

Pūrongo ā-tau Annual Report 2021/22

Summary



Kōrero matua a te tiamana me te tumu whakarae

Message from Chief Executive and Chairperson

In 2021/22, we continued our mahi to help make the Waikato the best it can be environmentally, economically and socially – for now and for generations to come.

For 2021/22, we've been particularly mindful of the financial pressures that continued to mount for our communities, driven by forces beyond the control of local government. These forces included continued impacts from COVID-19 and geopolitical tensions such as the war in Ukraine. Annual inflation hit a 30-year high by year end, pushing up our operating costs at a time when ambitious legislation from central government required us to step up our activities. Labour markets were also particularly tight for skilled roles during the period. Despite these challenges, however, our council remained committed to investing for the future, particularly in essential areas like regional resilience.

Climate resilience is the biggest challenge we currently face. Understanding climate change and its impact, and acting early, is key to the resilience of our region. In 2022, this council completed phase one of a comprehensive climate change risk assessment for the region, bringing together a collective understanding of climate risk across

all aspects of our region's environment, people, property and economy. Phase two will see us working with iwi, sector and community representatives to rate and address the greatest risks.

The more intense weather events and higher tides we see with climate change will put pressure on our flood protection infrastructure. Our flood schemes safeguard property worth over \$19 billion and support a thriving agricultural sector that contributes around \$2.3 billion a year to our regional economy. With funding support from the Government's economic recovery response to COVID-19, we progressed a number of climate resilience infrastructure projects in the Waikato. These projects include upgrading stopbanks in Ngātea and along the Firth of Thames, structural and telemetric (remote measurement) upgrades to our Mill Road and Roger Harris pump stations, replacing three ageing floodgates with one new one near the Piako River mouth, and upgrading pumps due for replacement to enable safer fish passage.



In the transport space, we rolled out several improvements to our Waikato to Auckland train service, Te Huia, including an extension to The Strand in central Auckland and a new Puhinui stop to enable access to Auckland Airport. A major refresh for the Hamilton bus network introduced a new demand-responsive, corner-to-corner rideshare service called Flex. As well as serving the CBD, this service now operates between the Hamilton Transport Centre and Hamilton Airport seven days a week.

We drafted our Regional Public Transport Plan (RPTP) during the 2021/22 financial year, and public consultation took place in July 2022. The RPTP is the roadmap for Waikato transport services over the next decade. It has a long term focus on improving regional accessibility, expanding inter-regional connectivity and driving investment in zero emission services. This will bring some significant benefits, including cutting congestion and reducing greenhouse gas emissions.

Preventing the loss of biodiversity and managing our natural resources are important for regional resilience. Our control of harmful pests provides vital support for native biodiversity and helps our primary industries to thrive. We completed a review of our regulatory Waikato Regional Pest Management Plan and developed our first Waikato Biosecurity Strategy for ensuring we operate and maintain a collaborative, cohesive and comprehensive biosecurity system in the Waikato region over the next 10 years.

Our coastal marine area is vital to the health and wellbeing of our environment, economy and communities. In 2021/22, we continued our review of the Waikato Regional Coastal Plan, the rulebook for activities in the coastal marine area from the high tide mark to 12 nautical miles out at sea. We've been seeking feedback from tangata whenua, coastal residents and users, industry and other key stakeholders to make sure we get our coastal management right.

So much of the work we do is only made possible by working with others. For this reason, we work closely with residents and ratepayers, community groups, central and local government, the primary sector, businesses and iwi.

We're particularly focused on growing our capability and confidence to effectively partner with iwi Māori and increasing iwi participation in council decision-making processes to make our Waikato even better. The council is developing a council-wide Te Ao Māori cultural competency framework to identify specific areas for improvement in this collaboration space. We'll also continue to advocate for the Crown to fully fund Treaty of Waitangi settlements in perpetuity as an outcome of the Future for Local Government Review. This would support even more effective and productive partnerships moving forwards.



A handwritten signature in black ink, appearing to read 'Chris McLay'.

Chris McLay
Chief Executive



A handwritten signature in black ink, appearing to read 'Pamela R. Storey'.

Pamela Storey
Chair



Tō tatou rohe

Your region

The Waikato region occupies the heart of the upper North Island. It stretches from the Bombay Hills and Port Waikato in the north to Mōkau on the west coast in the south, across to the Coromandel Peninsula and the Kaimai Range in the east, and down to the slopes of Mount Ruapehu.

The region contains New Zealand's longest river, the Waikato River, which winds its way 425 kilometres from Lake Taupō to the Tasman Sea.

The Waikato is one of the richest agricultural areas in the world. It also has many distinct landforms, including the Taupō volcanic zone, Waikato lowland and Hauraki Plains, western and central hill country, and the Coromandel and Kaimai ranges.

The Waikato is part of the 'golden triangle' connecting Hamilton, Auckland and Tauranga, making it a convenient access point for freight and logistics.

The population is 506,000, making the Waikato the fourth most populous region in New Zealand. Almost three quarters of this population lives in our urban areas, the largest urban area being Hamilton city.

The people of the Waikato region are represented by 14 elected council members, representing two Māori seats and 12 general seats. The council has a chair and a deputy chair who are appointed by the council.



