

Pūrongo ā tau **2019**

Annual Report 2019



Northland
REGIONAL COUNCIL 
Te Kaunihera ā rohe o Te Taitokerau

Contents

Ihirangi

Section one: Overview

Wāhanga tuatahi: Tirohanga whānui	4
Chairman and CEO's foreword	
Ngā karere mai i te Heamana, Tumuaki	4
Your regional councillors	
Ō koutou Kaikaunihera	5
Governance structure	6
Council committees and advisors	7
Council's strategic direction	9
Our year in review	10
Māori participation in council processes	13
Compliance statement	15
Audit report	16

Section two: Council activities

Wāhana tuarua: Nga mahi a te kaunihera	22
Overview of our activities	22
Governance and engagement	
Ratonga whakahaere whakauru	23
Regulatory services	
Ratonga a ture	29
Environmental services	
Ratonga i te taiao	36
River management	
Ratonga whakahaere a awa	43
Customer services and community resilience	
Ratonga manawaroa a hāpori	46
Corporate excellence	
Ratonga rangapū	53
Financial prudence	56

Section three: Financial statements

Wāhanga tuatoru: Tauākī pūtea	60
Statement of comprehensive revenue and expense	60
Statement of changes in equity	62
Statement of financial position	63
Statement of cash flows	66
Reconciliation of net surplus after tax to the cash flows from operations	67
Statement of accounting policies	68
Notes to the financial statements	71

Section four: Legislative disclosures	
Wāhanga tuawha: Ngā Whakāturanga a Ture	124
Council funding impact statement	125
 Section five: CCO's and Subsidiaries	
Wāhanga tuarima: CCOs me nga Kamupene	128
Group structure	128
Marsden Maritime Holdings Limited	129
Northland Inc. Limited	131
Regional Software Holdings Limited	135

Section one: Overview

Wāhanga tuatahi: Tirohanga whānui



Chairman and CEO's foreword

Ngā karere mai i te Heamana, Tumuaki

Many milestones have been reached in the last year (July 2018 to June 2019) and it's with pride that we reflect on these achievements in this year's Annual Report, the first to report our progress against the activities set out in our Long Term Plan 2018-2028.

Within the following pages, you'll see the progress we've made toward meeting the performance targets we set last year while keeping to our budgeted rates revenue.

Whether it's planting programmes, flood protection works, pest control initiatives, or fencing off our waterways, it's by listening to and working together with our communities that we have achieved our best results.

In the last year, we've made steady progress toward achieving our three major priorities of improving water quality, protecting our native species and increasing flood protection to improve the resilience of our vulnerable communities. These are big goals requiring bold actions and around half of our annual budget is spent on these works.

Examples include the three-year, \$15 million Awanui flood scheme, designed to protect urban Kaitiāia in a 'once in a century' type flood and a 1:20 year event in surrounding rural areas. It's progressing apace with the successful completion of two essential scheme components – a new emergency slipway opposite the Bell's Hill slip site, and the completion of repairs to an undermined stopbank behind the Te Ahu centre.

Community Pest Control programmes (CPCAs) are flourishing throughout the region with 120,286 ha now under community pest control in 68 CPCAs. Some quite phenomenal results are being achieved by trappers whose tally of possums, stoats, weasels and other pests continues to rise. Close to 300,000 pests were killed by 122 community groups in "Kiwi Coast" in the last five years, providing a great example of what Northland communities are achieving.

Great results are being achieved by community weed busters who tackle unwanted vegetation like privet, tradiscantia and wild ginger with advice and assistance from our award-winning biosecurity team. Our 'wise up to weeds' free workshops help

landowners identify and kill some of our worst weeds and are a popular means of helping people tackle problem plants in and around their gardens.

Our precious and unique dune lakes are receiving special attention to halt decline and improve water quality due to pressures including stock access, nutrient and sediment-laden runoff. Community involvement is vital to this \$1.56 million, five-year project to remove pest fish, eradicate aquatic weeds and show people what they can do to help the lakes recover. Four dune lakes education events last year attracted about 250 people who planted more than 3000 trees.

The \$400,000 Otuihau-Whangārei Falls project is now entering its final year of funding for riparian fencing and planting, stock troughs where needed to enable fencing, and signs to educate the community about the values of water in the Hatēa catchment.

All over our region, thousands of people are working voluntarily for the betterment of our environment. It was our privilege to recognise the work of some of these individuals and groups at our inaugural Environmental Awards in June.

As we head into a new three-yearly election cycle, it's timely to acknowledge the work of these volunteers, the dedication of our staff, and the leadership of our councillors who have fully supported our work to build a thriving Northland.

Thank you all for joining us in our mission to create a healthy environment, a strong economy and resilient communities – it's only by working together to achieve common goals that we can be confident of success.

Our Northland – together we thrive



Bill Shepherd
Chairman

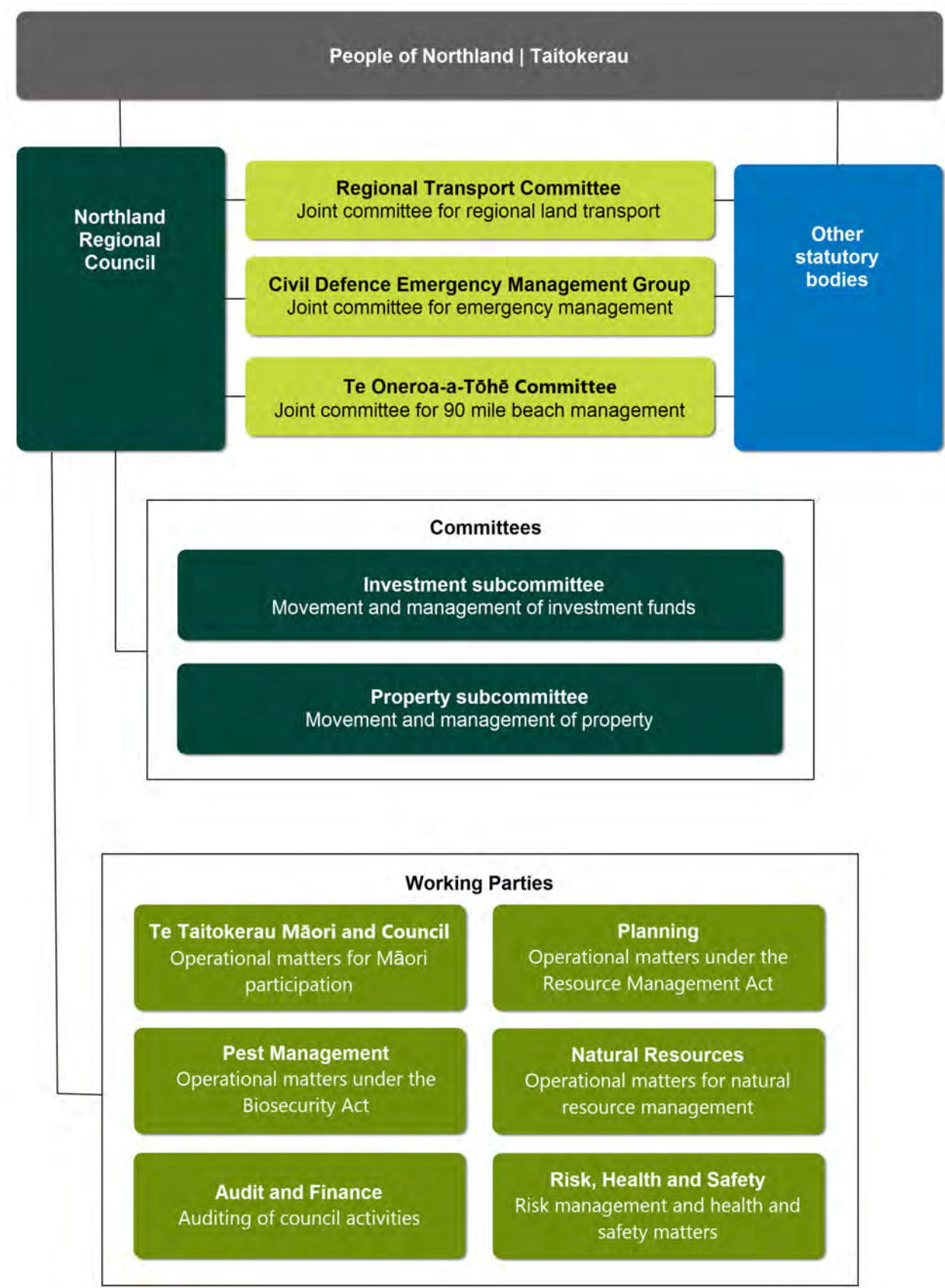


Malcolm Nicolson
Chief Executive Officer

Your regional councillors Ō koutou Kaikaunihera



Governance structure



Council committees and advisors

Regional council representation on statutory committees and boards

Regional Transport Committee

Councillors Bain (Chair), Dimery (Deputy Chair) (alternative Councillor Yeoman)

This committee brings together Northland's four councils and the New Zealand Transport Agency, and oversees strategic transport planning and passenger transport functions for the Northland region.

Civil Defence Emergency Management Group Joint Committee

Councillor Stolwerk (alternative Councillor Dimery)

This joint committee brings together Northland's four councils (with Fire and Emergency and NZ Police in an observer capacity) and sets the strategic direction for the CDEM Group.

Te Oneroa-a-Tōhē Board

Regional council membership: Councillors Finlayson and Dimery.

This Board is a statutory body as a result of Treaty Settlement. The Board is deemed to be a joint committee of Northland Regional Council and Far North District Council (FNDC). The Board is a permanent committee. The Board consists of eight members as follows: one member appointed from each of the four Te Hiku iwi (settlement entities), two members appointed by regional council (being councillors holding office), and two members appointed by FNDC (being the mayor and a councillor holding office).

Council Subcommittees

Investment Subcommittee

Councillors Bain (Chair), Smart and Shepherd (ex-officio) (alternative Councillor Stolwerk), and Independent Financial Advisor Copstick.

Property Subcommittee

Councillors Smart (Chair), Sinclair, Bain and Shepherd (ex-officio) (alternative Councillor Stolwerk).

Council Working Parties

- Te Taitokerau Māori and Council (TTMAC) Working Party – comprises up to 30 members in total consisting of five elected members (Councillors Dimery, Shepherd, Finlayson, Smart and Yeoman), and 25 non-elected members from iwi and hapū. The working party is co-chaired by Councillor Dimery and Pita Tipene (Ngāti Hine).
- Audit and Finance Working Party – comprises Councillors Sinclair (Chair), Shepherd, Yeoman and Independent Financial Advisor Copstick.
- Natural Resources Working Party – comprises Councillors Blaikie (Chair), Yeoman, Sinclair, Stolwerk and Shepherd (ex officio), and a non elected member appointed from the TTMAC Working Party.
- Pest Management Working Party – comprises Councillors Finlayson (Chair), Blaikie, Stolwerk, Dimery and Shepherd (ex officio), and a non elected member appointed from the TTMAC Working Party.
- Planning Working Party – comprises Councillors Yeoman (Chair), Bain, Dimery, Smart and Shepherd (ex officio), and a non elected member appointed from the TTMAC Working Party.
- Risk and Health and Safety Working Party – comprises Councillors Dimery (Chair), Shepherd, Yeoman and Stolwerk.

Councillor portfolios and memberships

- Awanui River Liaison Working Group – Councillor Finlayson (Chair)
- Doubtless Bay Catchment Working Group – Councillor Finlayson (Chair)
- Hearings Panel for proposed Regional Plan – Councillor Yeoman
- Inter-council working party on genetically modified organisms risk evaluation and management – Councillors Finlayson and Dimery
- Kaihū River Liaison Working Group – Councillor Bain (Chair)
- Kaipara Moana Working Party – Councillors Smart and Blaikie
- Kaeo-Whangaroa River Liaison Working Group – Councillor Blaikie (Chair)
- Kawakawa Hundertwasser Park Centre Project Partnership Group – Councillor Blaikie
- Kerikeri-Waipapa River Liaison Working Group – Councillor Yeoman (Chair)
- Mangere Catchment Working Group – Councillor Yeoman

- New Zealand Refinery Liaison Committee – Councillor Stolwerk
- Ngunguru Catchment Working Group – Councillor Dimery (Chair)
- Northland Chamber of Commerce council representative – Councillor Dimery
- Northland Conservation Board – Councillor Stolwerk
- Northland Sports Facilities Plan (Sport Northland) – Councillor Dimery
- Poutō Catchment Working Group – Councillor Smart (Co-Chair)
- Ruakaka River Liaison Working Group – Councillor Stolwerk (Chair)
- Shareholder representative for Northland Inc. Limited – Councillor Sinclair
- Shareholder representative for Northland Marsden Maritime Holdings Limited – Chairman Shepherd
- Shareholder representative on Regional Software Holdings Limited – Chairman Shepherd
- Taumarere River Liaison Working Group – Councillor Blaikie (Chair)
- Upper North Island Strategic Alliance (UNISA) – Chairman Shepherd
- Urban Whangārei River Liaison Working Group – Councillor Sinclair (Chair)
- Waitangi Catchment Working Group – Councillor Yeoman
- Whangārei Catchment Working Group – Councillor Dimery
- Whangārei Heads Pest Management Committee – Councillor Dimery (Chair)
- Whangārei Public Transport Working Party – Councillors Bain, Dimery, and Sinclair
- Zone One (LGNZ) – Councillor Bain (Councillors Smart and Yeoman alternatives).

Advisors

Auditors:

- Deloitte Limited on behalf of the Auditor-General

Bankers:

- ASB Bank
- ANZ Bank
- Bank of New Zealand

Solicitors:

- Atkins Holm Majurey Limited
- Buddle Findlay
- K3 Legal Limited
- Karenza de Silva
- Marsden Woods Inskip & Smith
- Natural Resources Law Limited
- Paul Sills
- SBM Legal
- Simpson Grierson
- Thomson Wilson Law
- Webb Ross McNab Kilpatrick
- Wynn Williams

Independent Advisors:

- Eriksens Global - Investments
- Geoff Copstick - Financial

Chief Executive officer:

The Chief Executive Malcolm Nicolson is responsible for setting the direction of the council within the policy framework provided by councillors. The executive leadership team is accountable to him and he is accountable to the council.

Council's strategic direction

This is the first Annual Report following the adoption of the Long Term Plan 2018-2028 in June 2018. As part of developing the Long Term Plan, council gave careful consideration to what we are ultimately working to achieve, and our priorities for making this happen. This is outlined as our strategic direction, which is driven by our vision: 'Our Northland - together we thrive'. Our strategic direction also sets out council's areas of focus, which drive the activities and performance measures set out in the Long Term Plan, and are reported on in this annual report.



Our year in review

Our Long Term Plan 2018-2028 was our most ambitious and forward-thinking strategic plan to date. It laid the foundation for a raft of new initiatives to tackle the issues of water quality, native species protection and flood infrastructure.

We've spent the last year putting words in to action, and making headway on this essential work to make Northland really thrive.

Following the adoption of our Long Term Plan 2018-2028, which provided clear direction and resourcing, we thought about what this work really meant for the future of Northland and what tangible results it would achieve in three, 10, and 30 years.

We set out this long-term vision in '[Our Vision 2018-2028 | Te Pae Tawhiti 2018-2028](#)', a document that provides a real feel for what your regional council is doing to achieve outcomes in our areas of focus.



Some of this progress is reported in this annual report, but it's just a snapshot – the progress is much wider. Here are some of our highlights from the year:

Together we thrive

Getting young people involved in environmental protection has brought rich rewards. Our Enviroschools programme now involves more than 100 schools and kindergartens, and provides valuable learning opportunities to hordes of schoolchildren across the region. These efforts are recognised in many ways with Comrie Park Kindergarten's

'environmental action in education' initiatives earning the Supreme Award in our inaugural Environmental Awards this year. Collaborations with community groups like the Whitebait Connection, which is working to provide whitebait spawning habitats in Northland rivers, have proved to be hugely successful. Young people all over the region are learning about pest control using equipment funded through our Environmental Leaders Fund, which has funded \$2800 for biosecurity trapping equipment and \$20,000 for environmental projects in Northland schools. NZQA credits in pest control were gained by 76 students through the Enviroschools programme in the last year.

In addition, thousands of volunteers of all ages have worked with us to deliver positive environmental outcomes for our region, and we look forward to continuing this in the next year and beyond.

Protecting our people

Over a million dollars has been spent on flood mitigation works in the last year, improving the resilience of our most vulnerable communities. Among these, flood modelling at Panguru is being developed to mitigate regular flooding of West Coast Road and flood mitigation scoping options for flood control at Matangirau are being investigated. Progress on the \$15 million Awanui flood scheme – a key project at the heart of our Long Term Plan 2018-2028 – includes an emergency spillway to carry the Awanui River's flow if the Bell's Hill slip collapses and blocks the river. A new Flood Infrastructure Rate splits the cost of flood works between targeted local rates (30%) and a regional subsidy of 70%. Flood mapping to identify river flooding hazards has been completed in 28 river catchments with the latest maps being issued to landowners in Waipū and Paparoa. Mainland LiDAR (aerial mapping) is 100% complete, with only offshore islands outstanding.

Resilient communities

The region's four councils have continued to work together to build resilience in our communities. The councils work together on a shared services basis, along with emergency services, welfare groups, other agencies and trained volunteers. Storms, flooding and tsunami are among the highest risks to Northland and are a focus for Northland's civil defence emergency management network. This year has seen the distribution of additional tsunami sirens, signs and regular testing; smartphone alerting platforms; additional community response plans, taking the total

number to 46; the development of new technology-based tools; and combined agency training and exercises. Ten young Northlanders graduated from the Youth in Emergency Services programme for vulnerable groups. A regional oil response plan, including a minimum of 30 up-to-date trained responders, is maintained year-round.

Improving freshwater quality

Looking after our streams, rivers, lakes and wetlands is crucial work – that's why we've allocated an additional \$5.7 million funding over three years to look after the region's freshwater resources, invest in and expand erosion-control initiatives, and extend our water monitoring and science programmes. Among our achievements, the amount of land actively managed under a sustainable farm plan has increased by 25,000 ha annually, our Flyger Rd nursery has provided 5000 subsidised poplar poles to stabilise erosion-prone land, and we are constantly extending fencing and riparian planting along waterway margins. The Northern Wairoa partnership project (Waimā Waitai Waiora) to improve water quality in the Northern Wairoa River and its tributaries has started, and the four-year, MPI-funded Kaipara Hill Country Erosion Project is complete with further afforestation works underway. Good progress has been made with the Hātea catchment project to improve water quality above the Hātea Falls and our dune lakes Freshwater Improvement Fund programme has incorporated community action days with riparian planting, pest and indigenous fish and dune lakes plant investigations, and water quality testing.

Pest control in action

Community initiatives such as Community Pest Control Areas and the 'Kiwi Coast' partnership have increased in momentum, painting a heartening picture for Northland's predator-free future. Whether it be animal, plant or marine pest control, our communities' involvement is vital to Northland's successes and the results speak for themselves. There are now 68 CPCAs with over 38,000 ha of coverage added in the last year, while the 122 community groups comprising "Kiwi Coast" have killed close to 300,000 pests in the last five years, with more than 1000 pests removed from the Kiwi Coast each week. Kiwi numbers have

risen from 80 to 800 in the Whangārei Heads area since 2001. The council has supplied 11,500 predator traps to help with this work. Throughout the region, our data for the year shows that birdsong is returning, kiwi call counts are rising, and native bush is recovering – mainly because of the work of volunteers who trap, lay baits, plant, restore wetlands, fence, clear weeds, and release native fauna to restored habitats. They are achieving truly remarkable results and we are very grateful for their dedication to this important work. More than 2000 boat hulls were checked during our annual marine biosecurity hull surveillance programme to prevent the spread of marine pests.

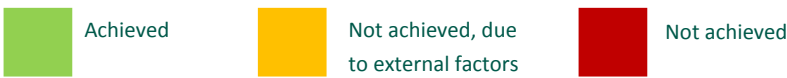
A strong economy

Regional economic growth is an important part of our wellbeing and we've been working closely with the regional economic development agency, Northland Inc. We've helped with the implementation of the Tai Tokerau Northland Economic Action Plan which sets out more than 50 projects intended to boost the region's prosperity through economic growth opportunities aligned with central government decision making. In the last year, we've supported major projects including the Hundertwasser Art Centre with Wairau Māori Art Gallery in Whangārei, the Te Hononga Community Hub in Kawakawa, and the Hokianga cultural centre at Opononi. We've also supported regional sporting initiatives at Dargaville, Kaikohe, Mangawhai, Kaitiāia and Whangārei.

We're with you

We're your council and we need your participation to be an effective voice for Northland and Northlanders. We're really appreciative of the high level of participation we've seen over the past year. Our "Where's your Wai" campaign resulted in more than 350 people telling us about their favourite swimming spots; our dune lakes education days attracted about 250 people; we have strong community partnerships in areas like pest plant and animal control, kiwi recovery, and coastal, riparian and wetlands planting days; our community events are well attended, and our surveys draw strong responses. Our challenge is to build on this momentum.

Achievement of key performance indicators



Strategy, governance and engagement



Regulatory services



Environmental services



River management



Customer services and community resilience



Māori participation in council processes

Strengthening Relationships with Māori | Nau te raurau, naaku te raurau, kā ora ai te Iwi

Northland Regional Council is committed to growing and strengthening its relationship with Māori across the region and providing opportunities for Māori to have input into its decision-making processes.

Council has a number of obligations to Māori and has committed to these and more. This commitment is reflected in our key focus areas articulated in our Long Term Plan 2018-2018: Enduring relationships with tangata whenua.

In recognising this, council made progress in a number of areas and continues to work with Māori as well as building our internal capacity to better understand and respond to issues of importance to Māori. Highlights for the 2018/2019 year are:

Continuing to build a relationship with iwi and hapū through Te Taitokerau Māori and Council Working Party (TTMAC) by:

- Hosting five formal meetings in Whangārei; and
- Attending four regional marae based hui:

Te Uri o Hau, Mangawhai

The hui was held between Te Ārai Nursery and Tara Iti Golf Course. The opportunity provided an overview of the nursery works, learnings and opportunities to work more closely with Northland Regional Council in the Kaipara catchment – with seeds eco-sourced for integrity purposes.

Otiria Marae, Moerewa

Led by Ngā Tirairaka o Ngāti Hine Trust. The hui shared information and showcased the work and projects that Ngātihine were involved in.

Takahiwai Marae, Takahiwai

A key theme of the hui was to showcase relationships and the environmental projects being undertaken by Patuharakeke Te iwi Trust Board in its rohe.

Parapara Marae, Taipa

Hui participants were walked through the consenting process and how they could become a party attached to an existing submission. It

also showcased work done by Kaitiaki Rangers who received funding from council and operated during the 2018/19 summer period.

Working with the TTMAC Māori Technical Advisory Group to provide ongoing input and advice into council's plans, policies and processes including:

- Development of the Mana Whakahono a Rohe for multiparty hapū agreement;
- Better engagement with hapū/iwi for consent and monitoring processes.

Te Taitokerau Māori in Local Government Symposium successfully held at Waitaha Conference Centre in Waitangi as a result of leadership by TTMAC raising this as an important conversation for Te Taitokerau and a need for Māori representation on council.

A significant step forward was achieved to strengthen the relationship between council and iwi of Taitokerau. The signing of Te Whanaunga ki Taurangi, an agreement signifying a commitment to a relationship with Te Kahu o Taonui (Iwi Chairs), took place on 31 January 2019. The key goals of the agreement were:

- Achieving an enabling and consistent regional policy and regulatory environment across the region;
- A relationship model that gives effect to the three principles of partnership, participation and protection;
- Better communications and collaboration between the parties to understand each other's perspective and develop more shared understandings;
- Identifying and engaging in joint ventures of mutual benefit;
- Joint advocacy to central government on shared regional priorities e.g. provision of digital infrastructure;
- Equitable resourcing and meaningful engagement that facilitates increased involvement of both parties, together, increasing buy-in and minimising potential conflict and costly formal challenges later in the process.

Supporting and participating in meetings of the Te Oneroa-a-Tōhē Board, a co-governance committee established through Treaty of Waitangi settlements of four of the five Te Hiku Iwi for Te Oneroa-a-Tōhē / 90 Mile Beach.

- Preparation of a Beach Management Plan and a public consultation process to help manage the beach is underway as a requirement of the Te Hiku o Te Ika Iwi Treaty of Waitangi settlement legislation.

Participating in the ongoing discussion pertaining to possible cultural redress through Treaty of Waitangi settlement negotiations for the Kaipara Harbour, including,

- Ongoing commitment to the agreement with neighbouring councils to ensure they are informed of the Treaty settlement process; and
- Continuing to work closely with Ngā Uri o Kaipara, providing information and advice to support Treaty of Waitangi settlement negotiations.

Provision of funding to support the development or review of iwi/hapū environmental management plans.

Working with iwi and hapū on two water enhancement projects which have gained central government funding under the Freshwater Improvement Fund:

- Dune lakes, and
- Northern Wairoa River.

The implementation of Te Whāriki (Māori responsiveness strategy) has begun as the road map to enable and influence better outcomes for Māori.

Training to raise internal capacity was provided to councillors and staff:

- Papa Reo – a Te Reo Māori programme delivered in partnership with Te Wānanga o Aotearoa comprising four kete was completed by 64 participants;
- This was further supported by internally run te reo Māori workshops facilitated by Te Puna o Te Ao Marama Trust utilising Te Ataarangi method;
- Fifteen staff undertook Te Tiriti o Waitangi Training reflecting on the history of Aotearoa and the relevance of He Wakaputanga o te Rangatira o Nu Tirenī/Declaration of independence within Te Taitokerau.

Increase of staff within Māori Relationships team to build capacity of Council to respond appropriately to the needs and aspirations of tāngata whenua.

Attendance at tangihanga, pōwhiri and significant events by councillors and staff to show a commitment to ongoing relationships with iwi and hapū.



Compliance statement

Northland Regional Council

Annual Report

For the year ended 30 June 2019.


Statement of Compliance

The council and its officers are responsible for preparing this report and financial statements, including the statement of service performance, and confirm that all statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with.

In our view, this Annual Report fairly reflects the financial position and operating results of the council and its subsidiaries for the year ended 30 June 2019.



