



Summary

2019/20

**Annual
Report**

Pūrongo ā-tau

Waikato



REGIONAL COUNCIL
Te Kaunihera ā Rohe o Waikato

Message from CE and Chairperson

Kōrero matua a te tiamana
me te tumu whakarae

The past year has been one of unexpected challenges for our communities and our council. COVID-19 has influenced this story. It will continue to do so. But it has not defined it.

The personal and financial toll the pandemic has taken on residents, and the impact of economic aftershocks yet to come, have been at the forefront of our minds. These unique circumstances saw us take decisive action through our annual plan to deliver a net zero per cent rate revenue increase for 2020/21.

We also swiftly moved to remote working during the lockdown, which has been a seamless reflection of the wise investments we've made in our corporate resilience – investments which have influenced a 13 per cent increase in our levels of organisational engagement over the last three years.

While the lockdown may have delayed some projects, such as our planned move to new premises and our transition to a cloud-based corporate IT system, it has also underscored the value of these investments.

This year's annual report covers the final year of the 2016-2019 strategic direction. So, in addition to our 2019/20 outcomes, it also details our overall progress against the seven priorities set by the previous council:

- supporting communities to take action on agreed outcomes
- forging and strengthening partnerships to achieve positive outcomes for the region

- positively influencing future land use choices to ensure long-term sustainability
- managing freshwater more effectively to maximise regional benefit
- increasing communities' understanding of risks and resilience to change
- enhancing the value of the region's coasts and marine areas
- and shaping the development of the region to enhance quality of life.

Over the last three years, hundreds of landowners and volunteers were supported to improve their local environments, with the proportion of plants and services procured from community groups for projects increasing by 25 per cent.

We continued to maintain flood protection assets, protecting properties and infrastructure worth \$31 billion and an agricultural output of about \$850 million every year. In 2019/20, this included upgrading three stopbanks to the north of Thames, replacing pumps that help protect urban areas in Paeroa, completing upgrades to the Aka Aka stopbank in the northwest of the region, upgrading Masseys pump station at Te Kohanga, and making significant progress on Piako stopbank upgrades.

Our partnerships were strengthened by projects like Healthy Rivers/Wai Ora: Proposed Plan Change 1, which aims to improve the water quality of the Waikato and Waipā rivers and make them safe for food gathering along their entire length. This project

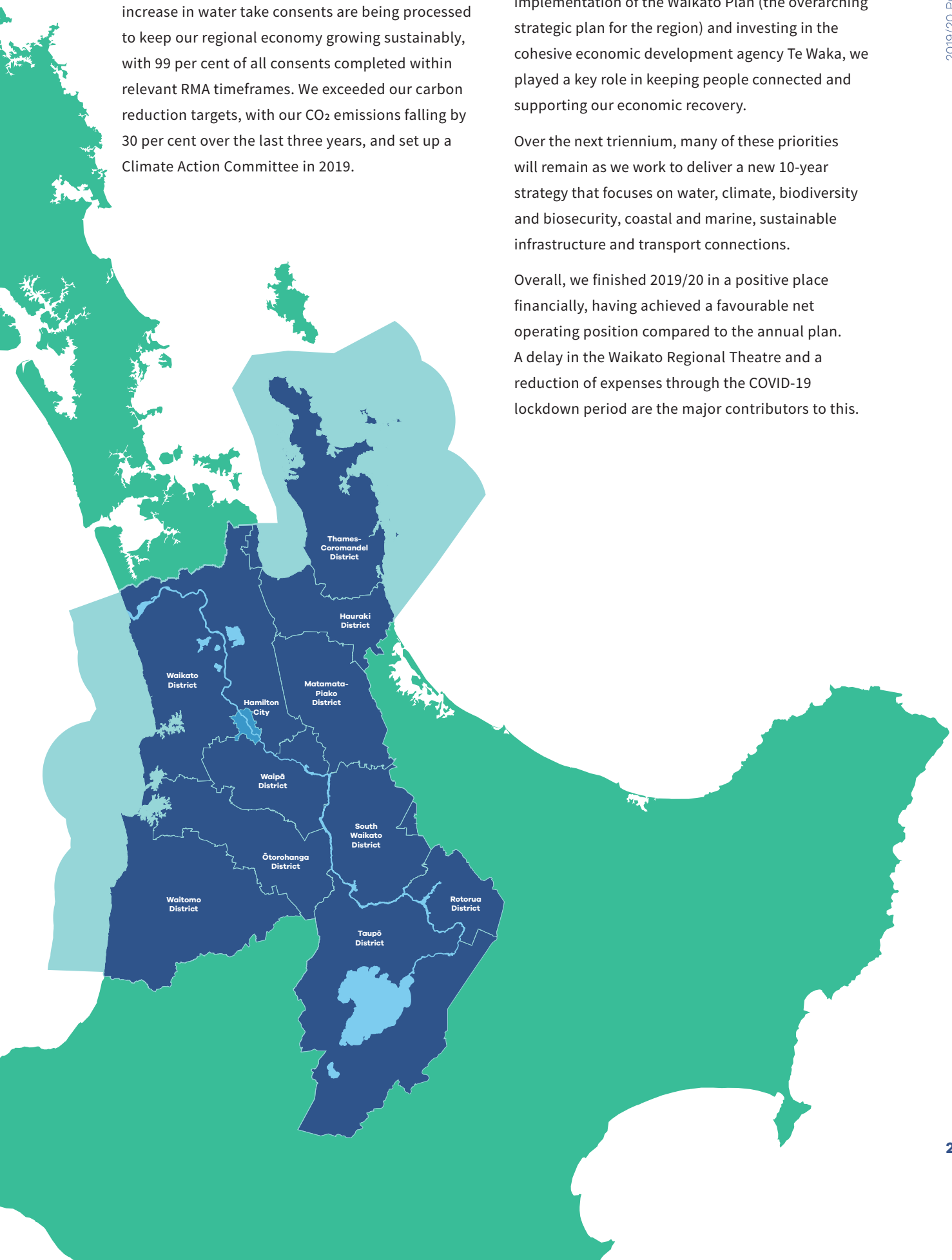
saw iwi sit alongside councillors during the decision-making phase.

We also focused on sustainability. A significant increase in water take consents are being processed to keep our regional economy growing sustainably, with 99 per cent of all consents completed within relevant RMA timeframes. We exceeded our carbon reduction targets, with our CO₂ emissions falling by 30 per cent over the last three years, and set up a Climate Action Committee in 2019.

Work to shape the development of the region also progressed at pace. By reviewing the fare structure for public transport, continuing to oversee implementation of the Waikato Plan (the overarching strategic plan for the region) and investing in the cohesive economic development agency Te Waka, we played a key role in keeping people connected and supporting our economic recovery.

Over the next triennium, many of these priorities will remain as we work to deliver a new 10-year strategy that focuses on water, climate, biodiversity and biosecurity, coastal and marine, sustainable infrastructure and transport connections.

Overall, we finished 2019/20 in a positive place financially, having achieved a favourable net operating position compared to the annual plan. A delay in the Waikato Regional Theatre and a reduction of expenses through the COVID-19 lockdown period are the major contributors to this.



Chief Executive

Vaughan Payne

“I’m immensely proud of what we’ve achieved together.”



This is my final Annual Report as Chief Executive of Waikato Regional Council.

Having the opportunity to work together with our passionate staff and committed communities over the past seven years has been a true privilege for me. My journey with the council may have come to an end but I’m confident the strong connections we made with our partners and people will continue to grow.

Chairperson

Russ Rimmington

“Vaughan has been a true asset to this council.”



Our chief executive’s passion for the natural environment and his deep understanding of the interconnectedness of everything we do have helped us build stronger connections and deliver even greater efficiencies for our ratepayers.

Our vision

2016-2019

The Waikato cares locally,
competes globally.

