



Annual Report Summary



For the financial year 1 July 2012 to 30 June 2013

Welcome

Bay of Plenty Regional Council has focused on being as efficient and effective as possible this year. We've made good progress on our priorities – Tauranga Harbour, Rotorua Te Arawa Lakes Programme, the River Scheme Sustainability project and undertaking the first round of our new Regional Infrastructure Fund.



We have also made progress on our other major projects, such as preparing and lodging the resource consent application for remediation of the Kopeopeo Canal, and undertaking technical investigations and community consultation for the Kaituna River Re-diversion and Wetland Creation project.

Following flood damage to our major river schemes in previous years, we made significant progress during the year on flood repairs. Rena Recovery continues to be part of our monitoring and response work.

While managing all these competing demands, we have successfully established a Doing Business Better programme to ensure that as an organisation we are as efficient and effective as we can be. We are pleased with the progress being made and the cost savings achieved so far.

This summary outlines some of our highlights for the year and details our financial performance. You can read more in our detailed Annual Report either online at www.boprc.govt.nz or order a copy by calling 0800 884 880.



John Cronin
Chairman



Mary-Anne Macleod
Chief Executive Officer

Our Performance

We measure how we are performing through Key Performance Indicators (KPIs). This year we are reporting on 38 KPIs. Six were not achieved. Five targets were not applicable to this year or had no data available for measurement.



People of all ages attend a Māori Committee meeting

This year, Bay of Plenty Regional Council has carried on doing what we do well, with an increased focus on doing business better, and being as efficient and effective an organisation as possible. During 2012/13 our focus has been delivering on Year One of the Ten Year Plan 2012-2022, and we have generally been successful.

We addressed some major challenges within our focus areas of work this year. Delivering in these focus areas has meant working collaboratively with other agencies, organisations and landowners.

We have continued our work protecting and restoring the Rotorua Lakes this year, using short-term measures to enhance water quality while progressing long-term solutions such as land use and land management changes. Several key strategic documents for the Rotorua Lakes have made considerable progress.

A full review of the Tauranga Harbour Programme has been carried out this year, and the Tauranga Harbour Action Plan is near completion. The Tauranga Harbour Coastal Margins Project also got underway this year to protect and enhance biodiversity, as well as address sedimentation issues.

Undertaking the first round of the contestable Regional Infrastructure Fund has been a priority for the Council.

Our Ten Year Plan 2012-2022 set aside up to \$38 million in funding to support projects promoting sustainable regional economic development over the next nine years. The current funding round will be completed in 2013/14.

Resource consents, pollution prevention, civil defence and other regulatory council services have continued to be delivered at a high standard.

The River Scheme Sustainability project was initiated during the Ten Year Plan 2012-2022 process in response to concerns that the schemes are becoming unaffordable for some ratepayers. Recent work has focused on scoping four identified work streams, with the initial projects targeted in December 2013.

The Efficiency and Effectiveness Programme sought to achieve on-going economies of \$250,000 from existing service levels. Council has agreed to increase the target for 2013/14 to \$500,000. Current savings have led to a reduction of \$2 million in next year's budget.

Regional Leadership

Governance and Accountability, Strategic Policy, and Sustainable Communities

What we did

The Regional Policy Statement is the leading policy document in the region and key document for setting the direction of environmental and resource management for the next ten years.

Resolution of appeals to the proposed Regional Policy Statement has progressed over 2012/13, with the majority of appeals settled. Three specific appeal matters will proceed to Environment Court hearing in 2013/14, and a consent order for remaining appeal matters should be finalised shortly.

Our work in relation to regional spatial planning got underway in 2012/13. Workshops with the region's elected members were held in October 2012 and March 2013 to discuss integrated planning and progress towards improving collaboration in the Bay of Plenty.

We have been monitoring and responding to the 'Better Local Government' reform programme. Phase one of the reform programme ended in December 2012 with the Local Government Amendment Act 2012, introducing a new purpose of local government. We will continue to monitor progress on the reforms, and to evaluate the implications for our work and the organisation.

Representation arrangements for the October 2013 local elections were determined by the Local Government Commission (LGC) in December 2012, following public notification and submissions. The LGC confirmed retention of the same constituency boundaries, with a minor boundary adjustment between the Mauāo and Kōhī Constituencies. The number of councillors in Tauranga Constituency will increase from four to five, in accordance with the requirements of the Local Electoral Act 2001.

Significant policy work has been done since the Water Programme was launched, particularly in determining Council's position on work required by the National Policy Statement for Freshwater Management. Projects are being defined for a number of upcoming plan reviews, plan changes and water policy.

Following informal consultation, the draft Regional Coastal Environment Plan was notified on 14 May 2013. Development of the proposed Plan, including formal public submissions, will continue into 2013/14.

The Hands on Water Expo was a Council-led collaborative event targeted at schools and students to raise awareness about water issues, as well as providing networking opportunities and practical skills for managing water. The March 2013 event was attended by 180 students from 18 schools across the region – a resounding success.

Did you know?



All users of the Pāpāmoa Hills Regional Park and the Onekawa Te Māwhai property were satisfied or very satisfied with their experience.

