

# 2014 Annual Report



Putting Northland first

**NORTHLAND  
REGIONAL  
COUNCIL**



# Directory



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# Chairman and CEO's 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 (Mangere, Whāngārei, Doubtless Bay, Poutō and Waitangi), and a review of our regional resource management plans has started. Work continues across council to ensure an integrated, collaborative approach to managing our rivers, streams, lakes and aquifers.

The unwelcome discovery of two 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 at large from three areas). Elected along with incumbent councillors Craig Brown (Coastal South), John Bain (Whāngārei Urban), Graeme Ramsey (Kaipara) and Joe Carr (Hokianga-Kaikōhe) were our new regional councillors Paul Dimery (Coastal Central), David Sinclair (Whāngārei Urban), Bill Shepherd and Dover Samuels (Coastal North) and Dennis Bowman (Te Hiku).

A priority for the new council was improving Māori participation in council processes and decision-making. This led to the establishment of the 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 in 2013/14.

## He Kupu Whakataki nā te Ahurei rāua ko te Toihau.

Te toto o te tangata he kai, te orange o te tangata he whenua – the lifeblood of mankind is food, the source of wellness is the environment

Wai Maori – ahakoa i āhua mutunga-kore o te rere pupuke mai o te wai i ngā āwhā o Hōngongoi, he taonga rangatira tonu te wai ki a tāua te tangata.

E hāngai tonu ana Te Kaunihera i ngā ritenga Wai Māori arā, ā Waioira, Northland Water mō te wā o 2013/14.

Kua whakarewatia ētahi Roopu Whaitārewa ki roto i ngā tōpito hopuwai o Māngere, Whāngārei, Te Aurere, Poutō me Waitangi a, kua tīmatahia ngā tirohanga hau o ā mātou tikanga Kaitiaki. E haere tonu ana a ngā mahi a Te Kaunihera e pā ana ki ngā tikanga kaitiaki o ā tātou roto, ngā awa, ngā awaawa, a tae noa ki ngā onewai.

Nā te tūpono waingaio i ngā ngaro kai-huarākau e rua, mai Queensland – he tūpato tino nui ki ngā mahi ahumāra – i te tīmatatanga o te tau 2014, ka huri ngā kaimahi ārai matekino taiao o Te Kaunihera ki te tautoko i te kaupapa hora whānui i arataki angitū e te Manatū Ahu Matua hei urupare ki tenei āhuatanga.

I roto i ngā whakarerekētanga e whakaarotia ana e te Kōmihana Kāwana-a-rohe e pā ana ki ngā rohe kaunihera katoa o te Taitokerau, e mau ana tēnei kaunihera tētahi whakaaro kia whakaū tonu he tikanga whakaahuatā ngā wawatā, me ngā tūmanako o ngā hāpori me te whakamana ia hāpori kia whai tika ai i roto i ngā whakatakoto ritenga i roto i a rātou anō.

Nā te pōtinga o Te Kaunihera hou i tēnei tau, ka kite ai tātou te pōtinga mai o ngā mema kaunihera tokoiwa hei kaikōrero mō ngā rohe e whitu o te Taitokerau, e rerekē ana ki ngā pōtinga mema kaunihera tokowaru mai i ngā rohe e toru o mua rā.

Ko ngā mema kaunihera tawhito i whakahokia mai ki a rātou tūranga ko Craig Brown (mai te Takutai-ki-runga), ko John Bain (mai Whāngārei Taone), ko Graeme Ramsay (mai Te Kaipara), rātou ko Joe Carr (mai Hokianga-Kaikohe). Ko ngā mema kaunihera hou i whakauru atu ki Te Kaunihera, ko Paul Dimery (mai Te Takutai-ki-waenganui), ko David Sinclair (mai Whāngārei Tāone), ko Bill Shepherd (te Ahurei), ko Dover Samuels (mai Te Takutai-ki-raro), rātou ko Dennis Bowman (mai Te Hiku o Te Ika).

I whakatinanatia tētahi titiro rangatira a Te Kaunihera hou a, kia whaiwāhitia te Iwi Māori i roto i ngā nekenekehanga me ngā ritenga o Te Kaunihera. Nā konā ka whakarewahia Te Rūnanga Tohutohu Tikanga Kaitiaki Māori o Taitokerau mo Te Kaunihera-a-rohe motuhake. Ko te tino tūmanako o Te Kaunihera, kia whakahono pūmau ai Te Kaunihera me Te Iwi Māori.

Tetahi taumahatanga kei runga tonu Te Kaunihera ko nga rēti e tārewa tonu ana, kua tae atu ki te rima-ira-whitu mirione tāra kahore noa kia utua, te nuinga kei roto i te rohe o te raki. Kua whakarite i tetahi Rōpu Whakahuihui Kaunihera hei whiriwhiri mei pehea ai tenei āhuatanga whakatika ai. E tirotirohia ana Te Kaunihera i ōna ake tikanga kohinga rēti.

He maha hoki ngā Kaupapa kua pīkautia Te Kaunihera i tēnei tau, e tūpono kau ana ngā momo tikanga hoki puta noa i ngā Kaupapa katoa. Nō reira titiro tonu atu ki ngā pānui i roto i tēnei pukapuka, kia kite ai ngā painga kua oti mō Taitokerau i tēnei tau 2014.

Nā māua



Bill Shepherd  
Chairman



Malcolm Nicolson  
Chief Executive Officer



## Your regional councillors



**Bill Shepherd**  
(Chairman)  
Coastal North  
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**Dennis Bowman**  
Te Hiku  
*Councillor Bowman passed away in October 2014. A by-election for Te Hiku will be held in early 2015.*



**Craig Brown**  
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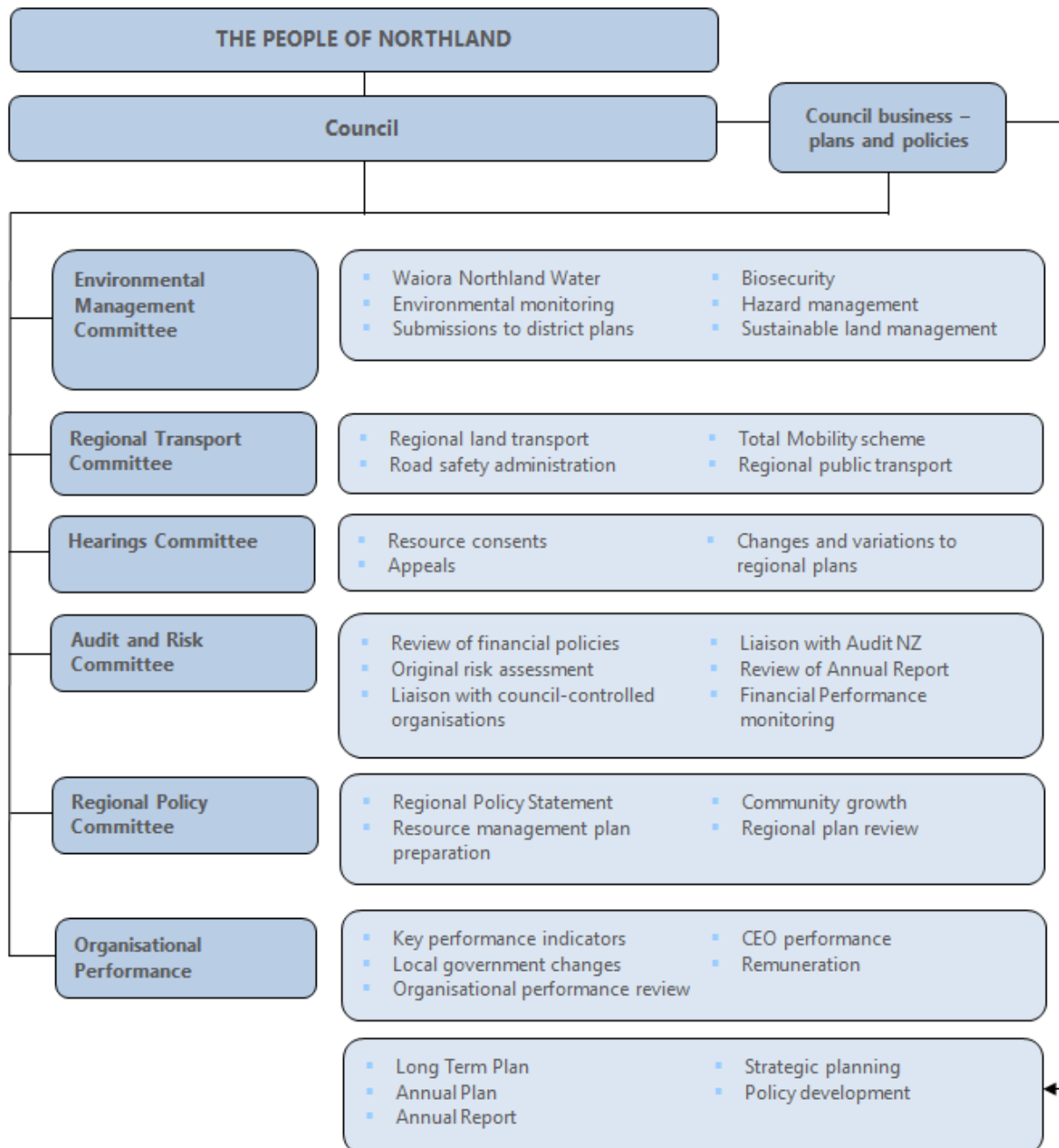


**Dover Samuels**  
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# Governance structure



1

<sup>1</sup> Northland Regional Council resolved at the 13 May 2014 council meeting to establish Te Tai Tokerau Māori Advisory Committee. The first meeting of the Committee was held on 27 June 2014 at Otira Marae. The final structure of the committee is yet to be determined.

# Council committees and advisors

## Environmental Management Committee (EMC)

Councillors Joe Carr (Chairman), Craig Brown (Deputy Chairman), Bill Shepherd (ex-officio), Paul Dimery, Dennis Bowman.

- Cr Ann Court representing Far North District Council.
- Cr Tricia Cutforth representing Whangarei District Council.
- Commissioner Richard Booth representing Kaipara District Council.
- Mr Keir Volkerling representing Māori interests.
- A representative of environmental interest groups.
- Mr Alan Clarkson representing the farming community.
- Ms Sue Reed representing Department of Conservation.
- Mr Geoff Gover representing the forest industry.

## Regional Transport Committee (RTC)

Councillors John Bain (Chairman), Paul Dimery (Deputy Chairman).

- Cr Ann Court representing Far North District Council.
- Cr Greg Martin representing Whāngārei District Council.
- Commissioner Peter Winder representing Kaipara District Council.
- Mr Ernst Zöllner representing NZ Transport Agency.

## Hearings Committee (HC)

Councillors Craig Brown (Chairman) and Dover Samuels (Deputy Chairman), Paul Dimery, David Sinclair.

The committee (or the council) may appoint any individual member/s or other independent person/s as commissioner/s pursuant to Section 34(1) of the Resource Management Act, to conduct a hearing in any particular case. The committee (or the council) may also revoke such a delegation at any time, by notice to the delegate.

## Audit and Risk Committee (A&RC)

Councillors David Sinclair (Chairman), Paul Dimery (Deputy Chairman), Bill Shepherd (ex-officio), John Bain, Dennis Bowman, Craig Brown, Joe Carr, Graeme Ramsey, Dover Samuels. Independent member Geoff Copstick.

## Regional Policy Committee (RPC)

Councillors Graeme Ramsey (Chairman), Craig Brown (Deputy Chairman), Bill Shepherd (ex-officio), John Bain, David Sinclair and Joe Carr.

## Organisation Performance Committee (OPC)

Councillors Bill Shepherd (NRC Chairman), Graeme Ramsey (NRC Deputy Chairman), David Sinclair.

## Te Taitokerau Māori Advisory Committee (TTMAC)

Councillors Dover Samuels (Chairman), Bill Shepherd, Dennis Bowman, Paul Dimery. New elected members yet to be confirmed.

## Civil Defence Emergency Group (CDEG)

Mr Colin Kitchen (Chairman), Mr John Williamson (Deputy Chairman), Superintendent Russell Le Prou (Police Representative). It should be noted that the CDEG is not a committee and NRC is the administering authority only.

## Councillor portfolios and memberships

- Appointed Members' Allowances Policy Assessment Working Party – Councillors Bill Shepherd, Joe Carr, Craig Brown and Chief Executive Malcolm Nicolson.
- Awanui River Liaison Committee – Councillors Dennis Bowman. (Chairman), Cr Carr (ex officio - EMC Chairperson).
- Civil Defence Emergency Management Group Joint Committee – Councillor Paul Dimery.
- Creative Northland (CHART) – Councillor David Sinclair.
- Doubtless Bay Catchment Group – Councillor Dennis Bowman,
- Economic Development Portfolio – Councillor David Sinclair.
- Economic Development Working Party – Councillors David Sinclair, Craig Brown, Joe Carr.
- Hātea Dredging Portfolio and the Hātea River Channel Liaison Group – Councillor Craig Brown.
- Inter-council working party on genetically modified organisms risk evaluation and management – Councillor Paul Dimery.
- Kaeo-Whangaroa River Liaison Committee – Councillors Craig Brown (Chairperson), Joe Carr (ex officio – EMC Chairman), Dover Samuels.
- Kaihū River Liaison Committee – Councillors John Bain (Chairperson), Joe Carr (ex officio – EMC Chairman).



- Kaipara Harbour Joint Political Committee – Councillor Graeme Ramsey.
- Kawakawa Visitors Centre Project Working Party – Councillor Joe Carr.
- Kerikeri – Waipapa River Liaison Committee – Councillors Joe Carr (Chairperson), Dover Samuels.
- Mangere Catchment Group – Councillor Bill Shepherd.
- Mayoral Forum Working Party (Council Priorities and Shared Services) – Councillor Bill Shepherd and Chief Executive Malcolm Nicolson.
- Media and Communications Portfolio – Councillors Bill Shepherd, Graeme Ramsey.
- Moorings and Marinas Strategy Hearings Committee – Councillors Craig Brown (Chairman), Dover Samuels, David Sinclair.
- Northland Chamber of Commerce – Councillor Paul Dimery.
- Northland Road Safety Trust – Councillor John Bain.
- Northland Sports Facilities Plan (Sport Northland) – Councillor Paul Dimery.
- Plan Change 4 to the Regional Coastal Plan for Northland – Councillors Craig Brown, Dover Samuels.
- Poutō Catchment Group– Councillor Graeme Ramsey.
- Regional Software Holdings Limited Shareholder Representative – Councillor Bill Shepherd.
- Risk and insurance cover working party – Councillors Paul Dimery, David Sinclair.
- RTC appointed Regional Road Safety Portfolio Holder – Councillor John Bain (Councillor Paul Dimery as alternative).
- Ruakaka River Liaison Committee – Councillors Craig Brown (Chairman), Joe Carr (ex-officio – EMC Chairman).
- Selection panel to choose recipient of Northland Sailor of the Year 2013 – Councillor David Sinclair.
- Shareholder representative for Northland Inc. Ltd – Councillor David Sinclair.
- Shareholder representative for Marsden Maritime Holdings Limited – Councillor Bill Shepherd.
- Sport Northland Board of Trustees – Councillor John Bain.
- Steering Group for Review of Taharoa Domain Reserve Management Plan – Councillor Graeme Ramsey.
- Te Maruata to LGNZ's National Council – Councillor Dover Samuels.

- Upper North Island Strategic Alliance (UNISA) – Councillor Bill Shepherd.
- Urban Whāngārei Rivers Liaison Committee – Councillors Craig Brown (Chairperson), Joe Carr (ex officio – EMC Chairperson), David Sinclair.
- Waitangi Catchment Group – Councillor Dover Samuels (Councillor Joe Carr alternate).
- Waitangi River Liaison Committee – Councillors Joe Carr (Chairperson), Dover Samuels, Dennis Bowman.
- Whāngārei Harbour Catchment Group – Councillor David Sinclair.
- Zone One Representative – Councillor Bill Shepherd.

## Advisors

**Auditors:** Audit New Zealand on behalf of Auditor-General

**Bankers:** ASB Bank  
ANZ Bank  
Bank of New Zealand  
Kiwi Bank  
Westpac

**Solicitors:** Thomson Wilson  
Law North Partners  
Laurence Holley  
Karenza de Silva  
Simpson Grierson  
Matthew Casey  
Liam McEntegart  
Meredith Connell  
Webb Ross McNab Kilpatrick  
Marsden Woods Inskip & Smith  
Julian Dawson Barrister & Solicitor  
Robert Makgill Barrister  
Carter Kirkland Morrison Lawyers  
(amalgamated with Burns Fraser Environment law)  
Brookfields Lawyers  
Atkins Holm Majurey Limited  
Blank Singh & Associates  
Buddle Findlay

**The Chief Executive Officer** is responsible for setting the direction of the council within the policy framework provided by councillors. The management team is accountable to him and he is accountable to the council.

# Our year in review

The following is a snapshot of our major areas of work and key successes over the last year.

Details on all our activities – and how we measured up against our performance targets for the year – can be found in the *Council activities* section on pages 18-58.

## Waioira Northland Water builds momentum

Our 30-year programme for improving the management and quality of freshwater, Waioira Northland Water, has continued to build momentum over its second year of operation.

This programme brings together council's new and existing work around freshwater, and also incorporates our plan for implementing government requirements for managing freshwater (under the National Policy Statement for Freshwater Management 2014).

We now have collaborative stakeholder groups set up in five priority areas – Mangere, Whāngārei, Doubtless Bay, Poutō and Waitangi – to ensure local interests and values for freshwater are reflected in decision-making.

We also continued to work with the Taharoa Domain Governance Committee and other stakeholders on the management of the Kai Iwi Lakes.

A Memorandum of Understanding with the Ministry of Primary Industries has been established to deliver a series of studies looking at the potential economic, environmental and cultural impacts of new water management rules in Northland.

We have also continued to work with landowners, industry groups and other stakeholders on various freshwater-related initiatives across the region.

## Major flood works completed

Two major projects to reduce the impacts and risks of flooding in both Kaeo and Whāngārei were completed in 2013/14.

Kaeo has benefited from a \$780,000 initiative which aims to protect the town by slowing the speed of flood waters and making them less damaging and dangerous.

In Whāngārei the old Rust Ave bridge across the Waiairohia Stream – originally built in 1927 – has been demolished and replaced with a new, single-span concrete structure, designed to reduce the flood risk to the Whāngārei CBD.

The old bridge's central pillar had contributed to flooding of the Whāngārei CBD during major storms when debris became caught around it.

Meanwhile, also in Whāngārei, pre-construction work has continued for a large detention dam designed to help hold back floodwaters threatening the city's CBD.

Tenders for the proposed dam at Kotuku Street in Raumanga closed on 19 June 2014 and construction is scheduled to occur during the summer of 2014/15.

## Māori advisory committee established

The establishment of Te Tai Tokerau Māori Advisory Committee in 2013/14 aims to promote better Māori participation and engagement in council decision-making.

The new council, elected in October 2013, was committed to establishing a relationship with Māori and made this one of its top priorities post-election. Te Tai Tokerau Māori Advisory Committee came into being in May 2014 and had its inaugural meeting on 27 June 2014.

As well as improving Māori participation, the committee's formation will enable the council to better fulfil its statutory obligations under the Local Government and Resource Management Acts and take appropriate account of the principles of the Treaty of Waitangi.

Council considers the committee will enable lasting and meaningful relationships between Māori and council and hopes the committee will identify issues of regional significance to Māori during the second half of 2014.

## Local government reform process continues

The Local Government Commission's process to look at possible reorganisation of local government in Northland continued in 2013/14.

In late 2013 the commission issued a proposal for a single council for Northland supported by seven

community boards. (The commission's proposal is available on its website and further information on council's position can be found at [www.nrc.govt.nz/lgreform](http://www.nrc.govt.nz/lgreform).)

Our council told the commission we can't support its draft proposal in its current form, in large part due to the proposal's heavy reliance on less powerful community boards. (It also wanted the commission to provide more information across a number of other areas.)

During 2013/14 council has been out in the community and working with others to ensure the public is informed and our position has been heard.

At the time of writing this Annual Report the outcomes of the commission's process are far from certain. The commission now has several options available to it but has said it won't make a decision until after the central government elections in September 2014.

### Regional plan review kicks off

The ten-yearly review of Northland's regional plans – the Air Quality Plan, the Water and Soil Plan and the Coastal Plan – commenced in late 2013.

Regional plans set out the policies and rules for the way Northland's air, land, water and coast are used.

In addition to changes required under new government policy – like National Policy Statement for Freshwater Management – the plans must also give effect to the new Regional Policy Statement as it comes into force.

Council is keen to develop a single plan or combined regional resource management plan for Northland and has approved a combined plan review for all three Northland regional plans.

An initial review of the three plans has now been completed, and we hope to get feedback from key stakeholders via a series of workshops in late 2014.

### Multi-agency fruit fly response

Two incursions of the Queensland fruit fly – a major biosecurity risk for the region – triggered a multi-agency biosecurity response in Whāngārei early 2014.

Queensland fruit fly is a major pest of a wide range of crops and would be a serious threat to New Zealand's \$4 billion horticulture industry if it established here.

The council worked with the Ministry for Primary Industries (MPI) and others on the response and we were congratulated for our efforts and support.

Additional surveillance traps have been set up around the vicinity of the port and upper harbour and as the year closed no further flies had been found.

### Council's financial position strong

Council continues to operate in accordance with its financial strategy and has maintained a strong balance sheet and no external debt. Another year of higher-than-expected investment income from our shareholding in Marsden Maritime Holdings Limited puts us in a strong position for the coming year.

#### Our year in numbers

- Five new community pest control areas established
- 168 Farm Water Quality Improvement Plans completed
- Five stakeholder groups for freshwater management set up
- 3268 pest-related enquiries responded to
- 59 popular swimming sites tested for water quality, with results made available online
- 104 coastal, river and lake sites routinely tested for water quality
- 100% of PM<sub>10</sub> monitoring results for the Whāngārei and Marsden Point airsheds met national standards
- 100% of consents processed within statutory timeframes
- 559 incidents reported to the Environmental Hotline (which celebrated its 20th anniversary)
- 91% of scheduled minor river works completed
- 100% of reported oil spills responded to within an hour
- 42 ships piloted into the Bay of Islands
- 323,553 passengers on the Whāngārei urban bus service up 6%.

# Council objectives

The council set its future direction and defined a new set of council objectives in Northland's Long Term Plan 2012-2022.

This is the second Annual Report that measures council's progress against each council objective.

**Maintain and improve the quality of Northland's overall environment.**

**Build a business friendly environment that encourages business and employment opportunities.**

**Invest in Northland to increase all our communities' economic performance and quality of living and reduce disparities.**

**Promote regionally significant infrastructure and improvements that enable economic development, enhance the environment, and connect people and Northland to the wider world.**

**Encourage the sustainable access and use of our environment in ways that will progress our collective quality of living.**

**Promote the awareness and appreciation of our heritage, landforms, freshwater and marine environment to encourage our collective pride in Northland.**

Achieving these council objectives is a joint effort. We have worked with district councils, government agencies, other Northland organisations, landowners, Māori and Northland communities on specific initiatives to extend our influence and progress the achievement of our objectives.

In the *Council activities* section on pages 18-5859 there is a breakdown of why we do the various activities we have reported on, how they contribute to council objectives, what we did (including progress with our initiatives) and how we performed against our targets.

We acknowledge there is room for enhanced reporting with measures around water in our priority catchments, biodiversity, heritage, infrastructure and economic performance. We will be reviewing these in our draft 2015-2025 Long Term Plan.

## Achievement of Performance Measures

### Resource Management

- Management and governance arrangements for resource management include Maori. **Achieved**
- The number of community pest control areas achieving their targets for pest reduction. **Not achieved**
- The number of active community pest control areas. **Achieved**
- The percentage of faecal indicator bacteria results that are within the Ministry for the Environment's guideline values for bathing will be maintained or improved at the 20 core bathing sites monitored for trend. **Achieved**
- Shellfish collection is safe in open coastal areas. **Not achieved**
- The water in our streams supports a healthy habitat for flora and fauna. **Achieved**
- The number of annual significant non-compliance events resulting in a reduction in water quality of receiving waters. **Achieved**
- The number of annual significant non-compliance events resulting in any unauthorised/prohibited discharge to water. **Not achieved**
- Those consents requiring monitoring are monitored as per the council's monitoring programme. **Not achieved**
- The appropriate action is taken to rectify significant non-compliances. **Not achieved**
- Air sheds meet the national environmental standards. **Achieved**
- Incidents reported to the Environmental Hotline, where more than minor environmental effects have been confirmed, are resolved within 30 working days. **Achieved**
- All resource consent applications are processed in a timely manner. **Achieved**
- All resource consent applications are processed in a timely manner. **Not achieved**

### River Management

- Number of failures of flood protection system for the Awanui, Whangarei, and Kaero, schemes below specified design levels. **Achieved**

- Implement the programmed minor flood control works for other rivers in accordance with the approved annual budgets. **Achieved**

### Economic Development

- Employment rate - the proportion of the labour force that is in paid employment. **Achieved**
- Business growth – the ratio of business start-ups to business closures. **Not achieved**
- Economic growth – real GDP per usual resident population. **Achieved**

### Hazard Management

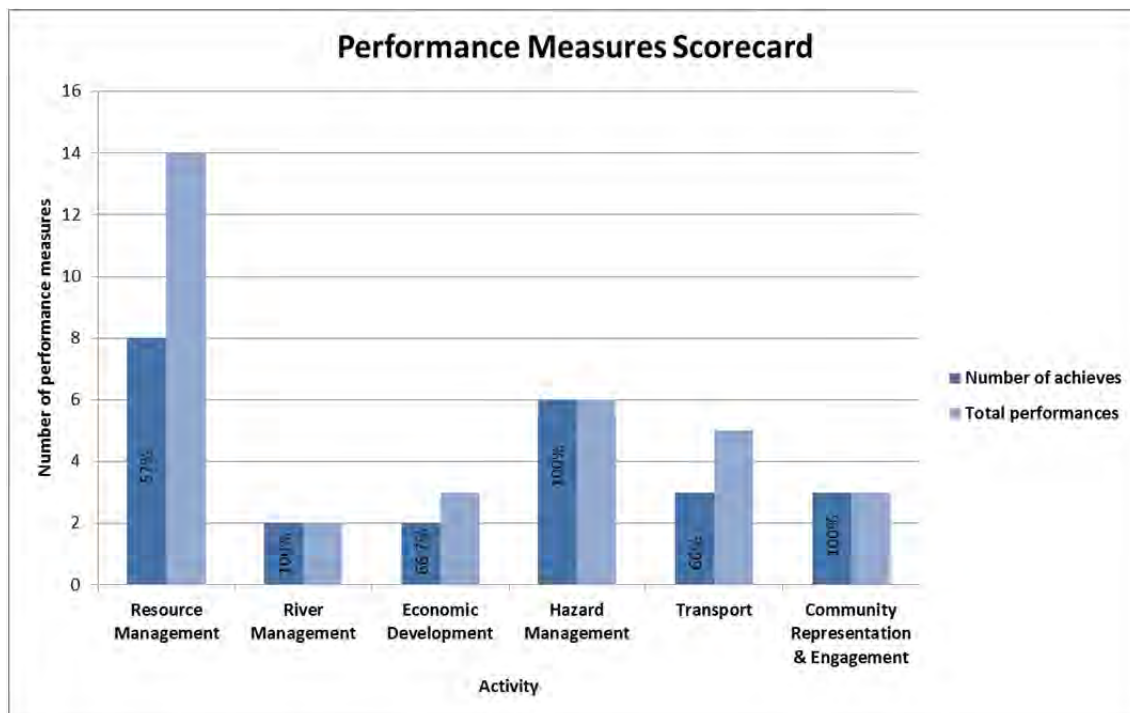
- Nationally issued warnings are acknowledged within 30 minutes. **Achieved**
- Emergencies are debriefed within one month and noted improvements are incorporated into the appropriate emergency operating procedures and response plans. **Not applicable**
- Accurate and timely flood warnings issued. **Achieved**
- Evaluate and respond to a report of an oil spill within one hour of the report being received. **Achieved**
- Maintain hazard information for river flooding and beach profiles. **Achieved**
- Maintain hazard information for river flooding and beach profiles. **Achieved**

### Transport

- Reducing the annual number of fatal motor vehicle crashes in Northland. **Not achieved**
- Reducing the annual number of serious injury motor vehicle crashes in Northland. **Not achieved**
- Number of passengers for the Whangarei urban bus service. **Achieved**
- Failures to navigation aids are repaired within five working days of reporting. **Achieved**
- Number of incidents from providing pilotage services within BOI harbours. **Achieved**

### Community Representation and engagement

- Submissions received on council's long term plan and annual plan. **Achieved**
- Time to respond to submitters post adoption of annual plans and long term plans. **Achieved**
- Level of advocacy undertaken on issues of importance to Northland over and above government submission processes. **Achieved**



# Māori participation in council processes

Council is committed to building a good relationship with Māori and providing opportunities to contribute to council's decision-making

During 2013/14 we:

- In May 2014 council approved the establishment of Te Tai Tokerau Māori Advisory Committee (a standing committee of council) which then met for the first time in June.
- In consultation with the region's mandated iwi authorities, established a process for appointment of a Māori representative to council's Environmental Management Committee (EMC).
- Provided for Māori representation on all the river liaison and freshwater catchment committees – sub-committees of the EMC.
- Continued commitment to the Memorandum of Understanding between Te Uri o Hau Settlement Trust and council by:
  - Co-chairing the Joint Political Committee for Kaipara Harbour (a committee made up of hapū of Ngāti Whātua, Te Rūnanga o Ngāti Whātua and local authorities).
  - Active participation in the Integrated Kaipara Harbour Management Group through staff time and financial support.
  - Regular quarterly meetings between the chief executive officers of Te Uri o Hau Settlement Trust and council.
  - Giving effect to the Memorandum through early notification of resource management planning projects.
- Continued to provide the Joint Iwi Monitoring and Hapū Environmental Management funds, which were both fully subscribed to and provided for the following contracts:
  - A joint project between council and the Ngāti Hau Trust Board to test for the presence of heavy metals in water and sediment.
  - The full review and rewrite of the Patuharakeke Te Iwi Environmental Management Plan, fully funded by council.
  - Co-funding for the review of the Ngāti Rehia Hapū Environmental Management Plan.
- Continued to participate in the Iwi / Council Chief Executive Forum which meets every second month to discuss regional issues of interest.
- Provided information by circulating copies of all resource consent applications to Māori.



# Compliance statement

Northland Regional Council

## **Annual Report**

For the year ended 30 June 2014

### **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 2014.



**Bill Shepherd**  
**Chairman**



**Malcolm Nicolson**  
**Chief Executive Officer**



**Lisa Aubrey**  
**General Manager Finance**

Date: 21 October 2014

# Audit report

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

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

The Auditor-General is the auditor of Northland Regional Council (the Regional Council) and group. The Auditor-General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the Regional Council and group that comprise:
  - the statement of financial position as at 30 June 2014 on pages 66 and 67;
  - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014 on pages 62, 65 and 68; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 63 and 64, 67, and 69 to 134;
- the statement of service provision (referred to as the Report on Council Activities) of the Regional Council and each group of activities carried out by the Regional Council on pages 18 to 58;
- the funding impact statements in relation to each group of activities of the Regional Council on pages 18 to 58;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the Regional Council on pages 18 to 58;
- the funding impact statement of the Regional Council on pages 59 and 60; and
- the disclosures of the Regional Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 135 to 137.

In addition, the Auditor-General has appointed me to report on whether the Regional Council and group's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
  - internal borrowing on page 96;
  - reserve funds on pages 94 to 99;
  - remuneration paid to the elected members and certain employees of the Regional Council on pages 125 and 126;
  - employee staffing levels and remuneration on page 126;
  - severance payments on page 126;
  - council-controlled organisations on pages 138 to 146;
  - rating base units on page 89; and
  - insurance of assets on page 116.
- a report on the activities undertaken by the Regional Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 13; and
- a statement of compliance signed by the chairperson of the Council, and by the Regional Council and group's chief executive on page 14.

## **Opinion**

### **Audited information**

In our opinion:

- the financial statements of the Regional Council and group on pages 62 to 134:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Regional Council and group's financial position as at 30 June 2014; and
    - the results of its operations and cash flows for the year ended on that date.

- the Report on Council Activities of the Regional Council on pages 18 to 58:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Regional Council's levels of service for the year ended 30 June 2014, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
    - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the Regional Council on pages 18 to 58, fairly reflects by each group of activities, 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.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the Regional Council on pages 18 to 58, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Regional Council's long-term plan or annual plan.
- the funding impact statement of the Regional Council on pages 59 and 60, fairly reflects 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 disclosures on pages 135 to 137 represent a complete list of required disclosures and accurately reflects the information drawn from Regional Council's audited information.

### **Compliance with the other requirements of schedule 10**

In our opinion, which is not an audit opinion, the Regional Council and group's annual report complies with the Other Requirements of schedule 10 that are applicable to the annual report.

Our audit was completed on 21 October 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

### **Basis of opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and the Report on Council Activities. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Regional Council and group's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported service performance within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included

in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. As a result we do not express an audit opinion on the Regional Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

### **Responsibilities of the Council**

The Council is responsible for preparing:

- financial statements and a report on Council Activities that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the Regional Council and group's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities 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;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Regional Council's long-term plan or annual plan;
- a funding impact statement that fairly reflects 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;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

The Council's responsibilities arise under the Local Government Act 2002.

### **Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on, the information we are required to audit, and whether the Council has complied with the Other Requirements of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

### **Independence**

When carrying out this audit, which includes our report on the Other Requirements, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the Other Requirements, 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 the audit and this assignment, 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

# Report on council activities

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# Resource management

## LEVELS OF SERVICE

This group of activities includes:

**Resource management planning** – developing and reviewing regional plans, policies and strategies that support efficient and effective management of Northland’s natural and physical resources.

**Consents** – providing consents advice and processing resource consents.

**Monitoring** – monitoring and enforcing resource consent conditions, responding to complaints about alleged breaches of the Resource Management Act, and collecting data to assess the state of the environment and monitor effectiveness of plans.

**Biosecurity** – managing plant, animal and marine pests (including control and/or eradication) to minimise their adverse effects on the region’s biodiversity, primary production, economy and environment.

**Land and biodiversity** – promoting sustainable land management practices and maintaining the variety of Northland’s indigenous life forms.

## Why we do these activities

Northland’s natural and physical resources are the building blocks for the wellbeing of the region and its people. Our economy is largely based on primary industry, with well over half the region’s land devoted to farming, along with extensive exotic forestry and horticultural land uses. Our natural and physical resources are a large part of who we are and what makes Northland special, so it’s important they are well-managed.

Regional planning documents and management strategies (and the processes used to develop them) set out how the region’s natural and physical resources should be managed. The aim is to achieve the maximum benefits possible, minimise conflict and allocate resources efficiently while ensuring environmental bottom lines – and the needs and values of Northlanders – are met.

[www.nrc.govt.nz/plansandpolicies](http://www.nrc.govt.nz/plansandpolicies)

A regional approach is necessary to ensure Northland’s significant resource management issues are tackled in an integrated, coordinated, comprehensive, cost effective and forward-looking manner. The council’s consenting, monitoring, biosecurity, land and biodiversity functions deliver the plans and measure our progress against the intended results.

The council has statutory responsibilities to deliver these functions under the Resource Management Act 1991, the Soil Conservation and Rivers Control Act 1941, the Biosecurity Act 1993, the Hazardous Substances and New Organism Act 1996, national policy statements and national environmental standards.

## Contribution to council objectives

Our resource management activity contributes to the following council objectives.

### Maintain and improve the quality of Northland’s overall environment by:

- Focusing on water as council priority;
- Ensuring the diverse needs of Northland’s communities are reflected in the council’s planning documents through effective collaborative and consultation processes;
- Promoting Māori participation in resource management and decision-making and recognising the place of Māori as tangata whenua in council’s planning processes and documents;
- Promoting community involvement in pest management and reducing the impact of introduced pests on environmental, economic and social values;
- Reducing the opportunity for new pests which may enter the region to establish, persist and spread;
- Contributing to making our harbours, foreshore and waterways clean and healthy through pest plant management programmes and the provision of information;
- Ensuring consent conditions on development proposals provide for the sustainable management of the environment;
- Promoting sustainable land management practices; and
- Monitoring the state of the environment to ensure desired environmental outcomes are being achieved, identifying significant trends/issues requiring actions, and monitoring the effectiveness of plans and compliance with resource consents.



**Build a business-friendly environment that encourages business and employment opportunities** by:

- Permitting activities that may otherwise be restricted by the Resource Management Act where the council is confident that those activities will not have adverse impacts on current and future generations;
- Addressing Northland's economic wellbeing in the Regional Policy Statement;
- Sustainably managing Northland's natural resources in a way that is attractive for business and investment and supports industry growth in areas such as tourism, aquaculture and pastoral farming;
- Ensuring efficient and effective processing and administering of resource consents; and
- Working with developers on their development proposals to navigate the requirements of policies, plans and rules.
- Administering an Investment and Growth Reserve (IGR) to help fund projects that will increase jobs and economic performance in Northland.

**Promote regionally significant infrastructure and improvements that enable economic development, enhance the environment, and connect people and Northland to the wider world** by:

- Promoting regionally significant infrastructure in our Regional Policy Statement and regional planning;
- Working with the providers and promoters of infrastructure to get the best out of existing infrastructure and enable the construction of new infrastructure; and
- Promote the provision of adequate affordable infrastructure – such as stormwater systems, sewerage systems and roading – that complies with relevant resource consent conditions and regional plans.

**Encourage the sustainable access and use of our environment in ways that will progress our collective quality of living** by:

- Factoring this into our policies and plans;
- Building partnerships with others; and
- Taking action such as minimising the impact that discharges can have on the natural environment so that it can be enjoyed for recreation and leisure activities.

**Promote the awareness and appreciation of our heritage, landforms, freshwater and marine environment in order to encourage our collective pride in Northland** by:

- Raising awareness and knowledge of Northland's unique heritage and history through the council's planning processes;
- Ensuring the needs of future generations are taken into account when making policy decisions contributing to the sustainable development of Northland; and
- Recognising and protecting regionally significant landscapes and features through the council's planning documents.

**What we did**



**Waiora Northland Water**

The Waiora Northland Water programme is about improving the quality and management of the region's freshwater resources. It is a significant project of council.

Established in 2012/13, this 30-year programme incorporates council's prioritised plan for implementing government requirements for managing freshwater (under the National Policy Statement for Freshwater Management, or NPS Freshwater). Details of the programme are available at [www.nrc.govt.nz/waiora](http://www.nrc.govt.nz/waiora)

Governance of Waiora Northland Water is provided by council's Environmental Management Committee, and every committee meeting receives a progress update. Each year council reports its overall progress on its implementation of the NPS Freshwater in its Annual Report.

This programme is a prioritised mixture of catchment-specific and region-wide initiatives to improve the region's freshwater resources (as indicated on page 40 of our Annual Plan 2013/14).

**Progress on region-wide initiatives**

Under the region-wide approach for Waiora Northland Water we have:

- Commenced the review of our regional plans with a view to establishing a region-wide base plan for water management, including new rules on discharges to land and water based on objectives and limits. Council's target date (adopted in the Long Term Plan 2012-2022) for notifying the first

group of plan changes for priority water bodies and regional limits is the end of 2015;

- Continued to develop freshwater management units for the region – so we can treat like water bodies alike;
- Further developed options for setting default water quantity and quality limits across the region;
- Developed a methodology for establishing the economic value of water and joined with the Ministry of Primary Industries in a Memorandum of Understanding to deliver a series of studies looking at the potential economic, environmental and cultural impacts of new water management rules in Northland;
- Developed the Land Management Advisory Strategy and continued to attend industry events to promote our advice. For example, our land management advisors have been attending DairyNZ Monitor farm field days, which provide a great opportunity to introduce the Farm Water Quality Improvement Plan process and other relevant council initiatives;
- Completed 168 Farm Water Quality Improvement Plans, with another 64 in progress. (Farm Water Quality Improvement Plans are required for Environment Fund grants. Plans outline action for implementing good practice measures known to reduce the contamination of water by sediment, nutrients and pathogens. They are advisory documents but indicate the benefits of and support available for good management practices including funding assistance. For more detail see [www.nrc.govt.nz/environmentfund](http://www.nrc.govt.nz/environmentfund));
- Developed a new Dairy Industry Liaison Group and maintained relationships with key industries and sectors to encourage them to develop and engage in good freshwater management practices (GMPs). Key GMPs to be developed next financial year are for dairying, drystock, forestry, infrastructure, horticulture and irrigation;
- Continued to build the region's capacity to manage freshwater better through our demonstration projects and properties; and
- Continued to monitor the state of freshwater in Northland, the pressures on it and the results of intervention. Next year we will continue this work and have increased the monitoring budget for work in our priority catchments.

