria. We must avoid investing in companies whose principal business activity is:<br>- The manufacture and sale of armaments<br>- The manufacture and sale of tobacco<br>- The promotion of gambling | Substantially Achieved | A review of holdings was done as at 30 June 2021 against the New Zealand Super Fund Responsible Investment Exclusion List (February 2021), no breaches were identified. |
| | Investment selection and management of investments in accordance with the principles for responsible investment set out in the Quayside SIPO. | | Exchange Traded Funds (ETF's) were reviewed down to a constituent level of 5% against the Exclusion list no breaches were identified. |
| | Board reporting of SIPO compliance dashboard at each meeting. | | SIPO compliance was reported at each board meeting. There was one passive breach due to the out performance of a share as a result of a takeover offer. |
| | Annual audits of investment adherence to SIPO, including responsible investment principles. | | |
| Investments must be in accordance with principles of socially responsible investment. | 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. | Not achieved | While investments were selected in alignment with ESG principles, several of the investment papers did not expressly include specific ESG considerations. |
| | Annual report to the board on Quayside Group compliance with responsible investment principles, including ESG industry standards and best practice. | | The annual report to the board on Quayside Group compliance with responsible investment principles will be done at the September board meeting. |

## Aqua Curo Limited Performance Indicators

Aqua Curo Limited (ACL) has established performance measures unique to the Quayside Group. These Performance Objectives as defined by the Statement of Intent are presented below.

| Key Performance Indicator | Target 2020/21 | Result 2020/21 | Comment |
|---|---|---|---|
| ACL maintains a strategic direction that is consistent with that of a 100% shareholder of QHL and Council | Submit a draft SOI for 2021/22 for approval to QHL and Council by 1 March 2021. | Achieved | Draft SOI submitted to BOPRC and QHL on 26 February 2021 (2020: Final SOI submitted to BOPRC for consideration 11 August 2020) |
| ACL keeps shareholders informed of all significant matters relating to it. | ACL will meet and provide updates to its shareholders quarterly on new opportunities and key works programmes. ACL will advise any major matters of urgency to its shareholders at the earliest opportunity. | Achieved | Reporting was provided to the Quayside board of directors as part of the investment portfolio and performance updates at each board meeting. Aqua Curo update papers were provided in July, October, and March. Shareholders were invited to the pilot plant opening scheduled for August, however it was delayed due to weather. There were no matters of urgency that shareholders needed to be advised upon (2020: not applicable as a new measure). |
| Corporate governance procedures are appropriate, documented and reflect best practice. | The Board will maintain an appropriate and thorough set of corporate governance policies and procedures which will be reviewed at least every two years. | Achieved | The procurement, delegated authority, and fraud policies were reviewed at the November 2020 board meeting (2020: not applicable). |
| To work with strategic partners to progress bioremediation research project. | Work with the University of Waikato and Western Bay of Plenty District Council to successfully design and construct a large-scale pilot plant at the Te Puke site. | Not achieved | Large scale pilot-plant at Te Puke was largely constructed by year end with the opening scheduled for August 2021. The official opening has since been delayed due to Covid-19 (2020: plant progressed). |
| | Carry out 12 months of trials on the performance of key technology. | Not achieved | Trials have not yet started, but will begin in August 2021. The facility is now growing Oedogonium on site (2020: not applicable, new measure). |
| | Obtain external funding for the project through existing grant schemes to leverage the resources of Aqua Curo for the benefit of the research project. | Not achieved | External funding applied for from the Sustainable Food and Fibre Futures (SFFF) grant was unsuccessful. Conversations continue with SFFF for funding and management remain confident of success (2020: not applicable, new measure). |
| To identify, assess and develop technologies for bioremediation of water | Review additional opportunities for investment and research of bioremediation of water. | Achieved | Team met with multiple industry participants to have high level discussions around bio-remediation (2020: not applicable, new measure). |
| | Advisory board to meet a minimum of six times during the calendar year in order to provide strategic advice and direction on new opportunities for ACL. | Not achieved | The advisory board met three times. This number was reduced due to the increased construction program which resulted from Covid-19 related delays (2020: advisory panel formed and terms of reference agreed. |

| Key Performance Indicator | Target 2020/21 | Result 2020/21 | Comment |
|---|---|---|---|
| Commercialize research and opportunities to provide financial return. | Develop a pipeline of commercial opportunities for ACL to pursue including fee for service business models and product development. | Achieved | ACL has developed and maintained a pipeline of potential projects to pursue and has commenced discussions with potential industry partners around the use of ACL services for bioremediation, and the use of ACL biomass for different product applications (2020: not applicable, new measure). |
| | Ensure appropriate resources are in place to pursue and develop commercial opportunities and pipeline. | Achieved | An experienced contractor is engaged to manage the pilot plant and the overall business operations.<br>A research agreement with University of Waikato was executed.<br>Additional resources have been interviewed (with a position description currently being completed) for assistance with product development and commercialization (2020: Project manager appointed). |
| | Initiate key discussions on the development of a commercial scale facility Western Bay of Plenty District Council. | Achieved | Discussions are in early stages with Western Bay of Plenty District Council due to the timing of the trials (2020: not applicable, new measure). |
| Meet the financial targets contained within this SOI. | Budgeted key performance indicators are met or exceeded. | Achieved | ACL had net assets of $780,000 versus a forecast of $794,000 (2020: $966,000), a minor variance of 2%. |

### Toi Moana Trust

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

### Performance Targets and Objectives

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

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

### Achievements

During the year, the Toi Moana Trust returned a 3.2% cash return (2020: 2.4%) and paid a 5% distribution (2020: nil). The Council has been fully informed by the directors of the Trust through quarterly reporting.

### Toi Moana Trust Performance Indicators

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

| Key Performance Indicator | Target 2020/2021 | Result 2020/21 | Outcome |
|---|---|---|---|
| Generate commercial returns across the investment portfolio. | Annual net cash flow return of 5% | The fund has returned a 3.2% (2020: 2.4%) cash return. A distribution of 5% was paid for the year ending 30 June 2021. The fund did not distribute in the prior year. | Not Achieved |
| Capital preservation | Long term capital preservation over an initial period of seven years. | The capital value has increased to $47m at 30 June 2021 from $42.3m at 30 June 2020. | Achieved |
| Investments must be in accordance with its Principles of Responsible Investment. | Investments must be screened from an ethical perspective and we must avoid investing in companies whose principal business activity is:<br>• The manufacture and sale of armaments<br>• The manufacture and sale of tobacco<br>• The promotion of gambling<br>Investment selection and management of investments must be in accordance with the principles for responsible investment set out in the Toi Moana Trust SIPO.<br>Council reporting of SIPO compliance dashboard at each meeting.<br>Annual audits of investment adherence to SIPO, including responsible investment principles. | The fund invests in New Zealand and Australia. All investments passed the ethical tests and there was no direct investment into sectors to be avoided<br>In 2020 all investments were screened by both the Investment Manager and their external advisors.<br>All investments were in accordance with the Toi Moana Trust SIPO.<br>Four quarterly reports were produced for Council (2020: three). The Council report did not expressly note that SIPO compliance was achieved. This has been added to future reports (2020: not applicable).<br>A review of holdings was done as at 30 June 2021 against the New Zealand Super Fund Responsible Investment Exclusion List (February 2021), no breaches were identified. This is a new measure and comparative information is not available. | Not Achieved |

| Key Performance Indicator | Target 2020/21 | Result 2020/21 | Outcome |
|---|---|---|---|
| Investments must be in accordance with its Principles of Socially Responsible Investment. | 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. A summary to be included in all investment papers presented to Council.<br>Annual report to the Council on Toi Moana Trust compliance with responsible investment principles, including ESG industry standards and best practice. | In creation of the Toi Moana Trust with Council a new SIPO was established.<br>This SIPO outlines the responsible investment and ESG criteria of the fund.<br>All investments of the fund adhere to this standard.<br>There were no new investment papers presented to the Council for investment under this Statement of Intent during the year.<br>The fourth quarter report includes the results of the review of compliance with responsible investment principles.<br>This is a new measure for 2021. | Achieved |
| Keep Council informed on a 'no surprises' basis, providing quality and timely information. | Quarterly reporting on investment fund performance. Timely advice and support as required. | BOPRC received quarterly reports as agreed (2020: reports provided in October 2019, January and April 2020).<br>Toi Moana performance included as part of Treasury meetings held with Council staff. | Achieved |
| Meet shareholders distribution expectations as outlined in SOI or as otherwise agreed. | Distributions paid to agreed values. | Distributions of $2.25m were paid to Council as per the SOI (2020: no distributions paid). | Achieved |

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

| Key Performance Indicator | Target 2020/21 | Result 2020/21 | Outcome |
|---|---|---|---|
| Generate commercial returns across the investment portfolio. | Five year rolling gross return of >= 7.5% per annum. | Five year rolling gross return of 14.49% for the Quayside consolidated group achieved at 30 June 2021 (2020: 12.13%). | Achieved |
| Keep Council informed on a 'no surprises' basis, providing quality and timely information. | A minimum of four presentations per annum to Council, as shareholders. | Presentations to Council in September 2020, December 2020, April 2021 and June 2021. | Achieved |
| | Timely advice and support as required.<br>Matters of urgency are reported to Council at the earliest opportunity. | Open communication with Council maintained throughout the year through regular meetings with Quayside Chief Executive and Council management. | |
| Ensure Group policies and procedures are current and appropriate. | All policies and procedures to be reviewed no less than biennially. | Four policies were not updated and approved biennially:<br>- One approved by the board in July<br>- One is having a final review completed by an external party<br>- Two policy reviews are with the executive for review with a targeted completion by the end of 2021 | Not achieved |

| Key Performance Indicator | Target 2020/21 | Result 2020/21 | Outcome |
|---|---|---|---|
| Investments must be in accordance with the Group Principles of Responsible Investment. | Investments must be screened from an ethical perspective and meet the following criteria. We must avoid investing in companies whose principal business activity is:<br>- The manufacture and sale of armaments<br>- The manufacture and sale of tobacco<br>- The promotion of gambling | A review of holdings was done as at 30 June 2021 against the New Zealand Super Fund Responsible Investment Exclusion List (February 2021), no breaches were identified. | Substantially achieved |
| | Investment selection and management of investments in accordance with the principles for responsible investment set out in the Quayside SIPO. | Exchange Traded Funds (ETF's) were reviewed down to a constituent level of 5% against the Exclusion list no breaches were identified. | |
| | Board reporting of SIPO compliance dashboard at each meeting. | SIPO compliance was reported at each board meeting. There was one passive breach due to the out performance of a share as a result of a takeover offer. | |
| | Annual audits of investment adherence to SIPO, including responsible investment principles. | | |
| Investments must be in accordance with principles of socially responsible investment. | 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. | While investments were selected in alignment with ESG principles, several of the investment papers did not expressly include specific ESG considerations. | Not achieved |
| | Annual report to the board on Quayside Group compliance with responsible investment principles, including ESG industry standards and best practice. | The annual report to the board on Quayside Group compliance with responsible investment principles will be done at the September board meeting. | |

## BOPLASS

The Council's objective in cooperatively establishing BOPLASS Ltd was to foster collaboration in delivery of services, particularly back office or support services, between the nine local authorities in the Bay of Plenty/Gisborne areas. It is a separate legal entity from the Council and is responsible for delivery in accordance with an agreed Statement of Intent.

## Achievements

During the year the Council has been fully informed by BOPLASS on its performance. Of the targets set in the 2020/23 Statement of Intent, all 6 related to 2020/21 were achieved.

### BOPLASS Performance Indicators

| Key Performance Indicator | Target 2020/21 | Result 2020/21 |
|---|---|---|
| Ensure supplier agreements are proactively managed to maximise benefits for BOPLASS councils. | Contracts reviewed annually to test for market competitiveness. New suppliers are awarded contracts through positive procurement process involving two or more vendors where applicable. | Achieved |
| Investigate new Joint Procurement initiatives for goods and services for BOPLASS councils. | A minimum of four new procurement initiatives. Initiatives provide financial savings of greater then 5% and/or improved service levels to the participating councils. | Achieved |
| Identify opportunities to collaborate with other LASS in Procurement or Shared Service projects where alliance provides benefits to all parties. | Quarterly reporting on engagement and a minimum of one new collaborative initiative undertaken. annually | Achieved |
| Further develop and extend the Collaboration Portal for access to, and sharing of, project information and opportunities from other councils and the greater Local Government community to increase the breadth of BOPLASS collaboration. | Number of listed projects to increase by 10% per year.<br>Number of active users to increase by 20% per year. | Achieved |
| Communicate with each shareholding council at appropriate levels. | At least one meeting with each Executive Leadership Team per year. | Achieved |
| Ensure current funding model is appropriate. | Performance against budgets reviewed quarterly. Company remains financially viable. | Achieved |

**Local Government Funding Agency (LGFA)**

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

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

**Performance Targets**

The following objectives, policies or performance targets were set for 2020/21.

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

- Providing interest cost savings relative to alternative sources of financing;
- Offering 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.

LGFA will ensure its asset book remains at a high standard by ensuring it understands each Participating Borrower's financial position, as well as general issues confronting the Local Government sector. Amongst other things, LGFA will:

- Proactively monitor and review each Participating Borrower's financial position, including its financial headroom under LGFA policies;
- Analyse finances at the Council group level where appropriate and report to shareholders;
- Endeavour to visit each Participating Borrower annually, including meeting with elected officials as required, or if requested; and
- Take a proactive role to enhance the financial strength and depth of the local government debt market and work with key central government and local government stakeholders on sector and individual council issues.

LGFA has the following seven measurable and achievable additional objectives which complement the primary objective. Performance against these objectives is reported annually.

LGFA will:

- Maintain LGFA's credit rating equal to the New Zealand Government sovereign rating where both entities are rated by the same Rating Agency;
- Provide at least 85% of aggregate long-term debt funding to the Local Government sector;
- Achieve the financial forecasts for net interest income and operating expenses, including provision for a shareholder dividend payment in accordance with approved dividend policy;
- Meet or exceed the Performance Targets;
- Comply with the Health and Safety at Work Act 2015;
- Comply with the Shareholder Foundation Polices and the Board-approved Treasury Policy at all times;
- Assist the local government sector with their COVID-19 response.

**Achievements**

The Council has been fully informed by the LGFA through quarterly and half yearly reports, and the Annual Report.

### Local Government Funding Agency (LGFA) Performance Indicators

| Key Performance Indicator | Target 2020/21 | Result 2020/21 | Outcome |
|---|---|---|---|
| LGFA's net interest income | Greater than $18.8 million | $19.537 million | Achieved |
| LGFA's annual issuance and operating expense (excluding AIL) | Less than $6.8 million | $6.659 million | Achieved |
| Total lending to Participating Local Authorities | At least $9.79 billion | $12.039 billion | Achieved |
| Conduct an annual survey of councils who borrow from LGFA | Achieve at least an 85% satisfaction score as to the value added by LGFA to the council borrowing activities | 98.8% | Achieved |
| Meet all lending requests from Participating Local Authorities, where those requests meet LGFA operational and covenant requirements | | 100% | Achieved |
| Achieve market share of all council borrowing in New Zealand | 85% | 79% | Not Achieved |
| Review each participating Local Authority's financial position, its headroom under LGFA policies and arrange to meet each Participating Local Authority at least annually | | All councils visited | Achieved |
| No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015 | | No breaches | Achieved |
| Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due | | 100% | Achieved |
| Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency | | 'AA+/AAA' | Achieved |

# Consolidated Financial Statements

## Statement of comprehensive revenue and expense for the year ended 30 June 2021

| | Notes | Budget 2020/21 | Council 2020/21 | Group 2020/21 | Council 2019/20 | Group 2019/20 Restated |
|---|---|---|---|---|---|---|
| **Operating revenue** | | $000 | $000 | $000 | $000 | $000 |
| Rates | 3 | 57,198 | 57,400 | 57,400 | 57,239 | 57,239 |
| Subsidies and grants | 4 | 22,892 | 33,633 | 33,633 | 20,104 | 20,104 |
| Finance revenue | 5 | 38,981 | 38,486 | 9,101 | 37,414 | 12,005 |
| Trading and other revenue | 6 | 17,782 | 18,092 | 361,904 | 23,505 | 330,525 |
| Reversal of previous revaluation deficit | | - | - | - | - | 175 |
| Vested asset revenue | | - | - | - | - | - |
| Other gains | 7 | - | 1,416 | 80,540 | 267 | 45,057 |
| **Total operating revenue** | | **136,853** | **149,027** | **542,578** | **138,529** | **465,105** |
| **Operating expenditure** | | | | | | |
| Employee benefit expenses | 8 | 44,432 | 46,177 | 91,675 | 41,494 | 82,818 |
| Depreciation and amortisation | 17,18 | 9,130 | 7,470 | 40,838 | 6,618 | 36,385 |
| Trading and other expenses | 9 | 85,625 | 84,102 | 211,194 | 86,161 | 191,850 |
| Finance costs | 5 | 3,258 | 3,212 | 18,600 | 3,185 | 22,151 |
| Impairment of property, plant and equipment | | - | - | 12 | - | - |
| Other losses | 7 | - | 699 | 28,297 | 1,034 | 29,678 |
| **Total operating expenditure** | | **142,445** | **141,659** | **390,615** | **138,492** | **362,882** |
| Impairment of investment in equity accounted investees | 22 | - | - | (2,707) | - | (7,846) |
| Share of profit/(loss) of equity accounted investees | 22 | - | (2) | 17,016 | 2 | 8,148 |
| **Surplus/(deficit) before taxation** | | **(5,592)** | **7,366** | **166,271** | **39** | **102,525** |
| Income tax expense | 10 | - | - | 36,534 | - | 25,910 |
| **Surplus/(deficit) after taxation** | | **(5,592)** | **7,366** | **129,737** | **39** | **76,615** |
| **Attributable to:** | | | | | | |
| Equity holders of the parent | | (5,592) | 7,366 | 83,484 | 39 | 36,445 |
| Non-controlling interest | | - | - | 46,253 | - | 40,170 |
| | | **(5,592)** | **7,366** | **129,737** | **39** | **76,615** |

The accompanying notes form part of these financial statements.

## Statement of other comprehensive revenue and expense for the year ended 30 June 2021

| | Notes | Budget 2020/21 $000 | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|---|
| **Net surplus/(deficit) after tax** | | **(5,592)** | **7,366** | **129,737** | **39** | **76,615** |
| **Other comprehensive revenue and expense** | | | | | | |
| *Items that will be reclassified to surplus/(deficit) when specific conditions are met:* | | | | | | |
| Gain/(loss) on land and building revaluations | | 1,536 | 9,591 | 9,591 | (79) | (79) |
| Gain on Infrastructure assets revaluations | | 7,875 | 2,338 | 2,338 | 18,357 | 18,357 |
| Gain/(loss) on Maritime and Lakes asset revaluations | | 16 | 3,020 | 3,020 | - | - |
| Financial assets at fair value through comprehensive revenue and expense | | 158 | 3,679 | 927 | 680 | 677 |
| Cash flow hedges - changes in fair value | | - | - | 6,618 | - | (7,555) |
| Cash flow hedges - reclassified to profit or loss | | - | - | 3,903 | - | 2,341 |
| Share of net change in cash flow hedge reserves of equity accounted investees. | 22 | - | - | 496 | - | (186) |
| *Items that will not be reclassified to surplus/(deficit):* | | | | | | |
| Asset revaluation, net of tax | | - | - | 157,842 | - | 36,876 |
| Bearer plant revaluation, net of tax | | - | - | 1,694 | - | (1,841) |
| Kiwifruit licence revaluation, net of tax | | - | - | 1,018 | - | 685 |
| Share of net change in revaluation reserve of equity accounted investees. | 22 | - | - | 12,090 | - | 286 |
| Total other comprehensive revenue and expense | | 9,585 | 18,628 | 199,537 | **18,958** | **49,561** |
| **Total comprehensive revenue and expense** | | **3,993** | **25,993** | **329,274** | **18,997** | **126,176** |
| **Total comprehensive revenue and expense attributable to:** | | | | | | |
| Equity holders of the parent | | 3,993 | 25,993 | 201,269 | 18,997 | 71,714 |
| Non-conrolling interest | | - | - | 128,005 | - | 54,462 |
| | | **3,993** | **25,993** | **329,274** | **18,997** | **126,176** |

The accompanying notes form part of these financial statements.

## Statement of changes in equity/net assets for the year ended 30 June 2021

| | Budget 2020/21 $000 | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|
| **Balance at 1 July. Restated** | 524,655 | 528,352 | 1,839,199 | 509,365 | 1,772,429 |
| Adjustment to accumulated surplus/deficit from the adoption of PBE IPSAS36 | - | - | - | (10) | (10) |
| **Adjusted balance 1 July** | 524,655 | 528,352 | 1,839,199 | 509,355 | 1,772,420 |
| Total comprehensive revenue and expense previously reported | 3,993 | 25,993 | 329,274 | 18,997 | 126,177 |
| | 528,648 | 554,346 | 2,168,472 | 528,352 | 1,898,596 |
| Increase/(decrease) in share capital | - | - | 735 | - | 2,047 |
| Dividends to shareholders | - | - | (42,209) | - | (62,613) |
| Revaluation surplus transferred to retained earnings on asset disposal | - | - | - | - | - |
| Non controlling interest adjustments | - | - | 25 | - | 1 |
| Equity settled share-based payment accrual | - | - | 2,078 | - | 1,167 |
| **Balance at 30 June** | **528,648** | **554,346** | **2,129,101** | **528,352** | **1,839,199** |
| *Total comprehensive revenue and expense attributable to:* | | | | | |
| Equity holders of the parent | 3,993 | 25,993 | 201,269 | 18,997 | 71,714 |
| Non-controlling interest | - | - | 128,005 | - | 54,462 |
| | **3,993** | **25,993** | **329,274** | **18,997** | **126,176** |

The accompanying notes form part of these financial statements.

## Statement of financial position as at 30 June 2021

| | Notes | Budget 2020/21 $000 | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|---|
| **Current assets** | | | | | | |
| Cash and cash equivalents | 11 | 24,166 | 41,112 | 83,591 | 33,156 | 106,677 |
| Other financial assets - current | 15 | 179,606 | 71,155 | 71,155 | 116,367 | 116,367 |
| Trade and other receivables | 12 | 16,914 | 24,986 | 92,974 | 23,900 | 82,557 |
| Inventories | 13 | 245 | 230 | 1,239 | 247 | 1,708 |
| Held for Sale - Investment Property | 20 | - | - | - | - | 905 |
| **Total current assets** | | **220,931** | **137,483** | **248,959** | **173,669** | **308,213** |
| | | | | | | |
| **Non-current assets** | | | | | | |
| Trade and other receivables - long term | 14 | 1,857 | 1,230 | 17,732 | 1,571 | 1,571 |
| Property, plant and equipment | 17 | 516,276 | 500,362 | 2,262,758 | 467,004 | 2,054,261 |
| Intangible assets | 18 | 5,498 | 8,077 | 35,317 | 6,580 | 28,874 |
| Biological assets | 19 | - | - | 680 | - | 502 |
| Investment property | 20 | - | - | 56,907 | - | 53,561 |
| Investments in equity accounted associates | 21 | - | 7 | 208,509 | 10 | 198,246 |
| *Other financial assets:* | | | | | | |
| - Investment in CCO's and other similar entities | 15 | 10,148 | 105,404 | 10,712 | 101,941 | 10,002 |
| - Investment in other entities | 15 | 31,447 | 14,553 | 353,747 | 51 | 243,759 |
| Right-of-use assets | 16 | - | - | - | - | - |
| Deferred tax assets | 24 | - | - | 710 | - | - |
| Derivative financial instruments | 16 | - | - | 77 | - | - |
| **Total non-current assets** | | **565,226** | **629,633** | **2,947,149** | **577,157** | **2,590,776** |
| | | | | | | |
| **Total assets** | | **786,157** | **767,116** | **3,196,108** | **750,827** | **2,898,989** |

## Statement of financial position as at 30 June 2021 *continued*

| | Notes | Budget 2020/21 $000 | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|---|
| **Current liabilities** | | | | | | |
| Trade and other payables | 23 | 16,542 | 15,913 | 55,072 | 14,370 | 48,502 |
| Contingent consideration | | - | - | 434 | - | - |
| Employee benefit liabilities | 25 | 4,916 | 5,247 | 8,636 | 5,890 | 6,614 |
| Borrowings | 26 | 90,500 | 75,900 | 361,006 | 75,900 | 334,900 |
| Lease liability | | - | - | - | - | - |
| Derivative financial instruments | 16 | - | - | 1,151 | - | - |
| Current taxation | | - | - | 10,005 | - | 8,992 |
| **Total current liabilities** | | **111,958** | **97,061** | **436,305** | **96,160** | **399,008** |
| **Non-current liabilities** | | | | | | |
| Trade and other payables | 23 | - | 6,503 | 6,503 | 6,403 | 6,403 |
| Employee benefit liabilities | 25 | 1,251 | 1,206 | 3,450 | 1,011 | 4,168 |
| Borrowings | 26 | 140,900 | 105,000 | 514,885 | 115,500 | 554,949 |
| Contingent consideration | | - | - | 2,920 | - | - |
| Put option | 40 | 3,400 | 3,000 | - | 3,400 | - |
| Derivative financial instruments | 16 | - | - | 13,763 | - | 29,359 |
| Deferred tax liabilities | 24 | - | - | 89,181 | - | 65,903 |
| **Total non-current liabilities** | | **145,551** | **115,710** | **630,703** | **126,314** | **660,782** |
| | | | | | | |
| **Total liabilities** | | **257,509** | **212,770** | **1,067,007** | **222,474** | **1,059,789** |
| | | | | | | |
| **Total net assets** | | **528,648** | **554,346** | **2,129,101** | **528,352** | **1,839,199** |
| | | | | | | |
| **Equity** | | | | | | |
| Retained earnings | 27 | 192,685 | 218,129 | 477,028 | 194,706 | 378,311 |
| Reserves | 28 | 335,963 | 336,217 | 1,024,361 | 333,646 | 922,633 |
| **Total equity attributable to the group** | | **528,648** | **554,346** | **1,501,389** | **528,352** | **1,300,944** |
| Non-controlling interest | 28 | - | - | 627,712 | - | 538,255 |
| **Total equity** | | **528,648** | **554,346** | **2,129,101** | **528,352** | **1,839,199** |

The accompanying notes form part of these financial statements.

## Statement of cash flows for the year ended 30 June 2021

| | Notes | Budget 2020/21 $000 | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Rates | | 57,198 | 57,801 | 57,801 | 53,978 | 53,978 |
| Grants | | 22,892 | 33,718 | 33,718 | 20,012 | 20,012 |
| GST | | 95 | 272 | 272 | 1,386 | 1,386 |
| Receipts from customers | | 17,782 | 15,208 | 353,428 | 21,462 | 345,489 |
| Interest received | | 5,781 | 4,468 | 3,835 | 4,655 | 5,805 |
| Dividends/distributions received | | 33,200 | 35,416 | 6,163 | 32,186 | 6,024 |
| Taxes refunded | | - | - | 13 | - | 66 |
| Taxes/subvention paid | | - | - | (36,576) | - | (35,291) |
| Payments to suppliers and employees | | (130,055) | (128,924) | (317,875) | (115,175) | (271,893) |
| Other income | | - | - | 623 | - | 140 |
| Interest paid | | (3,258) | (3,370) | (21,557) | (2,502) | (22,326) |
| **Net cash from operating activities** | | **3,635** | **14,587** | **79,843** | **16,002** | **103,390** |
| **Cash flows from investing activities** | | | | | | |
| Proceeds from sale of property, plant and equipment | | - | 562 | 572 | 194 | 289 |
| Proceeds from sale of investments | | 54,776 | 110,000 | 151,984 | 78,000 | 188,161 |
| Disposal of equity acccounted investees | | | - | 3,912 | - | - |
| Distributions from equity investments | | | - | 4,390 | - | - |
| Distributions from equity accounted investees | | - | - | 12,388 | - | 10,115 |
| Finance lease payments received, including interest | | - | - | 13 | - | 13 |
| Repayment of advances from equity accounted investees | | - | - | 5,171 | | - |
| Advances to equity accounted investees | | | - | - | - | (4,991) |
| Purchase of property, plant and equipment | 17 | (50,715) | (27,083) | (49,760) | (34,867) | (73,172) |
| (Purchase)/sale of intangibles | | (947) | (543) | (376) | (1,650) | (2,237) |
| Purchase of computer software assets | | - | - | - | - | - |
| Purchase of investment property | | - | - | (2,850) | - | (19,412) |
| Improvements to investment property | | - | - | - | - | (80) |
| Purchase of investments/financial assets | | (38,995) | (79,288) | (166,552) | (211,367) | (307,559) |
| Investment in equity accounted investee | | - | - | (6,231) | - | (7,065) |
| Cash acquired as part of business combinations | | - | - | 794 | - | - |
| **Net cash from investing activities** | | **(35,881)** | **3,647** | **(46,546)** | **169,689** | **(215,936)** |

## Statement of cash flows for the year ended 30 June 2021 *continued*

| | Notes | Budget 2020/21 $000 | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|---|
| **Cash flows from financing activities** | | | | | | |
| Proceeds from share/units issue | | - | - | - | - | - |
| Repayment of long term borrowings | | - | - | - | - | - |
| Repayment of borrowings | | - | (50,500) | (114,500) | - | (107,774) |
| Proceeds from borrowings | 26 | 40,000 | 40,000 | 101,020 | 50,282 | 187,322 |
| Loan to Quayside Holdings Limited | | - | - | - | - | - |
| Repayment of loan from Quayside Holdings Limited | | - | - | - | 400 | - |
| Borrower Notes | | (840) | 214 | 214 | (2,259) | (2,259) |
| Repurchase of shares | | - | - | - | - | (716) |
| Repayment of lease liabilities | | - | - | (869) | - | (472) |
| Drawdown of current borrowings | | - | - | - | - | - |
| Long term loans - Clean Heat | | (2,010) | (749) | (749) | (405) | (405) |
| Loan repayments - Clean Heat | | 770 | 757 | 757 | 714 | 714 |
| Dividends/distributions paid | | - | - | (42,209) | - | (62,613) |
| **Net cash from financing activities** | | **37,920** | **(10,278)** | **(56,336)** | **48,732** | **13,797** |
| | | | | | | |
| Effects of exchange rate changes on cash and cash equivalents | | - | - | (47) | - | 328 |
| **Net increase/(decrease) in cash, cash equivalents and bank overdrafts** | | 5,674 | 7,956 | (23,086) | (104,955) | (98,421) |
| | | | | | | |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | | 18,492 | 33,156 | 106,677 | 138,111 | 205,098 |
| **Cash, cash equivalents and bank overdrafts at the end of the year** | 11 | **24,166** | **41,112** | **83,591** | **33,156** | **106,677** |

The accompanying notes form part of these financial statements.

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

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|
| **Reported profit after tax** | **7,366** | **129,737** | **39** | **76,615** |
| *Items classified as investing/financing activities* | | | | |
| IFRS16 lease expenses | - | 420 | - | 434 |
| Finance lease interest revenue | - | (55) | - | (2) |
| Net (gain)/loss on investments | - | (50,078) | - | (19,812) |
| Realised foreign exchange (gains)/losses | - | (4) | - | - |
| Net (gain) on sale of property, plant and equipment | (440) | (450) | (259) | (191) |
| | (440) | (50,167) | (259) | (19,570) |
| *Add/(less) non cash and non-operating items:* | | | | |
| Depreciation and amortisation | 7,469 | 40,869 | 6,618 | 36,422 |
| Impairment of property, plant and equipment | - | 12 | 4,555 | 4,555 |
| Impairment of property, plant and equipment on revaluation | - | 2,326 | - | - |
| (Decrease)/Increase in deferred taxation expense | - | (4,977) | - | (3,987) |
| Ineffective portion of change in fair value of cash flow hedge | - | 3 | - | (1) |
| Amortisation of interest rate collar premium | - | 86 | - | 86 |
| Reversal of previous revaluation deficit | - | - | - | (175) |
| Share of net profit after tax retained by equity accounted investees | 2 | (17,016) | (2) | (8,148) |
| Impairment of investment in subsidiaries | - | - | 2,752 | 2,752 |
| Impairment of investment in equity accounted investees | - | 2,707 | - | 7,846 |
| Increase in equity settled share based payment accrual | - | 2,078 | - | 1,167 |
| Loss on disposal of equity accounted investees | - | 741 | - | - |
| Write off of bearer plants | - | 398 | - | - |
| Change in the fair value of contingent consideration | - | 103 | - | - |
| Borrower notes fair value adjustment | - | - | (7) | (7) |
| Loss on sale of property, plant and equipment | 698 | 698 | 1,034 | 1,034 |
| Gain on revaluation of put option | (400) | - | - | - |
| Asset revenue gain | (577) | (577) | - | - |
| Unrealised foreign exchange gains | - | - | - | (2) |
| Net unrealised (gain)/loss on capital investments | - | (4,953) | - | 4,018 |
| | 7,192 | 22,499 | 14,950 | 45,560 |

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

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|
| *Add/(less) movements in working capital* | | | | |
| Change in receivables | (635) | (32,152) | (4,382) | 4,757 |
| Change in prepayments | (110) | (110) | (203) | (203) |
| Change in inventories | 17 | 469 | (12) | 65 |
| Change in taxation payable | - | 5,074 | - | (5,342) |
| Change in foreign cash deposits | - | 45 | - | (301) |
| Change in payables | 1,645 | 4,897 | 4,884 | 826 |
| Change in employee provisions | (448) | (448) | 984 | 984 |
| | 469 | (22,225) | 1,272 | 787 |
| | | | | |
| **Net cashflow from operating activities** | **14,587** | **79,843** | **16,002** | **103,390** |

# Notes to the Financial Statements

## 1 Statement of accounting policies

### Reporting entity

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

The group consists of the ultimate parent, Bay of Plenty Regional Council and its subsidiaries, Quayside Holdings Limited (a 100% owned investment company) and the Toi Moana Trust Fund, a majority owned portfolio investment entity (PIE). Quayside Holdings Limited has a 100% shareholding in Quayside Properties Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Securities Limited, Aqua Curo Limited, and Cibus Technologies Limited. The principal activity of Quayside Securities Limited is to act as trustee for the Quayside Unit Trust, Quayside Investment Trust and Toi Moana Trust. Quayside Securities Limited as trustee owns 54.14% of the shares in Port of Tauranga Limited (Port Company). The Council's subsidiaries are incorporated and domiciled in New Zealand.

The principal activity of the Toi Moana Trust is financial investment.

The Council and group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return.

The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the Council and group are for the year ended 30 June 2021. The financial statements were authorised for issue by Council on 16 December 2021.

Council does not have the power to amend the financial statements after issue.

### Basis of preparation

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

**Statement of compliance**

The financial statements of the Council and group have been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which includes the requirement to comply with generally accepted accounting practice in New Zealand (GAAP).

The financial statements have been prepared in accordance with and comply with PBE standards.

**Measurement base**

The financial statements have been prepared on a historical cost basis, except that the following assets and liabilities are stated at their fair value: available for sale financial assets, other financial assets and liabilities (including derivatives) at fair value through the statement of comprehensive revenue and expense, land, buildings, harbour improvements, wharves and hardstanding, kiwifruit licences, investment properties, bearer plants and biological assets.

