VISION FOR THE REGION
THE WAIKATO CARES LOCALLY, COMPETES GLOBALLY

WAIKATO REGIONAL COUNCIL'S MISSION
Working together to build a Waikato region that has a healthy environment, a strong economy and vibrant communities

Waikato REGIONAL COUNCIL
Te Kaunihera ā Rohe o Waikato

Lake Taupo Protection Project Joint Committee

Date: Friday, 20 September, 2019

Time: 10:30 am

Location: Council Chambers
Taupo District Council Offices
107 Heuheu Street, TAUPO

Members:
T Kingi - Chair (Tuwharetoa Maori Trust Board)
Cr K Hodge - Deputy Chair (Waikato Regional Council)
Cr K White (Waikato Regional Council)
Cr R Jollands (Taupo District Council)
Cr J Williamson (Taupo District Council)
M Nepia (Tuwharetoa Maori Trust Board)
M Workman (Crown Representative - Ministry for the Environment)
L-K Petersen (Crown Representative - Ministry for Primary Industries)

Notice of Meeting:

I hereby give notice that an ordinary Meeting of the Lake Taupo Protection Project Joint Committee will be held as detailed above.

VRJ Payne
Chief Executive Officer

1. Apologies

2. Confirmation of Agenda

3. Disclosures of Interest

Any disclosures of interest relating to the business at the meeting

4. Confirmation of Minutes

5. Lake Taupo Protection Trust's 2018/2019 Annual Report 3

Report to provide the Committee with documentation arising from the Trust's annual audit for the financial year ended 30 June 2019 as required by the Trust Deed.

6. Advisory Note from the Lake Taupo Protection Trust on the accounting treatment of the nitrogen purchases 30

Report to provide an update on why the Trust has treated the acquisition of the 170.3 tonnes of Nitrogen (N) purchased through public funds as an expense and not an asset in its financial statements.

7. Plan Change to allow for updated Overseer versions and Review of Regional Plan Chapter 3.10 - Update 33

Report to update the Joint Committee on the review of the Waikato Regional Plan Taupo provisions.

8. Work programme for the incoming Lake Taupo Protection Project Joint Committee 36

Report to outline the work programme for the incoming Lake Taupo Protection Project Joint Committee (LTPPJC) following the local government triennial elections.

9. Key Milestones for the Lake Taupo Protection Project 2018 - 2021 - Update - June 2019 40

The purpose of this report is to update the Lake Taupō Protection Project Joint Committee (LTPPJC) on progress with key milestones in order for the project to transition from a development to a maintenance phase.

10. Reasons to Exclude the Public

That the public be excluded from the following parts of the meeting set out below on the grounds that the public conduct of those parts of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 (the Act).

The particular interests protected by section 6 or 7 of the Act which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

Report title: Confirmation of Public Excluded Minutes Lake Taupo Protection Project Joint Committee

- **Protect the privacy of natural persons, including that of deceased natural persons (section 7(2)(a) of the Act)**
- **Prevent the disclosure or use of official information for improper gain or improper advantage (section 7(2)(j) of the Act)**

Report Title : Update on Monitoring of Lake Taupo Protection Trust Nitrogen Reduction Agreements

- **Protect the privacy of natural persons, including that of deceased natural persons (section 7(2)(a) of the Act)**

11. Public Excluded Reports

11.1 Confirmation of Public Excluded Minutes Lake Taupo Protection Project Joint Committee Meeting held on

11.2 Update on Monitoring of Lake Taupo Protection Trust Nitrogen Reduction Agreements

Report to provide an update on the monitoring of the Nitrogen Reduction Agreements for compliance.

Lake Taupō Protection Project Joint Committee

REPORTING TO: Waikato Regional Council and Taupō District Council

CONSTITUTION: Two (2) members from:

- Her Majesty's Government (the Crown)
- Waikato Regional Council (WRC)
- Taupō District Council (TDC)
- Tūwharetoa Maori Trust Board (TMTB)

The Joint Committee shall appoint and may remove the Chairperson and Deputy Chairperson (clause 9.3, Project Agreement).

QUORUM: Four (4) made up of one (1) member from WRC, TDC, the Crown and TMTB.

MEETING FREQUENCY: Quarterly or as required by the Chair or by the Joint Committee (clause 9.1, Project Agreement).

OBJECTIVE: Establish the Lake Taupō Protection Trust to implement the Lake Taupō Protection Project in accordance with the Trust Deed.

Provide governance to the Lake Taupō Protection Trust in accordance with the Local Government Act 2002 and The Lake Taupō Protection Project Agreement.

SCOPE OF ACTIVITY:

1. Appoint trustees to The Lake Taupō Protection Trust in accordance with the provisions of the Trust Deed relating to the appointment of trustees.

2. Set broad direction, objectives, priorities of the Trust and its expenditure of funds.

3. Monitor/review the strategies developed to achieve The Lake Taupō Protection Project's objective as set out in The Lake Taupō Protection Trust's Statement of Intent (clause 2.1, Project Agreement).

4. Review The Lake Taupō Protection Project at five (5) yearly intervals, or as required by The Lake Taupō Protection Trust Joint Committee.

5. Report to the Member Authorities as requested on its decisions and activities (clause 9.5, Project Agreement).

POWER TO ACT:

1. Appoint trustees to The Lake Taupō Protection Trust in accordance with the provisions of the Trust Deed relating to the appointment of trustees.

2. Receive information/reports from The Lake Taupō Protection Trust on is decisions and activities.

3. To receive and make comments on the Lake Taupō Protection Trust's Statement of Intent.

POWER TO RECOMMEND TO THE MEMBER AUTHORITIES:

1. Any decision resulting from a review undertaken in (Clause 4 of Scope of Activity) amounts to an amendment to The Lake Taupō Protection Project Agreement and as such, will require the approval/agreement of the Member Authorities.

Report to the Lake Taupo Protection Project
Joint Committee
20th September 2019

File No: 03 04 21

Date: 11th September 2019

To: Members

From: Trust manager

Subject: Annual reporting requirements for the financial year ended 30 June 2019

1.0 Purpose

1.1 The purpose of this report is to provide this Committee with documentation arising from the Trust's annual audit for the financial year ended 30th June 2019 as required by the Trust Deed.

Recommendations:

1. That the report 'Annual reporting requirements for the financial year ended 30 June 2019' [LTPT Doc # 22838] be received; and

2. That the Chair's annual report [LTPT Doc # 22529], audited financial statements [LTPT Doc # 22762] and Audit NZ's opinion [LTPT Doc # 22763] for the financial year ended 30th June 2019 be received.

2.0 Background

2.1 The Lake Taupo Protection Trust is required to provide this Committee within three months after the end of the financial year, copies of:

- the Chair's annual report on the Trust's operations; and
- the audited financial statements of the Trust; and
- Audit NZ's opinion.

3.0 Report

3.1 Audit NZ issued an 'unmodified' audit opinion on the 5th August 2019 for the financial year ended 30 June 2019.

3.2 The Chairman's annual report, the audited financial statements and the Audit NZ opinion for the financial year ended 30 June 2019 were received and approved by the Trust on 29th August 2019 at its Annual General Meeting.

3.3 Funding partner's organisations have been provided with copies of the annual audit documentation.

Marion Peck

LTPT # 22529

Lake Taupo
Protection Trust
Te wai, te iwi

Chairman's Report

On Trust operations

For the Year Ended 30th June 2019

LTPT Doc # 22529

Report

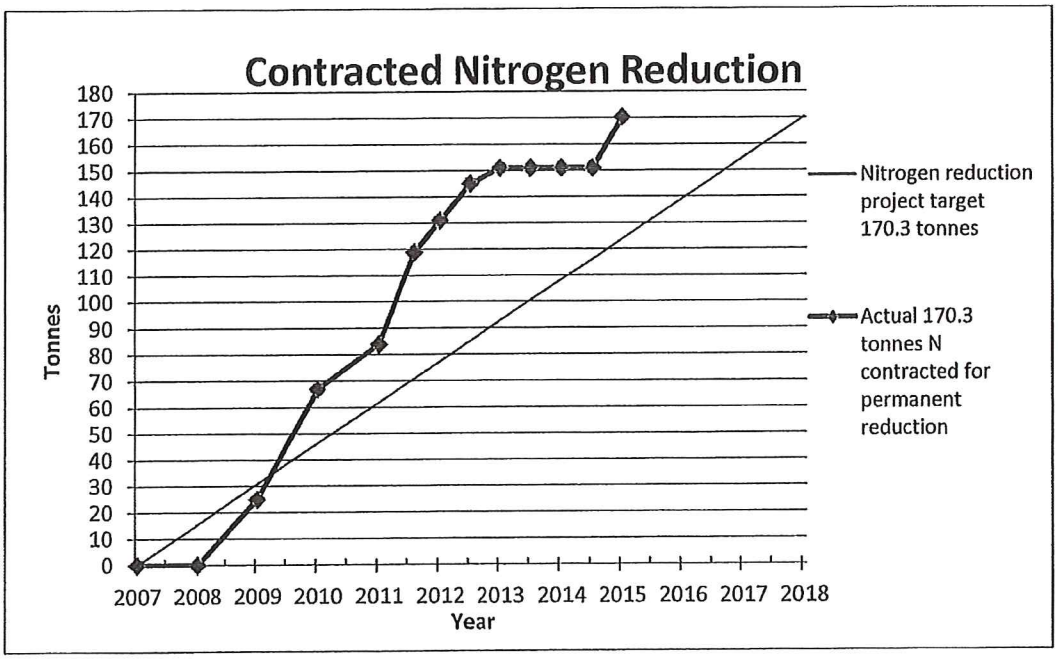
Background

As background, the Lake Taupo Protection Trust was formed and became operative at the time of establishment of the Lake Taupo Protection Project on 9th February 2007. The Trust's role is to protect Lake Taupo's water quality by reducing manageable nitrogen leaching into Lake Taupo by 20%. The Trust has been operating its activities and the use of the public fund based on the 20% figure being projected to be 153,000kgs. After a review of the project in 2011, and consideration of the final figures on the total nitrogen obtained from the benchmarking exercise undertaken by Waikato Regional Council, the projects nitrogen reduction target was increased to 170,300kgs.

