

Region's story worth telling

Taranaki Regional Council Summary Annual Report 2017/2018



We are pleased to present the Taranaki Regional Council's 2017/2018 Annual Report. Once again we saw solid progress across a wide variety of programmes and activities with a good financial result, and in the face of continued and complex challenges. These regional achievements are due to much more than our own efforts, however. They are also the result of smart thinking and hard work by many others across all sectors. In short, Taranaki has a very good story to tell.

The Council has a central role in areas vital to regional life – environmental and resource management; protecting and improving native biodiversity; hazard management; public transport and transport planning; cultural and recreational amenities; advocacy; and ownership of Port Taranaki. We maintain a firm focus on supporting livelihoods, improving lifestyles and taking Taranaki forward.

The 'At a Glance' section overleaf summarises the year's key outcomes. But in three important areas, we saw outstanding developments that we believe put Taranaki in a league of its own. These merit detailed discussion below.

We also share the regional public's disappointment over developments at Yarrow Stadium, an asset that's owned by a trust controlled by this Council. With the two grandstands found to be earthquake-prone and subsequently closed, we are working closely with partners and stakeholders to find the best solution. The future will become clearer in the next few months as engineers complete a complex analysis of issues and options.

Freshwater stats: sparkling, not flat

For Taranaki, freshwater has always been a vital resource in cultural, economic and recreational terms. So freshwater management is rightly a core function and important priority for this Council.

In contrast to the 'doom and gloom' that pervades the national conversation on freshwater quality, Taranaki continues to see impressive gains. The Council's own monitoring and trend analyses, reported during the 2017/2018 financial year and subsequently, paint a consistent picture: Continued improvements in the ecological health of the waterways we monitor, with very few sites deteriorating.

Ecological health is regarded as the prime measure of freshwater quality. And given the tone of the national discussion on levels of nitrogen, it's interesting to note that these improvements in ecological health are largely taking place regardless of the nutrient trends at any particular site. Overall, though, an increasing number of sites have nutrient levels that are stable or reducing.

These results aren't a happy accident. An independent report by NIWA during the year found that Taranaki's long-running riparian protection programme is not only strongly associated with the improved ecological health in the region's waterways, but has also reduced E. coli levels.

Guided by solid previous research, improving ecological stream health has been the major goal of this Council's long-running

and voluntary riparian fencing and planting programme. The NIWA report endorses and validates this approach, with reduced bacterial (E. coli) contamination being an additional benefit.

By the end of the 2017/2018 financial year, the Council had provided landowners with riparian management plans more than 5.1 million native plants, and a total of 85.7% of their streams were fenced and 71.7% were protected by vegetation. This represents a massive commitment by the farming community.

Soil conservation efforts in the eastern hill country, too, have a direct bearing on freshwater quality as well as reducing the risk and severity of flooding as a result of severe weather.

The Council has worked alongside landowners to prepare sustainable land management plans for 840 hill country farms, covering 67% of hill country land in private ownership.

Alongside these efforts, the Council also continued to work with communities and industry across the region to reduce or eliminate impacts from point-source discharges, and taking enforcement action when necessary.

Biodiversity: restoration like no other

The closing stages of the 2017/2018 saw the announcement of \$11million-plus in Government support for 'Towards Predator-Free Taranaki' a long-term predator control / biodiversity restoration project led by this Council.

The announcement was the result of an intense effort by Council management and staff to put together a business case justifying the support, which is funded through by the Crown company Predator Free 2050 Ltd.

The project started almost immediately the funding was announced and is already attracting the sort of solid community support – both urban and rural – that is vital to ensure its long-term success.

It is a true trail-blazer – the largest project of its kind in the world, and certainly nationally. We are confident it can succeed because of the years of work that has already gone into possum control in rural areas under the Council's Self-Help Possum Programme, the country's biggest predator-control programme by area. More recently, the Council's voluntary possum control programme in New Plymouth has laid the groundwork and provided experience and lessons in urban predator operations.

Pukeiti: winning the visitor vote

We had been confident the public of Taranaki and their visitors would respond positively to the new Rainforest Centre and associated developments at Pukeiti, which opened during the 2017/2018 year. However, we had not expected such a dramatic increase in visitor numbers, which were up by 285% for the year as a whole.

The new centre gives our world-class garden a world-class visitor experience. It gives people an opportunity to visit regardless of the weather and time of year, and experience the wonderful gardens out of the rain and under a roof, and to take in the stories of Pukeiti.