Our mission

2016-2019

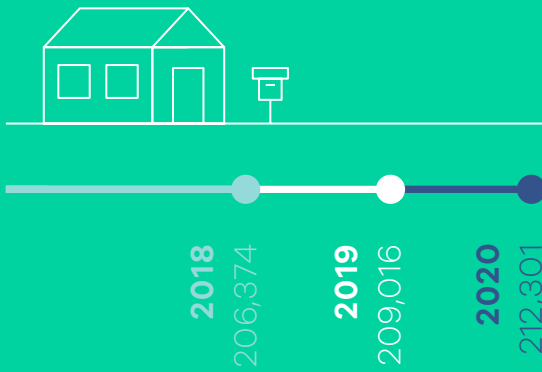
Working together to build
a Waikato region that has
a healthy environment,
strong economy and
vibrant communities.

The wellbeing of our region starts with a healthy environment. If our environment is healthy, our communities will thrive and so will our economy. Everything is interconnected. The work we do in one area cannot be at the expense of another, and so we look to make decisions which deliver multiple benefits for our communities.

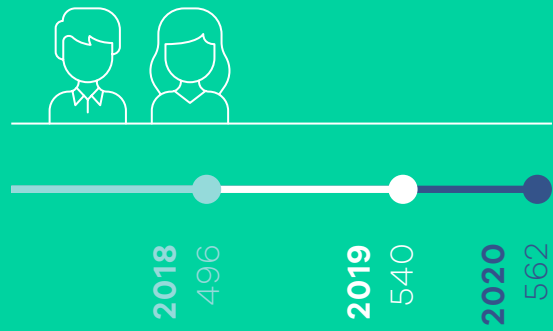
Your council

Tō tātou kaunihera

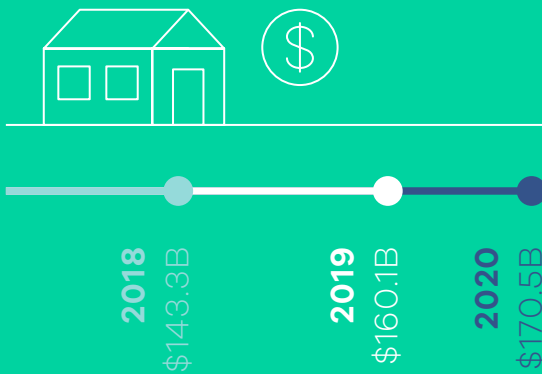
Rateable properties



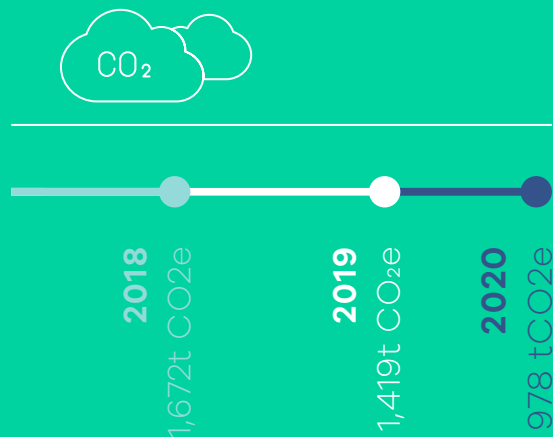
Full time equivalent staff



Capital value of rateable properties



Corporate greenhouse gas emissions*



Your Waikato

Tō tātou rohe



469,000
people

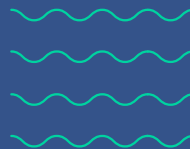


1.4m

cows supporting 8.4% of Waikato GDP



25,000km²
land



623km²

Lake Taupō
(the largest in Australasia)



10,000km²
coastal marine area



70%

New Zealand's geothermal systems



425km

Waikato River
(the longest in New Zealand)



426,759 ha

marine mammal sanctuaries



12.6mtCO₂e



8.4%

national GDP

Regional greenhouse gas emissions* were
12.6mt CO₂e in 2020 compared to 13.8mt CO₂e in 2019

*based on performance from the previous year, 2018/19 (due to time lag in data collection).

Our performance

Ngā whakatutukitanga

We continued to deliver a broad range of services despite an increasingly challenging operating environment, exercising financial prudence in our ongoing efforts to make the region a better place for current residents and future generations.

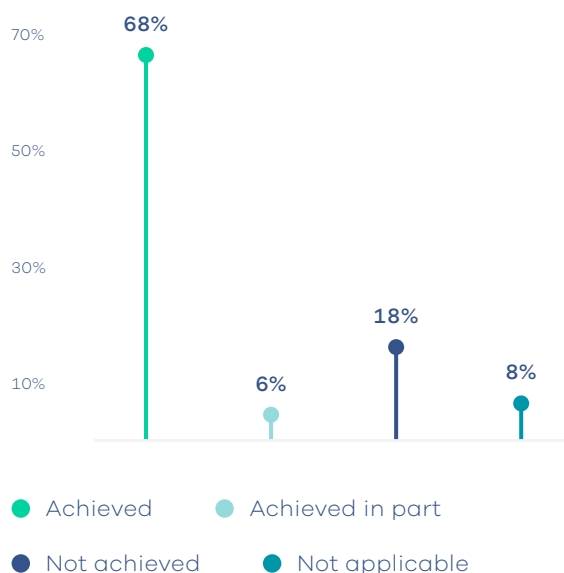
We started 2019/20 with an ambitious programme and, up until March 2020, looked set to deliver on the majority of this work. However, the Government's decisive steps to halt the spread of COVID-19 resulted in unprecedented but unavoidable disruption to commercial activities.

Like the rest of the country, we were in uncharted territory. Our short-term role was to support central government's emergency response through the Group Emergency Coordination Centre (GECC), reduce discretionary spending and provide relief to the individuals and communities hardest hit.

As the alert levels eased, we turned our efforts toward supporting economic recovery, in particular through bids for more than \$160 million of government funding for shovel-ready projects to support our regional economy.

The lockdown impacted our ability to deliver against planned levels of service in some areas and resulted in underspent budgets where we were unable to carry out some of the work we had planned.

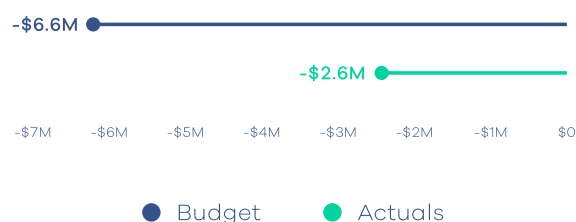
Service performance



Our financial performance shows \$0.7 million less in revenue and \$4.7 million less in operating expenditure than initially budgeted for the year.

This resulted in a notable reduction of \$4.4 million in our net operating deficit.

Net operating position



Performance measures

Our Group Emergency Coordination Centre's role during the pandemic, keeping people safe and making plans for how the region would respond, meant it was unable to deliver some planned work, including an annual assessment of the group plan. However, an assessment of its response to COVID-19 has taken place and recommendations for improvements have been identified.



GECC response to COVID-19

Activated within the 30-minute target

The national lockdown also had an impact on our ability to meet some planned levels of service.

