

Annual Report 2013 SUMMARY



Putting Northland first



This summary of Northland Regional Council's activities is for the year 1 July 2012 to 30 June 2013 and contains information taken from our full Annual Report 2013.

The Annual Report 2013 was authorised for issue by resolution of the Northland Regional Council on 8 October 2013. The Annual Report Summary 2013 was authorised for issue by the Chief Executive on 21 October 2013.

This summary has been prepared in accordance with FRS-43 Summary Financial Statements.

To see a full version of our Annual Report 2012/13, visit our website: www.nrc.govt.nz/annualreport

For more information freephone 0800 002 004.

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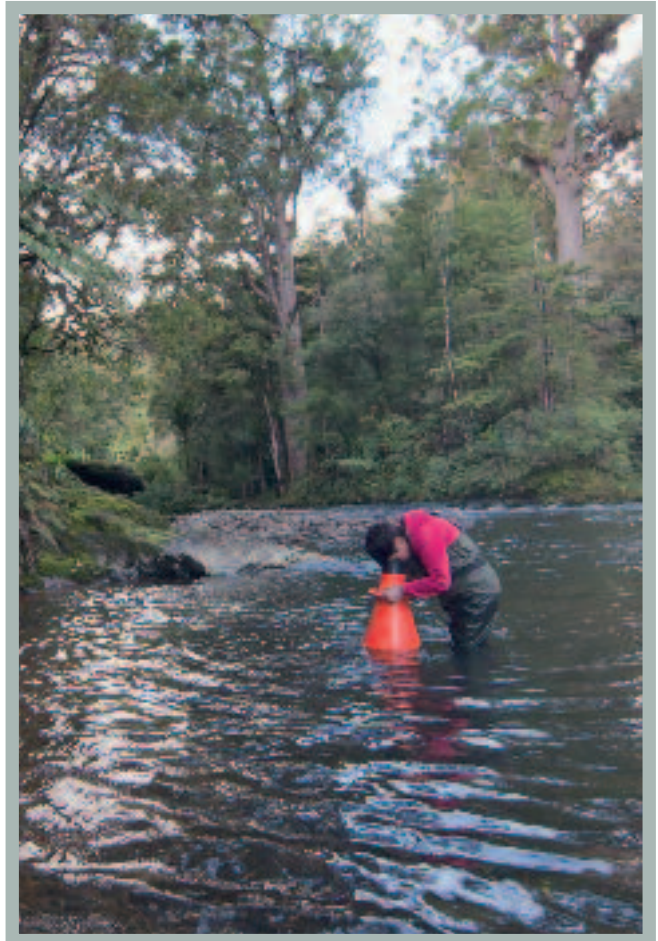
Introduction

Welcome to the Northland Regional Council's Annual Report Summary for 2012/13

Northland Regional Council is one of Northland's main environmental guardians. We are charged with protecting Northland's land, water, coast and air while allowing for sustainable development.

Our responsibilities include environmental management, flood risk and land management, biosecurity, emergency management, pollution control, public transport planning and funding, and coastal navigation and safety.

Councillors decide our overall policies and our 154 staff implement them. Roughly half our income comes from rates and charges with the balance from investments and government grants.



The past year has been a period of both opportunities and challenges for council.

Possible local government reform has been firmly in the spotlight, and improved community representation arrangements were put in place ahead of the 2013 elections.

We also launched a major new freshwater project, Waiora Northland Water, and a marine pest incursion has kept our biosecurity team busy.

This summary shows you what we did during the 2012/13 year, some of the highlights and what it cost to provide the many services we carry out for Northlanders.

The year's highlights

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

Local government reform a hot topic

In December 2012, the Far North District Council applied to the Local Government Commission for a Far North unitary authority to be created (with both regional and district council powers).

That application triggered a process that has since seen local government structure become a key focus for all four of Northland's councils.

The commission set a tight 15 April deadline for alternative proposals, and we engaged with as many individuals and communities as time would allow to help shape our proposal.

Our community workshops indicated strong public preference for either an enhanced version of the status quo or a single local authority underpinned by strong, legally-empowered local boards.

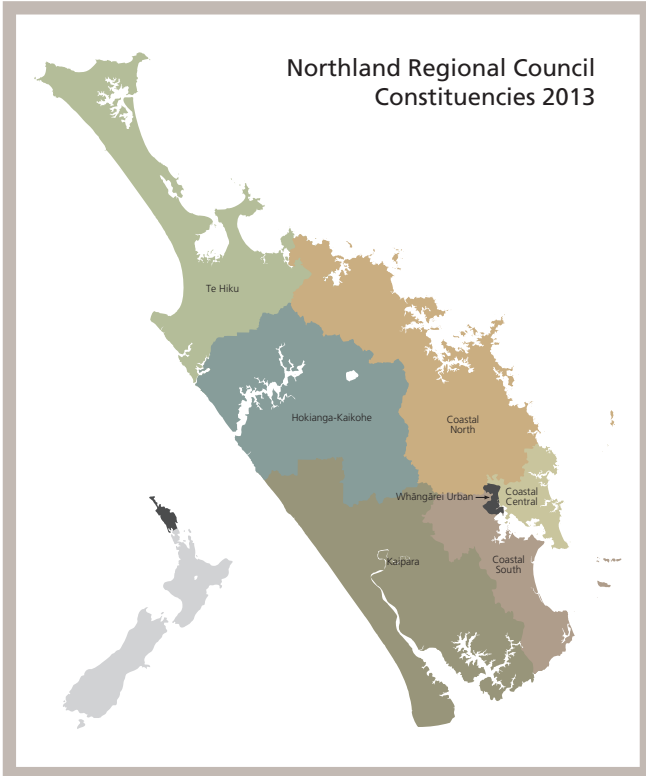
As the status quo is already one of the options the Local Government Commission is legally bound to investigate, we proposed an alternative model of local boards – with real, legally-protected powers – supported by a single unitary authority.