Bill Shepherd
Chairman



Malcolm Nicolson
Chief Executive Officer

Date: 24 September 2019

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NORTHLAND REGIONAL COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Auditor-General is the auditor of Northland Regional Council (the Regional Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Peter Gulliver, using the staff and resources of Deloitte Limited, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 24 September 2019. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 60 to 122:
 - o present fairly, in all material respects:
 - the Regional Council and Group's financial position as at 30 June 2019;
 - the results of the operations and cash flows for the year ended on that date; and
 - o comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 125 to 126, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- the statement of service provision of the Regional Council, which is referred to in the annual report as the Council activities, on pages 22 to 55:
 - o presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2019, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - o complies with generally accepted accounting practice in New Zealand; and

- the statement about capital expenditure for each group of activities on pages 22 to 55, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's annual plan; and
- the funding impact statement for each group of activities on pages 22 to 55, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

Report on the disclosure requirements

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 56 to 58, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council audited information and, where applicable, the Regional Council's long-term plan and annual plans.

Basis for opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

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

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

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

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the Council Activities, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 4 to 15 and 128 to 139, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

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

Independence

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

In addition to our audit we have carried out engagements in the areas of a limited assurance report pursuant to the Regional Council's Trust Deed and the audit of the Regional Council's maintenance of the register of security stock. We have also provided fraud awareness training and a cyber governance maturity assessment which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.



Peter Gulliver
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand

Section two: Council activities Wāhana tuarua: Nga mahi a te kaunihera



Overview of our activities

Northland Regional Council is required by law to deliver a range of core services, and strives for excellence in delivering these services. There are other services that we deliver outside of our legal requirements.

We do this where we can (within legislative mandate) to respond to requests from our communities, address issues that arise, and make the most of opportunities, where the service or activity contributes to achieving good outcomes across the region.

In 2018 council approved the [Long Term Plan 2018-2028](#), which set out the range of services we intend to deliver over the next ten years.



These services are broken down into activities and are grouped as follows:

- **Governance and engagement** - Governance, māori relationships, communication and engagement, and economic development.
- **Regulatory services** - Planning and policy, consents, and monitoring.
- **Environmental services** - Natural hazard management, hydrology, biosecurity, biodiversity, land and water.
- **River management** - River management.
- **Customer services and community resilience** - Customer services, civil defence emergency management, oil pollution response, harbour safety and navigation, and transport.
- **Corporate Excellence** - Finance, human resources and information technology management activities (however these are not specifically reported on).

The Long Term Plan 2018-2028 identified the significant aspects of each service and set performance measures and targets for these to enable the level of service to be assessed.

These performance measures and targets are reported on for the first time in this Annual Report 2019.

Governance and engagement

Ratonga whakahaere whakauru

Hei aha te kai o te rangatira? He korero, he korero, he korero

What is the food of chiefs? It is knowledge, it is communication

This group includes the following activities:

- Governance;
- Māori relationships;
- Communication and engagement;
- Economic development.

These activities contribute to the following council **areas of focus** (community outcomes):

- Continuous improvement in water quality and security of supply;
- Enhancement of indigenous biodiversity and biosecurity;
- A strong regional economy;
- Safe and resilient communities;
- Enduring relationships with tangata whenua;
- Efficient and effective service delivery;
- Improved returns on council investments;
- Efficient and effective land transport policies and public transport.

Community well-being

The community of Northland is represented by councillors who make decisions collectively as the council. In order to make good decisions, council needs to have an understanding of the wants and needs of the people of Northland, and must consider all aspects of Northland - its social landscape, environment, economy, culture, and the aspirations of the diverse individual communities that make up the tapestry of Northland.

This activity group provides for the ongoing flow of information between council and the people of Northland. It promotes cultural competency so that council fulfills its statutory obligations to Māori, and provides for effective, transparent governance on behalf of the people of the Northland region. This activity group also actively promotes sustainable economic development in Northland.

The activities within the Governance and engagement group are considered to have a positive effect on community well-being.

Changes to level of service

The Long Term Plan 2018-2028 provided for a "maintained or increased" level of service within each of the activities in the Governance and engagement group. This proposed level of service has been achieved, with 7 of 12 performance targets met and any non-achievement being minor or the result of external factors, and not impacting the overall level of service provided.

What we did

Engaging with our communities

'Where's you Wai?' was a multi-channelled campaign focused on finding out about Northlanders' favourite freshwater spots. Engaging with the community face-to-face and online, more than 350 pins were dropped on freshwater spots using our online tool.

The inaugural Environmental Awards were a huge success, with 93 nominations, 39 finalists and eight winners receiving recognition for their environmental actions. The winners and finalists were showcased in an eight-page spread in the Northern Advocate. Social media coverage of the awards reached more than 134,000 people with more than 6000 engagements

Enviroschools

Out of the 110 Enviroschools in Northland - including 12 kindergartens - seven hold Green-Gold status, 20 Silver and 33 Bronze. 'Find your Future' was a new interactive careers event held for secondary students centred on the professional primary industries, in partnership with the Whangārei Agricultural and Pastoral Society. Held in Whangārei and Kerikeri, 120 senior students and accompanying careers advisors and teachers attended.

Economic development

Funding of \$18.5 million was secured from the Provincial Growth Fund (PGF) to continue investigating water storage and use options in three areas located in Kaipara and the Mid-North. Grant funding of up to

\$7 million will be received for approved investigation phasing over the next three years, with the balance provided as a future loan facility to assist with construction should a viable project emerge.

The Northland Walking and Cycling Strategy was developed and adopted by council in August 2018. This strategy has been used by the NZ Transport Agency to develop an implementation plan, and complete a preliminary design report and initial design plans for priority routes.

We also worked with district councils to undertake a regional Internet Speed Survey, the results of which have been used to lobby central government for improved digital connectivity in the region.

Māori relationships

Our work with Māori is outlined in the report on Māori participation in council processes, on page 13 of this report.

Service delivery review

In order to ensure that all services are reviewed every six years, as required by the Local Government Act, council maintains a rolling schedule of reviews. Reviews were completed for Economic development, investments, Governance, Māori relationships, and communication and engagement (including environmental education).

1.1 Governance

Performance measures and targets

1.1.1 Maintain effective, open and transparent democratic processes.		
Performance measure	Target	2018/19 result
Percentage of official information ⁽¹⁾ requests that are responded to within 20 working days.	100% compliance	98% - not achieved
Percentage of time that council receives a favourable ("unqualified") audit opinion on its Long Term Plan, Annual Plan, and Annual Report.	100% compliance	100% - achieved
Percentage of time that elected members attend council meetings.	90% compliance	90.5% - achieved
Percentage of the community surveyed that is satisfied with the way council involves the public in the decisions it makes.	Improve	33% - achieved (2017/18 result: 31%)

1. LGOIMA - Local Government Official Information and Meetings Act

1.2 Māori relationships

Performance measures and targets

1.2.1 Establish enduring and robust governance relationships between council and Māori of Taitokerau		
Performance measure	Target	2018/19 result
Ten meetings ⁽¹⁾ of the Te Taitokerau Māori and Council Working Party are held each calendar year.	10 meetings held annually	Not achieved Two regional hui were cancelled due to tangihanga.

1. Five formal meetings and five marae-based meetings

1.2.2 Provide opportunities for Māori to participate in council processes		
Performance measure	Target	2018/19 result
Percentage of time council meets all relevant requirements of Treaty of Waitangi settlement legislation.	100% compliance	99.8% - not achieved This measure comprises three elements: the recording of statutory acknowledgements in regional plans; attendance and support of co-governance committees; and circulation of consent applications to Treaty settlement groups. Council has achieved two of these elements in full, with the third (the circulation of consent applications) achieved in part. This was not achieved in full due to three bore consents failing to be circulated.
Percentage of time targeted pre-consultation engagement is undertaken with Māori during council's statutory Resource Management Act planning processes.	100% compliance	100% - achieved

1.3 Communication and engagement

Performance measures and targets

1.3.1 Support and deliver environmental education initiatives		
Performance measure	Target	2018/19 result
Percentage of schools and kindergartens participating in the Enviroschools programme. ⁽¹⁾	Maintain or increase	62% - baseline established

1. Schools include primary, intermediate and secondary schools.

1.3.2 Promote effective community engagement

Performance measure	Target	2018/19 result
Number of subscribers to online and social media channels ⁽¹⁾	25% annual increase (number and percentage increase to be reported)	16,354 subscribers, 50% increase - achieved
Frequency of engagement with council's Collaborative Community Engagement Groups ⁽²⁾	Annual engagement with 100% of groups (actual number of groups and percentage compliance to be reported)	145 groups, 96% - not achieved Annual face-to-face engagement was achieved with 128 out of 133 active groups. Where face-to-face engagement was not achieved, this was because email contact was sufficient, because no work was required during the year, or because contact could not be made with the group.

1. Includes social media, eNewsletters and web alerts

2. Collaborative Community Engagement Groups are defined as any group that the council engages with at least annually, that contributes knowledge and resources to achieve outcomes in a defined area. For example - CoastCare groups, catchment management groups, river liaison committees or civil defence community response groups.

1.4 Economic development

Performance measures and targets

1.4.1 Invest in economic development projects and ventures within Northland to improve Northland's economic performance

Performance measure	Target	2018/19 result
Northland Inc's compliance with Local Government Act requirements relating to its Statement of Intent (SOI) ⁽¹⁾	100% compliance	100% - achieved
Percentage of Northland Inc's SOI key performance indicators achieved by 30 June each year.	100% compliance	88% - not achieved 15 out of 17 of the key performance indicators were achieved. Of those not achieved, one related to the value of NZ Trade and Enterprise and Callaghan Innovation grant funding that was facilitated, and the other related to client satisfaction for Maori business engagement.

1. Requirements are to provide council with a draft Statement of Intent (SOI) by 1 March, consider council comments by 1 May, and deliver final SOI by 30 June each year.

Governance and engagement | Ratonga whakahaere whakauru

Funding Impact Statement

<i>For the period ending 30 June</i>	Long Term Plan 2017/18 \$000	Long Term Plan 2018/19 \$000	Actual 2018/19 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	46
Targeted rates	2,957	2,873	2,834
Subsidies and grants for operating purposes	-	-	130
Fees and charges	60	60	25
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	1,367	1,344	1,240
TOTAL OPERATING FUNDING	4,384	4,276	4,275
Applications of operating funding			
Payments to staff and suppliers	5,002	7,433	6,327
Finance costs	110	253	267
Internal charges and overheads applied	781	798	605
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	5,893	8,484	7,199
Surplus/(deficit) of operating funding	(1,509)	(4,207)	(2,924)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	-
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	-	6	-
to replace existing assets	-	13	15
Increase/(decrease) in reserves	(1,727)	(3,479)	(1,550)
Increase/(decrease) of investments	217	(747)	(1,389)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(1,509)	(4,207)	(2,924)
Surplus/(deficit) of capital funding	1,509	4,207	2,924
FUNDING BALANCE	-	-	-

Major variances compared to Year 1 (2018/19) of the Long Term Plan 2018-2028

Application of Operational Funding

Application of operating funding is \$1.3m less than the long term plan, predominantly due to:

- Lower economic development grants;
- Lower printing and advertising costs;

Regulatory services

Ratonga a ture

Whatungarongaro te tangata, toitū te whenua

As man disappears, the land remains

This group includes the following activities:

- Planning and policy;
- Consents;
- Monitoring.

These activities contribute to the following council **areas of focus** (community outcomes):

- Continuous improvement in water quality and security of supply;
- Safe and resilient communities;
- Enduring relationships with tangata whenua;
- Efficient and effective service delivery;
- Enhancement of indigenous biodiversity and biosecurity.

Community well-being

The natural and physical resources of Northland are central to our economy, culture and communities. The regulatory services group of activities aims to ensure that these resources are well governed and managed to meet the needs of Northlanders, having a positive effect on community well-being.

The Long Term Plan 2018-2028 provided for a "maintained or increased" level of service within each of the activities in the regulatory services group. This proposed level of service has been achieved, as evidenced by the achievement of 10 of 15 performance measures with any non-achievement being minor or the result of external factors and not impacting the overall level of service provided.

What we did

Regional Plan for Northland

The Proposed Regional Plan for Northland, which sets rules for the management of Northland's air, soil and coast was publicly notified in September 2017. Hearings on the proposals were held and council released its decisions in early May 2019 on all aspects of the plan, except for those relating to the addition of provisions to manage genetic engineering.

The Regional Plan includes implementation of council's obligations for managing freshwater quantity under the National Policy Statement for Freshwater, with the freshwater quality requirements intended to be implemented in a future plan change. This is outlined in council's Progressive Implementation Plan which can be found on our website.

Consents

Decisions on 774 consents were made during the year, and of these only two proposals were appealed to the Environment Court. One appeal was resolved through an agreed consent order. The other went to a Court Hearing with the Court subsequently granting consent for a reduced proposal.

Environmental monitoring

In addition to the monitoring carried out and recorded as performance measures in this report, the continuous water quality network was expanded in the freshwater and coastal environments. This included:

- Dissolved oxygen sensors in five rivers;
- Deployment of an ocean buoy permanently moored in the Bay of Islands;
- Tikanui wharf station collecting water quality data in the Kaipara Harbour.

Compliance monitoring and enforcement

In addition to the compliance monitoring carried out and recorded as performance measures in this report, council also carried out 118 inspections of forestry activities under the National Environmental Standard – Plantation Forestry.

Council took the following enforcement actions in relation to non-compliance with resource consent conditions and/or regional rules:

- 187 infringement notices (Compared to 253 in 2017/18);
- 271 abatement notices (373 in 2017/18);
- 1 enforcement order (None in 2017/18);
- 3 prosecutions initiated (One in 2017/18)

New integrated team

A new data management team was created to ensure that the council's natural resources/environmental data are managed to an appropriate standard. Most of the council's natural resources scientists were integrated into a single team to ensure effective and efficient delivery of natural resources science needs for Northland.

2.1 Planning and policy

Performance measures and targets

2.1.1 Develop and maintain regional planning documents for the management of Northland's natural and physical resources		
Performance measure	Target	2018/19 result
Develop a new Regional Plan.	<p>By 2018/19 Hold hearings and release council decisions on the proposed Regional Plan.</p> <p>By 2019/20 Engage Māori and stakeholders in plan preparation process.</p> <p>By 2020/21 Notify any plan changes required to implement the National Policy Statement for Freshwater Management (NPS Freshwater).</p> <p>By 2025/26 Efficiency and effectiveness review of the new Regional Plan.</p>	<p>Not achieved</p> <p>Hearings were held, and most decisions were released in May 2019. However the decisions on GE/GMO ⁽¹⁾ provisions are still outstanding and expected to be released early 2019/20</p>
Make changes to the new Regional Plan and Regional Policy Statement (RPS) as necessary to implement national direction and to respond to resource management issues.	<p>By 2018/19 NPS Freshwater implementation programme is notified by 31 December 2018.</p> <p>Regional targets to improve water quality at specified swimming sites identified and publicly available.</p> <p>By 2019/20 Engage Māori and stakeholders in plan preparation process.</p> <p>By 2020/21 Notify plan change to identify and protect significant freshwater biodiversity sites in the Regional Plan ⁽²⁾</p> <p>By 2025/26 Further necessary changes to RPS and Regional Plan in response to national planning standards completed.</p>	<p>Achieved</p>

1. Genetic engineering/genetically modified organisms
2. If not addressed through proposed plan process in 2018.

2.2 Consents

Performance measures and targets

2.2.1 Provide efficient and effective processing and administering of resource consents		
Performance measure	Target	2018/19 result
Percentage of all resource consent applications that are processed within the statutory timeframes.	98% compliance ⁽¹⁾	99.1% - achieved (2017/18 result - 99.9%)

1. This target takes into account that there may be fluctuations in the number and complexity of resource consent applications that council receives.

2.3 Monitoring

Our monitoring activity comprises compliance monitoring and state of the environment monitoring.

Performance measures and targets

Compliance monitoring:

2.3.1 Provide efficient and effective compliance monitoring of resource consents		
Performance measure	Target	2018/19 result
Percentage of monitored resource consents that are not graded as significantly non-compliant ⁽¹⁾	90%	93.8% - achieved
Percentage of monitored permitted farm dairy effluent activities that are not graded as significantly non-compliant ⁽²⁾ .	90%	75% - not achieved 44 of 212 permitted activity dairy farms were found to be significantly non-compliant. This measure is dependent on landowner behaviour which, while influenced by council activities, is also influenced by factors outside of council's control
Percentage of consents for industrial, municipal sewage and farm discharges, and major water takes requiring monitoring, that are monitored as per the council's consent monitoring programme.	100%	92.9% - Not achieved 897 of 966 consents (which met the criteria) were monitored as per their monitoring programme. This is attributed to high staff turnover

1. To be considered 'significantly non-compliant' the activity will have, or have the potential to have, a major or significant effect on the environment
2. To be considered 'significantly non-compliant' the activity will have, or have the potential to have, a major or significant effect on the environment

2.3.2 Efficient and effective response to and resolution of reported environmental incidents

Performance measure	Target	2018/19 result
Percentage of environmental incidents with more than minor effects reported to the Environmental Hotline resolved within 30 working days.	80% resolved within 30 working days	82.6% - Achieved

State of the environment monitoring:

2.4.1 Gather and make available information on the suitability of water bodies for swimming and shellfish collection

Performance measure	Target	2018/19 result
Monitor at least 50 popular swimming sites weekly during the summer for faecal indicator bacteria and publish the results. ⁽¹⁾	50 or more sites monitored weekly during summer	60 sites - achieved
Monitor at least 15 popular shellfish collection sites weekly during the summer and publish the results. ⁽²⁾	15 or more sites monitored weekly during summer	15 sites - achieved

1. Sites are monitored weekly in the summer from late November/early December to late February/early March.

2. Sites are monitored weekly in the summer from late November/early December to late February/early March.

2.4.2 Monitor the life-supporting capacity of water (fresh and marine), uses and values

Performance measure	Target	2018/19 result
Percentage of sites monitored for macroinvertebrates showing improved or maintained trend in their Macroinvertebrate Community Indices (MCI).	At least 90%	80% - not achieved Of 67 monitored sites, 30 sites had sufficient data for trend analysis. Of these, 80% showed maintained or improving trends ⁽¹⁾
Percentage of fish monitoring sites showing improved or maintained trend in their Index of Biotic Integrity (IBI).	At least 90%	100% achieved
Percentage of lake sites monitored for ecological status showing improved or maintained trend in their Submerged Plant Indices (SPI).	At least 90%	100% - achieved
Percentage of lake sites monitored for level of nutrient enrichment showing improved or maintained trend in their Trophic Level Indices (TLI).	At least 90%	75% - not achieved 6 of the 24 lakes monitored did not show improving trend over the last ten years.
Comprehensively monitor at least 40 coastal sites monthly for general water quality.	40 sites monitored annually	43 sites - achieved

1. No significant relationship could be determined for 23 sites, and it has been assumed for these sites that the trend has been maintained.

2.4.3 Monitor the standard of ambient air quality in Northland

Performance measure	Target	2018/19 result
Percentage of air sheds meeting the national air quality environmental standards.	100% compliance	100% - achieved

Regulatory services | Ratonga a ture

Funding Impact Statement

<i>For the period ending 30 June</i>	Long Term Plan 2017/18 \$000	Long Term Plan 2018/19 \$000	Actual 2018/19 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	97
Targeted rates	5,337	6,024	5,981
Subsidies and grants for operating purposes	-	-	23
Fees and charges	1,881	1,868	2,149
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	7,218	7,893	8,250
Applications of operating funding			
Payments to staff and suppliers	5,901	5,707	5,970
Finance costs	-	-	-
Internal charges and overheads applied	2,937	3,211	3,276
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	8,838	8,918	9,246
Surplus/(deficit) of operating funding	(1,620)	(1,025)	(996)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	-
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	-	67	311
to replace existing assets	8	100	252
Increase/(decrease) in reserves	(30)	-	(56)
Increase/(decrease) of investments	(1,598)	(1,193)	(1,503)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(1,620)	(1,025)	(996)
Surplus/(deficit) of capital funding	1,620	1,025	996
FUNDING BALANCE	-	-	-

Major variances compared to Year 1 (2018/19) of the Long Term Plan 2018-2028

Operating Funding

Operating funding is \$357k more than the long term plan predominantly due to:

- Higher than planned consent application and management fees

Application of Operational Funding

Applications of operating funding is \$328k more than the long term plan predominantly due to:

- Higher than planned legal, consulting, and hearing costs relating to consent applications

Environmental services

Ratonga i te taiao

Tiakina te Taiao, tiakina te iwi e

Protect the environment, protect the people

This group includes the following activities:

- Natural hazard management;
- Hydrology;
- Biosecurity;
- Biodiversity;
- Land and water.

The activities contribute to the following council **areas of focus** (community outcomes):

- Continuous improvement in water quality and security of supply;
- Enhancement of indigenous biodiversity and biosecurity;
- Enduring relationships with tangata whenua;
- Efficient and effective service delivery.

Community well-being

Managing the natural resources of Northland is a complex task encompassing social, economic, environmental and cultural factors. The environmental services group of activities focuses on improving the natural environment through programmes of management, protection and enhancement and protecting Northland from natural hazards. This has a positive effect on community well-being.

Changes to levels of service

The Long Term Plan 2018-2028 provided for a "maintained or increased" level of service within each of the activities in the Environmental services group. This proposed level of service has been achieved, as evidenced by the achievement of 10 out of 12 performance measures. Any non-achievement was minor or the result of circumstances beyond council's control, and did not impact the overall level of service provided.

What we did

Biosecurity

The biosecurity team has continued to grow partnerships, working with community volunteers to carry out vital pest control work. The biosecurity team

received over 6200 public enquiries during the year, sold more than 8800 predator traps, and carried out a raft of other work as highlighted below.

Incursions

Kauri dieback remains a major risk to the region, with the kauri dieback team working quickly to complete more than 30 management plans to prevent disease spread from private land, sampling over 183 sites, fencing ten at-risk forests, and taking 445 soil samples for further testing.

The team responded to five serious biosecurity threats. This included assisting MPI with *Mycoplasma bovis*, responding to feral deer south-west of the Tangihua Forest and water lettuce at Tamaterau, and continuing to survey and remove Mediterranean fanworm at Opuā.

Urban pest control

Tiakina Whangārei was launched this year with three key aims: to increase community connections, ecological knowledge and social well-being; Encourage kaitiakitanga and guardianship of the environment; and protect and enhance native biodiversity. Traps for rat and possum control are being distributed throughout Whangārei as part of this project, in partnership with NorthTec.

High Value Areas

High value pest control areas were successfully implemented for Whangārei Heads, Mid North/Bay of Islands, Tutukaka, Kai Iwi Lakes and Piroa-Brynderwyns, funded from the region-wide pest management rate.

Kiwi coast

Monitoring results demonstrate the strength of Kiwi Coast's collaborative approach with more than 1000 pests being removed from the Kiwi Coast each week. The approach incorporates skill building and trapper training workshops, events and other workshops. These events were also prime opportunities to deliver key messages around kiwi recovery and the importance of good dog control to kiwi survival.

Northland brown kiwi populations have continued to increase in most project areas linked into Kiwi Coast, and kiwi were confirmed at a number of new sites over the past year.

Land and water

Over \$997,000 from council's Environment Fund was allocated to land management projects, and 152 Farm Environment Plans (FEPs) were commenced via the Long Term Plan land management programme, covering more than 35,000 ha of land.

The Northern Wairoa Project (now named Waimā Waitai Waioa) progressed, with the first projects signed off, and next annual plan approved. Efforts are targeted with initiatives including farm activity (via FEPs and grant funding), Te Kawa Wairoa (Maturanga Māori research project), biodiversity enhancement and community planting days.

The final year of the four-year MPI funded Kaipara Hill Country Erosion Fund project and the one-year Hill Country Erosion Boost Fund project, focusing on Afforestation in Northland, were successfully completed. Also, good progress was made with the Hātea catchment project (funded by the Ministry for the Environment), with stock exclusion fencing, stock water reticulation and riparian planting carried out on properties above the Whangārei Falls.

Biodiversity

Biodiversity work has included the 'Check Clean Dry' programme (funded by MPI) to help prevent the spread of freshwater pests, the completion of six Biodiversity Plans with landowners and iwi, and the annual lakes ecological survey which was undertaken with NIWA in both spring and summer for a total 31 lakes.

Dune lakes

On-the-ground work on the Freshwater Improvement Fund (FIF) dune lake programme incorporated fencing, stock water reticulation and pest fish netting. A dune

lakes education programme was rolled out across the region at four lakes for 19 schools, and three hui were undertaken in conjunction with dune lakes Kaiwhakahaere (FIF iwi representatives). An extensive programme of training was provided for FIF staff and Kaiwhakahaere including water safety, kayaking and electric fishing.

CoastCare

CoastCare staff have worked with groups across Northland to achieve protection and enhancement of dunes. Over the last year this work has involved providing support to CoastCare groups and volunteers around the region, including providing 17,564 plants at 16 sites, assisting with planting, attendance at events, and running workshops and working bees with schools.

CoastCare staff helped support the collaborative Karikari Peninsula Kaitiaki Ranger programme with FNDC, DOC and Ngati Kahu. The team has also been working with Tane's Tree Trust on a trial site on Aupouri Peninsula, as part of the 'adaptive management of coastal forestry buffers' project. The first planting took place in May 2019.

Flood mapping and models

The Paparoa and Waipū Flood maps were released and are being used for planning and development decisions. The Awanui flood model is nearing completion and will be used to generate updated flood maps for Kaitiāia and Awanui townships. Additional rain and water level gauges have also been installed in the Awanui catchment which will give better warning and provide redundancy for the system.

Mainland LiDAR capture is 100% complete with only offshore islands outstanding, and processing of the data is underway with delivery expected by late December 2019.

3.1 Natural Hazard Management

Performance measures and targets

3.1.1 Identify and make available information on areas potentially affected by natural hazards through mapping		
Performance measure	Target	2018/19 result
Number (and percentage) of river catchments flood-mapped to identify river flooding hazards.	By 2018/19 - 28 (21.7%) By 2019/20 - 29 (22.5%)	28 catchments (21.7%) - achieved

3.1.1 Identify and make available information on areas potentially affected by natural hazards through mapping

By 2020/21 - 129
(100%)

3.2 Hydrology

Performance measures and targets

3.2.1 Provide information on water resources including rainfall, flood levels and ground water

Performance measure	Target	2018/19 result
Percentage of time that flood level monitoring is accurate to enable flood warnings to be developed.	100% compliance	No flood warnings - achieved

3.3 Biosecurity

Performance measures and targets

3.3.1 Promote community involvement in pest management

Performance measure	Target	2018/19 result
Increase in hectares of land under Community Pest Control Area Plans (CPCAs) per annum.	Increase by 5000 hectares annually	38,751 ha increase - achieved
Increase in kiwi populations within council supported programmes ⁽¹⁾	Increase by 2% annually	7.2 kiwi calls per hour - baseline established

1. monitored in accordance with the standardised Department of Conservation kiwi call count monitoring scheme.