**Presentation currency and rounding**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000), other than the related party transaction disclosures in note 32, the remuneration disclosures in note 33, and the severance payment disclosures in note 34. The related party transaction, remuneration, and severance payment disclosures are rounded to the nearest dollar.

**Changes in accounting policies**

There have been no changes in accounting policies this year to reflect the transition to, and adoption of the new PBE IAS 12 Income Taxes.

Standards issued and not yet effective, and not early adopted

**PBE IPSAS 41 Financial instruments**

In March 2019, the External Reporting Board (XRB) issued PBE IPSAS 41 Financial Instruments, which supersedes both PBE IFRS 9 Financial Instruments and PBE IPSAS 29 Financial Instruments: Recognition and Measurement. The main changes between PBE IPSAS 29 and PBE IPSAS 41 are: ,

• New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.

• A new impairment model for financial assets based on expected credit losses, which may result in earlier recognition of impairment losses.

• Revised hedge accounting requirements to better reflect the management of risks Although the Council has not assessed the effect of the new standard, it does not expect any significant changes

**Amendment to PBE IPSAS 2 Cash Flow Statement**

An amendment to PBE IPSAS 2 requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendment is effective for the year ending 30 June 2022, with early application permitted. This amendment will result in additional disclosures. The Council will not early adopt this amendment.

**PBE IPSAS 40 PBE Combinations**

PBE IPSAS 40 replaces PBE IFRS 3 Business Combinations. PBE IFRS 3 excluded from its scope combinations under common control and combinations arising from local authority reorganisations. These are now included within the scope of PBE IPSAS 40, through the inclusion of both acquisition and amalgamation accounting. This new standard is effective for the year ending 30 June 2022 and is applied prospectively. The Council will not early adopt this amendment.

**PBE FRS 48 Service Performance Reporting**

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 Presentation of Financial Statements and is effective for the year ending 30 June 2023, with early application permitted. The Council has not yet determined how application of PBE FRS 48 will affect its statement of service performance. It does not plan to adopt the standard early.

**Summary of significant accounting policies**

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

**Basis of consolidation**

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of entities in the group on a line-by-line basis. All intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

***Group***

The Council consolidates, in the group financial statements, all entities where the Council has the capacity to control their financing and operating policies to have exposure or rights to variable benefits from the activities of the entity. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially impact the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at cost in the Council's parent entity financial statements.

**Goods and Service Tax (GST)**

Items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

*Subsidiary*

Quayside Investment Trust, Quayside Unit Trust and Toi Moana Trust include GST on items in their financial statements as they are not GST registered.

**Budget figures**

The budget figures are those approved by the Council in its Annual Plan 2020/21. The budget figures have been prepared in accordance with New Zealand GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

**Critical accounting estimates, assumptions and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements, are detailed below:

- valuation of land, buildings, harbour improvements, and wharves and hardstanding (note 17)
- assessment of significant influence or joint control in relation to Equity Accounted Investees (note 22)
- valuation of derivative financial instruments (note 16)
- trade receivables includes an estimated sale price for kiwifruit sold (note 12)
- valuation of bearer plants(note 17)
- valuation of biological assets (note 19)
- impairment assessment of intangible assets (note 18)
- impairment assessment of investments in equity accounted investees (note 22
- valuation of share rights granted (note 29)
- valuation of investment properties (note 20)

***Classification of property***

The subsidiary owns several properties, which have been purchased for long term capital appreciation and/or rental rather than for short term sale in the ordinary course of business. The current carrying value of this investment property is $56.9m (2020: $54.5m). In the case of the industrial land held by Quayside Properties Limited for development as Rangiuru Business Park, the revenue derived from operating the land as kiwifruit orchards and leased grazing is incidental to holding these properties and provides short-term benefit in the form of cash returns to the subsidiary whilst the land is developed. These incidental cash flows are independent of the cashflows generated by other assets held by the Group. The kiwifruit bearer plants on the land are classified as property, plant and equipment – refer to note 17,while the underlying land is classified as investment property.

The QHL directors, in applying their judgement have classified these properties as investment property according to NZ IAS 40. Also refer to note 20 for more information on the classification of Rangiuru Land.

***Classification of Perpetual Preference Shares***

The QHL directors have considered the terms and conditions of Perpetual Preference Shares and the subsidiary has classified these shares as equity. Upon consolidation they are recognised as debt by the group. Note 32 explains the terms and conditions of the perpetual preference shares.

***Put option***

The key factors which impact on the valuation of the put option are:

- The ability of Quayside Holdings Limited as a stand-alone entity to meet future Perpetual Preference Share dividends payments;
- The ability of the Council to meet the obligations of the put option if it were to be exercised; and
- The risk that the holders of the Perpetual Preference Share will be able to realise the capital invested in the Perpetual Preference Share

A credit default swaps valuation technique has been used to value the put option. This technique is consistent with the requirements of International Financial Reporting Standards to determine the fair value of a put option. Two independently developed valuation models have been used to manage the model risk, the results of the models being cross-checked to ensure there are no material valuations differences.

The key inputs and assumptions used in the models are:

- Nominal amount of credit protection on reference credit $200 million;
- Term of credit protection 10 years; and
- Probability of default is consistent with a A- to BBB+credit quality. (Source: Moody's, based on empirical observations in the period 1983 to 2018.)

The valuation of the put option as at 30 June 2021 was carried out by PricewaterhouseCoopers, Wellington, on 9 September, 2021.

***Infrastructural assets***

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

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under-estimating the annual depreciation charge, recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, the Council's infrastructural asset useful lives have been determined, with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines, published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's Asset Management Planning, which gives the Council further assurance over its useful life estimates.

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

**Fair value hierarchy**

A number of the group's accounting policies and disclosures require the determination of fair value, being market value, for both financial and non financial assets and liabilities.

When measuring the fair value of an asset or a liability, the group uses market observable data as far as possible. Assets and liabilities measured at fair value are classified according to the following levels:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**Financial Instruments**

*Financial Assets – Classification and Subsequent Measurement*

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

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

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

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

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

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

*Financial Liabilities – Classification, Subsequent Measurement and Gains and Losses*

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

## 2 Council summary – groups of activities income statement

| | Budget 2020/21 | Council 2020/21 | Council 2019/20 |
|---|---|---|---|
| **Revenue by group of activities** | $000 | $000 | $000 |
| Integrated Catchment Management | 20,901 | 18,727 | 19,841 |
| Flood Protection and Control | 17,426 | 18,007 | 17,279 |
| Resource Regulation and Monitoring | 20,717 | 25,129 | 20,531 |
| Transportation | 31,396 | 31,949 | 30,059 |
| Regional Development | 1,879 | 1,873 | 1,700 |
| Regional Planning and Engagement | 20,799 | 20,977 | 21,027 |
| Emergency Management | 3,001 | 3,130 | 4,536 |
| Technical Services | 14,981 | 14,970 | 15,555 |
| Corporate Services | 2,922 | 4,655 | 3,389 |
| **Revenue** | **134,022** | **139,416** | **133,917** |
| Less internal interest | (4,312) | (4,743) | (5,541) |
| Capital revenue received | 7,144 | 14,351 | 10,153 |
| **Total revenue** | **136,854** | **149,025** | **138,529** |
| | | | |
| **Expenditure by group of activity** | | | |
| Integrated Catchment Management | 26,916 | 22,335 | 17,654 |
| Flood Protection and Control | 15,510 | 15,615 | 14,900 |
| Resource Regulation and Monitoring | 21,052 | 24,446 | 21,211 |
| Transportation | 33,002 | 33,990 | 28,992 |
| Regional Development | 5,997 | 4,534 | 9,326 |
| Regional Planning and Engagement | 22,182 | 21,118 | 19,733 |
| Emergency Management | 3,847 | 3,225 | 4,113 |
| Technical Services | 15,824 | 15,658 | 14,383 |
| Corporate Services | 2,428 | 5,480 | 13,722 |
| **Expenditure** | **146,758** | **146,402** | **144,033** |
| Less internal interest | (4,312) | (4,743) | (5,541) |
| **Total expenditure** | **142,446** | **141,659** | **138,492** |
| | | | |
| **Net cost of service** | **(5,592)** | **7,366** | **37** |

**Figures include overheads and recoveries.*

## 3 Rates revenue

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| General rates | 29,094 | 29,094 | 28,110 | 28,110 |
| Targeted rates | 29,004 | 29,004 | 29,793 | 29,793 |
| Less: remissions | (698) | (698) | (664) | (664) |
| **Total rates revenue** | **57,400** | **57,400** | **57,239** | **57,239** |

The seven city and district councils in the Bay of Plenty collect and administer most rates on behalf of Bay of Plenty Regional Council.

Bay of Plenty Regional Council aligns its general policy on the remission and postponement of rates with the policies and objectives of each of these councils.

There are 132,341 rating units within the region as at 30 June 2021, compared to 130,030 as at 30 June 2020.

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

The total land value of rating units within the region is $65,903,590,428 as at 30 June 2021, compared to $56,330,822,933 as at 30 June 2020.

**Policies**

General rates, targeted rates (excluding water by meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.

Rates arising from late payment penalties are recognised as revenue when rates become overdue.

Rates remissions are recognised as a reduction in rates revenue when the Council has received an application that satisfies its rates remission policy.

## 4 Subsidies and grants

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| New Zealand Transport Agency (Passenger Transport) | 14,842 | 14,842 | 13,488 | 13,488 |
| Ministry for the Environment (Te Arawa Rotorua Lakes deed funding) | 661 | 661 | 2,834 | 2,834 |
| Ministry for the Environment (Rangitāiki Wetlands project) | 240 | 240 | - | - |
| Ministry for the Environment (Waterway Protection programme) | 955 | 955 | - | - |
| Ministry for the Environment (Kopeopeo Canal) | - | - | 2,189 | 2,189 |
| Ministry for Primary Industries (National Wallaby programme) | 2,248 | 2,248 | - | - |
| Ministry for Primary Industries (Wilding Conifer Control programme) | 414 | 414 | - | - |
| Ministry for Primary Industries (One Billion Trees programme) | 465 | 465 | - | - |
| Ministry for Business, Innovation and Employment - via Whakatāne DC (Provincial Growth Fund) | 2,051 | 2,051 | - | - |
| Ministry for Business, Innovation and Employment (Climate Resiliance programme) | 11,247 | 11,247 | - | - |
| Local Authorities contribution to Civil Defence | - | - | 1,030 | 1,030 |
| Whakatāne District Council (Rangitāiki Floodway grant) | 276 | 276 | - | - |
| Other subsidies and grants | 234 | 234 | 563 | 563 |
| | **33,633** | **33,633** | **20,104** | **20,104** |

There are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2020: nil).

**Policies**

*Government grants*

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

The Council also receives grants in respect of qualifying operating and capital expenditure from Central Government. Grants received from Ministry for the Environment for the Rotorua Lakes Protection and Restoration Action Plan as detailed in the funding deed. These grants are recognised as revenue in the period they are received.

*Other grants*

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

## 5 Finance revenue and finance costs

| | Council | Group | Council | Group |
|---|---|---|---|---|
| | 2020/21 | 2020/21 | 2019/20 | 2019/20 |
| **Finance revenue** | $000 | $000 | $000 | $000 |
| Foreign dividends | - | 1,496 | - | 1,830 |
| New Zealand dividends | 35,416 | 4,815 | 32,186 | 4,051 |
| Profit on commodity derivatives | - | - | - | - |
| Interest income | 3,070 | 2,658 | 5,228 | 5,731 |
| Interest on advances to equity accounted investees | - | 41 | - | 356 |
| Ineffective portion of changes in fair value of cash flow hedges | - | - | - | 35 |
| Interest on finance lease | - | 1 | - | 2 |
| Convertible note interest | - | 90 | - | - |
| **Total finance revenue** | **38,486** | **9,101** | **37,414** | **12,005** |
| **Finance costs** | | | | |
| Interest expense on borrowings | 3,212 | 18,511 | 3,185 | 22,065 |
| Ineffective portion of changes in fair value of cashflow hedges | - | 3 | - | - |
| Amortisation of interest rate collar premium | - | 86 | - | 86 |
| **Total finance costs** | **3,212** | **18,600** | **3,185** | **22,151** |
| **Net finance revenue/(costs)** | **35,274** | **(9,499)** | **34,229** | **(10,146)** |

**Policies**

*Finance revenue*

Finance revenue comprises interest income on bank deposits, finance lease interest and other interest income that are recognised in the income statement.

Interest income is recognised as it accrues, using the effective interest method.

Finance lease interest is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

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

*Finance costs*

Finance expenses comprise interest expense on borrowings, finance lease interest expense, unwinding of the discount of provisions, impairment losses recognised on financial assets (except for trade receivables), and losses on hedging instruments that are recognised in the statement of comprehensive revenue and expense. All borrowing costs are recognised in the statement of comprehensive revenue and expense using the effective interest method.

The Council and Group do not capitalise borrowing costs.

## 6 Trading and other revenue

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Container terminal revenue | - | 209,212 | - | 178,394 |
| Multi-cargo revenue | - | 61,348 | - | 52,584 |
| Marine services revenue | - | 35,830 | - | 40,281 |
| Sale of goods - kiwifruit | - | 4,659 | - | 5,026 |
| Transport services income | - | - | - | - |
| Rental income | 212 | 32,407 | 110 | 30,669 |
| User fees and charges | 10,027 | 10,027 | 9,793 | 9,793 |
| Other revenue | 7,853 | 8,421 | 13,602 | 13,779 |
| **Total trading and other revenue** | **18,092** | **361,904** | **23,505** | **330,526** |

*Subsidiary:*

The *Quayside Group* has several kiwifruit orchards. All orchards are managed by post-harvest provider Seeka Kiwifruit Industries Limited, and all kiwifruit is sold to Zespri under a supply agreement. All income from trays of kiwifruit are net of the point of sale and cool store costs.

Kiwifruit income this year has been derived from 26.45 canopy hectares (2019: 29.21 hectares).

Kiwifruit income this year includes an upward adjustment of $793,128 in relation to the prior year crop (2020: $932,021 upward adjustment). This was due to a revision during the year in the estimate of income receivable shown in the accounts at 30 June 2020.

Sale of goods – kiwifruit for an amount of $4.7 million is included in the Segment "Investing "as disclosed in note 35.

**Policies**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. For the subsidiary standard credit terms are a month following invoice with any rebate variable component calculated at the client's financial year end. Rebateable sales are eligible for sales volume rebates. When the rebate is accrued, it is accrued as a current liability (rebate payable) based on contracted rates and estimated volumes. For financial reporting purposes rebates are treated as a reduction in profit or loss. Revenue is shown, net of GST, rebates and discounts. Revenue is recognised as follows:

*Provision of services revenues*: are recognised when the related service is performed. If at reporting date, the service is in progress, then the portion performed, determined using the percentage of completion method, is recognised in the current year.

*Rental income:* from property leased under operating leases is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives provided are recognised as an integral part of the total lease income, over the term of the lease.

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

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

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

*Kiwifruit income:* Revenue from the sale of kiwifruit is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer i.e. Zespri. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods. Income at year-end is based on the highly probable income per tray to be received, based on the latest forecast from Zespri. Any revision of the income recognised during the year will be recognised in the income statement.

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

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

*Vested or donated physical assets:* For assets received for no, or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset.

*Sale of goods:* Revenue from the sale of goods is recognised when a product is sold to the customer.

## 7 Other gains/losses

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Gains** | | | | |
| Gain on sale of property, plant and equipment | 440 | 440 | 260 | 260 |
| Realised foreign exchange gains | - | 304 | - | 562 |
| Realised gain on equity investments and associates | - | 6,050 | - | 10,265 |
| Change in fair value of biological assets | - | 179 | - | 112 |
| Change in fair value of investment property | - | - | - | 7,505 |
| Unrealised foreign exchange gain on equity investments | - | 20 | - | 50 |
| Gain on revaluation of Put Option | 400 | - | - | - |
| Asset revenue gain | 577 | 577 | - | - |
| Unrealised gain on equity investments | - | 72,961 | - | 26,296 |
| Gain on fair value of borrower notes | - | - | 7 | 7 |
| Other gains | - | 10 | - | - |
| **Total gains** | **1,416** | **80,540** | **267** | **45,057** |
| **Losses** | | | | |
| Loss on revaluation of investment properties | - | 828 | - | - |
| Realised foreign exchange losses | - | 352 | - | 34 |
| Realised loss on equity investments | - | 2,176 | - | 4,910 |
| Unrealised foreign exchange losses | - | 18 | - | 249 |
| Unrealised loss on equity investments | - | 21,704 | 1,034 | 23,451 |
| Other losses through income statement | - | 2,520 | - | - |
| Loss on sale of fixed assets | 699 | 699 | - | 1,034 |
| **Total losses** | **699** | **28,297** | **1,034** | **29,678** |
| **Net gains/(losses)** | **717** | **52,243** | **(767)** | **15,379** |

**Policies**

*Foreign Currency gains/losses:* Transactions in foreign currencies are translated into the functional currency of Group entities at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

*Gain/loss on equity investments:* Equity securities designated at fair value through profit and loss are revalued to fair value based on quoted market prices at the reporting date. Gains and losses on individual equities securities are shown separately in the income statement and are not netted off.

## 8 Employee benefit expenses

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Salaries and wages | 41,549 | 84,712 | 37,766 | 77,010 |
| Superannuation | 1,282 | 2,839 | 1,158 | 2,612 |
| Other employee related expenses | 3,346 | 4,124 | 2,570 | 3,196 |
| | **46,177** | **91,675** | **41,494** | **82,818** |

## 9 Trading and other expenses

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Fees to auditors | | | | |
| *Audit fees for the audit and review of the financial statements:* | | | | |
| -Audit New Zealand - audit fees paid to principal auditor (Council and Quayside Group) financial statements | 146 | 291 | 134 | 276 |
| -Audit NZ - audit fees for other Quayside group entities | - | 2 | - | 2 |
| -KPMG - audit fees paid for other Quayside group entities | - | 12 | - | 18 |
| - KPMG - audit fees paid to principal auditor of the Port of Tauranga Group | - | 294 | - | 201 |
| -fees to Audit New Zealand for audit of Council LTP | 85 | 85 | - | - |
| -fees to Audit New Zealand for audit of Council Debenture Trust Deed | 6 | 6 | 6 | 6 |
| *Fees paid for other services provided by the principal auditor of the Port of Tauranga Group:* | | | | |
| -KPMG - Treasury function review | - | - | - | - |
| -KPMG - Data analytics review of GST and fixed assets | - | - | - | 13 |
| -KPMG - Hedge accounting policy review | - | - | - | - |
| Bad debts written-off | 99 | 99 | 42 | 42 |
| Consultation fees | 5,119 | 5,119 | 4,996 | 4,996 |
| Contracted services for port operations | - | 69,143 | - | 61,363 |
| Contract work | 46,924 | 46,924 | 40,454 | 40,454 |
| Direct fuel and power expenses | 601 | 12,146 | 634 | 10,829 |
| Directors' fees | - | 454 | - | 1,146 |
| Grants, contributions and sponsorships | 8,983 | 8,983 | 11,693 | 11,693 |
| Impairment of property, plant and equipment on revaluation | - | - | 4,555 | 4,555 |
| Net revaluation loss through income statement | - | - | 2,752 | 2,752 |
| Insurance | 1,392 | 1,392 | 1,410 | 1,410 |
| Legal fees | 1,548 | 1,548 | 1,941 | 1,941 |
| Maintenance costs | 3,317 | 18,950 | 1,776 | 13,319 |
| Operating lease payments | 526 | 526 | 1,019 | 1,019 |
| Operational materials | 2,979 | 2,979 | 2,576 | 2,576 |
| Orchard expenses | - | 1,386 | - | 1,392 |
| Other expenses | 11,070 | 39,548 | 10,809 | 30,484 |
| Professional development | 939 | 939 | 897 | 897 |
| Rates | 198 | 198 | 193 | 193 |
| Valuation costs | 169 | 169 | 273 | 273 |
| **Total trading and other expenses** | **84,102** | **211,194** | **86,161** | **191,850** |

The total value of all assets that are covered by insurance contracts, are $147 million and the maximum amount to which they are insured is unknown, as it depends on market value and/or replacement value as well as the inflation at the time of loss; and

The total value of all assets that are covered by financial risk sharing arrangements are $475 million and the maximum amount available to the local authority under those arrangements is $60 million; and the total value of all assets that are self-insured is zero and there is a no fund maintained for that purpose.

### Policies

*Grant expenditure*

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant.

## 10 Taxation

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Profit/(loss) before income tax for the period | **7,366** | **166,271** | **39** | **102,525** |
| Income tax on the surplus/(deficit) for the period at 28% | 2,062 | 54,344 | 11 | 38,970 |
| *Tax effect of amounts which are non deductible / (taxable) in calculating taxable income:* | | | | |
| Non-taxable income | 10,810 | 10,810 | 12,472 | 12,472 |
| Fair value (loss)/gain through profit and loss | - | (14,412) | - | (3,603) |
| Exempt dividends (Wholly owned group) | - | (12,773) | | |
| Foreign dividend regime | - | 672 | - | 453 |
| Tax effect on change to depreciation rate for buildings | | | | (3,851) |
| Impairment of investment in equity accounted investees | - | 758 | | 1,956 |
| Share of equity accounted investees after tax income, excluding CODA Group limited partnership | - | (4,267) | - | (2,627) |
| Dividend imputation credits/other tax credits | (12,872) | 166 | (12,483) | (13,265) |
| PIE attributed (income)/loss | - | (1,443) | | |
| Other attributed income/(loss) | - | (163) | - | (647) |
| Group loss offset election | - | (596) | | (567) |
| Tax losses utilised | | | - | - |
| Tax losses unutilised | | 3,904 | | (4,062) |
| Prior period adjustment | - | (66) | | 516 |
| Temporary differences | - | - | - | - |
| Loss on disposal of Equity Accounted Investees | - | 207 | | |
| Other | - | (607) | - | 165 |
| Taxable income attributed to unit holders | | | | |
| **Income tax expense** | **-** | **36,534** | **-** | **25,910** |

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| The income tax is represented by: | | | | |
| *Current tax expense* | | | | |
| Tax payable in respect of the current period | - | 40,881 | - | 33,200 |
| Adjustment for prior period | - | 630 | - | 653 |
| Total current tax expense | - | **41,511** | - | **33,853** |
| *Deferred tax expense* | | | | |
| Origination/reversal of temporary differences | - | (4,433) | - | (3,974) |
| Tax effect on change to depreciation rate for buildings | - | - | - | (3,851) |
| Adjustment for prior period | - | (544) | - | (118) |
| Total deferred tax expense | - | **(4,977)** | - | **(7,943)** |
| **Income tax expense** | - | **36,534** | - | **25,910** |

| **Subsidiary** | Group 2020/21 $000 | Group 2019/20 $000 |
|---|---|---|
| **Income tax recognised in other comprehensive revenue and expense:** | | |
| Revaluation of property, plant and equipment | 17,935 | 5,713 |
| Revaluation of intangibles | 35 | 266 |
| Cashflow hedges | 4,091 | (2,028) |
| **Total** | **22,061** | **3,951** |

| **Imputation credit account - Subsidiary** | Group 2020/21 $000 | Group 2019/20 $000 |
|---|---|---|
| *Quayside Holdings Limited* | | |
| Imputation credits available for use in subsequent periods | **118,040** | **104,471** |

Council is expecting to transfer tax losses of $2.9 million to Quayside Properties Limited by loss offset of $2.1 million and subvention payment of $0.8 million.

**Policies**

Income tax expense includes components relating to current tax and deferred tax. Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or equity.

## 11 Cash and cash equivalents

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Cash at bank and in hand | 41,112 | 83,591 | 18,156 | 91,677 |
| Term deposits with maturities less than 3 months | - | - | 15,000 | 15,000 |
| **Total cash and cash equivalents** | **41,112** | **83,591** | **33,156** | **106,677** |

While cash and cash equivalents at 30 June 2021 are subject to the expected credit loss requirements of IFRS 9, no loss allowance has been recognised because the estimated loss allowance for the credit losses is trivial (30 June 2020: nil).

**Prior year classification disclosure error:**

In the prior year, $6.4 million of the cash balances was incorrectly disclosed as cash rather than current financial asset. The cash was held in relation to a performance bond, restricted for council use and invested in term deposits greater than 90 days at 30 June 2020. The 2019/20 comparatives have been changed to correctly classify the balance.

The tables below illustrate the impact on the Financial Statements and the relevant Notes:

*Statement of Financial Position*

| | Note | Council 2019/20 Annual Report $000 | Group 2019/20 Annual Report $000 | Adjustment $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 11 | 39,522 | 113,043 | (6,367) | 33,155 | 106,676 |
| Other financial assets-current | 15 | 110,000 | 110,000 | 6,367 | 116,367 | 116,367 |
| **Total current assets** | | **173,669** | **308,213** | **-** | **173,669** | **308,213** |

*Statement of Cash Flows*

| | Note | Council 2019/20 Annual Report $000 | Group 2019/20 Annual Report $000 | Adjustment $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|---|
| **Cash flows from investing activities** | | | | | | |
| Purchase of investments/financial assets | | (205,000) | (301,192) | (6,367) | (211,367) | (307,559) |
| **Net cash from investing activities** | | **(163,323)** | **(209,570)** | **(6,367)** | **(169,690)** | **(215,937)** |
| Net increase/(decrease) in cash, cash equivalents and bank overdrafts | | (98,590) | (92,055) | (6,367) | (104,957) | (98,422) |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | | 138,110 | 205,098 | - | 138,110 | 205,098 |
| **Cash, cash equivalents and bank overdrafts at the end of the year** | 11 | **39,522** | **113,043** | **(6,367)** | **33,155** | **106,676** |

*Note 11*

| | Council 2019/20 Annual Report | Group 2019/20 Annual Report | Adjustment | Council 2019/20 Restated | Group 2019/20 Restated |
|---|---|---|---|---|---|
| | $000 | $000 | $000 | $000 | $000 |
| Cash as bank and in hand | 24,522 | 98,043 | (6,367) | 18,155 | 91,676 |
| **Total cash and cash equivalents** | **39,522** | **113,043** | **(6,367)** | **33,155** | **106,676** |

*Note 15*

| | Council 2019/20 Annual Report | Adjustment | Council 2019/20 Restated |
|---|---|---|---|
| | $000 | $000 | $000 |
| **Current** | | | |
| Term deposits | 110,000 | 6,367 | 116,367 |
| **Total current portion** | **110,000** | **6,367** | **116,367** |

### Policies

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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

## 12 Trade and other receivables (current)

| | Council 2020/21 | Group 2020/21 | Council 2019/20 | Group 2019/20 |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| Rates receivables | 8,860 | 8,860 | 9,262 | 9,262 |
| Trade receivables | 6,448 | 64,040 | 4,002 | 47,107 |
| Kiwifruit income receivable | - | 3,177 | - | 3,242 |
| Trade receivables from equity accounted investees, subsidiaries and related parties | - | 312 | - | 234 |
| Advances to equity accounted investees | - | 1,400 | - | 9,810 |
| Taxation receivable | - | - | - | - |
| Prepayments and sundry receivables | 10,185 | 15,957 | 11,044 | 13,992 |
| | **25,493** | **93,746** | **24,308** | **83,647** |
| Less provision for impairment trade and rates receivables | (507) | (507) | (408) | (408) |
| Less provision for expected credit losses - trade receivables | - | - | - | (201) |
| Less provision for expected credit losses - advances to equity accounted investees | - | (265) | - | (481) |
| **Total current trade and other receivables** | **24,986** | **92,974** | **23,900** | **82,557** |

| | Council 2020/21 | Council 2019/20 |
|---|---|---|
| | $000 | $000 |
| Total current receivables comprise: | | |
| Receivables from non-exchange transactions - this includes outstanding amounts for rates (excluding clean heat rates), grants, trade debtors, GST and other receivables | 12,683 | 14,839 |
| Receivables from exchange transactions - this includes outstanding amounts for the sale of goods and services and clean heat rates | 12,303 | 9,061 |
| **Total current receivables** | **24,986** | **23,900** |

The ageing of trade receivables at reporting date was:

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Not past due | 6,115 | 50,400 | 3,693 | 33,896 |
| Past due but not impaired 0 - 30 days | 55 | 10,627 | 54 | 11,496 |
| Past due but not impaired 30 - 60 days | 18 | 2,058 | 19 | 1,097 |
| Past due but not impaired 60 - 90 days | 21 | 522 | 24 | 116 |
| More than 90 days | 239 | 433 | 212 | 504 |
| | **6,448** | **64,040** | **4,002** | **47,109** |

## Write-offs

The Chief Executive approved the write-off of rates receivable during the year under the LG(R)A 2002 as follows:

- Section 90A: $Nil (2020: Nil)
- Sections 90B: $Nil (2020: Nil)

## Impairment

The Council provides for impairment on rates receivable and also has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

All receivables greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history, debt write-offs and future expected losses.

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

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

There has been no indication of a change in customer payment behaviour, compared with pre-COVID-19 behaviour. On that basis, the following table details loss allowance for trade receivables:

| Council 2020/21 | Expected loss rate (default rate) | Trade Receivables as at 30 June 2021 | Loss allowance on trade receivables |
|---|---|---|---|
| **Aging** | % | $000 | $000 |
| Current | 1.17% | 6,115 | 72 |
| 30 -60 days | 61.35% | 55 | 33 |
| 60 - 90 days | 79.47% | 18 | 14 |
| 90 + days | 93.15% | 21 | 20 |
| 180+ days | 14.22% | 239 | 34 |
| | | 6,448 | 173 |

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

| Subsidiary 2020/21 | Expected loss rate (default rate) | Trade Receivables as at 30 June 2021 | Loss allowance on trade receivables |
|---|---|---|---|
| **Aging** | % | $000 | $000 |
| Current | 0.00% | 45,304 | 0 |
| 30 -60 days | 0.00% | 10,572 | 0 |
| 60-90 Days | 0.00% | 2,040 | 0 |
| 90+ Days | 0.00% | 695 | 0 |
| | | **58,610** | - |

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

| | Council 2020/21 | Group 2020/21 | Council 2019/20 | Group 2019/20 |
|---|---|---|---|---|
| | $000 | $000 | $000 | $000 |
| At 1 July | 408 | 408 | 1,161 | 1,161 |
| Additional provisions made during the year | 507 | 507 | 408 | 408 |
| Provisions reversed during the year | (408) | (408) | (1,161) | (1,161) |
| **At 30 June** | **507** | **507** | **408** | **408** |

### Judgements

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

### Advances to equity accounted investees

The Parent and Group makes advances to its Equity Accounted Investees for short term funding purposes. These advances are repayable on demand and interest rates charged on these advances are varied.

### Kiwifruit income receivable

The kiwifruit income receivable is based on a forecast of proceeds to be received from Zespri on the harvest of the 2020 crop. This is based on the actual number of trays supplied to Zespri and latest forecast information from Zespri on the revenue per tray expected to be received. Revisions of income receivable during the year are recorded against profit and loss.

### Fair values

The nominal value less impairment provision of trade receivables are assumed to approximate their fair values due to their short term nature.

### Policies

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

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

Receivables with a short duration are not discounted.

Rates are "written-off":

- when remitted in accordance with the Council's rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other short term receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation.

## 13 Inventories

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Inventory of parts and consumables | 230 | 1,239 | 247 | 1,708 |
| Kiwifruit stock on hand | - | - | - | - |
| | **230** | **1,239** | **247** | **1,708** |

There were no inventories written off or pledged as security for liabilities during the year (2020: nil).

**Policies**

Inventories held for distribution or consumption in the provision of services that are not supplied on a commercial basis are measured at cost (using the first in–first out method) adjusted, where applicable for any loss in service potential. Where inventory is acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the provision of goods and services on a commercial basis are valued at the lower of cost (using the first in-first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of purchased inventory is determined using the first in–first out method.

The amount of any write down for the loss of service potential or from cost to net realisable value, is recognised in the surplus or deficit in the period of the write-down.

## 14 Trade and other receivables (non-current)

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Prepayments and sundry receivables | - | 16,502 | - | - |
| Rotorua Hot Swap debtors | 1,230 | 1,230 | 1,571 | 1,571 |
| | **1,230** | **17,732** | **1,571** | **1,571** |

| | Council 2020/21 $000 | Council 2019/20 $000 |
|---|---|---|
| Total non-current receivables comprise: | | |
| Receivables from exchange transactions - this includes outstanding amounts for clean heat rates | 1,230 | 1,571 |
| **Total non-current receivables** | **1,230** | **1,571** |

*Rotorua Hot Swap debtors*

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

## 15 Other financial assets (current and non-current)

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|
| **Current** | | | | |
| Term deposits | 71,155 | 71,155 | 116,367 | 116,367 |
| Bond and other fixed rate notes | - | - | - | - |
| Total current portion | **71,155** | **71,155** | **116,367** | **116,367** |
| | | | | |
| **Non-current portion** | | | | |
| *Investment in CCO's and similar entities* | | | | |
| Investment in Quayside Holdings Ltd | 92 | - | 91 | - |
| Investment in TOI Moana Trust | 45,000 | - | 42,248 | - |
| Unlisted shares in NZ LGFA | 7,864 | 7,864 | 6,939 | 6,939 |
| Borrower notes NZ LGFA | 2,848 | 2,848 | 3,062 | 3,062 |
| Loan to Quayside Holdings Ltd* | 49,600 | - | 49,600 | - |
| **Total investment in CCO's and other similar entities** | **105,404** | **10,712** | **101,941** | **10,002** |
| | | | | |
| **Non-current portion** | | | | |
| *Investments in other entities* | | | | |
| Advances to Equity accounted investees | - | 500 | - | 500 |
| Listed assets | - | 247,519 | - | - |
| Unlisted direct equity investments | - | 15,487 | - | - |
| Venture capital managed funds | - | 25,550 | - | - |
| Convertible Notes | - | 4,895 | - | - |
| Other equity investments | 14,500 | 59,743 | - | 243,208 |
| Investment in Civic Financial Services Ltd | 53 | 53 | 51 | 51 |
| **Total investments in other entitles** | **14,553** | **353,747** | **51** | **243,759** |
| | | | | |
| **Total non-current portion** | **119,957** | **364,459** | **101,992** | **253,761** |
| | | | | |
| **Total other financial assets** | **191,112** | **435,614** | **218,358** | **370,127** |

### Other financial assets

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

### Term deposits

Current other financial assets comprise a $14.75 million (2020: $110 million) term deposit held by Council.

### Investment in Quayside Holdings Limited

The investment in Quayside Holdings Limited is measured at cost of $92,000. The fair value of the investment in Quayside Holdings Limited as at 30 June 2021 is $1,769 billion (2020: $1,503 billion, restated).

Refer to the Annual report 2020/21 of Quayside Holdings Limited for more information (www.quaysideholdings.co.nz).

### Investment in Toi Moana Trust

The investment in Toi Moana Trust (established 1 July 2019) is measured at cost less impairment. The initial cost of the investment was $45 million. Council have done a fair value assessment at 30 June 2021, resulting in anrevaluation increase of $4.753 million (2020: $2.752 million impairment loss). This has resulted in the value for Toi Moana Trust as at 30 June 2021 being $47.001 million (2020: $42.248 million).

### Borrower notes

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

### Loans to related parties

*Council*

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

*Subsidiary*

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

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

## Other equity investments

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

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

Quayside Holdings Limited has other equity investments of $41.1 (2020: $20.1m) comprising unlisted direct equity investments and investments in venture capital managed funds. All of the Parent's other equity investments are either audited to a balance date earlier than 30 June 2021 (31 December or 31 March) or are unaudited. The accounting as at 30 June is based on unaudited management accounts. Management accepts the use of management accounts on the basis that these are reviewed by management and changes, if any, between management accounts and audited accounts, would be unlikely to result in a material impact on the carrying value of the investment.