#### **Progress on catchment-specific approaches**

Under the catchment-specific approach we have:

- Focussed on Waipoua, Mangere, Whāngārei, Doubtless Bay, Waitangi, Poutō, Kai Iwi and Aupouri dune lakes;
- Completed catchment descriptions (capturing the current state of the environment) for all the priority catchments, plus the Aupouri Dune Lakes;

- Set up five collaborative stakeholder catchment groups (Mangere, Whāngārei, Doubtless Bay, Poutō and Waitangi);
- Facilitated the Mangere, Whāngārei and Doubtless Bay groups to establish freshwater uses and values for their catchments. These groups will now turn to establishing their freshwater management objectives (the future environmental state they wish to achieve) and work with council on the limits that will need to be applied in council's regional plan(s) to achieve this state. The other groups will progress their uses and values, their goals (and therefore objectives and limits) during 2014/15 in line with their terms of reference. These will be incorporated into an implementation plan for the catchments that will inform the catchment specific parts of our regional plan for water and include priorities for action;
- Continued to work with Te Roroa, the Taharoa Domain Governance Committee, Department of Conservation and Kaipara District Council on the management of the Kai Iwi Lakes and has participated in the review of the Taharoa Domain Reserve Management Plan for the lakes;
- Continued our involvement with the Kaipara Harbour Joint Political Committee and the Integrated Kaipara Harbour Management Group. (Many of the issues considered this year, from sedimentation and land use to biosecurity and demonstration farms, will be important for the year ahead, as the government's Treaty settlement process develops with the iwi and hapū of the Kaipara and the parties explore arrangements for the management of the harbour.)

#### **New government requirements for freshwater**

The government did not as it intended release its revised National Policy Statement for Freshwater during the year. It came out in July 2014 and will take effect from 1 August 2014. Despite this delay, our programme has developed over 2013/14 in a way that means we are ready for the new requirements and will be able to meet the new timeframes and mandatory objectives that the NPS Freshwater 2014 introduces. It is likely that we will consult on a revised implementation programme (potentially as part of our Long Term Plan 2015-2025) and give the community again an opportunity to engage with council on how we manage Northland's freshwater.

More detail on Waiora Northland Water programme can be found at [www.nrc.govt.nz/waiora](http://www.nrc.govt.nz/waiora) and in the Environmental Management Committee's agendas at [www.nrc.govt.nz/agendas](http://www.nrc.govt.nz/agendas).

## Development of the new Regional Policy Statement for Northland

The new Regional Policy Statement is arguably one of council's most important planning documents as it sets out how the region's natural and physical resources will be managed.

During 2013/14 council adopted the independent hearing commissioners' recommendations as its own decisions in a public council meeting (September 2013) and the appeal process on the Proposed Regional Policy Statement commenced.

Sixteen appeals were lodged with the Environment Court against council's decisions. (The nature and scope of those appeals are available on our website at [www.nrc.govt.nz/newrps](http://www.nrc.govt.nz/newrps))

The resolution of these appeals will affect the timing of when the whole Regional Policy Statement will have legal force; however, as the year ended many provisions and the management direction for much of Northland's natural and physical resources were beyond challenge.

### Regional plan review

The council has three regional resource management plans – the Air Quality Plan, the Water and Soil Plan and the Coastal Plan. In addition to the plan changes required under the NPS Freshwater, each of these plans are due for their ten year reviews between 2013 and 2015 and each must give effect to the new Regional Policy Statement when it comes into force.

Resource management reform proposals announced in February 2013 indicated that government wished to pursue fewer local government plans and one/single resource management plan in a region. This has rekindled council's enthusiasm for a single plan or combined regional resource management plan for Northland. This approach had Mayoral Forum support prior to the October elections and this support has continued.

While the reform package has been delayed, in December 2013 the Regional Policy Committee approved a combined plan review for all three Northland regional plans – the Air Quality Plan, the Water and Soil Plan and the Coastal Plan.

The draft findings of the review were presented to a joint workshop of the Environmental Management and Regional Policy Committees on 23 June 2014.

Draft summary reports are now being prepared for the Regional Policy Committee members to review. The next step will be to hold workshops with key stakeholders to get their feedback on the draft findings (anticipated to occur prior to Christmas 2014). The conclusions will focus efforts in 2014/15 for Northland's next generation regional plan(s) and assist council to better meet the framework set by the Resource Management Act 1991, national policy statements and environmental standards, our Proposed Regional Policy Statement and Waioira Northland Water.

### Biosecurity

The 2013/14 year was another busy period for our biosecurity response work.

Along with the major work programmes outlined below, we:

- Received a record number of ratepayer enquiries (3268) concerning pests. This involved 165 different species – 27 animals, 20 insects, 100 plants and 17 marine or freshwater pests;
- Funded 33 landowners to manage animal and pest plants from our Environment Fund;
- Helped train students from across Northland – under the Enviroschools programme – in 'Project Possum' and the safe use of pesticides;
- Responded to 20 significant incidents during the year. Most involved the eradication plants water hyacinth and salvinia (sites were referred to Ministry for Primary Industries for ongoing control work), or Mediterranean fan worm (vessels were all cleaned); and
- Successfully eradicated the aquatic pest plant *Lagrosiphon major* from a rare dune lake at Poutō Peninsula.

### Fruit fly response

Queensland fruit fly is a major pest of a wide range of crops and would be a serious threat to New Zealand's \$4 billion horticulture industry if it established here.

During February and April 2014 there were two incursions of Queensland fruit fly in Northland. The council worked with the Ministry for Primary Industries (MPI) and others on the multi-agency, multi-stakeholder response and we were congratulated for our efforts and support.

Additional surveillance traps have been set up around the vicinity of the port and upper harbour and as the year closed no further flies have been found. All council's costs have been fully reimbursed by MPI.

An MPI investigation into the possible sources of the fruit flies continues – we will continue to work with national response teams on any further reports.

### **Review of the Northland Regional Pest Management Strategies**

During 2013/14 we commenced the review of the Northland Regional Pest Management Strategies 2010-2015. The review looks at how well our strategies are working, future pressures, and how we are placed to respond to them.

The review is being integrated with the review of council's regional plans and will continue into the coming year.

It is anticipated that council will consult key stakeholders and the wider regional community on potential changes to the Northland Regional Pest Management Strategies during 2014/15.

### **CPCAs**

We now have 49 community pest control areas (CPCAs) in action and one high value area programme at Kai Iwi Lakes. Five new CPCAs were added this year:

- Ocean Beach
- Whatoro
- Hupara
- Tutukākā / Sandy Bay
- Hauai

Council is about to enter into a Memorandum of Understanding with Te Runanga o Te Rarawa, the Department of Conservation, and Reconnecting Northland. This aims to enhance the mauri / health of Warawara Forest through coordinated pest control operations both within the reserve, and within the surrounding private lands – a total area of more than 4,000 hectares.

Warawara forest is administered by the Department of Conservation and ranks as one of the regions highest priority kauri forests. Council will contribute funds as part of the High Value Areas policy within the Regional Pest Management Strategy and initiate pest control on private land surrounding Warawara.

Putting together this project has taken time and considerable effort but it could serve as a model for further collaborative approaches and our long term planning for pest management.

### **Kauri dieback**

Kauri dieback is a disease that affects kauri and can kill them. It has been the subject of a partnership

management programme since 2009 involving the Ministry for Primary Industries, Department of Conservation, several regional councils (Northland, Auckland, Waikato and Bay of Plenty) and tāngata whenua from areas with naturally occurring kauri.

An independent review of the programme (by Independent Quality Assurance New Zealand) has determined that "progress has been impressive, considering the difficulties posed by the organism and working in partnerships".

Council has made a positive contribution to the development of the programme for Northland and is involved in activities on the ground (such as in some Kaipara District Council reserves) including sampling, risk assessments, the preparation of management plans, education and community engagement initiatives to contain the disease.

The partnership programme post-June 2014 has been approved, with strengthened programme management, research, operations and engagement and behaviour change work. Council's total contribution to the programme for 2014/15 is budgeted at \$87,000. Our share represents a small percentage of the total funding considered necessary to fund the programme.

### **Kiwifruit vine disease**

*Pseudomonas syringae* pv. *actinidiae* (Psa-V) is a bacteria that can result in the death of kiwifruit vines. It spreads via wind and rain and is also transferred by infected footwear, vehicles and orchard tools.

The disease is not part of the current Regional Pest Management Strategy but, given the disease's potential economic impacts for the region, the Environmental Management Committee agreed in July 2012 to work with Kiwifruit Vine Health (KVH) on the response.

A National Kiwifruit (Psa-V) Pest Plan was approved by the Minister for Primary Industries in May 2013 which sets rules aimed at preventing the spread of the disease.

As we end 2013/14, incidence of Psa-V is low in Northland with zero incidences outside the Kerikeri growing area. The Environmental Management Committee has recommended to council that in July 2014 it agree to sign a Memorandum of Understanding with Kiwifruit Vine Health Incorporated to reduce the risk of Psa-V spread throughout Northland.

As we go to print the council has agreed to enter this Memorandum of Understanding on the proviso that it does not commit council to the management of wild

kiwifruit vines. The ratepayer contribution to the costs of vine removal and the proactive removal of abandoned kiwifruit vines as they arise is \$20,000.

### **Mediterranean fanworm response**

Council's response to Mediterranean fanworm – a significant marine pest – continued in 2013/14 with research, investigation, surveillance, monitoring and removal of the pest.

We have successfully implemented the Whāngārei Marine charter (aimed at reducing risk of marine pest spread) and tested and purchased a purpose built portable floating dock for Northland to contain and treat vessels carrying marine pests.

NIWA dive teams are currently undertaking surveillance at high risk ports in Northland and thus far nothing new to New Zealand has been discovered nor has there been any range extension of fanworm populations beyond Whāngārei Harbour. A final report on the NIWA survey findings will be made to the August 2014 Environmental Management Committee meeting.

Council will continue to monitor for fanworm's presence, undertake control work as necessary, work with industry to minimise incursion risks, and emphasise to boaties the importance of regularly checking and antifouling their hulls.

### **Consents and monitoring**

This year we met our target of processing 100% of consents within statutory timeframes. It is the second year running that we have achieved this target and it reflects the value we place on providing a good level of service to Northland ratepayers.

We do a wide range of environmental reporting, and during 2013/14 we have completed:

- Summary report cards and two technical reports to support our latest five-yearly State of the Environment Report (which we produced in early 2013);
- An annual macroinvertebrate report;
- Three reports for the River Values Assessment System (this system helps councils rank the relative significance of rivers in their region); and
- A report on monitoring results from the Waitangi Estuary.

Our monitoring and research this year included:

- Regular water quality monitoring at 104 coastal, river and lake sites;
- Water quality (faecal indicator bacteria) testing at 59 popular swimming sites over summer with results made available online;
- A groundwater investigation at Kai Iwi Lakes;
- Sediment and turbidity monitoring in the Kaipara Harbour catchment;
- Microbial source tracking at marine farm growing areas;
- A cockle survey at several sites in Whāngārei Harbour; and
- Coastal sediment sampling.

The 2013/14 year marked the 20th year of operation for our Environmental Hotline. It received 559 calls for the year, and more than 18,000 incidents have been registered through the hotline since it started in 1993.

We are pleased that the number of significant non-compliance events resulting in reduced water quality has reduced this year, in line with our targets. The number of non-consented discharges to water did however exceed targets this year, and we will continue to work with farmers to reduce these numbers.

## Performance measures and targets – resource management ∞

∞ Performance noted with the infinity sign was not audited in the 2011/12 year.

<b>(1.1) Promote Māori participation in resource management and decision-making</b> <b>Why:</b> Strong, effective and inclusive engagement and decision making that reflects kaitiakitanga responsibilities is likely to achieve better resource management outcomes that meet community aspirations and values.	
<b>Performance measures and targets</b>	<b>Actual service performance to 30 June 2014</b>
<b>Management and governance arrangements for resource management include Māori.</b>  <b>Target:</b> Maintain or increase the number of contracts, joint management agreements, joint decision making and planning arrangements, monitoring programmes, between council and iwi/hapū  <b>Baseline 2010/11:</b> 4	<b>Result: 13 – achieved (2012: not measured ∞; 2013: 9 – achieved)</b>  Contracts – 3 (two from 2012/13 continued into / renewed 2013/14) Joint management agreements – 0 Joint decision-making and planning arrangements – 9 Monitoring programmes – 1 (continued from 2012/13)
<b>(1.2) Reduce the impact of introduced pests on environmental, economic and social values</b> <b>Why:</b> Reducing pests will contribute positively to the region's economy, environment and culture.	
<b>Performance measures and targets</b>	<b>Actual service performance to 30 June 2014</b>
<b>The number of community pest control areas (CPCAs) achieving their targets for pest reduction.</b>  <b>Target:</b> 90%  New measure	<b>Result: 82% – not achieved (2012: not measured ∞, 2013: 80% – not achieved)</b>  Both the Puketotara River and Upper Kerikeri CPCAs narrowly missed their targets for possum control. The main reason for both missed targets was insufficient trap lines and baiting of the treatment area.  The main aim in both these CPCAs is to enhance kiwi populations; however, the major issue for the future kiwi survival in these areas is the control of stoats not possums. Council will therefore revise the targets for 2014/15 to reflect the reduced need for ongoing control of possums.
<b>(1.3) Promote community involvement in pest management</b> <b>Why:</b> Expanding the resources involved beyond council and government funds is necessary for successful pest management in Northland.	
<b>Performance measures and targets</b>	<b>Actual service performance to 30 June 2014</b>
<b>The number of active community pest control areas (CPCAs).</b>  <b>Target:</b> Increases by five annually  <b>Baseline 2010/11:</b> 36	<b>Result: 5 – achieved (2012: 5 new community pest plans were approved, 2013: 42 (increase of 2) – not achieved)</b>  Five new CPCAs were added this year: <ul style="list-style-type: none"> <li>• Ocean Beach</li> <li>• Whatoro</li> <li>• Hupara</li> <li>• Tutukākā / Sandy Bay</li> <li>• Hauai</li> </ul>



**(1.4a) Maintain and enhance water quality for swimming and shellfish collection**

**Why:** The community expects that water quality at popular bathing sites and at food collection spots is at a sufficiently safe level not to cause ill health. Swimming and other water recreational pursuits are integral to Northland's culture and attraction to visitors/tourists.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>The water in our priority harbours, rivers and at the coast is suitable for swimming except for two-five days after rain.</b></p> <p>The <b>revised target</b> that council is using to report on for this and future years is: The percentage of faecal indicator bacteria results that are within the Ministry for the Environment's guideline values for bathing will be maintained or improved at the 20 core bathing sites monitored for trend, compared to the benchmark results from the 2007/08 swimming season, which is 93%.</p> <p>New measure</p>	<p><b>Result: 94% – achieved (2012: 200% - achieved, 2013: 93% – achieved)</b></p> <p>This relates to the revised target. The sites are sampled 12-18 times at weekly intervals each summer bathing season. (Testing starts in late November each year and continues for 18 weeks through to March the following year. To get our percentage we add the compliance rates for all 20 sites and divide by the total number of sites (20) to provide average compliance rate.)</p> <p>Note: The 'suitability for recreation grade' (SFRG) is no longer an appropriate measure of the suitability of a site for bathing/swimming in Northland. Council now uses the Ministry for the Environment's 'guideline values for bathing', a more robust national baseline and system for benchmarking purposes.</p>

**(1.4b) Maintain and enhance water quality for swimming and shellfish collection**

**Why:** The community expects that water quality at popular bathing sites and at food collection spots is at a safe level not to cause ill-health. Swimming and other water recreational pursuits are integral to Northland's culture and attraction to visitors/tourists.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Shellfish collection is safe in open coastal areas.</b></p> <p><b>Target:</b> Levels of indicator bacteria in open coastal waters at 15 popular shell fish collections sites is maintained or improved</p> <p>New measure</p>	<p><b>Result: Not achieved (2012: not measured; 2013: no data)</b></p> <p>Seven sites had medians higher than the 2012/13 baseline median. Two sites had lower medians compared to the baseline, and six sites had no change. The run-off from several large storms in 2013/14 meant that faecal indicator bacteria results were higher than results recorded in the less stormy 2012/13 season.</p> <p><b>Permanent sites and baseline medians for future measurement are:</b>            Baylys beach at Sea View Rd – 2; Intertidal beach at One Tree Point east cliffs – 2; Mangawhai Heads at motor camp – 8; Matauri Bay at camp ground – 2; Ngunguru Estuary at school – 14; Oakura Bay at beach – 2; Ocean Beach – 2; Ohawini Bay at Parutahi Beach – 24; Paihia at Te Haumi River – 10; Pataua South at east end of beach – 10; Ruakaka River at motor camp – 10; Sandy Bay at beach – 2; Taipā estuary at motor camp – 2; Teal Bay at beach – 10; and Tinopai at below shops – 10. For more information please see <a href="http://www.nrc.govtnz/shellfishgathering">www.nrc.govtnz/shellfishgathering</a>. Over a shellfish-gathering season, the guideline for recreational shellfish gathering water quality is:</p> <ul style="list-style-type: none"> <li>• a median faecal coliform count not exceeding 14 per 100 mL; and</li> <li>• not more than 10% of samples exceeding 43 per 100 mL.</li> </ul> <p>Non-compliance with either of these parameters indicates that the water is not suitable for the purpose of recreational shellfish gathering.</p>

### (1.5) Protect the life-supporting capacity of water, in-stream uses and values

**Why:** Having healthy rivers support our region's biodiversity and is a community expectation.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>The water in our streams supports a healthy habitat for flora and fauna.</b></p> <p><b>Target:</b> The macroinvertebrate community index (MCI) at 10 regionally representative sites show improving or maintained trends (against the baseline trend set as at 30 June 2011 which is MCI 90.8) (2013 result 91.2)</p> <p>New measure</p>	<p><b>Result: MCI 91.7 - achieved (2012: achieved ∞; 2013: MCI 91.15 – achieved)</b></p> <p>The 10 sites are listed on page 97 of the Long Term Plan 2012-2022 and were selected from the council's long-term river water quality monitoring network. The sites cover a range of river catchments with different land uses and river habitat quality.</p> <p>For more information on the macroinvertebrate community index scores refer to the full reports on the council's website at <a href="http://www.nrc.govt.nz/riverdata">www.nrc.govt.nz/riverdata</a></p>

### (1.6a) Maintaining and enhancing water quality in our rivers and coastal waters

**Why:** Consented activities should operate within their consents and not lower downstream water quality to ensure the integrity of the regional plans and overall environment.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>The number of annual significant non-compliance events resulting in a reduction in water quality of receiving waters.</b></p> <p><b>Target:</b> Less than 80 (2013 Target: less than 100)</p> <p><b>Baseline 2010/11:</b> 111</p>	<p><b>Result: 71 – achieved (2012: not measured as a single measure ∞; 2013: 128 – not achieved)</b></p> <p>This is made up of 42 farm dairy effluent discharge to water consents, 14 coastal discharges, nine land use consents and six sewage discharge consents.</p> <p>The total number of significant non-compliance events which resulted in a more than minor adverse effect on water quality decreased by 56 (from 128 in the 2012/13 year to 71 in the 2013/14 year). Half of these (28) were due to the improvement in compliance of farm dairy effluent consents. There was a 4% decrease in the number of dairy farms which were significantly non-compliant from 2012/13 to 2013/14 (farm dairy effluent monitoring accounts for approximately 25% of all compliance monitoring). There were also improvements in the number of significant non-compliance events relating to district council wastewater treatment plants, as well land use consents and marine farms. Overall, the improvements seen in all areas resulted in the positive trend observed.</p>

### (1.6b) Maintaining and enhancing water quality in our rivers and coastal waters

**Why:** Non-consented farms should comply with the permitted activity criteria which have been put in place to avoid/remedy/mitigate adverse effects on the environment.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>The number of annual significant non-compliance events resulting in any unauthorised/prohibited discharge to water.</b></p> <p><b>Target:</b> Less than 30 (2013 target: less than 40)</p> <p><b>Baseline 2010/11:</b> 60</p>	<p><b>Result: 39 – not achieved (2012: 45; 2013: 42 – not achieved)</b></p> <p>A total of 260 non-consented farms were monitored. The number of significant non-compliances is lower than the previous two years, but still exceeds the target figure for 2013/2014. The council will continue to work constructively with farmers to inform and educate them to facilitate a further reduction in non-compliance events.</p>

**(1.7a) Efficient and effective compliance monitoring of resource consents**

**Why:** To ensure compliance with conditions which have been put in place to avoid/remedy/mitigate adverse effects on the environment.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Those consents requiring monitoring are monitored as per the council's monitoring programme.</b></p> <p><b>Target:</b> 100%</p> <p><b>Baseline 2010/11:</b> 90%</p>	<p><b>Result: 86% – not achieved (2012: not measured collectively but individual targets were audited; 2013: 96% – not achieved)</b></p> <p>This year we completed 86% of our monitoring programme.</p> <p>There were 4122 individual monitoring events required. 3546 of these were done. Some consents received additional monitoring due to non-compliances (a total of 4468 monitoring events were recorded). Priority was given to large, high-risk consents.</p> <p>The 100% target is set very high and while the council plans to complete all scheduled monitoring, at times a lack of resources (such as happened this year with one position) and other factors such as weather can mean that the programme is not met. Priority is given to those consents that have the potential for larger adverse environmental effects.</p> <p>In line with previous years, many of the outstanding monitoring schedules were identified as low priority (like those involving small quarries or jetties).</p>

**(1.7b) Efficient and effective compliance monitoring of resource consents**

**Why:** The community expect that consent conditions will be met so that the environment is protected.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>The appropriate action is taken to rectify significant non-compliances.</b></p> <p><b>Target:</b> 100%</p> <p><b>Baseline 2010/11:</b> 75%</p>	<p><b>Result: 96% – not achieved (2012: not measured collectively but individual targets were audited; 2013: 99% - not achieved)</b></p> <p>Of the significantly non-compliant consents, 96% were followed-up and/or had enforcement action taken. There was a total of 245 significant non-compliances, with 10 consents (1 air discharge, 3 land use consents and 6 coastal permits) having no record of follow-up or enforcement action.</p>

**(1.8) Maintaining a high standard of ambient air quality**

**Why:** The community expect that air quality will be maintained to acceptable levels.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Air sheds meet the national environmental standards.</b></p> <p><b>Target:</b> 100%</p> <p><b>Baseline 2010/11:</b> 100%</p>	<p><b>Result: 100% – achieved (2012: achieved; 2013: 100% – achieved)</b></p> <p>There are national standards for air quality. As part of implementing these standards we designated local air quality management areas (airsheds) where air quality is more likely to have levels of pollutants that exceed the national environmental standard for air quality. The monitoring results show that Northland's air quality is good most of the time and complies with the standards. Our results are available online at <a href="http://www.nrc.govt.nz/soe">www.nrc.govt.nz/soe</a></p>

**(1.9) Efficient and effective response and resolution of reported environmental incidents**

**Why:** To ensure timely and appropriate response to environmental incidents that has the potential to result in significant environmental effects.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Incidents reported to the Environmental Hotline, where more than minor environmental effects have been confirmed, are resolved within 30 working days.</b></p> <p><b>Target:</b> 70%</p> <p>New measure</p>	<p><b>Result: 89% – achieved (2012: not measured; 2013: 85% – achieved)</b></p> <p>There were 45 incidents recorded for the year. Of these, 40 were resolved within 30 working days. Five were outside this time frame.</p>

**(1.10a and b) Efficient and effective processing and administering of resource consents**

**Why:** Keeping to timeframes is important to applicants in order to manage their own business and personal endeavours.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>All resource consent applications are processed in a timely manner.</b></p> <p><b>Target:</b> 98%+ of all applications processed within the statutory timeframes</p> <p><b>Baseline 2010/11:</b> 99.4%</p>	<p><b>Result: 100% – achieved (2012: achieved – included bore permits; 2013: 100% – achieved)</b></p> <p>100% of consents that were granted in the 2013/14 year were processed within statutory timeframes.</p> <p>It is important that council is efficient and complies with processing timeframes because this gives certainty to the process, avoids costs on communities, individuals and businesses from the process including avoiding the discounting of charges, costs on the wider economy, and adverse impacts on investment decisions.</p>
<p><b>Target:</b> All bore permits processed within five working days</p> <p>New measure</p>	<p><b>Result: 94% – not achieved (2013: 98% – not achieved)</b></p> <p>The target was narrowly missed again this year, as four permits took nine working days to process because additional information was needed.</p> <p>The target of five working days is an internally set measure. The statutory requirement is that bore permits are processed within 20 working days. Council processed 100% of all bore permits within statutory requirements.</p>

# Resource management

Funding impact statement for the year ended 30 June 2014

	Long Term Plan 2012/13 \$	Long Term Plan 2013/14 \$	Actual 2013/14 \$
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	7,868,985	8,391,688	437,447
Targeted rates (other than a targeted water rates)	-	-	7,869,278
Subsidies and grants for operating purposes	119,400	85,000	6,094
Fees, charges and targeted rates for water supply	2,538,168	2,619,389	2,360,037
Internal charges and overheads recovered	131,921	135,015	-
Local authorities fuel tax, fines, infringement fees and other receipts	2,000	2,064	-
<b>Total operating funding</b>	<b>10,660,474</b>	<b>11,233,156</b>	<b>10,672,856</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	10,366,735	10,240,563	10,541,570
Finance costs	-	-	-
Internal charges and overheads applied	3,625,277	3,713,854	3,567,679
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>13,992,012</b>	<b>13,954,417</b>	<b>14,109,249</b>
<b>Surplus /(deficit) of operating funding</b>	<b>(3,331,539)</b>	<b>(2,721,260)</b>	<b>(3,436,393)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve levels of service	105,200	14,861	43,570
• to replace existing assets	55,500	74,221	82,169
Increase /(decrease) in reserves	-	-	(358,080)
Increase /(decrease) of investments	(3,492,239)	(2,810,343)	(3,204,052)
<b>Total applications of capital funding</b>	<b>(3,331,539)</b>	<b>(2,721,260)</b>	<b>(3,436,393)</b>
<b>Surplus /(deficit) of capital funding</b>	<b>3,331,539</b>	<b>2,721,260</b>	<b>3,436,393</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Major variances compared to the 2013/14 Long Term Plan:

### Operating funding:

The classification of the 2013/14 actual rates figure for each activity funding impact statement and the whole of council funding impact statement reflects a change in rates terminology as all council rates have been classified as "targeted rates (other than a targeted water rate)". Only penalties applied to outstanding rates are disclosed as "general rates, uniform annual general charges and rates penalties" in the 2013/14 actual figures.

Operating funding is under budget by \$560,000 predominantly due to:

- The internal recovery of hydrology services budgeted at \$135,000 not occurring in the resource management activity as an organisational restructure during the 2012/13 financial year transferred the hydrology function to the river management activity.
- Less than budgeted grants of \$79,000 as a result of receiving fewer fund from the Bio-Condition fund
- Less than budgeted fees and charges of \$259,000 as a result of receiving fewer than anticipated consent applications to process, partly offset by greater than budgeted Biosecurity income received in relation to the reimbursement of staff time involved in the Queensland Fruit-fly response.

#### **Applications of operating funding:**

Application of operating funding is over budget by \$155,000 predominantly due to:

- Unbudgeted expenditure of \$133,000 incurred on the Queensland fruit fly incursions.
- Unbudgeted legal and consultancy expenditure of \$114,000 in relation to enforcement actions which will ultimately recovered from fines for prosecutions.
- An additional \$97,000 of unbudgeted hearing committee and external commissioner expenditure predominantly incurred in association with the Regional Policy Statement.
- An additional \$41,000 unbudgeted expenditure on poisons and fieldworks.
- An additional \$87,000 in relation to Environment Fund, which is funded from the Environment Fund Reserve.
- A savings of \$335,000 in relation to consent applications expenditure due to receiving fewer consent applications and reduced consulting fees expenditure along with a vacant staff position.

#### **Applications of capital expenditure:**

Capital expenditure is over budget by \$37,000 predominantly due to:

- Purchasing \$27,000 of new water monitoring equipment for the Kaipara Harbour project which was deferred from last year.



# River management

## LEVELS OF SERVICE

The river management group of activities only includes river management and is considered to be the mandatory activity called "Flood protection and control works" under the Local Government Act 2002.

## Why we do these activities

River flooding is the highest natural hazard risk to Northland due to extensive development on floodplains and the region's exposure to high intensity rainfall events. Flooding threatens human life, disrupts communications and access, and damages property and infrastructure including the productivity of farmland.

The regional council delivers flood protection and control works to reduce the risks associated with river flooding and erosion, protect human life and maximise the region's productivity. We do this on a prioritised basis throughout the region. The community has shown their support for this activity via requests for river maintenance and membership on the river management liaison committees.

## Contribution to council objectives

The river management activity contributes to the following council objectives.

**Promote regionally significant infrastructure and improvements that enable economic development, enhance the environment, and connect people and Northland to the wider world**

and

**Encourage the sustainable access and use of our environment in ways that will progress our collective quality of living** by:

- Delivering flood protection and control works to reduce the risks associated with river flooding, protect human life, maximise the region's productivity and improve access around our region in times of flooding;
- Managing river maintenance and new river works with sustainability of the environment as a primary objective. For example, gravel extraction provides a local resource while reducing flood risk and in some cases reducing bank erosion.

## What we did

### Awanui River scheme

The key objectives of the Awanui River scheme are reducing flood risk to people, property and infrastructure from river and coastal flooding in urban and rural areas, and implementing soil conservation measures to reduce sedimentation of channels.

Maintenance of the scheme assets has been undertaken to a standard as agreed through consultation with the Awanui River Management Liaison Committee (and guided by the scheme asset management plan). All major work components are completed, including Grade Control (to control bed scour) on the Tarawhataroa, and there is one floodgate repair underway. Spraying was approximately 90% complete as at the beginning of June.

It has been a difficult year for progressing the Awanui Preliminary Design and Hydraulic Model. As the year ended there were still improvements to the model that need to be completed to simulate design improvement options and assess benefits and effects.

It is important that the scheme hydrology is resolved, and that the hydraulic model accurately represents the functioning of the scheme. This will ensure that the design and costs can be optimised and effects and benefits determined with sufficient accuracy to progress to further consultation with stakeholder and affected parties, and ultimately move forward to resourcing consenting, detailed design and construction.

Over the year we have completed model simulations for the design scenario originally proposed, which includes spillways alongside the SH1 to reduce overflow to the Tarawhataroa and channel upgrades in the Awanui through Kaitiāia.

An additional adjustment to the scheme at Kaitiāia is proposed for the Whangatane spillway intake weir, to optimise use of the spillway, especially through increased duration of flow. Options for controlled spills and partial containment need further assessment. In the lower Awanui River (downstream of Kaitiāia), we are looking at altering flood flow using three scheme adjustments and need to assess these using the full catchment model.

Geotechnical investigations on the scheme are well progressed.

We anticipate engaging with the Awanui River Liaison Committee in July/August 2014 before progressing to simulation of the scheme improvement options using the completed catchment model.

Prior to these flood protection works being undertaken, in conjunction with the Awanui River Liaison Committee, there will be a further annual / long term plan consultation on the available options and a rating review of the Awanui River Flood Management Scheme.

### **Kaeo River scheme**

Construction of the Kaeo Stage 1 flood scheme works are complete, with only some tidy-up, reinstatement and disestablishment works remaining.

Stage 2 is on hold while the performance of Stage 1 is assessed to make a more informed decision on Stage 2 options and prevent over-capitalising. It is intended that the performance of the Stage 1 works will be evaluated following a significant flood before progressing with any Stage 2 works.

Works have been completed for seven of the 14 flood vulnerable properties. A further two funding assistance agreements have been signed and another should be signed early in the new financial year (2014/15). Council also intends to undertake channel works in the Waiare Valley to benefit two properties in the 2014/15 works season.

### **Whāngārei detention dam**

Tenders for the proposed detention dam at Kotuku Street in Raumanga, which will provide flood mitigation in urban Whāngārei, closed on 19 June 2014.

Only one land acquisition remains outstanding – once it has been acquired and the preparation and submission of consent/designation pre-works plans for consent authority approval has been completed the construction of the dam can occur. This should be possible during the summer of 2014/15.

### **Kerikeri-Waipapa Rivers Flood Management Scheme**

A uniform targeted rate was established in 2012/13 for properties within the Kerikeri, Waipapa and Wairoa River catchments to fund river maintenance and detailed design for river scheme options to reduce flood risk.

The maintenance work has focused on the river channels where removing debris or other flow

restrictions will help to reduce flood risk. The removal of the Stone Store Bridge abutment was the last element of the planned annual works programme. This was completed in coordination with the Department of Conservation Parking Lot Improvement Project and closely coordinated with Department of Conservation, iwi, Far North District Council and Historic Places Trust (now known as Heritage New Zealand).

Preliminary design and assessment of a spillway flood scheme on the Kerikeri River has been undertaken. The proposed spillway, with an estimated construction cost of \$2.1 million, is located on the Kerikeri River downstream of the State Highway bridge. The purpose of the spillway is to divert excess river flow from the Kerikeri River to the Rainbow Falls, reducing flood risk to those properties located downstream of the spillway to the Rainbow Falls. Following a meeting held on 6 August 2014 the Kerikeri-Waipapa Liaison Committee resolved to delay the construction of the proposed high-level spillway for 12 months, until additional work is able to be completed on assessing the feasibility of a storage/multipurpose dam. Initial geotechnical site exploration using hand augers and scalars has been completed.

### **Other works and maintenance**

The scheduled minor river works programme is complete, with only resource consenting for the Waima gravel extraction, Ngunguru gravel extraction and Otiria spillway remaining.

## Performance measures and targets – river management

### (2.1) Building flood protection schemes to protect life and property

**Why:** Well-designed flood protection systems protect human life and damage to property and infrastructure.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Number of failures of flood protection system for the Awanui, Whāngārei, and Kaeo, schemes below specified design levels.</b></p> <p><b>Target:</b> Zero failures</p> <p>New measure</p>	<p><b>Result: Zero failures – achieved (2012: not measured ∞; 2013: zero failures – achieved)</b></p> <p>The current flood protection schemes include, Kaeo and Awanui. The Whāngārei scheme is currently under construction.</p>

### (2.2) Maintaining flood protection schemes to protect life and property

**Why:** Implementing the minor works programme ensures the river systems work to their best ability.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Implement the programmed minor flood control works for other rivers in accordance with the approved annual budgets.</b></p> <p><b>Target:</b> 100% of programmed minor works completed</p> <p>New measure</p>	<p><b>Result: 100% – achieved (2012: not measured ∞; 2013: 70% – not achieved)</b></p> <p>Eleven minor river works projects were scheduled for the 2013/14 year (as outlined in our Annual Plan). Of these works, ten were progressed including commencing the preparation of resource consent applications for activities in Otiria, Ngunguru and Waima.</p> <p>The work was not done on the Waihou River, as the proposed works were determined by staff to be a lower priority than other works. The Environmental Management Committee approved delaying this project until the 2014/15 financial year.</p> <p>A total of 16 separate minor works jobs were undertaken, six more than identified in the Annual Plan. This included works at Bells Hill, Broadwood, Rotokakahi, Mangamuka, Ruakaka and Waipu.</p>

# River management

Funding impact statement for the year ended 30 June 2014

	Long Term Plan 2012/13 \$	Long Term Plan 2013/14 \$	Actual 2013/14 \$
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	527,454	607,556	62,424
Targeted rates (other than a targeted water rates)	1,457,841	1,529,220	2,717,645
Subsidies and grants for operating purposes	144,195	-	566,566
Fees, charges and targeted rates for water supply	-	-	1,948
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	74,404
<b>Total operating funding</b>	<b>2,129,490</b>	<b>2,136,776</b>	<b>3,422,986</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,861,597	1,304,984	2,839,281
Finance costs	39,735	218,461	150,676
Internal charges and overheads applied	235,124	239,870	442,415
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>2,136,456</b>	<b>1,763,314</b>	<b>3,432,371</b>
<b>Surplus /(deficit) of operating funding</b>	<b>(6,967)</b>	<b>373,462</b>	<b>(9,385)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve levels of service	1,269,350	6,407,163	3,260,701
• to replace existing assets	53,405	52,805	82,981
Increase /(decrease) in reserves	(1,222,097)	(6,001,102)	(2,608,495)
Increase /(decrease) of investments	(107,625)	(85,404)	(744,572)
<b>Total applications of capital funding</b>	<b>(6,967)</b>	<b>373,462</b>	<b>(9,385)</b>
<b>Surplus /(deficit) of capital funding</b>	<b>6,967</b>	<b>(373,462)</b>	<b>9,385</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Flood protection and control works

	Whāngārei	Awanui	Kaeo	Total \$
Closing book value	1,671,326	9,816,853	786,076	12,274,254
Acquisitions made during 2013-14 by way of:				
Construction	2,611,965	50,000	648,736	3,310,701
Transfers	-	-	-	-
	2,611,965	50,000	648,736	3,310,701
Estimated replacement cost	1,671,326	13,390,383	786,076	15,847,785

## Major variances compared to the 2013/14 Long Term Plan:

### Operating funding:

Operating funding is over budget by \$1.286M predominantly due to:

- Additional rates revenue allocated of \$644,000. This is due to the general rate provision for the hydrology department being transferred from the resource management activity.
- Subsidies and grants revenue received for assistance with Kaeo at risk homes \$180,000, Department of Education and Department of Internal Affairs funding Kaeo River works \$386,000.

### Applications of operating funding:

Applications of operating funding is over budget by \$1.669M predominantly due to:

- Expenditure on the Rust Avenue Bridge of \$294,000 which was brought forward from last year.
- Expenditure on Kaeo at risk homes of \$180,000 which is offset by subsidies received.
- Unbudgeted costs regarding doubtful debts of \$128,000 which is offset by additional rates revenue.
- A restructure of the hydrology department \$690,000 which was transferred from the resource management activity (where the original budgets were reported) to the river management activity during the 2012/13 financial year.
- Additional stop-bank and river clearing works of \$77,000, additional dam consents required of \$44,000, and unbudgeted operational expense relating to the Whāngārei detention dam properties of \$31,000
- Additional internal charges of \$203,000 brought about by a larger allocation of costs due to the higher than anticipated workload.

### Applications of capital expenditure:

Capital expenditure is under budget by \$3.116M predominantly due to:

- \$1.4M of land purchase for the new Whāngārei detention dam which occurred in the 2012/13 financial year, but was originally budgeted for this year.
- A further \$1.69M budgeted for further land purchases for the Whāngārei detention dam has not yet been required due to later than anticipated property settlements.

# Economic development

## LEVELS OF SERVICE

The economic development group of activities only includes economic development and encompasses the rating for the rescue helicopter, the Northland Events Centre and the Marsden Point Rail Link joint venture.

## Why we do these activities

Central government's economic development policy recognises that regions and regional economic development are key drivers of New Zealand's overall economic performance. As a regional authority, this council makes a significant contribution to Northland's economic development through infrastructure development and environmental management. As a regional council, we can also research and analyse issues from a regional perspective.