The effect of that increase was that the remaining project funds were not able to achieve this new Nitrogen reduction target. As a consequence in April 2013 the Lake Taupo Protection Project Joint Committee overseeing the project, received confirmation of additional Crown funding which then enabled the two local authorities to subsequently release additional funds to enable the project to progress to the new nitrogen reduction target.

Contracted Agreements for the Nitrogen Reductions

The Trust completed the final nitrogen reduction agreement on 29th June 2015 to achieve the projects overall 'contracted' nitrogen reduction target of 170,300 kgs. During the ensuing four year period the remaining annual Nitrogen reduction payments were completed and 'on farm' Nitrogen reductions were achieved in accordance with the nitrogen reduction agreements.



Financial position:

Financially, the Trust remained in a positive position at balance date having operated with residual funds with no income apart from minimal interest earned on term deposit funds which will diminish with time.

The Trust, during the financial year being reported on confirmed to the Lake Taupo Protection Project Committee that is has sufficient residual funds to cover operating costs for the extended operating term on the proviso that no unforeseen expenditure arises.

LTPT Doc # 22529

Alongside the annual budget the Trust has in place a cash flow projection which set out the Trust's contractual obligations to June 2019. The cash flow has enabled trustees to have a big picture view of its expenses and obligations over its operating term. With the projects operating term now extended out to 30 June 2021 or when the Trust winds up, whichever comes first, the cash flow projection was also extended out to June 2021.

Trust operations:

Nitrogen reduction agreements:

The nitrogen reduction agreements continued to be monitored for compliance throughout the year which was achieved although two parties that the Trust contracted with have some partial remedial planting to undertake to fulfill their forestry obligations.

One party commenced remedial planting in June 2019; it is expected their remedial planting programme will complete during the winter 2019 season.

The other party has remedial planting agreements in place with the Trust with a compliance date of 1 November 2019. In the interim period the Trust has initiated contact with the parties and sent correspondence setting out its expectations as to compliance and should that not be the case, the Trust will consider exercising its formal remedies.

Waikato Regional Council undertook aerial monitoring in the second half of the financial year; apart from the two exceptions noted above no compliance concerns were detected in relation to nitrogen reduction agreements.

The Trust received and processed a number of requests from parties it has contracted with. Requests being considered required careful thought, consideration, and decision making by Trustees, particularly in cases where requests were complex and decisions potentially precedent setting.

Audit:

Audit New Zealand continues to scrutinize financial transactions and nitrogen reduction agreements for compliance purposes and in doing so provides an external review at arm's length together with their independent opinion. The annual audit process provides assurance to the Joint Committee and the general public alike that the expenditure of the public fund has been preserved.

Research:

The Trust continued with co-funding of the Lucerne research project 'nitrogen leaching from Lucerne grazed by stock'; this project is set to complete with a farm open day during the 2019 calendar year.

The Lucerne research results to date have been of value and a real benefit to farmers; in the Trust's view the Lucerne research has been a good investment both for the catchment and the wider farming community.

The Trust will not be committing any further funds towards research projects given it has no further income source as it heads toward wind up and transitioning of the agreements.

Project transition planning:

Trustees and staff participated in and provided detailed operational information to assist the Officials Working Group and the Joint Committee with the projects transition planning discussions and workshops that were held throughout the year.

Trustees and staff:

The Trust continued to operate with 4 trustees and 1 staff member during the reporting period (having downsized in 2015 from 7 trustees and 2 staff, to the current level).

Looking ahead:
The Trust will continue to:

- Focus on ongoing compliance with the nitrogen reduction agreements and process any requests in relation to those agreements; and
- Report as required by the project documents to the Joint Committee and report on any topical matters that may arise; and
- Maintain the cash flow projection keeping a watch on funds; and
- Report to the Joint Committee the cash flow position should it fall below $200K; and
- Support and assist member agencies with the planning associated with the future management of nitrogen reduction agreements and the transition process.

Project transitioning:
The Trust conveyed its views and shared its long held view that one of the cornerstone elements of the project's success to date has been the independence (in one sense) of the Trust from the political and daily management influences of the Joint Committee and its members. The Trust also signaled its representatives have been the one constant in the project, while at governance level there has been constant change in membership over the term of the project. Consequently it is the view of trustees that the future co-governance entity should comprise a body that is independent of any one party's control or influence. In the Trust's view the aforementioned factors have benefited the project and contributed to its success to date.

Thanks:
I wish to acknowledge and thank my fellow Trustees Sue Yerex, Jerry Rickman, and Gerald Fitzgerald, and the trust manager Marion Peck for their collective support and commitment, dedication and effort over the past 12-months.

I also extend my gratitude to the members of the Joint Committee, and staff from the member agencies, for their collective commitment, focus, and efforts during the past year.

Nature and Scope of Activities

➢ Fund Management

The Trust's Treasury Policy (incorporating Liability Management and Investment Policies) guides the Trust investments and financial transactions; this was reviewed, and approved by the Trust in May 2019.

As stated above the Trust operates a cash flow projection which projects operating costs up to 30th June 2021. This document allows Trustees to measure progress but also to support their financial management governance role.

Future Direction

➢ Annual Business Plan

The Trust has in place an approved annual business plan to manage and assist with its operations for the ensuing financial year; this is an internal document which will also be referenced for performance management purposes with staff. Progress is tracked monthly through staff reporting to Trustees.

Administration

- Report six monthly to the Joint Committee on progress both financial and qualitative.

The Trust fulfilled its 6-monthly reporting requirements to the Joint Committee and complied with the reporting timeframes.

- **Statement of Intent (SOI)**

The Trust undertook the SOI process in accordance with the requirements of Clause 14 of the Trust Deed. The draft SOI for the 2019/20 year was presented to the Joint Committee at its March 2019 meeting. The final SOI was approved by the Trust and endorsed by the Joint Committee in June 2019.

- **Meetings**

The Lake Taupo Protection Trust held 10 meetings throughout the year; despite previous projections that the workload of the Trust may lessen with the nitrogen reduction contracts being completed, that has proven not to be the case.

- **Service Level Agreements**

The Trust retained the ongoing external services for the provision of accounting and legal services, and forestry consultant services to a lesser degree on an 'as required' basis.

Ratio of Consolidated Shareholder Funds

Because of the nature of the Trust's business there was no specific target ratio of consolidated shareholders' funds to total assets.

Accounting Policies

Our operations which involve purchasing Nitrogen reductions over time and of allowing nitrogen reductions to take place over that time has had specialist accounting advice to ensure that we meet the requirements of GAAP and PBE IPSAS.

Estimate of Distribution to Shareholders

Other than agreed services there were no distributions to Funding Bodies or beneficiaries and none are envisaged.

Organisational Performance Measures for 2018/19 Financial Year

Action	Performance
The Trust will operate in alignment with the Trust Deed, the Statement of Intent, annual operating targets and in compliance with the provisions applicable to it under the Local Government Act.	Achieved.
The cash flow projection to be reported to the Joint Committee on or before December 2018 and to show the ability of the project to complete within budget.	The Trust reported it had sufficient funds to continue operating up to 30 June 2021, or when the Trust winds up, whichever comes first on the proviso that no financial surprises arise.

Continue to administer Trust Nitrogen Reduction Agreements to ensure outstanding contractual requirements are fulfilled by 2019.	Achieved.
Operate and report on the outcomes of nitrogen research projects approved by the Trust.	Achieved.
Undertake responsibilities identified for the Trust under the Taupo Catchment Compliance Monitoring Plan and generally support the operation of those Plans by the other joint parties including the Trust's support of the Lake Taupo Protection Project's Communication Plan.	Achieved; ongoing.
Review Trust policies, report to Trustees and implement their requirements throughout the year.	Achieved.
Report to the Joint Committee on progress, both financial and qualitative.	Achieved.

Statement of Intent (SOI) Performance Targets

Actions	Performance Measures	Performance against Targets
Oversee the financial position of the Trust to meet and maintain a positive projected cash flow projection.	Cash flow projection in place and being operated to achieve a positive outcome at 30 June 2019.	Achieved. The cash flow projection was extended out to match the project 'term' extension up to 30 June 2021 or whenever the Trust winds up, whichever comes first.
Ensure that all LTPT nitrogen reduction contracts are being complied with to achieve the overall Nitrogen reduction target of 170,300 kgs and where relevant in conjunction with Waikato Regional Council.	Nitrogen reduction contracts are being met and any contractual failure is addressed to achieve repatriation of any loss of nitrogen reduction	Achieved. Two contractual breaches requiring partial remedial planting were reported on as to status. One party commenced remedial planting in June 2019 ; the other party has remedial planting agreements in place and communication with this party is ongoing Both breach parties are compliant with their 'total annual nitrogen discharge' caps as monitored and confirmed by Waikato Regional Council on an annual basis.
Monitor/track that compliance monitoring results are received on an	Monitoring compliance results received in accordance with monitoring plan timelines; Audit	Achieved.