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

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

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

Quayside Holdings Ltd has additional other financial assets of $4.6m. There are represented by convertible notes. The management reviewed the value of the notes and fair valued the instrument. The fair value of the convertible note was assessed considering the specific provisions included in the different agreements.

Where relevant information was available the management assessed the fair value of the convertible notes weighting the probability of conversion for the potential fair value derived from conversion and the probability of non-conversion for the value obtained under this second scenario.

The following tables group equity investments as at 30 June 2021 based on the typology and the valuation techniques and inputs used by the Parent to derive the fair value of these investments:

*Venture capital managed funds*

| Valuation Technique | Audited Information | Fair Value 2021 $000 | Significant inputs |
|---|---|---|---|
| Adjusted share of net assets | 03-31-2021 | 9,690 | 1. Manager audited financial statements<br>2. Management assessment of the unaudited period |
| Adjusted share of net assets | 12-31-2020 | 15,860 | 3. Manager quarterly report |
| **Total venture capital managed funds** | | **25,550** | |

*Unlisted direct equity investments*

| Valuation Method | Audited Information | Fair Value 2021 $000 | Significant inputs |
|---|---|---|---|
| Discounted Cash Flow and Earnings Multiple | 06-30-2020 | 12,947 | 1. Compound annual growth in Revenue and Gross Profit<br>2. Discount Rate<br>3. Terminal value multiple |
| Cost | NA | 2,539 | NA |
| **Total direct equity investments** | | **15,487** | |

### Uncalled capital commitments

Quayside Holdings Limited has an uncalled capital commitments of $30.5 million (2020: $42.8 million) in relation to equity managed fund investments.

### Restrictions and exposure to risks

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

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

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

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

### Classification of financial instruments

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

| | Council | Group | Council | Group |
|---|---|---|---|---|
| | 2020/21 | 2020/21 | 2019/20 | 2019/20 |
| | | | Restated | Restated |
| | $000 | $000 | $000 | $000 |
| **Financial assets at amortised costs** | | | | |
| Term deposits | 85,655 | 85,655 | 116,367 | 116,367 |
| Shares in Quayside Holdings Ltd | 92 | - | 91 | - |
| Investment in TOI Moana Trust | 45,000 | - | 42,248 | - |
| Loan to Quayside Holdings Ltd* | 49,600 | - | 49,600 | - |
| Advances to Equity accounted investees | - | 500 | - | 500 |
| **Total financial assets at amortised costs** | **180,347** | **86,155** | **208,306** | **116,867** |
| **Financial assets at fair value through other comprehensive revenue and expense** | | | | |
| Bond and other fixed rate notes | - | - | - | - |
| Unlisted shares in NZ LGFA Ltd | 7,864 | 7,864 | 6,939 | 6,939 |
| Investment in Civic Financial Services Ltd | 53 | 53 | 51 | 51 |
| **Total investment in CCO's and other similar entities** | **7,917** | **7,917** | **6,990** | **6,990** |
| **Financial assets at fair value through surplus or deficit** | | | | |
| Other equity investments | - | 338,694 | - | 243,208 |
| Borrower notes LGFA | 2,848 | 2,848 | 3,062 | 3,062 |
| **Total financial assets at fair value through surplus or deficit** | **2,848** | **296,298** | **3,062** | **246,270** |
| **Total other financial assets** | **191,112** | **435,614** | **218,358** | **370,127** |

**Policies**

*Term deposits*

The carrying amount of term deposits, floating rate notes and bonds and other fixed rate notes approximates their fair value.

*Bonds and other fixed rate notes*

Bonds and other fixed rate notes are measured at their fair value after initial recognition based on independent valuations from Bancorp Limited. Gains or losses on re-measurement are recognised in equity.

*Investment in subsidiaries*

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

*Unlisted shares*

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

*Borrowers note*

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

*Loans to related parties*

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

*Intercompany loans*

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

*Other equity investments*

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

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

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

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

***Classification of financial instruments***

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

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

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Impairment***

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 (2020:nil).

## 16 Derivative financial instruments

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Foreign exchange derivatives - cash flow hedges | - | 77 | - | - |
| **Total non current assets** | **-** | **77** | **-** | **-** |
| **Total assets** | **-** | **77** | **-** | **-** |
| **Current liabilities** | | | | |
| Interest rate derivatives - cash flow hedges | - | (1,151) | - | - |
| **Total current liabilities** | **-** | **(1,151)** | **-** | **-** |
| **Non-current liabilities** | | | | |
| Interest rate derivatives - cash flow hedges | - | (13,763) | - | 29,359 |
| **Total non current liability portion** | **-** | **(13,763)** | **-** | **29,359** |
| **Total liabilities** | **-** | **(14,914)** | **-** | **29,359** |

**Cash flow hedges**

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the cash flow hedge reserve to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in the income statement. The change in fair value of the cash flow hedge is accounted for as a cost of hedging and recognised in the hedging reserve within equity.

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

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

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

Sources of hedge ineffectiveness are:

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve remains there until the highly probable forecast transaction, upon which the hedging was based, occurs. When the hedged item is a non financial asset, the amount recognised in the hedging reserve is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in the hedging reserve is transferred to the income statement in the same period that the hedged item affects the income statement.

### Fair values

The fair value of derivatives traded in active markets is based on quoted market prices at the reporting date. The fair value of derivatives that are not traded in active markets (for example over-the-counter derivatives) are determined by using market accepted valuation techniques incorporating observable market data about conditions existing at each reporting date.

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

Valuation inputs for valuing derivatives are as follows:

| *Valuation Input* | *Source* |
|---|---|
| Interest rate forward price curve | Published market swap rates. |
| Discount rate for valuing interest rate and foreign exchange derivatives | Published market interest rates as applicable to the remaining life of the instrument adjusted for the credit risk of the counterparty for assets and the credit risk of the group for liabilities. |
| Foreign exchange forward prices | Published spot foreign rates and interest rate differentials. |

All financial instruments held by the group and designated fair value are classified as level 2 under the fair value measurement hierarchy.

### Policies

The Group uses derivative financial instruments to hedge its exposure to foreign exchange, commodity and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

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

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

The Group's hedging policy parameters are:

#### Interest rate derivatives

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

#### Foreign exchange derivatives

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

## 17 Property plant and equipment

| 2021 | Cost / revaluation | Accumulated depreciation and impairment charges | Carrying amount | Current year additions | Current year disposals | Current year adjustments to cost | Current year impairment charges | Current year depreciation | Revaluation surplus | Current year adjustments to depreciation | Depreciation write back on disposals | Depreciation write back on revaluation adjustments | Cost / revaluation | Accumulated depreciation and impairment charges | Net book value amount |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01 July 2020 | 01 July 2020 | 01 July 2020 | | | | | | | | | | 30 June 2021 | 30 June 2021 | 30 June 2021 |
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Bay of Plenty Regional Council** | | | | | | | | | | | | | | | |
| **Operational assets** | | | | | | | | | | | | | | | |
| Land | 6,780 | - | 6,780 | 635 | - | - | - | - | 930 | - | - | - | 8,345 | - | 8,345 |
| Buildings | 28,336 | 1 | 28,336 | 2,957 | - | 215 | - | (406) | 6,550 | (57) | - | 463 | 38,058 | 1 | 38,059 |
| Plant and Equipment | 30,074 | (18,461) | 11,613 | 3,843 | (2,288) | 100 | - | (3,068) | - | (82) | 2,041 | - | 31,729 | (19,571) | 12,158 |
| Maritime | 880 | (145) | 735 | - | (1) | (14) | - | (71) | 466 | 2 | - | 214 | 1,331 | - | 1,331 |
| Works In Progress | 4,389 | - | 4,389 | (2,279) | - | - | - | - | - | - | - | - | 2,110 | - | 2,110 |
| **Infrastructural assets** | | | | | | | | | | | | | | | |
| Flood Protection | | | | | | | | | | | | | | | |
| Kaituna | 80,646 | (350) | 80,296 | 2,284 | - | (8,570) | - | (322) | 1,848 | (32) | - | 321 | 76,209 | (382) | 75,826 |
| Rangitaiki/Tarawera | 112,723 | (281) | 112,442 | 5,347 | (383) | (21) | - | (311) | 3,637 | - | - | 281 | 121,304 | (311) | 120,993 |
| Whakatāne/Tauranga | 81,548 | (274) | 81,275 | 1,730 | (7) | - | - | (272) | 701 | - | - | 274 | 83,971 | (272) | 83,700 |
| Waioeka/Otara | 48,780 | (132) | 48,648 | 215 | - | - | - | (155) | 1,569 | - | - | 132 | 50,564 | (155) | 50,409 |
| Rangitaiki Drainage | 15,864 | (25) | 15,840 | - | - | 21 | - | (34) | 277 | - | - | 25 | 16,162 | (34) | 16,128 |
| Communal Pumping | 5,272 | (3,517) | 1,754 | - | - | - | - | (235) | - | - | - | - | 5,272 | (3,752) | 1,520 |
| Other Structures | 1,060 | - | 1,060 | - | - | - | - | - | - | - | - | - | 1,060 | - | 1,060 |
| WIP Rivers & Drainage | 30,064 | - | 30,064 | 8,641 | - | - | - | - | - | - | - | - | 38,705 | - | 38,705 |
| Lakes Restoration | 10,553 | (1,877) | 8,675 | 2,522 | (639) | (131) | - | (898) | (73) | 85 | 125 | 2,413 | 12,231 | (152) | 12,079 |
| WIP Lakes Restoration | 1,478 | - | 1,478 | (1,479) | - | - | - | - | - | - | - | - | (0) | - | (0) |
| Rivers & Drainage - Non Scheme | 21,256 | - | 21,256 | - | - | (5,800) | - | - | - | - | - | - | 15,456 | - | 15,456 |

| 2021 | Cost / revaluation 01 July 2020 $000 | Accumulated depreciation and impairment charges 01 July 2020 $000 | Carrying amount 01 July 2020 $000 | Current year additions $000 | Current year disposals $000 | Current year adjustments to cost $000 | Current year impairment charges $000 | Current year depreciation $000 | Revaluation surplus $000 | Current year adjustments to depreciation $000 | Depreciation write back on disposals $000 | Depreciation write back on revaluation adjustments $000 | Cost / revaluation 30 June 2021 $000 | Accumulated depreciation and impairment charges 30 June 2021 $000 | Net book value amount 30 June 2021 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Restricted assets** | | | | | | | | | | | | | | | |
| Parks Land | 5,755 | - | 5,755 | - | - | - | - | - | 2,210 | - | - | - | 7,966 | - | 7,966 |
| Parks Buildings | 1,692 | (162) | 1,530 | 54 | - | - | - | (49) | (754) | - | - | 191 | 993 | (20) | 973 |
| Other Restricted Land | 2,764 | - | 2,764 | - | - | (2,764) | - | - | - | - | - | - | - | - | - |
| Flood Protection | 2,344 | (31) | 2,312 | - | - | - | - | (31) | 7 | - | - | 31 | 2,351 | (31) | 2,320 |
| **Other restricted assets** | | | | | | | | | | | | | | | |
| Land | - | - | - | - | - | 2,764 | - | - | - | - | - | - | 2,764 | - | 2,764 |
| Flood Protection | - | - | - | - | - | 8,570 | - | (141) | - | 32 | - | - | 8,570 | (109) | 8,460 |
| **Council property plant and equipment** | **492,257** | **(25,255)** | **467,001** | **24,470** | **(3,319)** | **(5,630)** | **-** | **(5,992)** | **17,369** | **(52)** | **2,166** | **4,346** | **525,150** | **(24,787)** | **500,363** |

| 2021 | Cost / revaluation 01 July 2020 $000 | Accumulated depreciation and impairment charges 01 July 2020 $000 | Carrying amount 01 July 2020 $000 | Current year additions $000 | Current year disposals $000 | Current year adjustments $000 | Current year impairment charges $000 | Current year depreciation $000 | Revaluation surplus $000 | Current year adjustments to depreciation $000 | Depreciation write back on disposals $000 | Depreciation write back on revaluation adjustments $000 | Cost / revaluation 30 June 2021 $000 | Accumulated depreciation and impairment charges 30 June 2021 $000 | Net book value amount 30 June 2021 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Subsidiary** | | | | | | | | | | | | | | | |
| Freehold land | 825,556 | - | 825,556 | 1,660 | - | - | - | - | 103,838 | - | - | - | 931,054 | - | 931,054 |
| Freehold buildings | 137,445 | (54) | 137,391 | 11,197 | - | - | - | (5,643) | - | - | - | - | 148,642 | (5,697) | 142,945 |
| Wharves and hardstanding | 321,065 | (22,726) | 298,339 | 10,678 | - | - | - | (12,086) | 28,688 | - | - | 34,806 | 360,431 | (6) | 360,425 |
| Harbour improvements | 175,751 | (2,809) | 172,942 | 956 | - | - | - | (1,590) | 2,255 | - | - | 4,399 | 178,962 | - | 178,962 |
| Bearer Plants | 7,638 | - | 7,638 | - | (398) | - | - | (487) | 1,821 | - | - | 487 | 9,061 | - | 9,061 |
| Plant and equipment | 247,492 | (106,995) | 140,497 | 10,082 | - | - | (12) | (11,955) | - | - | - | - | 257,574 | (118,962) | 138,612 |
| Capital work in progress | 10,273 | - | 10,273 | - | (3,468) | - | - | - | - | - | - | - | 6,805 | - | 6,805 |
| **Subsidiary property plant and equipment** | **1,725,220** | **(132,586)** | **1,592,636** | **34,573** | **(3,866)** | **-** | **(12)** | **(31,761)** | **136,602** | | **-** | **39,692** | **1,892,529** | **(124,665)** | **1,767,864** |
| Elimination of interest capitalised | (5,379) | - | (5,379) | (89) | - | - | - | - | - | | - | - | (5,468) | - | (5,468) |
| **Total Group property plant and equipment** | **2,212,098** | **(157,841)** | **2,054,258** | **58,954** | **(7,185)** | **(5,630)** | **(12)** | **(37,753)** | **153,971** | **(52)** | **2,166** | **44,038** | **2,412,211** | **(149,452)** | **2,262,759** |

Rivers and Drainage assets were damaged in the April 2017 flood event. This resulted in an impairment being applied against each major river and drainage asset totaling $10.1 million in 2017. The impairment amount is reviewed annually and has reduced accordingly with each annual review. In 2021 the impairment was adjusted down to $500,000, a reduction of $900,000 from 2020 (2020: Impairment was $1.4 million - restated)

The latest valuation for Flood Protection assets was at 1 July 2020 with the estimated replacement cost as below:

| Flood Protection & Control Works | Closing Book Value $000 | Constructed by Council $000 | Transferred to Council $000 | Estimated Replacement Cost $000 |
|---|---|---|---|---|
| as at 30 June 2021 | 354,261 | 7,048 | | 367,387 |
| as at 30 June 2020 | 339,280 | 44,187 | - | 346,136 |

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

| 2020 | Cost / revaluation 01 July 2019 $000 | Accumulated depreciation and impairment charges 01 July 2019 $000 | Carrying amount 01 July 2019 $000 | Current year additions $000 | Current year disposals $000 | Current year adjustments $000 | Current year impairment charges $000 | Current year depreciation $000 | Revaluation surplus $000 | Adjustment to accumulated depreciation $000 | Depreciation write back on disposals $000 | Depreciation write back on revaluation adjustments $000 | Cost / revaluation 30 June 2020 $000 | Accumulated depreciation and impairment charges 30 June 2020 $000 | Net book value amount 30 June 2020 $000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Subsidiary** | | | | | | | | | | | | | | | |
| Freehold land | 803,204 | - | 803,204 | - | - | - | - | - | 22,352 | - | - | - | 825,556 | - | 825,556 |
| Freehold buildings | 114,928 | (4,205) | 110,723 | 5,323 | (145) | 4,687 | - | (4,373) | 12,652 | (96) | 145 | 8,475 | 137,445 | (54) | 137,391 |
| Wharves and hardstanding | 318,812 | (11,147) | 307,665 | 6,940 | - | (4,687) | - | (11,675) | - | 96 | - | - | 321,065 | (22,726) | 298,339 |
| Harbour improvements | 174,467 | (1,291) | 173,176 | 1,284 | - | - | - | (1,518) | - | - | - | - | 175,751 | (2,809) | 172,942 |
| Bearer Plants | 10,876 | - | 10,876 | - | - | - | - | (680) | (3,238) | - | - | 680 | 7,638 | - | 7,638 |
| Plant and equipment | 219,182 | (97,265) | 121,917 | 29,494 | (1,184) | - | - | (10,762) | - | - | 1,032 | - | 247,492 | (106,995) | 140,497 |
| Capital work in progress | 14,656 | - | 14,656 | (4,383) | - | - | - | - | - | - | - | - | 10,273 | - | 10,273 |
| **Subsidiary property plant and equipment** | **1,656,125** | **(113,908)** | **1,542,217** | **38,658** | **(1,329)** | **-** | **-** | **(29,008)** | **31,766** | **-** | **1,177** | **9,155** | **1,725,220** | **(132,584)** | **1,592,636** |
| Elimination of interest capitalised | (4,928) | - | (4,928) | (451) | - | - | - | - | - | - | - | - | (5,379) | - | (5,379) |
| **Total Group property plant and equipment** | **2,099,397** | **(137,222)** | **1,962,176** | **72,725** | **(4,042)** | **2** | **-** | **(34,452)** | **44,017** | **17** | **3,188** | **10,630** | **2,212,100** | **(157,839)** | **2,054,261** |

**Restriction on title**

*Council:*

Restricted assets consist of regional parks and buildings on those parks, and public water pumps. These assets are subject to either restrictions on use, or disposal or both. This includes restrictions from legislation (such as land declared as a reserve under the Reserves Act 1977) or other restrictions.

**Security**

*Council:*

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

*Subsidiary:*

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

**Occupation of foreshore**

*Subsidiary:*

Port of Tauranga Limited holds consent to occupy areas of the Coastal Marine Area to enable the management and operation of port related commercial undertakings that it acquired under the Port Companies Act 1988. The consented area includes a 10 metre radius around navigation aids and a strip from 30 to 60 metres wide along the extent of the wharf areas at both Sulphur Point and Mount Maunganui.

**Capital Commitments**

*Council:*

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $4.7 million (2020: $1.7 million).

*Subsidiary:*

The estimated capital expenditure for property, plant and equipment contracted for at balance date but not provided for is $29.4 million (2020: $7.0 million).

On 28 September 2020, the Port of Tauranga formed a 50:50 joint venture named Ruakura Inland Port LP with Tainui Group Holdings Limited.

The new joint venture will take an initial 50 year ground lease to establish an inland port in Ruakura, and plans to start operations within two years.

The Port of Tauranga has committed capital of $25.000 million to fund the development of the inland port and as at 30 June 2021 nothing has been provided for.

In addition, if the development costs exceed the initial $25.000 million capital commitment, construction contingency funding of up to $2.500 million must be provided to the joint venture.

**Judgements**

*Fair values:*

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

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

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

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

Wharves and hardstanding, and harbour improvements have been revalued as at 30 June 2021. The group also adjusted the carrying value of land based on a desktop valuation. At 30 June 2021, the assessment is that there is no material change compared with carrying value in the fair value of buildings.

The fair value measurement been categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs).

*Bearer plants*

Fair value of the bearer plants (kiwifruit vines) has been determined by independent registered valuation at 30 June 2021 undertaken by Telfer Young. The fair value measurement has been categorised as a level 2 fair value based on the inputs to the valuation technique. Fair value has been determined with reference to comparative orchard sales in the region, taking in to account the quality of the orchard, potential production and orchard gate return.

***Valuations***

***Council***

*Land*

The most recent valuation of operational land was performed by an independent registered valuer, Michael Reay, of Telfer Young. The valuation was effective as at 30 June 2021.

Land is valued at fair value using market-based evidence based on its highest and best use with reference to comparable land values.

Land - Restricted

Onekawa Regional park was revalued on 30 June 2021 by Miles Mander, of Telfer Young.

Pāpāmoa Hills Regional park was revalued on 17 May 2021 by Mark Passey of Telfer Young.

*Buildings*

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

The most recent valuation of operational buildings was performed by independent registered valuers, Grant Utteridge and Michael Reay, of Telfer Young. The valuation was effective as at 30 June 2021.

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

The risk associated with Covid-19 is considered to have a relatively low to moderate impact on the value of Council buildings.

*Maritime assets*

The most recent valuation of Maritime assets was performed by Deputy Harbourmaster of the Council to Optimised Depreciated Replacement Cost (ODRC) in accordance with Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS 17) and peer reviewed by Beca Projects NZ Limited (BECA). The valuation was effective as at 30 April 2021.

*Infrastructure assets*

Infrastructure assets consist of flood protection and lakes.

The most recent valuation for lakes was carried out as at 30 June 2021 by Peter Todd, of RS Valuation Limited.

Flood protection assets were revalued on 1 July 2020 by engineers of the Council to Optimised Depreciated Replacement Cost (ODRC) in accordance with Public Benefit Entity International Public Sector Accounting Standard 17 Property, Plant and Equipment (PBE IPSAS17), and Property Institute of New Zealand standards with peer review from Opus International Consultants Limited.

Infrastructure assets are valued using the optimised replacement cost method.

Key assumptions in the flood protection valuation include:

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

*Restricted assets*

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

***Subsidary:***

*Land valuation*

The sample valuation of land assets was carried out by Colliers International New Zealand Limited. The valuation increased the carrying amount of land by $103.8 million.

Land assets are valued using the direct sales comparison approach which analyses direct sales of comparable properties on the basis of the sale price per square metre which are then adjusted to reflect stronger and weaker fundamentals relative to the subject properties.

For sample valuation, the group selected three land titles which strongly reflect the characteristics of the total land holding. Valuations are performed on these titles to determine an index movement which is applied to the total carrying value of land. The work performed is less than that which would be undertaken at the full revaluation cycle.

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

| Asset valuation method | Key valuation assumptions | Hectares | 2021 Range of significant assumptions | 2021 Weighted average | 2020 Range of significant assumptions | 2020 Weighted average |
|---|---|---|---|---|---|---|
| Direct sales comparison | Tauranga (Sulphur Point) / Mount Maunganui - wharf and industrial land per square metre | 181.7 | $404 - $1,044 | $468 | $360 - $930 | $417 |
| | Auckland land - land adjacent to MetroPort Auckland per square metre | 6.8 | $842 - $936 | $873 | $720 - $800 | $746 |
| | Rolleston land - MetroPort Christchurch per square metre | 15 | $124 | $124 | $110 | $110 |

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

*Building valuations*

The valuation of buildings was carried out by Colliers International New Zealand Limited as at 30 June 2020. The majority of assets are valued on a combined land and building basis using a Capitalised Income Model with either contract income or market income. A small number of specialised assets, such as gatehouses and toilet blocks, are valued on a Depreciated Replacement Cost basis due to their specialised nature and the lack of existing market.

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

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

At 30 June 2021, the Group assessed the movement in capitalisation rates and rental incomes over the preceding 12 months. It was determined that the movements were not large enough to warrant a revaluation of buildings.

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

| Asset valuation method | Key valuation assumptions | 2021 Range of significant assumptions | 2021 Weighted average | 2020 Range of significant assumptions | 2020 Weighted average |
|---|---|---|---|---|---|
| Capitalised income model | Market capitalisation rate | 4.50% - 8.00% | 5.33% | 4.50% - 8.00% | 5.33% |

*Wharves and hardstanding, and harbour improvements*

The valuation of wharves and hardstanding, and harbour improvements assets was carried out by WSP New Zealand Limited. The valuation increased the carrying amount of wharves and hardstanding, and harbour improvements by $70.148 million.

Wharves and hardstanding, and harbour improvements assets are classified as specialised assets and have accordingly been valued on a Depreciated Replacement Cost basis. The significant assumptions applied in the valuation of these assets are:

- Replacement Unit Costs of Construction Rates – Cost Rates are Calculated Taking into Account
- The Port of Tauranga Limited's historic cost data, including any recent competitively tendered construction works.
- Published cost information.
- The WSP New Zealand Limited construction cost database.
- Long run price trends.
- Historic costs adjusted for changes in price levels.
- An allowance is included for costs directly attributable to bringing assets into working condition, management costs and the financing cost of capital held over construction period.
- Depreciation – the Calculated Remaining Lives of Assets Were Reviewed, Taking Into Account:
- Observed and reported condition, performance and utilisation of the asset.
- Expected changes in technology.
- Consideration of current use, age and operational demand.
- Discussions with the Port of Tauranga Limited's operational officers.
- WSP Consultants' in-house experience from other infrastructure valuations.
- Residual values.

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

| Asset valuation method | Key valuation assumptions | 2020 | | 2019 | |
|---|---|---|---|---|---|
| | | Range of significant assumptions | Weighted average | Range of significant assumptions | Weighted average |
| Depreciated replacement cost basis | Whart construction replacement unit cost rates per square metre - high performance wharves | $107,000 - $220,000 | $181,170 | $92,000 - $215,000 | $135,468 |
| | Earthworks construction replacement unit cost rates per square metre | $7.5 | $7.5 | $9 | $9 |
| | Basecourse construction replacement unit cost rates per square metre | $21 - $42 | $34 | $20 - $40 | $31 |
| | Asphalt construction replacement unit cost rates per square metre | $27 - $55 | $44 | $23 - $50 | $44 |
| | Capital dredging replacement unit cost rates per square metre | $4 - $77 | - | $4 - $75 | - |
| | Depreciation method | Straight line basis | Not applicable | Straight line basis | Not applicable |
| | Channel assets (capital dredging) useful life | Indefinite | Not applicable | Indefinite | Not applicable |
| | Pavement - remaining useful lives | 2-38 years | 15 years | 2-32 years | 16 years |
| | Wharves remaining useful lives | 0-62 years | 21 years | 0-65 years | 22 years |

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

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

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

| | | Fair value measurement sensitivity to significant | |
|---|---|---|---|
| | | Increase in input | Decrease in input |
| **Unobservable inputs within the direct sales comparison approach for land** | | | |
| Rate per square metre | The rate per square metre assessed from recently sold properties of a similar nature | Increase | Decrease |
| **Unobservable inputs within the income capitalisation approach for buildings** | | | |
| Market rent | The valuer's assessment of the net market income attributable to the proeprty | Increase | Decrease |
| Market capitalisation rate | The rate of return, determined through analysis of comparable market related sales transactions, that is applied to a market rent to assess a property's value | Decrease | Increase |
| **Unobservable inputs within depreciated replacement cost analysis for buildings, wharves and hardstanding, and harbour improvements** | | | |
| Unit costs of construction | The cost of constructing various asset types based on a variety of sources | Increase | Decrease |
| Remaining useful lives | The remaining useful life on an asset | Increase | Decrease |

**Policies**

The Group has the following classes of property, plant and equipment:

- *Operational assets* – These include land, buildings, plant and equipment, maritime assets and motor vehicles
- *Restricted assets* – Restricted assets are regional parks owned by Bay of Plenty Regional Council, which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions
- *Infrastructure assets* – Infrastructure assets are rivers and drainage networks and Rotorua lakes' structures managed by Bay of Plenty Regional Council. Each class includes all items that are required for it to function, such as stopbanks, flood gates and drainage networks and structures
- *Harbour improvements*
- *Wharves and hardstanding*
- *Bearer plants*

***Initial recognition and subsequent measurement***

Property, plant and equipment is initially measured at cost, and subsequently stated at either fair value or cost, less depreciation and any impairment losses. Subsequent expenditure that increases the economic benefits derived from the asset is capitalised. After initial recognition, certain classes of property, plant and equipment are revalued. Work in progress is recognised at cost less impairment, if any, and is not depreciated.

***Revaluation***

Land, buildings, rivers and drainage, maritime, restricted assets, harbour improvements, and wharves and hardstanding are measured at fair value, based upon periodic valuations by external independent valuers. The Group undertakes a three yearly revaluation cycle to ensure the carrying value of these assets do not differ materially from their fair value. If during the three year revaluation cycle there are indicators that fair value of a particular asset class may differ materially from its carrying value, an interim revaluation of that asset class is undertaken.

Bearer plants are accounted for using the revaluation method and are revalued annually. The revaluation method requires a revaluation to fair value. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

Any increase in carrying value from revaluation shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. If an asset's carrying amount is decreased as a result of revaluation, the decrease shall be recognised in profit or loss unless there is a credit balance existing in the revaluation reserve in respect of that asset – in which case the reserve should be offset first.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

***Additions***

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

***Disposals***

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

***Depreciation***

Depreciation of property, plant and equipment, other than freehold land and capital dredging (included within harbour improvements), is calculated on a straight line basis and expensed over their estimated useful lives.

Major useful lives are:

Council:

| Class | Useful Life | Depreciation Rate |
|---|---|---|
| Buildings | 5 to 100 years | 1% - 20% |
| Plant and equipment | 2 to 50 years | 2% - 50% |
| *Infrastructural assets:* | | |
| Concrete wall | 50 years | 2% |
| Culvert | 50 years | 2% |
| Concrete structures | 70 years | 1.43% |
| Other structures | 40 years | 2.50% |
| Pump station | 70 years | 1.43% |
| Pump components | various | various |
| Waterways | N/A | 0% |
| Edge protection | N/A | 0% |
| Buffer zone plantings | N/A | 0% |
| Fencing | N/A | 0% |
| Stopbanks | see below | 0.30% |

The stopbanks are maintained to convey their design flood carrying capacity. However, settlement of 50 percent of the freeboard will be allowed before stopbank reconstruction is undertaken. Stopbank reconstruction will be required on average every 20 years. To account for this, a depreciation rate of 0.3 percent is used, in this instance, after 20 years, the stopbanks will have lost six percent of their value.

Subsidiary:

| Class | Useful Life | Depreciation Rate |
|---|---|---|
| Bearer plants | 20 years | 5% |
| Freehold buildings | 33 to 85 years | 1% - 3% |
| Maintenance dredging | 3 years | 33.33% |
| *Wharves and hardstanding:* | | |
| Wharves | 44 to 70 years | 1.43% to 2.27% |
| Basecourse | 50 years | 2% |
| Asphalt | 15 years | 6.67% |
| *Plant and equipment* | | |
| Gantry cranes | 10 to 40 years | 2.5% to 10% |
| Floating plant | 10 to 25 years | 4% to 10% |
| Other plant and equipment | 5 to 25 years | 4% to 20% |
| Electronic equipment | 3 to 5 years | 20% to 33.33% |

Capital and maintenance dredging are held as harbour improvements. Capital dredging has an indefinite useful life and is not depreciated as the channel is maintained via maintenance dredging to its original depth and contours. Maintenance dredging is depreciated over three years.

Work in progress relates to self constructed assets or assets that are being acquired which are under construction at balance date. Once the asset is fit for intended service, it is transferred to the appropriate asset class and depreciation commences. Software developed undertaken as part of a project is transferred to intangibles on completion.

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefit. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being disposed or derecognised is transferred to retained earnings.

***Impairment of property, plant, and equipment***

Property, plant, and equipment that have a finite useful life are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

*Value in use for non-cash-generating assets:*

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

*Value in use for cash-generating assets:*

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

## 18 Intangible assets

| 2021 | Cost | Accumulated amortisation and impairment charges | Carrying amount | Additions | Disposals | Adjustments | Amortisation charges | Current year amortisation adjustments | Revaluation surplus | Impairment charges | Current year disposals | Depn write back on revaluation adjustments | Cost / revaluation | Accumulated amortisation and impairment charges | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01 July 2020 | 01 July 2020 | 01 July 2020 | Current Year | | | | | | | | | 30 June 2021 | 30 June 2021 | 30 June 2021 |
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Bay of Plenty Regional Council** | | | | | | | | | | | | | | | |
| **Intangible assets** | | | | | | | | | | | | | | | |
| Computer Software | 13,566 | (8,361) | 5,205 | 3,799 | - | 20 | (1,475) | (20) | - | - | - | - | 17,384 | (9,856) | 7,527 |
| Work in Progress | 1,375 | - | 1,375 | 542 | - | (1,369) | - | - | - | - | - | - | 548 | - | 548 |
| **Council intangible assets** | **14,941** | **(8,361)** | **6,580** | **4,340** | **-** | **(1,349)** | **(1,475)** | **(20)** | **-** | **-** | **-** | **-** | **17,932** | **(9,856)** | **8,076** |
| **Subsidiary intangible assets** | | | | | | | | | | | | | | | |
| Computer Software | 5,227 | (2,655) | 2,572 | 339 | (285) | - | (544) | - | - | - | 55 | - | 5,281 | (3,144) | 2,137 |
| Rail Services Agreement | 10,567 | (9,650) | 917 | 3,604 | (10,000) | - | (878) | - | - | - | 10,000 | - | 4,171 | (528) | 3,643 |
| Goodwill | 15,490 | - | 15,490 | 2,930 | - | - | - | - | - | - | - | - | 18,420 | - | 18,420 |
| Kiwifruit Licence | 3,315 | - | 3,315 | - | (1,104) | - | (130) | - | 829 | - | - | 130 | 3,040 | - | 3,040 |
| **Subsidiary intangible assets** | **34,599** | **(12,305)** | **22,294** | **6,873** | **(11,389)** | **-** | **(1,552)** | **-** | **829** | **-** | **10,055** | **130** | **30,912** | **(3,672)** | **27,240** |
| **Group intangible assets** | | | | | | | | | | | | | | | |
| Computer Software | 18,793 | (11,016) | 7,777 | 4,138 | (285) | 20 | (2,019) | (20) | - | - | 55 | - | 22,665 | (13,000) | 9,664 |
| Rail Services Agreement | 10,567 | (9,650) | 917 | 3,604 | (10,000) | - | (878) | - | - | - | 10,000 | - | 4,171 | (528) | 3,643 |
| Goodwill | 15,490 | - | 15,490 | 2,930 | - | - | - | - | - | - | - | - | 18,420 | - | 18,420 |
| Kiwifruit Licence | 3,315 | - | 3,315 | - | (1,104) | - | (130) | - | 829 | - | - | 130 | 3,040 | - | 3,040 |
| Work in Progress | 1,375 | - | 1,375 | 542 | - | (1,369) | - | - | - | - | - | - | 548 | - | 548 |
| **Group intangible assets** | **49,540** | **(20,666)** | **28,874** | **11,213** | **(11,389)** | **(1,349)** | **(3,027)** | **(20)** | **829** | **-** | **10,055** | **130** | **48,844** | **(13,528)** | **35,315** |

| 2020 | Cost | Accumulated amortisation and impairment charges | Carrying amount | Additions | Disposals | Adjustments | Amortisation charges | Current year depreciation | Revaluation surplus | Impairment charges | Current year disposals | Depn write back on revaluation adjustments | Cost / revaluation | Accumulated amortisation and impairment charges | Net book value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01 July 2019 | 01 July 2019 | 01 July 2019 | | | | Current Year | | | | | | 30 June 2020 | 30 June 2020 | 30 June 2020 |
| | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 | $000 |
| **Bay of Plenty Regional Council** | | | | | | | | | | | | | | | |
| **Intangible assets** | | | | | | | | | | | | | | | |
| Computer Software | 13,075 | (7,366) | 5,709 | 689 | (179) | (20) | (1,174) | - | - | - | 179 | - | 13,566 | (8,361) | 5,205 |
| Work in Progress | 451 | - | 451 | 961 | - | (37) | - | - | - | - | - | - | 1,375 | - | 1,375 |
| **Council Intangible Assets** | **13,525** | **(7,366)** | **6,159** | **650** | **(179)** | **(57)** | **(1,174)** | **-** | **-** | **-** | **179** | **-** | **14,941** | **(8,361)** | **6,580** |
| **Subsidiary intangible assets** | | | | | | | | | | | | | | | |
| Computer Software | 4,640 | (2,158) | 2,482 | 587 | - | - | (497) | - | - | - | - | - | 5,227 | (2,655) | 2,572 |
| Rail Services Agreement | 10,567 | (9,511) | 1,056 | - | - | - | (139) | - | - | - | - | - | 10,567 | (9,650) | 917 |
| Goodwill | 15,490 | - | 15,490 | - | - | - | - | - | - | - | - | - | 15,490 | - | 15,490 |
| Kiwifruit Licence | 2,487 | - | 2,487 | - | - | - | (123) | - | 828 | - | - | 123 | 3,315 | - | 3,315 |
| **Subsidiary Intangible Assets** | **33,184** | **(11,669)** | **21,515** | **587** | **-** | **-** | **(759)** | **-** | **828** | **-** | **-** | **123** | **34,599** | **(12,305)** | **22,294** |
| **Group intangible assets** | | | | | | | | | | | | | | | |
| Computer Software | 17,715 | (9,524) | 8,191 | 1,276 | (179) | (19) | (1,671) | - | - | - | 179 | | 18,793 | (11,016) | 7,777 |
| Rail Services Agreement | 10,567 | (9,511) | 1,056 | - | - | - | (139) | - | - | - | - | | 10,567 | (9,650) | 917 |
| Goodwill | 15,490 | - | 15,490 | - | - | - | - | - | - | - | - | | 15,490 | - | 15,490 |
| Kiwifruit Licence | 2,487 | - | 2,487 | - | - | - | (123) | - | 828 | - | - | 123 | 3,315 | - | 3,315 |
| Work in Progress | 451 | - | 451 | 961 | - | (37) | - | - | - | - | - | | 1,375 | - | 1,375 |
| **Group Intangible Assets** | **46,710** | **(19,035)** | **27,674** | **2,237** | **(179)** | **(56)** | **(1,933)** | **-** | **828** | **-** | **179** | **123** | **49,540** | **(20,666)** | **28,874** |

| | Group | |
|---|---|---|
| | **2020/21** | **2019/20** |
| **Kiwifruit Licence Revaluation Reserve** | $000 | $000 |
| Opening balance | 2,610 | 1,925 |
| Revaluation reversal | 680 | 685 |
| Revaluation, net of tax | (869) | - |
| Closing balance | **2,421** | **2,610** |

### G3 licences

The G3 licences held are for a total of 5.53 hectares (2020: 8.29 hectares). In October 2021, Somerset G3 license (2.76 hectares) was sold to the associate Huakiwi for $1,104,000, in line with the market value of the license assessed as at 30 June 2021.