The commission's decision on its preferred option is expected to be released in late 2013 or early 2014, so potential reform will remain a hot topic over the coming year.



New constituencies to better reflect and represent local communities

The 2012/13 year saw new representation arrangements come into effect that have changed the way Northlanders are represented at the council table.



At the 2013 local body elections on October 12, Northlanders have voted for nine regional councillors (one more than currently elected) representing seven, smaller constituencies across the north. The previous model had eight representatives elected from three constituencies.

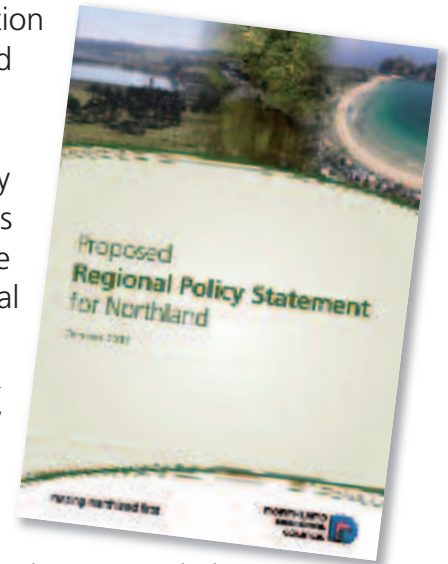
This new arrangement should achieve council representation that better reflects Northland's communities and characteristics.

New Regional Policy Statement nears adoption

The Regional Policy Statement (RPS) is arguably Northland's most important planning document, which sets out how our natural and physical resources will be managed.

A new RPS has been in development for several years. It is a major piece of work, and the 2012/13 year saw it progress near to the point of adoption.

Public consultation on the Proposed RPS occurred in October 2012, attracting nearly 900 submissions on a wide range of topics. Several hundred submitters took the opportunity to outline their views to a panel of independent hearings commissioners, during a five-week hearings period held during May-June 2013.



The commissioners' recommendations were presented to councillors for their consideration and adoption at their public council meeting in September 2013.

Waiora Northland Water programme established

The Waiora Northland Water programme is about improving the quality and management of the region's precious freshwater resources.

It brings together council's new and existing work – and that of landowners, iwi and hapū, key stakeholders and the wider community – in an integrated approach to Northland's water management.

Established in 2012/13, the 30-year programme also incorporates council's plan for implementing new government requirements for managing freshwater (under the National Policy Statement for Freshwater Management). During the last year we have laid the foundations for how that will happen over the coming years.

We have identified the priority areas we will be focussing on first – the region's most outstanding waterbodies; catchments with very poor or deteriorating water quality; catchments where the amount of water available is a significant issue; and working on the areas where there's the best opportunity to make a real difference.



We have also commenced set-up of collaborative local representative groups for the priority areas, whose role is to ensure that the range of community/tāngata whenua values and interests for freshwater in the area are reflected in decision-making.

Significant marine pest found in Northland

The discovery of Mediterranean fanworm – internationally recognised as a significant marine pest – in Northland during 2012 was an unwelcome discovery for the council’s biosecurity team.

The presence of fanworm on the hulls of three vessels in Whāngārei Harbour triggered a large-scale response for the council. About \$250,000 and hundreds of hours of staff time was spent over the year on preventing fanworm’s establishment and spread in Northland.

To date the response has been successful – ongoing monitoring indicates the incursion has

been contained and 14 out of 15 harbours remain free of fanworm. Eradication in Whāngārei Harbour is progressing well and staff are hopeful that a full eradication can be achieved by 2016.

New information system goes live

Council this year became the first to implement the cross-regional council collaborative project IRIS (Integrated Regional Information System).

The implementation of IRIS means we now have a one-stop shop for information management that enables easier and more rigorous record keeping, plus quicker and easier location and retrieval of records.

The new system opens up new opportunities, including the potential for online consent applications and requests, using information when we are out and about (virtual office anywhere) and improving efficiency for both the council and our customers.