The council wishes to improve Northland's economic performance and community wellbeing, and engage in economic development projects that increase:

- Jobs in Northland;
- Average weekly household income of Northlanders; and
- Gross Domestic Product of Northland.

## Contribution to council objectives

The economic development activity contributes to the following council objectives.

**Build a business friendly environment that encourages business and employment opportunities** by:

- Providing economic and environmental information to ensure integrated and effective decision-making;
- Promoting Northland as a place to invest, work and visit;
- Supporting initiatives that attract investment, new businesses and skilled people into Northland;
- Working effectively and co-ordinating efforts with business and central and local government to ensure the best outcomes for Northlanders on issues of regional importance;
- Implementing internal improvement processes to build a business friendly environment that encourages business and employment opportunities; and
- Integrating economic wellbeing into our planning frameworks.

**Invest in Northland to increase all our communities' economic performance and quality of living and reduce disparities** by:

- Investing in economic development projects that meet the council's criteria for using the investment and growth reserve.

**Promote regionally significant infrastructure and improvements that enable economic development, enhance the environment, and connect people and Northland to the wider world** by:

- Identifying infrastructure improvements that will support sustainable economic growth and development;
- Promoting, supporting and investing in projects that deliver regionally significant infrastructure; and
- Integrating regionally significant infrastructure into our planning frameworks.

## What we did

Northland Inc. Ltd is the regional economic development agency for Northland encompassing the roles and functions of a Regional Tourism Organisation (RTO).

The council is redirecting its investment income away from funding operations (and subsidising rates) to provide funding for the Investment and Growth Reserve to fund economic development projects.

Projects are assessed by Northland Inc. Ltd against specific criteria. The original criteria (adopted as part of the Long Term Plan 2012-2022) provided for three types of funding allocations: (a) funding for operational expenditure of Northland Inc. Ltd; (b) loan funding or directly invested funds; and (c) equity investment.

Other than type (a), funding allocations were expected to deliver an appropriate rate of return, including a return on investment.

This principle was included in the criteria to ensure that public money is used wisely and to give emphasis to commercially viable projects.

However, it ruled out any project that does not provide a financial return on investment to such as research, infrastructure and the provision of data/information. It also prevented the selective acquisition of property with value growth prospects. Although these types of projects do not deliver a direct financial return, they

may improve the economic performance of various sectors or communities in Northland.

In addition, funding for Northland Inc. Ltd was not keeping pace with inflation, was considered too tight to complete full due diligence on projects, and did not treat tourism like other economic development sectors.

The council therefore made the following changes to the Investment and Growth Reserve criteria during 2013/14.

- The provision of impact investment funding for projects that have the potential to lift the economic performance of Northland (caps apply).
- An increase in the operational expenditure cap for Northland Inc. Ltd to \$1.15M per annum (which takes effect from 1 July 2014 and will be adjusted annually by the Local Government Cost Index adjuster for operational expenditure).
- An additional \$200,000 for feasibility assessment and business case development.

These changes were made to ensure that research, infrastructure and information / data projects were not automatically excluded from funding, that there was sufficient funding to Northland Inc. Ltd to carry out business case development and project assessment, and that tourism was treated the same as other economic development activities and funded from the reserve not rates.

The criteria are available on council's website [www.nrc.govt.nz/economicdevelopment](http://www.nrc.govt.nz/economicdevelopment) and people are encouraged to approach Northland Inc. Ltd if they have projects they think match these criteria.

While no specific projects for funding from the Investment and Growth Reserve were approved during 2013/14, council considered a number of projects and asked for further work to be done on establishing the business case for these. A number of these projects are expected to be presented to council for consideration during 2014/15. One proposal that council is keen to see return to it is the project proposal for better water management, including storage options. This one involves a potential application to a government fund – the Irrigation Acceleration Fund. (Initial feedback from funder was positive but further work was required to meet their criteria. This work was underway as the year ended and the revised application will be represented to council for its endorsement before being submitted.)

Council collated and published the 'State of the Economy' report. This tracks regional economic performance and trends via a quarterly economic newsletter. The first issue was published in July 2013. [www.nrc.govt.nz/economicquarterly](http://www.nrc.govt.nz/economicquarterly)

We also developed a methodology for establishing the economic value of water and joined with the Ministry of Primary Industries in a Memorandum of Understanding to deliver a series of studies looking at the potential economic, environmental and cultural impacts of new water management rules in Northland.

We have jointly with other Northland councils purchased online economic profiles of the region and the districts and made them publically available. In addition we have produced a demographic profile for the Northland region from the 2013 Census to assist us with our strategic planning and made this publically available. (For more information, see [www.nrc.govt.nz/economicdevelopment](http://www.nrc.govt.nz/economicdevelopment))

There have been no new decisions that impact on the rescue helicopter, the Northland Events Centre and the Marsden Point Rail Link joint venture.

For the rescue helicopter, NEST has provided the council with six-monthly reports for the periods ending 30 June and 31 December on the trust's financial position, use of the service and other relevant information. These reports are available online at [www.nrc.govt.nz/agendas](http://www.nrc.govt.nz/agendas)

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## Performance measures and targets – economic development

### (3.1a) Investing in economic projects and ventures within Northland to increase Northland's economic performance

**Why:** Increasing Northland's economic performance is seen as a key outcome to improving Northlanders' quality of life.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Employment rate – the proportion of the labour force that is in paid employment.</b>  <b>Target:</b> Increases annually  <b>Baseline 2010/11:</b> 91.5%  New measure	<b>Result: 91.3% - achieved (2012: 91.1% ∞; 2013: 90.8% – not achieved)</b>  Northland's employment rate has risen from 90.8% in 2013 to 91.3% in 2014. Almost two thousand more people are employed in Northland on a Full Time Equivalent basis than a year ago.  Council's key contribution to this measure is through Northland Inc. Ltd and the council's use of the Investment and Growth Reserve.

### (3.1b) Investing in economic projects and ventures within Northland to increase Northland's economic performance

**Why:** Increasing Northland's economic performance is seen as a key outcome to improving Northlanders' quality of life.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Business growth – the ratio of business start-ups to business closures.</b> <i>(A ratio below 1 means there were fewer businesses in operation than previously)</i>  <b>Target:</b> Increases annually  <b>Baseline 2010/11:</b> 0.80*  New measure  <i>*The baseline differs from the one published in the Long Term Plan 2012-2022 due to revised figures being provided by Statistics New Zealand. Revisions also affected the final year end results for June 2012</i>	<b>Result: 0.7 – not achieved (2013: 0.66, not achieved –based on results for the year ending June 2012* – please note this was revised to 0.78 by Statistics NZ post Annual Report audit)</b>  The ratio of business births to deaths in Northland fell from 0.80 in 2011 to 0.70 in 2013 (the lowest ratio since statistics began in 2001). The fall in the ratio was due to both a decrease in the number of new business units created (from 1,395 in 2012 to 1,299 in 2013) and an increase in the number of business deaths (from 1,797 in 2012 to 1,866 in 2013). A similar trend occurred through the rest of the country, with the New Zealand business birth to death ratio falling from 0.97 in 2011 to 0.92 in 2013, its lowest rate since statistics began and the fourth consecutive year where business closures outweighed start-ups.  <i>* As the data for this measure is not available from Statistics New Zealand for the financial reporting year until October (and as such will be too late for annual reporting purposes), council will report on the previous year's results. For example, for the 2012/13 year council will report on results for the 2011/12 year and compare it to results for the 2010/11 year. Between audit and publication of the Annual Report 2013 and 30 June 2014 Result: 41 – achieved (2012: not measured ∞; 2013: 13 – achieved) Statistics New Zealand revised there year end 2013 figures.</i>  Council's key contribution to this measure is through Northland Inc. Ltd and council's use of the Investment and Growth Reserve.

**(3.1c) Investing in economic projects and ventures within Northland to increase Northland's economic performance**

**Why:** Increasing Northland's economic performance is seen as a key outcome to improving Northlanders' quality of life.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Economic growth – real GDP per usual resident population.</b></p> <p><b>Target:</b> Increases annually</p> <p><b>Baseline 2010/11:</b> \$34,106*</p> <p><i>*The baseline differs from the one published in the Long Term Plan 2012-2022 due to revised figures being provided by Statistics New Zealand. In 1995/96\$ value this is \$20,495. Infometrics is no longer reporting in 1995/96\$ values.</i></p>	<p><b>Result: \$35,481 achieved 2013(2013: \$35,193 – achieved based on results for year ending June 2012* )</b></p> <p>Council's key contribution to this measure is through Northland Inc. Ltd and the council's use of the Investment and Growth Reserve. In the case of drought our participation in rural support and our management of water is also essential.</p> <p>The increase in GDP per capita reflects an estimated 2% increase in regional GDP resulting mainly from higher value added from manufacturing (mostly driven by the refinery) and a lift in construction activity.</p> <p><i>* As the data for this measure is not available from Statistics New Zealand for the financial reporting year until October (and as such will be too late for annual reporting purposes), council will report on the previous year's results. For example, for the 2012/13 year council will report on results for the 2011/12 year and compare it to results for the 2010/11 year.</i></p>

# Economic development

Funding impact statement for the year ended 30 June 2014

	Long Term Plan 2012/13 \$	Long Term Plan 2013/14 \$	Actual 2013/14 \$
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	682,745	697,574	24,552
Targeted rates (other than a targeted water rates)	2,441,477	2,449,253	2,914,859
Subsidies and grants for operating purposes	-	-	53,492
Fees, charges and targeted rates for water supply	-	-	30,216
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	1,020,240	1,127,701	518,297
<b>Total operating funding</b>	<b>4,144,462</b>	<b>4,274,528</b>	<b>3,541,415</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,368,804	2,371,635	2,445,149
Finance costs	696,114	643,706	775,844
Internal charges and overheads applied	117,288	119,604	46,262
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>3,182,206</b>	<b>3,134,945</b>	<b>3,267,255</b>
<b>Surplus /(deficit) of operating funding</b>	<b>962,256</b>	<b>1,139,583</b>	<b>274,161</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
• to meet additional demand	-	-	-
• to improve levels of service	-	-	-
• to replace existing assets	-	-	-
Increase /(decrease) in reserves	578,340	675,924	(582,544)
Increase /(decrease) of investments	383,916	463,659	856,705
<b>Total applications of capital funding</b>	<b>962,256</b>	<b>1,139,583</b>	<b>274,161</b>
<b>Surplus /(deficit) of capital funding</b>	<b>(962,256)</b>	<b>(1,139,583)</b>	<b>(274,161)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Major variances compared to the 2013/14 Long Term Plan:

### Operating funding:

Operating funding is under budget by \$733,000 predominantly due to:

- The reallocation of Community Investment Fund interest of \$709,000 to the support services activity as this is now being treated as part of council's general funds. Previously this had been budgeted as part of the economic development activity.

# Hazard management

## LEVELS OF SERVICE

The hazard management group of activities includes civil defence emergency management, natural hazard management and oil pollution response.

### Why we do these activities

**Civil defence emergency management:** A regional approach to civil defence emergency management allows for consistent coordination of emergency services and support organisations (including the regional council and three district councils). The government set up this regional approach in 2002 under the Civil Defence Emergency Management Act.

**Natural hazard management:** Northland is exposed to a range of natural hazards including storm/cyclone, tsunami, volcano, land instability, earthquake, rural fire and drought.

River flooding is Northland's highest natural hazard risk due to our extensive development on flood plains and exposure to high-intensity rainfall events.

It is a core function of regional councils to minimise the effects of natural hazards on life, property and the quality of the environment. The council is legally obliged by the Civil Defence Emergency Management Act and the Soil Conservation and Rivers Control Act to develop and implement plans to reduce risks associated with hazards.

**Oil pollution response:** Preventing and minimising the impacts of oil spills is vital to protecting our environment and enabling recreational activities on and around our waters. Preventing an oil spill through appropriate measures and processes also has economic benefits for high-risk businesses.

The council has responsibility under the Maritime Transport Act (1994) to plan for – and have in place contingency measures to deal with – oil spills in the coastal areas of Northland.

## Contribution to council objectives

The hazard management activity contributes to the following council objectives.

### Maintain and improve the quality Northland's overall environment by:

- Providing information to people and decision makers so that development, infrastructure and people are located in the right places; and
- Minimising the effects of these hazards on life, property and the quality of the environment.

### Promote the regionally significant infrastructure and improvements that enable economic development, enhance the environment, and connect people and Northland to the wider world by:

- Working with various stakeholders to reduce the adverse effects of identified hazards on infrastructure and lifeline utilities;
- Providing information that can be incorporated into engineering design to ensure that infrastructure can withstand hazard events of a certain magnitude and/or return period; and
- Working in partnership with other organisations as part of the Civil Defence Emergency Management Group to ensure safer communities.

### Encourage the sustainable access and use of our environment in ways that will progress our collective quality of living by:

- Identifying major natural and man-made threats; and
- Reducing the impacts of these threats by ensuring that effective systems are in place to respond to, and recover from, any emergency.

### Promote the awareness and appreciation of our heritage, landforms, freshwater and marine environment to encourage our collective pride in Northland by:

- Identifying major natural and man-made threats and planning reduction, readiness, response and recovery at the community level.

## **What we did**

### **Civil defence emergency management (CDEM)**

While no weather warnings in the 2013/14 reporting period resulted in significant flooding in Northland, the recent July 2014 storms have emphasised the importance of preparedness and resilience.

This year we have increased our social media presence via Facebook, using it to highlight community activities relating to civil defence and community resilience.

Developing community response plans continues to be a priority project and we have started converting the plans into e-plans. Of the 52 existing plans, 12 have now been converted into e-plans and six more are in the process of being upgraded.

Our free business continuity workshops held in 2013/14 are helping Northland's business owners and operators prepare for and recover from emergencies.

Like last year, Northland CDEM group received two national tsunami alerts in 2013/14 – both for tsunamis that had the potential to impact on Northland's coast. These notifications were received and actioned in accordance with standard operating procedures. We also expanded the Mangawhai tsunami warning network.

We were proud to be involved with the Kaikohe Youth in Emergency Services scheme. Youth in Emergency Services (YES) is a national programme designed to strengthen the connection between young people and their communities and which is run collaboratively by the Ministry of Youth Development and the Ministry of Civil Defence and Emergency Management (MCDEM). Active support also came from the Red Cross, St John, NZ Fire Services, Rural Fire, Coastguard and Far North District Council. Twelve candidates have graduated from the programme.

Northland also hosted the ninth annual Civil Defence Emergency Management Group Forum in Whāngārei in April 2014. The forum was attended by over 180 representatives from a broad cross section of the civil defence community.

The successful shared services agreements with Whangarei and Kaipara Districts Councils – which enable civil defence staff to work from one office – have continued to enable collaborative delivery of Northland civil defence arrangements.

Central government has continued to support new initiatives in Northland by providing support through the national resilience fund. During the 2013/14 year

funding was made available to continue with community response plan development and community resilience projects in the region.

### **Natural hazard management**

Council has continued to produce flood hazard maps this year and make them available on the council's website (see [www.nrc.govt.nz/floodmaps](http://www.nrc.govt.nz/floodmaps)). Additional maps for Kerikeri, Whāngārei, Kaeo and Waitangi were released, bringing the total to 24. There are now just two catchments for which new flood maps have to be completed/released – Whāngārei Heads and Awanui.

We again completed beach profile monitoring to detect changes in shore profile at priority sites during summer and winter. Data gathered from this programme enables a better understanding of coastal systems in Northland, which assists the council and community when looking at the suitability and effect of development in and adjacent the coast.

### **Oil pollution response**

Council maintained its oil pollution response capability. This includes having a contingency plan (including memorandums of understanding with primary response partners), a team of trained oil spill responders (with training occurring throughout the year), and 24/7 response capability, with on-call Regional On-scene Commander coverage.

All oil spill incidents reported during this period were dealt with within the required time frames. Several of the incidents dealt with involved fairly minor oil spills from small vessels. We also responded to a few oil spill incidents from commercial fishing vessels. All spills were contained, cleaned-up or dispersed appropriately. The region's oil spill responders continued their training and exercise participation to maintain the regional oil spill response capability.

## Performance measures and targets – hazard management

### (4.1) Maintaining a responsive and efficient civil defence emergency management system

**Why:** Providing timely information and warnings helps protect the public and property.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Nationally issued warnings are acknowledged within 30 minutes.</b>  <b>Target:</b> 100%  New measure	<b>Result: 100% – achieved (2012: not measured ∞; 2013: 100% – achieved)</b>  We expanded our reporting to cover the range of warnings of significance to Northland's communities (e.g. weather, water and flooding).  During the 2013/2014 year two tsunami advisories were received from MCDEM. Both were acknowledged, distributed and actioned in accordance with standard operating procedures. No further action was required in Northland. All weather warnings were responded to as appropriate.  All warnings and watches are now added to the Civil Defence Northland Facebook page. Roding information for weather events is now available at the AA Road Watch website.

### (4.2) Maintaining an effective civil defence emergency management system

**Why:** Maintaining effective plans and response procedures is an important way to reduce the impact of any emergency situation.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Emergencies are debriefed within one month and noted improvements are incorporated into the appropriate emergency operating procedures and response plans.</b>  <b>Target:</b> 100%  <b>Baseline 2010/11:</b> 100%	<b>Result: Not applicable (2012: achieved; 2013: not applicable)</b>  There have been no events in the reporting period that have required the activation of the CDEM Emergency Operation Centre and as a result no debriefs or opportunities for improvement directly relating to debriefs have been created. However the monitoring of Ex Tropical Cyclone Lusi was the subject of an inter-agency debrief.

### (4.3) Providing accurate and timely flood warnings

**Why:** Timely warnings are important to enable communities to take precautionary measures and safeguard property and livestock.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Accurate and timely flood warnings issued.</b>  <b>Target:</b> 100%  New measure	<b>Result: 100% – achieved (2012: not measured ∞; 2013: 100% achieved)</b>  None of the weather related warnings or watches that were the subject of MetService notifications resulted in significant flooding.

**(4.4) Maintaining an efficient and responsive and efficient oil pollution response**

**Why:** There is a high public expectation that our response will be effective and efficient.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Evaluate and respond to a report of an oil spill within one hour of the report being received.</b></p> <p><b>Target:</b> 100%</p> <p><b>Baseline 2010/11:</b> 100%</p>	<p><b>Result: 100% – achieved (2012: not measured ∞; 2013: 100% achieved)</b></p> <p>All oil spill incidents reported to the maritime team during this period were dealt with within the required time frames. Several of the incidents dealt with involved fairly minor oil spills from small vessels. Staff also responded to a few oil spill incidents from commercial fishing vessels. All spills were contained, cleaned-up or dispersed appropriately. The region's oil spill responders continued their training and exercise participation to maintain the regional oil spill response capability.</p>

**(4.5a and b) Maintaining natural hazard information and assessments to protect life and property**

**Why:** Identification of natural hazards and risk reduction options enables people to make an informed decision about the risks and what level of risk they are prepared to accept or mitigate. This information also flows into policy and land use planning which help to reduce risk where risk is deemed unacceptable.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Maintain hazard information for river flooding and beach profiles.</b></p> <p><b>Target:</b> Priority beach profile sites updated biennially</p> <p>New measure</p>	<p><b>Result: Updates completed – achieved (2012: not measured ∞; 2013: achieved)</b></p> <p>Summer beach profile surveying was completed for 28 sites, comprising of 45 individual beach profile surveys, and done in conjunction with site visits to gather other data for use in the coastal erosion hazard zone assessment that is in progress. Winter beach profile surveying was completed for 6 sites, comprising of 22 individual beach profile surveys.</p>
<p><b>Target:</b> Flood level monitoring at priority rivers updated within one month following every large flood event</p> <p>New measure</p>	<p><b>Result: Achieved (2012: not measured ∞; 2013: no large flood events – not applicable)</b></p> <p>While not a large event, there was some flooding of farmland from the Kaihū River on 26 September 2013. The peak discharge recorded at Kaihū Gorge was 166 m<sup>3</sup>/s (return period approx. 2-3 years). Levels from the flood level marker network were surveyed during event to collect data for future reference.</p> <p>Extensive GPS flood level surveys were completed at Kaihū and Waimamaku catchments following flooding during the 8-10 June storm event. This event resulted in the second highest peak flow on record at the Kaihū Gorge river flow site, and flooding and boulder accumulations diverting part of the river channel in the Waimamaku catchment.</p>



# Hazard management

Funding impact statement for the year ended 30 June 2014

	Long Term Plan 2012/13 \$	Long Term Plan 2013/14 \$	Actual 2013/14 \$
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	1,273,185	1,288,587	52,715
Targeted rates (other than a targeted water rates)	-	-	992,515
Subsidies and grants for operating purposes	71,132	73,408	111,836
Fees, charges and targeted rates for water supply	1,000	1,032	176,772
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	122,230	125,757	12,000
<b>Total operating funding</b>	<b>1,467,547</b>	<b>1,488,784</b>	<b>1,345,838</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,251,341	1,198,638	1,226,578
Finance costs	12,924	6,924	-
Internal charges and overheads applied	456,890	466,008	357,976
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>1,721,155</b>	<b>1,671,570</b>	<b>1,584,554</b>
<b>Surplus /(deficit) of operating funding</b>	<b>(253,608)</b>	<b>(182,786)</b>	<b>(238,716)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve levels of service	2,000	2,064	2,050
• to replace existing assets	-	-	1,000
Increase /(decrease) in reserves	120,000	138,470	112,802
Increase /(decrease) of investments	(375,608)	(323,320)	(354,568)
<b>Total applications of capital funding</b>	<b>(253,608)</b>	<b>(182,786)</b>	<b>(238,716)</b>
<b>Surplus /(deficit) of capital funding</b>	<b>253,608</b>	<b>182,786</b>	<b>238,716</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Major variances compared to the 2013/14 Long Term Plan:

### Operating funding:

Operating funding is under budget by \$143,000 predominantly due to:

- Rates being less than budget due to the greater level of user fees and subsidies received in the year combined with lower operating costs, thereby reducing the level of rates required to fund this group of activities.
- A greater level of grants and subsidies were received due to oil spill response and national on-scene commander activities.
- A greater level of fees and charges were received due to an increase in fees relating to the salvage and recovery of vessels, vessel charges, and Coordinated Incident Management System (CIMS) courses.

# Transport

## LEVELS OF SERVICE

This group of activities includes regional transport management, passenger transport management, and harbour safety and navigation.

## Why we do these activities

The transport network is New Zealand-wide with connections world-wide. Having a regional coordination, operational and planning role makes sense for ensuring efficient and integrated management of the network and its funding.

Passenger transport is about providing affordable, safe, integrated, responsive, accessible and sustainable transport services to the public.

Harbour navigation and safety management helps ensure safe movement of commercial and recreational vessels, and promotes and regulates safe boating and shipping practices to minimise maritime accidents, protect the environment and prevent losses to property and persons.

Regional councils are obliged to engage in a range of land transport planning, passenger transport and harbour management activities. Key legislation such as the Land Transport Management Act 2003, Maritime Transport Act 1994, Local Government Act 1974, Resource Management Act 1991 and New Zealand Port and Harbour Marine Safety Code direct and shape our involvement in these activities.

## Contribution to council objectives

The transport activity contributes to the following council objectives.

### Maintain and improve the quality of Northland's overall environment by:

- Improving the integration between land use, transport planning and impacts on the environment through our plans and strategies;
- Providing affordable passenger transport services which reduces demand on road infrastructure and harmful emissions; and
- Providing aids to navigation which enable a safe environment for recreational and commercial marine use and protect the environment from the adverse effects of maritime accidents (such as oil leakage).

### Build a business friendly environment that encourages business and employment opportunities by:

- Providing increased tourism opportunities through the pilotage of cruise ships to the Bay of Islands; and
- Managing the marine area to allow for the changing uses and needs of the marine sector.

### Promote regionally significant infrastructure and improvements that enable economic development, enhance the environment, and connect people and Northland to the world by:

- Ensuring roads and other transport infrastructure in Northland are improved, designed and built to meet future demand and provide for efficient and economic movement of goods and people around the region;
- Ensuring the region's transport infrastructure allows for the retention and future expansion of investment in Northland;
- Co-ordinating transport planning efforts throughout Northland and championing key infrastructure initiatives to achieve a comprehensive transportation system with route security; and
- Providing for safe navigation in harbours and safe business development.

### Encourage sustainable access and use of our environment in ways that will progress our collective quality of living by:

- Providing navigation aids and harbour management to facilitate access to and use of marine environment – from tourism, fishing, diving, and access to kai moana through to commercial navigation and access to Marsden Point refinery and the port; and
- Providing pilotage that brings tens of thousands of visitors to the region each summer safely and income to the council.

### Promote awareness and appreciation of our heritage, landforms, freshwater and marine environment to encourage our collective pride in Northland by:

- Promoting awareness and good practice and contributing to Northland being seen as a place to safely enjoy coastal, boating and tourist activities (through maritime safety education and advice, patrols and safety enforcement).

## What we did

Council has continued to work with partners, district councils, government agencies and the community on transport planning, delivery and road safety.

While we narrowly missed our targets for reduced numbers of fatal and serious injury crashes, we remain committed to these goals and recognise the continued hard work by all our road safety partners.

A number of the deaths and serious injury crashes have again reinforced the need to keep targeting the major causes of serious crashes – speed, distraction, fatigue, lack of restraints and alcohol.

Whāngārei's public bus service, CityLink, continues to reflect a positive upward passenger trend. This continued growth has enabled council to keep bus fares a level that allows for affordable travel.

Conversely, the Total Mobility Scheme has shown a decrease in the number of trips taken. This decrease has been attributed to the extended downturn in the economy which in turn resulted in clients having to reduce their travel due to affordability.

Forty-two ships were piloted in and out of the Bay of Islands during 2013/14, four more than in the previous year. The vessels ranged in size from very large ships to a smaller super-yacht.

Our maintenance programme for navigation aids was all completed as planned in 2013/14. The maintenance ranges from repairs to buoys and beacons, to replacement of batteries and lights and the renewal and replacement of navigation aids as required. It also included a complete upgrade to the buoys and beacons for Kerikeri Inlet, replacing 25-year-old equipment. Completing this work significantly reduces the risk of future failures to Northland's navigation aids.

We have also continued our ongoing improvement project with moorings. Along with reviewing and upgrading licences, this project looks at physical make-up and position of moorings. We are also undertaking increased enforcement for non-compliance (including removal of unsafe moorings and destruction of derelict vessels) to improve harbour safety.

## Performance measures and targets – transport

### (5.1a and b) Embed safety in the thinking of all Northland road users

**Why:** There is a community expectation and national directive to make our roading network safer.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Reducing the annual number of fatal motor vehicle crashes in Northland.</b>  <b>Target:</b> <18  <b>Baseline 2010/11:</b> 21*  * Based on average fatal crashes for the four years up to June 2011	<b>Result: 21 – not achieved (2012: 7 fatalities; 2013: 15 – achieved)</b>  The 2013/14 year result was better than the baseline but unfortunately represents a reversal of the trend over the last two years. There were seven deaths over the October/November months and three in both February and May. The causes continue to revolve around the 'Fatal Five' – speed, distraction, fatigue, lack of restraints and alcohol. Police and road safety partners continue to target these issues.
<b>Reducing the annual number of serious injury motor vehicle crashes in Northland.</b>  <b>Target:</b> <85* (2012/13 target <90)  <b>Baseline 2010/11:</b> 92**  * The performance target and baseline data that was published in the Long Term Plan for this measure was incorrect; the target shown above is based on the correct data.  + based on average serious injury crashes for the four years to June 2011	<b>Result: 88 – not achieved (2012: not measured ∞; 2013: 79 – achieved)</b>  As above.

### (5.2) Providing an efficient and effective public bus service

**Why:** A reliable and effective bus service will have an increasing number of patrons.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Number of passengers for the Whāngārei urban bus service.</b>  <b>Target:</b> Increases annually  <b>Baseline 2010/11:</b> 287,006	<b>Result: 323,553 (+17,816) – achieved (2012: achieved, result: 297,305 ∞; 2013: 305,737 (+8,432) – achieved)</b>

**(5.3) Maintaining navigation aids for safe navigation**

**Why:** Good navigation aids contribute to the safety of harbour and coastal waters, and helps mitigate environmental problems of oil spills from wrecks.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Failures to navigation aids are repaired within five working days of reporting.</b></p> <p><b>Target:</b> 100%</p> <p>New measure</p>	<p><b>Result: 100% – achieved (2012: not measured ∞; 2013: 100% – achieved)</b></p> <p>Each month the CEO reports what was attended to (and repaired) in his report to council (see <a href="http://www.nrc.govt.nz/agendas">www.nrc.govt.nz/agendas</a>). All planned maintenance for the 2013/14 year occurred. Repairs range from repairs to buoys and beacons, the replacement of batteries and lights and the renewal and replacement of navigation aids as required. There were no reported failures to navigation aids caused by council inaction.</p>

**(5.4) Providing safe pilotage services for vessels entering the Bay of Islands**

**Why:** Pilotage provides additional safety and helps mitigate environmental effects as large ships carry large amounts of oil.

Performance measures and targets	Actual service performance to 30 June 2014
<p><b>Number of incidents from providing pilotage services within Bay of Islands harbours.</b></p> <p><b>Target:</b> Zero incidents related to pilotage</p> <p><b>Baseline 2010/11:</b> 0</p>	<p><b>Result: Zero incidents that affected the safety of vessels and their navigation – achieved (2012: zero incidents – achieved ∞; 2013: zero incidents - achieved)</b></p> <p>Forty-two ships were piloted in and out of the Bay of Islands in 2013/14, four more than in the previous year. Once again vessels ranged in size from very large ships to a smaller superyacht. There as one incident involving a pilot disembarking a vessel where they bruised themselves on a handrail. This did not in any way impact on the safe navigation of the ship within pilotage waters.</p>

# Transport

Funding impact statement for the year ended 30 June 2014

	Long Term Plan 2012/13 \$	Long Term Plan 2013/14 \$	Actual 2013/14 \$
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	889,482	978,299	58,323
Targeted rates (other than a targeted water rates)	495,851	548,413	1,618,429
Subsidies and grants for operating purposes	1,091,972	1,123,245	916,809
Fees, charges and targeted rates for water supply	1,529,096	1,572,878	1,420,410
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	9,800	10,114	-
<b>Total operating funding</b>	<b>4,016,200</b>	<b>4,232,949</b>	<b>4,013,971</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	3,859,899	3,954,855	3,485,696
Finance costs	-	-	-
Internal charges and overheads applied	632,460	644,239	631,542
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>4,492,360</b>	<b>4,599,094</b>	<b>4,117,238</b>
<b>Surplus /(deficit) of operating funding</b>	<b>(476,159)</b>	<b>(366,145)</b>	<b>(103,266)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve levels of service	47,600	34,485	1,030
• to replace existing assets	40,900	252,068	92,402
Increase /(decrease) in reserves	(26,606)	17,128	5,421
Increase /(decrease) of investments	(538,053)	(669,826)	(202,119)
<b>Total applications of capital funding</b>	<b>(476,159)</b>	<b>(366,145)</b>	<b>(103,266)</b>
<b>Surplus /(deficit) of capital funding</b>	<b>476,159</b>	<b>366,145</b>	<b>103,266</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Major variances compared to the 2013/14 Long Term Plan:

### Operating funding:

Operating funding is under budget by \$219,000 predominantly due to:

- Receiving \$206,000 less than budgeted subsidy revenue and \$152,000 of user charges relating to the bus contract as the service was revised and rationalised in 2012/13.
- This is partially offset by an increase in rates revenue of \$150,000.

### Applications of operating funding:

Applications of operating funding is under budget by \$482,000 predominantly due to:

- A savings of \$418,000 relating to the administration of the Whāngārei bus service contract. The bus service was rationalised and reduced in 2012/13 resulting in a reduction in the contract price.
- A savings of \$15,000 for the use of consultants as more work was done in-house.

- A savings of \$21,000 in vessel running expenditure as a large amount of the work undertaken in 2013/14 was in the Bay of Islands, which is where the vessels are based and accordingly running expenses were lower than originally anticipated.

**Application of capital expenditure:**

Capital expenditure is under budget by \$193,000 predominantly due to:

- The budgeted expenditure on a new vessel not being spent in this financial year, and deferred into 2014/15.



# Community representation and engagement

## LEVELS OF SERVICE

This group of activities only includes the community representation and engagement activity.

### Why we do these activities

Community representation through elected councillors is the central part of the democratic process and is dictated by statutory requirements. Essentially the role of elected members is to provide good governance over the functions and responsibilities of the council.

The Local Government Act 2002, the Local Government Official Information and Meetings Act 1987, the Local Electoral Act 2002 and other relevant legislation set out the role of elected members and places obligations relating to the conduct of regional council business.

These obligations are designed to ensure that the council:

- Conducts its business in an open, transparent and democratically accountable manner; and
- Gives effect to its identified priorities and objectives and delivers services in an efficient and effective manner.

### Contribution to council objectives

The community representation and engagement activity contributes to all of the council objectives.

- **Maintain and improve the quality of Northland's overall environment;**
- **Build a business friendly environment that encourages business and employment opportunities;**
- **Invest in Northland to increase all our communities' economic performance and quality of living and reduce disparities;**
- **Promote regionally significant infrastructure and improvements that enable economic development, enhance the environment, and connect people and Northland to the wider world;**
- **Encourage the sustainable access and use of our environment in ways that will progress our collective quality of living; and**
- **Promote the awareness and appreciation of our heritage, landforms, freshwater and marine**

### environment to encourage our collective pride in Northland.

Councillors play an instrumental role in delivering council objectives. They make policy decisions based on their understanding and representation of the views of the communities of region, involve local people in local issues, promote collaborative decision-making, ensure council processes are transparent, and follow council policies and procedures. This promotes local democracy and encourages community participation and engagement in decision-making.

### What we did

The key focus of our work this year has been on better representation, engagement with Māori and service delivery.

### Local government reorganisation

The Local Government Commission's process to look at possible reorganisation of local government in Northland continued in 2013/14.

The commission produced its Draft Proposal for Local Government Reorganisation in Northland in 2013, with submissions closing on 21 February 2014 and hearings held in March 2014.

The Commission proposed a single council for Northland with seven community boards. (This would be a new entity and Northland's four existing councils would cease to exist.)

Our council has told the Local Government Commission we can't support the commission's draft proposal in its current form. We asked the commission to do more work, then issue a fresh draft.

During 2013/14 council has been out in the community and working with others to ensure the public is informed and our position has been heard. This has been through a mixture of public meetings, community and regional stakeholder workshops and hui as well as appearing before select committees and the commission and one to one meetings and advocacy with key influencers and decision makers.

We have received positive feedback from the public on the information we have provided to Northland communities on the process and the commission's proposal. This information is available at [www.nrc.govt.nz/lgreform](http://www.nrc.govt.nz/lgreform).

The commission's proposal is available on its website and further information on council's position can be found at [www.nrc.govt.nz/lgreform](http://www.nrc.govt.nz/lgreform).

At the time of writing this Annual Report the outcomes of the commission's process are far from certain. The commission has completed its hearings and has four options available to it: issue the draft proposal as a final proposal; modify the draft and issue it as a final proposal; issue a new draft proposal based on a different option for local government in Northland; decide not to issue a final proposal at all. The commission has said it won't make a decision until after the central government elections in September 2014.

#### **Governance – Te Tai Tokerau Regional Māori Advisory Committee**

The new council was committed to establishing a relationship with Māori and made this one of its top priorities post-election.

Council's commitment to the promotion of Māori (whanau, hapū and iwi) participation and engagement in council processes and decision making and its desire to ensure it takes appropriate account of the principles of the Treaty of Waitangi led to the December 2013 working party and the establishment of 'Te Tai Tokerau Regional Māori Advisory Committee', on 13 May 2014. The inaugural meeting of the committee occurred on 27 June 2014.

Council considers the committee will enable lasting and meaningful relationships between Māori and council and hopes the committee will identify issues of regional significance to Māori during 2014.

#### **New representation arrangements**

The council conducted a review of its representation arrangements in 2012/13 and the first election under these arrangements was held during 2013/14. As a result, at this year's local body elections Northlanders voted for nine regional councillors (one more than before) representing seven, smaller constituencies.

The regional council's seven constituencies were Te Hiku, Hokianga-Kaikohe, Coast North (two councillors), Coastal Central, Whāngārei Urban (two councillors), Coastal South and Kaipara – and the council is happy that this arrangement delivered a better geographical spread than under the previous model.

## Performance measures and targets – community representation and engagement

### (6.1a) Maintaining effective, open and transparent democratic processes

**Why:** This is council in action – facilitating community participation in decision-making.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Submissions received on council's long term plan and annual plan.</b>  <b>Target:</b> Increasing number of submissions for Annual Plans and Long Term Plans  <b>Baseline 2010/11:</b> 222	<b>Result: 240 – achieved (2012 LTP result: 976 ∞; 2013: 18 – not achieved)</b>  This is a significant increase in the number of submissions received on the Annual Plan 2013/14 largely driven by a single issue – the funding (or lack of funding by council) for surf lifesaving – which was not a consultation issue for council.

### (6.1b) Maintaining effective, open and transparent democratic processes

**Why:** Providing responses to submitter feedback enhances the experience of submitters and encourages their ongoing participation in local government decision making processes.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Time to respond to submitters post adoption of annual plans and long term plans.</b>  <b>Target:</b> Within one month of adoption  <b>Baseline 2010/11:</b> One month	<b>Result: All responses sent within one month – achieved (2012: not measured ∞; 2013: all responses sent within one month – achieved)</b>  The Annual Plan 2014/15 was adopted on 17 June 2014. All Annual Plan final responses were sent on or before 16 July 2014.

### (6.2) Providing effective advocacy on behalf of Northlanders on matters of regional significance

**Why:** This is council in action – advocating for Northlanders on issues of importance to them.

Performance measures and targets	Actual service performance to 30 June 2014
<b>Level of advocacy undertaken on issues of importance to Northland over and above government submission processes.</b>  <b>Target:</b> 10 submissions made annually  New measure	<b>Result: 41 – achieved (2012: not measured ∞; 2013: 13 – achieved)</b>  The Chairman's report to council each month covers the significant matters and key messages that council has promoted to others. This year the focus of our advocacy has concentrated largely on local government reorganisation and reform. In addition to our 14 letters to key influencers we have been out in the community at meetings and workshops. 2013 <ul style="list-style-type: none"> <li>• Public meetings in Whāngārei, Kaikohe, Dargaville, Mangawhai, Kaitiāia, Kerikeri, Omapere, Russell and Kaiwaka.</li> <li>• Community and regional stakeholder workshops in Whāngārei, Kaikohe, and Dargaville.</li> <li>• Hui in Whāngārei at the request of local hapū and opened up to all iwi and hapū in Northland.</li> </ul> 2014 <ul style="list-style-type: none"> <li>• Meetings in Ruakaka, Tutukaka, Parua Bay and Whāngārei.</li> <li>• On invitation, meetings with business groups in Kerikeri and Whāngārei, Kaipara ratepayer groups in Dargaville and the Rural Education Activities Programme (REAP) in Kaitiāia.</li> <li>• Panel on reform at Waitangi marae.</li> </ul> We also advocated for Northland to be considered as a trial police district of roadside testing of drug impaired drivers (five letters to key influencers).

# Community representation and engagement

Funding impact statement for the year ended 30 June 2014

	Long Term Plan 2012/13 \$	Long Term Plan 2013/14 \$	Actual 2013/14 \$
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	1,385,850	1,545,979	81,595
Targeted rates (other than a targeted water rates)	-	-	1,536,248
Subsidies and grants for operating purposes	60,000	61,920	-
Fees, charges and targeted rates for water supply	-	-	78,284
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>Total operating funding</b>	<b>1,445,850</b>	<b>1,607,899</b>	<b>1,696,127</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	1,910,913	2,121,976	2,202,180
Finance costs	-	-	-
Internal charges and overheads applied	451,925	459,906	409,494
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>2,362,838</b>	<b>2,581,882</b>	<b>2,611,674</b>
<b>Surplus /(deficit) of operating funding</b>	<b>(916,989)</b>	<b>(973,983)</b>	<b>(915,548)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve levels of service	-	-	-
• to replace existing assets	-	-	-
Increase /(decrease) in reserves	-	(144,480)	-
Increase /(decrease) of investments	(916,989)	(829,503)	(915,548)
<b>Total applications of capital funding</b>	<b>(916,989)</b>	<b>(973,983)</b>	<b>(915,548)</b>
<b>Surplus /(deficit) of capital funding</b>	<b>916,989</b>	<b>973,983</b>	<b>915,548</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Major variances compared to the 2013/14 Long Term Plan:

### Applications of operating funding:

Operating funding is greater than budget by \$88,000 predominantly due to:

- Fees and charges received for environmental education projects including Project Possum and Enviroschools.