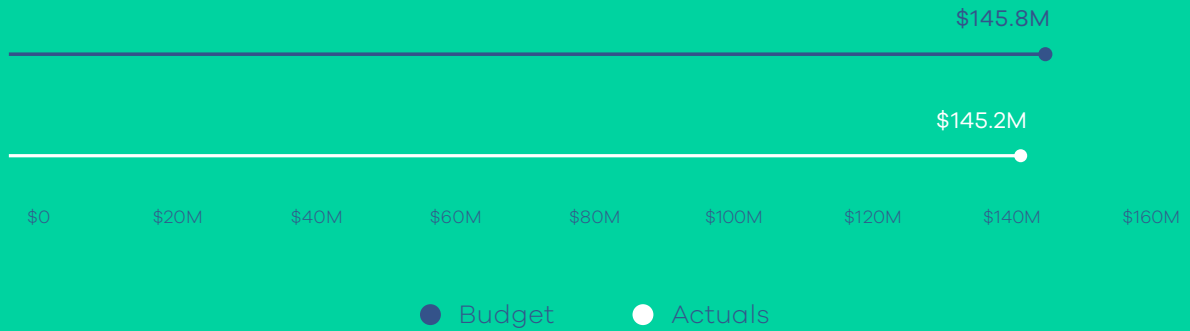
- Possum control operations in Mount Karioi North, Maungakawa, Mangakino North West, North West Waikato (Te Anau Waikaretu) and Tiroa could not be completed or monitored within the 2019/20 year, however these operations have since been completed.
- Environmental planning workshops for farmers to learn about the requirements of Healthy Rivers could not be held.
- The patronage growth on our public transport services was significantly impacted, with fewer people travelling, fewer services required and social distancing rules enforced.
- The percentage of our scheduled bus trips departing at the time listed in the public timetable reduced as we put our efforts into priority routes to keep people connected to essential services.
- Te Huia rail service was not up and running by the planned date.

Rail progress

The Te Huia rail service was initially scheduled to start in April 2020 but, due to supply chain delays impacting the completion of the Rotokauri transport hub, the service start date was initially deferred to July 2020. The COVID-19 Alert Level 4 lockdown resulted in construction work stopping on the Huntly station and Rotokauri transport hub, as well as refurbishment of the carriages being paused in Lower Hutt. Construction work recommenced following the move to Alert Level 3, albeit with some productivity loss due to central government's construction working protocols. Significant progress was made during Alert Level 1, however, the start date of the service has been deferred to ensure a full level of service can be provided from the outset.

Finances

Revenue

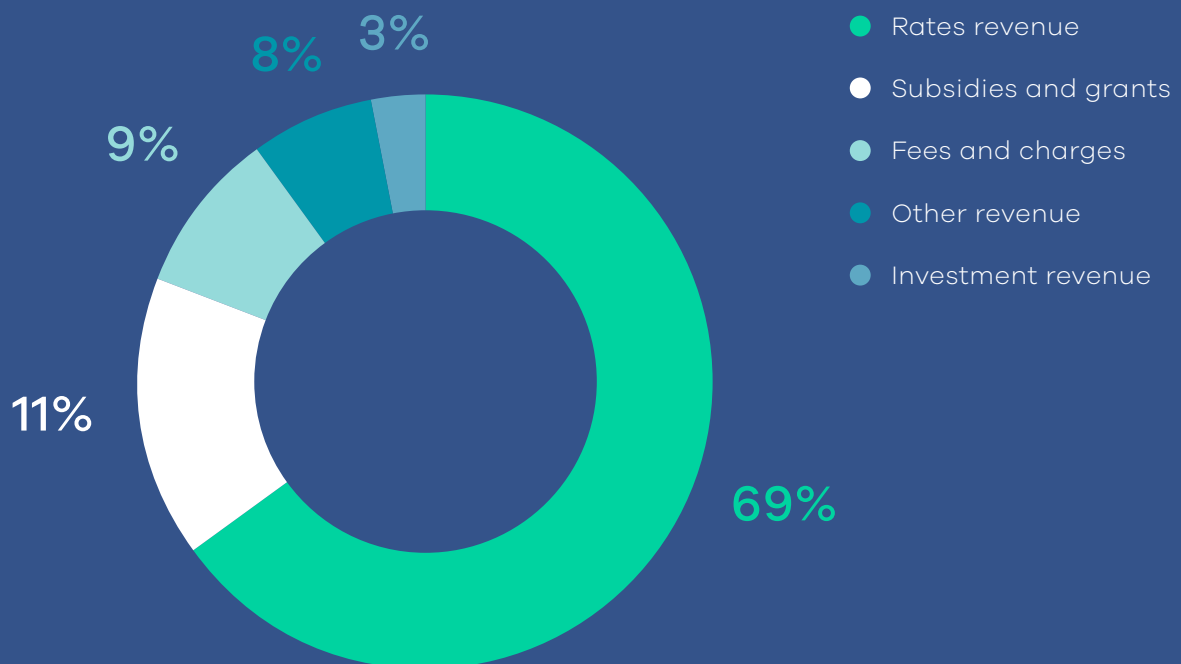


We finished 2019/20 in a positive financial position, having achieved a favourable net operating position compared to the annual plan.

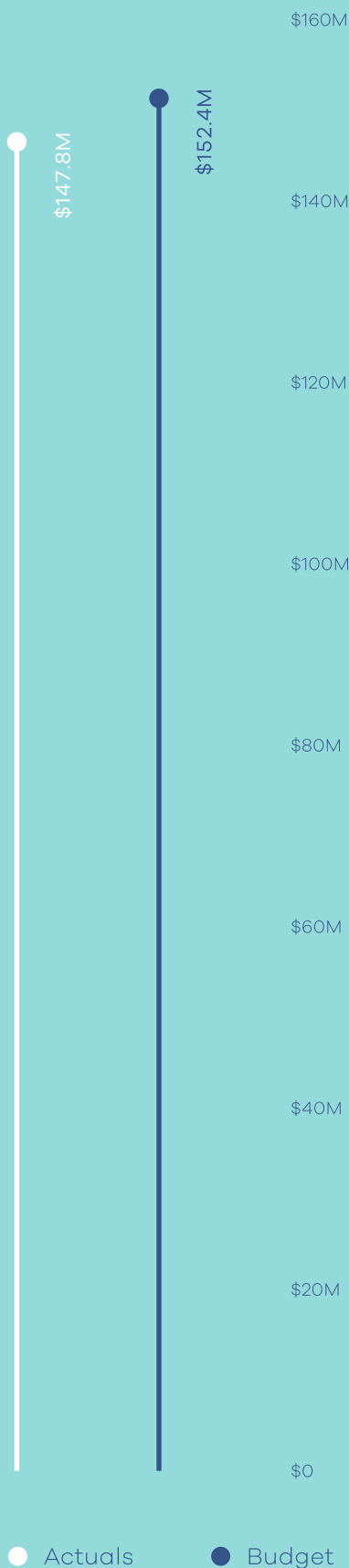
Our financial performance shows \$700,000 less in revenue and \$4.7 million less in operating expenditure than initially budgeted for the year.

A delay to progress on the Waikato Regional Theatre and a reduction in expenses through the COVID-19 lockdown period were the major contributors to this reduction in expenditure.

Revenue sources



Operational expenditure



Operating capital expenditure

\$4.1 million of our total operating capital expenditure budget of \$13.9 million was spent this year.

Major works not completed

- **Tristram Street construction:** Completion of our new offices was delayed due to COVID-19, with funding carried over for fit out costs.
- **Regional integrated ticketing system:** This will enable better collection of patronage data to inform route planning. It was delayed due to staffing constraints experienced by the external contractor.

Infrastructure capital expenditure

\$6.4 million of our total infrastructure capital expenditure budget of \$12.1 million was spent this year.

Major works not completed

Various projects in Waihou, Piako and Lower Waikato were impacted or delayed due to COVID-19, as some works missed consent-specific or weather-related windows to complete the work, along with interruption of supply chains. Some examples of work that was not completed includes:

- **Muggeridges project**, which had an anticipated spend of \$4.34 million this financial year; the budget has been deferred to 2020/21
- **Mangawhero Pump Station**, which will now be completed as a multi-year project
- **Mangawara Scheme Review** and a number of other projects which are dependent on the review being completed before commencing.

The delays in work being completed may result in the projects costing more to deliver in the future.

2019/20 year

in review

Te arotake o te

tau 2019/20



Our priorities

Our 2016-2019 strategic direction identified our priorities for the decade and the three-year goals we set ourselves for the triennium. The strategic direction was reviewed at the beginning of the new council term to ensure we continue to effectively address current and emerging issues.

This is the last year we are reporting on the 2016-2019 strategic direction as our new council, elected in October 2019, reviewed the document and adopted a revised 10-year strategy with three-year goals for the 2019-2022 triennium. We have outlined our progress on the 2016-2019 strategic direction in the following pages.