Council’s financial position remains strong

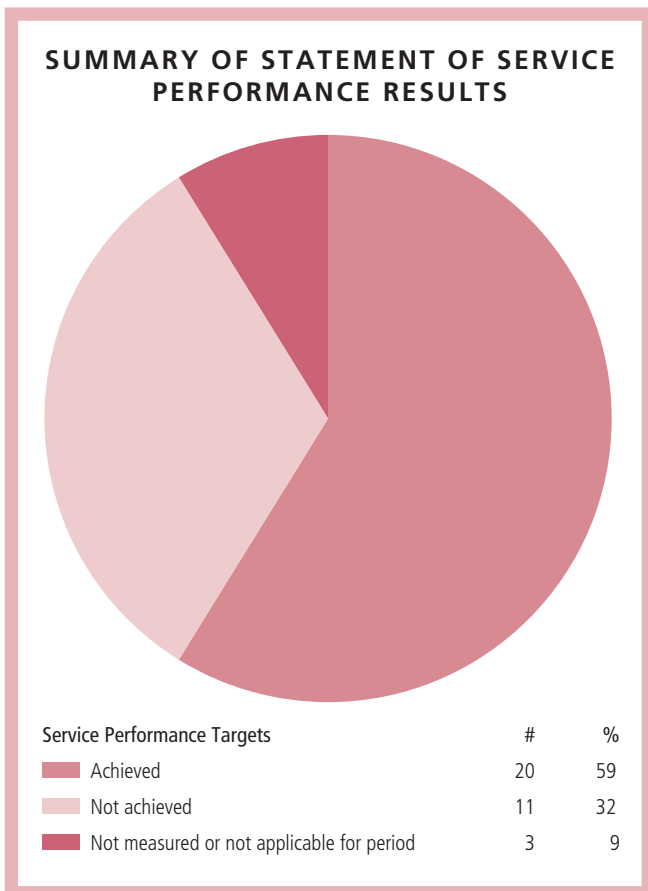
Council’s financial results have tracked well against budget with an after tax surplus of \$2.072 million against a budgeted after tax surplus of \$1.925 million. Council continues to operate in accordance with its financial strategy and have maintained a strong balance sheet and no external debt. Higher-than-expected investment income, from dividends received from our shareholding in Northland Port Corporation (NZ) Limited puts us in strong position for coming year and has enabled us to reduce rates increase below those originally forecast.



Our year in review

Northland Regional Council's work is organised into six activity areas – resource management, river management, economic development, hazard management, transport, and community representation and engagement.

For each area, we measure how we are performing against a series of 34 performance targets. The following graph shows how well we met our performance targets for the year.



More than half those measures “not achieved” were narrowly missed and/or missed for reasons largely outside of council’s control.

An overview of our year in each of the six activity areas follows. Details of what we did – and how we measured up against our targets – are included in the full Annual Report.

Resource management

How our natural and physical resources are managed plays a significant part in the region’s environmental wellbeing, economic prosperity, health and cultural identity.



Resource management is the council’s largest area of work, encompassing resource consents, environmental monitoring, biosecurity, biodiversity and promoting sustainable land management.

During the 2012/13 year we...

- Established our 30-year programme for improving freshwater management – Waiora Northland Water.
- Completed Water Quality Improvement Plans for 79 farms across the region.
- Identified, prioritised and ranked Northland’s top 150 wetlands, and provided site-specific information to their landowners.

- Made progress on establishing collaborative freshwater catchment groups and catchment plans in priority areas.
- Narrowly missed our targeted compliance rate for dairy farm discharges to water; however, results continue to improve yearly showing we're on the right track.
- Narrowly missed our tough internal target for processing of bore permits (five days), but all were processed within statutory timeframes (20 days).
- Held public consultation and hearings on the Proposed Regional Policy Statement for Northland.
- Completed our five-yearly State of the Environment monitoring report.
- Experienced an uncharacteristic drop in demand for community pest control areas (CPCAs) during the year, which we'll monitor for the upcoming year.
- Responded to incursions from biosecurity threats including koi carp, the kiwifruit vine disease Psa-V and the marine pest Mediterranean fanworm.
- Approved 30 Environment Fund applications to assist landowners to manage animal and pest plants on their land.

River management

River flooding provides the highest natural hazard risk to the Northland region. It threatens human life, disrupts communications and access, and damages property and infrastructure including the productivity of farmland.

Through our river management activity, we deliver flood protection and control works – on a prioritised basis – to reduce the risks associated with river flooding, protect human life and maximise the region's productivity.

During the 2012/13 year we...

- Completed ongoing work (flood risk reduction plans, hydraulic flood model improvements and detailed flood hazard maps) for the 27 priority rivers in Northland.
- Progressed major river works projects in urban Kaitiāia, Kerikeri-Waipapa and Kaeo, and carried out ten minor river works projects across Northland.
- Completed preliminary design for the proposed \$6.87 million Kotuku detention dam in urban Whāngārei.
- Did not complete three of the 10 scheduled minor river works projects due to river processes, lack of community support and/or insufficient cost-benefit.





Economic development

Regional economic development is a key driver of New Zealand’s overall economic performance. Regional councils make a significant contribution to regional economic development – through infrastructure development and environmental management – and can also research and analyse issues from a regional perspective.

Our economic development activity reflects council’s desire to improve Northland’s economic performance and engage in economic development projects that increase job numbers, household income and Gross Domestic Product.

During the 2012/13 year we...

- Completed the transition to a single council-controlled organisation for economic development – Northland Inc.
- Considered a number of possible projects for funding from our Investment and Growth Reserve and asked for further work to be done on establishing the business case for these.
- Developed a new quarterly economic newsletter (the first issue of which was published in July 2013).

Hazard management

Our hazard management activity covers three elements – civil defence emergency management, natural hazard management (including our highest natural hazard risk, flooding) and oil pollution response.

As a regional council we have a legal responsibility to carry out work in all three of these areas to minimise effects on people, property, the environment and the economy.

During the 2012/13 year we...

