

Forecast information



Forecast information

This section includes a description of the underlying financial assumptions used when building the budgets and financial statements. It contains our financial statements including a new statement for the council's reserves and for capital expenditure. These statements show you the cost of services and how the costs are apportioned, and provide the basis for long term planning by enabling an informed assessment of the financial sustainability of the services and policy decisions of the council. The statements are prepared in accordance with Generally Accepted Accounting Practices (GAAP) and the New Zealand International Financial Reporting Standards.

Significant forecasting assumptions

The financial forecasts within this long term plan are based on a range of assumptions about our future situation, in particular assumptions that impact on our revenue and expenditure levels. Schedule 10 of the Local Government Act 2002 requires that the council identify the significant forecasting assumptions and risks underlying the financial information set out in the Long Term Plan. Where there is a high level of uncertainty, council is required to state the reason for that level of uncertainty and provide an estimate of the potential effects that uncertainty has on the financial estimates provided. The level of uncertainty is determined by reference to both the likelihood of occurrence and the financial materiality.

Each year council reviews its position and has the opportunity to revise the intentions signalled in the 2012-2022 Long Term Plan. An annual plan will be prepared for the 2013/2014 financial year and again for the 2014/2015 year, with a long term plan being prepared every third financial year. Where revised prospective financial statements are issued, council must provide an explanation of the changes made to the prospective financial statements in the long term plan and include a reconciliation of all material differences between the previously reported prospective financial statements and the revised financial statements. The projections for individual years will be ratified annually through a special consultative procedure, in accordance with the Local Government Act 2002.

The financial forecast information disclosed is future focused for the purposes of the Financial Reporting Standard FRS-42: Prospective Financial Statements and accordingly, there are a number of budget assumptions that, at the time of preparing the forecast information the council reasonably expects to occur. These assumptions are necessary as the long term plan covers a 10 year period and to ensure that there is a consistent and justifiable basis for the preparation of the financial forecasts.

The information presented in prospective financial statements is by definition uncertain and its preparation requires the exercise of judgement. Events and circumstances may not occur as expected or may not have been predicted. In addition, the council may subsequently take actions which differ from the intended courses of action on which the prospective financial statements were based. Actual financial results may be materially different to the forecast financial information presented in this long term plan.

The council has assumed that the actual results for the 2011/2012 financial year are largely in accordance with the 2011/2012 Annual Plan. Certain events have occurred that are not directly aligned with forecasts made in the 2011/12 Annual Plan (e.g. the transfer of the NRCCT Trust Fund (approximately \$10 million) from general reserves to a newly established special reserve of council (to be called the Community Investment Fund going forward) changing the council's mix of investments to include equity investments managed externally, the Inland Revenue Department donation deduction refund of \$1 million relating to the Northland Events Centre, the deferment of the Kaeo River capital works of \$554,000, river works brought forward and funded from reserves) and the financial results have been adjusted accordingly.

The council has a reasonable and supportable basis for the determination of assumptions underlying these prospective financial statements. The realisation of assumptions may have a direct impact on resulting rates and funding requirements. The information in these financial statements may not be appropriate for purposes other than those described.

The prospective financial statements were authorised for issue on 26 June 2012 by council resolution. The council is responsible for the prospective financial statements presented, including the appropriateness of the assumptions underlying the prospective financial statements and all other required disclosures.

The significant forecasting assumptions used in developing the financial forecasts in the Long Term Plan are detailed in the table over leaf.

Significant financial forecasting assumptions

General assumptions

Assumption and impact of assumption	Risk	Likelihood Low/ medium/ high	Financial impact	Impact of risk
The Northland economy will take longer to recover than in other parts of New Zealand, in terms of employment and the real estate market. Over the ten year period from June 2012 to June 2022, we are assuming a slower gross domestic product (GDP) growth rate of 1.5%.	That the current recovery stalls, is slower than expected or significantly deepens.	Low - medium	A 1 % reduction in general rating revenue in year 1 is \$126,277 equivalent to 0.4% of our total operating budget.	A slow economy has the effect of perpetuating affordability issues and potentially resulting in increased rating arrears.
Population growth will be slow (0.5% average increase annually in the number of separately used and inhabited parts and rating units (SUIP's/RU's) over the life of the plan, with the exception of year 1 which is based on actual data of 0.89%). Impact: No additional expenditure has been provided in this plan for addressing issues related to population growth.	Population growth will be significantly different from projected.	Low	Low This equates to an increase of 771 SUIP's/RU's in year two (year one based on actual data of 0.89%) of the plan. The average general rate per SUIP/RU is \$175.82. If the projected 0.5% increase in SUIP/RU did not eventuate the average general rate would be \$176.70 (this is less than \$1 impact per SUIP/RU.	Short term population changes have very little impact on regional council services. Existing resources have generally coped with service demands without major adjustments. A greater demand for public transport services may result in the urban areas, particularly Whāngārei, as it is likely to expand at a greater rate than other areas within the region.
Resource consents Conditions for existing resource consents held by council will not be significantly altered. Any resource consents due for renewal during the 10 year period will be renewed accordingly.	Conditions of resource consents are altered significantly. Council is unable to renew existing resource consents upon expiry.	Low	Low	The final effect of any change to resource consent requirements would depend upon the extent of the change. A significant change in requirements could result in the council needing to spend additional funds to enable compliance. Generally, the council considers that it is fully compliant with existing resource consents and does not contemplate any material departure from these requirements over the next 10 years.

Assumption and impact of assumption	Risk	Likelihood Low/ medium/ high	Financial impact	Impact of risk
<p>Changes to council's business There will be no significant change to council business dictated by as yet unknown/unconfirmed legislation or central government policy change.</p>	<p>There will be changes to council business that significantly alter operations and activities carried out by council.</p>	<p>Medium</p>	<p>Low</p>	<p>The final effect of any change to council's business would depend upon the extent of the change. A significant change could result in the council altering its activities or spending addition funds to enable compliance.</p>
<p>Any indirect impacts of the Emissions Trading Scheme through price increases being passed on to council are assumed to be covered by council's inflation assumptions.</p> <p>The direct impact of the Emission Trading Scheme is that council will be required to replant its forestry holdings after any harvest. The council's forestry management plan prescribes this approach. Council has received Emission Trading Scheme credits to financially compensate for this requirement.</p>	<p>That changes in government legislation result in charges that are greater than the budgeted expenditure.</p>	<p>Low</p>	<p>Low</p>	<p>It is considered that any annual changes to the Emission Trading Scheme will not have any material effect on the overall financial forecasts in the Long Term Plan.</p>
<p>Climate change impacts Climate change will match the Ministry for Environment's climate change predictions, which are based on recommendations from the International Panel on Climate Change (IPCC).</p>	<p>That changes in government legislation will result in charges and revenue that are significantly different from estimated impacts of the Emissions Trading Scheme.</p>	<p>Medium</p>	<p>Low</p>	<p>Variations to long term budget forecasts and levels of service will be required and will be addressed by subsequent long term plans.</p>
<p>Budget provision will be adequate to address costs arising from natural disasters.</p> <p>Council holds insurance for its assets, including the Awanui River Management Scheme. In addition council holds a reserve titled the Land Management Reserve that is intended to have a long term balance of \$1.5 million, which if required, may be utilised to fund emergency works.</p>	<p>There will be natural or other hazard emergencies requiring work that cannot be funded out of normal budgetary provisions.</p>	<p>Low</p>	<p>Medium</p>	<p>The council's financial position is strong enough to fully replace all infrastructure assets in the case of an event causing total destruction.</p>