Support communities to take action on agreed outcomes

The work we do, such as controlling harmful pests, preparing for disasters, delivering road safety programmes and keeping people safe on our waterways, is all geared towards improving the quality of life in the Waikato.

But we know we can't do everything alone. People working together is key to the success of our role. That is why we focus on supporting landowners and communities to take action on the issues that are most important to them.

Who we supported

Every year, hundreds of volunteers do outstanding work to protect the Waikato's natural environment.

Here are some of the groups we supported financially in 2019/20.

- Maungatautari Ecological Island**
 To help with maintenance of the predator-proof fence.
- Moehau Environment Group**
 To help with pest control in the northern Coromandel Peninsula.
- A Rocha Aotearoa**
 To help restore Mt Karioi as a seabird mountain.
- Tui 2000**
 To help buy native plants for Waiwhakareke Natural Heritage Park in Hamilton.
- Mahakirau Forest Estate Society**
 To buy traps for a predator control programme across nearly 600 hectares of protected native forest near Whitianga.
- Project Tongariro**
 To help with the restoration of the Waiotaka River riparian corridor near Turangi.

Priority measure

Number of people in the community supported to take action by the council.

Outcome

Number of requests fulfilled to support people in the community.



Over the term of the Strategic Direction we also continued to provide funding support to volunteer emergency services.

\$379,600

Surf life saving

\$174,400

Coastguard

\$50,000

Philips Search and Rescue

\$50,000

Coromandel Rescue Helicopter Trust

\$40,200

LandSAR



Plant procurement from
community groups 2017-2019



Forge and strengthen partnerships to achieve positive outcomes for the region

Collaboration and good partnerships with our communities put us at the forefront of best practice among regional councils.

Priority measure

Number of new partnerships.

Outcome

Number of new initiatives implemented as a result of working together.

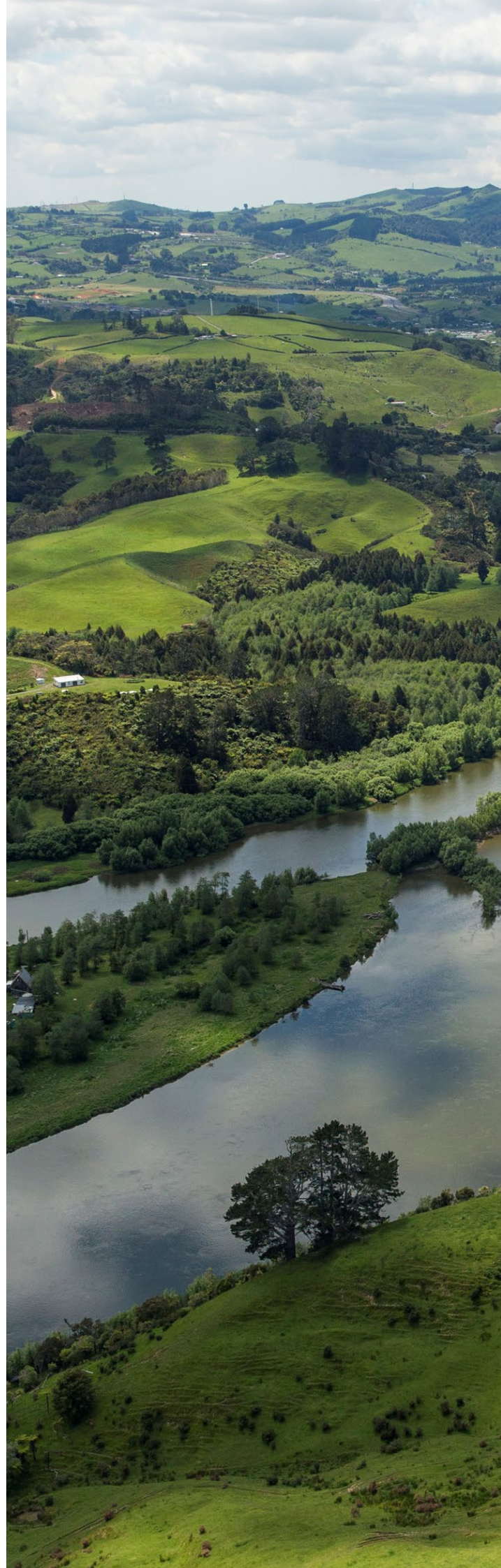


Working in partnership with others ensures our investment goes further and supports our communities to do work in areas that are important to them.

Restoring the Waikato River

The Vision and Strategy for the Waikato River is a foundational document which supports implementation of projects that have great significance for our community and delivers on a number of our priorities.

The vision is for a healthy Waikato River which sustains abundant life and prosperous communities, which are, in turn, responsible for restoring and protecting it and all it embraces for generations to come. Settlement legislation requires us to give effect to the Vision and Strategy, and the work we do often helps to deliver on more than one of its 13 objectives.





To deliver on these objectives we:

- increased the number of monthly monitoring sites for rivers, and monitored the health of additional lakes
- provided advice and funding to community groups for river restoration projects
- progressed Healthy Rivers/Wai Ora: Proposed Regional Plan Change 1, which aims to reduce the amount of contaminants entering our rivers in the Waikato and Waipā catchments
- employed iwi interns to undertake river and catchment restoration related work within their rohe
- developed a joint strategic work programme with Waikato-Tainui, which identifies and agrees aligned timeframes and objectives
- established a new co-governance entity, Te Kōpua Kānapanapa, in partnership with Te Kotahitanga o Ngāti Tūwharetoa and Taupō District Council
- used the Vision and Strategy to guide the way we administer resource consents, with applicants having to consider the potential effects of the consent on the Waikato River and include how their activity will 'give back' to improve the quality of the river
- continued to monitor consents and permitted activities, investigating alleged breaches of rules and regulations to reduce any adverse effect on the environment (including the Waikato and Waipā rivers)
- installed fish habitat structures and planted riparian margins, increasing instream habitat and improving food sources for our native fish
- completed works in partnership with the Waiwhaakaata Trust to address large scale bank erosion on the Moakurua River as part of the Waipā Catchment Plan programme, co-funded by the Waikato River Authority.

Positively influence future land use choices to ensure long term sustainability

How we use our land affects soil health, water quality and biodiversity. We need to think about how we can use our land best, by considering all potential impacts, benefits and needs, including Māori values and aspirations, to ensure our natural environment can support our economy and communities.

During 2019/20, more than \$2 million of Waikato Regional Council-matched external funding was leveraged for priority projects. This funding was used to assist landowners undertaking catchment management works across the region.

Priority measure

Kilometres of fencing and/or riparian planting completed.

Outcome

Amount of new fencing, planting and retired land.

2017	2018	2019
242km Fencing	288km Fencing	268km Fencing
497,000 Plants	720,000 Plants	530,000 Plants
185km Retired land*	151km Retired land*	202km Retired land*

Results in your backyard



Fencing (km)



Plants



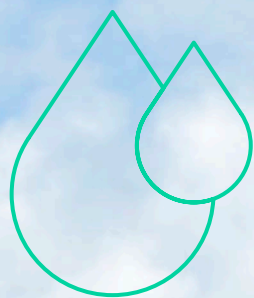
Retired land (ha)*

	Fencing (km)	Plants	Retired land (ha)*
Central Waikato	15km	72,462	31
Coromandel	18km	29,781	65
Lake Taupō	0km	1,500	0
Lower Waikato	26km	64,691	102
Upper Waikato	20km	42,790	45
Waihou/Piako	19km	67,705	34
Waipā	91km	155,620	379
West Coast	79km	96,070	530

Over the last three years, some of the key work we delivered included:

- harvesting of the Kuaoitī forestry block and replanting of the Ryan's Forestry Block in the Waihou Piako Zone
- continuing to manage high priority sites, including Waiotapu, Otumuheke, Lake Whangape and the Opuatia wetland, in collaboration with mana whenua
- undertaking river management and restoration works in collaboration with Pūniu River Care at 10 sites on the Mangatutu and Pūniu rivers in the Waipā district
- completing works, in partnership with the Waiwhaakaata Trust, to address large-scale bank erosion on the Moakururu River as part of the Waipā catchment plan programme, co-funded by the Waikato River Authority
- maintaining the Kiko Spillway, carrying out channel maintenance works on the Tauranga-Taupō river scheme, and undertaking flood plain repairs and maintenance in the Waiotapu River in the Taupō and Upper Waikato Zones
- cleaning the Mangatea Stream near Tauhei in the Lower Waikato Zone to improve hydraulic flow, achieving the desired outcome with minimal environmental bed disturbance (This was the community's preferred method to alleviate localised flooding)
- completing large-scale erosion control works utilising fish-friendly vegetation groynes on the Marokopa River
- restoring 30km of lake shoreline and targeted aquatic pest plant control for Lake Whangape
- completing a detailed ecological survey and impact assessment of forest activity in the Kuaoitī Woodlot
- completing year two of the Waikato River Authority, TARIT, local community and council supported Whirinaki Project in the Upper Waikato Zone.





99%

Water take consents completed within relevant RMA timeframes

Manage fresh water more effectively to maximise regional benefit

Communities and our economy need water – clean water. Water quality is what the majority of Waikato residents care most about. As demand for fresh water increases, we recognise that change is needed to manage it more effectively in the future.

Priority measure

Percentage of water takes allocated to main sectors.

Priority measure

Percentage of water takes allocated to main sectors (including agriculture, domestic and municipal supply, and industry).



The value of fresh water

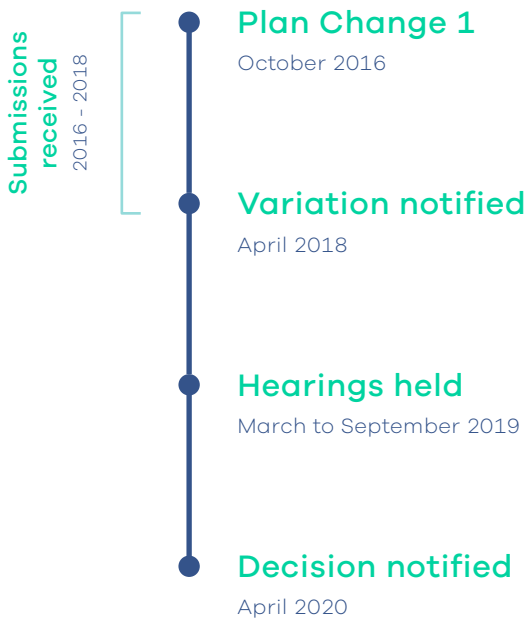
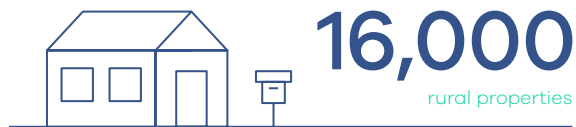
Identifying waterbodies, characterising them and estimating their benefits to Waikato communities has been part of an ongoing project to assess the economic value of freshwater ecosystems. The project will help us assess demand for the benefits provided by freshwater resources, better understand the ecological, cultural and economic values of fresh water and recognise the ways in which those values are interrelated.



Healthy Rivers/Wai Ora: Waikato Regional Plan Change 1

This project is just one step in an 80-year journey to protect and restore the Waikato and Waipā rivers. The proposed plan change is one of the most significant of its kind in New Zealand.

The project covers:



The latest

In February 2020, the hearings panel made final recommendations to the council. On 22 April 2020, the council's decision was publicly notified, and appeals are currently with the Environment Court.

This year we began additional water quality monitoring at 34 lakes to support reporting on outcomes over time.



Increase communities' understanding of risks and resilience to change

Change is inevitable. Changes can result from issues like sea-level rise, natural hazards, technology and increases in population. Change has the potential to increase people's vulnerability and impact on their quality of life.

We help communities understand and adapt to change of various kinds, so they can be prepared and remain connected.

Priority measure

Community property and infrastructure protected by flood protection schemes.

Outcome

Value of community property and infrastructure protected by flood protection schemes.