A registered valuer at 30 June 2021 determined that the fair value for licences held by the Group was $3,040,000. The current valuation is based on $550,000 per hectare, which was the median G3 licence cost from Zespri's 2021 release of licences. The original cost of the licences is $57,649. There are no restrictions over the title of the intangible assets.  The fair value measurement for these assets is categorised as a level 1 fair value.  The notional carrying amount that would have been recognised, had the licences been carried under the cost model, would be $38,449 (2020: $47,623).

### Judgements

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

Goodwill was tested for impairment at 30 June 2021 and confirmed that no adjustment was required. For impairment testing the calculation of value in use was based upon the following key assumptions:

· Cash flows were projected using management forecasts over the five-year period.

· Terminal cash flows were estimated using a constant growth rate of 2% after year five.

· A pre-tax discount rate of 12% was used.

### Restrictions

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

### Security

No intangible assets are pledges as security for liabilities.

**Policies**

*Software acquisition and development*

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

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

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

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

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

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

*Kiwifruit licences*

Kiwifruit licences are initially measured at cost and are then subsequently revalued each year. Previously kiwifruit licences were not amortised as the useful life of the Plant Variety Rights was undetermined. In September 2016, Zespri issued a statement that Plant Variety Rights had been granted for the Gold3 (G3) variety and that these rights have an expiration date of 6 September 2039. Amortisation has been calculated on the licences from September 2016 based on this licence period.

After initial recognition, licences are carried at a revalued amount, being fair value at the date of revaluation less any subsequent accumulated impairment losses. Increases in the carrying amount arising on revaluation are credited to the revaluation reserve in other comprehensive income. To the extent that the increase reverses a decrease previously recognised in the Income Statement, the increase is recognised in the Income Statement. If the carrying amount is decreased as a result of revaluation, the decrease shall be recognised in the Income Statement unless there is a credit balance existing in the revaluation reserve in respect of that asset – in which case the reserve should be offset first.

*Goodwill*

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. The group measures goodwill as the fair value of consideration transferred, less the fair value of the net identifiable assets and liabilities assumed at acquisition date.

Goodwill is measured at cost less accumulated impairment losses.

*Amortisation:*

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

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

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

*Disposals*

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

*Impairment of intangible assets*

The carrying amounts of the Group's intangibles other than goodwill are reviewed at each reporting date to determine whether there is any objective evidence of impairment. An impairment loss is recognized in surplus or deficit for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Goodwill is tested for impairment annually, based upon the value in use of the cash generating unit to which the goodwill relates. The cash flow projections include specific estimates for five years and a terminal growth rate thereafter.

## 19 Biological assets

This note is for the subsidiary only.

| Forestry | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Balance at 1 July** | - | 502 | - | 390 |
| Additions | - | - | - | - |
| Change in fair value less estimated costs to sell | - | 178 | - | 112 |
| **Balance at 30 June** | **-** | **680** | **-** | **502** |

The forestry block comprises 103.5 hectares of pinus radiata with planted years ranging from 2013 to 2018. The crop has an expected rotation of 26 years, which would yield revenue in the years 2039 to 2044.

Fair value of the forestry block has been determined by independent registered valuation at 30 June 2021. Fair value has been determined by using the income approach (Discounted Cash Flow) by assessing the net present value of estimated future costs and revenues pertaining to the standing tree crop, using a discount rate of 7.5%. The fair value measurement is categorised as a Level 3 fair value based on the inputs for the assets which are not based on observable market data (unobservable inputs). Notable reasons for the increase in the tree crop value in the last 12 months are as a result of higher long-term log price assumptions, based on forecast market conditions and the maturing of the crop.

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

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

2. A notional freehold land rental of NZ$360/ha p.a (2020: $360)

3. A pre-tax implied discount rate of 7.5% p.a (2020: 7.5%), which was derived from the recent market transaction

| Sensitivity of tree crop value to discount rate<br>Tree Crop Value<br>Discount Rate (pre-tax) (NZ$ 000's) | |
|---|---|
| 6.00% | 1,144.00 |
| 6.50% | 981.00 |
| 7.00% | 836.00 |
| **7.50%** | **705.00** |
| 8.00% | 589.00 |
| 8.50% | 485.00 |
| 9.00% | 392.00 |

| Implied discount rates (IDR) on pre-tax cash flows - Analysis Implied Discount Rate | |
|---|---|
| Recent transaction range | 2.5% - 10.8% |
| Average last 6 years | 7.50% |
| Area-weighted average last 6 years | 6.70% |

| Sensitivity of tree crop value to log prices and production costs<br>Discount Rate (pre-tax) (NZ$ 000's) | | | | | |
|---|---|---|---|---|---|
| **(NZ$'000)** | **Log Prices** | | | | |
| Production Costs | -10% | -5% | Base | 5% | 10% |
| +10% | 387 | 505 | 624 | 742 | 860 |
| +5% | 428 | 546 | 664 | 783 | 901 |
| Base | 469 | 587 | 705 | 824 | 942 |
| -5% | 510 | 628 | 746 | 865 | 983 |
| -10% | 551 | 669 | 787 | 906 | 1024 |

*Kiwifruit crop*

Harvesting kiwifruit crop takes place in April to June each year. At 30 June the crop is measured at fair value which is nil (2020: nil). The fair value is deemed to be cost as insufficient biological transformation has occurred.

## 20 Investment properties

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

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Balance at 1 July | - | 54,466 | - | 27,886 |
| Additions - work in progress (at cost) | - | (1,010) | - | 80 |
| Additions - Acquisitions (at cost) | - | 5,185 | - | 18,995 |
| Realised gains on sale | | (905) | - | - |
| Fair value gains on valuation | - | (828) | - | 7,505 |
| **Balance at 30 June** | **-** | **56,908** | **-** | **54,466** |
| Classifed as: | | | | |
| Investment property - Held for sale - Current | - | - | - | 905 |
| Investment property - Non current | - | 56,908 | - | 53,561 |
| | - | **56,908** | - | **54,466** |
| Rental income from investment properties | - | 1,320 | - | 992 |
| Expenses from investment property generating income | - | 175 | - | 170 |

*Description of investment properties*

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

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

*Rangiuru Land classification*

The management run an assessment in order to determine the classification of Rangiuru Land as at 30 June 2021. The decision to classify the land as investment property instead of inventory requires a high degree of judgement from the management.

The Group in 2005 undertook a plan change which changed the land from rural to industrial. There has been no change in designation of the land since this time. In parallel in 2005, the Group obtained a number of long-term consents for the park. All are deemed operative, by virtue of the Tauranga Eastern Link development. Quayside is in the process of seeking a renewed earthworks consent and a minor modification on one existing consent. No new consents were issued in the last 12 months.

As at balance date, buildings and vines had been removed from stage one land in preparation of the development going ahead. As at balance sheet date the land development has not started yet. Earthwork are planned to commence on 15 September 2021, and various design and consenting elements are progressing.

The Group have a high level plan for the whole lot. Quayside has had such plans for over ten years to date.

Due to the long-term horizon of the project, there is still a lot of uncertainty around timing and actions to be taken with the plan plots and the development of the Business Park. A decision on Quayside role in relation to the park at completion is not reached yet. The Group is currently seeking expressions of interest in the development and has indicated that it interested in selling land, leasing land or developing vertical builds.

Due to the existing uncertainties disclosed above, the management believes that the classification of the land as investment property is appropriate.

*Property held for sale*

There were no subdivisions during the year. In 2020 the rural block at Paengaroa was subdivided and the contract settled in September 2020.

*Valuation of investment properties*

Investment properties are revalued annually to fair value. The fair value measurements have been categorised as a level 2 fair value based on the inputs to the valuation technique. The valuation of all investment property was carried out by independent registered valuers. The valuers are experienced valuers with extensive market knowledge in the type of investment properties owned by Quayside Properties Limited. All investment properties were valued based on open market evidence and 'highest and best use' currently for the land Improvement values have been assessed with regard to their income producing capacity, depreciated replacement cost and an analysis of sales where properties have included similar asset types.

A summary of the valuation methods and significant assumptions applied in the valuation of these assets are:

| Asset type | Valuation Method adoped | Highest and best use | Significant assumptions |
|---|---|---|---|
| Commercial & Industrial Buildings | Capitalisation approach and Discounted Cash Flow Analysis | Current use | Net market rent of $424 per sqm (Commercial)<br>Net market rent of $175.83 (Industrial)<br>Capitalisation rate of 4.75% and 5.25%<br>Discount rate of 5.50% and 5.75% |
| Residential Rural Block - Tauriko | Market approach | Current use | - |
| Rural block - Paengaroa | Market approach | Current use | - |
| Rangiuru Business Park | Market approach | Stage 1 Land - Industrial park development<br>Stage 2 land - Orchard/rural use | - |

*Commitments*

The Group has a no contractual commitment at year-end in relation to the settlement on the purchase of investment properties (June 2020: $4.32m).

**Policies**

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

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

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

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

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

## 21 Investments in subsidiaries

| Name of Entity | Principal Activity | 2021 % | 2020 % | Balance date |
|---|---|---|---|---|
| **Subsidiaries of Bay of Plenty Regional Council:** | | | | |
| Toi Moana Trust | Holds equity investments | 100.00 | 100.00 | 30 June |
| Quayside Holdings Limited | | 100.00 | 100.00 | 30 June |
| **Subsidiaries of Quayside Holdings Limited:** | | | | |
| Quayside Unit Trust (QUT) | Majority shareholder in POT | 100.00 | 100.00 | 30 June |
| Quayside Investment Trust (QIT) | Holds equity investments | 100.00 | 100.00 | 30 June |
| Quayside Securities Limited (QSL) | Trustee for QUT, QIT and Toi Moana Trust | 100.00 | 100.00 | 30 June |
| Quayside Properties Limited (QPL) | Holds investment properties | 100.00 | 100.00 | 30 June |
| Cibus Technologies Limited (CTL) | Shell company | 100.00 | 100.00 | 30 June |
| Aqua Curo Limited (ACL) | Involvement with macroalgae for bioremediation purposes | 100.00 | 100.00 | 30 June |
| Port of Tauranga Limited (POT) | Port company | 54.14 | 54.14 | 30 June |
| **Subsidiaries of Port of Tauranga Limited:** | | | | |
| Port of Tauranga Trustee Company Limited | Holding company for employee share scheme | 100.00 | 100.00 | 30 June |
| Quality Marshalling (Mount Maunganui) Limited | Marshalling and terminal operations services | 100.00 | 100.00 | 30 June |
| Timaru Container Terminal Limited | Marshalling and terminal operations services | 100.00 | 0.00 | 30 June |

The subsidiaries of the Group are incorporated / established in New Zealand.

The principal place of business of Quayside Holdings Limited's wholly owned subsidiaries is Tauranga, New Zealand.

Port of Tauranga Limited facilitates export and import activities through the Port of Tauranga, located in Mount Maunganui in the Bay of Plenty, New Zealand.

The fair value of subsidiaries with unlisted shares is based on the entity's net assets recorded in the financial statements and are categorised under the Level 2 fair value hierarchy. Quayside Securities Limited as Trustee for the Quayside Unit Trust holds the shares in Port of Tauranga Group through its 54.14% (2019: 54.14%) investment in the Port of Tauranga Limited. 45.86% (2019: 45.86%) of the Port of Tauranga Limited is held by non-controlling interests.

Listed shares held in the Port of Tauranga Limited are stated at fair value as determined by reference to published current bid price quotations in an active market, and are categorised under the Level 1 fair value hierarchy. The last bid price for Port of Tauranga shares at 30 June 2021 was $6.98 (2020: $7.60) which has resulted in a decrease in the fair value of the investment in Port of Tauranga Limited of $187,903,217 (2020: increase of $497,390,868).

| Ownership interest in Port of Tauranga Limited | 2021 $000 | 2020 Restated $000 |
|---|---|---|
| Non current assets | 2,007,115 | 1,787,443 |
| Current assets | 74,155 | 61,347 |
| Non current liabilities | (360,595) | (352,133) |
| Current liabilities | (323,707) | (301,473) |
| **Net assets (100%)** | 1,396,968 | 1,195,184 |
| Group's share of net assets 54.14% (2019: 54.14%) | 756,318 | 647,073 |
| | | |
| Non Controlling Interest 45.86% (2017: 45.86%) | 640,650 | 548,111 |
| Accounting adjustment to non controlling interest | (12,937) | (9,856) |
| | **627,712** | **538,255** |

| **Port of Tauranga Group - summary of financial performance and cashflow** | 2021 | 2020 |
|---|---|---|
| Operating revenue | 338,281 | 301,985 |
| Profit after income tax | 102,375 | 88,679 |
| Total comprehensive income | 283,324 | 120,371 |
| Net cash inflow from operating activities | 99,682 | 117,137 |
| Ending cash and cash equivalents | 7,886 | 8,565 |

**Acquisition of remaining shareholding in Timaru Container Terminal Limited**

On 30 October 2020 the Port of Tauranga acquired Kotahi Logistics LP's (Kotahi) 49.9% shareholding in Timaru Container Terminal Limited (Timaru Container Terminal), bringing their the Parent Company's total shareholding to 100%. The Port of Tauranga purchased the shareholding in exchange for a volume based rebate and a contract extension fee.

Timaru Container Terminal fits into the Port of Tauranga's hub port strategy. It allows South Island exporters and importers to benefit from the large number of international services that call at Tauranga, and to share the Port of Tauranga's container terminal expertise and world class productivity.

In the eight months to 30 June 2021, Timaru Container Terminal contributed revenue of $11.331 million and profit of $1.539 million. If the acquisition had occurred on 1 July 2020, Group revenue would have increased by $3.761 million and profit would have remained the same. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition date had occurred on 1 July 2020.This transaction has been accounted for as a step acquisition in accordance with NZ IFRS 3 Business Combinations (NZ IFRS 3).

This transaction has been accounted for as a step acquisition in accordance with NZ IFRS 3 Business Combinations (NZ IFRS 3). The acquisition method in NZ IFRS 3 has been applied to account for the step acquisition which has resulted in the carrying value of the Parent Company's 50.1% previously held equity interest in Timaru Container Terminal Limited being derecognised and a gain or loss being recognised accordingly. In addition, the fair value of the previously held interest is used as a component of total consideration when calculating goodwill.

The following table summarises the major classes of consideration transferred, assets acquired and liabilities assumed at the acquisition date:

| | **2021** |
|---|---|
| | $000 |
| **Consideration** | |
| Contingent consideration, net of tax | 3,268 |
| Fair value of previously held 50.1% interest in Timaru Container Terminal | 6,671 |
| **Fair value of consideration** | **9,939** |
| | |
| Fair value of identifiable assets acquired and liabilities assumed | |
| Property, plant and equipment | 7,571 |
| Right of use asset | 15,675 |
| Intangible software assets | 34 |
| Customer contracts | 2,667 |
| Receivables and prepayments | 2,018 |
| Cash and cash equivalents | 794 |
| Income tax | 156 |
| Deferred tax liabilities | (1,140) |
| Loans and borrowings | (3,239) |
| Trade and other payables | (1,371) |
| Lease liabilities | (16,156) |
| **Total net identifiable assets** | **7,009** |
| **Total goodwill** | **2,930** |
| | |
| Fair value of previously held 50.1% interest in Timaru Container Terminal | 6,671 |
| Carrying value of previously held 50.1% interest in Timaru Container Terminal | (7,412) |
| **Fair value of consideration** | **(741)** |

**Policies**

Subsidiaries are entities controlled by the group. Control exists when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

*Non-Controlling Interest*

The share of the net assets of controlled entities attributable to non controlling interests is disclosed separately on the statements of financial position. In the income statements, the profit or loss of the group is allocated between profit or loss attributable to non controlling interest and profit or loss attributable to owners of the Parent Company.

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

*Contingent consideration*

Contingent consideration is made up of a volume based rebate and a contract extension fee. The volume based rebate is based on forecast volumes. In addition to the rebate, a maximum of $2.700 million will be paid to Kotahi, contingent on the extension of the Container Volume Commitment Agreement which expires on 31 July 2024. The value of the contract extension fee recognised as contingent consideration has been probability weighted with probabilities determined by management.

*Goodwill*

Goodwill recognised as a result of this acquisition is largely attributable to the benefits that will be gained by leveraging the expertise and relationships of the workforce and management at the Port of Tauranga in further optimising the operations of Timaru Container Terminal.

## 22 Investments in equity accounted investees

| **Name of Entity** | **Principal Activity** | | **2021** % | **2020** % | **Balance Date** |
|---|---|---|---|---|---|
| **Bay of Plenty Regional Council** | | | | | |
| BOPLASS Limited | Local authority shared services | Associate | 16.13 | 16.13 | 30 June |
| **Quayside Holdings Limited** | | | | | |
| Huakiwi Developments Limited Partnership | Orchard development | Joint venture | 50.00 | 50.00 | 31 Mar* |
| WNT Ventures | Technological incubator | Associate | 20.00 | 20.00 | 30 June |
| Ōpōtiki Packing & Coolstorage Limited | Kiwifruit packhouse | Associate | 0.00 | 10.10 | 31 Dec* |
| HoneyLab Limited | Honey products | Associate | 21.44 | 18.79 | 31 Mar* |
| Rhondium Limited | Dental technology | Associate | 13.02 | 10.60 | 31 Dec* |
| Techion Holdings Limited | Diagnostic technology | Associate | 29.87 | 20.82 | 30 June |
| Oriens Capital | Private equity fund | Associate | 19.77 | 19.77 | 31 Mar* |
| **Quayside Properties Limited** | | | | | |
| Lakes Commercial Developments Limited | Commercial property development | Joint venture | 50.00 | 50.00 | 30 June |
| Tauranga Commercial Developments Limited | Commercial property development | Joint venture | 50.00 | 50.00 | 30 June |
| **Port of Tauranga Limited** | | | | | |
| Coda Group Limited Partnership | Freight logistics and warehousing | Joint venture | 50.00 | 50.00 | 30 June |
| Northport Limited | Sea Port | Joint venture | 50.00 | 50.00 | 30 June |
| PrimePort Timaru Limited | Sea Port | Joint venture | 50.00 | 50.00 | 30 June |
| PortConnect Limited | On line cargo management | Joint venture | 50.00 | 50.00 | 30 June |
| Timaru Container Terminal Limited | Sea Port | Joint venture | 0.00 | 50.10 | 30 June |
| Ruakura Inland Port. LP | Inland Port | Joint venture | 50.00 | 0.00 | 30 June |

**On 30 October 2020, the Port of Tauranga acquired the remaining 49.9% shareholding in Timaru Container Terminal Limited. As such, its investment classification has changed from an Equity Accounted Investee to a Subsidiary. Refer to note 4.*

** Non-standard balance dates of Parent equity accounted investees are aligned to their business cycle and are accepted on the basis they are not material to the Parent or Group. All of the Parent's equity accounted investments except for Techion Holdings Limited and WNT Ventures, are audited to a balance date earlier than 30 June 2021 (31 December or 31 March). The equity accounting for these investments with non-aligned balance dates is based on unaudited management accounts as at 30 June, which have been reviewed by management. WNT Ventures and Techion Holdings Limited have balance dates of 30 June, but audited accounts are generally not available before reporting date. The equity accounting for WNT Ventures and Techion Holdings Limited is therefore based on unaudited management accounts at 30 June. The Parent accepts the use of unaudited management accounts on the basis that changes, if any, between management accounts and audited accounts, would not be material to the Parent or Group.*

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

### Carrying value of investments in Equity Accounted Investees:

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 Restated $000 | Group 2019/20 $000 |
|---|---|---|---|---|---|
| **Associates** | | | | | |
| Balance at 1 July | 10 | 22,221 | 8 | 19,638 | 19,638 |
| Share of after net profit after tax | (3) | 3,192 | 2 | 115 | 115 |
| Share of revaluation reserve | - | - | - | 70 | 70 |
| **Share of total comprehensive income** | **(3)** | **3,192** | **2** | **185** | **185** |
| New investment during the year | - | 2,356 | - | 3,287 | 3,287 |
| Impairment of investment | - | (2,707) | - | (860) | (860) |
| Distributions received | - | (2,752) | - | (19) | (19) |
| Disposals | - | (2,937) | - | - | - |
| **Balance at 30 June** | **7** | **19,383** | **10** | **22,231** | **22,231** |
| **Joint Ventures** | | | | | |
| Balance at 1 July | - | 176,015 | - | 181,990 | 149,038 |
| Share of after net profit after tax | - | 13,823 | - | 8,033 | 9,381 |
| Share of hedging reserve | - | 496 | - | (186) | (186) |
| Share of revaluation reserve | - | 12,090 | - | 216 | 216 |
| **Share of total comprehensive income** | **-** | **26,409** | **-** | **8,063** | **9,411** |
| New investment during the year | - | 3,750 | - | 3,050 | 3,050 |
| Impairment of investment | - | - | - | (6,986) | (6,986) |
| Disposal | - | (7,412) | - | - | - |
| Distributions received | - | (9,636) | - | (10,102) | (10,102) |
| **Balance at 30 June** | **-** | **189,126** | **-** | **176,015** | **144,411** |
| **Total equity accounted investees** | **7** | **208,509** | **10** | **198,246** | **166,642** |

*Quayside Group*

The Parent has committed uncalled capital in its equity accounted investees of $3.1m (2020: $8.2m).

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

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

**Summarised financial information of immaterial equity accounted investees - Associates:**

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Cash and cash equivalents | 1,169 | 4,835 | 1,132 | 2,745 |
| Total current assets | 1,478 | 8,466 | 1,367 | 23,672 |
| Total non current assets | 14 | 64,492 | 18 | 98,336 |
| **Total assets** | **1,492** | **72,958** | **1,385** | **122,008** |
| | | | | |
| Current financial liabilities excluding trade and other payables and provisions | 873 | 3,335 | 1,198 | 5,754 |
| **Total current liabilities** | **1,447** | **5,937** | **1,355** | **15,175** |
| Non current financial liabilities excluding trade and other payables and provisions | - | 827 | - | 28,142 |
| **Total non current liabilities** | **-** | **4,698** | **-** | **28,142** |
| | | | | |
| **Total liabilities** | **1,447** | **10,635** | **1,355** | **43,317** |
| | | | | |
| **Total net assets** | **46** | **62,325** | **30** | **78,691** |
| | | | | |
| Group's share of total net assets | 7 | 12,138 | 5 | 12,616 |
| Goodwill acquired on acquistion of equity accounted investees | - | 7,245 | - | 9,605 |
| **Carrying amount of equity accounted investees** | **7** | **19,383** | **5** | **22,221** |

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Revenues | 1,563 | 26,394 | 1,405 | 63,564 |
| Depreciation and amortisation | (5) | (33) | (8) | (4,161) |
| Interest expense | - | 26 | - | (905) |
| Net profit before tax | 24 | 14,572 | (15) | 56 |
| Tax expense | 8 | (11) | - | 32 |
| Net profit/(loss) after tax | 16 | 14,564 | (15) | 88 |
| Other comprehensive income | - | - | - | 690 |
| **Total comprehensive income** | **16** | **14,564** | (15) | 778 |
| | | | | |
| **Group's share of net profit after tax** | **3** | **3,294** | **(2)** | **113** |
| | | | | |
| **Group's share of total comprehensive income** | **3** | **3,294** | **(2)** | **183** |
| | | | | |
| **Group's share of dividends/distributions** | **-** | **2,752** | **-** | **19** |

The following tables summarise the financial information of Northport Limited, Coda Group Limited Partnership and the combined value of other Joint Venture Equity Accounted Investees as included in their own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies.

**Summarised financial information of equity accounted investees - Joint Ventures:**

| 2021 | Northport Limited | Coda Group Limited Partnership | Prime Port Timaru | Other equity accounted investees | Total |
|---|---|---|---|---|---|
| | NZ $000 | NZ $000 | NZ $000 | NZ $000 | NZ $000 |
| Cash and cash equivalents | 359 | 12,978 | 702 | 6,025 | 20,064 |
| Total current assets | 5,934 | 35,296 | 4,043 | 9,374 | 54,647 |
| Total non current assets | 198,674 | 85,828 | 129,636 | 46,164 | 460,302 |
| **Total assets** | **204,608** | **121,124** | **133,679** | **55,538** | **514,949** |
| Current financial liabilities excluding trade and other payables and provisions | | (9,529) | (408) | (2,800) | (12,737) |
| **Total current liabilities** | **(5,006)** | **(28,495)** | **(4,809)** | **(6,835)** | (45,145) |
| Non current financial liabilities excluding trade and other payables and provisions | (40,985) | (52,393) | (37,004) | (6,278) | (136,660) |
| **Total non current liabilities** | **(40,985)** | **(52,393)** | **(37,004)** | **-** | **(130,382)** |
| **Total liabilities** | **(45,991)** | **(80,888)** | **(41,813)** | **(13,113)** | **(181,805)** |
| **Total net assets** | **158,617** | **40,236** | **91,866** | **42,425** | **333,144** |
| Group's share of total net assets | 79,309 | 20,118 | 45,933 | 21,213 | 166,572 |
| Goodwill acquired on acquistion of equity accounted investees | - | 22,428 | - | 125 | 22,553 |
| **Carrying amount of equity accounted investees** | **79,309** | **42,546** | **45,933** | **21,338** | **189,125** |

| 2021 | Northport Limited | Coda Group Limited Partnership | Prime Port Timaru | Other equity accounted investees | Total |
|---|---|---|---|---|---|
| | NZ $000 | NZ $000 | NZ $000 | NZ $000 | NZ $000 |
| Revenues | 44,609 | 218,833 | 25,625 | 11,907 | 300,974 |
| Depreciation and amortisation | (5,407) | (13,334) | (3,163) | (1,522) | (23,426) |
| Interest expense | (1,909) | (2,895) | (967) | 24 | (5,747) |
| **Net profit before tax** | **23,770** | **3,554** | **8,189** | **1,382** | **36,895** |
| Tax expense | (6,278) | - | (2,493) | (476) | (9,247) |
| Net profit after tax | 17,492 | 3,554 | 5,696 | 905 | 27,647 |
| Other comprehensive income | 18,798 | - | 6,374 | - | 25,172 |
| **Total comprehensive income** | **36,290** | **3,554** | **12,070** | **905** | **52,819** |
| **Group's share of net profit after tax** | **8,746** | **1,777** | **2,848** | **453** | **13,824** |
| **Group's share of total comprehensive income** | **18,145** | **1,777** | **6,035** | **453** | **26,410** |
| **Group's share of dividends/distributions** | **8,295** | **-** | **850** | **491** | **9,636** |

**Summarised financial information of equity accounted investees - Joint Ventures:**

| 2020 | Northport Limited Restated NZ $000 | Coda Group Limited Partnership Restated NZ $000 | Prime Port Timaru Limited Restated NZ $000 | Other equity accounted investees Restated NZ $000 | Total Restated NZ $000 |
|---|---|---|---|---|---|
| Cash and cash equivalents | 325 | 2,923 | 793 | 6,980 | 11,021 |
| Total current assets | 5,366 | 22,782 | 5,027 | 9,662 | 42,837 |
| Total non current assets | 185,392 | 98,796 | 106,051 | 65,731 | 455,970 |
| **Total assets** | **190,758** | **121,578** | **111,078** | **75,393** | **498,807** |
| Current financial liabilities excluding trade and other payables and provisions | - | (1,539) | (177) | (13,660) | (15,376) |
| **Total current liabilities** | **(5,542)** | **(15,345)** | **(3,490)** | **(15,993)** | (40,370) |
| Non current financial liabilities excluding trade and other payables and provisions | (46,298) | (69,551) | (26,092) | (19,200) | (161,141) |
| **Total non current liabilities** | **(46,298)** | **(69,551)** | **(26,092)** | **(19,313)** | **(161,254)** |
| **Total liabilities** | **(51,840)** | **(84,896)** | **(29,582)** | **(35,306)** | **(201,624)** |
| **Total net assets** | **138,918** | **36,682** | **81,496** | **40,087** | **297,183** |
| Group's share of total net assets | 69,459 | 18,341 | 40,748 | 20,052 | 148,600 |
| Goodwill acquired on acquistion of equity accounted investees | - | 22,428 | - | 4,988 | 27,416 |
| **Carrying amount of equity accounted investees** | **69,459** | **40,769** | **40,748** | **25,039** | **176,015** |

| 2020 | Northport Limited Restated NZ $000 | Coda Group Limited Partnership Restated NZ $000 | Prime Port Timaru Limited Restated NZ $000 | Other equity accounted investees Restated NZ $000 | Total Restated NZ $000 |
|---|---|---|---|---|---|
| Revenues | 39,840 | 219,000 | 23,689 | 16,379 | 298,908 |
| Depreciation and amortisation | (5,118) | (14,600) | (3,003) | (2,055) | (24,776) |
| Interest expense | (1,850) | (3,240) | (1,023) | (397) | (6,510) |
| **Net profit before tax** | **20,697** | **(1,944)** | **6,643** | **(2,258)** | **23,138** |
| Tax expense | (4,639) | - | (2,013) | (423) | (7,075) |
| Net profit after tax | 16,058 | (1,944) | 4,630 | (2,681) | 16,063 |
| Other comprehensive income | (1,026) | - | - | 1,086 | 60 |
| **Total comprehensive income** | **15,032** | **(1,944)** | **5,716** | **(2,681)** | **16,123** |
| **Group's share of net profit after tax** | **8,029** | **(972)** | **2,315** | **(1,341)** | **8,032** |
| **Group's share of total comprehensive income** | **7,516** | **(972)** | **2,858** | **(1,340)** | **8,062** |
| **Group's share of dividends/distributions** | **8,745** | **-** | **850** | **507** | **10,102** |

**Tax Treatment of Coda Group**

Coda Group is treated as a partnership for tax purposes and is not taxed at the partnership level. 50% of the income and expenses flow through the limited partnership to the Port of Tauranga Limited who is then taxed.

**Judgements**

*Bay of Plenty Regional Council*

As at 30 June 2021 Bay of Plenty Regional Council had either appointed a director to the board or was entitled to appoint a director to the board of its associates. The entitlement to appoint a director and appointment of a director permits Council to participate in the financial and operating policy decisions of the companies. Despite holding less than 20% of the voting rights of the entities, an entitlement and appointment of a director is considered "significant influence" and allows the accounting for each investment as an equity accounted investee.

*Quayside Holdings Limited*

As at 30 June 2021 the Parent had either appointed a director to the board or was entitled to appoint a director to the board of its associates. The entitlement to appoint a director and appointment of a director permits Quayside Holdings to participate in the financial and operating policy decisions of the companies. Despite holding less than 20% of the voting rights of the entities, an entitlement and appointment of a director is considered "significant influence" and allows the accounting for each investment as an equity accounted investee.

QHL Management has reviewed each of these investments in associates and joint ventures for indicators of impairment, including considering the impact of the Covid-19 pandemic. The investments in equity accounted investee were tested for impairment at 30 June 2021 based upon the fair value of the investment.

For one of the investment in equity accounted investees fair value was determined with reference to net assets of the investee resulting from unaudited management accounts as at 30 June 2021 as envisaged by IPEV. As a result of the impairment testing, the Parent has impaired its investment by $2.7 million (2020: $0.86 million).

*Port of Tauranga Group* has joint control over its investees, due to the existence of contractual agreements which require the unanimous consent of the parties sharing control over relevant business activities.

Impairment indicators for the Port of Tauranga's investment in Coda Group Limited Partnership were reviewed at 30 June 2021 and confirmed that no adjustment was required.

In the prior year, the Port of Tauranga impaired its investment in Coda Group Limited Partnership by $7.0 million.

**Restatement**

The Group is required to prepare its financial statements using uniform accounting policies for like transactions and events in similar circumstances. The Group identified that certain Equity Accounted Investees' financial statements had not been prepared in line with the Group's property, plant and equipment accounting policies (refer to note 11 for the Group's policy) in prior years.

In particular, harbour improvements, and wharves and hard standing assets owned by Northport Limited (Northport) and Prime Port Timaru Limited (Prime Port) had been measured at cost, rather than at fair value in accordance with the Group's policy. As a consequence, the Group's revaluation reserve and investments in Equity Accounted Investees had been understated.

Further, the share of profit from Equity Accounted Investees has been reduced to reflect the additional depreciation expense which would have been attributed to those revalued items of plant property and equipment.

To rectify this error, an independent valuation was undertaken on both Northport and Prime Port' s harbour improvements, and wharves and hard standing assets.

