

## MESSAGE FROM THE CHAIRMAN AND CHIEF EXECUTIVE

*Kei ngā mana, kei ngā reo, kei ngā kārangatanga maha  
tēnā koutou, tēnā koutou, tēnā rā tātou katoa*

We look back on a difficult year, but ultimately one that produced some solid results. Worldwide, the 2008/09 year was marked by unprecedented financial uncertainty, which resulted in a drop in the value of our investments. Despite falling investment income, we largely achieved the programmes of work outlined in our Annual Plan, managed major flood events and responded to a range of emerging issues.

The challenges we face to manage the region's natural and physical resources are complex and we know we cannot achieve sustainable management of these resources on our own. We believe more is achieved, more cost-effectively when we work with others. Our achievements in 2008/09 demonstrate in large measure the worth of partnerships in difficult and changing times.

From the start of the financial year, we kept a careful eye on the world's financial markets and the impact of falling equity markets on the value of our investment fund.

Midway through 2008/09, we refocused our activities and adjusted our budgets to account for the decline in investment income.

### FINANCIAL PERFORMANCE

In line with meeting the requirements of the International Financial Reporting Standards, our accounts show a deficit of \$6.373 million. The contributors to this deficit include Environment Waikato's \$1.859 million share of the Lake Taupo Protection Trust, \$1.017 million additional depreciation and amortisation charge arising from asset revaluations and a net \$2.807 million unrealised loss in value in the investment fund. None of these had any effect on the council's cash funding position.

Taking into account these variances and after accounting for reserve transfers we achieved a deficit of \$2.795 million against a budgeted deficit of \$1.814 million. Included in the deficit were non-cash items of additional long service and gratuity entitlements of \$446,000 and the write-off of historical capital costs.

The council had budgeted to receive \$6.4 million in investment income and bank deposit interest but received only \$2.2 million. Despite this drop in expected revenue, and by reining in expenditure, we achieved a satisfactory year end result, improving our cash position relative to budget and the previous year's result.

It is important to note that over the 15-year life cycle of the Lake Taupo project, the trust's accounts will show variously a deficit or surplus from year to year, depending on the phasing of land purchases aimed at permanently reducing the amount of nitrogen leaching from the land into the lake.

The investment fund value at 30 June 2008 was \$58.2 million. During the latter part of the 2008 calendar year the global economic crisis significantly impacted the value of the fund and the projected fund returns, but we also received \$2.001 million in capital repayments from the fund which is now invested in bank deposits. Taking this into account, the overall fall of the value in the fund was \$2.3 million.

As at 30 June 2009 the value of the fund was \$53.9 million. At time of writing markets had started to rally with \$1.77 million of our unrealised loss being recovered.

Also at time of writing, the council had recently engaged a new investment advisor and was due to start a review of the strategic asset allocation of the investment fund.

The council has considered accommodation options for the future and made a strategic investment in the purchase of a commercial property in Hamilton East adjacent to Environment Waikato's current offices in Grey St. The property has been funded through internal borrowing. Rental income is fully funding the internal loan cost and other property costs. No decision has been made on any building and no funding has been provided in the 2009-19 Long Term Council Community Plan (Long Term Plan).

### KEY ACHIEVEMENTS

Key achievements over the 2008/09 year included:

- working with other agencies to protect people and property from the floods of July and August 2008
- running a highly successful Waikato Agriculture Summit
- teaming up with the Ministry of Agriculture and Forestry and Crown Research Institute AgResearch to sponsor the Premier Feature "My Land, Our Environment" at Fieldays
- a landmark Environment Court decision backing Environment Waikato's Variation 5 policy aimed at protecting water quality in Lake Taupo
- a number of significant and high-profile prosecutions, in which the courts gave a strong endorsement of the council's efforts to protect the environment from illegal activities
- our biosecurity/biodiversity teams notched up a series of achievements including a very successful possum control operation in Pirongia-Hauturu, the expansion of the Hamilton Halo project to increase tui numbers around Hamilton and the development of a comprehensive prioritisation system for the region's different ecosystems
- the completion of the 2009-19 Long Term Plan
- good progress on the Future Proof, Coromandel Peninsula Blueprint and Shore Futures projects