# Support services

Funding impact statement for the year ended 30 June 2014

The funding impact statement below relates to council's support services which are the corporate and support functions for the organisation and include the expenditure and funding sources for commercial activities (interest, dividends and rental income) finance operations, records administration, human resources, communications, information technology and other administration.

	Long Term Plan 2012/13 \$	Long Term Plan 2013/14 \$	Actual 2013/14 \$
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, rates penalties	-	-	-
Targeted rates (other than a targeted water rates)	-	-	-
Subsidies and grants for operating purposes	-	-	-
Fees, charges and targeted rates for water supply	37,000	38,184	67,991
Internal charges and overheads recovered	6,152,066	6,394,056	6,296,882
Local authorities fuel tax, fines, infringement fees and other receipts	6,187,403	6,074,441	7,248,610
<b>Total operating funding</b>	<b>12,376,469</b>	<b>12,506,681</b>	<b>13,613,482</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	5,415,291	5,584,870	5,180,984
Finance costs	1,000	1,000	431
Internal charges and overheads applied	16,249	16,500	16,192
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>5,432,541</b>	<b>5,602,370</b>	<b>5,197,608</b>
<b>Surplus /(deficit) of operating funding</b>	<b>6,943,929</b>	<b>6,904,311</b>	<b>8,415,875</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase /(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	147,513
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>147,513</b>
<b>Applications of capital funding</b>			
Capital expenditure			
• to meet additional demand	-	-	-
• to improve levels of service	1,576,616	376,680	591,898
• to replace existing assets	448,500	503,616	526,755
Increase /(decrease) in reserves	1,077,163	1,729,888	2,554,940
Increase /(decrease) of investments	3,841,650	4,294,127	4,889,794
<b>Total applications of capital funding</b>	<b>6,943,929</b>	<b>6,904,311</b>	<b>8,563,388</b>
<b>Surplus /(deficit) of capital funding</b>	<b>(6,943,929)</b>	<b>(6,904,311)</b>	<b>(8,415,875)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Major variances compared to the 2013/14 Long Term Plan:****Operating funding:**

Operating funding is over budget by \$1.107M predominantly due to:

- Dividend income from the Northland Port Corporation (NZ) Limited being \$886,000 greater than budgeted.
- Interest from the Community Investment Fund of \$709,000 which is now treated as part of council's general funds and has been capitalised as part of the fund. Previously this was budgeted as part of the economic development activity.
- Lower than budgeted rental income of \$396,000 due to a combination of slightly higher than budget rental income derived from councils investment portfolio and lower than budget rental income derived from properties acquired for the Marsden Point Rail Link corridor.

**Applications of operating funding:**

Applications of operating funding is under budget by \$404,000 predominantly due to:

- Savings of \$132,000 in relation to computer consumables, software licensing and maintenance.
- Wages and salaries being under budget by \$263,000.
- A saving of \$80,000 in iwi-related projects, as a suitable project in line with council's wishes was not identified in the 2013/14 financial year.
- Additional valuation consultancy and legal fees of (\$73,000) in relation to various commercial property transactions.

# Funding impact statement for Northland Regional Council

Funding impact statement for the year ended 30 June 2014

	Long Term Plan 2012/13 \$	Annual Report 2012/13 \$	Annual Plan 2013/14 \$	Actual 2013/14 \$
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, rates penalties	12,627,700	12,948,332	13,006,215	717,057
Targeted rates (other than targeted water rates)	4,395,169	4,454,077	4,505,957	17,648,974
Subsidies and grants for operating purposes	1,486,699	961,224	971,190	1,654,797
Fees, charges and targeted rates for water supply	4,105,264	3,934,565	4,172,467	4,135,656
Interest and dividends from investments	3,631,195	4,305,450	4,123,599	4,541,044
Local authorities fuel tax, fines, infringement fees and other receipts	3,710,478	3,570,740	3,819,454	3,312,266
<b>Total operating funding</b>	<b>29,956,505</b>	<b>30,174,387</b>	<b>30,598,882</b>	<b>32,009,794</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	27,034,582	26,955,425	26,339,669	27,921,438
Finance costs	1,000	98,215	94,272	101,629
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	<b>27,035,582</b>	<b>27,053,639</b>	<b>26,433,941</b>	<b>28,023,067</b>
<b>Surplus/(deficit) of operating funding</b>	<b>2,920,923</b>	<b>3,120,748</b>	<b>4,164,941</b>	<b>3,986,727</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital purposes	-	-	-	-
Development and financial contributions	-	-	-	-
Increase /(decrease) in debt	-	-	-	-
Gross proceeds from sale of assets	-	65,455	-	147,513
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>65,455</b>	<b>-</b>	<b>147,513</b>
<b>Applications of capital funding</b>				
Capital expenditure:	-	-	-	-
• to meet additional demand	-	-	-	-
• to improve levels of service	3,000,766	3,768,927	1,069,264	3,899,248
• to replace existing assets	598,305	685,250	904,503	785,307
Increase /(decrease) in reserves	526,800	(724,090)	2,366,532	(875,956)
Increase /(decrease) of investments	(1,204,947)	(543,883)	(175,359)	325,641
<b>Total applications of capital funding</b>	<b>2,920,923</b>	<b>3,186,203</b>	<b>4,164,941</b>	<b>4,134,240</b>
<b>Surplus /(deficit) of capital funding</b>	<b>(2,920,923)</b>	<b>(3,120,748)</b>	<b>(4,164,941)</b>	<b>(3,986,727)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



<b>Reconciliation to the prospective statement of comprehensive income</b>	<b>Long Term Plan 2012/13 \$</b>	<b>Annual Report 2012/13 \$</b>	<b>Annual Plan 2013/14 \$</b>	<b>Actual 2013/14 \$</b>
Capital expenditure – included above, not in comprehensive income	3,599,071	4,454,176	1,973,767	4,684,555
Investment movements – included above, not in comprehensive income	(1,204,947)	(543,883)	(175,359)	325,641
Transfers from/(to) special reserves – included above, not in comprehensive income	526,800	(724,090)	2,366,532	(875,956)
Other gains and losses – included in comprehensive income, not above (excludes gross proceeds from sale of assets and Community Investment Fund Income)	71,727	43,197	178,133	2,657,026
Income tax credit – included in comprehensive income, not above	-	(33,000)	-	-
Financial asset fair value adjustments – included in comprehensive income, not above	-	(238,079)	-	(121,329)
Property revaluation adjustments – included in comprehensive income, not above	-	60,000	-	(7,500)
Infrastructure asset revaluation adjustments - included in comprehensive income, not above.	-	-	742,795	(1,106,411)
Depreciation expense – included in comprehensive income, not above	(1,067,449)	(986,501)	(1,131,791)	(1,182,509)
<b>Total comprehensive income for the year as per the statement of comprehensive income</b>	<b>1,925,201</b>	<b>2,031,819</b>	<b>3,954,078</b>	<b>4,373,518</b>

# Financial statements

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# Consolidated statement of comprehensive income

For the year ended 30 June 2014

	Note	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>INCOME</b>						
Rates	3	18,366,031	17,512,172	17,402,408	18,366,031	17,402,408
Fees and charges	6	4,135,656	4,343,313	3,934,565	3,898,091	3,744,263
Subsidies and grants	4	1,654,797	971,190	961,224	2,080,267	1,188,724
Revenue from activities		-	-	-	97,672	1,584,568
Finance income	5	1,504,560	1,347,667	1,535,998	1,545,681	1,565,554
Other revenue	6	5,976,490	5,752,185	5,804,579	5,121,003	4,881,666
Other gains	7	3,374,420	850,488	1,768,161	4,247,652	1,885,494
Share of joint venture revenues		-	-	-	704,670	664,013
<b>TOTAL INCOME</b>	1	<b>35,011,954</b>	<b>30,777,015</b>	<b>31,406,935</b>	<b>36,061,066</b>	<b>32,916,690</b>
<b>EXPENDITURE</b>						
Personnel costs	9	10,675,918	10,930,498	10,522,650	11,977,187	11,997,858
Depreciation and amortisation expense	23	1,182,509	1,131,791	986,501	1,287,813	1,079,882
Finance costs	5	101,629	94,272	98,215	116,335	112,610
Other losses	8	197,620	-	1,261,656	689,917	1,261,656
Other expenditure on activities	2	17,245,520	15,409,171	16,432,775	18,428,193	19,097,132
<b>TOTAL OPERATING EXPENDITURE</b>	1	<b>29,403,195</b>	<b>27,565,732</b>	<b>29,301,796</b>	<b>32,499,444</b>	<b>33,549,137</b>
<b>SHARE OF ASSOCIATE'S SURPLUS/(DEFICIT)</b>	20	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,331,721</b>	<b>7,846,406</b>
<b>SURPLUS/(DEFICIT) BEFORE TAX</b>		<b>5,608,758</b>	<b>3,211,283</b>	<b>2,105,139</b>	<b>11,893,343</b>	<b>7,213,959</b>
<b>INCOME TAX CREDIT/(EXPENSE)</b>	10	<b>-</b>	<b>-</b>	<b>(33,000)</b>	<b>(36,661)</b>	<b>(669,486)</b>
<b>SURPLUS/(DEFICIT) AFTER TAX</b>		<b>5,608,758</b>	<b>3,211,283</b>	<b>2,072,139</b>	<b>11,856,682</b>	<b>6,544,473</b>
<b>SURPLUS/(DEFICIT) ATTRIBUTABLE TO:</b>						
Northland Regional Council		5,608,758	3,211,283	2,072,139	7,908,384	3,349,332
Non-controlling interest		-	-	-	3,948,298	3,195,141
<b>OTHER COMPREHENSIVE INCOME</b>						
<i>Items that will be reclassified to surplus/(deficit)</i>						
Financial assets at fair value through other comprehensive income	11	(121,329)	-	(100,320)	(121,329)	(100,320)
Net hedging movement (associate)		-	-	-	181,629	263,253
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Gains/(loss) on property revaluations	11	(7,500)	-	60,000	(5,963,898)	(699,143)
Gains/(loss) on Infrastructure Asset revaluations	11	(1,106,411)	742,795	-	(1,106,411)	-
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>(1,235,240)</b>	<b>742,795</b>	<b>(40,320)</b>	<b>(7,010,009)</b>	<b>(536,210)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>4,373,518</b>	<b>3,954,078</b>	<b>2,031,819</b>	<b>4,846,673</b>	<b>6,008,263</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>						
Northland Regional Council					3,577,290	3,043,165
Non-controlling interest in surplus of Marsden Maritime Holdings Limited					1,269,383	2,965,098
					<b>4,846,673</b>	<b>6,008,263</b>

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 Annual Plan 2013/14:

### Revenue variances:

Revenue from rates is \$854,000 greater than budget due to:

- Additional rates revenue \$385,000, rate penalties (charged for late or non-payment of rates) of \$717,000 (of which \$164,000 was paid and received by council) less rates remissions of \$184,000 and rates discounts of \$65,000. This additional rates revenue is more than offset by rate write-offs and the provision for doubtful debts established on unpaid rates.

Revenue from fees and charges is \$208,000 less than budget largely due to:

- Lower than budgeted consents and monitoring fees and charges due to less consenting and monitoring activity than anticipated. Associated costs were also lower than budgeted (\$510,000).
- Additional CDEM funding, fees for service from the Queensland fruit fly action and various sundry items.

Revenue from subsidies and grants is \$684,000 greater than budget largely due to:

- Additional subsidies were received from the Department of Internal Affairs for Kaeo at risk homes of \$180,000 (which was matched by the same expenditure) and \$242,000 for Kaeo flood works. A further subsidy of \$144,000 was received from the Ministry of Education also for Kaeo flood works.

Revenue from finance income is \$156,000 greater than budget largely due to:

- Interest income received from bank term deposits, stocks, bonds and the joint venture being \$156,000 greater than budget.

Other revenue is \$224,000 greater than budget, due to:

- Dividend income from the Marsden Maritime Holdings Limited being \$222,000 greater than budget, greater revenue from Investment Properties are due to rental arbitrations being settled and a vested asset of \$337,000.
- Rent revenue being less than budget due to council recognising that KiwiRail should have been allocated a 50% share of rental income derived from properties acquired for the Marsden Point Rail Link corridor. \$343,000 relates to financial years from 30 June 2009 to 30 June 2013.

Other gains are \$2.523M greater than budget due to:

- The gains on changes in the fair value and disposal of assets are not budgeted by council due to their high uncertainty and non-cash nature, with the exception of fair value movement on council's forestry asset. Gains and losses resulting from fair value movements do not represent additional cash collected or incurred by council.
- Fair value gains include an increase in value of council's investment property \$1.817M, an increase in the value of the forestry asset of \$242,000 (compared to the budgeted \$64,000).
- Other gains also include gain on sale of financial investments (relating to Community Investment Fund investments) of \$243,000.

### Expenditure variances:

Personnel costs are less than budget \$255,000 largely due to:

- Vacancies existing in several departments throughout the year.

Depreciation and amortisation expense is \$51,000 more than budget mainly due to:

- Depreciation on additional assets purchased throughout the year. The variance is not considered to be material.

Finance cost expenditure is \$7,000 greater than budget due to:

- Council payment to KiwiRail to reimburse them for the opportunity cost of capital for expenditure incurred to procure the rail designation.

Other losses are \$198,000 greater than budget due to:

- The gains and losses on changes in the fair value and disposal of assets are not budgeted by council due to their high uncertainty and non-cash nature, with the exception of fair value movement on council's forestry asset. Gains and losses resulting from fair value decreases in infrastructure assets of \$154,000 do not represent additional cash collected or incurred by council.
- Impairment losses of financial instruments of \$30,000 have been recognised.

Other expenditure on activities is more than budget by \$1.836M primarily due to:

- Expenditure brought forward from last year for the Rust Avenue bridge of \$294,000.
- A cost of \$229,000 in relation to additional funding granted to Northland Inc. Limited.

- A cost of \$290,000 in relation to additional Environment Fund projects.
- Additional donations to community organisations of \$51,000.
- Additional write offs of rates of \$236,000.
- A saving of \$310,000 in contractor costs due to an increased amount of compliance and coastal monitoring work being performed in house rather than being outsourced to contractors.
- Further impairment of accounts receivable of \$709,000.
- An additional \$79,000 of unbudgeted fees to directors, councillors and trustees following the determination by the Salaries Commission.
- Other miscellaneous costs across the organisation of \$183,000.

# Consolidated statement of changes in equity

For the year ended 30 June 2014

		Council 30-Jun-14	Annual Plan 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
	Note	\$	\$	\$	\$	\$
<b>Balance at 1 July</b>		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)
<b>Balance at 30 June</b>	11	<b>125,789,848</b>	<b>125,413,687</b>	<b>121,416,329</b>	<b>244,262,520</b>	<b>241,441,411</b>
Total comprehensive income attributable to:						
Northland Regional Council		125,789,848	125,413,687	121,416,329	185,542,541	181,979,250
Non-controlling interest		-	-	-	58,719,979	59,462,161
<b>Balance at 30 June</b>	11	<b>125,789,848</b>	<b>125,413,687</b>	<b>121,416,329</b>	<b>244,262,520</b>	<b>241,441,411</b>

## Major variances compared to the Annual Plan:

There are no significant variances.

# Consolidated statement of financial position

As at 30 June 2014

	Note	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>EQUITY</b>						
Retained earnings	11	118,188,547	107,269,799	111,540,028	139,961,426	131,027,281
Other reserves	11	7,601,300	18,143,888	9,876,301	45,581,115	50,951,969
Total equity attributable to Northland Regional Council		<b>125,789,848</b>	<b>125,413,687</b>	<b>121,416,329</b>	<b>185,542,541</b>	<b>181,979,250</b>
Non-controlling interest in subsidiary companies	11	-	-	-	58,719,979	59,462,160
<b>TOTAL EQUITY</b>		<b>125,789,848</b>	<b>125,413,687</b>	<b>121,416,329</b>	<b>244,262,520</b>	<b>241,441,411</b>
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	12	5,124,001	7,000,725	15,889,952	6,889,760	16,984,938
Debtors and other receivables	13	4,088,915	4,893,100	4,896,707	4,377,051	5,459,628
Inventories	14	3,143,624	3,165,500	3,127,987	3,143,624	3,127,987
Other financial assets – other investments	22	11,281,864	11,190,362	9,222,258	11,281,864	9,222,258
Tax refundable		-	-	-	70,116	57,112
Tax losses carried forward		-	-	-	-	-
Loan – NPC Investments Limited	15	-	-	-	112,500	-
Earn out – NPC Investments Limited	16	-	-	-	75,000	-
Derivative financial instruments		-	-	-	-	-
<b>Total current assets</b>		<b>23,638,404</b>	<b>26,249,687</b>	<b>33,136,903</b>	<b>25,949,915</b>	<b>34,851,922</b>
<b>Non-current assets</b>						
Other receivables	18	5,107,872	5,256,299	5,395,453	5,094,120	5,395,453
Investment property	19	50,579,000	47,674,256	48,296,001	98,979,001	94,296,001
Other financial assets						
Investments in subsidiaries (excluding council-controlled organisations) & joint venture companies	20	7,827,563	7,827,563	7,827,563	46,053,008	46,795,462
Other Investments	22	18,762,290	14,247,205	9,859,589	19,419,961	10,687,181
Investments in council-controlled organisations	21	862,683	12,904	753,950	863,225	753,750
<b>Total investment in council-controlled organisations</b>		<b>27,452,536</b>	<b>22,087,672</b>	<b>18,441,102</b>	<b>66,336,193</b>	<b>58,236,393</b>
Property, plant and equipment	23	22,712,704	27,226,723	20,186,617	51,739,526	53,183,437
Intangible assets	24	868,603	1,443,846	1,110,168	868,603	1,110,168
Forestry assets	25	1,933,000	1,798,149	1,731,775	1,933,000	1,731,775
Capital projects in progress	23	2,049	-	56,420	62,897	732,098
Loan – NPC Investments Limited		-	-	-	315,000	-
Earn out – NPC Investments Limited		-	-	-	175,000	-
Deferred taxation asset	10	-	-	-	23,293	33,465
<b>Total non-current assets</b>		<b>108,655,763</b>	<b>105,486,945</b>	<b>95,217,537</b>	<b>225,526,632</b>	<b>214,718,791</b>
<b>TOTAL ASSETS</b>		<b>132,294,167</b>	<b>131,736,632</b>	<b>128,354,440</b>	<b>251,476,547</b>	<b>249,570,713</b>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Bank overdraft		-	-	-	-	-
Bank loan		-	-	-	-	-
Creditors and other payables	26	5,200,676	4,617,350	5,114,869	5,890,701	6,240,688
Employee benefit liabilities	27	1,283,080	1,656,126	1,787,191	1,302,138	1,845,195
Borrowings	28	-	-	-	625	4,840
Provisions	29	-	-	-	-	1,906
<b>Total current liabilities</b>		<b>6,483,756</b>	<b>6,273,475</b>	<b>6,902,059</b>	<b>7,193,464</b>	<b>8,092,628</b>
<b>Non-current liabilities</b>						

The financial statements should be read in conjunction with the Statement of Accounting Policies and Notes to the financial statements

		Council 30-Jun-14	Annual Plan 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
	Note	\$	\$	\$	\$	\$
Employee benefit liabilities	27	20,559	49,470	36,048	20,559	36,048
Provisions non-current	29	-	-	-	-	-
Borrowings	28	-	-	-	-	625
<b>Total non-current liabilities</b>		<b>20,559</b>	<b>49,470</b>	<b>36,048</b>	<b>20,559</b>	<b>36,673</b>
<b>TOTAL LIABILITIES</b>		<b>6,504,316</b>	<b>6,322,945</b>	<b>6,938,107</b>	<b>7,214,024</b>	<b>8,129,301</b>
<b>NET ASSETS</b>		<b>125,789,848</b>	<b>125,413,687</b>	<b>121,416,329</b>	<b>244,262,520</b>	<b>241,441,411</b>

## Major variances compared to the Annual Plan 2013/14:

### Assets:

Cash and cash equivalents are lower than budget by \$1.877M due to:

- Council holding a lower level of short-term cash investments as at 30 June 2014, due to more funds being in longer term investments at this time. The decrease is offset by other investments (non-current) being \$2.5M more than budget for term deposits.

Debtors and other receivables are less than budget by \$804,000 due to:

- An increase in the provision for impairment of receivables, the majority of which is related to rates.

Inventories are less than budget by \$22,000 due to:

- A slight decrease in the levels of inventory held.

Other receivables is \$148,000 less than budget due to:

- The expenditure incurred by council and KiwiRail relating to the Marsden point rail link corridor(MPRL), and the adjustment to the rent derived from the MPRL properties and owing to Kiwirail in the 2013-14 financial year. \$5.5M reflects the amount owed by Kiwirail to council for Kiwirails 50% share of property acquisitions and costs incurred to date on this rail link project

Other financial assets (current and non-current) are greater than budget by \$5.456M due to:

- Other investments (\$4.515M more than budget) – funds being held in longer term deposits as opposed to being held in cash and cash equivalents. For further information, refer to the variance explanation for cash and cash equivalents.
- Investments in council-controlled organisations (\$849,000 greater than budget) – Regional Software Holdings Limited making a call of \$5.149M of share capital which councils shareholding is 16.75% (\$862,482). The share capital relates to the development costs contributed by each council for the development of the Integrated Regional Information System (IRIS) software application which was originally budgeted as Intangible assets.

Property, plant and equipment and capital projects in progress are less than budget by \$4.512M due to:

- The delays experienced in purchasing Whāngārei detention dam properties
- The revaluation decreases on the Dam properties that council actually had purchased and held for this project.
- And a number of assets disposed in 2013/14 and not budgeted for.

Intangible assets are less than budget by \$575,000 due to:

- The transfer of the IRIS software to Investment in CCO's and other similar entities to reflect councils 16.75% share in Regional Software Holdings Limited capital call of \$5.149M.

### Liabilities:

Creditors and payables are \$583,000 greater than budget due to:

- A greater number of vendors being processed and awaiting payment at year end than originally anticipated.

Employee benefit liabilities (current and non-current) are \$402,000 less than budget due to:

- Staff taking more leave as a result of agreed management plans with their managers to reduce the high levels of leave that had built up last year with major projects that had been implemented.



# Consolidated statement of cash flows

For the year ended 30 June 2014

	Note	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from rates revenue		18,771,987	17,512,172	16,945,444	18,771,987	16,945,444
Receipts from customers		7,933,872	7,903,873	7,494,979	10,304,184	11,421,219
Interest received		2,315,035	1,774,908	2,142,447	2,356,156	2,171,980
Dividends received	6	2,327,224	2,103,577	2,233,839	8,030,236	6,881,057
Subsidies and grants received		1,654,797	971,190	961,224	2,080,267	1,288,724
Taxation refund		-	-	-	-	19,258
Payments to suppliers and employees/members		(28,281,340)	(26,274,311)	(26,120,957)	(31,475,919)	(30,978,984)
Interest paid		(101,629)	(1,000)	(98,215)	155,049	(88,858)
Income tax paid		-	-	-	(6,891)	(469)
Net goods and services tax received (paid)		135,730	-	213,322	172,458	143,029
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>4,755,679</b>	<b>3,990,408</b>	<b>3,772,084</b>	<b>10,387,527</b>	<b>7,802,472</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipt from sale of property, plant and equipment		147,513	-	75,817	283,168	45,647
Proceeds from the sale of shares in associates and subsidiaries		-	-	-	-	(35,002)
Receipt from the sale of investment stocks and bonds		-	-	6,206,994	-	6,215,894
Purchase of other receivables		-	-	-	-	-
Investments withdrawn		-	-	-	-	-
Purchase of property, plant and equipment and intangible assets		(4,527,453)	(1,973,767)	(4,350,040)	(6,051,410)	(4,708,100)
Purchase of investment property		(42,639)	-	(64,556)	(2,713,276)	(732,359)
Purchase of investment stocks and bonds		(10,968,529)	-	-	(10,959,629)	-
Sale of joint venture		-	-	-	1,061,079	-
Vendor financing loan repayment		-	-	-	22,500	-
Investment in CCO and similar entities		(108,733)	-	-	(108,733)	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(15,499,840)</b>	<b>(1,973,767)</b>	<b>1,868,214</b>	<b>(18,466,300)</b>	<b>786,059</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds received from ASB facility		-	-	-	-	-
Dividends paid		-	-	-	(2,011,555)	(1,819,987)
Loans made		(25,000)	-	-	-	-
Loans repaid		3,210	-	-	-	-
Repayments made to ASB facility		-	-	-	-	(502,429)
Repayments of borrowings		-	-	-	(4,840)	(6,865)
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>(21,790)</b>	<b>-</b>	<b>-</b>	<b>(2,016,395)</b>	<b>(2,329,281)</b>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS</b>		<b>(10,765,951)</b>	<b>2,016,641</b>	<b>5,640,298</b>	<b>(10,095,169)</b>	<b>6,259,270</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	12	15,889,952	4,984,083	10,249,654	16,984,929	10,725,662
<b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR</b>	<b>12</b>	<b>5,124,001</b>	<b>7,000,725</b>	<b>15,889,952</b>	<b>6,889,760</b>	<b>16,984,938</b>

The financial statements should be read in conjunction with the Statement of Accounting Policies and Notes to the financial statements

# Reconciliation of net surplus to the cash flows from operations

For the year ended 30 June 2014

	Note	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>Net surplus/(deficit) after taxation</b>		<b>5,608,758</b>	<b>2,072,139</b>	<b>11,856,682</b>	<b>6,544,473</b>
<b>Add (less) non-cash items</b>					
Depreciation and amortisation	23 & 24	1,182,509	986,501	1,287,813	1,079,882
Deferred taxation		-	-	24,479	640,474
Provision for doubtful debts		1,216,854	843,075	1,216,854	843,075
Share of associate companies' retained surplus		-	-	(327,733)	(1,133,376)
Gain on sale of stake-holding in joint venture		-	-	(791,454)	-
(Gain) / loss on sale of property plant and equipment		-	-	(76,910)	-
Transfer of net equity of Northland Regional Council Community Trust		-	-	-	-
Other fair value adjustments		(2,642,443)	472,948	(2,642,443)	472,948
Other comprehensive income adjustments		-	-	492,297	(117,333)
Impairment loss recognised		(104,354)	12,904	(104,354)	12,904
Loss on local government stocks		30,278	(437,645)	30,278	(437,645)
Other non-cash items		-	-	-	(12,493)
		<b>(317,157)</b>	<b>1,877,783</b>	<b>(891,174)</b>	<b>1,348,436</b>
<b>Movements in working capital</b>					
Decrease (increase) in trade and other receivables		(387,272)	(934,730)	(120,349)	(414,418)
Decrease (increase) in inventories		(15,638)	(19,444)	(15,638)	(19,444)
(Decrease) increase in tax losses carried forward		-	33,000	-	33,000
Decrease (increase) in income received in advanced		-	(139,154)	(39,688)	(139,154)
Decrease (increase) in other receivables		287,581	-	287,581	-
(Decrease) increase in trade and other payables		85,810	672,198	(338,779)	516,805
(Decrease) increase in provision for taxation		-	-	(13,004)	14,778
(Decrease) increase in provisions		-	-	(1,906)	1,196
(Decrease) Increase in employee benefit liabilities	27	(519,599)	158,555	(558,545)	145,543
		<b>(549,117)</b>	<b>(229,575)</b>	<b>(800,327)</b>	<b>138,306</b>
<b>Movements in other activities</b>					
Realised (gains)/loss on sale of assets/investments	8	13,194	51,737	13,194	51,737
Investment income reinvested		-	-	-	-
Non-operating capital items included in working capital movements		-	-	209,152	(280,480)
		<b>13,194</b>	<b>51,737</b>	<b>222,346</b>	<b>(228,743)</b>
<b>Net cash flows from operating activities</b>		<b>4,755,679</b>	<b>3,772,084</b>	<b>10,387,527</b>	<b>7,802,472</b>

The financial statements should be read in conjunction with the Statement of Accounting Policies and Notes to the financial statements

# Statement of Accounting Policies

For the year ended 30 June 2014

## Reporting entity

Northland Regional Council is a local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The council's group comprises the council and its subsidiary and associate entities, namely:

- Marsden Maritime Holdings Limited (NZ) Ltd (53.61% owned) and its subsidiaries.
- Northland Inc. Limited (100% owned).
- Regional Software Holdings Limited (16.75% shareholding).

All Northland Regional Council subsidiaries are incorporated and domiciled in New Zealand.

The primary objective of Northland Regional Council is to provide goods or services for the community or social benefit, rather than making a financial return. Accordingly, Northland Regional Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements are for the year ended 30 June 2014. The financial statements were authorised for issue by council on 21 October 2014.

## Marsden Maritime Holdings Limited

(Previously known as Northland Port Corporation (NZ) Limited)

Northland Regional Council owns 22,142,907 25c shares, which is 53.61% of the issued capital of the Marsden Maritime Holdings Limited. The shares are recorded at \$7,827,563 which is the deemed cost of 21.7 million shares of \$5,436,650.25 under the Northland Harbour Board Port Plan 1988, plus the cost of a parcel of shares acquired in May 2005, less the 652,294 shares sold in February 2009 as part of the share buy-back process. The company has several subsidiaries, associate companies and joint venture interests which are detailed in the Notes to the Accounts in the council's Annual Report.

## Basis of preparation

The financial statements of Northland Regional Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6,

Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand's generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

In the interests of transparency we provide two sets of financial information:

1. The usual Generally Accepted Accounting Principles (GAAP) regulated statements of financial position, comprehensive income and the like; and
2. A Funding Impact Statement (FIS).

Key differences between these two sets of information are that the GAAP regulated financial statements – as the name suggests – must adhere to GAAP requirements.

The FIS is intended to make the sources and applications of council funds more transparent to its stakeholders than might be the case if only the usual GAAP financial statements were provided. The FIS is prescribed by the Local Government (Financial Reporting and Prudence) Regulations 2014 and is required by the Local Government Act 2002.

## Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain property plant and equipment, investment property, forestry assets and available for sale financial assets and financial instruments (including derivative instruments).

## Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values rounded to the nearest dollar. The functional currency of Northland Regional Council is New Zealand dollars.

Foreign currency transactions 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

Statement of Comprehensive Income except when deferred in equity as qualifying cash flow hedges.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at balance sheet date.

### **Changes in accounting policies**

There have been no changes in accounting policies during the financial year.

### **Standards, amendments and interpretations issued that are not yet effective and have not been early adopted.**

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

- **NZ IFRS 9** *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus or deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

The Minister of Commerce has approved a new accounting standards framework (incorporating a tier strategy) developed by the External Reporting Board (XRB). Under this accounting standards framework, the council is classified as a tier one reporting entity and will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards have been developed by the XRB based on current international public sector accounting standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. This means the council will transition to the new

standards in preparing its 30 June 2015 financial statements. The council has not assessed the implications of the new accounting standards framework at this time.

Due to the change in the accounting standards framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new accounting standard framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

## **Significant accounting policies**

### **Basis of consolidation**

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant inter-entity balances, transactions, income and expenses are eliminated on consolidation.

Northland Regional Council's investments in its subsidiaries are carried at cost in the council's own "parent entity" financial statements.

### **Subsidiaries**

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 or where such policies have been irreversibly predetermined by council or where the determination of such policies is unable to materially impact on the level of potential ownership benefits that arise from the activities of the subsidiary.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The consideration transferred in an acquisition of a subsidiary reflects the fair value of the assets transferred by the acquirer and liabilities incurred by the acquirer to the former owner.

The council will recognise goodwill where there is an excess of the consideration transferred over the net

identifiable assets and liabilities assumed. This difference reflects the goodwill to be recognised by the council. If the consideration transferred is lower than the net fair value of the council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

### **Associates**

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 statements.

### **Joint ventures**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Marsden Maritime Holdings Limited is party to several joint venture arrangements. For these and council's jointly controlled operations, council recognises in its financial statements the group's share of the assets, liabilities, revenues and expenses using the proportionate consolidation method.

### **Revenue**

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

#### *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.

#### *Other revenue*

##### *User fees and charges*

User fees and charges are recognised and brought to account when invoices are issued for services provided and contracts completed. Revenue from the rendering of services is 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.

##### *Government grants*

Government grants and subsidies are recognised as revenue when the primary conditions of entitlement have been met.

##### *Sales of goods*

Sale of goods is recognised when a product is sold to a customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale, including credit card fees payable for the transaction. Such fees are included in other expenses.

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

##### *Interest and dividends*

Interest income is recognised using the effective interest method.

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 income*

Rental income from investment property is recognised in the surplus or deficit on a straight-line basis over the term of the lease. Lease incentives are recognised as part of the total rental income.

##### *Funds collected for other organisations*

Funds are collected for other organisations, including central government. Any funds held at balance date are included in 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 control over the asset is obtained.

### **Construction contracts**

Contract revenue and contract costs are recognised as revenue and expenses, respectively, by reference to the stage of completion of the contract as balance date. The stage of completion is measured by reference to the contract costs incurred, up to the balance date, as a percentage of total estimated costs for each contract.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of overhead expenses incurred in connection with the group's construction activities in general. An expected loss on construction contracts is recognised immediately as an expense in the surplus or deficit.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Construction work in progress stated at the aggregate of contract costs incurred, to date, plus recognised profits less recognised losses and progress billings. If there are contracts in which progress billings exceed the aggregate costs incurred, plus profits less losses, the net amounts are presented under as liability.

### **Expenditure**

Expenditure is recognised when goods and services have been received.

#### *Borrowing costs*

The council and group have elected to defer the adoption of NZ IAS 23 borrowing costs (revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities. Consequently, all borrowing costs are recognised as an expense in the period in which they are incurred.

Marsden Maritime Holdings Limited recognises borrowing costs as an expense when incurred, except for costs associated with the construction of any qualifying asset which are capitalised during the period

of time that is required to complete and prepare the asset for its intended use or sale.

#### *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 on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the council's decision.

#### *Foreign currency transactions*

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates 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 or deficit.

#### *Income tax*

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. Current tax is calculated using rates (land tax laws) that have been enacted or substantively enacted by balance date.

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 surplus.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

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 is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Current tax and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive income or directly in equity.

## Leases

### *Operating leases*

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

### *Finance leases*

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities on the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

## Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

## Debtors and other receivables

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

Impairment of a receivable is established when there is objective evidence that the council 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 in payments are considered indicators that the debt is impaired. The amount of the impairment is the difference between the assets carrying amount and the present value of the estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance for receivables. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due).

## Derivative financial instruments and hedge accounting

Derivative financial instruments are used to manage exposure to foreign exchange and interest rate risks arising from financing activities. In accordance with its treasury 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.

The council and group designate certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- Hedges of highly probably forecast transactions (cash flow hedge).

The council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The council and group also documents its assessment, both at hedge inception and

on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as a noncurrent asset if the remaining maturity of the hedged item is more than 12 months and as a current asset if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

- **Fair value hedge**

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is only applied for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.

- **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 income 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 other comprehensive income 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. However, if the council or the group, expects that all, or a portion of a loss, recognised in other comprehensive income will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified in the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognised in other comprehensive income will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument has been recognised in other comprehensive income from the period when the hedge was effective will remain separately recognised in other comprehensive income until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that remains recognised in other comprehensive income from the period when the hedge was effective will be from other comprehensive income to the surplus or deficit.

The council's subsidiary, Marsden Maritime Holdings Limited, uses derivative financial instruments to hedge exposure to foreign exchange and interest rate risks arising from financing activities.

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 accounting policies detailed above are applied.

### **Other financial assets**

Financial assets 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.

Purchases and sales of financial assets are recognised on trade-date, the date on which the council commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been



transferred and the council has transferred substantially all the risks and rewards of ownership.

Northland Regional Council classifies its financial assets into the following four categories:

- Financial assets at fair value through surplus or deficit;
- Loans and receivables;
- Held-to-maturity investments; and
- Financial at fair value through other comprehensive income.

The classification depends on the purpose for which the investments were/was acquired.

- ***Financial assets at fair value through surplus or deficit***

Financial assets 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. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

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

Financial assets in this category include investment in quoted shares and interest rate swaps not qualifying as hedges by Marsden Maritime Holdings Limited, and investment of the Community Investment Fund.

- ***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.

Council's loans and receivables comprise cash and cash equivalents, debtors and other receivables, and

term depositions. After initial recognition, they are measured at amortised cost using the effective interest method, less impairment. Loans and receivables issued with duration of less than 12 months are recognised at their nominal value. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as "trade and other receivables" in the Statement of Financial Position.

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.

- ***Held to maturity investments***

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the council has the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

Council does not hold any held-to-maturity investments.

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 derecognised are recognised in the surplus or deficit.

- ***Financial assets at fair value through other comprehensive income***

Financial assets at fair value through other comprehensive income 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 in quoted shares that have been designated in Treasury Management policy as being available for sale;
- 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 equity except for impairment losses, which are recognised in the surplus or deficit.

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

Included in this category are the council's investments in Local Authority stocks. Fair value for these investments is provided by ETOS and is determined by reference to published price quotations in an active market.

### **Impairment of financial assets**

At each balance date the council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the surplus or deficit.

- ***Loans and other receivables, and held-to-maturity investments***

Impairment of a loan or a receivable is established when there is objective evidence that council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the assets' carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rates. For debtors and other receivables, the carrying amount is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government stock and community loans are recognised directly against the instrument's carrying amount.

- ***Financial assets at fair value through other comprehensive income***

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive income, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

In a subsequent period the fair value of the debt instrument increases and the increase can be objective related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

### **Inventories**

Inventories (such as stores and materials) held for distribution or consumption in the provision of 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. Where inventories are acquired at no cost or for nominal consideration, the cost is the current replacement cost at the date of acquisition.

Inventories held for use in the production of goods and services on a commercial basis are valued at the lower of cost at net realisable value. The cost of purchased inventory is determined using the FIFO method.

The amount of any write-down for the loss of service potential or from cost to net realisable value is recognised in the surplus or deficit in the period of the write-down.

When land held for development and future resale is transferred from investment property/property, plant and equipment to inventory, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributed to the development land are to be capitalised to inventory, with the exception of infrastructural asset costs which are capitalised to property, plant, and equipment.

Marsden to Oakleigh rail corridor designation is made up of the costs directly attributable to securing the rail corridor designation. This inventory asset is held for distribution. The future economic benefit or service potential of this asset is not directly related to council's ability to generate future cash inflows. The value of this inventory is at cost and when applicable, will be

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

### Non-current assets held for sale

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

Any impairment losses for write-downs of non-current assets held for sale 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.

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

### Property, plant and equipment

Property, plant and equipment consist of:

**Operational assets** – these include land, buildings, amenities, plant and equipment, navigational aids, vehicles and vessels and dredging equipment.

**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 stop-banks and floodgates.

**Restricted assets** – there are no restrictions on the assets of Northland Regional Council. Restrictions are outlined in note 23 on the assets of the Marsden Maritime Holdings Ltd.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

### Revaluation

All assets are initially recognised at cost. Those asset classes that are re-valued are re-valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value. Except for land and buildings and infrastructure assets, all other asset classes are carried at depreciated historical costs.

### Land and buildings

Northland Regional Council re-values the land and buildings' asset class annually.

### Infrastructure assets

Northland Regional Council re-values infrastructure assets class (River Management Schemes) every three years. Infrastructure assets are valued at depreciated replacement cost.