Adjustments to the valuations were made where the underlying cash flows of the entities did not support the independent valuations, to ensure the carrying value of the Group's investment in Northport and PrimePort did not exceed the fair value.

Affected financial statement line items have been restated for prior periods and are summarised in the following table:

### Consolidated Statement of Financial Position (Extract)

| | 30 June 2019 Audited | Adjustments | 30 June 2019 Restated |
|---|---|---|---|
| | NZ $000 | NZ $000 | NZ $000 |
| Investment in equity accounted investees | 168,668 | 32,952 | 201,620 |
| Total net assets | 1,739,479 | 32,952 | 1,772,431 |
| Reserves | 850,724 | 18,105 | 868,829 |
| Non-controlling interest | 525,670 | 14,847 | 540,517 |
| **Total equity** | **1,739,479** | **32,952** | **1,772,431** |

| | 30 June 2020 Audited | Adjustments | 30 June 2020 Restated |
|---|---|---|---|
| | NZ $000 | NZ $000 | NZ $000 |
| Investment in equity accounted investees | 166,632 | 31,604 | 198,236 |
| Total net assets | 1,807,595 | 31,604 | 1,839,199 |
| Reserves | 904,528 | 18,105 | 922,633 |
| Non-controlling interest | 524,017 | 14,238 | 538,255 |
| Retained earnings | 379,050 | (739) | 378,311 |
| **Total equity** | **1,807,595** | **31,604** | **1,839,199** |

### Consolidated Income Statement and other comprehensive income (Extract)

| | Year ended 30 June 2020 Audited | Adjustments | Year ended 30 June 2020 Restated |
|---|---|---|---|
| | NZ $000 | NZ $000 | NZ $000 |
| Share of profit/(loss) of equity accounted investees | 9,494 | (1,348) | 8,146 |
| Surplus/(deficit) after taxation | 77,963 | (1,348) | 76,616 |
| **Total comprehensive income** | **127,524** | **(1,348)** | **126,176** |

There is no impact on the total operating, investing or financing cash flows for the year ended 30 June 2020.

### Policies

The Group’s interests in Equity Accounted Investees comprise interests in associates and joint ventures.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates, are those entities in which the Group has significant influence, but not control or joint control over the financial and operating policies.

Equity Accounted Investees are accounted for using the equity method. The consolidated financial statements include the Group’s share of the income and expenses of Equity Accounted Investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences, until the date that significant influence or joint control ceases. When the Group’s share of losses exceeds its interest in an equity investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

In respect of Equity Accounted Investees, the carrying amount of goodwill is included in the carrying amount of the investment and not tested for impairment separately.

## 23 Trade and other payables

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Current** | | | | |
| Trade payables | 7,157 | 16,943 | 4,390 | 12,020 |
| Accrued expenses | 7,436 | 35,544 | 8,155 | 32,735 |
| Payables to equity accounted investees and related parties | - | 1,103 | - | 1,829 |
| Income in advance | 1,321 | 1,483 | 1,825 | 1,918 |
| **Total trade and other payables** | **15,913** | **55,072** | **14,370** | **48,502** |
| **Non current** | | | | |
| Trade payables | 6,503 | 6,503 | 6,403 | 6,403 |
| **Total trade and other payables** | **22,417** | **61,576** | **20,773** | **54,905** |

Payables denominated in currencies other than the functional currency are nil $ (2020: nil $).

### Policies

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

Trade and other payables are non-interest bearing and are normally settled on 30 day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

### Payables - current and non-current

| Council only | Council 2020/21 $000 | Council 2019/20 $000 |
|---|---|---|
| Total current payables comprise: | | |
| Payables and deferred revenue under non-exchange transactions - this includes grants payable | - | - |
| Payables and deferred revenue under exchange transactions - this includes trade payables, income in advance and accruals | 15,913 | 14,370 |
| **Total current payables** | **15,913** | **14,370** |
| Total non-current payables comprise: | | |
| Payables and deferred revenue under exchange transactions - this includes trade payables, income in advance and accruals | 6,503 | 6,403 |
| **Total non-current payables** | **6,503** | **6,403** |

**Prior year classification disclosure error:**

$6.4 million of the income in advance was incorrectly disclosed as a current liability in the annual report for 2019/20. The 2019/20 comparatives have been changed to correctly classify this amount as a non-current payable.

The following tables illustrate the impact of the adjustment on the 2019/20 financial statements and this note.

*Statement of Financial Position*

| | Note | Council 2019/20 Annual Report $000 | Group 2019/20 Annual Report $000 | Adjustment $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|---|
| Trade and other payables | 23 | 20,773 | 54,905 | (6,403) | 14,370 | 48,502 |
| **Total current liabilities** | | **102,560** | **405,411** | **(6,403)** | **96,157** | **399,008** |
| | | | | | | |
| Trade and other payables | 23 | - | - | 6,403 | 6,403 | 6,403 |
| **Total non-current liabilities** | | **119,911** | **654,379** | **6,403** | **126,314** | **660,782** |

*Note 23*

| | Council 2019/20 Annual Report $000 | Group 2019/20 Annual Report $000 | Adjustment $000 | Council 2019/20 Restated $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|---|
| **Current** | | | | | |
| Income in advance | 8,228 | 8,321 | (6,403) | 1,825 | 1,918 |
| **Total trade and other payables** | **20,773** | **54,904** | **(6,403)** | **14,370** | **48,501** |
| | | | | | |
| **Non-current** | | | | | |
| Non-current payables | - | - | 6,403 | 6,403 | 6,403 |
| **Total non-current trade payables** | **-** | **-** | **6,403** | **6,403** | **6,403** |

## 24 Deferred taxation

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

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2020/21** | **2019/20** | **2020/21** | **2019/20** | **2020/21** | **2019/20** |
| **Group** | $000 | $000 | $000 | $000 | $000 | $000 |
| **Deferred tax (asset)/liability** | | | | | | |
| Tax Losses | (858) | (4,301) | - | - | (858) | (4,301) |
| Biological assets | - | - | 55 | 5 | 55 | 5 |
| Property, plant and equipment | - | - | 95,490 | 77,893 | 95,490 | 77,893 |
| Investment property | - | - | 701 | 1,981 | 701 | 1,981 |
| Intangible assets | - | - | 1,903 | 1,435 | 1,903 | 1,435 |
| Finance lease receivables | - | - | - | 4 | - | 4 |
| Derivatives | (4,182) | (8,273) | - | - | (4,182) | (8,273) |
| Provisions and accruals | (3,513) | (2,416) | - | - | (3,513) | (2,416) |
| Equity accounted investees | (638) | (425) | - | - | (638) | (425) |
| Leases | - | - | 3 | - | 3 | - |
| Others | (143) | - | - | - | (143) | - |
| Contingent consideration | (348) | - | - | - | (348) | - |
| **Total** | **(9,681)** | **(15,415)** | **98,152** | **81,318** | **88,471** | **65,903** |

| Group | Recognised in the Income Statement 2020/21 $000 | 2019/20 $000 | Recognised in Comprehensive income 2020/21 $000 | 2019/20 $000 |
|---|---|---|---|---|
| Tax benefit | (629) | (4,301) | - | - |
| Property, plant and equipment | (1,460) | (4,618) | 17,935 | 5,713 |
| Biological assets | (50) | 31 | - | - |
| Investment property | 1,423 | 1,863 | - | - |
| Intangible assets | (180) | (68) | 35 | 266 |
| Finance lease receivables | (2) | (3) | - | - |
| Derivatives | - | 1 | 4,091 | (2,028) |
| Provisions and accruals | (1,090) | (423) | - | - |
| Equity accounted investees | (213) | (425) | - | - |
| Equity accounted investees | 102 | - | - | - |
| **Total** | **(2,098)** | **(7,943)** | **22,061** | **3,951** |

Council has not recognised a deferred tax asset in relation to tax losses of $1.4 million. However, the deferred tax asset has been recognised at the group level.

### Unrecognised tax losses or temporary differences

There are no material unrecognised temporary differences in the Group.

### Policies

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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

## 25 Employee benefit liabilities

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| ***Current*** | | | | |
| **Accrued Pay** | | | | |
| Opening balance | 2,687 | 2,687 | 2,027 | 2,027 |
| Charged/credited to the income statement | - | - | - | - |
| Additional provisions | 1,767 | 1,767 | 2,687 | 2,687 |
| Used during year | (2,687) | (2,687) | (2,027) | (2,027) |
| **Closing balance** | **1,767** | **1,767** | **2,687** | **2,687** |
| | | | | |
| **Annual Leave** | | | | |
| Opening balance | 2,971 | 2,971 | 2,467 | 2,467 |
| Charged/credited to the income statement | - | - | - | - |
| Additional provisions | 3,234 | 3,234 | 2,971 | 2,971 |
| Used during year | (2,971) | (2,971) | (2,467) | (2,467) |
| **Closing balance** | **3,234** | **3,234** | **2,971** | **2,971** |
| | | | | |
| **Sick leave** | | | | |
| Opening balance | 60 | 60 | 57 | 57 |
| Charged/credited to the income statement | - | - | - | - |
| Additional provisions | 68 | 68 | 60 | 60 |
| Used during year | (60) | (60) | (57) | (57) |
| **Closing balance** | **68** | **68** | **60** | **60** |
| | | | | |
| **Long service leave** | | | | |
| Opening balance | 172 | 172 | 164 | 164 |
| Charged/credited to the income statement | - | - | - | - |
| Additional provisions | 97 | 276 | 100 | 100 |
| Used during year | (92) | (92) | (92) | (92) |
| **Closing balance** | **177** | **356** | **172** | **172** |

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Employee benefits - profit sharing and bonuses** | | | | |
| Opening balance | - | 724 | - | 2,178 |
| Charged/credited to the income statement | - | - | - | - |
| Additional provisions | - | 2,486 | - | 2,414 |
| Used during year | - | - | - | (2,823) |
| Transferred to non current | - | - | - | (1,045) |
| **Closing balance** | **-** | **3,210** | **-** | **724** |
| | | | | |
| **Total Current** | **5,247** | **8,636** | **5,891** | **6,615** |
| | | | | |
| ***Non current*** | | | | |
| **Long service leave** | | | | |
| Opening balance | 1,011 | 3,122 | 1,202 | 2,985 |
| Charged/credited to the income statement | - | - | - | - |
| - Additional provisions | 1,206 | 1,206 | 1,011 | 1,492 |
| - Unused amounts reversed | (1,011) | (1,195) | (1,202) | (1,267) |
| Used during year | - | - | - | (88) |
| **Closing balance** | **1,206** | **3,133** | **1,011** | **3,122** |
| | | | | |
| **Employee benefits - profit sharing and bonuses** | | | | |
| Opening balance | - | 1,045 | - | - |
| Charged/credited to the income statement | - | - | - | - |
| Utilised during the period | - | (728) | - | - |
| Unused amounts reversed | - | - | - | - |
| Additional provisions | - | - | - | - |
| Transferred (to)/from current | - | - | - | 1,045 |
| **Closing balance** | **-** | **317** | **-** | **1,045** |

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Employee benefits - Management Long Term Incentive (LTI)** | | | | |
| Opening balance | - | - | - | - |
| Charged/credited to the income statement | - | - | - | - |
| - transferred to current | - | - | - | - |
| **Closing balance** | **-** | **-** | **-** | **-** |
| **Total non current** | **1,206** | **3,450** | **1,011** | **4,167** |
| **Total employee benefit liabilities** | **6,453** | **12,086** | **6,902** | **10,782** |

## Long service leave

*Council*

The present value of retirement and long service leave obligations depend on a number of factors. Two key assumptions used in calculating this liability include the discount rates and the salary inflation rate. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand Government bonds. This discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns.

*Subsidiary*

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

## Profit sharing and bonuses

The Profit Sharing and Bonus Scheme rewards eligible employees based on a combination of company performance against budget and personal performance. The incentive is generally paid biannually.

## Policies

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

## Employee benefits

### *Short-term employee benefits*

Employee benefits expected to be settled within 12 months after the end of period in which the employee renders the related service are measured on accrued entitlements at current rates of pay.

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

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

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

### *Long-term employee benefits*

The group grants employees certain one-off annual leave entitlements upon reaching certain long service targets. The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on New Zealand Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

***Presentation of employee entitlements***

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

**Superannuation schemes**

***Defined contribution schemes***

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

## 26 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For additional information about the Group's exposure and sensitivity to interest rate risk, refer to note 38.

| | Council | Group | Council | Group |
|---|---|---|---|---|
| | 2020/21 | 2020/21 | 2019/20 | 2019/20 |
| | $000 | $000 | $000 | $000 |
| **Current** | | | | |
| Borrowings from LGFA NZ Limited | 75,900 | 75,900 | 75,900 | 75,900 |
| Westpac borrowings | - | 15,106 | - | - |
| Commercial papers | - | 220,000 | - | 184,000 |
| Fixed Rate Bond | - | - | - | 75,000 |
| Standby revolving cash advance facility | - | 50,000 | - | - |
| | **75,900** | **361,006** | **75,900** | **334,900** |
| **Non current** | | | | |
| Borrowings from LGFA NZ Limited | 105,000 | 105,000 | 115,500 | 115,500 |
| Westpac borrowings | - | - | - | 15,106 |
| Fixed Rate Bond | - | 100,000 | - | - |
| Standby revolving cash advance facility | - | 115,000 | - | 229,000 |
| Advances from employees | - | - | - | 458 |
| Perpetual Preference Share Quayside Holdings Limited | - | 194,885 | - | 194,885 |
| | **105,000** | **514,885** | **115,500** | **554,949** |
| **Total borrowings** | **180,900** | **875,891** | **191,400** | **889,459** |

## Term and debt repayment schedule

| Council | | | Committed | Undrawn | Carrying |
|---|---|---|---|---|---|
| | | | **Facilities** | **Facilities** | **Value** |
| **2021** | **Maturity** | **Coupon** | NZ$000 | NZ$000 | NZ$000 |
| **Non current** | | | | | |
| LGFA NZ Ltd Borrowing | 2023 | 0.76% | 30,000 | - | 30,000 |
| LGFA NZ Ltd Borrowing | 2023 | 2.15% | 15,000 | - | 15,000 |
| LGFA NZ Ltd Borrowing | 2025 | 2.47% | 15,000 | - | 15,000 |
| LGFA NZ Ltd Borrowing | 2026 | 1.74% | 20,000 | - | 20,000 |
| LGFA NZ Ltd Borrowing | 2027 | 1.91% | 25,000 | - | 25,000 |
| **Total non current** | | | **105,000** | **-** | **105,000** |
| | | | | | |
| **Current** | | | | | |
| LGFA NZ Ltd Borrowing | 2021 | 0.58% | 10,000 | - | 10,000 |
| LGFA NZ Ltd Borrowing | 2021 | 0.53% | 25,400 | - | 25,400 |
| LGFA NZ Ltd Borrowing | 2022 | 1.01% | 25,000 | - | 25,000 |
| LGFA NZ Ltd Borrowing | 2022 | 1.69% | 15,500 | - | 15,500 |
| **Total current** | | | **75,900** | **-** | **75,900** |
| | | | | | |
| **Total** | | | **180,900** | **-** | **180,900** |

| Subsidiary | | | Committed | Undrawn | Carrying |
|---|---|---|---|---|---|
| | | | **Facilities** | **Facilities** | **Value** |
| **2021** | **Maturity** | **Coupon** | NZ$000 | NZ$000 | NZ$000 |
| **Non current** | | | | | |
| Fixed rate bond | 2025 | 1.02% | 100,000 | - | 100,000 |
| Standby revolving cash advance facility | 2023 | Floating | 100,000 | - | 100,000 |
| Standby revolving cash advance facility | 2022 | Floating | 200,000 | 185,000 | 15,000 |
| Standby revolving cash advance facility | 2021 | Floating | 130,000 | 130,000 | - |
| **Total non current** | | | **530,000** | **315,000** | **215,000** |
| | | | | | |
| **Current** | | | | | |
| Standby revolving cash advance facility | 2022 | Floatiing | 50,000 | - | 50,000 |
| Multi option facilitiy | 2021 | Floatiing | 5,000 | 5,000 | - |
| Commercial papers | <3 months | Floatiing | - | - | 220,000 |
| Westpac borrowings | 2021 | Floatiing | 55,000 | 39,894 | 15,106 |
| Bay of Plenty Regional Council | 2022 | Floatiing | 50,000 | 400 | 49,600 |
| **Total current** | | | **160,000** | **45,294** | **334,706** |
| | | | | | |
| **Total** | | | **690,000** | **360,294** | **549,706** |

| Council 2020 | Maturity | Coupon | Committed Facilities NZ$000 | Undrawn Facilities NZ$000 | Carrying Value NZ$000 |
|---|---|---|---|---|---|
| **Non current** | | | | | |
| LGFA NZ Ltd Borrowing | 2022 | 1.01% | 25,000 | - | 25,000 |
| LGFA NZ Ltd Borrowing | 2022 | 1.69% | 15,500 | - | 15,500 |
| LGFA NZ Ltd Borrowing | 2023 | 2.15% | 15,000 | - | 15,000 |
| LGFA NZ Ltd Borrowing | 2025 | 2.47% | 15,000 | - | 15,000 |
| LGFA NZ Ltd Borrowing | 2026 | 1.74% | 20,000 | - | 20,000 |
| LGFA NZ Ltd Borrowing | 2027 | 1.91% | 25,000 | - | 25,000 |
| **Total non current** | | | **115,500** | - | **115,500** |
| **Current** | | | | | |
| LGFA NZ Ltd Borrowing | 2021 | 1.19% | 25,000 | - | 25,000 |
| LGFA NZ Ltd Borrowing | 2021 | 1.61% | 30,000 | - | 30,000 |
| LGFA NZ Ltd Borrowing | 2021 | 1.19% | 400 | - | 400 |
| LGFA NZ Ltd Borrowing | 2021 | 1.77% | 20,500 | - | 20,500 |
| **Total current** | | | **75,900** | - | **75,900** |
| **Total** | | | **191,400** | - | **191,400** |

| Subsidiary 2020 | Maturity | Coupon | Committed Facilities NZ$000 | Undrawn Facilities NZ$000 | Carrying Value NZ$000 |
|---|---|---|---|---|---|
| **Non current** | | | | | |
| Westpac borrowings | 2021 | Floating | 55,000 | 39,894 | 15,106 |
| Bay of Plenty Regional Council | 2022 | Floating | 50,000 | 400 | 49,600 |
| Standby revolving cash advance facility | 2023 | Floating | 200,000 | 121,000 | 79,000 |
| Standby revolving cash advance facility | 2022 | Floating | 180,000 | 130,000 | 50,000 |
| Standby revolving cash advance facility | 2021 | Floating | 200,000 | 100,000 | 100,000 |
| Advances from employees | Various | 0.00% | - | - | 458 |
| **Total non current** | | | **685,000** | **391,294** | **294,164** |
| **Current** | | | | | |
| Fixed rate bond | 2021 | 4.79% | 75,000 | - | 75,000 |
| Multi option facilitiy | 2020 | Floatiing | 5,000 | 5,000 | - |
| Commercial papers | <3 months | Floatiing | - | - | 184,000 |
| **Total current** | | | **80,000** | **5,000** | **259,000** |
| **Total** | | | **765,000** | **396,294** | **553,164** |

### LGFA NZ Borrowings

Council has a number of financing arrangements with the LGFA, totaling $180.9 million (2020: $191.5). The facilities all provide borrowing for a specific purpose, including $90.0 million for capital expenditure, and $50.0 million for on-lending to Quayside Holdings Limited. Borrowed funds for capital expenditure were subsequently re-invested in term deposits to align with future cash flows. In October 2018, Council borrowed from the LGFA, which then provided the ability to enter a $50 million financing arrangement with Quayside Holdings Limited. This facility originally expired on 30 June 2021, but was extended a further year to 30 June 2022 during the year.

Council's debt to revenue ratio at year end was -14 percent, this is within the limit of 250 percent.

### Westpac Banking Corporation

Quayside Holdings Limited has a $55.0 million (2020: $55.0 million) financing arrangement with Westpac Banking Corporation. This facility is secured by a mortgage over shares held in the Port of Tauranga Limited, and provides direct borrowings for the *Quayside Group*. The facility is for a term of 3 years expiring 19 October 2021, hence for the year ended 30 June 2021 has been classified as current.

Quayside Holdings Limited is in negotiation with Westpac to renew the facility and already obtained the terms from Westpac which are under assessment by the Management.

### Fixed rate bonds

The Port of Tauranga has issued a $100 million fixed rate bond with final maturity on 29 September 2025.

### Commercial papers

Commercial papers are secured, short term discounted debt instruments issued by the Port of Tauranga Limited for funding requirements as a component of its banking arrangements. The commercial paper programme is fully backed by committed term bank facilities. At 30 June 2021 the Port of Tauranga Group had $220 million of commercial paper debt that is classified within current liabilities (2020: $184 million). Due to this classification, the Port of Tauranga Group's current liabilities exceed the Port of Tauranga Group's current assets. Despite this fact, the Port of Tauranga Group does not have any liquidity or working capital concerns as a result of the commercial paper debt being interchangeable with direct borrowings within the standby revolving cash advance facility which is a term facility.

### Standby revolving cash advance facility agreement

The Port of Tauranga Limited has a $480 million financing arrangement with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and MUFG Bank, Ltd, Auckland Branch (2020: $580 million). The facility, which is secured, provides for both direct borrowings and support for issuance of commercial papers.

### Multi option facility

The Port of Tauranga has a $5 million multi option facility with Bank of New Zealand Limited, used for short term working capital requirements (2020: $5 million).

### Security

Bank facilities and fixed rate bonds are secured by way of a security interest over certain floating plant assets ($15.9 million, 2020: $16.6 million), mortgages over the land and building assets ($1,073 million, 2020: $962.8 million), and by a general security agreement over the assets of the Port of Tauranga ($1,956.2 million, 2020: $1,768.6 million).

### Covenants

The Port of Tauranga Limited borrows under a negative pledge arrangement, which with limited circumstances does not permit it to grant any security interest over its assets. The negative pledge deed requires the Port of Tauranga Limited to maintain certain levels of shareholders' funds and operate within defined performance and debt gearing ratios. The Group has complied with all covenants during the reporting periods.

### Fair Values

The fair value of fixed rate loans and borrowings is calculated by discounting the future contractual cash flows at current market interest rates that are available for similar financial instruments. The amortised cost of variable rate loans and borrowings is assumed to closely approximate fair value as debt facilities are repriced every 90 days.

### Interest rates

The weighted average interest rate of interest bearing loans was 2.28% at 30 June 2021 (2020: 2.66%) for the *Quayside Group* and 1.51% (2020: 2.21%) for Quayside Holdings Limited.

**Policies**

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

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

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

## 27 Retained earnings

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 Restated $000 |
|---|---|---|---|---|
| **Retained Earnings** | | | | |
| Balance at 1 July | 194,706 | 378,311 | 210,484 | 363,083 |
| Adjustment on adoption of IPSAS 36 | - | - | (10) | (10) |
| Profit Share | 7,366 | 83,484 | 39 | 36,547 |
| Dividends/Distributions paid | - | (3,542) | - | (5,551) |
| Shares issued upon vesting of management LTI plan | - | 123 | - | 405 |
| Non controlling interest adjustments | - | 25 | - | 28 |
| Increase/(decrease) in share capital | - | 403 | - | (386) |
| Shares, previously subject to call option, issued | - | 2,168 | - | - |
| *Transfers from:* | | | | |
| Restricted reserve - disaster | 659 | 659 | 1 | 1 |
| Asset replacement reserve | 30,000 | 30,000 | 42,860 | 42,860 |
| Infrastructure fund reserve | 9,535 | 9,535 | 5,980 | 5,980 |
| Regional project fund | 1,381 | 1,381 | 2,167 | 2,167 |
| Environmental enhancement fund | 175 | 175 | 503 | 503 |
| Equalisation fund reserve | 9,692 | 9,692 | 7,622 | 7,622 |
| Current account reserve | 1,943 | 1,943 | (0) | (0) |
| Rotorua Lakes restoration reserve | 1,851 | 1,851 | 761 | 761 |
| Kaituna river authority | - | - | 9 | 9 |
| Rotorua Air | 458 | 458 | 714 | 714 |
| *Transfers to:* | | | | |
| Restricted reserve - disaster | (995) | (995) | (636) | (636) |
| Asset replacement reserve | (26,745) | (26,745) | (58,671) | (58,671) |
| Infrastructure fund reserve | - | | - | - |
| Regional project fund | (5,020) | (5,020) | (4,253) | (4,253) |
| Toi Moana Reserve | | | | |
| Environmental enhancement fund | (160) | (160) | (313) | (313) |
| Equalisation fund reserve | (3,956) | (3,965) | (6,260) | (6,260) |
| Current account reserve | (2,027) | (2,027) | (3,391) | (3,392) |
| Rotorua Lakes restoration reserve | (724) | (724) | (2,897) | (2,897) |
| CDEM Group reserve | - | - | - | - |
| Kaituna river authority | (2) | (2) | (4) | (4) |
| | **218,129** | **477,028** | **194,706** | **378,311** |

### Redeemable preference shares

On or about 28 July 1991, capital of nine thousand (9,000) redeemable preference shares of $1 each (issued at a premium of $9,999 per share) were issued to Bay of Plenty Regional Council by its subsidiary, Quayside Holdings Limited. On the same day the Council subscribed $0.01 each for these 9,000 redeemable preference shares (total paid $90). As at 30 June 2007, 817 shares had been fully repaid.

On 31 January 2008 the Redeemable Preference Shares were subdivided at a ratio of 1:244,799. Accordingly, the 817 fully paid Redeemable Preference Shares were split and reclassified into 200,000,783 Perpetual Preference Shares. The 8,183 Redeemable Preference Shares (paid to one cent) were split into 2003,190,217 Redeemable Preference Shares (paid to 0.000004 cents).

The redeemable preference shares have no voting rights. The constitution provides that dividends are payable on these shares from time to time and in such amount as determined by the directors of Quayside Holdings Limited. The Redeemable Preference Shares have no fixed maturity date but are redeemable 60 days after a request from the holder.

The unpaid issue price can be called by the Board of Directors of Quayside Holdings Limited in a general meeting. As at 30 June 2021, the amount uncalled is $81.8 million (2020: $81.8 million). Quayside Holdings Limited has no current intention of making a call on the uncalled Redeemable Preference Shares.

### Perpetual preference shares

Quayside Holdings Limited issued a registered prospectus in which the Council offered 200,000,000 Perpetual Preference Shares in Quayside Holdings Limited to the public at $1 per share. On 12 March 2008, 200,000,000 Perpetual Preference Shares were transferred to the successful applicants for Perpetual Preference Shares under the prospectus. The Council retained 783 Perpetual Preference Shares.

The proceeds from the sale of the Perpetual Preference Shares are fully allocated to infrastructure projects in the Bay of Plenty. Funds which are allocated but not due to be paid immediately are invested in term deposits, bonds and other fixed and floating rate notes.

## 28 Other reserves

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Asset revaluation reserve** | | | | |
| Opening balance | 199,327 | 797,767 | 181,048 | 742,136 |
| Impact of correction of errors | - | - | - | 18,105 |
| **Opening balance - restated** | | | | **760,241** |
| Revaluation - land and buildings | 9,591 | 9,591 | (79) | (79) |
| Revaluation - Maritime and Lakes | 3,020 | 3,020 | - | - |
| Revaluation - infrastructure assets | 2,338 | 2,338 | 18,357 | 18,357 |
| Revaluation - Port assets | - | 86,530 | - | 20,216 |
| Net change in share of equity accounted revaluation reserve | - | 6,628 | - | 188 |
| Bearer plant revaluation | - | 1,694 | - | (1,841) |
| Kiwifruit licence revaluation | - | 1,018 | - | 685 |
| *Transfers to:* | | | | |
| Retained earnings | - | - | - | - |
| **Closing balance** | **214,276** | **908,586** | **199,327** | **797,767** |
| **Asset replacement reserve** | | | | |
| Opening balance | 25,118 | 25,118 | 9,307 | 9,307 |
| Retained Earnings | 26,745 | 26,745 | 58,671 | 58,671 |
| *Transfers to:* | | | | |
| Retained Earnings | (30,000) | (30,000) | (42,860) | (42,860) |
| **Closing balance** | **21,864** | **21,864** | **25,118** | **25,118** |

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Environmental enhancement fund** | | | | |
| Opening balance | 274 | 274 | 465 | 465 |
| *Transfers from:* | | | | |
| Retained Earnings | 160 | 160 | 313 | 313 |
| *Transfers to:* | | | | |
| Retained Earnings | (176) | (176) | (503) | (503) |
| **Closing balance** | **260** | **260** | **274** | **274** |
| | | | | |
| **Restricted reserve - disaster** | | | | |
| Opening balance | 2,263 | 2,263 | 1,628 | 1,628 |
| *Transfers from* | | | | |
| Retained earnings | 995 | 995 | 636 | 636 |
| *Transfers to:* | | | | |
| Retained earnings | (659) | (659) | (1) | (1) |
| **Closing balance** | **2,599** | **2,599** | **2,263** | **2,263** |
| | | | | |
| **Hedging cash flow reserve** | | | | |
| Opening balance | - | (12,205) | - | (9,244) |
| Net effective portion of changes in fair value of cashflow hedges, net of tax | - | 3,628 | - | (4,142) |
| Net change in fair value of cashflow hedges transferred to profit or loss, net of tax | - | 2,140 | - | 1,283 |
| Net changes in cashflow hedges transferred to property, plant and equipment, net of tax | - | - | - | - |
| Net change in share of equity accounted investees revaluation reserve | - | 272 | - | (102) |
| *Transfers from:* | | | | |
| Retained earnings | - | - | - | - |
| **Closing balance** | **-** | **(6,165)** | **-** | **(12,205)** |

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Equalisation fund reserve** | | | | |
| Opening balance | 4,831 | 4,831 | 6,193 | 6,193 |
| *Transfers from:* | | | | |
| Retained earnings | 3,965 | 3,965 | 6,260 | 6,260 |
| *Transfers to:* | | | | |
| Retained earnings | (9,692) | (9,692) | (7,622) | (7,622) |
| Environmental enhancement fund | - | - | - | - |
| **Closing balance** | **(896)** | **(896)** | **4,831** | **4,831** |
| | | | | |
| **CDEM Group Reserve** | | | | |
| Opening balance | 888 | 888 | 888 | 888 |
| *Transfers from:* | | | | |
| Retained earnings | - | - | - | - |
| *Transfers to:* | | | | |
| Retained earnings | - | - | - | - |
| **Closing balance** | **888** | **888** | **888** | **888** |
| | | | | |
| **Kaituna River Authority Reserve** | | | | |
| Opening balance | 188 | 188 | 193 | 193 |
| *Transfers from:* | | | | |
| Retained earnings | 2 | 2 | 4 | 4 |
| *Transfers to:* | | | | |
| Retained earnings | - | - | (9) | (9) |
| **Closing balance** | **190** | **190** | **188** | **188** |

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Infrastructure fund reserve** | | | | |
| Opening balance | 9,535 | 9,535 | 15,515 | 15,515 |
| *Transfer from:* | | | | |
| Retained earnings | - | - | - | - |
| *Transfer to:* | | | | |
| Retained earnings | (9,535) | (9,535) | (5,980) | (5,980) |
| **Closing balance** | **-** | **-** | **9,535** | **9,535** |
| | | | | |
| **Regional Fund** | | | | |
| Opening balance | 32,706 | 32,706 | 30,620 | 30,620 |
| *Transfer from:* | | | | |
| Retained earnings | 5,020 | 5,020 | 4,253 | 4,253 |
| *Transfer to:* | | | | |
| Retained earnings | (1,382) | (1,382) | (2,167) | (2,167) |
| Toi Moana Fund | - | - | - | - |
| **Closing balance** | **36,344** | **36,344** | **32,706** | **32,706** |
| | | | | |
| **Toi Moana** | | | | |
| Opening balance | 45,000 | 45,000 | 45,000 | 45,000 |
| *Transfer from:* | | | | |
| Regional Fund | - | - | - | - |
| *Transfer to:* | | | | |
| Retained earnings | - | - | - | - |
| **Closing balance** | **45,000** | **45,000** | **45,000** | **45,000** |

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| **Current accounts** | | | | |
| Opening balance | 7,762 | 7,762 | 5,086 | 5,086 |
| *Transfer from:* | | | | |
| Retained earnings | 1,568 | 1,568 | 2,676 | 2,676 |
| *Transfer to:* | | | | |
| Retained earnings | (1,943) | (1,943) | - | - |
| Rotorua Air Clean Heat | - | - | - | - |
| **Closing balance** | **7,387** | ***7,387*** | **7,762** | **7,762** |
| | | | | |
| **Rotorua Lakes restoration reserve** | | | | |
| Opening balance | 4,176 | 4,176 | 2,040 | 2,040 |
| *Transfer from:* | | | | |
| Retained earnings | 724 | 724 | 2,897 | 2,897 |
| Current account reserve | - | - | - | - |
| *Transfer to:* | | | | |
| Retained earnings | (1,851) | (1,851) | (761) | (761) |
| **Closing balance** | **3,049** | **3,049** | **4,176** | **4,176** |
| | | | | |
| **Financial assets available for sale reserve** | | | | |
| Opening balance | 1,577 | 1,577 | 897 | 897 |
| Fair value gains | 3,679 | 3,679 | 752 | 752 |
| Reclassification to surplus or deficit on disposal | - | - | (72) | 2,680 |
| **Closing balance** | **5,256** | **5,256** | **1,577** | **4,329** |
| | | | | |
| **Total reserves** | **336,217** | **1,024,361** | **333,646** | **922,633** |

## Reserves

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

Restricted reserves include those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

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

### *Equalisation reserve*

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

### *Asset revaluation reserve*

This reserve is used by Council to reflect the net increase in the fair value of Property and Infrastructure assets. This is a non cash reserve and is available for use by any activity that controls infrastructure or property assets.

The balance of the revaluation reserve at 30 June 2020 has been restated in the current year. Details of this restatement have been provided in Note 17.

The subsidiary's revaluation reserve relates to the revaluation of land, buildings, wharves and hardstanding, harbour improvements, bearer plants and kiwifruit licences.

### *Asset replacement reserve*

This is a reserve fund for asset replacement. Contributions to the reserve are from depreciation funding. Funds from the reserve are used for the purchase of replacement assets, and transfers to the Regional Fund. This reserve is used by all activities.

### *Environmental enhancement fund*

This reserve was established to support local projects that aim to enhance, preserve or protect the region's natural or historic character. Transfers to and from this reserve are approved by Council resolution. This reserve funds the Environmental Enhancement Programme in the Kotahitanga/Strategy Engagement Activity.

### *Flood and disaster reserves*

This reserve holds funds accumulated for the purpose of contributing to flood damage or disaster events incurred by any of the five major river and/or drainage schemes.

Contributions to this reserve are from interest earned by the funds. There is a specific bank account for these funds. Withdrawals from this account are approved by Council resolution.

This reserve is used by the Rivers, Drainage and Flood Management Activity.

### *Infrastructure fund reserve*

This reserve is used to fund infrastructure projects that benefit the wider regional community. It was established with the proceeds of the perpetual preference share issue. Use of this reserve must comply with the Inland Revenue Department Binding Ruling. It is available for use by any activity that has infrastructure projects that meet this criteria.

### *Regional fund reserve*

This reserve is used to fund future infrastucture projects. It is replenished through budgeted contributions from activities, and is available for use by all activities.

