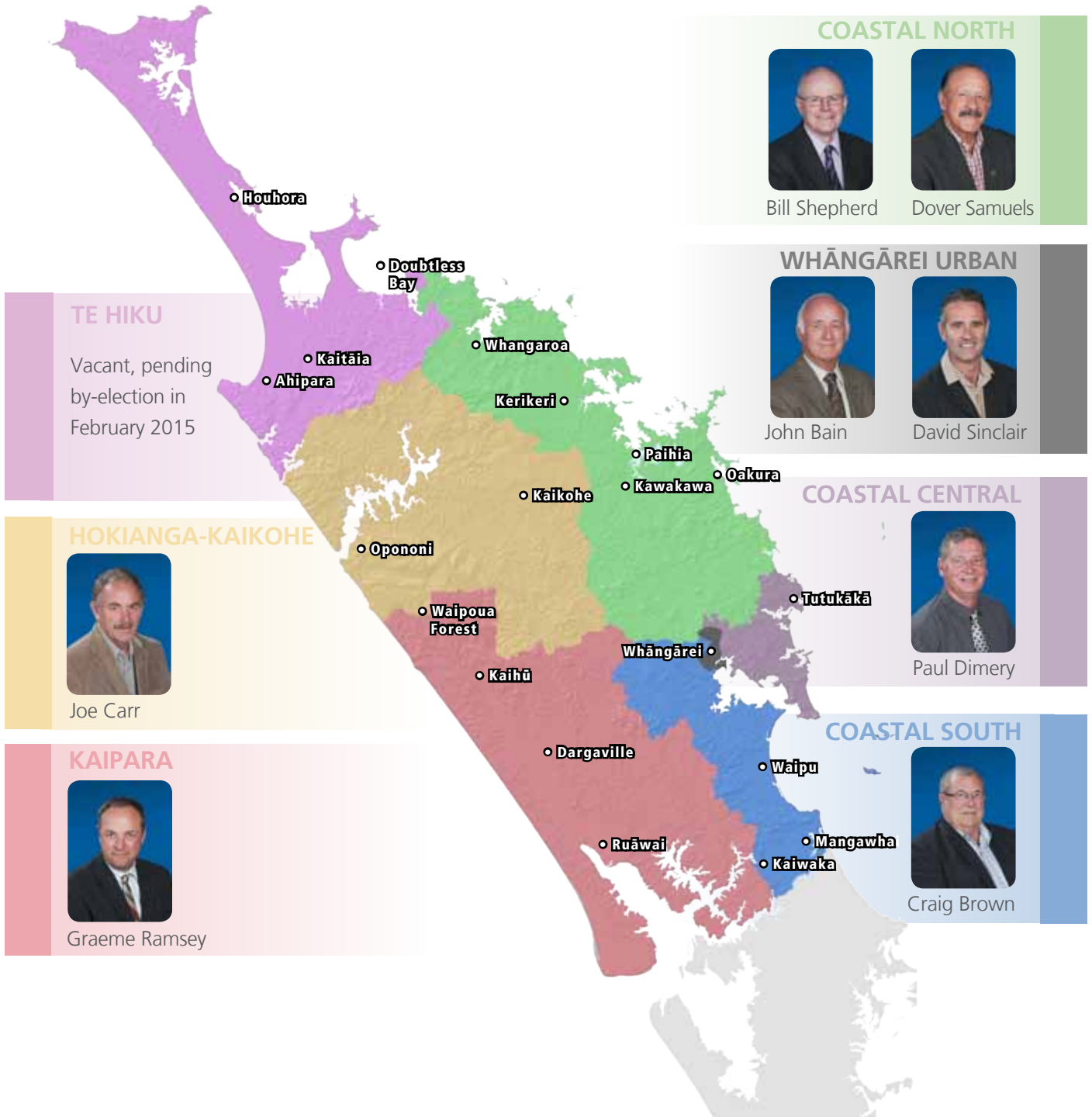


2014 Annual Report Summary



Putting Northland first

Your regional councillors



Foreword

Water – the storms of July 2014 may have brought down seemingly endless amounts of it, but it's one of the most precious resources we have.

Our major programme for freshwater management, Waioira Northland Water, continued to be a key focus for council during 2013/14.

Stakeholder groups have been established in five priority catchments and a review of our regional resource management plans has started. Work continues across council to ensure an integrated, collaborative approach inclusive of community involvement to managing our rivers, streams, lakes and aquifers.

Two unwelcome incursions of Queensland fruit flies – a major risk to our horticulture industry – in early 2014 saw council's biosecurity staff supporting a successful large-scale response led by the Ministry for Primary Industries.