- Responded to two national tsunami alerts in accordance with standard operating procedures.
- Had more than 90 weather-related warnings, watches or thunderstorm events, none of which resulted in significant flooding.
- Held 10 workshops with over 130 businesses under our Business Continuity project.
- Released flood hazard maps for 20 catchments around Northland.
- Dealt with several oil spill incidents ranging from minor leakages to a larger diesel spill from a launch that ran aground and broke apart.





Transport

Our transport activity covers two elements. Passenger transport is about providing effective transport services to the public, while harbour navigation and safety management helps ensure safe boating and protect the environment.

Regional councils have a legal responsibility to carry out a range of land transport planning, passenger transport and harbour management activities.

During the 2012/13 year we...

- Opened a new popular bus route in Whāngārei and the CityLink Bus Service operating there has continued to show positive passenger growth.
- Continued to work with partners, district councils, government agencies and the community on transport planning, delivery and road safety.
- Assisted with the safe pilotage of 38 cruise ships in and out of the Bay of Islands.
- Reviewed the Navigation Safety Bylaws through an extensive public consultation programme.
- Completed all the planned maintenance programmes for our navigation aids, which significantly reduces the risk of future failures.

Community representation and engagement

Community representation through elected councillors is the central part of the democratic process and is dictated by statutory requirements.

Our community representation and engagement activity is designed to ensure that we enable community participation and representation, and conduct our business in an open, transparent and democratically accountable manner.

During the 2012/13 year we...

- Liaised with the community on potential local government reform in Northland, as part of the Local Government Commission's process that is currently underway.
- Reviewed our representation arrangements (that is, how many councillors are elected and from where) so Northland's communities are better represented and reflected.
- Built on our collaborative approach to river liaison and extended that approach to freshwater management (under the Waiora Northland Water project).
- Didn't achieve our targeted number of Annual Plan submissions, likely due to there being little change from what was consulted on last year in the Long Term Plan.

Financial overview

This summary is an overview of the council's and council entities' financial results for the 2012/13 year.

Understanding the council's reported surplus for the year ended 30 June 2013

Council has consistently operated within a sound financial position and this financial year has been no different.

Overall council posted an after tax surplus of \$2.072 million against a budgeted surplus of \$1.925 million. Similarly, total comprehensive income was \$2.031 million against a budget of \$1.925 million.

Both revenue and expenditure were a little higher than budget, but were largely offset to provide a surplus tracking very close to budget.

Council's 'other gain' revenue of \$1.23 million (against 'other gains' budget of \$71,000), which was largely offset by other losses expenditure of \$1.26 million. 'Other gains' includes \$710,000 in fair value increases of investment property and forestry holdings, plus foreign exchange gain and gain on disposal of financial investments, both of which relate to the Community Investment Fund.

The Community Investment Fund performed exceptionally well, with total revenue and gains of \$1.15 million on the fund which started the year with a market value of \$9.48 million. The fund is managed under the Statement of Investment Policies and Objectives adopted by council in October 2012.

Council's dividend income from Northland Port Corporation (NZ) Limited was \$665,000 more than the \$1.44M budgeted. Much of this

additional income funded the \$729,000 of net rates adjustments (includes write-offs and rate doubtful debt provisioning) required as a result of growing rates arrears, for which council had only budgeted for \$250,000. Council has increased the budget for these adjustments in 2013/14 to \$508,000 and will again review the budget requirements for the 2014/15 Annual Plan.

It is useful for the reader to understand the operating surplus is not necessarily a surplus. Where council collects a targeted rate for a specific activity, the rate must only be applied to fund the particular activity. Consequently council tends to transfer money to and from its various reserves to account for under and overspends of activities funded by targeted rates. From the operating surplus, council transferred \$2.7 million to its reserves, as approved by council at its August council 2013 meeting. These transfers also included council carrying forward some of its unspent operational funding to enable work programmes to be completed. Specifically, council approved carrying forward \$316,000 for planning and policy related projects and \$82,000 for iwi related projects.

If the transfers to and from reserves are removed along with the fair value adjustments (which are non-cash and relate mostly to valuation gains and losses on investment property, owner occupied property and financial investments) there is actually a cash deficit of \$110,000 against a budgeted cash surplus of \$60,000. Gains and losses resulting from fair value movements do not represent additional cash collected or paid by the council and therefore the surplus or losses are not used to offset or increase rates or to fund council's planned expenditure for future financial years.

Notes on the financial overview

- Council reports its financial results in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) applicable to Public Benefit Entities. These standards collectively represent generally accepted accounting practice in New Zealand. They tell us how to recognise and disclose all financial transactions in our financial statements.
- The council is a regional authority constituted by the Local Government Act 2002. Northland Regional Council is a public benefit entity for reporting purposes. Its financial statements have been prepared in accordance with New Zealand generally accepted accounting practice and comply with New Zealand Equivalents to IFRS and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The financial statements include a 'Statement of compliance' to this effect.
- The Long Term Plan numbers are those approved by the council at the beginning of the year after a period of consultation with the public.
- The Annual Report 2013 has been audited by Audit New Zealand and has received an unmodified audit opinion. The Annual Report 2013 complies with all relevant International Financial Report Standards as appropriate for public benefit entities. This summary financial report has been examined by Audit New Zealand for consistency with the full financial report and has received an unmodified audit opinion.
- In the following financial statements the "council" column includes the Northland Regional Council. The "Consolidated" column includes Northland Inc. Limited and Northland Port Corporation (NZ) Ltd. The summary financial statements are presented in New Zealand dollars rounded to the nearest dollar, unless otherwise stated.