Environmental Enhancement Fund projects have been progressed, with 28 projects allocated funding during 2012/13. A total of 89 percent of Environmental Enhancement Fund projects were successfully completed in 2012/13.

Regional Leadership KPIs	
4 Achieved	2 Not achieved
2	Not applicable/no data
4 Achieved	<i>Target</i>
Council receives unmodified audit opinions	Unmodified end of year audit from Council's auditors
Quality of planning advice as independently assessed: Statutory Policy, Strategies and Plans	50% of planning advice is 'high quality'
Percentage of Environmental Enhancement Fund projects due for completion each year that are successfully completed	70%
Percentage of park users who rate their experience as satisfactory or higher	Pāpāmoa = 85% Onekawa Te Māwhai = 65%
2 Not achieved	<i>Target</i>
The percentage of Council's decision-making information that is publicly available by the following time frames: <ul style="list-style-type: none"> Agendas - two working days before meetings; and Draft minutes - five working days after meetings (available on website) 	Agendas - 100% Draft minutes - 100%
Quality of policy advice as independently assessed: Non-Statutory Policy, Strategies, Plans and Initiatives	80% of policy advice is 'high quality'
2 Not applicable/no data	<i>Target</i>
Quality of policy advice as independently assessed: Transport Planning	Not applicable
Percentage of residents that have an emergency plan, including an emergency kit enabling self-sufficiency for three days	47%

How we did financially

Regional Leadership Group of Activities			
2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Budget \$000
38,358	Operating revenue	33,750	19,612
16,138	Operating expenditure	17,437	19,548
22,220	Operating surplus (deficit)	16,314	64
56	Capital expenditure	-	10

One of the key contributors to the operating revenue being higher than budget was a change in the valuation of the liability associated with our Perpetual Preference shares. On advice from PricewaterhouseCoopers this was reduced by \$14 million from \$53 million to \$39 million. This is a non-cash item.

The main reasons actual operating expenditure was lower than budget was due to savings in consultancy and contractors, staff vacancies and fewer staff relocations.

Natural Environment

Sustainable Land Management, Sustainable Water Management, Sustainable Coastal Management, Sustainable Air Management, Resource Regulation and Regional Monitoring

What we did

Protection of lake, harbour and stream margins in the targeted catchments of the Rotorua Lakes, Tauranga Harbour and Ōhiwa Harbour has made progress again this year. In addition to the target catchments, stock exclusion fencing work increased in the Kaituna River catchment (8km added) and the Whakatāne River (3.3km).

Collaborative control programmes with Ngā Whenua Rāhui and the Department of Conservation mean that feral goat numbers continue to reduce across significant tracts of the eastern Bay of Plenty. This year, an additional 24,000 hectares are free of goats, with surveillance continuing.

During 2012/13 we received 473 resource consent applications and issued 430 decisions. The number of applications this year increased by 28 percent compared to last year. This is largely due to an improving economy and an increase in the number of consents expiring and requiring renewal during 2012/13.

Nutrient Assessment Benchmarking in all Rotorua lakes has progressed this year, with 96 percent of properties over 40 hectares (117 of 122 properties) benchmarked, and only 2 percent of the land area left to benchmark (645 hectares out of 30,259 hectares). This work is critical for measuring reductions in nutrients over time from land use change.

Lake Rotoiti has met its water quality target for the first time, and both Lakes Rotorua and Rotoehu are very close to their targets. Lake Ōkāreka's water quality improved in 2013 and the long-term trend is stable. We hope to see further improvements as land use change and sewage reticulation works take effect.

Council has not entered into any agreements to reduce nitrogen loss to the Lake Rotorua catchment from farmland for the 2012/2013 year as it has sought to first finalise its policy for the development of rules and incentives. Consequently, the nutrient reduction target for the Rotorua Lakes catchment has not been met.

The Sustainable Water Programme included completing groundwater studies at Ōpōtiki, developing geothermal surfacing feature monitoring methodology and implementing the Waimangu system monitoring.

Investigating re-diversion of water from the Kaituna River into the Ongatoro/Maketū Estuary has progressed this year. Technical investigations and comprehensive



Kerosene Creek, Rotorua

consultation has resulted in a preferred design option which will be considered by Council in 2013/14.

We continued to manage the Rena exclusion zone during 2012/13. This has included liaising with the salvors, determining and enforcing the closed area, reviewing technical reports around the future of the wreck and providing advice to Council and the wider public.

Water safety within our maritime and navigation function was a key focus this year, with a high level of patrols across the waters in Tauranga, Whakatāne and Rotorua, as well as attendance at boat ramps across the region by both staff and volunteer wardens.

Results from the 2012/13 summer "Rapid Coastal Inventory" updated with data from work on Matakana Island prior to June 30 2013 show 57.6 percent of the sandy coast (excluding sea wall areas) is under 'active' or 'advanced' management. This equates to 87.8km, nearly 2km more than the 2012/13 target of 86km.

Did you know?

For the first time in nearly 40 years, no nasella tussock plants were found at the only known site of infestation in the Bay of Plenty, just south of Ōpōtiki.

In responding to pollution incidents, we met our target timeframes for responding to all 13 reported oil spills – within one hour in the Tauranga Port zone and within two hours for the rest of the region. Only one spill required a clean-up, which was managed by the Tauranga bridge marina very well.