Actions	Performance Measures	Performance against Targets
ongoing basis for LTPT N reduction deals.	NZ notified.	
Report to trustees on compliance monitoring results (received from Waikato Regional Council) for LTPT N reduction purchases.	Trustees up to date with compliance monitoring results.	Achieved.
Manage Trust funded research projects that have been previously approved by the Trust.	Research outcomes reported on.	Achieved.
Participation and assistance in the annual audit of the Trust.	Positive audit result.	Achieved.
Carry out Trust responsibilities identified in the Taupo Catchment Compliance Monitoring Plan and provide support in the operation of the plan with other joint parties which includes the Trusts support of the Lake Taupo Protection Projects Communication Plan.	Trust actions completed and the Taupo Catchment Compliance monitoring plan supported on an ongoing basis.	Achieved; ongoing
Provide ongoing support as required in the operation of the Lake Taupo Catchment Compliance Framework.	Support provided as requested to achieve the aims of the Lake Taupo Catchment Compliance Framework	Ongoing.
Undertake any Trust actions arising from the Joint Committees consideration of the draft project review report recommendations, and work with project partners as required on any other related matters where Trust assistance or input is required including any transitional planning and action requirements.	Trust actions arising from the Project Review report (as approved by the Joint Committee) are achieved.	Achieved through involvement and discussions in the project transition planning process throughout the year.

Clayton Stent
Chairman

LTPT Doc # 22529

LTPT # 22762

The Lake Taupo Protection Trust
Statement of Comprehensive Revenue and Expense
For the Year Ended 30 June 2019

Lake Taupo Protection Trust
Te wai, te iwi

	Note	Actual 2019	Budget 2019	Actual 2018
Revenue from Non-Exchange Transactions				
Council operating grants		-	-	-
Government grants		-	-	2,950,000
Total Revenue from Non-Exchange Transactions		-	-	2,950,000
Revenue from Exchange Transactions				
Interest		47,746	12,000	89,860
Total Revenue from Exchange Transactions		47,746	12,000	89,860
Total Revenue		47,746	12,000	3,039,860
Expenses				
Depreciation & amortisation	8	2,249	1,440	1,048
Employee benefit costs	2	100,148	98,500	102,290
Operating lease expense		28,921	30,379	31,733
Nitrogen Reduction Payments	9	4,065,275	4,065,275	4,786,013
Trustee fees	3	61,000	69,782	61,000
Other expenses	4	168,579	859,673	230,963
Total expenses		4,426,172	5,125,049	5,213,047
Operating Surplus		(4,378,426)	(5,113,049)	(2,173,187)
Other gains/losses		-	-	-
Net Surplus for the year attributable to trust beneficiaries		(4,378,426)	(5,113,049)	(2,173,187)
Other Comprehensive Revenue		-	-	-
Total Comprehensive Revenue and (Expense) for the year attributable to trust beneficiaries		(4,378,426)	(5,113,049)	(2,173,187)

Explanations of major variances against budget are detailed in note 22.

The accompanying notes form part of these financial statements.

The Lake Taupo Protection Trust
Statement of Changes in Net Assets/Equity
For the Year Ended 30 June 2019

	Note	Actual 2019	Budget 2019	Actual 2018
Balance at 1 July		5,911,031	5,853,392	8,084,218
Surplus for the year		(4,378,426)	(5,113,049)	(2,173,187)
Other Comprehensive revenue and expense		-	-	-
Total Comprehensive revenue and expense for the period		(4,378,426)	(5,113,049)	(2,173,187)
Balance at 30 June	12	1,532,605	740,343	5,911,031

Explanations of major variances against budget are detailed in Note 22.

The accompanying notes form part of these financial statements.

The Lake Taupo Protection Trust
Statement of Financial Position
As At 30 June 2019

Lake Taupo Protection Trust
Te wai, te iwi

	Note	Actual 2019	Budget 2019	Actual 2018
ASSETS				
Current assets				
Cash & cash equivalents	5	221,486	206,201	938,518
Term Investments	6	1,355,378	500,000	750,000
GST refund due from IRD		7,837	80,180	239,320
Debtors and other receivables from exchange transactions	7	6,986	5,064	180
Debtors and other receivables from non-exchange transactions	7	-	-	-
Prepayments	16	6,203	5,819	4,071,741
Total current assets		1,597,890	797,264	5,999,759
Non-current assets				
Prepayments	16	186	-	1,299
Property, plant & equipment	8	3,341	2,990	3,975
Total non-current assets		3,527	2,990	5,274
Total assets		**1,601,417**	**800,254**	**6,005,033**
LIABILITIES				
Current liabilities				
Creditors & other payables	10	44,914	40,471	69,691
Employee entitlements	11	23,898	19,440	24,311
Nitrogen Reduction Payable	9	-	-	-
Total current liabilities		68,812	59,911	94,002
Total liabilities		**68,812**	**59,911**	**94,002**
Net assets		**1,532,605**	**740,343**	**5,911,031**
Trust Equity				
Equity attributable to the beneficiaries of the Trust				
Contributed capital	12	10	10	10
Accumulated comprehensive revenue and expense	12	1,532,595	740,333	5,911,021
Total equity		**1,532,605**	**740,343**	**5,911,031**

Explanations of major variances against budget are detailed in Note 22.

Chairman
Dated: 5 August 2019

The accompanying notes form part of these financial statements.

The Lake Taupo Protection Trust
Statement of Cash Flows
For the Year Ended 30 June 2019

Lake Taupo Protection Trust
Te wai, te iwi

	Note	Actual 2019	Budget 2019	Actual 2018
Cash flows from operating activities				
Council operating grants - Non exchange transactions		-	-	-
Government grants - Non exchange transactions		-	-	2,950,000
Interest received - Exchange transactions		40,940	12,000	120,258
Payments to suppliers and employees		(382,462)	(1,058,333)	(404,730)
Payments for Nitrogen Reduction		-	-	(3,664,612)
Goods and services tax (net)		231,483	166,218	20,177
Net cash from operating activities	13	(110,039)	(880,115)	(978,907)
Cash flows from investing activities				
Purchase of property, plant and equipment		(1,615)	-	(3,465)
Change in term deposit investments		(605,378)	-	1,250,000
Net cash from investing activities		(606,993)	-	1,246,535
Cash flows from financing activities				
Proceeds from borrowings		-	-	-
Repayments of borrowings		-	-	-
Net cash from financing activities		-	-	-
Net increase (decrease) in cash, cash equivalents and bank overdrafts		(717,032)	(880,115)	267,628
Cash, cash equivalents and bank overdrafts at the beginning of the year		938,518	1,586,316	670,890
Cash, cash equivalents and bank overdrafts at end of year	5	**221,486**	**706,201**	**938,518**

Other explanations of major variances against budget are detailed in Note 22.

The accompanying notes form part of these financial statements.

Lake Taupo Protection Trust
Te wai, te iwi

1 Statement of Significant Accounting Policies for the year Ended 30 June 2019

Reporting Entity

The Lake Taupo Protection Trust (the Trust) is a charitable trust incorporated in New Zealand, on 9 February 2007, under the Charitable Trusts Act 1957 and the Charities Act 2005 and is domiciled in New Zealand. The Trust is controlled by the Trustees, Taupo District Council, Waikato Regional Council, and the Ministry for the Environment, and is a Council Controlled Organisation as defined under section 6 of the Local Government Act 2002, by virtue of the Council's right to appoint the Board of Trustees.

The primary objective of the Trust is the maintenance of water quality in Lake Taupo through a reduction in nitrogen levels in the Lake Taupo Catchment Area. The Trust's purposes are for the benefit of people in the communities surrounding Lake Taupo and of New Zealand. As the Trust's primary objective is to provide services for community and social benefit, rather than making a financial return, the Trust is a public benefit entity for the purpose of financial reporting.

The financial statements of the Trust are for the year ended 30 June 2019. The financial statements were authorised for issue by the Board of Trustees on the 5 August 2019.

As at 30th June 2019 Nitrogen Reduction Agreements are in place to achieve the overall reduction of 170.3 tonnes. All Nitrogen Reduction Agreements were compliant with their Total Annual Nitrogen Discharge Allowance as confirmed in writing by Waikato Regional Council to the Trust. The project partners agreed to an extension to the project term from 30 June 2019 up to 30 June 2021 or part thereof and in doing so extended the term of current trustees up to 30 June 2021 or part of. The two year extension up to 30 June 2021 or part thereof allows time for the partners to finalise preferred options, transition to a new long term governance and management regime together with securing ongoing funding for oversight of the Nitrogen Reduction Agreements into the future.

Based on current financial projections the Trust forecasts that it has sufficient funds to operate up to 30 June 2021 or part thereof.

Basis of preparation

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

Statement of compliance
The financial statements of the Trust have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 2 PBE Standards. The Trust is eligible to report in accordance with Tier 2 PBE Standards due to the Trust not being publicly accountable or large, as defined by the *External Reporting Board (XRB) Standard A1: Application of Accounting Standards.* 'Large' is defined as the entity having expenses greater than $30million.

Measurement base
The financial statements have been prepared on a historical cost basis.

Functional & presentation currency
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar. The functional currency of the Trust is New Zealand dollars.

Explanations of major variances against budget are detailed in note 22.

Lake Taupo Protection Trust
Te wai, te iwi

SIGNIFICANT ACCOUNTING POLICIES

Revenue
Revenue is measured at the fair value of consideration received.