3.3.2 Implement measures to slow the introduction and spread of new and established marine pests

Performance measure	Target	2018/19 result
Survey at least 2000 vessel hulls for marine pests each year as part of the Marine Pathway Management Plan.	2000 hulls annually	2,037 hulls inspected - achieved

3.4 Biodiversity

Performance measures and targets

3.4.1 Maintain and enhance indigenous biodiversity and eco-systems around our rivers, lakes, wetlands and coastal margins		
Performance measure	Target	2018/19 result
Number of wetlands ⁽¹⁾ enhancement and protection projects funded via Efund annually.	By 2018/19 - 13 By 2019/20 - 14 By 2020/21 - 15 By 2027/28 - 20	13 wetlands - achieved
Number of plants provided through CoastCare programme.	By 2018/19 - 11,000 By 2019/20 - 12,000 By 2020/21 - 13,000 By 2027/28 - 20,000	17,564 - achieved
Number of objectives met that are set out in annual work plan for Freshwater Improvement ⁽²⁾	100% of objectives met	60% - not achieved. Northern Wairoa project: 5 out of 6 objectives achieved - one delayed but on schedule for delivery within the next two years. Dune lakes project: 5 objectives - one ahead of schedule, one repealed, one delayed and two underway due for delivery within the five-year requirement

1. Includes Top Wetlands

2. Objectives are set out in Ministry for the Environment project work plans for the Northern Wairoa and Dune Lakes Freshwater Improvement Fund projects. .

3.5 Land and Water

Performance measures and targets

3.5.1 Promote improved water quality by providing advice and funding on sustainable land management, soil conservation, and biodiversity through farm management and catchment management initiatives		
Performance measure	Target	2018/19 result
Area hectares (ha) of land being actively managed under a sustainable farm environment plan.	Increase 25,000 ha per annum	35,301 - achieved
Area (ha) of highly erodible land being actively managed under a farm environment plan.	Maintain or increase (from baseline data)	7,000 ha - baseline established

3.5.1 Promote improved water quality by providing advice and funding on sustainable land management, soil conservation, and biodiversity through farm management and catchment management initiatives

Number of subsidised poplar poles provided for erosion-prone land by the Flyger Road nursery.	By 2018/19 - 6000	5000 poles - not achieved
	By 2019/20 - 7000	Due to expansion of the nursery, some of the planting material was reallocated, and there was some fluctuation in supply both within the nursery and from external suppliers
	By 2020/21 - 8000	
	By 2027/28 - 20,000	
Kilometres of waterway margins protected to reduce sediment, nutrient run-off and general contamination of water, funded by the Environment Fund.	Increase (from baseline data)	297 kms - baseline established

Environmental services | Ratonga i te taiao

Funding Impact Statement

<i>For the period ending 30 June</i>	Long Term Plan 2017/18 \$000	Long Term Plan 2018/19 \$000	Actual 2018/19 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	118
Targeted rates	4,539	7,395	7,319
Subsidies and grants for operating purposes	-	506	2,109
Fees and charges	429	441	505
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	4,968	8,343	10,051
Applications of operating funding			
Payments to staff and suppliers	5,609	8,861	9,817
Finance costs	-	-	-
Internal charges and overheads applied	1,664	2,440	3,082
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	7,273	11,301	12,899
Surplus/(deficit) of operating funding	(2,304)	(2,958)	(2,848)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	4
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	4
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	-	151	121
to replace existing assets	-	9	44
Increase/(decrease) in reserves	(225)	(234)	(285)
Increase/(decrease) of investments	(2,079)	(2,885)	(2,724)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(2,304)	(2,958)	(2,844)
Surplus/(deficit) of capital funding	2,304	2,958	2,848
FUNDING BALANCE	-	-	-

Major variances compared to Year 1 (2018/19) of the Long Term Plan 2018-2028

Operational Funding

Operating funding is \$1.7m more than the long term plan predominantly due to:

- Ministry for Primary Industries grants for the hill country boost programme not in the long term plan. This is offset by additional costs incurred;
- Ministry for Primary Industries subsidies for Kauri Dieback response;
- Ministry for Primary Industries subsidies for fanworm incursion response;
- Subsidies for the LIDAR programme not in the Long Term Plan;
- Ministry for the Environment subsidies for freshwater improvement fund projects not in the long term plan.

Application of Operational Funding

Applications of operating funding is \$1.6m more than the long term plan predominantly due to:

- Expenditure for the hill country boost project not in the long term plan;
- Expenditure for the freshwater improvement fund project not in the long term plan;
- Costs for the LIDAR programme not in the long term plan;
- More than planned overheads attributed to environmental services based on higher staff numbers.

River management

Ratonga whakahaere a awa

Ko au te awa, ko te awa ko au

I am the river; the river is me

This group includes the River Management activity.

The activity contributes to the following council area of focus (community outcome):

- Safe and resilient communities;
- Efficient and effective service delivery.

Community well-being

The river management group of activities focuses on managing risk and protecting Northland communities from flood hazards. This involves the preparation, implementation and maintenance of risk reduction plans, flood control works and assets in conjunction with local river management liaison committees. The river management activity has a positive effect on community well-being by improving community resilience.

Changes to level of service

The Long Term Plan 2018-2028 provided for an increased level of service for the river management activity which has been achieved, as evidenced by achievement of the performance measure.

What we did

Awanui upgrade

Te Ahu and Bell's Hill projects were completed on time and under budget. These works form the first year of an eight-year programme to upgrade the flood protection for Kaitāia and surrounding areas.

Matangirau

River flood modelling has been completed with short-listed options presented to the community. The team is targeting the third year of the Long Term Plan 2018-2028 to deliver the physical works.

Panguru

River flood modelling has been completed and the community has decided on the preferred option. We are currently working to deliver the physical works this season - 2019-2020.

Kawakawa-Taumarere

The team is working with local Hapū to identify sites of significance and to complete physical works at Turntable Hill this year - 2019-2020

Whangārei

Woods Road flood wall construction is underway and expected to be completed by end of August 2019.

4.1 River management

Performance measures and targets

4.1.1 Build, monitor and maintain flood protection schemes to protect life and property		
Performance measure	Target	2018/19 result
Number of flood events occurring as a result of failures of flood protection systems for the Awanui, Whangārei, and Kāeo schemes below specified design levels. ⁽¹⁾	Zero	zero failures - achieved

1. The number of flood events arising due to the failure of the flood protections systems is considered to be the most direct measure of whether these systems are repaired and renewed to the standards set out in the activity management plans.

River management | Ratonga whakahaere a awa

Funding Impact Statement

<i>For the period ending 30 June</i>	Long Term Plan 2017/18 \$000	Long Term Plan 2018/19 \$000	Actual 2018/19 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	67
Targeted rates	3,694	4,630	4,508
Subsidies and grants for operating purposes	-	-	-
Fees and charges	-	-	48
Internal charges and overheads recovered	-	34	33
Local authorities fuel tax, fines, infringement fees and other receipts	-	36	36
TOTAL OPERATING FUNDING	3,694	4,700	4,692
Applications of operating funding			
Payments to staff and suppliers	2,220	2,246	2,305
Finance costs	753	419	419
Internal charges and overheads applied	653	894	923
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	3,626	3,559	3,647
Surplus/(deficit) of operating funding	67	1,141	1,045
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	2,667	1,016
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	2,667	1,016
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	26	2,277	1,027
to replace existing assets	101	694	-
Increase/(decrease) in reserves	523	1,542	(130)
Increase/(decrease) of investments	(583)	(705)	1,164
TOTAL APPLICATIONS OF CAPITAL FUNDING	67	3,808	2,061
Surplus/(deficit) of capital funding	(67)	(1,141)	(1,045)
FUNDING BALANCE	-	-	-

Major Variances compared to Year 1 (2018/19) of the Long Term Plan 2018-2028

Sources of Capital Funding

Sources of capital funding is \$1.6m less than the long term plan predominantly due to:

- Delays on flood infrastructure capital work to be funded by external borrowings.

Capital Expenditure

Capital Expenditure is \$1.7m less than than the long term plan predominantly due to:

- Delays on flood infrastructure capital work;
- The purchase of an asset relating to the flood infrastructure capital programme planned to occur in the 2018/19 financial year occurred in the 2017/18 financial year instead.

Customer services and community resilience

Ratonga manawaroa a haponi

Hei aha te mea nui i tenei Ao? He tangata, he tangata, he tangata

What is the greatest thing in the world? It is people, it is community

This group includes the following activities:

- Customer services;
- Civil defence emergency management;
- Oil pollution response;
- Harbour safety and navigation;
- Transport.

These activities contribute to the following council **areas of focus** (community outcomes):

- A strong regional economy;
- Safe and resilient communities;
- Efficient and effective service delivery;
- Efficient and effective land transport policies and public transport.

Community well-being

Council is continually working to improve the safety and resilience of Northland and its communities. This includes working to keep people safe on the roads and on the water, preparing the region for emergency situations, and ensuring that council provides professional and timely interaction with the people of Northland. This group of activities works to ensure that excellent customer service is delivered across all activities.

The activities within the Customer Services and Community Resilience group are considered to have a positive effect on community well-being.

Changes to levels of service

The Long Term Plan 2018-2028 provided for a "maintained or increased" level of service within each of the activities in the Customer Services and Community Resilience group. This proposed level of service has been achieved as evidenced by achievement of 10 out of 11 performance measures. The one instance of non-achievement was minor, the result of external factors, and did not impact on the overall level of service provided.

What we did

Customer services

The total number of incoming calls through customer services was 29,447 with 95% of calls being answered within 30 seconds.

Maritime

The total number of maritime incidents for the year was 224, with 31 accidents including collision, grounding and near misses. The maintenance of aids to navigation is a key role for the maritime team around the whole coast of Northland, and a reduction in failures has been achieved during the year due to improved technology and maintenance plans.

The 58 offences recorded during the year included jetskis, obstruction to navigation and speeding, and the team also dealt with abandoned and unseaworthy vessels, wrecks, debris and logs.

One of the roles of the harbourmaster's office is to pilot large vessels in and out of Northland harbours, with 73 cruise ship visits successfully piloted in and out of the Bay of Islands during the year. The team also liaised closely with port stakeholders at Marsden Point to address key issues of port and harbour safety.

Oil spills

There were 32 reported oil spills attended to during the year. In addition, three regional oil spill exercises were held, as well as a national equipment commissioning exercise.

A key improvement during the year was the establishment of the Marsden Point oil spill response system, a collaborative approach involving stakeholders from the port and based at the refinery.

Transport

Work commenced on the 2021/2027 Regional Land Transport Plan and the Regional Public Transport Plan during the year. Both of these documents are required to secure national funding assistance and will be finalised in 2021.

Buses

Fares for the Whangārei CityLink bus service were reduced in October 2018 while the new electronic ticketing system was pending, and this saw a marked increase in passengers, reversing the negative trend in year-on-year numbers. A new route was introduced in October to service the southern end of Whangārei and the port area.

The Far North Link bus service carried 6,660 passengers during the year, which was an improvement on the previous year.

The Mid North Link bus service carried 2,114 passengers. Now that the two-year trial has been completed, the service has been altered to operate three days a week in conjunction with the Hokianga Link, and provide a transport link from the west to east coast. The Hokianga Link bus service carried 427 passengers, but now that it has been combined with Mid-North, it is likely to see an increase in patronage.

Total mobility

Our current Total Mobility database has 1504 active clients, an increase of 149 which is due to creating awareness around Total Mobility, and encouraging agencies to be more proactive in signing up new Total Mobility clients.

We increased trips by 3098 this year to meet the demand of more clients. A new transport operator was contracted, which doubled wheelchair-capable vehicles from two to four.

Civil defence emergency management

A key focus for the Northland Civil Defence Emergency Management (CDEM) Group continues to be embedding the shared services arrangement across the region's four councils, with a roster of on-call staff available to respond to events throughout Northland.

This is underpinned by training for council staff, welfare agencies and volunteers; participation in national working groups; and deployments to events elsewhere in the country to gain operational experience. Technology platforms have an increasingly important role in response management and the supporting public communication.

Work continues to improve Northlanders' awareness of tsunami risk, with additional tsunami sirens and signage installed at coastal locations throughout the region and public engagement around the twice-yearly testing of the Northland tsunami siren network.

The past two years have seen a major review of New Zealand's emergency management system, leading to a number of new initiatives, including the establishment of a new national agency. The Northland CDEM Group actively contributed to this review and looks forward to seeing outcomes of these changes.

5.1 Customer services

Performance measures and targets

5.1.1 Providing meaningful customer service		
Performance measure	Target	2018/19 result
Percentage of customers surveyed that are satisfied with the quality of service received following an interaction with council.	Maintain or increase (specific targets will be set once baseline established)	52% - baseline established

5.2 Civil defence emergency management

Performance measures and targets

5.2.1 Provide accurate and timely flood warnings to enable communities to take precautionary measures to protect life and property		
Performance measure	Target	2018/19 result
Percentage of time that accurate flood warnings are issued in accordance with the council's flood warnings procedures.	100% compliance	No rainfall events warranting warning - achieved

5.2.2 Maintain an effective civil defence emergency management system		
Performance measure	Target	2018/19 result
Percentage of time that emergencies ⁽¹⁾ are debriefed within one month, and noted improvements are incorporated into the appropriate emergency operating procedures and response plans.	100% annually	Achieved

1. Emergencies that require the activation of an emergency operations centre.

5.3 Oil pollution response

Performance measures and targets

5.3.1 Maintain an efficient and responsive oil pollution response		
Performance measure	Target	2018/19 result
Maintain a regional oil spill response plan, including a minimum of 30 up-to-date trained responders ⁽¹⁾	Maintain a minimum of 30 responders at all times	39 responders - achieved

1. The number of trained responders required is set by Maritime Pollution Response Services, Maritime New Zealand in accordance with a national plan.

5.4 Harbour safety and navigation

Performance measures and targets

5.4.1 Provide regional navigational safety control of shipping and small craft, provide aids to navigation to ensure the region's navigable waters are safe for people to use, and manage the region's moorings.

Performance measure	Target	2018/19 result
Percentage of time that the operational safety management system for the pilotage areas of Whangārei and Bay of Islands complies with the Port and Harbour Safety Code. ⁽¹⁾	100% compliance	100% - achieved
Percentage of time that pilotage in the Bay of Islands is provided in accordance with the safety management system. ⁽²⁾	100% compliance	100% - achieved
Percentage of reported aids to navigation faults that are responded to within five working days.	100% compliance	100% - achieved
Percentage of moorings either serviced within the past three years or booked to be serviced.	95% of moorings	98.8% - achieved

1. Operational safety management system compliance with the Port and Harbour Safety Code is measured by conducting an annual self-assessment and periodic peer review.
2. Operational safety management system compliance with the Port and Harbour Safety Code is measured by conducting an annual self-assessment.

5.5 Transport

Performance measures and targets

5.5.1 Provide an efficient and effective public bus service

Performance measure	Target	2018/19 result
Number of passengers for the Whangārei urban bus service. ⁽¹⁾	Maintain 310,000 per annum	326,289 - achieved
Percentage of passengers satisfied with overall Whangārei bus service. ⁽²⁾	95% compliance	92% - not achieved Lower satisfaction is due to service delays from traffic congestion, road works, and passengers not being informed of delays in time.

1. Other bus services apart from Whangārei not included as they are either minor, temporary or trial services only.
2. Passenger satisfaction rating of six or above on a 10 point scale.

5.5.2 Plan for the future transport needs of the region

Performance measure	Target	2018/19 result
Develop and maintain statutory transport planning documents including the Regional Land Transport Plan (RLTP) and Regional Public Transport Plan (RPTP).	By 2018/19 - Adopt RLTP and RPTP	Achieved

Customer services and community resilience | Ratonga manawaroa a hapori

Funding Impact Statement

<i>For the period ending 30 June</i>	Long Term Plan 2017/18 \$000	Long Term Plan 2018/19 \$000	Actual 2018/19 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	62
Targeted rates	3,332	4,490	4,418
Subsidies and grants for operating purposes	1,297	2,539	2,627
Fees and charges	1,709	1,820	1,658
Internal charges and overheads recovered	-	8	19
Local authorities fuel tax, fines, infringement fees and other receipts	12	221	-
TOTAL OPERATING FUNDING	6,350	9,079	8,784
Applications of operating funding			
Payments to staff and suppliers	6,215	8,319	7,979
Finance costs	-	221	8
Internal charges and overheads applied	1,113	1,603	1,741
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	7,329	10,142	9,728
Surplus/(deficit) of operating funding	(978)	(1,064)	(944)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	10
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	10
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	20
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	61	434	225
to replace existing assets	45	185	126
Increase/(decrease) in reserves	2	(18)	62
Increase/(decrease) of investments	(1,086)	(1,665)	(1,337)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(978)	(1,064)	(924)
Surplus/(deficit) of capital funding	978	1,064	944
FUNDING BALANCE	-	-	-

Major variances compared to Year 1 (2018/19) of the Long Term Plan 2018-2028

Operational Funding

Operating funding is \$295k less than the long term plan predominantly due to:

- Interest on Council's loan to NEST was recorded in the long term plan in the Customer services and community resilience Activity, with actual interest recorded in Corporate excellence.

Application of Operational Funding

Applications of operating funding is \$414k less than the long term plan predominantly due to:

- Interest on Council's loan to NEST was recorded in the long term plan in the Customer services and community resilience Activity, with actual interest recorded in Corporate excellence.
- More payments to emergency services providers than in the long term plan.

Capital Expenditure

Capital Expenditure is \$268k less than the long term plan predominantly due to:

- Delays in capital work relating to the Kaipara Service Centre and Council's Water Street building

Corporate excellence

Ratonga rangapū

Mā e huru huru, ka rere te manu

Adorn the bird with feathers so it can fly

This group includes the corporate services activity.

This activity contributes to all council areas of focus (community outcomes):

- Continuous improvement in water quality and security of supply;
- Enhancement of indigenous biodiversity and biosecurity;
- A strong regional economy;
- Safe and resilient communities;
- Enduring relationships with tangata whenua;
- Efficient and effective service delivery;
- Improved returns on council investments;
- Efficient and effective land transport policies and public transport.

Community well-being

The corporate excellence group encompasses many of the corporate and support functions required to ensure that council business is run in an efficient, accountable, and legislatively compliant manner. This includes management of council's financial operations and investments, human resources and health and safety, information management, information technology, property, and other administration.

This service underpins all the work that council undertakes in the areas of governance and engagement, regulatory services, environmental services, and customer service and community resilience. Without it council could not deliver any of the levels of service discussed above.

The corporate excellence activity is considered to have a positive effect on community well-being.

Changes to level of service

The Long Term Plan 2018-2028 provided for an increased level of service for the corporate excellence activity in line with the need to support increases to all other council activities, and an increase in service resulting from the Regional Sporting Facilities Rate. This proposed level of service has been achieved as evidenced by the achievement of 38 out of 51 performance measures across council activities (with non-achievement being minor or the result of external factors), and the distribution of over \$700,000 of funding from the Regional Sporting facilities rate.

Corporate excellence | Ratonga rangapū

Funding Impact Statement

For the period ending 30 June	Long Term Plan 2017/18 \$000	Long Term Plan 2018/19 \$000	Actual 2018/19 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	28
Targeted rates	1,241	1,757	1,724
Subsidies and grants for operating purposes	-	-	3
Fees and charges	66	120	101
Internal charges and overheads recovered	7,949	9,059	9,762
Local authorities fuel tax, fines, infringement fees and other receipts	7,998	8,996	10,404
TOTAL OPERATING FUNDING	17,253	19,932	22,022
Applications of operating funding			
Payments to staff and suppliers	6,873	9,145	8,851
Finance costs	27	86	276
Internal charges and overheads applied	20	114	119
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	6,921	9,345	9,246
Surplus/(deficit) of operating funding	10,333	10,588	12,776
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	1,506
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	1,506
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	11	730	4,115
to replace existing assets	631	524	628
Increase/(decrease) in reserves	2,685	2,106	10,258
Increase/(decrease) of investments	7,006	7,227	(719)
TOTAL APPLICATIONS OF CAPITAL FUNDING	10,333	10,588	14,282
Surplus/(deficit) of capital funding	(10,333)	(10,588)	(12,776)
FUNDING BALANCE	-	-	-

Major variances compared to Year 1 (2019/20) of the Long Term Plan 2018-2028

Operational Funding

Operating funding is \$2.1m more than the long term plan predominantly due to:

- Interest on Council's loan to NEST was recorded in the long term plan in the Customer services and community resilience Activity, with actual interest recorded in Corporate excellence.
- Forestry harvest income not in the long term plan
- More rent than planned on council's commercial properties due to purchasing more commercial properties during the financial year and rent reviews leading to higher rents on existing properties.

Sources of Capital Funding

Sources of capital funding is \$1.5m more than the long term plan predominantly due to:

- The sale of investment properties not in the long term plan

Capital Expenditure

Capital Expenditure is \$3.5m more than the long term plan predominantly due to:

- The purchase of investment properties not in the long term plan
- Expenditure on the Kensington redevelopment not in long term plan

Financial prudence

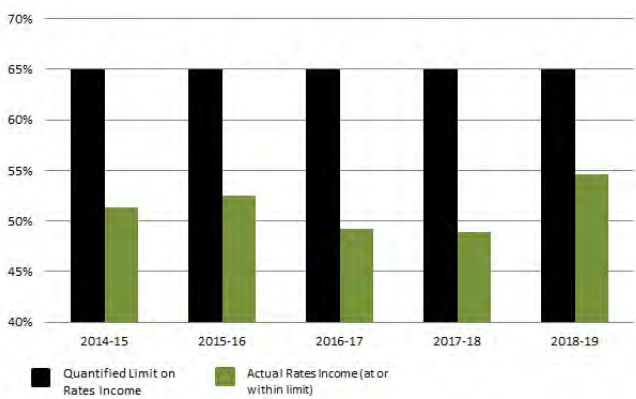
Rates affordability benchmarks

The council meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates (no more than 65% total revenue); and
- its actual rates increases equal or are less than each quantified limit on rates increases.

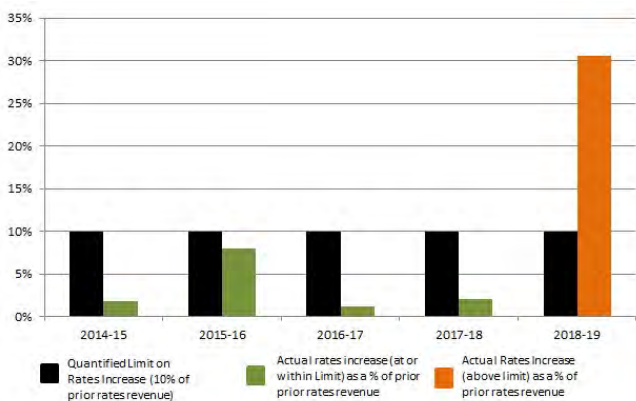
Rates income affordability

The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's Long Term Plan 2018-2028. The quantified limit is no more than 65% of total revenue.



Rates increase affordability

The following graph compares the council's actual rates increases with a quantified limit on rates increases in the financial strategy included in the council's Long Term Plan 2018-2028. The quantified limit is 10%.



In 2018-19 council decided to breach its quantified limit on rates rises in order to undertake programmes that allow it to meet community and central government expectations. This is considered an exceptional year and an opportunity to position council for the medium to long term.

Debt affordability benchmarks

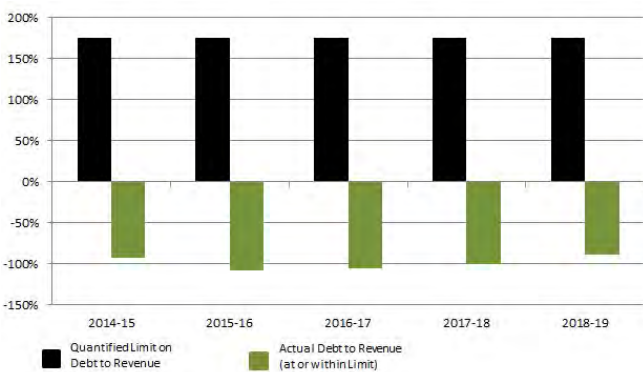
The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graphs compare the council's actual borrowing with quantified limits on borrowing stated in the financial strategy included in the council's Long Term Plan 2018-2028.

Northland Regional Council has \$19.6 million of external debt.

Net debt to total revenue

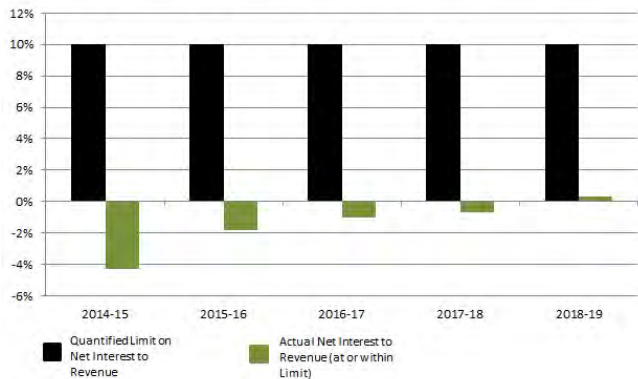
The quantified limit for net debt as a proportion of total revenue is 175%.



Northland Regional Council carries significant investments categorised as non-current assets that could be liquidated if required.

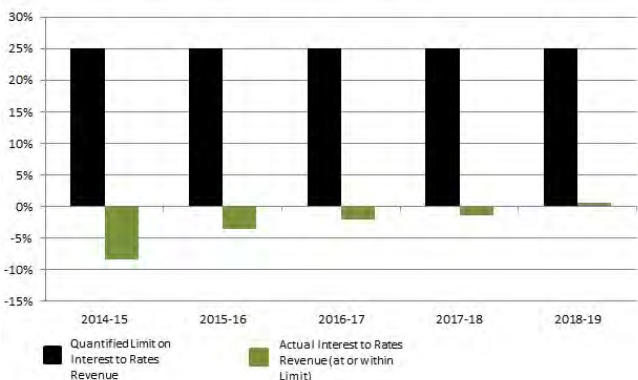
Net interest to total revenue

The quantified limit for net interest as a proportion of total revenue is 10%.



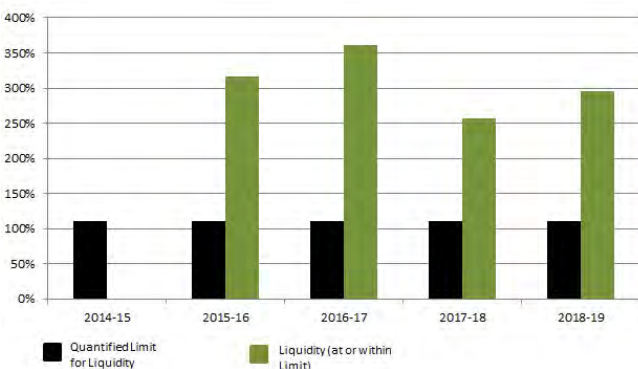
Net interest to annual rates revenue

The quantified limit for net interest as a proportion of annual rates revenue is 25%.