### *Toi moana reserve*

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

### *Rates current accounts*

The purpose of this reserve is to record the under or over-recovery of targeted rates carried forward to fund activities in future years. This is used by all activities that have targeted rates including Rotorua Lakes, Rotorua Air Quality, Passenger Transport, and Rivers, Drainage and Flood Management.

### *Rotorua Lakes restoration reserve*

This reserve records the accumulation of funds available to finance deed funded lakes projects. This reserve holds all deed funded surpluses from Central Government (MfE) and the Council (general and targeted rate) funding allocated to match MfE funds. This reserve is used by the Rotorua Lakes Activity.

***Financial assets available for sale reserve***

This reserve reflects the net change in fair value of financial assets available for sale during the year. This is a non-cash reserve. It is used by the Treasury programme within the Corporate Activity and by the subsidiary.

***Hedging reserve***

The group's hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. This reserve is used by the subsidiary.

***CDEM Group reserve***

This reserve records the accumulation of funds available to finance Civil Defence Emergency Management group related projects. This reserve holds all the group funded surpluses from the Territorial Authorities and the Regional Council funding. This reserve funds expenditure within the Emergency Management Activity.

***Kaituna River Authority reserve***

This reserve holds accumulated funds received from the Ministry for the Environment on behalf of the Kaituna River Authority.

***Share Based Payment Reserve – Container Volume Commitment Agreement***

On 1 August 2014 the Port of Tauranga Limited issued 2,000,000 shares as a volume rebate to Kotahi Logistics Limited Partnership ("Kotahi") as part of a 10 year freight alliance. Due to the Port of Tauranga Limited completing a 5:1 share split on 17 October 2016, the number of shares originally issued to Kotahi increased to 10,000,000. Of these shares, 8,500,000 are subject to a call option allowing the Port of Tauranga Limited to "call" shares back at zero cost if Kotahi fails to meet the volume commitments.

The increase in the reserve of $2.2m (2020: $1.3m) recognises the shares earned based on containers delivered during the period.

**Equity Settled Share Based Payments**

The grant-date fair value of equity settled share based payments is recognised as a rebate against revenue, with a corresponding increase in equity, over the vesting period. The amount recognised as a rebate is adjusted to reflect the number of awards for which the related service is expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. As at 30 June 2021 the balance of the equity settled share-based payment reserve was $1.6m (2020: $3.6m). This amount is recorded in the Statement of Changes in Equity under the column 'Non controlling interest'.

**Share Based Payment Reserve – Management Long Term Incentive**

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

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

**Employee Share Ownership Plan**

The Port of Tauranga Limited has an Employee Share Ownership Plan (ESOP). During the year no shares were issued to employees from Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2020: 2,940 shares at $3.55 per share).

During the year no shares were repurchased on market and transferred to the Port of Tauranga Trustee Company Limited as part of the Employee Share Ownership Plan (2020: nil).

**Non controlling interest**

Non controlling interest of 45.86% (2019: 45.86%) is the existing share of Port of Tauranga Limited's consolidated equity which is not owned by *Quayside Group*. A change in non controlling interest in prior years arose from Port of Tauranga Limited's freight alliance with Kotahi involving the issue of ordinary shares to Kotahi, subject to meeting certain freight volume commitments over a 10 year period.

## 29 Management long term incentive plan

In December 2016, the Port of Tauranga Group introduced an equity settled long term incentive (LTI) plan that will vest from financial year 2019 onwards. Under this LTI plan, share rights are issued to participating executives and have a three year vesting period. The first granting of share rights under this LTI plan occurred in the 2018 year and this LTI plan replaces the former cash settled plan. The vesting of share rights, which entitles the executive to the receipt of one Port of Tauranga Limited ordinary share at nil cost, is subject to the executive remaining employed by Port of Tauranga Limited during the vesting period and the achievement of certain earnings per share (EPS) and total shareholder return (TSR) targets. For EPS share rights granted, the proportion of share rights that vest depends on the Port of Tauranga Group achieving EPS growth targets. For TSR share rights granted, the proportion of share rights that vests depends on the *Port of Tauranga Groups* TSR performance ranking relative to the NZX50 index less Australian listed stocks. To the extent that performance hurdles are not met or executives leave Port of Tauranga Limited prior to vesting, the share rights are forfeited. The share based payment expense relating to the LTI plan for the year ended 30 June 2021 is $0.1 million (2020: $0.1 million) with a corresponding increase in the share based payments reserve.

Number of Share Rights Issued to Executives:

| Grant Date | Scheme End Date | Right Type | Balance as at 30 June 2020 | Granted During the Year | Vested during the Year | Fortified During the Year | Balance as at 30 June 2021 |
|---|---|---|---|---|---|---|---|
| 1 March 2018 | 30 June 2020 | EPS | 121,934 | - | 22,205 | 99,729 | - |
| 1 March 2018 | 30 June 2020 | TSR | 101,612 | - | 101,612 | - | - |
| 1 July 2018 | 30 June 2021 | EPS | 108,500 | - | - | - | 108,500 |
| 1 July 2018 | 30 June 2021 | TSR | 90,417 | - | - | - | 90,417 |
| 1 July 2019 | 30 June 2022 | EPS | 90,058 | | - | - | 90,058 |
| 1 July 2019 | 30 June 2022 | TSR | 75,050 | | - | - | 75,050 |
| 1 July 2020 | 30 June 2023 | EPS | | 88,409 | | | 88,409 |
| 1 July 2020 | 30 June 2023 | TSR | | 73,674 | | | 73,674 |
| **Total LTI Plan** | | | **587,571** | **162,083** | **123,817** | **99,729** | **526,108** |

*Fair Value of Share Rights Granted*

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

| Grant Date | Vesting Date | Right Type | Grant Date Share Price | Risk Free Interest Rate | Expected Volatility of Share Price | Valuation per Share Right |
|---|---|---|---|---|---|---|
| | | | $ | % | % | $ |
| 1 July 2018 | 30 June 2021 | EPS | 5.10 | 1.72 | 16.30 | 4.64 |
| 1 July 2018 | 30 June 2021 | TSR | 5.10 | 1.72 | 16.30 | 2.00 |
| 1 July 2019 | 30 June 2022 | EPS | 6.28 | 0.80 | 17.60 | 6.02 |
| 1 July 2019 | 30 June 2022 | TSR | 6.28 | 0.80 | 17.60 | 2.72 |
| 1 July 2020 | 30 June 2023 | EPS | 7.59 | 0.00 | 25.00 | 7.03 |
| 1 July 2020 | 30 June 2023 | TSR | 7.59 | 0.00 | 25.00 | 3.01 |

**Policies**

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

*Equity Settled Transactions*

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

## 30 Commitments

### Capital commitments

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Capital commitments contracted for at balance date but not yet provided for | 4,731 | 34,131 | 1,697 | 13,017 |
| **Total capital commitments** | **4,731** | **34,131** | **1,697** | **13,017** |

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

### Operating leases as lessee

The Council leases land, buildings, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months.

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Not later than one year | 583 | 583 | 466 | 466 |
| Later than one year and not later than five years | 1,694 | 1694 | 1,114 | 1,114 |
| Later than five years | 2,328 | 2328 | 922 | 922 |
| **Total non-cancellable operating leases** | **4,606** | **4,606** | **2,502** | **2,502** |

The majority of leases can be renewed at the Council and group's option, with rents set by reference to current market rates for items of equivalent age and condition. The Council and group does not have an option to purchase the assets at the end of the lease term. There are no restrictions placed on the Council and group by any leasing arrangement.

### Operating leases as lessor

Included in the financial statements are land and buildings leased to customers under operating leases.

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

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

| | Council 2020/21 $000 | Group 2020/21 $000 | Council 2019/20 $000 | Group 2019/20 $000 |
|---|---|---|---|---|
| Not later than one year | 187 | 18,813 | 128 | 22,561 |
| Later than one year and not later than five years | 95 | 46,509 | 280 | 46,689 |
| Later than five years | - | 35,359 | 1,378 | 45,600 |
| **Total non-cancellable operating leases** | **283** | **100,682** | **1,785** | **114,849** |

### Policies

*Where the group is the lessee*

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

At the commencement of a lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payment. The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Payments made under finance leases are allocated between the liability and finance charges, using the effective interest method, so as to achieve a constant periodic rate of interest on the finance balance outstanding. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Payments made under operating leases are recognised in the statement of comprehensive revenue and expense on a straight line basis over the term of the lease. Lease incentives are recognised as an integral part of the total lease expense, over the term of the lease.

*Where the group is the lessor*

When assets are leased under a finance lease, where the lessee effectively receives substantially all the risks and benefits of ownership of the leased items, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Assets leased under operating leases are included in investment property or property, plant and equipment in the statement of financial position as appropriate.

Payments and receivables received under operating leases are recognised in the Statement of comprehensive revenue and expense on a straight line basis over the term of the lease.

## 31 Contingencies

**Contingent liabilities**

*Financial guarantee - New Zealand Local Government Funding Agency*

The Bay of Plenty Regional Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a current credit rating from Standard and Poor's of AAA for local currency and a foreign currency rating of AA+ as at 22 February 2021.

As at 30 June 2021, the Bay of Plenty Regional Council is one of 30 local authority shareholders and 54 local authority guarantors of the LGFA. The New Zealand Government also has a 11.11% shareholding in the LGFA. It has uncalled capital of $1.0 million. When aggregated with the uncalled capital of other shareholders, $20.0 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of the LGFA's borrowings. At 30 June 2021, the LGFA had borrowings totalling $13.610 billion (2020: $11.907 billion).

PBE Accounting Standards require the Council to initially recognise the guarantee liability by applying the 12-month expected credit loss (ECL) model (as fair value could not be reliably measured at initial recognition), and subsequently at the higher of the provision for impairment at balance date determined by the ECL model and the amount initially recognised. The Council has assessed the 12-month ECL of the guarantee liability, based on market information of the underlying assets held by the LGFA. The estimated 12-month expected credit losses are immaterial due to the very low probability of default by the LGFA in the next 12 months. Therefore, the Council has not recognised a liability.

The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

• it is 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 raise 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.

*Legal proceedings*

There are legal proceedings underway relating to a prosecution. This is an unquantified contingent liability as there is no reliable estimate of what the liability will be.

*Subsidiary*

At 30 June 2021 for the subsidiary there were no contingent liabilities.

## 32 Related party transactions

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

Related party transactions with subsidiaries and equity accounted investees:

| | 2020/21 $000 | 2019/20 $000 |
|---|---|---|
| Transactions with Related Parties: | | |
| **Bay of Plenty Regional Council** | | |
| Services provided to Quayside Properties Limited | 13 | 8 |
| Interest paid by Quayside Holdings Limited | 611 | 800 |
| Interest payable by Quayside Holdings Limited | 45 | 110 |
| Dividends paid by Quayside Holdings Limited | 33,100 | 32,100 |
| Loan drawn down by Quayside Holdings Limited | - | - |
| Loan repaid by Quayside Holdings Limited | - | 400 |
| Loan payable by Quayside Holdings Limited | 49,600 | 49,600 |
| Subvention payment payable by Quayside Holdings Limited | - | - |
| Subvention payment payable by Quayside Unit Trust | - | 365 |
| Subvention payment payable by Quayside Properties Limited | 828 | 787 |
| Subvention payment payable by Quayside Securities Limited | - | - |
| Services provided to Port of Tauranga Limited | - | 21 |
| Consideration for units issued by Toi Moana Trust | - | 45,000 |
| | | |
| **Quayside Unit Trust** | | |
| Dividends paid to Quayside Holdings Limited | 45,500 | 105,100 |
| Interest paid by Quayside Holdings Limited | | |
| Interest payable by Quayside Holdings Limited | | |
| Interest received by Quayside Holdings Limited | - | 111 |
| Interest receivable by Quayside Holdings Limited | - | - |
| Loan receivable by Quayside Holdings Limited | - | - |
| Loan repayment received by Quayside Holdings Limited | - | 8,331 |
| Dividends received from Port of Tauranga Limited | 45,686 | 67,424 |
| | | |
| **Quayside Properties Limited** | | |
| Services provided to Quayside Properties Limited | 55 | - |
| Interest received by Quayside Holdings Limited | 389 | 712 |
| Interest receivable by Quayside Holdings Limited | - | 136 |
| Loan advanced by Quayside Holdings Limited | - | 23,803 |
| Loan repaid to Quayside Holdings Limited | - | 23 |

| | 2020/21 $000 | 2019/20 $000 |
|---|---|---|
| Loan receivable by Quayside Holdings Limited | 47,200 | 47,200 |
| Office lease provided to Quayside Holdings Limited | 39 | 38 |
| Accounts payable by Quayside Holdings Limited | - | - |
| Accounts receivable by Quayside Holdings Limited | - | 46 |
| Accounts payable due to Quayside Properties Limited | 63 | |
| Management fees paid to Quayside Holdings Limited | 114 | 114 |
| *Transactions with other related entities* | | |
| License sale to Huakiwi | 1,128 | - |
| | | |
| **Quayside Investment Trust** | | |
| Consideration for units purchased by Quayside Holdings Limited | - | 37,607 |
| Consideration for units redeemed by Quayside Holdings Limited | 5,000 | 3,500 |
| | | |
| **Quayside Securities Limited** | | |
| Management fees paid to Quayside Holdings Limited | 77 | 77 |
| Capital investment by Quayside Holdings Limited | - | |
| | | |
| **Aqua Curo Limited** | | |
| Capital investment by Quayside Holdings | 1,000 | 1,000 |
| | | |
| **Toi Moana Trust** | | |
| Fund management fee payable to Quayside Holdings Limited | 56 | 56 |
| Trustee fees paid to Quayside Securities Limited | 61 | 61 |
| Dividend paid to Bay of Plenty Regional Council | 2,250 | - |
| Consideration for units issued toBay of Plenty Regional Council | - | 45,000 |
| | | |
| **Transactions with Equity Accounted Investees - Quayside Group** | | |
| Services provided by Quayside Holdings Limited | 104 | 133 |
| Accounts payable by Quayside Holdings Limited | - | 500 |
| Accounts receivable by Quayside Holdings Limited | - | 70 |
| Loans advanced by Quayside Holdings Limited | - | 4,691 |
| Loan repayment received by Quayside Holdings Limited | - | 200 |
| Loan receivable by Quayside Holdings Limited | - | 4,491 |

| | 2020/21 | 2019/20 |
|---|---|---|
| | $000 | $000 |
| Interest charged by Quayside Holdings Limited | 26 | 137 |
| Interest receivable by Quayside Holdings Limited | - | 15 |
| Capital contribution payable by Quayside Properties Limited | - | 125 |
| Capital contributions by Quayside Properties Limited | 500 | 225 |
| Loan advanced by Quayside Properties Limited | - | 500 |
| Loan payable to Quayside Properties Limited | 500 | 500 |
| Interest charged by Quayside Properties Limited | 14 | 14 |
| Interest payable to Quayside Properties Limited | 28 | 14 |
| **Transactions with Equity Accounted Investees - Port of Tauranga Group** | | |
| Services provided to Port of Tauranga Limited | 754 | 511 |
| Services provided by Port of Tauranga Limited | 4,348 | 4,987 |
| Accounts receivable by Port of Tauranga Limited | 154 | 27 |
| Accounts payable by Port of Tauranga Limited | 14 | 342 |
| Advances by Port of Tauranga Limited | 1,400 | 5,319 |
| Services provided to Quality Marshalling (Mount Maunganui) Limited | 25 | 18 |
| Services provided by Quality Marshalling (Mount Maunganui) Limited | 2,045 | 4,028 |
| Accounts receivable by Quality Marshalling (Mount Maunganui) Limited | 158 | 365 |
| Accounts payable by Quality Marshalling (Mount Maunganui) Limited | 2 | 1 |
| Services provided to Timaru Container Terminal Limited | 2,701 | - |
| Services provided by Timaru Container Terminal Limited | 1 | - |
| Accounts payable by Timaru Container Terminal Limited | 259 | - |

*Share capital*

The holders of the ordinary shares are entitled to dividends as declared from time to time and all shares have equal voting rights at meetings of the Parent, and rank equally with regard to the Parent's residual assets on wind up. The shares were issued for $1 and are fully paid up.

*Perpetual preference shares*

Quayside Holdings Limited issued a registered prospectus in which Council offered 200,000,000 Perpetual Preference shares in Quayside Holdings Limited to the public at $1 per share. On 12 March 2008, 200,000,000 Perpetual Preference Shares were transferred to the successful applicants for Perpetual Preference Shares under the prospectus. The proceeds from the sale of shares are available to the Council to invest in infrastructure projects in the Bay of Plenty region.

The Perpetual Preference Shares have no fixed term, and are not redeemable. Holders of Perpetual Preference Shares are entitled to receive Dividends which are fully imputed (or "grossed up" to the extent they are not fully imputed), quarterly in arrears. These dividends are at the discretion of the board of directors. On a liquidation of Quayside Holdings, the Holder of a Perpetual Preference Share will be entitled to receive the Liquidation Preference in priority to the holders of its Uncalled Capital, its Ordinary Shares, its Redeemable Preference Shares and any other shares ranking behind the Perpetual Preference Shares.

Holders of Perpetual Preference Shares will not be entitled to receive notice of, attend, vote or speak at any meetings of Quayside Holdings (or its shareholders), but will be entitled to attend any meetings of, and vote on any resolutions of Holders (for example, in relation to exercise of the Put Option, or as required by the Companies Act in relation to any action affecting the rights attached to Perpetual Preference Shares held by members of any "interest group" of Holders).

The Council may, at any time after 12 March 2010, call all or part (pro rata across all Holders, and if in part, subject to a minimum number of Perpetual Preference Shares left uncalled) of the Perpetual Preference Shares. No call or part call has been exercised. In certain circumstances (including Quayside Holdings becoming insolvent, electing not to pay a Dividend or ceasing to have a majority shareholding (directly or indirectly) in Port of Tauranga), the Put Option, as defined by the prospectus dated 12 March 2008, will be triggered.

Depending on the event which has triggered the Put Option, the Administrative Agent will either be automatically required (on receipt of notice), or may by a Special Resolution of Holders (or by Special Approval Notice) be required, on behalf of all Holders of Perpetual Preference Shares, to require the Council to purchase all the Perpetual Preference Shares.

*Option Deed*

There exists an Option Deed relating to Perpetual Preference Shares dated 31 January 2008 between Quayside Holdings Limited, Bay of Plenty Regional Council and The New Zealand Guardian Trust Company Limited.

*PPS Put Option trigger events*

There are a number of the factors which could result in Quayside Holdings being unwilling or unable to pay a Dividend on the Perpetual Preference Shares. Such factors could conceivably give rise to other circumstances under which the Put Option would be exercisable, such as the insolvency of Quayside Holdings. In addition, the Put Option could become exercisable if Quayside Holdings ceases to have a majority shareholding (directly or indirectly) in Port of Tauranga or if the liability to it of the holder/s of its Uncalled Capital is reduced (other than by payment of calls).

Quayside Holdings has no present intention of reducing its (indirect) majority shareholding in Port of Tauranga or reducing the liability to it of holders of Uncalled Capital. However, its (indirect) majority shareholding in Port of Tauranga could be lost as a result of actions outside its control, such as a non pro rata share issue by Port of Tauranga. If the Administrative Agent (Guardian Trust) exercised the Put Option, Perpetual Preference Shareholders would be entitled to receive $1.00 plus any Unpaid Amount plus (unless Quayside Holdings has elected to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option) an amount representing a return on their Perpetual Preference Shares at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to (but excluding) the Transfer Date but, from the Transfer Date, would no longer have any entitlement to further Dividends.

Perpetual Preference Shares are transferable and listed on the NZDX under the symbol QHLHA.

Quayside Holdings Limited has classified the Perpetual Preference Shares as equity for the following reasons:

- The Perpetual Preference Shares have no fixed term, and are not redeemable.
- The quarterly payment of dividends by Quayside Holdings Limited to Perpetual Preference shareholders is optional and resolved on by the Board of Quayside Holdings Limited.
- Dividends on the Perpetual Preference Shares may be imputed, and as such are equity instruments.
- PUT or CALL options, if exercised are payable by Council, the ordinary shareholder of Quayside Holdings Limited.

Quayside Holdings may issue further securities (including further perpetual preference shares) ranking equally with, or behind, the Perpetual Preference Shares without the consent of any Holder. However, it may not issue any other shares ranking in priority to the Perpetual Preference Shares as to distributions without the approval of the Holders by way of a Special Resolution or pursuant to a Special Approval Notice.

The arrangement has had the benefit of consecutive three-year private rulings issued by Inland Revenue from 17 September 2007. A binding ruling retaining the existing tax treatment was recently issued by Inland Revenue for five years to 16 September 2026.

*Call Option trigger events*

After 12 March 2010 Bay of Plenty Regional Council may exercise the Call Option at any time. The Bay of Plenty Regional Council does not have any intention of exercising the call option.

*Dividend payment*

A significant transaction between Council and Quayside Holdings Limited is a dividend payment of $33.1 million. (2020: $32.1 million).

*Loan to Quayside Holdings*

In 2019 a loan was established between the Council to Quayside Holdings Ltd. Council has worked with Quayside Holdings Ltd to achieve the best funding outcomes and available returns achieve the best funding outcomes and available returns.

*Distribution from Toi Moana Trust*

During the year Council received a distribution from Toi Moana Trust of $2.250 million. (2020: $0)

*Other related entities*

Other related parties include subsidiaries in the Quayside Group.

During the year, the subsidiary entered into transactions with companies in which directors hold directorships.  These directorships have not resulted in the group having a significant influence over the operations, policies or key decisions of these companies.

## BOPLASS Limited

BOPLASS Limited was incorporated on 14 January 2008, and has share capital of 31 shares at 30 June 2020. The purpose of the company is to foster collaboration between the nine shareholder councils in the delivery of "back office" services. Fiona McTavish, Chief Executive of Bay of Plenty Regional Council is a director of BOPLASS Limited. Bay of Plenty Regional Council holds five shares (16.13%).

During 2020/21 the Council was invoiced by BOPLASS for the following services:

| | 2020/21 | 2019/20 |
|---|---|---|
| | $ | $ |
| Aerial photography | 96,583 | 96,583 |
| Annual contribution | 62,470 | 57,209 |
| Media monitoring services | 35,035 | 26,548 |
| Memberships, licenses and training | 22,042 | 37,682 |
| Other projects | 15,186 | 2,967 |
| Regional network lease | 92,842 | 91,133 |
| **Total expenses** | **324,159** | **312,122** |

## Key management personnel

*Council*

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Bay of Plenty Regional Council (such as payment of rates).

Two Councillors of the Bay of Plenty Regional Council (Stuart Crosby and Te Taru White) were directors of Quayside Holdings Limited, Quayside Securities Limited and Quayside Properties Limited at 30 June 2021. Councillor Paula Thompson resigned as director of Quayside Holdings Limited, Quayside Securities Limited and Quayside Properties Limited on 31 March 2021.The Chief Executive of Bay of Plenty Regional Council (Fiona McTavish) was appointed as Director of the above companies effective on 30 June 2018. The Chairman of the Bay of Plenty Regional Council (Douglas Leeder) was appointed as a director of Port of Tauranga Limited in October 2015.

Councillors entered into no related party transactions with Council.

Key management personnel include the Chief Executive, other senior management personnel, Councillors and directors within the Group.

### *Key management personnel compensation*

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

| | Council | Group | Council | Group |
|---|---|---|---|---|
| | 2020/21 | 2020/21 | 2019/20 | 2019/20 |
| | $000 | $000 | $000 | $000 |
| Salaries and other short-term employee benefits | 1,581 | 7,065 | 1,491 | 6,266 |
| Other long-term benefits | | | | |
| Post employment benefits | 46 | 46 | 29 | 29 |
| Councillor remuneration | 1,012 | 1,012 | 994 | 994 |
| Directors fees | - | 1,221 | - | 1,146 |
| Termination Benefits | | | | |
| | **2,639** | **9,344** | **2,514** | **8,435** |

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

| | Council 2020/21 | Council 2019/20 |
|---|---|---|
| Councillors - Full time equivalent members* | 14 | 14 |
| Leadership Team - Full time equivalent | 6 | 6 |

**Due to the difficulty in determining the full time equivalent for Councillors, the full time equivalent figure is taken as the number of Councillors*

No provision has been required, nor any expense recognised for impairment of receivables, for any loans or other receivables to related parties.

## 33 Remuneration

**Remuneration of the Chief Executive (Council)**

The Chief Executive of the Bay of Plenty Regional Council (Fiona McTavish, appointed on 30 June 2018 under section 42(1) of the Local Government Act 2002) received remuneration of $385,066 (2020: $365,837).

**Remuneration of Councillors**

| | 2020/21 | 2019/20 |
|---|---|---|
| | $ | $ |
| D Leeder | 142,762 | 145,977 |
| J Nees | 80,004 | 80,314 |
| P Thompson | 70,000 | 71,525 |
| L Thurston | 70,000 | 67,733 |
| N Bruning | 61,525 | 62,713 |
| S Crosby | 61,525 | 62,713 |
| A Von Dadelszen | 70,000 | 64,574 |
| D Love | 70,000 | 64,574 |
| K Winters | 70,000 | 64,574 |
| B Clark | 61,525 | 59,554 |
| M McDonald | 70,000 | 64,574 |
| T Iti | 61,525 | 41,894 |
| S Rose | 61,525 | 41,894 |
| T White | 61,525 | 41,894 |
| A Tahana | - | 20,819 |
| J Cronin | - | 20,819 |
| S Marr | - | 17,660 |
| | **1,011,915** | **993,806** |

**Remuneration of Directors**

| | 2020/21 | 2019/20 |
|---|---|---|
| | $ | $ |
| R Macleod | 189,200 | 189,200 |
| D A Pilkington | 173,700 | 173,680 |
| K R Ellis | 106,600 | 106,600 |
| J C Hoare | 107,500 | 104,000 |
| A R Lawrence | 96,200 | 96,200 |
| D W Leeder | 93,600 | 93,600 |
| A M Andrew | 93,600 | 93,600 |
| R Tait | - | 24,000 |
| P Thompson (retired 31 March 2021) | 40,000 | 53,000 |
| T White (appointed 10 March 2021) | 16,000 | - |
| W Parker | 63,000 | 53,000 |
| B Hewlett | 53,000 | 53,000 |
| S Crosby | 53,000 | 53,000 |
| K Horne | 69,000 | 53,000 |
| | **1,154,400** | **1,145,880** |

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

### Remuneration of Council Employees

| | | 2020/21 |
|---|---|---|
| | < $60,000 | 67 |
| | $60,000 - $79,999 | 121 |
| | $80,000 - $99,999 | 120 |
| | $100,000 - $119,999 | 87 |
| | $120,000 - $139,999 | 41 |
| | $140,000 - $159,999 | 23 |
| | $160,000 - $179,999 | 7 |
| * | $180,000 - $249,999 | 5 |
| | $360,000 - $379,999 | 1 |
| | **Total Employees** | **472** |

* This is an example of a combined bank disclosure. Schedule 10, clause 32A of the LGA requires where the number of employees in any band is 5 or fewer, the number for that band is combined with the next highest band.

| | | 2019/20 |
|---|---|---|
| | < $60,000 | 89 |
| | $60,000 - $79,999 | 104 |
| | $80,000 - $99,999 | 140 |
| | $100,000 - $119,999 | 69 |
| | $120,000 - $139,999 | 26 |
| | $140,000 - $159,999 | 9 |
| * | $160,000 - $239,999 | 10 |
| | $320,000 - $379,999 | 1 |
| | **Total Employees** | **448** |

Total remuneration includes any non-financial benefits provided to employees.

At 30 June 2021, the Council employed 378 full-time employees (2020: 359), with the balance of staff (94) representing 65 full-time equivalent staff (2020: 61). A full time employee is determined on the basis of a 37.5 or 40 hour working week.

## 34 Severance

For the year ended 30 June 2021, the Council made one (2020: one) severance payments to employees totaling $17,232 (2020: $41,696).

## 35 Segmental reporting

This note is for the subsidiary only.

At 30 June 2021 the Quayside Holdings Limited Group comprises two main operating segments: The first being the business of facilitating export and import activities (Port), and the second being the business of investment (Investing). Both operating segments operate in one geographic segment, being New Zealand, are managed separately as they provide different services to customers and have their own operational and marketing requirements. The only transaction during the year between these two operating segments was the payment and recording of a dividend by the Port segment to the Investing segment.

Although Port of Tauranga Group reports three main reportable segments, at the Group level, information provided by Port of Tauranga Group is presented to the Chief Operating Decision Maker as one operating segment.

The

*Port of Tauranga Group*

operates in one geographical area, that being New Zealand. During the year the Group had two external customers which comprised more than 10% of total revenue. Revenue from these two customers is included in Port Operations and accounts for 30% and 12% (2020: 30% and 11%) of total revenue.

The segment results for the year ended 30 June are:

| | Port $000 | Investing $000 | Total $000 |
|---|---|---|---|
| **30 June 2021** | | | |
| Total segment revenue | 337,302 | 50,897 | 388,199 |
| Inter-segment revenue | - | (45,686) | (45,686) |
| Revenue (from external customers) | 337,302 | 5,211 | 342,513 |
| Other income/gains | 979 | 75,728 | 76,707 |
| Finance income | 164 | 212 | 376 |
| Finance costs | (16,736) | (977) | (17,713) |
| Depreciation and amortisation | (33,998) | (802) | (34,800) |
| Reversal of previous revaluation deficit | - | - | - |
| Other expenditure/losses | (163,485) | (30,440) | (193,925) |
| Income tax expense | (34,634) | 2,004 | (32,630) |
| Impairment of equity accounted investees | - | (2,707) | (2,707) |
| Loss on disposal of Equity Accounted Investee | (741) | | (741) |
| Share of profit of equity accounted investees | 13,524 | 3,494 | 17,018 |
| **Net profit after tax** | **102,375** | **51,723** | **154,098** |

| | Port $000 | Investing $000 | Total $000 |
|---|---|---|---|
| **30 June 2020** | | | |
| Total segment revenue | 301,985 | 73,381 | 375,366 |
| Inter-segment revenue | - | (67,424) | (67,424) |
| Revenue (from external customers) | 301,985 | 5,957 | 307,942 |
| Other income/gains | - | 46,054 | 46,054 |
| Finance income | 310 | 1,368 | 1,678 |
| Finance costs | (18,840) | (1,581) | (20,421) |
| Depreciation and amortisation | (29,746) | (846) | (30,592) |
| Reversal of previous revaluation deficit | 175 | - | 175 |
| Other expenditure/losses | (139,758) | (27,980) | (167,738) |
| Impairment of property, plant and equipment | (6,986) | (860) | (7,846) |
| Share of profit of equity accounted investees | 9,957 | (1,811) | 8,146 |
| Income tax expense | (28,418) | (1,454) | (29,872) |
| **Net profit after tax** | **88,679** | **18,847** | **107,526** |

The segment assets at 30 June are:

| **Segment Assets** | $000 | $000 | $000 |
|---|---|---|---|
| 30 June 2021 | 2,081,270 | 443,659 | 2,524,929 |
| 30 June 2020 | 1,848,790 | 380,636 | 2,229,426 |

### Policies

The *Quayside group* determines and presents operating segments based on the information that is internally provided to the Chief Executive, who is the group's Chief Operating Decision Maker (CODM).

## 36 Events after the balance sheet date

*Council*

On 17 August, 2021 the New Zealand Government imposed strict lockdowns to prevent the spread of the Delta variant of Covid-19 which had been detected in New Zealand.

Council is aware of the uncertainty due to the current pandemic however it is difficult to determine the extent of the financial impact.

*Subsidiary*

The financial statements were approved by the Board of Directors on 9 September 2021.

The Directors are aware of circumstances that have arisen after balance date with regards to the Coronavirus (Covid--19) pandemic. Subsequent to the end of the financial year the Delta variant was discovered in New Zealand and the Government has taken action to reduce the spread of the virus in the form of lockdowns and an increased vaccination rollout.

At the date of signing the financial statements the Directors are unable to determine what future potential financial effects the New Zealand outbreak of Covid-19 could have on the Port financial performance either directly or indirectly. Directors believe that any potential negative effects would likely be limited unless there is a sustained economic downturn. It is noted that Port services are considered essential services and as such, the Port of Tauranga can continue trading through all alert levels. A number of private equity investments are deemed essential services and all investments have sound underlying models and management. The current alert level escalation has had no material impact on the performance of the Group and the Directors acknowledge their responsibility to continuously monitor the situation and evaluate the impact including whether the Group remains a going concern.

## 37 COVID-19 impacts

*Bay of Plenty Regional Council*

In June 2020 Bay of Plenty Regional Council adopted its Annual Plan 2020/2021 in an unprecedented environment due to the impact of COVID-19 pandemic. Our annual budget included a number of measures to enable relatively high levels of operating investment in the region to continue while maintaining our strong commitment to long-term financial prudence, sustainability and regional affordability.

These increases were supported by significant movements in capital revenue due to additional funding support from central government for our ‘shovel ready’ and ‘climate resilience’ projects. We also increased our investment to improve biosecurity, freshwater and biodiversity through the Jobs for Nature programme. Our commitment to our regions COVID-19 recovery meant there was also a strong focus on organisational agility and efficiency.

Council continued the majority of its operations during the Covid-19 response in 2020/21 however activities were adversely impacted including Public Transport, Maritime and Māori Policy. Specific Covid-19 impacts by activity is summarised in the table below.

| Asset | COVID-19 Assessment |
|---|---|
| Rivers and Drainage | Central Government announced a Crown Infrastructure Projects (CIP) funding package of $210 million for climate change resilience and flood protection projects across the country with the intention of reducing the economic impact of the COVID-19 pandemic. Funding was received for two Council CIP applications. These encompass six infrastructure projects with $14.7 million budgeted for the 2020/21 financial year and a total value of $23 million over the next four years. Included in the six projects is the Rangitāiki Floodway Stage 6 and spillway, and Kaituna Mole Upgrades. In addition, Provincial Growth Fund support of $2 million to deliver a range of environmental projects as part of Kia Kaha Whakatāne. This was a collaboration with Whakatāne District Council to deliver jobs and urgent economic relief to the workforce particularly those who had lost jobs through COVID-19. |
| Biosecurity | Central government funding as part of Covid-19 recovery has allowed for the creation of extra jobs in new wilding pines removal projects - $2.9 million higher operating revenue is attributed to Wilding Pines and Wallaby projects. |
| Resource Consents | Revenue is higher than budgeted because of increased workload (30% up on last year for decisions made) some of which is attributed to the impacts of Covid-19. |

| | |
|---|---|
| Maritime | Maritime Harbour Dues are $114,000 lower than planned, Covid-19 has resulted in a drop in vessel calls, including the large contributors, cruise vessels. |
| Public Transport | Lower fare revenue of $1.4 million is due to fare free travel during COVID 19 and RITS implementation, offset with higher subsidy from Waka Kotahi. Also additional costs of security and cleaning buses are attributed to Covid-19 impacts. |
| Regional Economic Development | Consultants underspend $0.3 million - Regional Economic Recovery post Covid-19 lockdown consultant costs were not as high as anticipated. Bay of Connections went through a refresh moving from a sector-based approach to the new structure and four key focus areas: Workforce, Infrastructure, Māori Economy and Transition to a Low Carbon Circular Economy. With Covid-19 disruption and staff changes since the new structure was in place, we've been working to identify areas where we can have an impact in collaboration with others. |
| Māori Policy | Underspend $0.6 million for capacity and capability building for Iwi/Hapū due to Covid-19 as many iwi adjusted their focus and work programmes for in the post-covid recovery era – for example many iwi have been involved in Provincial Growth Fund Marae rebuilds and other projects funded through the central government Covid-19 Recovery funding initiatives. |
| Emergency Management | Underspend $0.5 million - The cost of COVID in 2020/21 was less than anticipated. All unspent funds will be transferred to the Emergency Management reserve. |
| Corporate Property | Fleet replacement $0.5 million underspend as we achieved significant savings as a result of post-Covid-19 capital project reviews. Rental revenue $0.3 million lower due to excess rental stock in Tauranga also reflecting Covid-19 impacts. |
| Finance and Corporate Planning | External treasury $0.4 million lower than budget as interest rates were kept low due to Covid-19 impacts. Council used $4.7 million of general reserves to lower general rates requirements in 2020/21. |

*Quayside Group*

The COVID-19 pandemic has had, and continues to have, a significant impact on the New Zealand and global economy. Despite this backdrop, 2021 has been an extraordinary financial year for Quayside Group.