Grants
Grants received from Waikato Regional Council, Taupo District Council and the Ministry for the Environment are the primary source of funding to the Trust and are restricted for the purposes of the Trust meeting it's objectives as specified in the trust deed.

Council, government and non-government grants are recognised as revenue when they become receivable unless there is an obligation to return the funds if conditions of the grant are not met. If there is such an obligation the grants are initially recorded as grants received in advance, and recognised as revenue when conditions of the grant are satisfied.

Interest
Interest income is recognised using the effective interest method.

Leases

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term.

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

Bank overdrafts are shown within borrowings as a current liability in the statement of financial position.

Debtors and other receivables
Short term debtors and other receivables are recorded at their face value, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Creditors and other payables
Creditors and other payables are recorded at their face value.

Investments
Investments in bank deposits are initially measured at fair value plus transaction costs.

After initial recognition investments in bank deposits are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the Statement of Comprehensive Revenue and Expense.

At each reporting date the Trust assesses whether there is any objective evidence that an investment is impaired. Any impairment losses are recognised in the Statement of Comprehensive Revenue and Expense.

Property, Plant & Equipment

Property, Plant & Equipment are shown at cost, less accumulated depreciation and impairment losses.

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

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at fair value when control over the asset is obtained.

Disposals
Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of Comprehensive Revenue and Expense.

Subsequent costs
Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefit or service potential associated with the item will flow to the Trust and the cost of an item can be measured reliably.

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

Furniture and fittings	8.5% - 67% Straight line depreciation rate

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

Impairment of non-financial assets
Assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Trust would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment is recognised in the Statement of Comprehensive Revenue and Expense.

Employee entitlements

Short-term entitlements

Entitlements that the Trust expects to be settled within 12 months of the reporting date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date.

Good and Service Tax (GST)
All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, excluding the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget was approved by the Board of Trustees on 21st May 2018 and endorsed by the Joint Committee. The budget figures have been prepared in accordance with PBE IPSAS, using accounting policies that are consistent with those adopted by the Trust for the preparation of the financial statements.

Income Tax

The Lake Taupo Protection Trust is exempt from income tax as they are a registered charity with the Charities Commission.

Critical accounting estimates and assumptions

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

Compliance of Nitrogen Reduction Agreements

Critical assumptions are made in relation to the nitrogen reduction agreements in that an assumption is made that the land owner is either complying with the legal agreement or will in the future comply with the agreement for on-going nitrogen reduction. Many of the nitrogen reduction agreements have post settlement conditions to be completed over time, such as afforestation of the property, or a reduction in the level of nitrogen by less intensive farming activities. While assumptions are needed to be made before there is evidence that either the nitrogen reduction activities have reduced the nitrogen being emitted to the appropriate level, or that the correct area has been afforested, these assumptions are supported by the requirements of the resource consent and the on-going monitoring of the nitrogen reductions by Waikato Regional Council.

The nitrogen reduction expense is recorded in the financial statements when it is understood that the third parties have met their nitrogen reduction obligations as per their nitrogen reduction agreements. If a nitrogen reduction payment is made to a landowner per their payment schedule but the nitrogen reduction obligations have not been met then the payment is recorded as a prepayment until these obligations have been met and then the payment is recorded as an expense. When the Trust enters into nitrogen reduction agreements with the land owners and the nitrogen reduction agreements have obligations that are not due to be met until dates in the future , the Trust will record the expected liability as a contingent liability on the assumption that it is likely that the landowner will meet the conditions. These contingent liabilities are listed in note 15 of the financial statements.

Critical judgements in applying the Trust accounting polices

The Trustees must exercise their judgement when recognising grant income to determine if conditions of the grant contract have been satisfied. This judgement will be based on the facts and circumstances that are evidence for each grant contract.

Lake Taupo Protection Trust
Te wai, te iwi

2 Employee benefit costs

	Actual 2019	Actual 2018
Salaries and wages	100,561	100,360
Increase/ (decrease) in employee benefit liabilities	(413)	1,930
Total employee benefit costs	100,148	102,290

3 Trustee fees

	Actual 2019	Actual 2018
Trustee Fees	61,000	61,000
Total Trustee Fees	61,000	61,000

4 Other expenses

	Actual 2019	Actual 2018
Fees to Auditors:		
Audit fees for financial statement audit (2018)	-	22,547
Audit fees for financial statement audit (2019)	22,677	-
Other Expenses:		
Website development/maintenance expenses	618	999
Research Expenses	30,435	43,478
Legal Expenses	34,090	22,851
Other Expenses	80,759	141,088
Total Other Expenses	168,579	230,963

5 Cash & Cash Equivalents

	Actual 2019	Actual 2018
Cash at Bank and On Hand	221,486	688,518
BNZ Term Deposit	-	250,000
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows.	221,486	938,518

The carrying value of cash at bank and short-term deposits with maturity dates of three months or less approximates their fair value.
Term deposits with maturities of less than 3 months at acquisition are required to be disclosed as cash and cash equivalents.

6 Term Investment

	Actual 2019	Actual 2018
BNZ Term Deposit	405,378	750,000
BNZ Term Deposit	500,000	-
BNZ Term Deposit	450,000	-
Net Cash and Cash Equivalents and bank overdrafts for the purposes of the Statement of Cashflows.	1,355,378	750,000

The start date of the $405,378 BNZ term deposit was 3rd May 2019 and it matures on the 30th October 2019. Interest rate is 3.23%.
The start date of the $500,000 BNZ term deposit was 28th June 2019 and it matures on the 30th December 2019. Interest rate is 3.30%.
The start date of the $450,000 BNZ term deposit was 4 March 2019 and it matures on the 4 September 2019. Interest rate is 3.31%.

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7 Debtors & other receivables

	Actual 2019	Actual 2018
Gross debtors and other receivables from exchange transactions	6,986	180
Related Party Receivables	-	-
Less provision for impairment	-	-
Total debtors & other receivables	6,986	180

Fair Value

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

Impairment

The carrying amount of receivable that would otherwise be past due or impaired whose terms have been renegotiated is $0 (2018 $nil).

The status of receivables as at 30 June 2019 and 2018 are as follows:

	2019			2018		
	Gross	Impairment	Net	Gross	Impairment	Net
Not past due	6,986	-	6,986	180	-	180
Total	6,986	-	6,986	180	-	180

The trust holds no collateral or other credit enhancements for financial instruments that give rise to credit risk, including those instruments that are overdue or impaired.

8 Property, plant and equipment

	Furniture & fittings	Total
Cost		
Balance at 1 July 2017	13,625	13,625
Additions	3,465	3,465
Disposals	-	-
Balance at 30 June 2018	17,090	17,090
Balance at 1 July 2018	17,090	17,090
Additions	1,616	1,616
Disposals	(153)	(153)
Balance at 30 June 2019	18,553	18,553
Accumulated depreciation and impairment losses		
Balance at 1 July 2017	12,068	12,068
Depreciation expense	1,047	1,047
Impairment losses	-	-
Disposals	-	-
Balance at 30 June 2018	13,115	13,115
Balance at 1 July 2018	13,115	13,115
Depreciation expense	2,249	2,249
Impairment losses	-	-
Disposals	(153)	(153)
Balance at 30 June 2019	15,211	15,211
Carrying amounts		
At 1 July 2017	1,557	1,557
At 30 June and 1 July 2018	3,975	3,975
At 30 June 2019	3,342	3,342

There are no restrictions over the Trust's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilities.

Lake Taupo Protection Trust
Te wai, te iwi

9 Nitrogen Reduction Payments and Commitments

This expenditure relates to agreements with external parties within the Lake Taupo catchment. These payments are designed to compensate the external parties in changing their farming practices in order to reduce nitrogen discharges. In accordance with the Trust's accounting policy, an expense is recorded when the third parties have met certain conditions.

The Trust expects that all conditions will ultimately be met, with an expected expense profile as follows:

	Actual 2019	Actual 2018
Committed and disbursed nitrogen payments	-	3,664,613
Movement in nitrogen payable	-	(1,438,891)
Less: Movement in nitrogen prepayment	4,065,275	2,560,291
Total Nitrogen Payment for the Year	4,065,275	4,786,013

Nitrogen Reduction Payments Outstanding

	Actual 2019	Actual 2018
Opening Balance	-	1,438,891
Plus committed nitrogen payments during 2019	-	4,786,013
Nitrogen Prepayment still to be recognised	-	(2,560,291)
Less amounts paid	-	(3,664,613)
Plus amounts no longer payable	-	-
Closing balance	-	-
Committed to pay as follows;		
Current:	-	-
Non-current:		
Between 1 and 2 years	-	-
Between 2 and 3 years	-	-
Between 3 and 5 years	-	-
Over 5 years	-	-
Total Non-current	-	-
	-	-

10 Creditors & other payables

	Actual 2019	Actual 2018
Creditors	5,620	30,350
Related party payables	7,747	7,794
Accrued expenses	31,547	31,547
Total creditors & other payables	44,914	69,691

Creditors and other payables are non interest bearing and are normally settled in 30 day terms, therefore the carrying value approximates their fair value.