25,000km²
land area



1200km
coastline



623km²
Lake Taupō, the largest lake in Australasia



506,000
people



70 per cent
of New Zealand's geothermal resources are found in the Waikato



216,087
rateable properties
(as at 30 June 2022)



431,278ha
marine mammal sanctuaries



425km

Waikato River, the longest in New Zealand



Whangamarino Wetland, the second largest wetland on the North Island



Tongariro National Park, New Zealand's oldest national park and a World Heritage area



3400ha

**Sanctuary Mountain
Maungatautari, New Zealand's
largest mainland ecological island**

Ngā whakatutukitanga

Performance summary

The work we do is carried out under 26 activities which are sorted into eight groups. These groups of activities deliver services and infrastructure, and perform functions, that enable us to deliver great community outcomes. Through our *2021-2031 Long Term Plan* (LTP), service levels and budgets are set, and these are what we report against.

Service delivery

This year has seen lots of great work happening. Where performance measures weren't achieved, some missed by just a small margin.

- All 141 official information requests received were responded to within statutory timeframes.
- All 94 current projects funded through the Natural Heritage Partnership Programme achieved their milestones. The programme includes three funds that are allocated to individuals or groups for restoration activities.
- We completed a review and enhancement of our online hazards portal to improve communication to communities and stakeholders.
- The inaugural Te Huia customer survey showed 94 per cent of passengers were satisfied or better with the passenger rail service.
- We responded to all 1849 notifications from the public relating to environmental incidents and attended 445 that we determined needed physical attendance.
- We increased our one-on-one contacts with regional boaties by 32.8 per cent, meeting 1080 individuals compared to 813 in 2020/21.
- Our Advancing Māori Medium environmental education programme received final evaluation and commendation from the Waikato Tainui College.
- We developed a freshwater quality accounting framework which is now being used to establish baseline state information.
- Of our rural stopbanks, 92.8 per cent were maintained above the designed flood height, which just fell short of our target of 93 per cent. Multi-year works are currently underway which will mean that the target will be met in 2022/23.
- A fault in the call diversion for our 0800 service occurred during a weekend in January 2022. Consequently, our target for 24/7 response services was not maintained for the entire year, which impacted two performance measures.

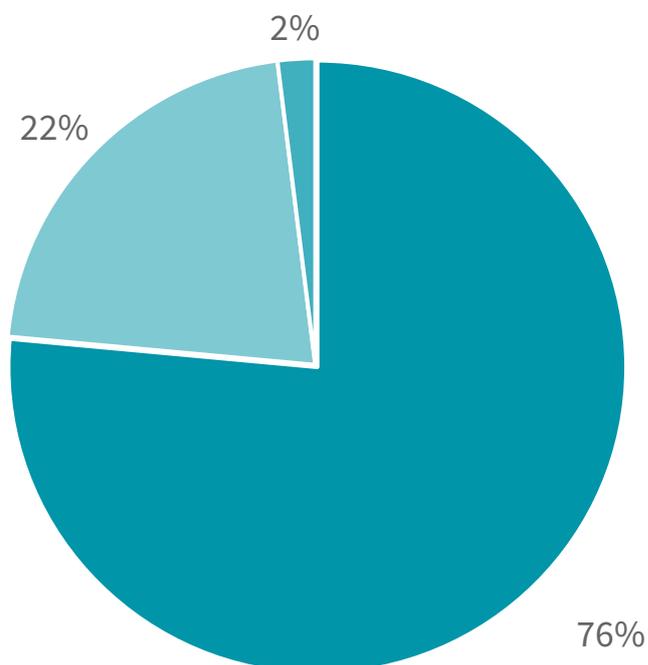
Our planned levels of service in some areas were impacted by COVID-19.

- Our ability to engage with iwi was impacted by lockdowns during 2021/22. This has created delays to the timeline for the *Regional Coastal Plan*, which did not meet its target to be notified this year.
- Our targets to grow patronage on public bus services were negatively impacted by the flow on effects of COVID-19, with trips per capita down 28 per cent for Hamilton and down 4 per cent for the rest of the region compared to 2020/21.
- The reliability of buses to deliver all timetabled journeys was impacted by a national driver shortage, an indirect result of COVID-19.
- We were unable to conduct our annual bus customer satisfaction survey in 2021/22 due to COVID-19 lockdowns. This resulted in two measures, which are based on survey results, not being achieved for 2021/22.

Non-financial measures

For the 2021/22 year, there were 51 non-financial measures to be monitored and reported on. The overall results were that are shown in the pie chart below.

- Fully achieved 39 measures
- Did not achieve 11 measures
- Partially achieved 1 measure





Financial performance

The Waikato Regional Council was required under section 98(7) of the Local Government Act 2002 to complete its audited financial statements and service performance information for the year ended 30 June 2022 no later than 31 December 2022. This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of COVID-19, including lockdowns.

We finished 2021/22 with a net deficit of \$5.576 million. Our total revenue for the year was \$13.148 million less than forecast in the annual plan. Our operating expenditure was \$2.550 million underspent. The main reasons for the deficit include:

- The contribution from other parties (central government) for catchment management and flood infrastructure Shovel Ready projects being \$2.394 million below budget as, at the time of budgeting, the contribution that would be received was uncertain.
- Overall, the return from the investment fund this year was a loss of \$5.3 million against a budgeted gain of \$4.4 million, reflecting increased market volatility over the course of the year.
- Lower bus patronage, reflecting impacts of the COVID-19 pandemic and associated lockdowns, together with bus driver shortages leading to the need for reduced services, resulted in a reduction in fare revenue of \$2.637 million.