In Rotorua, an additional 414 homes converted to clean heat appliances under the Hot Swap Loan Scheme, bringing the total to 1,201 homes participating in this programme to clean up the city's air.

Unfortunately the PM¹⁰ particulate air monitors in the Rotorua airshed have repeatedly failed during 2012/13. These failures affected both our Edmund Road and Ngapuna monitoring sites, so the exact number of exceedences of PM¹⁰ against the National Standard in the Rotorua airshed this year is unknown. We have taken action to reduce the likelihood of such failures over 2013/14.

Remediation of the Kopeopeo Canal continued to be a high priority project this year. Resource consent applications for the project were lodged and notified this year, with the consenting process to continue into 2013/14. Due to delays in obtaining the required consents, physical works due to commence in 2012/13 have been deferred to 2013/14. The reviewed cost of the remediation increased from the first estimate of \$3 million to \$4.4 million. However, both Council and Central Government have committed extra funding to cover these increased costs.

During the 2012/13 year we received a total of 1,717 complaints to the Pollution Hotline. Of these, 11 were urgent and all were responded to within the required 12 hours. Of the 1,706 non-urgent complaints, all were responded to within three working days.

The draft Bay of Plenty Waste Strategy was adopted by the Strategy, Policy and Planning Committee in June 2013, following extensive development and informal consultation processes. The draft Strategy was opened for public feedback in July 2013, with the final Strategy expected to be adopted in 2013/14.

Did you know?



The Coast Care programme celebrated a significant milestone on 23 June 2013, planting one million plants in Bay of Plenty dunes since its inception in 1994.

Natural Environment KPIs

19

Achieved

1

Not achieved

2

Not applicable/no data

19 Achieved	Target
Number of kilometres of lake and stream margins in the Rotorua lakes with no stock access (total for lakes Rotorua, Rotoehu, Ōkātina, Tarawera, Rotomahana, and Rerewhakaaitu)	Additional 5.4km (totalling 93%)
Number of kilometres of Ōhiwa Harbour catchment streams, Nukuhou River and Waiotahi River with no stock access	Additional 4.3km (totalling 83%)
Number of kilometres of Tauranga Harbour rivers/streams by sub-catchment with no stock access (totals for Welcome Bay, Waitekohe, Wainui, Waimapu, Uretara, Te Puna/Waipapa, Te Manaia catchments)	Additional 12.8km (totalling 49%)
Number of Biodiversity High Value Ecological Sites (HVES) in the Bay of Plenty region under active management (there are 206 sites of interest in the region)	Number of sites = 77
Number of landowner/community biodiversity sites (not HVES) that are under active management plans	Number of sites = 77
The percentage of new pests detected in the region with management plans in place	100% of new pests have management plans in place
Percentage of eradication pest species that have their densities reduced	27% of eradication pests have had their density reduced
Percentage of containment pest species that have their densities reduced	7% of containment pests have had their density reduced
Completion of groundwater evaluation studies to develop a regional groundwater model	Complete the Ōpōtiki groundwater evaluation study
Completion of geothermal information projects	Develop a standard geothermal surface feature monitoring methodology Initiate monitoring of the Waimangu system
Percentage of progress towards achieving the nutrient reduction targets set in the Deed of Funding agreement for Lakes Rotoiti, Okareka, and Rotoehu	Nitrogen = 100% achieved Phosphorus = 80% achieved
The length of the region's sandy beaches under active management, involving local communities, and monitored as part of Coast Care	86km
Maintain a 24 hour-a-day, seven day-a-week response for navigational incidents	Response maintained 100% of the time
Reports of marine oil spills are initially responded to within one hour in the Tauranga Port zone, and within two hours for the rest of the region	100% of marine oil spills responded to within timeframes
The number of working days to process non-notified resource consents	20 working days
The percentage of resource consent applications that were issued discounts on administrative charges because Council exceeded statutory timeframes to process the consent	0% issued discounts
All urgent complaints made to the pollution hotline are initially responded to within 12 hours and all non-urgent complaints are initially responded to within three working days	100% response rate
The percentage of identified high-risk contaminated land where action is taken to manage the contamination	85% of sites have action taken
Live monitoring data is reliably collected and made available to the public via the Council website	Data capture rates of 90% or better for automated monitoring of rainfall, river flow, groundwater levels and air quality

1 Not achieved	<i>Target</i>
Significantly reduce exports of nitrogen from the Lake Rotorua catchment in accordance with the Deed of Funding agreement	Reduce exports to 747 tonnes of nitrogen
2 Not applicable/no data	<i>Target</i>
Percentage of dairy farms in priority catchments that have a nutrient management plan in place	Tauranga Harbour = 30% Nukuhou, Rangitaiki, Whakatane, Kaituna, Tarawera, Pongakawa = 20%
Reduction of exceedences of PM ¹⁰ in the Rotorua LAMA (exceedences of the NESAQ standard)	27 exceedences

How we did financially

Natural Environment Group of Activities			
2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Budget \$000
35,660	Operating revenue	29,652	37,934
36,501	Operating expenditure	29,374	37,985
(841)	Operating surplus (deficit)	278	(51)
1,505	Capital expenditure	555	4,822

The main reason actual operating revenue was lower than budget was due to deed funding of \$8.4 million not received from the Ministry for the Environment because the planned Rotorua Lakes work programme was not delivered. Planned grant revenue of \$1.5 million for the Kopeopeo Canal Remediation was not received because the project was deferred until 2013/14.

