



# 2019/20 Annual Report

Pūrongo ā-tau



# About the report

## 2019/20 Annual Report

The annual report is the key accountability document adopted each year by the council and sets out the differences between planned and actual performance for the year.

This annual report identifies highlights and key achievements in activities and levels of performance from 1 July 2019 to 30 June 2020.

It reports against the second year of Waikato Regional Council's 2018-2028 Long Term Plan.

## The planning and reporting cycle

The annual report is one of a suite of statutory documents required under the Local Government Act (LGA) 2002.

A long term plan is a strategic planning document covering a 10 year period and describes the activities a local authority will fund and provide to achieve desired community outcomes. Community outcomes state what the council intends to achieve to maintain and improve the wellbeing of the region in the present and in the future. A long term plan is reviewed and prepared every three years. It may be amended at any time, provided the full consultative process described in the LGA is used. The 2018-2028 Long Term Plan was adopted on 26 June 2018 and this is the second year it will be reported on. The other documents which make up the planning and reporting cycle are the annual plan and annual report. An annual plan is adopted in years two and three of the long term plan by local authorities and sets out the budget and the sources of funding for the year.

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SECTION 1: About your council | E pā ana  
ki tō kaunihera

# Message from the chairperson and chief executive | 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
- shaping the development of the region to enhance quality of life.

The incoming council, which was elected in October 2019, has revised the strategic direction based on the achievements of the previous council and set priorities for their triennium.

Over the last three years, hundreds of landowners and volunteers have been supported to improve their local environments, with the proportion of plants and services we procured from community groups 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 of 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 have been 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 CO<sub>2</sub> emissions falling by 30 per cent over the last three years, and established a dedicated Climate Action Committee.

Work to shape the development of the region has 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've 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 be coming to an end but I’m confident the strong connections we’ve 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.

# Your regional councillors | Ngā toki kaunihera me o rātou takiwā

**Waikato**

- Pamela Storey**  
Strategy and Policy Committee Chair
- Fred Lichtwork**  
Community Restoration Committee Chair

**Thames-Coromandel**

- Denis Tegg**

**Ngā Hau e Whā**

- Tipa Mahuta**

**Hamilton**

- Jennifer Nickel**  
Climate Action Committee Chair
- Barry Quayle**  
Finance and Services Committee Chair  
Risk and Assurance Committee Chair
- Russ Rimmington**  
**Chairperson**  
Healthy Rivers: Wai Ora Committee Chair  
CE Employment and Remuneration Committee Chair  
Waikato Plan Leadership Committee Chair
- Angela Strange**  
Regional Connections Committee Chair

**Waihou**

- Stu Husband**  
River and Catchment Committee Chair
- Hugh Vercoe**

**Waipā-King Country**

- Stu Kneebone**
- Andrew MacPherson**

**Taupō-Rotorua**

- Kathy White**  
Environmental Performance Committee Chair

**Map Data:**

- NGĀ HAU E WHĀ**: Pop: 37,800, Seats: 1
- WAIKATO**: Pop: 60,200, Seats: 2
- HAMILTON**: Pop: 140,900, Seats: 4
- WAIHOU**: Pop: 59,700, Seats: 2
- NGĀ TAI KI UTA**: Pop: 32,200, Seats: 1
- WAIPĀ - KING COUNTRY**: Pop: 62,800, Seats: 2
- TAUPŌ - ROTORUA**: Pop: 32,600, Seats: 1

For contact details please see our website: [waikatoregion.govt.nz/committees-and-councillors](http://waikatoregion.govt.nz/committees-and-councillors)



## **Our vision**

2016–2019

The Waikato cares locally,  
competes globally.

## **Our mission**

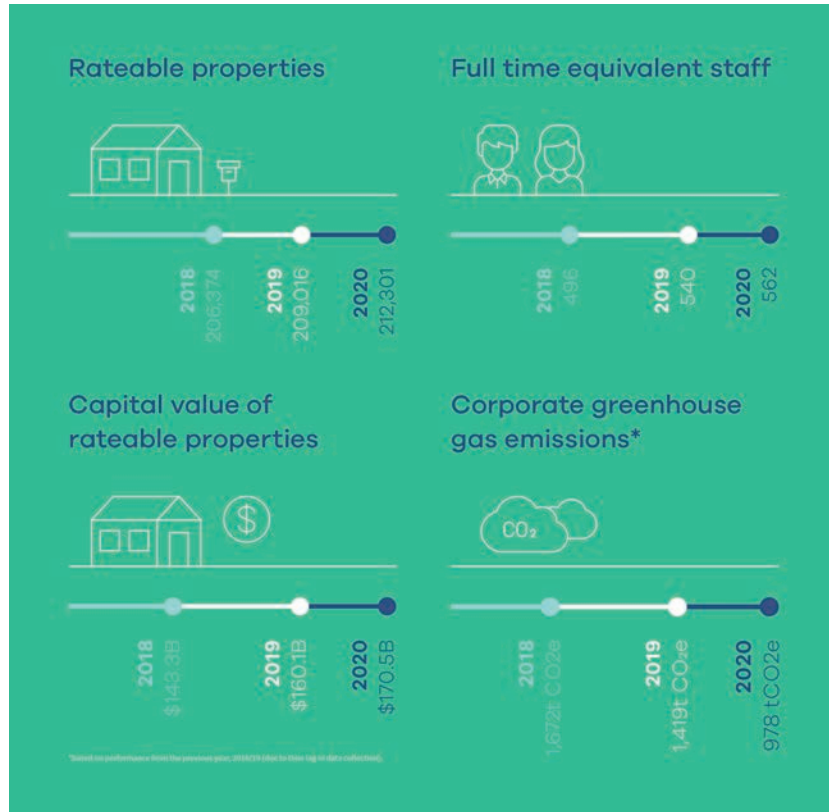
2016–2019

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

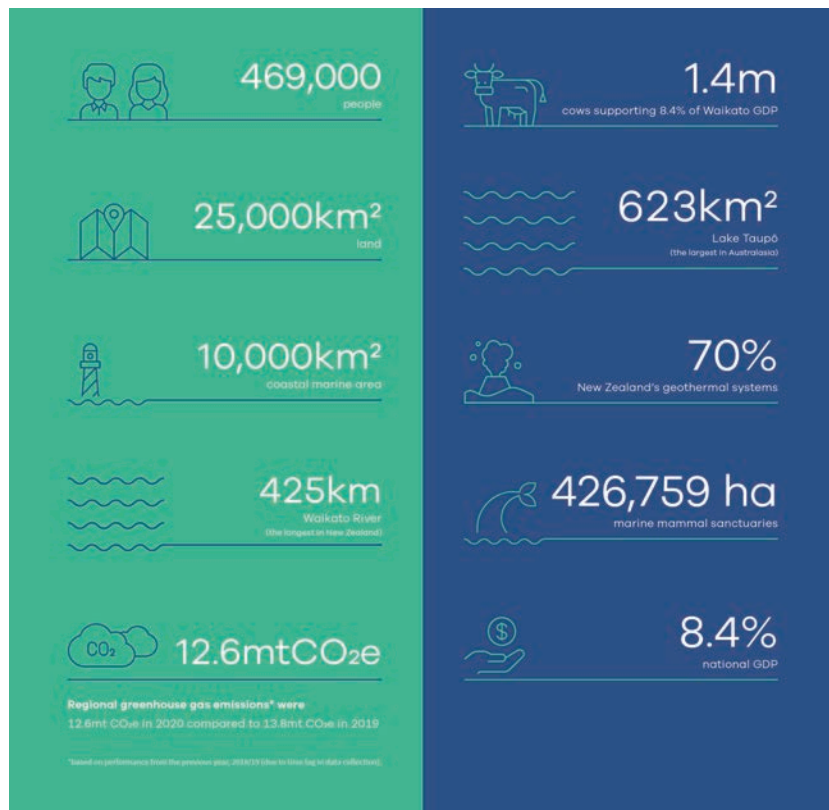
The wellbeing of our region starts with a healthy environment. If our environment is healthy, our communities will thrive and so will our economy. Everything is interconnected. The work we do in one area cannot be at the expense of another, and so we look to make decisions which deliver multiple benefits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

## YOUR COUNCIL

The Waikato Region is our home - it's where we live, work and play. It's also an important part of New Zealand's economic, cultural and social fabric. Waikato Regional Council was established in 1989 and has responsibility for a wide range of activities. Below are some key statistics on our organisation and our region.



## YOUR WAIKATO





## SECTION 2: Our performance | Ngā whakatutukitanga

# Our performance | Ngā whakatutukitanga

We continued to deliver a broad range of services despite an increasingly challenging operational 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 the central government's emergency response through the Group Emergency Coordination Centre (GECC), reducing discretionary spending and providing relief to the individuals and communities hardest hit.

As the alert levels eased, we turned our efforts towards 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.

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

This resulted in a notable reduction of \$4.0 million in our net operating deficit.



## PERFORMANCE MEASURES

Our Group Emergency Coordination Centre's role during the pandemic, keeping people safe and making plans for how the organisation and region would respond, meant that it was unable to deliver some of its 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.

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 Waikato (Te Akau, 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 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

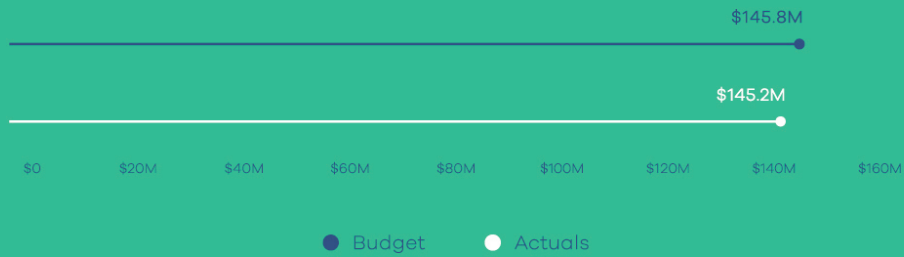
The Te Huia rail service was initially scheduled to start in April 2020 but, due to supply chain delays impacting the completion of the Rotokauri station, the service start date was initially deferred to July 2020. The COVID-19 Alert Level 4 lockdown resulted in construction work stopping on the Huntly and Rotokauri stations, 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 still been deferred to ensure a full level of service can be provided from the outset.





## Finances

### Revenue

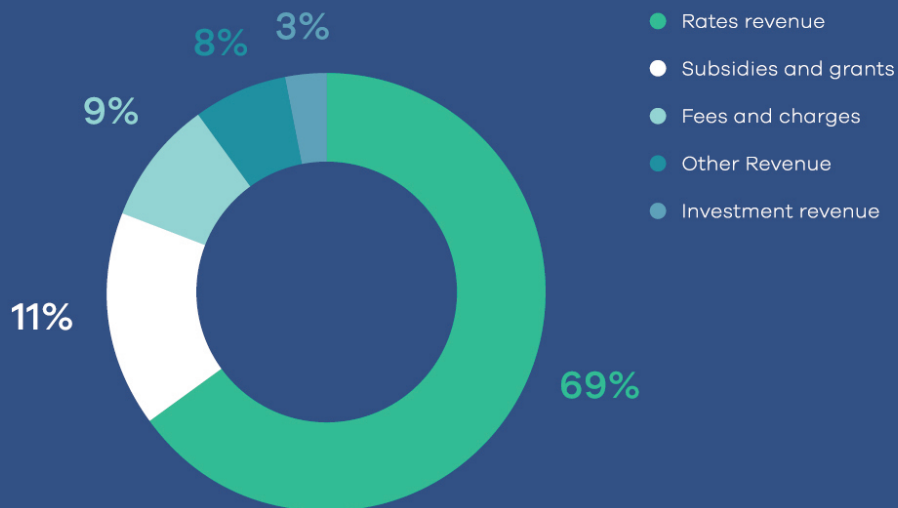


We finished 2019/20 in a positive financial position, having achieved a favourable net operating position compared to the annual plan.

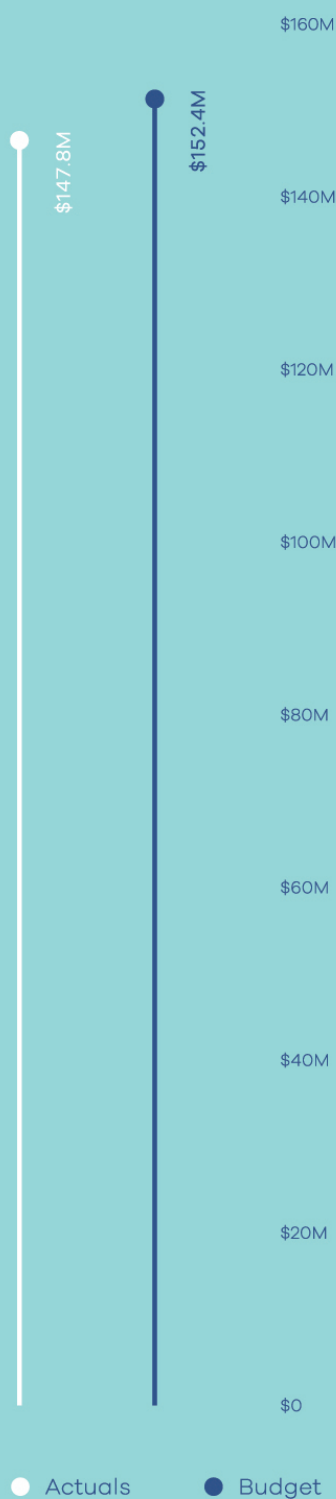
Our financial performance shows \$700,000 less in revenue and \$4.7 million less in operating expenditure than initially budgeted for the year.

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 fitout 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.

These uncompleted works contributed to a notable reduction of \$4 million in our net operating profit. A delay in the Waikato Regional Theatre (\$2.5 million) and a reduction of expenses through the COVID-19 lockdown period are the major contributors to the reduction in expenditure.

# Our priorities | Ngā whāinga matua

## OUR STRATEGIC DIRECTION

Our 2016-2019 strategic direction set out our role in making our place, the mighty Waikato, the best it can be. It highlighted the many things we continue to do for our community. It also identified our three long term outcomes for the region and the seven priority areas we focused on to make a real difference in the short term. These outcomes cover the four wellbeings in the Local Government Act which require us to promote the social, economic, environmental and cultural wellbeing of communities now and into the future.

Our strategic direction is reviewed at the beginning of each 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.

Our vision is one of a region that cares locally and competes globally. It's all about having a sustainable future where we are resilient to changes and are well placed to take advantage of global opportunities.

On the ground, it's about achieving our three long term community outcomes of a healthy environment, strong economy and vibrant communities. The outcomes are connected, so success in one area cannot be at the expense of another, with progress against our priorities also reflecting progress in these areas. We're looking to make decisions that provide multiple benefits for the community, now and into the future.

We know that we can't deliver on everything in our strategic direction nor achieve the best for our region on our own. That's why we've committed to working in partnership with others: iwi, businesses, industry groups, central and local government, tertiary education and research providers, economic development agencies and you – the people of the Waikato.

We have outlined our progress over the last three years 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.

Priority measure	2017/18	2018/19	2019/20
Number of people in the community supported to take action by council	121	129	130
	Number of requests fulfilled to support people in the community.		

Every year, hundreds of volunteers spend thousands of hours doing good work to protect the Waikato's natural environment. Here are some of the groups we supported financially in 2019/20.

- Maungatautari Ecological Island Trust - 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 Tūrangi.

Over the term of the Strategic Direction we also continued to provide funding support to volunteer emergency services. In 2019/20 we provided the following funding:

Organisation	2017/18	2018/19	2019/20
Surf life saving	\$354,600	\$379,600	\$379,600
Coastguard	\$175,400	\$175,400	\$175,400
Philips Search and Rescue	\$50,000	\$50,000	\$50,000
Coromandel Rescue Helicopter Trust	\$50,000	\$50,000	\$50,000
LandSAR	-	-	\$40,200



## 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.

Priority measure	2017/18	2018/19	2019/20
Kilometres of fencing and/or riparian planting completed	F - 242km	F - 228km	F - 268km
	P - 497,000	P - 720,000	P - 530,000
	R - 185km	R - 151km	R - 202km
Amount of new fencing (F), planting (P) and retired land* (R).			
* Retired from grazing for a more sustainable land use.			

### Results in your backyard

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

and undertaking flood plain repairs and maintenance in the Waio tapu 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 (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 Kua oiti Woodlot
- completing year two of the Waikato River Authority, TARIT, local community and council supported Whirinaki Project in the Upper Waikato Zone.

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

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

- harvesting of the Kua oiti 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 Moakurua River as part of the Waipā catchment plan programme, co-funded by the Waikato River Authority
- maintaining the Kiko Spillway and undertaking channel maintenance works on the Tauranga-Taupō river scheme,

## 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 fresh water more effectively in the future.

Priority measure	2017/18	2018/19	2019/20
Percentage of water takes allocated to main sectors	95%	98%	98%
Percentage of water takes allocated to main sectors (including agriculture, domestic and municipal supply, and industry).			

### Healthy rivers/Wai Ora: Waikato Regional Plan Change

1

This project is just one step in an 80-year plan to protect and restore the Waikato and Waipā rivers. The proposed plan change is one of the largest of its kind in New Zealand. The project covers approximately 16,000 rural properties and 1.1 million hectares of land.

The key milestones in the project are as follows:

- October 2016 – Plan Change 1
- 2016-2018 – Submissions received
- April 2018 – Variation notified
- March to September 2019 – Hearings held
- April 2020 – Decision notified

### The latest

In February 2020, the hearings panel made final recommendations to 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.

### 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.





## INCREASE COMMUNITIES' UNDERSTANDING OF RISKS AND RESILIENCE TO CHANGE

Change is inevitable. Changes can result from 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	2017/18	2018/19	2019/20
Community property and infrastructure protected by flood protection schemes	\$25.5 billion	\$31 billion	\$34 billion
Value of community property and infrastructure protected by flood protection schemes.			

### 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 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 – one which provided an emissions inventory for each of the 10 districts of Waikato region.
- committed to reducing our CO<sub>2</sub> emissions, which saw us deliver a 30 per cent reduction in CO<sub>2</sub> emissions by 2018/19, compared to our 2016/17 base year
- reduced energy emissions by 8.7 per cent – in the past financial year (we've saved \$65,567 over the past two years by reducing our energy use)
- adopted a policy to ensure 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.

### 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 portal 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.



## ENHANCE THE VALUE OF THE REGION'S COAST 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	2017/18	2018/19	2019/20
Proportion of actively managed area (completed harbor and catchment management plans) in the Thames-Coromandel district	40%	40%	40%
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 how coastal and marine areas should be managed. During 2019/20, we continued work on developing plans for Whaingaroa, Aotea, Kāwhia, Whitianga/Mercury Bay and 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 the work occurring at Coromandel Peninsula sites. We are continuing to collaborate with the Kāwhia community to restore cultural values 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

Sea Change – Tai Timu Tai Pari was adopted in December 2016. It is a non-statutory plan outlining measures to boost the health of the Hauraki Gulf. Delivering on the objectives of Sea Change since its adoption, we have:

- 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.



## 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	2017/18	2018/19	2019/20
External funding invested in the region	19.8%	19.3%	25.2%
Leveraged funding received as percentage of operating expenses.			

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, as well as providing support and advice as required.

We continued to oversee the implementation of the action plan from 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. The group has developed an action plan to address housing needs.

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

Making sure the community has access to essential services and transport for work and recreation improves quality of life for our residents. Our public transport services are a lifeline for many residents. Over the last three years we have made significant improvements to the 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 for all Hamilton-based services to over 2200 eligible participants.

Waikato to Auckland connectivity is also crucial to the development of our region. We supported the development of the Hamilton to Auckland Corridor Statement of Shared Spatial Intent and the development of a Hamilton/Waikato Metropolitan spatial plan. These spatial plans provide a long-term view of how the Future Proof Subregion can accommodate long-term population growth in a transit-oriented, low-carbon urban form that meets the needs of communities and the environment.





## 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.

We can't deliver everything on our own, so working in partnership with others ensures our investment goes further and supports our communities to do work in areas that are important to them.

Priority measure	2017/18	2018/19	2019/20
Number of new partnerships	4	14	35
Number of new initiatives implemented as a result of working together.			

### Restoring the Waikato River

The work we do helps to deliver on Te Ture Whaimana o Te Awa o Waikato – the Vision and Strategy for the Waikato River. The Vision and Strategy was developed by the Guardians Establishment Committee, which was established under the Waikato-Tainui and Crown Agreement in Principle and legislated in the Waikato-Tainui Raupatu Claims (Waikato River) Settlement Act 2010. The custodian of the Vision and Strategy is the Waikato River Authority, which also invests funds into rehabilitation initiatives. The board of the Waikato River Authority consists of a representative from each of the five river iwi authorities (Waikato-Tainui, Tūwharetoa, Te Arawa River Iwi, Raukawa and Maniapoto) and five Crown representatives.

The vision is for a healthy Waikato River which sustains abundant life and prosperous communities, who, in turn, are all responsible for restoring and protecting the health and wellbeing of the Waikato River, and all it embraces, for generations to come. Settlement legislation requires us to give effect to the Vision and Strategy.

### Delivering on the objectives

There are 13 objectives in the Vision and Strategy, and a number of them are related. The work we do often helps to deliver on more than one objective.

In 2019/20, the council supported the restoration and protection of the health and wellbeing of the Waikato River in the following ways.

#### Relationships

This includes supporting the economic, social, cultural and spiritual relationships of river iwi and communities with the Waikato River.

- We led the proposal for the transfer of specific water quality monitoring activities at and around Lake Taupō to the Tūwharetoa Māori Trust Board. The approval by council to transfer these functions makes Tūwharetoa the first iwi authority in Aotearoa New Zealand to have functions transferred to them by a council. The activities we have transferred include the collection of water samples and water level measurements at several sites within the Lake Taupō catchment.

- As a result of the five joint management agreements (JMAs) we have with river iwi partners, we:
  - continued to support existing Waikato River settlement legislation requirements associated with the JMA commitments
  - employed iwi interns to undertake river and catchment restoration related work within their rohe (this contributes to iwi capacity building and provides opportunities for employment in the field of natural resource management in the future)
  - developed a joint strategic work programme with Waikato-Tainui, which identifies time frames and outcomes we both want to achieve
  - started work on designing a training programme to enable effective iwi representation on our catchment committees.
- Through our catchment, education and Natural Heritage programmes, we gave community groups funding and advice for river restoration projects.
- We also have an advocacy role and, when working with others, we make sure the Vision and Strategy is front and centre of discussion and the importance and uniqueness of this document to the Waikato is highlighted.
- In response to a new Treaty of Waitangi settlement, we established a new co-governance entity, Te Kōpua Kānapanapa, in partnership with Te Kotahitanga o Ngāti Tūwharetoa and Taupō District Council. A key function of this entity is to prepare and approve 'Te Kaupapa Kaitiaki'. The purpose of this document is to identify the significant issues, values, vision, objectives, desired outcomes and other relevant matters for the Taupō catchment.

#### Strategy and policy development

We aim to protect the Waikato River from the adverse effects of activities on the water and land through our regulatory and statutory processes.

- We continued to progress Healthy Rivers/Wai Ora: Proposed Regional Plan Change 1, which seeks to reduce the amount of contaminants entering the Waikato and Waipā catchments. This is a key piece of work to improve water quality, make the river swimmable, make it viable for food

collection along its entire length and achieve the Vision and Strategy for the Waikato River.

- Plan Change 2 – Taupo Overseer Version was developed with the Tūwharetoa Māori Trust, Te Kotahitanga, farmers and the wider Taupō community over the last year. It will enable the use of new Overseer versions which will allow us to continue managing nitrogen in the catchment under the Plan Change rules.
- We continued our work on Healthy Environments | He Taiao Mauriora. This project involves a review of the Waikato Regional Coastal Plan and the Waikato Regional Plan, with community and iwi consultation starting this year. Currently, parts of these plans do not fully implement the Vision and Strategy for the Waikato River, or other statutory documents, and will need to be updated.
- The Vision and Strategy guides the way we administer resource consents, with applicants having to consider the potential effects of their consent application on the Waikato River and include how their activity will 'give back' to improve the quality of the river.
- Monitoring of consents and permitted activities, and investigating alleged breaches of rules and regulations, remains a key part of our business as usual. We continue to hold people accountable for non-compliance or undertaking activities which have an adverse effect on the environment, including the Waikato and Waipā Rivers.

#### Ecological health

Protecting and enhancing significant sites, fisheries, flora and fauna.

- As part of the Pathways to the Sea project, guidance and direction will be provided to council to resolve or mitigate impediments to the downstream migration of fish through existing flood protection infrastructure.
- When undertaking erosion and protection works, we have installed fish habitat structures and planted riparian margins, increasing instream habitats and improving food sources for our native fish.
- We have undertaken a wide range of instream river projects to improve instream biodiversity, including fish passage improvements.
- We supported iwi and marae to protect cultural sites of significance as part of our work programmes.
- We continued to support the community and landowners with fencing, planting and retiring land, helping to reduce the amount of sediment and other contaminants entering our waterways.
- We continued to work with iwi to protect and restore our waterways and wetlands, addressing invasive vegetation and bank erosion, and allowing silt-laden stream beds to become gravel-based again, improving swimming and food collection opportunities.
- We supported local iwi to build capacity and capability through technical advice, training and by creating funding partnerships.

#### Science

By better understanding the health of our rivers and waterways, we'll know what actions we need to take to make improvements.

- We increased the number of monthly monitoring sites for rivers, and are now collecting data from all 74 sub-catchments identified in Healthy Rivers/Wai Ora: Proposed Regional Plan Change 1.
- We increased the number of lakes we monitor, in some cases taking advice from iwi on which to include.
- Our state of environment monitoring team are working alongside river iwi to develop a cultural markers framework that will be made available to both council monitoring staff and river iwi. This will serve as an initial interface between our existing freshwater monitoring data and iwi/hapū cultural values. The framework looks to realise the Vision and Strategy through its application of both mātauranga Māori and the latest available scientific methods.
- We continued to work with iwi on improving the council's understanding of mātauranga Māori and how it can be better incorporated in our monitoring, reporting and consenting functions.
- Catchment management and planning work continued, in collaboration with landowners, iwi, community groups and key agencies, to reduce soil erosion, protect and enhance biodiversity and improve water quality within priority catchments across the region. These works included fencing, erosion control, bush retirement, afforestation and riparian planting.
- A range of routine river management activities have occurred within major river catchments to improve the stability and capacity of river channels. These have included activities such as bank protection works and the removal of obstructions. Where possible, they have also achieved secondary benefits such as improving water quality, the creation of fish habitat, biodiversity enhancement and the protection of productive soils.
- We 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, which was co-funded by the Waikato River Authority.

See the Waikato River Authority scorecard for more information at [waikatoriver.org.nz](http://waikatoriver.org.nz).

## SECTION 3: Our activities in depth | Ko te hohonutanga o ā tātou mahi

# Groups of activities | Ko ngā mahi-ā-rōpū

## HOW TO READ THIS SECTION

This section describes the council's activities as grouped in the 2018-2028 Long Term Plan (LTP). Within each group of activities (GOA), work is structured into individual activities. Each GOA includes the following sections.

## WHY WE PROVIDE THESE ACTIVITIES

Provides a brief description of the activities within the GOA and the objectives or purpose, plus the outcomes the activities primarily contribute towards, and any identified effects the activities had on the community.

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

Features key highlights, as well as some business as usual activities for 2019/20 and 2020/21.

## WHAT WE DELIVERED

Provides a description of the level of service, measure, target and actual result for each activity along with supporting commentary. Commentary is provided for measures that were not achieved or were achieved in part. Additional performance commentary is included if it provides useful context. Performance status is determined using four categories as described in the key below.

Achieved	All components of the performance measure have been met, including meeting or exceeding a stated target for performance.
Achieved in part	One or more but not all of the components of a measure have been completed. This result is only applicable when the measure can be broken into more than one component.
Not achieved	All components were not achieved.
Not applicable	No work scheduled or data available in the current year.

## WHAT IT COST

Reports on the cost of the service, including any variances.





# Community and services | Hapori me ngā ratonga

## THIS GROUP OF ACTIVITIES (GOA) INCLUDES FOUR ACTIVITIES:

- Community partnerships
- Governance
- Iwi Māori participation
- Planning and reporting

## WHY WE PROVIDE THESE ACTIVITIES

These activities enable democratic decision making by and for our communities in line with the requirements of the Local Government Act 2002.

They support elected members in their roles, helping them to make robust decisions to promote community interests and manage the region’s natural resources in a sustainable way, ensuring the social, economic, environmental and cultural wellbeing of the region is promoted.

They also ensure the provision of readily accessible and easily understood information that gives communities the opportunity to participate in decisions about our region and understand whether the council's policies and services are achieving their intended objectives.

Community partnerships and community-led education programmes are delivered to build and maintain strong multi-agency relationships, supporting behavioural change to enhance environmental learning, sustainable communities and road safety.

These activities build the council's capability and confidence to effectively partner with iwi Māori and meaningfully participate in mutually beneficial collaborative initiatives.

## THIS GOA CONTRIBUTES TO THE FOLLOWING COMMUNITY OUTCOMES:

ACTIVITIES	COMMUNITY OUTCOMES		
	Healthy environment	Strong economy	Vibrant communities
Community partnerships	Primary focus		Contributes to
Governance			Primary focus
Iwi Māori participation			Primary focus
Planning and reporting			Primary focus

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

Our community partnerships have continued to grow throughout the year, with several new collaborative initiatives across the region commencing.

The EnviroSchools programme is now reaching 48 per cent of all secondary schools in the Waikato, with the number of new schools joining the programme having increased this year.

We supported the Section 33 Proposal for the transfer of monitoring functions to the Tūwharetoa Māori Trust Board. We also implemented engagement strategies to support our investment in Māori partnerships to enrich the wellbeing of Māori and the wider community.

We continue to support the existing Waikato River settlement legislation requirements of five co-governance/co-management committees and the joint management agreement (JMA) commitments associated with these arrangements.

In August 2019, our pre-election report was released to help voters make informed decisions at election time and provide candidates with information about the big issues they could face if elected.

The local government elections and induction of the new council have also been key areas of focus in 2019/20.

Elections were held in October 2019, resulting in the appointment of five new councillors and a new chairperson. The new council implemented four new committees for the triennium, including Climate Action, Community Restoration,

River and Catchment Management and Regional Connections. We continue to support the chair and councillors in their roles, ensuring meetings are run correctly and decision-making processes are robust and transparent. To see our councillors and their constituent areas refer to page 6.

The 2020/21 Annual Plan was adopted in June 2020 and, in response to COVID-19, the council decided to move away from the planned rates increases set out in the 2018-2028 Long Term Plan. Instead, they opted for a net zero per cent rate

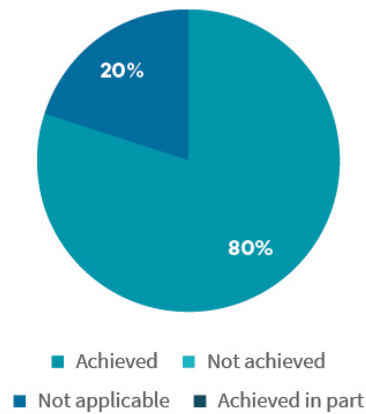
revenue increase from current ratepayers. This included a new provision of \$400,000 for rates relief to support those facing financial hardship.

Looking forward, it is expected new National Environmental Standards for Air Quality regulations will be released. This would require the council to review its current air quality monitoring programme, which is delivered by our community partnerships activity, across the region.

The development of 2021-2031 Long Term Plan will be a central area of focus next year, with the community having the opportunity to have their say on proposals early in 2021.

## WHAT WE DELIVERED

The total number of community and services performance measures is five. Four measures were achieved (80 per cent), and one measure was not applicable (20 per cent). Detailed commentary for these measures can be found in the following tables.



## ACTIVITY: COMMUNITY PARTNERSHIPS

**Level of service: To collaborate with other agencies and the people of the Waikato to deliver new and current initiatives that achieve economic, environmental and social outcomes.**

Performance measure	Target	Actual	Commentary
Number of initiatives implemented as a result of working together with our key stakeholders and partners to achieve mutually beneficial outcomes.	Maintain or increase the number of initiatives.	35, achieved 2018/19: 22 initiatives achieved	The number of initiatives implemented in 2018/19 was 22, increasing to 35 this year.