Infrastructure assets components include gates, pipes, outlets and stop banks. Depreciation is not provided for on stop-bank components of the infrastructure assets. An asset management plan has been prepared for this scheme and, in the absence of significant flood events, the stop-banks are not considered to deteriorate. The Awanui River flood management scheme assets are tested annually for impairment. The Awanui River flood management scheme will be revalued again in the financial year ending 30 June 2017.

Marsden Maritime Holdings Limited re-values certain classes of asset. Revaluations of property, plant and equipment are accounted for on a class of asset basis. Those asset classes that are re-valued are valued annually, on the basis described below. All other asset classes are carried at depreciated historical cost. The results of revaluing are credited or debited to Other Comprehensive Income 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 Income 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 recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

### Additions

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

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

### Subsequent costs

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 the cost of the item can be measured reliably.

#### *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, owner-occupied buildings and infrastructure assets (except for stop-banks as described under the revaluation section), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

Owner occupied buildings are re-valued annually and no depreciation is charged on these assets.

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

Buildings	5-100 years	1-20%
Amenities	5-100 years	1-20%
Forest	10 years	10%
Plant and equipment	2-20 years	5-50%
Navigational aids	10 years	10%
Vehicles	7-8 years	12.5- 14.2%
Vessels and dredging equipment	10-25 years	4-10%
Infrastructure assets	50-80 years	1.25-2%
Computer software	4-5 years	20-25%

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

#### *Operational land and buildings*

The freehold port land (excluding land held for resale) owned by Marsden Maritime Holdings Limited is re-valued annually at fair value, as determined by market-based evidence, by an independent valuer.

Amenities owned by Marsden Maritime Holdings Limited are not re-valued but recorded at a cost which, in the opinion of the directors, approximates fair value.

Land and buildings held by Northland Regional Council are re-valued annually at fair value, as determined by market-based evidence, by an independent valuer.

### **Capital projects in progress**

Capital expenditure projects not completed by balance date are recorded at cost.

### **Intangible assets**

#### *Goodwill*

Goodwill on acquisition of businesses and subsidiaries is included in "intangible assets". Goodwill on acquisition of associates is included in "investments in associates" and is tested for impairment as part of the overall investment balance.

Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. An impairment loss recognised for goodwill is not reversed.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### *Software acquisition and development*

Acquired computer software licences 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 by council 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.

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:

### **Impairment of property, plant and equipment and intangible assets**

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. Assets not yet available for use are recorded at cost in the capital projects in progress account. Assets that

have a finite 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and value in use.

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

The value in use for cash-generating assets and cash-generating uses is the present value of expected future cash flows.

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 re-valued 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 re-valued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a re-valued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus and deficit, a reversal of the impairment loss is also recognised in the surplus or deficit.

For assets not carried at a re-valued amount (other than goodwill), the reversal of an impairment loss is recognised in the surplus or deficit.

#### *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.

#### *Amortisation*

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.

### **Forestry assets**

Forestry assets are independently re-valued, annually, by Chandler Fraser Keating Ltd at fair value less estimated point-of-sale costs. Fair value is the amount for which the forest asset would be expected to exchange between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties have each acted knowledgeably and without compulsion. Fair value is derived using a combination of the expectation value (or income) approach and the cost-based approach. Under the expectation value approach, the net present value is calculated by discounting to the present day the projected net cash flow of the forest in perpetuity. The calculated net present value is then linked to sales evidence through the application of a discount rate derived from the analysis of actual transactions. The cost-based approach is also employed in the valuation because the tree crop is a young, second rotation forest (80% by value are less than 10 years of age) and this approach better reflects how the market would likely view the tree crop value.

Gains or losses arising on initial recognition of biological 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.

The costs to maintain the forestry assets are included as an expense in surplus or deficit.

### **New Zealand Units (Forestry) – Emissions Trading scheme**

Northland Regional Council has 291 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme (ETS). The implication of this for the financial statements is two-fold:

- Should the land be deforested (that is, the land is changed from forestry to some other purpose), a deforestation penalty will arise; and
- As a result of the deforestation restriction, compensation units are being provided by the Government.

Compensation is to be provided to forestry owners, via the allocation of compensation units, known as New Zealand Units (NZU) in two tranches. Council received the first tranche of 6,693 units in December 2010 and received a further 10,767 NZU in January 2013.

Compensation units are recognised at deemed cost based on the fair value at the date of receipt (that is, historic value). The credits are recognised when they have been received and are recognised as income in the

statement of comprehensive income. 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 replanting will always take place subsequent to any harvest.

After initial recognition, ETS credits are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

### **Investment property**

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, council measures all investment property at fair value, as determined annually by Telfer Young (Northland) Ltd who are independent valuers, and who have recent experience in the location and category of the investment property being valued and hold a recognised and relevant professional qualification. Fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of investment property reflects, among other things, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions.

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

### **Creditors and other payables**

Creditors and other payables are recorded at their face value.

### **Borrowings**

Borrowings are initially recognised at their fair value plus transaction costs. After initial recognition, all 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.

### **Employee entitlements**

#### *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 expected to be greater than the sick leave entitlements earned in the coming year. 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 practice that has created a constructive obligation.

#### *Long-term employee entitlements*

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis. The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows.

These estimated amounts are discounted to their present value using the 10-year government bond rate.

#### *Presentation of employee entitlements*

Sick leave, annual leave, vested long service leave, and non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date, are classified as a current liability. All other employee entitlements are classified as a non-current liability.

*Superannuation schemes*

Obligations for contributions to Kiwi Saver are accounted for as defined contribution superannuation schemes are recognised as an expense in the surplus or deficit when incurred.

**Provisions**

A provision for future expenditure of uncertain amount or timing is recognised when there is a present obligation (either legal or constructive) as a result of a past event. It is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligations. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs".

**Equity**

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

The components of equity are:

- Accumulated funds;
- Special reserves;
- Restricted reserves;
- Asset revaluation reserves; and
- Fair value through other comprehensive income reserve.

Special 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.

Restricted reserves include the Land Management Reserve, Priority Rivers Reserve, Hātea River Reserve, Recreational Facilities Reserve, Awanui River Management Reserve, Kaihū River Management Reserve, Whāngārei Urban Rivers Reserve, Kaeo River Management Reserve, Infrastructure Facilities Reserve and Environment Fund Reserve. These reserves are restricted by law and reflect targeted rates that must be applied to the specific activities for which the rates were collected. Other reserves are established by the council and may be altered at the discretion of the council.

**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 Annual Plan 2013/14. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the council for the preparation of the financial statements.

**Cost allocation**

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.

Inter-departmental direct costs are charged to the applicable department at the time the cost is incurred. Indirect costs are charged to significant operating activities using appropriate cost drivers such as actual usage and staff numbers.

**Financial risk management objectives and policies**

Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established liability management and investment policies. These policies are council approved and were included in the Long Term Plan. These policies do not allow any transactions that are speculative in nature to be entered into.

The group's principal financial instruments comprise the investment portfolio, finance leases and cash and short term deposits. The group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations. The main risk arising from the group's financial instruments are cashflow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Details of the significant accounting policies and methods adopted include the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset. Financial liabilities are disclosed in the notes to the financial statements.

### **Financial instrument risk**

Northland Regional Council has policies to manage the risk associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established borrowing and investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

### **Market risk**

#### *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, which are classified as financial assets held at fair value through other comprehensive income. For council this only includes the former Northland Regional Council Community Trust fund investments. This price risk arises due to market movements in listed shares. Equity securities price risk is not managed.

#### *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 interest-bearing investments within the portfolio.

Marsden Maritime Holdings Limited has risk from its long term debt obligations with a floating interest rate. To mitigate this risk, derivative interest rate swap contracts are periodically entered into under which the company is obligated to receive interest at floating rates and to pay interest at fixed rates.

#### *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 at

variable interest rates expose Northland Regional Council and group to cash flow interest rate risk.

The policies of Northland Regional Council require a spread of investment maturity dates to limit exposure to short term interest rate movements.

#### *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 resulting from \$2M (NZD) Community Investment Fund investment in Schroder's Equity Fund. Advice was sought and followed from an independent investment advisor and when deemed appropriate a hedge was taken out to protect council against risk of adverse movements.

Marsden Maritime Holdings Limited foreign exchange risk is considered minimal so, a sensitivity analysis has not been performed.

#### *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 its cash inflows and outflows, surplus cash is invested into term deposits, local authority stock, and government bonds which give rise to credit risk.

Northland Regional Council investments are invested in accordance with the Treasury Management Policy which has a low risk profile. Investments are made with creditworthy institutions as determined by their Standard and Poors credit rating. Investment of surplus cash is limited to Local Authority and Government Stock and approved corporate bonds and deposits with New Zealand registered banks.

On 1 July 2012, council took responsibility for the investment of the former Northland Regional Council Community Trust Fund – now referred to as the Community Investment Fund. A Statement of Investment Policies and Objectives (SIPO) was approved by council in October 2012. The SIPO ensures investment risk 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.



*Liquidity risk*

Liquidity risk is the risk that Northland Regional 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 vast majority of the investment portfolio is very liquid and able to be sold on the same day.

Marsden Maritime Holdings Limited manages its exposure to liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of bank loans, overdrafts and committed available credit lines.

**Capital management**

The council's capital is its equity (or ratepayers' funds), which comprises retained earnings 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 programmes 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 and 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. Self-insurance reserves are built up annually from general or sometimes targeted rates and are made available for specific unforeseen events. The release of these funds is approved by council.

**Critical accounting estimates and assumptions**

In preparing these financial statements estimates, assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements 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.

# Notes to the financial statements

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**Note 1: Summary of council cost of services****Income**

	<b>Note</b>	<b>Council 30-Jun-14 \$</b>	<b>Annual Plan 30-Jun-14 \$</b>	<b>Council 30-Jun-13 \$</b>	<b>Consolidated 30-Jun-14 \$</b>	<b>Consolidated 30-Jun-13 \$</b>
Resource management		10,672,856	10,412,073	10,047,854		
Economic development		3,541,415	4,061,986	4,053,958		
Transport		4,013,971	4,015,799	3,627,512		
Hazard management		1,345,838	1,227,251	1,521,948		
River management		3,422,986	2,696,722	2,194,875		
Community representation and engagement		1,696,127	1,522,982	1,420,913		
Support services		13,613,482	13,221,619	14,346,379		
<b>Total activity income and rates as per cost and funding statements</b>		<b>38,306,676</b>	<b>37,158,432</b>	<b>37,213,438</b>		
Less internal charges and overheads recovered		(6,296,882)	(6,559,550)	(7,039,051)		
Plus other gains not attributable to an activity		3,002,159	178,133	1,232,548		
<b>Total revenue as per statement of comprehensive income</b>		<b>35,011,954</b>	<b>30,777,015</b>	<b>31,406,935</b>		
<b>Expenditure</b>						
Resource management		14,109,249	13,413,132	14,275,150		
Economic development		3,267,255	2,894,340	3,191,072		
Transport		4,117,238	4,274,528	3,941,885		
Hazard management		1,584,554	1,597,213	1,746,950		
River management		3,432,371	2,681,221	2,214,243		
Community representation and engagement		2,611,674	2,314,426	2,279,835		
Support services		5,197,608	5,818,631	6,443,554		
<b>Total activity expenditure as per activity cost and funding statements</b>		<b>34,319,949</b>	<b>32,993,491</b>	<b>34,092,690</b>		
Internal charges and overheads recovered		(6,296,882)	(6,559,550)	(7,039,051)		
Other losses not attributable to an activity		197,620	-	1,261,655		
Depreciation		1,182,509	1,131,791	986,501		
<b>Total expenditure as per statement of comprehensive income</b>		<b>29,403,195</b>	<b>27,565,732</b>	<b>29,301,796</b>		
<b>Operating expenditure disclosed as:</b>						
Personnel costs	9	10,675,918	10,930,498	10,522,650	11,977,187	11,997,858
Depreciation and amortisation	23,24	1,182,509	1,131,791	986,501	1,287,813	1,079,882
Finance costs	5	101,629	94,272	98,215	116,335	112,610
Other expenditure on activities	2	17,245,520	15,409,171	16,432,775	18,428,193	19,097,132
Other losses	8	197,620	-	1,261,656	689,917	1,261,656
		<b>29,403,195</b>	<b>27,565,732</b>	<b>29,301,796</b>	<b>32,499,444</b>	<b>33,549,137</b>

<b>DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY</b>	<b>Council 30-Jun-14 \$</b>	<b>Annual Plan 30-Jun-14 \$</b>	<b>Council 30-Jun-13 \$</b>
Resource management	412,902	289,940	248,841
Transport	121,153	152,108	69,302
Hazard management	11,850	17,096	1,176
River management	10,721	62,892	24,118
Community representation and engagement	17,784	26,604	1,000
Support services	608,099	583,151	642,064
<b>Total directly attributable depreciation and amortisation by group of activity</b>	<b>1,182,509</b>	<b>1,131,791</b>	<b>986,501</b>
Depreciation and amortisation not directly related to group of activities	-	-	-
<b>Total depreciation and amortisation expense</b>	<b>1,182,509</b>	<b>1,131,791</b>	<b>986,501</b>

Note	Council	Annual Plan	Council	Consolidated	Consolidated
	30-Jun-14	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	\$	\$	\$	\$	\$
<b>Note 2: Other expenses</b>					
<i>Operating expenditure includes:</i>					
Audit fees paid to principal auditor:					
Audit fees for financial statement audit of council	134,816	146,000	126,885	134,816	126,885
Audit fees for financial statement audit of CCO	-	-	-	122,048	106,388
Audit fees for a prior period	19,000	-	-	19,000	-
Fees for other services *	-	-	-	26,698	4,601
Audit fees paid to other auditors **	29,738	-	-	32,988	2,979
Directors'/councillors' fees and trustee remuneration	606,723	540,722	514,113	797,131	696,792
Donations	800,848	750,000	750,000	803,368	650,670
Insurance premiums	233,031	233,204	166,148	233,031	166,148
Operating lease payments	-	-	-	165,413	183,600
Bad debts written off	2,759	-	2,767	2,759	2,767
Rates arrears written off	236,052	-	159,546	236,052	159,546
Impairment of receivables	1,216,854	508,000	843,075	1,216,854	843,075
Total provision made during the year	13 1,455,665	508,000	1,005,388	1,455,665	1,005,388
Direct operating expenditure on investment properties	235,405	189,978	507,797	645,948	994,506
Operating grant to Northland Inc. Ltd	1,228,652	1,000,000	1,000,000	2,328,652	-
Consultants and contractors	1,892,798	2,200,643	2,926,716	1,963,904	2,987,039
Contracted works	3,063,341	3,223,008	2,895,134	3,063,341	2,895,134
Electricity	115,945	129,504	123,789	115,945	123,789
Environment Fund grants	774,803	485,004	647,044	774,803	647,044
Poisons and field works	336,008	414,897	427,655	336,008	427,655
Commercial testing	455,739	451,977	413,479	455,739	413,479
Rates collections costs paid to territorial authorities	748,197	725,038	726,789	748,197	726,789
Other operating expenses	5,114,810	4,411,196	4,201,838	4,205,497	6,938,245
	<b>17,245,520</b>	<b>15,409,171</b>	<b>16,432,775</b>	<b>18,428,193</b>	<b>19,097,132</b>

\* This comprises of costs associated with tax advice together with any charges made for disbursements.

\*\* This comprises of costs associated with an internal audit of the payroll function and internal benchmarking audit, together with any charges made for disbursements.

**Note 3: Rates revenue**

Targeted rates attributable to activities

	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Targeted council services rate	7,802,890	7,691,495	7,205,293	7,802,890	7,205,293
Targeted land management rate	5,394,918	5,314,720	5,226,906	5,394,918	5,226,906
Regional recreational facilities rate	1,204,092	1,220,845	1,216,408	1,204,092	1,216,408
Regional infrastructure rate	600,557	611,353	602,273	600,557	602,273
Rescue helicopter service rate	613,133	621,160	614,587	613,133	614,587
Whāngārei transport rate	432,659	438,890	413,259	432,659	413,259
Kāitaiā transport rate	80,285	79,869	78,227	80,285	78,227
Awanui River management rate	405,888	417,903	408,016	405,888	408,016
Kaihū River management rate	77,401	78,612	88,446	77,401	88,446
Kaeo River management rate	136,275	128,581	141,902	136,275	141,902
Kerikeri-Waipapa river management rate	191,586	189,240	183,735	191,586	183,735
Whāngārei urban rivers management rate	709,291	719,505	641,189	709,291	641,189
Rates penalties	717,057	-	582,167	717,057	582,167
<b>Total revenue from rates</b>	<b>18,366,031</b>	<b>17,512,172</b>	<b>17,402,408</b>	<b>18,366,031</b>	<b>17,402,408</b>

**Rates remissions and postponements**

Rates revenue is shown net of rates remissions and early payment discounts. Northland Regional Council's rates remission policy allows it to remit rates as per the rates remission policies of the district councils who collect Northland Regional Council's rates on its behalf. Whangārei District Council offers an early payment discount if rates are paid in full at the first instalment of 20 August.

	Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>Total rates revenue</b>	<b>18,811,526</b>	<b>17,512,172</b>	<b>17,918,475</b>	<b>18,811,526</b>	<b>17,918,475</b>
<b>Rates remissions</b>					
Kaipara	6,026	-	2,965	6,026	2,965
Whāngārei	261,662	-	296,725	261,662	296,725
Far North	177,807	-	216,377	177,807	216,377
Total remissions	<b>445,495</b>	<b>-</b>	<b>516,067</b>	<b>445,495</b>	<b>516,067</b>
<b>Rates revenue net of remissions</b>	<b>18,366,031</b>	<b>17,512,172</b>	<b>17,402,408</b>	<b>18,366,031</b>	<b>17,402,408</b>

**Non-rateable land**

Under the Local Government (Rating) Act 2002 certain properties cannot be rated for district and region-wide rates. These properties include schools, places of religious worship, public gardens and reserves.

Non-rateable land does not constitute a remission under the council's rates remission policy.

**Rating base information**

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, clause 30A of Schedule 10.

The number of rating units within councils region at 30 June 2013	94,718 (June 2012: 94197)
The total capital value of rating units within council's region at 30 June 2013	\$39,618,840,350 (June 2012: \$40,656,664,400)
The total land value of rating units within council's region at 30 June 2013	\$21,797,470,850 (June 2012: \$23,013,423,350)

**Note 4: Subsidies and grants**

Subsidies and grants

Total subsidies and grants

Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
1,654,797	971,190	961,224	2,080,267	1,188,724
1,654,797	971,190	961,224	2,080,267	1,188,724

Government subsidies and grants are principally from New Zealand Transport Agency for passenger services, transport and strategy development, and from Maritime New Zealand for oil spill clean-up.

There are no unfulfilled conditions and other contingencies attached to these grants and subsidies.

**Note 5: Finance income and finance costs**

Interest income:

- Term and bank deposits
- Investment stock and bonds
- Joint venture
- Investment and growth fund

**Total finance income****Finance costs**

Interest expense

**Total finance costs****Net finance income**

Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
698,673	603,120	552,132	739,794	581,688
287,590	266,547	683,096	287,590	683,096
343,118	296,981	300,770	343,118	300,770
175,179	181,019	-	175,179	-
<b>1,504,560</b>	<b>1,347,667</b>	<b>1,535,998</b>	<b>1,545,681</b>	<b>1,565,554</b>
101,629	94,272	98,215	116,335	112,610
<b>101,629</b>	<b>94,272</b>	<b>98,215</b>	<b>116,335</b>	<b>112,610</b>
<b>1,402,931</b>	<b>1,253,395</b>	<b>1,437,784</b>	<b>1,429,346</b>	<b>1,452,945</b>

The actual and budgeted finance income derived from the Community Investment Fund for 2013/14 and the corresponding comparative values for 2012/13 have been re-classified as Gains (refer to note 7).

**Note 6: Fees and charges and other revenue**

Fees and charges

**Fees and charges**

Rental income from investment properties

Vested assets

Dividend income – Marsden Maritime Holdings Limited

Dividend income – other investments

Sundry income

Marsden Maritime Holdings Limited

- Other income

**Total other revenue**

Council 30-Jun-14 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
4,135,656	4,343,313	3,934,565	3,898,091	3,744,263
<b>4,135,656</b>	<b>4,343,313</b>	<b>3,934,565</b>	<b>3,898,091</b>	<b>3,744,263</b>
3,312,266	3,648,608	3,570,740	4,740,580	4,676,848
337,000	-	-	337,000	-
2,325,005	2,103,577	2,103,576	-	-
2,218	-	130,263	25,505	180,520
-	-	-	-	-
-	-	-	17,917	24,298
<b>5,976,490</b>	<b>5,752,185</b>	<b>5,804,579</b>	<b>5,121,003</b>	<b>4,881,666</b>

		Council 30-Jun-14	Annual Plan 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
		\$	\$	\$	\$	\$
<b>Note 7: Gains</b>						
<b>Non-financial instruments</b>						
Gain on revaluation of investment property	19	1,903,360	-	557,182	1,903,361	360,555
Gain on revaluation of forestry assets	25	201,225	147,447	152,800	201,225	152,800
Gain on revaluation of land and buildings	23	313,974	-	-	313,974	-
Gain on sale of joint venture		-	-	-	792,196	-
Gain on disposal of property, plant and equipment		-	-	-	81,035	-
<b>Total non-financial instruments gains/(losses)</b>		<b>2,418,559</b>	<b>147,447</b>	<b>709,982</b>	<b>3,291,791</b>	<b>513,355</b>
<b>Financial instruments</b>						
Gain on disposal of financial investments		-	-	437,645	-	751,605
Emission Trading Scheme – NZU's		41,031	30,686	-	41,031	-
Community Investment Fund		709,261	672,355	535,613	709,261	535,613
Impairment gain recognised		104,354	-	-	104,354	-
Foreign exchange gains		101,215	-	84,920	101,215	84,920
<b>Total financial instruments</b>		<b>955,860</b>	<b>703,041</b>	<b>1,058,178</b>	<b>955,860</b>	<b>1,372,138</b>
<b>Total gains</b>		<b>3,374,420</b>	<b>850,488</b>	<b>1,768,161</b>	<b>4,247,652</b>	<b>1,885,494</b>

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

		Council 30-Jun-14	Annual Plan 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
		\$	\$	\$	\$	\$
<b>Note 8: Other losses</b>						
<b>Non-financial instruments</b>						
Net loss on disposal of property, plant and equipment		13,194	-	51,737	13,194	51,737
Loss on revaluation of investment property	19	-	-	-	322,372	-
Loss on revaluation of infrastructure assets		154,148	-	-	154,148	-
Loss on revaluation of land and buildings	23	-	-	972,678	-	972,678
<b>Total non-financial instruments gains/(losses)</b>		<b>167,342</b>	<b>-</b>	<b>1,024,415</b>	<b>489,714</b>	<b>1,024,415</b>
<b>Financial instruments</b>						
Loss on revaluation of financial investments		-	-	210,252	169,925	210,252
Loss on disposal of financial investments		30,278	-	-	30,278	-
Impairment loss recognised		-	-	12,904	-	12,904
Emission Trading Scheme – NZU's		-	-	14,084	-	14,084
<b>Total financial instruments</b>		<b>30,278</b>	<b>-</b>	<b>237,240</b>	<b>200,203</b>	<b>237,240</b>
<b>Total losses</b>		<b>197,620</b>	<b>-</b>	<b>1,261,656</b>	<b>689,917</b>	<b>1,261,656</b>

The losses on revaluation of investment property arise from the annual revaluation of the Marsden Maritime Holdings Limited investment properties. The losses on revaluation of financial investments arise from the annual movement in the share value of Fonterra Co-operative Group Limited shares and Ballance Agri-Nutrients Limited shares, both held by Marsden Maritime Holdings Limited.



**Note 9: Personnel costs** <sup>2</sup>

	<b>Note</b>	<b>Council 30-Jun-14 \$</b>	<b>Annual Plan 30-Jun-14 \$</b>	<b>Council 30-Jun-13 \$</b>	<b>Consolidated 30-Jun-14 \$</b>	<b>Consolidated 30-Jun-13 \$</b>
Salaries and wages		10,927,992	10,685,289	10,194,008	12,268,207	11,629,375
Employer contributions to defined contribution plans		267,525	245,209	170,087	267,525	170,087
Increase/(decrease) in employee benefit liabilities	27	(519,599)	-	158,555	(558,545)	198,396
<b>Total personnel costs</b>		<b>10,675,918</b>	<b>10,930,498</b>	<b>10,522,650</b>	<b>11,977,187</b>	<b>11,997,858</b>

**Note 10: Taxation**

	<b>Council 30-Jun-14 \$</b>	<b>Council 30-Jun-13 \$</b>	<b>Consolidated 30-Jun-14 \$</b>	<b>Consolidated 30-Jun-13 \$</b>
Components of tax expense				
Current tax expense /(credit)	-	-	26,489	12,774
Adjustments to current tax in prior periods	-	33,000	-	33,000
Deferred tax asset	-	-	10,172	623,712
	<b>-</b>	<b>33,000</b>	<b>36,661</b>	<b>669,486</b>
Relationship between tax expense and accounting profit				
Surplus/(deficit) before tax	5,608,758	2,105,139	11,893,343	7,213,959
Taxation at 28%	1,570,452	589,439	3,329,929	2,019,910
Plus (less) tax effect of:				
Non-deductible expenses	-	(182,000)	175,182	(131,939)
Recognition of temporary differences	-	-	(21,068)	-
Imputation credit adjustment	(905,261)	(836,256)	(3,348,084)	(2,716,008)
Non-taxable income	(847,191)	246,817	(218,416)	780,618
Tax paid on associate companies' earnings	-	-	135,065	(292,019)
Prior year adjustment	-	33,000	-	33,000
Gain on Sale of joint venture	-	-	(221,607)	-
Carried forward losses derecognised / (recognised)	182,000	182,000	205,661	975,925
<b>Tax expense/(credit)</b>	<b>-</b>	<b>33,000</b>	<b>36,661</b>	<b>669,486</b>
Imputation credits				
<b>Imputation credits available for use in subsequent reporting periods</b>	<b>-</b>	<b>-</b>	<b>8,486,176</b>	<b>6,019,441</b>

<sup>2</sup> Personnel costs include salaries, wages, leave and other employee-earned compensation. Employer contributions to define contribution plans include contributions to KiwiSaver and the National Provident Fund, Pension National Scheme and Lump Sum National contributions scheme.

Deferred tax asset/(liability)	Property plant and equipment \$	Financial instrument \$	Employee entitlement \$	Other provisions \$	Losses \$	Total \$
COUNCIL						
<b>Balance at 30 June 2012</b>	-	-	-	-	-	-
Charged to Statement of Financial Performance	-	-	-	-	-	-
Charged to equity	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	-	-	-	-	-	-
Charged to Statement of Financial Performance	-	-	-	-	-	-
Charged to equity	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	-	-	-	-	-	-
GROUP						
<b>Balance at 30 June 2012</b>	<b>(130,185)</b>	-	-	<b>13,994</b>	<b>790,132</b>	<b>673,941</b>
Charged to Statement of Financial Performance	(81,195)	-	-	1,892	(561,173)	(640,476)
Charged to equity	-	-	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>(211,380)</b>	-	-	<b>15,886</b>	<b>228,959</b>	<b>33,465</b>
Charged to Statement of Financial Performance	(99,753)	-	2,384	(1,150)	88,347	<b>(10,172)</b>
Charged to equity	-	-	-	-	-	-
<b>Balance at 30 June 2014</b>	<b>(311,133)</b>	-	<b>2,384</b>	<b>14,736</b>	<b>317,306</b>	<b>23,293</b>

A deferred tax asset has not been recognised in relation to tax losses in Northland Regional Council of \$5,964,682 (2013: \$5,282,414).

As at 30 June 2014 Northland Inc. Ltd has \$0 taxation losses available to carry forward of which the tax effect is \$0 (2013 losses of \$115,535, tax effect \$32,350). Northland Inc. Ltd has not recognised a deferred tax asset in relation to tax losses of nil (2013: \$115,535) and temporary differences of nil (2013: \$61,245). Northland Inc. Ltd has no imputation credits available for use in subsequent reporting periods.

As at 30 June 2014 Marsden Maritime Holdings Limited group has taxation losses carried forward amounting to \$4,270,540 of which the tax effect is \$1,195,751 (2013 losses \$3,605,497, tax effect \$1,009,539) available for offset against future assessable income of which a portion is recognised above. At 30 June 2014 Marsden Maritime Holdings Limited has \$8,486,176 imputation credits available for use in subsequent reporting periods (2013: \$6,019,441).

**Note 11: Equity****Accumulated funds is made up of:****As at 1 July**

Surplus/ (deficit) for year
Transfers from special reserves
Transfers to special reserves
Dividends Paid
Share buyback
Loss on disposal of subsidiary

Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
111,540,028	110,828,306	131,027,281	129,052,706
5,608,758	2,072,139	7,908,384	3,349,332
3,202,585	2,648,304	3,202,585	2,648,304
(2,162,824)	(4,008,721)	(2,162,824)	(4,008,721)
-	-	(2,325,005)	-
-	-	2,325,005	-
-	-	(14,000)	(14,340)

**As at 30 June****Other reserves****Asset revaluation reserve****As at 1 July**

Revaluation gains/(losses) - buildings
Revaluation gains/(losses) - land
Revaluation gains/(losses) - infrastructure assets
Transfer to retained earnings on disposal of land, buildings and infrastructure assets

2,060,201	2,000,201	43,262,103	43,609,080
-	-	-	-
(7,500)	60,000	(3,200,725)	(346,977)
(1,106,411)	-	(1,106,411)	-
-	-	-	-

**As at 30 June****Asset revaluation reserve consists of:**

Land
Buildings
Infrastructure assets

946,290	953,790	38,954,967	42,155,692
-	-	-	-
-	1,106,411	-	1,106,411

**Total**

946,290	2,060,201	38,954,967	43,262,103
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**Financial assets at fair value through comprehensive income****As at 1 July**

Net revaluation gains/(losses)
--------------------------------

137,759	238,079	137,759	238,079
(121,329)	(100,320)	(121,329)	(100,320)

**As at 30 June**

16,430	137,759	16,430	137,759
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**Special reserves****Land Management Reserve****As at 1 July**

Transfer (to)/from accumulated funds
--------------------------------------

1,638,039	1,357,847	1,638,039	1,357,847
(334,248)	280,192	(334,248)	280,192

**As at 30 June**

1,303,791	1,638,039	1,303,791	1,638,039
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**Awanui River Reserve****As at 1 July**

Transfer (to)/from accumulated funds
--------------------------------------

(63,282)	14,934	(63,282)	14,934
(117,757)	(78,216)	(117,757)	(78,216)

**As at 30 June**

(181,039)	(63,282)	(181,039)	(63,282)
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**Kaihū River Reserve****As at 1 July**

Transfer (to)/from accumulated funds
--------------------------------------

51,022	5,330	51,022	5,330
5,443	45,692	5,443	45,692

**As at 30 June**

56,465	51,022	56,465	51,022
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**Kaeo-Whangaroa River Reserve****As at 1 July**

Transfer (to)/from accumulated funds
--------------------------------------

27,132	69,523	27,132	69,523
(163,030)	(42,391)	(163,030)	(42,391)

**As at 30 June**

(135,898)	27,132	(135,898)	27,132
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**Whāngārei Urban River Reserve****As at 1 July**

Transfer (to)/from accumulated funds
--------------------------------------

(1,620,114)	381,699	(1,620,114)	381,699
(2,584,411)	(2,001,813)	(2,584,411)	(2,001,813)

**As at 30 June**

(4,204,525)	(1,620,114)	(4,204,525)	(1,620,114)
-------------	-------------	-------------	-------------

	<b>Council 30-Jun-14 \$</b>	<b>Council 30-Jun-13 \$</b>	<b>Consolidated 30-Jun-14 \$</b>	<b>Consolidated 30-Jun-13 \$</b>
<b>Kerikeri Waipapa River Reserve</b>				
<b>As at 1 July</b>	132,296	-	132,296	-
Transfer (to)/from accumulated funds	41,947	132,296	41,947	132,296
<b>As at 30 June</b>	<b>174,243</b>	<b>132,296</b>	<b>174,243</b>	<b>132,296</b>
<b>Priority Rivers Reserve</b>				
<b>As at 1 July</b>	(20,553)	(140,553)	(20,553)	(140,553)
Transfer (to)/from accumulated funds	20,553	120,000	20,553	120,000
<b>As at 30 June</b>	<b>-</b>	<b>(20,553)</b>	<b>-</b>	<b>(20,553)</b>
<b>Infrastructure Facilities Reserve</b>				
<b>As at 1 July</b>	(1,129,908)	(1,274,248)	(1,129,908)	(1,274,248)
Transfer (to)/from accumulated funds	(147,500)	144,340	(147,500)	144,340
<b>As at 30 June</b>	<b>(1,277,408)</b>	<b>(1,129,908)</b>	<b>(1,277,408)</b>	<b>(1,129,908)</b>
<b>Recreational Facilities Reserve</b>				
<b>As at 1 July</b>	(5,031,213)	(6,775,370)	(5,031,213)	(6,775,370)
Transfer (to)/from accumulated funds	814,789	1,744,157	814,789	1,744,157
<b>As at 30 June</b>	<b>(4,216,424)</b>	<b>(5,031,213)</b>	<b>(4,216,424)</b>	<b>(5,031,213)</b>
<b>Investment Fund Reserve</b>				
<b>As at 1 July</b>	8,335,297	8,335,297	8,335,297	8,335,297
Transfer (to)/from accumulated funds	-	-	-	-
<b>As at 30 June</b>	<b>8,335,297</b>	<b>8,335,297</b>	<b>8,335,297</b>	<b>8,335,297</b>
<b>Forest Income Equalisation Fund</b>				
<b>As at 1 July</b>	1,952,776	2,351,748	1,952,776	2,351,748
Transfer (to)/from accumulated funds	-	(398,972)	-	(398,972)
<b>As at 30 June</b>	<b>1,952,776</b>	<b>1,952,776</b>	<b>1,952,776</b>	<b>1,952,776</b>
<b>Hātea River Maintenance Reserve</b>				
<b>As at 1 July</b>	137,555	70,575	137,555	70,575
Transfer (to)/from accumulated funds	(1,348)	66,980	(1,348)	66,980
<b>As at 30 June</b>	<b>136,207</b>	<b>137,555</b>	<b>136,207</b>	<b>137,555</b>
<b>Environment Fund Reserve</b>				
<b>As at 1 July</b>	3,139	130,051	3,139	130,051
Transfer (to)/from accumulated funds	(3,139)	-126,912	(3,139)	(126,912)
<b>As at 30 June</b>	<b>-</b>	<b>3,139</b>	<b>-</b>	<b>3,139</b>
<b>Investment and Growth Reserve</b>				
<b>As at 1 July</b>	2,860,997	1,544,019	2,860,997	1,544,019
Transfer (to)/from accumulated funds	1,079,673	1,316,978	1,079,673	1,316,978
<b>As at 30 June</b>	<b>3,940,670</b>	<b>2,860,997</b>	<b>3,940,670</b>	<b>2,860,997</b>
<b>Kaitiāia Bus Reserve</b>				
<b>As at 1 July</b>	7,158	-	7,158	-
Transfer (to)/from accumulated funds	6,769	7,158	6,769	7,158
<b>As at 30 June</b>	<b>13,927</b>	<b>7,158</b>	<b>13,927</b>	<b>7,158</b>
<b>Approved carry forwards – general funds</b>				
<b>As at 1 July</b>	398,000	247,072	398,000	247,072
Transfer (to)/from accumulated funds	342,499	150,928	342,499	150,928
<b>As at 30 June</b>	<b>740,499</b>	<b>398,000</b>	<b>740,499</b>	<b>398,000</b>

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>Hedging Reserve</b>				
<b>As at 1 July</b>	-	-	(126,234)	(267,364)
Gains/losses recognised	-	-	97,371	141,130
Transfer (to)/from accumulated funds	-	-	-	-
<b>As at 30 June</b>	-	-	(28,863)	(126,234)
<b>Total other reserves at 30 June</b>	<b>7,601,300</b>	<b>9,876,301</b>	<b>45,581,115</b>	<b>50,951,969</b>
<b>Non-controlling interest</b>	-	-	<b>58,719,979</b>	<b>59,462,161</b>
<b>TOTAL EQUITY AT 30 JUNE</b>	<b>125,789,848</b>	<b>121,416,329</b>	<b>244,262,520</b>	<b>241,441,411</b>

	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>Reconciliation of non-controlling interest</b>		
<b>Balance at 1 July</b>	<b>59,462,161</b>	<b>58,317,050</b>
Share of surplus/(deficit)	1,269,383	2,965,098
Dividends paid	(2,011,564)	(1,819,987)
<b>Balance at 1 July</b>	<b>58,719,979</b>	<b>59,462,161</b>

The special reserves listed above show the net movement and net/(deficit) balance of each reserve. Council recognises a number of reserves and the purpose of these reserves is provided in the table overleaf.

#### Internal borrowings

Section 112(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-13 \$	2013/14 Funds borrowed \$	2013/14 Funds repaid \$	Closing Balance 30-Jun-14 \$	2013/14 Interest charged \$
Economic development	6,161,121	-	(1,117,905)	5,043,216	674,647
River management	1,683,396	2,838,066	-	4,521,462	150,676
Hazard management	20,553	-	(20,553)	-	-
<b>Total</b>	<b>7,865,070</b>	<b>2,838,066</b>	<b>(1,138,458)</b>	<b>9,564,678</b>	<b>825,323</b>

Information about council reserve funds held for a specific purpose is provided in the following table.

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

Reserve name	Purpose	Activities that may be funded from reserve
Hātea River Maintenance	<p>This reserve was created to set aside a component of the council services rate specifically levied across the Whāngārei constituency to ensure funding is immediately available in the event dredging of the Hātea river is required. The funds may be applied to the following:</p> <ol style="list-style-type: none"> <li>1. Ongoing maintenance and dredging;</li> <li>2. Disposal of dredged spoil material;</li> <li>3. The provision of an annual hydrographic survey of the river.</li> </ol> <p>The reserve is to be maintained at a targeted fund of \$200,000.</p>	Harbour safety and navigation
Kaitia Bus Reserve	This reserve is to be created to hold any targeted Kaitia transport rates collected and unspent in any given year to cover any future funding shortfalls of Kaitia bus service.	Transport
Recreational Facilities Reserve	This reserve was established to set aside any targeted regional recreational facilities rates collected and not fully used in any given year for the purpose of funding the Events Centre. This reserve represents the internal borrowing associated with \$13M contribution made by council towards the establishment of the Northland Events Centre. The rate was levied from 1 July 2006 and it is expected to continue for approximately 15 years.	Economic development
Investment Fund Reserve	This reserve was established to hold the proceeds of a commercial property and 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 funds are currently invested in cash, stocks and bonds and the revenue is treated as general investment income.	All
Investment and Growth Reserve	The reserve was created to set aside the investment income redirected to be made available for activities and projects that contribute towards economic well-being. Council will allocate monies from the reserve to projects in accordance with set criteria.	Economic development
Infrastructure Facilities Reserve	This reserve was created to set aside any targeted infrastructure rates collected and not fully used in any given year for the purpose of funding future infrastructure projects.	Economic development

Reserve name	Purpose	Activities that may be funded from reserve
Forest Income Equalisation Reserve	<p>This reserve was created to set aside 50% of council's forestry net income arising in any harvesting year. This reserve is intended to provide future funding of council's general operating activities by allowing council to use these funds for any council activity to smooth future rating increases. It is further intended that this fund be used to fund the cost of forestry operations in non-harvesting years.</p> <p>Where a high degree of uncertainty exists around activity expenditure requirements, council has agreed to budget conservatively on the basis that if a budget overrun eventuates, these overruns can be funded from the Forest Equalisation Reserve.</p> <p>Council considers that funding contingent expenditure and one-off spikes in expenditure from this reserve to be fairer on ratepayers as it can be used to reduce the effects of rates increases that are not required to be sustained. During the Long Term Plan 2012-2022, council proposes to fund the following expenditure from this reserve:</p> <ul style="list-style-type: none"> <li>• triennial election costs of approximately \$140,000 per election;</li> <li>• the further call from Riskpool of \$44,000 expected in the 2013/14 financial year;</li> <li>• provision for doubtful debts (rates) of \$250,000 for years one to five of the plan;</li> <li>• software maintenance for IRIS of \$72,240 in year two.</li> </ul>	All
Environment Fund Reserve	This reserve was created to set aside any rates revenue collected specifically for the Environment Fund that is not incurred in any single financial year. This fund allows council to make available any unspent funds in subsequent financial years.	Land and biodiversity
Asset revaluation reserves	Asset revaluation reserves represent the unrealised gains in the value of assets owned by Northland Regional Council.	All
Approved carry forwards	Approved carry forwards are 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.	All

All reserves displaying a deficit balance at 30 June 2014 have an associated targeted rate that will generate income over a certain time period in order to return the reserve to a credit balance.