For more detail on council's finances, see our full Annual Report 2013. Find it online at www.nrc.govt.nz/annualreport or contact us on 0800 002 004 to get a copy.

Statement of Comprehensive Income and Changes in Equity

The Summary Statement of Comprehensive Income and Changes in Equity presents the final performance and equity movements of the council and its entities. This statement summarises operating income and expenditure as well as other financial transactions that have impacted on the council's and entities' net equity.

Variances to budget can be explained as follows...

Operating income is \$1.378 million greater than budget – significant components of this variance are:

- Rates arrears and penalties being higher than forecast.
- Lower consents and monitoring fees and charges due to less consenting and monitoring activity than anticipated.
- Lower subsidies and grants revenue than anticipated (mainly reduced New Zealand Transport Authority subsidies and grants).
- Finance income from the Community Investment Fund being less than budget. However, this is more than offset by other revenue earned on the fund (disclosed under separate categories), with actual revenue of \$1.15 million compared with a total budget of \$680,000.
- Higher 'other revenue' due to additional dividend income from Northland Port Corporation (NZ) Limited of \$665,000 more than budgeted, plus unbudgeted dividend income from community investments of \$130,000.
- 'Other gains' of \$1.16 million from increase in the value of council's forestry and investment property of \$710,000 and other financial gains of \$523,000.

Operating expenditure is \$1.2 million greater than budget – significant components of this variance are:

- A decrease in the fair value of council owner occupied buildings.
- Saving in the Whāngārei bus service contract after rationalising the bus routes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Council 30-Jun-13 \$	Annual Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
INCOME					
Operating Income (excluding share of Joint Venture Revenues and share of Associate Companies' Net Surplus and Rates)	14,004,527	13,005,364	13,109,160	14,850,268	15,618,291
Rates	17,402,408	17,022,869	15,773,486	17,402,408	15,773,486
Share of Joint Venture Revenues	–	–	–	664,013	806,525
Share of Associate Companies' Net Surplus	–	–	–	7,846,406	6,485,212
TOTAL INCOME	31,406,935	30,028,233	28,882,646	40,763,096	38,683,513
EXPENDITURE					
Operating Expenses (excluding finance expense)	29,203,582	28,102,031	27,073,672	33,436,527	30,988,616
Finance Expense	98,215	1,000	91,970	112,610	107,758
TOTAL OPERATING EXPENDITURE	29,301,796	28,103,031	27,165,642	33,549,137	31,096,374
NET SURPLUS/(DEFICIT) BEFORE TAX	2,105,139	1,925,202	1,717,004	7,213,959	7,587,140
Taxation Credit/(Expense)	(33,000)	–	952,158	(669,486)	1,050,453
NET SURPLUS/(DEFICIT) AFTER TAXATION	2,072,139	1,925,202	2,669,162	6,544,473	8,637,593
<i>Surplus/(Deficit) attributable to:</i>					
Northland Regional Council	2,072,139	1,925,202	2,669,161	3,349,332	4,900,487
Non-controlling interest in surplus of Northland Port Corporation (NZ) Ltd	–	–	–	3,195,141	3,737,106
OTHER COMPREHENSIVE INCOME					
Financial Assets at Fair Value through Other Comprehensive Income	(100,320)	–	(181,133)	(100,320)	(181,133)
Gains/(loss) on Property Revaluations	60,000	–	(25,000)	(699,143)	(2,686,015)
Gains/(loss) on Infrastructure Asset (Awanui River Management) revaluation	–	–	–	–	–
Net Hedging Movement (Associate)	–	–	–	263,253	32,844
TOTAL OTHER COMPREHENSIVE INCOME	(40,320)	–	(206,133)	(536,210)	(2,834,304)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,031,819	1,925,202	2,463,028	6,008,263	5,803,288
<i>Total Comprehensive Income attributable to:</i>					
Northland Regional Council	–	–	–	3,043,165	3,483,334
Non-controlling interest in surplus of Northland Port Corporation (NZ) Ltd	–	–	–	2,965,098	2,319,954
				6,008,263	5,803,287

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	Council 30-Jun-13 \$	Annual Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
Balance at 1 July 2012	119,384,510	119,569,237	116,921,483	237,267,475	232,901,018
Total Comprehensive Income	2,031,819	1,925,202	2,463,027	6,008,263	5,803,288
Dividends to Non-Controlling Interest	–	–	–	(1,819,987)	(1,436,831)
Loss on disposal of Subsidiary	–	–	–	(14,340)	–
Balance at 30 June 2013	121,416,329	121,494,439	119,384,510	241,441,411	237,267,475
<i>Total Comprehensive Income attributable to:</i>					
Northland Regional Council	121,416,329	121,494,439	119,384,510	181,979,250	178,950,426
Minority interest	–	–	–	59,462,161	58,317,050
Balance at 30 June 2013	121,416,329	121,494,439	119,384,510	241,441,411	237,267,474
<i>Equity is made up of the following components:</i>					
Retained Earnings	111,540,028	102,767,362	110,828,306	131,027,281	129,052,709
Asset Revaluation Reserve	2,060,201	2,025,201	2,000,201	43,262,103	43,609,080
Financial Assets at Fair Value through Equity	137,759	419,212	238,079	137,759	238,079
Special Reserves	7,678,341	16,282,663	6,317,924	7,552,107	6,050,560
Minority Interest	–	–	–	59,462,161	58,317,050
	121,416,329	121,494,438	119,384,509	241,441,411	237,267,478

In the summary financial statements the "Council" column includes the Northland Regional Council. The "consolidated" column includes Northland Inc and Northland Port Corporation (NZ) Ltd. The summary financial statements are presented in New Zealand dollars rounded to the nearest dollar, unless otherwise stated.