## ACTIVITY: GOVERNANCE

**Level of service:** To provide and promote governance processes that are robust and transparent for the regional community.

Performance measure	Target	Actual	Commentary
Percentage of official information requests responded to within statutory timeframes.	100%	100%, achieved  2018/19: 100% achieved	A total of 187 out of 187 information requests received were responded to within statutory timeframes this year.
Percentage of council agendas that are publicly available two working days or more before the meeting.	100%	100%, achieved  2018/19: 100% achieved	A total of 84 out of 84 council agendas were publicly available within statutory timeframes this year.

## ACTIVITY: IWI MĀORI PARTICIPATION

**Level of service:** To support a Treaty-based partnership approach in our engagement with iwi Māori.

Performance measure	Target	Actual	Commentary
Completion of key actions identified in the Māori Partnership Approach.	Number of actions completed as per schedule	100%, achieved  2018/19: 100% achieved	A total of 11 key actions were identified for the 2019/20 year and all have been completed.

## ACTIVITY: PLANNING AND REPORTING

**Level of service:** To produce high quality and fit-for-purpose long term plans and amendments to long term plans to encourage participation in decision making by the regional community.

Performance measure	Target	Actual	Commentary
Long term plans and amendments to long term plans receive 'unmodified' audit opinions.	Unmodified opinion received	Not applicable  2018/19: Not applicable	As there was no LTP amendment in relation to the 2020/21 Annual Plan, there was no requirement for an audit opinion.

## WHAT IT COST

### EXPENDITURE FOR COMMUNITY AND SERVICES

	2019/20 Actual \$000	2019/20 Annual Plan \$000	2018/19 Last year \$000
General rates	1,105	1,105	1,258
UAGC	8,294	8,294	7,947
Targeted rates	832	830	837
Government grants	348	536	495
Fees and charges	2	-	1
Investment income			
Other income	186	210	183
<b>Total income</b>	<b>10,766</b>	<b>10,975</b>	<b>10,721</b>
Operating expenditure	9,336	13,806	10,061
Operating surplus / (deficit)	1,431	(2,831)	660
Total funding from / (to) reserves			
General	253	253	(292)
Stock truck effluent implementation	145	78	(59)
Total reserve transfers	398	331	(351)
Increase / (decrease) in retained earnings	1,828	-	309

### EXPENDITURE



<span style="color: #008080;">■</span> Community partnerships	<b>\$3,773,000</b>
<span style="color: #00BFC4;">■</span> Governance	<b>\$3,856,000</b>
<span style="color: #0056B3;">■</span> Iwi partnerships	<b>\$896,000</b>
<span style="color: #003366;">■</span> Planning and reporting	<b>\$810,000</b>



# Waikato Civil Defence Emergency Management Group | Te Rakau Whakamarumaru ā Rohe o Waikato

## THIS GOA INCLUDES ONE ACTIVITY:

- Waikato Civil Defence Emergency Management (CDEM) Group

## WHY WE PROVIDE THIS ACTIVITY

The Waikato CDEM Group is responsible for delivering on the 4 Rs: readiness, response, reduction and recovery.

This activity includes the:

- facilitation of community, organisational and business readiness
- provision of an appropriate emergency response and coordination capability

- identification and promotion of reduction activities that limit the impacts of an emergency on our communities
- coordination of recovery efforts to ensure the best outcomes for the community.

The Group Emergency Management Office (GEMO), administered by Waikato Regional Council, coordinates all activities but takes direction from the CDEM Joint Committee, an elected body representing all councils.

In addition, the GEMO has the operational role of coordinating regional or more complex emergencies. Through strategic planning and the provision of technical advice and services, it supports operational-level planning to ensure local CDEM organisations and the community have the capacity and capability to respond to and recover from emergencies.

## THIS GOA CONTRIBUTES TO THE FOLLOWING COMMUNITY OUTCOMES:

ACTIVITIES	COMMUNITY OUTCOMES		
	Healthy environment	Strong economy	Vibrant communities
Waikato CDEM Group			Primary focus

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

The CDEM Group led and supported several emergency responses in 2019/20, including the:

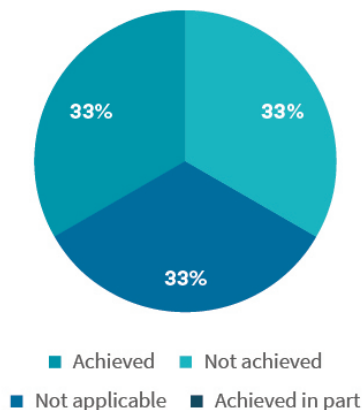
- Whakaari White Island eruption response
- deployment of staff to the Southland floods
- monitoring of drought conditions across the Waikato
- response to address the non-health consequences of COVID-19.

Our role during the pandemic, keeping people safe and making plans for how the region would respond, meant that we were unable to deliver some of our planned work, including an annual assessment of the group plan. However, an assessment of our response to COVID-19 has taken place and recommendations for improvements have been identified.

Looking forward, we anticipate that there will be a requirement to respond to and implement key aspects of the Government's Emergency Management Systems Reform, which is expected to be released this year.

## WHAT WE DELIVERED

The total number of Waikato Civil Defence Emergency Management performance measures is three. One measure was achieved (33 per cent), one measure was not achieved (33 per cent) and one measure was not applicable (33 per cent). Detailed commentary for these measures can be found in the following tables.



## ACTIVITY: WAIKATO CDEM GROUP

**Level of service: To provide the community with a region-wide, coordinated response from government, NGOs and community based responders, in the event of a civil defence emergency, to reduce the impact on people and the economy.**

Performance measure	Target	Actual	Commentary
The time taken for the Group Emergency Coordination Centre (GECC) to be activated in response to a civil defence event/emergency.	<p>≤30 minutes during business hours</p> <p>≤60 minutes after hours</p>	<p>Achieved</p> <p>2018/19: Achieved</p>	The GECC was activated in response to COVID-19. It was in monitoring mode from the week beginning 16 March 2020 and in full coordination mode from the week beginning 30 March 2020. Activation took place during business hours and within the 30 minute target.
The operative Group CDEM Plan is reviewed within statutory timeframes.	No assessment due	<p>Not applicable</p> <p>2018/19: Not applicable</p>	At the November 2019 Coordinating Executive Group meeting, it was agreed that the review date would be in May 2023.
Annual assessment and, if necessary, revision of the Group Plan to ensure it complies with current legislative requirements.	Annual assessment conducted	<p>Not achieved</p> <p>2018/19: Achieved</p>	A light revision was started but not completed due to the COVID-19 response interrupting the work plan. This work will be picked up and completed early 2020/21. There were no legislative changes requiring changes to the Group Plan.

## WHAT IT COST

### EXPENDITURE FOR WAIKATO CDEM GROUP

	2019/20 Actual \$000	2019/20 Annual Plan \$000	2018/19 Last year \$000
Targeted Rates	1,890	1,882	1,772
Direct Charges	101	70	64
Other Income	619	545	555
<b>Total income</b>	<b>2,609</b>	<b>2,496</b>	<b>2,391</b>
Operating expenditure	3,726	2,518	2,327
<b>Operating surplus / (deficit)</b>	<b>(1,116)</b>	<b>(22)</b>	<b>63</b>
<b>Total funding from / (to) reserves</b>			
Civil defence	483	22	(63)
Total reserve transfers	483	22	(63)
<b>Increase / (decrease) in retained earnings</b>	<b>(633)</b>	<b>(0)</b>	<b>-</b>

### EXPENDITURE



■ Waikato CDEM Group  
**\$3,726,000**

# Regional hazards and emergency response | Mōreatanga ā rohe me te whakarata ohotata

## THIS GOA INCLUDES TWO ACTIVITIES:

- Resilient development
- Waikato Regional Council emergency response

## WHY WE PROVIDE THESE ACTIVITIES

The provision of natural hazard information allows communities to make better decisions regarding the management of existing and proposed development to minimise risk and damage to people, homes, businesses and infrastructure.

We also ensure that arrangements, standards and processes for emergency response are in place and that emergency management staff have the capability and resources to respond to an emergency event in order to ensure the best outcome for the community.

## THIS GOA CONTRIBUTES TO THE FOLLOWING COMMUNITY OUTCOMES:

ACTIVITIES	COMMUNITY OUTCOMES		
	Healthy environment	Strong economy	Vibrant communities
Resilient development		Primary focus	Contributes to
WRC emergency response			Primary focus

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

A central focus for these activities has been managing the council's response to COVID-19 and supporting the Waikato CDEM's response. This resulted in a significant overspend against the planned budget. Prior to lockdown, working from home processes were swiftly arranged for the majority of staff. A small number of staff were classed as essential workers and continued their business as usual work. This included ensuring our essential public services, environmental incident response, maritime services, biosecurity, flood protection, public transport and CDEM response could continue to be delivered. The coordination, logistics, communication and health and safety components behind these changes were led by an internal Incident Management Team. This team enabled the organisation to continue delivering our services to the Waikato during all alert levels.

Business as usual work involved responding to several localised flood events across the region in 2019/20. Our emergency management platform, Flood Room Live, was used during these flood events and will continue to be enhanced in 2020/21, providing improved real-time information to stakeholders and alignment with information from other agencies.

Our online Hazards Portal was launched in July 2019 and is being successfully used by the public and key stakeholders to identify hazards where they live and work, including flood, seismic, volcanic and geothermal hazards, as well as coastal

inundation and erosion. The coastal inundation tool, a resource within the portal, was updated to improve functionality and information.

In 2020/21, an automated property hazard report function will be added to the Hazards Portal.

The emergency response team responded to several events:

- attending the Lake Taupō sewerage discharge in July 2019
- supporting the Waikato CDEM Group's COVID-19 response and the council's internal COVID-19 response, driven by the incident management team
- managing three marine oil spill responses (two in Whangamatā Harbour and one on Buffalo Beach, Whitianga).

Support was provided to local councils throughout the region, including:

- providing hazard identification data and climate change impact information to Waikato and Waitomo district councils
- on Wharekawa Coast 2120 (Hauraki District Council) and Shoreline Management Plans (Thames-Coromandel District

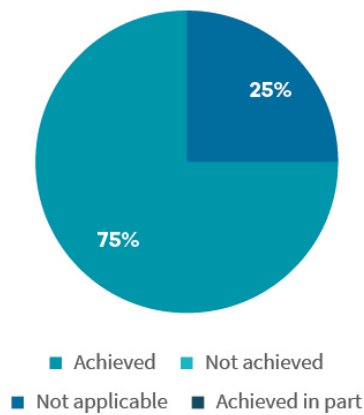


Council). This work will continue into 2020/21 with the addition of a Port Waikato community management plan,

to be delivered in conjunction with Waikato District Council.

## WHAT WE DELIVERED

The total number of regional hazards and emergency response performance measures is four. Three measures were achieved (75 per cent) and one was not applicable (25 per cent). Detailed commentary for these measures can be found in the following tables.



## ACTIVITY: RESILIENT DEVELOPMENT

**Level of service: To provide technical support to the Waikato CDEM Group to enable resilient Waikato communities.**

Performance measure	Target	Actual	Commentary
Percentage of agreed Waikato CDEM Group requests responded to within specified timeframes.	100%	Not applicable  2018/19: Not applicable	The Waikato CDEM Group, through the CEG, made no formal requests for information or advice from the Regional Hazards Team.  While there were no formal requests, there was ongoing collaboration between the Regional Hazards Team and the CDEM Group with direct support provided during the COVID-19 response.

**Level of service: To provide hazard information to communities and stakeholders to ensure they are well informed.**

Performance measure	Target	Actual	Commentary
Provide relevant and up-to-date hazard information to communities and stakeholders via the online hazards portal.	Data updated quarterly	Achieved  2018/19: Not achieved	The hazards portal went live on 1 July 2019 and it was advertised to the wider public in August 2019. The portal was reviewed quarterly and updated when new information became available.

## ACTIVITY: WAIKATO REGIONAL COUNCIL EMERGENCY RESPONSE

**Level of service:** To provide the community with timely flood event information and situation reports, and to respond effectively to flood events to lessen their adverse effects.

Performance measure	Target	Actual	Commentary
Percentage of customers satisfied with the Waikato Regional Council's flood warning service (source: contact database survey).	90%	98%, achieved  2018/19: 97%, achieved	The annual survey has been completed. A total of 244 people were contacted, with 98% satisfied with the alert service.

**Level of service:** To reduce the environmental impact of marine oil spills by having a safe, coordinated and effective plan in place and maintaining an effective readiness to respond.

Performance measure	Target	Actual	Commentary
A marine oil spill plan is in place and two exercises are undertaken per year.	Plan in place and two exercises undertaken	Achieved  2018/19: Achieved	A marine oil spill plan is in place and two exercises were undertaken this year. The first exercise was held at the Hamilton Group Emergency Management Office in November 2019 and the second exercise was held at Lake Karapiro in March 2020.

## WHAT IT COST

### EXPENDITURE FOR REGIONAL HAZARDS AND EMERGENCY RESPONSE

	2019/20 Actual \$000	2019/20 Annual Plan \$000	2018/19 Last year \$000
UAGC	1,809	1,809	1,760
Targeted Rates	(2)	-	
Fees and charges	47	177	97
Other income	-	-	36
<b>Total income</b>	<b>1,854</b>	<b>1,986</b>	<b>1,893</b>
Operating expenditure	4,266	1,986	2,343
<b>Operating surplus / (deficit)</b>	<b>(2,412)</b>	<b>0</b>	<b>(451)</b>
<b>Total funding from / (to) reserves</b>			
Whitianga coastal modelling	-	-	120
<b>Total reserve transfers</b>	<b>-</b>	<b>-</b>	<b>120</b>
<b>Increase / (decrease) in retained earnings</b>	<b>(2,412)</b>	<b>-</b>	<b>(331)</b>

EXPENDITURE



■ Waikato Regional Council  
Emergency Management  
**\$3,023,000**

■ Resilient development  
**\$1,243,000**



# Flood protection and control works | Ngā mahi hei ārai, hei ārahi hoki i ngā waipuke

## THIS GOA INCLUDES THREE ACTIVITIES:

- Flood protection
- Land drainage
- River management

## WHY WE PROVIDE THESE ACTIVITIES

We undertake these activities to reduce the risks to communities from flooding, erosion and other hazards associated with rivers, streams and their catchments. These activities are there to safeguard people's lives, property and economic wellbeing, reduce impacts on the environment, and protect services such as water supply, telecommunications, and transport networks.

Our land drainage networks support the productive use of land by enabling landowners to oversee improved water table management on their properties, reducing surface flooding and pasture damage caused by rainfall events.

The work we undertake on our rivers and streams maintains their stability and capacity, protects valuable soils from eroding, improves water quality by preventing sedimentation, and protects properties from erosion damage. This also supports the rehabilitation and preservation of our river channel and riparian environments.

We also provide advice, maintain and build flood protection infrastructure, and work with the community to improve our environment.

## THIS GOA CONTRIBUTES TO THE FOLLOWING COMMUNITY OUTCOMES:

ACTIVITIES	COMMUNITY OUTCOMES		
	Healthy environment	Strong economy	Vibrant communities
Flood protection	Contributes to	Primary focus	
Land drainage	Contributes to	Primary focus	
River management	Primary focus	Contributes to	

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

This year has seen an increased focus on restoring river environments using softer engineering solutions which also provide in-channel shade and habitat to support the restoration of biodiversity corridors.

Seasonal weather variances had a big influence on vegetation growth rates within our land drainage channels in 2019/20. Light rainfall meant significant growth occurred, causing many additional spray requests from our customers.

We commenced the Pathways to the Sea project, which will help improve the downstream migration of fish by resolving or mitigating passage issues through existing flood protection infrastructure. We also continued work on the Sustainable Infrastructure Decision Making Framework, which will enable the council to make sound, long-term investments in critical flood protection and land drainage assets.

Key project milestones included:

- delivering river management and restoration works in collaboration with Pūniu River Care across 10 sites on the Mangatutu and Pūniu Rivers - this work will continue in 2020/21
- completion of works in partnership with the Waiwhaakaata Trust to address large-scale bank erosion on the Moakurua River
- maintenance of the Kiko spillway and channel maintenance works on the Tauranga-Taupō river scheme and Waitapu stream
- completion of a range of projects to renew our flood protection infrastructure across the Lower Waikato and Hauraki Plains
- construction of the new Jefferis floodgate to enable an improved level of service for adjacent properties



- cleaning of the Mangatea stream near Tauhei to improve hydraulic flow and alleviate localised flooding
- completion of large-scale erosion control works, utilising fish friendly vegetation groynes on the Marokopa River
- renewal of the Parawai Road stopbank, Kapukapu Dam, Harris stopbank and Kauaeranga River left spillway, along with pumps at Paeroa Main Drain and Mill Road stations
- renewal of stopbanks along the Piako River.

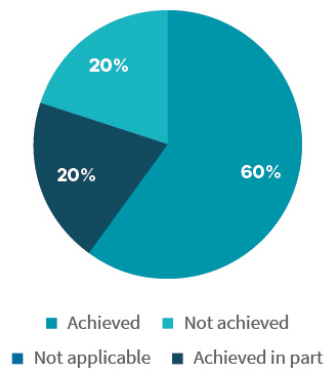
The Lower Waikato Stream and Hill Country Erosion Protection and Remediation Project focused on priority areas, including the Matahuru, Warenga, Naike, Opuatia, Mangawara and Awaroa catchments. There was continued work on the Upper Matahuru Catchment Management Programme, the fencing, retirement and protection of Kauri blocks, and implementing catchment interventions as part of the collaborative, multi-agency led Lake Whangapae Project.

To read about the major works not completed this year due to COVID-19 refer to page 13.

We also undertook a communications campaign called Come High Water to raise awareness about the work we do in managing and maintaining flood protection assets to protect the community during flood events. For more information refer to our website: [waikatoregion.govt.nz/comehighwater](http://waikatoregion.govt.nz/comehighwater).

## WHAT WE DELIVERED

The total number of flood protection and control works performance measures is five. A total of three measures were achieved (60 per cent), one measure was achieved in part (20 per cent) and one measure was not achieved (20 per cent). Detailed commentary for these measures can be found in the following tables.



We put in bids to central government for shovel ready project funding. Working on these projects will be a key focus for us in 2020/21.

Other projects planned for 2020/21 include:

- our planned annual works programme in Hangarito, Waiatahanui, Tauranga-Taupō and Tongariro rivers, including erosion control, willow and poplar removal and riparian planting
- commencement of blockage removal, erosion control and vegetation management works on Matahuru, Mangawara and Mangatangi rivers.
- bank erosion works to address erosion issues in Waikawau and Manganui streams in the West Coast Zone
- continuation of the river management programme across several sites through the Hauraki and Coromandel zones to maintain channel capacity and support local communities and landowners undertaking restoration works.

## ACTIVITY: FLOOD PROTECTION

**Level of service: To provide the standard of flood protection agreed with communities, as set out in zone plans and associated documents.**

Performance measure	Target	Actual	Commentary
<p>Major flood protection and control works are maintained, repaired and renewed to the key standards defined in relevant planning documents (such as zone management plan, annual works programme or long term plan).</p> <p>Part one: Percentage of planned mandatory maintenance* actions achieved each year.</p> <p>Part two: Percentage of stopbanks maintained to above designed flood height as agreed within each zone.</p>	<p>Achieved</p> <p>Part one: 85%</p> <p>Part two: Rural: 93% Urban: 95%</p>	<p>Achieved in part</p> <p>2018/19: Achieved</p> <p>Part one: 92.2%, achieved</p> <p>Part two: Rural: 93.5%, achieved Urban: 93.8%, not achieved</p>	<p>One out of two parts achieved.</p> <p>Part one: A total of 3810 out of 3514 (92.2%) of planned mandatory maintenance actions were completed.</p> <p>Part two: A total of 93.5% of rural stopbanks and 93.8% of urban stopbanks were above the design flood level resulting in the measure being achieved in part. This is partly due to the delay in completing the renewal of the Parawai Road flood defence in Thames, which is largely completed, however, still awaiting District Council final road sealing.</p>
Percentage of flood recovery plans** implemented after all major events	80% compliant	100%, achieved  2018/19: Not applicable	One flood event occurred in October 2019 in Waihou which required \$151,000 for remedial works. A plan was approved by the council and works undertaken.
<p>*Maintenance can mean repair, renew or maintain.</p> <p>**The plans set out timeframes under which flood response actions are to be completed.</p>			

## ACTIVITY: LAND DRAINAGE

**Level of service: To provide reliable water table management on land within drainage schemes to maintain pastoral production.**

Performance measure	Target	Actual	Commentary
Number of reported incidences where it takes more than three days to remove surface water after events with up to a 10% annual exceedance probability.	≤5	0, achieved  2018/19: Not applicable	Our land drainage infrastructure has performed well and there have been zero reported incidents this year.

## ACTIVITY: RIVER MANAGEMENT

Level of service: To maintain channel capacity and stability of priority rivers and streams in each management zone.

Performance measure	Target	Actual	Commentary
Percentage of planned maintenance actions achieved each year.	85%	93%, achieved  2018/19: 96.8%, achieved	A total of 241 actions were planned and 224 were completed (93%).
Percentage of enquiries acknowledged within two working days.	95%	82%, not achieved  2018/19: Not achieved	The number of actual river works, including blockages, instability, erosion and vegetation removal works enquiries is 61. A total of 50 were responded to within two days and the remaining 11 were responded to within 3-5 days (82%).

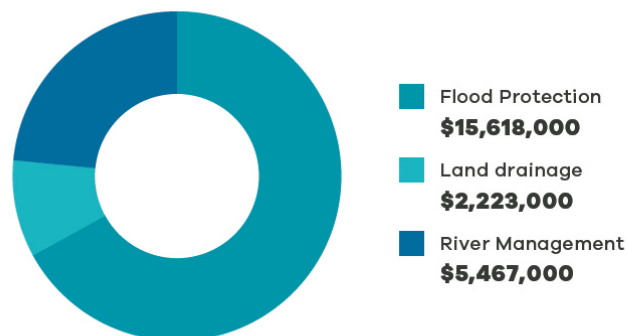


## WHAT IT COST

### EXPENDITURE FOR FLOOD PROTECTION AND CONTROL WORKS

	2019/20 Actual \$000	2019/20 Annual Plan \$000	2018/19 Last year \$000
General rates	2,956	2,956	2,607
Targeted rates	19,804	19,926	17,499
Fees and charges	38	32	22
Investment income	6	-	9
Other income	1,042	774	997
<b>Total income</b>	<b>23,845</b>	<b>23,688</b>	<b>21,133</b>
Operating expenditure	23,308	24,184	22,819
Operating surplus / (deficit)	538	(497)	(1,686)
<b>Total funding from / (to) reserves</b>			
Watershed	(1,025)	(46)	(587)
Peninsula	(29)	127	159
West Coast	(3)	-	3
Waihou	(130)	134	(84)
Piako	394	512	981
Drainage	80	55	581
Regional disaster recovery	(157)	(206)	(157)
Zone disaster recovery	23	(165)	(128)
<b>Total reserve transfers</b>	<b>(847)</b>	<b>411</b>	<b>767</b>
Increase / (decrease) in retained earnings	(309)	(86)	(919)

### EXPENDITURE



# Integrated catchment management | Te whakahaere ā- tōpū i te rauwiringa wai

## THIS GOA INCLUDES FOUR ACTIVITIES:

- Biodiversity
- Biosecurity
- Catchment planning and management
- Land management advisory services

## WHY WE PROVIDE THESE ACTIVITIES

Through these activities, we aim to: reduce the loss of productive soils; reduce sedimentation of rivers, harbours and estuaries; stabilise catchments; create awareness of land and

water sustainability; make improvements and maintain water quality in the region's harbours, estuaries and shallow lakes; and protect biodiversity. This work is intended to preserve, protect and enhance the region's environment, and help the agriculture industry meet its obligations.

Our biosecurity activities are also a vital component of the national biosecurity system, which is designed to mitigate and prevent the significant impacts of the pest species that can cause great environmental, social, cultural and economic losses.

Where possible, the work is carried out in collaboration with landowners, community groups, iwi and other agencies.

## THIS GOA CONTRIBUTES TO THE FOLLOWING COMMUNITY OUTCOMES:

ACTIVITIES	COMMUNITY OUTCOMES		
	Healthy environment	Strong economy	Vibrant communities
Catchment planning and management	Primary focus	Contributes to	Contributes to
Biosecurity	Contributes to	Primary focus	Contributes to
Biodiversity	Primary focus	Contributes to	Contributes to
Land management advisory services	Contributes to	Primary focus	Contributes to

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

The Whirinaki Project, which aimed to regenerate about 600 hectares of indigenous forest was successfully completed in conjunction with the Waikato River Authority, Te Arawa River Iwi Trust and the local community.

Implementation of the Waipā Catchment Plan continued, with works totalling approximately \$2 million for soil conservation within priority catchments and along priority rivers being completed. This work was co-funded by the Waikato River Authority and the Ministry of Primary Industries' Hill Country Erosion Control programme, in partnership with landowners across the Waipā, and will continue next year.

A variety of ecosystems have been the focus for more than 30 restoration and pest control projects in 2019/20, including geothermal, freshwater wetland, shallow lakes, coastal, and karst sites. Management works continue in collaboration with mana whenua and others at high priority sites, including Waiotapu, Otumuheke, Lake Whangape and

Opuatia wetland. Fencing and planting across key priority sites has covered 30.9ha of wetland, the creation of a constructed wetland to treat water before it enters key lakes, and 30km of lake shoreline restoration and targeted aquatic pest plant control for Lake Whangape.

The Coromandel Coastcare programme (formally Beachcare) has evolved, with Thames-Coromandel District Council and the community providing an integrated approach across agencies to deliver coastal restoration projects.

We continued to collaborate with the Department of Conservation (DOC) to undertake landscape-scale feral goat control in the Coromandel, Kaimai, Pirongia, Whareorino and Rangitoto ranges this year. Over the last seven years, this programme has significantly reduced goat numbers in these areas.



This collaboration extends to the Wallaby Management Programme, where staff are working closely with our partners from Bay of Plenty Regional Council, iwi, the Department of Conservation (DOC), forestry, and Biosecurity New Zealand to contain the spread of dama wallabies. Funding from central government has been secured which will allow for a greater level of management.

An expanded Hill Country Erosion Control programme covering the Waipā, Central and Lower Waikato, Coromandel and West Coast zones was delivered following confirmation of Ministry of Primary Industries Hill Country Erosion Control funding. This enabled a much greater level of support for communities and landowners working to prevent the loss of productive soils and the resulting sedimentation of streams, rivers, lakes and harbours. This work will continue in 2020/21.

We have continued to engage farmers and rural professionals on implementation of Healthy Rivers/Wai Ora: Proposed Waikato Regional Plan Change 1 provisions, running a series of workshops and awareness programmes, as well as providing advice on central government’s Essential Freshwater package

(national environmental standards and national policy statement) requirements. We also delivered programmes and field days on farm forestry and carbon farming, and supported a range of industry-driven events across the region.

In the Hauraki and west coast catchments we will encourage and support farmer-led initiatives to improve their environmental performance in anticipation of future plan changes.

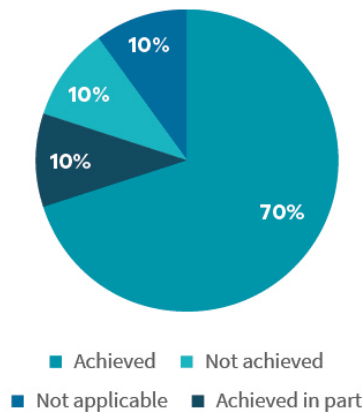
The region’s wilding pine programme received a significant boost in funding from Biosecurity New Zealand, allowing several key infestations to be managed on the Coromandel and Taupō catchment, including fragile geothermal sites.

We continued to lead and manage the eradication of pest plants like alligator weed, yellow flag iris, old man’s beard and climbing spindle berry. A dry summer has meant that the majority of the sites were successfully inspected and controlled.

A review of the Regional Pest Management Plan has commenced, and public consultation will occur mid-2021.

## WHAT WE DELIVERED

The total number of integrated catchment management performance measures is 10. Seven measures were achieved (70 per cent), one was achieved in part (10 per cent), one was not achieved (10 per cent) and one was not applicable (10 per cent). Detailed commentary for these measures can be found in the following tables.





## ACTIVITY: BIODIVERSITY

Level of service: To work in partnership with others to maintain and enhance indigenous biodiversity.

Performance measure	Target	Actual	Commentary
Percentage of projects funded through Natural Heritage Partnership Programme that achieved milestones as per the funding agreement.	100%	Achieved in part  2018/19: Achieved	Two out of three parts achieved.  <b>Natural Heritage Fund</b>  In 2019/20, this fund gave out one grant. Seven existing multi-year projects were due to report annual progress this year, with all seven projects reporting as per their agreements.  <b>Environmental Initiatives Fund</b>  In 2019/20, this fund gave out 11 grants and has continued to provide funding for six multi-year projects. Twenty-three projects were due to report annual progress this year. A total of 20 projects provided accountability reports as per their funding agreements. The remaining three projects have overdue acquittal reports and these are being followed up.  <b>Small Scale Community Initiatives Fund</b>  In 2019/20, this fund gave out 45 grants. Eleven projects were due to report annual progress this year, with all 11 projects reporting as per their agreements.
Number of on-the-ground projects in action to protect and restore indigenous biodiversity per zone.	≥2 per zone	Achieved  2018/19: Achieved	A total of 33 projects are currently underway with each zone having a minimum of two projects identified and budgeted for in 2019/20. Some projects cross more than one zone allowing for increased restoration and protection of biodiversity in the region. The current project breakdown for each zone is as follows: <ul style="list-style-type: none"> <li>• Coromandel – 4 projects</li> <li>• Waihou-Piako – 2 projects</li> <li>• Lower Waikato – 3 projects</li> <li>• West Coast – 2 projects</li> <li>• Central Waikato – 6 projects</li> <li>• Waipā – 2 projects</li> <li>• Upper Waikato – 5 projects</li> <li>• Taupō – 9 projects.</li> </ul>

## ACTIVITY: BIOSECURITY

Level of service: To reduce animal pest populations in identified sites with assessed biodiversity values.

Performance measure	Target	Actual	Commentary
Increasing long term trend in the number of tūi in Hamilton.	N/A – no bird count this year	Not applicable as measured biennially	The long term trend remains positive for tūi numbers in Hamilton City. This is measured biennially. The next count is scheduled for 2020/21.



		2018/19: Achieved	
Average rat tracking index (RTI) for all rat control operations.	≤5%	2.26%, achieved  2018/19: 0.59%, achieved	The overall RTI for the year was 2.26 per cent, made up of the following operations: <ul style="list-style-type: none"> <li>• Tirohanga block – 5%</li> <li>• Johnstone's block – 0%</li> <li>• Te Miro block – 3.33%</li> <li>• Hope block – 2.97%</li> <li>• Pukemako block – 0%.</li> </ul>
Average number of possums* caught for every 100 traps set for possum operations.	≤5% residual trap catch (RTC) for ground control	1.62%, achieved  2018/19: 1.46%, achieved	The overall result for the year was 1.62% made up of the following operations: <ul style="list-style-type: none"> <li>• Ngaroma sector 1 – 1.85%</li> <li>• Ngaroma sector 2 – 0.86%</li> <li>• Mokauiti sector 1 2 – 1.68%</li> <li>• Whitehall/Te Miro – 2.08%</li> </ul> <p>Control in Mount Karioi North, Maungakawa Mangakino, North West Waikato (Te Akau, Waikaretu) and Tiroa has been completed and is waiting on monitoring to be completed. The delays in the completion of control and monitoring is a result of COVID-19 with contractors unable to gain access to land during level three and four restrictions. The results for these sectors will be reported on at the completion of the 2020/21 financial year.</p> <p>Control in Te Tapui B and North West Waikato East straddled the 2019/20 and 2020/21 financial years and will be reported on a the end of the 2020/21 year.</p>

\*Possums are targeted as they have a detrimental impact on our native flora and fauna, including devastating native forests and impacting on pasture, horticulture and forestry.