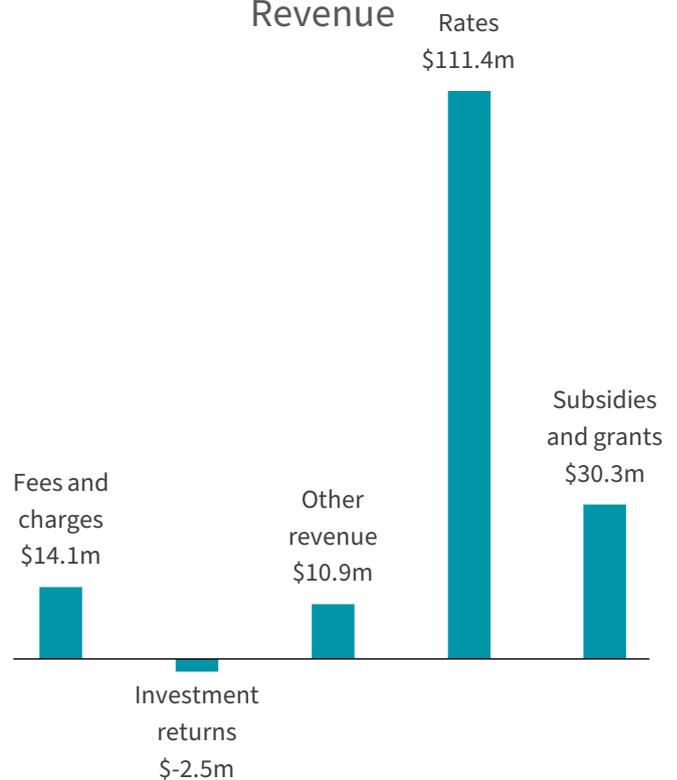
Operating capital expenditure

Of our total operating capital expenditure budget of \$7.577 million, \$3.219 million was spent this year.

Major works not completed are as follows.

- Installation of electric bus charging infrastructure, real-time street signage and other public transport projects totalling \$1.9 million were carried over into the next financial year .
- There was a significant delay in the delivery of new fleet vehicles. This resulted in a \$1.3 million underspend . It is expected that most of these vehicles will be delivered by December 2022.

Revenue



Infrastructure capital expenditure

Of our total infrastructure capital expenditure budget of \$15.313 million, \$9.722 million was spent this year.

Major works not completed are as follows.

- The Shovel Ready component of our Capital Works programme in Waihou Piako is currently behind schedule by \$1.403 million. This spend has been carried over into the new financial year. The Shovel Ready component of the Capital Works programme in the Lower Waikato is currently behind schedule by \$1.325 million. This spend has been carried over into the new financial year.

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

Ā mātou mahi

Our work

Our 10-year strategy sets out why we are here, what we stand for, our values, the principles that guide our work, and the commitment we make to every individual and organisation that uses our services.

It identifies six strategic priorities that collectively help us build a resilient Waikato – a region that is prepared and well positioned to respond to new challenges and tough times. Progress towards our intended community outcomes also reflects progress towards these priorities.

We work alongside residents and ratepayers, community groups, central and local government, iwi, the primary

sector and businesses to deliver the outcomes identified under each priority. The outcomes are aligned to the local Waikato Wellbeing targets, which are in turn aligned with the United Nations' Sustainable Development Goals (SDGs). We used the wellbeing targets to shape our LTP and the 2021/22 Annual Plan.

Aronga Our purpose

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

He taiao mauriora Healthy environment	He ōhanga pakari Strong economy	He hapori hihiri Vibrant communities

Ngā aronga nui Our strategic priorities

<p>Wai Water</p>	<p>Rerenga rauropi, tiakitanga taiao Biodiversity and biosecurity</p>
<p>Hanganga tauwhiro Sustainable infrastructure</p>	<p>Āhuarangi Climate</p>
<p>Takutai moana Coastal and marine</p>	<p>Hononga ā-waka Transport connections</p>

Te āhua o ā mātou mahi The way we work

Community-led action	Constructive leadership	Effective partnerships	Embracing te ao Māori
Financial responsibility	Information led	Managed change	Striking the balance

He taiao mauriora Healthy environment

Climate

Climate change is the biggest challenge we face, affecting infrastructure, services, homes, health and wellbeing. Understanding its impact on our environment, economy and communities, and acting early, is key to the resilience of our region.

In June 2022, we completed the first phase of a comprehensive climate change risk assessment for the region, aiming to develop a collective understanding of climate risk to all aspects of our environment, people, property and our economy. The second phase will see us working with iwi as well as sector and community representatives to rate the risks and prioritise actions to address them.

Internally, we're also doing our bit to support New Zealand's move towards a low-emissions economy by publicly committing to reduce our greenhouse gas emissions. Toitū Envirocare confirmed in November 2021 that Waikato Regional Council had been recertified under its carbon reduce scheme. **We've reduced our gross emissions by 44.4 per cent since 2016/17.** We're on track to meet our target of a 70 per cent reduction on the 2016/17 base year by 2030.

Reducing carbon emissions from transport was a key area of focus in the 2021/22 financial year. A Transport Emissions Reduction Working Group was established to consider how we will address this issue. A *Regional Transport Emissions Reduction Plan*, to provide guidance to stakeholders, is expected to be completed in 2022/23.