Lake Taupo Protection Trust
Te wai, te iwi

11 Employee entitlements

	Actual 2019	Actual 2018
Accrued salaries and wages	3,755	3,755
Annual leave	20,143	20,556
Total employee benefit liabilities	23,898	24,311
Comprising:		
Current	23,898	24,311
Non-current	-	-
Total employee benefit liabilities	23,898	24,311

12 Reconciliation of Equity

	Actual 2019	Actual 2018
Contributed Capital		
Balance at 1 July	10	10
Capital Contribution	-	-
Balance at 30 June	10	10
Retained Surpluses		
Balance at 1 July	5,911,021	8,084,208
Surplus (deficit) for the year	(4,378,426)	(2,173,187)
Balance at 30 June	1,532,595	5,911,021
Total Equity	1,532,605	5,911,031

13 Reconciliation of net deficit to cash from operating activities.

	Actual 2019	Actual 2018
Surplus/(Deficit) for the year	(4,378,426)	(2,173,187)
Add / (less) non-cash items		
Depreciation and amortisation expense	2,249	1,048
Depreciation Recovered & Capital Gain	-	-
Add / (less) movements in working capital items		
Debtors & other receivables	(6,806)	30,399
GST	231,483	20,177
Prepayments	4,066,651	2,558,345
Creditors & other payables	(24,777)	21,273
Nitrogen Reduction Payable	-	(1,438,891)
Employee benefits	(413)	1,929
Net Cash from Operating activities	(110,039)	(978,907)

The accompanying notes form part of these financial statements.

Lake Taupo Protection Trust
Te wai, te iwi

14 Capital Commitments & Operating Leases

	Actual 2019	Actual 2018
Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.	-	-
Operating leases as lessee		
The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:		
Not later than one year	28,669	21,121
Later than one year and not later than 5 years	5,368	1,331
Later than 5 years	-	-
Total non-cancellable operating leases	34,037	22,452

A significant portion of the total non-cancellable operating lease amount relates to the lease of an office building and vehicle. The office building lease expires in July 2020. The vehicle lease expires November 2020.

There are no restrictions placed on the Trust by any of its leasing arrangements.

15 Contingencies

Contingent Assets

The trust does not have any contingent assets as at 30 June 2019. (2018: Nil)

Contingent Liabilities

As outlined in note 9, the Trust has entered into agreements with external parties within the Lake Taupo catchment, designed to compensate the external parties in changing their farming practices in order to reduce nitrogen discharges. In accordance with the Trust's accounting policy, an expense is recorded when the third parties have met certain conditions.

At balance date the Trust has a total contingent liability of $0 (2018: $4,065,275) which is contingent on third parties meeting the conditions outlined in their Nitrogen Reduction Agreements.

The Trust expects that all conditions will ultimately be met, with an expected expense profile as follows:

	Conditions expected to be met		Cashflows	
	2019	2018	2019	2018
Within 12 Months	-	4,065,275	-	4,065,275
Between 1 and 2 years	-	-	-	-
Between 2 and 3 years	-	-	-	-
Between 3 and 5 years	-	-	-	-
Over 5 years	-	-	-	-
Total Contingent Liabilities	-	4,065,275	-	4,065,275

Lake Taupo Protection Trust
Te wai, te iwi

16 Prepayments

	Actual 2019	Actual 2018
Nitrogen Payments (Current)	-	4,065,275
Insurance (Current)	5,090	5,354
Computer Lease (Current)	1,113	1,113
Total Current Prepayments	6,203	4,071,742
Computer Lease (Non-Current)	186	1,299
Nitrogen Payments (Non- Current)	-	-
Total Non- Current Prepayments	186	1,299
Total Prepayments	6,389	4,073,041

Prepayments classified as current relate to Nitrogen Reduction Agreements where conditions of the agreements are expected to be met within 12 months of balance date, insurance, computer lease and employee entitlements. Prepayments classified as non-current relate to Nitrogen Reduction Agreements where conditions of the agreements are expected to be met beyond 12 months from balance date and computer lease.

17 Related Party Transactions

For the purpose of these financial statements the trust has limited the related parties to the original settlers and trustees.

The Trust was settled by Waikato Regional Council (WRC), Taupo District Council (TDC) and Ministry for the Environment (MFE). A significant amount of operating grants are received from these parties in order for the Trust to deliver its objectives as specified in the Trust deed.

All transactions with related parties were on normal commercial or standard terms.

18 Categories of Financial Assets & Liabilities

The carrying amounts of financial assets and liabilities of each of the PBE IPSAS 29 categories are as follows:

	Actual 2019	Actual 2018
Loans & Receivables		
Cash & Cash Equivalents (note 5)	221,486	938,518
Term Deposit Investment (note 6)	1,355,378	750,000
Debtors & Other Receivables (note 7)	6,986	180
Total Loans & Receivables	1,583,850	1,688,698
Financial Liabilities measured at amortised cost		
Creditor & other payables (note 10)	44,914	69,691
Total Financial Liabilities measured at amortised cost	44,914	69,691

19 Key management personnel compensation

	Actual 2019	Actual 2018
Board Members		
Remuneration	61,000	61,000
Full-time equivalent members	0.10	0.12
Senior Management Team		
Remuneration	100,148	102,290
Full-time equivalent members	1.00	1.00
Total key management personnel remuneration	161,148	163,290
Total full-time equivalent personnel	1.10	1.12

The accompanying notes form part of these financial statements.

Lake Taupo Protection Trust
Te wai, te iwi

20 Capital Management

The Trust's capital is its equity, which comprises Trust capital and retained surpluses. Equity is represented by net assets.

The trust deed requires the Board of Trustees to manage its revenue, expenses, assets, liabilities, investments, and general financial dealings prudently. The Trust's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing the Trust's equity is to ensure the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.

21 Events after the Reporting Date

There were no significant events after the reporting date.

22 Explanation of Significant Variances Against Budget

Explanations for significant variations from the Trust's budgeted figures in the 2018/2019 year are as follows:

Statement of Comprehensive Income	**Actual**	**Budget**	**Variance**
Interest	47,746	12,000	35,746

Interest Income is more than budgeted by $35,746 due to increased funds being held in the call account and term deposits.

Other Expenses	168,579	859,673	(691,094)

Other Expenses are less than budgeted by $691,094 due to the budget including Project Transition costs of $100,000, Contingency costs of $300,000, Legal fees for Windup of $65,000 and Monitoring Plan expenses of $200,000 of which none was spent during the year ended 30 June 2019.

Statement of Changes in Equity

Total Equity	1,532,605	740,343	792,262

The Equity for the year is $792,262 more than budgeted due to the decrease in the loss for the year which is mainly due to lower expenses during the period.

Statement of Cash flows

Interest received - Exchange transactions	40,940	12,000	28,940

Interest Income is more than budgeted by $28,940 due to increased funds being held in the call account and term deposits.

Payments to suppliers and employees	(382,462)	(1,058,333)	675,871

Payments to suppliers and employees are $675,871 lower than budget. This is due to reduced costs during the year, especially in project transition costs, contingency and monitoring costs.

LTPT # 22763

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Lake Taupō Protection Trust's financial statements and performance information for the year ended 30 June 2019

The Auditor-General is the auditor of Lake Taupō Protection Trust (the Trust). The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 8 to 22, that comprise the statement of financial position as at 30 June 2019, the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Trust on pages 6 to 7.

In our opinion:

- the financial statements of the Trust on pages 8 to 22:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2019; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards Disclosure Regime; and
- the performance information of the Trust on pages 6 to 7 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2019.

Our audit was completed on 5 August 2019. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustees for the financial statements and the performance information

The Trustees are responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustees are also responsible for preparing the performance information for the Trust.

The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees intends to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from the Local Government Act 2002 and the Trust Deed.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Trust's budget and statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

- We evaluate the appropriateness of the reported performance information within the Trust's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Trustees are responsible for the other information. The other information comprises the information included on pages 2 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1(Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust.

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

File No: 03 04 21

Date: 10th September 2019

To: Members

From: Trust manager

Subject: **Financial treatment of Nitrogen credits**

1.0 Purpose

1.1 The purpose of this report is to provide members with details of how and why the Trust has treated the acquisition of the 170.3 tonnes of Nitrogen (N) purchased through the expenditure of the public fund in its financial statements.

Recommendations:

1. That the report 'Financial treatment of Nitrogen credits' [LTPT Doc # 22846] be received; and
2. The Trust confirms its treatment of the Nitrogen credits as an expense in accordance with NZ IFRS framework as set out in the accounting advice extract.

2.0 Background:

2.1 In August 2019 and as a result of a request from the Officials Working Group (OWG) the Trust provided information and clarity on its position as to why the 170.3 tonnes of Nitrogen (N) purchased with the public fund has been expensed and not treated as an asset. This report expands on that information.

2.2 The Trust first sought expert accounting advice in June 2009 in connection with its first transaction for the acquisition of N as to whether or not the N credits purchased amounted to an asset or not. An extract from the 2009 accounting advice is attached for information [Doc # 22883].

2.3 In 2018 and in light of the completion of the Project and the consideration of future options the Trust requested a review of the 2009 accounting advice. The outcome of the review was that the original 2009 advice remained current and unchanged.

3.0 Report:

3.1 In 2009 the Trust accepted the expert accounting advice that it received, and it has again accepted the more recent advice in 2018. As such over the operating term of the Project, the Trust has expensed N reduction payments in its annual accounts and does not record the tonnes of N purchased or the associated land covenants as assets in the Trust's balance

sheet. Absent a change in financial reporting standards the Trust expects to continue this treatment.

3.2 This is because the accounting advice clearly set outs that the payments made for the N credit purchases do not meet the definition of an asset under the NZ IFRS Framework. The reason being that because the Trust was permanently reducing the amount of N entering Lake Taupo and will never trade the N back for economic use within the catchment, the future economic benefits of the N payments cannot be used to produce goods or services sold by the entity; exchanged for other assets; used to settle a liability; and/or distributed to the owners of the Trust (all of which are required attributes of an asset for financial reporting purposes).