Liquidity

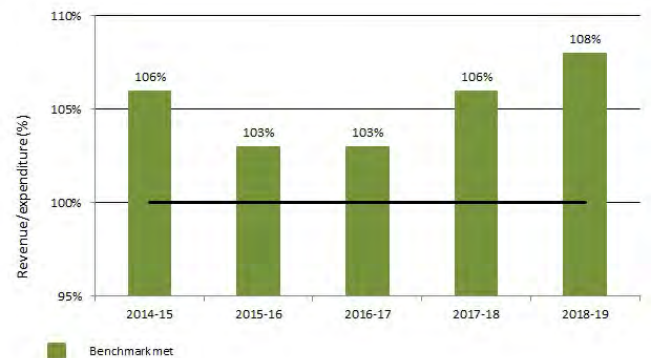
Council measures liquidity as total externally managed funds over total external borrowings. The quantified limit for liquidity is set as a minimum of 110%.



This measure wasn't applicable during the 2014-15 financial year due to council not having any external borrowings at that time.

Balanced budget benchmark

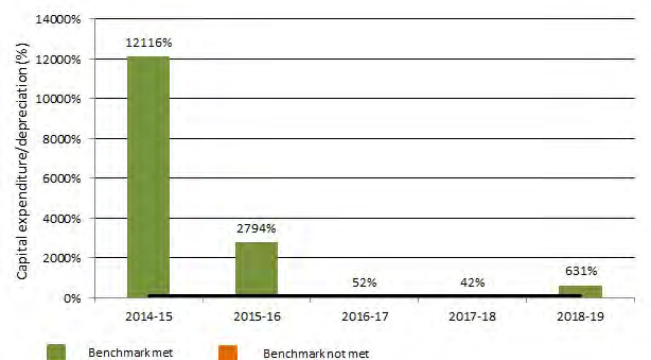
This graph shows council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment). Council meets this benchmark if its revenue equals or is greater than its operating expenses. The benchmark is represented by the black line.



Essential services benchmark

This graph shows the council's capital expenditure on network services (flood protection) as a proportion of depreciation on network services.

The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. The benchmark is represented by the black line.



2014-15 reflects the capital cost associated with the construction of the Hopua te Nihotetea Detention Dam.

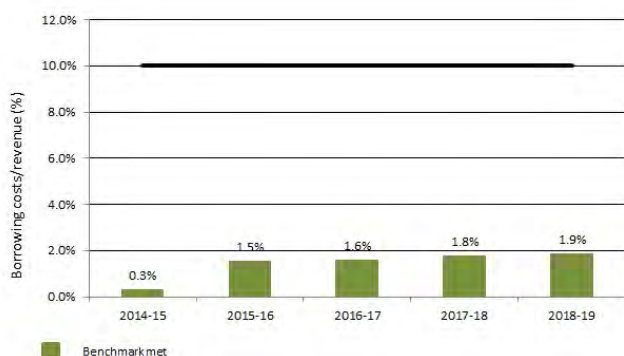
2016-17 and 2017-18 reflects lower capital expenditure due to the reclassification of Kerikeri flood protection works from capital expenditure originally incurred in 2015-16 to operation expenditure in 2016-17 and 2017-18 as the project did not continue.

2018-19 reflects the capital cost associated with the Awanui Flood Infrastructure scheme.

Debt servicing benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the population served by the council will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue. The benchmark is represented by the black line.

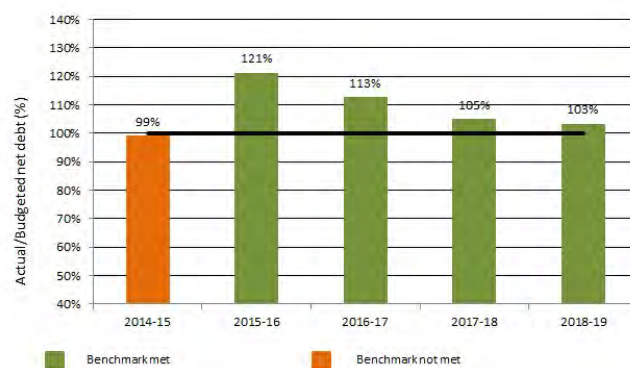


Debt control benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

Northland Regional Council has low external debt, so therefore has planned to have net assets in all the years represented in the following graph. Financial assets (excluding trade and other receivables) were planned to exceed its financial liabilities.

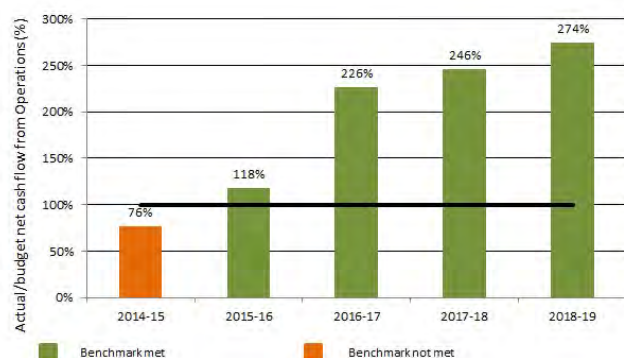
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. For the purposes of this measure 100% equals planned net assets. The benchmark is represented by the black line.



Operations control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations. For the purposes of this measure 100% equals planned net cash flow. The benchmark is represented by the black line.



The benchmark was not met in 2014-15. This is due to Northland Regional Council budgeting for interest revenue from all of the cash funds held. During the year council revised the investment strategy to use fund managers to invest a portion of the funds. The return on the funds placed with these fund managers is recognised as fair value gains on the instruments. As a result a lower than budgeted cash return was recorded.

Section three: Financial statements

Wāhanga tuatoru: Tauākī pūtea



Statement of comprehensive revenue and expense

For the year ended 30 June 2019	Note	Council 30-Jun-19 \$000	Long Term Plan 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Revenue						
Rates		27,203	27,169	20,832	27,203	20,832
Fees and charges		4,487	4,310	4,479	6,024	5,694
Subsidies and grants		4,900	3,046	2,809	5,005	2,914
Revenue from activities		-	-	-	1,458	802
Interest revenue		731	1,195	1,005	753	1,014
Other revenue	2(ii)	7,529	6,173	6,112	8,216	6,472
Other gains	2(iii)	5,006	3,228	7,316	5,610	7,433
TOTAL REVENUE	1	49,856	45,121	42,553	54,269	45,161
Expenses						
Personnel costs	3	15,935	15,612	14,248	18,580	16,744
Depreciation and amortisation expense	16	1,629	1,626	1,683	2,084	2,041
Finance costs		903	936	703	1,241	1,025
Other expenses	4	26,414	26,099	21,913	30,080	24,367
TOTAL EXPENSES	1	44,881	44,273	38,547	51,985	44,177
Share of associate and joint venture company surplus/(deficit)	15(i)(ii)	-	-	-	9,007	9,215
SURPLUS/(DEFICIT) BEFORE TAX		4,975	848	4,006	11,291	10,199
Income tax expense	5	-	-	-	(19)	(19)
SURPLUS/(DEFICIT) AFTER TAX		4,975	848	4,006	11,272	10,180
SURPLUS/(DEFICIT) ATTRIBUTABLE TO:						
Northland Regional Council		4,975	848	4,006	6,640	5,622
Non-controlling interest				-	4,632	4,558
Other comprehensive revenue and expense						
<i>Items that will be reclassified to surplus/(deficit):</i>						
Net hedging movement (joint venture company)				-	(308)	(71)
<i>Items that will not be reclassified to surplus/(deficit):</i>						
Gains/(loss) on property revaluations (other than investment properties)	22	10	-	(5)	540	1,631
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		10	-	(5)	232	1,560

For the year ended 30 June 2019	Note	Council 30-Jun-19 \$000	Long Term Plan 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		4,985	848	4,001	11,504	11,740
TOTAL COMPREHENSIVE REVENUE AND EXPENSE ATTRIBUTABLE TO:						
Northland Regional Council					6,769	6,456
Non-controlling interest in Marsden Maritime Holdings Limited					4,735	5,284
					11,504	11,740

The financial statements should be read in conjunction with the 'Statement of accounting policies' and 'Notes to the financial statements'.

Major variances compared to the Long Term Plan 2018-2028

Revenue

Revenue is \$4.74m more than the long term plan, mainly due to:

- Gains of \$1.3m on revaluation of investment properties;
- Forestry harvest income of \$1.05m not in the long term plan;
- Higher than planned subsidies of \$410k from WDC and FNDC for the management of Regional Civil Defence;
- Higher than planned commercial property rent of \$407k due to acquiring some additional commercial properties and rent reviews leading to higher rents on existing properties;
- MPI subsidies of \$364k for the Hill Country Boost programme not in the long term plan;
- Subsidies of \$315k for the LiDAR programme not in the long term plan;
- MFE Subsidies of \$243k for Freshwater Improvement Fund projects not in the long term plan;
- Externally managed fund gains higher than planned by \$217k;
- Gains on revaluation of property held for sale of \$142k;
- MPI subsidies of \$109k for a fan worm incursion response not in the long term plan;
- MPI subsidies of \$86k for Kauri Dieback response not in the long term plan.

Expenditure

Expenditure is \$608k more than the long term plan, mainly due to:

- Impairment of a loan of \$820k issued by council;
- Forestry harvest expenses of \$526k not in the long term plan;
- LiDAR costs of \$495k not in the long term plan;
- Costs of \$332k for the Hill Country Boost programme not in the long term plan;
- Higher than planned infrastructure as a service cost of \$273k;
- Higher than planned consultant and legal costs of \$183k for consent applications;
- Losses of \$169k on revaluation of council-owned buildings;
- Higher than planned emergency services grants of \$142k;
- Higher than planned legal fees of \$82k on environmental incidents;
- Higher than planned hearing committee costs of \$79k.

Partially Offset by:

- Lower than planned economic development grants of \$996k;
- Lower than planned transport contract costs of \$732k due to delays in bus trials and delays in the upgrade of Whangarei's bus terminus;
- Lower than planned sporting facilities grants of \$615k;
- Lower than planned laboratory testing costs of \$197k due to a change in contract.

Statement of changes in equity

For the year ended 30 June 2019	Note	Accumulated funds \$000	Reserves \$000	Total Council \$000	Long Term Plan \$000
Council					
Balance at 1 July 2017		121,315	24,773	146,088	147,250
Total comprehensive revenue and expense for the year		4,001	-	4,001	26
Net transfers in special reserves	22	(1,781)	1,781	-	-
Net transfers in other reserves		5	(5)	-	-
Balance at 30 June 2018		123,540	26,549	150,089	147,276
Total comprehensive revenue and expense for the year		4,985	-	4,985	848
Net transfers in special reserves	22	(8,301)	8,301	-	-
Net transfers in other reserves	22	(10)	10	-	-
Balance at 30 June 2019		120,214	34,860	155,074	148,124

For the year ended 30 June 2019	Note	Accumulated funds \$000	Reserves \$000	Subtotal Group \$000	Non-controlling interest \$000	Total Group \$000
Group						
Balance at 1 July 2017		150,862	57,093	207,955	60,972	268,927
Total comprehensive revenue and expense for the year		6,456	-	6,456	5,284	11,740
Net transfers in special reserves	22	(1,781)	1,781	-	-	-
Net transfers in other reserves		(834)	834	-	-	-
Dividends paid		-	-	-	(2,970)	(2,970)
Balance at 30 June 2018		154,703	59,708	214,411	63,286	277,697
Total comprehensive revenue and expense for the year		6,769	-	6,769	4,735	11,504
Net transfers in special reserves	22	(8,301)	8,301	-	-	-
Net transfers in other reserves		(129)	129	-	-	-
Dividends paid		-	-	-	(3,017)	(3,017)
Balance at 30 June 2019		153,042	68,138	221,180	65,004	286,184

The financial statements should be read in conjunction with the 'Statement of accounting policies' and 'Notes to the financial statements'.

Statement of financial position

As at 30 June 2019	Note	Council 30-Jun-19 \$000	Long Term Plan 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
EQUITY						
Accumulated funds	22	120,214	126,042	123,540	153,042	154,703
Reserves	22	34,860	22,082	26,549	68,138	59,708
Total equity attributable to Northland Regional Council		155,074	148,124	150,089	221,180	214,411
Non-controlling interest	22				65,004	63,286
TOTAL EQUITY		155,074	148,124	150,089	286,184	277,697
ASSETS						
Current assets						
Cash and cash equivalents		606	86	998	1,758	1,811
Receivables	7	4,056	5,453	5,862	4,792	7,015
Inventory	8	3,181	3,205	3,102	3,276	3,143
Investment property assets held for sale	9	2,361	14,194	11,248	2,361	11,248
Other financial assets	11	8,810	4,136	4,039	8,805	4,030
Earn out - NPC Investments Limited	14	-	-	-	-	155
TOTAL CURRENT ASSETS		19,014	27,074	25,249	20,992	27,402
Non-current assets						
Receivables	12	5,948	6,346	5,744	5,948	5,744
Investment property	13	53,261	33,473	41,100	129,130	107,997
Other financial assets	11	54,675	58,837	56,048	55,137	56,696
Investment in subsidiaries (excluding council control organisations) and joint venture company	15(i)	7,828	7,828	7,828	46,719	47,050
Investment in Council Controlled Organisations	15(ii)	863	863	863	871	872
Property, plant and equipment	16	36,221	38,707	34,630	65,531	61,798
Capital projects in progress	16	308	-	206	538	291
Intangible assets	17	642	283	600	642	600
Forestry assets	18	3,264	2,713	3,235	3264	3,235
TOTAL NON-CURRENT ASSETS		163,010	149,050	150,254	307,780	284,283
TOTAL ASSETS		182,024	176,123	175,503	328,772	311,685

As at 30 June 2019	Note	Council 30-Jun-19 \$000	Long Term Plan 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
LIABILITIES						
Current liabilities						
Payables and deferred revenue	19	5,000	5,427	4,453	7,626	6,085
Employee entitlements	20	1,866	1,661	1,751	1,926	1,834
TOTAL CURRENT LIABILITIES		6,866	7,088	6,204	9,552	7,919
Non-current liabilities						
Payables and deferred revenue	19	510	916	653	1,312	1,462
Employee entitlements	20	16	18	15	16	15
Borrowings and other financial liabilities	21	19,558	19,977	18,542	31,708	24,592
TOTAL NON-CURRENT LIABILITIES		20,084	20,911	19,210	33,036	26,069
TOTAL LIABILITIES		26,950	28,000	25,414	42,588	33,988
NET ASSETS		155,074	148,124	150,089	286,184	277,697

The financial statements should be read in conjunction with the 'Statement of accounting policies' and 'Notes to the financial statements'.

Major variances compared to the Long Term Plan 2018-2028

Asset variances

Current

Cash and cash equivalents are \$520k greater than the long term plan predominantly due to:

- Receiving more money from debtors earlier leading to a lower year end current receivables balance.

Receivables are \$1.40m lower than the long term plan predominantly due to:

- A reduction in interest accrued on term deposits since moving to externally managed funds;
- Receiving more money earlier from debtors.

Investment property assets held for sale are \$11.83m less than the long term plan due to:

- Properties transferred back to investment properties during the financial year.

Other financial assets are \$4.67m greater than the long term plan due to:

- Term deposits held at year end not in the long term plan;
- A higher balance in the short term fund due to some large grants not occurring as planned.

Non-current

Non-current receivables are \$398k less than the long term plan predominantly due to:

- The split between current and non-current receivables being not as anticipated.

Investment Property is \$19.79m more than the long term plan due to:

- Transfers from properties held for sale under current assets;
- Revaluation gains;
- The purchase of additional investment properties.

Other financial assets are \$4.16m less than the long term plan due to:

- An early partial repayment of a loan;
- Drawdowns from the Property Reinvestment Fund to purchase investment property.

Partially Offset by:

- Emissions trading scheme assets classified as intangible assets but in the long term plan as other financial assets.

Property, plant, and equipment are \$2.49m less than the long term plan due to:

- Lower capital expenditure than planned on flood infrastructure.

Intangible assets are \$359k more than the annual plan predominantly due to:

- Emissions trading scheme assets classified as intangible assets but in the long term plan as other financial assets.

Forestry assets are \$551k more than the long term plan due to:

- Gains on the revaluation of forestry assets. Council doesn't budget for revaluation movements due to the complexity and variability in estimating revaluations at the time of preparing budgets.

Liability variances

Current

Payables and deferred revenue is \$427k less than the long term plan due to:

- Revenue in advance movements relating to Council's LiDAR programme.

Employee entitlements are \$205k more than the long term plan due to:

- An increase in total employees;
- An increase in employee leave balances.

Non-current

Payables and deferred revenue is \$406k less than the long term plan due to:

- Lower than planned non-current funding for Civil Defence and the Te Oneroa-a-Tōhē beach board.

Borrowings and other financial liabilities are \$419k less than the long term plan due to:

- Delays in flood infrastructure capital programmes that are to be funded from external borrowings.

Statement of cash flows

For the year ended 30 June 2019	Council 30-Jun-19 \$000	Long Term Plan 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Cash flows from operating activities					
Receipts from rates revenue	26,273	26,659	20,526	26,273	20,526
Receipts from customers	8,627	12,873	7,479	16,402	13,325
Interest received	3,139	3,616	1,803	3,160	1,811
Dividends received	3,488	-	3,432	9,190	9,369
Subsidies and grants received	4,900	2,144	2,644	5,005	2,749
Payments to suppliers and employees/members	(40,304)	(45,533)	(34,488)	(46,913)	(39,091)
Interest paid	(802)	(936)	(601)	(1,088)	(876)
Income tax paid	-	-	-	(19)	(19)
Net goods and services tax received/(paid)	(335)	2,997	43	(342)	(85)
Net cash from operating activities	4,986	1,820	837	11,668	7,709
Cash flows from investing activities					
Receipts from sale of property, plant and equipment	170	-	33	170	37
Receipts from sale of property held for sale	-	-	6,246	-	9,846
Receipts from sale of investment property	1,351	-	1,158	1,351	1,158
Receipt from the sale of investments	39,660	410	42,085	39,662	42,085
Loans made	-	-	(3,750)	-	(3,750)
Loan repayments received	558	-	16	549	-
Purchase of property, plant and equipment and intangible assets	(3,182)	(5,190)	(2,224)	(5,155)	(5,050)
Purchase of investment property	(3,821)	-	(9,414)	(11,265)	(9,949)
Purchase of financial investments	(41,114)	-	(40,616)	(41,116)	(40,616)
Net cash from investing activities	(6,378)	(4,780)	(6,466)	(15,804)	(6,239)
Cash flows from financing activities					
Proceeds received from ASB facility				6,100	
Dividends paid	-	-	-	(3,017)	(2,970)
Proceeds from borrowings	1,000	2,667	8,405	1,000	8,405
Repayment of borrowings	-		(3,000)	-	(6,800)
Net cash from financing activities	1,000	2,667	5,405	4,083	(1,365)
Net increase (decrease) in cash, cash equivalents and bank overdrafts	(392)	(293)	(224)	(53)	105
Cash, cash equivalents and bank overdrafts at the beginning of the year	998	379	1,222	1,811	1,706
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	606	86	998	1,758	1,811

Reconciliation of net surplus after tax to the cash flows from operations

For the year ended 30 June 2019	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Surplus/(deficit) after tax	4,975	4,006	11,272	10,180
Add/(less) non cash items				
Depreciation & amortisation expense	1,629	1,683	2,084	2,041
Divested asset expense	-	-	-	-
Deferred taxation	-	-	-	-
Share of associate companies' retained surplus	-	-	183	118
Fair value adjustments	(1,376)	(1,605)	(1,947)	(1,987)
Non cash gains on externally managed funds and loans	(3,207)	(2,253)	(3,207)	(2,253)
Other non-cash items	765	140	765	140
Total non cash items	(2,189)	(2,035)	(2,122)	(1,941)
Add/(less) items classified as investing or financing activities				
(Gains)/loss on sale of property plant and equipment	(42)	(17)	(38)	28
(Gains)/loss on sale of investment properties and assets held for sale	112	(104)	112	(104)
Total items classified as investing or financing activities	70	(121)	74	(76)
Add/(Less) movements in working capital				
Decrease (increase) in trade and other receivables	1,679	(680)	2,144	(366)
Decrease (increase) in prepayments	(78)	9	(122)	25
Decrease (increase) in inventory	(79)	31	(133)	26
(Decrease) increase in trade and other payables	387	(457)	1,375	(1,362)
(Decrease) increase in revenue received in advance	16	(44)	16	371
(Decrease) Increase in employee entitlements accrual	117	128	93	142
Non operating capital items included in working capital movements	88	-	(929)	710
	2,130	(1,013)	2,444	(454)
Net cashflows from operating activities	4,986	837	11,668	7,709

Statement of accounting policies

Reporting entity

Northland Regional Council is a local authority established under, and governed by, the Local Government Act 2002 and the Local Government (Rating) Act 2002. The council's group comprises the council and its subsidiaries, namely:

- Marsden Maritime Holdings Limited (NZ) Ltd (53.61% owned);
- Northland Inc. Limited (100% owned).

Northland Regional Council and its subsidiaries and associates are incorporated, domiciled and operate in New Zealand.

The primary objective of Northland Regional Council is to provide goods or services and perform regulatory functions for the community benefit rather than making a financial return. Accordingly, Northland Regional Council has designated itself and the group as Public Benefit Entities for financial reporting purposes.

Reporting period

The financial statements of the council and group are for the year ended 30 June 2019. The financial statements were authorised for issue by council on 25 September 2019.

Basis of preparation

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

Statement of Compliance

The financial statements of the council and group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements comply with PBE accounting standards.

Functional and presentation currency

The financial statements are presented in New Zealand dollars which is the functional currency of Northland Regional Council and all values are rounded to the nearest thousand dollars (\$000).

Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the council are:

Impairment of revalued assets

In April 2017, the XRB issued Impairment of Revalued Assets, (amendments to IPSASs 21 and 26) which now clearly scopes revalued property, plant, and equipment into the impairment accounting standards. Previously, only property, plant, and equipment measured at cost were scoped into the impairment accounting standards.

Under the amendment, a revalued asset can be impaired without having to revalue the entire class to which the asset belongs. This amendment is effective for 30 June 2020 financial statements, with early adoption permitted.

The council plans to apply the new standard in preparing the 30 June 2020 financial statements. Based on an initial assessment, the council anticipates that the amendment will not have a material effect on the council's financial statements.

Interests in other entities

In January 2017 the XRB issued new standards for interest in other entities (PBE IPSAS 34-38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for financial years beginning on or after 1 January 2019, with early application permitted. The council plans to apply the new standards in preparing the 30 June 2020 financial statements. The council and group expect there will be no effect as a result of this change.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021 with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost;

- A new impairment model for financial assets based on expected losses, which may result in earlier recognition of impairment losses;
- Revised hedge accounting requirements to better reflect the management of risks.

The council plans to apply this standard in preparing its 30 June 2022 financial statements. Although the council has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IPSAS 29.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The council has not yet determined how the application of PBE FRS 48 will affect its service performance reporting.

Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021 with early application permitted. Council does not intend to early adopt the amendment and has not yet assessed in detail the impact of the amendment.

Other changes in accounting policies

There have been no other changes in accounting policies.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate;

Significant accounting policies that do not relate to a specific note are outlined below;

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of entities in the group on a line by line basis. All intra-group balances, transactions, revenues and expenses are eliminated on consolidation.

Foreign currency transactions

Foreign currency transactions (including those for which forward exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus/deficit, except when deferred in equity as qualifying cash flow hedges.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables, and creditors and other payables, which are stated on a GST inclusive basis. GST not recoverable as input tax is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the Statement of Financial Position;

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows;

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the council in its 2018-2028 Long Term Plan (LTP). The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Council and group investment property and owner occupied property (land and buildings) are revalued annually by independent valuers. The fair value of the investment properties is based on the market values, being the estimated amount for which a property could be exchanged between a willing buyer and a

willing seller in an arm's length transaction. Due to the relatively low level of recent transactions in some areas, these valuations are inherently subjective. The estimates and assumptions that have a significant risk of causing a material adjustment to the fair value of investment property and owner occupied property are provided in Notes 13 and 16 respectively.

Council's infrastructure assets are revalued by an independent valuer at regular intervals, with the most recent infrastructure valuation effective as at 30 June 2017. There are a number of estimates and assumptions exercised when valuing the individual elements (stop banks, floodgates, spillways) of infrastructure assets, such as estimating the age, condition, optimisation and remaining life of each element. Further detail is provided in Note 16.

Council's forestry assets are revalued annually by an independent valuer. There are a number of estimates and assumptions exercised when valuing forestry assets such as estimating the discount rates to determine future tree crop cash flows. Further detail is provided in Note 18.

The estimation of the useful lives of assets has been predominantly based on historical experience. Useful lives are reviewed on an annual basis and adjustments are made when considered necessary.

It has been assumed that council will recover its assets associated with the Kiwi Rail Joint Venture based on the agreement signed by both parties.

Marsden Maritime Holdings Limited has determined that it is appropriate to only recognise tax losses in the financial statements to a level that directly offsets the deferred tax liability. Further detail is provided in Note 5.

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2019.

Council has a number of leasehold properties and freehold properties it is in the process of selling directly to the lessees or on the open market. These properties have therefore been classified as current assets investment property (assets held for sale) as it is assumed these sales will occur within the next 12 months.

Council's investment in Regional Software Holdings Limited has been treated as an associate as it is considered that council holds significant influence over the financial and operating policies of Regional Software Holdings Limited due to the fact that council's CEO is on the board of directors of Regional Software Holdings Limited.

Notes to the financial statements

Note 1: Summary revenue and expenditure for groups of activities

Accounting policy

Northland Regional Council has derived the cost of service for each significant activity of the council using the cost allocation system outlined below. Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity. Direct costs are charged directly to significant activities. Indirect costs are charged to significant operating activities using appropriate cost drivers such as staff numbers. There have been no changes to the cost allocation methodology during the year.