### Level of service: To control low-density, high-threat plant pests to minimise impacts on primary industry and human health.

Performance measure	Target	Actual	Commentary
Reducing trend in the coverage of eradication pest plants** at known sites.	Reducing trend	Achieved  2018/19: Achieved	Inspection and control of eradication pest sites has been completed and required management undertaken with all sites showing a reduction in pest plants.

\*\* Eradication pest plants are those with limited distribution or density. The eventual goal is eradication at known sites in the region, although 'zero density' is more practical to achieve. These plants include African feather grass, cathedral bells, Chilean flame creeper, evergreen buckthorn, horse nettle, Chinese knotweed, lantana, Manchurian wild rice, mile-a-minute, nassella tussock, fire stemmed needle grass and Chilean needle grass, noogoora bur, purple loose strife, rhododendron ponticum, sagittaria, seaspurge, Senegal tea, spartine, variegated thistle, water poppy and white bryony.

## ACTIVITY: CATCHMENT PLANNING AND MANAGEMENT

Level of service: To maintain existing historic scheme works to ensure gains are preserved.

Performance measure	Target	Actual	Commentary
Percentage of sampled catchment works maintained in effective condition to the standards set out in zone plans. ***	70%	90%, achieved  2018/19: 82%, achieved	Property inspections have been undertaken during the year according to the schedule in place for each zone. Properties not meeting the required standards have had remedial works programmed in consultation with the property owner. A total of 145 property inspections have been completed, with 90 per cent of inspected compartments in effective condition.

\*\*\* A sample of at least 10 per cent of all catchment scheme and non-scheme works (individual work agreements legally protected on property title outside schemes) are inspected to assess work conditions every year. Works include fencing, planting and erosion control structures.

Level of service: To implement agreed plans (catchment new works) with landowners and land managers for reduced erosion, improved water quality and enhanced biodiversity.

Performance measure	Target	Actual	Commentary
Percentage of catchment new works undertaken in priority catchments and/or at priority sites across all zones.	80%	91.3%, achieved  2018/19: 76%, achieved	This year, 91.3% of catchment new works costs were located within priority catchments and/or significant natural areas across all zones.

## ACTIVITY: LAND MANAGEMENT ADVISORY SERVICES

Level of service: To work with partners, stakeholders and community to improve soil conservation and water quality.

Performance measure	Target	Actual	Commentary
Percentage of people (as surveyed) participating in Waikato Regional Council extension programmes who make a change in agricultural practice within 12 months of attendance.	66%	66.6%, achieved  2018/19: 70%, achieved	A total of 66.6% of survey respondents who attended events indicated they had put in place at least one activity in relation to the topic of the event, or adopted these tools.
Number of farmers attending farm environment planning workshops (Healthy Rivers). ****	300	215, not achieved  2018/19: 170, not achieved	Estimates indicate that approximately 215 farmers attended farm environment planning workshops across the region. Lower numbers were expected as a result of no events being run for almost five months due to COVID-19 and the uncertainty around impending regulations.

\*\*\*\* A total of 3000 farm environment plans must be delivered over 10 years. The first set of plans for priority 1 sub-catchments must be completed by 1 March 2022 with the second set of plans for priority 2 sub-catchments completed by 1 March 2025. Workshops to aid farmers in this process began in 2018/19.



## WHAT IT COST

### EXPENDITURE FOR INTEGRATED CATCHMENT MANAGEMENT

	2019/20 Actual \$000	2019/20 Annual Plan \$000	2018/19 Last year \$000
General rates	6,993	6,993	6,346
UAGC	1,640	1,640	1,554
Targeted rates	17,140	17,238	15,562
Government grants	(0)	-	247
Fees and charges	2,084	1,056	1,459
Investment income	51	-	41
Other income	2,566	903	1,064
<b>Total income</b>	<b>30,473</b>	<b>27,831</b>	<b>26,274</b>
Operating expenditure	28,872	29,192	25,816
<b>Operating surplus / (deficit)</b>	<b>1,602</b>	<b>(1,361)</b>	<b>457</b>
<b>Total funding from / (to) reserves</b>			
Watershed	(1,222)	22	(711)
Peninsula	(252)	20	134
West Coast	2	-	(54)
Waihou	433	86	289
Piako	174	-	295
Pathways to the Sea	(254)	-	-
Regional disaster recovery	(37)	(37)	(37)
Zone disaster recovery	(37)	(37)	(37)
Biosecurity	(667)	731	(176)
Natural Heritage	211	-	83
Environmental initiatives	41	-	5
Koi carp digester	21	14	16
Healthy Rivers Internal Loan	-	-	-
Prior Year Surplus	-	-	-
Investment equalisation	61	61	365
<b>Total reserve transfers</b>	<b>(1,525)</b>	<b>861</b>	<b>174</b>
<b>Increase / (decrease) in retained earnings</b>	<b>77</b>	<b>(500)</b>	<b>631</b>

EXPENDITURE



- Biosecurity  
**\$8,104,000**
- Biodiversity  
**\$2,941,000**
- Catchment planning and Management  
**\$16,165,000**
- Environment farming systems  
**\$1,662,000**



# Public transport | Ngā waka kawē tangata tūmatanui

## THIS GOA INCLUDES ONE ACTIVITY:

- Public transport

## WHY WE PROVIDE THIS ACTIVITY

We plan, contract, fund and monitor passenger transport services in the region. These services give the public an alternative to private vehicle travel, provide access for transport disadvantaged communities, support urban growth objectives,

reduce congestion by reducing vehicle movements, provide rural communities with better access to essential services and enhance access to special events.

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 local councils and the Waka Kotahi NZ Transport Agency.

## THIS GOA CONTRIBUTES TO THE FOLLOWING COMMUNITY OUTCOMES:

ACTIVITIES	COMMUNITY OUTCOMES		
	Healthy environment	Strong economy	Vibrant communities
Public transport		Primary focus	Contributes to

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

COVID-19 had a significant impact on public transport. During the lockdown period, buses were available to ensure access to essential services and transport essential workers to and from work. The Alert Level 4 lockdown created driver availability issues (due to rules designed to protect health-compromised individuals). This resulted in fewer services being operated and, alongside fewer people travelling, meant we experienced a substantial decrease of 10 per cent in patronage compared to the previous twelve months. Prior to COVID-19, patronage had grown by 11.48 per cent as at February 2020 compared to the same 8-month period the previous year. This was mainly attributed to the introduction of child and accessibility concessionary products and the launch of the Comet route.

The start date of the five-year Te Huia rail service trial connecting the Waikato to Auckland was scheduled to start in April 2020 but was deferred. The COVID-19 Alert Level 4 lockdown resulted in work stopping on the Huntly and Rotokauri stations and delays to the fit-out of the carriages 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.

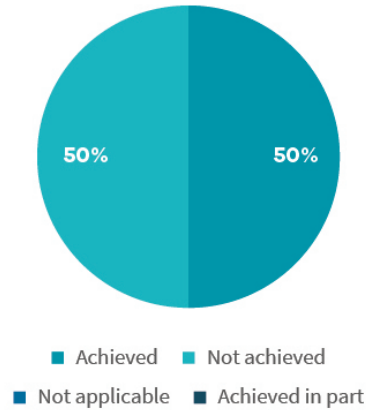
Several improvements were made to our urban bus services to improve reliability and driver conditions. Additional evening services were added to Cambridge and Te Awamutu routes due to demand, with planning for further improvements underway.

A new public transport integrated ticketing system, Bee Card, was developed in conjunction with nine other regional councils, giving passengers the ability to follow the same tag on and tag off procedure across the country. The ticketing system transition commenced in July 2020 with a simplified and discounted promotional fare structure in place for passengers until later this year.

Looking ahead, new bus services due to start in 2021 include Pokeno to Pukekohe and Matamata to Hamilton.

## WHAT WE DELIVERED

The total number of public transport performance measures is six. Three measures were achieved (50 per cent) and three measures were not achieved (50 per cent). Detailed commentary for these measures can be found in the following table.



## ACTIVITY: PUBLIC TRANSPORT

**Level of service: To provide the Waikato community with an efficient and reliable public transport system that enables an alternative to private vehicle travel and access to essential services.**

Performance measure	Target	Actual	Commentary
Percentage of patronage growth in the region.	2%	-10.02%, not achieved  2018/19: 1.96%, not achieved	<p>The number of passenger boardings during 2019/20 was significantly adversely affected between March and June 2020 by COVID-19. Social distancing rules meant that fewer passengers chose to travel during this period and driver availability issues (due to rules designed to protect health compromised individuals) meant that fewer services were operated. Other regions in New Zealand were similarly impacted by COVID-19.</p> <p>Year to date patronage growth as at the end of February 2020, which was unaffected by the COVID-19 downturn, was tracking at 11.48% compared to the same 8-month period the previous year. This substantial growth can be attributed to the introduction of the Child and Accessibility concessionary products and the launch of the Comet route.</p> <p>It should be noted that the calculation methodology has not changed from previous years where the percentage of patronage growth measure is based on the number of annual first boardings, which are boardings whereby passengers pay a fare (i.e. excluding secondary boardings, when passengers are transferring to another bus to complete their journey). However, during COVID-19 lockdown, passengers were not paying fares and therefore all boardings were designated as first boardings. For this reason, for the months of March to June 2020, we have estimated what the transfers would have been based on the transfers from March to June 2019. This was then removed from the calculation (thereby giving us the amount of estimated first boardings for this period).</p>

Performance measure	Target	Actual	Commentary
Percentage of customers surveyed who are 'satisfied' or better with the passenger transport service.  Source: Customer satisfaction survey	≥95%	96%, achieved  2018/19: 96%, achieved	Customer satisfaction remains high with 96% of customers 'satisfied' or better with passenger transport services. This figure has been taken from the annual passenger survey undertaken in November 2019.
Percentage of surveyed passengers who believe fares represent good value for money.  Source: Customer satisfaction survey.	≥74%	84%, achieved  2018/19: 84%, achieved	A total of 84% of surveyed passengers believe that bus fares represent good value for money. This figure has been taken from the annual passenger survey undertaken in November 2019.
Percentage of scheduled service trips that depart timing points* on time compared to public timetable.	≥95% scheduled service trips depart between 59 seconds before and 4 minutes and 59 seconds after the scheduled departure time	78.8%, not achieved  2018/19: No result provided due to technical issues with the system.	A total of 78.8% of scheduled trips departed timing points on time. During the March-June 2020 COVID-19 period, we needed to rationalise the services that were provided at short notice due to driver unavailability. This resulted in some bus service not operating as per the public timetable.  It should be noted that bus service GPS tracking data was only available for 92% of scheduled trips over the 12 month period due to technical issues. This has improved from 85% of scheduled trips from the previous year.
Percentage of households in Hamilton within 800m of public transport bus stop.	≥98%	98.75%, achieved  2018/19: 98.2%, achieved	A total of 98.75% of households in Hamilton are within 800m of a bus stop.
Rail service is implemented by the agreed date as per agreed levels of service.**	Service is up and running by April 2020, as per agreed level of service	Not achieved  2018/19: Not applicable	The rail service, Te Huia, was initially scheduled to start in April 2020 but, due to supply chain delays impacting the completion of the Rotokauri station, the service start date was deferred to July 2020.  The COVID-19 Alert Level 4 lockdown resulted in construction work stopping on the Huntly and Rotokauri stations, as well as the refurbishment of the carriages in Lower Hutt. Construction work recommenced following the move to Alert Level 3, albeit with some productivity loss due to the Government 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.

\*A timing point is defined as a key interval along a route (it is less frequent than a bus stop). The number of timing points varies for each route.

\*\* Once the rail service has commenced, the council will be in a better position to set specific targets for agreed levels of service. These metrics are likely to be similar to the metrics currently measured in relation to bus passenger transport services.



## WHAT IT COST

### EXPENDITURE FOR PUBLIC TRANSPORT

	2019/20 Actual \$000	2019/20 Annual Plan \$000	2018/19 Last year \$000
General rates	-	-	-
UAGC	-	-	-
Targeted rates	9,266	9,327	8,034
Government grants	14,493	14,413	11,245
Local share - buses	1,074	1,182	846
Other income	4,424	6,823	6,027
<b>Total income</b>	<b>29,257</b>	<b>31,746</b>	<b>26,152</b>
Operating expenditure	28,610	31,607	25,558
Operating surplus / (deficit)	647	138	594
Total funding from / (to) reserves			
Public transport	(1,075)	(520)	(930)
Total reserve transfers	(1,075)	(520)	(930)
Increase / (decrease) in retained earnings	(428)	(382)	(337)

### EXPENDITURE



Public Transport  
**\$28,610,000**

# Resource use | Te whakamahinga o te taiao

## THIS GOA INCLUDES THREE ACTIVITIES:

- Consent processing and compliance
- Investigations and incident response
- Maritime services

## WHY WE PROVIDE THESE ACTIVITIES

Waikato Regional Council is responsible for regulating the use of the region's natural resources. We grant and monitor consents to ensure the environmental impacts of people and

businesses are minimised or managed appropriately. We also respond to complaints and pollution incidents, look after the region's harbours and ensure waterways are safely navigable.

These activities enable the council to meet its statutory obligations and protect the Waikato's unique environment while allowing for sustainable growth and development.

## THIS GOA CONTRIBUTES TO THE FOLLOWING COMMUNITY OUTCOMES:

ACTIVITIES	COMMUNITY OUTCOMES		
	Healthy environment	Strong economy	Vibrant communities
Consent processing and compliance	Primary focus	Contributes to	Contributes to
Investigations and incident response	Primary focus	Contributes to	Contributes to
Maritime services			Primary focus

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

The council follows a risk-based, prioritised monitoring programme for monitoring consents and permitted activities. This year, 441 priority consented sites were identified as requiring monitoring and compliance assessments. Of these, 51 were found to be significantly non-compliant.

We also monitored 820 farms for compliance with the permitted activity rule under which most dairy farms operate in relation to disposal of dairy effluent. Of the farms that received a compliance grading, 15 per cent were found to be significantly non-compliant.

In 2019/20, a total of 1706 calls were taken from members of the public, notifying us of potential breaches of the environmental regulations. As a result of these calls and proactive monitoring, a range of formal enforcement actions were taken. The most serious instances of non-compliance by resource users were thoroughly investigated and 19 prosecutions were initiated by the council for a range of activities.

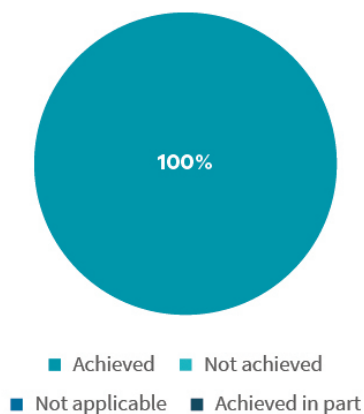
During the year, 26 infringement notices and 16 formal warnings were issued for breaches of the Navigation Safety Bylaw. This included two formal warnings being issued for the dangerous operation of a vessel under the Maritime Transport Act. The Waikato Region Navigation Safety Bylaw has been reviewed, with public consultation occurring in July 2020. The updated bylaw is due to be adopted in December 2020.

Throughout the year, the council has also worked with central government in relation to its ongoing review of the three waters system (wastewater, stormwater and drinking water) as well as new regulations that central government is looking to put in place to improve water quality.

Looking forward, there will need to be a particular focus on the development of consent processing systems and monitoring processes to implement the new rules that are anticipated when Healthy Rivers/Wai Ora: Proposed Waikato Regional Plan Change 1 becomes operative, as well as new operative rules from central government as part of its Essential Freshwater programme of work.

## WHAT WE DELIVERED

The total number of resource use performance measures is seven. Seven measures were achieved (100 per cent). Detailed commentary for these measures can be found in the following tables.



## ACTIVITY: CONSENT PROCESSING AND COMPLIANCE

**Level of service: To efficiently and effectively deliver consenting and compliance monitoring processes under the Resource Management Act 1991 (RMA) to enable the lawful use of natural and physical resources.**

Performance measure	Target	Actual	Commentary
Percentage of resource consents processed in accordance with the RMA timeframe discount regulations.	≥95%	99.8%, achieved  2018/19: 99.5%, achieved	Actual timeframe compliance with the discount regulation timeframe for the 2019/20 year was 99.8 per cent. In total 951 applications were processed to completion. Of these, there were five that were processed outside the statutory RMA timeframe. However, one of these was subject to the queued priority process (i.e. it was an application to take water where the applications need to be processed in priority order) and two applications were over time during COVID-19 so did not trigger the discount regulations. Two applications were processed outside the statutory timeframe one by one day, one by four days and therefore received a discount.
Percentage of highest priority (P1) consented sites monitored each year.	100%	100%, achieved  2018/19: 99.2%, not achieved	All 441 sites identified as highest priority for monitoring in the 2019/20 year were monitored for compliance.
Percentage of significant non-compliance incidents where action is taken.	100%	100%, achieved  2018/19: 100%, achieved	Of the 441 priority 1 consented sites monitored in 2019/20, 51 were found to have non-compliance that was considered significant.

Performance measure	Target	Actual	Commentary
			<p>Of these non-compliances, some are still subject to enforcement decision making processes to determine the appropriate action(s) to take. Actions have been taken in relation to the remaining 39 significantly non-compliance sites. Appropriate action will be undertaken in relation to all significant non-compliance.</p> <p>Note: at some sites, both punitive (e.g. formal warnings, infringement notices, prosecution) and directive actions (e.g. abatement notices, letters of direction) are taken. In addition, there were a range of enforcement actions (including some prosecutions) that were taken for breaches of the RMA that were not related specifically to non-compliance with a resource consent.</p>

### ACTIVITY: INVESTIGATIONS AND INCIDENT RESPONSE

**Level of service: To provide a dedicated incident response service to ensure the environment, people or property are not seriously affected by pollution incidents or non-compliant activities.**

Performance measure	Target	Actual	Commentary
Percentage of time the 24 hour 7 day a week response service for reporting environmental incidents is available.	100%	100%, achieved  2018/19: 100%, achieved	A 24/7 service for the community, able to respond to environmental incidents, has been maintained throughout the year, without interruption.

**Level of service: To take appropriate action in response to notifications of serious non-compliance**

Performance measure	Target	Actual	Commentary
Percentage of serious non-compliance incidents that are actioned.	100%	100%, achieved  2018/19: 100%, achieved	All incidents of serious non-compliance identified by the council have been actioned.

**ACTIVITY: MARITIME SERVICES**

**Level of service: To maintain safe and navigable waterways in the region to protect the people using them.**

Performance measure	Target	Actual	Commentary
Percentage of time grade 1 aids* to navigation are operational within 24 hours of failure and notified to Maritime New Zealand.	100%	100%, achieved  2018/19: 100%, achieved	All grade 1 navigation aids were either operational within 24 hours or notified to Maritime New Zealand. Navigation aid failures this year included: <ul style="list-style-type: none"> <li>• Raglan sector light failed on two occasions during the year. Repaired on each occasion. To mitigate risk, a notice was broadcast on Coastguard Radio during the outages.</li> <li>• One of the Opito cardinal marks was lost. To mitigate risk, a continuous message was broadcast on Coastguard Radio. Plans to place a temporary mark are underway while a new buoy is being manufactured.</li> </ul>
Maintain a 24 hour, 7 day a week response for navigational incidents.**	100%	100%, achieved  2018/19: 100%, achieved	A 24-hour per day, seven day per week response service was provided during the year. Incident callouts during the year included: <ul style="list-style-type: none"> <li>• a vessel aground at Flaxmill Bay</li> <li>• a vessel listing in Whangamata Harbour.</li> </ul>

\* Considered to be of primary navigational significance.

\*\* Navigational incidents are those Waikato Regional Council has jurisdiction over, for example an oil spill or debris in a river. Incidents are reported to us by Maritime New Zealand or the New Zealand Police.





## WHAT IT COST

### EXPENDITURE FOR RESOURCE USE

	2019/20 Actual \$000	2019/20 Annual Plan \$000	2018/19 Last year \$000
General rates	6,696	6,696	6,171
UAGC	1,639	1,639	1,587
Targeted rates	1,517	1,523	1,410
Government grants	-	-	0
Fees and charges	7,427	6,341	6,756
Investment income			
Other income	1,308	428	1,056
<b>Total income</b>	<b>18,587</b>	<b>16,626</b>	<b>16,979</b>
Operating expenditure	17,441	16,950	16,616
<b>Operating surplus / (deficit)</b>	<b>1,146</b>	<b>(324)</b>	<b>363</b>
<b>Total funding from / (to) reserves</b>			
Permitted activity monitoring	(259)	(152)	(163)
Healthy Rivers Internal Loan	-	-	0
Building act contingency	3	(3)	-
<b>Total reserve transfers</b>	<b>(256)</b>	<b>(155)</b>	<b>(163)</b>
<b>Increase / (decrease) in retained earnings</b>	<b>890</b>	<b>(479)</b>	<b>200</b>

### EXPENDITURE



- Consent processing and compliance monitoring  
**\$12,417,000**
- Investigations and Incident Response  
**\$3,193,000**
- Maritime services  
**\$1,831,000**

# Science and strategy | Pūtaiao me te rautaki

## THIS GOA INCLUDES SIX ACTIVITIES

- Environmental monitoring
- Environmental science and information
- Social and economic information
- Integration and infrastructure
- Regional strategy and development
- Resource management policy

## WHY WE PROVIDE THESE ACTIVITIES

The collection and management of information on natural and physical resources, as well as the community and economy, enable the council to effectively respond to emerging issues

and new challenges. This is critical to sustaining and improving regional growth, preserving the health of the environment and the use of natural resources for future generations.

The information we collect and analyse supports the development of policy, consent conditions, flood warning systems and water allocation. It also enables us to identify changes in ecology as a result of human activity.

High quality strategic insights and advice support informed decision making that enables the council to develop and deliver on its strategic direction, ensures the region is strategically positioned moving forwards, and shapes a better future for the wellbeing of the Waikato.

## THIS GROUP OF ACTIVITIES CONTRIBUTES TO THE FOLLOWING COMMUNITY OUTCOMES:

ACTIVITIES	COMMUNITY OUTCOMES		
	Healthy environment	Strong economy	Vibrant communities
Environmental monitoring	Primary focus		
Environmental science and information	Primary focus	Contributes to	Contributes to
Social and economic information		Contributes to	Primary focus
Integration and infrastructure		Primary focus	Contributes to
Regional strategy and development		Primary focus	Contributes to
Resource management policy	Primary focus	Contributes to	

## WHAT WE ACHIEVED THIS YEAR AND LOOKING TO THE FUTURE

Healthy Rivers/Wai Ora – Proposed Waikato Regional Plan Change 1 moved closer to being fully operative this year with the independent hearings panel making recommendations to council in February 2020. The recommendations were adopted by the council in March 2020 and an appeals process through the Environment Court will occur in 2020/21. Staff have begun additional water quality monitoring at 34 lakes across the region for reporting on Plan Change 1.

Plan Change 2 – Taupo Overseer Version was developed with Tūwharetoa Māori Trust, Te Kotahitanga, farmers and the wider Taupō community over the last year. This will enable the use of new overseer versions to enable the continued management of nitrogen levels in the catchment under the plan change rules. The council notified this plan change at the end of April 2020, with submissions closing at the end of May.

A review of riparian conditions in pastoral catchments throughout the Waikato was completed and showed steady increases in stock exclusions from our region’s waterways over time (from 28 per cent in 2002 to 61 per cent in 2017). It also showed a significant reduction in bank disturbance. These trends are very positive and reflect the significant efforts of farmers across the region.

This year saw an unprecedented number of proposals from central government to change parts of New Zealand’s resource management system. Among others, this includes major changes to how fresh water, biodiversity, urban development, rural land and air quality are managed.

The major reforms to fresh water through the National Policy Statement for Freshwater Management came into effect in September 2020. Implementation of this will create significant work and there has been a focus on assessing what will be required to meet our obligations.

Our ongoing research project to assess the economic value of freshwater ecosystem services continues. This includes identifying and characterising bodies of water and estimating their benefits to Waikato communities. The project will help us identify demand for the benefits freshwater resources provide and understand its interrelated ecological, cultural and economic value.

National policy changes have also affected how we manage the transport system, especially road safety and rail services. Ensuring our region has a clear voice in these proposals has required a concerted effort as we continue to work with territorial authorities to give effect to the Regional Policy

Statement through their plans. We also continue to invest in the five-year trial of the Waikato to Auckland passenger rail service, Te Huia.

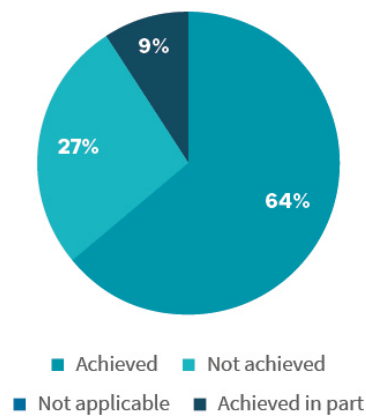
The past year has seen the development and adoption of our new 10-year strategy, which focuses on long-term organisational priorities as well as our purpose, vision and ways of working. Alongside the 10-year strategy, the newly elected council set their priorities for the triennium.

We continued to provide expertise and advice to Te Waka. This included regular updates to graphically track the region's progress during and after the COVID-19 lockdown as well as quarterly economic updates on topics of interest to the region.

A significant topic for our communities during 2019/20 has been climate change, and the council has set up a Climate Action Committee. As an organisation, we have developed a Climate Action Roadmap and deliver a regional greenhouse gas emissions inventory every three years. The last inventory released this year for 2018/19 provided assessments at territorial authority level.

## WHAT WE DELIVERED

The total number of science and strategy measures is 11. Seven measures were achieved (64 per cent), one measure was achieved in part (9 per cent) and three measures were not achieved (27 per cent). Detailed commentary for all these measures can be found in the following tables.



## ACTIVITY: ENVIRONMENTAL MONITORING

Level of service: Provide high quality and timely data to key decision makers and the public.

Performance measure	Target	Actual	Commentary
External audit of one environmental domain each year shows good quality control of data collection and analysis.	1 domain audited	Achieved  2018/19: Achieved	An auditor has inspected our groundwater sample collection sites and reviewed our processes. Their report recommends some minor process changes to facilitate implementation of the National Environmental Monitoring Standards and quality coding systems but no major changes to our sites or operations. These recommendations will be implemented.

**Level of service: To provide high quality, independent and timely information on the allocation and management of natural resources to key decision makers and the community.**

Performance measure	Target	Actual	Commentary
During flood events, the maximum contiguous period without data is 70 minutes for flood alarmed hydrology sites.	<70 minutes without data	Not achieved 2018/19: Achieved	Continuous data was provided within 70 minutes 99.4% of the time for all sites during flood events. A total of seven out of 46 sites had minor data gaps in delivery during the year. These data gaps are the result of site/hardware communication failures or outages of the radio repeater network provided by external contractors.

#### ACTIVITY: ENVIRONMENTAL SCIENCE AND INFORMATION

**Level of service: To provide high quality, independent and timely information on the allocation and management of natural resources to key decision makers and the community.**

Performance measure	Target	Actual	Commentary
Percentage of indicators on the changes and trends in natural resource availability are analysed and reported on as per the indicator monitoring schedule.	100%	91%, not achieved 2018/19: Achieved	A total of 21 out of 23 (91%) environmental indicators scheduled to be updated were reported in 2019/20. The two indicators that were not reported include carbon monoxide, which has been identified as being inappropriate for air quality monitoring and therefore wasn't monitored, and geothermal tourist visitor numbers, which were not reported due to reprioritisation of projects.

**Level of service: To provide a policy framework that leads to better swimming water quality in rivers and lakes.**

Performance measure	Target	Actual	Commentary
Positive annual progress is made toward the regional target for swimmable lakes and rivers, as required by the NPS freshwater management.	Increasing trend  Baseline: Rivers: 32% Lakes: 73%	Decreasing trend, not achieved  Rivers: 29% Lakes: 73%  2018/19:  Not achieved  Rivers: 30% Lakes: 73%	There has been a decreasing trend in swimmable rivers over the last three years: 32 per cent in 2017/18, 30 per cent in 2018/19 and 29 per cent this year. There has been no percentage change from the previous year in swimmable lakes which remains at 73 per cent.  We are working to identify why the decreasing trend in swimmable rivers is occurring. The aim of Healthy Rivers/Wai Ora – Proposed Waikato Regional Plan Change is to improve water quality via reducing contaminants entering waterways. This is also supported with non-regulatory tools like advice, funding and physical works. As the changes are implemented, we expect levels of bacteria to reduce and percentage of swimmable rivers to increase over the long term, however, it should be noted that there is no immediate solution.

## ACTIVITY: SOCIAL AND ECONOMIC INFORMATION

**Level of service:** To provide high quality and timely social and economic research expertise and advice to support the council's decision making processes.

Performance measure	Target	Actual	Commentary
Percentage of indicators on the changes and trends in social and economic indicators analysed and reported on as per the indicator monitoring schedule,	100%	100%, achieved  2018/19: Achieved	All indicators have been updated as per the schedule.

## ACTIVITY: INTEGRATION AND INFRASTRUCTURE

**Level of service:** To provide certainty to the regional community through robust and integrated land use and infrastructure planning.

Performance measure	Target	Actual	Commentary
Update the Regional Policy Statement (RPS) as per the scheduled programme.	RPS updated as per NPS Urban Development Capacity requirements.	Achieved  2018/19: Achieved	The RPS is on schedule as per the programme. However, it should be noted that upcoming work could be delayed as we are reliant on an external process occurring before commencing an update of the RPS. The external process involves the multi-agency Waikato-Auckland corridor plan work, which will then inform the Future Proof Future Development Strategy, to then inform the RPS. The current review of the Waikato District Growth Strategy, a component of the RPS, has also been developed and the RPS will need to have regard to this as it supersedes the Franklin Growth Strategy.
Actively engage with district plan change processes to ensure RPS is given effect to.	Formal participation in district plan change processes to ensure RPS is given effect to.	Achieved  2018/19: Achieved	As at 30 June 2020, current processes underway include the Waikato District Council District Plan review, appeals to Thames-Coromandel District Council's District Plan review, and early work on Waitomo District Council's and Taupō District Council's district plan reviews.

## ACTIVITY: REGIONAL STRATEGY AND DEVELOPMENT

**Level of service:** To ensure the council is making progress towards its strategic direction priorities.

Performance measure	Target	Actual	Commentary
Report annually on progress made against the council's strategic direction priorities.	Progress reported in the WRC annual report.	Achieved  2018/19: Achieved	Progress on the strategic direction is reported in the 2019/20 Annual Report.



## ACTIVITY: RESOURCE MANAGEMENT POLICY

**Level of service: To provide certainty to the regional community through a robust, integrated and consistent environmental planning framework.**

Performance measure	Target	Actual	Commentary
Compliance with Resource Management Act (RMA) and Treaty settlement legislative planning requirements.	All legislative requirements are met.	Achieved in part  2018/19: Not achieved	One out of two parts achieved.  Compliant with all RMA requirements except for parts of the New Zealand Coastal Policy Statement not implemented through the Coastal Plan. This will be resolved through the Healthy Environments project.  Compliant with all Treaty settlement legislative planning requirements. The council has an active document that sets out the obligations under each joint management agreement (JMA). These are reviewed regularly with our JMA partners to ensure we continue to meet our obligations and/or determine which should be prioritised.

**Level of service: To provide opportunities to be involved in planning processes.**

Performance measure	Target	Actual	Commentary
Percentage of Resource Management Act (RMA) planning documents made available for consultation that meet RMA legislative requirements.	100%	Achieved  2018/19: Achieved	Waikato Regional Plan Change 1 and Proposed Plan Change 2 Lake Taupo Overseer Version are the only RMA plan changes in progress, and both are fully compliant.

**Level of service: To provide a Regional Policy Statement and Regional Plan(s) that ensure natural and physical resources are managed sustainably**

Performance measure	Target	Actual	Commentary
State of the Environment reporting is undertaken annually.	Reported annually	Achieved  2018/19: Achieved	Environmental indicators were included as part of the 32 Waikato Progress Indicators that were published in June 2019 on the council website.