3.3 In accepting the expert accounting advice (and recognising the argument for this treatment), the trustees nonetheless believe that the advice (and hence the Trust's financial reporting) is a consequence of the technical requirements of NZ IFRS, and an example of how conventional financial reporting fails to adequately provide for the unique circumstances of the Trust.

3.4 While the Trust itself will not get a benefit from the N acquisition in the future, the Trustees believe that they were acting on behalf of and for the benefit of the community, and that the 170.3 tonnes of N and associated land covenants were acquired to maintain Lake Taupo water quality at the 2001 levels for the benefit (including economic benefit) of the immediate Taupo community and the New Zealand public generally. Conversely, the Trust's counterparties have sold/transferred an economic attribute of their land asset to the Trust (i.e. part of its production capability) and correspondingly permanently impaired their land value.

3.5 To this extent the Trustees believe that it is artificial for the public fund to be simply expensed. Absent the relevant Financial Reporting Standard definition of assets, the Trustees would have looked to the substance of the transactions and taken the view that they had acquired an asset for the long term benefit of the community, which in turn should be recorded as an asset in the Trust's balance sheet.

3.6 The Trustees' view that the 170 tonnes of N acquired and the associated land covenants are in substance an asset of some kind or other which has cost the NZ public $80M, lead to their firm view that any successor organisation should approach the stewardship of the 170 tonnes and the land covenants in the same way. That is to say, the agreements are therefore to be monitored and protected in exactly the same way as a very valuable asset would be monitored and protected.

Marion Peck

LTPT # 22883

LTPT information for the Officials Working Group meeting being held on 15.8.19

Extract from:

Advice in Relation to the Treatment of Nitrogen Credits.

The Purchase of Nitrogen Credits

The Trust entered into an 'Agreement for the Reduction of Nitrogen Discharge' with to permanently reduce the level of discharge of nitrogen from the Land by converting the use of the Land from farming to forestry. The Trust paid for the reduction in discharge of nitrogen from the Land. As part of the agreement had to register an encumbrance over the title of its land which restricts rights to discharge nitrogen from the land for the next 999 years.

We consider the payment for the reduction in nitrogen discharge to be an expense in that the Trust are paying a third party to help restore or maintain the quality of Lake Taupo by reducing the level of nitrogen leaching into the Lake. The payment is going to be of benefit to the Trust as it is helping them to achieve their objective, but they cannot use that benefit in any way. The correct treatment would be to expense the nitrogen reduction payment in the period it is incurred and show the expense as a separate line item in the profit and loss statement.

The payment for the reduction in nitrogen discharge did not met the definition of an asset under the NZ Framework as the future economic benefits of this payment, could not be used to produce goods or services sold by the entity, exchanged for other assets, used to settle a liability and or distributed to the owners of the Trust, all of which are attributes of an asset. We did consider that Public Benefit Entities (PBE's) may have assets that are used to deliver goods and services in accordance with the entity's objectives, but which do not directly generate net cash inflows (described under the NZ Framework as embodying "service potential"), however we did not feel the future economic benefit (or service potential) could be quantified or the length of the benefit could be measured.

Report to Lake Taupō Protection Project Joint Committee

Date:	5 September 2019
Author:	Urlwyn Trebilco, Principal Advisor, Policy
Authoriser:	Neville Williams, Director Community and Services
Subject:	**Update on review of Taupō Regional Plan provisions, and proposal for a streamlined plan change to enable use of updated Overseer versions**
Section:	B (For recommendation to Council)

Purpose

1. To update the Joint Committee on the review of the Waikato Regional Plan Taupō provisions. In particular to note the proposal to undertake a streamlined plan change specifically to allow updated versions of the Overseer Model to be used in the Taupō rules.

Executive Summary

2. The Taupō rules, farming consents and nitrogen trading contracts all rely on Overseer version 5.4.3, which expires in December 2020.

3. It is proposed that a change to the Taupō rules (Proposed Waikato Regional Plan Change 2 - Taupō Overseer) be made as soon as possible, specifically to allow the use of updated Overseer versions. A second plan change would occur at a later date to address all other Taupō matters as well as requirements of the pending Essential Freshwater National Policy Statement (NPS) and National Environmental Standard (NES).

4. It is also proposed that a Resource Management Act 1991 (RMA) Schedule 1 Streamlined Planning Process be used to ensure the plan change progresses as quickly as possible.

5. These proposals are to be considered by the Regional Plan Review Committee (RPRC) on 17 September and the Waikato Regional Council (WRC) on 26 September 2019.

Staff Recommendation:

1. That the report Update on review of Taupō Regional Plan provisions, and proposal for a plan change to enable use of updated Overseer versions, dated 5 September 2019 be received.
2. That the Committee support undertaking a plan change, as a matter of urgency, to enable the use of updated Overseer versions in Taupō farming consents and Nitrogen Trading Contracts.

Background

6. As has been previously reported to the Committee, WRC is currently reviewing Chapter 3.10 of the Waikato Regional Plan (Lake Taupō Catchment) as part of a full review of the Regional Plan called the 'Healthy Environment' project.

7. Chapter 3.10 sets out the Nitrogen cap and trade objectives, policies and rules. The rules require that Overseer version 5.4.3 is used to establish each farm's Nitrogen Discharge Allowance and Nitrogen Management Plan. Nitrogen trading is also required to use version 5.4.3 to determine how much nitrogen is traded and how this changes each farm's nitrogen allowance.

8. Overseer version 5.4.3 expires in December 2020. Nitrogen Discharge Allowances that use this version become meaningless once the version expires. A plan change is therefore needed to change the rules so that updated versions of Overseer can be used.

Issue

9. WRC staff have considered a number of options for resolving the Overseer issue including asking Overseer Limited to extend the timeframe until version 5.4.3 expires, keeping a copy of the version on a backdated computer, asking farmers to apply for non-complying consents to replace their existing consents, seeking RMA section 128 reviews of consents and asking farmers to apply for RMA section 127 changes to their consents. Most of these options turned out to be unworkable. Farmers may apply for section 127 changes to consents, but ideally a plan change should be used to fix problems with plan rules. This conclusion is supported by legal advice.

10. Existing consents and nitrogen trading contracts need to be changed to reflect updated Overseer versions before version 5.4.3 expires in December 2020. A plan change to allow this needs to be notified early in 2020 to allow time for these changes to be made. Once notified, changes to consents and nitrogen trading contracts can be made. However more certainty would be provided if the plan change becomes fully operative well before the December date. It would not be possible to prepare a plan change within these time frames, if it was to address all Chapter 3.10 matters identified as needing changing. Also, the pending Essential Freshwater NPS and NES are likely to have requirements that will need to be addressed in the Taupō rules. For these reasons, it is proposed to seek changes to the Taupō provisions in two stages, the first to address the Overseer issue, and the second to address the other Chapter 3.10 issues and the NES/NPS requirements.

11. Schedule 1 of the RMA sets out the process for changing plans. Central Government for many years has been seeking ways of speeding up these plan change processes. In 2017, changes were made to Schedule 1 to allow a faster plan change process where this would be appropriate. The process is called the Streamlined Planning Process (SPP). Based on the Act's requirements, the Taupō Overseer plan change would seem to be the type of plan change, where it would be appropriate to use the SPP.

12. The RPRC will meet on 17 September to consider proposals to separate the review of Taupō provisions into the two stages described above, and to consider the use of the SPP. Staff will provide a verbal update on their discussions. The full Council will then consider these matters on 26 September 2019.

Discussion

13. WRC staff are continuing to develop a plan change proposal that clearly sets out what parts of Chapter 3.10 need to be changed and describes the required changes. The process of changing from Overseer version 5.4.3 to updated versions (the latest version being OverseerFM) is being developed so that farmers will be impacted as little as possible. Although the impact on farmers is expected to be minimal, the plan change itself is somewhat complex, with significant wording changes being needed to a number of rules. It is important to note that any changes will be made within the original policy framework. The original cap and trade approach is not intended to be altered.

14. Staff are continuing to talk to stakeholders (particularly iwi and farmers) about how the rules may be changed and the process that will be used to change them. No decisions have yet been made on either the plan change content or the process.

15. The Lake Taupō Protection Project Joint Committee has a significant interest in maintaining the policy framework in Chapter 3.10, which was put in place to protect Lake Taupō water quality. The change from version 5.4.3 to OverseerFM is needed to protect this policy framework. For this reason it is recommended that the Committee expresses its support for undertaking a plan change to achieve this, as a matter of urgency.

Conclusion

16. The wider review of the Taupō Regional Plan provisions will continue as the Overseer issue is being addressed. Staff will continue to keep the Joint Committee informed as developments occur.

Report to Lake Taupō Protection Project Joint Committee

Date:	3 September 2019
Author:	Anne McLeod on behalf of Officials Working Party
Authoriser:	Neville Williams, Director - Community and Services
Subject:	Work programme for the incoming Lake Taupō Protection Project Joint Committee
Section:	B (For recommendation to Council)

Purpose

1. The purpose of this report is to outline the work programme for the incoming Lake Taupō Protection Project Joint Committee (LTPPJC) following the local government triennial elections. In particular, the report highlights the need for the partners to update and extend the Project Agreement for the Lake Taupō Protection Project or enter into a new agreement for the long-term protection of the public investment in Lake Taupō.