Breakdown of summary revenue and expenditure for group of activities:

	Council 30-Jun-19 \$000	Long Term Plan 30-Jun-19 \$000	Council 30-Jun-18 \$000
Revenue			
Governance and Engagement	4,275	4,276	4,586
Environmental Services	10,051	8,343	5,778
River Management	4,691	4,700	3,420
Regulatory Services	8,250	7,893	7,286
Customer Services - Community Resilience	8,794	9,079	7,510
Corporate Excellence	22,022	19,931	18,336
Total activity revenue and rates as per activity funding impact statements	58,083	54,222	46,916
Internal charges and overheads recovered	(9,814)	(9,101)	(7,739)
Other gains not attributable to an activity	1,587	-	3,376
Total revenue as per statement of comprehensive revenue and expense	49,856	45,121	42,553
Expenses			
Governance and Engagement	7,199	8,484	6,985
Environmental Services	12,899	11,300	8,127
River Management	3,647	3,559	3,706
Regulatory Services	9,246	8,918	8,336
Customer Services - Community Resilience	9,728	10,142	8,664
Corporate Excellence	9,246	9,345	7,135
Total activity expenses as per activity funding impact statements	51,965	51,748	42,953
Internal charges and overheads recovered	(9,814)	(9,101)	(7,739)
Other expenses not attributable to an activity	1,101	-	1,650
Depreciation and amortisation	1,629	1,626	1,683
Total expenses as per statement of comprehensive revenue and expense	44,881	44,273	38,547

BREAKDOWN OF DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY	Note	Council 30-Jun-19 \$000	Long Term Plan 30-Jun-19 \$000	Council 30-Jun-18 \$000
Governance and Engagement				
Regulatory Services		368	348	212
Environmental Services		-	-	98
River Management		191	91	232
Customer Services - Community Resilience		147	123	126
Corporate Excellence		923	1064	1,015
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	16	1,629	1,626	1,683

Note 2: Revenue

Accounting policy

Revenue is measured at fair value.

Rates revenue: Rates are set annually by a resolution of council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised and brought to account when the rates are payable based on the council's best estimate of what is expected to be collected. Rate penalties arising from late payment are recognised as revenue when rates become overdue. Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy. These transactions are classified as non-exchange transactions.

Fees and charges: Fees and charges are recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services provided. The majority of this type of revenue is exchange transactions.

Grants and subsidies: Grants and subsidies are recognised as revenue when the primary conditions of entitlement have been met. These are non-exchange revenue transactions. Where a transfer is subject to conditions that, if unfulfilled, require the return of transferred resources, council recognises a liability until the condition is fulfilled.

Sales of goods: Revenue from the sale of goods is recognised when a product is sold to a customer.

Interest: Interest income is recognised using the effective interest method.

Other revenue – Dividends: Dividends are recognised when the right to receive payment has been established. Dividend income is recorded at the cash amount received, being net of taxation imputation credits.

Rental revenue: Rental revenue from investment property is recognised in the surplus or deficit on a straight-line basis over the term of the lease.

Funds collected for other organisations: Funds are collected for other organisations, including central government. Any funds held at balance date are included in term and current liabilities. Amounts collected on behalf of third parties are not recognised as revenue, except for the commissions or fees earned.

Vested assets: Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised as revenue. Assets vested in the council are recognised as revenue when the control over the asset is obtained.

Infringement fees and fines: Infringement fees and fines are recognised when the infringement notice is issued.

2(i) Rates remission, penalties, early payment discounts and impairments

Rates revenue is shown net of rates remissions and postponements, early payment discounts and an impairment of \$561,198 (2018: \$377,087) to rates assessed on Māori freehold land in the Far North District (see note 7). Northland Regional Council's rates remission policies allow it to remit approved rates as per the Rates Remission Policies of the Territorial Authorities that collect Northland Regional Council's rates on its behalf. The Whangarei District Council offers a 2% early payment discount if rates are paid in full at the first instalment of 20 August.

2(ii) Breakdown of other revenue

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Rental revenue from investment properties	2,992	2,680	7,167	6,472
Forestry harvest revenue	1,049		1,049	
Dividend revenue – Marsden Maritime Holdings Limited	3,488	3,432	-	-
Total other revenue	7,529	6,112	8,216	6,472

Operating leases as lessor

The future aggregate minimum lease payments to be collected under non-cancellable operating leases at year end are as follows:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Not later than one year	2,787	2,384	4,730	4,145
Later than one year and not later than five years	9,245	8,463	14,369	13,336
Later than five years	10,615	8,779	18,413	16,975
Total non-cancellable operating leases	22,647	19,626	37,512	34,456

Council

Operating leases relate to investment properties owned by Northland Regional Council. The majority (in terms of numbers) of Council's investment portfolio is made up of leasehold properties. These leasehold properties have perpetual lease terms ranging from 5 years to 21 years. The lessee has the option to renew the lease at the completion of each term. All leases contain market review clauses at varying cycles or upon renewal. The lessee does not have a right to purchase the property at the expiry of the lease. Council owns a farm with dwellings. Other rural holdings generate lease and rental revenue, generally having lease or tenancy terms between 12 months and 3 years. Council has two urban residential properties. Council also owns 27 freehold commercial properties, of which two are vacant, one is being redeveloped, and the remaining 24 have lease terms of between one month and 20 years.

Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited leases land and buildings to a variety of customers within close proximity to the port. These non cancellable leases have remaining terms of between one month and 32 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

No contingent rents have been recognised during the year.

2(iii) Breakdown of other gains:

	Note	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Gain on revaluation of investment property	13	1,293	2,622	1,897	2,665
Gain on revaluation of investment property assets held for sale	9	142	-	142	-
Gain on revaluation of forestry assets	18	29	522	29	522
Gain on revaluation of Emission trading scheme - NZU's	17	36	68	36	68
Gain on disposal of investment property assets held for sale		-	147	-	147
Gain on disposal of property, plant and equipment		42	17	42	17
Total non-financial instruments gains		1,542	3,376	2,146	3,419
Gain on revaluation of financial investments		-	-	-	74
Gain on fair value adjustment of financial investments		45	-	45	-
Externally Managed Investment Funds		3,419	3,940	3,419	3,940
Total financial instruments gains		3,464	3,940	3,464	4,014
Total other gains		5,006	7,316	5,610	7,433

The fair value gains on investment property, financial investments and forestry assets arise from the annual revaluation of these investments.

Note 3: Personnel costs

Accounting policy

Personnel costs includes salaries, wages, leave and other employee-earned compensation. Employer contributions to KiwiSaver and the National Provident Fund; Pension National Scheme, and Lump Sum National scheme are accounted for as defined contribution plans and are recognised in the surplus or deficit as incurred.

Breakdown of personnel costs and further information:

	Note	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Salaries and wages		15,389	13,734	18,012	16,175
Employer contributions to defined contribution plans		430	386	475	427
Increase/(decrease) in employee benefit liabilities	20	116	128	93	142
Total personnel costs		15,935	14,248	18,580	16,744

Chief Executive remuneration

The Chief Executive of the Council was appointed in accordance with section 42 of the Local Government Act.

The total remuneration (including any non financial benefits) paid or payable for the year ended 30 June 2019 to the Chief Executive was \$306,614 (2018: \$305,662).

Elected representatives

Elected representatives received the following remuneration:

	Note	Salary 30-Jun-19 \$000	Non-salary 30-Jun-19 \$000	Total Council Remuneration 30-Jun-19 \$000	Total Council Remuneration 30-Jun-18 \$000
Bill Shepherd, Chair*		115	1	116	114
David Sinclair, Deputy Chair		78	2	80	79
Paul Dimery		69	17	86	81
John Bain		69	2	71	70
Joce Yeoman		69	27	96	73
Justin Blaikie		69	14	83	78
Mike Finlayson		69	18	87	85
Penny Smart		69	11	80	80
Rick Stolworthy		69	10	79	80
Total elected representatives' remuneration	4	676	102	778	740

* The Chair has full private use of a council vehicle. The annual value is assessed at \$13,386 in addition to the remuneration in the table above.

With the enactment of the Local Government Act 2002, the Remuneration Authority is responsible for setting the remuneration levels for elected members. The Council monetary remuneration (salary) detail above was determined by the Remuneration Authority. Councillors are able to claim an allowance for mileage, travel time and communications. These allowances are set by the Remuneration Authority and paid to Councillors based on claims approved by the council chairman and chief executive.

Council employee remuneration by band

The annual remuneration by band for council employees as at 30 June 2019 is detailed below. For employees receiving remuneration of \$60,000 or more, they are grouped into \$20,000 bands as presented below. For any \$20,000 bands with five or fewer employees in the band, they are combined upwards with the next banding as stipulated in the Local Government Act 2002.

	Council 30-Jun-19	Council 30-Jun-18
< \$60,000	76	82
\$60,000 - \$79,999	94	90
\$80,000 - \$99,999	30	22
\$100,000 - \$119,999	14	8
\$120,000 - \$179,999	9	8
\$290,000 - \$309,999	1	1
Total employees	224	211

Total remuneration includes any non financial benefits provided to employees.

At 30 June 2019, the Council employed 189(2018: 174) full time employees with the balance of staff representing 17.41(2018: 18.36) full time equivalent employees. A full time employee is determined on the basis of a 37.5 hour working week.

Severance payments

For the year ending 30 June 2019, the Council made 1(2018:nil) severance payment to an employee of \$26,986 (2018:\$0).

Note 4: Other expenses

Accounting Policy

Expenditure is recognised when goods and services have been received.

Grant expenditure: Non-discretionary grants are those grants that are awarded when the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the council has no obligation to award the grant on receipt of the grant application and are recognised as expenditure when the grant conditions have been satisfied.

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

Breakdown of other expenses and further information:

	Note	Council 30-Jun-19 \$000	Long Term Plan 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Fees to external auditors:						
Fees to Deloitte for audit of financial statements		118	118	115	150	139
Fees to Deloitte for other services*		20	20	16	20	16
Fees to OAG for audit of financial statements		12	12	11	14	14
Fees to Deloitte for audit of the Long Term Plan		-	-	76	-	76
Fees to EY for the audit of the Marsden Maritime Holdings Group		-	-	-	72	71
Fees for other services provided by the auditor of Marsden Maritime Holdings Limited**		-	-	-	5	12
Directors'/Councillors' fees and trustee remuneration	3	778	761	740	1,160	1,043
Donations		1,077	999	893	1,080	900
Operating lease payments		30	30	30	185	173
Impairment of receivables	7	602	500	348	672	348
Impairment of loan		820	-	-	820	-
Operating grants to Northland Inc. Limited		1,307	1,247	1,222	-	-
Other payments to Northland Inc. Limited		677	2,385	1,177	-	-
Loss on disposal of investment properties		112	-	42	112	42
Loss on disposal of property, plant and equipment		-	-	-	3	45
Loss on revaluation of investment property assets held for sale	9	-	-	418	-	418
Loss on revaluation of buildings and amenities	16	169		893	34	629
Loss on fair value adjustment of financial investments		-	-	295	167	295
Other operating expenses		20,692	20,027	15,637	25,586	20,146
Total other expenses		26,414	26,099	21,913	30,080	24,367

* The fees paid to Deloitte for other services for the year ending 30 June 2019 are for the provision of an online fraud and corruption awareness training module, a maturity assessment of Cyber governance and for the audit compliance report prepared in respect to council's debenture trust deed.

** The fees for other services provided by the auditor of Marsden Maritime Holdings Limited were for tax advice and management training.

Operating leases as lessee

The future aggregate minimum lease payments payable under non-cancellation operating leases existing at year end are as follows:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Not later than one year	22	30	113	110
Later than one year and not later than five years	-	22	86	148
Later than five years	-	-	-	-
Total non-cancellable operating leases	22	52	199	258

Note 5: Taxation

Accounting policy

The income tax expense includes both current and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses.

Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted by balance date.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity.

Breakdown of taxation and further information:

	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Components of tax expense		
Current tax expense/(credit)	19	19
Tax expense	19	19
Relationship between tax expense and accounting surplus		
Surplus/(deficit) before tax	11,291	10,199
Taxation at 28%	3,162	2,856
Plus (less) tax effect of:		
Non-deductible expenditure	997	925
Recognition of temporary differences	-	5
Imputation dividend receipts	(3,930)	(3,948)
Non-taxable income	(512)	(107)
Tax paid on joint venture company earnings	55	40
Carried forward losses derecognised/(recognised)	247	248
Tax expense/(benefit)	19	19

Council's net income subject to income tax consists of its assessable income net of related expenses derived from the Marsden Maritime Holdings Group, and any other council controlled organisations. All other income currently derived by NRC is exempt from income tax.

A deferred tax asset has not been recognised in relation to tax losses in NRC of \$10,143,588 (2018: \$9,092,329) as council considers it unlikely that the benefit of these losses will be utilised against future taxable income.

As at 30 June 2019 Marsden Maritime Holdings Limited group has taxation losses amounting to \$6,600,901 of which the tax effect is \$1,848,252 (2018 losses \$6,411,291; tax effect \$1,795,162) subject to Inland Revenue Department confirmation. Due to the time frame in which assessable income is anticipated to be available to offset such losses, MMH has determined that it is appropriate to only recognise losses in the financial statements to a level that directly offsets the deferred tax liability.

Note 6: Joint Venture – between Council and KiwiRail (unincorporated)

Council entered into voluntary negotiations with land owners who owned land along the proposed corridor and a total of nine properties have been acquired at a total cost of \$11.3 million between 2007-08 and 2014-15. In accordance with the Joint Venture agreement, while Council has full legal title and full ownership rights to these properties, the accounting treatment must be based on the economic substance of the agreement. The land is deemed to be a jointly controlled asset, therefore, Council and KiwiRail will each recognise a 50 percent share of the land. Council will have a receivable from KiwiRail to account for the remaining 50 percent share of the security interest held in the ownership of the land.

The agreement between Council and KiwiRail requires each organisation to incur expenditure in their own right, but for each entity to recognise a 50 percent share of the combined expenditure, with an expectation that both parties will be reimbursed from the annual contribution and from the proceeds from the sale of the surplus

land acquired. The agreement required each entity to contribute \$500,000 cash per annum to the Joint Venture for the first six years of the agreement. Council funded the purchase of the land; the agreement requires the Joint Venture to reimburse Council for the opportunity cost of capital (interest income) as the first priority.

Consent orders for the resource consents and recommendation to the Minister of Conservation in regard to the Restricted Coastal Activities were issued by the Environment Court on 12 April 2012. The decision on the Restricted Coastal Activities was issued by the Minister of Conservation on 15 May 2012.

Apart from the reclamation which has consent in perpetuity, the disturbance and occupation consents expire 35 years from the date of commencement, which was 30 May 2012, so the expiry date is 29 May 2047. It should be noted, the consents must be "given effect to" by 29 May 2032, otherwise they lapse.

Council will only transfer the rail corridor to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point Rail Link.

As at 30 June 2019, the Joint Venture had no assets and liabilities.

Summarised financial information of the Joint Venture - between Council and KiwiRail

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Recognised in:
--	-------------------------------	-------------------------------	----------------

Revenue and Expense:

Lease revenue for the year (50% share)	127	126	Rental revenue from investment properties - Note 2(ii)
Gain on revaluation of Land and buildings for the year (50%)	29	436	Gain on revaluation of investment property - Note 2(iii)
Opportunity Cost on Council's Life to date expenditure	295	294	Interest revenue - Joint Venture
Council's operating expenditure for the year (50% share)	63	38	Other operating expenditure - Note 4
Opportunity Cost on KiwiRail's Life to date expenditure	101	101	Finance costs

Financial Position:

Balance of Designation and injurious affection land value (50% Share)	1,601	1,601	
Balance of KiwiRail costs to secure designation (50% Share)	1,464	1,464	
Total Balance of Designation Asset Value (50% share)	3,065	3,065	Inventory - Note 8
Capital Improvements for the year made to Land and building along the proposed corridor (50% share)	76	12	Investment property - additions - Note 13
Balance of Residual Land and building along the proposed corridor (50% share)	3,543	3,438	Investment property - Note 13
Balance of Receivable owing from KiwiRail	5,948	5,744	Non current receivables - Note 12

Note 7: Current receivables

Accounting policy

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

A receivable is considered to be uncollectible when there is evidence that the amount due will not be fully collected. The amount that is uncollectible is the difference between the amount due and the present value of the amount expected to be collected.

Prepayments comprise significant items of expenditure having a benefit to more than one accounting period and are written off over the period to which they relate.

Breakdown of receivables and further information

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Rates receivables	3,287	3,312	3,287	3,312
Other receivables	2,257	4,788	2,765	5,811
GST receivable	582	255	707	255
Receivables from subsidiaries and associates	14	13	-	-
Prepayments	308	230	495	373
Gross debtors and other receivables	6,448	8,598	7,254	9,751
Less provision for uncollectibility of receivables	(2,392)	(2,736)	(2,462)	(2,736)
Total current receivables	4,056	5,862	4,792	7,015
Total current receivables comprise:				
Receivables from non-exchange transactions - this includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates	3,296	4,833	3,936	5,224
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	760	1,029	856	1,791
	4,056	5,862	4,792	7,015

Assessment for uncollectibility

There is no concentration of credit risk outside the group, as the group has a large number of customers which spreads the risk.

Due to the historical experience of non-payment of council rates, council can make a reasonable estimate of the amount that will not be paid. The estimated amount of non-collectible Maori freehold land has been deducted from the gross revenue and rates receivable.

The estimated amount of uncollectible Maori Freehold Land rates for 2019 was based on the 2018-19 non collection rate adjusted for the arrears collected in 2018-19 and amounted to \$561,198 (2018: \$377,087). Rates revenue and the rates receivable have been reduced by \$561,198 (2018: \$377,087). Similarly the impairment of receivables expense in Note 4 and the balance of the provision for the impairment on rates receivables in this note have also been reduced by \$561,198 (2018: \$377,087). The overall result is there is no impact on the total comprehensive revenue and expense.

Outstanding rates (other than rates assessed on Maori Freehold Land as detailed above) are usually recognised in full when the rates become payable due to the fact that the value can be measured reliably, it is probable that Council is going to receive payment, and there is not expected to be a significant delay in receipt. Rates revenue is recognised immediately because there are no conditions arising from the transaction.

The overall result is there is no impact on the total comprehensive revenue and expense.

The ageing profile of receivables at year end is detailed below:

	2019			2018		
	Gross \$000	Provision for uncollectibility \$000	Net \$000	Gross \$000	Provision for uncollectibility \$000	Net \$000
Council						
Not past due	3,269	(4)	3,265	5,140	-	5,140
Past due 1-60 days	58	(14)	44	74	-	74
Past due 61-120 days	46	(14)	32	5	-	5
Past due > 120 days	3,075	(2,360)	715	3,379	(2,736)	643
Total	6,448	(2,392)	4,056	8,598	(2,736)	5,862

	2019			2018		
	Gross \$000	Provision for uncollectibility \$000	Net \$000	Gross \$000	Provision for uncollectibility \$000	Net \$000
Group						
Not past due	3,941	(4)	3,937	6,242	-	6,242
Past due 1-60 days	74	(14)	60	100	-	100
Past due 61-120 days	79	(15)	64	30	-	30
Past due > 120 days	3,160	(2,429)	731	3,379	(2,736)	643
Total	7,254	(2,462)	4,792	9,751	(2,736)	7,015

The provision for uncollectibility has been based on a review of specific overdue receivables and a collective assessment. The collective assessment is based on an analysis of past collection history and debt write-offs. Rates receivables have been assessed for uncollectibility based on an analysis of council's historical non collection rate from each district.

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Movements in the provision for uncollectibility of receivables are as follows:				
Balance at 1 July	2,736	2,674	2,736	2,674
Additional provisions made during the year	602	348	672	348

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Receivables written off during the period	(946)	(286)	(946)	(285)
Balance at 30 June	2,392	2,736	2,462	2,736

The Northland Regional Council and Group holds no collateral as security or any other credit enhancements over receivables that are either past due or impaired.

Note 8: Inventory

Accounting policy

Inventories such (as stores and materials) held for distribution or for use in the provision of goods and services that are not supplied on a commercial basis are measured at the lower of cost, or cost adjusted when applicable, for any loss of service potential.

Inventories held for use in the provision of goods and services on a commercial basis are measured at the lower of cost and net realisable value.

The Marsden to Oakleigh rail corridor designation is accounted for at the council's share of the rail corridor component of the acquired land designation costs.

Breakdown of inventory and further information:

	Note	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Stores and materials		116	37	211	78
Marsden to Oakleigh Rail Corridor Designation	6	3,065	3,065	3,065	3,065
		3,181	3,102	3,276	3,143

There has been no write-down of inventory. No inventory is pledged as security for liabilities.

Note 9: Assets held for sale

Accounting policy

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Assets held for sale (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Investment property classified as assets held for sale are recognised at fair value. Any gains/losses on investment property held for sale are recognised in surplus/deficit.

Breakdown of assets held for sale and further information:

	Note	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Balance at 1 July		11,248	19,988	11,248	24,238
Transfers from/(to) investment properties	13	(9,029)	(2,223)	(9,029)	(2,223)
Disposals		-	(6,099)	-	(10,349)
Fair value gains/(loss) on valuation	2(iii)/4	142	(418)	142	(418)
Total assets held for sale		2,361	11,248	2,361	11,248

During the year four properties held for resale were reclassified as Investment properties. Two Investment properties were reclassified and transferred to assets held for resale resulting in a total of four investment property assets held for sale at 30 June 2019. Council investment properties held for sale are valued at Fair Value under PBE IPSAS 16. The valuation was undertaken by Telfer Young Northland Ltd as at 30 June 2019.

Note 10: Derivative financial instruments

Accounting policy

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury management policy, the council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The associated gains or losses of derivatives that are not hedge accounted are recognised in the surplus or deficit.

Cash flow hedge

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance costs".

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly as other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired, or liability assumed, affects the surplus or deficit.

Marsden Maritime Holdings Limited has an indirect exposure to variable interest rate risk via its holding in joint venture company Northport Limited. This entity periodically enters into cashflow hedges to hedge the risk associated with fluctuations in interest rates.

Note 11: Other financial assets

Accounting policy

Financial assets (other than shares in subsidiaries) are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Financial assets at fair value through surplus or deficit

Financial assets are initially recognised at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term profit taking. Derivatives are also categorised as held for trading unless they are designated in a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short term or part of a portfolio classified as held for trading are classified as a current asset unless council intends to hold the funds beyond 12 months.

After initial recognition, financial assets in this category are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus or deficit.

Council's external managed funds are classified in this category as they are evaluated and reported on a quarterly basis against the corresponding statement of investment policy and objectives. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Gains or losses when the asset is impaired or de-recognised are recognised in the surplus or deficit.

At year end the assets are assessed for indicators of impairment. Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation and default into bankruptcy, receivership or liquidation and default in payments are indicators that the asset is impaired.

If assets are impaired, the amount not expected to be collected is recognised in the surplus or deficit.

Financial assets at fair value through other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

This category includes:

- Investments that are intended to be held long term but which may be realised before maturity; and
- Shareholdings that are held for strategic purposes.

After initial recognition, these investments are measured at their fair value, with gains and losses recognised directly in other comprehensive revenue and expense except for impairment losses, which are recognised in the surplus or deficit.

On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

If impairment evidence exists, the cumulative loss recognised in other comprehensive revenue and expense is transferred to the surplus or deficit.

Impairment losses on shares recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of the listed bonds increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Breakdown of other financial assets and further information:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
CURRENT PORTION				
Term deposits, and other securities	2,600	-	2,600	-
Loans to subsidiary	5	9	-	-
Short term investment fund (formerly Working capital investment fund)	6,205	4,030	6,205	4,030
Total current portion	8,810	4,039	8,805	4,030
NON-CURRENT PORTION				
Loans to subsidiary	-	5	-	-
Other loans	3,006	4,275	3,006	4,275
Term deposits, corporate and local government bonds, and other securities	153	8,137	615	8,790
Community Investment Fund	14,347	14,158	14,347	14,158
Property Reinvestment Fund	16,958	18,479	16,958	18,479
Infrastructure Investment Fund	20,211	10,994	20,211	10,994
Total non-current portion	54,675	56,048	55,137	56,696
TOTAL OTHER FINANCIAL ASSETS	63,485	60,087	63,942	60,726

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Term deposits and other securities consist of:				
CURRENT PORTION				
Term deposits held as part of the Community Investment Fund	700	-	700	-
Term deposits held as part of the Property Reinvestment Fund	900	-	900	-

Term deposits and other securities consist of:	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Term deposits held as part of the Infrastructure Investment Fund	1,000	-	1,000	-
Total current portion	2,600	-	2,600	-
NON-CURRENT PORTION				
Term deposits	-	8000	-	8,000
Local Government Funding Agency Borrower Notes	153	137	153	137
Fonterra Co-operative Group Limited - shares	-	-	462	653
Total non-current portion	153	8,137	615	8,790
Total Term deposits and other securities	2,753	8,137	3,215	8,790

Fair value

The carrying amount of term deposits approximates their fair value.

The fair values of council's total loans to Northland Inc. Limited is not materially different to their carrying values, as market rates of interest are charged to NIL.

Funds of \$3,750,000 were advanced to Northland Emergency Services Trust (NEST) on 8 May 2018 to assist with the purchase of a helicopter. The NEST Loan is secured over the newly purchased helicopter by way of a General Security Deed and has an applicable fixed interest rate of 4.77% pa. A lump sum repayment of \$548,786 was received from NEST during the 2018-19 year. The carrying amount of the NEST loan is \$3,006,470 (2018: \$3,454,982) reflecting a non-cash fair value adjustment of \$194,744 (2018: \$295,018) to account for the fact the interest rate is below an assessed market interest rate of 6.5%. The fair value adjustment of \$194,744 will be unwound through profit and loss over the term of the loan.

Impairment

During the year, other loans have been impaired by \$819,932 (2018:nil) due to Resources Enterprises Limited (REL) defaulting in interest payments and not trading since May 2017 as a result of the negative impact of changing industry conditions. The Council holds a second mortgage as collateral for the impaired other loan. Council is taking steps to protect its investment through a variety of channels including the possibility of pursuing 2 guarantors of the loan. Recognising this impairment does not discharge REL's liability to fully repay their loan.

Fonterra Cooperative Group Limited Shares

As at 30 June 2019, Marsden Maritime Holdings Limited and its Group held 119,935 co-operative shares in Fonterra Co-operative Group Ltd having a disclosed fair value of \$3.85 per share (2018: total holding of 119,935 shares at an average of \$5.44 per share), recognising a total fair value decrease for the year of \$190,697 (2018: fair value increase \$67,164).

Externally managed investment funds

Eriksen and Associates Limited are appointed as council's investment advisors for four externally managed investment funds, providing independent overarching investment guidance for these funds. Council's externally managed funds are classified as financial assets at fair value through surplus or deficit as Eriksen and Associates Limited evaluate and report the performance of each fund on a fair value basis (monthly) in accordance with the respective Statement of Investment Policy and Objectives. This designation is consistent with the investment strategy in council's finance strategy, as all the managed funds are managed prudently against their SIPOs with a view to prudently maximising and managing returns over the long term within a diverse portfolio that preserves

and maintains the capital value of each fund. All council's externally managed funds except the Short Term Investment Fund are presented as non-current as council does not expect to dispose of them within 12 months of the balance date.