The main reason actual operating expenditure was lower than budget was due to grant revenue of \$6.8 million not released to Rotorua District Council due to delays in the delivery of the Rotorua Lakes work programme. This also resulted in the deferral of planned capital expenditure of \$3 million to 2013/14.

Sustainable Development and Infrastructure

Sustainable Transport and Sustainable Regional Development

What we did

The contestable Regional Infrastructure Fund was a priority for the organisation during the year. We have used a structured project management approach, starting with expressions of interest in late 2012. Formal applications to the 2012/13 funding round were subject to an assessment panel and shortlisting. Decisions for funding allocation have been delayed until early 2013/14, so appropriate due diligence can be undertaken.

Through Council's direct funding of infrastructure, seven projects received allocations in 2012/13. Funding was paid out for two – the Hamurana/Awahou sewerage scheme and sealing of two kilometres of Oropi Road. The road sealing project was funded to mitigate sediment inflows to waterways within the catchment of the Tauranga drinking water supply. Funding for the remaining five projects has been carried forward to future years to complete these projects.

Overall, we have not achieved three out of five KPI targets in 2012/13. These relate to bus patronage in Tauranga, Rotorua and rural areas. On the back of several years' of bumper growth, we have finally seen a levelling out in 2012/13.

Rotorua bus service patronage for the 2012/13 year was 1.7 percent lower than for the 2011/12 year. The 9 percent fare increase implemented in September 2012 is likely to have been a significant factor in this reduction.

Although there was a 1.5 percent increase in Tauranga bus service patronage for the 2012/13 year, this falls short of the targeted 10 percent increase per annum. A number of factors will have slowed growth, notably a 15 percent fare increase implemented in September 2012.

Rural bus service patronage for the 2012/13 year was the same as last year. A number of factors will have reduced growth, including a 9 percent fare increase implemented in September 2012.

We have done very well against the fare recovery ratio KPI this year, exceeding the target by 3.6 percent – a considerable achievement. This means the proportion of the amount of revenue generated through bus fares has increased.

We have continued to market our Carshare BOP initiative this year through the 'Let's Carpool' website and also the launch of the national 'Kiwi Carpool Week' campaign (10-16 June 2013).



InStep Young Leaders Forum for SmartGrowth

Sustainable Development and Infrastructure KPIs	
1 Achieved	3 Not achieved
1 Not applicable/no data	
1 Achieved	<i>Target</i>
Fare Recovery Ratio	31%
3 Not achieved	<i>Target</i>
Number of Rotorua passenger transport trips	Increasing by 8% per annum
Number of rural passenger transport trips	Increasing by 8% per annum
Number of Tauranga passenger transport trips	Increasing by 10% per annum
1 Not applicable/no data	<i>Target</i>
Percentage of Tauranga and Rotorua bus users whose overall experience with the bus service is rated as excellent or very good	85%

How we did financially

Sustainable Development and Infrastructure Group of Activities			
2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Budget \$000
14,612	Operating revenue	15,024	15,063
17,199	Operating expenditure	16,760	25,135
(2,587)	Operating surplus (deficit)	(1,736)	(10,072)
-	Capital expenditure	9	104

The main reason actual operating expenditure was lower than budget was due to grants not being released for Regional Infrastructure Fund projects. These are now budgeted for in future years.

Flood Protection and Control Works

Rivers, Drainage and Flood Management

What we did

We achieved all three targets for the 2012/13 year. We had fewer extreme rainfall events, with flood warnings issued for only five storms during the 12 months. All of the flood protection schemes operated effectively and we were able to successfully complete a number of projects.

The extended construction season of dry summer weather from November 2012 through to April 2013 allowed the flood repair work project arising from significant flooding in 2010/11 to progress well ahead of schedule, particularly for the Waioeka-Otara and Rangitāiki-Tarawera Rivers Schemes. This work contributes to protecting the region's communities and infrastructure.

The planned geotechnical strengthening works on the Rangitāiki River flood protection system progressed well, however Stage Two of the Rangitāiki floodway widening project has been delayed due to poor ground conditions and consequent increased scope of works.

Geotechnical investigations of the right stopbank (Quay Street section) of the lower Whakatāne River revealed that the stopbank has sufficient structural integrity and planned strengthening works were not required.



Flood works on the Rangitāiki River

Did you know?

The dry summer allowed us to undertake flood repair work at 123 different sites, totalling \$7 million. We are now well ahead of our schedule of flood repair work.