GROSS EMISSIONS
 **44.4%**
SINCE 2016/2017

Education

Our EnviroSchools programme, started in 1993, is based on the principle of sustainability. The programme takes an action-focused approach to learning, drawing on the physical, social, cultural and political aspects of our environment. Despite schools being closed to visitors during COVID-19 lockdown and the red traffic light setting, EnviroSchools has grown in existing schools and welcomed eight new schools to the programme. This was achieved by connecting with teachers and classes remotely and by sharing more stories through our Waikato network to inspire sustainability initiatives across the region.

We've also started an educational workstream to advance Māori medium and support mātauranga of te ao hurihuri. In 2021, we piloted the Kura Waiti ki Kura Waitā programme to advance mātauranga Māori in fresh water and coastal environmental education. The programme, delivered by Te Toki Voyaging Trust, was officially launched this year involving seven kura. Waikato River Authority is supporting Kura Waiti ki Kura Waitā and mātauranga Māori by funding a University of Waikato student as an intern to work alongside the council's Kaihāpai Hōtaka Mātauranga role for two days a week. In 2021/22, our intern launched an annual workshop, Ngā Pūrākau Pūtaiao Science, to spark curiosity in STEM subjects (science, technology, engineering, maths and mātauranga Māori).

We continue to support a region-wide youth forum (Rangatahi Voices). This forum works to co-design youth participation in council activities and engages youth in local government to help drive positive change. Our youth and secondary workstream also included the development of an NCEA-based education resource for teachers this year, ready for use in 2023. This resource empowers and supports secondary teachers to integrate sustainability into the school curriculum and achievement standards.





Waste reduction

The waste we create and how we dispose of it has huge environmental and social impacts.

We worked with Bay of Plenty Regional Council on a cross-regional waste and recycling stocktake. We looked at the tonnage, composition and diversion potential of the waste sent to landfill, as well as recycling volumes in the regions. This stocktake will inform our future decision-making on waste prevention and reduction.

Funding was also secured from the Ministry for the Environment's Waste Minimisation Fund to explore economically viable options for putting organics, including food and garden waste, to best use.

Proposed Waikato Regional Plan Change 1 for the Waikato and Waipā rivers

This project is just one step in an 80-year journey to protect and restore the Waikato and Waipā rivers. The appeals process through the Environment Court continued in 2021/22, and we began additional water quality monitoring at 34 lakes across the region in preparation for reporting when plan change 1 becomes operative.



Amendments to National Environmental Standards

In 2021/22, we undertook a comprehensive State of the Environment reporting programme, with 25 technical reports produced to detail the region's natural resources. The reports identify pressures on the environment and potential responses to improve environmental outcomes in future. This reporting programme helps us prepare for amendments to national environmental standards (NES) to improve air quality and fresh water which come into effect in 2022/23.

Training rural professionals

We continued to work with farmers and rural professionals to improve understanding of central government's Essential Freshwater requirements and regional plan change 1. We engaged with sector partners Dairy NZ, rural professionals, product resellers and the Foundation for Arable Research. We worked closely with the Ministry for the Environment and other regional and unitary councils to help evolve the delivery mechanisms for pending regulations.

In 2021/22, we delivered programmes and field days on farm forestry and planning, good farming practices and carbon farming, and we supported a range of industry-driven events across the region. We continued to facilitate sector groups with two annual meetings to support the dairy, dry stock, arable and banking sectors.

Flood events

There have been no significant impacts from flood events this year, although staff across the region responded to several localised flood events.

Our flood response platform, Flood Room Live, continues to be used and provides improved real-time information to the public and stakeholders.

Preserving indigenous biodiversity

We work alongside communities and landowners to support their efforts to protect and restore native habitats. This work, and the effort that goes into making our primary industries thrive, would be wasted without the control of pest plants and animals. In 2020/21, our biosecurity work included:

- landscape-scale feral goat control across the Coromandel, Kaimai, Whareorino and Rangitoto ranges, as well as Pirongia Forest Park, in collaboration with Department of Conservation (DOC)
- implementing our priority possum control programme across 140,769 hectares, including iconic places like Rangitoto and Herangi ranges, and achieving 2 per cent residual trap catch overall
- containing the spread of dama wallabies by working with our partners and using specially trained wallaby detection dogs (a combined distance of 6188 kilometres has been walked in search of wallabies in the Waikato)
- managing infestations of alligator weed in Waharoa, Whitianga, Kāwhia Harbour and the lower Waikato River, and completing surveillance for velvetleaf at 41 high risk properties.

Coastal plan review

We've continued our review of the *Waikato Regional Coastal Plan*, the rulebook for activities in the coastal marine area from the high tide mark to 12 nautical miles out at sea. The coastal plan sets the objectives, policies, rules and methods the council will use to manage the region's natural resources in the coastal marine area. We sought feedback from tangata whenua, coastal residents and users, industries and other key stakeholders in 2021/22 to help make sure we get this right for our communities. The plan is due to be notified in 2023.



Protecting kauri forests

The council supported an increase in management to protect the region's kauri forests in preparation for the *National (Phytophthora agathidicida) Pest Management Plan* (NPMP), which came into effect in August 2022. Kauri disease, caused by the soil-borne organism *Phytophthora agathidicida* (Pa), is threatening the wellbeing of kauri and kauri forests. Kauri are found among other native trees throughout the upper North Island.

Last year, the council received \$1.28 million from the Government to help protect kauri forests. The funding was used to deliver a range of initiatives, including:

- working with landowners to upgrade fencing, to stop stock going into kauri forests
- installing and upgrading cleaning stations for community trapping groups
- helping investigate the use of environmental DNA (eDNA) sampling as another possible tool for determining the presence of Pa
- monitoring a trial of kauri stands receiving phosphite treatment, which are showing promising reductions in disease symptoms.