The fair value and carrying value of each fund is calculated using the net market values based upon the listed market values at Balance Date adjusted for any realisation expenses.

At year end, Council had uncalled committed capital relating to its investment in private equity fund managers of \$2,168,913.

Externally managed investment fund performance (12 month return to 30 June 2019, net of fees)	Council and Consolidated 30-Jun-19	Council and Consolidated 30-Jun-18
Community investment fund	6.30%	9.20%
Property reinvestment fund	7.00%	10.00%
Infrastructure investment fund	6.70%	7.00%
Short term investment fund (formerly working capital fund)	5.50%	8.50%
Weighted average interest rates		
Term deposits	4.32%	6.27%
Other securities	4.29%	4.37%

Note 12: Non-current receivables

Breakdown of non-current receivables and further information:

	Note	Council and Consolidated 30-Jun-19 \$000	Council and Consolidated 30-Jun-18 \$000
Non-current Receivables	6	5,948	5,744

Council's non-current receivables relate to the outstanding amount owed to council by KiwiRail relating to the NRC/KiwiRail Unincorporated Joint Venture. (Refer to Note 6 for further information on the joint venture between Council and KiwiRail).

There is no impairment provision for non current receivables.

Note 13: Investment property

Accounting policy

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives rather than to earn rentals or for capital appreciation.

Investment property is measured initially at its cost, including transaction costs.

After initial recognition, all investment property is measured at fair value at balance date. Fair Value is the price at which a property could be exchanged by knowledgeable and willing parties in an arm's length transaction. Fair Value is determined annually by the valuation undertaken by independent valuers that hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment properties being valued. Values for investment properties valued under PBE IPSAS 16 have been assessed primarily on a market related basis where sufficient data is available. For commercial properties, rentals, investment return rates and land improvement levels have been related directly to a wide range of Northland sales evidence, while for rural blocks direct sales analysis has been used.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Breakdown of investment property and further information:

	Note	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Balance at 1 July		41,100	28,957	107,997	95,242
Additions		3,697	9,401	11,944	9,889
Disposals and Divested assets		(1,463)	(1,203)	(1,463)	(1,203)
Transfers from/(to) assets held for sale	9	9,029	2,223	9,029	2,223
Transfers from/(to) property plant and equipment - freehold	16	85	(215)	205	(215)
land Transfers from/(to) property plant and equipment - buildings	16	70	(685)	70	(685)
Transfers from/(to) infrastructure assets	16	(550)	-	(550)	-
Movement in lease incentives				1	81
Fair value gains/(losses) on valuation	2(iii)	1,293	2,622	1,897	2,665
Balance at 30 June		53,261	41,100	129,130	107,997

Investment properties valuation - Council

The annual valuation of council's investment properties was performed by Telfer Young (Northland) Limited. The valuation is effective as at 30 June 2019.

Council's investment properties are valued at fair value comprising of ground leases of \$24,165,000 (2018: \$20,202,000), freehold investment properties (land and buildings) of \$25,555,000 (2018: \$17,460,000) and properties purchased along the proposed Marsden Point Rail corridor of \$3,543,000 (2018: \$3,438,000).

The fair value of council's investment property has been determined in accordance with PBE IPSAS 16 using the income capitalisation method for freehold properties, the discounted cashflow method for leasehold properties, and the market based comparison approach for two properties in the vicinity of the Kotuku Street Retention Dam and the properties along the proposed Oakleigh to Marsden point rail link route. These methods are based upon assumptions including capitalisation rates, future ground lease rental rates, future land value, and an appropriate discount rate.

Capitalisation rate range 5.57% to 10.16% (2018: 4.93% to 9.87%)

Future market rents

+5.60% for five- yearly ground lease rent reviews (2018: 5.60%)

+5.85% for seven- yearly ground lease rent reviews (2018: 5.85%)

+7.15% for 21-yearly ground lease rent reviews (2018: 7.15%)

Annual inflation on land values: 1.75% (2018: 1.5%)

Discount rate: 8.25% (2018: 8.50%)

Marsden Maritime Holdings Limited

Fair value has been determined based on valuations performed as at 30 June 2019 by Seagar & Partners, industry specialists in valuing these types of assets.

Fair Value has been determined by using the discounted cash-flows method, income capitalisation method, and market based comparison approach for freehold properties, and the discounted cash-flows method for the Marsden Cove marina and commercial complex.

These methods are based upon assumptions including lease values, years to full tenancy, appropriate discount rate, capitalisation rates, exit yields, berth license sell down periods and annual rental cash flows.

Land available for lease range*: \$80-\$115 per square metre (2018: \$80-\$115 per square metre)

Discount rate range: 9.0% - 10.25% (2018: 9.0% - 10.5%)

Capitalisation rate: 7.50% (2018: 7.25%)

Exit yield range: 7.25% - 7.75% (2018: 7.25% - 7.75%)

Berth licence sell down period: 8 years (2018: 10 years)

Annual Rental cash flow: \$288,000- \$344,000 (2018: \$283,000- \$341,000)

* excludes undeveloped land and land designated for a transport corridor which has a value of \$35 to \$110 per m² (2018: \$35 to \$110 per m²)

With the exception of a portion of land designated for a transport corridor, the Group has no restrictions on the realisability of its investment property.

Capital Commitments

	Council and Consolidated 30-Jun-19 \$000	Council and Consolidated 30-Jun-18 \$000
Investment Property	1,567	-
Total Investment property capital commitments	1,567	-

Note 14: Earn out - Northport Coolstores Limited

	Note	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Opening balance		155	239
Earn out payment received		(179)	(225)
Fair value adjustment		24	141
		-	155
Current portion - due within next 12 months		-	155
Non-current portion - due past next 12 months		-	-
		-	155

Note 15(i): Investments in subsidiary (excluding CCOs) and joint venture company

Accounting policy

Northland Regional Council consolidates as subsidiaries in the group financial statements all entities over which the council may direct the governance policies so as to obtain benefits from the activities of the entity. This power generally exists where Northland Regional Council has an interest of 50% or more of council-controlled organisations or more than one-half of the voting rights on the governing body.

The investment in subsidiaries is carried at cost in the council's parent entity financial statements.

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The group recognises its investment in its jointly controlled entity (NorthPort Limited) using the equity method. Under the equity method, the investment in a jointly controlled entity is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the jointly controlled entity after the date of acquisition. The group's share of the surplus or deficit of the jointly controlled entity is recognised in the surplus or deficit. Investments in jointly controlled entities are carried at cost in council's parent entity financial statements.

For jointly controlled assets (Council-KiwiRail Unincorporated Joint Venture), the council recognises in its financial statements its share of jointly controlled assets, the liabilities and expenses it incurs, its shares of liabilities and expenses incurred jointly, and revenue from the sale or use of its share of the output of the joint venture.

Breakdown of investments in subsidiary (excluding CCOs) and joint venture company:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Investment in joint venture company	-	-	46,719	47,050
Shares in Marsden Maritime Holdings Limited (22.14 million shares)	7,828	7,828	-	-
Total investments in subsidiaries (excluding CCOs) and joint venture company	7,828	7,828	46,719	47,050

Council - Investment in Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited is a listed company. The fair value of these shares, as per the market price at 30 June 2019 is \$5.30 per share (2018: \$5.25 per share). The shares are held at historical cost of \$0.35 cents per share. Council shareholding in Marsden Maritime Holdings Limited is 53.61%.

Marsden Maritime Holdings Limited - Investment in Northport Limited

Marsden Maritime Holdings Limited has a 50% shareholding in the port at Marsden Point which trades as Northport Limited (2018: 50%), with Port of Tauranga Limited holding the remaining 50%.

Summarised financial information of the joint venture company, Northport Limited, is presented below:

	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Current assets	4,766	4,644
Non-current assets	131,515	132,243

	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Current liabilities	5,461	38,400
Non-current liabilities	34,692	1,672
Net assets	96,128	96,815
Group share of net assets (50%)	48,064	48,408
Other consolidation adjustments	(1,345)	(1,358)
Total Investment in joint venture company	46,719	47,050
Opening carrying value	47,050	46,061
Share of after tax surplus	9,008	9,232
Dividends paid	(9,190)	(9,333)
Share of land revaluation movement	160	1,161
Share of hedge reserve movement	(309)	(71)
Closing carrying value	46,719	47,050
Revenue	42,622	42,195
Net surplus	17,990	18,381
Current period write back in respect of previous inter-entity asset sales	13	42
Total share of joint venture company net surplus (50%)	9,008	9,232

Joint venture commitments and contingencies

Details of any commitments and contingent liabilities arising from the Group's involvement in associated companies are disclosed separately in Notes 16 and 23.

Note 15(ii): Investments in council-controlled organisations

Accounting policy

The council's associate investment is accounted for in the group financial statements using the equity method. An associate is an entity over which the council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the group financial statements is increased or decreased to recognise the group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the group will resume recognising its share of the surpluses only after its share of the surpluses equals the share of deficits not recognised.

When the group transacts with associate, surpluses or deficits are eliminated to the extent of the group's interest in the associate.

Dilution gains or losses arising from investments in associates are recognised in the surplus or deficit.

The investment in the associate is carried at cost in the council's parent entity financial statement.

Breakdown of investments in council-controlled organisations and further information:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Investment in Northland Inc. Limited (subsidiary)	0.20	0.20	-	-
Investment in Regional Software Holdings Limited (associate)	863	863	871	872
Total investments in council controlled organisations	863	863	871	872

Northland Inc. Limited

Northland Inc. Limited is a Limited Company incorporated and registered under the Companies Act 1993 and is a council controlled organisation as defined in section 6 of the Local Government Act. Northland Inc. Limited is a subsidiary of council with a primary objective to develop the economy of Northland and review funding opportunities for the Investment and Growth Reserve. Council's investment in Northland Inc. Limited is carried at cost of \$200 in the council's parent entity financial statements.

Regional Software Holdings Limited

Regional Software Holdings Limited ("RSHL") is a Limited Company incorporated and registered under the Companies Act 1993 and is a council controlled organisation as defined in section 6 of the Local Government Act. RSHL was established on 1 January 2013 with a primary objective to provide a framework for collaboration between the shareholders and support the procurement or development of shared software resource products and services in a manner that provides a more cost effective alternative than individual councils can achieve on their own. Council has a 16.75% shareholding.

Summarised financial information of Regional Software Holdings Ltd presented on a gross basis:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000
Assets	5,551	5,371
Liabilities	353	166
Revenue	1,480	1,229
Surplus/(deficit) for the year	(6)	(103)
Share capital	5,149	5,149
Council's interest	16.75%	16.75%
Council's investment in Regional Software Holdings Limited in council parent financial statements	863	862

Regional Software Holdings Limited is an associate of council as the council's CEO is on the Board of directors of Regional Software Holdings Limited and as such it is considered that council has significant influence over the operating and financial policies of Regional Software Holdings Limited. For the year ended 30 June 2019 Regional Software Holdings Limited had a deficit of \$6,351 (2018: \$102,588 deficit), and council recognised its 16.75% shareholding being a deficit of \$1,064 (2018: \$17,183 deficit) on consolidation.

The total share of associates and Joint Venture company surplus in comprehensive revenue and expense is \$9,007,040 (2018: \$9,214,660) being council's share of the Regional Software Holdings Limited deficit \$1,064 (2018: \$17,183) Note 15(ii), and Marsden Maritime Holdings Limited share of surplus in their joint venture company, Northport Limited, \$9,008,104 (2018: \$9,231,843) Note 15(i).

Note 16: Property, plant and equipment

Accounting policy

Property, plant and equipment consists of:

Operational assets – these include land, buildings, plant and equipment, vehicles and vessels.

Infrastructure assets – infrastructure assets are the assets that comprise the Awanui River flood management system and other river management schemes as they are developed, including stopbanks and floodgates.

Buildings and infrastructure assets are measured at fair value less accumulated depreciation. Forest land subject to the Emissions Trading Scheme is the land under the forestry asset and is valued at historical cost. All other land is measured at fair value.

All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation: Owner occupied freehold land and buildings and infrastructure assets are re-valued with sufficient regularity to ensure that their carrying value does not differ materially from fair value and at least every three years.

Net revaluation results: Net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be first recognised in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Additions: The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Capital projects in progress are recognised at cost less impairment and are not depreciated.

In most instances an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for nominal cost, it is recognised at fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the council and group and the cost of the item can be measured reliably. The costs of day to day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposals: Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported in the surplus or deficit. When re-valued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

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

- Buildings	5-50 years 1-20%
- Plant, equipment, vehicles and vessels	2-100 years 1-50%
- Infrastructure assets	20-190 years 0.5-5%

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

Infrastructural assets components include gates, pipes, outlets and stopbanks. Depreciation is not provided for on stopbank components of the infrastructure assets. An asset management plan has been prepared for these schemes.

Impairment of property, plant and equipment: Property, plant and equipment that have a finite useful life are reviewed for indicators of impairment at each balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount the total impairment is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Value in use for non cash generating assets: Non cash generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash generating assets: Cash generating assets are those assets that are held with the primary objective of generating a commercial return. The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Movements in the carrying value for each class of property, plant and equipment are as follows:

COUNCIL	Freehold Land \$000	Forestry Land \$000	Buildings \$000	Infrastructure \$000	Plant, equipment, vehicles and vessels \$000	TOTAL \$000	Capital work in progress \$000
Year ended 30 June 2018							
Opening net book value	1,955	707	4,920	21,906	4,610	34,098	228
Additions	-	-	548	213	1,255	2,016	191
Disposals* and divested assets	-	-	-	-	(15)	(15)	-
Transfer between asset classes	215	-	685	-	-	900	(73)
Revaluation movement	(5)	-	(893)	-	-	(898)	-
Transfer to operations	-	-	-	-	-	-	(140)
Depreciation expense	-	-	(105)	(200)	(1,166)	(1,471)	-
Closing net book value	2,165	707	5,155	21,919	4,684	34,630	206
At 30 June 2018							
Assets at cost/valuation	2,165	707	5,155	22,119	12,430	42,576	206
Accumulated depreciation	-	-	-	(200)	(7,746)	(7,946)	-
Net book value	2,165	707	5,155	21,919	4,684	34,630	206
Year ended 30 June 2019							
Opening net book value	2,165	707	5,155	21,919	4,684	34,630	206
Additions	-	-	339	1,030	1,629	2,998	190
Disposals* and divested assets	-	-	-	(30)	(98)	(128)	-
Transfer between asset classes	(85)	-	(70)	550	-	395	(88)
Revaluation movement	10	-	(169)	-	-	(159)	-
Depreciation expense	-	-	(105)	(163)	(1,247)	(1,515)	-
Closing net book value	2,090	707	5,150	23,306	4,968	36,221	308
At 30 June 2019							
Assets at cost/valuation	2,090	707	5,150	23,669	13,312	44,928	308
Accumulated depreciation	-	-	-	(363)	(8,344)	(8,707)	-
Net book value	2,090	707	5,150	23,306	4,968	36,221	308

Depreciation and amortisation expense		Council 30-Jun-19	Council 30-Jun-18
Property, plant and equipment		1,515	1,471
Intangibles	Note 17	114	212
Total		1,629	1,683

** disposals are reported net after accumulated depreciation*

CONSOLIDATED	Freehold Land \$000	Forestry Land \$000	Freehold Land - Port \$000	Buildings and amenities \$000	Infrastructure \$000	Plant, equipment, vehicles and vessels \$000	TOTAL \$000	Work in progress \$000
Year ended 30 June 2018								
Opening net book value	1,955	707	17,400	6,760	21,907	5,255	53,984	4,307
Additions	-	-	666	2,185	213	1,814	4,878	264
Disposals* and divested assets	-	-	-	-	-	(42)	(42)	-
Transfer between asset classes	215	-	620	3,299	-	832	4,966	(4,140)
Revaluation movement	(5)	-	634	(788)	-	-	(159)	-
Transfer to operations	-	-	-	-	-	-	-	(140)
Depreciation expense	-	-	-	(265)	(200)	(1,363)	(1,829)	-
Closing net book value	2,165	707	19,320	11,191	21,919	6,496	61,798	291
At 30 June 2018								
Assets at cost/valuation	2,165	707	19,320	11,289	22,120	14,877	70,478	291
Accumulated depreciation	-	-	-	(98)	(201)	(8,381)	(8,680)	-
Net book value	2,165	707	19,320	11,191	21,919	6,496	61,798	291
Year ended 30 June 2019								
Opening net book value	2,165	707	19,320	11,191	21,919	6,496	61,798	291
Additions	-	-	515	1,613	1,030	1,995	5,153	396
Disposals* and divested assets	-	-	-	-	(30)	(102)	(132)	-
Transfer between asset classes	(85)	-	18	(68)	550	(79)	336	(149)
Revaluation movement	10	-	370	(34)	-	-	346	-
Transfer to operations	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	(334)	(163)	(1,473)	(1,970)	-
Closing net book value	2,090	707	20,223	12,368	23,306	6,837	65,531	538
At 30 June 2019								
Assets at cost/valuation	2,090	707	20,223	12,695	23,669	16,041	75,425	538
Accumulated depreciation	-	-	-	(327)	(363)	(9,204)	(9,894)	-
Net book value	2,090	707	20,223	12,368	23,306	6,837	65,531	538

Depreciation and amortisation expense		Consolidated 30-Jun-19	Consolidated 30-Jun-18
Property, plant and equipment		1,970	1,829
Intangibles	Note 17	114	212
Total		2,084	2,041

** disposals are reported net after accumulated depreciation*

Valuation of freehold land and buildings

The most recent valuation of council's freehold land and buildings was performed by Telfer Young (Northland) Limited, and is effective as at 30 June 2019.

During the year, one freehold property was transferred to council's investment property portfolio.

Council's land and buildings are valued at fair value of \$7,420,000 (2018: \$7,320,000) using a market-based approach based on a highest and best use approach, whereby the potential market rentals are capitalised to derive a market value of the property. Significant assumptions in the 30 June 2019 valuations include market rentals and capitalisation rates.

- Market rents range from: \$122 to \$191 per square metre.
- Capitalisation rates are market based rates of returns, ranging from 7.23% to 11.65%.

If council's freehold land and buildings were measured at depreciated replacement cost, the carrying amount would be \$7,420,000 (2018: \$7,425,000). Council has no restrictions on the realisability of its freehold land and buildings.

Valuation of Freehold Land and Buildings - Marsden Maritime Holdings Limited

The most recent valuation of Marsden Maritime Holding Limited's freehold land was performed by independent registered valuers, Seagar & Partners, and is effective as at 30 June 2019.

Marsden Maritime Holdings Limited freehold land is valued at fair value of \$20,222,933 (2018: \$19,320,000) using a market comparison method based on a highest and best use approach considering various market outcomes for land in the Marsden Point area, together with limited, recent sales evidence for the area. Significant assumptions in the 30 June 2019 valuations include estimated prices per hectare of freehold land in the Marsden Point area.

- Price per hectare: \$100,000 to \$205,000

If Marsden Maritime Holdings Limited's freehold land and buildings were measured at depreciated replacement cost the carrying amount would be \$7,111,246 (2018: \$6,577,901).

With exception of a portion of land designated for a transport corridor, Marsden Maritime Holdings Limited has no restrictions on the realisability of its freehold land.

Valuation of Buildings - Marsden Maritime Holdings Limited

The most recent valuation of Marsden Maritime Holdings Limited's buildings was performed by independent registered valuers Telfer Young (Northland) Ltd and is effective as at 30 June 2019.

Marsden Maritime Holdings Limited buildings are valued at fair value of \$2,010,000 (2018: \$1,910,000). As there is no general market to assist in determining the market value of the buildings, the optimised depreciated replacement cost approach methodology was used to establish the cost to replace the buildings having regard to current costings, and then an allowance for depreciation was deducted.

Valuation of Infrastructural assets - Council

The most recent valuation of council's infrastructural assets was performed by independent registered valuers Aon Valuation Services. The valuation is effective as at 30 June 2017.

Flood protection assets are valued using the depreciated replacement cost (DRC) method. In using the DRC methodology, age, condition, remaining life, optimisation and modern equivalent replacement cost information were collated on individual elements of the flood protection assets (i.e. stopbanks, floodgate, spillway, retaining wall, culverts and bridge). Replacement costs were derived from recent contract prices or in-house databases before assigning modern equivalent replacement costs and assessing values.

In determining the fair value of associated infrastructure land, the "Across the Fence" approach was adopted where land either side of the infrastructure asset is considered with an allowance for the restrictive uses of the land. All land is valued as unimproved assuming the land is in a bare state without the benefit/detriment of infrastructure. Sales of vacant land in the area was considered and adjusted to reflect an unimproved state.

The remaining life of elements is based on a standard expected economic life for each element type with adjustments dependent on age and condition for each individual element, which may vary from one asset to another.

For the purpose of this valuation, the assets have been classed as being fully optimised and no discount has been applied to account for any spare capacity.

Flood protection assets were assessed for impairment by Fenwick Contracting, and staff inspections, and no impairment losses have been recognised during the year. Aon Valuation Services undertook a desk top review of relevant markets to assess if there has been any material change in NRC's flood protection assets portfolio between 2017 and 2019, and no material adjustment was recognised during the year.

Core infrastructure disclosure

Included within the Council infrastructure assets are the following core council assets:

	Whangarei		Awanui		Kaeo		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Closing book value	9,778	9,842	12,659	11,205	869	873	23,306	21,919
Acquisitions made by way of:								
Construction	-	-	1,030	213	-	-	1,030	213
Transfers	-	-	550	-	-	-	550	-
Total Acquisitions	-	-	1,580	213	-	-	1,530	213
Estimated replacement cost	6,597	6,597	16,426	14,846	913	913	23,936	22,357

Capital Commitments

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Property plant and equipment	380	181	380	560
Total capital commitments	380	181	380	560

Capital Commitments represent capital expenditure contracted for at year end but not yet incurred.

Note 17: Intangible assets

Accounting policy

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs associated with development and maintenance of the councils website are recognised as an expense when incurred.

Carbon Credits

Compensation units received at no cost from the Crown are recognised at fair value at the date of receipt. The credits are recognised when they have been received and are recognised in the surplus.

New Zealand Units are revalued annually and the net revaluation result is credited or debited to the surplus or deficit.

Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount of the NZU. Gains and losses on disposals are reported in the surplus or deficit.

If at the end of any financial year there has been some deforestation (such as harvesting) that is yet to be replanted, a contingent liability will be disclosed until such time as replanting has occurred. Council's Forest Management Plan prescribes that replanting will always take place subsequent to any harvest

Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually. The cost of an easement is capitalised as part of the asset to which they relate.

Amortisation

Intangible assets that have an indefinite useful life, or are not yet available for use are not subject to amortisation and are tested annually for impairment

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit

The useful lives and associated amortisation rates for major classes of intangible assets have been estimated as follows:

Computer software 3-5 years 20-33%

Breakdown of intangible assets and further information:

	Note	Council and Consolidated 30-Jun-19 \$000	Council and Consolidated 30-Jun-18 \$000
Computer software			
Cost - opening balance		3,638	3,485
Accumulated amortisation		(3,406)	(3,194)
Computer software opening carrying amount		232	291
Additions		120	153
Net disposals*		-	-
Amortisation charge		(114)	(212)
Total computer software closing balance		238	232
Cost		3,758	3,638
Accumulated amortisation		(3,520)	(3,406)
Total computer software closing balance		238	232
Emission Trading Scheme - New Zealand Units (NZU's)			
Opening balance		368	300
Gain/(loss) on revaluation of Emission Trading Scheme - NZU's	2(iii)	36	68
Total Emission Trading Scheme - NZU's - Closing Balance		404	368
Total Intangible Assets		642	600

* Disposals are reported net after accumulated depreciation. There are no restrictions over the title of intangible assets and no intangible assets are pledged as security for liabilities.

There are no restrictions over the title of intangible assets and no Intangible assets are pledged as security for liabilities.

Emission Trading Scheme - New Zealand Units (NZU's)

The Council has 291 hectares of pre 1990 forest land. This land is subject to the provisions of the New Zealand emissions trading scheme (ETS). Council will recognise credits received at fair value at balance date. At the end of the financial year council held 17,460 NZ units (2018: 17,460) at \$23.15 per unit (2018: \$21.10 per unit) with a total market value of \$404,199 (2018: \$368,406).

Carbon credits have been assessed as having an indefinite life because they have no expiry date and will continue to have economic benefit for as long as the Emissions Trading Scheme is in place.

Capital Commitments

	Council and Consolidated 30-Jun-19 \$000	Council and Consolidated 30-Jun-18 \$000
Intangible assets	-	5
Total intangible capital commitments	-	5

Note 18: Forestry assets

Accounting policy

Forestry assets are independently revalued, annually, at fair value less estimated point of sale costs.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point of sale costs, and from a change in fair value less estimated point of sale costs, are recognised in the surplus or deficit.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

Breakdown of forestry assets and further information:

	Note	Council and Consolidated 30-Jun-19 \$000	Council and Consolidated 30-Jun-18 \$000
Balance at 1 July		3,235	2,713
Decrease due to harvest		(646)	-
Gains arising from changes in fair values less estimated point-of-sale costs		675	522
Balance at 30 June		3,264	3,235

Northland Regional Council owns 295 hectares (2018: 318 hectares) of radiata pine forest which are at varying stages of maturity, ranging from 2 to 24 years. Since last year some harvesting has been undertaken, thus the valuation area has decreased by 23 hectares.

Valuation assumptions

Independent registered forestry industry consultants, Jenksmax Consulting Ltd, have valued forestry assets at fair value less estimated selling costs as at 30 June 2019.

In 2019 (and 2018) Jenksmax Consulting Limited derived the fair value of the forest using an expectation value method. Under the expectation value approach, the net present value of the forest is calculated by discounting the projected future net cash flow of the tree crop to the valuation date (30 June 2019). The calculated net present value is linked to sales evidence through the application of a discount rate of 8.0% (2018: 9.0%) derived with consideration to discount rate surveys, reporting rates from NZ forest growers and recent transactions. In applying this approach PBE IPSAS 27 requires exclusion of financing, funding and costs related to subsequent crops. Costs and prices are held constant in 2019 NZ dollars, i.e. the net impact of inflation is assumed to be zero.