## WHAT IT COST

### EXPENDITURE FOR SCIENCE AND STRATEGY

	2019/20 Actual \$000	2019/20 Annual Plan \$000	2018/19 Last year \$000
General rates	20,458	20,458	19,065
UAGC	1,535	1,535	1,464
Targeted rates	-	-	0
Government grants	534	833	660
Fees and charges	2,678	3,198	2,642
Investment income			
Other income	86	199	222
<b>Total income</b>	<b>25,291</b>	<b>26,223</b>	<b>24,053</b>
Operating expenditure	22,822	26,562	24,301
<b>Operating surplus / (deficit)</b>	<b>2,469</b>	<b>(339)</b>	<b>(248)</b>
<b>Total funding from / (to) reserves</b>			
Cycling Centre of Excellence	-	-	-
River restoration strategy	-	-	0
Hauraki Plan Change 2	50	-	-
Contaminated land fund	(60)	(60)	(133)
Investment Equalisation	500	500	630
Prior year surplus	-		146
Transport policy			
<b>Total reserve transfers</b>	<b>490</b>	<b>440</b>	<b>643</b>
<b>Increase / (decrease) in retained earnings</b>	<b>2,959</b>	<b>101</b>	<b>395</b>

## EXPENDITURE



Environmental monitoring	<b>\$3,188,000</b>
Intergration and infrastructure	<b>\$3,054,000</b>
Regional strategy and development	<b>\$2,425,000</b>
Resource management policy	<b>\$4,534,000</b>
Social and economic information	<b>\$1,225,000</b>
Environmental information	<b>\$8,396,000</b>











## SECTION 4: Finances | Pūtea

# Financial statements

The accompanying notes form part of these financial statements. The financial statements from page 67 to page 71 are to be read in conjunction with the notes to the financial statements from page 72 to page 134.

## STATEMENT OF COMPLIANCE

The council of Waikato Regional Council hereby confirms that all statutory requirements in relation to the annual report, as outlined in the Local Government Act 2002, have been complied with.



Russ Rimmington

Chairperson



Chris McLay

Chief Executive

*Note: Chris McLay replaced Vaughan Payne as Chief Executive of Waikato Regional Council on 25 September 2020.*



**WAIKATO REGIONAL COUNCIL STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2020**

		2019/20 Actual	2019/20 Annual plan	2018/19 Last year
	Note	\$'000	\$'000	\$'000
<b>Revenue</b>				
Rates revenue	3	100,741	101,311	92,530
Fees and charges	4	13,491	12,056	11,898
Subsidies and grants	5	15,376	15,782	12,647
Other revenue	6	10,791	10,238	10,632
Investment revenue	7	664	1,200	1,017
Investment fund capital protection revenue	8	1,234	1,765	1,379
Change in market value of investments	8	2,885	3,491	5,217
<b>Total revenue</b>		<b>145,182</b>	<b>145,843</b>	<b>135,320</b>
<b>Expenditure</b>				
Employee benefit expenses	12	53,489	50,684	48,931
Depreciation and amortisation expense	25,28,26	9,294	11,491	9,199
Other losses	17	2,914	-	1,785
Interest expense	7	659	1,341	482
Other expenses	10	81,442	88,936	74,912
<b>Total operating expenditure</b>		<b>147,798</b>	<b>152,452</b>	<b>135,309</b>
<b>Net surplus/(deficit) after tax</b>		<b>-2,616</b>	<b>-6,609</b>	<b>11</b>
<b>Surplus/(deficit) attributable to Waikato Regional Council</b>				
Other comprehensive revenue and expenditure		-2,616	-6,609	11
Gain/(Loss) on revaluation of property, plant and equipment	38	40,395	53,436	-405
<b>Total other comprehensive income</b>		<b>40,395</b>	<b>53,436</b>	<b>-405</b>
<b>Total comprehensive income</b>		<b>37,779</b>	<b>46,827</b>	<b>-394</b>
Surplus is attributable to:				
Total comprehensive revenue and expenditure comprised of:				
Funds transferred to council-created reserves	38	1,525	-	7,254
Funds transferred from asset revaluation reserves		38,767	54,932	-750
General operating surplus		-2,513	-8,105	-6,898
Other comprehensive income		37,779	46,827	-394

The accompanying notes form part of these financial statements.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

		2019/20 Actual	2019/20 Annual plan	2018/19 Last year
	Note	\$'000	\$'000	\$'000
<b>Current assets</b>				
Cash and cash equivalents	19	19,965	8,405	15,061
Trade and other receivables	24	18,187	11,986	11,773
Prepayments		880	1,167	1,505
Inventories	30	507	413	466
Work in progress	30	1,432	996	985
Other financial assets	20	2,193	6,041	4,040
Non-current assets held for sale	32	12,250	-	12,250
<b>Total current assets</b>		<b>55,414</b>	<b>29,008</b>	<b>46,080</b>
<b>Non-current assets</b>				
Financial assets	20	101,885	101,355	101,484
Other financial assets	20	65	106	108
Investments in CCO*	20	2,198	1,714	2,038
Biological assets	27	755	1,516	1,422
Intangible assets	26	6,367	4,012	4,122
Property, plant and equipment	25	555,590	598,250	515,422
<b>Total non-current assets</b>		<b>666,860</b>	<b>706,953</b>	<b>624,596</b>
<b>Total assets</b>		<b>722,274</b>	<b>735,961</b>	<b>670,676</b>
<b>Current liabilities</b>				
Trade and other payables	33	20,723	19,168	17,650
Employee benefits liabilities	13	6,633	7,705	7,219
Derivative financial instruments	31	-	-	7
Borrowings	34	2,009	12,232	2,012
<b>Total current liabilities</b>		<b>29,365</b>	<b>39,105</b>	<b>26,888</b>
<b>Non-current liabilities</b>				
Employee benefits liabilities	13	2,714	2,561	2,530
Derivative financial instruments	31	2,397	-	1,250
Borrowings	34	30,132	32,528	20,121
<b>Total non-current liabilities</b>		<b>35,243</b>	<b>35,089</b>	<b>23,901</b>
<b>Total liabilities</b>		<b>64,608</b>	<b>74,194</b>	<b>50,789</b>
<b>Net assets</b>		<b>657,666</b>	<b>661,767</b>	<b>619,887</b>
<b>EQUITY</b>				
Accumulated funds	38	224,451	222,255	226,964

		2019/20 Actual	2019/20 Annual plan	2018/19 Last year
	Note	\$'000	\$'000	\$'000
Other reserves	38	433,215	439,512	392,923
<b>Total equity</b>		<b>657,666</b>	<b>661,767</b>	<b>619,887</b>

\* Investments in CCOs relate to the council's interest in Waikato Local Authority Shared Services (WLASS), Regional Software Holdings Ltd (RSHL) and the NZ Local Government Funding Agency Ltd (LGFA).

Explanations of major variances against budget are provided page 72. The accompanying notes form part of these financial statements.



## WAIKATO REGIONAL COUNCIL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

		2019/20 Actual	2019/20 Annual plan	2018/19 Last year
	Note	\$'000	\$'000	\$'000
Opening Equity		619,887	614,940	620,281
Comprehensive revenue		-	-	-
Surplus/(deficit)		-2,616	-6,609	11
Other comprehensive revenue		40,395	53,436	-405
Balance at 30 June	38	657,666	661,767	619,887

### COMPONENTS OF EQUITY

#### Council created reserves

Council created reserves at beginning of the year		54,927	47,164	47,673
Net transfer (to) / from retained earnings		1,525	126	7,254
Council created reserves at end of year		56,452	47,290	54,927

#### Asset revaluation reserves

Asset revaluation reserves at beginning of the year		337,995	338,786	338,745
Net transfer to retained earnings		-1,628	-	-345
Net gain/(loss) on revaluation of PPE		40,395	53,436	-405
Asset revaluation reserves at end of the year		376,762	392,222	337,995

#### Retained earnings

Retained earnings at beginning of the year		226,964	228,990	233,862
Net surplus/(deficit) for the year		-2,616	-6,609	11
Net transfer (to) / from council created reserves		-1,525	-126	-7,254
Net transfer to/(from) Asset revaluation reserve		1,628	-	345
Retained earnings at end of the year		224,451	222,255	226,964
<b>EQUITY AT END OF THE YEAR</b>		<b>657,666</b>	<b>661,767</b>	<b>619,887</b>

Explanations of major variances against budget are provided page 72. The accompanying notes form part of these financial statements.

## WAIKATO REGIONAL COUNCIL STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2020

		2019/20 Actual	2019/20 Annual plan	2018/19 Last year
	Note	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
Receipts from customers		118,914	123,237	114,830
Grants		15,299	15,782	12,151
Interest revenue received		736	4,691	1,004
Receipts of funding held on behalf of third parties		442	-	77
Goods and services tax		-386	-	-12
Payments to suppliers and employees		-131,838	-140,755	-120,917
Payments of funding held on behalf of third parties		-27	-	-13
Interest paid		-651	-	-349
<b>Net cash flow from operating activities</b>	18	2489	2,955	6,771
<b>Cash flows from investing activities</b>				
Receipts from sale of property, plant and equipment		206	10,880	209
Receipts from sale of investments		70,847	831	82,698
Receipt of loan repayments		46	39	39
Purchase of investments		-65,442	-	-89,405
Purchase of property, plant and equipment		-10,489	-31,602	-15,889
Purchase of other investments		-	-	-
Purchase of intangible assets		-2,753	-1,939	-1,727
<b>Net cash flow from investing activities</b>		-7,585	-21,791	-24,075
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		12,000	29,419	22,000
Repayment of borrowings		-2,000	-9,278	-
<b>Net cash flow from financing activities</b>		10,000	20,141	22,000
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		4,904	1,305	4,696
Cash, cash equivalents and bank overdrafts at the beginning of the year		15,061	7,099	10,365
<b>Cash, cash equivalents, and bank overdrafts at the end of the year</b>	19	19,965	8,404	15,061

As per PBE IPSAS 2 the receipt and purchase of long term deposit (greater than 3 months) is not able to be offset in the Statement of Cash Flow. The variance between this year actual and the budget arises because the budget shows the receipt and purchase of long term deposit as a net figure. The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Explanations of major variances against budget are provided page 72. The accompanying notes form part of these financial statements.

# Explanation of major variances against budget

Explanations for major variations from Waikato Regional Council's estimated figures for 2019/20 Annual Plan are as follows.

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENDITURE

Fees and charges revenue is \$1.435 favourable to budget. This reflects increases in both compliance monitoring revenue (\$996,000) and consent applications fees (\$169,000). Also additional funding was received in Catchment Management from Te Uru Rakau for the One Billion Trees programme (\$814,000), which was not included the annual plan budget figure, 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 from the impact of Covid-19 have resulted in lower interest income from working capital funds of \$536,000. 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 of similar funds. The impact of Covid-19 on the last quarter in the financial year meant that fund returned less than budgeted.

Employee benefit expenses are \$2.805 million higher than 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 ticketed solution for public transport, the completion of our new offices, and a lower than expected revaluation movement of infrastructural assets have resulted in a lower depreciation expense.

Other losses are \$2.914 million higher than budget. There was a loss on valuation of derivative financial instruments (\$1.141 million) due to lower interest rates, a loss on valuation of property, plant and equipment of \$1.468 million, and a loss in the valuation of forestry assets of \$305,000.

Interest expense was \$682,000 lower than budget. The annual plan anticipated a borrowing programme of up to \$44.76 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, has resulted in lower interest costs being incurred.

Other expenses are \$7.494 million lower than budget. A delay in the Waikato theatre (\$2.500 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 \$11.56 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. During the uncertainties of Covid-19 council held additional funds in working capital (cash and cash equivalents) and less funds in term deposits than anticipated in the budget.

Trade and other receivables are \$6.201 million higher than budget. This increase is mainly 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 on the council's forestry blocks (\$362,000) and a reduction in the annual valuation of the remaining forestry 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 the new software for the electronic ticketing system for public transport.

Property, plant and equipment is \$42.66 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 completion of our new offices caused by Covid-19. 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 provision for the disposal of council owned properties from property, plant and equipment to non-current assets held for sale which had already occurred in the 2018/19 financial year.

Borrowings reflect the council's external borrowing through the Local Government Funding Agency. 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.

Derivative financial instruments reflect interest rate swaps that the council has entered to manage the interest rate risk associated with its borrowing programme.

The accompanying notes form part of these financial statements.



# Notes to the financial statements

## 1 STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2020

### REPORTING ENTITY

Waikato Regional Council is a territorial local authority governed by the Local Government Act 2002, and is domiciled in New Zealand. The relevant legislation governing the council's operations includes the Local Government Act 2002 and the Local Government (Rating) Act 2002.

The primary objective of Waikato Regional Council is to enable democratic local decision-making and action by, and on behalf of, communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The council does not operate to make a profit. Accordingly, Waikato Regional Council has designated itself a public benefit entity for financial reporting purposes.

The financial statements of the Council are for the year ended 30 June 2020. The financial statements were authorised for issue by Council on 24 September 2020.

### BASIS OF PREPARATION

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

These financial statements have been prepared on the historical cost basis, except where modified by the revaluation of land, buildings, infrastructural assets and biological assets.

#### *Statement of compliance*

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

The financial statements of the Council have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE Standards.

#### *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 remuneration and severance payment disclosures in note 11. The remuneration and severance transaction disclosures are rounded to the nearest dollar.

#### *Changes in accounting policies*

There have been no changes in the Council's accounting policies since the date of the last audited financial statements.

#### *Accounting standards issued and not yet effective that have not been early adopted*

#### *Financial instruments.*

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. This replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for financial years beginning on or after January 2021, with earlier application permitted. The main changes under the standard relevant to the Council 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 losses, which might result in the earlier recognition of impairment losses.

The council has not adopted this new standard in preparing its 30 June 2020 financial statements.

#### *Statement of cash flows.*

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The council does not intend to early adopt the amendment.

#### *Service performance reporting.*

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The council has not yet determined how application of PBE FRS 48 will affect its statement of performance



## 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.

### *Goods and services tax (GST)*

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented 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 cash flow statement.

Commitments and contingencies are disclosed exclusive of GST.

### *Budget figures*

The budget figures are those approved by the council in its 2019/20 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the council for the preparation of the financial statements.

### *Costs allocation*

Cost of service for each significant activity is calculated as follows:

- Direct costs are charged directly to significant activities.
- Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

### *Foreign currency transactions*

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

### *Critical accounting estimates and assumptions*

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- estimating the fair value of land, buildings, and infrastructural assets - see note 25.
- estimating the retirement and long service leave obligations - see note 13.

### *Critical judgements in applying Waikato Regional Council's accounting policies*

Management has exercised the following critical judgment in applying Waikato Regional Council's accounting policies for the period ended 30 June 2020.

As at 30 June 2019, the council's property at 401 and 319 Grey Street, Hamilton East are classified as non current assets held for sale - see note 32.

## 2 SUMMARY OF COST OF SERVICES

	2019/20 Actual	2019/20 Budget	2018/19 Last year
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Community and Services	10,766	10,975	10,721
Civil Defence and Emergency Management	2,609	2,496	2,391
Regional hazards and emergency response	1,854	1,986	1,893
Flood protection and control works	23,845	23,688	21,133
Integrated Catchment Management	30,473	27,830	26,274
Public Transport	29,257	31,746	26,152
Resource use	18,587	16,627	16,979
Science and Strategy	25,291	26,223	24,053
Corporate and self-funding	2,260	4,101	5,494
Council controlled organisations	240	171	230
<b>Total income from activities</b>	<b>145,182</b>	<b>145,842</b>	<b>135,320</b>
<b>Expenditure</b>			
Community and Services	9,336	13,806	10,061
Civil Defence and emergency management	3,726	2,518	2,327
Regional hazards and emergency response	4,266	1,987	2,343
Flood protection and control works	23,308	24,184	22,819
Integrated Catchment Management	28,872	29,191	25,816
Public Transport	28,610	31,607	25,558
Resource Use	17,441	16,951	16,616
Science and Strategy	22,822	26,562	24,301
Corporate and self-funding	9,072	5,475	5,150
Council controlled organisations	345	171	318
<b>Total operating expenses</b>	<b>147,798</b>	<b>152,451</b>	<b>135,309</b>
<b>Net Total</b>	<b>-2,616</b>	<b>-6,609</b>	<b>11</b>

### 3 RATES REVENUE

	2019/20 Actual \$'000	2018/19 Last year \$'000
General rates	49,944	47,111
<b>Total general rates revenue</b>	<b>49,944</b>	<b>47,111</b>
<b>Targeted rates attributable to activities</b>		
Biodiversity	1,030	1,017
Biosecurity	7,579	6,745
Permitted activity monitoring	1,517	1,410
River and catchment services	28,330	25,298
Transport	9,270	8,036
Stock Truck Effluent	114	113
Civil defence and emergency management	1,887	1,772
Regional Services	718	725
<b>Total targeted rates</b>	<b>50,445</b>	<b>45,116</b>
Less rates remissions	-642	-549
Plus rate penalties	994	852
<b>Total rates, excluding targeted water supply rates</b>	<b>100,741</b>	<b>92,530</b>

Revenue is measured at fair value.

#### Rates revenue

The following policies for rates have been applied:

- General rates, targeted rates, 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 instalment 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 of rates revenue when the council has received an application that satisfies its rates remission policy.

Rates revenue is shown net of rates remissions. Waikato Regional Council's rates remission policies allow for the remission of the following rates.

- Land protected for conservation purposes.
- Lake Taupō lakebed.
- Māori freehold land.
- Urban land in areas classified as rural, commercial or industrial.
- Biosecurity rate on fenced indigenous bush and wetland areas.
- Rating units with a capital value of \$1000 or less.
- Sporting and recreational organisations.
- Community organisations.
- Undeveloped land, native bush or swamp areas charged the Waihou/Piako Catchment rate.

## NON-RATEABLE LAND

Under the Local Government (Rating) Act 2002, certain properties cannot be rated for general rates. These properties include schools, places of religious worship, public gardens and reserves. These non-rateable properties may be subject to targeted rates. The non-rating of non-rateable land does not constitute a remission under the council's rates remission policy.

The council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates revenue. That Deed defines annual rates revenue as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by the council from other local authorities for services provided by that council for which those other local authorities rate. Annual rates revenue by this definition is as disclosed in the table above.

## 4 FEES AND CHARGES

	2019/20 Actual \$'000	2018/19 Last year \$'000
Compliance monitoring direct charges	2,368	2,234
Consent application fees	3,622	3,242
Consent holder charges	3,917	3,760
Other direct charges	3,584	2,662
<b>Total fees and charges</b>	<b>13,491</b>	<b>11,898</b>

### *Building and resource consent revenue*

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

## 5 SUBSIDIES AND GRANTS

	2019/20 Actual \$'000	2018/19 Last year \$'000
Land transport government grants	14,590	12,216
Other grants	786	431
<b>Total subsidies and grants</b>	<b>15,376</b>	<b>12,647</b>

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

### *Land Transport Government grants*

Government grants are received from the New Zealand Transport Agency, which subsidises part of the costs of the provision of public transport services and development of transport policies and plans. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

### *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 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.

## 6 OTHER REVENUE

	Actual \$'000	Last year \$'000
Bus fare revenue	4,185	5,897
Rental	861	851
Royalties	191	130
Other revenue	5,554	3,754
Total other revenue	10,791	10,632

### Provision of services

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

## 7 FINANCE REVENUE AND COSTS

	2019/20 Actual \$'000	2018/19 Last year \$'000
Community loans	6	9
Statutory land charges	51	41
Term deposits and call accounts	607	967
Total investment revenue	664	1,017
Interest expense:		
Interest on borrowings	406	458
Interest rate swaps	253	24
Total finance costs	659	-482

### Interest revenue

Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.

### Borrowing costs

All borrowing costs are recognised as an expense in the financial year in which they are incurred.

## 8 CHANGE IN MARKET VALUE OF INVESTMENTS

	2019/20 Actual \$'000	2018/19 Last year \$'000
<i>Unrealised gains on assets at fair value through surplus or deficit</i>		
Fixed interest	1,937	3,148
Equities	1,273	1,349
Property	-554	755
	2,656	5,252



2019/20 Actual	2018/19 Last year
\$'000	\$'000

*Realised gains on assets at fair value through surplus or deficit*

Fixed interest	541	207
Equities	853	692
Property	69	445
	1,463	1,344
	4,119	6,596
Investment fund capital protection revenue	1,234	1,379
Net change in market value	2,885	5,217
<b>Total change in market value of investments</b>	<b>4,119</b>	<b>6,596</b>

*Financial risk management strategies*

Waikato Regional Council is exposed to financial risks associated with changes in the value of the financial instruments that comprise its investment fund. Waikato Regional Council is a long-term investor, and accepts that returns in any given year may vary from its long-term target return. Risk is managed through the use of a diversified portfolio of financial assets. The council also undertakes a regular review of the risk profile associated with the investment fund, and adjusts its asset allocation policy accordingly. Refer to note 23 for further information regarding council's financial instrument risks.

## 9 EXCHANGE AND NON-EXCHANGE REVENUE

The total revenue from non-exchange transactions includes the revenue from rates, government grants, bus revenue, fines and other revenue. Total non-exchange revenue for the 2019/20 financial year is \$133.342 million (2019: \$121.251 million).

The total revenue from exchange transactions includes the revenue from interest, rental, royalties, fees and charges and other revenue. Total exchange revenue for the 2019/20 financial year is \$11.840 million (2018: \$14.069 million).

## 10 OTHER EXPENSES

Other expenses	2019/20 Actual \$'000	2018/19 Last year \$'000
Insurance premiums	931	689
Subscriptions and levies	294	328
Debts written off	248	229
Impairment of receivables	164	125
Fees paid to auditors: Audit of Annual Report	139	139
Fees paid to auditors: Audit of debenture trust deed	6	6
Donations	5	5
Minimum lease payments under operating leases	1,570	1,363
Other operating expenses	53,130	49,245
Inventory consumption	384	365
Property, plant and equipment losses / (gains) on disposal	254	357
Councillors' remuneration: Meeting attendance fees and salary	1,087	1,067

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Other expenses</b>		
Councillors' remuneration: Expenses	79	94
Investment fund management fees	399	312
Contracted services - pest control	823	973
Contracted services - buses	21,929	19,615
<b>Total other expenses</b>	<b>81,442</b>	<b>74,912</b>

#### 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 Waikato Regional 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.

## 11 REMUNERATION

	2019/20 Actual \$	2018/19 Last year \$
<b>Chief Executive</b>		
Salary	359,248	342,845
Vehicle (value per contract)	8,899	8,899
<b>Total key management personnel remuneration</b>	<b>368,147</b>	<b>351,744</b>

#### Elected representatives

	Salary \$	Travel time allowance \$	Total remuneration \$
<b>This Year</b>			
K Hodge	79,095	418	79,513
S Husband	73,839	534	74,373
S Kneebone	67,795	188	67,983
F Lichtwark	69,946	5,569	75,515
A MacPherson	44,912	291	45,203
T Mahuta	71,689	171	71,860
J Nickel	50,956	169	51,125
B Quayle	69,946	206	70,152
R Rimmington	132,191	-	132,191
P Storey	50,956	760	51,716
A Strange	50,956	115	51,071

	Salary	Travel time allowance	Total remuneration
	\$	\$	\$
D Tegg	44,912	1425	46,337
H Vercoe	73,839	525	74,364
K White	73,839	3,323	77,162
* J Hayman	18,990	1463	20,453
* J Hennebry	22,883	-	22,883
* A Livingston	47,917	-	47,917
* D Minogue	18,990	2325	21,315
* B Simcock	22,883	-	22,883
<b>Total</b>	<b>1,086,534</b>	<b>17482</b>	<b>1,104,016</b>

#### Last Year

K Hodge	61,465	559	62,024
S Husband	74,065	484	74,549
S Kneebone	74,065	244	74,309
F Lichtwark	61,465	7,161	68,626
T Mahuta	86,666	647	87,313
B Quayle	61,465	375	61,840
R Rimmington	74,065	-	74,065
H Vercoe	74,065	1,425	75,490
K White	74,065	4,765	78,830
* J Hayman	61,465	2,929	64,394
* J Hennebry	74,065	131	74,196
* A Livingston	154,870	-	154,870
* D Minogue	61,465	7551	69,016
* B Simcock	74,065	-	74,065
<b>Total</b>	<b>1,067,316</b>	<b>26,271</b>	<b>1,093,587</b>

In addition to the salary payments above, Chairman Alan Livingston had the full private use of a motor vehicle for the period to 16 October 2019 valued at \$1,011 (2019: \$3,447). Chairman Russ Rimmington had the full private use of a motor vehicle from 23 October 2019 valued at \$2,437 (2019: Nil)

The figures presented above exclude mileage expenses paid to councillors.

\* Councillors in the 2016-2019 triennium of council.

## EMPLOYEE REMUNERATION

At balance date, the council employed 498 (2019: 477) full-time employees, with the balance of staff representing 64 (2019: 63) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

Total annual remuneration by band for employees as at 30 June:

	2019/20 Actual \$'000	2018/19 Last year \$'000
< \$60,000	130	116
\$60,000-\$79,999	152	142
\$80,000-\$99,999	144	155
\$100,000-\$119,999	95	84
\$120,000-\$139,999	34	39
\$140,000-\$159,999	10	11
\$160,000-\$179,999	11	8
\$180,000-\$279,999	8	8
\$280,000-\$359,999	1	1
<b>Total employees</b>	<b>585</b>	<b>564</b>

## SEVERANCE PAYMENTS

For the year ended 30 June 2020, Waikato Regional Council made two severance payments (2019: two severance payments). The value of the two severance payments was \$31,000 and \$25,500. (2019: \$656.25 and \$17,749.99).

## 12 EMPLOYEE BENEFIT EXPENSES

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Employee benefit expenses</b>	<b>-</b>	<b>-</b>
Salaries and wages	51,564	46,870
Defined contribution plan employer contributions	1,445	1,315
Increase/(decrease) in employee benefit liabilities	480	746
<b>Total employee benefit expenses</b>	<b>53,489</b>	<b>48,931</b>

The impact of the actuarial valuation of long service leave and retirement gratuity liability has been to increase the employee benefit expense by \$348,000 in total (2019: \$353,000 increase). The retirement gratuity liability increased by \$81,000 and the long service leave liability increased by \$267,000, both mainly due to a reduction in the discount rates used for the valuation. The reduction in discount rates is reflective of current low interest rates.

Employer contributions to defined contribution plans include contributions to KiwiSaver.

### 13 CURRENT LIABILITIES - EMPLOYEE BENEFITS LIABILITIES

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Current</b>		
Annual leave	3,936	3,658
Long service leave	272	201
Retirement gratuities	438	523
Sick leave	300	267
Other employee benefits	1272	1210
Accrued pay	415	1360
<b>Total current portion</b>	<b>6,633</b>	<b>7,219</b>

#### *Short term employee entitlements*

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based 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, retirement gratuities and long service entitlements expected to be settled within 12 months, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming period are expected to be greater than the sick leave entitlements earned in the coming period. 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.

#### *Presentation of employee entitlements*

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities 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 as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

### 14 NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS LIABILITIES

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Non-current</b>		
Long service leave	2,217	1,973
Gratuities	497	557
<b>Total non-current</b>	<b>2,714</b>	<b>2,530</b>

The present value of retirement and long service leave obligations depends on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary growth 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. The discount rates used have maturities



that match, as closely as possible, the estimated future cash outflows. The salary growth assumed for an employee is the salary inflation component plus the promotional salary scale for that employee's age. The 10 year discount rate of 1.47 per cent (2019: 2.42 per cent) and a long-term salary growth rate of 1.62 per cent (2019: 1.72 per cent) was used.

#### *Long term employee entitlements*

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

## 15 RELATED PARTY TRANSACTIONS

### TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the year councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Waikato Regional Council (such as the payment of rates).

Key management personnel include the council Chair, councillors, Chief Executive and other senior management personnel.

	2019/20 Actual	2018/19 Last year	2019/20 Actual \$'000	2018/19 Last year \$'000
<i>Councillors</i>			-	-
Remuneration			1,104	1,094
Full-time equivalent members	14	14	-	-
<i>Senior management team, including the Chief Executive</i>			-	-
Remuneration and post-employment benefits			1,626	1,589
Full-time equivalent members	6	6	-	-
<b>Balance at 30 June</b>			<b>2,730</b>	<b>2,683</b>
<b>Total full-time equivalent personnel</b>	<b>20</b>	<b>20</b>		

Due to the difficulty in determining the full-time equivalent for councillors, the full-time equivalent figure is taken as the number of councillors.

Transactions between Waikato Regional Council and Waikato Local Authority Shared Services Ltd and Regional Software Holdings Ltd have been treated as related party transactions.

Waikato Regional Council provides financial administration services to Waikato Local Authority Shared Services Ltd.

The former CFO of Waikato Regional Council Mike Garrett was a Director of Regional Software Holdings Limited but resigned in December 2018. No directors fees were paid to Directors.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2019 nil).

## 16 TAX

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Components of tax expense</b>		
Current tax expense	-	-
Adjustment to current tax in prior years	-	-
Deferred tax liability	-	-
Net surplus (deficit) before tax	-2,616	11
Tax at 28%	-732	3
Plus (less) tax effect of:		
Non-deductible expenditure	732	-
Non-taxable revenue	-	-3
Add: Revenue taxable to council	61	80
Less: Expenses deductible to council	-62	-81
Less: Tax expense over/understated prior period	-	-
Less: Payments reclassified to other expenditure	-	-
Tax loss not recognised	1	1
<b>Tax expense</b>	<b>-732</b>	<b>-</b>

Generally local authorities are exempt from income tax, except for any revenue derived from any Council Controlled Organisation or port activity as per Section CW39 of the Revenue Tax Act 2007.

A deferred tax asset of \$28,535 (2019: \$24,610) has not been recognised in relation to tax losses.

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

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 statement of financial position and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the council expects to recover or settle the carrying amount of its assets and liabilities.

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 surpluses 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 is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

## 17 OTHER GAINS/(LOSSES)

	2019/20 Actual \$'000	2018/19 Last year \$'000
Gain/(loss) on changes in fair value of biological assets	-305	-94
Gain/(loss) on changes in fair value of other investments	-	-71
Gain/(loss) on changes in fair value of property, plant and equipment	-1,468	-364
Unrealised loss on revaluation of forward foreign exchange contracts	-	-7
Unrealised loss on revaluation of interest rate swaps	-1,141	-1,249
	-2,914	-1,785

## 18 RECONCILIATION OF NET SURPLUS/(DEFICIT) AFTER TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2019/20 Actual \$'000	2018/19 Last year \$'000
Surplus/(deficit)	-2,616	11
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation expense	9,294	9,199
Asset adjustments relating to disposals	19	928
Other gains and losses	1,773	165
Bad and doubtful debts	349	275
(Gains)/losses on derivative financial instruments	1,141	1,256
<b>Total non-cash items</b>	<b>12,576</b>	<b>11,823</b>
<b>Add/(less) items classified as investing or financing activities:</b>		
Change in market value of investments	-4,119	-6,596
Net loss/(gain) on disposal of property, plant and equipment	254	364
<b>Total items classified as investing or financing activities</b>	<b>-3,865</b>	<b>-6,232</b>
<b>Add (less) items movements in working capital items</b>		
Creditors and other payables	3,073	2,063
Current employee entitlements	-586	789
Non-current employee entitlements	184	272
Prepayments	625	-556
Work in progress and inventory	-488	56
Debtors and other receivables	-6,414	-1,455
Other investments	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>2,489</b>	<b>6,771</b>

## 19 CASH AND CASH EQUIVALENTS

	2019/20 Actual \$'000	2018/19 Last year \$'000
Cash at bank and in hand	19,965	5,054
Term deposits maturing three months or less from date of acquisition	-	10,000
Investments under management	-	7
<b>Total cash and cash equivalents</b>	<b>19,965</b>	<b>15,061</b>

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

The reported balance includes \$1,003,000 (2019 \$588,000) which is held on behalf of other parties that Waikato Regional Council is administering. Funds are paid out once expenditure is approved by the relevant party.