- Savings resulting from the delay in the Rust Avenue Bridge replacement project.
- Unbudgeted expenditure incurred on the eradication of a Mediterranean fanworm incursion.
- Unbudgeted legal and consultancy expenditure for enforcement actions which council expects to be ultimately recovered from fines from prosecutions.
- A higher than budgeted provision for doubtful debt.

Financial position

The Summary Statement of Financial Position shows what assets we own and what liabilities we owe to other parties and our net worth. Council's position remains very strong with liabilities representing only 5% of total assets.

Significant components of the variance to budget are...

- Council holding a higher level of short term cash investments as at 30 June 2013.
- Total liabilities being higher than budget largely due to timing of creditors and payables cut-off at year-end.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Council 30-Jun-13 \$	Annual Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
Current Assets	33,136,903	13,174,445	29,386,411	34,851,922	30,838,765
Non-Current Assets	95,217,537	114,604,701	96,105,256	214,718,791	214,232,550
Total Assets	128,354,440	127,779,146	125,491,667	249,570,713	245,071,316
Current Liabilities	(6,902,059)	(6,233,326)	(6,059,072)	(8,092,628)	(7,750,091)
Non-Current Liabilities	(36,048)	(51,382)	(48,283)	(36,673)	(53,748)
Total Liabilities	(6,938,107)	(6,284,708)	(6,107,355)	(8,129,301)	(7,803,839)
NET ASSETS/EQUITY	121,416,333	121,494,439	119,384,314	241,441,409	237,267,470
<i>Equity attributable to:</i>					
Northland Regional Council				181,979,250	178,950,420
Minority Interests				59,462,160	58,317,050
				241,441,409	237,267,470

Council's assets

The major components of our assets include:

- Current assets (including investments with maturities less than 12 months, cash and trade receivables) – \$33.1 million.
- Non-current assets comprising of investment property (including forestry assets) – \$50 million.
- Property, plant and equipment and intangible assets (including operational assets such as council-occupied land and buildings and river management schemes) – \$21.35 million.
- Investment in subsidiaries and associates \$8.58 million. This is made up of council's investments in Northland Port Corporation (NZ) Limited, Northland Inc (100% owned) and Regional Software Holdings (16.75%

shareholding). Our investment in Northland Port Corporation (NZ) is reflected at original cost in the council financial statements in accordance with applicable reporting standards.

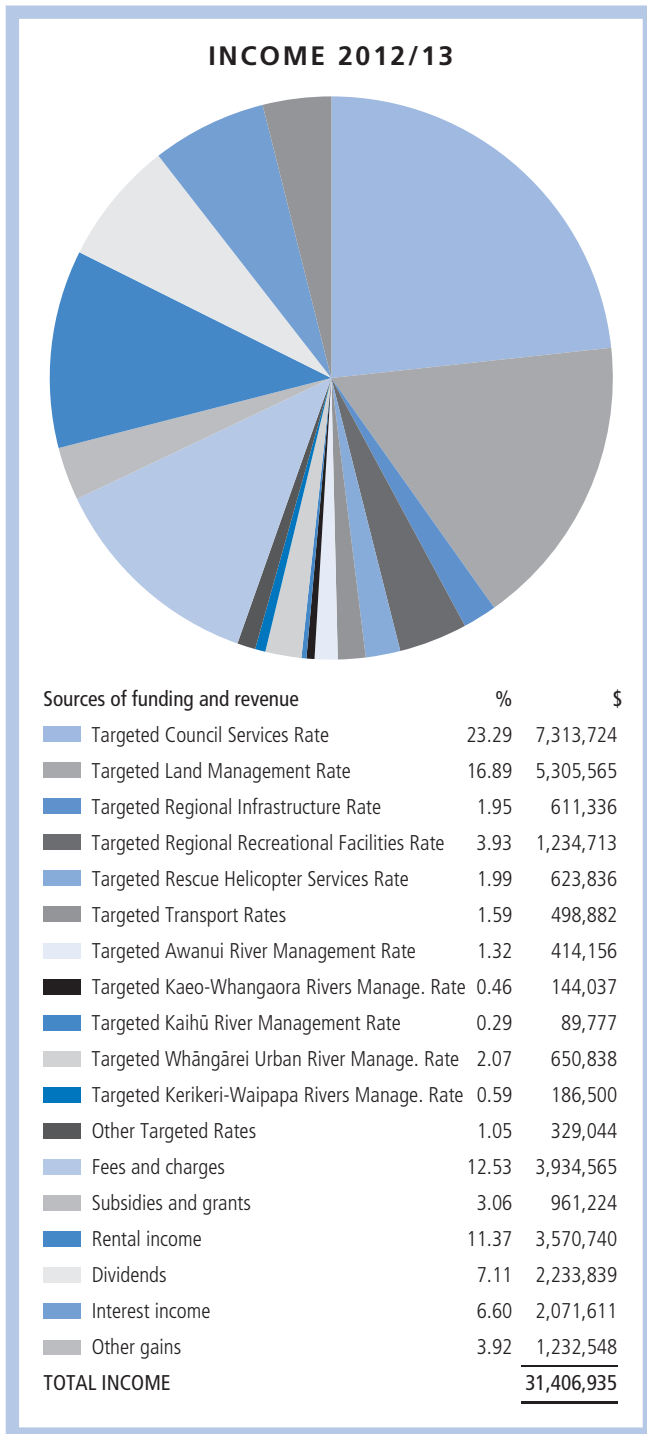
- Other non-current investments (including other receivables and investments in stocks and other securities) – \$15.25 million.