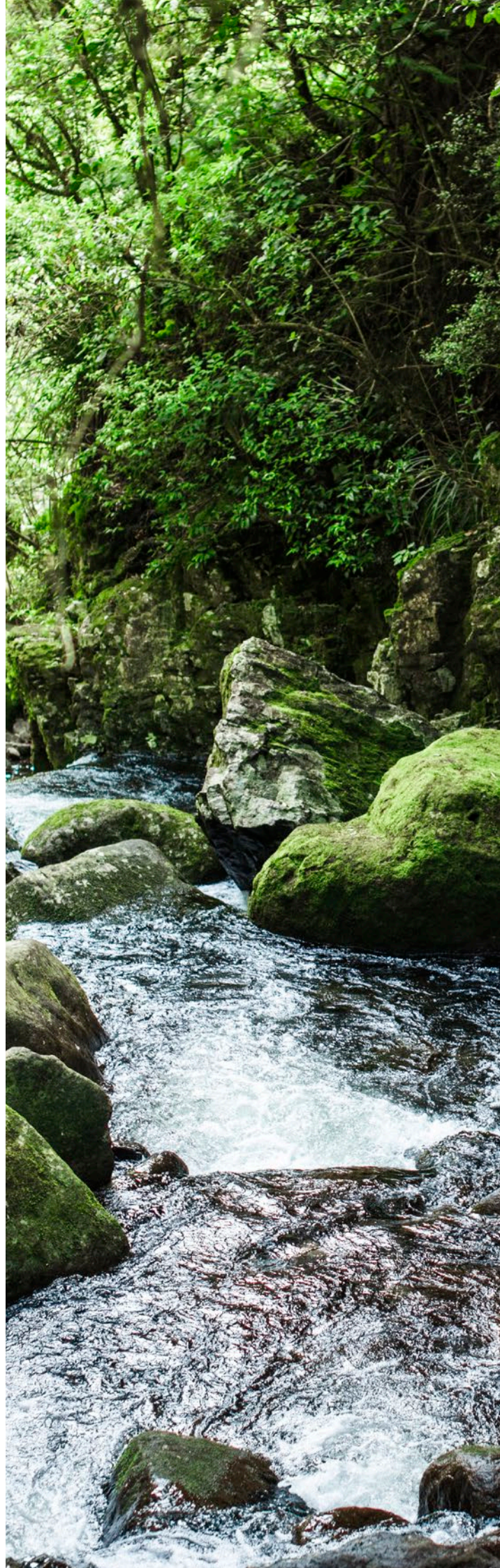
\$25^B	\$31^B	\$34^B
2017	2018	2019

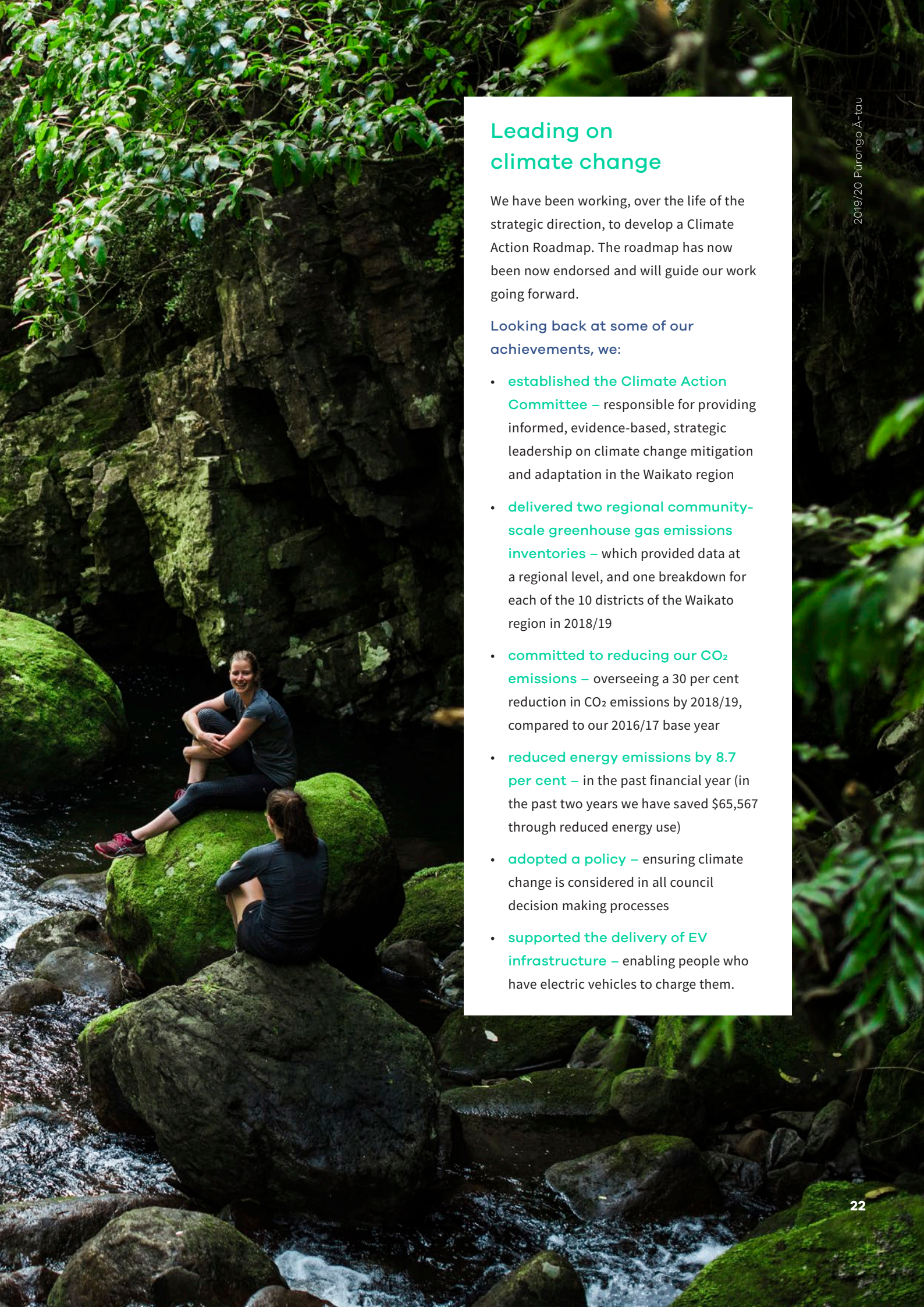
Providing accessible hazard updates

In January 2018, Flood Room Live was launched. This is an online information hub which keeps the public up-to-date with severe weather events in the Waikato region.

In June 2019, we launched the Waikato Regional Hazards Portal. This identifies hazards throughout the region, including flood, seismic, volcanic and geothermal hazards, as well as coastal inundation and erosion.

Access to this information is vital for communities to make informed decisions.





Leading on climate change

We have been working, over the life of the strategic direction, to develop a Climate Action Roadmap. The roadmap has now been now endorsed and will guide our work going forward.

Looking back at some of our achievements, we:

- **established the Climate Action Committee** – responsible for providing informed, evidence-based, strategic leadership on climate change mitigation and adaptation in the Waikato region
- **delivered two regional community-scale greenhouse gas emissions inventories** – which provided data at a regional level, and one breakdown for each of the 10 districts of the Waikato region in 2018/19
- **committed to reducing our CO₂ emissions** – overseeing a 30 per cent reduction in CO₂ emissions by 2018/19, compared to our 2016/17 base year
- **reduced energy emissions by 8.7 per cent** – in the past financial year (in the past two years we have saved \$65,567 through reduced energy use)
- **adopted a policy** – ensuring climate change is considered in all council decision making processes
- **supported the delivery of EV infrastructure** – enabling people who have electric vehicles to charge them.

Enhance the value of the region's coastal and marine areas

The council monitors and protects the health of our coastal marine areas, which stretch from below the high tide line to 12 nautical miles offshore. This is a public space that provides significant aesthetic, recreational and ecological value. We have committed to having management plans for every harbour and catchment in the region.

Priority measure

Proportion of actively managed areas in the Thames-Coromandel district.

Outcome

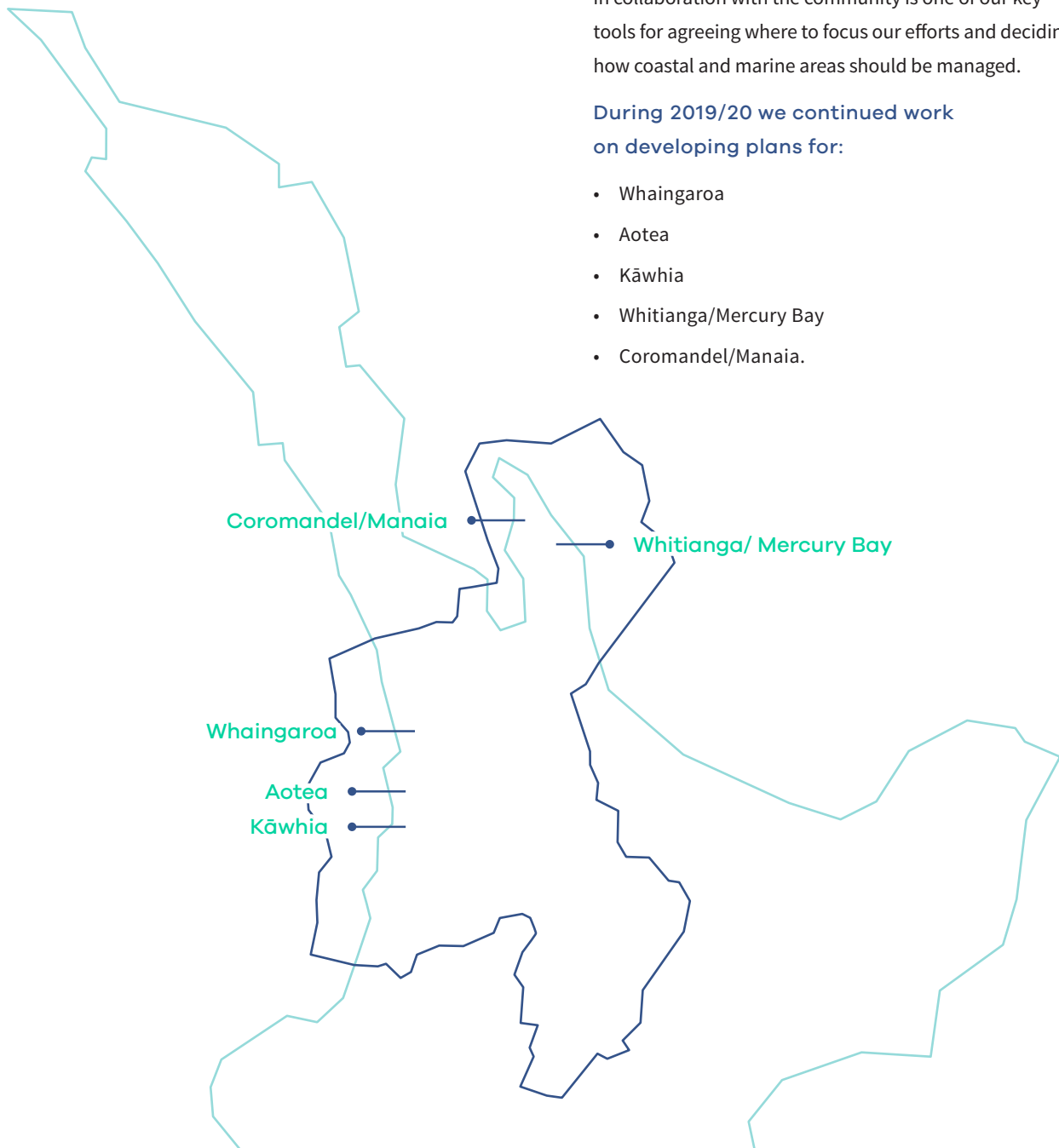
Percentage of areas with completed harbour and catchment management plans.