Information about Marsden Maritime Holdings Limited reserve funds held for a specific purpose is provided in the following table.

Reserve name	Purpose	Activities that may be funded from reserve
Hedging reserve (associate)	The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction itself impacts project or loss.	N/A



**Note 12: Cash and cash equivalents**

Cash on hand at trading banks	
Term deposits with maturities less than 3 months	
Community Investment Fund – term deposits with maturities less than 3 months	
Total cash and cash equivalents	

Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
1,799,920	2,001,118	3,552,180	2,097,145
3,250,000	12,000,000	3,263,499	12,998,959
74,081	1,888,833	74,081	1,888,833
<b>5,124,001</b>	<b>15,889,952</b>	<b>6,889,760</b>	<b>16,984,938</b>

The carrying value of cash at bank and term deposits, with maturities less than three months, approximate their fair value.

There were no cash or cash equivalent balances held at 30 June 2014 that were not available for use by the group.

Current account deposits held with the ASB Bank are non-interest bearing. At balance date, funds held on call deposit with the ASB Bank yield interest at 3.40% (June 2013: 3.15%).

**Marsden Maritime Holdings Limited***Term Deposits*

Current account deposits held with the ASB Bank are non-interest bearing. At balance date, funds held on call deposit with the ASB Bank yield interest at 3.05% (June 2013: 3.15%).

**Note 13: Debtors and other receivables**

Rates receivables	
Other receivables	
GST receivable	
Related party receivables	
Prepayments	
Gross debtors and other receivables	
Less provision for impairment of receivables	
<b>Total trade and other receivables</b>	

Note

Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
5,921,292	5,349,204	5,921,292	5,349,204
2,049,491	2,047,895	2,160,782	2,330,098
22,322	158,052	122,207	366,758
28,440	48,346	81,279	95,780
54,557	63,543	78,678	88,121
8,076,103	7,667,041	8,364,239	8,229,962
(3,987,188)	(2,770,334)	(3,987,188)	(2,770,334)
<b>4,088,915</b>	<b>4,896,707</b>	<b>4,377,051</b>	<b>5,459,628</b>

**Fair value**

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

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

**Impairment**

As of 30 June 2014 and 2013, all overdue rates receivables have been assessed for impairment and appropriate provisions applied. Northland Regional Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provision has been calculated based on expected losses for Northland Regional Council's rates debtors. Expected losses have been determined based on an analysis of the council's individual receivables, based on objective evidence.

Movements in the provision for impairment of receivables are as follows:	2014			2013		
	Gross \$	Impairment \$	Net \$	Gross \$	Impairment \$	Net \$
<b>Council</b>						
Not past due	2,836,281	-	2,836,281	3,126,566	-	3,126,566
Past due 1-60 days	19,620	-	19,620	20,197	-	20,197
Past due 61-120 days	45,740	-	45,740	84,661	-	84,661
Past due > 120 days	5,174,461	(3,987,188)	1,187,273	4,435,617	(2,770,334)	1,665,283
<b>TOTAL</b>	<b>8,076,103</b>	<b>(3,987,188)</b>	<b>4,088,915</b>	<b>7,667,041</b>	<b>(2,770,334)</b>	<b>4,896,707</b>
<b>Group</b>						
Not past due	3,124,417	-	3,124,417	3,689,487	-	3,689,487
Past due 1-60 days	19,620	-	19,620	20,197	-	20,197
Past due 61-120 days	45,740	-	45,740	84,661	-	84,661
Past due > 120 days	5,174,461	(3,987,188)	1,187,273	4,435,617	(2,770,334)	1,665,283
<b>TOTAL</b>	<b>8,364,239</b>	<b>(3,987,188)</b>	<b>4,377,051</b>	<b>8,229,962</b>	<b>(2,770,334)</b>	<b>5,459,628</b>

The impairment provision has been calculated based on expected losses for council's pool of receivables. Expected losses have been determined based on an analysis of council's losses in previous periods, and a review of specific receivables, as detailed below.

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Individual impairment	17,147	21,237	17,147	21,237
Collective impairment	3,970,041	2,749,096	3,970,041	2,749,097
Total provision for impairment	<b>3,987,188</b>	<b>2,770,334</b>	<b>3,987,188</b>	<b>2,770,334</b>

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors are as follows.

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Past due 1-60 days	-	-	-	-
Past due 61-120 days	-	-	-	-
Past due > 120 days	17,147	21,237	17,147	21,237
<b>Total individual impairment</b>	<b>17,147</b>	<b>21,237</b>	<b>17,147</b>	<b>21,237</b>
<b>Movements in the provision for impairment of receivables are as follows:</b>				
<b>At 1 July</b>	<b>2,770,334</b>	<b>1,927,259</b>	<b>2,770,334</b>	<b>1,927,259</b>
Additional provisions made during the year	1,455,665	1,005,388	1,455,665	1,005,388
Receivables written off during the period	(238,811)	(162,313)	(238,811)	(162,313)
<b>At 30 June</b>	<b>3,987,188</b>	<b>2,770,334</b>	<b>3,987,188</b>	<b>2,770,334</b>

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

**Note 14: Inventories**

Stores and materials  
Marsden to Oakleigh rail corridor designation

Council 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$	\$	\$
107,758	92,121	107,758	92,121
3,035,866	3,035,866	3,035,866	3,035,866
<b>3,143,624</b>	<b>3,127,987</b>	<b>3,143,624</b>	<b>3,127,987</b>

Inventories are made up of consumables and inventories held for resale. Consumables are materials or supplies which will be consumed in conjunction with the delivery of services. These predominantly comprise poisons and traps used in the eradication of pests to the environment. Inventories held for resale within the council also comprise mainly poisons and traps sold to the general public.

Marsden to Oakleigh rail corridor designation relates to council's share of the designation costs incurred by KiwiRail and the rail corridor component of the acquired land. The rail corridor will be transferred to KiwiRail once KiwiRail has entered into an unconditional contract for the construction of the entire Marsden Point rail link. It is expected council will vest the rail corridor to KiwiRail at no cost. KiwiRail is continuing to review its rail corridors and the Marsden Point rail link is not expected to be built in the foreseeable future.

This accounting treatment is in accordance with Accounting Standard NZ IAS 2: Inventories.

Refer to note 31 for further information on the joint venture between council and KiwiRail.

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

**Note 15 : Loan – NPC Investments Limited**

Current portion – due within the next 12 months  
Non-Current portion - due past the next 12 months

Council 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$	\$	\$
-	-	112,500	-
-	-	315,000	-
<b>-</b>	<b>-</b>	<b>427,500</b>	<b>-</b>

**Marsden Maritime Holdings Limited**

Marsden Maritime Holdings Limited sold its 50% share in North Port Coolstores (1989) Limited to NPC Investments Limited on 1 February 2014. The terms and conditions of sale included the provision of vendor finance amounting to \$450,000 which is payable in equal quarterly instalments over the five year term of this loan ending 31 December 2018. The loan bears interest at the 90 day NZ bill rate plus 400 basis points and this is calculated and charged quarterly. The loan is secured by a first ranking mortgage over a portion of the purchaser's leasehold premises.

**Note 16: Earn out – NPC Investments Limited**

Current portion – due within the next 12 months  
Non-Current portion – due past the next 12 months

Council 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$	\$	\$
-	-	75,000	-
-	-	175,000	-
<b>-</b>	<b>-</b>	<b>250,000</b>	<b>-</b>

**Marsden Maritime Holdings Limited**

Under the terms and conditions of the sale of their stake holding in North Port Coolstores (1989) Limited, Marsden Maritime Holdings Limited is entitled to receive additional annual payments based on the actual levels of revenues derived by the coolstores business during the five year period ending 31 March 2019. The future value of anticipated future receipts has been assessed and discounted to present value based on the uncertainty of the level of revenue which will be earned.

**Note 17: Derivative financial instruments**

The Marsden Maritime Holdings Limited group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates and foreign exchange rates in accordance with its

financial risk management policies. Joint venture entities within the Marsden Maritime Holdings Limited group periodically use derivative financial instruments, such as interest rate swaps, to hedge risk associated with interest rate fluctuation.

At 30 June 2014, the joint venture entity Northport Limited, together with its associate North Tugz Limited, were party to fixed interest swap contracts with principal amounts totalling \$47,000,000 and Nil respectively (2013: \$40,000,000 and \$4,000,000).

North Tugz Limited, the joint venture entity of Northport Limited had entered into forward foreign currency contracts against fluctuations in the USD against the NZD. The notional principal amounts of the outstanding forward foreign currency contracts at 30 June 2014 were \$3,016,867 (2013: nil).

#### Note 18: Other receivables

Other receivables

Council 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$	\$	\$
5,107,872	5,395,453	\$5,094,120	5,395,453
<b>5,107,872</b>	<b>5,395,453</b>	<b>\$5,094,120</b>	<b>5,395,453</b>

Council other receivables relate to the outstanding amount owed to council from KiwiRail relating to the NRC/KiwiRail unincorporated joint venture (refer to note 31 for further information on the joint venture between council and KiwiRail) and the term portion relating to a loan made to Northland Inc. Limited.

In January 2009 KiwiRail and Northland Regional Council entered into a rail corridor acquisition agreement to secure the Marsden Point rail corridor. In the agreement, it was agreed that council would acquire the land and KiwiRail would procure the designation for the Marsden Point rail link. The parties agreed to share equally in the cost of acquiring and holding and managing the land, the cost of subdividing the rail corridor, the cost of obtaining the designation, the income from leasing the land and the costs and proceeds arising from disposing of the surplus land.

There were no impairment provisions for other receivables.

#### Note 19: Investment property

Balance at 1 July

Additions from acquisitions

Vested Asset

Net gain/(loss) on revaluation

7, 8

**Balance at 30 June**

Council 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$	\$	\$
48,296,001	47,674,257	94,296,001	93,174,257
42,639	64,562	2,765,011	761,189
337,000	-	337,000	-
1,903,361	557,182	1,580,989	360,555
<b>50,579,000</b>	<b>48,296,001</b>	<b>98,979,001</b>	<b>94,296,001</b>

### Council

Investment properties are stated at fair value, effective 30 June 2014. The valuation has been undertaken by Telfer Young (Northland) Limited who are independent valuers that hold a recognised and relevant professional qualification and who have recent experience. Values for investment properties valued under NZ IAS 40 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.

The council's investment properties comprise ground leases of \$37,746,001 (2013: \$36,865,000) and land and buildings held for investment purposes of \$10,350,000 (2013: \$9,216,000) and properties purchased along the proposed Marsden Point Rail Corridor of \$2,483,000 (2013: \$2,215,000). Ground leases are parcels of land owned by the council, while the buildings on the ground leases are owned by other parties (building owners). The land has been leased to the building owners mostly for 21 years but include five and seven year perpetuity renewable terms. The land and buildings held for investment purposes are properties that are not held for operational purposes and are leased to external parties. The properties purchased in the Oakleigh to Marsden Point area contain land and some residential buildings. The properties include land that is to be designated for the proposed rail corridor and subdivided to secure the route of the proposed

Oakleigh to Marsden Point rail link. A total of eight properties have been purchased. Seven of these properties were purchased during the 2007/2008 and 2008/2009 and one further property was purchased in the 2010/2011 year. The total acquisition cost of these properties is \$11,322,000 with council's half share being an inventory asset (made up of the land comprising the rail corridor of \$1,571,739 (2013 \$1,571,739) and investment property \$2,483,000 (2013 \$2,215,000).

A joint venture has been established between Northland Regional Council and KiwiRail, to advance the proposed rail corridor. In accordance with the joint venture agreement, council has purchased a number of properties along the proposed rail corridor. 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 security interest held in the ownership of the land. Council has recognised the liability owed by KiwiRail for their 50 percent share of the cost of the properties and their 50 percent share of all other associated costs as other receivables (refer note 16). Following approval of the rail designation in May 2012, the value of the acquired properties relating to the rail corridor and the injurious affection impact to the residual land is transferred to the rail designation and corridor inventory asset. The residual land available once the rail corridor is severed off is categorised as investment property and the value reflects the value on the basis the rail corridor is removed.

Refer to Note 31 for more information on the joint venture between council and KiwiRail.

### Marsden Maritime Holdings Limited

Investment properties are recurring level 3 fair value measured assets. Fair value has been determined based on valuations performed in accordance with NZ IAS 40 as at 30 June 2014, by Mark Aslin of Telfer Young (Northland) Limited, an industry specialist in valuing these types of asset. The 'fair value', highest and best use approach has been adopted. The valuation was assessed in accordance with NZ IAS 40 which defines 'fair value' as being the amount at which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Investment property has been valued using valuation differentiation to adjust for a lot size and reducing value rates beyond Northport's port operation area. The valuation has been prepared after considering various market drivers for land in the Marsden Point area together with limited, recent sales evidence for the area. Having established site values (as if fully leased), a discount factor of 30% has then been applied to reflect that much of this land has yet to be tenanted.

#### Significant unobservable valuation input

#### Range

Price per hectare (as if fully leased)	\$1.0 million to \$2.2 million
Discount factor adopted (see above)	30%

Significant increases (decreases) in estimated price per hectare and/or the untenanted discount factor would result in significantly higher (lower) fair value. With the exception of a portion of land designated for a transport corridor, the group has no restrictions on the reliability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance and enhancement.

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Rental income	3,312,266	3,570,740	4,740,580	4,405,515
Expenses from investment property generating income	235,405	507,797	645,948	994,954

**Note 20: Investments in subsidiaries (excluding council controlled organisations) and joint ventures****Council**

Investment in Marsden Maritime Holdings Limited Associates  
 Shares in Marsden Maritime Holdings Limited (22.14 million shares)

**Total investments in subsidiaries and associates**

Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
-	-	46,053,008	46,795,462
7,827,563	7,827,563	-	-
<b>7,827,563</b>	<b>7,827,563</b>	<b>46,053,008</b>	<b>46,795,462</b>

The investment in the subsidiary is carried at cost (subject to impairment) in Northland Regional Council's (parent entity) balance sheet.

**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 2014 is \$3.02 per share (2013: \$2.76 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%.

**Shares in Marsden Maritime Holdings Limited – investments in joint venture companies**

The Marsden Maritime Holdings Limited investment in its Joint Ventures is accounted for using the equity method of accounting in the consolidated financial statements.

Joint Venture companies include Northport Limited, North Port Coolstores and Northland Stevedoring Services Limited. The Marsden Maritime Holdings Limited group sold its 50% share in North Port Coolstores (1989) Limited to NPC Investments Limited on 1 February 2014 for \$1,761,079 and recorded a gain on sale of \$791,454 as a result of this transaction. The group's share of North Port Coolstores profits in the current reporting period amounted to \$313,380. The shareholding in Northland Stevedoring Services Limited was disposed of as part of the sale of the group's stake holding in the Northland Stevedoring Services unincorporated joint venture.

	<b>Marsden Maritime Holdings Limited</b>	
	<b>30-Jun-14 \$</b>	<b>30-Jun-13 \$</b>
Current assets	5,273,006	4,610,628
Non-current assets	128,531,134	129,746,114
Current liabilities	4,897,020	35,856,889
Non-current liabilities	33,573,388	1,501,730
<b>Net assets</b>	<b>95,333,732</b>	<b>96,998,123</b>
Group share of net assets (50%)	47,667,004	48,499,062
Land revaluation not recognised by Northport Limited	-	-
Other consolidation adjustments	(1,613,996)	(1,703,738)
<b>Total investment in associate companies</b>	<b>46,053,008</b>	<b>46,795,323</b>

	<b>Marsden Maritime Holdings Limited</b>	
	<b>30-Jun-14 \$</b>	<b>30-Jun-13 \$</b>
Opening carrying value	46,795,323	44,032,837
Share of after tax surplus	8,331,810	7,846,406
Dividends paid	(8,724,356)	(6,713,030)
Share of land revaluation movement	(281,398)	1,365,856
Share of hedge reserve movement	181,629	263,253
Disposal of stake holding	(250,000)	-
	<b>46,053,008</b>	<b>46,795,323</b>

**Extract from joint venture companies' statement of comprehensive income:**

	30-Jun-14	30-Jun-13
	\$	\$
Revenue	37,696,582	36,047,444
Net surplus	16,483,958	15,450,036
Current period write back in respect of previous inter-entity asset sales	179,482	180,904

The lease of reclaimed land at Marsden Point, which is the land upon which Northport's Marsden Point facilities are sited, expired on 30 September 2011. In September 2011 the Minister of Conservation made a conditional decision to vest a leasehold interest in the company. Negotiations continue with the Crown to secure a long term lease arrangement for this land but without prejudicing the company's right to apply for freehold title. Negotiations are however taking longer than originally anticipated.

**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 32 and 33.

**Note 21: Investment in council-controlled organisations**

Investment in Northland Inc. Limited  
Investment in Regional Software Holdings Limited

Council 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$	\$	\$
200	200	-	-
862,483	753,750	863,225	753,750
<b>862,683</b>	<b>753,950</b>	<b>863,255</b>	<b>753,750</b>

**Regional Software Holdings Limited**

Regional Software Holdings Limited ("RSHL") is a council-controlled organisation established on 1 January 2013. Northland Regional Council has a 16.75% shareholding. RSHL was established to own and manage the ongoing IRIS (software) development. Each of the six participating councils (Northland Regional Council, Environment Waikato, Horizons, Taranaki Regional Council, West Coast Regional Council, and Environment Southland) are able to appoint one director to the board and each director has equal voting rights.

*Summarised financial information of associated presented on a gross basis:*

**Investment in Regional Software Holdings Limited**

	Council 30-Jun-14	Council 30-Jun-13
Assets	\$5,430,258	\$4,657,692
Liabilities	\$276,676	\$157,692
Comprehensive income for the year	\$4,432	-
Share capital	\$5,149,150	\$4,500,000
NRC shareholding in Regional Software Holdings Limited	16.75%	16.75%
NRC investment in Regional Software Holdings Limited	<b>\$862,483</b>	<b>\$753,750</b>

Regional Software Holdings Limited ("RSHL") is an unlisted company, for the year ended 30 June 2014 RSHL had a total comprehensive income result of \$4,432. RSHL is an associate of council, and council recognised its 16.75% shareholding being \$742 on consolidation.

**Northland Inc. Limited (previously known as Northland Regional Council Community Trust)**

Northland Regional Council Community Trust was disestablished in 1 July 2013. Destination Northland Limited became council's new council-controlled organisation and was renamed Northland Inc. Limited.

The following impairment/reversal of impairment was made in the 2013 financial year:

	Council 30-Jun-14 \$	Council 30-Jun-13 \$
<b>Opening value of investment in subsidiary – Northland Regional Council Community Trust</b>	-	12,904
Impairment made in 2009	-	-
Impairment reversed in 2010	-	-
Impairment reversed in 2011	-	-
Impairment made in 2012	-	-
Transfer of trust fund to council investments	-	-
Impairment of Investment in Subsidiary – Northland Regional Council Community Trust	-	(12,904)
<b>Closing value of investment in subsidiary – Northland Regional Council Community Trust</b>	-	-

#### Note 22: Other investments

##### Current portion

Term deposits, local authority and government stock and other securities	10,801,864	8,022,392	10,801,864	8,022,392
Community Investment Fund – call and term deposits stock and other securities	480,000	1,199,866	480,000	1,199,866
<b>Total current portion</b>	<b>11,281,864</b>	<b>9,222,258</b>	<b>11,281,864</b>	<b>9,222,258</b>

##### Non-current portion

Term deposits, local authority and government stock and other securities	8,658,605	2,330,125	9,316,276	3,157,717
Advances	-	-	-	-
Community Investment Fund	10,031,226	7,498,036	10,031,226	7,498,036
Emission Trading Scheme - NZU	72,459	31,428	72,459	31,428
<b>Total non-current portion</b>	<b>18,762,290</b>	<b>9,859,589</b>	<b>19,419,961</b>	<b>10,687,181</b>
<b>BALANCE OF OTHER INVESTMENTS AT 30 JUNE</b>	<b>30,044,154</b>	<b>19,081,847</b>	<b>30,701,825</b>	<b>19,909,439</b>

##### Term deposits, local authority and government stock and other securities

Term deposits, local authority and government stock	19,940,469	10,352,517	19,940,469	10,352,517
Fonterra Co-operative Group Limited - shares	-	-	656,456	826,467
Ballance Agri-Nutrients Limited - shares	-	-	1,215	1,125
	<b>19,940,469</b>	<b>10,352,517</b>	<b>20,598,140</b>	<b>11,180,109</b>

#### Fair value

##### Term deposits

The carrying amount of term deposits approximates their fair value.

##### Local authority, and government stock and other securities – investments held by Council

Fair value has been determined using cash flows discounting cash flows from the stocks using a discount derived from relevant market inputs. The discount rates range between 3.35% and 6.13 % (2013: 3.08% and 6.35%). Fair value for the council's investments in local authority stocks is provided by ETOS Limited and is determined by reference to published price quotations in an active market. The cost of these investments at 30 June 2014 is \$2,647,692 (2013: \$4,214,758).

##### Local authority, and government stock and other securities – investments in the Community Investment Fund

At 30 June 2014, there are two term deposit investments totalling \$552,235 maturing on the 17 July 2014.



### Emissions Trading Scheme

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 deemed cost based on the fair value at the date of receipt. At the end of the financial year council held 17,460 NZ units (2013: 17,460) at \$4.15 per unit (2013: \$1.80 per unit) with a total market value of \$72,459 (2013: \$31,428).

### Other investments

#### Community Investment Fund investment

The value of the investment at 30 June 2014 was \$10,585,322 (2013: \$10,586,735).

In the 2013/14 financial year council elected to maintain the overall fund balance at \$10,585,322.

In July 2013, council elected to adjust the overall investment value down to \$9,725,018 to reflect a real value increase of 2.6% for the 2012/13 financial year (2.6% increase on the July 2012 opening value of \$9,478,926).

Eriksen and Associates Limited are appointed as council's investment advisor for the Community Investment Fund providing independent overarching investment guidance for investing these funds, and ensuring compliance with the Community Investment Funds Statement of Investment Policy and Objectives.

As at 30 June 2014 the asset class benchmark allocation was 50% growth assets and 50% income assets (2013: 40% growth assets and 60% income assets).

At the end of the financial year, after capitalising all of the investment income the value of the fund is \$10.59 million and is invested as follows.

Asset class	Asset type	Council 30-Jun-14 \$	Council 30-Jun-13 \$
Cash, term deposits	Income asset	554,082	1,914,355
Cash and fixed interest – Milford Income fund	Income asset	2,272,806	2,019,050
Harbour Asset Management Short Duration Fund	Income asset	561,669	-
Harbour Asset Management Income Fund	Income asset	1,765,882	-
Stocks and bonds	Income asset	-	2,512,596
Global equities – Schroder's Investment Fund	Growth asset	2,398,907	1,951,867
Global equities – AMP Multi Asset Fund	Growth asset	516,224	-
New Zealand equities – Milford Growth Fund	Growth asset	2,515,752	2,179,315
Mezzanine funds	Legacy from NRCCT	-	9,552
		<b>10,585,322</b>	<b>10,586,735</b>

The Community Investment Fund is disclosed in the notes to the financial statements as follows.

Asset class	Note	Council 30-Jun-14 \$	Council 30-Jun-13 \$
Cash and Cash equivalents	12	74,081	1,888,833
Other financial assets - current	22	480,000	1,199,866
Other financial assets – non current	22	10,031,241	7,498,036
		<b>10,585,322</b>	<b>10,586,735</b>

### Fonterra Co-operative Group Limited shares

As at 30 June 2014, Marsden Maritime Holdings Limited and its group held 113,343 co-operative shares in Fonterra Co-operative Group Limited with a disclosed fair value of \$5.79 per share (2013: total holding of 113,343 shares at an average of \$7.29 per share). The group recognised a fair value decrease of (\$170,015) (2013: fair value increase \$313,960)

being the movement in the disclosed fair value of shares held in Fonterra Co-operative Group Limited. The movement is derived from the movement per share from \$7.29 to \$5.79 over the financial year multiplied by the number of shares held at 30 June 2014.

### **Ballance Agri-Nutrients Limited shares**

As at 30 June 2014, Marsden Maritime Holdings Limited and its group held 150 shares in Ballance Agri-Nutrients Limited with a disclosed fair value of \$8.10 per share and a total fair value of \$1,125 (2013: 150 shares at \$7.50 per share). The group recognised a fair value increase of \$90 (2013: nil) being the movement in the disclosed fair value of shares held in Ballance Agri-Nutrients Limited. The movement is derived from the movement per share from \$7.50 to \$8.10 over the financial year multiplied by the number of shares held at 30 June 2014.

### **Interest rates**

The weighted average effective interest rates on investments (current and non-current) were as follows.

	<b>Council 30-Jun-14 %</b>	<b>Council 30-Jun-13 %</b>	<b>Consolidated 30-Jun-14 %</b>	<b>Consolidated 30-Jun-13 %</b>
Weighted average effective interest rates				
Term deposits	4.34	4.18	4.34	4.18
Other securities	7.67	6.18	7.67	6.18

**Note 23: Property, plant and equipment****Freehold land**

Freehold land – at cost – opening balance

Freehold land – at valuation – opening balance

Less accumulated depreciation

**Total freehold land – opening balance**

Additions

Disposals

Accumulated depreciation on disposals

Transfer between asset classes

Revaluation movement

Depreciation expense

**Total freehold land – closing balance**

Land at cost – closing balance

Land at valuation – closing balance

Less accumulated depreciation

**Total freehold land – closing balance****Other land**

Other land – at cost – opening balance

Other land – at valuation – opening balance

Less accumulated depreciation

**Total other land – opening balance**

Additions

Disposals

Accumulated depreciation on disposals

Transfer between asset classes

Revaluation movement

Depreciation expense

**Total other land – closing balance**

Land at cost – closing balance

Land at valuation – closing balance

Less accumulated depreciation

**Total other land – closing balance**

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Freehold land – at cost – opening balance	-	-	-	-
Freehold land – at valuation – opening balance	1,460,000	1,585,000	1,460,000	1,585,000
Less accumulated depreciation	-	-	-	-
<b>Total freehold land – opening balance</b>	<b>1,460,000</b>	<b>1,585,000</b>	<b>1,460,000</b>	<b>1,585,000</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	(185,000)	-	(185,000)
Revaluation movement	(7,500)	60,000	(7,500)	60,000
Depreciation expense	-	-	-	-
<b>Total freehold land – closing balance</b>	<b>1,452,500</b>	<b>1,460,000</b>	<b>1,452,500</b>	<b>1,460,000</b>
Land at cost – closing balance	-	-	-	-
Land at valuation – closing balance	1,452,500	1,460,000	1,452,500	1,460,000
Less accumulated depreciation	-	-	-	-
<b>Total freehold land – closing balance</b>	<b>1,452,500</b>	<b>1,460,000</b>	<b>1,452,500</b>	<b>1,460,000</b>
Other land – at cost – opening balance	706,856	706,856	706,856	706,856
Other land – at valuation – opening balance	-	-	-	-
Less accumulated depreciation	-	-	-	-
<b>Total other land – opening balance</b>	<b>706,856</b>	<b>706,856</b>	<b>706,856</b>	<b>706,856</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Depreciation expense	-	-	-	-
<b>Total other land – closing balance</b>	<b>706,856</b>	<b>706,856</b>	<b>706,856</b>	<b>706,856</b>
Land at cost – closing balance	706,856	706,856	706,856	706,856
Land at valuation – closing balance	-	-	-	-
Less accumulated depreciation	-	-	-	-
<b>Total other land – closing balance</b>	<b>706,856</b>	<b>706,856</b>	<b>706,856</b>	<b>706,856</b>

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>Freehold land – port</b>				
Freehold land port – at cost – opening balance	-	-	-	-
Freehold land port – at valuation – opening balance	-	-	32,725,000	34,850,000
Less accumulated depreciation	-	-	-	-
<b>Total freehold land port – opening balance</b>	<b>-</b>	<b>-</b>	<b>32,725,000</b>	<b>34,850,000</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	(5,675,000)	(2,125,000)
Depreciation expense	-	-	-	-
<b>Total freehold land port – closing balance</b>	<b>-</b>	<b>-</b>	<b>27,050,000</b>	<b>32,725,000</b>
Land at cost – closing balance	-	-	-	-
Land at valuation – closing balance	-	-	27,050,000	32,725,000
Less accumulated depreciation	-	-	-	-
<b>Total freehold land port – closing balance</b>	<b>-</b>	<b>-</b>	<b>27,050,000</b>	<b>32,725,000</b>
<b>Buildings</b>				
Buildings – at cost	-	-	-	-
Buildings – at valuation	3,890,000	4,830,000	3,890,000	4,830,000
<b>Total buildings cost/valuation</b>	<b>3,890,000</b>	<b>4,830,000</b>	<b>3,890,000</b>	<b>4,830,000</b>
Accumulated depreciation	-	-	-	-
<b>Total buildings – opening balance</b>	<b>3,890,000</b>	<b>4,830,000</b>	<b>3,890,000</b>	<b>4,830,000</b>
Additions	23,526	32,678	23,526	32,678
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	-	-
Revaluation movement	313,974	(972,678)	313,974	(972,678)
Depreciation expense	-	-	-	-
<b>Total buildings – closing balance</b>	<b>4,227,500</b>	<b>3,890,000</b>	<b>4,227,500</b>	<b>3,890,000</b>
Buildings at cost – closing balance	-	-	-	-
Buildings at valuation – closing balance	4,227,500	3,890,000	4,227,500	3,890,000
<b>Total cost/valuation</b>	<b>4,227,500</b>	<b>3,890,000</b>	<b>4,227,500</b>	<b>3,890,000</b>
Accumulated depreciation	-	-	-	-
<b>Total buildings – closing balance</b>	<b>4,227,500</b>	<b>3,890,000</b>	<b>4,227,500</b>	<b>3,890,000</b>

**Infrastructure**

Infrastructure – at cost – opening balance

Less accumulated depreciation

Infrastructure – at valuation – opening balance

**Total infrastructure opening balance**

Additions

Disposals

Accumulated depreciation reversed upon revaluation

Transfer between asset classes

Revaluation movement

Depreciation expense

**Total infrastructure closing balance**

Infrastructure – at cost

Infrastructure at valuation – closing balance

**Total cost/valuation**

Accumulated depreciation

**Total infrastructure closing balance****Amenities**

Amenities – at cost – opening balance

Less accumulated depreciation

**Total amenities opening balance**

Additions

Disposals

Accumulated depreciation on disposals

Transfer between asset classes

Revaluation movement

Impairment loss

Depreciation expense

**Total amenities closing balance**

Amenities – at cost

Less impairment loss

Less accumulated depreciation

**Total amenities closing balance**

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Infrastructure – at cost – opening balance	-	-	-	-
Less accumulated depreciation	(44,328)	(20,210)	(44,328)	(20,210)
Infrastructure – at valuation – opening balance	10,268,440	8,001,961	10,268,440	8,001,961
<b>Total infrastructure opening balance</b>	<b>10,224,112</b>	<b>7,981,751</b>	<b>10,224,112</b>	<b>7,981,751</b>
Additions	3,266,373	2,081,479	3,266,373	2,081,479
Disposals	-	-	-	-
Accumulated depreciation reversed upon revaluation	44,328	-	44,328	-
Transfer between asset classes	-	185,000	-	185,000
Revaluation movement	(1,260,559)	-	(1,260,559)	-
Depreciation expense	-	(24,118)	-	(24,118)
<b>Total infrastructure closing balance</b>	<b>12,274,254</b>	<b>10,224,112</b>	<b>12,274,254</b>	<b>10,224,112</b>
Infrastructure – at cost	3,266,373	2,266,479	3,266,373	2,266,479
Infrastructure at valuation – closing balance	9,007,881	8,001,961	9,007,881	8,001,961
<b>Total cost/valuation</b>	<b>12,274,254</b>	<b>10,268,440</b>	<b>12,274,254</b>	<b>10,268,440</b>
Accumulated depreciation	-	(44,328)	-	(44,328)
<b>Total infrastructure closing balance</b>	<b>12,274,254</b>	<b>10,224,112</b>	<b>12,274,254</b>	<b>10,224,112</b>
<b>Amenities</b>				
Amenities – at cost – opening balance	-	-	709,693	756,124
Less accumulated depreciation	-	-	(588,205)	(593,248)
<b>Total amenities opening balance</b>	<b>-</b>	<b>-</b>	<b>121,488</b>	<b>162,876</b>
Additions	-	-	1,135,394	4,680
Disposals	-	-	(3,729)	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	617,838	-
Revaluation movement	-	-	-	-
Impairment loss	-	-	-	-
Depreciation expense	-	-	(56,475)	(46,068)
<b>Total amenities closing balance</b>	<b>-</b>	<b>-</b>	<b>1,814,516</b>	<b>121,488</b>
Amenities – at cost	-	-	2,459,196	760,804
Less impairment loss	-	-	-	-
Less accumulated depreciation	-	-	(644,680)	(639,316)
<b>Total amenities closing balance</b>	<b>-</b>	<b>-</b>	<b>1,814,516</b>	<b>121,489</b>

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>Plant and equipment</b>				
Plant and equipment – at cost – opening balance	6,123,393	5,650,181	6,891,691	6,383,413
Less accumulated depreciation	(4,067,231)	(3,792,697)	(4,710,338)	(4,415,039)
<b>Total plant and equipment opening balance</b>	<b>2,056,162</b>	<b>1,857,483</b>	<b>2,181,353</b>	<b>1,968,373</b>
Additions	718,247	816,493	808,926	874,116
Disposals	(157,261)	(273,424)	(207,844)	(295,981)
Accumulated depreciation on disposals	138,389	253,496	138,389	267,335
Transfer between asset classes	-	(69,857)	-	(69,857)
Revaluation movement	-	-	-	-
Depreciation expense	(565,424)	(528,030)	(604,499)	(562,634)
<b>Total plant and equipment closing balance</b>	<b>2,190,113</b>	<b>2,056,161</b>	<b>2,316,325</b>	<b>2,181,352</b>
Plant and equipment – at cost	6,684,379	6,123,393	7,492,773	6,891,691
Less accumulated depreciation	(4,494,266)	(4,067,231)	(5,176,448)	(4,710,338)
<b>Total plant and equipment closing balance</b>	<b>2,190,113</b>	<b>2,056,161</b>	<b>2,316,325</b>	<b>2,181,352</b>
<b>Leased equipment</b>				
Leased equipment – at cost – opening balance	-	-	49,105	54,481
Less accumulated depreciation	-	-	(44,455)	(44,674)
<b>Total leased equipment opening balance</b>	<b>-</b>	<b>-</b>	<b>4,650</b>	<b>9,807</b>
Additions	-	-	-	5,145
Disposals	-	-	(593)	(10,521)
Accumulated depreciation on disposals	-	-	-	5,376
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Depreciation expense	-	-	(2,496)	(5,157)
<b>Total leased equipment closing balance</b>	<b>-</b>	<b>-</b>	<b>(3,089)</b>	<b>4,650</b>
Leased equipment – at cost	-	-	48,512	49,105
Less accumulated depreciation	-	-	(46,951)	(44,455)
<b>Total leased equipment closing balance</b>	<b>-</b>	<b>-</b>	<b>1,561</b>	<b>4,650</b>

	<b>Council 30-Jun-14 \$</b>	<b>Council 30-Jun-13 \$</b>	<b>Consolidated 30-Jun-14 \$</b>	<b>Consolidated 30-Jun-13 \$</b>
<b>Navigational aids</b>				
Navigational aids – at cost – opening balance	666,038	547,578	666,038	547,578
Less accumulated depreciation	(408,224)	(357,302)	(408,224)	(357,302)
<b>Total navigational aids opening balance</b>	<b>257,814</b>	<b>190,276</b>	<b>257,814</b>	<b>190,276</b>
Additions	68,144	48,603	68,144	48,603
Disposals	(2,837)	-	(2,837)	-
Accumulated depreciation on disposals	610	-	610	-
Transfer between asset classes	-	69,857	-	69,857
Revaluation movement	-	-	-	-
Depreciation expense	(54,344)	(50,922)	(54,344)	(50,922)
<b>Total navigational aids closing balance</b>	<b>269,388</b>	<b>257,814</b>	<b>269,388</b>	<b>257,814</b>
Navigational aids – at cost	731,346	666,038	731,346	666,038
Less accumulated depreciation	(461,958)	(408,224)	(461,958)	(408,224)
<b>Total navigational aids closing balance</b>	<b>269,388</b>	<b>257,814</b>	<b>269,388</b>	<b>257,814</b>
<b>Vehicles</b>				
Vehicles – at cost – opening balance	1,817,365	1,633,174	1,845,408	1,710,006
Less accumulated depreciation	(707,317)	(637,633)	(714,869)	(693,306)
<b>Total vehicles opening balance</b>	<b>1,110,048</b>	<b>995,541</b>	<b>1,130,539</b>	<b>1,016,700</b>
Additions	371,834	442,431	396,834	470,474
Disposals	(330,847)	(258,240)	(334,547)	(335,072)
Accumulated depreciation on disposals	193,240	120,076	193,240	175,749
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Depreciation expense	(221,496)	(189,760)	(228,754)	(197,312)
<b>Total vehicles closing balance</b>	<b>1,122,778</b>	<b>1,110,048</b>	<b>1,157,311</b>	<b>1,130,539</b>
Vehicles – at cost	1,858,351	1,817,365	1,907,694	1,845,408
Less accumulated depreciation	(735,573)	(707,317)	(750,383)	(714,869)
<b>Total vehicles closing balance</b>	<b>1,122,778</b>	<b>1,110,048</b>	<b>1,157,311</b>	<b>1,130,539</b>
<b>Vessels and maritime equipment</b>				
Vessels and dredging equipment – at cost – opening balance	1,181,839	1,175,914	1,181,839	1,175,914
Less accumulated depreciation	(700,211)	(681,831)	(700,211)	(681,831)
<b>Total vessels and maritime equipment opening balance</b>	<b>481,628</b>	<b>494,083</b>	<b>481,628</b>	<b>494,083</b>
Additions	31,468	5,925	31,468	5,925
Disposals	-	-	-	-
Accumulated depreciation on disposals	-	-	-	-
Transfer between asset classes	-	-	-	-
Revaluation movement	-	-	-	-
Depreciation expense	(43,780)	(18,380)	(43,780)	(18,380)
<b>Total vessels and maritime equipment closing balance</b>	<b>469,316</b>	<b>481,628</b>	<b>469,316</b>	<b>481,628</b>
Vessels and dredging equipment – at cost	1,213,307	1,181,839	1,213,307	1,181,839
Less accumulated depreciation	(743,990)	(700,211)	(743,990)	(700,211)
<b>Total vessels and maritime equipment closing balance</b>	<b>469,316</b>	<b>481,628</b>	<b>469,316</b>	<b>481,628</b>

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>Total assets</b>				
Total assets – at cost	10,495,490	9,713,702	12,050,629	11,334,371
Total assets – at valuation	15,618,440	14,416,961	48,343,440	49,266,961
<b>Total assets cost/valuation</b>	<b>26,113,931</b>	<b>24,130,663</b>	<b>60,394,070</b>	<b>60,601,332</b>
Accumulated depreciation	(5,927,311)	(5,489,673)	(7,210,630)	(6,805,610)
<b>Total assets – opening balance</b>	<b>20,186,620</b>	<b>18,640,990</b>	<b>53,183,440</b>	<b>53,795,722</b>
Additions	4,479,592	3,427,609	5,730,665	3,523,100
Disposals	(490,945)	(531,664)	(549,550)	(641,574)
Accumulated depreciation on disposals	332,239	373,572	332,239	448,460
Accumulated depreciation reversed upon revaluation	44,328		44,328	
Transfer between asset classes	-	-	617,838	-
Revaluation movement	(954,085)	(912,678)	(6,629,085)	(3,037,678)
Impairment loss	-	-	-	-
Depreciation expense	(885,042)	(811,210)	(990,348)	(904,591)
<b>Total assets – closing balance</b>	<b>22,712,704</b>	<b>20,186,619</b>	<b>51,739,526</b>	<b>53,183,439</b>
Total assets at cost – closing balance	14,460,611	12,761,969	17,826,056	14,368,219
Total assets at valuation – closing balance	14,687,881	13,351,961	41,737,881	46,076,961
<b>Total cost/valuation</b>	<b>29,148,492</b>	<b>26,113,931</b>	<b>59,563,937</b>	<b>60,445,180</b>
Impairment loss	-	-	-	-
Accumulated depreciation	(6,435,785)	(5,927,311)	(7,824,410)	(7,261,741)
<b>Total assets – closing balance</b>	<b>22,712,704</b>	<b>20,186,619</b>	<b>51,739,526</b>	<b>53,183,439</b>
Capital work in progress	2,049	56,420	62,897	732,098
<b>Total fixed assets</b>	<b>22,714,753</b>	<b>20,243,040</b>	<b>51,802,423</b>	<b>53,915,538</b>
<b>Depreciation and amortisation expense:</b>				
Property, plant and equipment	885,042	811,210	990,346	904,591
Intangibles	297,467	175,291	297,467	175,291
	<b>1,182,509</b>	<b>986,501</b>	<b>1,287,813</b>	<b>1,079,882</b>

## Northland Regional Council

Northland Regional Council land and buildings as at 30 June 2014 have been revalued by Telfer Young (Northland) Limited and stated at the "fair value" of \$5,680,000 (2013: \$5,350,000). The valuation was conducted in accordance with NZIAS 16 - Property, Plant & Equipment which defines "fair value" as being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

"Fair value" requires the consideration of "market-based" evidence for the determination of the value where such evidence exists and can be used to reliably determine the value. The fair value is assessed with reference to the "highest and best use" being defined as "the most probable use of an asset that is physically possible, appropriately justified, legally permissible, financially feasible and results in the highest value".