Executive Summary

2. The incoming LTPPJC has a tight work programme over the next 18 months.
3. Prior to the termination of the current agreement, a revised or new Project Agreement will need to be entered into covering:
   - Vesting of the nitrogen discharge reduction agreements (contractual agreements) that the Crown, Taupō District Council (TDC) and Waikato Regional Council (WRC) as the settlors of the Lake Taupō Protection Trust (LTPT) have purchased through the public fund
   - Governance and management of the project
   - Regular reviews of the project
   - Procedures for the settlement of disputes and/or project termination
4. The current LTPPJC has made good progress to transition the project post 30 June 2021 but urgency is still required to complete arrangements.
5. Following the triennial local body elections, TDC and WRC are urged to appraise their appointees to the joint committee of the LTPPJC's work programme.
6. Ideally the LTPPJC should be convened before the end of the calendar year and a workshop held to receive information on the potential governance and management models. This will assist the LTPPJC to formally make recommendations to the project partners early in the New Year and assist the LTPT in preparing its 2020/21 draft statement of intent (SoI).

Staff Recommendations:

1. That the report Work programme for the incoming Lake Taupō Protection Project Joint Committee (Lake Taupō Protection Project Joint Committee 20 September 2019) be received.

2. That Taupō District Council and Waikato Regional Council provide their respective appointees to the LTPPJC with the work programme outlined in this report following the triennial elections in October 2019.

3. That Waikato Regional Council as the administrator for the LTPPJC confirm a date for a workshop of the joint committee as soon as possible following appointment of members to be held before the end of the calendar year.

Background

7. In February 2007 the Crown, TDC and WRC signed an agreement (the agreement) to contribute to a joint public fund to be used to undertake strategies and actions to reduce the amount of nitrogen from entering Lake Taupō. The agreement covered:
   a. Governance of the project through a joint committee
   b. Establishment of the LTPT to apply the public fund
   c. Regular reviews of the project
   d. Arrangements for termination
8. The LTPT has expended the public fund by entering into contractual agreements with landowners. These contractual agreements have a term of 999 years and require ongoing monitoring and administration to ensure that the terms and conditions of the contracts are adhered to and the investment made by the funding partners is protected. Contractual agreements in perpetuity were not anticipated when the Project Agreement was signed. The thinking at the time was that pastoral land would purchased, converted to reduce the nitrogen emissions, covenanted to prevent future increases in emissions and then on sold.
9. In 2014 the funding partners - the Crown, TDC and WRC - and the LTPT entered into a Monitoring Deed. The Deed was updated in 2018 with inclusion of the Tūwharetoa Māori Trust Board as a signatory.
10. The purpose of the Monitoring Deed was to ensure that the public funders remained committed to the enduring success of the project and set out the ongoing responsibilities of the partners and the LTPT.
11. As the authority responsible for water quality in the region, WRC is the lead regulator for the project and responsible for compliance, monitoring and enforcement of the regional plan rules that underpin the project. These responsibilities are clearly set out in the Monitoring Deed.
12. The Monitoring Deed also acknowledges the ongoing responsibility currently performed by the LTPT to monitor the contractual agreements and collaborate with WRC on the potential application of the public fund for education, research and other actions to support and benefit the project.
13. The original Project Agreement had a sunset clause terminating the project on 30 June 2019 or earlier should the public fund be fully expended. A recent variation to the agreement extended the term of the project to 30 June 2021 as there was a need to determine the future governance, management and ongoing funding arrangements for the project. The LTPT is operating on residual funds for the term of the extension.

Issue

14. The Project Agreement and the Monitoring Deed are the foundation documents for the project.
15. Originally it was anticipated that, once the public fund was expended by the LTPT, the Project Agreement would terminate. It is now evident that either the Project Agreement will need to be updated or a new agreement entered into to enable the long-term protection of the public investment in Lake Taupō.
16. The Monitoring Deed remains relevant and is due for its next review in the 2020/21 financial year. Associated with the Deed are a suite of documents that direct the monitoring activities of the respective agencies (refer to Attachment One). Some of these documents are also due for review.

Discussion

17. A revised or new Project Agreement will need to cover matters set out in 18 to 21 below.
18. *Vesting of the contractual agreements that the Crown, TDC and WRC as the settlors of the LTPT have purchased through the public fund.*
    a. Should it be decided to extend the life of the LTPT, ownership of the agreements would not need to change in the short term but the Project Agreement would still need to stipulate arrangements for vesting of the contracts upon the termination of the Trust.

b. If it is decided to discontinue with the LTPT, the contractual agreements will need to be vested in another organisation, preferably one that has perpetuity of succession. The LTPT's advisors have estimated that re-vesting of the contracts could take upwards of 12 months to complete and this process would need to start by 1 July 2020 to meet the revised term of the current Project Agreement of 30 June 2021.

19. *Governance and management of the project.*
    a. The current Project Agreement sets out the membership and operation of the LTPPJC. It also provides for the establishment of the LTPT.
    b. The future governance and management of the project has been a subject of discussion by the LTPPJC for some time. Recently the project partners adopted a set of transition principles to provide a check-sheet for assessing the suitability of potential future governance and management models.
    c. It is essential that the LTPPJC make recommendations to the partners for the project's future governance and management no later than March 2020 for the following reasons.
        - The LTPT will be submitting its draft SoI to the LTPPJC for comment in March 2020. Unless advised otherwise the LTPT will be preparing its SoI and budget on the basis that it will be wound up at the end of the term of the current Project Agreement (ie. 30 June 2021). The LTPPJC has until 1 May 2020 to provide comment on the draft SoI.
        - Variation 3 to the Project Agreement requires TDC and WRC to include in their respective long term plans sufficient resources for the long-term management of the LTPT's contractual agreements with landowners. TDC and WRC are currently working on options for funding beyond 30 June 2021 and the future governance and management models selected will inform the annual quantum of funding required. This information will need to be canvassed as part of the councils' 2021/31 draft long term plans and the business cases for the plans will need to be well underway by March 2020.
20. *Regular reviews of the project*
    a. The current Project Agreement provides for five yearly reviews.
    b. Regular reviews will be required of any future agreement to ensure that the project purpose continues to be met and that the governance and management models and the project documentation remain fit for purpose.
21. *Disputes and termination*
    a. As with all agreements, procedures for settling disputes and/or termination need to be clearly stipulated.
22. Although good progress has been made, the incoming LTPPJC has a limited amount of time to make recommendations to the respective project partners to secure the future of the project. For this reason, TDC and WRC are urged to appraise their appointees of the LTPPJC's work programme. Ideally the committee should be convened before the end of the calendar year and a workshop held to receive information on the potential governance and management models. This information will assist the LTPPJC with making its recommendations to the project partners early in the New Year and provide an indication to the LTPT of the basis for its 2020/21 SoI.

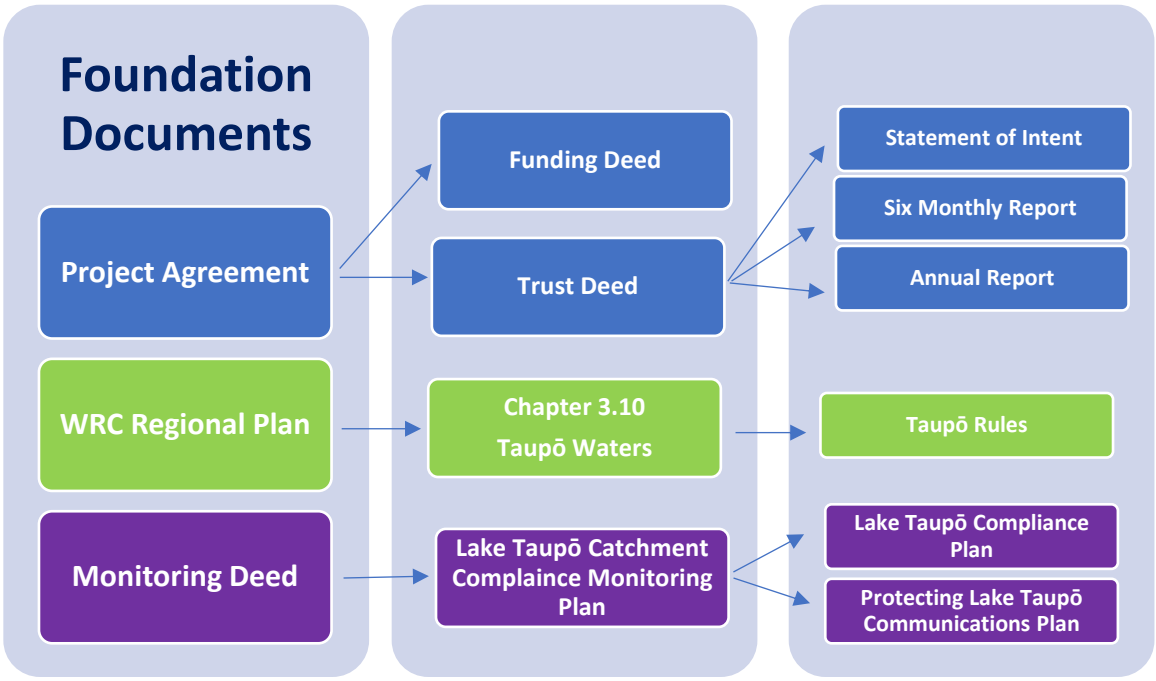
Conclusion

23. The current LTPPJC has made good progress over the past three years to secure the future for the Lake Taupō Protection Project.
24. Achievements include securing an extension to the current Project Agreement until 30 June 2021, review of and a variation made to the Monitoring Deed, agreement of a set of transition principles for the project and initial work undertaken on future governance and management models.
25. Despite the extension until 30 June 2021, time is short and the incoming LTPPJC will need to make recommendations to the project partners no later than March 2020 to update and extend the Project Agreement for the Lake Taupō Protection Project or enter into a new agreement for the long-term protection of the public investment in Lake Taupō.