Financial assumptions

Assumption and impact of assumption	Risk	Likelihood Low/ medium/ high	Financial impact	Impact of risk																				
<p>Inflation Council has adjusted base financial projections to reflect the estimated impact of inflation over the life of the 2012-2022 Long Term Plan.</p> <p>Inflation rates applied - expenditure Inflation rates have been estimated using the Business and Economic Research Limited (BERL) "Forecasts of Price Level change adjustors to 2022". The price level change adjustor rates displayed below (at a per annum change) have been applied to all expenditure items subject to inflation with the exception of salaries, and electricity:</p> <table border="1"> <thead> <tr> <th>Year 1</th> <th>0.0%</th> <th>Year 6</th> <th>3.4%</th> </tr> </thead> <tbody> <tr> <td>Year 2</td> <td>3.2%</td> <td>Year 7</td> <td>3.3%</td> </tr> <tr> <td>Year 3</td> <td>3.2%</td> <td>Year 8</td> <td>3.3%</td> </tr> <tr> <td>Year 4</td> <td>3.4%</td> <td>Year 9</td> <td>3.6%</td> </tr> <tr> <td>Year 5</td> <td>3.5%</td> <td>Year 10</td> <td>3.5%</td> </tr> </tbody> </table> <p>Year one budget forecasts were provided on the basis that expenditure for that year could be determined and did not require the application of the inflation adjustor.</p>	Year 1	0.0%	Year 6	3.4%	Year 2	3.2%	Year 7	3.3%	Year 3	3.2%	Year 8	3.3%	Year 4	3.4%	Year 9	3.6%	Year 5	3.5%	Year 10	3.5%	The actual rate of inflation will vary from the assumed rate of inflation.	<p>Years 1-3: Low to medium</p> <p>Years 4-10: Medium - High</p>	<p>Low to medium 1% increase in inflation over and above the BERL rates will increase council's year 1 total operating expenditure by \$270,346. Should operating expenditure increase and if council is not able to achieve savings to offset the increase, offsetting depending on the driver for the increase, it is likely there will be a proportional impact on all of council's funding sources in the following year.</p>	<p>Inflation is affected by external factors, most of which are outside of council's control and influence.</p> <p>Actual individual indices will at times vary from what has been assumed in the Long Term Plan. The council has relied on the Reserve Bank's use of monetary controls to keep inflation within the 1% to 3% range.</p>
Year 1	0.0%	Year 6	3.4%																					
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Year 5	3.5%	Year 10	3.5%																					
<p>Inflation rates applied – salaries Salary increases have been estimated throughout the life of the plan using the BERL "Staff" price adjustor displayed below: (at a per annum change).</p> <table border="1"> <thead> <tr> <th>Year 1</th> <th>0%</th> <th>Year 6</th> <th>2.4%</th> </tr> </thead> <tbody> <tr> <td>Year 2</td> <td>2.4%</td> <td>Year 7</td> <td>2.3%</td> </tr> <tr> <td>Year 3</td> <td>2.4%</td> <td>Year 8</td> <td>2.6%</td> </tr> <tr> <td>Year 4</td> <td>2.6%</td> <td>Year 9</td> <td>2.7%</td> </tr> <tr> <td>Year 5</td> <td>2.6%</td> <td>Year 10</td> <td>2.7%</td> </tr> </tbody> </table>	Year 1	0%	Year 6	2.4%	Year 2	2.4%	Year 7	2.3%	Year 3	2.4%	Year 8	2.6%	Year 4	2.6%	Year 9	2.7%	Year 5	2.6%	Year 10	2.7%	The actual rate of salary increases will vary from the assumed rate of salary increases.	Low to Medium	<p>Low</p> <p>A 1% increase in year 1 salaries over and above the BERL rates will increase operating expenditure by \$104,041 (0.4%).</p>	Although the actual annual salaries expenditure incurred by council may vary against its corresponding forecast, it is expected to be manageable and it is not considered that any annual salaries variance will have a material effect on the overall financial forecasts in the Long Term Plan.
Year 1	0%	Year 6	2.4%																					
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Year 5	2.6%	Year 10	2.7%																					
<p>Inflation rates applied – Electricity Electricity has been estimated throughout the life of the plan using the BERL "Energy" price adjustor displayed below (at a per annum change).</p> <table border="1"> <thead> <tr> <th>Year 1</th> <th>0.0%</th> <th>Year 6</th> <th>4.6%</th> </tr> </thead> <tbody> <tr> <td>Year 2</td> <td>4.7%</td> <td>Year 7</td> <td>4.5%</td> </tr> <tr> <td>Year 3</td> <td>4.7%</td> <td>Year 8</td> <td>5.0%</td> </tr> <tr> <td>Year 4</td> <td>5.0%</td> <td>Year 9</td> <td>5.4%</td> </tr> <tr> <td>Year 5</td> <td>5.1%</td> <td>Year 10</td> <td>5.4%</td> </tr> </tbody> </table>	Year 1	0.0%	Year 6	4.6%	Year 2	4.7%	Year 7	4.5%	Year 3	4.7%	Year 8	5.0%	Year 4	5.0%	Year 9	5.4%	Year 5	5.1%	Year 10	5.4%	The actual rate of increases in energy related expenditure will vary from the assumed rate of energy increases.	Low to Medium	<p>Low</p> <p>A 1% increase in year 1 electricity, expenditure over and above the BERL rates will increase operating expenditure by \$1,206.</p>	Although the actual annual energy expenditure incurred by council may vary against its corresponding forecast, it is expected to be manageable and it is not considered that any annual variance in energy related expenditure will have a material effect on the overall financial forecasts in the Long Term Plan.
Year 1	0.0%	Year 6	4.6%																					
Year 2	4.7%	Year 7	4.5%																					
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Assumption and impact of assumption	Risk	Likelihood Low/ medium/ high	Financial impact	Impact of risk																				
<p>Inflation rates applied – Activity Income Activity income sources subject to inflations are assumed to increase in accordance with the inflation price adjustor displayed below (at a per annum change) with the exception of rating revenues and New Zealand Transport Agency subsidies:</p> <table border="1"> <thead> <tr> <th>Year 1</th> <th>0%</th> <th>Year 6</th> <th>3.4%</th> </tr> </thead> <tbody> <tr> <td>Year 2</td> <td>3.2%</td> <td>Year 7</td> <td>3.3%</td> </tr> <tr> <td>Year 3</td> <td>3.2%</td> <td>Year 8</td> <td>3.3%</td> </tr> <tr> <td>Year 4</td> <td>3.4%</td> <td>Year 9</td> <td>3.6%</td> </tr> <tr> <td>Year 5</td> <td>3.5%</td> <td>Year 10</td> <td>3.5%</td> </tr> </tbody> </table>	Year 1	0%	Year 6	3.4%	Year 2	3.2%	Year 7	3.3%	Year 3	3.2%	Year 8	3.3%	Year 4	3.4%	Year 9	3.6%	Year 5	3.5%	Year 10	3.5%	That actual activity revenue is influenced by changes in prices or the rate of inflation.	Low	Low	Although activity income streams may vary annually due to factors outside of council's control, it is considered manageable and it is not considered to have a material effect on the overall financial forecasts in the Long Term Plan.
Year 1	0%	Year 6	3.4%																					
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Year 5	3.5%	Year 10	3.5%																					
<p>Inflation rates applied – New Zealand Transport Authority subsidy income Subsidy income is a function of transport activity cost and work categories. The subsidy available for the work categories varies from no subsidy to 64.77%. Council has assumed there will be no change to the current government funding formula and as such, has applied the subsidy at the level advised by New Zealand Transport Agency at the time of preparing the plan.</p>	That actual subsidy rates and criteria for approved works change from the time the long term plan is compiled.	Medium	<p>Low</p> <p>Changes to the funding priorities of the New Zealand Transport Agency are outside council's control.</p> <p>The maximum financial impact would be the total elimination of the total subsidy income estimated in year 1 at \$931,972.</p>	If the level of New Zealand Transport Agency subsidy income is lower than forecast it may require a reprioritization of the transport work program or an increase in funding from alternative sources (e.g. rates).																				
<p>Rates increases applied – rating income In order to fund the expenditure outlined throughout the long term plan council intends to increase its general rates at the amounts (at a annual increment) displayed in the table below :</p> <table border="1"> <thead> <tr> <th>Year 1</th> <th>8.5%</th> <th>Year 6</th> <th>6.4%</th> </tr> </thead> <tbody> <tr> <td>Year 2</td> <td>6.5%</td> <td>Year 7</td> <td>6.2%</td> </tr> <tr> <td>Year 3</td> <td>7.2%</td> <td>Year 8</td> <td>5.5%</td> </tr> <tr> <td>Year 4</td> <td>6.7%</td> <td>Year 9</td> <td>6.1%</td> </tr> <tr> <td>Year 5</td> <td>7.1%</td> <td>Year 10</td> <td>4.5%</td> </tr> </tbody> </table>	Year 1	8.5%	Year 6	6.4%	Year 2	6.5%	Year 7	6.2%	Year 3	7.2%	Year 8	5.5%	Year 4	6.7%	Year 9	6.1%	Year 5	7.1%	Year 10	4.5%	That the projected rate increases are insufficient to cover expenditure increases resulting from inflation.	Low - Medium	<p>Low – Medium</p> <p>In Year 1 general rate funding provides approximately 42% of council revenue, with the remaining revenue coming from investment income, user charges, grants and subsidies.</p> <p>A 1% increase in year 1 general rating income would provide approximately \$126,277 additional income, whilst a 1% increase in year 1 operating costs would equate to an additional \$281,030 of expenditure.</p>	Although the disparity is considered manageable, it may result in a reprioritization of council's work programme and/or an increase in funding from alternative sources.
Year 1	8.5%	Year 6	6.4%																					
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Assumption and impact of assumption	Risk	Likelihood Low/ medium/ high	Financial impact	Impact of risk
<p>Rates subsidy withdrawal The staged withdrawal of the rates subsidy from utilising investment income for funding council services will occur over ten years.</p>	<p>The council will speed up the transition.</p> <p>The council will slow down the transition.</p>	<p>Low</p> <p>Low</p>	<p>Medium</p> <p>Medium</p>	<p>There will be higher rate increases than projected in the Long Term Plan.</p> <p>There will be less funds available in the Growth and Investment Reserve for allocation or investment.</p>
<p>Forecast return on council investments</p> <ul style="list-style-type: none"> ▪ Cash investments Interest income derived from Cash deposits is calculated upon an assumption 3.5% per annum. ▪ Stocks and bonds (fixed) investments Interest income derived from fixed Investments is calculated at the relevant coupon rate until maturity of such investment. <p>Reinvestment into Fixed Investments has had interest calculated at 5% per annum throughout the life of the plan.</p>	<p>That actual interest rates will vary from those projected.</p>	<p>Low - Medium</p>	<p>Low - Medium</p> <p>An increase or decrease of 1% above or below forecast year 1 returns on cash deposits will result in a variance in interest income of \$33,333.</p>	<p>If actual interest rates are lower than the forecast rates, then the Growth and Investment Reserve will receive reduced allocations. Rating levels will not be affected.</p>
<p>Forestry Investment Revenue Forestry revenue is projected in line with the forestry management plan.</p> <p>The forestry is revalued annually. The valuation adjustments are provided by an independent forestry consultant. These are non-cash and as the forest is a long term asset, the adjustments do impact on funding or expenditure requirements.</p>	<p>That the projected forestry returns differ significantly from those estimated.</p>	<p>Low-Medium</p>	<p>Low</p>	<p>If the projected harvest return is below expectations, the council is able to defer harvesting for a number of years. The forestry revenue is budgeted to be set aside in the forest equalisation fund to smooth rating increase over the term of the plan.</p>
<p>Forecasted return on investments made from the Investment and Growth reserve funds It is assumed funding set aside in the Investment and Growth reserve will earn a return of 5% per annum.</p> <p>Investment and Growth funds will be invested in accordance with council's Treasury Management Policy criteria until such time as they are invested in accordance with the Investment and Growth Reserve Criteria.</p> <p>Actual return on investments could vary significantly. Council recognises higher risk investments, may result in potential higher returns, but there is also a risk of the project not delivering the expected return. It is also possible that council will accept a lower return on projects that contribute positively to social and cultural well-beings.</p>	<p>That actual returns will vary from those projected.</p>	<p>Medium</p>	<p>Low - Medium</p> <p>An increase or decrease of 1% above or below forecast year 1 returns on funding set aside in the Investment and Growth reserve will result in a variance in investment revenue of \$13,421.</p>	<p>If actual investment returns are lower than forecasted rates there will be less funding available to invest in further projects. This may have an impact on council's ability to make a positive contribution towards promoting economic development in Northland. Rating levels will not be affected.</p>