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

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

## 20 OTHER FINANCIAL ASSETS

The methods and assumptions used to estimate the fair value of each class of financial instrument, for which it is practical to estimate that value, are as follows.

### INVESTMENT FUND AND TERM DEPOSITS

The carrying amount of these items is approximately equivalent to the fair value.

### INTEREST RATE RISK

In making its investments, the council adopts a conservative risk profile, while aiming to maximise its returns. The range of interest rates receivable on financial instruments at 30 June 2020 range from 2.75% - 3.10 per cent. (2019: 1.8 - 3.69 per cent).

### COLLATERAL

The council does not require collateral or other security to support financial instruments subject to credit risk.

### CURRENCY RISK

The council enters into foreign currency forward exchange contracts to hedge foreign currency transactions. Any exposure to gains or losses on these forward contracts is generally offset by a related loss or gain on the item being hedged. Gains and losses on contracts which hedge specific short-term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed.

### FOREIGN CURRENCIES

Transactions in foreign currencies are converted at the New Zealand rate of exchange ruling at the date of the transaction. At balance date, foreign monetary assets and liabilities are translated at the closing rate, and exchange variations arising from these translations are included in the statement of comprehensive revenue and expense.

## INVESTMENT FUND

The investment fund is invested with a number of fund managers whose performance is monitored by Mercer (N.Z.) Ltd who provide investment strategy advice to the council. At 30 June 2020 the investment fund was invested with the following fund managers:

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Equity</b>		
Harbour Asset Management (Trans Tasman)	9,090	8,852
AMP Capital - Hedged	9,278	9,368
Colonial First State - Unhedged	9,784	9,574
<b>At 30 June</b>	<b>28,152</b>	<b>27,794</b>
<b>Fixed Interest Fund</b>		
AMP Capital (Cash)	24,790	24,856
Fisher Funds (Global bonds)	22,891	23,296
Term deposits managed internally	10,435	9,409
Harbour NZ Short Duration	5,920	5,114
Less working capital held in fund	-	-7
<b>Net book amount</b>	<b>64,036</b>	<b>62,668</b>
<b>Property Fund</b>		
Fisher NZ Direct Property	5,069	5,400
Colonial First State (\$NZ)	4,628	5,622
<b>Net book amount</b>	<b>9,697</b>	<b>11,022</b>
<b>Net book amount</b>	<b>101,885</b>	<b>101,484</b>

At 30 June 2020, the following investments were held by the council's fund managers.

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Listed securities - held for trading</b>		
NZ local authority investments	2,688	1,984
NZ Government guaranteed investments	5,991	5,538
Corporate investments	10,819	9,278
NZ cash/short term deposits	22,343	24,093
Overseas bonds	23,063	23,296
Equity investments	31,847	31,895
Property	5,134	5,400
<b>Net book amount</b>	<b>101,885</b>	<b>101,484</b>
<b>Other Investment</b>		



	2019/20 Actual \$'000	2018/19 Last year \$'000
Term deposits with maturities greater than 3 months	2,151	4,000
NZ Local Government Insurance Corporation shares	20	20
Other investments	87	128
	2,258	4,148
<b>Investments in CCO</b>		
Integrated Regional Information System shares	1,686	1,686
NZ Local Government Funding Agency Ltd (LGFA) - borrower notes	512	352
	2,198	2,038
	106,341	107,670
Total Financial Assets	-	-
Financial assets (investment fund)	101,885	101,484
Other investments	4,456	6,186
	106,341	107,670

The council has a 32 per cent holding in Regional Software Holdings Limited (RSHL). This ownership percentage was derived as an agreed cost sharing formula by the six participating councils, based on each council's relative size, to fund the Integrated Regional Information System software development. Integrated Regional Information System has been developed in a collaborative manner and all six shareholding councils get to appoint one director to the RSHL Board and one representative to the advisory and user governance groups that will maintain the Integrated Regional Information System. RSHL operates on a cost recovery basis with the participating shareholders and there will be no distributable profits retained in the business. Given the governance structure of RSHL and the nature of its activities, council does not believe it holds "significant influence" and accordingly has not accounted for the RSHL investment as an associate.

## BORROWER NOTES

Borrower notes are required to be held by each local authority that borrows from LGFA. The borrower notes are amounts equal to 1.6 per cent of council's borrowing from LGFA. The borrowing notes are repaid to the council as the underlying debt matures.

	2019/20 Actual \$'000	2018/19 Last year \$'000
The Council's investments are included in the balance sheet as follows:		
<b>Current portion</b>		
Term Deposits	2,151	4,000
Community loans	42	40
<b>Non-current portion</b>		
Financial assets (investment fund)	101,885	101,484
Community loans	45	88
NZ Local Government Insurance Corporation shares	20	20
Investments in CCOs	2,198	2,038

	2019/20 Actual \$'000	2018/19 Last year \$'000
	106,341	107,670

It is the council's intention to continue to hold the investment fund as a non-current asset. Individual assets held by the fund managers have maturity periods as follows:

	Actual \$'000	Last year \$'000
<b>2020</b>		
0-1 year	26,559	26,286
1-3 years	6,648	7,761
Greater than three years	36,831	35,357
No specified maturity date	31,847	32,080
	101,885	101,484

The Maturity profile of other investments held by council is as follows:

	Actual \$'000	Last year \$'000
<b>2019</b>		
0-1 year	26,286	23,804
1-3 years	7,761	3,582
Greater than three years	35,357	27,152
No specified maturity date	32,080	33,797
	101,484	88,335

## FAIR VALUE

### *Unlisted investments*

The fair value of the investment in NZ Government Insurance Corporation Limited is \$20,000 (2019: \$20,000).

The fair value of council's equity investment in Waikato Local Authority Shared Services Limited has not been disclosed because its fair value cannot be reliably measured as there is no quoted market price in an active market for these shares.

The fair value of council's equity investment in Regional Software Holdings Limited has not been disclosed because its fair value cannot be reliably measured as there is no quoted market price in an active market for these shares.

The fair value of other loans is \$87,000 (2019:\$128,000)

### *Other financial assets*

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the council commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the council has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables

- held to maturity investments
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

### *Financial assets at fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include financial assets held for trading or is designated as such on initial recognition.

The council's investment fund was designated as such a financial asset on initial recognition as the primary goal of the council's investment strategy is to maximise investment returns within an acceptable level of risk, to both protect the capital base of the investment fund, and allow withdrawals to subsidise the required level of rates demands. The council is assisted by external advisors in this regard.

Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date, which are classified as non-current assets.

After initial recognition loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gain and losses when the asset is impaired or de-recognised are recognised in the surplus or deficit.

Loans to community organisations made at nil or below market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

### *Held to maturity investments*

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are classified as non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in the surplus or deficit.

### *Financial assets at fair value through other comprehensive revenue and expense*

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The council includes in this category:

- investments that it intends to hold long term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

## IMPAIRMENT OF FINANCIAL ASSETS

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

### *Loans and receivables, and held to maturity investments*

Impairment is established when there is evidence that the council will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock and community loans, and impairment losses are recognised directly against the instrument's carrying amount.

### **Financial assets at fair value through other comprehensive revenue and expense**

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

## **21 INVESTMENT POLICY**

The council delegates responsibility for the management, monitoring and reporting of its investment activities to its Finance Committee and Finance directorate. A treasury policy document sets out the parameters for the operation of the Finance directorate and the volume of investments that the council will be involved with. The mix of investments between current and non-current is determined according to the council's working capital needs.

The council's investments made a gain of \$4.873 million against an Annual Plan budget of \$6.456 million. The council continues to take external advice as to changes to be made to any asset class mix.

## **22 TREASURY RISK MANAGEMENT POLICY**

The council's Treasury Risk Management Policy was adopted in January 2018. This policy ensures that the council's debt and associated risks are maintained at prudent levels.

There are no significant variations or material departures from the council's Liability Management Policy.

## 23 FINANCIAL INSTRUMENTS

Waikato Regional Council has a series of policies to manage the risks associated with financial instruments. The council is risk averse and seeks to minimise exposure from its treasury activities. The council has established approved liability management and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

### (a) Financial instrument categories

Assets	Loans and receivables	Fair value through other comprehensive revenue	Fair value through surplus or deficit	Total
	\$'000	\$'000	\$'000	\$'000

#### 30-June-2020

Cash and cash equivalent	19,965	-	-	19,965
Receivables and prepayments	18,187	-	-	18,187

#### Other financial assets:

Term Deposits	2,151	-	-	2,151
Community loans	87	-	-	87
Investment fund	-	-	101,885	101,885
Investment in CCOs	-	2,198	-	2,198
Unlisted shares	-	20	-	20
<b>Total</b>	<b>40,390</b>	<b>2,218</b>	<b>101,885</b>	<b>144,493</b>

#### 30-June-2019

Cash and cash equivalent	15,061	-	-	15,061
Receivables	11,773	-	-	11,773

#### Other financial assets:

Term Deposits	4,000	-	-	4,000
Community loans	128	-	-	128
Investment fund	-	-	101,484	101,484
Investment in CCOs	-	2,038	-	2,038
Unlisted shares	-	20	-	20
<b>Total</b>	<b>30,962</b>	<b>2,058</b>	<b>101,484</b>	<b>134,504</b>

Liabilities	Liabilities at fair value through surplus or deficit	Measured at amortised cost	Total
	\$'000	\$'000	\$'000

#### 30-June-2020

Payables and accruals	-	20,723	20,723
Derivative financial instruments	2,397	-	2,397
Borrowing secured loans	-	32,141	32,141
<b>Total liabilities</b>	<b>2,397</b>	<b>52,864</b>	<b>55,261</b>



Liabilities	Liabilities at fair value through surplus or deficit	Measured at amortised cost	Total
	\$'000	\$'000	\$'000
<b>30-JUNE-2019</b>			
Payables and accruals	-	17,650	17,650
Derivative financial instruments - not hedge accounted	1,257	-	1,257
Borrowing - secured loans	-	22,133	22,133
Total liabilities	1,257	39,783	41,040

## (b) Market risk

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The investment fund is a fully hedged asset apart from the Colonial First State Fund (30 June 2020 AUD \$9,148,106 converted to NZD \$9,784,033: exchange rate NZD/AUD: 0.935). (30 June 2019 AUD \$9,163,379 converted to NZD \$9,574,037: exchange rate NZD/AUD: 0.9571)

The council purchases plant and equipment associated with the construction of certain infrastructure assets from overseas, which require it to enter into transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

It is the council's policy to manage foreign currency risks arising from contractual commitments and liabilities that are above \$100,000 by entering into forward foreign exchange contracts to manage the foreign currency risk exposure. This means that the council is able to fix the New Zealand dollar amount payable prior to the delivery of the plant and equipment from overseas.

### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The council is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through surplus and deficit. This price risk arises due to market movements in listed securities. This price risk is managed by diversification of the council's investment portfolio in accordance with the limits set out in the council's investment policy.

### Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

If interest rates on the council's fixed interest financial instruments at 30 June 2020 had fluctuated by plus or minus 0.5 per cent, the effect would have been to decrease/increase the fair value through comprehensive revenue reserve by \$330,935 (2019: \$383,340).

Borrowings issued at fixed rates of interest expose council to interest rate risk. The council's Treasury Risk Management Policy sets a range of control limits for the fixed rate proportion of borrowings with different maturities. The range is from a maximum of 60 per cent for debt maturing in any one period with a 15 per cent minimum placed on 0-3 years and 3-5 years periods.

### Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates.

Generally, the council raises long term borrowing at floating rates and swaps them into fixed rates using interest rate swaps to manage the cash flow interest rate risk. The council enters into interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the council borrowed at fixed rates directly. Under the interest rate swaps, the council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

## Sensitivity analysis

The tables below illustrate the potential surplus and deficit and equity (excluding accumulated funds) impact from possible market movements, with all other variables held constant, based on the council's financial instrument exposures at balance date.

30-June-2020	Interest rate risk			
	-100bps		+100bps	
	Surplus	Equity	Surplus	Equity
Interest rate risk	\$'000	\$'000	\$'000	\$'000
Financial assets				
Cash and cash equivalents	-200	-	200	-
Derivatives - non hedge accounting	-1,153	-	1,066	-
<b>Total sensitivity</b>	<b>-1,353</b>	<b>-</b>	<b>1,266</b>	<b>-</b>

30-June-2020	Equity price risk			
	-100bps		+100 bps	
	Surplus	Equity	Surplus	Equity
Equity price risk				
Financial assets				
Other financial assets	-282	-	282	-
<b>Total sensitivity to equity price risk</b>	<b>-282</b>	<b>-</b>	<b>282</b>	<b>-</b>

30-June-2019	Interest rate risk			
	-100bps		+100bps	
	Surplus	Equity	Surplus	Equity
Interest rate risk				
Financial assets				
Cash and cash equivalents	-51	-	51	-
Derivatives - non hedge accounting	-1,220	-	1,123	-
<b>Total sensitivity</b>	<b>-1,271</b>	<b>-</b>	<b>1,174</b>	<b>-</b>

30-June-2019	Equity price risk			
	-100bps		+100bps	
	Surplus	Equity	Surplus	Equity
Equity price risk				
Financial assets				
Other financial assets	-277	-	277	-
<b>Total sensitivity to equity price risk</b>	<b>-277</b>	<b>-</b>	<b>277</b>	<b>-</b>

## EXPLANATION OF SENSITIVITY ANALYSIS

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 100 bps is equivalent to a decrease in interest rates of 1 per cent.

Cash and cash equivalents include deposits at call totaling \$19.965 million (2019: \$5.05 million) which are at floating rates. A movement in interest rates of plus or minus 100bps (1.0 per cent) has an effect on interest revenue of \$199,650 (2019: \$50,500)

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps/+100bps (2019 -100bps/+100bps).

### (c) Credit risk

Credit risk is the risk that a third party will default on its obligation to Waikato Regional Council, causing the council to incur a loss.

Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 37.

The council has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and the council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Waikato Regional Council invests funds only in deposits with registered banks and local authority stock. Its investment policy limits the amount of credit exposure to any one institution or organisation.

Other than other local authorities, the council only invests funds with those entities which have a Standard and Poor's credit rating of at least A2 for short-term and A- for long-term investments. Accordingly, the council does not require any collateral or security to support these financial instruments.

## MAXIMUM EXPOSURE TO CREDIT RISK

The council's maximum credit exposures for each class of financial instruments are as follows:

	2019/20 Actual \$'000	2018/19 Last year \$'000
Cash at bank and term deposits	22,116	19,061
Debtors and other receivables	18,187	11,773
Community loans	87	128
LGFA borrower notes	512	352
Total credit risk	40,902	31,314

## CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Counterparties with credit ratings</b>		
<b>Cash at bank and term bank deposits</b>		
A	2,151	-
AA-	19,965	19,061
<b>Total</b>	<b>22,116</b>	<b>19,061</b>
<b>LGFA borrower notes</b>		
AA+	512	352
<b>Total</b>	<b>512</b>	<b>352</b>
<b>Counterparties without credit ratings</b>		
<b>Community and related party loans:</b>		
Existing counterparty with no defaults in the past	87	128
<b>Total cash at bank, term deposits and loans</b>	<b>87</b>	<b>128</b>

Debtors and other receivables mainly arise from Waikato Regional Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and the council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

### (d) Liquidity risk

Liquidity risk is the risk that Waikato Regional Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, the council maintains a target level of investments that must mature within the next 12 months.

The council has a sweep facility in place. A sweep facility is an automatic system that transfers funds between the current account and call account to improve cash management and maximise interest on funds. The council nominated a target balance for its current account of \$10,000. Once all debits and credits have been processed every night (with the exception of bank fees) the system automatically calculates the amount required to maintain the target balance. Funds are then moved out of the current account into the nominated call account or if the current account has an overdrawn balance the system will transfer funds back from the call account to retain the set balance of the current account.

The council utilises funding through the Local Government Funding Agency Ltd (LGFA). As at 30 June 2020 the council had borrowed \$32 million (2019 \$22 million) and held borrower notes of with a face value of \$512,000 (2019 \$352,000).

The council is also exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is contained in note 37.

## CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES EXCLUDING DERIVATIVES

The table below analyses the council's financial liabilities into relevant maturity groupings based on the period remaining at balance date until the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

30-June-2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	20,723	-	-	-	20,723	20,723
Secured borrowing	2,403	7,399	15,622	8,214	33,638	32,141
<b>Total financial liabilities</b>	<b>23,126</b>	<b>7,399</b>	<b>15,622</b>	<b>8,214</b>	<b>54,361</b>	<b>52,864</b>

30-June-2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/liabilities
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other payables	17,650	-	-	-	17,650	17,650
Secured borrowing	2,558	2,512	9,188	10,693	24,951	22,133
<b>Total financial liabilities</b>	<b>20,208</b>	<b>2,512</b>	<b>9,188</b>	<b>10,693</b>	<b>42,601</b>	<b>39,783</b>

## CONTRACTUAL MATURITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES

The table below analyses the council's financial liabilities into relevant maturity groupings based on the period remaining at balance date until the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

30-June-2020	Liability carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivative liabilities	2,397	2,427	420	450	1,004	553
Total	2,397	2,427	420	450	1,004	553

30-June-2019	Liability carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net settled derivative liabilities	1,257	1,314	154	246	598	316
Total	1,257	1,314	154	246	598	316



## CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL ASSETS

The table below analyses the council's financial liabilities into relevant maturity groupings based on the period remaining at balance date until the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at the balance date. The amounts disclosed are the contractual undiscounted cash flows.

30-June-2020	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount \$'000
Cash and cash equivalents	19,965	-	-	-	19,965	19,965
Debtors and other receivables	18,187	-	-	-	18,187	18,187
Other financial assets:	-	-	-	-	-	-
- term deposits	2,151	-	-	-	2,151	2,151
- community and related party loans	42	45	-	-	87	87
Investment fund	26,559	6,648	36,831	31,847	101,885	101,885
Investment in CCO	32	112	240	1,814	2,198	2,198
Unlisted shares	-	-	-	20	20	20
<b>Total financial assets</b>	<b>66,936</b>	<b>6,805</b>	<b>37,071</b>	<b>33,681</b>	<b>144,493</b>	<b>144,493</b>

30-June-2019	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying Amount \$'000
Cash and cash equivalents	15,061	-	-	-	15,061	15,061
Debtors and other receivables	11,773	-	-	-	11,773	11,773
Other financial assets:	-	-	-	-	-	-
- term deposits	4,000	-	-	-	4,000	4,000
- community and related party loans	40	43	45	-	128	128
Investment fund	26,286	7,761	35,357	32,080	101,484	101,484
Investment in CCO	32	32	96	1,878	2,038	2,038
Unlisted shares	-	-	-	20	20	20
<b>Total financial assets</b>	<b>57,192</b>	<b>7,836</b>	<b>35,498</b>	<b>33,978</b>	<b>134,504</b>	<b>134,504</b>

### (e) Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

	Total	Quoted market price	Observable inputs	Significant non-observable inputs
30-June-2020	\$'000	\$'000	\$'000	\$'000
NZ local authority investments	2,688	2,688	-	-
Corporate investments	11,056	11,056	-	-
NZ cash/short term deposits	22,343	22,343	-	-
Overseas bonds	22,891	22,891	-	-
NZ Government guaranteed investments	5,991	5,991	-	-
Equity investments	31,847	31,847	-	-
Property	5,069	5,069	-	-
<b>Total financial assets</b>	<b>101,885</b>	<b>101,885</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Derivatives	-2,397	-	-2,397	-
<b>Total financial liabilities</b>	<b>-2,948</b>	<b>-</b>	<b>-2,948</b>	<b>-</b>

	Total	Quoted market price	Observable inputs	Significant non-observable inputs
30-June-2019	\$'000	\$'000	\$'000	\$'000
Derivatives	1,907	-	1,907	-
NZ local authority investments	1,984	1,984	-	-
Corporate investments	9167	9167	-	-
NZ cash/short term deposits	23,355	23,355	-	-
Overseas bonds	23,296	23,296	-	-
NZ Government guaranteed investments	5,649	5,649	-	-
Equity investments	32,633	32,633	-	-
Property	5400	5400	-	-
<b>Total financial assets</b>	<b>103,391</b>	<b>101,484</b>	<b>1,907</b>	<b>-</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-3164	-	-3164	-
<b>Total financial liabilities</b>	<b>-3164</b>	<b>-</b>	<b>-3164</b>	<b>-</b>

There were no transfers between the different levels of the fair value hierarchy during the period.

## 24 RECEIVABLES

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Exchange</b>		
Net trade receivables		
Other receivables	12,235	5,074
Provision for doubtful receivables	-722	-613
Net debtors	11,513	4,461
Receivables from exchange transactions	11,513	4,461
<b>Non-exchange</b>		
Rates receivables	4,460	5,423
Other receivables	3,021	2,635
Related party receivables	15	-
Provision for doubtful receivables	-822	-746
Net debtors	6,674	7,312
Receivables from non-exchange transactions	6,674	7,312
Total receivables	18,187	11,773

### Fair value

Receivables are measured at their face value, less any provision for impairment.

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

### Impairment

Waikato Regional Council does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the court's judgement, then the council can apply to the Registrar of the High Court to have judgement enforced by sale or lease of the rating unit. Ratepayers can apply for payment plan options. Where such repayment plans are in place, debts are discounted to their present value of future repayments if the effect of the discounting is material. The carrying amount of receivables that would otherwise be past due or impaired, whose terms have been renegotiated, are \$251,000 (2019: \$281,000).

The fair value of receivables past due and impaired is as follows:

	2019/20 Actual \$'000	2018/19 Last year \$'000
Past due > 120 days	5,686	4,002
Less impairment	-1,544	-1,359
Balance as at 30 June	4,142	2,643

The ageing profile of gross receivables not impaired is as follows:

2019/20 Actual	2018/19 Last year
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	\$'000	\$'000
Not past due	13,607	8,743
Past due 1-60 days	238	295
Past due 61-120 days	200	92
Balance as at 30 June	14,045	9,130
Grand total	18,187	11,773

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

Waikato Regional Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

There is no concentration of credit risk with respect to receivables as the council has a large number of customers.

The impairment provision has been calculated based on expected losses for Waikato Regional Council's pool of debtors. Expected losses have been determined based on an analysis of Waikato Regional Council's losses in previous periods, and a review of specific debtors.

	2019/20 Actual \$'000	2018/19 Last year \$'000
Individual impairment	78	78
Collective impairment	1,466	1,281
Total provision for impairment	1,544	1,359

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors is as follows:

	2019/20 Actual \$'000	2018/19 Last year \$'000
Past due 1-60 days	-	-
Past due 61 - 120 days	-	-
Past due >120 days	78	78
Total individual impairment	78	78

Movement in the provision for impairment of receivables is as follows:

	2019/20 Actual \$'000	2018/19 Last year \$'000
At 1 July	1,359	1,209
Additional provisions made during the year	433	379
Receivables written off during the period	-248	-229
Total gross trade receivables	1,544	1,359

The council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

**25 PROPERTY, PLANT AND EQUIPMENT**

2019/20	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Previous Years Adjustments \$'000	Depreciation/ Impairment \$'000	Write back depreciation on disposal / valuation \$'000	Revaluation \$'000	Cost / revaluation 30 Jun 20 \$'000	Accumulated depreciation and impairment charges 30 Jun 20 \$'000	Carrying amount 30 Jun 20 \$'000
<b>Operational assets</b>													
<u>At cost &amp; valuation</u>													
Land	697	-	697	-	-	-	-	-	-	-	697	-	697
Buildings	3,442	-57	3,385	1,636	-	-	-	-69	-	-	5,078	-126	4,952
Vehicles	4,311	-1,727	2,584	608	-504	-	-	-588	401	-	4,415	-1,914	2,501
Plant and equipment	7,510	-5,093	2,417	732	-961	-	-	-573	923	-	7,281	-4,743	2,538
EDP	10,129	-7,074	3,055	1,086	-2,916	-	-	-1,085	2,916	-	8,299	-5,243	3,056
Office furniture and fittings	824	-496	328	23	-76	-	-	-82	76	-	771	-502	269
Capital work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
- EDP	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total operational assets</b>	<b>26,913</b>	<b>-14,447</b>	<b>12,466</b>	<b>4,085</b>	<b>-4,457</b>	<b>-</b>	<b>-</b>	<b>-2,397</b>	<b>4,316</b>	<b>-</b>	<b>26,541</b>	<b>-12,528</b>	<b>14,013</b>
<b>Infrastructural assets</b>													
<u>At cost &amp; valuation</u>													
Land	57092	-	57092	-	-	-	-	-	-	4320	61412	-	61412

2019/20	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Previous Years Adjustments \$'000	Depreciation/ Impairment \$'000	Write back depreciation on disposal/ valuation \$'000	Revaluation \$'000	Cost / revaluation 30 Jun 20 \$'000	Accumulated depreciation and impairment charges 30 Jun 20 \$'000	Carrying amount 30 Jun 20 \$'000
Bridges	1,595	-247	1,348	268	-	-	-	-44	-	-59	1,804	-291	1,513
Channels	34,212	-848	33,364	-	-	-	-	-169	-	1615	34,896	-86	34,810
Control gates	1,577	-254	1,323	-	-	-	-	-70	-	-510	1,067	-324	743
Culverts	1,686	-149	1,537	23	-10	-	-	-32	-	156	1,855	-181	1,674
Debris traps	215	-15	200	-	-	-	-	-3	-	9	224	-18	206
Detentions	3339	-472	2867	1025	-	-	-	-95	-	204	4568	-567	4001
Drop structures	17	-5	12	-	-	-	-	-1	-	-	17	-6	11
Fencing	3909	-1299	2610	-	-	-	-	-282	-	100	4009	-1581	2428
Floodgates	40,231	-4047	36,184	799	-275	-	-	-1265	31	1427	42,182	-5281	36,901
General structures	2,888	-613	2,275	-	-	-	-	-132	-	273	3,161	-745	2,416
Plantings	291	-	291	-	-	-	-	-	-	13	304	-	304
Pump stations	46,298	-7,801	38,497	2,438	-116	-	-	-1,845	51	5384	54,004	-9,595	44,409
Retaining structures	15,650	-2322	13328	22	-	-	-	-474	-	-898	14774	-2796	11978
River training works	1714	-148	1566	3	-	-	-	-27	-	218	1935	-175	1760
Stopbanks	301,507	-10505	291002	4303	-	-	-	-1946	-	26638	332448	-12451	319997
Weirs	304	-17	287	-	-	-	-	-4	-	40	344	-21	323
<b>Total</b>	<b>512,525</b>	<b>-28,742</b>	<b>483,783</b>	<b>8881</b>	<b>-401</b>	<b>-</b>	<b>-</b>	<b>-6389</b>	<b>82</b>	<b>38,930</b>	<b>559,004</b>	<b>-34,118</b>	<b>524,886</b>



2019/20	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Previous Years Adjustments \$'000	Depreciation/ Impairment \$'000	Write back depreciation on disposal/ valuation \$'000	Revaluation \$'000	Cost / revaluation 30 Jun 20 \$'000	Accumulated depreciation and impairment charges 30 Jun 20 \$'000	Carrying amount 30 Jun 20 \$'000
<b>Work in progress</b>													
- Bridges	369	-	369	-	-268	-	-	-	-	-	101	-	101
- Channels	439	-	439	213	-	-	-	-	-	-	652	-	652
- Control gates	72	-	72	-	-	-	-	-	-	-	72	-	72
- Culverts	51	-	51	70	-23	-	-	-	-	-	98	-	98
- Debris traps	4	-	4	-	-	-	-	-	-	-	4	-	4
- Detentions	61	-	61	66	-1025	998	-	-	-	-	100	-	100
- Drop structures	-	-	-	-	-	-	-	-	-	-	-	-	-
- Fencing	-	-	-	3	-	-	-	-	-	-	3	-	3
- Floodgates	1250	-	1250	575	-799	-9	-	-	-	-	1017	-	1017
- General structures	49	-	49	-	-	-	-	-	-	-	49	-	49
- Plantings	-	-	-	-	-	-	-	-	-	-	-	-	-
- Pump stations	6,429	-	6,429	2825	-2439	-	-	-	-	-	6,815	-	6,815
- Retaining structures	-	-	-	-	-	-	-	-	-	-	-	-	-
- River training works	1893	-	1893	753	-4	-	-	-	-	-	2642	-	2642
- Stopbanks	8514	-	8514	1955	-4342	-989	-	-	-	-	5138	-	5138

2019/20	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Previous Years Adjustments \$'000	Depreciation/ Impairment \$'000	Write back depreciation on disposal / valuation \$'000	Revaluation \$'000	Cost / revaluation 30 Jun 20 \$'000	Accumulated depreciation and impairment charges 30 Jun 20 \$'000	Carrying amount 30 Jun 20 \$'000
Total infrastructure work in progress	19,131	-	19,131	6,460	-8,900	-	-	-	-	-	16,691	-	16,691
Total property, plant and equipment	558,569	-43,189	515,380	19,426	-13,758	-	-	-8,786	4,398	38,930	602,236	-46,646	555,590

2018/19	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Previous Years Adjustments \$'000	Depreciation/ Impairment \$'000	Write back depreciation on disposal / valuation \$'000	Revaluation \$'000	Cost / revaluation 30 Jun 19 \$'000	Accumulated depreciation and impairment charges 30 Jun 19 \$'000	Carrying amount 30 Jun 19 \$'000
Operational assets													
At cost & valuation													

Land	9743	-	9743	-	-	-9415	-	-	-	369	697	-	697
Buildings	6,080	-1718	4,362	2,947	-187	-4473	-	-291	1952	-925	3,442	-57	3,385
Vehicles	4,649	-1,664	2,985	370	-708	-	-	-630	567	-	4,311	-1,727	2,584
Plant and equipment	10,367	-7,250	3,117	209	-3066	-	-	-593	2750	-	7,510	-5,093	2,417
EDP equipment	10,408	-7,678	2,730	1,248	-1,527	-	-	-944	1,548	-	10,129	-7,074	3,055

2018/19	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Previous Years Adjustments \$'000	Depreciation/ Impairment \$'000	Write back depreciation on disposal / valuation \$'000	Revaluation \$'000	Cost / revaluation 30 Jun 19 \$'000	Accumulated depreciation and impairment charges 30 Jun 19 \$'000	Carrying amount 30 Jun 19 \$'000
Office furniture and fittings	776	-461	315	105	-57	-	-	-85	50	-	824	-496	328
Capital work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
- EDP	42	-	42	-	-	-	-	-	-	-	42	-	42
- EDP	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total operational assets</b>	<b>42065</b>	<b>-18771</b>	<b>23294</b>	<b>4879</b>	<b>-5545</b>	<b>-13888</b>	<b>-</b>	<b>-2543</b>	<b>6867</b>	<b>-556</b>	<b>26955</b>	<b>-14447</b>	<b>12508</b>
<b>Infrastructural assets</b>													
At cost & valuation													
Land	57,092	-	57,092	-	-	-	-	-	-	-	57,092	-	57,092
Bridges	1,595	-201	1,394	-	-	-	-	-46	-	-	1,595	-247	1,348
Channels	34,182	-685	33,497	56	-26	-	-	-163	-	-	34,212	-848	33,364
Control gates	1,577	-187	1,390	-	-	-	-	-67	-	-	1,577	-254	1,323
Culverts	1686	-120	1566	-	-	-	-	-29	-	-	1686	-149	1537
Debris traps	215	-12	203	-	-	-	-	-3	-	-	215	-15	200
Detentions	3339	-383	2956	-	-	-	-	-89	-	-	3339	-472	2867
Drop structures	17	-4	13	-	-	-	-	-1	-	-	17	-5	12

2018/19	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Previous Years Adjustments \$'000	Depreciation/ Impairment \$'000	Write back depreciation on disposal / valuation \$'000	Revaluation \$'000	Cost / revaluation 30 Jun '19 \$'000	Accumulated depreciation and impairment charges 30 Jun 19 \$'000	Carrying amount 30 Jun 19 \$'000
Fencing	3,925	-1059	2,866	-	-16	-	-	-240	-	-	3,909	-1299	2,610
Floodgates	38,744	-2,919	35,825	1910	-423	-	-	-1128	-	-	40,231	-4,047	36,184
General structures	2,888	-495	2,393	-	-	-	-	-118	-	-	2,888	-613	2,275
Plantings	305	-	305	-	-14	-	-	-	-	-	291	-	291
Pump stations	44158	-6274	37884	2165	-25	-	-	-1527	-	-	46298	-7801	38497
Retaining structures	15650	-1823	13827	-	-	-	-	-499	-	-	15650	-2322	13328
River training works	1652	-123	1529	62	-	-	-	-25	-	-	1714	-148	1566
Stopbanks	300541	-8436	292105	966	-	-	-	-2069	-	-	301507	-10505	291002
Weirs	304	-14	290	-	-	-	-	-3	-	-	304	-17	287
<b>Total</b>	<b>507870</b>	<b>-22735</b>	<b>485135</b>	<b>5159</b>	<b>-504</b>	<b>-</b>	<b>-</b>	<b>-6007</b>	<b>-</b>	<b>-</b>	<b>512525</b>	<b>-28742</b>	<b>483783</b>
<b>Work in progress</b>													
- Bridges	100	-	100	269	-	-	-	-	-	-	369	-	369
- Channels	121	-	121	396	-78	-	-	-	-	-	439	-	439
- Control gates	2,182	-	2,182	16	-	-2126	-	-	-	-	72	-	2,198
- Culverts	58	-	58	19	-26	-	-	-	-	-	51	-	51
- Debris traps	4	-	4	-	-	-	-	-	-	-	4	-	4

2018/19	Cost / revaluation \$'000	Accumulated depreciation and impairment charges \$'000	Carrying amount \$'000	Additions \$'000	Disposals \$'000	Transfers \$'000	Previous Years Adjustments \$'000	Depreciation/ Impairment \$'000	Write back depreciation on disposal / valuation \$'000	Revaluation \$'000	Cost / revaluation 30 Jun '19 \$'000	Accumulated depreciation and impairment charges 30 Jun '19 \$'000	Carrying amount 30 Jun 19 \$'000
- Detentions	33	-	33	37	-9	-	-	-	-	-	61	-	61
- Floodgates	2681	-	2681	1133	-2564	-	-	-	-	-	1250	-	1250
- General structures	45	-	45	4	-	-	-	-	-	-	49	-	49
- Pump stations	6,012	-	6,012	2720	-2303	-	-	-	-	-	6,429	-	6,429
- River training works	917	-	917	1038	-62	-	-	-	-	-	1,893	-	1,893
- Stopbanks	1,797	-	1,797	5,636	-1,045	2126	-	-	-	-	8,514	-	6,388
<b>Total infrastructure work in progress</b>	<b>13950</b>	<b>-</b>	<b>13950</b>	<b>11268</b>	<b>-6087</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19131</b>	<b>-</b>	<b>19131</b>
<b>Total property, plant and equipment</b>	<b>563,885</b>	<b>-41,506</b>	<b>522,379</b>	<b>21,306</b>	<b>-12136</b>	<b>-13,888</b>	<b>-</b>	<b>-8550</b>	<b>6867</b>	<b>-556</b>	<b>558,611</b>	<b>-43189</b>	<b>515,422</b>

## Infrastructural assets - further disclosures

This year	Additions		
	Closing book value	Additions: constructed by council	Most recent replacement cost estimate for revalued assets
	\$'000	\$'000	\$'000
<b>Infrastructural assets</b>			
Flood protection and control works	524,886	8,881	652,141
<b>Total infrastructural assets</b>	<b>524,886</b>	<b>8,881</b>	<b>652,141</b>

Last year	Additions		
	Closing book value	Additions: constructed by council	Most recent replacement cost estimate for revalued assets
	\$'000	\$'000	\$'000
<b>Infrastructural assets</b>			
Flood protection and control works	483,783	5,159	602,725
<b>Total infrastructural assets</b>	<b>483,783</b>	<b>5,159</b>	<b>602,725</b>

Property, plant and equipment consists of:

Operational assets - these include land, buildings, plant and equipment, and motor vehicles.