A proposed reorganisation of Northland's councils by the Local Government Commission was – and will continue to be – a significant focus for our council as we push for an outcome that reflects what our communities want and enables truly empowered local decision-making.

The 2014 council elections saw a change in the way Northlanders are represented at the council table, with nine councillors elected from seven, smaller constituencies (rather than eight councillors elected from three areas).

A priority for the new council was improving Māori participation in council processes and decision-making. This led to the establishment of Te Tai Tokerau Māori Advisory Committee – which met for the first time in June 2014 – through which we hope to create lasting and meaningful relationships between Māori and council.

A big challenge continues to be addressing unpaid rates – which now total \$5.9 million – particularly in the Far North District. A cross-council working party is now exploring ways to resolve this issue, and council will continue to actively review its rates collection options.

It has been a busy year with plenty happening across all our work programmes – so read on to find out more about what we have delivered for Northland during 2013/14.




Malcolm Nicolson
Chief Executive Officer




Bill Shepherd
Chair

Key achievements

Resource Management

ENVIRONMENTAL MONITORING | RESOURCE CONSENTS | BIOSECURITY | BIODIVERSITY | LAND MANAGEMENT | POLICY AND PLANNING



168 Farm Water Quality Improvement Plans have been completed

During 2013/14 we:

- Completed 168 Farm Water Quality Improvement Plans
- Set up five collaborative catchment groups for freshwater management under our Waiora Northland Water programme
- Worked with a range of organisations and individuals on improving freshwater management
- Routinely tested 104 coastal, river and lake sites for water quality
- Tested 59 popular swimming sites throughout summer, with results made available online
- Responded to 3268 pest-related enquiries
- Established a high-value area biosecurity programme at Kai Iwi Lakes
- Established five new community pest control areas
- Were part of the multi-agency biosecurity response to two Queensland fruit fly incursions
- Achieved 100% compliance with national air quality standards in the Whāngārei and Marsden Point airsheds
- Processed 100% of consents within statutory timeframes
- Received 559 incident reports through our Environmental Hotline
- Started the ten-yearly review of our three regional plans (the Air Quality Plan, the Water and Soil Plan and the Coastal Plan)
- Began our review of the Northland Regional Pest Management Strategies 2010-2015
- Hit a major milestone for the new Regional Policy Statement, notifying council decisions on submissions.

River Management

FLOOD RISK REDUCTION

During 2013/14 we:

- Completed a \$780,000 project to reduce the impacts of flooding in Kaeo
- Were involved in Whāngārei’s Rust Ave bridge replacement project, to help reduce flood risk to the centre
- Completed 91% of scheduled minor river works
- Had no failures in the flood protection systems at Awanui, Whāngārei, and Kaeo
- Prepared for construction of Whāngārei’s Kotuku St detention dam (scheduled for construction during summer 2014/15)
- Carried out preliminary design for a proposed spillway flood scheme on the Kerikeri River
- Continued to look at improvement options for the Awanui River scheme.



Kerikeri River, one of several locations at which minor river works were undertaken



Major works to reduce flood impacts in Kaeo were completed

Key achievements

Transport

PUBLIC TRANSPORT | HARBOUR SAFETY | REGIONAL PLANNING

During 2013/14 we:

- Piloted 42 cruise ships into the Bay of Islands
- Had a record 323,553 passengers using the Whāngārei urban bus service
- Carried out all navigation aid repairs and maintenance as scheduled
- Narrowly missed targets for reducing serious car crashes in Northland
- Worked with a range of partners on regional transport planning, delivery and road safety.



A record 323,553 passengers used the Whāngārei urban bus service

Hazard Management

CIVIL DEFENCE | OIL POLLUTION RESPONSE | HAZARD INFORMATION



Kaikohe Youth in Emergency Services training day with Hokianga Coastguard in May 2014

During 2013/14 we:

- Responded to 100% of reported oil spills within an hour
- Actioned two tsunami warnings within required timeframes
- Held workshops to help businesses prepare for and recover from emergencies
- Were involved with the Kaikohe Youth in Emergency Services scheme
- Continued community response plan development and community resilience projects in the region.

Community Representation & Engagement

COMMUNITY PARTICIPATION | ADVOCACY



Te Tai Tokerau Māori Advisory Committee met for the first time on 30 June 2014

During 2013/14 we:

- Formed a Māori advisory committee to ensure better participation of iwi and hapū in council decision-making
- Established a new constituency based representation model electing nine councillors for seven constituencies (instead of an at large representation model)
- Submitted against Local Government Commission's proposed model of reorganisation for Northland's councils, seeking to empower local communities more efficiently
- Went to 41 community meetings to talk about local government reorganisation
- Received 240 Annual Plan submissions.