Responding to oil spills

Marine oil spills threaten the coastal marine area. We work with other agencies to prevent and plan for these hazards so we can minimise the impact they may have on our environment. As part of this work, we reviewed and updated our *Marine Oil Spill Contingency Plan* and carried out two oil spill exercises.

Coastal hazards

The Waikato region's low-lying coastal areas are susceptible to hazards caused by tides, storms and projected sea level rise. In 2021/2022, we updated our coastal inundation tool to improve its functionality and make it easier for people to use. The coastal inundation tool allows users to quickly understand the susceptibility of coastal areas to particular sea level scenarios.

We worked closely with territorial authorities across the region to undertake community engagement and prepare local plans for coastal communities.

- Hauraki District Council on a community adaptation plan for the Wharekawa coast.
- Thames-Coromandel District Council on a shoreline management plan for the Thames-Coromandel area.
- Waikato District Council on a plan for Port Waikato, and to consider coastal erosion issues.

Each of these plans looks at coastal areas that are more susceptible to the impacts of a changing climate, sea-level rise and coastal erosion or inundation. They look at the ways we can manage these challenges for our communities, now and into the future.



He ōhanga pakari Strong economy

Financial climate

The global financial climate during 2021/22 has been challenging. The impacts of COVID-19 and the global responses to it, the war in Ukraine, and increasing impacts from climate change are driving economic forces beyond the control of local government. Annual inflation by the end of the financial year was sitting at a 30-year high, driving significant cost pressures on our council and communities.

At the same time, the risks to livelihoods posed by weather extremes caused by climate change have never been greater and will only continue to increase for the foreseeable future. A big part of our remit and our responsibility as a regional council is to protect our communities and our regional economy.

Our flood protection schemes alone protect 3000 square kilometres of land, as well as critical services and infrastructure. Being able to productively use this land boosts our regional economy by \$2.2 billion every year, underscoring the importance of timely infrastructure investment.

FLOOD PROTECTION SCHEMES



3000km²

PROTECTED

Shovel ready

In response to COVID-19, the Government awarded funding to the council to fast-track multiple infrastructure and environmental restoration projects. The funding was provided to help stimulate the economy and create jobs, while providing public or regional benefit. Our Shovel Ready projects have a focus on protecting and enhancing water quality, biodiversity, soils and coastal areas, and protecting communities from flooding. Progressing or delivering our Shovel Ready projects in association with our funding partners, iwi and communities has been a key area of focus for the council in 2021/22.

Completion of four projects was achieved this year: an upgrade to the Mill Road Pump Station, restoration work at six internationally significant geothermal sites in the Wairakei Geothermal Park in Taupō, aquatic weed control on the Waikato River, and wilding pine control in Taupō and the Coromandel Peninsula.

We also upgraded the Mangawhero pump station, which included the first of up to five fish passage pump upgrades, and began work on a second site at Churchill East in the Lower Waikato. Fish-friendly pumps will provide safer passage for our native fish species and are the first of their kind in New Zealand.





Te Waka

Te Waka is the regional economic development agency that contributes economic development leadership and coordination across the Waikato region. To help Te Waka grow and mature, we increased our funding from \$300,000 a year to \$750,000 a year over three years as part of our LTP. In 2021/22, Te Waka reported a number of successes across its four priority areas, including: partnering with industry to champion sector development and key industry impact projects that support growth in Māori and Pasifika enterprise; driving sub-regional business growth by supporting key priorities; and supporting workforce development. Key business and industry growth milestones achieved in the three months to the end of June included: the successful launch of the *Waikato and Bay of Plenty Freight Action Plan*; funding being secured for the ongoing delivery of the Destination Waikato project; completion of a construction sector talent attraction campaign; and playing a key role in the launch of the *Regional Workforce Plan*.



Sustainable Infrastructure Decision Making Framework

We continued work on the Sustainable Infrastructure Decision Making Framework. This framework will enable the council to make sound, long-term investments in critical flood protection and land drainage assets. In 2021/22, we focused on testing the framework with iwi partners, and over the coming year will be focusing on engagement with our stakeholders to further refine the framework.

The framework is due to be shared with partners and key stakeholders in 2022/23. We are also identifying how the framework will be used in our next long term plan process to identify and prioritise programmes of work and associated investment in land drainage and flood protection infrastructure.

Greenhouse gas reductions

The council continued to collaborate with regional partners to achieve community greenhouse gas reduction targets set through the Waikato Wellbeing Project, and to support more climate-resilient communities. The Climate Action Advisory Group continued to work towards the commitments set out in our *Climate Action Roadmap* as we also worked to support the delivery of wider scale collaboration through the Waikato Plan Climate Change project and the Upper North Island Strategic Alliance.

We contributed emissions reduction thinking to the development of the Hamilton-Waikato Metropolitan Spatial Plan Transport Programme Business Case and to a review of the *Future Proof Strategy*. We also coordinated submissions to central government on emissions reduction and climate change adaptation.

He hapori hihiri Vibrant communities

Public transport improvements

Our council's bus services and investment in rail keeps people well connected – to each other, to services and to opportunities for recreation, education and jobs. Our work is part of a region-wide effort that includes cycle lanes and walking paths to make it easier for people to get out of their cars and shift to a low-emissions lifestyle. The services we deliver are essential, providing access for the transport disadvantaged and alternatives to private vehicle travel. They also help to reduce congestion and support urban growth.