Developing harbour and catchment management plans in collaboration with the community is one of our key tools for agreeing where to focus our efforts and deciding how coastal and marine areas should be managed.

During 2019/20 we continued work on developing plans for:

- Whaingaroa
- Aotea
- Kāwhia
- Whitianga/Mercury Bay
- Coromandel/Manaia.



Caring for our coasts

Over the years, our Beachcare programme has transformed into Coastcare – a programme delivering coastal restoration projects around the Coromandel Peninsula and west coast. This year, we went into partnership with Thames-Coromandel District Council to support work in Coromandel Peninsula sites. We are continuing to collaborate with the Kāwhia community to restore cultural value and biodiversity along the coastline.

Research has been undertaken on the west coast into the interactions between estuary plumes and the coastal environment. River and estuary plumes transport sediment, nutrients and other contaminants into the coastal zone. By improving our understanding of these plumes, we can improve our management of the land to reduce adverse impacts on our coasts.

Sea Change – Tai Timu Tai Pari

This non-statutory plan was adopted in December 2016. It outlines measures to boost the health of the Hauraki Gulf.

Delivering on the objectives of Sea Change since its adoption, we:

- established additional sediment monitoring programmes within Coromandel harbours and estuaries
- carried out coastal water quality monitoring
- worked with landowners and stakeholders to protect and improve water quality by enhancing and stabilising catchments that fall within the Hauraki Gulf Marine Park
- carried out marine biosecurity monitoring in Coromandel harbours
- convened the Waikato Regional Aquaculture Forum.





30%

CO₂ emissions 2017-2019

Shape the development of the region so it enhances our quality of life

The Waikato region is a place of powerful possibilities. That's why we prioritise regional development – connecting people, ideas and information.

Priority measure

External funding invested in the region.

Outcome

Leveraged funding received as a percentage of operating expenses.

19.8%	19.3%	25.2%
2017	2018	2019

In July 2018, Te Waka: Anga whakamua Waikato was established to support economic development in the region by promoting one set of agreed priorities. We support Te Waka financially through an annual grant of \$300,000 and provide support and advice as required.

We continued to oversee the implementation of the Waikato Plan. This saw us support a cross-agency working group using data and insights to identify housing needs in different areas across the region and develop an action plan to address them.

We also worked on a co-designed programme to connect young people, aged 14 to 18, with local employers so they could better understand the skills and mindset required to succeed, build networks and explore inspiring potential career paths.

Improving connectivity

Waikato to Auckland connectivity is crucial to the development of our region. In 2019/20, we supported the development of the Waikato to Auckland Corridor Statement of Shared Spatial Intent and the development of a Hamilton/Waikato Metropolitan Spatial Plan. This spatial planning provides a long-term view of how the Future Proof subregion (comprising Hamilton City, Waipā District and Waikato District councils) can accommodate long-term population growth in a transit-oriented, low-carbon urban form that meets the needs of our communities and the environment.

Making sure the community has access to essential services and transport for work and recreation improves the quality of life in our region. Our public transport services are a lifeline for many residents.

Over the last three years, we have made significant improvements to the following services.

- **Adding evening Cambridge and Te Awamutu services** – to meet demand and plan for further improvements on existing routes.
- **Introducing double decker buses** – to ease capacity pressure at peak times.
- **Reviewing our fare structure** – to simplify the ticketing products available and make fares more equitable for passengers across the region.
- **Moving to a real-time Transit app** – to provide improved information and alerts to users, and installing real-time arrival screens at a number of locations across the region.
- **Continuing to operate bus services during COVID-19 alert levels** – to keep essential workers connected at no cost.
- **Launching the Comet route** – a high-frequency service in Hamilton connecting the Hospital and The Base with buses running every 15 minutes.
- **Launching an accessibility concession in August 2019** – which is currently granting free public transport in Hamilton to over 2200 eligible participants.







Financial

summary

Whakarāpopototanga

pūtea

Financial summary for the year ended 30 June 2020

	2019/20 Actual \$'000	2019/20 Annual Plan \$'000	2018/19 Last year \$'000
Statement of comprehensive revenue and expenditure			
Total revenue	145,182	145,843	135,320
Depreciation and amortisation	9,294	11,491	9,199
Interest expense	659	1,341	482
Other operating costs	137,845	139,620	125,628
Total expenditure	147,798	152,452	135,309
Surplus/(deficit) before income tax	(2,616)	(6,609)	11
Income tax expense	-	-	-
Net surplus	(2,616)	(6,609)	11
Gain/(loss) on revaluation of property, plant, and equipment	40,395	53,436	(405)
Total comprehensive revenue and expense	37,779	46,827	(394)
Statement of financial position			
Current assets	55,414	29,008	46,080
Non-current assets	666,860	706,953	624,596
Total assets	722,274	735,961	670,676
Current liabilities	29,365	39,105	26,888
Non-current liabilities	35,243	35,089	23,901
Total liabilities	64,608	74,194	50,789
Net assets	657,666	661,767	619,887
Statement of changes in equity			
Opening equity	619,887	614,940	620,281
Total comprehensive revenue and expense	37,779	46,927	(394)
Closing equity	657,666	661,867	619,887
Components of equity			
Accumulated funds	224,451	222,255	226,964
Other reserves	433,215	439,512	392,923
Total equity	657,666	661,767	619,887
Statement of cash flows			
Net from operating	2,489	2,955	6,771
Net from investing	(7,585)	(21,791)	(24,075)
Net from financing	10,000	20,141	22,000
Net increase / (decrease) in cash held	4,904	1,305	4,696
Closing cash balance	19,965	8,404	15,061

Accounting policies

Waikato Regional Council is a regional local authority governed by the Local Government Act 2002.

The full financial statements of Waikato Regional Council have been prepared in accordance with the requirements of the Local Government Act 2002 and with New Zealand's generally accepted accounting practice. They comply with Tier 1 PBE accounting standards and other applicable financial reporting standards, as appropriate for public benefit entities.

Waikato Regional Council's summary annual report is in compliance with Financial Reporting Standard 43 (FRS 43) Summary Financial Statements and the financial statements have been prepared in New Zealand dollars. All values have been rounded to the nearest thousand dollars (\$000).

The summary annual report does not include all disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding of the council's financial performance as the full financial statements.

The full financial statements on which this summary is based were authorised for issue by the council on 10 December 2020.

Commitments

Capital expenditure commitments for property, plant and equipment and intangible assets amounted to \$3.522 million at 30 June 2020 (30 June 2019: \$2.030 million).

Contingent liabilities

NZ Mutual Liability Riskpool (Riskpool) provided public liability and professional indemnity insurance for its members. The council was a member of Riskpool until 30 June 2017. The Trust deed of Risk Pool provides that, if there is shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any fund year, then the board may make a call on members for that fund year.

The council is one of 54 local authority guarantors of the LGFA. Together with the other shareholders and guarantors, the council is a guarantor of all LGFA's borrowings. At 30 June 2020, LGFA had borrowings totalling \$11.908 billion (30 June 2019 \$9.263 billion). While all guaranteeing local authorities are jointly and severally liable for the entire LGFA debt guaranteed, claims against individual local authorities will initially be based on their proportion of the total annual rates income of all guaranteeing local authorities. Financial reporting standards require the council to recognise the guarantee liability at fair value. However, the council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low.

There is a dispute with a contractor over the construction of an infrastructure asset. The contractor and council have referred the matter to arbitration. The estimate of the likely settlement is \$100,000. No unquantifiable material exposures related to any legal matters have been estimated (2019: \$Nil). No contingent assets have been estimated (2019: \$Nil).