- the introduction of changes to our navigation safety bylaw to help keep people safer on our region's waterways
- the regional land transport committee, coordinated by Environment Waikato, prepared and consulted on its first regional land transport programme
- the Hamilton passenger transport service eclipsed its 2007/08 record of three million passengers, carrying more than four million passengers in the 2008/09 year.

### CHANGING LANDSCAPE

Our business landscape is changing through the Waikato River Treaty settlement process, the new Environmental Protection Agency and the creation of a single super council for Auckland, which will impact on our boundaries.

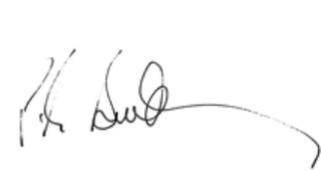
The implications of this boundary change on Environment Waikato's programmes of work and rating base were still being analysed at time of writing.

Nevertheless, we have positioned ourselves as best we can so our people can adapt and respond effectively to change, whatever it ends up looking like. To do this we have reviewed our organisational structure, and focused on tightening control on the finances, improving operational performance and creating a cost-control culture throughout the organisation.

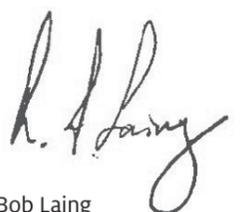
Above all, we're putting people first – sharing what we know and encouraging dialogue with our staff and stakeholders.

As 2009/10 unfolds, councillors and staff are confident that we will continue to make solid progress on the important environmental and policy issues facing the region, such as the health of our waterways, economic development and co-management of the Waikato River with iwi. Big challenges remain but we also remain absolutely determined to deliver solid results to the Waikato communities we serve.

*Mauri ora ki a tātou katoa*



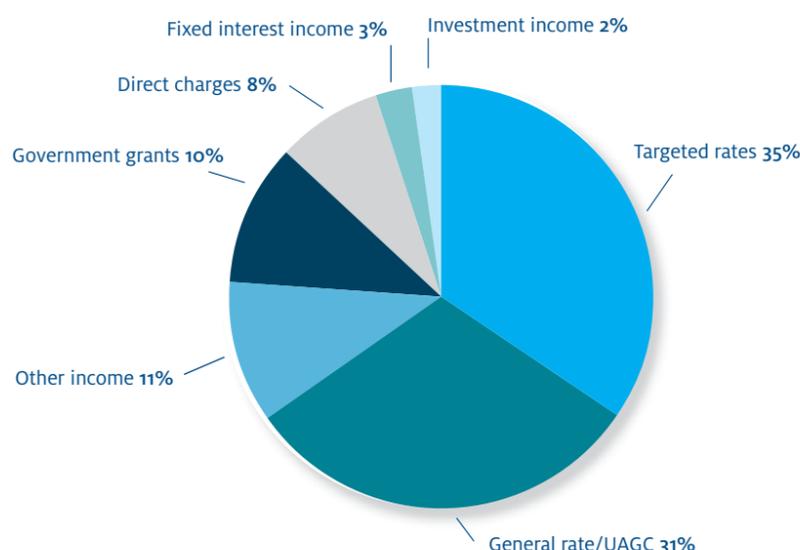
Peter Buckley  
Chairman



Bob Laing  
Chief Executive

### WHERE OUR FUNDING CAME FROM

- Targeted rates
- General rate/UAGC
- Other income
- Government grants
- Direct charges
- Fixed interest income (including rental income)
- Investment income



# THE 2008/09 YEAR IN REVIEW

## AIR

Environment Waikato aims to protect and enhance air quality, and is also responsible for implementing the National Environmental Standards for air quality.