Waikato to Auckland connectivity is crucial to the development of our region. It improves community access to essential services and transport for work, education and recreation, helping to improve quality of life. We launched the passenger rail service Te Huia in April 2021, establishing a twice-daily commuter service between the Waikato and Auckland. In January 2022, we rolled out the first of a number of service improvements, including an extension of the service to The Strand in central Auckland, establishment of a new stop at Puhinui to enable access to Auckland Airport, and timetable changes to include off-peak trips during the day.

There have been major changes in the way we all work, learn and travel due to COVID-19. We have seen more people spending time working and studying from home, and it is likely that some of these habits will continue. During 2021/22, we consulted on a significant refresh for the Hamilton bus network that included a number of proposed changes. Project Refresh aims to examine whether the current network is still fit for purpose and how we can improve it. The first phase of improvements will begin to be rolled out during 2022/23.

As part of this, we introduced a new demand-responsive transport option to Hamilton in January 2022 called Flex. Flex uses smaller buses to provide an on-demand, corner-to-corner rideshare service. After starting out as a night service to and from Hamilton's CBD on Friday and Saturday nights, it now also operates between the Hamilton Transport Centre and Hamilton Airport seven days a week. **Flex transports an average of 190 passengers each week** and has become a popular option for evening weekend travel.

FLEX BUSES NOW CARRYING



190

PASSENGERS
PER WEEK





Regional Public Transport Plan

To help ensure our communities remain well connected and to support our vision for growth, we developed the *Regional Public Transport Plan 2022-2032* (RTP) during the first half of 2022. The plan, which was adopted by the council in September 2022, provides the strategy for the regional public transport network and sets out our aspirations and intent for future expansion and enhancements. It was developed through significant collaboration between regional partners and represents an ambitious new vision for the future of public transport in the region.

Continuing the Future Proof Strategy with our partners

The *Future Proof Strategy* is a 30-year growth management and implementation plan for the Hamilton, Waipā and Waikato sub-region. The collaboration between the councils and Waka Kotahi NZ Transport Agency was set up to consider how the sub-region should develop into the future. The strategy was updated in 2021/22 following public consultation, and the updated strategy was adopted in June 2022.



Settlements and co-governance

The council acknowledges that meaningful collaboration produces a broader range of benefits than are currently being achieved through Treaty settlement implementation. We continue to work with our iwi partners to implement and honour Treaty settlements.

Te Kōpu ā Kānapanapa, a joint committee of Te Kotahitanga o Ngāti Tūwharetoa, Waikato Regional Council and Taupō District Council, has been developing *Te Kaupapa Kaitiaki – Taupō Catchment Plan*, a legislative requirement under the Ngāti Tūwharetoa Claims Settlement Act 2018. The draft plan will go through a process of public consultation prior to adoption in late 2022.

The council has a number of co-governance and co-management agreements with iwi regarding their participation in natural resource management decision making. The arrangements include five joint management agreements between iwi and the regional council on the way we will work together. All five agreements are due for review.

Ngāti Maniapoto has reached a Treaty settlement which includes the development of a new joint management agreement with Waikato Regional Council, Waitomo District Council and Ōtorohanga District Council to recognise Ngā Wai o Maniapoto natural resources redress.

Treaty settlement obligations often overlap with our other legislative requirements, so it is important to acknowledge that Treaty settlement arrangements, where they exist, will assist the council to meet existing and new legislative obligations. Working together will also help us adapt to the raft of current and pending central government reform.

The Local Government Act 2002 (LGA) requires local authorities to consider how they can foster the development of Māori capacity to contribute to their decision-making processes. Embracing kaupapa Māori is outlined within our strategic priorities, with a focus on incorporating a kaupapa Māori perspective in all the work we do to strengthen our ability to work more meaningfully with Māori.

Having appropriate te ao Māori competency and capacity is very important to the council. The current raft of central government reforms in relation to the natural and built environments, the Three Waters Reform, as well as the National Policy Statement for Freshwater Management (NPSFM) and the National Policy Statement on Indigenous Biodiversity (NPSIB), all demonstrate the continued and increasing need for iwi participation in council decision-making processes. To meet this need, we require our staff and councillors have the requisite skills, training and support to fulfil our obligations to our iwi partners now and into the future.

Therefore, in 2021/22, we started the development of a Te Ao Māori Cultural Competency Framework to give the council a more comprehensive understanding of our current cultural competency across the organisation, and our capacity to effectively work with iwi and Māori communities. This framework, which will be completed in 2022/23, will enable the council to identify specific areas for improvement, while creating both the benchmarks and the baseline data necessary to measure and track the impact our internal programmes have on increasing our cultural capacity and capability.



Eco Retrofit

Through the LTP, the council agreed to borrow up to \$35 million over 10 years to help ratepayers access funds to make home improvements designed to reduce energy consumption and costs, and to create warmer, drier, more sustainable and climate-resilient homes.

The council resolved the scheme would enable homeowners to apply for up to \$15,000 to cover clean heating, insulation, double glazing, solar PV, domestic water storage and the replacement of septic tanks. The scheme's costs will be fully recovered, with loans repaid over 10 years through a voluntary targeted rate on the property being retrofitted and with no impact on the general ratepayer.

The scheme is designed to complement other schemes, such as EECA grants and low or no interest loans, such as those offered by the banks for sustainable/healthy homes improvements.