Economic Development

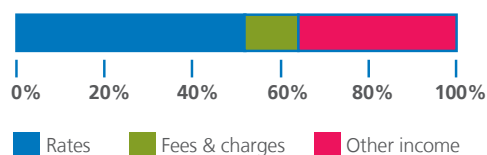
REGIONAL PERFORMANCE | SUPPORTING ECONOMIC GROWTH

During 2013/14 we:

- Saw an increase in employment rates and real GDP per person in Northland
- Revamped the criteria for our economic growth fund
- Published a quarterly newsletter on Northland's economic performance.

Financial summary

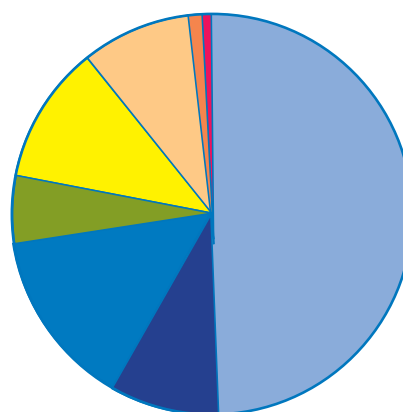
\$35 MILLION ACTUAL INCOME



Actual income for the year was \$4.2 million more than budgeted, mainly due to:

- Increased rating revenue due to growth in the number of rating units and rate penalties – this was more than offset by unbudgeted rate write-offs and unpaid rates.
- Unbudgeted subsidies from the Department of Internal Affairs and Ministry of Education for Kaeo at risk homes and Kaeo flood works.
- Higher returns from Marsden Maritime Holdings Limited and our investment property portfolio.
- Unbudgeted increases (non-cash) in the fair value of council’s investment properties and forestry holdings.

\$29.4 MILLION ACTUAL OPERATIONAL SPENDING



- Resource Management 49%
- Economic Development 9%
- Transport 14%
- Hazard Management 6%
- River Management 11%
- Community Representation and Engagement 9%
- Commercial (Support) 1%
- Non Activity Losses 1%

OTHER BUDGET VARIATIONS

The loss on infrastructure asset revaluations relates to non-cash decreases of properties purchased (and destined for demolition) for the Whāngārei detention dam and the non-cash increase in the value of the Awanui River flood management scheme.

Cash and cash-equivalents are less than budgeted and offset by higher than budgeted non-current other investments, as a greater level of long term deposits were held at 30 June 2014 than anticipated when the Annual Plan was produced.

Actual operational expenditure for the year was \$1.8 million more than budgeted, mainly due to:

- Additional rate write-offs and an increased impairment of the outstanding rates.
- Additional expenditure on Environment Fund projects.
- Additional funding granted to Northland Inc. Limited.
- Expenditure brought forward from last year for the Rust Avenue Bridge.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
INCOME					
Operating income (excluding share of joint venture revenues and share of associate companies' net surplus and rates)	16,645,923	13,264,843	14,004,527	16,990,365	14,850,268
Rates	18,366,031	17,512,172	17,402,408	18,366,031	17,402,408
Total income	35,011,954	30,777,015	31,406,935	35,356,396	32,252,677
Operating expenses (excluding finance expense)	29,301,567	27,471,460	29,203,582	32,383,110	33,436,527
Finance expense	101,629	94,272	98,215	116,335	112,610
Total expenditure	29,403,195	27,565,732	29,301,796	32,499,444	33,549,137
Share of joint venture revenues				704,670	664,013
Share of associate companies' net surplus				8,331,721	7,846,406
Net surplus before income tax	5,608,758	3,211,283	2,105,139	11,893,343	7,213,959
Income tax	-	-	(33,000)	(36,661)	(669,486)
Net surplus after tax	5,608,758	3,211,283	2,072,139	11,856,682	6,544,473
Attributable to:					
Northland Regional Council	5,608,758	3,211,283	2,072,139	7,908,384	3,349,332
Non-controlling interest in surplus of Marsden Maritime Holdings Limited				3,948,298	3,195,141
Other comprehensive income					
Financial assets at fair value through other comprehensive income	(121,329)	-	(100,320)	(121,329)	(100,320)
Gains/(loss) on property revaluations	(7,500)	-	60,000	(5,963,898)	(699,143)
Gains/(loss) on infrastructure asset revaluation	(1,106,411)	742,795	-	(1,106,411)	-
Net hedging movement (associate)	-	-	-	181,629	263,253
Total other comprehensive income	(1,235,240)	742,795	(40,320)	(7,010,009)	(536,210)
Total comprehensive income	4,373,518	3,954,078	2,031,819	4,846,673	6,008,263
Attributable to:					
Northland Regional Council				3,577,290	3,043,166
Non-controlling interest in surplus of Marsden Maritime Holdings Limited				1,269,383	2,965,098
				4,846,673	6,008,263