Flood Protection and Control Works KPIs

3	Achieved	0	Not achieved	0	Not applicable/no data
---	----------	---	--------------	---	------------------------

3 Achieved	Target
Timely, up to date information on river engineering and flood risk is provided to the community through the website and response to requests. All requests are initially responded to within five working days	100%
No failure of flood protection system below specified design levels	Zero failures
All flood warnings at pre-determined levels are given in accordance with the flood warning manual	100%

How we did financially

Flood Protection and Control Works Group of Activities			
2011/12 Actual \$000		2012/13 Actual \$000	2012/13 Budget \$000
12,206	Operating revenue	17,019	13,127
10,365	Operating expenditure	10,541	10,645
1,841	Operating surplus (deficit)	6,477	2,482
11,461	Capital expenditure	10,870	10,395

The main reasons actual operating revenue was higher than budget was due to receiving \$2.4 million vested asset revenue for the Bell Road Pump station (planned for in the previous year), and \$1.4 million in insurance proceeds for the 2011 flood event.

Corporate Services

Corporate Services provides support services across all other activities

What we did

We continued to ensure that only light vehicles which produce less than 170 grams of CO² per kilometre were purchased this year, to meet the New Zealand Transport Strategy target of reducing CO² emissions for light vehicles. All light vehicles in our fleet now meet these criteria, significantly ahead of schedule, as this target was originally set for completion by 2015/16.

We continued our involvement as a shareholder in Bay of Plenty Local Authority Shared Services (BOPLASS) and its joint procurement initiatives. BOPLASS Ltd is a Council-owned company set up by the nine councils in Bay of Plenty and Gisborne to facilitate collaboration between councils, improved levels of service, reduced costs, improved efficiency and/or increased value through innovation.

We improved network services this year, including completing a fibre link to Edgecumbe and Kawerau, and extending the inter-Council network to Kawerau and Ōpōtiki District Councils.

Shared geospatial services between Tauranga City Council and Bay of Plenty Regional Council also continue to run well.

The Data Services team has installed a monitoring site in the Waitahanui catchment this year, and a further monitoring site was installed in July 2013 in the Puanene catchment. These monitoring sites will be used to support the Water Management Programme by assessing surface water resources and measuring stream flows.



Children from around the region learn about water at the Hands on Water Expo in March

How we did financially

Corporate Services Group of Activities				
2011/12 Actual \$000		2012/13 Actual \$000		2012/13 Budget \$000
6,444	Operating revenue	1,609		858
1,654	Operating expenditure	5,741		858
4,790	Operating surplus (deficit)	(4,132)		0
4,182	Capital expenditure	3,062		6,084

The main reasons actual operating expenditure was higher than budget was due to the impairment of a financial asset and the revaluation of our investments. These are non-cash adjustments.

Our financial highlights

Group financial performance

Our consolidated group results include the operating income and expenses for Council and for our 100 percent Council-owned subsidiary, Quayside Holdings Limited. Quayside Holdings has a 54.94 percent share in Port of Tauranga Limited.

The group recorded an operating surplus of \$111.5 million (after income tax). This is an increase of \$53.5 million compared to last year. The profit from Quayside Holdings Limited increased \$55.5 million on the previous year, due to the strong performance of the Port of Tauranga.

Council financial performance

Overall the Council achieved a surplus of \$17.2 million compared with a budgeted deficit of \$7.6 million.

Revenue

This year we planned to receive \$85.1 million in revenue but actually received \$95.8 million, \$10.7 million more than budgeted.

The additional revenue was mainly due to a \$14 million change for our revalued Put Option liability. This year the valuation reduced from \$53 million to \$39 million, a difference of \$14 million. The revaluation is a non-cash item.

Funding from the Ministry for the Environment for Rotorua Lakes deed work \$8.4 million was not received as planned and revenue for the Kopeopeo Canal project \$1.5 million is now expected in 2013/14. This is partially offset by insurance proceeds of \$1.4 million for the 2011 flood event, \$2.4 million vested asset revenue received for the transfer of the Bell Road pump station and revenue from the Ministry for the Environment and Maritime New Zealand for Rena Recovery.

Operating expenditure

This year we spent \$78.6 million in operating expenditure providing services to our community as set out in year one of the Ten Year Plan 2012-2022. This was \$14.1 million less than budget.

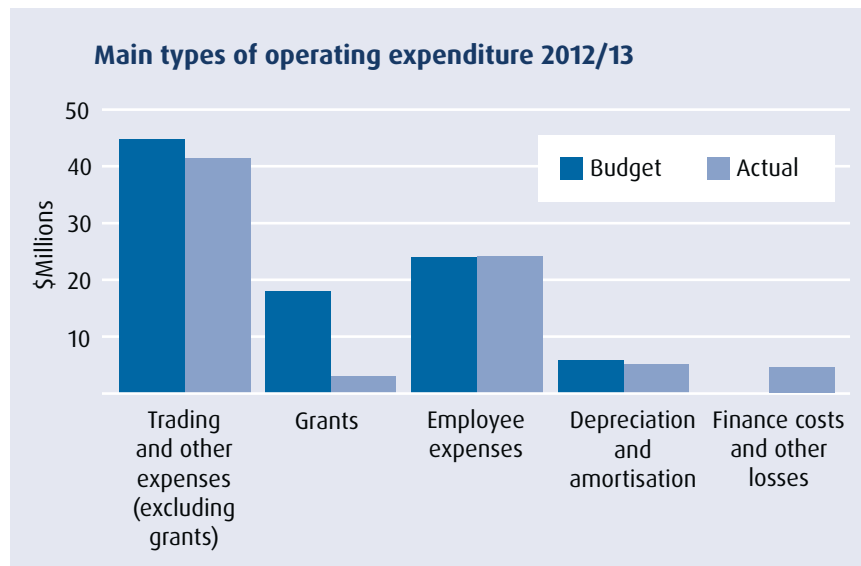
The graph below compares the actual costs against budget for our main types of expenditure.