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<p>Income from the Community Investment Fund (formerly called the Northland Regional Council Community Trust Fund)</p> <p>The opening balance of the fund is \$10.06 million. The Investment fund managers have forecast income from the Community Investment Fund for years 1-3. For the purposes of forecasting income for years 4-7, it is assumed that the average return forecast for years 1-3 will continue.</p> <p>Council intends to maintain the real value of the capital of the Fund by increasing the capital amount of the Fund by the level of inflation forecast for each year of this plan. The Fund's capital value may be subject to market fluctuations that are beyond the control of the council. Regardless of the nature and level of market fluctuations, council aims to increase the capital value against the base index of 30 June 2011, \$10.25 million. It is assumed monies reinvested will earn interest of 5%. The inflation adjustors and the expected fund value are forecast as follows:</p> <table border="1" data-bbox="156 1059 611 1534"> <thead> <tr> <th>Year</th> <th>Inflation adjustor</th> <th>Fund balance</th> <th>Forecast Income</th> </tr> </thead> <tbody> <tr> <td>Year 1</td> <td>2.4</td> <td>10,306,723</td> <td>680,113</td> </tr> <tr> <td>Year 2</td> <td>3.2</td> <td>10,642,720</td> <td>723,506</td> </tr> <tr> <td>Year 3</td> <td>3.2</td> <td>10,989,469</td> <td>739,990</td> </tr> <tr> <td>Year 4</td> <td>3.4</td> <td>11,369,679</td> <td>757,000</td> </tr> <tr> <td>Year 5</td> <td>3.5</td> <td>11,774,379</td> <td>775,653</td> </tr> <tr> <td>Year 6</td> <td>3.4</td> <td>12,181,276</td> <td>795,507</td> </tr> <tr> <td>Year 7</td> <td>3.3</td> <td>12,589,633</td> <td>815,468</td> </tr> <tr> <td>Year 8</td> <td>3.3</td> <td>13,011,466</td> <td>835,501</td> </tr> <tr> <td>Year 9</td> <td>3.6</td> <td>13,486,834</td> <td>856,196</td> </tr> <tr> <td>Year 10</td> <td>3.5</td> <td>13,965,635</td> <td>879,516</td> </tr> </tbody> </table> <p>The income (less the inflation adjustment) from the Trust fund will be distributed to council, and council will use this income as well as income from the Investment and Growth Reserve to provide up to \$1,000,000 funding to the council-controlled organisation/council-controlled trading organisation per annum.</p>	Year	Inflation adjustor	Fund balance	Forecast Income	Year 1	2.4	10,306,723	680,113	Year 2	3.2	10,642,720	723,506	Year 3	3.2	10,989,469	739,990	Year 4	3.4	11,369,679	757,000	Year 5	3.5	11,774,379	775,653	Year 6	3.4	12,181,276	795,507	Year 7	3.3	12,589,633	815,468	Year 8	3.3	13,011,466	835,501	Year 9	3.6	13,486,834	856,196	Year 10	3.5	13,965,635	879,516	<p>That the income from the Community Investment Fund differs to forecast.</p>	<p>Medium</p>	<p>Medium</p> <p>In year 1 a 1% change in income from the Community Investment Fund equates to \$6,801. Any reduction in Community Investment Fund income may have to be funded from the Investment and Growth reserve funds.</p>	<p>If actual Community Investment Fund income is lower than the forecast levels, then the Growth and Investment Reserve will need to contribute a greater level of funding to the council-controlled organisation.</p>
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<p>Borrowing costs (external and internal) The borrowing costs for qualifying assets are calculated assuming the following average interest rates.</p> <table border="1" data-bbox="156 439 612 618"> <thead> <tr> <th></th> <th>New borrowing</th> <th>Existing Borrowing</th> </tr> </thead> <tbody> <tr> <td>Year 1</td> <td>5%</td> <td>7%</td> </tr> <tr> <td>Years 2 – 3</td> <td>5%</td> <td>7%</td> </tr> <tr> <td>Years 4 – 10</td> <td>5%</td> <td>7%</td> </tr> </tbody> </table> <p>Interest income derived from internal borrowing that has been drawn down prior to the commencement of the plan has been calculated at 7% per annum.</p> <p>Interest Income derived from internal borrowing that eventuates during the life of the plan has been calculated at 5% per annum. Internal interest cost of 5% is considered appropriate as council considers it can achieve the same rate by investing in fixed longer term stock and bond investments.</p> <p>Any internal interest expense applicable to internal borrowings is allocated directly to the activity to which the loan relates.</p> <p>The actual internal borrowing rate may be subject to change and will be based upon the cost of borrowing and available investment returns at the time of borrowing.</p>		New borrowing	Existing Borrowing	Year 1	5%	7%	Years 2 – 3	5%	7%	Years 4 – 10	5%	7%	<p>That the prevailing interest rate will vary from those assumed.</p>	<p>Medium</p>	<p>Low</p>	<p>Council is not forecasting any external borrowing over the 10 year life of the Long Term Plan. If any actual borrowing should eventuate, an unbudgeted interest expense will also eventuate and this may affect the level of rating income increase required to fund such expenditure.</p> <p>Interest expense and interest income associated with internal borrowing offset each other in the financial forecasts.</p>
	New borrowing	Existing Borrowing														
Year 1	5%	7%														
Years 2 – 3	5%	7%														
Years 4 – 10	5%	7%														
<p>Dividends It is assumed that council will maintain its shareholding in Northland Port Corporation (NZ) Limited.</p> <p>Although rates of inflation will affect the revenues and expenditure of the Northland Port Corporation (NZ) Limited it is not anticipated the level of dividend will be influenced by the rate of inflation over the life of the Long Term Plan.</p> <p>It is assumed that the dividend received from this shareholding will remain constant throughout the period of the Long Term Plan at 6.5 cents per share.</p> <p>Council has not forecast any special capital dividends in the 10 years of the plan.</p>	<p>That the council chooses not to maintain its shareholding.</p> <p>That the actual dividend per share will vary from the assumed amount.</p>	<p>Low</p> <p>Low</p>	<p>Low</p> <p>An alternative investment would be sought with an annual return.</p> <p>Low</p> <p>A one cent per share movement in the declared dividend will have an impact on council's year 1 dividend income by \$221,429.</p>	<p>If actual dividend income is lower than the forecast other funding sources or savings will be considered to offset the difference.</p> <p>Investment revenue, including dividends are to be transitioned to the Investment and Growth Reserve over a ten year period. If in any one year, the actual investment revenue is less than \$6.7M, council will calculate the amount to be transferred to the Investment and Growth Reserve based on the actual revenue and the stage of phasing, for example in year three of the plan (year four of the phasing) 40% of the investment revenue would be transferred to the Investment and Growth Reserve.</p>												

Assumption and impact of assumption	Risk	Likelihood Low/ medium/ high	Financial impact	Impact of risk						
<p>Investment property rental income It is assumed the council's investment property portfolio will be tenanted throughout the plan at the current occupancy rates and that rents will be increased at review date as per the table below:</p> <table border="1" data-bbox="156 495 611 613"> <tr> <td>Lease review falling every 5 years</td> <td>+15%</td> </tr> <tr> <td>Lease review falling every 7 years</td> <td>+15%</td> </tr> <tr> <td>Lease review falling every 21 years</td> <td>+30%</td> </tr> </table> <p>It is further assumed the disposition of any investment property will have no financial impact as the proceeds will be reinvested in an investment that provides a similar revenue stream.</p>	Lease review falling every 5 years	+15%	Lease review falling every 7 years	+15%	Lease review falling every 21 years	+30%	<p>That occupancy rates decline and /or rent reviews are less than forecast – resulting in less than forecast rental income.</p>	<p>Low</p>	<p>Low A 1% reduction in council's year 1 Investment property rental income equates to \$35,764.</p>	<p>All investment property rentals are subject to contractual obligations which have varying renewal and review periods. The large majority of rental properties have 5,7 and 21 year lease reviews, and the reviews falling due in any one year will not have an material impact on the annual rental income.</p>
Lease review falling every 5 years	+15%									
Lease review falling every 7 years	+15%									
Lease review falling every 21 years	+30%									
<p>Revaluation of investment properties It is assumed that the value of council's investment properties will not change over the life of the plan.</p> <p>This assumption is supported by the expectation Northland will have low population growth and the recovery of the economy will be slower than the national average.</p>	<p>That the actual revaluation movements will vary from those assumed.</p>	<p>Medium</p>	<p>Low A 1 % increase in council's investment property portfolio equates to an estimated increase of \$483,210 in the value of the portfolio.</p>	<p>Investment revaluations are non cash in nature so will have no material impact on council's funding sources.</p> <p>There is no impact on depreciation as investment properties are not depreciated.</p>						
<p>Revaluation of infrastructure assets Infrastructure assets are revalued every three years. During the term of the plan it is assumed that the fair value of the infrastructure assets will increase by the movement in the BERL price level adjustors.</p> <p>The valuation cycles and the expected fair value increase is displayed below:</p> <table border="1" data-bbox="220 1406 547 1525"> <tr> <td>2013-2014</td> <td>9.5 %</td> </tr> <tr> <td>2016-2017</td> <td>10.44%</td> </tr> <tr> <td>2019-2020</td> <td>10.34 %</td> </tr> </table> <p>The effect of the movement in property plant and equipment values will be reflected in the depreciation expense in the subsequent year following revaluation.</p> <p>The value of land is forecast to remain constant over the 10 years of the Long Term Plan.</p>	2013-2014	9.5 %	2016-2017	10.44%	2019-2020	10.34 %	<p>That the actual revaluation movements will be significantly different from those forecasted.</p>	<p>Medium</p>	<p>Low A 1% increase in infrastructure asset values will equate to an increase in depreciation of \$5,603.</p> <p>For land assets there is no impact on depreciation as these assets are not depreciated.</p>	<p>If the revaluations are different from those forecast, it will affect the fixed asset values and flow through to changed levels of depreciation expense.</p>
2013-2014	9.5 %									
2016-2017	10.44%									
2019-2020	10.34 %									