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Current assets	23,638,404	26,249,687	33,136,903	25,949,915	34,851,922
Non-current assets	108,655,763	105,486,945	95,271,537	225,526,632	214,718,791
Total assets	132,294,167	131,736,632	128,354,440	251,476,547	249,570,713
Current liabilities	(6,483,756)	(6,273,476)	(6,902,059)	(7,193,464)	(8,092,628)
Non current liabilities	(20,559)	(49,470)	(36,048)	(20,559)	(36,673)
Total liabilities	(6,504,316)	(6,322,945)	(6,938,107)	(7,214,024)	(8,129,301)
Net assets / equity	125,789,848	125,413,687	121,416,329	244,262,520	241,441,411
Equity attributable to:					
Northland Regional Council				185,542,541	181,979,251
Minority interests				58,719,979	59,462,160
				244,262,520	241,441,411

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Opening equity	121,416,329	121,459,609	119,384,510	241,441,411	237,267,475
Total comprehensive income	4,373,518	3,954,078	2,031,819	4,846,673	6,008,263
Dividends to non-controlling interest	-	-	-	(2,011,564)	(1,819,987)
Loss on disposal of subsidiary	-	-	-	(14,000)	(14,340)
Closing equity	125,789,848	125,413,687	121,416,329	244,262,520	241,441,411
Attributable to:					
Northland Regional Council	125,789,848	125,413,687	121,416,329	185,542,541	181,979,251
Minority interest				58,719,979	59,462,160
	125,789,848	125,413,687	121,416,329	244,262,520	241,441,411
Components of equity:					
Retained earnings	118,188,547	107,269,799	111,540,028	139,961,426	131,027,281
Asset revaluation reserve	946,290	2,742,996	2,060,201	38,954,967	43,262,103
Financial assets at fair value through equity	16,430	238,079	137,759	16,430	137,759
Special reserves	6,638,580	15,162,813	7,678,341	6,609,717	7,552,107
Minority interest	-	-	-	58,719,979	59,462,160
	125,789,848	125,413,687	121,416,329	244,262,520	241,441,411

CONSOLIDATED STATEMENT OF CASH FLOWS

	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Net cash flows from operating activities	4,755,679	3,990,408	3,772,084	10,387,527	7,802,472
Net cash flows from investing activities	(15,499,840)	(1,973,767)	1,868,214	(18,466,300)	786,059
Net cash flows from financing activities	(21,790)	-	-	(2,016,395)	(2,329,281)
Net increase/(decrease) in cash held	(10,765,951)	2,016,641	5,640,298	(10,095,169)	6,259,270
Closing cash balance	5,124,001	7,000,725	15,889,952	6,889,760	16,984,938

ACCOUNTING POLICIES

Northland Regional Council is a local authority constituted by the Local Government Act 2002.

The audited full financial statements of Northland Regional Council have been prepared in accordance the Local Government Act 2002 and with New Zealand's generally accepted accounting practice. They comply with NZ IFRS and other applicable financial reporting standards, as appropriate for public benefit entities.

Northland Regional Council's summary annual report complies with Financial Reporting Standard 43 (FRS43) Summary Financial Statements. The summary financial statements are presented in New Zealand dollars rounded to the nearest dollar, unless otherwise stated. The summary financial statements do not include all the disclosures provided in the audited full financial statements and cannot be expected to provide as complete an understanding as provided by the audited full financial statements.

In this summary, "council" refers to Northland Regional Council only. The terms "consolidated" and "group" refers to Northland Regional Council plus Northland Inc. Limited, Marsden Maritime Holdings Limited (formerly Northland Port Corporation NZ Ltd) and Regional Software Holdings Limited.

There were no significant breaches of legislation during the year.

The Annual Report 2014 was authorised for issue by resolution of Northland Regional

Council on 21 October 2014. The Annual Report Summary 2014 was authorised for issue by the Chief Executive on 11 November 2014.

SIGNIFICANT RELATED PARTY TRANSACTIONS

Northland Regional Council controls two entities – Marsden Maritime Holdings Limited (53.61%) and Northland Inc Limited (100% owned). The council also has a 16.75% share in Regional Software Holdings Limited and has significant influence over a number of other entities by way of direct investment by Marsden Maritime Holdings Limited. The following transactions were carried out with related parties.