Infrastructure assets - infrastructure assets are the flood protection and erosion control assets owned by Waikato Regional Council.

Operational land is measured at fair value, and buildings and infrastructural assets are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

### Work in progress

Included in the operational fixed asset balances as at 30 June 2020 is work in progress in the following asset classes: buildings \$2,057,000 (2019 \$510,000), vehicles \$3,000 (2019 \$39,000), plant and equipment \$204,000 (2019 \$314,000) and EDP \$208,000 (2019 \$363,000).

### Valuation

Land and buildings and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

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.



## Operational land

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

The most recent valuation was performed by P Smith, independent registered valuer of SGHU Valuations, and the valuation is effective as at 30 June 2018.

## Operational buildings

Specialised buildings are valued at fair value using depreciated replacement cost because no reliable market data is available for such buildings.

Depreciated replacement cost is determined using a number of significant assumptions. Significant assumptions include:

- the replacement asset is based on the replacement with modern equivalent assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity
- the replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information
- the remaining useful life of assets is estimated
- straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Non-specialised buildings (for example, residential buildings) are valued at fair value using market-based evidence. Market rents and capitalisation rates are applied to reflect market value.

The most recent valuation was performed by P Smith, independent registered valuer of SGHU Valuations, and the valuation is effective as at 30 June 2018.

## Infrastructural assets

Infrastructural asset classes include the flood protection and drainage assets. These were valued at fair value using depreciated replacement cost because no reliable market data is available.

The most recent valuation was performed by independent valuer Brittney Hill of WSP, and the valuation is effective as at 31 December 2019.

In valuing these assets, a number of assumptions were made especially relating to the attributes of the assets where this information was not held in the database. Some of this information was obtained by visual inspections by the valuers, checking design drawings were available or taking an average from other similar assets where the data was available. Given the long term nature of these assets, estimated useful lives need to be reviewed periodically as the assets age and more reliable data is gathered on actual expiry lengths of asset types. This is also reviewed by the evidenced deterioration of the asset through asset inspections and condition assessments. Values have been derived from the council's record of recent renewal or replacement project costs, the actual cost of recent new works and information held by the valuers for similar types of work. All of these works have been undertaken in a competitive market place. The depreciated replacement cost is estimated based on the age of the asset (in some cases this is an estimate) and the expected life of the asset.

Depreciated replacement cost is determined using a number of significant assumptions and estimates. Significant assumptions and estimates include:

- the replacement asset is based on the reproduction cost of the specific assets with adjustments where appropriate for obsolescence due to over-design or surplus capacity.
- the replacement cost is derived from recent construction contracts of similar assets and Property Institute of New Zealand cost information
- the remaining useful life of assets is estimated
- straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

## Infrastructural land

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

The most recent valuation was performed by Chris Coakley, independent registered valuer of QV Valuations, and the valuation is effective as at 31 December 2019.

## Additions

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

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

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

## Subsequent costs

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 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.

No significant disposals have been made during 2020.

## Impairment

Impairment losses of \$Nil have been recognised by council during 2020 (2019: \$Nil).

## Collateral

No property, plant and equipment are pledged as security for liabilities, there are no restrictions on title.

## Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land and drainage networks, at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Class of asset depreciated	Estimated useful life (Years)
<i>Operational assets</i>	
Buildings	25-75
Motor vehicles	7.5
Computer equipment	4-5
Office furniture	7.5
Plant items	7.5-10
Air Conditioning	20
<i>Infrastructural Assets</i>	
Bridges	50-100

Class of asset depreciated	Estimated useful life (Years)
Channels	100
Control gates	50
Culverts	50-80
Debris traps	100
Detentions	80
Drop structures	50-80
Fencing	30
Floodgates	20-80
General structures	20-80
Plantings	Not depreciated
Pump stations	20-80
Retaining structures	30-100
River training works	50-100
Stopbanks	20-100
Weirs	100

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

#### Critical judgement in applying Waikato Regional Council's accounting policies

##### *Classification of property*

As at 30 June 2020, the council's properties at 319 and 401 Grey Street, Hamilton East have been classified as non-current assets held for sale.

## 26 INTANGIBLE ASSETS

	Computer software \$'000	Total \$'000
<b>Year ended 30 June 2020</b>		
Opening net book amount	4,122	4,122
Additions	333	333
Disposals	-644	-644
Work in progress	2,425	2,425
Amortisation charge	-513	-513
Write back amortisation on disposal	644	644
<b>Closing net book amount</b>	<b>6,367</b>	<b>6,367</b>
Cost	14,727	14,727
Accumulated amortisation and impairment	-8,360	-8,360
<b>Net book amount</b>	<b>6,367</b>	<b>6,367</b>

	Computer software \$'000	Total \$'000
<b>Year ended 30 June 2019</b>		
Opening net book amount	3,044	3,044
Additions	175	175
Disposals	-1704	-1704
Work in progress	1,552	1,552
Amortisation charge	-649	-649
Write back amortisation on disposal	1704	1704
<b>Closing net book amount</b>	<b>4,122</b>	<b>4,122</b>
<b>At 30 June 2019</b>		
Cost	12,613	12,613
Accumulated amortisation and impairment	-8,491	-8,491
<b>Net book amount</b>	<b>4,122</b>	<b>4,122</b>

#### Intangible asset additions

	2019/20 Actual \$'000	2018/19 Last year \$'000
Asset additions developed in-house	-	-
Assets additions purchased	332	175
<b>Net book amount</b>	<b>332</b>	<b>175</b>

Realised gains and losses arising from the disposal of intangible assets are recognised in statement of comprehensive revenue and expenditure in the year in which the disposal occurs.

#### Software acquisition and development

Acquired computer software licenses 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 are recognised as an intangible asset. Direct costs include the software development employee related costs and an appropriate portion of relevant overheads.

Staff training costs are recognised as an expense 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.

#### Amortisation and impairment

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 that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	4 years
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Intangible assets subsequently measured at cost that have an indefinite useful life, or are not yet available for use, and goodwill, are not subject to amortisation and are tested annually for impairment.

Intangible assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss is recognised in the surplus or deficit.

There are no restrictions over the title of intangible assets, nor are any intangible assets pledged as security for liabilities (2019: nil)

## 27 FORESTRY ASSETS

Waikato Regional Council's forestry asset comprises approximately 91 hectares of Pinus radiata forest split between Ryan's block and Kuaoiti Forest. The plantations range in age between 3 and 32 years.

	2019/20 Actual \$'000	2018/19 Last year \$'000
Balance as at 1 July	1,422	1,516
Gains/(losses) arising from changes attributable to physical changes	7	-
Purchases	-	-
Sales	-	-
Harvest	-362	-
Gains/(losses) arising from changes attributable to price changes	-312	-94
<b>Carrying amount at 30 June</b>	<b>755</b>	<b>1,422</b>

Standing forestry assets are independently revalued annually to fair value less estimated costs to sell for one growth cycle. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silviculture costs and takes into consideration environmental, operational and market restrictions. Gains or losses arising on initial recognition of forestry assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell are recognised in the statement of comprehensive revenue and expenditure.

Forestry maintenance costs are included in the surplus or deficit when incurred.

Carl Hanna, a member of New Zealand Institute of Forestry from Wood Marketing Services Ltd, has independently valued the forestry assets as at 30 June 2020. The following significant assumptions have been adopted in determining the fair value of forestry assets:

- a discount rate of 8.0 per cent has been used in discounting the present value of expected cash flows
- the forest has been valued on a going concern basis and only includes the value of the existing crops on a single rotation basis
- the value of the land has been treated as zero because forestry is currently the best use of the land from an environmental and management perspective. The planted forest is part of an integrated land use pattern that mitigates soil erosion.
- both buyer and seller are registered for GST and the impact on the transaction would be neutral.

The following taxation assumptions are made in respect of the forest purchaser:

- rate of taxation is 28 per cent
- tax losses and tax liability are assumed to be claimable/payable in the year costs are incurred or revenue received,
- a value of Cost of Bush Account equal to the estimated tree crop value is included in the cashflow to be deducted against future revenue,
- the forest is retained by the prospective purchaser through to maturity,
- the new ownership of the forest is effected by equity funding only,
- no change in the New Zealand tax law for the cashflow period considered.

Financial risk management strategies

Waikato Regional Council is exposed to financial risks arising from changes in timber prices. The council is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future and therefore has not taken any measures to manage the risks of a decline in timber prices. The council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

## 28 DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

Directly attributable depreciation and amortisation expense by group of activity were:

	2019/20 Actual \$'000	2018/19 Last year \$'000
Community and services	-	-
Civil defence and emergency management	20	20
Regional hazards and emergency response	-	-
Flood protection and control works	6,422	6,104
Integrated catchment management	46	50
Public transport	103	58
Resource use	-	-
Science and strategy	-	-
Council controlled organisations	-	-
Corporate and self funding	2,703	2,967
Depreciation and amortisation not directly related to group of activities	-	-
Total depreciation and amortisation expense	9,294	9,199

## 29 ASSET INSURANCE

As at 30 June 2020, the council held insurance contracts in relation to its property, plant and equipment, and Intangible Assets on the following basis:

- Total insurance contracts to the value of \$150 million in relation to operational assets and intangible assets having a book value of \$20,380 million (2018 \$16.630 million).
- Total insurance contracts to the value of \$300 million in relation to infrastructure assets having a book value of \$541.577 million (2019: \$502.914 million). These insurance contracts provide for the recovery of 40 per cent of the costs of loss or damage to declared assets. The council assumes that, in the event of a major disaster, central government will meet the other 60 per cent of costs.
- An insurance contract to the value of \$12 million in relation to infrastructure assets having a book value of \$541.577 million (2019: \$502.914 million). This insurance provides for the recovery of 100 per cent of the costs of loss or damage to declared assets in excess of the insurance policy deductible of \$500,000.



The council's infrastructure and material damage insurance policies are held collectively with other councils in the region. In the case of a major event affecting the assets of more than one council, the insurance cover would respond to costs incurred by all councils impacted up to the maximum level of cover.

In addition to the insurance contracts noted above, the council maintains disaster recovery reserves to meet the costs of damage to flood protection schemes that may not be recoverable through insurance (for example, costs associated with channel clearance). At 30 June 2020 the balance of these reserves was \$7.905 million (2019: \$7.969 million).

### 30 INVENTORIES AND WORK IN PROGRESS

	2019/20 Actual \$'000	2018/19 Last year \$'000
<i>Inventory held for distribution</i>		
Raw materials at cost	507	466
<i>Commercial inventories</i>		
<i>Inventory held for use in the provision of services</i>		
Work in progress	1,432	985
<b>Total inventory and work in progress</b>	<b>1,939</b>	<b>1,451</b>

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 FIFO method) adjusted when applicable, for any loss of service potential. Inventory acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first-in first-out (FIFO) method.

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

Work in progress represents unbilled costs associated with consent processing and compliance monitoring. This balance is reduced as costs are invoiced and become a debtor.

### 31 Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from the council's financing activities. In accordance with its treasury policy, the council does not hold or issue derivative financial instruments for trading purposes. The council has elected not to apply hedge accounting.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance date with the resulting gain or loss recognised in the surplus or deficit.

A forward foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date. Otherwise, the full fair value of forward foreign exchange derivatives is classified as non-current. The portion of the fair value of an interest rate derivative that is expected to be realised or settled within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Current liability portion</b>		
Forward foreign exchange contracts	-	7
<b>Non-current liability portion</b>		
Interest rate swaps	2,397	1,250
<b>Total non-current liability portion</b>	<b>2,397</b>	<b>1,250</b>
<b>Total derivative financial instrument liabilities</b>	<b>2,397</b>	<b>1,257</b>

#### Information about interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts totaled \$18 million (2019 \$18 million). The fixed interest rates of interest rate swaps varied from 2.28 per cent to 2.98 per cent.

The council currently has no fair value hedges.

#### Information about forward foreign exchange contracts

The notional principal amounts of outstanding forward foreign exchange contracts in NZ\$ were \$nil (2019 \$403,000). The foreign currency principal amounts were nil (2019 GBP 209,000).

### 32 NON-CURRENT ASSETS HELD FOR SALE

#### Accounting policy

An asset is held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. On classification as 'Held for Sale', non current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as 'Held for Sale' are included in the statement of comprehensive revenue and expenditure.

Waikato Regional Council owned properties on 401 and 319 Grey Street have been presented as held for sale following the approval by the council to sell the premises. The council has approved the sale of the properties, as it will relocate to new premises. The completion date of the sale of 319 Grey Street will be December 2020, the completion date of the sale of 401 Grey Street is expected to be March 2021.

	2019/20 Actual \$'000	2018/19 Last year \$'000
Non-current assets held for sale are:		
Land and Buildings	12,250	12,250
<b>Total non-current assets held for sale</b>	<b>12,250</b>	<b>12,250</b>

The value of the non-current assets held for sale is measured at fair value.

### 33 CREDITORS AND OTHER PAYABLES

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Non-exchange</b>		
Funds held on behalf of third parties	1,003	588
<b>Total creditors and other payables from non-exchange transactions</b>	<b>1,003</b>	<b>588</b>
<b>Exchange</b>		
Trade payables	11,353	10,296
Deposits and bonds	1,263	695
Accrued expenses	2,546	2,402
Other payables	4,558	3,669
<b>Total creditors and other payables from exchange transactions</b>	<b>19,720</b>	<b>17,062</b>
<b>Total current creditors and other payables</b>	<b>20,723</b>	<b>17,650</b>

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payable approximates their fair value.

Short-term creditors and other payables are recorded at their face value.

### 34 BORROWING

#### Accounting policy

Borrowings are initially recognised at their fair value plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

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

	2019/20 Actual \$'000	2018/19 Last year \$'000
Secured borrowing	2,009	2,012
<b>Total secured current interest bearing borrowings</b>	<b>2,009</b>	<b>2,012</b>
<b>Total current portion</b>	<b>2,009</b>	<b>2,012</b>
Secured borrowing	30,132	20,121
<b>Total secured non-current interest bearing borrowings</b>	<b>30,132</b>	<b>20,121</b>
<b>Total non-current portion</b>	<b>30,132</b>	<b>20,121</b>

#### Interest terms for secured loans

The council's secured debt of \$32.141 million (2019 \$22.133) is issued at a mixture of floating rates, with interest rates reset quarterly based on the 90-day bank bill rate plus a margin for credit risk, and fixed rates of interest. Council has eight swap contracts in place (2019 eight). These swap contracts have a notional value of \$18 million dollars (2019 \$18 million). The swaps convert part of council's borrowing from floating to fixed rates. All the swaps were put in place in the 2018/19 financial year and there were no maturities during the year.

At 30 June 2020, total borrowings from the Local Government Funding Agency Ltd were \$32 million (2019 \$22 million). The average cost of interest was 2.51 per cent (2019 2.55).

## Security

The council's secured loans are secured over either targeted or general rates of the council.

## Fair values

Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of secured loans approximates their fair value.

## 35 INTERNAL BORROWING

2020	Opening principal	Loans raised	Repayment	Closing principal	Interest charged
Description	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>					
Lower Waikato zone	-	-	-	-	-
Lake Taupo zone	-	-	-	-	-
Coromandel zone	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
Corporate	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
Strategic and Integrated Planning (Home of cycling)	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>2019</b>	<b>Opening principal</b>	<b>Loans raised</b>	<b>Repayment</b>	<b>Closing principal</b>	<b>Interest charged</b>
<b>Description</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Flood protection and control works</b>					
Lower Waikato zone	297	-	-297	-	-
Lake Taupo zone	464	-	-464	-	-
Coromandel zone	2408	-	-2408	-	-
<b>Total</b>	<b>3169</b>	<b>-</b>	<b>-3169</b>	<b>-</b>	<b>-</b>
Corporate	3648	-	-3648	-	-
<b>Total</b>	<b>3648</b>	<b>-</b>	<b>-3648</b>	<b>-</b>	<b>-</b>
Strategic and Integrated Planning (Home of cycling)	4640	-	-4640	-	-
<b>Total</b>	<b>4640</b>	<b>-</b>	<b>-4640</b>	<b>-</b>	<b>-</b>
<b>Total internal borrowing</b>	<b>11457</b>	<b>-</b>	<b>-11457</b>	<b>-</b>	<b>-</b>

As part of the 2018-2028 Long Term Plan, the council established an external borrowing program. In accordance with this decision, and in line with the revised Treasury Risk Management Policy, existing internal loans were transferred to the new external borrowing program in July 2018.

In accordance with the Treasury Risk Management Policy, the council is permitted to borrow internally from the investment fund to meet the costs of the expansion or renewal of assets and community infrastructure, and to address short term cashflow timing issues.

### 36 CAPITAL COMMITMENTS AND OPERATING LEASES

Capital expenditure contracted for at the reporting date but not recognised as liabilities as follows:

	2019/20 Actual \$'000	2018/19 Last year \$'000
<b>Capital commitments</b>		
Vehicles	531	264
Other plant and equipment	887	301
Intangible assets	322	110
Flood protection and control	1,782	1,355
<b>Total capital commitments</b>	<b>3,522</b>	<b>2,030</b>

Capital commitments relate to property, plant, equipment and intangibles. There are no commitments at balance date for forestry assets.

#### Operating leases as lessee

Waikato Regional Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 12 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows.

	2019/20 Actual \$'000	2018/19 Last year \$'000
Not later than one year	2,123	1,190
Later than one year and not later than five years	11,420	11,603
Later than five years	30,583	30,886
<b>Total non-cancellable operating leases</b>	<b>44,126</b>	<b>43,679</b>

The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is \$nil (2019 \$nil).

Leases can be renewed at Waikato Regional Council's option, with rents set by reference to current market rates for items of equivalent age and condition.

There are no restrictions placed on Waikato Regional Council by any of the leasing arrangements.

#### Operating leases as lessor

Waikato Regional Council leases property it owns under operating leases. Both leases have a non-cancellable term of 36 months. Waikato Regional Council further subleases part of a property it leases. This sublease has a non-cancellable term of six years. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows.

	2019/20 Actual \$'000	2018/19 Last year \$'000
Not later than one year	236	331
Later than one year and not later than five years	315	455
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>551</b>	<b>786</b>

No contingent rents have been recognised during the period.

### Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

## 37 CONTINGENT LIABILITIES

### Quantifiable claims

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.

### Unquantified claims

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.

No unquantifiable material exposures related to any legal matters has been estimated (2019: \$Nil)

### Local Government Funding Agency

Waikato 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 and it has a current credit rating from Standard and Poor's of AA+.

The council is one of 54 local authority guarantors of the LGFA. The aggregate amount of uncalled shareholder capital (\$20 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 LGFA's borrowings. At 30 June 2020, LGFA had borrowings totaling \$11.908 billion (2019 \$9.263 billion).

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 has therefore 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
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

No contingent assets have been estimated has been estimated (2019: \$Nil)



### 38 EQUITY

	2019/20 Actual \$'000	2018/19 Last year \$'000
Accumulated funds	224,451	226,964
Other reserves	433,215	392,923
<b>Balance at 30 June 2020</b>	<b>657,666</b>	<b>619,887</b>

#### Accumulated funds

Balance at 1 July	226,964	233,862
Transfer to reserves	103	-6,909
Surplus/(deficit) for the year	-2,616	11
<b>Balance 30 June</b>	<b>224,451</b>	<b>226,964</b>

Reserve	Activities to which the reserve relates	Balance 1 July \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Balance 30 June \$'000
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#### 2020

Regional disaster recovery	Integrated catchment management; Flood protection and control works	4,403	963	-769	4,592
Waihou/Piako Zone	Integrated catchment management; Flood protection and control works	166	12,063	-12,934	-705
Lower Waikato main channel	Flood protection and control works	2,402	-	-	2,402
Project Watershed	Integrated catchment management; Flood protection and control works	6,741	24,842	-22,595	8,988
Coromandel Peninsula	Integrated catchment management; Flood protection and control works	3,334	2,621	-2,340	3,615
West coast	Integrated catchment management; Flood protection and control works	71	1,248	-1,247	72
Zone disaster recovery	Integrated catchment management; Flood protection and control works	3,299	716	-703	3,312
Pathways to the sea	Integrated catchment management; Flood protection and control works	-	254	-	254
Drainage boards	Flood protection and control works	-1,883	5,657	-5,737	-1,963
Civil defence	Emergency management	416	8,315	-8,866	-135
Heritage	Integrated catchment management	1,351	161	-373	1,139
Biosecurity	Integrated catchment management	3,393	2,802	-2,136	4,059
Environmental initiatives	Integrated catchment management	166	158	-198	126
Koi carp digester	Integrated catchment management	21	25	-47	-1
General reserves	Community and services	562	2,197	-2,611	148
Permitted activity monitoring	Resource use	-256	800	-541	3

Reserve	Activities to which the reserve relates	Balance 1 July \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Balance 30 June \$'000
Building Act contingency	Resource use	97	19	-22	94
Complaints and enforcement	Resource use	72	-	-	72
Stock truck effluent	Science and strategy	507	973	-1,118	362
Public transport	Public transport	1,437	12,259	-12,259	1,437
Integrated Regional Information System (IRIS)	Corporate (council controlled organisations)	389	-	-	389
Motor vehicle and plant	Corporate	510	2,181	-2,048	643
Operational fixed asset depreciation	Corporate	1,247	-	-	1,247
Communications network	Corporate	550	-	-	550
Investment fund equalisation	Corporate (Treasury)	12,536	8,308	-9,139	11,705
Investment fund capital protection	Corporate (Treasury)	9,077	1,652	-419	10,310
Hauraki plan change	Science and strategy	243	-	-50	193
Regional development fund	Science and strategy	4,995	1,553	-1,010	5,539
Contaminated Land Investigation	Integrated catchment management	338	60	-	398
Derivative Financial Instrument	Corporate (Treasury)	-1,257	7	-1,147	-2,397
		54927	89834	-88309	56452

Reserve	Activities to which the reserve relates	Balance 1 July \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Balance 30 June \$'000
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#### 2019

Regional disaster recovery	Integrated catchment management; Flood protection and control works	4,209	725	-531	4,403
Waihou/Piako Zone	Integrated catchment management; Flood protection and control works	1162	11,222	-12,218	166
Lower Waikato main channel	Flood protection and control works	2,402	-	-	2,402
Project Watershed	Integrated catchment management; Flood protection and control works	4,043	19,691	-16,993	6,741
Coromandel Peninsula	Integrated catchment management; Flood protection and control works	3,627	577	-870	3,334
West coast	Integrated catchment management; Flood protection and control works	20	1,983	-1,932	71

Reserve	Activities to which the reserve relates	Balance 1 July \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Balance 30 June \$'000
Zone disaster recovery	Integrated catchment management; Flood protection and control works	3,133	566	-400	3,299
Drainage boards	Flood protection and control works	-1,258	11,487	-12,112	-1,883
Civil defence	Emergency management	506	7,884	-7,974	416
Whitianga Coastal Modelling	Science and strategy	120	120	-240	-
Heritage	Integrated catchment management	1,387	195	-231	1,351
Biosecurity	Integrated catchment management	3096	1423	-1126	3393
Environmental initiatives	Integrated catchment management	164	184	-182	166
Koi carp digester	Integrated catchment management	37	-	-16	21
General reserves	Community and services	163	3433	-3034	562
Permitted activity monitoring	Resource use	-409	359	-206	-256
Building Act contingency	Resource use	94	3	-	97
Complaints and enforcement	Resource use	72	-	-	72
Stock truck effluent	Science and strategy	430	734	-657	507
Home of cycling	Science and strategy	-4640	4640	-	-
Public transport	Public transport	1870	16,393	-16,826	1437
Integrated Regional Information System (IRIS)	Corporate (council controlled organisations)	430	-	-41	389
Motor vehicle and plant	Corporate	392	787	-669	510
Computer	Corporate	67	1,096	-1,163	-
Operational fixed asset depreciation	Corporate	1,357	-	-110	1,247
Communications network	Corporate	550	-	-	550
Investment fund equalisation	Corporate (Treasury)	13,973	17,665	-19,102	12,536
Investment fund capital protection	Corporate (Treasury)	7698	1700	-321	9077
Healthy rivers internal loan	Science and strategy	-953	1068	-115	-
Derivative financial instruments		-	-	-	-
River restoration strategy	Science and strategy	-	-	-	-
Hauraki plan change	Science and strategy	243	-	-	243
Regional development fund	Science and strategy	3483	1512	-	4995
Contaminated Land Investigation	Integrated catchment management	205	134	-1	338

Reserve	Activities to which the reserve relates	Balance 1 July \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Balance 30 June \$'000
Derivative financial instruments	Corporate (Treasury)	-	-	-1257	-1257
		47,673	105,581	-98,327	54,927

Balance 1 July \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Balance 30 June \$'000
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#### Asset revaluation reserve 2020

Operational buildings	74	-	-	74
Operational Land	3,440	-	-	3,440

#### Infrastructural assets

- Bridges	917	-	-59	858
- Channels	3,856	1,615	-	5,471
- Control gates	208	-	-208	-
- Culverts	1,262	156	-	1,418
- Debris traps	170	8	-	178
- Detentions	2,843	204	-	3,047
- Fencing	4,228	100	-	4,328
- Floodgates	27,670	1,427	-231	28,866
- Land	40,441	4,320	-	44,761
- Plantings	101	13	-	114
- Pump stations	19,809	5,384	-234	24,959
- Retaining structures	10,469	-	-899	9,570
- River training works	275	218	-	493
- Stopbanks	220,900	26,640	-	247,540
- Structures	1,152	273	-	1,425
- Weirs	180	40	-	220
<b>Balance at 30 June</b>	<b>337,995</b>	<b>40,398</b>	<b>-1,631</b>	<b>376,762</b>

	Balance 1 July \$'000	Transfers into fund \$'000	Transfers out of fund \$'000	Balance 30 June \$'000
<b>Asset revaluation reserve 2019</b>				
Operational buildings	848	-	-774	74
Operational Land	3,071	369	-	3,440
<b>Infrastructural assets</b>				
- Bridges	917	-	-	917
- Channels	3,811	45	-	3,856
- Control gates	208	-	-	208
- Culverts	1,262	-	-	1,262
- Debris traps	170	-	-	170
- Detentions	2,843	-	-	2,843
- Fencing	4,231	-	-3	4,228
- Floodgates	28,098	-	-428	27,670
- Land	40,441	-	-	40,441
- Plantings	115	-	-14	101
- Pump stations	19,754	55	-	19,809
- Remaining structures	10,469	-	-	10,469
- River training works	275	-	-	275
- Stopbanks	220,900	-	-	220,900
- Structures	1,152	-	-	1,152
- Weirs	180	-	-	180
<b>Balance at 30 June</b>	<b>338,745</b>	<b>469</b>	<b>-1,219</b>	<b>337,995</b>

	2019/20 Actual \$'000	2018/19 Last year \$'000
Balance 1 July	337,995	338,745
Revaluation adjustment	40,395	-405
Transfer to accumulated funds on disposal of property	-1,628	-345
<b>Balance 30 June</b>	<b>376,762</b>	<b>337,995</b>

#### Disaster recovery (regional and zone)

To provide funding to respond to natural disaster events, including the funding of insurance excesses.

#### Waihou/Piako zone

To recognise the difference between actual and budgeted expenditure in relation to this zone. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged. The reserve also recognises revenue generated to fund capital expenditure.

### Project watershed (including lower Waikato main channel)

To recognise the difference between actual and budgeted expenditure in relation to this zone. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged. The reserve also recognises revenue generated to fund capital expenditure.

### Coromandel peninsula

To recognise the difference between actual and budgeted expenditure in relation to this zone. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged. The reserve also recognises revenue generated to fund capital expenditure

### West coast

To recognise the difference between actual and budgeted expenditure in relation to this zone. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged. The reserve also recognises revenue generated to fund capital expenditure.

### Pathways to the sea

To hold funds set aside for the council's contribution to developing a strategy for the management of downstream fish passage impediments associated with council owned flood protection schemes in the Waikato region.