Asset assumption

Assumption and impact of assumption	Risk	Likelihood Low/ medium/ high	Financial impact	Impact of risk
<p>New assets Council is aware of all new asset requirements and has factored these requirements into the Long Term Plan's capital expenditure programme.</p>	That at the completion of the Priority River modelling exercise, new assets are required that are not included within the life of this long term plan.	Medium	Low The financial effect of the uncertainty surrounding additional assets to be factored into the capital expenditure projections is likely to be immaterial.	Consultation will be undertaken with the affected communities of additional capital works and a targeted rate will be levied via an Annual Plan or subsequent Long Term Plan to fund any new infrastructural works.
<p>Sufficient sources of funds for the future replacement of significant assets will be available at the end of their useful life.</p>	Insufficient funds will be available to replace significant assets at the end of their useful lives.	Low	Low	General rates, user charges and targeted rates will increase to achieve the funding requirements. The council may utilise borrowings in accordance with the Revenue and Financing Policy and Treasury Management Policy.
<p>Useful lives of significant assets It is assumed that no significant assets will fail before the end of their useful lives. The useful lives of council's assets are stated in Statement of Accounting Policies of council.</p> <p>Council is aware of all planned asset acquisitions and all asset acquisitions (as per the capital expenditure program) shall be depreciated on the same basis as existing assets.</p>	<p>That council assets wear out earlier or later than estimated.</p> <p>That council changes activities resulting in decisions not to replace certain existing assets.</p>	Low	Low The financial effect of the uncertainty surrounding useful lives of assets is likely to be immaterial.	<p>Council has very little Infrastructural assets. As part of its Asset Management Planning process council identifies the capacity and condition of such assets, and plans its replacement programme accordingly.</p> <p>Depreciation and interest costs (if borrowing was required) would increase if capital expenditure was required earlier than anticipated, and any earlier replacement may result in the deferral of other discretionary capital projects.</p> <p>Where a decision is made not to replace an asset this will be factored into the capital expenditure projections.</p>
<p>Vested assets There will be no vesting of assets with the council for the period of the Long Term Plan.</p>	Assets will be vested with the council.	Low	Low	Vested assets have an associated depreciation expense, and this would increase the level of rating required if the council decided that the asset would be replaced at the end of its useful life.

Assumption and impact of assumption	Risk	Likelihood Low/ medium/ high	Financial impact	Impact of risk
<p>Joint venture with KiwiRail (Ontrack) for the proposed Marsden Point rail link</p> <p>The council is holding properties purchased along the Marsden Point rail corridor as Investment Properties for the term of the plan. It is further assumed that should any of these investment properties be sold during the term of the plan there will be no change in the total Investment Revenue earned by council.</p> <p>Council holds its share of the costs of designation as an inventory asset. It is assumed council will continue to hold its share of the costs of the designation as an inventory asset until such time as the construction of the corridor commences. It is assumed the construction of the corridor will occur beyond the term of this plan.</p>	<p>That the timing or amount of disposal of the sale of Investment Assets differs from that assumed.</p> <p>That the value of the designation inventory asset is impaired or realised during the term of the plan.</p>	<p>Medium</p> <p>Medium</p>	<p>Low</p> <p>A 1% decrease in Investment revenue equates to \$7,161.</p> <p>Low</p> <p>A 1% decrease in the Marsden to Oakleigh Rail corridor designation in year 1, equates to an impairment cost of \$13,163.</p>	<p>If the actual proceeds received from the sale of Joint Venture Investment Assets differ to those forecasted there will be less investment income available to either subsidise operational funding or be transferred to Investment and Growth fund (depending on the stage of the transition).</p> <p>A 1% increase or decrease in the sale value of joint Venture Investment Assets held will result in a +/- \$37,550.increase or decrease in cash available to be invested.</p> <p>Any impairment of the inventory asset is a non-cash expense and therefore any impact will be immaterial.</p>

Forecast financial statements

Prospective Statement of Comprehensive Income

For the 2012-2022 Long Term Plan periods ending 30 June	Annual Plan 2011 -2012 \$	Year 1 2012-2013 \$	Year 2 2013-2014 \$	Year 3 2014-2015 \$	Year 4 2015-2016 \$	Year 5 2016-2017 \$
REVENUE						
Grants and subsidies	1,370,884	1,486,699	1,343,573	1,395,526	1,388,263	1,672,273
User charges	3,956,038	4,105,264	4,231,484	4,332,783	4,441,664	4,594,558
Revenue from activities	5,326,922	5,591,963	5,575,057	5,728,308	5,829,927	6,266,831
Council Service Rate	6,966,873	7,279,686	7,855,008	8,525,519	9,204,020	9,960,435
Land Management Rates	4,567,144	5,348,014	5,654,673	6,031,939	6,413,679	6,852,754
Targeted Regional Infrastructure Rate	593,602	593,544	593,602	593,602	593,602	593,602
Targeted Regional Recreational Facilities Rate	1,218,065	1,226,775	1,233,300	1,239,466	1,245,663	1,251,892
Other targeted rates	2,255,533	2,574,850	2,699,985	3,225,204	2,667,754	2,737,592
Total rating revenue	15,601,217	17,022,869	18,036,568	19,615,730	20,124,719	21,396,274
Rental income	3,427,314	3,588,448	3,633,523	3,758,416	3,794,341	3,852,383
Interest income	1,717,631	2,191,906	2,141,330	2,001,272	2,157,550	2,433,633
Dividend income	1,328,574	1,439,289	1,439,289	1,439,289	1,439,289	1,439,289
NRC Community Trust income	-	-	-	-	-	-
Forestry income	-	-	-	-	372,205	-
Sundry income	23,055	122,030	125,935	129,965	134,384	139,087
Other revenue	6,496,574	7,341,673	7,340,077	7,328,942	7,897,769	7,864,392
Other gains/(losses)	102,060	71,727	166,790	98,891	(305,589)	230,702
TOTAL REVENUE	27,526,774	30,028,232	31,118,492	32,771,871	33,546,825	35,758,199
EXPENDITURE						
Personnel costs	9,894,144	10,404,100	10,759,347	11,018,526	11,238,113	11,654,251
Depreciation	1,200,308	1,067,449	1,127,392	1,252,891	1,337,631	1,351,929
Finance costs	1,000	1,000	1,000	1,000	1,000	1,000
Other expenditure on activities	14,025,895	16,630,482	16,018,173	16,093,566	16,008,333	16,940,729
Total operating expenditure	25,121,347	28,103,031	27,905,912	28,365,982	28,585,078	29,947,909
NET SURPLUS/(DEFICIT) FROM OPERATIONS	2,405,427	1,925,201	3,212,580	4,405,888	4,961,747	5,810,290
OTHER COMPREHENSIVE INCOME						
Gain/(Loss) on infrastructure asset revaluation	-	-	742,795	-	-	1,178,709
Total other comprehensive income	-	-	742,795	-	-	1,178,709
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,405,427	1,925,201	3,955,375	4,405,888	4,961,747	6,988,999
Total comprehensive income attributable to:						
Northland Regional Council	2,405,427	1,925,201	3,955,375	4,405,888	4,961,747	6,988,999
Non-controlling interest in surplus/(deficit) of Northland Port Corporation (NZ) Limited	-	-	-	-	-	-
	2,405,427	1,925,201	3,955,375	4,405,888	4,961,747	6,988,999