As an essential service provider, the Port of Tauranga continued operations during the Covid-19 response. During the year ended 30 June 2021, the Quayside Group results from operating activities were not adversely impacted by the resultant shutdowns and other social and economic disruptions. In addition, there has not been a material impact on key assumptions used in valuing the Quayside Group's assets and therefore no Covid-19 related impairments have been recorded.

## 38 Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and commodity risk). This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The group comprises three governance structures:

- Bay of Plenty Regional Council (Council)
- *Quayside Group* – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust and Quayside Properties Limited. The Toi Moana Trust is also included in the Quayside Group Structure with Quayside Securities Limited acting as the trustee.
- *Port of Tauranga Group* – comprising the Port of Tauranga Limited and its subsidiaries and Equity Accounted Investees. This group is owned 54.14% by the Quayside Group

*Council*

The Council has a series of policies to manage the risks associated with financial instruments and is risk averse and seeks to minimise exposure from its treasury activities.The Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

*Subsidiary*

The Group's overall financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. For the purposes of this note, the Group comprises two governance structures:

- Quayside Group – comprising Quayside Holdings Limited (Parent company) and its directly controlled subsidiaries: Quayside Securities Limited, Quayside Unit Trust, Quayside Investment Trust, Quayside Properties Limited, Aqua Curo Limited and Cibus Technologies Limited and its equity accounted investees
- Port of Tauranga Group – comprising the Port of Tauranga Limited and its subsidiaries and its equity accounted investees. This group is owned 54.14% (2020: 54.14%) by the Quayside Group.

The Board of Directors of each Group has overall responsibility for the establishment and oversight of the Group's financial risk management framework; however each of the Groups described above has its own Audit Committee appointed by its Board of Directors. Each Audit Committee is established on 'best practice' principles and is responsible for developing and monitoring risk management policies, and reports regularly to their respective Board of Directors on its activities. The Group's financial risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Each Board ultimately oversees how management monitors compliance with the Group's financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Group.

The following tables show the classification, fair value and carrying amount of financial instruments held by the Group at reporting date:

| Council 2020/21 | Fair Value through other Comprehensive Income $000 | Fair Value through Profit & Loss $000 | Hedge accounted derivatives $000 | Other amortised cost $000 | Total carrying amount $000 | Fair value $000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | - | - | - | 41,112 | 41,112 | 41,112 |
| Other financial assets | - | - | - | 71,155 | 71,155 | 71,155 |
| Trade and other receivables | - | - | - | 22,020 | 22,020 | 22,020 |
| **Total current financial assets** | **-** | **-** | **-** | **134,287** | **134,287** | **134,287** |
| Investments in CCO's and other similar entities | 7,864 | 2,848 | - | 94,692 | 105,404 | 105,404 |
| Trade and other receivables | - | - | - | 1,230 | 1,230 | 1,230 |
| Other financial assets | 53 | - | - | 14,500 | 14,553 | 14,553 |
| **Total non current financial assets** | **7,917** | **2,848** | **-** | **110,422** | **121,187** | **121,187** |
| **Total financial assets** | **7,917** | **2,848** | **-** | **244,709** | **255,474** | **255,474** |
| **Financial liabilities** | | | | | | |
| Borrowings | - | - | - | 75,900 | 75,900 | 75,900 |
| Trade and other payables | - | - | - | 14,593 | 14,593 | 14,593 |
| Derivative instruments | - | - | - | - | - | - |
| **Total current financial liabilities** | **-** | **-** | **-** | **90,493** | **90,493** | **90,493** |
| Derivative financial instruments | - | - | - | - | - | - |
| Borrowings | - | - | - | 105,000 | 105,000 | 105,000 |
| Trade and other payables | | | | 6,503 | 6,503 | 6,503 |
| Put option provision | - | 3,000 | - | - | 3,000 | 3,000 |
| **Total non current financial liabilities** | **-** | **3,000** | **-** | **111,503** | **114,503** | **114,503** |
| **Total financial liabilities** | **-** | **3,000** | **-** | **201,996** | **204,996** | **204,996** |

| Group 2020/21 | Fair Value through other Comprehensive Income $000 | Fair Value through Profit & Loss $000 | Hedge accounted derivatives $000 | Other amortised cost $000 | Total carrying amount $000 | Fair value $000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | - | - | - | 83,591 | 83,591 | 83,699 |
| Other financial assets | - | - | - | 71,155 | 71,155 | 71,155 |
| Trade and other receivables | - | - | - | 84,265 | 84,265 | 84,265 |
| **Total current financial assets** | **-** | **-** | **-** | **239,011** | **239,011** | **239,119** |
| Derivative instruments | - | 77 | - | - | 77 | 77 |
| Trade and other receivables | - | - | - | 1,230 | 1,230 | 1,230 |
| Other financial assets | 53 | 338,694 | - | 15,000 | 353,746 | 353,746 |
| **Total non current financial assets** | **53** | **338,771** | **-** | **16,230** | **355,053** | **355,053** |
| **Total financial assets** | **53** | **338,771** | **-** | **255,241** | **594,064** | **594,172** |
| **Financial liabilities** | | | | | | |
| Borrowings | - | - | - | 361,006 | 361,006 | 361,006 |
| Trade and other payables | - | - | - | 27,633 | 27,633 | 27,633 |
| Derivative instruments | - | 1,151 | - | - | 1,151 | 1,151 |
| Contingent consideration | - | 434 | - | - | 434 | 434 |
| **Total current financial liabilities** | **-** | **1,585** | **-** | **388,639** | **390,224** | **390,224** |
| Derivative financial instruments | - | 13,763 | - | - | 13,763 | 13,763 |
| Borrowings | - | - | - | 320,000 | 320,000 | 320,000 |
| Trade and other payables | | | | 6,503 | 6,503 | 6,503 |
| Contingent consideration | - | 2,920 | - | - | 2,920 | 2,920 |
| Put option provision | - | 3,000 | - | - | 3,000 | 3,000 |
| **Total non current financial liabilities** | **-** | **19,683** | **-** | **326,503** | **346,186** | **346,186** |
| **Total financial liabilities** | **-** | **21,268** | **-** | **715,142** | **736,410** | **736,410** |

| Council 2019/20 | Fair Value through other Comprehensive Income $000 | Fair Value through Profit & Loss $000 | Hedge accounted derivatives $000 | Other amortised cost $000 | Total carrying amount $000 | Fair value $000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | - | - | - | 33,156 | 33,156 | 33,156 |
| Other financial assets | - | - | - | 116,367 | 116,367 | 116,367 |
| Trade and other receivables | - | - | - | 20,729 | 20,729 | 20,729 |
| **Total current financial assets** | **-** | **-** | **-** | **170,252** | **170,252** | **170,252** |
| | | | | | | |
| Investments in CCO's and other similar entities | | - | - | 91,939 | 91,939 | 91,939 |
| Trade and other receivables | - | - | - | 1,571 | 1,571 | 1,571 |
| Other financial assets | 6,990 | 3,062 | - | - | 10,052 | 10,052 |
| **Total non current financial assets** | **6,990** | **3,062** | **-** | **93,510** | **103,562** | **103,562** |
| | | | | | | |
| **Total financial assets** | **6,990** | **3,062** | **-** | **263,762** | **273,814** | **273,814** |
| | | | | | | |
| **Financial liabilities** | | | | | | |
| Borrowings | - | - | - | 75,900 | 75,900 | 75,900 |
| Trade and other payables | - | - | - | 12,545 | 12,545 | 12,545 |
| Derivative instruments | - | - | - | - | - | - |
| **Total current financial liabilities** | - | - | - | 88,445 | 88,445 | 88,445 |
| | | | | | | |
| Derivative financial instruments | - | - | - | - | - | - |
| Borrowings | - | - | - | 115,500 | 115,500 | 115,500 |
| Put option provision | - | 3,400 | - | - | 3,400 | 3,400 |
| **Total non current financial liabilities** | **-** | **3,400** | **-** | **115,500** | **118,900** | **118,900** |
| | | | | | | |
| **Total financial liabilities** | **-** | **3,400** | **-** | **203,945** | **207,345** | **207,345** |

| Group 2019/20 | Fair Value through other Comprehensive Income $000 | Fair Value through Profit & Loss $000 | Hedge accounted derivatives $000 | Other amortised cost $000 | Total carrying amount $000 | Fair value $000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | - | - | - | 106,677 | 106,677 | 106,677 |
| Other financial assets | - | - | - | 116,367 | 116,367 | 116,367 |
| Trade and other receivables | - | - | - | 76,378 | 76,378 | 76,378 |
| **Total current financial assets** | **-** | **-** | **-** | **299,422** | **299,422** | **299,422** |
| Trade and other receivables | - | - | - | 1,571 | 1,571 | 1,571 |
| Other financial assets | 6,990 | 246,270 | - | 500 | 253,760 | 253,760 |
| **Total non current financial assets** | **6,990** | **246,270** | **-** | **2,071** | **255,331** | **255,331** |
| **Total financial assets** | **6,990** | **246,270** | **-** | **301,493** | **554,753** | **554,752** |
| **Financial liabilities** | | | | | | |
| Borrowings | - | - | - | 334,900 | 334,900 | 334,900 |
| Trade and other payables | - | - | - | 22,102 | 22,102 | 22,102 |
| Derivative instruments | - | - | - | - | - | - |
| **Total current financial liabilities** | **-** | **-** | **-** | **357,002** | **357,002** | **357,002** |
| Derivative financial instruments | - | - | 29,359 | - | 29,359 | 29,359 |
| Borrowings | - | - | - | 360,064 | 360,064 | 360,064 |
| Put option provision | - | 3,400 | - | - | 3,400 | 3,400 |
| **Total non current financial liabilities** | **-** | **3,400** | **29,359** | **360,064** | **392,823** | **392,823** |
| **Total financial liabilities** | **-** | **3,400** | **29,359** | **717,066** | **749,825** | **749,825** |

Credit Risk

*Exposure to Credit Risk*

The carrying amount of financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at reporting date was:

| | Council | | Group | |
|---|---|---|---|---|
| | **2020/21** | **2019/20** | **2020/21** | **2019/20** |
| | $000 | $000 | $000 | $000 |
| Trade and other receivables - current | 22,020 | 20,729 | 84,265 | 76,378 |
| Trade and other receivables - non current | 1,230 | 1,571 | 1,230 | 1,571 |
| Derivative financial instruments | - | - | - | - |
| Other financial assets - current | 71,155 | 110,000 | 71,155 | 110,000 |
| Other financial assets - non current | 49,600 | 49,600 | 45,244 | 41,057 |
| Cash and cash equivalents | 41,112 | 39,522 | 83,699 | 113,043 |
| | **185,117** | **221,423** | **285,593** | **342,049** |

**Credit risk management policies**

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject the Group to credit risk, principally consist of bank balances. Unless otherwise approved by Council, cash deposits are required to be with institutions with a credit rating of BBB or above and have individual counterparty limits and category limits which must be complied with under the Treasury Policy.

***Default***

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

***Write-off***

*Council*

Council has recognised an ECL allowance of $158,000 (2020: $166,000) for the Hot Swap Loans and $176,000 (2020: $129,000) for Rates Receivable in line with PBE IFRS 9. No further ECL allowance has been recognised because these amounts are considered trivial.

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

***Concentrations of credit risk***

*Council*

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

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

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

*Quayside Group*

There is no concentration of credit risk for *Quayside Group*.

*Port of Tauranga Group*

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty failing to meet its contractual obligations. Financial instruments which potentially subject the *Port of Tauranga Group* to credit risk, principally consist of bank balances, trade receivables, advances to Equity Accounted Investees and derivative financial instruments.

The *Port of Tauranga Group* only transacts in treasury activity (including investment, borrowing and derivative transactions) with Board approved counterparties. Unless otherwise approved by the Board, counterparties are required to be New Zealand registered banks with a Standard & Poor's credit rating of A or above. The *Port of Tauranga Group* continuously monitors the credit quality of the financial institutions that are counterparties and does not anticipate any non performance.

The *Port of Tauranga Group* adheres to a credit policy that requires that each new customer to be analysed individually for credit worthiness before *Port of Tauranga Group's* standard payment terms and conditions are offered. Customer payment performance is constantly monitored with customers not meeting credit worthiness being required to transact with *Port of Tauranga Group* on cash terms. The *Port of Tauranga Group* generally does not require collateral.

The only significant concentration of credit risk at reporting date relates to bank balances and advances to Equity Accounted Investees. The nature of the *Port of Tauranga Group's* business means that the top ten customers account for 63.8% of total Group revenue (2020: 64.1%). The *Port of Tauranga Group* is satisfied with the credit quality of these debtors and does not anticipate any non performance.

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored. The *Port of Tauranga Group's* committed bank facilities are required to be always maintained at a minimum of 10% above maximum forecast usage.

Funding risk is the risk that arises when either the size of borrowing facilities or the pricing thereof is not able to be replaced on similar terms, at the time of review with the Parent Company's banks. To minimise funding risk it is Board policy to spread the facilities' renewal dates and the maturity of individual loans. Where this is not possible, extensions to, or the replacement of, borrowing facilities are required to be arranged at least six months prior to each facility's expiry.

The following table sets out the contractual cash outflows for all financial liabilities (including estimated interest payments) and derivatives:

| Group 2020/21 | Statement of financial position $000 | Contractual cash flows $000 | 6 Months or less $000 | 6-12 months $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | | |
| Borrowings | 875,891 | 762,758 | 464,644 | 3,465 | 110,582 | 137,768 | 46,300 |
| Contingent consideration | 3,343 | 3,881 | - | 499 | 534 | 2,848 | - |
| Trade and other payables | 30,872 | 30,872 | 30,872 | - | - | - | - |
| | **910,106** | **797,511** | **495,516** | **3,964** | **111,116** | **140,616** | **46,300** |
| **Derivatives** | | | | | | | |
| Interest rate derivatives | | | | | | | |
| - Cashflow hedges outflow | 14,914 | 18,954 | 3,883 | 3,442 | 4,493 | 6,726 | 210 |
| - Cashflow hedges inflow | - | (2,600) | - | - | (65) | (1,087) | (1,448) |
| **Total derivatives** | **14,914** | **16,354** | **3,883** | **3,442** | **4,428** | **5,639** | **(1,238)** |
| **Total** | **925,020** | **813,865** | **499,399** | **7,406** | **115,544** | **146,255** | **45,062** |

| Council 2020/21 | Statement of financial position $000 | Contractual cash flows $000 | 6 Months or less $000 | 6-12 months $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | | |
| Borrowings | 180,900 | 201,646 | 77,321 | 1,591 | 42,531 | 33,904 | 46,300 |
| Trade and other payables | 21,096 | 21,096 | 21,096 | - | - | - | - |
| | **201,996** | **222,742** | **96,417** | **1,591** | **42,531** | **33,904** | **46,300** |
| **Derivatives** | | | | | | | |
| Interest rate derivatives | | | | | | | |
| - Outflow | - | - | - | - | - | - | - |
| - Inflow | - | - | - | - | - | - | - |
| | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **201,996** | **222,742** | **96,417** | **1,591** | **42,531** | **33,904** | **46,300** |

| Group 2019/20 | Statement of financial position $000 | Contractual cash flows $000 | 6 Months or less $000 | 6-12 months $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | | |
| Borrowings | 889,849 | 766,463 | 561,624 | 13,168 | 109,735 | 35,637 | 46,300 |
| Deferred consideration | - | - | - | - | - | - | - |
| Trade and other payables | 22,102 | 22,102 | 22,102 | - | - | - | - |
| | **911,951** | **788,565** | **583,727** | **13,168** | **109,735** | **35,637** | **46,300** |
| **Derivatives** | | | | | | | |
| Interest rate derivatives | | | | | | | |
| - Outflow | 29,359 | 30,947 | 2,931 | 3,469 | 7,930 | 15,333 | 1,284 |
| Forward exchange contracts | | | | | | | |
| - Inflow | - | - | - | - | - | - | - |
| Foreign currency derivatives | | | | | | | |
| - Outflow | - | - | - | - | - | - | - |
| - Inflow | - | - | - | - | - | - | - |
| | **29,359** | **30,947** | **2,931** | **3,469** | **7,930** | **15,333** | **1,284** |
| **Total** | **941,310** | **819,512** | **586,658** | **16,637** | **117,665** | **50,970** | **47,584** |

| Council 2019/20 | Statement of financial position $000 | Contractual cash flows $000 | 6 Months or less $000 | 6-12 months $000 | 1-2 years $000 | 2-5 years $000 | More than 5 years $000 |
|---|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | | |
| Borrowings | 191,400 | 201,646 | 77,321 | 1,591 | 42,531 | 33,904 | 46,300 |
| Trade and other payables | 12,545 | 12,545 | 12,545 | - | - | - | - |
| | **203,945** | **214,191** | **89,866** | **1,591** | **42,531** | **33,904** | **46,300** |
| **Derivatives** | | | | | | | |
| Interest rate derivatives | | | | | | | |
| - Outflow | - | - | - | - | - | - | - |
| - Inflow | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |
| **Total** | **203,945** | **214,191** | **89,866** | **1,591** | **42,531** | **33,904** | **46,300** |

## Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The *Quayside Group* is exposed to equity securities price risk because of investments held by the Group. This risk is managed through diversification of the portfolio. Refer to further information in (iii) Other Price Risk. The *Quayside Group*has no exposure to commodity price risk.

The *Port of Tauranga Group* uses derivative financial instruments such as interest rate swaps and foreign currency options to hedge certain risk exposures. All derivative transactions are carried out within the guidelines set out in The *Port of Tauranga Group's* Treasury Policy which have been approved by the Board of Directors. Generally the *Port of Tauranga Group* seeks to apply hedge accounting in order to manage volatility in the income statement.

(i) *Interest rate risk*

Interest rate risk is the risk of financial loss, or impairment to cash flows in current or future periods, due to adverse movements in interest rates on borrowings or investments. The *Port of Tauranga Group*uses interest rate derivatives to manage its exposure to variable interest rate risk by converting variable rate debt to fixed rate debt.

The *Port of Tauranga Group* enters into derivative transactions into International Swaps Derivatives Association (ISDA) master agreements. The ISDA agreements do not meet the criteria for offsetting in the balance sheet for accounting purposes.

The total nominal value of interest rate derivatives outstanding is $375m (2020: $280m).

The average interest rate on interest rate derivatives is 2.9% (2020: 3.3%).

The *Quayside Group* has deposits and borrowings that are subject to movements in interest rates.

At reporting date, the interest rate profile of the Group's interest-bearing financial assets /(liabilities) were:

| | **Council** | **Council** | **Group** | **Group** |
|---|---|---|---|---|
| | **2020/21** | **2019/20** | **2020/21** | **2019/20** |
| **Carrying amount** | $000 | $000 | $000 | $000 |
| **Fixed rate instruments** | | | | |
| Term Deposits | 85,655 | 125,000 | 85,655 | 125,000 |
| Bonds and fixed rate notes | - | - | - | - |
| Finance lease receivables | - | - | - | - |
| Fixed Rate Bond | - | - | (100,000) | (75,000) |
| Finance lease payables | - | - | - | - |
| Deferred consideration | - | - | - | - |
| Interest rate derivatives (net) | - | - | - | - |
| **Total** | **85,655** | **125,000** | **(14,345)** | **50,000** |
| | | | | |
| Variable rate instruments | - | - | - | - |
| Commercial papers | - | - | (220,000) | (184,000) |
| Standby revolving cash advance facility | - | - | (165,000) | (229,000) |
| Interest rate derivatives | - | - | (14,914) | (29,359) |
| Westpac borrowings | - | - | (15,106) | (15,106) |
| Floating rate notes | - | - | - | - |
| Cash balances | 41,112 | 24,522 | 83,591 | 98,043 |
| **Total** | **41,112** | **24,522** | **(331,429)** | **(359,422)** |

*Sensitivity Analysis*

If, at reporting date, bank interest rates had been 100 basis points higher/lower, with all other variables held constant, the result would increase/(decrease) post tax profit or loss and the hedging reserve by the amounts shown below.

The analysis is performed on the same basis for 2019/20.

| | Profit or Loss | | Cash Flow Hedge Reserve | |
|---|---|---|---|---|
| | **100 bp decrease** | **100 bp increase** | **100 bp decrease** | **100 bp increase** |
| **Group** | $000 | $000 | $000 | $000 |
| Variable rate instruments | (3,378) | 3,420 | - | - |
| Interest rate derivatives | 1,746 | (1,746) | 8,116 | (8,652) |
| **30 June 2021** | **(1,632)** | **1,674** | **8,116** | **(8,652)** |
| | | | | |
| Variable rate instruments | (2,927) | 2,968 | - | - |
| Interest rate derivatives | 1,477 | (1,477) | 7,886 | (8,360) |
| **30 June 2020** | **(1,450)** | **1,491** | **7,886** | **(8,360)** |

## Profile of Timing

The following table sets out the profile of timing of the notional amount of the hedging instrument:

| | Maturity | | | | |
|---|---|---|---|---|---|
| | **Less than 12 months** | **1-4 years** | **4-7 years** | **More than 7 years** | **Total** |
| **Subsidiary 2020/21** | $000 | $000 | $000 | $000 | $000 |
| **Interest rate derivatives** | | | | | |
| Notional amount (NZD$000) | 75,000 | 120,000 | 110,000 | 70,000 | 375,000 |
| Average rate (%) | 3.77% | 3.04% | 2.03% | 1.65% | 3.05% |
| | **203,945** | **214,191** | **89,866** | **1,591** | **42,531** |
| | | | | | |
| **Subsidiary 2019/20** | | | | | |
| **Interest rate derivatives** | | | | | |
| Notional amount (NZD$000) | - | 110,000 | 150,000 | 20,000 | 280,000 |
| Average rate (%) | 3.88% | 3.49% | 2.72% | 0.99% | 3.42% |
| | **203,945** | **214,191** | **89,866** | **1,591** | **42,531** |

*(ii) Currency Risk*

Foreign currency risk is the risk arising from the variability of the NZD currency values of the Group's assets, liabilities and operating cash flows, caused by changes to foreign exchange rates. The Group held the following foreign equities at balance date:

| | Group | | Council | |
|---|---|---|---|---|
| | **2019/20** | **2019/20** | **2019/20** | **2019/20** |
| | $000 | $000 | $000 | $000 |
| Cash - AUD | 624 | 3,586 | - | - |
| Cash - USD, EUR, GBP | 1,294 | 5,197 | - | - |
| Equities - AUD | 35,316 | 29,465 | - | - |
| Equities - USD, EUR, GBP | 76,343 | 50,909 | - | - |
| | **113,576** | **89,157** | **-** | **-** |

*Sensitivity Analysis*

If at reporting date, a 10% strengthening/weakening of the above currencies against the New Zealand dollar occurred with all other variables held constant, it would increase/(decrease) post tax profit or loss and the cash flow hedges reserve by the amounts shown below. The analysis is performed in the same basis for 2020.

| | Profit or loss | | Reserves | |
|---|---|---|---|---|
| | **10% increase** | **10% decrease** | **10% increase** | **10% decrease** |
| **Subsidiary** | $000 | $000 | $000 | $000 |
| Cash - AUD | 62 | (62) | - | - |
| Cash - USD, EUR, GBP | 129 | (129) | - | |
| Equities - AUD | 3,532 | (3,532) | - | - |
| Equities - USD, EUR, GBP | 7,634 | (7,634) | - | - |
| **30 June 2021** | **11,358** | **(11,358)** | **-** | **-** |
| | | | | |
| Cash - AUD | 359 | (359) | | |
| Cash - USD, EUR, GBP | 520 | (520) | - | - |
| Equities - AUD | 2,947 | (2,947) | - | - |
| Equities - USD, EUR, GBP | 5,091 | (5,091) | - | - |
| **30 June 2020** | **8,917** | **(8,917)** | **-** | **-** |

*(iii) Other Price Risk*

*Quayside Group* is exposed to equity securities price risk because of investments and classified as fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group's Statement of Investment Policy Objectives. The Group's investments are in both listed and unlisted equities. Equities by nature are subject to volatility. The Group holds equities in a number of markets. The Group held the following equities at balance date.

| Subsidiary | 2020/21 $000 | 2019/20 $000 |
|---|---|---|
| Unlisted private equity and managed funds | 45,932 | 20,094 |
| Listed Equities - NZD | 135,860 | 101,683 |
| Listed Equities - AUD | 35,316 | 29,465 |
| Listed Equities - USD, EUR, GBP, CAD, SGD | 76,343 | 50,909 |
| **30 June 2019** | **293,450** | **202,150** |

| Subsidiary | 10% increase $000 | 10% decrease $000 | 10% increase $000 | 10% decrease $000 |
|---|---|---|---|---|
| Unlisted private equity and managed funds | 2,009 | (2,009) | 2,009 | (2,009) |
| Listed Equities - NZD | 10,168 | (10,168) | - | - |
| Listed Equities - AUD | 2,947 | (2,947) | - | - |
| Listed Equities - USD, EUR, GBP, CAD, SGD | 5,091 | (5,091) | - | - |
| **30 June 2020** | **20,215** | **(20,215)** | **2,009** | **(2,009)** |

*Sensitivity Analysis*

The table below summarises the impact of increases/decreases in the equity prices on the Group's pre-tax profit for the year – all movements in equity prices are reflected through profit or loss. The analysis is based on the assumption that the equity prices had increased/decreased by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

| Subsidiary | 10% increase $000 | 10% decrease $000 | 10% increase $000 | 10% decrease $000 |
|---|---|---|---|---|
| Unlisted private equity and managed funds | | | | |
| Listed Equities - NZD | 10,168 | (10,168) | - | - |
| Listed Equities - AUD | 2,947 | (2,947) | - | - |
| Listed Equities - USD, EUR, GBP, CAD, SGD | 5,091 | (5,091) | - | - |
| **30 June 2021** | **18,206** | **(18,206)** | **-** | **-** |

The Group is also exposed to other price risk arising from the variability of kiwifruit prices which impact on the valuation of the Group's income and receivables. The Parent has no exposure to this price risk. The Group's Kiwifruit income and related receivable at year-end are based on forecast revenue per tray, made at the beginning of the season.

*Sensitivity Analysis*

At 30 June 2021, if the forecast revenue per tray had been 10% higher/lower with all other variables held constant, the Group's post tax profit for the year would increase/decrease by $352,403 (2020: $400,356).

**Market liquidity risk**

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

*Financial instruments categories and fair value hierarchy*

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

The following table presents the QHL Group's financial assets and liabilities that are measured at fair value at 30 June 2021 and 30 June 2020.

| 30 June 2021 | Group Level 1 $000 | Group Level 2 $000 | Group Level 3 $000 | Group Total $000 |
|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | |
| Listed equity investments | 247,519 | - | - | 247,519 |
| Unlisted direct investments | - | - | 15,487 | 15,487 |
| Unlisted managed funds | - | - | 25,550 | 25,550 |
| Other instruments | | | 4,895 | 4,895 |
| | **247,519** | **-** | **45,932** | **293,450** |

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

*Transfers between levels in the fair value hierarchy*

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

*Reconciliation of fair value measurement under Level 3 hierarchy*

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

| Subsidiary | 2021 $000 | 2020 $000 |
|---|---|---|
| Opening Balance | 20,094 | 7,658 |
| Purchases | 21,191 | 13,117 |
| Sales | (4,390) | - |
| Unrealised gains and losses recognised in net fair value gains on financial instruments held at fair value through profit or loss | 9,037 | (681) |
| **Closing Balance** | **45,932** | **20,094** |

For recurring fair value measurements categorised within Level 3 of the fair value hierarchy the amount of the total gains or losses for the period included in income that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period was a $7.7m loss (2020: $0.7m loss), and these amounts are recognised as part of the 'Other Losses' line item of the income statement.

*Fair value sensitivity*

| Subsidiary | Non-market observable input | Movement % | Impact on fair value measurement Increase $000 | Decrease $000 |
|---|---|---|---|---|
| 2021 – Parent and Group | | | | |
| Unlisted direct investments | (i) | (i) | 3097 | 3097 |
| Unlisted managed funds | (i) | (i) | 5110 | -5110 |
| 2020 – Parent and Group | | | | |
| Unlisted direct investments | (i) | (i) | 124 | -124 |
| Unlisted managed funds | (i) | (i) | 278 | -278 |

The Group's investments that have been categorised as private equity and are held either directly or via externally managed investment vehicles. The Board and management have assessed that the reasonably likely movement in fair value in a one-year period is: 20% for direct private equity investments and 20% for managed funds based on internal risk modelling.

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

## 39 Capital management

**Council**

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

The LGA requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of using the Council's assets and not expecting them to meet the full cost of long-term assets, that will benefit ratepayers in future generations. Additionally, the Council has in place, Asset Management Plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The LGA sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

Bay of Plenty Regional Council has the following Council created reserves:

- reserves for different areas of benefit

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

*Quayside Group*

The Group's capital is its equity, which comprises paid up capital, retaining earnings and reserves. Equity is represented by net assets less non controlling interest.

The *Quayside Group's* objectives when managing capital are to safeguard the *Quayside Group's* ability to continue as a going concern in order to provide a long-run risk-adjusted commercial rate of return to the holder of the ordinary shares and to provide fixed dividends to the holders of issued Perpetual Preference shares. Capital is structured to minimise the cost of capital. Quayside Securities Limited is the trustee for the Toi Moana Trust. The objectives of capital management of Toi Moana Trust therefore align with the Quayside Group objectives.

The *Quayside Group's* Statement of Intent requires that it retain a majority shareholding in the Port of Tauranga Limited, currently 54.14%; complementing that, the policy of the Board is to provide the best possible management of all other investments by diversifying across sectors away from the port/transport sector, both within Australasia and internationally. To provide for a growing and sustainable flow of dividends to the ordinary shareholder, the *Quayside Group* has adopted a distribution policy which will ensure that dividends are maintained with regard to retentions for regional growth and inflation, and can be maintained through periods of income fluctuation.

The *Quayside Group* is required to comply with certain financial covenants in respect of external borrowings, namely security over shares in Port of Tauranga Limited owned by Quayside Securities Limited as trustee for the Quayside Unit Trust.

There have been no changes in the *Quayside Group's* approach to capital management during the year. Quayside Holdings Limited has complied with all capital management policies and covenants during the reporting period.

*Port of Tauranga Group*

The Board's policy is to maintain a strong capital base, which the *Port of Tauranga Group* defines as total shareholders' equity, so as to maintain investor, creditor and market confidence, and to sustain the future business development of the *Port of Tauranga Group*. The Board endeavours to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The *Port of Tauranga Group* has established policies in capital management, including the specific requirements that interest cover is to be maintained at a minimum of three times and that the debt/(debt + equity) ratio is to be maintained at a 40% maximum. It is also *Port of Tauranga Group* policy that the dividend payout is maintained between a level of between 70% and 100% of profit for the period.

The Port of Tauranga Limited has complied with all capital management policies and covenants during the reporting period.

## 40 Explanation of major variances against budget

Explanations for major variations from the Council's budget figures in the 2020/21 Annual Plan are as follows:

**Statement of comprehensive revenue and expense**

***Operating revenue***

Total operating revenue for the year ended 30 June 2021 was $149.0 million, this is $12.2 million higher than budget of $136.8 million, and $10.5 million higher than last year. Includes capital revenue of $14.3 million against a budget of $7.1 million. The key reasons for the variances are identified as follows:

*Subsidies and grants*

The most notable increases in operating revenue came from grants and subsidies of $33.6 million, this result is $10.7 million higher than budget and a 67% increase on last year. Highlights include:

Crown Infrastructure Partners funding of $11.2 million for 'shovel ready' and climate resilience projects in the area of flood protection and control. We were awarded $23 million over the next four years, significantly reducing our borrowing requirements across six capital projects.

Additional funding from the Jobs for Nature programme to improve biosecurity, freshwater, and biodiversity in the Bay of Plenty region.

Lower than planned grants of $2 million from the Ministry for the Environment for the Rotorua Te Arawa Lakes enhancement programme.

*Finance revenue*

Corporate finance revenue of $38.5 million is largely on budget, this incorporates a dividend from Quayside of $33.1 million. Toi Moana Trust paid a distribution of $2.25 million meeting its target for 2020/21. The unfavourable variance comprises $0.5 million lower than planned interest revenue off cash and other financial assets.

*Other gains*

Council received $1.4 million in gains from sale of assets and other non cash asset revenue.

***Operating expenditure***

Total operating expenditure for the year ended 30 June 2021 was $141.7 million, this is $0.7 million lower than budget of $142.4 million, and $3.2 million higher than last year. The key reasons for the variances are identified below:

*Trading and other expenses*

Trading and other expenses is $84.1 million which is $1.5 million higher than budget. The key reasons for the variances are identified below:

We invested a further $4.5 million to improve biosecurity, freshwater, and biodiversity in the region. This increase has been driven by successful funding bids to central government's Jobs for Nature programme. We also experienced higher than planned levels of engagement from landowners to access our Environmental Programmes which provide grants and subsidies for biodiversity and sustainable land management activities.

We have grown our capacity and capability to implement central government direction on freshwater, and to build thriving partnerships with tangata whenua. Regional planning and Māori policy costs were around $1.5 million lower than plan. Consenting and environmental enforcement has contributed to increased costs of $1.4 million.

Public Transport operations cost increases include $0.5 million due to COVID-19 impacts, improved conditions for bus drivers through living wages and rest and meal breaks, and the rollout of a new regional integrated ticketing solution. Some of this is offset with reduced consultants costs.

Our incentives scheme which aims to improve the health of the Rotorua Te Arawa Lakes continues to make progress although we will carry forward $5.2 million of unspent budget to future years.

Third party infrastructure grants are $1.2 million lower than budget in relation to the Rotomā/Rotoiti Sewerage Scheme. We anticipate that this grant will be paid to Rotorua Lakes Council in the next financial year.

Emergency Management were $0.5 million lower than budget primarily due to lower than planned COVID-19 costs.

*Depreciation and amortisation*

Depreciation and amortisation expenditure of $7.5 million is $1.7 million lower than planned due to the timing of capital projects, in particular technical services and technology projects

*Other losses*

Other losses is $0.7 million higher than budget due to the loss on disposals of property, plant and equipment in relation to the Rotorua Lakes Programme (floating wetland, Tikitere).