Allied developments include a network of tree houses and an associated activity pack that also proved popular with children and their parents and caregivers.

The success of these developments gives us confidence as we work further to develop Pukeiti, not only because it's worthwhile in itself but also to add resilience to the Taranaki economy, with tourism rapidly emerging as an important regional industry alongside agriculture and hydrocarbon-based activities.

The Council's other two heritage properties, Tūpare and Hollard Gardens, also enjoyed greater patronage during the year, with their gardens and facilities being continually refined and enhanced.

The bottom line

The Council finished the 2017/2018 year with a surplus of \$962,000 (total comprehensive income). Total expenditure was \$26.6m. Overall it was a good result, noting that the general rates increases have been at or below the rate of inflation for the past few years (a 1% general rates increase in 2017/2018). The Council's balance sheet remains very strong, with no public debt.

All of the achievements outlined here would not have been possible without the skills, dedication and enthusiasm of Council staff, and the commitment people across Taranaki who share our broad goals. We thank them all.



David MacLeod, Chairman

Deloitte. INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF TARANAKI REGIONAL COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The summary of the consolidated annual report was derived from the annual report of the Taranaki Regional Council (the Regional Council) and its subsidiaries and controlled entities (the Group) for the year ended 30 June 2018.

The summary of the consolidated annual report comprises the following summary statements on pages 2 to 4:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary performance information.

Opinion

In our opinion:

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

Summary of the annual report

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

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the Council information and a qualified opinion on the Group information that we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 18 September 2018.

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in the Regional Council.



Melissa Youngson,
Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand
18 September 2018

Supporting livelihoods



Planting and fencing streambanks

5.1m plants put along streams by landowners. 430,567 in past year along 250 km.

86% riparian plan streambanks protected with fencing

72% riparian plan streambanks protected with riparian vegetation.

Monitoring nature's extremes

- ✓ regional and district councils maintained Civil Defence readiness and response capability.
 - ✓ new flood protection scheme constructed to protect Opunake township.
 - ✓ maintained flood protection schemes in the lower Waitara, lower Waiwhakaiho, Waitotara, and Stony Rivers, and Kaihihi Stream.
- 5** flood warnings issued to protect people and property potentially affected.



Regulating use of natural resources

100% | **100%**

resource consents processed in RMA timeframes over past 18 years.

consents submitted on resolved through pre-hearing process.

Restoring native habitats



95% of 13 Key Native Ecosystems monitored improving or maintaining condition.

14 new biodiversity plans covering 88 ha of ecologically important habitats on private land.
Total of 104 covering 4,522 ha.



Reporting environmental performance

120 major consents monitored and publicly reported on.

92% 'high' or 'good' environmental performance for major consents.

92.3% dairy farms and all pig and poultry farms complied with consent conditions.

✓ High level of environmental performance by industries, councils and farming sector.



Removing predators and targeting pest plants

\$11.6m funding for Towards Predator-Free Taranaki from Predator Free 2050 Limited over five years.

4,086 properties in self-help possum control programme covering 240,200 ha.

2,212 inspections for pest plants.

6.9% catch rate for possums on properties monitored. Within 10% target to significantly reduce effects of possums.

Enforcing environmental standards

414

environmental incidents responded to. Control and cleanup initiated where required.

200

abatement notices served

67

infringement notices issued.

Sustainable farming

840 sustainable land management plans, covering 67% of hillcountry land in private ownership.

87% hill country being managed sustainably



Improving lifestyles




Checking marine and river health

99% coastal beaches samples met MfE bathing guidelines during summer.

80% freshwater bathing site samples met MfE bathing guidelines during summer.

53% freshwater ecological sites show significant trends of improvement and 2% showing significant decline.

67% nutrient measures at representative surface water sites stable or improving (since 1995).

 overall, surface water quality is improving



Yarrow Stadium

Hosting All Blacks test match against Argentina in September 2017.

Assisting Puke Ariki, heritage and culture

Funding four projects at Puke Ariki and one at Aotea Utanganui Museum of South Taranaki.



Ensuring clean air

Taranaki's air quality is good, with negligible contribution from human activities.



Public bus services and transport

624,286 passengers on region's public transport

44,098 subsidised Total Mobility passenger trips

\$54,000 for Ironside Vehicle Society to carry people with disabilities.



World-class gardens

285% increase in visitors to Pukeiti.


Total of 141,111 visitors to Tupare, Pukeiti and Hollard Gardens. New Lodge for public and private events at Pukeiti.