Year 6 2017-2018 \$	Year 7 2018-2019 \$	Year 8 2019-2020 \$	Year 9 2020-2021 \$	Year 10 2021-2022 \$	For the 2012-2022 Long Term Plan periods ending 30 June
					REVENUE
1,496,728	1,546,763	1,567,614	1,614,982	1,620,877	Grants and subsidies
4,713,082	4,831,023	4,952,824	5,089,955	5,228,070	User charges
6,209,809	6,377,786	6,520,437	6,704,937	6,848,947	Revenue from activities
10,701,893	11,470,791	12,214,228	13,059,408	13,753,573	Council Service Rate
7,278,331	7,722,378	8,145,142	8,641,338	9,034,438	Land Management Rates
593,602	593,602	593,602	593,602	593,602	Targeted Regional Infrastructure Rate
1,258,151	1,264,442	279,447	-	-	Targeted Regional Recreational Facilities Rate
2,765,153	2,771,853	2,777,903	2,784,810	2,791,779	Other targeted rates
22,597,130	23,823,065	24,010,322	25,079,157	26,173,393	Total rating revenue
3,868,734	3,879,422	3,841,681	3,841,681	3,855,725	Rental income
2,790,338	3,146,783	3,488,109	3,971,105	4,477,914	Interest income
1,439,289	1,439,289	1,439,289	1,439,289	1,439,289	Dividend income
-	-	-	-	-	NRC Community Trust income
-	-	-	523,037	-	Forestry income
143,816	148,562	153,465	158,989	164,554	Sundry income
8,242,177	8,614,056	8,922,544	9,934,102	9,937,482	Other revenue
200,048	238,001	239,791	272,183	(338,398)	Other gains/(losses)
37,249,164	39,052,908	39,693,094	41,990,379	42,621,423	TOTAL REVENUE
					EXPENDITURE
11,935,270	12,211,143	12,529,617	12,869,225	13,217,898	Personnel costs
1,381,077	1,409,562	1,437,314	1,465,811	1,483,569	Depreciation
1,000	1,000	1,000	1,000	1,000	Finance costs
16,605,365	17,111,497	17,351,010	17,886,461	18,196,790	Other expenditure on activities
29,922,712	30,733,202	31,318,941	32,222,496	32,899,257	Total operating expenditure
7,326,452	8,319,706	8,374,153	9,767,883	9,722,166	NET SURPLUS/(DEFICIT) FROM OPERATIONS
					OTHER COMPREHENSIVE INCOME
-	-	1,392,048	-	-	Gain/(Loss) on infrastructure asset revaluation
-	-	1,392,048	-	-	Total other comprehensive income
7,326,452	8,319,706	9,766,201	9,767,883	9,722,166	TOTAL COMPREHENSIVE INCOME FOR THE YEAR
-	-	-	-	-	Total comprehensive income attributable to:
7,326,452	8,319,706	9,766,201	9,767,883	9,722,166	Northland Regional Council
-	-	-	-	-	Non-controlling interest in surplus/(deficit) of Northland Port Corporation (NZ) Limited
7,326,452	8,319,706	9,766,201	9,767,883	9,722,166	

Prospective Statement of Financial Position

Annual Plan 2011 -2012 \$	For the 2012-2022 Long Term Plan, as at 30 June	Annual Report 2010-2011 \$	Forecast Movements 2011-2012 \$	Forecast 2011-2012 \$	Year 1 2012-2013 \$	Year 2 2013-2014 \$	Year 3 2014-2015 \$
	EQUITY						
114,933,408	Accumulated funds	111,967,951	(10,598,990)	101,368,961	102,767,362	109,564,558	115,938,399
7,194,650	Other reserves	4,953,532	13,246,744	18,200,276	18,727,076	15,885,255	13,917,302
122,128,058	TOTAL EQUITY	116,921,483	2,647,754	119,569,237	121,494,438	125,449,813	129,855,701
	CURRENT ASSETS						
784,011	Cash and cash equivalents	3,518,200	1,769,473	5,287,673	4,347,115	1,520,444	1,505,894
6,182,380	Trade and other receivables	4,982,505	187,254	5,169,759	5,299,089	5,475,668	5,657,897
1,473,949	Inventories	1,440,563	51,860	1,492,423	1,528,241	1,577,145	1,627,614
577,000	Other investments (current portion)	1,519,131	9,480,869	11,000,000	2,000,000	2,000,000	75,000
-	- Tax refundable	80,732	(80,732)	-	-	-	-
9,017,340	TOTAL CURRENT ASSETS	11,541,131	11,408,724	22,949,855	13,174,445	10,573,257	8,866,405
	NON CURRENT ASSETS						
4,917,918	Other receivables	5,201,500	-	5,201,500	5,201,500	5,201,500	5,201,500
50,535,499	Investment property	48,320,999	-	48,320,999	48,320,999	48,320,999	48,320,999
19,967,086	Investments in subsidiaries and associates	18,324,504	(10,253,188)	8,071,316	8,071,316	8,940,541	8,940,541
19,739,489	Other investments	17,782,522	579,762	18,362,284	27,608,376	26,928,403	27,200,152
20,759,552	Property, plant and equipment	19,164,908	766,570	19,931,478	21,486,851	28,898,315	34,912,581
1,366,192	Intangible assets	967,799	344,348	1,312,147	2,288,396	1,341,073	1,262,874
1,657,596	Biological assets	1,555,536	0	1,555,536	1,627,263	1,718,684	1,817,575
118,943,332	TOTAL NON CURRENT ASSETS	111,317,768	(8,562,508)	102,755,260	114,604,700	121,349,515	127,656,222
127,960,672	TOTAL ASSETS	122,858,899	2,846,217	125,705,116	127,779,146	131,922,772	136,522,627
	CURRENT LIABILITES						
4,260,503	Trade and other payables	4,408,975	158,723	4,567,698	4,677,323	4,826,997	4,981,461
1,445,512	Employee benefit liabilities current	1,479,583	38,469	1,518,052	1,556,003	1,593,348	1,631,588
5,706,015	TOTAL CURRENT LIABILITIES	5,888,558	197,192	6,085,750	6,233,326	6,420,345	6,613,049
	NON CURRENT LIABILITES						
126,600	Employee benefit liabilities term	48,858	1,270	50,128	51,382	52,615	53,877
126,600	TOTAL NON CURRENT LIABILITIES	48,858	1,270	50,128	51,382	52,615	53,877
5,832,615	TOTAL LIABILITIES	5,937,416	198,463	6,135,879	6,284,708	6,472,959	6,666,926
122,128,057	TOTAL NET ASSETS	116,921,483	2,647,754	119,569,237	121,494,438	125,449,813	129,855,701

Year 4 2015-2016 \$	Year 5 2016-2017 \$	Year 6 2017-2018 \$	Year 7 2018-2019 \$	Year 8 2019-2020 \$	Year 9 2020-2021 \$	Year 10 2021-2022 \$	For the 2012-2022 Long Term Plan, as at 30 June
							EQUITY
116,464,847	116,794,061	117,180,943	117,580,489	118,063,212	118,494,822	118,372,778	Accumulated funds
18,352,601	25,012,386	31,951,956	39,872,116	49,155,594	58,491,867	68,336,077	Other reserves
134,817,448	141,806,447	149,132,899	157,452,605	167,218,806	176,986,689	186,708,855	TOTAL EQUITY
							CURRENT ASSETS
1,482,283	1,383,102	1,492,988	1,485,503	1,723,355	1,606,107	1,683,955	Cash and cash equivalents
5,857,711	6,070,396	6,284,235	6,498,842	6,720,531	6,970,353	7,221,981	Trade and other receivables
1,682,953	1,741,856	1,801,079	1,860,515	1,921,912	1,991,101	2,060,789	Inventories
-	-	-	1,850,000	-	-	-	Other investments (current portion)
-	-	-	-	-	-	-	Tax Refundable
9,022,947	9,195,354	9,578,302	11,694,860	10,365,798	10,567,561	10,966,725	TOTAL CURRENT ASSETS
							NON CURRENT ASSETS
5,201,500	5,201,500	5,201,500	5,201,500	5,201,500	5,201,500	5,201,500	Other receivables
48,320,999	48,320,999	48,320,999	48,320,999	48,320,999	48,320,999	48,320,999	Investment property
8,940,541	8,940,541	8,940,541	8,940,541	8,940,541	8,940,541	8,940,541	Investments in subsidiaries and associates
32,155,362	38,060,062	45,166,959	51,525,316	61,297,149	71,272,517	81,251,318	Other investments
35,357,720	36,343,421	36,283,169	36,190,643	37,591,085	37,253,553	37,280,357	Property, plant and equipment
1,186,511	1,107,240	1,027,892	950,903	870,335	789,682	711,643	Intangible assets
1,511,986	1,742,688	1,942,736	2,180,737	2,420,528	2,692,711	2,354,313	Biological assets
132,674,619	139,716,451	146,883,796	153,310,639	164,642,137	174,471,503	184,060,671	TOTAL NON CURRENT ASSETS
141,697,566	148,911,806	156,462,098	165,005,499	175,007,935	185,039,064	195,027,396	TOTAL ASSETS
							CURRENT LIABILITIES
5,150,831	5,331,110	5,512,368	5,694,276	5,882,187	6,093,946	6,307,234	Trade and other payables
1,674,009	1,717,533	1,758,754	1,799,206	1,845,985	1,895,826	1,947,014	Employee benefit liabilities current
6,824,840	7,048,643	7,271,122	7,493,481	7,728,172	7,989,772	8,254,247	TOTAL CURRENT LIABILITIES
							NON CURRENT LIABILITIES
55,278	56,715	58,077	59,412	60,957	62,603	64,293	Employee benefit liabilities term
55,278	56,715	58,077	59,412	60,957	62,603	64,293	TOTAL NON CURRENT LIABILITIES
6,880,118	7,105,359	7,329,198	7,552,894	7,789,129	8,052,375	8,318,541	TOTAL LIABILITIES
134,817,448	141,806,447	149,132,899	157,452,605	167,218,806	176,986,689	186,708,855	TOTAL NET ASSETS

Prospective Statement of Changes in Equity

For the 2012-2022 Long Term Plan, years ending 30 June	Annual Plan 2011 - 2012 \$	Year 1 2012-2013 \$	Year 2 2013-2014 \$	Year 3 2014-2015 \$	Year 4 2015-2016 \$	Year 5 2016-2017 \$
Balance at 1 July	119,722,631	119,569,237	121,494,438	125,449,813	129,855,701	134,817,448
Total comprehensive income for the year	2,405,427	1,925,201	3,955,375	4,405,888	4,961,747	6,988,999
Balance at 30 June	122,128,058	121,494,438	125,449,813	129,855,701	134,817,448	141,806,447
Total Balance at 30 June attributable to						
Northland Regional Council	122,128,058	121,494,438	125,449,813	129,855,701	134,817,448	141,806,447
Non-controlling interest	-	-	-	-	-	-
Balance at 30 June	122,128,058	121,494,438	125,449,813	129,855,701	134,817,448	141,806,447