Where the fair value of an asset can be determined by reference to price in an active market for the same or similar asset, the fair value of the asset is determined using this information.

Where fair value of the asset is not able to be reliably determined using market based evidence, optimised depreciated replacement cost (ODRC) is considered the most appropriate basis for determination of fair value. This situation usually occurs where the asset is specialised in nature. Specialised assets are those that are rarely, if ever, sold on the open market, (except by way of a sale of the business of which they are part), due to their uniqueness, which may rise from the specialised nature of the design of the buildings, their configuration, size or location or other factors.

Key characteristics of specialised assets are that they:

- Are useful to a limited number of users or uses;
- Rarely, if ever, sell on the open market, except as part of the business entity;



- Are generally specialised structures; and
- Earn revenue that has not been derived from an open market and for which market-based evidence does not exist.

In general, specialised assets are those that, due to some specialised physical or geographical factor, offer very little utility for any purpose other than that for which they were originally designed.

The market based approach has been applied to those properties where market evidence can be reliably analysed to assess open market rentals for the buildings or land. Therefore, buildings and land identified in the property schedule has been assessed utilising a market based approach whereby we have capitalised potential market rentals to derive a market value of the property. The prevailing land value as at 30 June 2014 has then been deducted to provide an indicated value of improvements. Adjustment has been made where appropriate for site improvements to provide the residual building value. We have also undertaken an optimised depreciated replacement cost analysis as a check method.

There are no restricted assets.

### Insurance of Assets

At 30 June 2014, council had assets covered by full replacement insurance of \$51,745,215 (2013 \$46,672,422) and indemnity insurance of \$2,384,800 (2013 \$425,000). Assets totalling \$3,564,846 (2013: \$3,032,000) are covered by financial risk sharing arrangements with \$1,782,423 (50%) (2013: \$1,516,000) being available to council. There are no assets self-insured.

### Marsden Maritime Holdings Limited

At 30 June 2014 Freehold Land has been re-valued and stated at fair value being \$27,050,000 (2013: \$32,725,000).

The fair value of freehold land, a recurring level three fair value measured asset was determined by using the market comparison method.

The valuation was prepared as at 30 June 2014 using the highest and best use approach while considering various market drivers for land in Marsden Point area together with limited, recent sales evidence for the area.

The valuation was undertaken by independent valuer Mark Aslin of Telfer Young (Northland) Limited. Mr Aslin is a registered valuer, a member of the New Zealand Institute of Valuers and the Property Institute of New Zealand and holds a current practising certificate. The valuation was prepared having regard to the requirement for a compliance statement in terms of International Valuation Standard 3 of the Australian and New Zealand Property standards.

### Significant unobservable valuation input

Price per hectare

### Range

\$150,000 to \$300,000

Significant increases (decreases) in estimated price per hectare in isolation would result in significantly higher (lower) fair value. With the exception of a portion of land designated for a transport corridor, the group has no restrictions on the reliability of its freehold land.

### Impairment

There has been no impairment losses recognised during the year.

### Leasing

The net carrying amount of the PPE (for Northland Inc. Ltd) under a finance lease is \$1,561 (2013: \$4,662).

**Note 24: Intangible assets****Computer software**

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Cost - opening balance	3,014,660	2,379,966	3,248,505	2,423,733
Accumulated amortisation	(1,904,492)	(1,919,276)	(2,138,335)	(1,963,044)
Computer software opening carrying amount	1,110,168	460,689	1,110,170	460,689
Additions	166,636	1,579,103	166,636	1,578,103
Net disposals *	(2,001)	(583)	(2,001)	(583)
Transfer of IRIS asset to Regional Software Holdings Limited	(108,733)	(753,750)	(108,733)	(753,750)
Impairment losses	-	-	-	-
Amortisation charge	(297,467)	(175,291)	(297,467)	(175,291)
<b>Total computer software - closing balance</b>	<b>868,603</b>	<b>1,110,168</b>	<b>868,603</b>	<b>1,110,170</b>
Cost	2,029,567	3,014,660	3,304,408	3,248,505
Accumulated amortisation	(1,160,964)	(1,904,492)	(2,435,802)	(2,138,335)
<b>Total computer software - closing balance</b>	<b>868,603</b>	<b>1,110,168</b>	<b>868,603</b>	<b>1,110,168</b>

\* Disposals are reported net after accumulated depreciation.

Regional Software Holdings Limited ("RSHL") is a council-controlled organisation formed on 1 January 2013 to manage the ongoing development of the IRIS (software) application. At 30 June 2014 the approved IRIS project cost was \$5,149,150. In the 2012/13 financial year there was a share call totalling \$4.5 million of which council's 16.75% share totalled \$753,750. In the 2013/14 financial year there was a further share call of \$649,150 of which council's 16.75% share totalled \$108,733. In effect council has transferred \$862,483 (being 16.75% of \$5,149,150) in value of its IRIS development asset and took an ownership stake of the same value in RSHL.

**Note 25: Biological assets****Balance at 1 July**

	Note	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Balance at 1 July		1,731,775	1,578,975	1,731,775	1,578,975
Gains arising from changes in fair values less estimated point-of-sale costs	7	201,225	152,800	201,225	152,800
<b>Balance at 30 June</b>		<b>1,933,000</b>	<b>1,731,775</b>	<b>1,933,000</b>	<b>1,731,775</b>

Northland Regional Council owns 317 hectares of radiata pine forest which are at varying stages of maturity, ranging from 4 to 29 years.

**Valuation assumptions**

Independent registered forestry industry consultants, Chandler Fraser Keating Limited ("CFKL"), have valued council's forestry assets at fair value and provided estimated point-of-sale costs as at 30 June 2014. The valuation has been undertaken in accordance with the New Zealand equivalent to International Standard 41 (NZ IAS 41). The purpose is to assess a "fair" (i.e. market) value of the tree crop asset exclusive of land. Only the current existing tree crop is valued. In 2014, CFKL derived the fair value of the forest using a full expectation value (or income) method (in 2013 a combination of the expectation value approach and the cost-based approach was used). 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 2014). The calculated net present value is then linked to sales evidence through the application of a discount rate of 10.5% (2013: 11%) derived from the analysis of actual transactions.

Costs and prices are held constant in 2014 NZ dollars i.e. the net impact of inflation is assumed to be zero.

**Financial risk management strategies**

The council is exposed to financial risks arising from changes in timber prices. The council is a long-term forestry investor and although log prices may vary in the short term, council can manage its harvest to maximise its returns. Therefore, council has not taken any measures to manage the risk of a decline in timber prices. The council reviews its outlook for timber process regularly, by considering the need for active financial risk management.

**Note 26: Creditors and other payables**

	<b>Council 30-Jun-14</b>	<b>Council 30-Jun-13</b>	<b>Consolidated 30-Jun-14</b>	<b>Consolidated 30-Jun-13</b>
Note	\$	\$	\$	\$
Trade creditors	2,318,602	3,009,556	2,841,321	4,071,399
Accrued expenses	1,556,600	800,744	1,659,377	800,744
Revenue received in advance	1,314,932	1,295,402	1,357,932	1,295,402
Related parties trade and other payables	10,542	9,167	32,071	73,143
Total trade and other payables	<b>5,200,676</b>	<b>5,114,869</b>	<b>5,890,701</b>	<b>6,240,688</b>

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

**Note 27: Employee benefit liabilities**

	<b>Council 30-Jun-14</b>	<b>Council 30-Jun-13</b>	<b>Consolidated 30-Jun-14</b>	<b>Consolidated 30-Jun-13</b>
	\$	\$	\$	\$
Annual leave	1,040,725	1,061,482	1,055,759	1,101,142
Accrued pay	39,149	430,370	43,173	448,714
Sick leave	58,199	62,353	58,199	62,353
Flexi-time leave	66,497	156,282	66,497	156,282
Retirement gratuities	99,069	112,751	99,069	112,751
	<b>1,303,640</b>	<b>1,823,239</b>	<b>1,322,698</b>	<b>1,881,243</b>
Represented by:				
Current benefit liabilities	1,283,080	1,787,191	1,302,138	1,845,195
Non-current benefit liabilities	20,559	36,048	20,559	36,048
	<b>1,303,640</b>	<b>1,823,239</b>	<b>1,322,698</b>	<b>1,881,243</b>

Retirement gratuities depend on a number of factors that are determined on an actuarial basis. The key assumptions used in calculating this liability include the individual's salary and salary inflation factor, time to retirement and discount rate.

**Note 28: Borrowings****Current**

	<b>Consolidated 30-Jun-14</b>	<b>Consolidated 30-Jun-13</b>
	\$	\$
Secured loans	-	-
Lease liabilities	625	4,840
<b>Total current borrowings</b>	<b>625</b>	<b>4,840</b>

**Non-current**

	<b>Consolidated 30-Jun-14</b>	<b>Consolidated 30-Jun-13</b>
	\$	\$
Secured loans	-	-
Lease liabilities	-	625
<b>Total non-current borrowings</b>	<b>-</b>	<b>625</b>

**Finance lease arrangements**

Northland Inc. Limited has entered into finance leases for various items of office equipment. The net carrying amount of the leased items is shown in note 23 above. There are no restrictions over the title of Northland Inc. Limited property, plant and equipment, other than leased assets that are pledged as security for lease liabilities until paid in full assets that are pledged as security for lease liabilities until paid in full.

## Maturity analysis and effective interest rates

### 2014

Less than one year  
Later than one year but not more than five years

Secured loans group	Lease group
\$	\$
-	-
-	-
-	-

### 2013

Less than one year  
Later than one year but not more than five years

-	4,840
-	625
-	<b>5,465</b>

### Note 29: Provisions

Current provisions are represented by:

Sundry provisions

Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$
-	1,906
-	<b>1,906</b>

Non-current provisions are represented by:

Sundry provisions

-	-
-	-

	Onerous Lease Provision 2014	Payroll Related Provisions 2014	Sundry Provisions 2014	Onerous Lease Provision 2013	Payroll Related Provisions 2013	Sundry Provisions 2013
<b>Council and group</b>						
<b>Opening balance</b>	-	-	<b>1,906</b>	-	-	<b>710</b>
Additional provisions made during the year	-	-	-	-	-	-
Amounts used during the year	-	-	(1906)	-	-	1,196
Unused amounts reversed during the year	-	-	-	-	-	-
<b>Closing balance</b>	-	-	-	-	-	<b>1,906</b>

## Sundry provisions

Sundry provision relate to Marsden Maritime Holdings Limited comprises an allowance for the group's share of possible cargo damages claims against the joint venture operation, Northland Stevedoring Services.

### Note 30: Joint venture – Marsden Maritime Holdings Limited

NPC Corporate Services Limited (a 100% owned subsidiary of Marsden Maritime Holdings Limited) and SSA JV Holdings Limited together operate an unincorporated joint venture, Northland Stevedoring Services (UJV), until 30 June 2014. Each participant had an equal stake holding in the joint venture. The group settled the sale of its 50% holding in this joint venture to its former partner on 30 June 2014. Total proceeds were \$225,000 which resulted in a gain on sale on assets of \$83,661.

	30-Jun-14	30-Jun-13
	\$	\$
Share of net assets	-	-
Current assets	-	168,222
Non-current assets	-	44,585
Current liabilities	-	91,691
Non-current liabilities	-	1,906

The Marsden Maritime Holdings Limited share of expenses from its joint venture interests in Northland Stevedoring Services has been included in the Statement of Comprehensive Income as follows.

	30-Jun-14	30-Jun-13
Share of revenue and expenses	\$	\$
Operational expenses	-	541,885
Land rates and lease expenses	-	24,691
Administrative expenses (including audit fees)	-	47,474
Depreciation	-	16,336

### Joint operation interest commitments and contingencies

Details of any commitments and contingent liabilities arising from the group's involvement in the joint ventures are disclosed separately in notes 32 and 33.

#### Note 31: Joint venture – between Northland Regional Council and KiwiRail (Unincorporated)

In January 2009, the council entered into a Memorandum of Understanding with ONTRACK (now known as KiwiRail) to create a joint venture and establish the obligations of each entity, in order to advance the proposed Oakleigh to Marsden Point Rail Link. Council entered into voluntary negotiations with land owners who owned land along the proposed corridor, and in the 2007/08 and 2008/09 financial years secured seven properties at total cost of \$6.872 million. In the 2010/11 financial year, council and KiwiRail agreed to acquire one final property, costing \$4.45 million. This brings the total properties acquired to eight and the total cost of acquisition to \$11.32 million. 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% share of the land. Council will have a receivable from KiwiRail to account for the remaining 50% 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% 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 requires each entity to contribute \$500,000 cash per annum to the joint venture, for approximately six years. Council funded the purchase of the land, and 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 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.

In the current financial year, the total net operating expenditure incurred by council in relation to the joint venture is \$180,000 (includes \$101,000 for opportunity cost of interest payable to KiwiRail). In addition there was a fair value gain on land and buildings of \$225,000. Council recognised \$343,000 as income relating to KiwiRail's 50% share of the council's opportunity cost of capital incurred. KiwiRail did not incur any operating costs during the year (2013: \$103,000). Council's 50% share of the designation costs are recognised as an inventory (refer to note 14).

As at 30 June 2014, KiwiRail has a liability of \$5.094 million to council (2013: \$5.395 million). The liability largely relates to KiwiRail's share of the acquisition cost of purchased properties. Council has recognised the liability owed by KiwiRail for their 50% share of the cost of the properties and their 50% share of all other associated costs as other receivables (refer to note 18).

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 2014, the joint venture had no assets and liabilities. Council's share of properties acquired is included in council's investment properties (refer to note 19).

**Note 32: Capital commitments and operating leases**

Capital commitments

Committed grant funding

Property, plant and equipment

Council 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$	\$	\$
-	-	-	-
-	-	-	-
177,426	53,533	177,426	53,533
<b>177,426</b>	<b>53,533</b>	<b>177,426</b>	<b>53,533</b>

Marsden Maritime Holdings Limited capital commitments – commitments for capital expenditure at 30 June 2014 are nil (June 2013: 1,135,456). The group's share of committed capital expenditure in respect of its associate interest also amounts to 810,961 (June 2013: nil).

Northland Inc. Limited and Regional Software Holdings Limited have no capital commitments at 30 June 2014 (June 2013: nil).

**Operating leases commitments**

The group leases property, plant and equipment in the normal course of business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows.

	Marsden Maritime Holdings Limited 2014	Marsden Maritime Holdings Limited 2013	Northland Inc. Limited 2014	Northland Inc. Limited 2013	Consolidated 2014	Consolidated 2013
<b>The council has no lease commitments</b>						
Not later than one year	88,912	204,774	58,729	60,081	147,641	264,855
Later than one year and not later than five years	163,104	591,514	84,454	113,538	247,558	705,052
Later than five years	14,491	769,261	-	-	14,491	769,261
Total operating leases	<b>266,507</b>	<b>1,565,549</b>	<b>143,183</b>	<b>173,619</b>	<b>409,690</b>	<b>1,739,168</b>

**Operating leases as lessor**

Operating leases relate to investment properties owned by Northland Regional Council. The majority of council's investment portfolio is made up of leasehold properties. These properties have lease terms of between five to 21 years with options to extend at the completion of each lease. All leasehold lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. Council owns some farms and dwellings. These properties generally have lease terms of around 12 months. Council also owns four freehold properties which have lease terms of between one and 19 years.

	Council 2014	Council 2013	Consolidated 2014	Consolidated 2013
Not later than one year	2,758,666	3,144,983	3,684,263	3,993,891
Later than one year and not later than five years	8,130,847	8,077,143	10,961,925	10,451,972
Later than five years	10,227,218	11,104,805	16,987,593	15,383,849
Total operating leases	<b>21,116,731</b>	<b>22,326,931</b>	<b>31,633,781</b>	<b>29,829,712</b>

**Note 33a: Contingent liabilities**

Bonds

Share of associated companies' contingent liabilities

Rates postponed

Council 30-Jun-14	Council 30-Jun-13	Consolidated 30-Jun-14	Consolidated 30-Jun-13
\$	\$	\$	\$
-	-	75,000	75,000
-	-	675,000	675,000
-	-	226,935	252,242
-	-	<b>976,935</b>	<b>1,002,242</b>

## 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 and order from the Environment Court the requiring authority to acquire a particular landowner's property. 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.

### *Oyster project*

In August 2013, council took over the responsibility and obligations of the Waste Minimisation Fund Project (Oyster project). This was a joint project between Northland Inc. Limited, Ministry for the Environment (MfE) and Ministry for Primary Industries (MPI). The project was previously managed by Northland Inc. Limited. Council took over the management of the project on the basis that it would not be liable for any historic matters. The contractual end date of the project is 17 October 2014. A final milestone report was submitted to MfE and MPI during October 2014. All contractual commitments to MPI are fully completed. Discussions are continuing with MfE to extend the contract for a further year subject to them making additional funds available. There are no residual issues or concerns outstanding for this contract.

### *Other legal claims*

At year end there were a number of legal claims against council that had not been heard before the court 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 the council.

## Northland Inc. Limited

### *Northland Inc. Limited Oyster Project*

During the 2013/2014 financial year, Northland Inc. Ltd assigned responsibility and obligations under the contract with MfE and MPI to Northland Regional Council. This was recorded in a novation agreement with MPI dated 20 December 2013, and at this date, all parties to this agreement noted that Northland Inc. Ltd had discharged its obligations and liabilities to the satisfaction of the parties. Documentation with MfE remains outstanding pending the completion of the obligations to MfE by Northland Regional Council which Northland Inc. Ltd understands will occur around October 2014. All payments made by MfE to Northland Inc. Ltd prior to August 2013 were subject to MfE being satisfied in all respects with Northland Inc. Ltd's use of funding and agreement on deliverables, therefore Northland Inc. Ltd is satisfied that there is minimal risk of any liability to any of the parties as a result of the agreements in place and work undertaken to date. However, some contingent risk may exist with respect to the obligations to MfE until completion of the project by Northland Regional Council.

## Regional Software Holdings Limited

*Nil*

## Marsden Maritime Holdings Limited

- Bank of New Zealand – a bond given by them to the New Zealand Stock Exchange - \$75,000 (2013: \$75,000).
- To the Whāngārei District Council in respect of postponed land rates on company-owned farmland in accordance with the council's postponed rates policy – \$226,935 (June 2013: \$252,242). This amount becomes payable immediately if the said land ceases to be farmland or is sold.
- To Westpac New Zealand Limited in respect of a guarantee provided on behalf of North Port Coolstores (1989) Limited – \$675,000 (2012: \$675,000).

**Note 33b: Contingent assets**

At 30 June 2014 council and the group had no contingent assets (2013: nil).

**Note 34: Related party transactions**

Northland Regional Council is the ultimate parent of the group and has control or influence over three entities, being Marsden Maritime Holdings Limited (53.61% owned) and Northland Inc. Limited (100% owned) and Regional Software Holdings Limited (16.75% shareholding). It also has significant influence over a number of other entities by way of direct investments in these entities by its subsidiary, Marsden Maritime Holdings Limited.

**The following transactions were carried out with related parties:****Marsden Maritime Holdings Limited**

	<b>Council 30-Jun-14 \$</b>	<b>Council 30-Jun-13 \$</b>
Dividend received by council	2,325,005	2,103,576
Services provided by the council in the normal course of business	740	2,022
Services provided to the council in the normal course of business	Nil	Nil
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil
<b>North Port Cool Stores (1989) Limited</b>	Nil	Nil

**North Tugz Limited**

Services provided by the council in the normal course of business	83	82
Services provided to the council in the normal course of business	23,284	12,251
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil

**Enterprise Northland**

Services provided by the council in the normal course of business	Nil	Nil
Services provided to the council in the normal course of business	Nil	7,760
Grant received from the council	Nil	Nil
Accounts payable to the council for services provided in the normal course of business	Nil	Nil

**Northland Inc. Limited**

Services provided by the council in the normal course of business	52,810	37,265
Services provided to the council in the normal course of business	271,384	16,043
Grants received from council	1,100,000	1,100,000
Accounts payable to the council for services provided in the normal course of business	Nil	41,895
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil

**Northport Limited**

Services provided by the council in the normal course of business	129,175	121,156
Services provided to the council in the normal course of business	23,867	17,526
Accounts payable to the council for services provided in the normal course of business	2,441	6,451
Accounts receivable from the council for services provided in the normal course of business	10,542	9,167

**Regional Software Holdings Limited**

Services provided by the council in the normal course of business	Nil	Nil
Services provided to the council in the normal course of business	137,437	23,551
Accounts payable to the council for services provided in the normal course of business	25,999	27,084
Accounts receivable from the council for services provided in the normal course of business	Nil	Nil

The above entities may pay rates to the council. The amount of rates has not been included in the disclosure above for the year ended 30 June 2014 (2013: nil). All rates are calculated on an arm's length basis.

All members of the group are considered to be related parties of Northland Regional Council. Details of investment in, financial assistance to, and transactions with these entities are summarised in the respective notes. During the period, certain transactions that were not material in nature took place between Marsden Maritime Holdings Limited and companies in which some of the directors have an interest or association.



For these transactions, the particular directors involved abstained from voting at the time, in accordance with the company's constitution. No provision has been required, nor any expense recognised, for impairment of receivables for any loans or other receivables to related parties (2013: nil).

### **Related-party transactions with key management personnel**

During the year, key management personnel, as part of normal local authority relationships were involved in transactions of a minor and routine nature.

Councillor Joe Carr is a director of Carwin Farming Limited. During the year the company was not invoiced (2013: \$94.50).

Councillor Tony Davies-Colley is a director of Blackdog Steelworks Limited. There were no transactions with Blackdog Steelworks Limited prior to 23 October 2013 (council elections) (2013: \$400.59).

Councillor Tony Davies-Colley is a director of Marine Park Limited (Port Nikau Joint Venture). During the year to 23 October 2013 (council elections) the company was invoiced \$6,077 (including GST) and there was \$3,435 (including GST) outstanding at 23 October 2013 (2013: \$8,312.83).

Councillor Tony Davies-Colley is a director of Park Point Limited (Park Point Joint Venture). There were no transactions with Park Point Limited (Park Point Joint Venture) prior to 23 October 2013 (council elections) (2013: \$372.05).

Councillor Tony Davies-Colley is a director of Pipiwai Investments Limited. There were no transactions with Pipiwai Investments Limited prior to 23 October 2013 (council elections) (2013: \$94.50).

Councillor Tony Davies-Colley is director of Westpoint Farms Limited. There were no transactions with Westpoint Farms Limited prior to 23 October 2013 (council elections) (2013: \$490.50).

Councillor Tony Davies-Colley is director of Westpoint Management Limited. There were no transactions with Westpoint Management Limited prior to 23 October 2013 (council elections) (2013: \$892.40).

Councillor Ian Walker is a director of Kaikora Farms Limited. During the year to 23 October 2013 (council elections) the company was invoiced \$192 (including GST) and there was nil outstanding at 23 October 2013 (2013: \$562.75).

Councillor Graeme Ramsey is a shareholder of Anglesea Consulting Limited. During the year the company was invoiced \$474.55 (including GST) (2013: \$624.60)

Malcolm Nicolson, Chief Executive Officer, deemed to be key management personal, paid a mooring fee to council of \$169.00 (including GST) for a mooring in Paihia (2013: \$163.00)

One of the key management personnel's partners was a Partner at Thomson Wilson to 28 November 2012 (2013: \$438,574.08).

One of the key management personnel's partner is Julian Dawson Barrister. Payments made from the council for services provided in the normal course of business totalled \$2,070.00 (including GST) (2013: nil).

Except for these transactions, no key management personnel have entered into related party transactions with the group (2013: nil).

"Key management personnel" comprises the councillors and chair, the chief executive, and the management team. All the relevant information relating to remuneration is disclosed in Note 35.

No provision has been required, nor any expense recognised for impairment of receivables, for any loans or other receivables to related parties (2012: nil).

**Note 35: Remuneration****Chief executive**

The chief executive of the council was appointed in accordance with section 42 of the Local Government Act. The total cost to the council (including fringe benefit tax), of the remuneration package for the year ended 30 June 2014 was \$265,957 for the year (2013: \$265,305). A breakdown of the chief executive's remuneration package is as follows.

	<b>Council 30-Jun-14 \$</b>	<b>Council 30-Jun-13 \$</b>
Salary	215,362	215,362
Vehicle (including FBT)	42,774	42,774
Kiwisaver employer contribution	6,452	6,452
Memberships and allowances	1,369	716
<b>Total remuneration</b>	<b>265,957</b>	<b>265,305</b>

**Directors' remuneration**

Directors' remuneration is any money, consideration or benefit received, receivable or otherwise made available, directly or indirectly to a director during the reporting period. Councillors, including the chair, are considered to be directors as they occupy the position of a member of the governing body of the council reporting entity. The disclosures for the group include remuneration of the councillors in their role as directors within the group. The aggregate remuneration paid to the councillors, directors and the chair totalled \$606,723 (2013: 534,913).

<b>Council member</b>	<b>Monetary Remuneration</b>			<b>Director/ Trustee Fees \$</b>	<b>Total Remuneration</b>	
	<b>Salary \$</b>	<b>Non-salary \$</b>	<b>Total Council Remuneration \$</b>		<b>30-Jun-14</b>	<b>30-Jun-13</b>
Chair, Bill Shepherd <sup>1</sup>	68,929	608	69,537	-	69,537	-
Deputy Chair, Graeme Ramsey	67,773	5,555	73,328	-	73,328	60,385
Chair, Environment Management Committee, Joe Carr	58,989	8,481	67,470	-	67,470	61,776
Chair, Audit and Risk Committee, David Sinclair	42,083	1,364	43,447	-	43,447	-
Craig Brown	73,176	3,468	76,644	-	76,644	102,163
John Bain	58,989	1,709	60,698	-	60,698	56,919
Dennis Bowman	42,083	9,690	51,773	-	51,773	-
Dover Samuels	42,083	4,597	46,680	-	46,680	-
Paul Dimery	42,083	3,765	45,848	-	45,848	-
Tony Davies-Colley	16,906	228	17,134	-	17,134	57,114
Ian Walker <sup>2</sup>	16,906	1,691	18,597	5,908	24,505	79,030
Bill Rossiter	16,906	228	17,134	-	17,134	56,516
Bronwyn Hunt	16,906	1,527	18,433	-	18,433	61,009
	<b>563,812</b>	<b>42,911</b>	<b>606,723</b>	<b>5,908</b>	<b>612,631</b>	<b>534,913</b>

<sup>1</sup> The chair has full private use of a council vehicle.

<sup>2</sup> Councillor Walker was a director of Marsden Maritime Holdings Limited, resigning from this position on 18 October 2013.

**Salary**

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.

**Non-salary**

The determination issued by the Remuneration Authority also provides for the payment of hearing fees for those councillors who sit as members on hearings of resource consent applications lodged under the Resource Management Act 1991. The fees for members who act in this capacity are paid at the rate of \$100 per hour for the chair and \$80 per

hour for other members of the committee. The level of fees received by councillors who have sat on resource consent hearings for the 2012/13 financial year is included under the heading "monetary remuneration – non-salary".

Councillors are also able to claim an allowance for mileage. This allowance is also set by the Remuneration Authority and is paid to councillors using their personal vehicle to travel from their normal place of residence to official Council meetings. The mileage allowance paid to councillors is also included under the heading "monetary remuneration – non-salary".

	Council 30-Jun-14 \$	Council 30-Jun-13 \$
<b>Key management personnel</b>		
Remuneration paid to key management personnel *	1,462,169	1,510,474
Post-employment benefits	17,864	16,190
Other long terms benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	<b>1,480,033</b>	<b>1,526,664</b>

\* Key management personnel include the chair, councillors, chief executive and other senior management personnel.

During the year, councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with the council (such as payment of rates).

### Remuneration salary bands for employees

The number of employees who received remuneration at 30 June are detailed below. For those 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-14 \$	Council 30-Jun-13 \$
<b>Total annual remuneration by band for employees at 30 June</b>		
< \$60,000	98	98
\$60,000 - \$79,999	54	54
\$80,000 - \$99,000	21	20
\$100,000 - \$139,999	5	5
\$140,000 - \$229,000	3	4
<b>Total employees</b>	<b>181</b>	<b>181</b>

Total remuneration includes non-financial benefits provided to employees. At balance date council employed 140 (2013: 139) full-time employees, with the balance of staff representing 15.81 (2013: 15.75) full-time equivalent employees. A full-time employee is determined on the basis of a 37.5 hour working week.

### Note 36: Severance payments

In accordance with Schedule 10, section 33 of the Local Government Act 2002, the council is required to disclose the number of employees who received severance payments during the year, and the amount of each severance payment made. Severance payments include any consideration (monetary and non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with council. Severance payments exclude any final payment of salary, holiday pay and superannuation contributions.

For the year ending 30 June 2014, there were no severance payments. (2013: nil).

### Note 37: Events after balance sheet 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 21 August 2014, the New Zealand Markets Disciplinary Tribunal, in a determination relating to the application of the NZX listing rules in relation to Northland Regional Council exercising its vote on a resolution to increase Marsden Maritime Holding Limited's director fees, censured Marsden Maritime Holdings Limited. The Tribunal imposed no penalty on or award of costs against Marsden Maritime Holdings Limited, noted that the Marsden Maritime Holdings

Limited resolution which related to the Tribunal's determination was not impugned and that Marsden Maritime Holdings Limited had considered and held an honest belief that Northland Regional Council was entitled to vote.

On the 1 July 2014 the Company acquired Marsden Cove marina and adjoining commercial complex for \$6,950,000. The disclosures surrounding the fair value of acquired assets are not included in these financial statements as the initial accounting for the acquisition is yet to be completed. 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. The facility is secured to the bank by a first ranking mortgage over the Company's freehold land and other assets.

There were no other significant events after balance date.

#### Note 38: Breach of legislation

There were no significant breaches of legislation during the year.

#### Note 39: Segment reporting

Northland Regional Council is a public benefit entity and is therefore not required to present segment information under NZ IAS 14 (4.1) Segment Reporting. The council's subsidiary, Marsden Maritime Holdings Limited, is an entity whose securities are publicly traded, and it will therefore present segment information in its own separate financial report.

#### Note 39A: Financial instrument categories

##### FINANCIAL ASSETS

##### Loans and receivables

	Note	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Cash and cash equivalents	12	5,124,001	15,889,952	6,889,760	16,984,938
Term deposits	22	9,030,000	6,000,000	9,030,000	6,000,000
Debtors and other receivables	13	4,088,915	4,896,707	4,377,051	5,459,628
Other receivables (long term)	18	5,107,872	5,395,453	5,094,120	5,395,453

##### Total loans and receivables

		<b>23,350,787</b>	<b>32,182,112</b>	<b>25,390,930</b>	<b>33,840,019</b>
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##### Financial assets at fair value through surplus/(deficit)

##### Other financial assets:

Term deposits, local authority and government stock		8,246,333	2,538,132	8,246,333	2,538,132
Income funds		4,600,357	2,019,050	4,600,357	2,019,050
Equity funds		5,430,883	4,131,168	5,430,883	4,131,168
Listed shares		-	-	657,671	827,395
Private equity		-	9,552	-	9,552
Property trusts		-	-	-	-
Emission Trading Scheme – NZU's		72,459	31,428	72,459	31,428

##### Total financial assets at fair value through surplus/(deficit)

		<b>18,350,032</b>	<b>8,729,330</b>	<b>19,007,703</b>	<b>9,556,725</b>
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##### Fair value through other comprehensive income

##### Other financial assets:

Local authority and government stock		2,664,122	4,352,517	2,664,122	4,352,714
Listed shares		-	-	-	-

##### Total fair value through other comprehensive income

		<b>2,664,122</b>	<b>4,352,517</b>	<b>2,664,122</b>	<b>4,352,714</b>
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##### FINANCIAL LIABILITIES

##### Financial liabilities measured at amortised cost

Creditors and other payables	26	5,200,676	5,114,869	5,890,701	6,240,688
Borrowings:					
Bank overdraft		-	-	-	-
Bank loan		-	-	-	-
Lease liability		-	-	625	5,465

##### Total financial liabilities measured at amortised cost

		<b>5,200,676</b>	<b>5,114,869</b>	<b>5,891,326</b>	<b>6,246,153</b>
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**Note 39B: 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.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Valuation techniques			Significant non-observable inputs
	Total \$000	Quoted market price \$000	Observable Inputs \$000	\$000
<b>30 June 2014 – council</b>				
<b>Financial assets</b>				
Local authority stock				
Emission Trading Scheme - NZU's	72,459	72,459	-	-
Shares	-	-	-	-
Income funds	4,600,357	4,600,357	-	-
Equity funds	5,430,883	5,430,883	-	-
Private equity	-	-	-	-
Property trusts	-	-	-	-
Other stocks and bonds	2,664,124	2,664,124	-	-
<b>Financial liabilities</b>				
Derivatives	-	-	-	-
<b>30 June 2014 – group</b>				
<b>Financial assets</b>				
Derivatives	-	-	-	-
Local authority stock	-	-	-	-
Emission Trading Scheme – NZU's	72,459	72,459	-	-
Shares	657,671	657,671	-	-
Income funds	4,600,357	4,600,357	-	-
Equity funds	5,430,883	5,430,883	-	-
Private equity	-	-	-	-
Other stocks and bonds	2,664,124	2,664,124	-	-
<b>Financial liabilities</b>				
Derivatives	-	-	-	-
<b>30 June 2013 – council</b>				
<b>Financial assets</b>				
Derivatives	-	-	-	-
Local authority stock	2,022,392	2,022,392	-	-
Emission Trading Scheme – NZU's	31,428	31,428	-	-
Shares	-	-	-	-
Income funds	2,019,050	2,019,050	-	-
Equity funds	4,131,168	4,131,168	-	-
Private equity	9,552	-	-	9,552
Property trusts	-	-	-	-
Other stocks and bonds	4,868,256	4,868,256	-	-
<b>Financial liabilities</b>				
Derivatives	-	-	-	-
<b>30 June 2013 – group</b>				
<b>Financial assets</b>				
Derivatives	-	-	-	-
Local authority stock	2,022,392	2,022,392	-	-
Emission Trading Scheme – NZU's	31,428	31,428	-	-

Shares	827,395	827,395	-	-
Income funds	2,019,050	2,019,050	-	-
Equity funds	4,131,168	4,131,168	-	-
Private equity	9,552	-	-	9,552
Property trusts	-	-	-	-
Other stocks and bonds	4,868,256	4,868,256	-	-
<b>Financial liabilities</b>				
Derivatives	-	-	-	-

There were no transfers between the different levels of the fair value hierarchy.

#### Note 39C: Financial instrument risks

#### Valuation techniques with significant non-observable inputs (Level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements.

	Note	30-Jun-14 \$	30-Jun-13 \$
<b>Balance at 1 July</b>		<b>9,552</b>	<b>367,579</b>
Gain and losses recognised in the surplus or deficit		-	-
Gain and losses recognised in other comprehensive income		-	-
Purchases		-	-
Sales		(9,552)	(358,027)
Transfers into level 3		-	-
Transfers out of level 3		-	-
<b>Balance at 30 June</b>		<b>-</b>	<b>9,552</b>

Northland Regional Council has a series of policies to manage the risk associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has established council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Council also manages the Community Investment Fund (formerly known as Northland Regional Council Community Trust Fund) and does so in accordance with the Statement of Investment Policies and Objectives (SIPO). The SIPO and any changes to it are approved by council. Quarterly performance reporting is prepared by independent investment advisor Eriksen and Associates.

#### Maximum exposure to credit risk

Council's maximum credit exposure for each class of financial instrument is as follows.

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
Cash at bank and term deposits	5,124,001	15,889,952	6,889,760	16,984,938
Debtors and other receivables	4,088,915	4,896,707	4,377,051	5,459,628
Other receivables	5,107,872	5,395,453	5,094,120	5,395,453
Term deposits, local authority and government stock	19,940,469	10,352,517	19,940,469	10,352,714
Other stocks, bonds	-	2,538,132	-	2,538,132
Emission Trading Scheme – NRU's	72,459	31,428	72,459	31,428
Shares	-	-	657,671	827,395
Income funds	4,600,357	2,019,050	4,600,357	2,019,050
Equity funds	5,430,883	4,131,182	5,430,883	4,131,168
Private equity	-	9,552	-	9,552
Property trusts	-	-	-	-
	<b>44,364,955</b>	<b>45,263,973</b>	<b>47,062,769</b>	<b>47,749,457</b>

## Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

	Council 30-Jun-14 \$	Council 30-Jun-13 \$	Consolidated 30-Jun-14 \$	Consolidated 30-Jun-13 \$
<b>COUNTERPARTIES WITH CREDIT RATINGS</b>				
Cash at bank and current term deposits				
AA	-	-	-	-
AA-	5,124,001	15,889,952	6,889,760	16,984,938
<b>Total cash at bank and current term deposits</b>	<b>5,124,001</b>	<b>15,889,952</b>	<b>6,889,760</b>	<b>16,984,938</b>
Term deposits, local authority and government stock				
A+	2,170,070	2,251,632	2,170,070	2,251,632
AA	-	-	-	-
A	-	-	-	-
A-	214,925	-	214,925	-
AA-	17,478,174	6,000,000	17,478,174	6,000,000
BBB+	-	-	-	-
Unrated - local authority	-	2,022,392	-	2,022,392
Unrated	77,299	78,493	77,299	78,493
<b>Total local authority and government stock</b>	<b>19,940,469</b>	<b>10,352,517</b>	<b>19,940,469</b>	<b>10,352,517</b>
Other stocks, bonds (Community Investment Funds)				
A+	-	-	-	-
AA	-	-	-	-
A	-	-	-	-
AA-	-	686,318	-	686,318
BBB+	-	713,553	-	713,553
Unrated	-	1,112,726	-	1,112,726
Cash or cash equivalent	-	25,535	-	25,535
	-	2,538,132	-	2,538,132
Derivative financial instrument assets				
AA	-	-	-	-
AA-	-	-	-	-
<b>Total derivative financial instrument assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COUNTERPARTIES WITHOUT CREDIT RATINGS</b>				
Emission Trading Scheme – NZU's	72,459	31,428	72,459	31,428
Shares	-	-	657,671	827,395
Income funds	4,600,357	2,019,050	4,600,357	2,019,050
Equity funds	5,430,883	4,131,182	5,430,883	4,131,168
Private equity	-	9,552	-	9,552
Property trusts	-	-	-	-
	<b>10,103,699</b>	<b>6,191,212</b>	<b>10,761,370</b>	<b>7,018,593</b>

Debtors and other receivables arise mainly from the councils 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. 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.