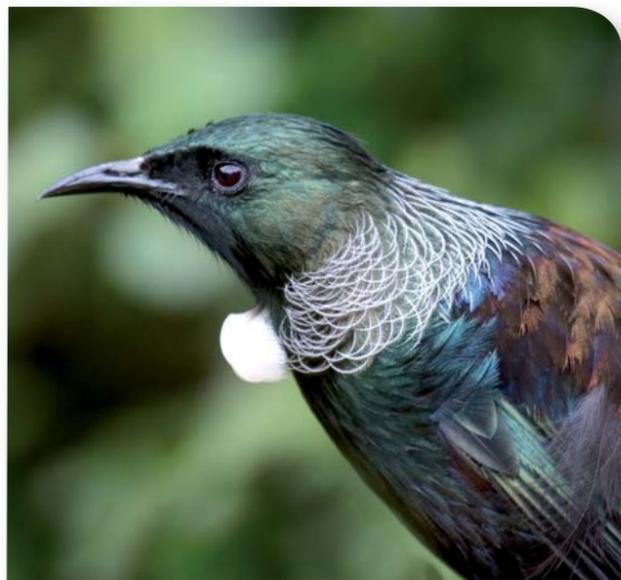
There are now nine monitoring stations spread throughout the Waikato, with the latest one at Turangi. Efforts have focused on working with key stakeholders to raise awareness of air quality issues within the community.



## BIODIVERSITY

The loss of New Zealand's indigenous biodiversity is a nationwide concern. In the Waikato region, approximately 75 per cent of native land vegetation has been lost, and the situation is even worse for wetlands. Two major problems are habitat loss (for example where bush has been completely felled) and habitat quality (for example where pests like possums and rats dominate the bush).

Environment Waikato is trying to stem that loss of biodiversity – or in some cases reverse it – but it is not an easy task. We have started a programme to scientifically assess and prioritise areas of rich biodiversity so we can better manage them. We have increased pest control through projects like the Hamilton Halo and eradicated weeds from sensitive geothermal sites. Encouraging better land use is also important and we have worked with district councils to improve district plans and our own Regional Policy Statement.



## BIOSECURITY

The aim of the biosecurity group of activities is to protect the region's people and natural resources from pest plants and animals that are capable of damaging the environment, the economy and public health.

A key element of our biosecurity work is priority possum control schemes, maintaining economic and environmental gains already realised by the millions of dollars spent by the Animal Health Board on pest control. We also control invasive weeds across the region – either directly for the very worst pest plants or through working with landowners. New pests are always a serious risk. We have collaborated with central government and other regions to resist the worrying spread of a pathogen that can kill our iconic kauri trees. Kauri dieback has already done considerable damage in Northland and Auckland – we want to keep it out of the Coromandel.



## COASTAL

Managing coastal issues is an important activity for Environment Waikato. A diverse range of services from information and planning guidance to hands-on assistance is offered to plan, manage and monitor the use, development and protection of the coastal environment.

Four mapping areas were completed in the Thames-Coromandel district to identify locations and areas of significance to the local community. At beaches in Raglan and Tairua, digital cameras are being used to record sand movement and shoreline changes, particularly during and after erosion events. Quarterly monitoring of all east coast sandy beaches was also completed.



## GOVERNANCE AND PARTICIPATION

Environment Waikato is focused on ensuring that the council provides effective, responsible, informed and accountable local government. Projects within this activity involve the community to ensure that work done by Environment Waikato is in line with community expectations.

Environment Waikato works actively to ensure that Maori have the opportunity to participate in council decision making through robust and effective working relationships. Ongoing support, advice and guidance were provided to enable iwi Maori to engage in decision making and projects such as the Regional Policy Statement, with mutually beneficial outcomes.

In terms of community engagement, the Enviroschools programme continued to go from strength to strength. Environment Waikato has worked with 128 schools within the Waikato region coordinating and implementing the programme. This curriculum was delivered in partnership with eight territorial authorities to encourage schools in the Waikato to operate and think in environmentally sustainable ways.