Taking Taranaki forward



Taranaki Regional Council is made up of eleven publicly elected Councillors as follows: David MacLeod (Chairman), David Lean (Deputy Chairman), Michael Joyce, Donald McIntyre, Tom Cloke, Craig Williamson, Charlotte Littlewood, Neil Walker, Matthew McDonald, Michael Davey and Bev Raine.

Sound financial performance

 Council balance sheet remains very strong, with no public debt.

 general rates increases at or below inflation rate for past few years.

Port Taranaki ownership

\$5.46m dividends from Council-owned Port Taranaki Ltd.



Supporting community initiatives

worked with Wild for Taranaki, iwi and grassroots community groups to improve Taranaki's biodiversity.



Connecting people

engagement to progress Mt Messenger and Awakino Tunnel bypass projects

Building scientific knowledge

Range of resource investigations and applied research projects undertaken.



Educating future generations

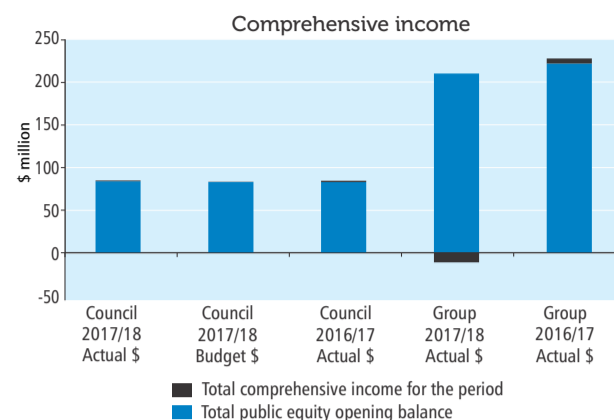
6,543 students experienced class visits or field trips through the Council environmental education programme

16 environmental champions recognized by Council environmental awards.



Comprehensive revenue and expense

	Council 2017/18 Actual \$	Council 2017/18 Budget \$	Council 2016/17 Actual \$	Group 2017/18 Actual \$	Group 2016/17 Actual \$
Total expenses	26,607,482	26,086,866	24,793,494	57,200,250	53,818,214
Total income	26,276,063	26,011,421	24,566,238	66,372,062	61,210,260
Operating surplus/(deficit) before finance income and expenses and taxation	(331,419)	(75,445)	(227,256)	9,171,812	7,392,046
Finance income	398,416	525,000	527,175	421,589	549,884
Finance expense	-	-	-	(1,593,560)	(1,254,056)
Operating surplus before taxation	66,997	449,555	299,919	7,999,841	6,687,874
Gains/(losses) on revaluation of investment properties	810,000	-	1,204,500	810,000	1,204,500
Impairment of assets	-	-	-	(14,851,588)	-
Income tax expense	(1,446)	(10,000)	(1,727)	(3,537,446)	(4,265,973)
Net surplus/(deficit) for the period	875,551	439,555	1,502,692	(9,579,193)	3,626,401
Items that may be reclassified subsequently to profit and loss when specific conditions met.					
Impairment of assets	-	-	-	(2,438,400)	-
Revaluation of property, plant and equipment	86,312	-	120,881	86,312	1,555,716
Change in cash flow hedge	-	-	-	(258,490)	(690,995)
Total comprehensive income for the period, net of tax	961,863	439,555	1,623,573	(11,672,791)	5,873,112



Changes in net assets/equity

The Council's equity grew by \$0.96m in 2017/2018 to \$82.8m. At a Group level, the total community ownership of the Council and the Group dropped by \$11.7m to \$208.6m.

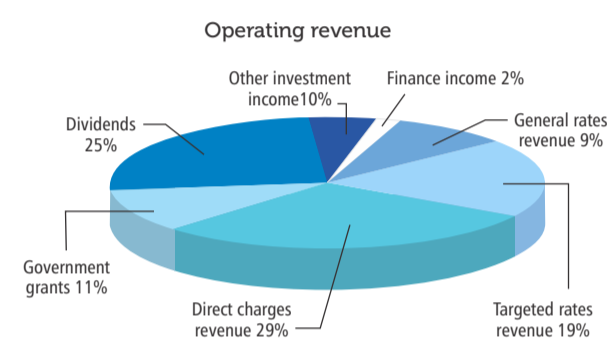
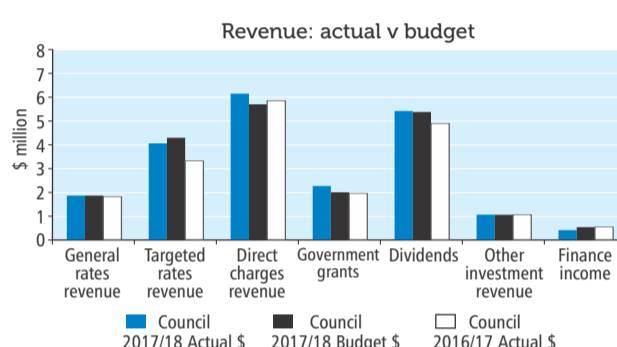
The Council's total equity of \$82.8m (Group - \$208.6m) is made up of retained earnings \$67.1m (Group - \$135.1m), special purpose reserves \$11.2m (Group - \$11.2m) and asset revaluation reserves \$4.5m (Group - \$63.3m). The Group also has a cash flows hedge reserve of \$0.99m (debit).