Note 19: Payables and deferred revenue

Breakdown of payables and deferred revenue and further information:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
CURRENT PORTION				
Payables and deferred revenue under exchange transactions				
Payables and accruals	3,160	2,594	4,825	3,439
Revenue received in advance	543	527	543	527
Amounts due to subsidiaries and associates	45	149	-	7
	3,748	3,270	5,368	3,973
Payables and deferred revenue under non-exchange transactions				
Grants payable	206	156	206	156
Other grants and deferred revenue received subject to conditions not yet met	854	827	1,868	1,750
Other taxes (e.g. GST and FBT)	192	200	184	206
	1,252	1,183	2,258	2,112
Current total payables and deferred revenue	5,000	4,453	7,626	6,085
NON-CURRENT PORTION				
Payables and deferred revenue under non-exchange transactions				
Other grants received and deferred revenue subject to conditions not yet met	510	653	1,312	1,462
Non-current total payables and deferred revenue	510	653	1,312	1,462

Trade and other payables are non-interest bearing and are normally settled on terms varying between 7 days and 20th of the month following the invoice date. Therefore, the carrying value of trade and other payables approximates their fair value.

Note 20: Employee entitlements

Accounting policy

Short-term employee entitlements

Employee benefits that are expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months, and sick leave.

Council recognises a liability for sick leave to the extent that absences in the coming year are anticipated to be taken. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that council anticipates it will be used by staff to cover those future absences.

Council recognises a liability and an expense for bonuses where contractually obliged, or where there is a past practise that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the year in which the employee provides the related service, such as retirement have been calculated on an actuarial basis. The calculations are based on the present value of the estimated future cash flows.

Presentation of employee entitlements

Retirement gratuities for employees up to the age of 60 are classified as a non-current liability. All other employee entitlements are classified as a current liability.

Breakdown of employee entitlements and further information:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Annual leave	1,288	1,240	1,323	1,292
Accrued salaries and wages	295	263	320	294
Other leave	299	263	299	263
	1,882	1,766	1,942	1,849
Represented by:				
Current benefit liabilities	1,866	1,751	1,926	1,834
Non-current benefit liabilities	16	15	16	15
	1,882	1,766	1,942	1,849

Note 21: Borrowings

Accounting policy

Borrowings on normal commercial terms are initially recognised at their fair value plus any transaction costs.

Borrowing costs are recognised as an expense in the period in which they are incurred.

After initial recognition, borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the council or group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Breakdown of borrowings and further information:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Non-current				
Debentures	10,000	10,000	10,000	10,000
Local Government Funding Agency - Bond Issuance	9,558	8,542	9,558	8,542
Secured Loans	-	-	12,150	6,050
Total non-current borrowings	19,558	18,542	31,708	24,592

Council

As at 30 June 2019 Council has 1 debenture (2018: 1) of \$10,000,000 (2018: \$10,000,000) issued under a debenture trust deed, being a fixed rate note at a fixed annual interest rate of 3.79%, maturing on 13 August 2020. Also at 30 June 2019, Council has four bond issuances (2018: 3) with the Local Government Funding Agency. The first being a \$2,800,000 fixed coupon bond issued at a fixed annual interest rate of 4.86%, maturing on 13 August 2032. The second a \$3,811,000 fixed coupon bond issued at a fixed annual interest rate of 4.77%, maturing on 14 February 2033. The third a \$1,931,000 fixed coupon bond issued at a fixed annual interest rate of 4.72%, maturing on 14 February 2033 and the fourth a \$1,016,000 fixed coupon bond issued during the year at a fixed annual interest rate of 4.0%, maturing on 14 February 2033. Council secures its fixed coupon bonds and its fixed rate note by granting a security interest in its rates revenue. Rates revenue is set and assessed under the Local Government Rating Act 2002.

The total fair value of council's debentures and bond issuances at 30 June 2019 is \$22,334,521 (2018: \$19,816,809).

Marsden Maritime Holdings Limited

As at 30 June 2019 Marsden Maritime Holdings Limited has a secured loan facility of \$20,000,000 (2018: 10,000,000) with \$12,150,000 (2018: \$6,050,000) being drawn down. The facility maturity dates range from 31 August 2021 to 31 March 2022.

The loan facility is able to be drawn down on request subject to the company being in compliance with undertakings in respect of the facility. Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the year ranged from 2.58% to 3.55% (2018: 2.93% to 3.55%).

The loan facility is secured by a first ranking mortgage over all of Marsden Maritime Holdings Ltd's property interests.

Note 22: Equity

Accounting policy

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

- Accumulated funds
- Reserves
 - Asset revaluation reserve;
 - Fair value through other comprehensive revenue and expense reserve;
 - Hedging reserve;
 - Special reserves.

Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by the council.

The Asset revaluation reserve relates to the revaluation of property, plant and equipment to fair value.

The fair value through other comprehensive revenue and expense reserve comprises the cumulative net change in fair value of assets classified as fair value through other comprehensive revenue and expense.

Hedging reserve comprises the effective portion of the cumulative net change in fair value of derivatives designated as cash flows hedges.

Special reserves include reserves established by the council (and may be altered at the discretion of council) to isolate funds put aside for a specific purpose, and other reserves restricted by law and reflect targeted rates that must be applied to the specific activities for which the rates were collected.

Breakdown of equity and further information:

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Accumulated funds				
As at 1 July	123,540	121,315	154,703	150,862
Surplus/(deficit) for year	4,975	4,006	6,640	5,622
Net transfers from/(to) special reserves	(8,301)	(1,781)	(8,301)	(1,781)
As at 30 June	120,214	123,540	153,042	154,703

Reserves	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Asset revaluation reserve				
As at 1 July	3,963	3,968	37,447	36,575
Revaluation gains/(losses) – buildings and amenities	-	-	-	(85)
Revaluation gains/(losses) – land	10	(5)	294	957
Revaluation gains/(losses) – infrastructure assets	-	-	-	-
As at 30 June	3,973	3,963	37,741	37,447
Asset revaluation reserve attributable to:				
Land	1,000	990	34,768	34,474
Buildings and amenities	-	-	-	-
Infrastructure assets	2,973	2,973	2,973	2,973
Total Asset revaluation reserve	3,973	3,963	37,741	37,447
Special reserves				
As at 1 July	22,586	20,805	22,586	20,805
Transfers from/(to) accumulated funds	8,301	1,781	8,301	1,781
As at 30 June	30,887	22,586	30,887	22,586
Cashflow hedge reserve				
As at 1 July	-	-	(325)	(287)
Fair value gains/(losses) recognised	-	-	(165)	(38)
As at 30 June	-	-	(490)	(325)
Total Reserves	34,860	26,549	68,138	59,708
Non-controlling interest	-	-	65,004	63,286
Total Equity	155,074	150,089	286,184	277,697
Non-controlling interest				
Balance at 1 July			63,286	60,972

Reserves	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Share of total comprehensive revenue and expense attributable to the non controlling interest in Marsden Maritime Holdings Limited			4,735	5,284
Dividends paid			(3,017)	(2,970)
Balance at 30 June			65,004	63,286

Information about reserve funds held for a specific purpose is provided below:

Note 22 continued	Activities to which the reserve relates	Balance at 30 June 2019 \$000	Balance at 1 July 2018 \$000
Land management reserve	Civil defence and emergency management, natural hazard management, river management, land and water, hydrology, biodiversity and biosecurity	267	370
Awanui river reserve	River management	(842)	(862)
Kaihū river reserve	River management	32	71
Kaeo-Whangaroa rivers reserve	River management	176	128
Whangārei urban rivers reserve	River management	(9,078)	(9,606)
Kerikeri-Waipapa rivers reserve	River management	455	453
Infrastructure facilities reserve	Economic development	(2,532)	(2,814)
Recreational facilities reserve	Economic development	-	28
Property reinvestment fund reserve	Economic development	16,749	18,444
Equalisation fund reserve	All	1,463	954
Hātea river maintenance reserve	Harbour safety and navigation	222	176
Investment and growth reserve	Economic development	1,249	2,185
Kāitaiā bus reserve	Transport	-	38
Infrastructure investment fund reserve	River management	20,915	12,129
Whangārei transport reserve	Transport	(74)	(145)
Emergency services reserve	Civil defence and emergency management	58	149
Whangārei Heads pest management reserve	Biosecurity	-	1
Approved carry forwards reserve	All	72	187
Mid North bus reserve	Transport	-	88

Note 22 continued	Activities to which the reserve relates	Balance at 30 June 2019 \$000	Balance at 1 July 2018 \$000
Lidar project reserve	Natural hazard management	367	547
Flood infrastructure reserve	River management	(537)	-
Kaeo River flood infrastructure reserve	River management	21	-
Awanui River flood infrastructure reserve	River management	(134)	-
Whangārei River flood infrastructure reserve	River management	55	-
Far North transport reserve	Transport	152	-
Regional Sporting Facilities reserve	Corporate Services (Regional Sporting Facilities activity)	621	-
Operating costs reserve	All	1,131	-
Capital Subsidy reserve	All	77	67
Total Special Reserves		30,887	22,586

Purpose of each reserve fund:

Land Management reserve

This reserve was created to set aside Land Management rates collected but not fully used in any given year. While the land management reserve maintains a positive balance, it can be used to fund emergency events such as remedial storm expenditure on a case-by-case basis.

River and Flood Infrastructure reserves

The Awanui, Kaihū, Kaeo-Whangaroa, Kerikeri-Waipapa and Whangārei urban river reserves and flood infrastructure reserves hold targeted river management rates and targeted flood infrastructure rates collected and unspent in any given year to cover:

- any future funding shortfalls in respect to the maintenance and operation of existing river flood management schemes (River Reserves)
- any future funding shortfalls in respect to the development, maintenance and operation of new flood infrastructure schemes (Flood Infrastructure Reserves)

This keeps the surpluses/deficits in the appropriate activity separate from other activities. Any deficit balance in these reserves will be repaid from future targeted river management and flood infrastructure rates collected from the rate payers within the area of benefit identified in the respective flood management plans.

Infrastructure Facilities reserve

The Infrastructure facilities reserve was created to set aside any targeted Infrastructure rates collected and not fully used in any given year for the purpose of funding the holding costs associated with the Marsden Point Rail link project, the capital costs of securing the rail corridor designation, and other activities relating to the development and/or completion of future regional infrastructure projects. The deficit balance of this reserve will be repaid from future targeted regional infrastructure rates collected from ratepayers in all three Northland districts.

Recreational Facilities reserve

This reserve was established to represent the balance of the borrowing associated with the \$13M contribution made by council towards the establishment of the Northland Regional Events Centre. This reserve was closed in the 2018/19 financial year.

Property Reinvestment Fund reserve

This reserve was established to represent the proceeds of commercial property sales and acquisitions and includes the proceeds of a special dividend (capital) payment made by the Marsden Maritime Holdings Limited. The funds are general funds and are set aside to be reinvested in income producing assets. The fund invests monies in separate managed funds which have been earmarked to hold the funds pending the identification of approved property investments.

Equalisation Fund reserve

This reserve was created to set aside 50% of council's forestry net income arising in any year. This reserve is intended to provide future funding of councils 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 reserve be used to fund the cost of forestry operations in non-harvesting years.

Hātea River Maintenance reserve

This reserve was created to set aside a component of the council services rate specifically levied across the Whangārei 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:

1. Ongoing maintenance and dredging;
 2. Disposal of dredged spoil material;
 3. The provision of an annual hydrographic survey of the river.
- The reserve is to be maintained at a targeted fund of up to \$400,000.

Investment and Growth reserve

This reserve was created to set aside the investment income redirected to be made available for activities and projects that contribute towards economic well-being. The council will allocate monies from the reserve to projects in accordance with set criteria.

Infrastructure Investment Fund reserve

This reserve was established to stabilise the impact of irregular large infrastructure projects on council's income and capital requirements. It will help spread the costs of such projects. The fund is also intended to provide more flexibility around when such large capital intensive projects can commence. The fund invests monies which has been earmarked for the approved infrastructure and economic development investments in externally managed funds.

Whangārei Transport reserve

This reserve was established to hold any targeted Whangārei transport rates collected and unspent in any given year to cover any future funding shortfalls of Whangārei transport service. The deficit balance of this reserve will be repaid from future targeted Whangārei transport rates collected from ratepayers in the Whangārei district.

Emergency Services reserve

This reserve was established to hold any targeted Emergency Services rates collected and unspent in any given year to contribute to any future funding shortfalls of Emergency Services funding.

Approved carry forwards reserve

This reserve represents amounts approved to be carried forward from one financial year to the next to enable specific work programmes to be completed. All carry forwards are approved by way of council resolution.

LiDAR Project reserve

This reserve currently holds unspent funding collected from the parties in a project to undertake a multiyear topographic survey utilising Airborne Laser Scanning (LiDAR) over the entire Northland region.

Flood Infrastructure reserve

This reserve was created to hold any targeted flood infrastructure rates relating to new flood protection capital programmes, identified in the infrastructure strategy, that were collected and unspent in any given year. These unspent rates will cover any future funding shortfalls in the new flood protection capital programmes.

Far North Transport reserve

This reserve was created to hold any targeted Far North transport rates collected and unspent in any given year to cover any future funding shortfalls of Far North transport services.

Capital Subsidy reserve

This reserve currently holds capital subsidies received from the NZ transport agency that will be used to offset the future costs associated with the Regional Integrated Ticketing Information System (RITIS).

Note 23: Contingencies

23(i): Contingent liabilities

	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Bonds	-	-	75	75
Remedial damages claim	-	-	-	128
	-	-	75	203

Council

KiwiRail

KiwiRail, the requiring authority responsible for the Marsden Point Rail Link Designation, may be approached by landowners seeking the acquisition of their properties. There is specific provision within the Resource Management Act 1991 that allows landowners to seek an order from the Environment Court requiring an authority to acquire a particular landowners property. There is provision within the Rail Corridor Acquisition for council to provide assistance to KiwiRail if KiwiRail is approached by a landowner wanting to sell their properties.

Other Legal Claims

At year end council was defendant in a number of other legal claims that had not been heard before the court or ruled upon which may result in a liability should council not successfully defend the claims. The amount claimed or the maximum potential exposure for the council is not considered material and excludes any interest or costs that may be claimed if these cases were decided against council.

Marsden Maritime Holdings Limited

At Balance Date, Marsden Maritime Holdings Limited was aware of the following Contingent Liabilities:

1. To the Bank of New Zealand for a \$75,000 (2018: \$75,000). Bond given by them to the New Zealand Stock Exchange.

Northland Inc. Limited and Regional Software Holdings Limited do not have any contingent liabilities at year end.

23(ii): Contingent assets

At 30 June 2019 the council and the group has no contingent assets (2018: Nil).

Note 24: Related party transactions

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the council and group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities with the Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between entities and are on normal terms and conditions for such group transactions.

There are no related party transactions with any associate, subsidiary or key management personnel requiring disclosure.

Key Management Personnel Compensation

Key management personnel includes all the elected and independent (non-elected) representatives of council, the chief executive and senior management leadership team. Due to the difficulty in determining the full time equivalent for councillors and the independent member of council, the full time equivalent figures are taken as the number of councillors and independent members.

	Council 30-Jun-19	Council 30-Jun-18
Councillors		
Remuneration \$000	778	740
<i>Full time equivalent members</i>	9	9
Independent (non elected) member of Council		
Remuneration \$000	27	39
<i>Full time equivalent members</i>	1	1
Senior management team including the Chief Executive		
Remuneration \$000	1,135	1,114
<i>Full time equivalent members</i>	6	6
Total key management personnel remuneration \$000	1,940	1,893
<i>Total full time equivalent personnel</i>	16	16

Note 25: Events after balance sheet date

Subsequent to balance date, Marsden Maritime Holdings Limited declared a fully imputed dividend of 9.25 cents per share to be paid on 13 September 2019.

Note 26: Financial instruments

Note 26A: Financial instrument categories

	Note	Council 30-Jun-19 \$000	Council 30-Jun-18 \$000	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
FINANCIAL ASSETS					
Loans and receivables:					
Cash and cash equivalents	-	606	998	1,758	1,811
Term deposits	11	2,600	8,000	2,600	8,000
Local government funding agency borrower notes	11	153	137	153	137
Debtors and other receivables	7	4,056	5,862	4,792	7,015
Loans to subsidiary	11	5	14	-	-
Other loans	11	3,006	4,275	3,006	4,275
Other receivables (long term)	12	5,948	5,744	5,948	5,744
Total loans and receivables		16,374	25,030	18,257	26,982
Financial assets at fair value through surplus or deficit					
Other financial assets:					
Income funds	11	27,807	21,655	27,807	21,655
Equity Funds	11	29,914	26,007	29,914	26,007
Listed shares	11	-	-	462	653
Earn out - NPC investments Ltd	14	-	-	-	155
Total financial assets at fair value through surplus or deficit		57,721	47,662	58,183	48,470
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost					
Creditors and other payables	19	5,510	5,106	8,938	7,547
Borrowings:					
Debentures	21	10,000	10,000	10,000	10,000
Local government funding agency - bond issuance	21	9,558	8,542	9,558	8,542
Bank loan	21	-	-	12,150	6,050
Total financial liabilities measured at cost		25,068	23,648	40,646	32,139

Note 26B: Fair value hierarchy disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) - Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) - Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) - Financial instruments valued using models where one or more significant inputs are not observable.

Financial assets at fair value through surplus or deficit and financial assets at fair value through other comprehensive revenue and expense are classified as level 1.

Note 26C: Financial instrument

The council's and group's activities expose it to a variety of financial instrument risks including market risk, credit risk and liquidity risk. The Council and group has a series of policies to manage the risks associated with financial instruments and its treasury activities.

The council has an approved liability management policy and an investment policy for its investments. These policies do not allow any transactions that are speculative in nature to be entered into and manages council's exposure in respect to liquidity risk, credit risk, price risk and interest rate risk.

The Council also has investments in externally managed funds and administers these funds with overarching independent investment advice from Eriksen and Associates Limited. These four funds are administered in accordance with the relevant Statement of Investment Policies and Objectives (SIPO). The four SIPOs and any changes to them are approved by council. Monthly performance reporting on the four funds is prepared by Eriksen's and Associates Limited, and any breach of compliance with any SIPO is also reported monthly to council's investment subcommittee.

Price risk

Price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed share investments. For council this only includes security investments in its externally managed funds. Price risk can be minimised through diversification. At 30 June 2019 council's externally managed investment funds were diversified over 14 fund managers. The use of a wide range of fund managers with different mandates and different asset allocations mitigates council's price risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council has some exposure to currency risk is provided below:

	Consolidated 30-Jun-19 \$000	Consolidated 30-Jun-18 \$000
Community Investment Fund: Investments in		
MLC Private Equity Fund (II)	659	157
Schroders Real Return Fund +5%	2,277	2,371
Property Reinvestment Fund: Investments in		
MLC Private Equity Fund (II)	-	157
Infrastructure Investment Fund: Investments in		
Blackrock Fixed Income Global Opportunities Fund	1,138	1,138
Schroders Real Return Fund +5%	1,276	1,264
Total financial liabilities measured at cost	5,350	25,068

Advice is sought from an independent investment advisor to determine when it is appropriate to take a hedge out to protect council against risk of adverse movements.

Marsden Maritime Holdings Limited foreign exchange risk is considered minimal.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Northland Regional Council's exposure to fair value interest rate risk is limited to its interest-bearing investments within the portfolio and its \$19.6 million borrowings in the form of fixed rate notes of \$10 million and Local Government Funding Agency bonds of \$9.6 million.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Investments issued at variable interest rates expose the council and group to cash flow interest rate risk.

Council's long term borrowing and long term deposit investments are at a fixed rate. Marsden Maritime Holdings Limited's exposure to cash flow interest rate risk is limited to its \$20,000,000 loan facility of which \$12,150,000 was drawn down at year end with BNZ. Interest rates on this loan facility are determined by reference to the prevailing market rates at the time of draw down plus a margin. During the year interest rates ranged from 2.56% to 3.18%.

Credit risk

Credit risk is the risk that a third party will default on its obligation to the council and group, causing it to incur a loss. Due to the timing of council's cashflows and outflows, surplus cash is invested into term deposits, local authority and corporate bonds and externally managed funds.

The council's investments in term deposits, local government and corporate bonds are invested in accordance with its Treasury Management Policy as determined by the Standard and Poor's credit ratings. Where relevant, the minimum long term credit rating can be no lower than BBB and the maximum exposure of council's portfolio rated less than A- can not exceed 20%.

The credit risk associated with council's externally managed funds is minimised by setting maximum portfolio limits on each class of investment and specific limits on each Fund Manager. The respective SIPO for each externally managed fund ensures the credit risk of each fund manager and the overall fund is managed within acceptable parameters.

Marsden Maritime Holdings Limited manages its credit exposure by only trading with recognised, credit-worthy parties and by limiting the amount of funds placed with any one financial institute at any one time. Accordingly, the group has no significant concentrations of credit risk.

Maximum exposure to credit risk

The council and group's maximum credit risk exposure for each class of financial asset is the carrying value set out in the table in Note 26A.

Debtors and other receivables arise mainly from the council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Other than rates owing on Maori Freehold Land (see Note 8 for the impairment applied to these debtors) the council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and the council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the investment portfolio. The council's treasury management policy limits the level of investments that must mature within the next 12 months to a minimum of 15% of its investment portfolio.

Marsden Maritime Holdings manages its exposure to liquidity risk by maintaining a balance continuity of funding and flexibility through the use of bank loans, overdrafts and committed available credit lines. As at 30 June 2019 Marsden Maritime Holdings Limited had access to BNZ funding totalling \$20.5 million of which \$12.15 million was drawn down at year end.

Contractual maturity of financial liabilities

The table below analyses council and group's financial liabilities into relevant maturity groupings, based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

	Carrying Amount \$000	Contractual Cash Flows \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000	More than 5 Years \$000
Council 2019						
Creditors and other payables	5,510	5,510	5000	510	-	-
Debentures	10,000	10,425	379	10,046	-	-
Local Government Funding Agency - Bond Issuance	9,558	15,619	450	899	1,349	12,921
Total	25,068	31,554	5,829	11,455	1,349	12,921
Group 2019						
Creditors and other payables	8,938	8,938	7,626	1,312	-	-
Secured bank facility	12,150	12,880	470	12,410	-	-
Debentures	10,000	10,425	379	10,046	-	-
Local Government Funding Agency - Bond Issuance	9,558	15,619	450	899	1,349	12,921
Total	40,646	47,862	8,925	24,667	1,349	12,921
Council 2018						
Creditors and other payables	5,106	5,106	4,453	653	-	-
Debentures	10,000	10,804	379	10,425	-	-
Local Government Funding Agency - Bond Issuance	8,542	14,458	409	818	1,227	12,004
Total	23,648	30,368	5,241	11,895	1,227	12,004
Group 2018						
Creditors and other payables	7,547	7,547	6,085	1,462	-	-
Secured bank facility	6,050	6,810	240	480	6,090	-
Debentures	10,000	10,804	379	10,425	-	-
Local Government Funding Agency - Bond Issuance	8,542	14,458	409	818	1,227	12,004
Total	32,139	39,619	7,113	13,185	7,317	12,004

Sensitivity analysis

The table below illustrates the potential effect on the surplus/deficit and equity (excluding accumulated funds) for reasonably possible market movements with all other variables held constant based on the council's and group's financial instrument exposures at balance date.

Sensitivity analysis	2019				2018			
	+100bps		-100bps		+100bps		-100bps	
	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000
COUNCIL								
Total sensitivity to interest rate risk	611	-	(611)	-	568	-	(568)	-

	2019				2018			
	+100bps		-100bps		+100bps		-100bps	
	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000
GROUP								
Total sensitivity to interest rate risk	501	-	(501)	-	517	-	(517)	-

Borrowings

Council has \$19.6 million of external borrowings in the form of a fixed rate note of \$10 million and Local Government Funding Agency bonds of \$9.6 million. The rate of interest payable is fixed for the life of the borrowings and is not affected by rising or falling interest rates.

Note 26D: Capital management

The council's capital is its equity (or ratepayers' funds), which comprises accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the council to manage its revenues, expenses, assets, liabilities investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the council. Intergenerational equity requires today's ratepayers to meet the costs of using the council's assets and not expecting them to meet the full costs of long term assets that will benefit

ratepayers in future generations. Additionally, the council has in place asset management plans for major classes of assets, detailing renewal and maintenance programs to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the council to make adequate and effective provision in its Long Term Plan (LTP) and its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that the council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out under funding and financial policies in council's Long Term Plan.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Refer to Note 22 for a list of council's reserves. Self-insurance reserves are built up annually from regional-wide or sometimes targeted rates and are made available for specific unforeseen events. The release of these funds is approved by council.

Section four: Legislative disclosures

Wāhanga tuawha: Ngā Whakāturanga a Ture



Rating base information

The following rating base information for Northland Regional Council is disclosed based on the rating base information at the end of the preceding financial year:

	30-Jun-18	30-Jun-17
The number of rating units within council's region at 30 June:	97,124	96,100
The total capital value of rating units within council's region at 30 June:	\$45,355,396,350	\$42,460,884,025
The total land value of rating units within council's region at 30 June:	\$23,110,228,420	\$21,659,510,195

Insurance of assets

At 30 June 2019 council had assets covered by full replacement insurance of \$82,125,250 (2018: \$67,762,545) and indemnity insurance of \$70,000 (2018: \$70,000). Assets with a sum insured value totalling \$3,819,935 (2018: \$3,988,050) are covered by financial risk sharing arrangements with \$1,909,968 (50%) (2018: \$1,994,025) being available to council. At 30 June 2019 there are no assets self insured.

Internal borrowings

S112(b)(iii) of the Local Government Act defines borrowing as the use for any purpose, of funds received or invested by the local authority for any other purpose. Schedule 10 (27) requires council to disclose internal borrowing, including the amount of the borrowings, funds borrowed and repaid during the year and the amount of any interest paid (if any) in relation to the internal borrowing by each group of activity.