Trading and other expenses (excluding grants) were \$3.4 million less than budget due to lower administration, land compensation and other expenses.

Grants were \$14.8 million less than budget due to grants and subsidies not being released for regional infrastructure projects (\$8.1 million) – these are now budgeted for in future years, and a grant of \$6.8 million was not released to Rotorua District Council for Rotorua Lakes work as planned.

Depreciation was also under budget by \$500,000 due to the timing of capital expenditure.

Finance costs and other losses were \$4.7 million more than budget mainly due to a change in the value of derivatives and an investment impairment.



What's in our Surplus?

Our surplus of \$17.2 million is made up of both general operating items and accounting adjustments. Accounting adjustments contribute to \$11.7 million of the surplus, with the remainder of the surplus due to unders and overs in general operating items.

The table below shows the major items that contribute to the surplus, the type of item and the Group of Activities they relate to.

Item	Type	2012/13 Actual \$'000	Group of Activities	Type of item
Grant funding for Rotorua Lakes programme not received	Revenue	(8,400)	Natural Environment	Operating item
Grant funding for Kopeopeo Canal remediation not received	Revenue	(1,500)	Natural Environment	Operating item
Insurance proceeds received for 2011 flood event	Revenue	1,400	Flood Protection and Control Works	Operating item
Grants for Regional Infrastructure fund not released	Expenditure	8,100	Sustainable Development and Infrastructure	Operating item
Grant to Rotorua District Council for Rotorua Lakes work programme not released	Expenditure	6,800	Natural Environment	Operating item
Other items across all activities		(873)	All Groups of Activities	Operating item
Total operating items		5,527		
Put option revaluation increase	Revenue	14,000	Regional Leadership	Accounting adjustment
Vested asset revenue received for Bell Road Pump Station	Revenue	2,366	Flood Protection and Control Works	Accounting adjustment
Finance costs - revaluation of investments	Expenditure	(1,194)	Corporate Services	Accounting adjustment
Investment Impairment and losses	Expenditure	(3,500)	Corporate Services	Accounting adjustment
Total accounting adjustments		11,672		
Total Surplus		17,199		

Capital expenditure

This year we spent \$14.5 million, \$6.9 million less than budget. Capital projects totalling \$8.9 million planned for 2012/13 were deferred until 2013/14 or future years during the 2013/14 Annual Plan process. This included Kopeopeo Canal remediation work which is now estimated at \$4.4 million, Tikitere diversion project \$1 million, and Rangitaiki floodway widening \$2.7 million. A number of information services and information technology projects were either deferred or not undertaken.

Some of the major capital projects completed during 2012/13 included:

- Flood damage repair works to the River Schemes \$7.4 million
- The Bell Road pump station was completed and vested to us by Tauranga City Council \$2.4 million. This was budgeted for in the previous financial year.

Summary financial statements and notes to the accounts

Summary extract from the statement of accounting policies

Bay of Plenty Regional Council is a Regional Council governed by the Local Government Act 2002.

The group consists of the ultimate parent, Bay of Plenty Regional Council and its 100 percent-owned subsidiary Quayside Holdings Limited (an investment company incorporated in New Zealand). Quayside Holdings Limited has a 100 percent shareholding in Quayside Properties Limited and Quayside Securities Limited. The principal activity of Quayside Securities Limited is to act as trustee for the Quayside Unit Trust. Quayside Securities Limited as trustee owns 54.94 percent of the shares in Port of Tauranga Limited (Port Company).

The primary objective of Bay of Plenty Regional Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Bay of Plenty Regional Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). Quayside Holdings Limited is classified as a profit orientated entity. All necessary adjustments have been made on consolidation.

The information included in the summary financial statements has been prepared in accordance with Financial Reporting Standard FRS 43: Summary Financial Statements. All disclosures in the summary are extracted from the full financial statements of Bay of Plenty Regional Council, authorised for issue by Council on 9 October 2013. The full financial statements have been audited by Audit New Zealand. The auditors issued an unmodified audit opinion.