## GEOTHERMAL

The objective of the geothermal group of activities is to ensure that geothermal ecosystems are protected and to manage geothermal resources so they remain available for cultural and economic uses.

Prioritisation of geothermal sites for biodiversity management was completed with staff undertaking weed control at several high priority geothermal sites including Crown Park and Otumuheke Stream in Taupo.



## INLAND WATERS

Inland water activities are focused around ensuring efficient water supply for human and ecological uses, and access to clean water for recreation, cultural and commercial uses.

We have continued to monitor water quality and collect hydrological data throughout the region in accordance with ISO 9001 standards. In addition, Environment Waikato supported a region wide smart water use campaign in partnership with local authorities in an effort to increase urban water users' awareness of their water use and to reduce household wastage.



## RIVER AND CATCHMENT SYSTEMS

The river and catchment services activities aim to achieve stable and healthy river and stream systems, communities that are protected and maintenance of the productive potential of land. Public amenity and environmental values associated with rivers and streams are secured and enhanced. This has been achieved through a range of river management, flood protection and catchment management programmes throughout the region.

Within the Waihou and Piako zone the funding policy was reviewed and was adopted through the 2009-19 LTCCP.

In the Coromandel zone, under the Peninsula Project, catchment management programmes resulted in completion of 27 km of stream and bush fencing.

## NAVIGATION SAFETY

The main objective of the navigation safety activity is to ensure that the region's waterways remain available and safe for the community for recreational and commercial use.

The navigation safety bylaw was reviewed and adopted in May 2009. Staff, with the support of local coastguards, have implemented bar crossing procedures around the region.

## LAND AND SOIL

The land and soil activities aim to ensure that the level of contaminants in water that comes from land uses is minimised as far as practicable, soil remains in a condition that supports future generations, and soil and land remain versatile for productive uses.

Random monitoring of dairy shed effluent throughout the region has occurred with appropriate follow up where non-compliance was identified. Current Sustainable Farming Fund projects in which Environment Waikato is involved have been completed, meeting milestones and budgets. Staff have also promoted community partnerships and coordinated care group programmes for the 42 landcare groups within the region.



## REGIONAL POLICY AND REGULATORY SERVICES

This activity area is mandated and primarily driven by statute. The Regional Policy Statement's purpose is to achieve integrated management of resources across the Waikato. Regulatory services provide ongoing implementation and enforcement of the Resource Management Act.

Monitoring of resource consent compliance occurred in accordance with a defined risk ranking and a new template was introduced to improve the rigour of this. Attention was targeted at high priority non-compliance issues that have caused major environmental effects.

The Regional Energy Strategy was completed by staff and was launched at the Beehive in Wellington in August 2009.

## TRANSPORT

The aim of Environment Waikato's transport activity is to maintain and enhance land transport within the Waikato. A regional transport system accessible to everyone within the community enhances the movement of people and goods.

Bus patronage for 2008/09 reached over four million passengers, a 21.7 per cent increase on the previous year. Staff have been working on the Regional Rail Strategy over the 2008/09 year. A discussion document was released into the community, from which feedback was analysed and incorporated into the draft strategy, due for completion in September 2009. Several new bus services have been introduced in 2008/09 (such as the Silverdale Direct, City Express, Raglan) as detailed in the Regional Passenger Transport Plan.



## WASTE, POLLUTION PREVENTION AND CONTAMINATED LAND

The purpose of this group of activities is to manage the disposal of waste and reduce the amount being generated in the region, including minimising the adverse environmental effects from activities that produce waste.

Environment Waikato contributed significantly to the successful development of the Agrecovery Foundation, a national product stewardship scheme operating from 1 July 2009. Within the council we have been working to improve sustainability, with an annual internal waste audit in May showing each full-time equivalent staff member has reduced waste to landfill by 26 per cent.