Comprehensive income

The Council made a net operating surplus (other comprehensive income) of \$961,863 (2016/2017, \$1,623,573) compared to a budgeted surplus, before transfers to and from reserves, of \$439,555. The entire operating surplus is from continuing activities.

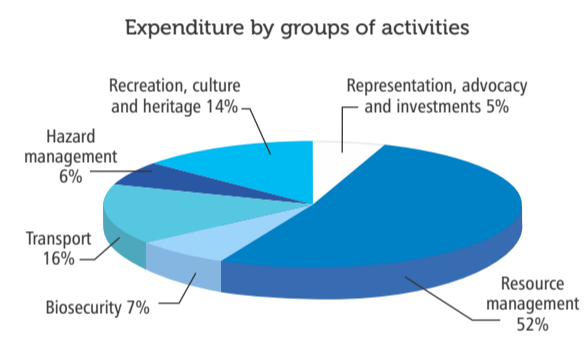
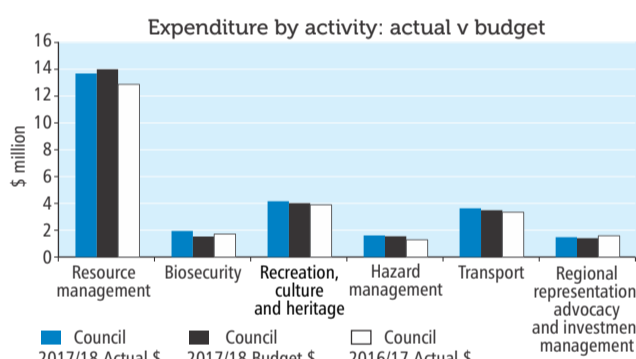
Revenue

Total Council only revenue (including finance income) was above budget by \$138,057.



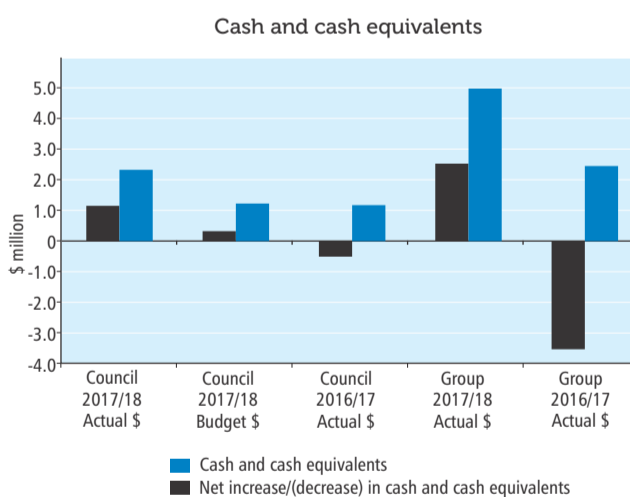
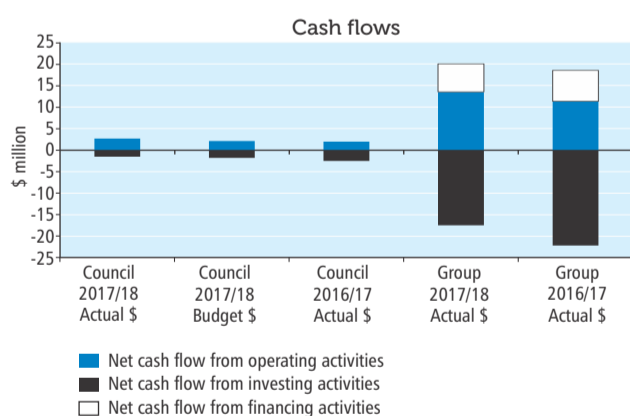
Expenditure

Council only operating expenditure was over budget for the year by \$520,616. There were many small ups and downs across the Council's budgets.