	Council 30-Jun-14 \$	Council 30-Jun-13 \$
Marsden Maritime Holdings Limited		
Dividend received by council	2,325,005	2,103,576
Services provided by the council	740	2,022
North Tugz Limited		
Services provided by the council	83	82
Services provided to the council	23,284	12,251
Enterprise Northland		
Services provided to the council	Nil	7,760
Northland Inc. Limited		
Services provided by the council	52,810	37,265
Services provided to the council	271,384	16,043
Grants received from council	1,100,000	1,100,000
Accounts payable to the council	Nil	41,895
Northport Limited		
Services provided by the council	129,175	121,156
Services provided to the council	23,867	17,526
Accounts payable to the council	2,441	6,451
Accounts receivable from the council	10,542	9,167
Regional Software Holdings Limited		
Services provided to the council	137,437	23,551
Accounts payable to the council	25,999	27,084

CONTINGENT ASSETS AND LIABILITIES

The council had no quantifiable contingent liabilities as at 30 June 2014 (2013: Nil).

In August 2013, council took over the responsibility and obligations of the Waste Minimisation Fund Project (Oyster project). Council took over the management of the project on from Northland Inc. Limited on the basis that it would not be liable for any historic matters. There are no residual issues or concerns outstanding for this contract

Council also disclosed in its full annual report 2014 the potential contingent liability that may exist if KiwiRail is approached by a landowner whose property is affected by the rail corridor designation. There is provision within the rail corridor acquisition agreement between council and KiwiRail for council to provide assistance to KiwiRail if KiwiRail is approached by a landowner wanting to sell their properties.

At 30 June 2014 Marsden Maritime Holdings Limited was aware of the following contingent liabilities:

- A bond given to the NZ Stock exchange – \$75,000 (2013: \$75,000);
- A guarantee given to Westpac NZ Ltd on behalf of North Port Coolstores (1989) Ltd – \$675,000 (2013: \$675,000); and
- \$226,935 (2013: \$252,242) in respect to postponed land rates on company owned farmland.

As at 30 June 2014 council and its entities had no contingent assets that could be quantified (2013 Nil).

OPERATING LEASES AS A LESSOR

Council and the Group have operating leases relating to investment properties they own. Council's investment properties have lease terms of between 5 to 21 years. The following future minimum rentals receivable as a lessor existed at 30 June 2014.

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Less than 1 year	2,758,666	3,144,983	3,684,263	3,993,891
Between 1-5 years	8,130,847	8,077,143	10,961,925	10,451,972
Over 5 years	10,227,218	11,104,805	16,987,593	15,383,849
	21,116,731	22,326,931	31,633,781	29,829,712

EVENTS AFTER BALANCE DATE

Subsequent to balance date, Marsden Maritime Holdings Limited declared a fully imputed dividend of 6.25 cents per share to be paid on 19 September 2014.

On the 1 July 2014 Marsden Maritime Holdings Limited acquired the Marsden Cove Marina and adjoining commercial complex for \$6,950,000. To part fund the acquisition of Marsden Cove Marina, \$5,500,000 was drawn down from the \$6,000,000 funding facility provided by Bank of New Zealand Ltd on 1 July 2014. This facility is secured to the bank by a first ranking mortgage over Marsden Maritime Holdings Limited's freehold land and other assets

On 21 August 2014, the New Zealand Markets Disciplinary Tribunal censured Marsden Maritime Holdings Limited for incorrectly allowing Northland Regional Council a vote on a resolution relating to the company's director fees. (The tribunal noted that the resolution was not impugned as a result.)

There were no other significant events after balance date.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Northland Regional Council and group's summary annual report for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Northland Regional Council (the Regional Council) and group for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 4 to 11:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as Key Achievements) of the Regional Council and group.

We expressed an unmodified audit opinion on the Regional Council and group's full audited statements in our report dated 21 October 2014.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS43 (PBE): Summary Financial Statements.

Basis of opinion

Our audit was carried out in accordance with the AuditorGeneral's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 21 October 2014 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the Regional Council and group.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

In addition to reporting on the summary annual report, we have reported on the full annual report, and we have carried out project management assurance over the Regional Collaborative Development Group's Integrated Regional Information System (IRIS) project, which is compatible with those independence requirements. Other than this reporting and these assignments, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



Karen MacKenzie
Audit New Zealand
On behalf of the Auditor General
Auckland, New Zealand
11 November 2014