## REGIONAL HAZARDS AND EMERGENCY MANAGEMENT

Environment Waikato's regional hazards and emergency management group of activities is focused around identifying, planning for and reducing the risks from hazards and emergencies throughout the region.

A joint tsunami project with Thames-Coromandel District Council commenced. Staff have also completed two technical reports on tsunami risk for Mercury Bay and Whitianga.

## DISCLAIMER

The specific disclosures included in this summary Annual Report have been extracted from the full Annual Report dated 29 October 2009.

The summary cannot be expected to provide as complete an understanding as provided by the full Annual Report of the financial and service performance, financial position and cashflows of Environment Waikato (Waikato Regional Council).

The summary has been examined by the auditor for consistency with the full Annual Report and audited by Audit New Zealand on behalf of the Auditor-General. An unqualified audit opinion was issued on 29 October 2009.

Peter Buckley  
Chairman

Bob Laing  
Chief Executive

A FULL COPY OF THE 2008/09 ANNUAL REPORT IS AVAILABLE ONLINE AT [WWW.EW.GOV.T.NZ](http://WWW.EW.GOV.T.NZ) AND FROM ENVIRONMENT WAIKATO OFFICES.

## ACCOUNTING POLICIES

Environment Waikato (Waikato Regional Council) is a territorial local authority governed by the Local Government Act 2002, and is domiciled in New Zealand.

The full financial statements of Environment Waikato have been prepared in accordance with the requirements of the Local Government Act 2002 and with New Zealand generally accepted accounting practice. They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Environment Waikato's summary annual report is in compliance with Financial Reporting Standard 43 (FRS 43) Summary Financial Statements and the financial statements have been presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

### Commitments

Capital expenditure commitments are for property, plant and equipment at 30 June 2009 which amounted to \$276,000 (30 June 2008: \$769,000).

OPERATING LEASE AS A LESSEE	This year \$000	Last year \$000
<b>Operating Lease Commitments as a lessee</b>		
Lease commitments under non-cancellable operating leases:		
Not later than one year	515	518
Later than one year and not later than two years	301	467
Later than two years and not later than five years	247	514
Later than five years	-	-
<b>Total non-cancellable operating leases</b>	<b>1,063</b>	<b>1,499</b>

OPERATING LEASE AS A LESSOR	This year \$000	Last year \$000
<b>Operating Lease Commitments as a lessor</b>		
Lease commitments under non-cancellable operating leases:		
Not later than one year	209	25
Later than one year and not later than five years	347	92
Later than five years	-	8
<b>Total non-cancellable operating leases</b>	<b>556</b>	<b>125</b>

## Contingent Liabilities

As a result of the liquidation of HIH NZ Limited, the council has been advised that insurance cover for public liability claims prior to March 1999 is not being provided by the new insurers. Council still has four potential claims relating to this period. The contingent liability in relation to the four remaining claims cannot be reasonably qualified.

Outstanding objections to the value of forestry land may lead to council having to repay rates paid in prior years. While the actual amount of any possible future rates refund is not known, council's liability is estimated at \$118,000 (2008: \$118,000).

Environment Waikato is a member of NZ Mutual Liability Riskpool (Riskpool), which provides member councils with Public Liability and Professional Indemnity cover.

Under the terms of the Riskpool Trust Deed, in certain circumstances Riskpool is able to make a call on its member councils to provide some additional funds in any fund year. On 30 June council received notification that Riskpool intends making a call later in 2009. The call involves a shortfall of \$500,000 in the Fund year 6 (2002/03) and a shortfall of \$3,500,000 in the Fund year 7 (2003/04). Environment Waikato's contributions towards those shortfalls are assessed at \$8,202 for Fund year 6 and \$58,091 for Fund year 7. These amounts have been accrued into the 2008/09 accounts.

On 24 September council received further advice from Riskpool that subsequent fund years (2005 onwards) are exhibiting deficits which indicates that a further call may be made, however at this point in time it is not possible to quantify the amount.