### Drainage boards

To recognise the difference between actual and budgeted expenditure in relation to the council's land drainage functions. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged. The reserve also recognises revenue generated to fund capital expenditure

### Civil defence

To recognise the difference between actual and budgeted expenditure in relation to civil defence function. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged. The reserve also recognises revenue generated to fund capital expenditure

### Whitianga coastal modelling

To hold funds set aside for the council's contribution to coastal erosion modelling and information.

### Natural Heritage

To recognise the difference between actual and budgeted natural heritage expenditure. Applications to the Natural Heritage fund occur in an ad hoc manner. Maintenance of a reserve ensures that funds can be accumulated across financial years, and made available once suitable applications for funding are received.

### Biosecurity

To recognise the difference between actual and budgeted biosecurity expenditure. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged.

### Environmental Initiatives

To recognise the difference between actual and budgeted expenditure in relation to the Environmental Initiatives Fund. Expenditure from the Environmental Initiatives Fund is dependent on applications received each financial year. The use of a reserve ensures that unspent funds can be accumulated across financial years.

### Koi carp digester

To manage application of the external funding over the life of this asset.

### General reserves

To smooth the costs of the triennial elections over the three year term of the council.

### Permitted activity monitoring

To recognise the difference between actual and budgeted permitted activity monitoring expenditure. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged.

### Building act contingency

A legal contingency fund in relation to the council's responsibilities under the Building Act 2004. Waikato Regional Council acts as the consenting authority on behalf of a number of other local authorities.

### Complaints and enforcement

The compliance and enforcement reserve is held to manage variability in the annual revenue generated from this activity. While a budget provision for revenue recoveries is made, actual revenue received may vary from this amount due to matters outside of the control of the council.

### Stock truck effluent

To recognise the difference between actual and budgeted expenditure in relation to this activity.

### Home of cycling

To manage the grant payments to the Home of Cycling and its annual repayments by the annual targeted rates.

### Public transport

To recognise the difference between actual and budgeted passenger transport expenditure. This activity is funded by way of a targeted rate. The application of a reserve ensures that the targeted rate revenue is only applied for the purpose it was charged. The reserve balance will be held at a level that provides some mitigation against increasing costs for these services. This reserve will also be used for the electronic ticketing system.

### Integrated Regional Information System (IRIS)

To allow funding for the IRIS project to be smoothed over the development period. The reserve is expected to be fully expended once the project is completed.

### Protecting Lake Taupō

To recognise the difference between rates revenue received and payments made to the Lake Taupō Protection Trust.

### Motor vehicle and plant

To recognise the difference between actual and budgeted expenditure. Reserve funds may be applied to the funding of vehicle and plant capital expenditure.

### Computer

To recognise the difference between actual and budgeted expenditure. Reserve funds may be applied to the funding of information technology capital expenditure.

### Operational fixed asset depreciation

To recognise the difference between budgeted and actual operational fixed asset depreciation. To ensure that depreciation funding is not applied to general council expenditure.

### Communications network

To recognise the difference between actual and budgeted expenditure. Reserve funds may be applied to the funding of communications network capital expenditure.



### Investment fund equalisation reserve

To provide a smoothing of the impact of variable investment fund returns over time. The investment equalisation reserve tracks the difference between the budgeted fund return and the actual fund return each year.

### Investment fund capital protection

To recognise the provision for the investment fund inflation proofing.

### Healthy Rivers internal loan

To allow the funding for costs incurred through the Healthy Rivers Wai Ora implementation plan to be spread over the agreed funding period.

### River Restoration Strategy

To track funding managed on behalf of the council and project partners for the development of the Waikato River Restoration Strategy.

### Hauraki plan change

To track funding set aside for the development of the change to the Regional Plan for the Hauraki Catchment area.

### Regional Development Fund

To track funding set aside to form the council's regional development fund.

### Asset revaluation reserve

The property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

### Derivative financial instruments

To recognise the fluctuations in the value of derivative financial instruments. As financial instruments are held to maturity, movements in the value of the instruments at 30 June 2020 are not realised.

### Accounting Policy

Equity is the community's interest in the council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- accumulated funds
- property revaluation reserves
- restricted reserves.

### Restricted reserves

The council created 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 the 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.

### Property revaluation reserve

This reserve relates to the revaluation of property, plant and equipment to fair value.

## 39 CAPITAL MANAGEMENT

The council's capital is its equity (or ratepayer's funds), which comprises retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) 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. Ratepayers' 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 Act and applied by the council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the council's assets but 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 Act 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 Act sets out the factors the council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and the levels of funding are set out in the funding and financial policies in the LTP.

Waikato Regional Council has the following council created reserves:

- reserves for different areas of benefit
- self-insurance reserves.

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

Self-insurance reserves are built up annually from rates and are made available for specific unforeseen events. The release of these funds generally can only be approved by the council.

## 40 COMPLIANCE WITH THE COUNCIL'S POLICIES

The Local Government Act 2002 requires all local authorities to prepare the following policies and plans:

- long term plan
- revenue and financing policy
- treasury risk management policy (incorporating liability and investment management policies)
- development contributions or financial contributions policy
- remission and postponement of rates on Maori freehold land.

In addition, local authorities may adopt a rates remission policy and a rates postponement policy.

## 41 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

## 42 STATEMENTS OF SERVICE PERFORMANCE

Under the Local Government Act 2002, the council is required to report on its performance as it relates to measures established in the annual plan. Elements of cost, quality, quantity, timeliness and location (where applicable) must be built into each service performance area. These elements have been covered. Quality processes (which affect the quality of output) are also a standard feature of the internal management control systems, in particular as follows.

### Preparation of internal reports

Internal reports are prepared by suitably qualified and experienced staff. Significant reports are subject to a peer review process/consultation review.

## Capital works

Capital works are constructed to design specifications. Inspections of works are undertaken by suitably qualified and experienced engineers.

## Maintenance works

Maintenance works are undertaken by employees or by contract under the supervision of suitably qualified and experienced engineers and monitored thereafter in accordance with the maintenance programme.

## Performance review

As part of the annual planning and reporting cycle, the organisation's performance is formally assessed by the council three times during the financial year. At these reviews, progress with the achievement of the performance measures stated in the Annual Plan is evaluated. Where circumstances have changed, adjustments are made to the budget through a resolution of the council.

## 43 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. The country was in lockdown at Alert Level 4 from 26 March 2020 to 27 April 2020, and then remained in lockdown at Alert Level 3 until 13 May 2020. After 13 May 2020, the country moved back to level 2 and 1. Economic uncertainties have arisen which are likely to negatively affect our operations and services.

The effect on our operations is reflected in these financial statements, based on the information available up to the date these 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 to nine essential services, namely:

- natural hazard event monitoring, response and recovery (including a 24/7 flood monitoring programme)
- flood and drought management, flood protection and land drainage
- incident/pollution response including related enforcement
- compliance monitoring programmes for high risk activities as they relate to human health
- environmental monitoring, including sampling and analysing water quality for safe human activities
- ensuring maritime navigation safety
- public transport (for essential travel only)
- civil defence and emergency management
- biosecurity incursion response and eradication.

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

	2019/20 \$000	Impacts
<b>Revenue</b>		
Subsidies and grants	849	Additional NZTA revenue received to fund free bus services April to June 2020 (\$1.529 million). Delays in Hamilton to Auckland rail service start reducing grant claim with NZTA \$680,000.
Other revenue	(1,529)	Loss in fare revenue as a result of bus services being free from April to June 2020
<b>Total Revenue</b>	<b>(680)</b>	

	2019/20 \$000	Impacts
<b>Expenses</b>		
Other expenses	(1,400)	Increased costs (\$500,000) attributed to the activation of the Civil Defence Emergency Management response to COVID-19. Delays in biosecurity activities (\$1 million) due to COVID-19 lockdown. Reduction in expenses due to delayed Hamilton to Auckland rail service start date (\$900,000)
<b>Total expenses</b>	<b>(1,400)</b>	
<b>Surplus/(deficit)</b>		
	<b>720</b>	
Capital expenditure Infrastructure	(1,625)	Delays in Infrastructure work due to COVID-19 lockdown (\$1.625 million)
Capital expenditure operating	(375)	Ticketing programme for Hamilton to Auckland rail service delayed due to overall project delays from lockdown period

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.

Fair value assessments have been performed for all Property, Plant and Equipment that is revalued (note 25), and non-current assets held for sale (note 23). We believe the current carrying value of the assets represents fair value and no adjustments have been required for COVID-19. Further information about the key valuation assumptions used in estimating the fair value as at 30 June 2020 are provided in the respective notes. An impairment assessment has also been completed for intangible assets. No impairment losses have been recognised because of COVID-19.

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

# Group of activity funding impact statements

## COMMUNITY AND SERVICES

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	9,205	9,878	9,399
Targeted rates	831	1035	832
Subsidies and grants for operating purposes	523	536	348
Fees and charges	200	210	192
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>10,759</b>	<b>11,659</b>	<b>10,771</b>

<b>Applications of operating funding</b>			
Payments to staff and suppliers	6,646	10,106	5,729
Finance costs	-	93	-
Internal charges and overheads applied	3,866	4,205	3,607
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>10,512</b>	<b>14,404</b>	<b>9,336</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>247</b>	<b>(2,745)</b>	<b>1,435</b>

<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	2,413	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>2,413</b>	<b>-</b>

<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	247	(332)	1,435
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>247</b>	<b>(332)</b>	<b>1,435</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(247)</b>	<b>2,745</b>	<b>(1,435)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

## WAIKATO CIVIL DEFENCE EMERGENCY MANAGEMENT GROUP

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	1,766	1,878	1,890
Subsidies and grants for operating purposes	-	-	-
Fees and charges	646	615	720
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>2,412</b>	<b>2,492</b>	<b>2,610</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,835	1,853	2,843
Finance costs	-	-	-
Internal charges and overheads applied	619	651	862
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,454</b>	<b>2,504</b>	<b>3,705</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(42)</b>	<b>(12)</b>	<b>(1,095)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	-	-	-
<b>Applications of capital funding</b>			
Capital expenditure	-	-	-
- to meet additional demand	-	-	-
- to improve the level of service	-	-	68
- to replace existing assets	0	0	0
Increase (decrease) in reserves	(42)	(12)	(1,163)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>(42)</b>	<b>(12)</b>	<b>(1,095)</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>42</b>	<b>12</b>	<b>1,095</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

## REGIONAL HAZARDS AND EMERGENCY RESPONSE

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	1,760	1,801	1,809
Targeted rates	-	-	(2)
Subsidies and grants for operating purposes	-	-	-
Fees and charges	177	182	47
Internal charges and overheads recovered	155	155	155
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>2,092</b>	<b>2,138</b>	<b>2,009</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,296	1,316	2,092
Finance costs	-	-	-
Internal charges and overheads applied	796	822	2,329
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>2,092</b>	<b>2,138</b>	<b>4,421</b>



	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Surplus (deficit) of operating funding (A-B)</b>	-	-	(2,412)
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	-	-	-
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	-	-	(2,412)
Increase (decrease) of investments	-	-	
<b>Total applications of capital funding (D)</b>	-	-	(2,412)
<b>Surplus (deficit) of capital funding (C-D)</b>	-	-	2,412
<b>Funding balance ((A-B)+(C-D))</b>	-	-	-

## FLOOD PROTECTION AND CONTROL WORKS

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	2,607	2,914	2,956
Targeted rates	17,477	19,867	19,804
Subsidies and grants for operating purposes	-	-	-
Fees and charges	794	806	1080
Internal charges and overheads recovered	2,804	2,999	1,874
Local authorities fuel tax, fines, infringement fees, and other receipts			6
<b>Total operating funding (A)</b>	<b>23,682</b>	<b>26,586</b>	<b>25,720</b>

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Applications of operating funding</b>			
Payments to staff and suppliers	12,008	12,757	11,960
Finance costs	381	659	199
Internal charges and overheads applied	6,076	6,355	6,283
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>18,465</b>	<b>19,771</b>	<b>18,442</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>5,217</b>	<b>6,815</b>	<b>7,278</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	13,565	5,205	(2,245)
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>13,565</b>	<b>5,205</b>	<b>(2,245)</b>
<b>Applications of capital funding</b>	-	-	-
Capital expenditure	-	-	-
- to meet additional demand	-	-	-
- to improve the level of service	162	70	1,698
- to replace existing assets	13,248	11,825	4,849
Increase (decrease) in reserves	5,372	125	(1,514)
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>18,782</b>	<b>12,020</b>	<b>5,033</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(5,217)</b>	<b>(6,815)</b>	<b>(7,278)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

## INTEGRATED CATCHMENT MANAGEMENT

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	7,901	8,532	8,632
Targeted rates	15,533	17,454	17,140
Subsidies and grants for operating purposes	274	-	-
Fees and charges	1,758	1,158	4,650
Internal charges and overheads recovered	1,015	1,038	851
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	51
<b>Total operating funding (A)</b>	<b>26,481</b>	<b>28,182</b>	<b>31,324</b>

<b>Applications of operating funding</b>			
Payments to staff and suppliers	19,867	20,266	20,436
Finance costs	(82)	(56)	(86)
Internal charges and overheads applied	8,505	9,161	9,003
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>28,290</b>	<b>29,372</b>	<b>29,353</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(1,809)</b>	<b>(1,190)</b>	<b>1,971</b>

<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	465	472	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>465</b>	<b>472</b>	<b>-</b>

<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase (decrease) in reserves	(1,344)	(717)	1,971
Increase (decrease) of investments			

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
Total applications of capital funding (D)	(1,344)	(717)	1,971
Surplus (deficit) of capital funding (C-D)	1,809	1,189	(1,971)
Funding balance ((A-B)+(C-D))	-	-	-

## PUBLIC TRANSPORT

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates	7,969	9,615	9,266
Subsidies and grants for operating purposes	12,519	15,641	14,493
Fees and charges	7,706	9,706	5,499
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>28,194</b>	<b>34,962</b>	<b>29,258</b>

<b>Applications of operating funding</b>			
Payments to staff and suppliers	25,079	33,376	27,232
Finance costs	-	-	-
Internal charges and overheads applied	1,034	1,097	1,275
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>26,113</b>	<b>34,473</b>	<b>28,507</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>2,081</b>	<b>489</b>	<b>751</b>

<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	-	-	-
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	160	79	1,116
- to replace existing assets	-	-	-
Increase (decrease) in reserves	1,921	410	(365)
Increase (decrease) of investments			
<b>Total applications of capital funding (D)</b>	<b>2,081</b>	<b>489</b>	<b>751</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(2,081)</b>	<b>(489)</b>	<b>(751)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>

## RESOURCE USE

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	7,758	8,149	8,335
Targeted rates	1,416	1,450	1,517
Subsidies and grants for operating purposes	-	-	-
Fees and charges	6,244	6,421	7,609
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees, and other receipts	345	345	1,126
<b>Total operating funding (A)</b>	<b>15,763</b>	<b>16,365</b>	<b>18,587</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	9,504	9,691	10,335
Finance costs	96	187	117
Internal charges and overheads applied	6,539	6,840	6,994
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>16,139</b>	<b>16,718</b>	<b>17,446</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(376)</b>	<b>(353)</b>	<b>1,141</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
Development and financial contributions	-	-	-
Increase (decrease) in debt	2,479	1,758	2,083
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>2,479</b>	<b>1,758</b>	<b>2,083</b>

<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	-	1,198	1,774
- to replace existing assets	140	142	140
Increase (decrease) in reserves	1,963	66	1,310
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>2,103</b>	<b>1,405</b>	<b>3,224</b>

<b>Surplus (deficit) of capital funding (C-D)</b>	<b>376</b>	<b>353</b>	<b>(1,141)</b>
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<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
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## SCIENCE AND STRATEGY

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	20,529	22,735	21,993
Targeted rates	-	-	-
Subsidies and grants for operating purposes	583	858	534
Fees and charges	3,074	3,451	2,764
Internal charges and overheads recovered	814	776	758
Local authorities fuel tax, fines, infringement fees, and other receipts	-	-	-
<b>Total operating funding (A)</b>	<b>25,000</b>	<b>27,820</b>	<b>26,049</b>

<b>Applications of operating funding</b>			
Payments to staff and suppliers	15,360	17,695	13,542
Finance costs	172	162	162

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
Internal charges and overheads applied	9,874	10,306	9,875
Other operating funding applications			-
<b>Total applications of operating funding (B)</b>	<b>25,406</b>	<b>28,164</b>	<b>23,579</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>(406)</b>	<b>(344)</b>	<b>2,470</b>

<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	4,549	(98)	(269)
Gross proceeds from the sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>4,549</b>	<b>(98)</b>	<b>(269)</b>

<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	581	920	272
- to replace existing assets	550	559	260
Increase (decrease) in reserves	3,012	(1,920)	1,669
Increase (decrease) of investments	-	-	-
<b>Total applications of capital funding (D)</b>	<b>4,143</b>	<b>(442)</b>	<b>2,201</b>

<b>Surplus (deficit) of capital funding (C-D)</b>	<b>406</b>	<b>344</b>	<b>(2,470)</b>
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<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>
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## CORPORATE, SELF FUNDING AND OTHER

	2019 LTP (\$'000)	2020 LTP (\$'000)	2020 Actual (\$'000)
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	(1,994)	(2,899)	(2,826)
Targeted rates	-	-	(1)
Subsidies and grants for operating purposes	0	0	-
Fees and charges	416	416	577
Internal charges and overheads recovered	34,488	36,101	37,705
Local authorities fuel tax, fines, infringement fees, and other receipts	6,643	6,756	4,742
<b>Total operating funding (A)</b>	<b>39,553</b>	<b>40,374</b>	<b>40,197</b>

<b>Applications of operating funding</b>			
Payments to staff and suppliers	34,571	34,441	40,702
Finance costs	291	442	267
Internal charges and overheads applied	814	776	779
Other operating funding applications	-	-	-
<b>Total applications of operating funding (B)</b>	<b>35,676</b>	<b>35,659</b>	<b>41,727</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>3,877</b>	<b>4,715</b>	<b>(1,530)</b>

<b>Sources of capital funding</b>			
Subsidies and grants for capital expenditure	-	-	-
Development and financial contributions	-	-	-
Increase (decrease) in debt	9,217	(344)	10,431
Gross proceeds from the sale of assets	-	10,880	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding (C)</b>	<b>9,217</b>	<b>10,536</b>	<b>10,431</b>

<b>Applications of capital funding</b>			
Capital expenditure			
- to meet additional demand	-	-	-
- to improve the level of service	1,200	8,825	1,532
- to replace existing assets	1,590	1,656	1,575
Increase (decrease) in reserves	10,304	4,769	5,794
Increase (decrease) of investments	-	-	-

	2019 LTP (\$000)	2020 LTP (\$000)	2020 Actual (\$000)
Total applications of capital funding (D)	13,094	15,251	8,901
Surplus (deficit) of capital funding (C-D)	(3,877)	(4,715)	1,530
Funding balance ((A-B)+(C-D))	-	-	-

## WHOLE OF COUNCIL

	2019 Annual Plan (\$000)	2019 Annual Report (\$000)	2020 Annual Plan (\$000)	2020 Actual (\$000)
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	47,765	47,415	51,136	50,297
Targeted rates	44,991	45,113	50,726	50,446
Subsidies and grants for operating purposes	13,898	12,647	15,782	15,375
Fees and charges	21,014	21,757	21,949	23,139
Interest and dividends from investments	6,643	7,612	6,456	4,799
Local authorities fuel tax, fines, infringement fees, and other receipts	345	774	345	1,126
<b>Total operating funding (A)</b>	<b>134,656</b>	<b>135,318</b>	<b>146,394</b>	<b>145,182</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	125,012	123,703	140,171	134,513
Finance costs	858	482	1,341	659
Other operating funding applications				
<b>Total applications of operating funding (B)</b>	<b>125,870</b>	<b>124,185</b>	<b>141,512</b>	<b>135,172</b>
<b>Surplus (deficit) of operating funding (A-B)</b>	<b>8,786</b>	<b>11,133</b>	<b>4,882</b>	<b>10,010</b>

<b>Sources of capital funding</b>				
Subsidies and grants for capital expenditure				
Development and financial contributions				
Increase (decrease) in debt	30,276	22,000	20,142	10,000
Gross proceeds from sale of assets			10,880	
Lump sum contributions				
Other dedicated capital funding				
<b>Total sources of capital funding (C)</b>	<b>30,276</b>	<b>22,000</b>	<b>31,022</b>	<b>10,000</b>

	2019 Annual Plan (\$000)	2019 Annual Report (\$000)	2020 Annual Plan (\$000)	2020 Actual (\$000)
<b>Applications of capital funding</b>				
Capital expenditure				
- to meet additional demand	-	-	-	-
- to improve the level of service	2,103	6,137	11,968	4,762
- to replace existing assets	15,528	10,784	14,109	8,522
Increase (decrease) in reserves	21,431	16,212	9,827	6,726
Increase (decrease) of investments		-	-	
<b>Total applications of capital funding (D)</b>	<b>39,062</b>	<b>33,133</b>	<b>35,904</b>	<b>20,010</b>
<b>Surplus (deficit) of capital funding (C-D)</b>	<b>(8,786)</b>	<b>(11,133)</b>	<b>(4,882)</b>	<b>(10,010)</b>
<b>Funding balance ((A-B)+(C-D))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

# Financial reporting and prudence regulations

## ANNUAL REPORT DISCLOSURE STATEMENT FOR THE 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 financial 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.

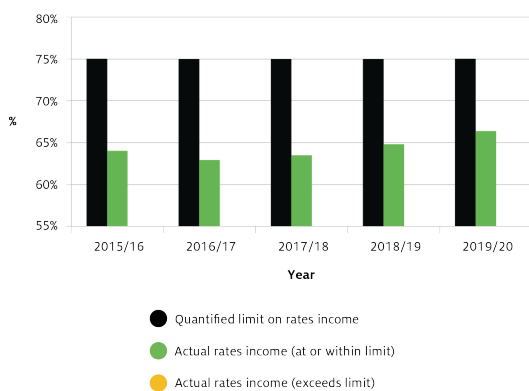
### RATES AFFORDABILITY BENCHMARK

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 increases equal or are less than each quantified limit on rates increases.

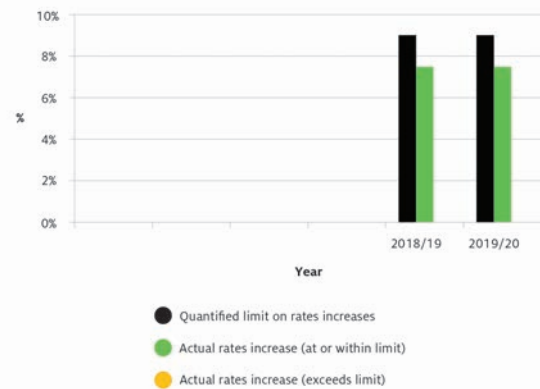
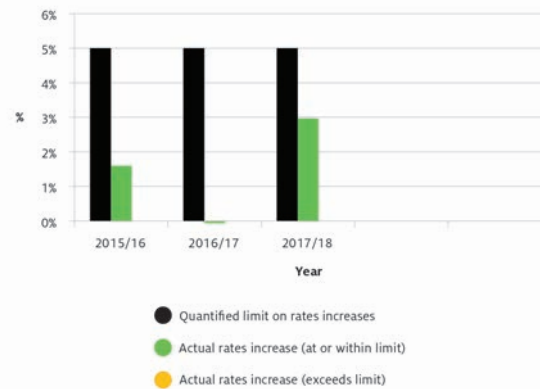
### RATES (INCOME) AFFORDABILITY

The following graph compares 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 that total rates revenue will comprise up to 75 per cent of the council's annual revenue requirements.



### RATES (INCREASES) AFFORDABILITY

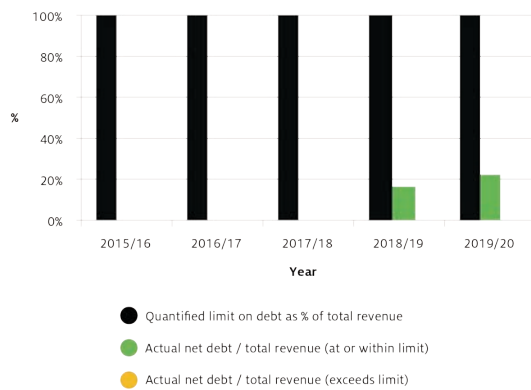
The following graphs compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's long term plan. For the 2015-2025 long term plan the quantified limit was that increases in the annual rate revenue requirement will be limited to 5 per cent of the council's annual operating expenditure requirements. For the 2018-2028 long term plan the quantified limit is that increases in the annual rate revenue requirement will be limited to a 9 per cent increase in revenue from current ratepayers.



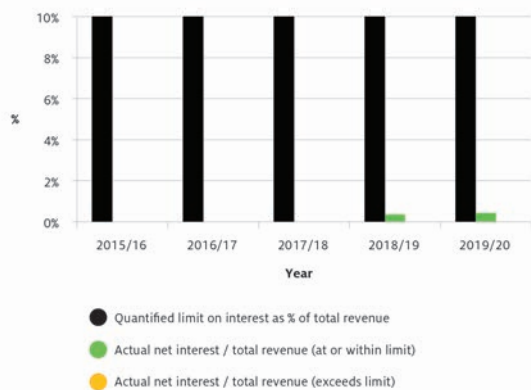
## DEBT AFFORDABILITY BENCHMARK

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

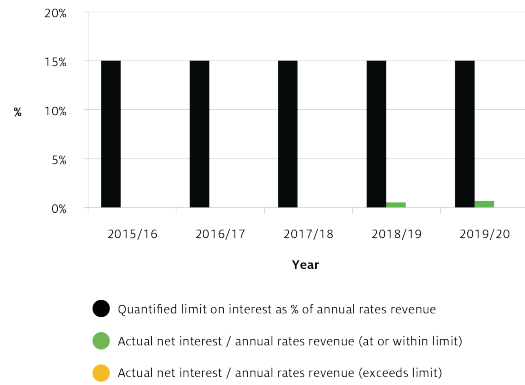
The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long term plan. The quantified limit is that net debt/total revenue is <100 per cent.



The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long term plan. The quantified limit is that net interest/total revenue is <10 per cent



The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long term plan. The quantified limit is that net interest on external debt/annual rates revenue is <15 per cent.



The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long term plan. For the 2015-2025 long term plan the quantified limit was that liquidity was >120 per cent. For the 2018-2028 long term plan the quantified limit is that liquidity is >110 per cent. Liquidity is defined as external debt plus committed loan facilities plus liquid investments divided by external debt.



## 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 its 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.

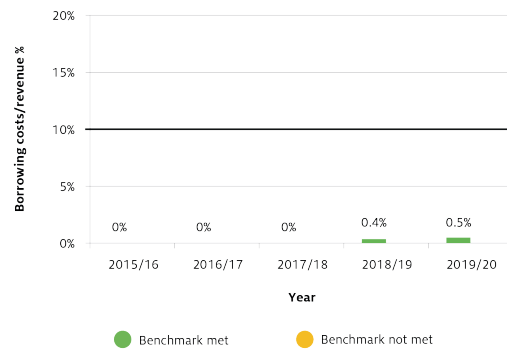
The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



### 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).

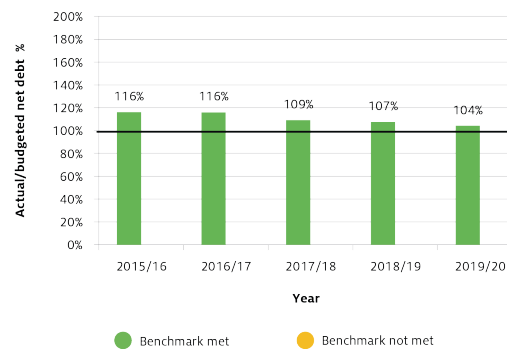
Because Statistics New Zealand projects the council's population will grow more slowly than the national population's growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10 per cent of its revenue.



### 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).

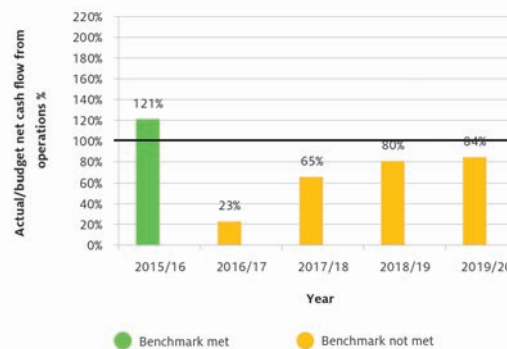
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



### 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 flows from operations.



## ADDITIONAL INFORMATION AND COMMENT

### DEBT CONTROL BENCHMARK

The benchmark displays the council's actual net debt as a proportion of planned net debt. For this benchmark, net debt means financial liabilities less financial assets (excluding trade and other receivables). For all of the financial years shown, council's financial assets exceed its financial liabilities for both actual and planned figures. This means that where actual net debt over planned net debt equals or exceeds 100%, our actual net debt position is more favourable than planned and council meets the debt control benchmark.

### OPERATIONS CONTROL BENCHMARK

Actual returns from the council's investment fund have been classified as revenue from investing activities since the 2016/17 financial year, whereas the budgeted cashflow statement has since 2013/14 treated this as revenue from operating activities. This change in classification has had the effect of reducing the operations control benchmark percentage for the previous three financial years. If the budgeted cash flow statement for 2019/20 is corrected by removing the budgeted returns from the investment fund then council would meet the benchmark in the 2019/20 financial year. Overall, the balance of cash and cash equivalents at the end of the financial year was \$19.965 million compared to an annual plan budget position of \$8.405 million.





## SECTION 5: Audit opinion | Arotake

**Independent Auditor's Report**  
**To the readers of Waikato Regional Council's annual report for the year ended 30 June 2020**

The Auditor-General is the auditor of Waikato Regional Council (the Regional Council). The Auditor-General has appointed me, David Walker, 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 10 December 2020. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 67 to 136:
  - present fairly, in all material respects:
    - the Regional Council's financial position as at 30 June 2020;
    - the results of its 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 137 to 149, present 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;
- the service performance information, on pages 10 to 13 and 23 to 64:
  - presents fairly, in all material respects, the Regional Council's levels of service for each group of activities for the year ended 30 June 2020, including:
  - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 137 to 149, 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 137 to 149, 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 150 to 153, 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.

#### **Emphasis of matter – Impact of Covid-19**

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Regional Council as set out in note 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.

#### **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 or there is no realistic alternative but to do so.

#### **Responsibilities of the auditor for the audited information**

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

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

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

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

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

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council'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 groups of activities, 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'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 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 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 1 to 9, 14 to 22, 64 to 66 and 157 to 172, 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 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 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



David Walker

Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand

SECTION 6: Supplementary material | Ko  
ētehi atu kōrero/mea

# Search and Surveillance Act reporting

Pursuant to Section 171 of the Search and Surveillance Act 2012 it is confirmed, for the purpose of annual reporting on behalf of the Waikato Regional Council, that in the period 1 July 2019 to 30 June 2020:

(a) the number of occasions on which entry or search powers were exercised without a warrant in the period covered by the report: **NIL**

(b) the number of occasions on which warrantless surveillance powers were exercised in the period covered by the report that involved the use of a surveillance device: **NIL**

(c) in respect of each kind of surveillance device used without a warrant in the period covered by the report, the numbers of that kind of device used—

(i) for a period of no more than 24 hours: **NIL**

(ii) for a period of more than 24 hours but no more than 48 hours: **NIL**

(d) the number of persons charged in criminal proceedings where the collection of evidential material relevant to those proceedings was significantly assisted by the exercise of a warrantless search or surveillance power in the period covered by the report: **NIL**

(e) the matters set out in Section 27 in relation to surveillance device warrants and declaratory orders: **NIL**.



# Council controlled organisations | Ngā rōpū e whai mana ai Te Kaunihera

Due to COVID-19, Parliament passed legislation on 5 August 2020 to extend the statutory reporting time frames by up to two months for local authorities and council-controlled organisations with 30 June 2020 balance dates that report under the Local Government Act 2002. This means that some of the council-controlled organisations' audits were not finalised at the time of writing the Waikato Regional Council's annual report. The council's auditors confirmed that none of our council-controlled organisations are significant components from an audit perspective.