For the 2012-2022 Long Term Plan, years ending 30 June	Year 6 2017-2018 \$	Year 7 2018-2019 \$	Year 8 2019-2020 \$	Year 9 2020-2021 \$	Year 10 2021-2022 \$
Balance at 1 July	141,806,447	149,132,899	157,452,605	167,218,806	176,986,689
Total comprehensive income for the year	7,326,452	8,319,706	9,766,201	9,767,883	9,722,166
Balance at 30 June	149,132,899	157,452,605	167,218,806	176,986,689	186,708,855
Total Balance at 30 June attributable to					
Northland Regional Council	149,132,899	157,452,605	167,218,806	176,986,689	186,708,855
Non-controlling interest	-	-	-	-	-
Balance at 30 June	149,132,899	157,452,605	167,218,806	176,986,689	186,708,855

Prospective Statement of Cash flows

For the 2012-2022 Long Term Plan, years ending 30 June	Annual Plan 2011 - 2012 \$	Year 1 2012-2013 \$	Year 2 2013-2014 \$	Year 3 2014-2015 \$	Year 4 2015-2016 \$	Year 5 2016-2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	7,406,407	7,686,412	7,814,363	8,038,934	8,542,779	8,373,343
Receipts from subsidies and grants	1,370,884	1,486,699	1,343,573	1,395,526	1,388,263	1,672,273
Receipts from dividends	1,328,574	1,439,289	1,439,289	1,439,289	1,439,289	1,439,289
Receipts from interest	1,717,631	1,945,814	1,805,333	1,654,523	1,777,340	2,028,933
Receipts from rates	14,818,296	17,022,869	18,036,568	19,615,730	20,124,719	21,396,274
Payments to suppliers and staff	(23,705,758)	(26,921,570)	(26,638,172)	(26,968,593)	(27,088,594)	(28,428,644)
Interest payments	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES	2,935,034	2,658,512	3,799,954	5,174,408	6,182,796	6,480,469
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt from sale of stocks & bonds	-	11,000,000	3,091,339	4,000,000	75,000	-
Purchase of stocks & bonds	-	(11,000,000)	(2,000,000)	(2,000,000)	(4,575,000)	(5,500,000)
Purchase of fixed assets	(4,008,595)	(3,599,071)	(7,717,964)	(7,188,958)	(1,706,407)	(1,079,650)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(4,008,595)	(3,599,071)	(6,626,625)	(5,188,958)	(6,206,407)	(6,579,650)
NET INCREASE/(DECREASE) IN CASH HELD	(1,073,561)	(940,558)	(2,826,671)	(14,550)	(23,611)	(99,181)
CASH HELD AT BEGINNING OF YEAR	1,857,572	5,287,673	4,347,115	1,520,444	1,505,894	1,482,283
CASH HELD AT END OF YEAR	784,011	4,347,115	1,520,444	1,505,894	1,482,283	1,383,102

For the 2012-2022 Long Term Plan, years ending 30 June	Year 6 2017-2018 \$	Year 7 2018-2019 \$	Year 8 2019-2020 \$	Year 9 2020-2021 \$	Year 10 2021-2022 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	8,511,792	8,644,401	8,726,281	9,363,840	8,996,722
Receipts from subsidies and grants	1,496,728	1,546,763	1,567,614	1,614,982	1,620,877
Receipts from dividends	1,439,289	1,439,289	1,439,289	1,439,289	1,439,289
Receipts from interest	2,383,441	2,738,426	3,066,276	3,495,737	3,999,113
Receipts from rates	22,597,130	23,823,065	24,010,322	25,079,157	26,173,393
Payments to suppliers and staff	(28,376,018)	(29,158,380)	(29,705,789)	(30,561,628)	(31,218,211)
Interest payments	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES	8,051,362	9,032,563	9,102,992	10,430,377	11,010,182
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipt from sale of stocks & bonds	-	-	1,850,000	-	-
Purchase of stocks & bonds	(6,700,000)	(7,800,000)	(9,350,000)	(9,500,000)	(9,500,000)
Purchase of fixed assets	(1,241,476)	(1,240,048)	(1,365,140)	(1,047,625)	(1,432,334)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(7,941,476)	(9,040,048)	(8,865,140)	(10,547,625)	(10,932,334)
NET INCREASE/(DECREASE) IN CASH HELD	109,885	(7,484)	237,852	(117,249)	77,848
CASH HELD AT BEGINNING OF YEAR	1,383,102	1,492,988	1,485,503	1,723,355	1,606,107
CASH HELD AT END OF YEAR	1,492,988	1,485,503	1,723,355	1,606,107	1,683,955

Schedule of Reserves

For the 2012-2022 Long Term Plan as at 30 June		Year 1 2012-2013 \$	Year 2 2013-2014 \$	Year 3 2014-2015 \$	Year 4 2015-2016 \$	Year 5 2016-2017 \$
Asset Revaluation Reserve						
Opening balance		2,025,201	2,025,201	2,767,996	2,767,996	2,767,996
Transfers to reserve		-	742,795	-	-	1,178,709
Transfers from reserve		-	-	-	-	-
Closing balance		2,025,201	2,767,996	2,767,996	2,767,996	3,946,705
Financial assets at Fair Value						
Opening balance		419,212	419,212	419,212	419,212	419,212
Transfers to reserve		-	-	-	-	-
Transfers from reserve		-	-	-	-	-
Closing balance		419,212	419,212	419,212	419,212	419,212
Land Management Reserve						
Opening balance		1,773,039	1,773,039	1,773,039	1,773,039	1,773,039
Transfers to reserve		-	-	-	-	-
Transfers from reserve		-	-	-	-	-
Closing balance		1,773,039	1,773,039	1,773,039	1,773,039	1,773,039
Awanui River Scheme Reserve						
Opening balance		15,509	(211,583)	(312,994)	(3,875,067)	(3,709,306)
Transfers to reserve		-	-	300,769	165,761	160,856
Transfers from reserve		(227,092)	(101,411)	(3,862,842)	-	-
Closing balance		(211,583)	(312,994)	(3,875,067)	(3,709,306)	(3,548,450)
Kaihū Urban River Scheme Reserve						
Opening balance		(9,453)	(3,788)	(3,937)	(3,893)	(3,996)
Transfers to reserve		5,665	-	44	-	130
Transfers from reserve		-	(149)	-	(103)	-
Closing balance		(3,788)	(3,937)	(3,893)	(3,996)	(3,866)
Kaeo-Whangaroa Rivers Scheme Reserve						
Opening balance		309,456	(170,846)	(110,700)	(48,866)	(549,957)
Transfers to reserve		216,883	60,146	61,834	104,588	85,275
Transfers from reserve		(697,185)	-	-	(605,679)	-
Closing balance		(170,846)	(110,700)	(48,866)	(549,957)	(464,682)
Whāngārei Urban River Scheme Reserve						
Opening balance		(280,192)	(775,476)	(6,760,248)	(6,586,099)	(6,408,660)
Transfers to reserve		-	422,391	174,149	177,439	182,955
Transfers from reserve		(495,284)	(6,407,163)	-	-	-
Closing balance		(775,476)	(6,760,248)	(6,586,099)	(6,408,660)	(6,225,705)
Kerikeri-Waipapa River Scheme Reserve						
Opening balance		-	(25,084)	-	(1,994,040)	(1,934,714)
Transfers to reserve		-	25,084	136,008	59,326	59,503
Transfers from reserve		(25,084)	-	(2,130,048)	-	-
Closing balance		(25,084)	-	(1,994,040)	(1,934,714)	(1,875,211)

Year 6 2017-2018 \$	Year 7 2018-2019 \$	Year 8 2019-2020 \$	Year 9 2020-2021 \$	Year 10 2021-2022 \$	For the 2012-2022 Long Term Plan as at 30 June	
Asset Revaluation Reserve						
3,946,705	3,946,705	3,946,705	5,338,753	5,338,753		Opening balance
-	-	1,392,048	-	-		Transfers to reserve
-	-	-	-	-		Transfers from reserve
3,946,705	3,946,705	5,338,753	5,338,753	5,338,753		Closing balance
Financial assets at Fair Value						
419,212	419,212	419,212	419,212	419,212		Opening balance
-	-	-	-	-		Transfers to reserve
-	-	-	-	-		Transfers from reserve
419,212	419,212	419,212	419,212	419,212		Closing balance
Land Management Reserve						
1,773,039	1,773,039	1,773,039	1,773,039	1,773,039		Opening balance
-	-	-	-	-		Transfers to reserve
-	-	-	-	-		Transfers from reserve
1,773,039	1,773,039	1,773,039	1,773,039	1,773,039		Closing balance
Awanui River Scheme Reserve						
(3,548,450)	(3,399,659)	(3,259,352)	(3,125,795)	(3,009,065)		Opening balance
148,791	140,307	133,557	116,730	106,961		Transfers to reserve
-	-	-	-	-		Transfers from reserve
(3,399,659)	(3,259,352)	(3,125,795)	(3,009,065)	(2,902,104)		Closing balance
Kaihū Urban River Scheme Reserve						
(3,866)	(3,485)	(3,256)	(2,793)	(2,048)		Opening balance
381	229	463	745	1,023		Transfers to reserve
-	-	-	-	-		Transfers from reserve
(3,485)	(3,256)	(2,793)	(2,048)	(1,025)		Closing balance
Kaeo-Whangaroa Rivers Scheme Reserve						
(464,682)	(376,723)	(286,756)	(193,978)	(98,427)		Opening balance
87,959	89,967	92,778	95,551	98,427		Transfers to reserve
-	-	-	-	-		Transfers from reserve
(376,723)	(286,756)	(193,978)	(98,427)	-		Closing balance
Whāngārei Urban River Scheme Reserve						
(6,225,705)	(6,036,950)	(5,844,690)	(5,646,330)	(5,441,980)		Opening balance
188,755	192,260	198,360	204,350	210,600		Transfers to reserve
-	-	-	-	-		Transfers from reserve
(6,036,950)	(5,844,690)	(5,646,330)	(5,441,980)	(5,231,380)		Closing balance
Kerikeri-Waipapa River Scheme Reserve						
(1,875,211)	(1,815,521)	(1,756,606)	(1,697,659)	(1,639,033)		Opening balance
59,690	58,915	58,947	58,626	58,261		Transfers to reserve
-	-	-	-	-		Transfers from reserve
(1,815,521)	(1,756,606)	(1,697,659)	(1,639,033)	(1,580,772)		Closing balance