Council's liabilities

Council's current liabilities (including trade and other payables, employee benefits and tax liability) stand at \$6.9 million. Our non-current liabilities (made up of non-current employee benefit liabilities) are \$36,000.

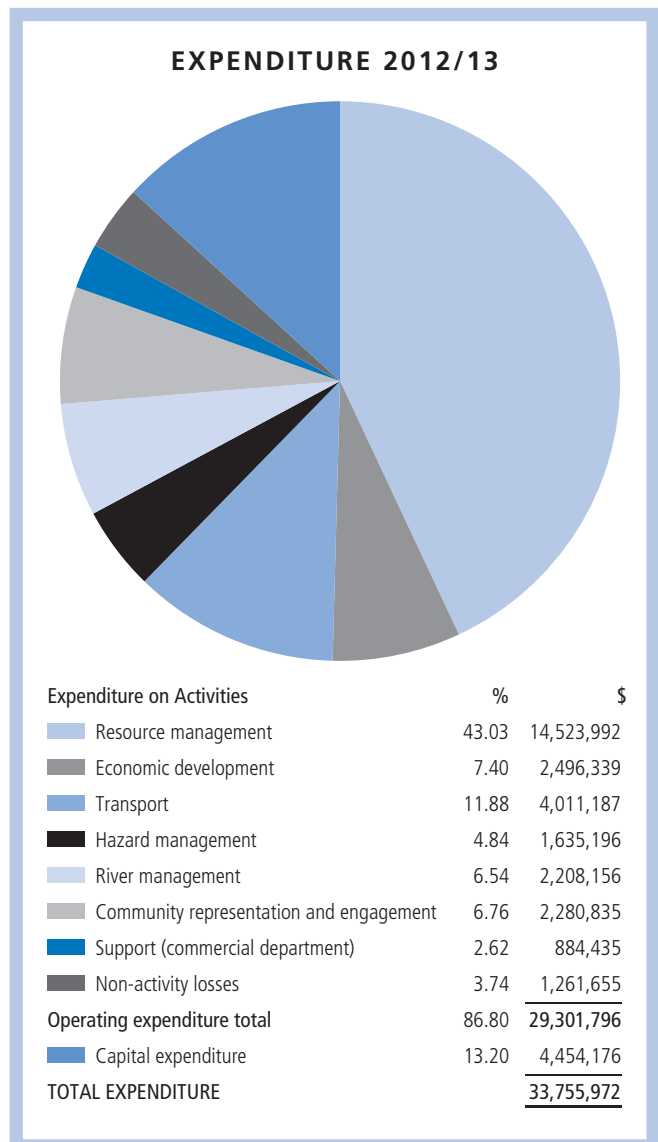
Our sources of income

The following graph shows the various sources of council's \$31.4 million income during 2012/13. While rates continue to be the main source of income, council also received income from a number of other sources including government grants and subsidies, user fees and charges and investment income.



Our expenditure

The following graph shows how our \$33.8 million of expenditure was allocated by activity. Council's expenditure is guided by the priorities identified in our Long Term Plan 2012-2022.



Cash flows

This statement shows how we generated and used cash.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	Council 30-Jun-13 \$	Annual Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
Net Cash Flows from Operating Activities	3,772,084	2,658,513	4,514,897	7,802,472	7,476,221
Net Cash Flows from Investing Activities	1,868,214	(3,599,071)	2,216,557	786,079	(1,255,948)
Net Cash Flows from Financing Activities	–	–	–	(2,329,281)	(939,892)
NET INCREASE (DECREASE) IN CASH HELD	5,640,298	(940,558)	6,731,453	6,259,270	5,280,378
Cash, Cash Equivalents and Bank Overdrafts at the beginning of the year	10,249,654	5,287,673	3,518,200	10,725,662	5,445,281
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	15,889,952	4,347,115	10,249,653	16,984,932	10,725,659

Contingent assets and liabilities

Council had no quantifiable contingent liabilities as at 30 June 2013. However, the group held contingent liabilities for bonds of \$75,000, share of associate companies contingent liabilities of \$675,000, and postponed rates of \$252,242.

Council disclosed both its and Northland Inc's contingent liability risk resulting from the project management of the oyster shell clean-up project (funded through Ministry for the Environment). Council is satisfied the risk of any liability to any of the parties as a result of legal arrangements in place and work undertaken to date is very low.

Council disclosed the potential contingent liability that may exist if KiwiRail is approached by a landowner whose property is affected by the corridor designation, seeking an order from the Environment Court for KiwiRail to acquire their 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 property.