A summary of internal borrowing by each group of activity is provided in the following table:

	Opening balance 1-Jul-18 \$000	Funds borrowed 2018/19 \$000	Funds repaid 2018/19 \$000	Change to external borrowing 2018/19 \$000	Closing balance 30-Jun-19 \$000	Interest charged 2018/19 \$000
Customer Services - Community Resilience	145	-	(71)		74	8
TOTAL	145	-	(71)		74	8

Council funding impact statement

Period ending 30 June 2019

	Annual Plan 2017/18 \$000	Annual Report 2017/18 \$000	Long Term Plan 2018/19 \$000	Actual 2018/19 \$000
Sources of operating funding				
General rates, uniform annual general charges, and rates penalties	-	295	-	418
Targeted rates	20,962	20,537	27,169	26,785
Subsidies and grants for operating purposes	1,909	2,742	3,046	4,890
Fees and charges	4,510	4,478	4,310	4,487
Interest and dividends from investments	7,013	8,378	8,021	7,638
Local authorities fuel tax, fines, infringement fees and other receipts	2,461	2,680	2,575	4,041
TOTAL OPERATING FUNDING	36,855	39,110	45,121	48,259
Applications of operating funding				
Payments to staff and suppliers	34,670	34,512	41,711	41,248
Finance costs	726	703	936	903
Other operating funding applications	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	35,396	35,215	42,647	42,151
Surplus/(deficit) of operating funding	1,459	3,895	2,474	6,108
Sources of capital funding				
Subsidies and grants for capital purposes	-	67	-	10
Increase/(decrease) in debt	-	5,542	2,667	1,016
Gross proceeds from sale of assets	-	7,438	-	1,521
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	13,047	2,667	2,547
Applications of capital funding				
Capital expenditure:				
to meet additional demand	-	-	-	-
to improve levels of service	498	10,917	3,666	5,801
to replace existing assets	1,017	772	1,525	1,065
Increase/(decrease) in reserves	(91)	1,776	(83)	8,301
Increase/(decrease) of investments	35	3,477	33	(6,512)
TOTAL APPLICATIONS OF CAPITAL FUNDING	1,459	16,942	5,141	8,655
Surplus/(deficit) of capital funding	(1,459)	(3,895)	(2,474)	(6,108)
FUNDING BALANCE	-	-	-	-

Reconciliation to the statement of comprehensive revenue and expense

Period ending 30 June 2019

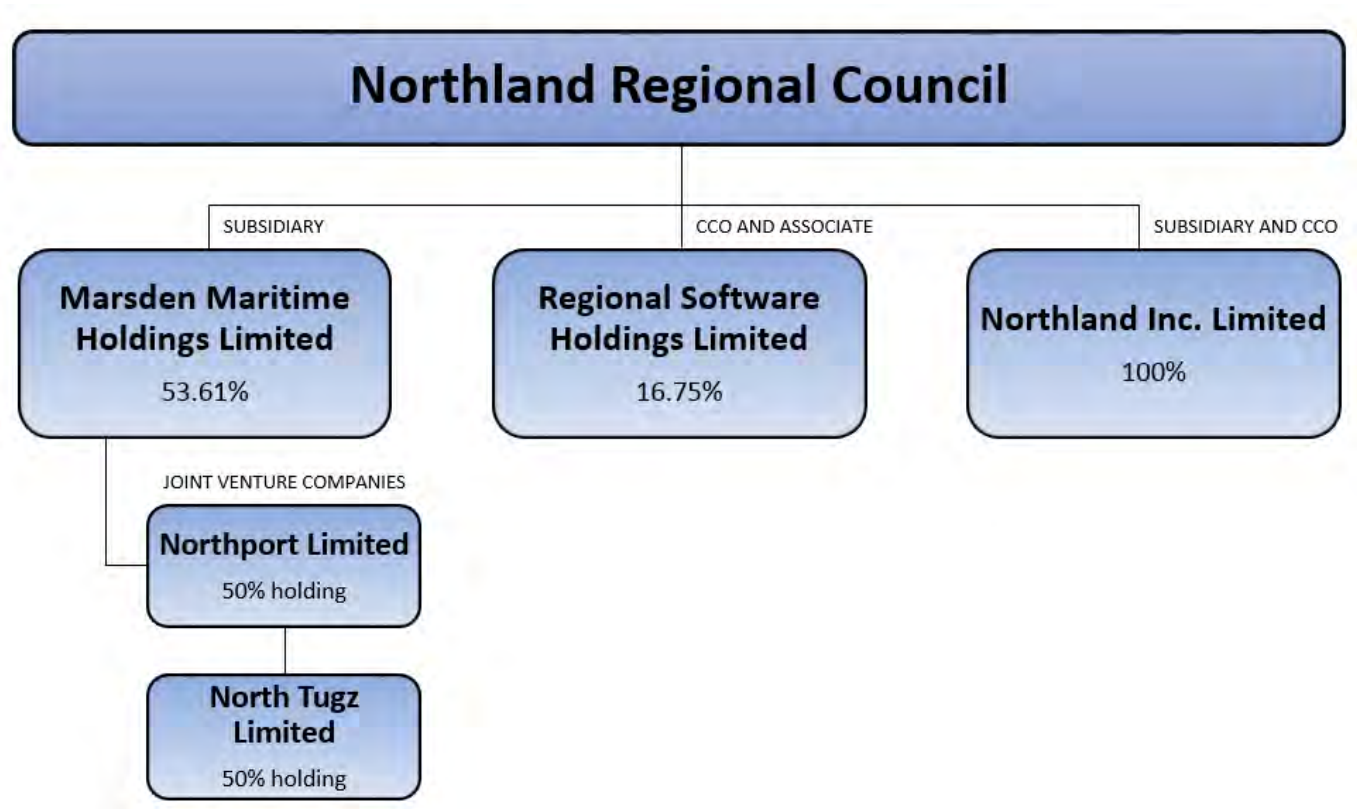
	Annual Plan 2017/18 \$000	Annual Report 2017/18 \$000	Long Term Plan 2018/19 \$000	Actual 2018/19 \$000
Capital expenditure included above, not in comprehensive revenue and expense	1,515	11,689	5,190	6,866
Investment movements included above not in comprehensive revenue and expense	35	3,477	33	(6,512)
Other gains included in comprehensive income not above	-	-	-	10
Gross proceeds included above, but not in comprehensive revenue and expense	-	(7,438)	-	(1,521)
Gains on asset disposals included in comprehensive revenue and expense	-	122	-	(70)
Revaluation adjustments not included above, but in comprehensive revenue and expense	-	1,600	-	1,376
Impairment on an economic development loan included in comprehensive revenue and expense				(820)
Transfers to/from special reserves included above, but not in comprehensive revenue and expense	(91)	1,776	(83)	8,301
Increase/(decrease) in debt included above but not in comprehensive income	-	(5,542)	(2,667)	(1,016)
Depreciation and amortisation expense not included above, but in comprehensive revenue and expense	(1,433)	(1,683)	(1,626)	(1,629)
Total comprehensive revenue and expense per the statement of comprehensive revenue and expense	26	4,001	848	4,985

Section five: CCO's and Subsidiaries

Wāhanga tuarima: CCOs me nga Kamupene



Group structure



A council-controlled organisation (CCO) is a company or organisation in which a council or councils hold 50% or more of the voting rights or can appoint 50% or more of the trustees, directors or managers. A council-controlled trading organisation (CCTO) is a company or organisation that operates a trading operation for the purpose of making a profit.

CCOs and CCTOs are required to complete a Statement of Intent and report against their policies, objectives and performance in their annual reports unless an exemption has been granted.

This section provides the information required under the Local Government Act 2002 for Northland Inc. Limited and Regional Software Holdings Limited. Marsden Maritime Holdings Limited is also a subsidiary organisation but is exempt from the CCO provisions of the Local Government Act 2002 and is not required to publish a Statement of Intent.

Marsden Maritime Holdings Limited

Company operations and ownership

Marsden Maritime Holdings Ltd (known as Northland Port Corporation (NZ) Ltd until August 2014) is a designated port company formed under the Port Companies Act 1988, which required harbour boards to form companies to take over commercial, port-related assets of the Boards. In Northland's case, the company's assets include substantial land-holdings at Marsden Point.

The company is registered under the Companies Act 1993 and is domiciled and incorporated in New Zealand. In 1992 the company's shares were listed on the New Zealand Stock Exchange. Northland Regional Council currently holds 53.61% of the share capital, whilst Ports of Auckland Ltd holds 19.9%. The balance of shares is held by members of the public. The council may review its shareholding in the company as part of its triennial long-term planning process.

In 2002, in a 50/50 joint venture with Port of Tauranga, associate company Northport Ltd was formed and a new cargo terminal at Marsden Point was developed. Northport Ltd operates the deep water commercial port facility situated at the entrance to Whangārei Harbour, making it the northern-most multi-purpose port in New Zealand, and the closest port to the majority of New Zealand's international markets. More information about Northport Ltd is available at www.northport.co.nz

In 2014, the company purchased the Marsden Cove Marina, comprising 223 berths, adjoining commercial buildings, and land. Marsden Maritime Holdings Ltd (MMHL) is a stakeholder of Marsden Cove Canals Management Ltd (MCCML), which administers the waterways within the Marsden Cove marina development. MCCML is an IRD approved charitable entity with budgeted expenditure met by dividing costs across all canal users. Due to the nature of this entity it has not been consolidated with MMHL in its financial statements.

The Board of Directors of MMHL is elected by the shareholders to supervise the management of the company and its associates in the best interests of shareholders. The Board has several key functions which are:

- The establishment of business objectives, strategies and policies.
- The approval of annual capital and operating budgets.
- The appointment of a Chief Executive to manage the day to day operations of the company within the established framework.
- The ongoing monitoring of management performance in relation to the goals established for that purpose.

The Board currently has six members. Under the company's constitution, one-third of the directors retire by rotation each year. Northland Regional Council participates in the process of appointing directors by:

- Identifying potential candidates;
- Nominating candidates for election; and
- Voting for preferred candidates at the company's annual general meeting.

Current information about the company's Board of Directors, governance structure and its organisation framework is available at www.marsdenmaritime.co.nz/about-us/

Company financial data

MMHL is deemed a "strategic asset" of the council, as provided for in section 5 of the Local Government Act 2002, but the Act also specifically provides that designated port companies and their subsidiaries are not council-controlled organisations. MMHL is therefore not required to provide to the council a statement of corporate intent nor submit budget estimates.

Company	Holding at 30 June 2019	Main activity
Northland Port	50.0%	Port operating company

Marsden Maritime Holdings Ltd

53.61% Northland Regional Council

19.90% Ports of Auckland Ltd

26.49% other Shareholders

Northport Ltd

50% Marsden Maritime Holdings Ltd

50% Port of Tauranga Ltd

North Tugz Ltd

50% Northport Ltd

50% Ports of Auckland Ltd

FLOWCHART NOTES

—————> Ownership (in whole or part)

- - - - -> Customer relationship

Abbreviations

BOPRC = Bay of Plenty Regional Council

QHL = Quayside Holdings Ltd

QSL = Quayside Securities Ltd

ACIL = Auckland Council Investments Ltd

POTL = Port of Tauranga Ltd

MMHL = Marsden Maritime Holdings Ltd

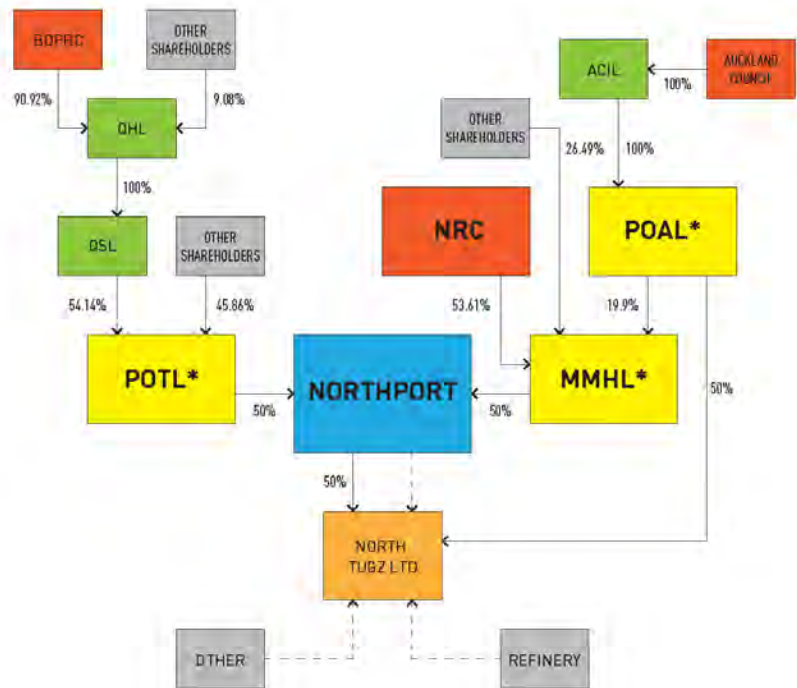
POAL = Ports of Auckland Ltd

NRC = Northland Regional Council

Percentages shown indicate how much the parent entity owns of the connected entity.

Not all minor shareholders are shown.

* Designated port companies



Northland Inc. Limited

About this council-controlled organisation (CCO)

Northland Inc. Limited, established in July 2012, is the region's economic development agency and regional tourism organisation.

Northland Inc. Limited is primarily funded by an operational contribution from Northland Regional Council and is project funded through other public and private agencies, with central government being the next largest contributor. The organisation has a governance board of professional directors, each appointed by the council. Operational activity is led by a chief executive officer.

Policies and objectives

Council's Long Term Plan 2018-2028 establishes the framework for Northland Inc. Limited. The mission of Northland Inc. Limited is to strengthen, diversify and grow the Northland economy. This is delivered through five work programmes: investment and infrastructure; business innovation and growth; Māori economic development; regional promotion and tourism; and implementation of the Tai Tokerau Northland Economic Action Plan (TTNEAP).

The following objectives for the economic development organisation were established in its 2018-21 Statement of Intent.

- Advocate and promote the establishment and development of infrastructure that underpins regional economic growth.
- Attract, facilitate and support investment opportunities in regionally strategic sectors.
- Promote Northland as a progressive and positive place to visit, do business and live.
- Provide and facilitate business support services that enable Northland businesses to grow.
- Increase innovation and entrepreneurship in Northland.
- Partner with Māori to develop and implement economic development projects for the benefit of Northland.

Key performance measures and targets

The following section provides a summary of the activities carried out in each of the five work programme during 2018/19, including reporting against the 17 key performance indicators

Investment and infrastructure

- Support and facilitate the implementation of the Tai Tokerau Northland Economic Action Plan.
- Support tourism product development and infrastructure as enablers of Northland's tourism sector.

Investment and Growth Reserve

Northland Inc. Limited's activities include a focus on finding economic development projects that qualify for funding through council's Investment and Growth Reserve (IGR). The objective of the reserve is provide a fund that enables council to make strategic investments that lift the long-term growth of the Northland economy. In August 2018 council adopted new criteria and procedures for allocating funding from the reserve. The main points are as follows:

- The reserve provides operational expenditure for Northland Inc. Limited in line with what is budgeted in council's Long Term Plan.
- Up to \$300,000 per annum can be used for project development funding.
- Responsibility for allocating project development funding of up to \$100,000 is delegated to the Board of Northland Inc. Ltd.
- The reserve can be used to provide enabling investment funding for projects that lift the economic performance of Northland through the construction of public or community held infrastructure or the development or regionally strategic sectors. Council has determined these sectors to be agriculture and horticulture, marine, tourism and digital.
- Any project that is determined to potentially have significant adverse impacts on social, environmental, economic, or cultural well-being will not be eligible for funding, regardless of the positive impacts.
- Decisions on enabling investment funding are made by council and must have been considered and evaluated for funding by the Board of Northland Inc Ltd.
- Applications for enabling investment funding must be accompanied by a robust business case.

The intent of this work programme is to leverage economic growth in the region through the strategic co-ordination, management and allocation of available public and private sector funding, primarily the Investment and Growth Reserve.

The 2018/19 key performance targets and results for this work programme are:

Measure	2018/19 performance target	Result
Percentage of IGR business case decisions (by the Board) made within 90 days of receiving application	100%	Achieved, 100%
Number of inward delegations hosted	4	Achieved, 4
Investment recommendations are accompanied by a robust business case	100%	Achieved, 100%
Number and value of high impact projects that are implemented	2	Achieved, 3

The Board of Northland Inc. Limited made a positive recommendation on funding one enabling investment project during 2018/19: \$500,000 for Manea Footprints of Kupe. Ten projects received project development funding totalling \$249,200.

Business innovation and growth

The purpose of this work programme is to assist in growing the performance, productivity and profitability of Northland businesses. Business capability funding (New Zealand Trade & Enterprise) and research and development funding (Callaghan Innovation) is delivered in Northland through the Regional Business Partnership (RBP) at Northland Inc. Ltd. The Northland Chamber of Commerce partners with Northland Inc. Ltd to deliver the NZTE contract for small businesses.

The 2018/19 key performance targets and results for this work programme are:

Measure	2018/19 performance target	Result
Number of unique businesses assisted (by TA and industry)	230	Achieved, 263
Value of NZTE and Callaghan Innovation grant funding facilitated	\$1.5m	Not Achieved, \$0.8m
Client satisfaction (as measured by Net Promoter Score)	75%	Achieved, 91%
Orchard occupancy rate	60%	Achieved, 84%

The value of NZTE and Callaghan Innovation grant funding facilitated was lower than targeted because of confusion in the private sector as to how changes to research and development tax credits impact the availability of grants.

Māori economic development

The broad scope of activities within this work programme are to engage with Māori to advance their aspirations for economic development, support Māori business and partner with Māori in investment, and economic development projects.

The 2018/19 key performance target and result for this work programme is:

Measure	2018/19 performance target	Result
Number of unique Māori businesses assisted	30	Achieved, 33
Number and value of high impact projects that are implemented	1	Achieved, 1
Value of NZTE and Callaghan Innovation grant funding facilitated for Māori businesses	\$50,000	Achieved
Client satisfaction (Net Promoter Score for Māori businesses)	75%	Not Achieved

The small number of clients and the lack of responses mean that there was not enough data to calculate a client satisfaction score for this activity.

Regional promotion and tourism

The intent of this work programme is to promote the region by hosting and performing the functions of a Regional Tourism Organisation in partnership with Tourism New Zealand and TIANZ, promoting investment and market development in Northland's strategic growth sectors, increasing the value added from visitors and promoting and marketing conferences and events in Northland.

The 2018/19 key performance targets and results for this work programme are:

Measure	2018/19 performance target	Result
Visitor spend from target markets	\$1,052m	Achieved, \$1,115m
Value of industry investment in regional promotion activity	\$350,000	Achieved, \$419,000
Equivalent Advertising Value achieved from destination marketing	\$16.5m	Achieved, \$28.2m
RTO Net Promoter Score	40	Achieved, 44

The equivalent advertising value was significantly over achieved because of an Air New Zealand campaign to promote Northland.

Tai Tokerau Northland Economic Action Plan

The Tai Tokerau Northland Economic Action Plan (TTNEAP) was launched in February 2016. Northland Inc. Ltd chairs the working group established to guide the implementation of the TTNEAP, and provides portfolio and project management services to keep implementation on track. The TTNEAP requires multiple agencies to work together collaboratively in order for the projects to be delivered and new ones identified.

The 2018/19 key performance targets and results for this work programme are:

Measure	2018/19 performance target	Result
Percentage of milestones completed	100%	Achieved, 100%, 168 milestones completed

A revised TTNEAP was finalised in June 2019, consisting of 80 projects organised into six work streams: logistics and infrastructure, digital, skills and capability, land and water, visitor, and high value manufacturing. Over \$140 million has been allocated from the Provincial Growth Fund to Northland based projects, many of which are in the TTNEAP.

Regional Software Holdings Limited

Council is also a shareholder of Regional Software Holdings Limited (RSHL), being a major shared services undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. Hawkes Bay Regional Council is also a customer of Regional Software Holdings Ltd.

RSHL is responsible for the long-term maintenance and enhancements of the IRIS (Integrated Regional Information System) product and developed for an by the shareholding councils. The software solution is designed for the regional council specific functions undertaken by those councils and has been a remarkable success.

The 2018/2019 was a year of growth and development for Regional Software Holdings Ltd.

For the flagship IRIS product, the year was one of consolidation of the existing product and preparation for the next generation of IRIS development. Two releases of new functionality were delivered over the year with a total of four major enhancements and 29 minor enhancements. The focus during 2018/2019 was addressing design flaws affecting performance and removing the dependency on Silverlight (mapping component).

There is a need to undertake a reinvestment in the IRIS product to ensure the underlying technology remains current and fit for purpose. Regional Software Holdings Ltd has identified development of the roadmap for the next generation of IRIS (IRIS NG) as a key strategic priority. The key objectives of this process are to:

- Have selected a solution or solutions that meet the needs of Regional Software Holdings Ltd shareholders and customers for the long-term. Regional Software Holdings Ltd's philosophy is to develop only that software which is necessary deliver a complete solution for regional councils. With IRIS NG it is expected that commercial software will be a greater proportion of the solution than is the case with IRIS.
- Create a transition plan for existing IRIS councils from IRIS to IRIS NG
- Develop long-term financial projections for Regional Software Holdings Ltd, shareholders and customers for the implementation of the next generation platform.

Regional Software Holdings Ltd has a number of opportunities going forward. In particular, the Company continues to look to grow the number of IRIS users in other regional councils. Regional

Software Holdings Ltd has continued to work with other regional councils to attract them as either shareholders or customers. This year Regional Software Holdings Ltd has worked very closely and intensively with Hawke's Bay Regional Council (HBRC) in their implementation of IRIS, with the product now live and working well. Regional Software Holdings Ltd has presented a proposal to one other regional council to bring them on as a customer and user of IRIS.

This time last year Regional Software Holdings Ltd was starting to work with the regional council sector to establish how the company vehicle can be used for the betterment of the regional council community. This has resulted in the Regional Council Collaboration (ReCoCo) initiative. ReCoCo facilitates unitary and regional councils entering into collaboration initiatives where there are overlapping or shared objectives, covering areas of common interest or joint responsibility. Regional Software Holdings Ltd is the delivery vehicle used to facilitate and administer ReCoCo. This year saw the implementation of ReCoCo commence with the first projects delivered to the benefit of the wider regional council community.

All of these initiatives put considerable pressure on the time commitments of the part time General Manager - John Crane. Consequently, the Board decided to appoint and employ its first full time General Manager

Financially, the company is in a sound position as planned. Regional Software Holdings Ltd's revenue comes from licence charges and fees from the shareholding councils. This funding is used for the maintenance and development of the IRIS product. Therefore, the company does not trade to make a profit. Rather, it charges to cover its planned level of expenditure.

The success of IRIS and Regional Software Holdings Ltd is due to the collaborative approach of the six regional councils. The success and richness of the IRIS product is a reflection of the contribution, expertise, and commitment of a team of well over 100 people from all the shareholding councils, in a variety of roles.

Shareholding

Environment Waikato	32.75%
Northland Regional Council	16.75%

Horizons Regional Council	15.50%
Taranaki Regional Council	15.50%
Southland Regional Council	15.50%
West Coast Regional Council	4.00%

Our council's experience

This council continues to maximise the benefits of the IRIS solution and the high level of integration achieved with other core application such as Document Management, Geographic and Financial Information Systems. For Northland, the collaborative approach to the project continues to bring together the best ideas, practises and experiences into a solution that is fit for purpose, performs well and is well received by users.

Statement of Intent and performance targets

RSHL has prepared a Statement of Intent ending 30 June 2019. The following table summarises the performance targets and results for the 2018/19 financial year.

Performance target	Level of achievement		Comment
	2018/19	2017/18	
Undertake an annual survey of users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support. Baseline to be developed following the completion of the first survey	In Progress	Not applicable or new measure in 2018/19	The Customer and Users Surveys are currently under way with results expected in August.
Develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects. Draft annual roadmap presented to the Board by 31 December of each year for the following year. Adoption by the Board by 30 June of each year.	Achieved	Not applicable or new measure in 2018/19	The major enhancements roadmap for 2018/19 was developed and approved by the Advisory Group, under the management of RSHL. The 2018/19 draft annual roadmap was presented to the Board at the 22 November board meeting. It was included in the General Managers report and adopted.
Major enhancement projects identified on the annual road map are completed on time and within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.	Achieved	Achieved	There were nine enhancement projects on the annual road map for 2018/19. Three were delivered in the 3.07 data release, and four will be delivered in 3.08 data release - scheduled for release in July. All are expected to come in under budget and as scheduled. One additional developments in progress for a future release, having been re prioritised by the Advisory Group, and one other was closed after further evaluation. 3.05 was released in June 2018 and capitalized at the end of warranty in August. This is normal practice as bug fixes during the warranty period as included in the cost of the release.
Budgets and processes for support and minor enhancements are approved by the Board by 30 June each year and delivery is within these budgets is effectively managed by the Advisory Group (AG).	Achieved	Achieved	The minor enhancements and support budgets were fully consumed under the direction of the AG.
User Groups and business representatives are engaged in the development of the Major Enhancement Annual Roadmap	Achieved	Not applicable or new measure in 2018/19	Users continue to collaborate and participate in RSHL through the User Groups. Fortnightly user group meetings have continued and been well attended.

Performance target	Level of achievement		Comment
Non-financial	2018/19	2017/18	
			Different users from RSHL councils have participated in the development of major initiatives on this years roadmap.
Financial	2018/19	2017/18	
RSHL will operate within 5% (plus or minus) of its overall annual budget.	Not Achieved	Not Achieved	The overall result was less than 6% variance from budget with a net deficit of \$(6,351) compared to a budgeted surplus/(deficit) of \$nil. The Balance Sheet showed closing equity of \$5,198,684 compared to budget of \$5,339,939 a variance of \$(141,225) which is -2.64%
Annual charges will be kept to a maximum of 2% increase year on year	Achieved	Achieved	The annual charges stated in the Statement of Intent has been achieved. The budget for 2017/18 \$1,098,534 2018/19 budget \$1,117,579 and the actual increase was 1.7%.
Monitor the Regional Council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL	Achieved	Not applicable or new measure in 2018/19	In the past year RSHL won a competitive process to implement IRIS at Environment Canterbury, who subsequently chose not to proceed. Information was also provided to Gisborne District Council.
Consider, evaluate and if appropriate, implement new service areas or areas outside of the current scope of IRIS	Achieved	Not applicable or new measure in 2018/19	ReCoCo is RSHLs main focus outside of the core IRIS platform and this continues to grow. ReCoCo is established as a delivery vehicle for collaborative initiatives involving regional and unitary councils. ReCoCo has MOUs in place with the Regional CEOs Groups and councils. An advisory group has been established which is supported by the Corporate Services SIG. A regular reporting cycle has been put in place.
Be a service delivery agent for wider regional council sector and related bodies information management projects(ReCoCo)and related shared services. Projects to be delivered on time and on budget as agreed in each of the Statements of Works between RSHL and the Regional Council Corporate Services.	Achieved	Achieved	RSHL has be established as a 'delivery vehicle' for collaborative and cross-sector projects as part of the Regional Council Collaboration initiative (ReCoCo). ReCoCo is established as a delivery vehicle for collaborative initiatives involving regional and unitary councils. ReCoCo has MOUs in place with the Regional CEOs Groups and councils. An advisory group has been established which is supported by the Corporate Services SIG. Project mangement is in place for all projects.

Performance target	Level of achievement		Comment
Non-financial	2018/19	2017/18	
			<p>A regular reporting cycle has been put n place.</p> <p>Twelve Projects are in the ReCoCo portfolio.</p> <p>All are operating within agreed budgets and timetables.</p>

It should be noted that the achievement of some of the above performance targets are dependent on decisions to be made by parties over which the board of directors has limited influence.

P 0800 002 004
E info@nrc.govt.nz
W www.nrc.govt.nz