For the 2012-2022 Long Term Plan as at 30 June	Year 1 2012-2013 \$	Year 2 2013-2014 \$	Year 3 2014-2015 \$	Year 4 2015-2016 \$	Year 5 2016-2017 \$
Priority Rivers Reserve					
Opening balance	(258,470)	(138,470)	-	-	-
Transfers to reserve	120,000	138,470	-	-	-
Transfers from reserve	-	-	-	-	-
Closing balance	(138,470)	-	-	-	-
Infrastructure Facilities Reserve					
Opening balance	(1,383,804)	(1,212,487)	(1,045,912)	(884,291)	(730,802)
Transfers to reserve	171,317	166,575	161,621	153,489	147,707
Transfers from reserve	-	-	-	-	-
Closing balance	(1,212,487)	(1,045,912)	(884,291)	(730,802)	(583,095)
Recreation Facilities Reserve					
Opening balance	(6,703,274)	(5,976,364)	(5,190,521)	(4,341,879)	(3,431,019)
Transfers to reserve	726,910	785,843	848,642	910,860	982,707
Transfers from reserve	-	-	-	-	-
Closing balance	(5,976,364)	(5,190,521)	(4,341,879)	(3,431,019)	(2,448,312)
Investment Fund Reserve					
Opening balance	8,335,297	8,335,297	8,335,297	8,335,297	8,335,297
Transfers to reserve	-	-	-	-	-
Transfers from reserve	-	-	-	-	-
Closing balance	8,335,297	8,335,297	8,335,297	8,335,297	8,335,297
Forest Income Equalisation Fund					
Opening balance	2,351,748	1,992,197	1,405,319	1,048,747	995,036
Transfers to reserve	-	-	-	221,598	-
Transfers from reserve	(359,551)	(586,878)	(356,572)	(275,309)	(528,758)
Closing balance	1,992,197	1,405,319	1,048,747	995,036	466,278
Hātea River Reserve					
Opening balance	169,920	143,314	160,442	175,188	187,032
Transfers to reserve	-	17,128	14,746	11,844	8,981
Transfers from reserve	(26,606)	-	-	-	-
Closing balance	143,314	160,442	175,188	187,032	196,013
Northland Growth and Investment Reserve					
Opening balance	1,375,455	2,246,190	3,805,541	6,142,488	9,273,763
Transfers to reserve	1,436,714	2,171,842	2,943,706	3,754,485	4,606,067
Transfers from reserve	(565,979)	(612,491)	(606,759)	(623,210)	(629,047)
Closing balance	2,246,190	3,805,541	6,142,488	9,273,763	13,250,783
Community Investment Fund Reserve					
Opening balance	10,060,631	10,306,723	10,642,720	10,989,469	11,369,679
Transfers to reserve	246,092	335,997	346,749	380,210	404,700
Transfers from reserve	-	-	-	-	-
Closing balance	10,306,723	10,642,720	10,989,469	11,369,679	11,774,379

Year 6 2017-2018 \$	Year 7 2018-2019 \$	Year 8 2019-2020 \$	Year 9 2020-2021 \$	Year 10 2021-2022 \$	For the 2012-2022 Long Term Plan as at 30 June	
					Priority Rivers Reserve	
-	-	-	-	-		Opening balance
-	-	-	-	-		Transfers to reserve
-	-	-	-	-		Transfers from reserve
-	-	-	-	-		Closing balance
					Infrastructure Facilities Reserve	
(583,095)	(441,201)	(308,241)	(181,307)	(61,164)		Opening balance
141,894	132,960	126,934	120,143	113,303		Transfers to reserve
-	-	-	-	-		Transfers from reserve
(441,201)	(308,241)	(181,307)	(61,164)	52,139		Closing balance
					Recreation Facilities Reserve	
(2,448,312)	(1,388,564)	(252,085)	-	-		Opening balance
1,059,748	1,136,479	252,085	-	-		Transfers to reserve
-	-	-	-	-		Transfers from reserve
(1,388,564)	(252,085)	-	-	-		Closing balance
					Investment Fund Reserve	
8,335,297	8,335,297	8,335,297	8,335,297	8,335,297		Opening balance
-	-	-	-	-		Transfers to reserve
-	-	-	-	-		Transfers from reserve
8,335,297	8,335,297	8,335,297	8,335,297	8,335,297		Closing balance
					Forest Income Equalisation Reserve	
466,278	415,566	322,769	81,882	495,568		Opening balance
-	-	-	413,686	-		Transfers to reserve
(50,712)	(92,797)	(240,887)	-	(105,135)		Transfers from reserve
415,566	322,769	81,882	495,568	390,433		Closing balance
					Hātea River Reserve	
196,013	202,094	205,037	204,795	201,047		Opening balance
6,081	2,943	-	-	-		Transfers to reserve
-	-	(242)	(3,748)	(7,283)		Transfers from reserve
202,094	205,037	204,795	201,047	193,764		Closing balance
					Northland Growth and Investment Reserve	
13,250,783	18,140,869	23,991,409	30,839,011	38,693,833		Opening balance
5,501,476	6,443,429	7,433,934	8,473,994	9,488,537		Transfers to reserve
(611,390)	(592,889)	(586,332)	(619,172)	(599,285)		Transfers from reserve
18,140,869	23,991,409	30,839,011	38,693,833	47,583,085		Closing balance
					Community Investment Fund Reserve	
11,774,379	12,181,276	12,589,633	13,011,466	13,486,834		Opening balance
406,897	408,357	421,833	475,368	478,801		Transfers to reserve
-	-	-	-	-		Transfers from reserve
12,181,276	12,589,633	13,011,466	13,486,834	13,965,635		Closing balance

For the 2012-2022 Long Term Plan as at 30 June	Year 1 2012-2013 \$	Year 2 2013-2014 \$	Year 3 2014-2015 \$	Year 4 2015-2016 \$	Year 5 2016-2017 \$
Environment Fund Reserve					
Opening balance	-	-	-	-	-
Transfers to reserve					
Transfers from reserve					
Closing balance	-	-	-	-	-
Approved Carry forwards – General funds					
Opening balance	-	-	-	-	-
Transfers to reserve					
Transfers from reserve					
Closing balance	-	-	-	-	-
Hedging Reserve					
Opening balance	-	-	-	-	-
Transfers to reserve					
Transfers from reserve					
Closing balance	-	-	-	-	-
TOTAL RESERVES	18,727,076	15,885,254	13,917,301	18,352,600	25,012,385
TOTAL RESERVES SUMMARY					
Opening balance	18,200,275	18,727,076	15,885,255	13,917,302	18,352,601
Transfers to Reserves for: Asset Revaluation	1,793,550	2,822,547	4,024,937	5,040,978	5,481,076
Transfers to Reserve for: Community Investment Fund Reserve establishment	-	742,795	-	-	1,178,709
Transfers from reserves for: Awanui River Scheme Capital works	(100,000)	-	(3,862,842)	-	-
Transfers from reserves for: Kaeo-Whangaroa River Schemes Capital works	(697,185)	-	-	(605,679)	-
Transfers from reserves for: Whāngārei Urban River Scheme Capital works	(469,565)	(6,407,163)	-	-	-
Transfers from reserves for: Kerikeri-Waipapa River Scheme Capital works			(2,130,048)		
Total movements for the year	526,800	(2,841,821)	(1,967,953)	4,435,299	6,659,785
CLOSING BALANCE	18,727,076	15,885,255	13,917,302	18,352,601	25,012,386

Equity represents the total value of the council and its assets (ratepayer's assets) and is measured by the difference between total assets and liabilities. Public equity is disaggregated and classed into a number of reserves to enable clearer identification of the specified uses of accumulated surpluses.

The components of equity are:

- Retained earnings
- Council created reserves
- Asset revaluation reserves

Year 6 2017-2018 \$	Year 7 2018-2019 \$	Year 8 2019-2020 \$	Year 9 2020-2021 \$	Year 10 2021-2022 \$	For the 2012-2022 Long Term Plan as at 30 June	
					Environment Fund Reserve	
-	-	-	-	-		Opening balance
						Transfers to reserve
						Transfers from reserve
-	-	-	-	-		Closing Balance
					Approved Carry forwards – General Funds	
-	-	-	-	-		Opening balance
						Transfers to reserve
						Transfers from reserve
-	-	-	-	-		Closing Balance
					Hedging Reserve	
-	-	-	-	-		Opening balance
						Transfers to reserve
						Transfers from reserve
-	-	-	-	-		Closing balance
31,951,955	39,872,115	49,155,593	58,491,866	68,336,076	TOTAL RESERVES	
					TOTAL RESERVES SUMMARY	
25,012,386	31,951,956	39,872,116	49,155,594	58,491,867	Opening balance	
6,939,570	7,920,160	7,891,430	9,336,273	9,844,210	Total Operational Transfers to/(from) reserves	
-	-	1,392,048	-	-	- Transfers to reserves for: Asset Revaluation	
-	-	-	-	-	- Transfers from reserves for: Awanui River Scheme Capital works	
-	-	-	-	-	- Transfers from reserves for: Kaeo-Whangaroa River Schemes Capital works	
-	-	-	-	-	- Transfers from reserves for: Whāngārei Urban River Scheme Capital works	
					- Transfers from reserves for: Kerikeri-Waipapa River Scheme Capital works	
6,939,570	7,920,160	9,283,478	9,336,273	9,844,210	Total movements for the year	
31,951,956	39,872,116	49,155,594	58,491,867	68,336,077	CLOSING BALANCE	

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves can be used to account for revenue and expenditure collected or incurred in relation to specific work programmes. Where council sets and collects a targeted rate for a specific purpose, the funds can only be applied to that purpose, keeping track of surpluses and deficits of these work programmes in a reserve ensures council is accountable and transparent.