*Employee benefit expenses*

Employee benefit expenses is $46.2 million, this is $1.7 million higher than budget due to increasing our capacity for example in biosecurity, regulatory compliance, governance, engineering, and corporate services; adapting our recruitment processes to market conditions.

## Statement of financial position

### *Assets*

Total assets is $19 million *lower* than budget due to the below major variances.

*Current assets*

Current assets is $83.4 million *lower* than budget due to the below major variances.

- Cash and cash equivalents is $16.9 million higher than budget mainly due to Term deposits planned as Financial assets classified as cash due to the maturity date.
- Other financial assets is $108.5 million *lower* than budget due to term deposits that were planned as current however due to the maturity date are recorded as cash and non-current assets.
- Trade and other receivables were $8.1 million *higher* than planned mainly due to:
  - Rates receivables were $8.9 million which was $2.6 million *higher* than budget of $6.3 million due to lower than expected receipts from the Territorial Authorities (who collect rates on behalf of Council).
  - Trade debtors were $6.4 million which was $4.2 million higher than budget of $2.2 million mainly due to a $4.6 million receivable due from the Ministry of Business, Innovation and employment for the Climate Resilience programme.
  - Interest receivables is $1.2 million which was $900,000 lower than budget of $2.1 million due to the maturity profile of term deposits.
  - A higher than planned increase of $2.2 million in other receivables makes up the balance of the variances in current assets

*Non-current assets*

Non-current assets is $64.4 million higher than budget due to the below major variances.

- Property, plant and equipment was $15.9 million less than planned, mainly due to lower than expected capital expenditure. This variance is partly offset by higher infrastructure asset revaluations.
- Other financial assets is $78.4 million higher than budget. This is mainly due to term investments planned as current however due to the maturity date are recorded as non-current assets.

*Liabilities*

Total liabilities is $44.7 million lower than budget due to the below major variances.

- The put option is valued at $3.0 million which is $0.4 million lower than budget.
- Total current and non-current borrowings is $50.5 million lower than budget. A loan of $50.5 million was repaid to the LGFA earlier than planned.
- Short term borrowings is $14.6 million lower than budget and non-current borrowings is $35.9 million lower than budget. The maturity date of some loans has been extended to maintain Treasury Policy compliance, and this has meant that some borrowings have been re-classified between current and non-current.

*Equity*

- Total equity is $25.7 million higher than budget mainly due to infrastructure asset revaluations 2019/20 and 2020/21.

## Statement of Cashflows

- Net cash from operating activities is $10.9 million higher than budget due to lower than expected payments to suppliers.
- Net cash from investing activities is $39.5 million higher than budget. $50.5 million of matured investments were used to repay a loan from the LGFA instead of being reinvested as planned. A change in the maturity profile of investments has also resulted in investments that were budgeted for as long term financial assets being reinvested for shorter terms therefore classified as cash instead of investing activities.
- Net cash from financing activities is $48.2 million lower than budgeted – outflows were higher due to the repayment of the loan to LGFA.

## 41 Put option

The Perpetual Preference Share issue has a Put Option; the purpose of the Put Option is to reduce the credit risk of the Perpetual Preference Share to holders. The Option Deed relating to the Perpetual Preference Shares dated 31 January 2008, outlines the Put Option trigger events, these are:

- Quayside Holdings Limited fails (for whatever reason) to pay the cash component of a dividend payable on a Dividend Payment Date within five business days after the payment date; or
- Quayside Holdings Limited elects not to pay a dividend payable on a dividend payment date; or
- Quayside Holdings Limited ceases to carry on business or operations; or
- An encumbrancer takes possession, or a trustee, receiver and manager, liquidator, administrator, inspector under any companies or securities legislation; or
- A recommendation by the Securities Commission is made to appoint a Statutory Manager; or
- Quayside Holdings Limited is declared or becomes insolvent

While the Council would take steps to prevent the Put Option being exercised, the Council has no binding obligation to intervene. For this reason the valuation of the Put Option is based on Quayside Holdings Limited as a stand-alone entity.

A significant factor in the valuation of the Put Option is Quayside Holdings Limited's substantial degree of reliance on the dividends received from its shareholding in the Port of Tauranga (POT), to fully meet the Perpetual Preference Share dividend payments. Whilst there is currently no apparent reason to believe that Quayside Holdings Limited will not receive dividends from the POT in the future, adverse business, financial or economic conditions may impair the ability and willingness of the POT to pay future dividends.

The valuation of the Put Option as at 30 June 2021 was carried out by PricewaterhouseCoopers (PwC), Wellington on 9 September 2021. PwC has applied Quayside Holdings Limited an updated credit rating range from A- to BBB+ based on their analysis of the Perpetual Preference Share obligations and Quayside Holdings Limited's historical earnings for the Perpetual Preference Share.

Based on the above factors, PwC has given the Council an indicative range of $2.5 million to $3.2 million for the Put Option. In 2019/20 this range was $2.7 million to $3.5 million.

| Sensitivity of the indicative valuation to 22% recovery | | | | |
|---|---|---|---|---|
| Rating score | A- | BBB+ | BBB | BBB- |
| Income statement | $0.2 million | $0.1 million | -$1.1 million | -$4.0 million |
| Balance sheet | $3.2 million | $3.3 million | $4.5 million | $7.4 million |

| Sensitivity of the indicative valuation to 40% recovery | | | | |
|---|---|---|---|---|
| Rating score | A- | BBB+ | BBB | BBB- |
| Income statement | $0.7 million | $0.7 million | -$0.0 million | -$2.3 million |
| Balance sheet | $2.5 million | $2.5 million | $3.4 million | $5.7 million |

## 42 Funding impact statement

### Bay of Plenty Regional Council: Funding impact statement for the year ended 30 June 2021 (whole of Council)

| | Annual Plan 2019/20 $000 | Actual 2019/20 $000 | Annual Plan 2020/21 $000 | Actual 2020/21 $000 |
|---|---|---|---|---|
| **Source of operating funding** | | | | |
| General rates, uniform annual general charges, rates penalties | 27,544 | 27,797 | 28,471 | 28,751 |
| Targeted rates | 29,369 | 29,442 | 28,727 | 28,649 |
| Subsidies and grants for operating purposes | 18,317 | 17,008 | 19,488 | 21,583 |
| Fees and charges | 11,566 | 9,916 | 11,114 | 10,439 |
| Interest and dividends from investments | 38,728 | 37,414 | 38,980 | 38,486 |
| Local authorities fuel tax, fines infringement fees and other receipts | 2,152 | 6,536 | 2,929 | 5,350 |
| **Total operating funding (A)** | **127,676** | **128,112** | **129,709** | **133,257** |
| **Applications of operating funding** | | | | |
| Payments to staff and suppliers | 122,213 | 120,138 | 129,882 | 130,233 |
| Finance costs | 3,547 | 3,185 | 3,258 | 3,212 |
| Other operating funding applications | 153 | 210 | 175 | 47 |
| **Total applications of operating funding (B)** | **125,913** | **123,533** | **133,315** | **133,492** |
| **Surplus (deficit) of operating funding (A-B)** | **1,763** | **4,578** | **(3,606)** | **(234)** |
| **Sources of capital funding** | | | | |
| Subsidies and grants for capital expenditure | 4,715 | 3,096 | 3,404 | 12,051 |
| Development and financial contributions | 0 | 0 | 0 | 0 |
| Increase (decrease) in debt | 50,332 | 50,282 | 48,101 | (10,500) |
| Gross proceeds from sale of assets | 0 | 151 | 0 | 221 |
| Lump sum contributions | 0 | 0 | 0 | 0 |
| Other dedicated capital funding | 4,307 | 7,057 | 3,740 | 2,301 |
| **Total sources of capital funding (C)** | **59,354** | **60,586** | **55,245** | **4,073** |

| | Annual Plan 2019/20 $000 | Actual 2019/20 $000 | Annual Plan 2021/21 $000 | Actual 2021/21 $000 |
|---|---|---|---|---|
| **Applications of capital funding** | | | | |
| Capital expenditure | | | | |
| - to meet additional demand | 0 | 0 | 0 | 0 |
| - to improve levels of service | 40,111 | 21,387 | 34,408 | 17,341 |
| - to replace existing assets | 19,244 | 15,015 | 17,097 | 10,285 |
| Increase (decrease) in reserves | 1,219 | (53,726) | (451) | 6,340 |
| Increase (decrease) of investments | 543 | 82,487 | 585 | (30,127) |
| **Total applications of capital funding (D)** | **61,117** | **65,163** | **51,639** | **3,839** |
| **Surplus (deficit) of capital funding (C-D)** | **(1,763)** | **(4,577)** | **3,606** | **234** |
| **Funding balance (A-B) + (C-D)** | **0** | **0** | **0** | **0** |
| Note: This financial statement excludes: | | | | |
| Depreciation and amortisation | 8,138 | 6,618 | 9,130 | 6,889 |
| Loss on sale of property, plant and equipment | 0 | 1,034 | 0 | 698 |
| Impairment of property, plant and equipment | 0 | 4,555 | 0 | 0 |
| Investment amortisation | 0 | 0 | 0 | 0 |
| Gain on disposal of property, plant and equipment | 0 | (259) | 0 | (440) |
| Fair value adjustments | 0 | 2,752 | 0 | 0 |
| Gain on revaluation of Put Option | 0 | 0 | 0 | (400) |
| Asset revenue gain | 0 | 0 | 0 | (577) |

**Prior Year Update**

Certain prior year figures have been updated to correctly disclose increase/(decrease) in Debt, Investments and Reserves to reflect external charges (previously used internal charges).

The table below shows the impact on the Whole of Council FIS for the prior year.

| | Actual 2019/20 Annual Report $000 | Adjustment | Actual 2019/20 Updated $000 |
|---|---|---|---|
| Increase (decrease) in debt | 36,402 | 13,880 | 50,282 |
| **Total sources of capital funding** | **46,706** | **13,880** | **60,586** |
| | | | |
| Increase (decrease) in reserves | 14,325 | (68,051) | (53,726) |
| Increase (decrease) of investments | 556 | 81,931 | 82,487 |
| **Total applications of capital funding** | **51,283** | **13,880** | **65,163** |

## 43 Internal loans

### Council

| Group of Activities | Opening Balance 01 July 2020 Restated | Loan Advances | Loan Repayments | Closing Balance 30 June 2021 | Interest Charges |
|---|---|---|---|---|---|
| **Integrated Catchment Group of Activities** | | | | | |
| Kaituna Catchments | 16,776 | 1,026 | (687) | 17,115 | 505 |
| Rotorua Lakes | 14,542 | 1,618 | (1,373) | 14,787 | 431 |
| | **31,318** | **2,645** | **(2,060)** | **31,902** | **937** |
| **Resource Regulation and Monitoring Group of Activities** | | | | | |
| Rotorua Air Activity - Clean Heat | 2,528 | 750 | (757) | 2,520 | 71 |
| Maritime | 241 | 35 | (10) | 266 | 7 |
| | **2,769** | **784** | **(767)** | **2,786** | **78** |
| **Flood Protection and Control Works Group of Activities** | | | | | |
| Kaituna Catchment Control Scheme | 8,743 | 1,891 | (2,732) | 7,902 | 262 |
| Rangitaiki - Tarawera Rivers Scheme | 39,733 | 19,883 | (20,192) | 39,424 | 1,210 |
| Whakatāne - Tauranga Rivers Scheme | 7,370 | 1,755 | (985) | 8,141 | 225 |
| Waioeka - Otara Rivers Scheme | 5,063 | 241 | (329) | 4,974 | 151 |
| Rangitaiki Drainage Scheme | 1,411 | 0 | (70) | 1,341 | 42 |
| Non-Scheme | 15,121 | (0) | (660) | 14,461 | 447 |
| | **77,441** | **23,770** | **(24,968)** | **76,243** | **2,336** |
| **Corporate Services Group of Activities** | | | | | |
| Communications | 3 | 0 | (0) | 3 | 0 |
| Buildings | 32,561 | 3,286 | (1,445) | 34,401 | 1,021 |
| Plant | 691 | 342 | (37) | 997 | 25 |
| Vehicles | 1,601 | 752 | (73) | 2,280 | 57 |
| Information Services | 3,080 | 861 | (131) | 3,810 | 103 |
| Information Technology | 2,116 | 460 | (89) | 2,487 | 69 |
| | **40,053** | **5,701** | **(1,776)** | **43,978** | **1,275** |

| Group of Activities | Opening Balance 01 July 2020 Restated | Loan Advances | Loan Repayments | Closing Balance 30 June 2021 | Interest Charges |
|---|---|---|---|---|---|
| **Transportation Group of Activities** | | | | | |
| Tauranga Passenger Transport | 948 | 996 | (777) | 1,167 | 35 |
| | **948** | **996** | **(777)** | **1,167** | **35** |
| **Regional Development Group of Activities** | | | | | |
| Regional Parks | 450 | 983 | (28) | 1,405 | 23 |
| | **450** | **983** | **(28)** | **1,405** | **23** |
| **Emergency Management Group of Activities** | | | | | |
| CDEM Group | 3 | 42 | (42) | 3 | 0 |
| | **3** | **42** | **(42)** | **3** | **0** |
| **Technical Services Group of Activities** | | | | | |
| Geospatial | 282 | 113 | (13) | 382 | 10 |
| Engineering | 5 | 700 | (82) | 623 | 1 |
| Data Services | 555 | 233 | (23) | 765 | 18 |
| Science | 640 | 182 | (24) | 798 | 19 |
| | **1,482** | **1,227** | **(141)** | **2,568** | **48** |
| **Total** | **154,463** | **36,148** | **(30,560)** | **160,052** | **4,730** |

## 44 Depreciation and amortisation expense by Group of Activity

| | Council 2020/21 $000 | Council 2019/20 $000 |
|---|---|---|
| Directly attributable depreciation and amortisation expense by group of activity: | | |
| Integrated Catchment Management | 1,038 | 890 |
| Flood Protection & Control | 1,362 | 1,325 |
| Resource Regulation & Monitoring | 85 | 87 |
| Transportation | 638 | 21 |
| Regional Development | 49 | 43 |
| Regional Planning & Engagement | 0 | 0 |
| Emergency Management | 0 | 0 |
| Technical Services | 519 | 481 |
| Corporate Services | 3,779 | 3,772 |
| **Total depreciation and amortisation** | **7,469** | **6,618** |

## 45 Financial Prudence

**Annual report disclosure statement for year ending 30 June 2020**

**What is the purpose of this statement?**

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

**Rates affordability benchmark**

The council meets the rates affordability benchmark if-

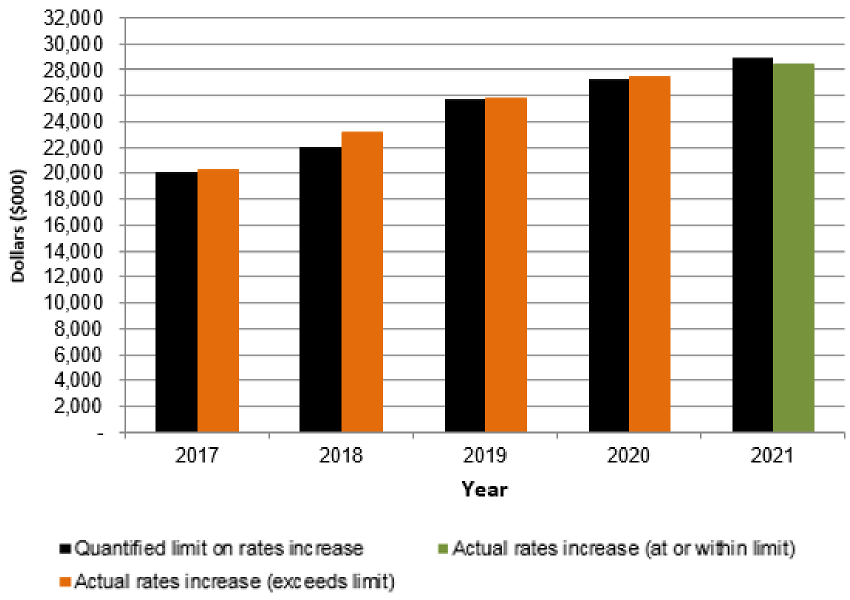
- Its actual rates income equals or is less than each quantified limit on rates; and
- Its actual rates increase equal or are less than each quantified limit on rates increases

**Rates (income) affordability**

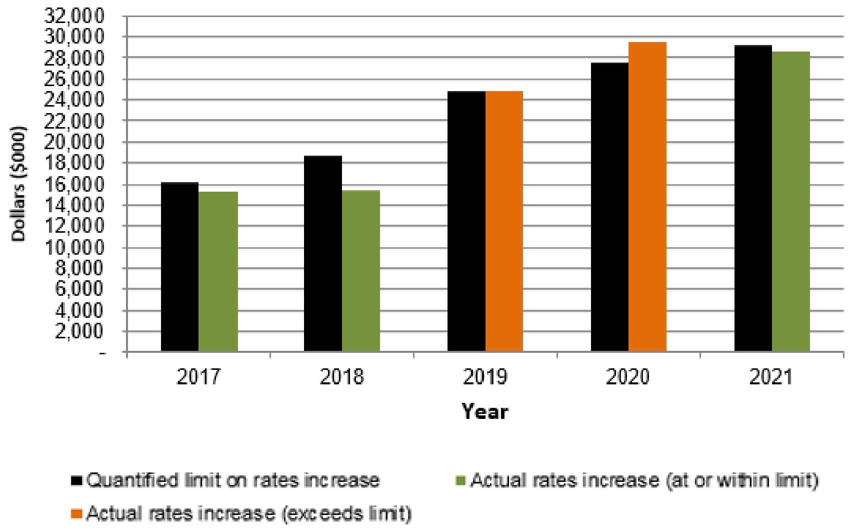
The following graphs compare the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is set in the Council financial summary statement and measured in thousands of dollars. The quantified limits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

| Quantified limit on rates | 2016 $000 | 2017 $000 | 2018 $000 | 2019 $000 | 2020 $000 | 2021 $000 |
|---|---|---|---|---|---|---|
| General rates | 18,340 | 20,080 | 21,988 | 25,728 | 27,285 | 28,934 |
| Targeted rates | 14,940 | 16,092 | 18,669 | 24,780 | 27,526 | 29,202 |
| **Planned rates** | **33,280** | **36,172** | **40,657** | **50,508** | **54,811** | **58,136** |

### General rates



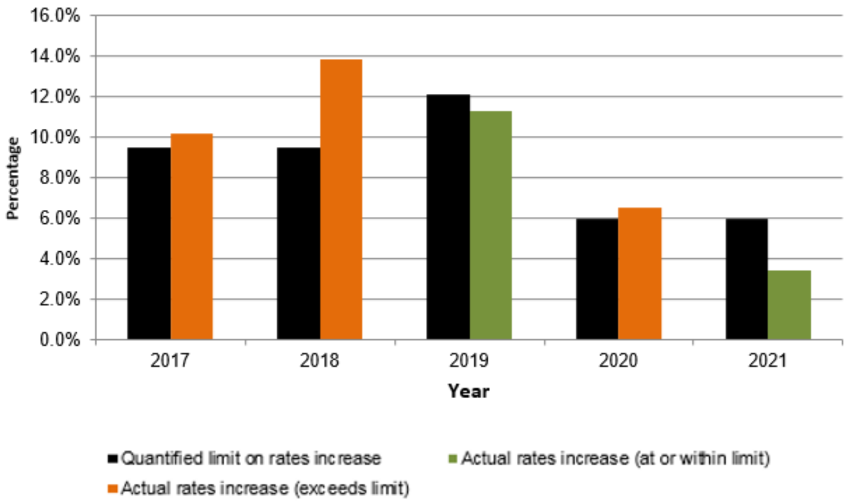

### Targeted rates



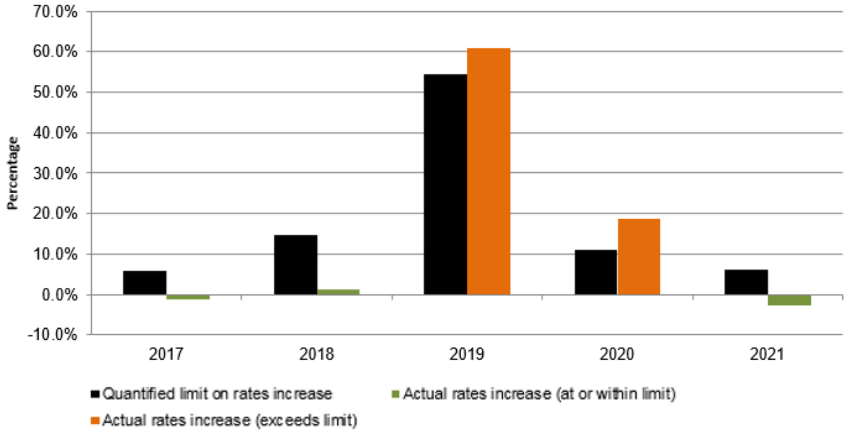
### Rates (increases) affordability

The following graphs compare the Council's actual rates increases, with a quantified limit on rates increases included in the financial strategy included in the Council's LTP. The quantified limit is set for each financial year and measured as percentage rate rise from the prior financial year.

### General rates




### Targeted rates



### Debt affordability benchmark

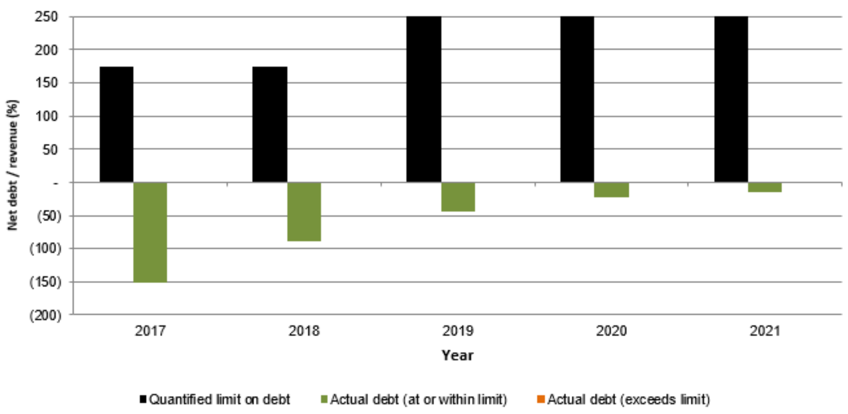
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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

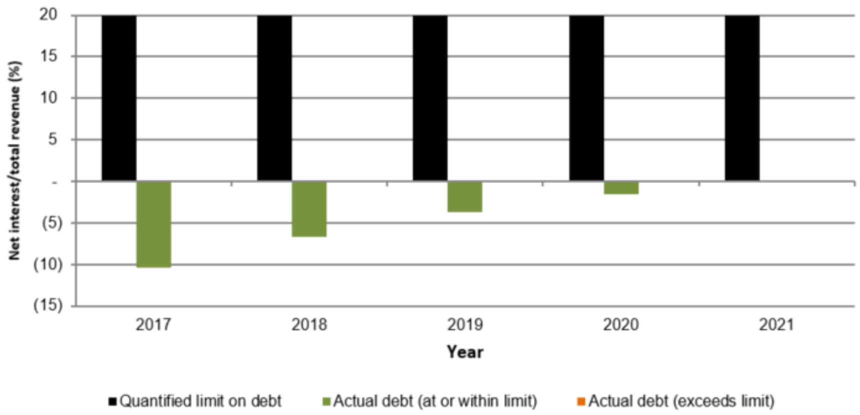
| Financial covenant (1) | Limit |
|---|---|
| Net debt (2) / Total revenue (3) | <250% |
| Net interest / Total revenue | <20% |
| Net interest / Annual rates revenue | <30% |
| Liquidity (4) | >110% |

1. Financial covenants are measured on Council only, not the consolidated group.
2. Net debt is defined as total debt less liquid financial assets and investments.
3. Total revenue is defined as cash earnings from rates, government grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. vested assets).
4. Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.

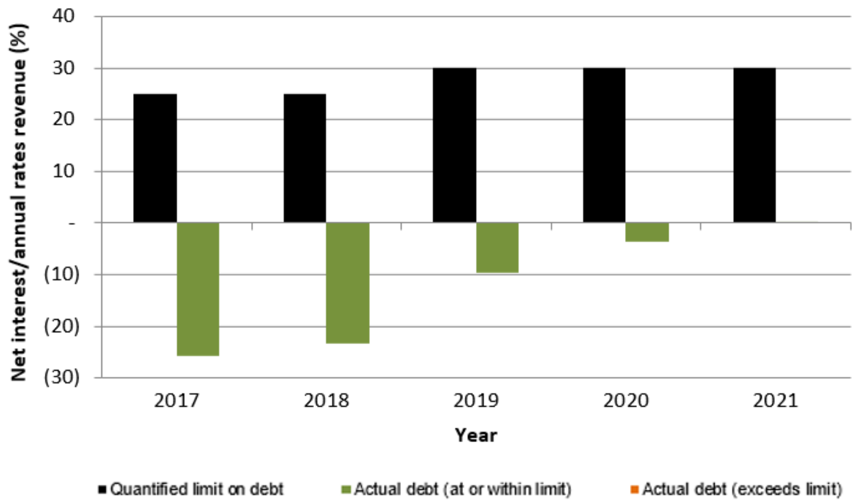
### Net debt / total revenue



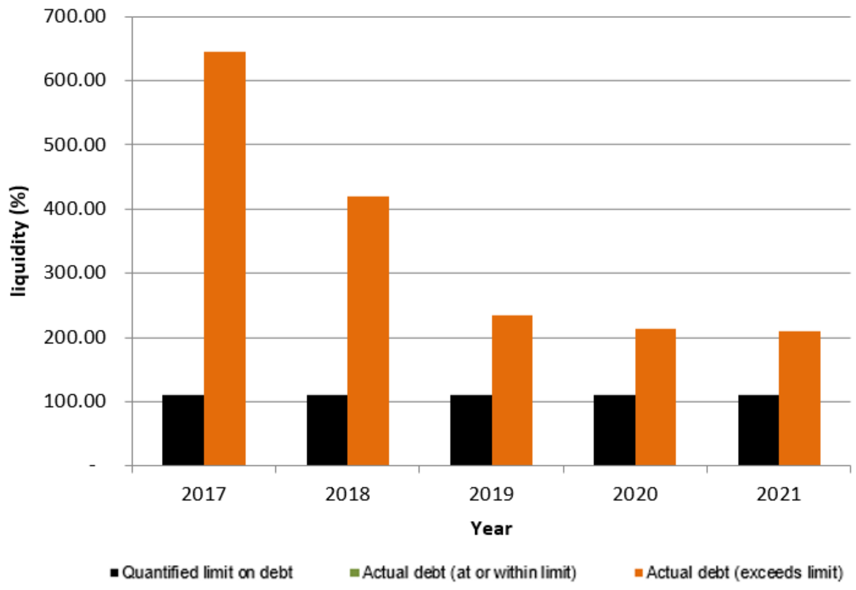

### Net interest / total revenue




### Net interest / annual rates revenue



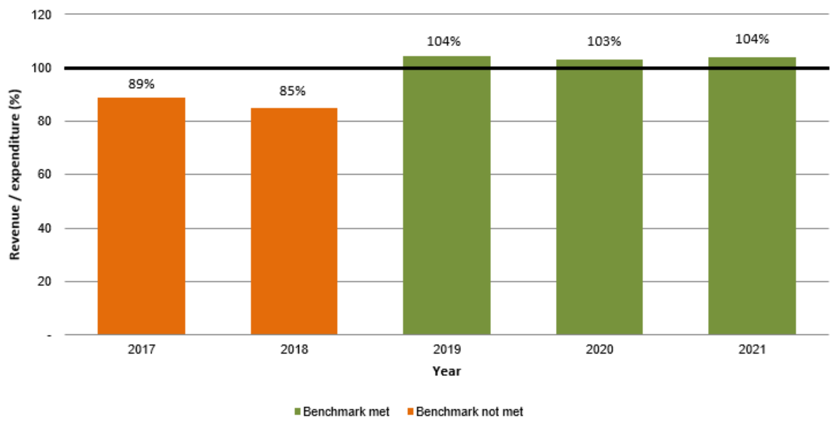
## Liquidity




## Balanced budget benchmark

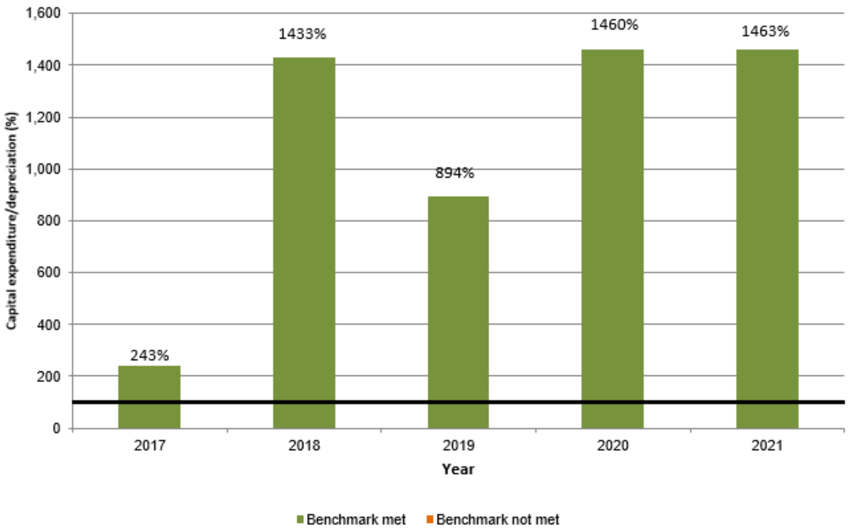
The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial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

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



### Essential services benchmark

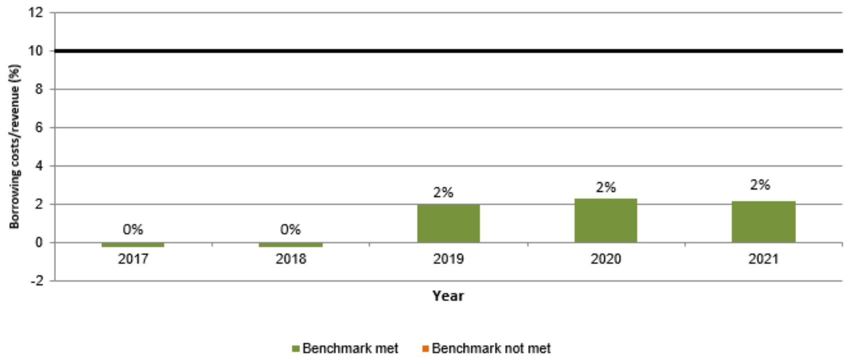
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals, or is greater than depreciation on network services.




### Debt servicing benchmark

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

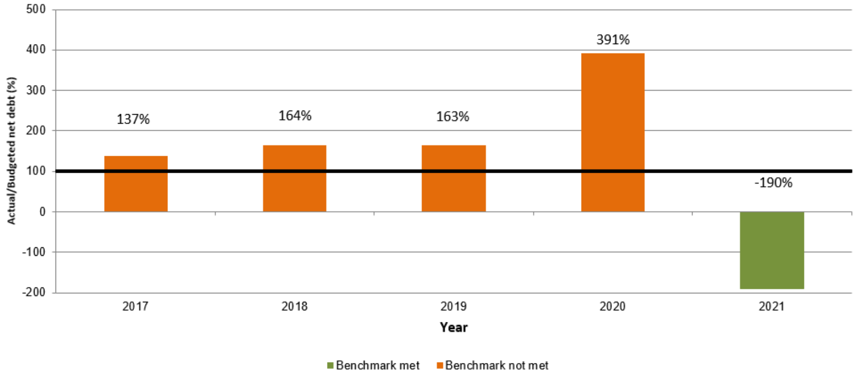
Because Statistics New Zealand projects the Council's population will grow *more slowly* than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 % of its revenue.



### Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

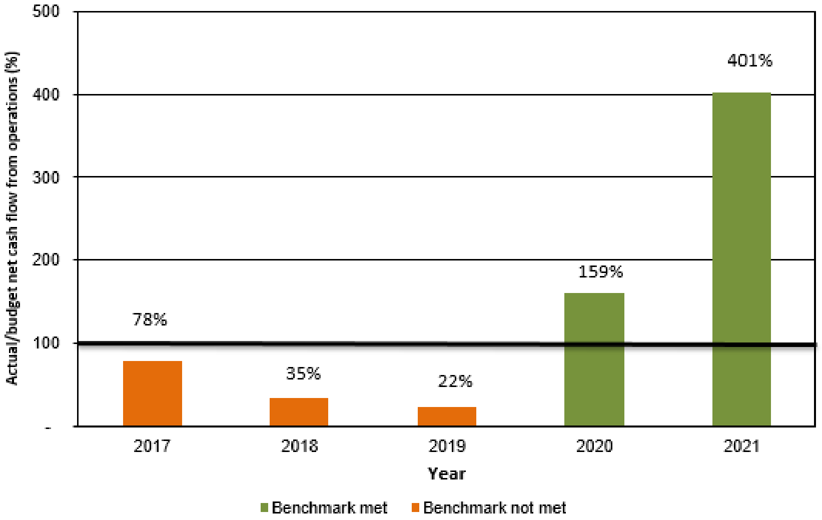
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.




### Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



# Statement of Compliance

## Compliance

The Council and management of Bay of Plenty Regional Council confirm that all statutory requirements in relation to this Annual Report, as outlined in the Local Government Act 2002, have been complied with.

## Responsibility

The Council and management of the Bay of Plenty Regional Council accept responsibility for the preparation of annual financial statements and the judgements used in them, and hereby adopt the financial statements as presented. They also accept responsibility for establishing and maintaining a system of internal control, designed to provide reasonable assurance as to the integrity and reliability of financial reporting and service performance reporting. In the opinion of the Council and management, the annual financial statements for the year ended 30 June 2021 fairly reflect the financial position, financial performance and service performance achievements of the Bay of Plenty Regional Council and Group.

Douglas Leeder
**Chairman**

16 December 2021

Fiona McTavish
**Chief Executive**

16 December 2021

# Independent Auditor's Report

## *To the readers of Bay of Plenty Regional Council's annual report for the year ended 30 June 2021*

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

We are also required to report on:

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

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

We completed our work on 16 December 2021. This is the date on which we give our report.

### OPINION ON THE AUDITED INFORMATION

In our opinion:

- the financial statements on pages 79 to 182 and pages 185 to 186:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2021;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.
- the funding impact statement on pages 183 to 184, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- the Service Delivery Performance on pages 19 and 28 to 65:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2021, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 32 to 65, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 32 to 66, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

## REPORT ON THE DISCLOSURE REQUIREMENTS

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 186 to 192, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

## BASIS FOR OUR OPINION ON THE AUDITED INFORMATION

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

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

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

## RESPONSIBILITIES OF THE COUNCIL FOR THE AUDITED INFORMATION

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

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

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

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

## RESPONSIBILITIES OF THE AUDITOR FOR THE AUDITED INFORMATION

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

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

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

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

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

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

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

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

## OTHER INFORMATION

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 2 to 18, 20 to 27, 67 to 78, 193 and 197 but does not include the audited information and the disclosure requirements.

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

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

## INDEPENDENCE

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

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of Councils Debenture Trust Deed and 2021-31 Long-Term Plan Consultation Document and the 2021-31 Long-Term Plan, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

# Ngā reo kōrero
# **Your representatives**

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

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

*For more information visit our website*
*www.boprc.govt.nz, call 0800 884 880*
*or email info@boprc.govt.nz*