The council's primary investment objective is to protect capital value to minimise the risk of capital loss. Credit risk is minimised by setting maximum portfolio limits on each class of investment and specific limits on each investee. Where relevant, the minimum long term credit rating is BBB+.

During 2005/06 council's Treasury Management Policy allowed council to invest in unrated investments, if strongly recommended by expert financial advisers. Investments in unrated investments were undertaken in the 2005/06 financial year. There have been no further investments in unrated institutions since this time.

The Treasury Management Policy requires council to reduce the credit exposure to zero (or minimise it by taking into account maturity dates and the costs of losses on redemption). Council has sought independent investment advice and is continuing to monitor the credit worthiness of these investments.

On 30 June 2012, council took responsibility for the former Northland Regional Council Community Trust Fund. A Statement of Investment Policies and Objectives has been developed for the investment of these assets.

### 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 the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying Amount \$	Contractual Cash Flows \$	Less than 1 Year \$	1 - 2 Years \$	2 - 5 Years \$	More than 5 Years \$
<b>Council 2014</b>						
Creditors and other payables	5,200,676	5,200,676	5,200,676	-	-	-
<b>Group 2014</b>						
Creditors and other payables	5,890,701	5,890,701	5,890,701	-	-	-
Bank overdraft	-	-	-	-	-	-
Secured loans	-	-	-	-	-	-
Debentures	-	-	-	-	-	-
Finance leases	625	625	625	-	-	-
Finance guarantees	-	-	-	-	-	-
<b>Total</b>	<b>5,891,326</b>	<b>5,891,326</b>	<b>5,891,326</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Council 2013</b>						
Creditors and other payables	5,114,869	5,114,869	5,114,869	-	-	-
<b>Group 2013</b>						
Creditors and other payables	6,240,688	6,240,688	6,240,688	-	-	-
Net settled derivative liabilities	-	-	-	-	-	-
Bank overdraft	-	-	-	-	-	-
Secured loans	-	-	-	-	-	-
Debentures	5,465	5,465	4,840	625	-	-
Finance leases	-	-	-	-	-	-
Finance guarantees	6,246,153	6,246,153	6,245,528	625	-	-
<b>Total</b>	<b>5,114,869</b>	<b>5,114,869</b>	<b>5,114,869</b>	<b>-</b>	<b>-</b>	<b>-</b>

The table below analyses council's financial assets into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual, undiscounted cash flows.

### Contractual maturity analysis of financial assets

	Carrying Amount \$	Contractual Cash Flows \$	Less than 1 Year \$	1 - 2 Years \$	2 - 5 Years \$	More than 5 Years \$
<b>Council 2014</b>						
Cash and cash equivalents	5,124,001	5,162,431	5,162,431	-	-	-
Debtors and other receivables	4,088,915	4,088,915	4,088,915	-	-	-
Other receivables	5,107,872	5,107,872	-	-	5,107,872	-
Other financial assets:						
Term deposits, local authority and	19,460,462	20,522,036	19,249,852	675,150	597,033	-



government stock						
Term deposits, stocks and bonds (former NRCCT Trust Fund)	480,000	480,000	480,000	-	-	-
Emission Trading Scheme – NRU's	72,459	72,459	72,459	-	-	-
Income funds	4,600,357	4,600,357	4,600,357	-	-	-
Equity funds	5,430,883	5,430,883	5,430,883	-	-	-
Private equity	-	-	-	-	-	-
Property trusts	-	-	-	-	-	-
<b>Total</b>	<b>44,364,978</b>	<b>45,915,568</b>	<b>39,084,897</b>	<b>675,150</b>	<b>5,704,905</b>	<b>-</b>
<b>Group 2014</b>						
Cash and cash equivalents	6,889,760	6,941,433	6,941,433	-	-	-
Debtors and other receivables	4,377,051	4,377,051	4,377,051	-	-	-
Other receivables	5,094,120	5,094,120	-	-	5,094,120	-
Other financial assets:						
Term deposits, local authority and government stock	19,460,462	20,522,036	19,249,852	675,150	597,033	-
Term deposits, stocks and bonds (former NRCCT Trust Fund)	480,000	480,000	480,000	-	-	-
Emission Trading Scheme – NZU's	72,459	72,459	72,459	-	-	-
Listed shares	657,671	657,671	657,671	-	-	-
Income equity	4,600,357	4,600,357	4,600,357	-	-	-
Equity funds	5,430,883	5,430,883	5,430,883	-	-	-
Private equity	-	-	-	-	-	-
<b>Total</b>	<b>47,062,762</b>	<b>48,626,625</b>	<b>41,809,706</b>	<b>675,150</b>	<b>5,691,153</b>	<b>-</b>
<b>Council 2013</b>						
Cash and cash equivalents	15,889,952	16,009,126	16,009,126	-	-	-
Debtors and other receivables	4,896,707	4,896,707	4,896,707	-	-	-
Other receivables	5,395,453	5,395,453	-	-	5,395,453	-
Other financial assets:						
Term deposits, local authority and government stock	10,352,517	11,676,152	8,350,168	2,548,303	777,681	-
Term deposits, stocks and bonds (former NRCCT Trust Fund)	2,538,132	3,603,185	1,491,883	537,338	1,241,071	332,894
Emission Trading Schemed – NZU's	31,428	31,428	31,428	-	-	-
Income funds	2,019,050	2,019,050	2,019,050	-	-	-
Equity funds	4,131,182	4,131,182	4,131,182	-	-	-
Private equity	9,552	9,552	9,552	-	-	-
Property trusts	-	-	-	-	-	-
<b>Total</b>	<b>45,263,972</b>	<b>47,771,835</b>	<b>36,939,096</b>	<b>3,085,641</b>	<b>7,414,205</b>	<b>332,894</b>
<b>Group 2013</b>						
Cash and cash equivalents	16,984,938	17,112,325	17,112,325	-	-	-
Debtors and other receivables	5,459,628	5,459,628	5,459,628	-	-	-
Other receivables	5,395,453	5,395,453	-	-	5,395,453	-
Other financial assets:						
Term deposits, local authority and government stock	10,352,714	11,676,152	8,350,168	2,548,303	777,681	-
Term deposits, stocks and bonds (former NRCCT Trust Fund)	2,538,132	3,603,185	1,491,883	537,338	1,241,071	332,894
Emission Trading Schemed – NZU's	31,428	31,428	31,428	-	-	-
Listed shares	827,395	827,395	827,395	-	-	-
Income funds	2,019,050	2,019,050	2,019,050	-	-	-
Equity funds	4,131,182	4,131,182	4,131,182	-	-	-
Private equity	9,552	9,552	9,552	-	-	-
Property trusts	-	-	-	-	-	-
<b>Total</b>	<b>47,749,471</b>	<b>50,265,350</b>	<b>39,432,611</b>	<b>3,085,641</b>	<b>7,414,205</b>	<b>332,894</b>

## Sensitivity analysis

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

	2014				2013			
	+100bps		-100bps		+100bps		-100bps	
	Profit \$	Other Equity \$	Profit \$	Other Equity \$	Profit \$	Other Equity \$	Profit \$	Other Equity \$
<b>COUNCIL</b>								
<b>INTEREST RATE RISK</b>								
<b>Financial assets</b>								
Cash and cash equivalents	51,240	-	(51,240)	-	158,900	-	(158,900)	-
Other financial assets:								
Term deposits, local authority and government stock	199,405	-	(199,405)	-	103,525	-	(103,525)	-
Community Investment Fund	100,312	-	(100,312)	-	86,979	-	(86,979)	-
<b>Financial liabilities</b>								
Borrowings:								
Bank overdraft	-	-	-	-	-	-	-	-
Term loans	-	-	-	-	-	-	-	-
<b>Total sensitivity to interest rate risk</b>	<b>350,957</b>	<b>-</b>	<b>(350,957)</b>	<b>-</b>	<b>349,404</b>	<b>-</b>	<b>(349,404)</b>	<b>-</b>

## Explanation of sensitivity analysis – council

**Cash and cash equivalents** include deposits, at call, totalling \$5,124,001 (2013: \$15,889,952) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of \$51,240 (2013: \$158,900).

**Term deposits, local authority and government stock:** A total of \$19,940,469 (2013: \$10,352,517) of investment in local authority stock is classified at fair value through equity. A movement in interest rates of plus or minus 1% has an effect of \$199,405 (2013: \$103,525) on the fair value through equity reserve.

**Community Investment Fund:** A total of \$10,031,241 of Community Investment Fund is classified through surplus or deficit (total fund is \$10,585,322) with \$74,081 included in cash and cash equivalents and \$480,000 in term deposits (note 12 and 22). A movement in interest rates of plus or minus 1% has an effect of \$100,312 on the surplus or deficit. The portfolio is subject to fair value interest rate risk, cash flow interest rate risk and currency risk. As this is a long-term investment the cash flows from the investment are expected to be receivable in more than five years.

Council has established and approved a Statement of Investment Policies and Objectives for the investment of these monies.

**Listed Shares:** Council holds listed equity instruments in Marsden Maritime Holdings Limited, which are publicly traded and included in the New Zealand Stock Exchange. Northland Regional Council's investment in the Marsden Maritime Holdings Limited is carried at cost.

	2014				2013			
	+100bps		-100bps		+100bps		-100bps	
	Profit \$	Other Equity \$	Profit \$	Other Equity \$	Profit \$	Other Equity \$	Profit \$	Other Equity \$
<b>GROUP</b>								
<b>Financial assets</b>								
Cash and cash equivalents	68,898	-	(68,898)	-	169,849	-	(169,849)	-
Derivatives – held for trading	-	-	-	-	-	-	-	-
Derivatives – hedge accounted	-	-	-	-	-	-	-	-
Other financial assets:								

Term deposits, local authority and government stock	199,405	-	(199,405)	-	103,527	-	(103,527)	-
Community Investment Fund	100,312	-	(100,312)	-	86,979	-	(86,979)	-
Financial liabilities	-	-	-	-	-	-	-	-
Derivatives – hedge accounted	-	-	-	-	-	-	-	-
Borrowings:	-	-	-	-	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-	-
Term loans	-	-	-	-	-	-	-	-
<b>Total sensitivity to interest rate risk</b>	<b>368,615</b>	<b>-</b>	<b>(368,615)</b>	<b>-</b>	<b>360,356</b>	<b>-</b>	<b>(360,356)</b>	<b>-</b>

### Explanation of sensitivity analysis – group

**Cash and cash equivalents:** Cash and cash equivalents include deposits, at call, totalling \$6,889,760 (2013: \$16,984,938) which are at floating rates. A movement in interest rates of plus or minus 1% has an effect on interest income of \$68,898 (2013: \$169,849).

**Term deposits, local authority and government stock:** A total of \$19,940,469 (2013: \$10,352,517) of investment in local authority stock is classified at fair value through equity. A movement in interest rates of plus or minus 1% has an effect of \$199,405 (2013: \$103,527) on the fair value through equity reserve.

**Community Investment Fund:** A total of \$10,031,241 of Community Investment Fund is classified through surplus or deficit (total fund is \$10,585,322) with \$74,081 included in cash and cash equivalents and \$480,000 in term deposits (note 12 and 22). A movement in interest rates of plus or minus 1% has an effect of \$100,312 on the surplus or deficit. The portfolio is subject to fair value interest rate risk, cash flow interest rate risk and currency risk. As this is a long-term investment the cash flows from the investment are expected to be receivable in more than five years.

Council has established and approved a Statement of Investment Policies and Objectives for the investment of these monies.

**Interest rate risk:** Marsden Maritime Holdings Limited is exposed to changes in interest rate of its long-term debt obligations, as these are based on floating interest rates. To mitigate this risk, derivative interest rate swap contracts are periodically entered into under which the group is obliged to receive interest at floating rates and to pay interest at fixed rates. The group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates.

**Creditors and other payables:** Marsden Maritime Holdings Limited's exposure to foreign exchange risk is considered to be minimal. Where relevant, this risk is managed through the use of forward foreign exchange contracts.

**Listed Shares:** Council holds listed equity instruments in Marsden Maritime Holdings Limited, which are publicly traded and included in the New Zealand Stock Exchange. Northland Regional Council's investment in the Northland Port Corporation (NZ) Ltd is carried at cost.

At 30 June 2014, council had an invested its Community Investment fund with 6 different Fund Manager s (refer note 22), some of which invest in cash, NZ and offshore companies, NZ and offshore bonds and property. Council's independent investment advisor Eriksen and Associates monitors and reports the performance of the six fund managers. At 30 June 2014 the fund balance was \$10,585,322 (2013 \$10,586,735).

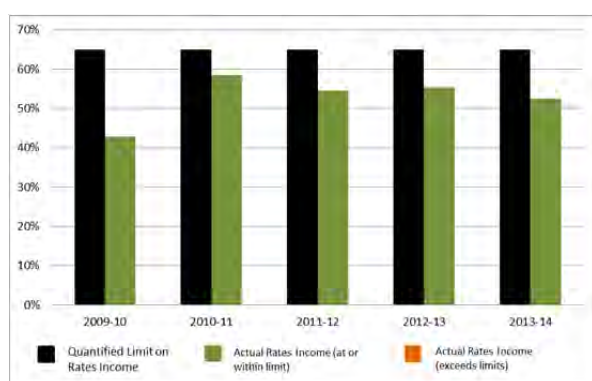
# Financial prudence

The following graphs disclose the council's financial performance in relation to various benchmarks to enable an assessment of whether council is prudently managing its revenues, expenses, assets liabilities and general financial dealings. The following financial prudence graphs are a requirement of the Local Government (Financial Reporting and Prudence) Regulations 2014.

## Rates affordability benchmarks

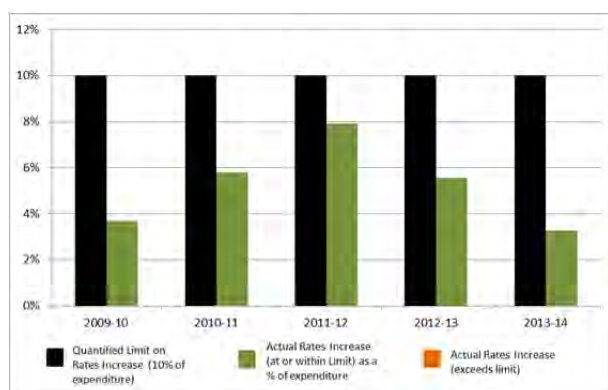
### Rates income affordability

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. The quantified limit is no more than 65% of total revenue.



### Rates increases affordability

The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's Long Term Plan. The quantified limit is no more than 10% of expenditure.



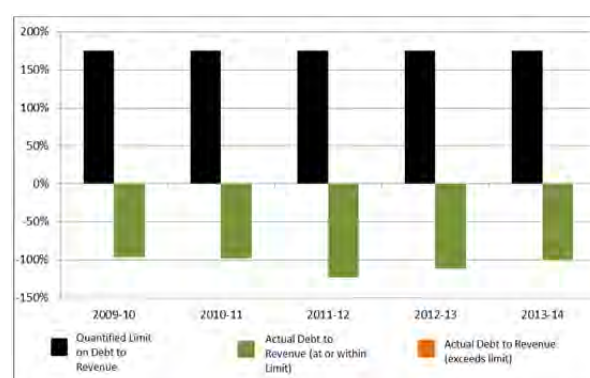
## Debt affordability benchmarks

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.

Northland Regional Council has no external debt.

### Net debt to total revenue

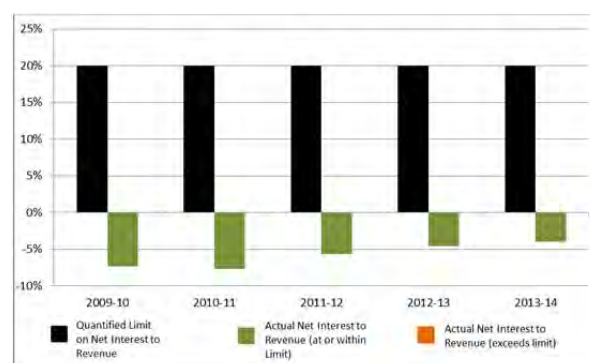
The quantified limit for net debt as a proportion of Total Revenue is 175%.



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

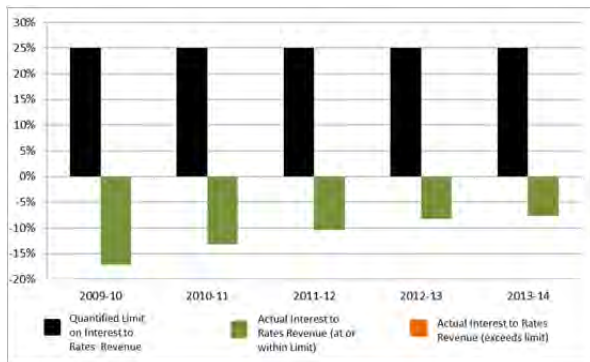
### Net interest to total revenue

The quantified limit for net interest as a proportion of total revenue is 20%.



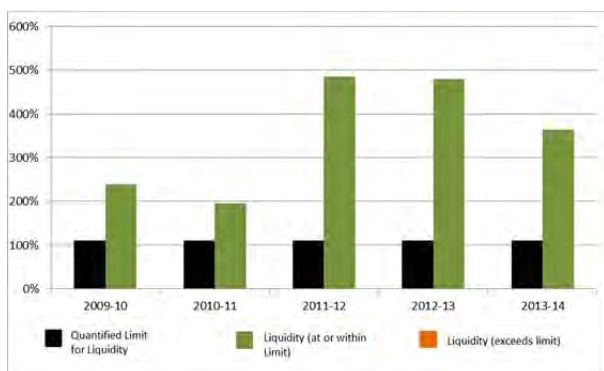
### Net interest to annual rates revenue

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



### Liquidity

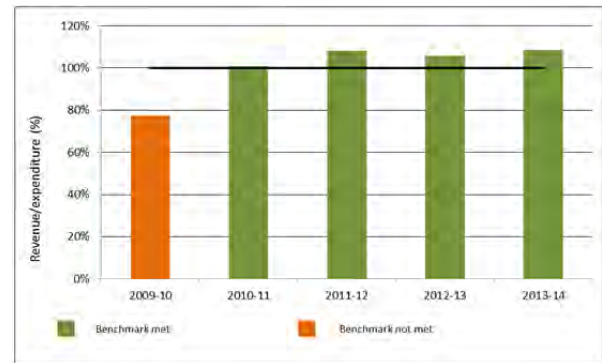
The quantified limit for liquidity is set as a minimum of 110%.



### Balanced budget benchmark

The following graph displays the 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).

The council meets this benchmark if its revenue equals or is greater than its operating expenses.

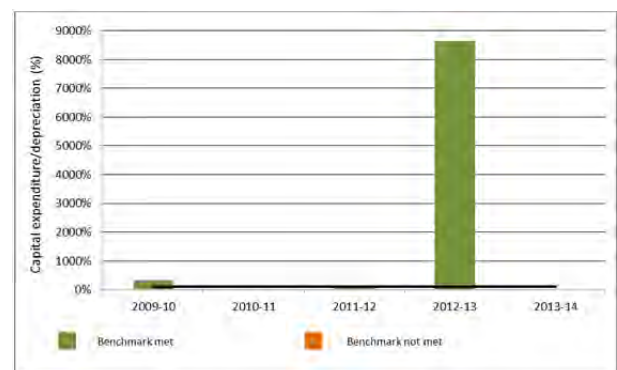


In 2009/10 council contributed \$13,000,000 to the development of the Northland Events Centre in the form of a grant. This has resulted in council not meeting the benchmark in 2009/10. The revenue collected to fund this project has been distributed over a number of years.

### Essential services benchmark

The following graph displays 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.

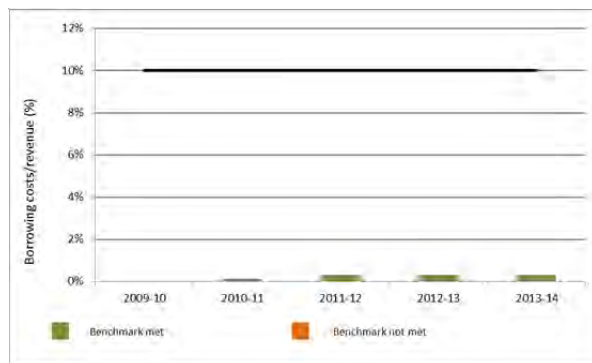


In 2010/11 and 2013/14 council revalued its infrastructure assets and therefore no depreciation expense was recorded for these years. In 2011/12 the result was 156% which is difficult to see due to the scale of the above graph; however, this represents an achieved benchmark.

## 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 council's population 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.



Note that no debt servicing costs existed in 2009/10 and the figures represented in the following years are NRC's half share of the interest associated with the Marsden Point Rail Link in conjunction with NZ Rail.

## Debt control benchmark

This measure is designed to display the council's actual net debt as a proportion of planned net debt.

Northland Regional Council has no 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.

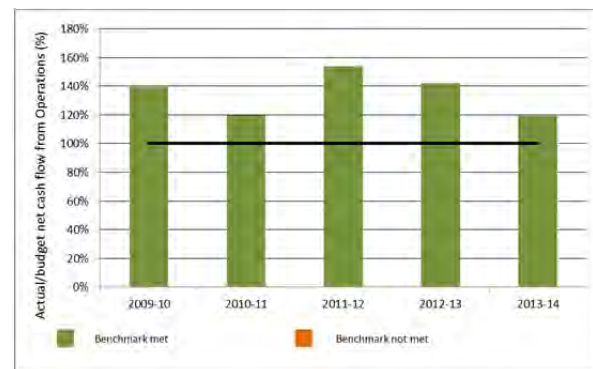


The council meets the debt control benchmark if its actual net assets equals or exceeds its planned net assets. For the purposes of this measure 100% equals planned net assets. In 2010/11 council did not achieve its planned net asset position as an unbudgeted property purchase of \$4.45M was made in relation to the Marsden Point Rail corridor.

## 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.

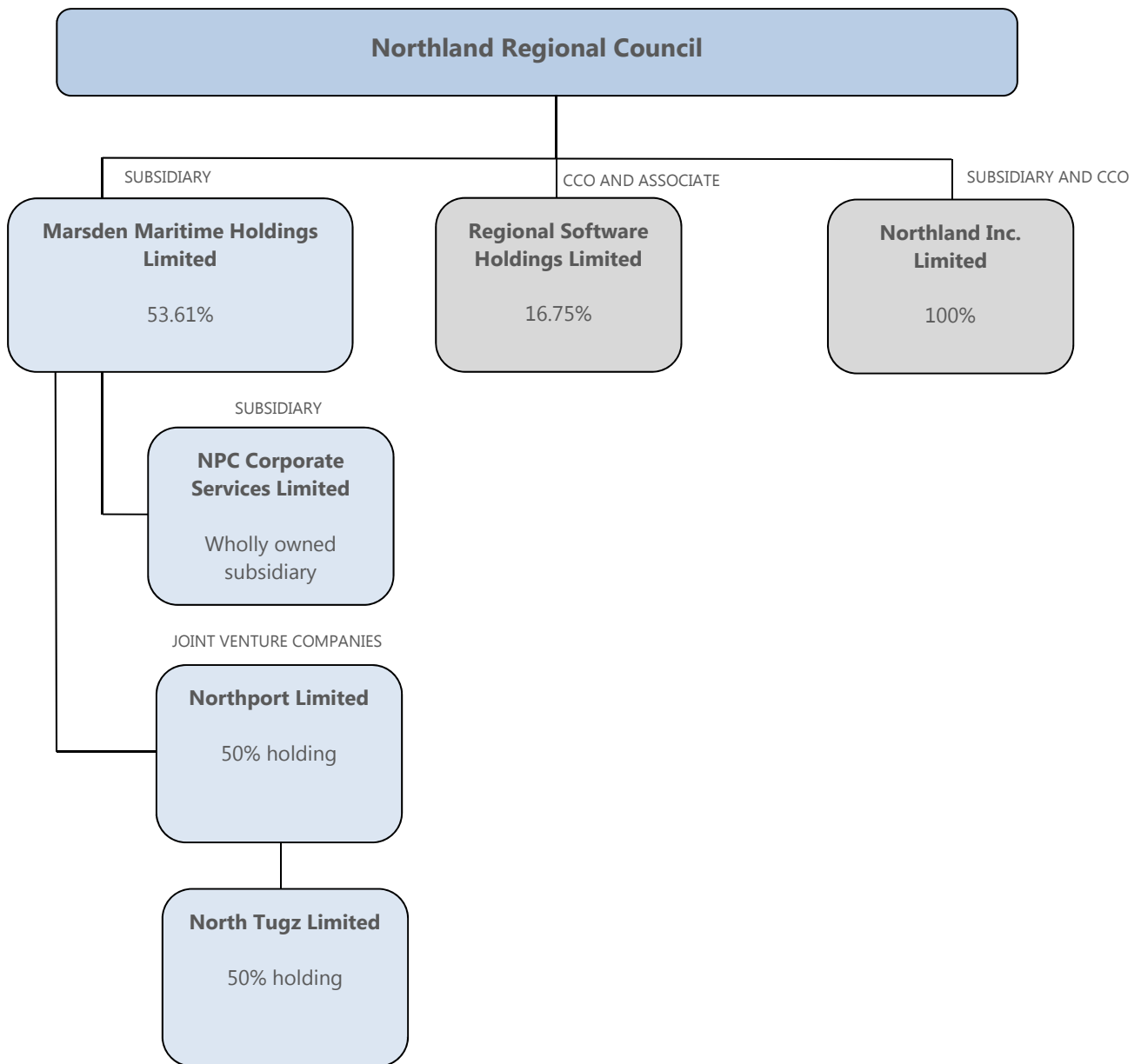
The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations. For the purposes of this measure 100% equals planned net cash flow.



# Report on council-controlled organisations

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## 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 (SOI) 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

## Port ownership

Northland Regional Council owns 53.61% (22.1 million shares) of the issued capital of the Marsden Maritime Holdings Limited, which is presently 41,300,651 ordinary shares of 25 cents each. The balance of shares is held by the public and all shares are listed on the New Zealand Stock Exchange.

The council reviews its shareholding in the company during the triennial review of its strategic plan.

There are seven directors of the Marsden Maritime Holdings Limited. One-third of the directors retire by rotation each year. The following are the directors confirmed at the 2013 Annual General Meeting of shareholders:

Sir John Goulter, Chairman  
 Mr Colin Mitten (resigned effective 17 October 2014)  
 Mr Ross Blackmore  
 Mr Peter Griffiths  
 Ms Susan Huria  
 Mr David Keys  
 Ms Elena Trout  
 Mr Ian C Walker (resigned 18 October 2013)

## Company operations

On August 2014 Northland Port Corporation changed its name to Marsden Maritime Holdings Ltd. Over the last years the company sold its 50% share in North Port Coolstores (1988) Ltd, and its 50% share in Northland Stevedoring Services Limited

The company also owns approximately 180 hectares of industrially zoned land in the Marsden Point area which is being progressively developed for industry and utilises the port at Marsden Point.

## Company financial data

As a listed company, the Marsden Maritime Holdings Ltd is not required to publish a Statement of Corporate Intent nor provide budget estimates to the council, its major shareholder. The corporation is exempt from the council-controlled organisations provisions of the Local Government Act 2002.

Company	Holding at 30 June 2014	Main activity
Northport Limited	50.0%	Port operating company

# Northland Inc. Limited

## About this CCO

Northland Inc. Ltd is the Northland region's economic development agency. Northland Inc. Ltd formed in July 2012.

Northland Inc. Ltd is 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 for a three year term by the council and operational activity is led by a chief executive officer.

## Policies and objectives

Council's Long Term Plan 2012-2022 provided the framework for Northland Inc. Ltd. The activities and functions of the economic development organisation include:

- Finding economic development projects for the council (and others) to invest in (initially using the Investment and Growth Reserve).
- Helping put together business cases for economic development projects.
- Assessing economic development projects (and their business cases) for the council (and others) to invest in.
- Directly assisting projects through business incubation, removing (some) risk (e.g. by getting resource consents, securing land, securing partners).
- Advising council on opportunities and barriers to economic development in Northland.
- Delivering the business grow and skills development service provision, funded by central government.
- Collaborating with industry sector groups, Māori development groups and supporting regional forums – e.g. Northland Energy Forum, Digital Forum, rail project, oyster shell project.
- Regional promotion including tourism promotion and destination marketing.

Promoting Northland as a place to live, work, invest and visit.

## Investment and Growth Reserve

Northland Inc. Ltd's activities include a focus on finding economic development projects that qualify for funding through council's Investment and Growth Reserve. The reserve is to be used to fund specific projects that will

increase jobs and economic performance in Northland. The council adopted criteria for determining eligible projects to be funded from the reserve (see Long Term Plan 2012-2022, pages 120-121). The main points are as follows:

- The reserve's objective is to increase Northland's jobs numbers, average weekly household income and GDP (gross domestic product) by investing in economic projects/ventures.
- The reserve will provide operational expenditure for Northland Inc. Ltd to identify, progress and monitor projects.
- The reserve will provide loan funding or directly invested funds for capital expenditure on new ventures or expanding existing businesses, and operating expenditure (for a finite period and with conditions).
- Loaned funds or directly invested funds will deliver an appropriate rate of return, taking into account the level of risk and revenue flows.
- 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.
- All projects will be assessed for funding eligibility against a business case assessment tool.
- Only projects recommended for funding by the Northland Inc. Ltd will be considered by the council.
- Council will decide on the allocation of all reserve funds.

In February 2014, council made two changes to the criteria to improve the performance of the reserve, these are.

- A new investment category, impact investment funding, was established, capped at \$1 million per annum. Projects funded through this category do not have to deliver a return to council. However, they still must demonstrate an ability to lift the economic performance of the region.
- Up to an additional \$200,000 will be made available to Northland Inc. Ltd to carry out feasibility and business case assessments with the intention of getting more projects processed and approved.

## Key performance measures and targets

Northland Inc. Ltd's key performance measures and targets are reported under the council's economic group of activities. These are results are:

- The GDP of Northland increases annually was achieved;
- Business Growth increases annually was not achieved;
- The employment rate increase annually was achieved

## A year in review

2013/14 was the first full year in which Northland Inc. Ltd has been operating under the current structure, having been established in July 2012. At the governance level, the focus for the year has been in establishing a clearer direction on its role in promoting economic development in the region. A new CEO for the organisation was appointed in July 2013, David Wilson. Several changes were made to the structure of the organisation to help it achieve its objectives and improve performance. .

The following report provides a summary overview of the key activities and achievements of the CCO for the 2013/14 year and is grouped into three key areas:

- **Stakeholder engagement**
- **Sector growth**
- **Investment and funding**

These areas are aligned to the policies and objectives as described in the Long Term Plan.

## Stakeholder engagement

The intent of this area is to work with interested parties on activities and projects that contribute to the economic development priorities of Northland Inc. Ltd.

The 2013/2014 key performance targets and results for this area are:

Measure	2013/14 Performance Target	Result
Number of projects actively engaged in	10	Achieved - 10
Number of stakeholder groups supported in independence	1	Achieved - 1
Attend Iwi leaders forum	Attend	Achieved
Percentage of key stakeholders using Northland brand	25	Not achieved

## Northland regional growth study

The Ministry of Business, Innovation and Employment (MBIE) and the Ministry for Primary Industries (MPI) are leading a programme, along with local and regional development agencies, to evaluate opportunities to increase investment, employment and incomes in the regions. MBIE and MPI are partnering with Northland Inc. Ltd on a Northland study.

It is expected that the sectors to be identified will include:

- Current regional sector specialisations that have a market and the potential to deliver significantly greater returns with some intervention (improving what the region already does);
- Growing associated sectors that add value to these regional specialisations (service and processing); and
- New or emerging sector specifications that have the potential to make new market opportunities using the regions' unique physical endowments and capabilities.

This report will become the basis for preparing a Northland 2025 Action Plan which will maximise the opportunities identified.

## Northland Economic Action Group (NEAG)

NEAG was established as a result of two 'Whole of Northland Economic Summits' held in June and July 2012, convened by the Member of Parliament for Northland, Mike Sabin. Northland Inc. Ltd provides coordination services to NEAG and uses this forum as a vehicle to develop individual industry sector development plans.

## Northland Intersectoral Forum (NIF)

NIF is a collective of local and central government agencies and organisations who network, share information and work collaboratively to address collective priorities to make a positive difference on the wellbeing of Northlanders. NIF is committed to continue to influence policy and decision-makers as a collective. Northland Inc. Ltd provided a base for the NIF Coordinator, and led the Economic Development Strategy Group.

## Regional promotional activity

- Northland Visitor Guide – Northland's number one printed promotional opportunity for tourism businesses. The 2014 edition had 100,000 copies distributed nationally and internationally.
- Northland Trade & Conference Guide – produced annually by Northland Inc. Ltd. This guide is widely used as a reference manual for transport, accommodation and activities.
- Domestic campaign

Partnered with the Northern Advocate and Whāngārei District Council to publish a 52 page publicity document that was inserted into 40,000 subscriber copies of the NZ Herald in selected higher socio-economic suburbs of Auckland.

- **Australia campaign**  
A joint venture campaign targeting the Australian market ran for five weeks commencing 8 September 2014. The campaign value exceeded \$1.8m made up of added media value, operator input and dollar commitments from Auckland, Waikato, Rotorua, Taupo, Coromandel, Bay of Plenty and Northland regional tourism offices, Tourism New Zealand, Qantas, Flight Centre, Te Puia, THI and Avis..
- **Tradeshows attended**  
Australia Market Insights  
TRENZ  
TNZ Mega Meet  
RTONZ Inbound Training Event
- **Assisted trade and media visits**  
A total of 48 media and travel trade agent itineraries were co-ordinated and hosted to the region, with especially strong representation from the Australia, USA and Europe in April and May 2013.
- **Digital roll-out**  
Work to develop free wi-fi spots in Whāngārei, events around the completion of the role up include visit of ICT Minister, and hosting a digital enabling workshop.

### Sector growth

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

The 2013/2014 key performance targets and results for this area are:

Measure	2013/14 Performance Target	Result
Number of unique businesses actively managed	135	Achieved - 136
Value of business capability vouchers from the NZTE Business Partnership Programme allocated	\$120,000	Achieved - \$160,088
Number of successful Northland applications to the Callaghan Innovation R&D funding	4	Achieved - 12
Value of successful Northland applications to the Callaghan Innovation R&D funding	\$300,000	Achieved - \$478,819
Number of events per annum	2	Achieved - 7
Average number of businesses attending each seminar	6	Achieved - 40
Number of industry sector group strategies supported	3	Achieved - 3
Number of joint venture projects supported	2	Achieved - 2

### Business capability

In total 136 Northland companies were actively managed during 2013/14, with 121 of these registered with NZTE. There was an increase in the number of businesses from the pastoral sector, resulting from increased awareness in this sector of the programme. A total of \$160,088 worth of vouchers from NZTE were obtained to by these businesses to improve their performance in identified areas.

### Innovation and R&D

By the end of the financial year, 12 Northland firms had received over \$450,000 of Callaghan Innovation funding. The businesses included a mix of medium sized manufacturing firms (generally looking to expand their export market opportunities) and some small food-related businesses looking to grow in size.

### Investment and growth funding

The intent of this activity 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 2013/2014 key performance targets and results for this area are:

Measure	2013/2014 Performance Target	Result
Number of proposals received	40	Not achieved - 10
Number of proposals assessed	20	Not achieved - 10
Number of proposals recommended	4	Not achieved - 2
Number of business cases supported	2	Achieved - 5

During the year Northland Inc. Ltd reviewed ten proposals for funding through the reserve. Council agreed to provide funding for one project – an assessment of the economic development opportunities from better water use in Northland, funding under the impact investment category. This funding was given subject to similar funding being received from MPI Irrigation Acceleration Fund. Council and Northland Inc. Ltd are working together on to progress this application with MPI. Council also approved five projects for feasibility assessment and business case development worth \$67,000.

# Regional Software Holdings Limited

Regional Software Holdings Limited (RSHL) is a shared services undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. It is responsible for the long-term maintenance and development of the IRIS (Integrated Regional Information System) product as developed for and by the shareholding councils.

Over the last few years, the six regional councils have developed a leading edge software solution (IRIS) for the regional council specific functions undertaken by those councils. The development project has been a remarkable success with the project being delivered to specification and within budget.

The major achievements for 2013/2014 were the substantial completion of the development of the first phase of IRIS and the deployment of IRIS to the six shareholding councils. By 30 June 2014, all six regional councils were live with the IRIS solution.

RSHL was incorporated in 2013/2014 with the objective of holding, maintaining and developing the IRIS product. In June 2013, the first call of shares was made. This was accompanied with a transfer of the software from the regional councils to the company. The rest of the transfer of software and the final share calls were made on 30 June 2014

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. The company does not trade to make a profit; rather it charges to cover its planned level of expenditure.

During 2013/2014, the IRIS project was recognised with two national awards. First, IRIS won the Joined-up Local Government section of the SOLGM (New Zealand Society of Local Government Managers) GHD Local Government Excellence Awards. Second, IRIS won the 2013 ALGIM (Association of Local Government information Management) Collaboration Award (Sponsored by Information Leadership). These awards are testament to the scale, complexity and collaborative nature of the IRIS project.

RSHL faces a number of challenges going forward. In particular the Company will be looking to expand the number of IRIS users to other regional councils. Additionally the Company will also need to respond to any structural changes that may occur within the local government.

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 and the professional work of the Project Management Office and the RCCDG.

The outlook for RSHL and the IRIS product is bright and there are significant opportunities to support the activities and achievements of New Zealand regional councils.

Each council contributed financially to the development cost of IRIS based on their shareholding in RSHL. At the time of formation the following shareholding was agreed:

## Our councils experience

This council continues to realise 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, practices and experiences into a solution that is fit for purpose, performs well and is well received by users. The IRIS solution now provides a platform that allows council to embrace new technologies such as mobility and integration from web based applications to back end systems that was previously unachievable.

## Shareholder percentage

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%

Each council has the ability to appoint one director to the board. Each member of the board has equal voting rights.

## Statement of Intent and Performance Targets

RSHL has prepared an SOI for year ending 30 June 2014.

The following table summarises the performances targets and results for the 2013/2014 financial year:

Performance target	Level of achievement
IRIS development project to be completed on time to budget.	On Time: Substantially achieved
	To Budget: Achieved
IRIS software is deployed in all 6 shareholder Councils within 12 months of availability.	Substantially achieved
Annual charges: increase in cost to councils not to exceed the CPI.	Achieved
RSHL will operate within its budget.	Achieved
95% of support requests are resolved within agreed timeframes *	Achieved
IRIS user groups meet and effectively control their support and minor development budgets *	Achieved

IRIS annual development projects are completed on time to budget, and all development projects have approved business cases.	Substantially achieved
One new Council added to IRIS as shareholder or customer by end of 2013.	Not achieved

\* 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.



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