## WAIKATO LOCAL AUTHORITY SHARED SERVICES

Local Authority Shared Services Limited (LASS) was incorporated in December 2005. On 4 April 2016, the name registered with the Companies Office was changed to Waikato Local Authority Shared Services Ltd (WLASS), to distinguish it from other local authority shared services companies around New Zealand.

### INTRODUCTION

The local authorities of the Waikato region have worked together closely over a number of years on mutually beneficial joint projects. These projects have demonstrated the benefits that can be gained, both in terms of outcomes achieved and reduction of costs to the community.

Local authorities of the Waikato region have established WLASS as a council controlled organisation (CCO) by way of a company in which each local authority has a single share. This company will be used as an umbrella for future development of shared services throughout the region.

### COMPANY OBJECTIVES

The objectives of WLASS are to:

- enable the Waikato councils to collectively be more effective as a region on the national stage
- contribute to building central government's confidence in the Waikato region, and to encourage central government investment
- achieve effectiveness and efficiency gains
- reduce duplication of effort and eliminate waste through repetition
- make it easier for customers to engage with councils in the Waikato region
- promote and contribute to the development of best practice
- promote business transformation to improve customers' experiences.

### PERFORMANCE RESULTS FOR 2019/20

Target	Method	Measure	Outcome
<b>Procurement</b>			
Joint procurement initiatives for goods and services for WLASS councils will be investigated and implemented.	Procurement is from sources offering best value, service, continuity of supply, and/or opportunities for integration.	New suppliers are awarded contracts through a competitive tender process.  Professional Services Panel contracts are successfully negotiated.	<b>Achieved:</b> Supply contracts are tendered in line with WLASS procurement policy (which in turn is consistent with the regional procurement framework developed last year). For substantial contracts (e.g. LiDAR, insurance and risk management services, Professional Services Panel), a public tender process has been undertaken. Other contracts have been renegotiated with existing suppliers where it is appropriate to do so.  <b>Achieved:</b> Contracts have been negotiated on time with the panel in place from 1 August 2019, as planned.
<b>Collaborative Projects</b>			

Target	Method	Measure	Outcome
<p>Priorities for collaboration are identified, business cases are developed for the highest priority projects, and the projects are implemented.</p>	<p>The focus is on shared services which will benefit all councils.</p>	<p>A minimum of six priority projects for collaboration are identified per annum.</p>	<p><b>Achieved:</b> A new Professional Services Panel was established from 1 August 2019 with eight councils participating (previously four).</p> <p>Five priority projects to develop opportunities were approved by the Board in November and development of the opportunities commenced prior to year-end.</p> <p>The legal services group is also in early deliberations on a joint procurement for a tool to support legislative compliance.</p> <p>The Coordinated Infrastructure Procurement project was approved by the Board and recommendations from that project made to the Board in June.</p> <p>The business case to expand RATA into waters asset management services was approved by the Board in July last year. The Waters Lead Manager has since been appointed.</p> <p>The business case for Waikato OneView was approved by the Board in November last year. Due to capacity constraints the Board agreed to defer commencing the project until July 2020.</p>
		<p>If considered of value, business cases are developed for approval by the Board, and the projects are implemented.</p>	<p><b>Achieved:</b> The development of any opportunity is subject to a phased approach involving discovery (validating why we would investigate the opportunity, or the problem being solved), opportunity assessment (a light business case), and business case (if required). The Board approves each phase before progression to the next stage.</p>
		<p>Savings to Councils identified in developed business cases exceeds \$300k.</p>	<p><b>Achieved:</b> Business cases or opportunity assessments delivered during the period related to:</p> <ul style="list-style-type: none"> <li>• RATA – Waters collaboration: Benefits are not quantified but based on investment objectives they are considered substantial</li> <li>• Waikato OneView: From surveys undertaken, users of OneView estimate that it will save them time, conservatively estimated at ~\$500k p.a. – which should translate to reduced fees to councils. In addition, it is estimated that there will be software savings of ~\$20k p.a. and council staff time would reduce because users will be better equipped to ‘self-serve’</li> <li>• Coordinated Infrastructure procurement: The case notes that if 0.5% of infrastructure spend is achieved from the project outcomes sought, that will represent a saving of ~\$1m+ p.a.</li> <li>• Building Consent Shared Services: The discovery report presented to the Board in May 2020, estimates savings (in time and cost) of \$1.75m p.a.</li> </ul>
<p><b>Existing WLASS Contracts</b></p>			
<p>Existing contracts are managed and renegotiated as required.</p>	<p>Appointed vendors deliver on the terms of their contracts and deliver value to the shareholders.</p>	<p>The WLASS Contracts Register is maintained and managed.</p>	<p><b>Achieved</b></p>

Target	Method	Measure	Outcome
		Contracts which are due for renewal are either renegotiated (where it makes commercial sense to continue with the current supplier) or re-tendered through a competitive process.	<b>Achieved:</b> Supply contracts are tendered in line with WLASS procurement policy (which in turn is consistent with the regional procurement framework developed last year. For substantial contracts (e.g. LiDAR) a public tender process has been undertaken. Other contracts have been renegotiated with existing suppliers where it is appropriate to do so.
<b>Cost Control</b>			
Administration expenditure shall be managed and monitored.	The Financial Accountant and Chief Executive review expenditure monthly.	Administration expenditure shall not exceed budget by more than 5%, unless prior approval is obtained from the Board.	<p><b>Achieved:</b> Company administration costs exceed the 2020 budget by ~8% (\$47k). This excess is being met by funds available from the prior year. It principally reflects:</p> <ul style="list-style-type: none"> <li>recruitment fees relating to the Board Chair (originally budgeted for in FY19) and the Executive Assistant (EA);</li> <li>salaries associated with increasing the EA role to a full-time position; and</li> <li>professional fees to progress the digital strategy.</li> </ul> <p>Each of the above has been approved by the board.</p>
<b>Reporting</b>			
Six monthly reports provided to shareholders.	The Chief Executive prepares a written report for the WLASS Board every meeting.  A Half-yearly and Annual Report are prepared for shareholders.	The Board shall provide a written report on the business operations and financial position of WLASS to the shareholders every six months. Every second report shall be the Annual Report.	<b>Achieved</b> The 2019 Annual report was prepared and provided to shareholders in September 2019. The Half-yearly report was delivered in February 2020.
<b>Shared Valuation Data Services (SVDS)</b>			
The SVDS is reliable, well maintained and available to all users.	A Contract Manager is appointed for SVDS.  The Contract Manager monitors performance of the contractors and reports quarterly to the SVDS Advisory Group.  Risks associated with the SVDS are well managed.	The SVDS is available to users at least 99% of normal working hours.  The SVDS Advisory Group meets at least 6-monthly.  The Annual Business Plan is accepted by the Advisory Group by 31 March 2019.	<p><b>Achieved:</b> the SVDS has been available 99.95% for users during normal business hours.</p> <p><b>Achieved:</b> Four meetings held in August, November, March and June.</p> <p><b>Achieved:</b> Accepted by the Advisory Group on 5 March.</p>
<b>Insurance</b>			
Achieve the relevant KPIs in Appendix 4 of the Insurance Brokerage contract with Aon.	The Insurance Broker delivers on the terms of their contract and provides value to the participating councils.	Strategic advice provided by Aon on the insurance programme structure is assessed as satisfactory in the annual WLASS Shareholders' survey by the participating councils.	<b>Not measured:</b> Formal feedback from shareholders by way of annual survey is not being undertaken this year and therefore we are unable to measure performance against this measure. WLASS notes however that the collaborative insurance programme continues to deliver significant benefit to councils. Premium savings are estimated at \$1m- \$1.5m per annum. During the year, insurance and risk management services retendered with Aon re-appointed as the successful participant.

Target	Method	Measure	Outcome
			The 2020 SOI sets out a new performance framework for the company which puts in place performance measures that better reflect the outcomes we are seeking. For that reason, we are not intending on undertaking a survey of shareholders this year as we have historically done. We will instead be meeting with council CEs on a 1x1 basis and soliciting feedback on performance by this means.
		The day-to-day service provided by Aon is assessed as satisfactory in the annual WCLASS Shareholders' survey by the participating councils.	<b>Not measured:</b> Refer comment above.
<b>Road Asset Technical Accord (RATA)</b>			
Deliver better data for decision making across the Waikato Region, enabling more consistent best practice.	Quarterly update reports are provided to all stakeholders participating in the Data Collection contracts. Data supplied by contractors is of good quality and meets all of the participating councils' requirements.	Reports are presented to stakeholders in October/January/April and July each year. Reports on progress presented to WCLASS Board as at 30 December and 30 June. All data is reviewed for compliance and all good practice requirements are met. Procurement of services complies with WCLASS and NZTA's procurement requirements.	<b>Achieved:</b> All reports supplied to stakeholders. Improved reporting through Power BI was successfully trialled. <b>Achieved:</b> Reports to WCLASS Board presented to required deadlines. <b>Achieved:</b> All data received was reviewed for quality requirements and approved. <b>Achieved:</b> Procurement of services is in line with WCLASS procurement policy and NZTA requirements.
Lead engagement and increase capability within the sector	Innovation: Identify opportunities to modify standard approaches and/or develop new approaches that will lead to optimal asset management. Leadership: Lead engagement and increase capability within the sector.	Present to a national conference on RATA innovations at least once per year. At least two RATA guidance documents detailing good practice are produced each year. RATA Forums are held 2-monthly to share learnings and experience.	<b>Not achieved:</b> RATA presented the Waters Collaboration business case to the Mayoral Forum in August 2019. However, conferences were delayed due to COVID-19. An application to the WaterNZ conference has been submitted for a poster presentation in August 2020. <b>Achieved:</b> Issues and Options report prepared for Traffic management Coordinators investigating operational improvements. Stock Underpass business case investigated improvements for management of the assets across the region. RATA is supporting Waters Collaboration investigation work for seven participating councils. This is ongoing. <b>Not achieved:</b> RATA forums were significantly disrupted during the financial year with the departure of the previous RATA Manager and the COVID-19 lockdown. These have now recommenced.
<b>Waikato Regional Transportation Model (WRTM)</b>			
The WRTM is reliable, well maintained and available to all users.	RATA manages the WRTM on behalf of the participating councils, and monitors the performance of the model supplier (currently Traffic Design Group).	All modelling reports requested from the model supplier are actioned within the agreed timeframe, scope and budget. A report from RATA on any new developments and on the status of the model is provided to the WCLASS Board at least every six months.	<b>On track:</b> Stantec continues to provide Service Reports. Ad hoc reporting is provided as requested. <b>Achieved:</b> Report for the six months to 30 June 2020 is being prepared. The report to 31 December 2019 was presented to the board meeting in February 2020.

Target	Method	Measure	Outcome
	RATA reports quarterly to the WRTM Project Advisory Group.	The quality of the base model complies with NZTA guidelines (as set out in the NZTA's Economic Evaluation Manual), and is independently peer reviewed each time the model is updated.	<b>Achieved</b> Model complies with guidelines but there are issues with modelling accuracy in some areas. Development of business case is underway to consider upgrading the model.
<b>Waikato Building Consent Group</b>			
Provide strategic direction and actively pursue improvements in Building Control across the Waikato region.	Implement the strategic priorities detailed in the "Build Waikato" May 2017 strategic review document.	Milestones for the five strategic review work streams are achieved for:	The activity of the Waikato Building Consent Group has been heavily impacted throughout the year by a lack of resource (refer commentary under "Key Achievements" section above) and more recently, the WLASS Building Consent Shared Services (BCSS) project.
		Digital experience and technology: a common online customer experience. Success is defined as user friendly, convenient, quick, end-to end management and communication, measured by customer surveys and systems comparisons.	<b>On track:</b> Thames-Coromandel, Waipa and Waitomo DCs have successfully implemented the preferred online Alpha One System. Matamata-Piako DC is transitioning to Alpha One in July 2020 and Hauraki DC in September 2020.  Hamilton CC and Waikato DC will initiate a transition plan for implementation in the 2021/22 financial year. Otorohanga DC are not planning on changing to Alpha One.  The Build Waikato website redesign has been put on hold until a clear direction from the BCSS project is reached. This decision was made to avoid costs being incurred on the redesign which may quickly become redundant.
		• People capability. Success is defined as a successful recruitment and training programme, measured by compliance with BCA Reg. 8 -11.	<b>On track:</b> WLASS has completed discovery work on a collaborative cadet programme. Discovery has highlighted that the immediate benefits of such a scheme are minimal until the BCSS project outcomes are clear. Councils agreed that the post-COVID environment has produced a level of uncertainty in the next financial year as to building consent numbers which may impact on the success of any programme. Such a programme is being considered as part of the BCSS project.
		• Quality assurance. Success is defined as continued accreditation and increased service consistency, measured by accreditation outcomes, BCA annual audits, and customer surveys.	<b>On track:</b> There have been successful IANZ audits with good feedback on the cluster QA overall. A new Quality Assurance Coordinator has been appointed and work will commence in the next twelve months on the quality manual and internal audit regime.
		• Lift industry competency and compliance. Success is measured by increased industry compliance, with reduced RFIs, and reducing percentages of application or building consent rejection.	<b>Partially achieved:</b> This is an area requiring continuous improvement. The Technical Committee is continuing to work on consistency across councils on RFI's to improve the customer experience. The BCSS project also has this work in scope.
• Central government: engagement and legislative influence. Success	<b>On track:</b> Submissions are made when appropriate. Importantly, engagement with Central Government (MBIE) has been targeted and is improving.		

Target	Method	Measure	Outcome
		is measured by legislative submissions and outcomes.	
	Fulfil the roles and responsibilities set out in clause 9 of the WBCG's Memorandum of Understanding, 2016.	<p>There is a common understanding and buy-in by all BCAs for the WBCG vision and actions that are taken to achieve this vision, measured by:</p> <p>i. Full participation in WBCG projects and programmes</p> <p>ii. Audits demonstrating implementation and compliance with the agreed QA systems</p> <p>iii. Consistency in service delivery, measured by customer surveys.</p> <p>Risk management is visible through regular reviews of the risk register.</p> <p>All funding requirements are met by each of the participating councils.</p> <p>Minimum of two reports presented to the WLASS Board on the Group's activities.</p>	<p><b>Achieved:</b> Good participation of all in projects when required but an area where we strive for continuous improvement.</p> <p><b>Achieved:</b> Audits are demonstrating compliance with QA systems.</p> <p><b>Not measured:</b> No customer survey was undertaken this year. However, customers were engaged as part of the discovery phase of the BCSS project, which reinforced that consistency could be improved. Customers are being engaged via a stakeholder reference group as part of that project which has improving "customer experience" as a critical success factor.</p> <p><b>On track:</b> Risk register implemented and reported on quarterly to Advisory Group</p> <p><b>On track:</b> All funding commitments met.</p> <p><b>Achieved:</b> Reporting on performance measures received and presented to board as part of the annual report. In addition, the Advisory Group Chair has provided the Board with verbal updates on progress recruiting a new group manager (which has now occurred).</p> <p>Monthly reporting to the WLASS CE on delivery of the annual workplan, a summary of which is included in the monthly portfolio reporting to board.</p>
<b>Future Proof</b>			
Planning for growth in the sub-region is coordinated and collaborative.	Joint preparation and input into Phase 2 of the Strategy update	Phase 2 of the Future Proof Strategy is adopted by the Future Proof Implementation Committee no later than December 2020	<b>Not achieved:</b> Phase 2 of the Future Proof Strategy update has been on hold to allow other projects to sufficiently progress, including the H2A. Work has commenced again on Phase 2. It is anticipated that a draft will be completed early 2021.
The Future Proof budget is well managed and monitored.	Bi-monthly reports presented to the Future Proof Chief Executives Advisory Group, and six monthly and annual reports to the WLASS Board.	The overall Future Proof work programme is delivered within the approved budget.	<b>Achieved:</b> The Future Proof work programme to end June 2020 was on budget; however several line items were significantly over budget due to high activity associated with the H2A. This was balanced by unspent items. Government funding for the Sub-Regional Three Waters Study has not yet been successful.
Future Proof influences and inputs into District Plan, Regional Plan, growth strategy and any other planning processes which manage growth within the sub-region	Future Proof works collaboratively and provides input into the planning work undertaken by all FP partners and any other relevant planning authorities.	Future Proof makes submissions (using RMA and Local Government processes), on District Plans, LTPs, growth management planning documents, and any central government initiatives which have the potential to impact growth management planning in the sub-region.	<b>Achieved:</b> Future Proof has lodged 11 submissions over the past 12 months

Target	Method	Measure	Outcome
and neighbouring regions.			
<b>Shareholder survey</b>			
Shareholders are satisfied with the performance of WLASS.	An annual survey of shareholders is undertaken to assess satisfaction levels with WLASS.	A survey of shareholders is undertaken each year, and the results are reported to all shareholders.	<b>Not achieved:</b> The 2020 SOI sets out a new performance framework for the company which puts in place performance measures that better reflect the outcomes we are seeking. For that reason, we are not intending on undertaking a survey of shareholders this year as we have historically done. We will instead be meeting with council CEs on a 1x1 basis and soliciting feedback on performance by this means
<b>Review of benefits</b>			
Shareholders are informed of the benefits being provided to shareholding councils by WLASS.	The benefits of WLASS (including financial and non-financial achievements) are regularly analysed and reported to shareholders.	Information on the financial and non-financial benefits being achieved by WLASS are included in the 6-monthly and Annual Report to shareholders.  The WLASS website is regularly maintained and updated.	<b>Achieved:</b> WLASS achievements are included in the half-yearly report and in the 2019 Annual Report.  <b>Not achieved:</b> Some, but not all areas of the website have been updated. This remains a work in progress. We are also working on enhancing the WLASS website to include additional information for councils on what the company is doing.



## LAKE TAUPŌ PROTECTION TRUST

The Lake Taupō Protection Trust (the trust or LTPT) CCO was settled on 9 February 2007. The information below covers the activities of the trust for the period 1 July 2019 to 30 June 2020.

### INTRODUCTION

Lake Taupō is recognised as a national icon. Its importance, not only as an attraction for locals and people living in the Waikato region but nationally, and as an attraction for international tourists, has been recognised. Work undertaken by a number of organisations had shown that the quality of Lake Taupō had begun to reduce for a number of reasons. The Lake Taupō Protection Trust was established as a CCO to administer a public fund to maintain lake water quality.

The trust is jointly administered by four organisations: Waikato Regional Council, Taupō District Council, Tūwharetoa Māori Trust Board and the Crown.

### COMPANY OBJECTIVES

The trust's role is to maintain Lake Taupō's water quality by reducing manageable nitrogen leaching into the lake by 20 per cent. Originally estimated to be 153,000kg, after a review of the project in 2011 the project's nitrogen reduction target was increased to 170,300kg.

The revised nitrogen reduction target required additional funding. Additional Crown funding was received in April 2013 which enabled the two local authorities to subsequently release additional funds to enable the project to progress to the revised target.

The trust has now achieved the projects overall 'contracted' nitrogen reduction target of 170,300 kg. A variation to the agreement between the project funders has extended this first phase of the project until 30 June 2021. This extension allows time for long term governance and management arrangements to be resolved and for transition to the next phase of the project – protecting the investments made by the trust on behalf of the public.

### PERFORMANCE RESULTS FOR 2019/20

Actions	Performance measures	Performance against target
Oversee the financial position of the trust to meet and maintain a positive projected cash flow projection.	Cash flow projection in place and updated and reported to Trustees quarterly; and trust operations performed to achieve a positive financial outcome.	Achieved.  The cash flow projection was reported to Trustees on a quarterly basis. The cash flow is currently projecting some residual funds at 30 June 2021 (on the basis that the Trust has no financial surprises).
Report the cash flow projection to the Joint Committee (to show the ability of the project to complete within budget).	Cash flow projection reported to Joint Committee before the balance date.	Achieved.  Cash flow reported to the June 2020 meeting of the Joint Committee.
Keep the Joint Committee up to date with any planned or proposed monitoring activities in relation to the nitrogen reduction agreements as prescribed in the Deed of variation (Monitoring Deed) – Schedule of Changes.	Joint Committee up to date with any Trust monitoring activities undertaken or in the pipeline by way of report(s).	
Ensure that all nitrogen reduction contracts are being complied with to achieve the overall nitrogen reduction target of 170,300kg and where relevant in conjunction with Waikato Regional Council.	Nitrogen reduction contracts are being met and any contractual failure is addressed to achieve repatriation of any loss of nitrogen reduction.	Achieved. All parties the Trust contracted with were compliant with their annual nitrogen discharge allowance as confirmed by Waikato Regional Council. Trustees were updated monthly and the Joint Committee quarterly. Two parties had partial remedial planting to undertake. One party is now compliant. The Trust

Actions	Performance measures	Performance against target
		instigated legal proceedings with the other party: communication between the parties is now underway and ongoing.
Monitor/track that compliance monitoring results are received on an ongoing basis for LTPT N reduction deals.	Monitoring compliance results received in accordance with monitoring plan timelines; Audit NZ notified of the results.	Achieved.
Report to trustees on compliance monitoring results (received from Waikato Regional Council) for LTPT N reduction purchases.	Trustees up to date with compliance monitoring results.	Achieved.
Manage trust funded research projects that have been previously approved by the Trust.	Research outcomes reported on.	Achieved.
Participation and assistance in the annual audit of the trust.	Positive audit result.	Achieved.
Carry out Trust responsibilities identified in the Taupō Catchment Compliance Monitoring Plan and provide support in the operation of the plan with other joint parties, which includes the trust's support of the Lake Taupō Protection Project's Communication Plan.	Trust actions completed and the Taupō Catchment Compliance monitoring plan supported on an ongoing basis.	Achieved; ongoing.
Provide ongoing support as required in the operation of the Lake Taupō Catchment Compliance Framework.	Support provided as requested to achieve the aims of the Lake Taupō Catchment Compliance Framework.	Ongoing.
Provide assistance and support and assistance in the project transition planning process required.	Project transitioning process progresses and implemented.	Achieved, ongoing.

## REGIONAL SOFTWARE HOLDINGS LIMITED

### INTRODUCTION

Regional Software Holdings Limited (RSHL) is a major shared service undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. Hawke's Bay Regional Council is also a customer of Regional Software Holdings Ltd. The primary objective of the company is to provide a framework for collaboration between the shareholders. It supports the procurement or development of shared software resource products and services in a manner that provides a more cost effective alternative than individual councils can achieve on their own.

RSHL is responsible for the long-term maintenance and development of the Integrated Regional Information System (IRIS) product as developed for and by the shareholding councils. Over several years, the six regional councils have developed a leading-edge software solution (IRIS) for specific functions undertaken by those regional councils.

RSHL seeks to reduce costs to the existing shareholders and increase its influence in regional council sector information systems by increasing the user base for IRIS and by expanding the common product suite.

Whilst the current flagship of RSHL is the Integrated Regional Information System (IRIS), the scope of activities for RSHL is not limited to the IRIS application suite. RSHL's purpose is to deliver shared solutions to the regional council sector along with collaborative outcomes through sector special interest groups to achieve:

- Consistent, good-practice regional council specific processes and functions
- Value through economies of scale
- Greater influence for the sector with central government through cohesion and collaboration
- Reduced risk through ensuring continuity of supply and control of the destiny of regional council sector specific software

RSHL also operates the Regional Council Collaboration (ReCoCo) programme on behalf of the regional sector. ReCoCo provides resources to support the Sector Special Interest Group Network in delivering projects.

This information below covers the activities of RSHL for the period from 1 July 2019 to 30 June 2020.

### ITEMS OF INTEREST

2019/20 was a year of accelerated growth and development for Regional Software Holdings Ltd.

For the IRIS product, the focus was on consolidation. Four releases of new functionality were delivered over the year with a total of six major enhancements and 16 minor enhancements. The focus during 2019/20 was on rolling out a new and improved mapping interface, along with technical changes that have resulted in significant performance improvements for users.

As noted in previous annual reports, there is a need to undertake a reinvestment in the IRIS solution to ensure the underlying technology remains current and fit for purpose.

RSHL has identified development of the roadmap for the next generation of IRIS (IRIS Next Generation) as a key strategic priority. Significant steps towards this goal were taken in 2019/20.

This initiative is called IRIS Next Generation. The scope of the work includes selection of a software vendor and partner to deliver the software solution. In conjunction with this, RSHL intends to lead the development of consistent good practice processes for the regional council sector. This approach builds on a key lesson learnt from the IRIS programme, that having councils agree on consistent good practice processes significantly reduces the cost of developing and operating IRIS software.

The intention is that IRIS NextGen will be cloud based with better online and mobile features. IRIS NextGen will be more efficient for staff and customers.

In 2019/20 RSHL worked with 10 councils to short-list potential partners to help us deliver IRIS NextGen. RSHL has commenced a formal Request for Proposal process to identify a future partner and solution. Twelve councils are participating in this process. We intend for IRIS NextGen to be a sector-wide initiative.

Regional Software Holdings Ltd has continued to work with the regional council sector to roll out the ReCoCo initiative. There is a focus in the sector on collaboration, development of shared services and more use of Council Controlled Organisations. RSHL and its shareholding councils are aligned with this direction.

ReCoCo facilitates unitary and regional councils entering collaborative initiatives where there are overlapping or shared objectives, covering areas of common interest or joint responsibility. Regional Software Holdings Ltd is the delivery vehicle used to facilitate and administer ReCoCo.

The ReCoCo programme became fully operational from 1 July 2018.

RSHL receives funding from across the regional council sector to deliver collaborative projects that are put forward by the Regional Council Special Interest Groups (SIGs).

ReCoCo is now well established with more than 10 projects in progress, and an established funding model in place. In the 2020 financial year, more than \$160,000 has been invested into collaborative projects for the sector. Notably, the sector implementation plan adopted by the Chief Executive Forum includes several projects which are tagged specifically for ReCoCo.

In addition to this RSHL has an agreement with the sector to assist with the management of sector work programmes, including:

- Funding management,
- Procurement and payment, and
- Outcome tracking.

The sector recognises the benefits of collaboration between councils. As a result, the number and size of collaborative projects is growing each year. As the volume of shared initiatives increases, councils face administrative challenges with paying invoices and recouping costs from other councils. It is also increasingly important that the sector can demonstrate the outcomes achieved from collaboration. Extending the ReCoCo model to support sector-wide work programmes helps to address these issues and opportunities.

To support accelerated growth and development RSHL has continued with the establishment of independent business infrastructure. In 2019 the Board welcomed Mark Donnelly as the full-time General Manager. The benefits of having a full-time General Manager has been clearly seen in the accelerated progress of the company.

In 2019 RSHL transitioned its financial services from Horizons Regional Council to West Coast Regional Council. However, as the activities of the company continue to expand, it is no longer sustainable for a council to provide financial services in a part time capacity. Accordingly, in June 2020 ONLA were engaged to delivery financial services for RSHL.

RSHL has also completed a branding project to create a brand and supporting collateral for RSHL, creating a recognisable and engaging brand alongside the increased engagement and involvement in the sector.

Financially, the company continues to be in a sound position, as planned. Regional Software Holdings Ltd.'s revenue comes from licence charges and fees from the shareholding councils. This funding is used for the maintenance and development of the IRIS product. Therefore, the company does not trade to make a profit. Rather, it charges to cover its planned level of expenditure.

The financial result is a deficit of \$357,334. This reflects the depreciating value of the investment in the IRIS product. Reinvestment in the IRIS project is not continuing at sufficient levels to cover this depreciation as the product nears the end of its life and the company looks to reinvest in IRIS NextGen. The cash balances are healthy as the losses are resulting from depreciation rather than trading activities.

The success of IRIS and Regional Software Holdings Ltd is due to the collaborative approach of the six regional councils and the wider sector. The success and richness of the IRIS product reflects the contribution, expertise, and commitment of a team of well over 100 people from all the shareholding councils, in a variety of roles.

The outlook for Regional Software Holdings Ltd and the IRIS product is bright and there are significant opportunities to support the activities and achievements of New Zealand regional councils and unitary authorities.

## PERFORMANCE RESULTS FOR 2019/20

Performance measure	Commentary for the period ending 31 July 2020
<b>Non-financial</b>	
Undertake an annual survey of users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support. Baseline to be developed following the completion of the first survey.	Complete  The first annual survey was undertaken in July 2019.  The next survey will be in August 2020.
Develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects. Draft annual roadmap presented to the board by 31 December of each year for the following year. Adoption by the board by 30 June of each year.	Complete  The product roadmap for IRIS was presented, discussed and agreed in December 2019 and the roadmap for the year was approved as part of the business plan.
Major enhancement projects identified on the annual roadmap are all completed within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.	Complete
Budgets for support and minor enhancements are approved by the board by 30 June each year and delivery within these budgets is effectively managed by the advisory group.	Complete
User groups and business representatives are engaged in the development of the Major Enhancement Annual Roadmap.	Complete  Representatives from all IRIS councils have been actively involved in developing the enhancement roadmap.
<b>Financial</b>	
RSHL will operate within 5% (plus or minus) of its overall annual budget	Achieved  Spend on capital development has been reduced in favour of operational spend to identify the eventual replacement for IRIS.  ReCoCo activity continues to be unpredictable, although this does not impact on RSHL balance sheet.  <b>All variations to budget have been approved by the Board.</b>
Annual charges for shareholders and customers to be at level approved by the Board and Shareholder Councils based upon the approved operating budget and budgets for major and minor enhancements.	Complete
Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL. <i>(Applies once in 3 year period)</i>	Complete  ReCoCo has helped to extend the customer base of RSHL with all 16 councils in the sector engaged in one or more projects. In addition, 11 councils are working with RSHL to identify the eventual replacement for IRIS.

Performance measure	Commentary for the period ending 31 July 2020
<p>Consider, evaluate and, if appropriate, implement new service areas or areas outside of the current scope of IRIS.</p>	<p>Complete</p> <p>This is being achieved through the ReCoCo initiative.</p>
<p>Be a service delivery agent for wider regional council sector and related bodies information management projects (ReCoCo) and related shared services. Projects to be delivered on time and on budget as agreed in each of the Statements of Work between RSHL and the Regional Council Corporate Services SIG.</p>	<p>Complete</p> <p>RSHL currently has 10 ReCoCo initiatives under management and several initiatives in development with the SIGs.</p> <p>RSHL has been engaged to manage the delivery of all sector shared work programmes under the Sector Shared Finance System initiative.</p>

## MARTHA TRUST

### INTRODUCTION

The Martha Trust (the trust) was established in 2001 by a joint venture known as the Waihi Gold Company, setting the sum of \$10 to create the trust fund. The purpose of the trust is to take the title to land currently part of the Martha Mine operation following completion of mining and closure of the site and to monitor and maintain that land so it can be used for recreational purposes by the general public.

### EXEMPTION OF MARTHA TRUST AS A CCO

The Local Government Act 2002 (LGA) section 7(3) provides for the exemption of a small organisation that is not a council controlled trading organisation from being a CCO and from the accountability requirements of the LGA. The Martha Trust was exempted from being a CCO by resolution of the council in May 2007. This exemption was reconfirmed by the council in February 2018.

It is not practical for accountability requirements and performance monitoring of the Martha Trust to take place until such a time as it becomes operative, therefore, by granting an exemption the council has provided a dispensation from any form of accountability and monitoring processes.

In accordance with section 7(3) of the LGA, the exemption of the Martha Trust as a CCO was reviewed at the February 2018 Finance Committee meeting due to it being three years since the last exemption was granted. The Finance Committee granted another exemption and resolved that the exemption is reviewed and reassessed either when the mine closes or on the receipt of further funds and at least within three years from granting the second exemption.

### TRUSTEES

In April 2019, a capital sum of \$50,000 was introduced to the trust by the settlor. This had the effect of activating the trust. Although the supporting mechanisms of the Martha Trust exist, such as the trust structure and bond, the trust will not become a fully operative entity until such time as the closure and rehabilitation conditions are finalised in the future. A further sum of \$36,000 was provided to the trust by the settlor in December 2019 to cover costs associated with the Trust's current governance and administrative activities.





**He taiao mauriora**

Healthy environment

**He ōhanga pakari**

Strong economy

**He hapori hihiri**

Vibrant communities

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