The currency used is New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Summary income statement

Council 2011/12 \$000	Group 2011/12 \$000		Budget 2012/13 \$000	Council 2012/13 \$000	Group 2012/13 \$000
Revenue					
83,089	306,674	Operating revenue	85,091	81,092	320,109
23,194	4,063	Other gains	-	14,717	13,190
106,283	310,737	Total revenue	85,091	95,809	333,299
Expenditure					
80,064	212,321	Operating expenditure	92,668	73,893	215,571
344	17,376	Finance costs	-	1,194	23,009
452	11,529	Other losses	-	3,523	6,632
80,860	241,226	Total expenditure	92,668	78,610	245,212
-	12,280	Share of profit of associates	-	-	10,360
		Gain on sale of associate			38,214
25,423	81,791	Net surplus/(deficit) before tax	(7,577)	17,199	136,661
-	23,812	Income tax expense	-	-	25,128
25,423	57,979	Net surplus/(deficit) after tax	(7,577)	17,199	111,533
<i>Attributable to:</i>					
25,423	24,923	Equity holders of the parent	(7,577)	17,199	61,019
-	33,056	Non-controlling interest	-	-	50,514
25,423	57,979		(7,577)	17,199	111,533

Operating revenue was \$10.7 million more than budget. This is mainly due to:

- Other gains were \$14.7 million more than budget due to a \$14.0 million non-cash gain for the Put Option revaluation and \$0.7 million gain on sale of investments and assets.
- Subsidies and grant revenue was \$10.6 million less than budget. Rotorua Lakes deed funding of \$8.4 million and \$1.5 million for the Kopepeo Canal remediation was not received as planned.
- Trading and other revenue was \$6.4 million more than budget due to receiving vested asset revenue of \$2.4 million for the transfer of the Bell Road pump station from Tauranga City Council, insurance proceeds of \$1.4 million for the 2011 flood event, increased landowner contributions for land management projects and revenue for Rena recovery costs.

Operating expenditure was \$14.1 million less than budget. This mainly relates to:

- Trading and other expenses (excluding grants and subsidies) were \$3.4 million less than budget due to lower administration and other expenses.
- Grants and subsidies were \$14.8 million less than budget due to Regional Infrastructure grants of \$8.1 million not being released, and a grant of \$6.8 million for Rotorua Lakes work was not made to Rotorua District Council as planned.
- Depreciation and amortisation were \$0.5 million less than budget due to lower than expected capital expenditure and the timing of capital expenditure.
- Finance costs were \$1.2 million more than budget as a result of a change in the valuation of derivatives.
- Other losses of \$3.5 million resulted from the impairment of a financial asset, revaluation of investments and loss on sale of fixed assets.

Summary statement of comprehensive income

Council 2011/12 \$000	Group 2011/12 \$000		Budget 2012/13 \$000	Council 2012/13 \$000	Group 2012/13 \$000
25,423	57,979	Net profit after tax	(7,577)	17,199	111,533
4,331	16,502	Asset revaluation gains	4,788	5,837	7,203
(7,770)	(15,518)	Financial asset fair value changes	(240)	3,460	12,929
21,984	58,963	Total comprehensive income	(3,029)	26,496	131,665
<i>Attributable to:</i>					
21,984	23,913	Equity holders of the parent	(3,029)	26,496	76,269
-	35,050	Non-controlling interest	-	-	55,396
21,984	58,963		(3,029)	26,496	131,665

Summary statement of changes in equity

Council 2011/12 \$000	Group 2011/12 \$000		Budget 2012/13 \$000	Council 2012/13 \$000	Group 2012/13 \$000
401,403	995,486	Balance at 1 July	420,405	423,387	1,026,687
21,984	58,963	Total comprehensive income previously reported	(3,029)	26,496	131,665
423,387	1,054,449		417,376	449,883	1,158,352
-	197	Increase in paid up capital	-	-	(40)
-	(27,747)	Dividends to non-controlling interest	-	-	(36,207)
-	(210)	Bonus issue to employees	-	-	-
-	(2)	Non-controlling interest adjustments	-	-	1
-	-	Acquisition of non-controlling interest	-	-	121
423,387	1,026,687	Balance at 30 June	417,376	449,883	1,122,227
<i>Total comprehensive income attributable to:</i>					
21,984	23,913	Equity holders of the parent	(3,029)	26,496	76,269
-	35,050	Non-controlling interest	-	-	55,396
21,984	58,963		(3,029)	26,496	131,665

Summary statement of financial position

Council 2011/12 \$000	Group 2011/12 \$000		Budget 2012/13 \$000	Council 2012/13 \$000	Group 2012/13 \$000
58,363	112,052	Current assets	45,579	45,510	133,108
435,722	1,492,831	Non-current assets	465,077	455,202	1,574,922
494,085	1,604,883	Total assets	510,656	500,712	1,708,030
16,723	192,437	Current liabilities	17,646	10,954	191,276
53,975	385,759	Non-current liabilities	75,634	39,875	394,527
70,698	578,196	Total liabilities	93,280	50,829	585,803
423,387	696,067	Total equity attributable to the group	417,375	449,883	764,531
-	330,620	Non-controlling interest	-	-	357,696
423,387	1,026,687	Total equity	417,375	449,883	1,122,227

Assets were \$9.9 million less than budget mainly due to lower capital expenditure.

Liabilities were \$42.5 million less than budget at year end mainly due to the Put Option liability valuation decreases received in 2012/13 (\$14 million) and 2011/12 (\$22 million) relating to the \$200 million Perpetual Preference Share issue in 2008.