As at 30 June 2013 council has not recognised any contingent assets that can be quantified.

Operating lease 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:

OPERATING LEASE COMMITMENTS

For the year ended 30 June 2013

	NPC 30-Jun-13 \$	NPC 30-Jun-12 \$	Northland Inc 30-Jun-13 \$	NRCCT 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
The council has no lease commitments.						
Not later than one year	204,774	220,614	60,081	33,060	264,855	253,674
Later than one year and not later than five years	591,514	630,674	113,538	13,020	705,052	643,694
Later than five years	769,261	907,341	–	–	769,261	907,341
TOTAL OPERATING LEASES	1,565,549	1,758,629	173,619	46,080	1,739,168	1,804,709

Accounting standards issued but not yet effective

There are number of accounting standards which have been issued but are not yet effective. Full details of these accounting standards can be found in the accounting policies included in the full Annual Report.

Significant related party transactions

The council controls two entities – Northland Port Corporation (NZ) Limited (53.61%) and Northland Inc (100% owned). The following transactions were carried out with these entities and their related parties.

The following transactions were carried out with related parties:

RELATED PARTY TRANSACTIONS	Council 30-Jun-13 \$	Council 30-Jun-12 \$
For the year ended 30 June 2013		
Northland Port Corporation (NZ) Limited		
Dividend received by council	2,103,576	1,660,718
Services provided by the council in the normal course of business	2,022	3,923
Services provided to the council in the normal course of business	–	–
Accounts receivable from the council for services provided in the normal course of business	–	282
Accounts payable to the council for services provided in the normal course of business	–	–
North Port Cool Stores (1989) Limited		
	–	–
North Tugz Limited		
Services provided by the council in the normal course of business	82	80
Services provided to the council in the normal course of business	12,251	17,490
Accounts receivable from the council for services provided in the normal course of business	–	–
Accounts payable to the council for services provided in the normal course of business	–	–
Northland Regional Council Community Trust		
Accounts payable to the council for services provided in the normal course of business	–	–
Grant received from the council	–	–
Accounts payable to the council to wind up the residual assets and liabilities of the trust	–	233,556
Enterprise Northland		
Services provided to the council in the normal course of business	7,760	35,044
Grant received from the council	–	201,520
Accounts payable to the council for services provided in the normal course of business	–	70,000
Destination Northland Limited (became Northland Inc on 1 July 2012)		
Services provided to the council in the normal course of business	–	500
Grant received from the council	–	100,000
Accounts payable to the council for services provided in the normal course of business	–	–
Northland Inc. Limited		
Services provided by the council in the normal course of business	37,265	–
Services provided to the council in the normal course of business	16,043	–
Grants received from council	1,100,000	–
Accounts payable to the council for services provided in the normal course of business	41,895	–
Accounts receivable from the council for services provided in the normal course of business	–	–
Northport Limited		
Services provided by the council in the normal course of business	121,156	121,100
Services provided to the council in the normal course of business	17,526	17,120
Accounts payable to the council for services provided in the normal course of business	6,451	7,388
Accounts receivable from the council for services provided in the normal course of business	9,167	575
Northland Stevedoring Services (UJV)		
Services provided by the council in the normal course of business	–	–
Services provided to the council in the normal course of business	–	–
Accounts payable to the council for services provided in the normal course of business	–	–
Accounts receivable from the council for services provided in the normal course of business	–	–

Events after balance date

Subsequent to balance date, Northland Port Corporation (NZ) Limited declared a fully imputed dividend of 5.5 cents per share with payment made 21 September 2013.

Council took over the project management of the Ministry for Environment funded Waste Minimisation Fund oyster shell project in August 2013 (refer to the contingent liability note for more information on this).

Council provided Northland Inc with a letter of comfort setting out that while it is not possible to commit council beyond the current Annual Plan 2013/14, council does reasonably expect to fund Northland Inc as signaled in its Long Term Plan 2012-2022 (\$1.1 million annually). Council has also given an undertaking that should operating funding reduce or cease

beyond 2013/14 as a result of future council decision making, that council would meet known outstanding financial commitments as included in Northland Inc's Annual Report at 30 June 2013 and arising from the implementation of the 2013/14 Statement of Intent.

There were no other significant events after balance date.

Breach of legislation

In preparing the Draft Annual Plan 2013/14, council did not provide the 2012/13 budget figures for the Funding Impact Statements for each group of activity. In failing to do so council did not fully comply with Schedule 10 (part 2) of the Local Government Act 2002.

INDEPENDENT AUDITOR'S REPORT

To the readers of
Northland Regional Council and group's
summary annual report
for the year ended 30 June 2013

The summary annual report was derived from the annual report of the Northland Regional Council (the Regional Council) and group for the year ended 30 June 2013. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 1 to 18:

- the summary statement of financial position as at 30 June 2013;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended 30 June 2013;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as Council Activities) of the Regional Council and group.

We expressed an unmodified audit opinion on the Regional Council and group's full audited statements in our report dated 8 October 2013.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

Basis of opinion

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

subsequent to our report dated 8 October 2013 on the full audited statements.

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

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS 43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

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

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



F Caetano
Audit New Zealand
On behalf of the Auditor General
Auckland, New Zealand
21 October 2013





Putting Northland first

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