Where reserves carry a deficit balance, they are deemed to have undertaken internal borrowing from council's consolidated funds. Conversely, where the reserves carry a surplus, they are deemed to have loaned money to council's consolidated funds.

A reserve to account for revenue and expenditure collected or incurred in relation to specific work programmes may be established at any time. Reserve borrowing must be approved by a resolution of council.

The following table provides details on the purpose of the council created reserves:

Reserve name	Purpose	Activities that may be funded from reserve
Land Management Reserve	<p>This reserve was created to set aside Land Management Rates collected but not fully used in any given year. The reserve is to be maintained at a targeted fund of \$1.5 million.</p> <p>\$280,192 was borrowed from this reserve to purchase the Raumanga valley property for the Whāngārei detention dam. This will be transferred to the Whāngārei Urban Rivers reserve and repaid from the Whāngārei Urban Rivers rate.</p> <p>The reserve reduces the need for borrowing in the event of an emergency and may also be used for internally loaning/borrowing for advancing operating and capital activities for which the Land Management rate is collected and targeted River Management Schemes.</p> <p>The Land Management Reserve can be used to fund emergency events such as remedial storm expenditure on a case-by-case basis. The Chief Executive Officer has delegation to incur expenditure of up to \$500,000 to enable the council to fund agreed expenditure from this reserve. The criteria for acceptable expenditure are as follows:</p> <ol style="list-style-type: none"> 1. Matching of government and district contributions to provide financial assistance for repair work for significant events; 2. Restoration work affecting one or more rivers, following a major flooding event; 3. Urgent work to reduce the immediate flood risk; 4. Storm damage repairs within a special rating area under the relevant Flood Management Plans. 	<p>Civil Defence and Emergency Management</p> <p>Natural Hazard Management</p> <p>River Management</p> <p>Land and Biodiversity</p> <p>Biosecurity.</p>
Priority Rivers Reserve	This reserve was created to account for an accelerated or advance spending on the Priority Rivers Project.	Natural Hazard Management
Awanui River Scheme Reserve	This reserve was created to hold any Targeted Awanui River Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Awanui River Flood Management Scheme.	River Management
Kaeo-Whangaroa River Scheme Reserve	This reserve was created to hold any Targeted Kaeo-Whangaroa River Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kaeo-Whangaroa River Flood Management Scheme.	River Management
Kaihū River Scheme Reserve	This reserve was created to hold any Targeted Kaihū River Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kaihū River Flood Management Scheme.	River Management
Kerikeri-Waipapa River Scheme Reserve	This reserve was created to hold any Targeted Kerikeri-Waipapa River Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kerikeri-Waipapa River Flood Management Scheme.	River Management
Whāngārei Urban Rivers Scheme Reserve	<p>This reserve is to be created to hold any Targeted Whāngārei Urban Rivers Management Rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Whāngārei Urban Rivers Management Scheme.</p> <p>\$280,192 was borrowed from the Land Management Reserve to purchase the Raumanga valley property for the Whāngārei detention dam will be transferred to this reserve and be repaid from the Whāngārei Urban Rivers rate.</p>	River Management

Reserve name	Purpose	Activities that may be funded from reserve
Hātea River Maintenance	<p>This reserve was created to set aside a component of the Council Services Rate specifically levied across the Whāngārei constituency to ensure funding is immediately available in the event dredging of the Hātea river is required. The funds may be applied to the following:</p> <ul style="list-style-type: none"> • Ongoing maintenance and dredging; • Disposal of dredged spoil material; • The provision of an annual hydrographic survey of the river. <p>The reserve is to be maintained at a targeted fund of \$200,000.</p>	Harbour Safety and Navigation
Recreational Facilities Reserve	<p>This reserve was established to set aside any Targeted Regional Recreational Facilities Rates collected and not fully used in any given year for the purpose of funding the Events Centre. This reserve represents the internal borrowing associated with \$13 million contribution made by council towards the establishment of the Northland Events Centre. The rate was levied from 1 July 2006 and it is expected to continue from approximately 15 years.</p>	Economic Development
Investment and Growth Reserve	<p>The reserve was created to set aside the investment income redirected to be made available for activities and projects that contribute towards economic well-being. Council will allocate monies from the reserve to projects in accordance with set criteria. Further details are provided on pages 120-121 of this plan.</p>	Economic Development
Infrastructure Facilities Reserve	<p>This reserve was created to set aside any Targeted Infrastructure Rates collected and not fully used in any given year for the purpose of funding future infrastructure projects.</p>	Economic Development
Forest Income Equalisation Reserve	<p>This reserve was created to set aside 50% of council's forestry net income arising in any harvesting year. This reserve is intended to provide future funding of council's general operating activities by allowing council to use these funds for any council activity to smooth future rating increases. It is further intended that this fund be used to fund the cost of forestry operations in non-harvesting years.</p> <p>Where a high degree of uncertainty exists around activity expenditure requirements, council has agreed to budget conservatively on the basis that if a budget overrun eventuates, these overruns can be funded from the Forest Equalisation Reserve.</p> <p>Council considers that funding contingent expenditure and one-off spikes in expenditure from this reserve to be fairer on ratepayers as it can be used to reduce the effects of rates increases that are not required to be sustained. During the 2012-2022 Long Term Plan, council proposes to fund the following expenditure from this reserve:</p> <ul style="list-style-type: none"> • triennial election costs of approximately \$140,000 per election; • the further call from Riskpool of \$44,000 expected in the 2013/2014 financial year; • provision for doubtful debts (rates) of \$250,000 for years 1 to 5 of the plan; • software maintenance for IRIS of \$72,240 in year 2. 	All
Environment Fund Reserve	<p>This reserve was created to set aside any rates revenue collected specifically for the Environment Fund that is not incurred in any single financial year. This fund allows council to make available any unspent funds in subsequent financial years.</p>	Land and Biodiversity
Asset Revaluation Reserves	<p>Asset revaluation reserves represent the unrealised gains in the value of assets owned by Northland Regional Council.</p>	N/A
Community Investment Fund Reserve	<p>This reserve was created for the establishment of the Community Investment Fund from its transfer from NRCCT and for the transfers of the inflation adjustment for the capital sum of the Fund.</p>	Economic Development

Capital expenditure

The intended capital expenditure for the life of the 2012-2022 Long Term Plan is:

For the 2012-2022 Long Term Plan, periods ending 30 June	Annual Plan 2011 - 2012 \$	Year 1 2012-2013 \$	Year 2 2013-2014 \$	Year 3 2014-2015 \$	Year 4 2015-2016 \$	Year 5 2016-2017 \$
Resource Management						
Plant and equipment	132,033	160,700	89,082	90,208	120,255	52,316
Transport						
Plant and equipment	272,995	88,500	286,553	111,828	100,433	52,430
Hazard Management						
Plant and equipment	42,270	2,000	2,064	-	-	-
River Management						
Plant and equipment	-	3,200	-	-	2,863	684
Infrastructural assets	554,415	1,319,555	6,459,968	6,051,299	664,088	58,409
Support services						
Information systems	2,646,382	1,547,368	415,896	452,635	319,358	398,922
Plant and equipment	110,500	177,748	154,800	163,481	169,040	174,956
Vehicles	250,000	300,000	309,600	319,507	330,370	341,933
TOTAL NORTHLAND REGIONAL COUNCIL CAPITAL EXPENDITURE	4,008,595	3,599,071	7,717,964	7,188,959	1,706,408	1,079,650

Year 6 2017- 2018 \$	Year 7 2018- 2019 \$	Year 8 2019- 2020 \$	Year 9 2020- 2021 \$	Year 10 2021- 2022 \$	For the 2012-2022 Long Term Plan, periods ending 30 June
					Resource Management
58,219	55,880	136,952	64,362	61,895	Plant and equipment
					Transport
253,384	96,542	108,153	84,687	294,236	Plant and equipment
					Hazard Management
-	-	-	-	-	Plant and equipment
					River Management
-	3,165	-	-	4,315	Plant and equipment
63,653	63,653	63,653	69,300	69,300	Infrastructural assets
					Support services
453,734	590,450	616,222	368,712	525,904	Information systems
58,927	65,132	62,880	69,704	72,143	Plant and equipment
353,559	365,227	377,279	390,861	404,541	Vehicles
1,241,476	1,240,048	1,365,140	1,047,625	1,432,334	TOTAL NORTHLAND REGIONAL COUNCIL CAPITAL EXPENDITURE

Capital expenditure

Capital expenditure pays for property, plant and equipment.

The information technology capital expenditure budget includes \$1,397,366 of unspent capital expenditure originally budgeted in the 2011-2012 financial year that is not expected to eventuate by the end of the 2011-2012 financial year. At the end of the current financial year a review will be carried out on ongoing projects where capital expenditure remains unspent and where appropriate a proposal will be put to the council's Audit and Finance Committee, requesting funding be carried forward to enable projects to be completed.

The council funds its capital expenditure consistent with the Revenue and Financing policy. The Revenue and Financing Policy is set out on pages 195-204 in the Plan.

Capital expenditure is based on best estimates available at the time.