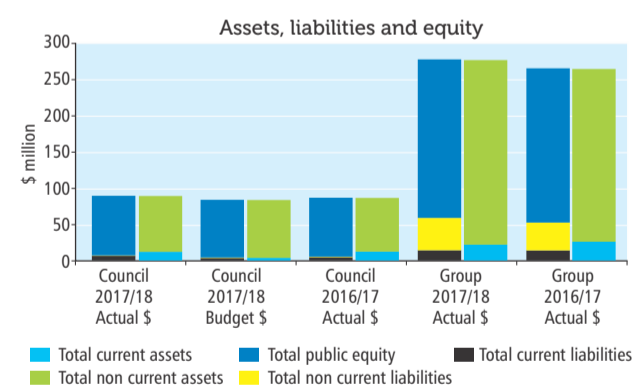
Cash flows

The Council's cash and cash equivalents increased by \$1,168,057 during the year. Net cash inflows from operating was \$2.67m, whilst net cash outflows from investing activities was \$1.5m. At a Group level cash balances decreased by \$2.2m to \$2.8m in total.



Financial position as at 30 June 2018

The Council's assets grew by \$2.71m for the Council and dropped by \$7.1m for the Group. Liabilities increased by \$1.76m for the Council and increased by \$4.6m for the Group. The Council continued to have no public debt.



Notes

These summary financial statements have been prepared in compliance with "Financial Reporting Standard No.43 (PBE)" issued by the External Reporting Board. The summary report cannot provide as complete an understanding as the full Annual Report, which is available free of charge from the Council offices (ph 06 765 7127) or email publications@trc.govt.nz or visit the Council's website www.trc.govt.nz.

This summary financial report has been extracted from the Taranaki Regional Council 2017/2018 Annual Report dated 18 September 2018. The Council received an unmodified audit opinion. The Group received a qualified audit opinion due to the limited audit procedures able to be performed over the Yarrow Stadium stands asset value as at 30 June 2018. The opinion was dated 18 September 2018. The financial statements are presented in New Zealand dollars. The Summary Annual Report was adopted and authorised by the Taranaki Regional Council on 18 September 2018.

Taranaki Regional Council is the ultimate parent of the Group and controls two entities being Port Taranaki Ltd and Taranaki Stadium Trust. There have been a number of transactions between Port Taranaki Ltd, the Taranaki Stadium Trust and the Taranaki Regional Council during the year in the normal course of business.

The primary objective of the Taranaki Regional Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Taranaki Regional Council has designated itself and the Group as public benefit entities for the purposes of International Public Sector Accounting Standards (IPSAS). The full set of financial statements included in the Annual Report has been prepared in accordance with NZ GAAP. The full set complies with IPSAS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. These summary financial statements are in accordance with the recognition and measurement requirements of IPSAS but do not comply with the presentation and disclosure requirements of IPSAS. The summary financial statements are in respect of the Council and Group's IPSAS full financial statements. This summary annual report has been prepared in accordance with Tier 1 Public Benefit Entity (PBE) standards.

Detailed seismic assessments have been completed on the East and West Stands of Yarrow Stadium. The assessments indicate that the East Stand is 10% of new building standard and the West Stand is 20% of new building standard. As such both stands are earthquake prone buildings and have been closed from use. The West Stand increases to 45% of

new building standard if the seats are closed to public use and only the facilities at the top of the stand are used. Based upon knowledge to date, the level of impairment is assessed at 50% for the West Stand and 90% for the East Stand. The actual level of impairment is likely to be different based upon the outcomes of investigations into repair and/or reinstatement options. This variance may be material. The total value of the impairment of buildings for the year ended 30 June 2018 was \$15,514,988. The total carrying value of the East and West Stands before the recognition of impairment loss amounted to \$19,726,399.

The Taranaki Regional Council and Taranaki Stadium Trust have contingent liabilities of \$58,000 as at 30 June 2018 (Nil-2016/2017). This relates to land purchases as part of the Opunake Flood Control Scheme. Pursuant to the Waitara Harbours Act 1940, the Council has an interest in 180 ha of New Plymouth District Council owned Waitara Harbour endowment lands. In the event of the sale of part or all of these lands by the New Plymouth District Council, the Council has a contingent asset. At this stage, the value is uncertain. For the Group, there have been no material events subsequent to balance date.