Waikato Regional Council, along with a number of other councils, made a formal submission to the Government seeking exemption from the onerous and costly obligations of the Credit Contracts and Consumer Finance Act that took effect from 1 December 2021. In February 2022, the scheme was put on hold until the Government provides a decision regarding this exemption.

Waikato Wellbeing Project

The Waikato has ambitious wellbeing targets based on the United Nations' Sustainable Development Goals (SDGs). These targets were developed and confirmed through a collaborative process run under the banner of the Waikato Wellbeing Project, a joint initiative by Waikato Regional Council and WEL Energy Trust. This focus on wellbeing is integral to the purpose of the LGA and the priorities of the Council's LTP to promote environmental, economic, social and cultural wellbeing.

The Waikato Wellbeing Project aims to achieve a more sustainable future for the Waikato region by identifying and addressing the causes of our wellbeing challenges.

The Rangatahi Opportunity is the first major SDG-specific project. It is led by rangatahi, for rangatahi and aims to better understand the drivers of youth wellbeing in the Waikato, with an initial focus on Kirikiriroa Hamilton. The Waikato Wellbeing Project has recently started a similar process to identify and address issues around poverty and hunger via the Waikato Kai Challenge.

In 2021/22, the project supported initiatives focusing on climate change, housing, circular economy and ecological restoration, and co-sponsored – with the University of Waikato, Waikato-Tainui and Te Pūkenga – the upcoming Waikato SDG Summit Series.

A multi-stakeholder group is exploring the feasibility of a centre of excellence to guide decisions and investments in the Waikato region regarding the management, collation and dissemination of wellbeing data, information and knowledge.



Whakarāpopototanga pūtea

Financial summary

Statement of Compliance

The Waikato Regional Council hereby confirms that all statutory requirements in relation to the annual report summary, as outlined in the Local Government Act 2002, have been complied with except that Waikato Regional Council was required under section 98(7) of the Local Government Act 2002 to complete its audited financial statements and service performance information for the year ended 30 June 2022 no later than 31 December 2022. This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of COVID-19, including lockdowns.

Financial Summary for the year ended 30 June 2022:

	Actual (\$m)	Annual Plan (\$m)	Last Year (\$m)
Statement of comprehensive revenue and expenditure			
Total revenue	164.13	177.27	163.38
Depreciation and amortisation expense	11.14	11.31	9.98
Interest expense	0.76	0.92	0.84
Other operating costs	157.80	160.02	147.73
Total expenditure	169.70	172.25	158.55
Surplus/deficit before income tax	-5.58	5.02	4.84
Income tax expense	0.00	0.00	0.00
Net surplus	-5.58	5.02	4.84
Gain/loss on revaluation of property, plant and equipment	72.60	0.00	0.22
Total comprehensive income	67.02	5.02	5.06
Statement of financial position			
Current assets	48.66	41.04	56.47
Non-current assets	742.58	700.19	679.74
Total assets	791.24	741.23	736.21
Current liabilities	41.14	37.36	44.59
Non-current liabilities	20.34	52.73	28.89
Total liabilities	61.48	90.09	73.49
Net assets	729.76	651.14	662.73
Statement of changes in equity			
Opening equity	662.73	646.12	657.67
Total comprehensive revenue and expense	67.02	5.02	5.06
Closing equity	729.75	651.14	662.73
Components of equity			
Accumulated funds	220.76	219.44	221.24
Other reserves	508.99	431.70	441.49
Total equity	729.75	651.14	662.73
Statement of cash flow			
Net from operating	0.22	10.73	18.33
Net from investing	-14.94	-42.22	-13.60
Net from financing	-7.05	19.04	0.00
Net decrease/increase in cash held	-21.77	-12.45	4.64
Closing cash balance	2.83	4.85	24.61

Accounting policies

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

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

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

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

The full financial statements on which this summary is based were authorised for issue by the council on 29 June, 2023.

Commitments

Capital expenditure commitments for property, plant and equipment and intangible assets amounted to \$3.141 million at 30 June 2022 (30 June 2021: \$3.185 million).

Contingent liabilities

At 30 June 2022, council was involved in one legal proceeding where a claim for financial compensation had been made to us. The matter is regarding a dispute over a resource use consent previously issued by council and our

insurers have engaged legal representation to defend the proceeding. However, as the value of the claim is uncertain and any adverse outcome will be covered by our insurance, no provision for this has been made in these accounts.

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.

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 AAA.

Council is one of 68 local authority guarantors of the LGFA as at 30 June 2022. The aggregate amount of uncalled shareholder capital (\$20 million) is available in the event that an imminent default is identified, the council is not a shareholder. Together with the other shareholders and guarantors, the council is a guarantor of all of LGFA's borrowings. At 30 June 2022, LGFA had borrowings totaling \$16.826 billion (2021 \$14.390 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.

	2021/22 Actual (\$'000)	2020/21 Last year (\$'000)
Operating leases as lessee		
Not later than one year	3,570	3,592
Later than one year and not later than five years	12,765	13,257
Later than five years	30,240	30,269
Total non-cancellable operating leases	46,575	47,118
Operating leases as lessor		
Not later than one year	140	140
Later than one year and not later than five years	35	175
Later than five years	-	-
Total non-cancellable operating leases	175	315

Notable budget variations

Explanations for major variations from Waikato Regional Council's estimated figures for the *2021/22 Annual Plan* are as follows.