Operating lease commitments

	2019/20 Actual \$000	2018/19 Last year \$000
Operating lease commitments as lessee		
Not later than one year	2,123	1,190
Later than two years and not later than five years	11,420	11,603
Later than five years	30,583	30,886
Total non-cancellable operating leases	44,126	43,679
Operating lease commitments as a lessor		
Lease commitments under non-cancellable leases:		
Not later than one year	236	331
Later than two years and not later than five years	315	455
Later than five years	-	-
Total non-cancellable operating leases	551	786

Notable budget variations

Fees and charges revenue is \$1,435,000 above budget. This reflects increases in both compliance monitoring revenue (\$996,000) and consent application fees (\$169,000). Additional funding was also received for catchment management from Te Uru Rākau (Forestry New Zealand) for the One Billion Trees Programme (\$814,000). This was not included in the annual plan budget, but was offset by lower than anticipated third party contributions across the catchment management zones.

Investment income is \$1.673 million below budget. Lower interest rates during the year and higher levels of working capital funds, held on call during the last quarter of the year (as a response to uncertainties around the impact of COVID-19), have resulted in lower interest income of \$536,000 from working capital funds. The performance of the council's investment fund was \$1.137 million below budget. The fund achieved a return of 4.2 per cent for the year, 0.26 per cent ahead of its benchmark. The impact of COVID-19 on the last quarter of the financial year meant it returned less than budgeted.

Employee benefit expenses are \$2.805 million above budget. This higher cost reflects decisions to change the resourcing for some of the council's work from contracted services to employees. Also contributing is an increase in the actuarial valuation of employee benefit entitlements (\$480,000). This increase reflects the impact of lower interest rates applied to the valuation of long service leave and retirement gratuity entitlements.

Depreciation and amortisation is \$2.197 million lower than budget. Delays with the implementation of the regional integrated ticketing solution for public transport, the completion of our new offices, and a lower than expected revaluation movement of infrastructure assets have resulted in a lower depreciation expense.

Other losses are \$1.129 million higher than budgeted. The main contributor was a loss on the valuation of derivative financial instruments (\$1.141 million) due to lower interest rates.

Interest expense is \$682,000 lower than budget. The annual plan anticipated a borrowing programme of up to \$44.760 million this financial year. Actual borrowings at 30 June 2020 were \$32.141 million. The lower borrowing amount, together with lower than budgeted interest rates on borrowing, have resulted in lower interest costs being incurred.

Other expenses are \$7.494 million lower than budgeted. A delay in the Waikato Regional Theatre (\$2.5 million) and decisions to change the resourcing for some of the council's work from contracted services to employees have reduced expected spend.

Statement of financial position

Cash and cash equivalents are \$11.560 million higher than budget, offset partially by the lower value of financial assets (\$3.320 million lower than budget). Financial assets include term deposits with a maturity of three months or greater. Due to the uncertainties of COVID-19, the council held higher funds in working capital (cash and cash equivalents) and lower funds in financial assets than anticipated in the budget.

Trade and other receivables are \$6.201 million higher than budget. This increase is mostly from amounts due from other government agencies that arose at the financial year end.

Biological assets are \$761,000 lower than budget. This reflects the harvesting of trees from the council's forestry blocks (\$362,000), and a reduction in the annual valuation of the remaining forestry resulting from a fall in the value of log prices (\$312,000).

Intangible assets are \$2.355 million higher than budget. This reflects expenditure incurred to date in relation to the development of a software solution to support the Healthy Rivers | Wai Ora project, and on new software for the electronic ticketing system for public transport.

Property, plant and equipment is \$42.660 million lower than budget. The opening asset value was \$19.244 million lower than projected at the time the budget was set. A revaluation of infrastructure

assets during the year resulted in a valuation increase that was lower than budgeted by \$14.506 million. Operational capital additions are \$7.889 million lower than budgeted. This was mainly due to the delay in the completion of our new offices caused by COVID-19, and a delay in the regional integrated ticketing system caused by staffing constraints experienced by the external contractor. Infrastructure capital works undertaken this year cost \$6.460 million compared to the annual plan budget of \$12.164 million. Major infrastructure projects in Waihou, Piako and Lower Waikato were impacted or delayed due to COVID-19. Offsetting these items was a budgeted disposal of council owned properties which had already occurred in the 2018/19 financial year, from property, plant and equipment, to non-current assets held for sale.

Borrowings reflect the council's external borrowing through the LGFA. The annual plan anticipated the need to borrow \$44.760 million by the end of the 2019/20 financial year. Actual borrowing at 30 June 2020 was \$32,141 million, reflecting a lower than budgeted capital works programme.

Investment fund returns

The return from the investment fund has been applied to:

	Actual \$000	Last year \$000
Inflation proofing	1,234	1,379
Rates subsidy	1,945	1,903
Regional Development Fund	544	1,512
Investment equalisation reserve	0	1,490
Management fees	396	312
Total	4,119	6,596

Impacts of COVID-19

On March 11 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. Two weeks later, the New Zealand Government declared a State of National Emergency. Economic uncertainties have arisen which are likely to negatively affect our operations and services.

The effect on our operations is reflected in the financial statements, based on the information available up to the date the financial statements are signed. At this time, it is difficult to determine the full ongoing effect of COVID-19 and, therefore, some material uncertainties remain.

There could also be other factors that affect the council in the future, of which we are not yet aware.

In response to COVID-19, during the lockdown period the council restricted its operations down to essential services.

COVID-19 has had the following financial impacts on Waikato Regional Council during the 2019/20 financial year:

- total revenue was reduced by \$680,000
- total expenses were reduced by \$1.4 million
- capital spend on infrastructure was reduced by \$1.625 million
- capital expenditure on operating equipment was reduced by \$375,000.

In addition to the above impacts, there are also indirect impacts on interest revenue and finance costs due to the reduction in interest rates. Increases in the financial instrument liabilities are also due to the reduction in interest rates. We have considered the impacts on accounts receivables and have made appropriate provisions.

The impacts on non-financial performance measures of COVID-19 have been explained in section two of the full annual report, 'Our performance', and the full financial impacts are outlined in Note 43 of the full annual report.

Events after balance date

There were no events after balance date that need to be reported.

Explanations of key variances between actual and planned financial performance can be found in the full annual report, available online at:

waikatoregion.govt.nz.govt/annual-report

Independent auditor's report

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

The summary of the annual report was derived from the annual report of the Waikato Regional Council (the Regional Council) for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 7 to 10 and 29 to 32:

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as "Our performance").

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2020 in our auditor's report dated 10 December 2020. Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the Regional Council as set out in the full annual report in note 43 to the financial statements and throughout the groups of activities on pages 23 to 64, in particular the impacts of Covid-19 on pages 10 to 13.

Extracts of this information are included in the summary of the annual report on pages 7 to 10 and page 32.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out 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.

In addition to our audit of the audited information and our report on the disclosure requirements, we performed a limited assurance engagement related to the Regional Council's debenture trust deed. Other than these engagements, we have no relationship with, or interests in, the Regional Council.



12/2020

David Walker,
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
10 December 2020

Disclaimer

The specific disclosures included in this summary annual report have been extracted from the full annual report, dated 10 December 2020.

The summary cannot be expected to provide as complete an understanding as provided by the full annual report of the financial and service performance, financial position and cash flows of Waikato Regional Council.

The summary has been examined by the auditor for consistency with the full annual report audited by Audit New Zealand on behalf of the Auditor-General. An unmodified audit opinion was issued on 10 December 2020. This annual report summary was adopted by the council on 10 December 2020.

He taiao mauriora

Healthy environment

He ōhanga pakari

Strong economy

He hapori hihiri

Vibrant communities

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Private Bag 3038
Waikato Mail Centre
Hamilton 3240
New Zealand

0800 800 401
waikatoregion.govt.nz