Summary statement of cashflows

Council 2011/12 \$000	Group 2011/12 \$000		Budget 2012/13 \$000	Council 2012/13 \$000	Group 2012/13 \$000
3,188	66,069	Net cash inflows/(outflows) from operating activities	(888)	12,970	83,007
9,601	(23,252)	Net cash inflows/(outflows) from investing activities	(2,776)	(21,187)	(45,674)
(1,027)	(65,970)	Net cash inflows/(outflows) from financing activities	(2,498)	(1,431)	(13,119)
11,762	(23,153)	Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(6,162)	(9,648)	24,214
13,189	64,794	Cash, cash equivalents and bank overdrafts at the beginning of the year	26,126	24,951	41,643
24,951	41,643	Cash, cash equivalents and bank overdrafts at the end of the year	19,964	15,303	65,857

Net cash from operating activities was \$13.9 million more than budget. This is mainly due to cash of \$9.4 million received in July 2012 from the Ministry for the Environment for 2011/12 Rotorua Lakes deed funding.

Net cash from investment activities was \$18.4 million less than budget. More purchases of investments were made as a result of investment funds not being used for infrastructure projects and capital expenditure as planned.

Contingent liabilities

Financial guarantee – New Zealand Local Government Funding Agency

The Bay of Plenty Regional Council is a guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA 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 Bay of Plenty Regional Council is one of 30 local authority shareholders and eight local authority guarantors of the NZLGFA. [In that regard it has uncalled capital of \$1.9 million]. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Bay of Plenty Regional Council is a guarantor of all NZLGFA's borrowings. At 30 June 2013 NZLGFA had borrowings totalling \$2.481 billion. (2012: \$835 million).

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

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

Uncalled capital

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

Commitments

Operating leases as lessee

	Council 2012/13 \$000	Group 2012/13 \$000	Council 2011/12 \$000	Group 2011/12 \$000
Not later than one year	446	2,672	521	2,931
Later than one year and not later than five years	1,250	7,759	1,630	8,674
Later than five years	790	4,276	1,021	4,399
Total non-cancellable operating leases	2,486	14,707	3,172	16,004

Operating leases as lessor

	Council 2012/13 \$000	Group 2012/13 \$000	Council 2011/12 \$000	Group 2011/12 \$000
Not later than one year	1,095	15,735	1,114	12,346
Later than one year and not later than five years	2,637	36,546	3,277	34,440
Later than five years	338	21,515	180	29,471
Total non-cancellable operating leases	4,070	73,796	4,571	76,257

Related party transactions

Bay of Plenty Regional Council is the parent of the Group and controls Quayside Holdings Limited and its subsidiaries, Quayside Properties Limited, Quayside Securities Limited and Quayside Unit Trust. Through the shareholding in Quayside Securities Limited as Trustee for Quayside Unit Trust, a controlling interest is held in the Port of Tauranga (POTL) and its subsidiaries, associates and joint ventures.

Two Councillors of the Bay of Plenty Regional Council (Jane Nees and Paula Thompson) were directors of Quayside Holdings Limited, Quayside Securities Limited and Quayside Properties Limited at 30 June 2013. The Chief Executive of Bay of Plenty Regional Council (Mary-Anne Macleod) was appointed as Director of the above companies in August 2011. The Chairman of the Bay of Plenty Regional Council (John Cronin) is a director of Port of Tauranga Limited.

The Council also holds a 1/9 share in Bay of Plenty Local Authority Shared Services (BOPLASS). The Chief Executive of Bay of Plenty Regional Council is the chair of BOPLASS.

Events after balance date

On 26 August 2013, Bay of Plenty Regional Council and Quayside Holdings Limited were granted a new 3-year binding ruling in relation to its Perpetual Preference Shares. The new ruling applies for a three year period to 16 September 2016 and replaces the current ruling that ends on 16 September 2013.

Audit report

Independent Auditor's Report

To the readers of Bay of Plenty Regional Council and group's summary of the annual report for the year ended 30 June 2013

We have audited the summary of the annual report (the summary) as set out on pages 3 to 21, which was derived from the audited statements in the annual report of the Bay of Plenty Regional Council (the Regional Council) and group for the year ended 30 June 2013 on which we expressed an unmodified audit opinion in our report dated 9 October 2013.

The summary comprises:

- the summary statement of financial position as at 30 June 2013, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of the Regional Council and group's group of activity reporting and summaries of other information contained in its annual report.

Opinion

In our opinion, the information reported in the summary complies with FRS-43: Summary Financial Statements and represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

The summary and the audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 9 October 2013 on the audited statements.

The summary does not contain all the disclosures required for audited statements under generally accepted accounting practice in New Zealand. Reading the summary, therefore, is not a substitute for reading the audited statements in the annual report of the Regional Council and group.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary in accordance with FRS-43: Summary Financial Statements. The Council is also responsible for the publication of the summary, whether in printed or electronic form. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Regional Council or any of its subsidiaries.



B H Halford,
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand
9 October 2013

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

For a printed copy:

Bay of Plenty Regional Council
5 Quay Street
PO Box 364
Whakatāne 3158
New Zealand

Website: www.boprc.govt.nz

Phone: 0800 884 880

Fax: 0800 884 882

 www.facebook.com/boprc

 www.twitter.com/boprc

The Annual Report Summary report does not provide as complete an understanding of Bay of Plenty Regional Council's activities as provided by the full Annual Report. If you would like a copy of the 2012/13 Annual Report please visit our website, www.boprc.govt.nz. Alternatively, call 0800 884 880 for a printed copy.