Attachments:

Attachment One: Founding documents and consequential plans

Attachment One: Founding documents and consequential plans



Report to Lake Taupō Protection Project Joint Committee

Date:	5 September 2019
Author:	Anne McLeod, for Officials Working Party
Authoriser:	Neville Williams, Director Community and Services
Subject:	Lake Taupō Protection Project Key Milestones 2018 – 2021 – Update September 2019
Section:	A (Committee has delegated authority to make decision)

Purpose

1. The purpose of this report is to update the Lake Taupō Protection Project Joint Committee (LTPPJC) on progress with key milestones in order for the project to transition from a development to a maintenance phase.

Executive Summary

2. Progress with the milestones since the June meeting of the LTPPJC include:
   a. Confirmation of the Transition Principles by Taupō District Council (TDC), Tūwharetoa Māori Trust Board (TMTB) and Waikato Regional Council (WRC)
   b. The Officials Working Party (OWP) are currently scoping and analysing the future governance and management options for presentation to a LTPPJC workshop in December 2019
   c. Progress has been made by TDC and WRC on scoping the ongoing work requirements for the project and the annual costs associated with this work.
3. Timeframes continue to be tight and it is important that the LTPPJC meets its milestones in order to keep on schedule.

Staff Recommendation:

That the report Lake Taupō Protection Project Key Milestones 2018 – 2021 – Update September 2019 (Lake Taupō Protection Project Joint Committee, 20 September 2019) be received.

Background

4. In June 2018, the signatories to the Lake Taupō Protection Project Project Agreement varied the term of the agreement from 30 June 2019 to 30 June 2021.
5. Extending the Project Agreement provided for the continuation of the current governance and management arrangements. It also allowed time for the partners to finalise preferred options and transition to a new long-term governance and management regime and for ongoing funding to be secured for oversight of the contracts post 30 June 2021.
6. The timeframes for the transition of the project are tight particularly in relation to the development of the funding mechanism. It is therefore important that the LTPPJC meets its milestones in order to keep on schedule.

Project Milestones

7. The OWP have updated the indicative high-level timeframe for the project (refer attachment 1).

8. Main changes to the timeframe since it was presented to the June 2019 meeting of the LTPPJC are as follows:
    a. The actions have been reordered and numbered (A – G)
    b. A new action has been added making explicit the need for a revision of the current or development of a new Project Agreement (refer to B in attachment 1). This action is dependent upon other actions being undertaken including:
        - Decisions with respect to the vesting of the nitrogen discharge reduction agreements (NDRAs) that the Crown, TDC and WRC as the settlors of the Lake Taupō Protection Trust (LTPT) have purchased through the public fund (refer Action F3.)
        - Governance and management of the project (refer Actions C and D)
    c. A second new action has been added which relates to the steps the LTPT will need to undertake to transition the management of the project (depending upon the decisions of the Settlors with respect to the winding up of the Trust)
9. Progress with the milestones since the June meeting of the LTPPJC are as follows:
    a. The Transition Principles have been confirmed by TDC, TMTB and WRC thereby achieving the project milestone and completing this set of actions.
    b. The OWP are currently scoping future governance and management options by updating work previously undertaken and analysing these options in light of the recently confirmed Transition Principles. It is intended that this information will be the subject of a LTPPJC workshop in December 2019.
    c. Progress has also been made by TDC and WRC on the funding mechanism particularly with respect to determining the scope of activities and amount of funding required on an annual basis.

Attachments

Lake Taupō Protection Project: Indicative High-Level Timeframes (Doc # 12894369)

Lake Taupō Protection Project

Indicative High-Level Timeframe

The table below sets out the required actions, tasks, processes and key dates to facilitate and inform the decision making for the future governance, management and transition of this project by June 2021.

Assumptions made in development of the timeframes:

- The Lake Taupō Protection Trust (LTPT) will continue to operate as currently through to June 2021, after which date the management would move to a new arrangement.
- Waikato Regional Council (WRC) and Taupō District Council (TDC) will have consulted and decided on the mechanism to be used to secure ongoing funding for the project by June 2021 and that funds will be available from July 2021.
- All dates are currently indicative and based on the best information currently available.

The table is colour coded to the subject or grouped actions:

Key	**Colour**
In progress	
Completed actions	
Key decision date	✡
On hold	
Actions	
A) Transition Principles	
B) Revised/New Project Agreement	
C) Future governance	
D) Future management	
E) Council funding mechanisms	
F) Lake Taupō Protection Trust Transition	
G) Review of Lake Taupō chapter of Regional Plan	
Quarters	
Q1 = Jan-Mar Q2 = Apr-Jun Q3 = Jul-Sept Q4 =Oct-Dec	

Indicative High-Level Timeframe for Actions and Processes

Action / Processes	Key Date	2018			2019				2020				2021		
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
LTPPJC consider options for future governance and management	12.3.18														
LTPPJC consider amendments to Monitoring Deed	12.3.18														
LTPPJC agree in principle to extend project agreement	12.3.18														
Drafting of variations to project documents															
Monitoring Deed amendment/variation drafted															
LTPPJC presented with draft variations and agree to extend the project agreement	22.6.18														
Project Partners receive recommendation to extend project agreement & sign off variation documents	17.9.18														
A) Transition Principles															
1. Paper to LTPPJC updating committee on Indicative Timeframes for transition															
2. LTPPJC Workshop (re: development of Principles for Transition)															
3. Paper to LTPPJC (re: Principles for Transition)															
4. Partner confirmation of Principles for Transition (TDC and WRC)	30.6.19														
B) Revised/New Project Agreement [Dependent upon actions C) and D) below]															
1. Consider options and select preferred options for key components of the Agreement (refer Note 1 below)															
2. Make recommendations on key components of Agreement to Project Partners	13.3.20									✡					
3. Project Partners adopt recommendations	28.4.20									✡					
4. LTPT notified of termination or extended/ongoing operation (as per Trust Deed)	1.5.20									✡					
5. Revised/new Project Agreement and other related documentation drafted															
6. Legal review														✡	
7. Revised/new Project Agreement signed by relevant parties	30.6.21														✡

Action / Processes	Key Date	2018			2019				2020				2021		
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
C) Future Governance															
1. Future governance options developed & confirmed applying Transition Principles															
2. Recommendations made to Project Partners on future governance	13.3.20								✡						
3. Project Partners adopt recommendations	28.4.20								✡						
4. Revised/new Project Agreement and other related documentation drafted															
5. New governance establish	1.7.21														✡
8. Transition	Post 1.7.21														
D) Future Management															
1. Confirm scope and nature of ongoing work required to manage nitrogen reduction contracts.															
2. Future management options developed & confirmed applying Transition Principles															
3. Recommendations made to Project Partners on future management	13.3.20								✡						
4. Project Partners adopt recommendations	28.4.20								✡						
5. LTPT notified of termination or extended/ongoing operation (as per Trust Deed)	1.5.20								✡						
6. LTPT prepares for transition															
7. New management established	1.7.21														✡
9. Transition	Post 1.7.21														
E) Funding Mechanism															
1. Determine inputs required and establish interagency project team															
2. Establish the need for and quantum of funding required															
3. Identify funding options															
4. Analysis of beneficiaries and contributors															

Action / Processes	Key Date	2018			2019				2020				2021		
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
5. Issue and options paper prepared for consultation with key stakeholders	31.3.20														
6. Identify options for LTP consultation & preferred option for budget modelling										✡					
7. LTP pre-consultation															
8. LTP audit															
9. LTP consultation (section 83)															
10. LTP hearings															
11. LTP adopted (inc. confirmation of funding mechanism)	30.6.21													✡	
F) Lake Taupō Protection Trust Transition															
1. LTPT operation continues (BAU).															
2. LTPT notified of termination or extended/ongoing operation (as per Trust Deed)	**1.5.20**									✡					
3. Liaise with Trust solicitor re LTPT transition (refer Note 2 below)															
4. Liaise with Deloitte re financial component of Trust wind up															
5. Correspond with Charities Commission															
6. Liaise with Audit NZ re final audit															
7. LTPT Final report	**30.8.21**														✡
8. Liaise with other service providers to terminate services															
G) Review of Lake Taupō chapter of the Regional Plan (chapter 3.10 - commonly referred to as Variation 5)															
1. Taupō science review	30.11.18														
2. Issues and option paper finalised															
3. Targeted technical consultation with stakeholders															
4. Redrafting of rules relating to Overseer															
5. Notification of Change to Regional Plan to allow for updated Overseer versions	30.6.20								✡						

Action / Processes	Key Date	2018			2019				2020				2021		
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
6. Overseer version 5.4.3 expires	1.12.20											✡			
7. Notification of full review of Chapter 3.10														✡	

Note 1:

Key components of the Project Agreement include:

- Vesting of the nitrogen discharge reduction agreements (NDRAs) that the Crown, TDC and WRC as the settlors of the LTPT have purchased through the public fund
- Governance and management of the project
- Regular reviews of the project
- Procedures for the settlement of disputes and/or project termination

Note 2:

The LTPT will work with its solicitor to:

- Update the NDRAs to align with the redrafted rules relating to Overseer
- Re-vest the NDRAs in a new owner (pending the decision of the settlors)

This work is estimated to take a full 12 months.