Statement of comprehensive revenue and expenditure

Other revenue is \$5.508 million unfavourable to budget. The main contributors include the following.

- The contributions from other parties is below budget mainly due to the receipt of funds from central government for Shovel Ready catchment management and flood infrastructure projects. It was \$2.394 million below budget as, at the time of budgeting, it was not certain what contribution would be received.
- Lower bus patronage, reflecting impacts of the COVID-19 pandemic and associated lockdowns, together with bus driver shortages, led to the need for reduced services and resulted in a reduction in fare revenue of \$2.6 million.

Net return from the investment fund in the year was minus \$5.3 million, against a positive budgeted return of \$4.4 million, reflecting the downturn in markets during the year.

- With higher than budgeted annual inflation of 7.1 per cent, \$6.276 million has been set aside in the investment preservation reserve to protect the real value of the fund. This compares to a budgeted provision for inflation proofing of \$1.362 million based on assumed inflation of 1.6 per cent.
- The downturn in markets cumulated in a year-end market value of the investment fund being reduced by \$11.6 million against a planned return of \$3.1 million.

Other expenses are \$2.002 million lower than budget. The biggest component of this is the council's delayed second tranche of funding towards the Waikato Regional Theatre, of \$1.25 million, which was paid in July 2022.

Statement of financial position

Cash and cash equivalents are \$2.017 million lower than budget. This reflects a lower balance of working capital being held on call due to the timing of maturing term deposits at the financial year end. This is offset by a higher value of financial assets (reflecting term deposits with a duration of more than 3 months) than budgeted, by \$9.279 million.

Trade and other receivables is \$1.305 million lower than budget, reflecting the better than planned collection of rates and other charges, with less overdue at year end than expected.

Prepayments are \$1.021 million higher than budget. This is due to the timing of the payment for the new system software licenses, of \$907,000, made within the financial year but budgeted as expenses (and payment) in the 2022/23 financial year.

Intangible assets are \$926,000 lower than budget due to the planned spend on new software and systems not proceeding.

Non-current financial assets are \$3.755 million lower than budget, reflecting the decrease in value of the council's investment fund due to market volatility this year.

Biological assets are \$578,000 lower than budget. This reflects the harvesting of trees from the council's forestry blocks earlier than planned, a reduction of \$514,000, and a net reduction of \$64,000 in the annual valuation of the remaining forestry assets after allowing for ongoing growth.

Property, plant and equipment is \$25.422 million lower than budget, partly reflecting a lower opening asset value than projected at the time the budget was set, and also reflecting lower capital expenditure for the year than projected in the budget. A total of \$6.126 million in budgeted infrastructure capital expenditure and \$6.011 million in budgeted operating capital expenditure has been signalled to be carried over to 2022/23 to allow planned works to be completed.

Borrowing reflects the council's external borrowing through the Local Government Funding Agency. The annual plan anticipated total borrowing of \$51.293 million by year end. Actual borrowing at 30 June 2022 was \$25 million, reflecting a lower than budgeted capital works spend of \$9.9 million. Regional Theatre project delays resulted in \$3.75 million of borrowing not being required in the 2021/22 financial year. The sustainable homes programme, the planned Pungarehu canal and the planned Muggerridges project similarly did not commence in the 2021/22 financial year, resulting in \$4.0 million of borrowing not being required.

Total derivative financial instruments are \$3.545 million favourable to budget. These are interest rate swaps the council has entered into to manage the interest rate risk associated with its borrowing program. The increase in market borrowing rates over the year has made all of these swaps more effective than assumed in the annual plan.

Other reserves are \$3.736 million favourable to the plan. The annual plan assumed that funds of \$4.638 million, accumulated in the Regional Development Fund, would be applied to qualifying projects within the year. While two applications to the fund have been approved, or approved in principle, no funds have yet been distributed. After accounting for the applications approved to date, \$4.544 million remains available within the Regional Development Fund at 30 June 2022.

Independent Auditor's Report

To the readers of Waikato Regional Council's summary of the annual report for the year ended 30 June 2022.

The summary of the annual report was derived from the annual report of the Waikato Regional Council (the Regional Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following statements on pages 7 and 20 to 22:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary for the statement of service provision.

Opinion

In our opinion:

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

Summary of the annual report

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

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

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2022 in our auditor's report dated 29 June 2023.

Disclaimer

The specific disclosures included in this summary have been extracted from the full annual report. These summary financial statements do not include all of the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as is provided by the full annual report. This summary cannot be expected to provide as complete an understanding as is provided by the full annual report of the financial and service performance, financial position and cash flows of Waikato Regional Council.

The summary has been examined for consistency with the full annual report and was audited by Audit New Zealand, on behalf of the Office of the Auditor-General, who have issued a standard unmodified opinion on the full annual report. The full annual report can be found on our website at waikatoregion.govt.nz/annualreport.

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.

Our audit was completed late

We completed our work on 29 June 2023. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by Section 98(7) of the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of COVID-19, including lockdowns.

Other than the audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the Regional Council's debenture trust deed and audit engagements for the *2021-2031 Long Term Plan Consultation Document* and the *2021-2031 Long Term Plan*. Other than in our capacity as auditor, we have no relationship with, or interests in the Regional Council or its subsidiaries and controlled entities.



David Walker,
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
29 June 2023



He taiao mauriora

Healthy environment

He ōhanga pakari

Strong economy

He hapori hihiri

Vibrant communities

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