## EVENTS AFTER BALANCE DATE

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

## NOTABLE BUDGET VARIATIONS

Actual net operating deficit for the year was \$6.373 million, with \$1.719 million transferred from reserves. Included in the deficit is \$1.859 million share of Lake Taupo Protection Trust. Excluding this and reserve transfers, the deficit is \$1 million greater than budgeted, due to the non cash items, such as actuarial valuation of leave and asset impairment.

Total assets were \$182.969 million higher than budget due mainly to the revaluation of infrastructural assets.

Total liabilities were \$4.216 million lower than budget due to the deferment of capital expenditure projects.

## FINANCIAL SUMMARY FOR THE YEAR ENDED 30 JUNE 2009

	Actual \$000	Annual Plan \$000	Last year \$000
<b>STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009</b>			
<b>Total revenue</b>	<b>95,805</b>	<b>91,199</b>	<b>97,913</b>
<b>EXPENDITURE</b>			
Finance costs	-	600	-
Change in the market value of equity investments	5,862	-	5,552
Other operating costs	94,466	90,665	90,075
<b>Total expenditure</b>	<b>100,328</b>	<b>91,265</b>	<b>95,627</b>
Share of associate surplus/(deficit)	(1,859)	-	2,097
<b>Deficit before income tax</b>	<b>(6,382)</b>	<b>(66)</b>	<b>4,383</b>
Income tax	9	-	-
<b>Net surplus/(deficit)</b>	<b>(6,373)</b>	<b>(66)</b>	<b>4,383</b>
<b>STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009</b>			
Current assets	25,386	6,386	23,018
Non-current assets	450,970	287,001	456,510
<b>Total assets</b>	<b>476,356</b>	<b>293,387</b>	<b>479,528</b>
Current liabilities	16,945	16,466	13,848
Non-current liabilities	2,093	6,788	1,810
<b>Total liabilities</b>	<b>19,038</b>	<b>23,254</b>	<b>15,658</b>
<b>Total equity</b>	<b>457,318</b>	<b>270,133</b>	<b>463,870</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>			
Opening equity	463,870	270,199	268,851
Property, plant and equipment revaluation gains/(losses) taken to equity	(179)	-	190,636
Net surplus/(deficit) for the year	(6,373)	(66)	4,383
<b>Closing equity</b>	<b>457,318</b>	<b>270,133</b>	<b>463,870</b>
<b>STATEMENT OF CASH FLOWS</b>			
Net from operating activities	8,995	5,751	8,542
Net from investing activities	(6,192)	(18,403)	(3,869)
Net from financing activities	-	5,000	(646)
<b>Net increase/(decrease) in cash held</b>	<b>2,803</b>	<b>(7,652)</b>	<b>4,027</b>
<b>Closing cash balance</b>	<b>14,858</b>	<b>(8,686)</b>	<b>12,055</b>

## AUDIT REPORT

TO THE READERS OF THE WAIKATO REGIONAL COUNCIL'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2009.

We have audited the summary Annual Report.

### Unqualified Opinion

In our opinion:

- the summary financial statements, performance information and the other requirements represent, fairly and consistently, the information regarding the major matters dealt with in the Annual Report; and
- the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with full financial statements from which it is derived.

We expressed an unqualified audit opinion in our report dated 29 October 2009 on:

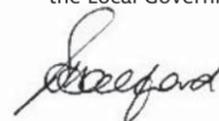
- the full financial statements; and
- the performance information; and
- the Council's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the Annual Report.

### Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship or interests in Waikato Regional Council.

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary Annual Report, and we are responsible for expressing an opinion on those summary financial statements, performance information and the other requirements. These responsibilities arise from the Local Government Act 2002.



B H Halford, Audit New Zealand  
On behalf of the Auditor-General  
Hamilton, New Zealand  
29 October 2009

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa