

2016 Annual Report



Putting Northland first

Directory



Main office

36 Water Street, Whangārei 0110

Postal address: Private Bag 9021, Whangārei Mail Centre, Whangārei 0148

Telephone: 09 470 1200

Facsimile: 09 470 1202

Email: mailroom@nrc.govt.nz

Freephone: 0800 002 004

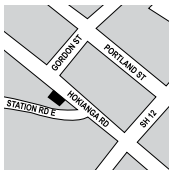
24/7 Environmental Hotline: 0800 504 639

Website: www.nrc.govt.nz

LinkedIn: www.linkedin.com/companies/northlandregionalcouncil

Facebook: www.facebook.com/NorthlandRegionalCouncil

Twitter: www.twitter.com/NRCExpress



Dargaville office

Address: 42 Hokianga Road, Dargaville 0310

Telephone: 09 439 3300

Facsimile: 09 439 3301



Kaitāia office

Address: 192 Commerce Street, Kaitāia 0410

Telephone: 09 408 6600

Facsimile: 09 408 6601



Ōpua office

Address: Unit 10, Ōpua Marine Park, Ōpua 0200

Telephone: 09 402 7516

Facsimile: 09 402 7510



Contact us:

Main Office

36 Water Street, Whangārei.
Private Bag 9021, Whangārei
Mail Centre, Whangārei 0148.

Ōpua Office

Unit 10, Ōpua Marine Park,
Ōpua 0200.
T: 09 402 7516 | F: 09 402 7510

Kaitiāia Office

192 Commerce Street,
Kaitiāia 0410.
T: 09 408 6600 | F: 09 408 6601

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SECTION ONE: OVERVIEW

Chairman and CEO's foreword

Welcome to our Annual Report, which looks at what we have achieved over the past year, how we paid for it and – importantly – how it stacks up against our planned performance and budget. As always, we endeavour to achieve the best value for money in all our activities and provide services that deliver real benefits to our communities.

A major milestone in our year was the completion of Whangārei's Hopua te Nihotetea detention dam, designed to help reduce flood impacts on the CBD. The \$11.9 million dam is one of the biggest engineering projects our council has ever embarked on.

A revamped Whangatane spillway and associated 54-metre long stock bridge were also completed, which should reduce flood risk in urban Kaitiāia.

We've been working with the three district councils on ways to deliver better outcomes for our communities. 2016 saw the launch of 'Northland | Forward Together', the four councils' collective plan for improving efficiency and effectiveness through joint delivery of services and infrastructure.

Among priorities for the collaborative programme is the establishment of a transportation shared service known as the Northland Transportation Alliance; increasing digital enablement, especially in remote and rural areas of Northland; shared back-of-house services where practical; and improving baseline knowledge for Northland's water infrastructure (water supply, wastewater, stormwater and flood protection) and ICT (information and communication technologies) infrastructure.

Innovation and continual improvement of our services remained a key focus. For example, a digital project as part of our wider marine pests response received national recognition at the 2016 ALGIM web and digital awards. Another innovative project we've kicked off is around helping farmers to reduce farm dairy effluent volumes and lower their effluent disposal costs.

We continue working to improve the way we engage with and seek input from Maori, recognising their special relationship with Northland's resources. The benefit of this work is evident in projects such as the Warawara forest pest control project, which sees us working with nine marae and Te Runanga o Te Rarawa, along with other agencies, to achieve real results in pest management. Our Te Tai Tokerau Maori Advisory Committee meets regularly and there is ongoing Maori representation on council's Environmental Management Committee and its sub-committees.

We strive to manage our finances in a way that provides the best value for money possible to our current and future communities. Sound, active management of our investment portfolio has generated increased revenue, enabling us to provide new or improved services and continue delivering our existing services with no extra increase in rates. We have also been able to keep targeted rates (for example, for local flood infrastructure) to a minimum by securing lower interest rates on borrowing. With a strong balance sheet we're in a sound financial position to continue delivering good value across the range of activities we do.

He Kupu Whakataki nā te Toihau rāua ko te Tumuaki



Bill Shepherd
Chairman



Malcolm Nicolson
Chief Executive Officer

Your regional councillors



Bill Shepherd
(Chairman)
Coastal North

Ph: (021) 433 574
E: bills@nrc.govt.nz



Graeme Ramsey
(Deputy Chairman)
Kaipara

Ph: (09) 439 7022
Ph: (021) 829 596
E: graemer@nrc.govt.nz



John Bain
Whāngārei Urban

Ph: (021) 961 894
E: jbain@internet.co.nz



Monty Knight
Te Hiku

Ph: (027) 435 8388
E: montyk@nrc.govt.nz



Craig Brown
Coastal South

Ph: (09) 434 3798
Ph: (027) 551 1056
E: craigb@nrc.govt.nz



Joe Carr
Hokianga – Kaikohe

Ph: (027) 601 5448
E: joec@nrc.govt.nz



Paul Dimery
Coastal Central

Ph: (027) 889 3320
E: pauld@nrc.govt.nz



Dover Samuels
Coastal North

Ph: (021) 718 067
E: dovers@nrc.govt.nz



David Sinclair
Whāngārei Urban

Ph: (027) 889 3551
E: davids@nrc.govt.nz

Governance structure



Council committees and advisors

Environmental Management Committee (EMC)

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

- 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.
- Mr Martin Hunt representing environmental interest groups.
- Mr Alan Clarkson representing the farming community.
- Ms Sue Reed-Thomas 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.

Finance Committee (FC)

Councillors David Sinclair (Chairman), Paul Dimery (Deputy Chairman), Bill Shepherd, John Bain, Craig Brown, Joe Carr, Monty Knight, 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, Joe Carr, Paul Dimery, Monty Knight, Dover Samuels and David Sinclair.

Organisation Performance Committee (OPC)

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

Te Taitokerau Māori Advisory Committee (TTMAC)

The committee comprises up to 30 members in total consisting of:

- Four elected members (Councillors Dover Samuels (Chairman), Bill Shepherd, Paul Dimery and Joe Carr)
- Twenty six members from tangata whenua.

Civil Defence Emergency Management Group (CDEM)

Mr Colin Kitchen (Group Chairman), Mr John Williamson (Group Deputy Chairman), Councillor Dimery, Mr Peter Winder (KDC commissioner), Superintendent Russell Le Prou (Police Representative), Mr K Gregory, Asst National Commander (NZ Fire Service).

It should be noted that the CDEM is a joint standing committee of which NRC is an equal partner with the Whangarei, Kaipara, and Far North District Councils; NZ Police, NZ Fire Service and the Ministry of Civil Defence are observers.

Te Oneroa-a-Tohe Board

The Board is a statutory body and a joint committee of Northland Regional Council and Far North District Council (FNDC). Board membership includes one

member from each of the four Te Hiku iwi authorities and two members from regional council and two members from FNDC.

Regional council membership: Councillor Dover Samuels (Deputy Chairman) and Councillor Monty Knight.

Councillor portfolios and memberships

- Appointed Members' Allowances Policy Assessment Working Party – Councillors Shepherd, Knight, Samuels, and Brown and the Chief Executive Officer
- Audit Working Group – Councillors Sinclair (Chairperson) and Shepherd, and Independent Member Geoff Copstick
- Awanui River Liaison Subcommittee – Councillors Carr (Chairperson – ex officio EMC Chairperson) and Knight
- City Safe Governance Group - Councillor Dimery
- Civil Defence Emergency Management Joint Committee - Councillor Dimery
- Creative Northland Board - Councillor Sinclair
- District Licensing Committee - Councillor Dimery
- Doubtless Bay Catchment Working Group – Councillor Knight (Chairman) and Carr (ex-officio EMC Chair)
- Economic Development portfolio and shareholder representative for Northland Inc. - Councillor Sinclair
- Economic Development Working Party – Councillors Sinclair (Chairman), Brown, Carr and Knight and Independent Member Geoff Copstick.
- Hātea River Dredging portfolio and Hātea River Channel Liaison Group - Councillor Brown
- Hazard Risk Management Working Group – Councillor Dimery and an independent expert (yet to be appointed)
- Health and Safety Committee - Councillor Dimery
- Inter council working party on genetically modified organisms risk evaluation and management - Councillor Dimery
- Kaeo-Whangaroa River Liaison Subcommittee – Councillors Brown (Chairperson), Samuels and Carr (ex-officio EMC Chair)
- Kaipara Harbour Joint Political Committee - Councillor Ramsey (Co-Chairperson)
- Kaipara Moana Negotiations Working Party - Councillor Ramsey
- Kaihū River Liaison Subcommittee – Councillors Bain (Chairperson) and Carr (ex-officio EMC Chair)
- Kawakawa Art Gallery Project Working Party - Councillor Carr
- Kerikeri-Waipapa River Liaison Subcommittee – Councillors Carr (Chairperson – ex officio EMC Chairperson) and Samuels
- Mangere Catchment Group Subcommittee – Councillors Shepherd and Carr (ex-officio EMC Chair)
- Media and communications portfolio - Councillors Shepherd and Ramsey
- New Zealand Refinery Liaison Committee - Councillor Brown
- Northland Chamber of Commerce council representative - Councillor Dimery
- Northland Conservation Board - Councillor Brown
- Northland Road Safety Forum and Northland Road Safety Trust - Councillor Bain (alternate Councillor Dimery)
- Poutō Catchment Group Subcommittee – Councillors Ramsey (Co-Chairperson) and Carr (ex-officio EMC Chair)
- Regional Road Safety portfolio - Councillor Bain
- Ngunguru Catchment group - Councillor Dimery (Chairman)
- Northland Sports Facilities Plan (Sport Northland) - Councillor Dimery
- Ruakaka River Liaison Committee – Councillors Brown (Chairperson) and Carr (ex-officio EMC Chair)
- Sport Northland Board of Trustees - Councillor Bain
- Shareholder Representative for Northland Port Corporation - Chairman Shepherd
- Shareholder Representative on Regional Software Holdings Limited - Chairman Shepherd (or his representative)
- Taumarere Flood Management Liaison Committee - Councillors Carr (Chairperson) and Samuels
- Te Karearea Strategic Alliance - Councillors Shepherd and Dimery (Councillor Sinclair as alternate)
- Te Maruata to LGNZ's National Council - Councillor Samuels
- Treasury Management Group – Councillors Sinclair (Chairperson) and Bain and Independent Member Geoff Copstick
- Upper North Island Strategic Alliance (UNISA) - Chairman Shepherd
- Urban Whāngārei Rivers Flood Management Liaison Subcommittee – Councillors Brown (Chairperson), Sinclair and Carr (ex officio EMC Chairperson)
- Waitangi Catchment Group Subcommittee – Councillor Samuels (alternate Councillor Carr)

- Waitangi River Liaison Subcommittee – Councillors Carr (Chairperson – ex officio EMC Chairperson) and Samuels
- Whangārei Harbour Catchment Group Subcommittee – Councillors Dimery and Carr (ex-officio EMC Chair)
- Whangārei Heads Pest Management Committee – Councillor Dimery (Chairperson)
- Zone One Representative – Chairman Shepherd

Advisors

Auditors:

- Audit New Zealand on behalf of the Auditor-General

Bankers:

- ANZ Bank
- ASB Bank
- Bank of New Zealand
- Kiwi Bank
- Westpac

Solicitors:

- Brookfields Lawyers
- BSA Law
- Buddle Findlay
- Karenza de Silva
- Kirkland Carter Morrison Lawyers
- Law North Partners
- Liam McEntegart
- Marsden Woods Inskip & Smith
- SBM Legal
- Simpson Grierson
- Stuart Ryan Barrister
- Thomson Wilson Law
- Webb Ross McNab Kilpatrick

Independent Investment Advisor:

- Eriksen & Associates

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.

For details on all our activities – and how we measured up against our performance targets for the year – see 'SECTION TWO: COUNCIL ACTIVITIES'.

Hopua te Nihotetea detention dam completed

The depth of flooding in Whangārei's CBD is expected to be cut by up to half a metre following the completion of the Hopua te Nihotetea detention dam (located at the end of Kotuku Street).

Work on the multi-million dollar detention dam was completed early this year, with an official opening and naming ceremony held in April. The dam, engineered to hold back up to 1.3 million cubic metres of floodwater in a major storm event, will significantly reduce the risk of flooding in the Whangārei CBD.

With council continually looking for the very best in value for money the investment of \$11.9 million dollars is on point. The dam is expected to save approximately \$1.4 million in damage annually, and to have an extremely long operational life. The project is being paid for with a targeted rate on more than 17,000 properties in Whangārei CBD.

The 18-metre high detention dam took 16 months to build and is the largest project of its kind undertaken by council.

Whangārei's Hopua te Nihotetea detention dam.



Better flood protection for Kaitāia

A revamped Whangatane spillway and a 54-metre long stock bridge downstream were completed in early 2016, improving flood protection for urban Kaitāia.

The weir and bridge works are the latest in a series of scheme improvements the council and Awanui River Management Liaison Committee have approved on behalf of the local community in recent years.

The weir works reduce the flood risk to urban Kaitāia by lowering peak flood level at the spillway intake and upstream along the Awanui River through Kaitāia. The stock bridge allows stock on farms adjacent to the spillway to move from one side to the other during the wetter months.

Northland's councils working together

To deliver better outcomes for our communities, the region's four councils are working on a collective plan: *Northland | Forward Together*.

The plan recognises the need for collective action on things important to Northlanders. It focuses on developing better ways of working – and delivering the best value for money – on things like services, infrastructure and the environment.

The plan has already resulted in the establishment of the Northland Transportation Alliance, which sees the four Northland local authorities and New Zealand Transport Agency form a shared services business unit. The Alliance will enable financial benefits through an enhanced regional approach to transport planning and delivery, drive business improvements and innovation and provide greater co-ordination of collaborative initiatives.

Current priorities include a focus on increasing digital enablement, especially in remote and rural areas of Northland, and the management of water and wastewater, where combining resources is more effective and cheaper.

By working together closely, we aim to find innovative solutions that benefit our communities, overcome some of the region's significant challenges, make the most of our opportunities and advantages, and are backed by central government.

Northland | Forward Together is about “Together lifting the overall wellbeing of our people and our place / Ngatahi, kia piki te oranga whenua, oranga tangata”.

Innovative approaches to marine biosecurity

A clever solution for improving data capture on marine pests saw our Biosecurity Team increase the number of boat hulls it inspected this year - and pick up a national award too.

Northland's marine environment is increasingly under threat by introduced pests. One of the main ways they are spread is on boat hulls moving from one place to another, so part of council's marine pest response is doing boat hull checks over summer.

To speed up the capture and reporting of information during the hull inspections, a range of technology and programmes were specifically integrated by council IT staff for use with i-pads in the field.

As a result this innovative solution has sped up our boat hull inspection process and enabled better capture of data, and the project was named "Project of the year" at the 2016 ALGIM Web and Digital Awards.

An innovative solution to improve data capture for marine pest hull inspections received a national award.



Reducing volumes of farm dairy effluent

The Farm Dairy Effluent Reduction Project has seen significant reductions in both water use and effluent volumes for the first two farms involved.

Under the project, council is working with farmers to improve water use efficiency, reduce effluent volumes and lessen the risk of non-compliance with regional rules and/or resource consent conditions. Excessive effluent volumes can also cause over-investment by farmers in capital and operating costs for effluent disposal.

Under the project, Mayflower Farms Ltd reduced water use by 58% (7.9 million litres/year) and effluent volumes going to the ponds by 51% (9.9 million litres/year). Waitutu Farms Ltd saved 43% (3.1 million litres/year) of water and reduced effluent going to the ponds by 26% (3.5 million litres/year).

Additional staff resourcing is now in place to enable the successful project to be expanded across a number of other farms, while allowing normal work to continue for the farm dairy effluent team. Non-compliance for farm dairy effluent has been steadily decreasing over the years, with this year's results falling only slightly short of target.

Ken Westlake of Mayflower Farms, which has halved the amount of effluent going into its effluent ponds.



Building strong relationships with Māori

We are continuing to build on the strong foundations put in place to increase Māori participation and involvement in council decision-making.

Our Te Tai Tokerau Māori Advisory Committee, established in 2014, meets regularly and has bi-monthly marae-based workshops. Recommendations from the committee have informed the development of our Draft Regional Plan, and a dedicated working group has been established to participate in council's planning processes.

Māori continue to be represented on our Environmental Management Committee and its sub-committees, including six Waiora Northland Water catchment groups and eight river liaison committees.

We have ongoing iwi liaison support through two dedicated staff roles, and we're continuing to provide the Joint Iwi Monitoring and Hapū Environmental Management funds to build the capacity of Māori.

Warawara forest pest control project

The 'Warawara Whakaora Ake' project, which aims to restore the ecological health of the roughly 13,000 hectare Warawara Forest by ridding it of introduced pests, is developing into a real success story.

The forest ranks as one of the region's highest priority kauri forests, and since work began in earnest, possum and rat numbers have been significantly reduced and those involved are now starting to see the forest beginning to recover. Rifleman have recently been discovered at a new location in the forest, which is an encouraging sign.

All nine marae surrounding the forest are driving the project, supported by Te Runanga o Te Rarawa. The partnership also extends to a range of other players including Northland Regional Council, Reconnecting Northland, the Department of Conservation and Nga Whenua Rahui.

Warawara is one of 52 Community Pest Control Areas implemented since our programme was established in 2005.

Warawara Whakaora Ake contractor Todd Emery and Kaitiāia-based council biosecurity officer Mike Knight.



Our year in numbers

- 312,193 passengers on Whangārei's CityLink bus service
- One hour to respond to all oil spills, within target response times
- 52% of schools participated in the Enviroschools programme
- \$1.7 million was transferred into the Investment and Growth reserve to support economic development in Northland.
- 100% of programmed minor flood control works were implemented
- 100% of all resource consent applications were processed within the statutory timeframes
- 17% of permitted farm dairy effluent activities had significant non-compliance events - our best result to date, though slightly shy of our target of "less than 15%"
- 3249 hectares of extra land were added to Community Pest Control Areas
- 181 environment fund applications were granted
- 108 farm water quality improvement plans were produced
- 100% of monitored air shed met national environmental standards
- 1152 people participated in CoastCare groups
- Almost \$760,000 was provided through the Environment fund to support projects that protect and enhance Northland's natural environment

Council objectives

This is the first Annual Report following the adoption of the Long Term Plan 2015-2025. As part of the long-term planning process, the council considered what contribution it would make to the region, and what outcomes that contribution is intended to achieve for the region. This formed council's objectives, and led to many new performance measures.

Council's objectives cover:

- What we want the region to be like - a set of outcomes
- What we want the organisation to be like - a set of values
- What we are here to do - a set of focus areas

Community outcomes

Community outcomes means the outcomes that the council aims to achieve in meeting the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory services.

These are the outcomes we want to achieve for the region:

1. Northland's overall environment is maintained or improved with an emphasis on encouraging the sustainable access to and use of resources.
2. Northland has strong local government leadership ensuring safe and resilient communities.
3. Northland is promoted effectively.

Council values

Our council values set out what we want the organisation to be like – the way we conduct our business:

1. We are a positive and customer-friendly organisation; and
2. We progressively increase the engagement of Northlanders' in our activities.

Areas of focus

Areas of focus outline the over-arching priorities for the services we deliver. We will:

1. Develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Taitokerau;
2. Provide a business-friendly environment;
3. Maximise returns to the community from funds invested and effective use of assets; and
4. Identify, promote or invest in regionally significant infrastructure.

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 'SECTION TWO: COUNCIL ACTIVITIES' 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.

Achievement of performance measures

Community representation and engagement (see page 27 for more information on these measures)

Maintaining effective, open and transparent democratic processes

- Percentage of the community surveyed that is satisfied with the way council involves the public in the decisions it makes is maintained or increased. **Baseline established**
- 100% of council's ordinary meeting agendas and minutes made available on the council website. **Achieved**

Support and deliver environmental education initiatives

- Percentage of schools participating in the Enviroschools programme is maintained or increased. **Baseline established**
- Number of students participating in Enviroschools Project Possum Stage 1 is maintained or increased. **Not achieved**
- Number of students participating in Enviroschools project WaiFencing is maintained or increased. **Achieved**

Promote community engagement

- Number of people participating in CoastCare groups is maintained or increased. **Baseline established**
- Number of people participating in Community Pest Control Area groups is maintained or increased. **Achieved**
- Representation of key community interests on Waiora Northland Water catchment management groups and River Management Liaison Committees is maintained in accordance with respective committee/group terms of reference. **Achieved**
- Number of collaborative community engagement groups. **Baseline established**

Provide contestable community funding to volunteer emergency services

- 100% of funding allocated complies with the council's agreed allocation criteria. **Achieved**

Resource and catchment management (see page 33 for more information on these measures)

Efficient and effective processing and administering of resource consents

- At least 98% of all resource consent applications processed within the statutory timeframes. **Achieved**

Maintaining and enhancing water quality in our rivers and coastal waters

- Less than 15% of all annually monitored resource consents are significant non-compliance events. **Achieved**
- Less than 15% of permitted farm dairy effluent activities monitored are significant non-compliance events. **Not achieved**

Efficient and effective compliance monitoring of resource consents

- 100% of consents for industrial, municipal sewage and farm discharges and major water takes requiring monitoring are monitored as per the council's consent monitoring programme. **Achieved.**
- 80% of consents for minor to moderate-scale activities requiring monitoring are monitored as per the council's consent monitoring programme. **Achieved**
- Appropriate action is taken to rectify significant non-compliances on 100% of occasions. **Achieved**

Efficient and effective response to and resolution of reported environmental incidents

- 80% of incidents reported to the Environmental Hotline, where more than minor environmental effects have been confirmed, are resolved within 30 working days. **Achieved**

Monitoring water quality for swimming and shellfish collection

- Weekly faecal indicator bacteria level monitoring is undertaken at 50 (or more) swimming sites from late November to late February 100% of the time. **Achieved**
- Weekly faecal indicator bacteria level monitoring is undertaken at 15 (or more) popular shellfish collections sites from late November to late February 100% of the time. **Achieved**
- The above monitoring is published on the council's website (or LAWA website) within five working days

of water samples being collected during the monitoring period. **Achieved**

Monitor the life-supporting capacity of water, in-stream uses and values

- Annual monitoring the macroinvertebrate community index (MCI) at 10 regionally representative sites. **Achieved**

Maintaining a high standard of ambient air quality

- 100% of monitored air sheds meet the national environmental standards. **Achieved**

Provision of farm water quality improvement plans (FWQIP)

- Number of Environment Fund applications granted annually is maintained or increased. **Achieved**
- More than 80 farm water quality improvement plans are produced each year by proactively targeting priority areas requiring water quality improvements. **Achieved**
- Number of wetland (including Top 150 Wetland) enhancement and protection projects funded via the Environment Fund annually. **Baseline established**
- Number of soil conservation projects funded via the Environment Fund annually. **Baseline established**

Provide and maintain an up to-date resource management framework to sustainably manage the environment and access to and use of the region's natural and physical resources

- The development of a new integrated regional planning framework and an associated series of plan changes completed which address national policy direction and regional resource management issues. **Achieved**

Promoting community involvement in pest management

- Increase land under CPCAs by 2,500 hectares per annum. **Achieved**

River management (see page 47 for more information on these measures)

Building, monitoring and maintaining flood protection schemes

- Zero failures of flood protection system for the Awanui, Whangārei, and Kaeo, schemes below specified design levels. **Achieved**

To provide flood protection and control works for urban and rural Kaitāia

- 100% of river scheme maintenance works undertaken in accordance with work programme. **Achieved**
- Zero failures of the Awanui flood protection scheme below specified design levels. **Achieved**
- Flood damage identified, prioritised and repair programme determined in conjunction with the Awanui River Management Liaison Committee. **Achieved**
- 100% of floodgate and stopbank renewals undertaken in accordance with work programme. **Achieved**

To provide flood protection and control works for urban Whangārei

- 100% of river channel maintenance works undertaken in accordance with work programme. **Achieved**
- Kotuku Dam monitored and maintained to ensure safe operation. **Achieved**
- Zero failures of the Kotuku Dam below specified design levels. **Achieved**

Delivering river management work to reduce flood and erosion risks

- 100% of the programmed minor flood control works for the other rivers implemented in accordance with the approved annual budgets. **Achieved**

Provide accurate rainfall and flood level monitoring

- Flood level monitoring is accurate to enable flood warnings to be developed 100% of the time. **Achieved**

Hazard management (see page 55 for more information on these measures)

Providing accurate and timely flood warnings

- Accurate flood warnings are issued 100% of the time. **Not applicable**
- Timely flood warnings are issued for major storm events of regional significance 100% of the time. **Not applicable**

Maintaining an effective civil defence emergency management system

- Emergencies (which require the activation of an emergency operations centre) are debriefed within one month and noted improvements are incorporated into the appropriate emergency operating procedures and response plans, 100% of the time. **Not applicable**

Maintaining natural hazard information and assessments to protect life and property

- Flood level monitoring at priority rivers is updated within one month following every large flood event. **Not applicable**
- Priority beach profile sites are updated biennially. **Achieved**

Maintaining an efficient and responsive and efficient oil pollution response

- Oil spills are evaluated and respond to within one hour of a report. **Achieved**

Economic development (see page 62 for more information on these measures)

Investing in economic development projects and ventures within Northland to increase Northland's economic performance

- The budgeted investment income is transferred into the Investment and Growth Reserve. **Achieved**
- Northland Inc.'s level of compliance with their approved Statement of Intent. **Not achieved**

Transport (see page 67 for more information on these measures)

Providing an efficient and effective public bus service

- Number of passengers for the Whangārei urban bus service increases annually. **Not achieved**

Maintaining navigation aids for safe navigation

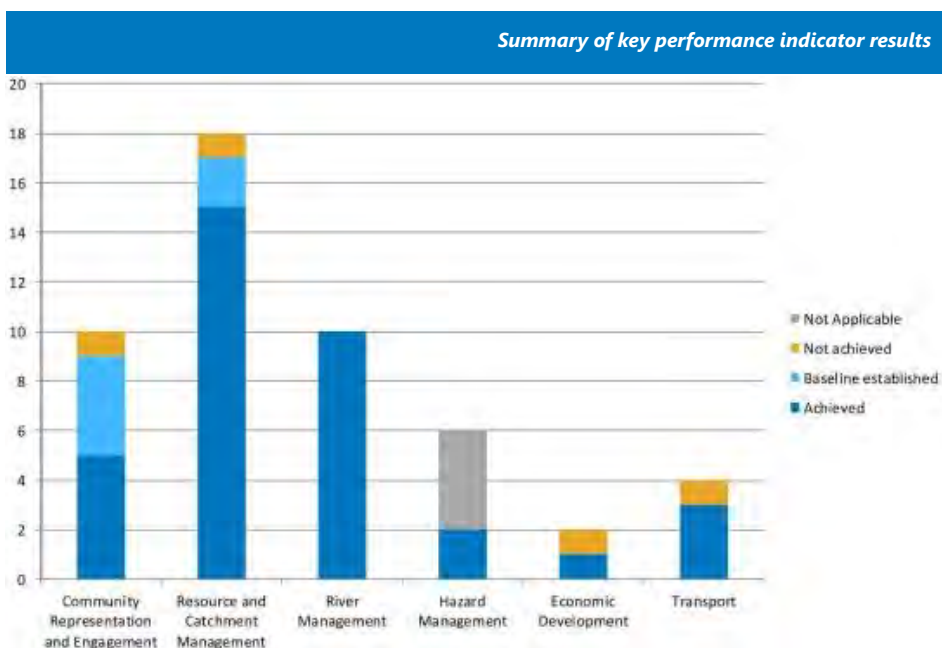
- Navigation aids repaired within five working days after being reported. **Achieved**

Providing safe pilotage services for vessels entering the Bay of Islands

- Zero incidents from providing pilotage services within Bay of Islands harbours. **Achieved**

Ensuring Northland is compliant with the Port and Harbours Safety Code (set by Maritime NZ)

- Compliance with the Port and Harbours Safety Code Zero non-compliance. **Achieved**



Māori participation in council processes

The council continues to provide opportunities for Māori to gain knowledge of council processes and to support avenues for Māori to participate in the decision-making processes. We continue to recognise the special relationship Māori have with the natural and physical resources of the region.

In order to achieve this, and in accordance with our policy on the development of Māori capacity, we provided and/or undertook the following activities and processes during 2015/16.

Relationships

In line with council's new focus to 'develop meaningful and inclusive relationships with iwi and tangata whenua within Te rohe o Te Tai Tokerau, council has:

- Committed to the Te Tai Tokerau Māori Advisory Committee, rotating bi-monthly between formal meetings and marae-based workshops (held at Rāwhiti, Ōmanaia, Tuparehuia, and Hiruharama).
- Participated in the Iwi / Council Chief Executive Forum which meets every second month to discuss regional issues of interest.
- Met annually with the Lake Omapere Trust to discuss matters relating to the management and health of the lake.
- Maintained our commitment to the Integrated Kaipara Harbour Management Group through staff time and financial support.
- Sought to reaffirm the Memorandum of Understanding between Te Uri o Hau Settlement Trust and council.
- Commenced discussions with Te Roroa Whatu Ora Trust as the post-governance entity for Te Iwi o Te Roroa, on developing a formal relationship.

Treaty of Waitangi

Council recognises that the Treaty relationship is between the Crown and Māori. However, council also acknowledges that it has legislative responsibilities to both provide opportunities for Māori to participate in council processes and to take into account the principles of the Treaty. During 2015/16 we have:

- Provided information and staff time to assist the research of the Waitangi Tribunal.
- Agreed to work with other local authorities in order to assist any future settlement negotiations over natural resources within the Auckland and Northland regions.
- Worked with Te Hiku o Te Ika Iwi and the Far North District Council to establish the Te Oneroa-a-Tōhē Board provided for through Treaty settlement for four of the five Far North iwi.

Contributing to council decision-making

Council continued to support the Te Tai Tokerau Māori Advisory Committee (as a standing committee of council) to deliver their work programme during 2015/16.

Through recommendations from Te Tai Tokerau Māori Advisory Committee, we have:

- Provided for participation in council's Regional Policy Committees workshops when reviewing the Māori specific sections of the new regional plan.
- Established a nine-member working group to participate in council's planning processes.

Council has also provided for ongoing Māori representation on the Environmental Management Committee (a standing committee of council) and its sub-committees and working parties including:

- Six Waioara Northland Water priority catchment groups.
- Eight hazard management river liaison committees.

In consultation with the region's mandated iwi authorities, we have established a process to review our regional plans.

Council recognises that in order for Māori to effectively contribute to the decision-making process of council, it is essential that relevant information is provided. This has been achieved by:

- Responding to requests for information made by iwi, hapū and Māori.
- Circulating most resource consent applications to tangata whenua on council's database.

Capacity building

Council continues to provide iwi liaison support through two dedicated roles to support council, and to support Māori to build capacity and understanding of council's roles, functions and obligations. Two initiatives aimed at building capacity included:

- The provision of funding support to progress iwi environmental monitoring initiatives and the development of iwi/hapū environmental management plans.
- Bi-monthly Te Tai Tokerau Māori Advisory Committee marae-based workshops (providing information on the roles and functions of council).



Compliance statement

Northland Regional Council

Annual Report

For the year ended 30 June 2016.

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 2016.



Bill Shepherd
Chairman



Malcolm Nicolson
Chief Executive Officer

Date: 03 October 2016

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 2016

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, on her behalf, to:

- audit the information included in the Regional Council and group's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the Regional Council and group has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Opinion on the audited information

In our opinion:

- the financial statements on pages 82 to 160:
 - present fairly, in all material respects:
 - the Regional Council and group's financial position as at 30 June 2016; and
 - the results of its operations and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance Public Benefit Entity Standards;
- the funding impact statement on page 75, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan;
- the statement of service provision of the Regional Council, which is referred to in the annual report as the Council Activities, on pages 26 to 74:
 - presents fairly, in all material respects, the Regional Council's levels of service for each group of activities for the year ended 30 June 2016, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and

- the reasons for any significant variation between the levels of service achieved and the intended levels of service;
 - complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities on pages 26 to 74, present fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 26 to 74, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

Compliance with requirements

The Regional Council and group has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 31 to 138 which are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and group's audited information.

Our audit was completed on 3 October 2016. 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 audited information. 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 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 the disclosures in the information we audited;
- determining the appropriateness of the reported performance information, referred to in the annual report as the Council Activities, within the Regional 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 Regional Council and group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

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

Responsibilities of the Council

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

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

The Council is responsible for such internal control as it determines is necessary to 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.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. In addition to this audit, we have provided a limited assurance report on certain matters in respect of the Council's Debenture Trust Deed which is compatible with those independence requirements. Other than this audit, and this assurance 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

SECTION TWO: COUNCIL ACTIVITIES

Overview of our activities

There are a range of core services that Northland Regional Council is required to deliver by law, but there are also many services that we deliver to address issues and opportunities that our communities have requested that we undertake, that can be done within legislative mandate, and that are important to achieving good outcomes across the region.

In 2015 we produced our Long Term Plan 2015-2025, which set out the range of services we intended to deliver on behalf of our communities over the decade for each of our groups of activities. These activity groups are:

- Community representation and engagement
- Resource and catchment management
- River management
- Hazard management
- Economic development
- Transport.

The process of developing our Long Term Plan 2015-2025 involved a thorough review of our groups of activities and the existing levels of service, and in many cases the levels of service were amended to better reflect the objectives of council (as discussed earlier in this report - see 'Council objectives').

The review also involved looking at each group of activities and identifying performance measures and targets for **significant** levels of service (the really important aspects of the activity). These performance measures and targets, which were outlined in the long term plan, are reported on in this annual report.

Other levels of service were also included in our long term plan, but without specific performance measures and targets. These levels of service are included in this annual report for completeness, and are monitored by council internally.

Community representation and engagement

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

Why we do these activities

Community representation through elected councillors is central to 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 Northland Regional Council.

The Local Government Act 2002, the Local Government Official Information and Meetings Act 1987, the Local Electoral Act 2002 and other relevant legislation sets 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 desired outcomes in an efficient and effective manner.

Contribution to council outcomes

The community representation and engagement activity primarily contributes to the following council outcomes, values and areas of focus:

- Our environment is maintained or improved, with an emphasis on encouraging sustainable access to, and use of, resources.
- Northland has strong local government leadership ensuring safe and resilient communities.
- Northland is promoted effectively.
- We are a positive and customer-friendly organisation.
- We progressively increase the engagement of Northlanders in our activities.
- We develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Tai Tokerau.
- We provide a business friendly environment.
- We maximise returns to the community from funds invested and effective use of assets.
- We identify, promote or invest in regionally significant infrastructure.

As policy-makers for the council, the councillors play an instrumental role in contributing to the council outcomes through understanding and representing the views of the region and encouraging the participation of the community in our decision-making. Having transparent decision-making processes that are easily understood helps to encourage community participation.

The community representation and engagement activity guides the council's operations in accordance with the requirements of the Local Government Act 2002.

What we did

Regional collaboration and shared services

Council is committed to improving effectiveness across the region and delivering value for money to ratepayers, and we continue to be involved in a programme of work to investigate opportunities for collaboration and shared services with the three district councils. The work is being progressed by council in conjunction with the Whangārei, Kaipara and Far North district councils, the Northland Mayoral Forum and the Chief Executive Forum.

A vision and objectives have been set out for the programme in a collective plan called 'Northland | Forward Together; Te Tokerau | Kokiri Nhatahi'. This sets the framework to actively pursue opportunities where there are benefits of local authority collaboration to our communities.

There are several priorities for the programme, including the successful establishment of the shared service transport hub – the Northland Transportation Alliance – which will bring together the roading and transport teams of all Northland's councils, increasing digital accessibility in rural areas of Northland, shared back-of-house services, and investigation in to the 'four waters' – stormwater, sewage, potable water, and flooding.

Council is also a key member of the Upper North Island Strategic Alliance (UNISA), a collaborative body that sees seven local authorities in the upper north island working together to maximise sustainable

development opportunities for all of the upper North Island. Council currently provides secretariat and administration support to the group.

Organisational development

It is important to us that our organisational structure is the most appropriate to deliver on the direction set by governance that was set out in our Long Term Plan 2015-2025. We have undertaken a significant review over the past year to ensure that we are resourced in the best way to achieve this.

As a result there have been a number of structural changes within the organisation that contribute to greater capacity for strategic development, more focus on customer service, redeployment of additional resource into delivery functions and an organisational priority on adaptability and innovation. These changes set us up to best respond to the future challenges that Northland will face.

Engaging with our community

Council signalled a clear focus in the Long Term Plan 2015-2025 to increase its support for and engagement with Northland communities. A number of new measures were included in the long term plan and are reported on for the first time in this annual report. This included carrying out a survey for the first time to canvass customer satisfaction, which showed that Council's overall reputation is positive with a reputation index of 66, and that 32% of the

community surveyed is satisfied with the way council involves the public in the decisions it makes. The results of these new measures set a strong baseline which enables the council to monitor itself, and the community to hold us accountable.

Funding volunteer emergency services

During the process of determining our direction in the Long Term Plan 2015-2025, we carried out consultation on the idea of providing contestable community funding to volunteer emergency services. The majority of feedback received agreed with the concept of contestable funding, and this has been implemented in the 2015/16 year. Funding was allocated in accordance with criteria agreed by council which, among other things, related to the volunteer aspect of organisations, their purpose, and the way that the funding will be applied.

In the 2015/16 year, funding was allocated to four emergency service groups. Funding was allocated to the Northland Emergency Services Trust to provide for the operational costs for the air rescue and ambulance services; to the Surf Life Saving Northern Region to provide for paid professional guards at popular beaches outside volunteer hours; to St John Northern Region to partially fund replacement of Northland ambulances, and; to Coastguard Northern Region to fund the operation, support and training costs for Northland units.

Performance measures and targets – Community representation and engagement

∞ Performance noted with the infinity sign was not reported in last year's Annual Report.

* Measures noted with a star are new measures for the Community representation and engagement activity that were introduced in our Long Term Plan 2015-2025. More information on the changes that were made in this section can be found on page 25 of our Long Term Plan under 'Changes to levels of service'.

1.1.1 Maintain effective, open and transparent democratic processes.

Performance measure	Target	2016 Result	Commentary
Percentage of the community surveyed that is satisfied with the way council involves the public in the decisions it makes.*	Establish baseline	32% (baseline established)	This was the first year that this survey ⁽¹⁾ was carried out. The survey canvassed a range of community satisfaction indicators. The question relating to public involvement in decisions received feedback of 32% satisfaction, 38% neutral, and 30% dissatisfaction.
Percentage of council's ordinary meeting agendas and minutes made available on the council website (agenda three days prior to council meetings)	100%	100% - achieved	All council meeting minutes have been made publicly available on council's website within 14 days of the council meeting, and all agendas three days prior to council meetings.

1.1.1 Maintain effective, open and transparent democratic processes.

and minutes 14 days post council meetings).*

1. Survey carried out by KEYRESEARCH on behalf of the Northland Regional Council. Methodology: A telephone survey of n=332 residents across the Northland region; Telephone numbers were achieved by random selection from white pages listings; The response rate for the survey was 6.2%; Quota targets were applied to ensure a sufficient sample by key demographic features including age, location, gender and ethnicity; Post survey the data has been weighted to the 2013 Census data to ensure that the sample is representative of known population distributions within the region; Interviewing was conducted between 4 April and 13 May 2016; At an aggregate level the survey has an expected confidence interval at the 95% level (margin of error) of +/-5.3%.

1.1.2 Providing effective advocacy on behalf of Northlanders on matters of regional significance.

1.1.3 Support and deliver environmental education initiatives.

Performance measure	Target	2016 Result	Commentary
Percentage of schools participating in the Enviroschools programme.*	Maintain/increase	51.63% (baseline established) 2014 result: 47% ∞	Council has provided the Enviroschools programme to 79 of Northland's 153 Schools, and anticipates being able to expand the provision of this programme to all schools on the waiting list over time.
Number of students participating in Enviroschools Project Possum Stage 1.*	Maintain/increase	83 - not achieved 2015 result: 93∞ 2014 result: 68∞	Project Possum skills camps are held annually, with students participating from a variety of schools throughout Northland. The number of attendees at the camps fluctuates in response to various factors including the individual needs to students, the number of senior students in particular year levels, and corresponding work programmes being run by schools.
Number of students participating in Enviroschools WaiFencing workshops.*	Maintain/increase	77 - achieved 2015 result: 61∞ 2014 result: 71∞	WaiFencing skills workshops are held annually, with students participating from a variety of schools throughout Northland. A record of student attendance at the WaiFencing workshops is maintained, and this record is used to calculate attendance numbers annually. The numbers of WaiFencing participants increased in the 2015/16 year.

1.1.4 Promote community engagement.

Performance measure	Target	2016 Result	Commentary
Number of people participating in CoastCare groups.*	Maintain/increase	1,152 (baseline established)	The number of people participating in CoastCare groups is recorded monthly and totalled over a six month period. Numbers have increased over the year, with 546 people recorded as having participated during the first six months of the financial year.

1.1.4 Promote community engagement.

Number of people participating in Community Pest Control Area groups.*	Maintain/increase	1,169 - achieved 2015 result: 1141∞ 2014 result: 1070∞	A database is maintained that records information pertinent to Community Pest Control Area groups, including numbers of participants. Numbers of participants have increased from the 1,141 people recorded as having participated during the last financial year.
Representation of key community interests on Waiora Northland Water catchment management groups and river management liaison committees.*	Maintained in accordance with respective committee/group terms of reference	Achieved (new measure)	Resignations from some group members were received during the year, and replacement representatives were sought as soon as practicable from existing members or through a process of recruitment and nominations. Membership of catchment groups is monitored in group meeting minutes.
Number of collaborative community engagement groups.*	Maintain/increase	69 (baseline established)	This new measure records the number of groups that council engages with on a regular basis to achieve a shared goal. A database is maintained with this information. This is the first year that this indicator has been measured and sets a baseline for council to maintain or increase.

1.1.5 Provide funding to a select group of community projects.

Providing financial support to select community initiatives where there is a demonstrable benefit to Northlanders that would otherwise not be viable.

1.1.6 Provide contestable community funding to volunteer emergency services.

Performance measure	Target	2016 Result	Commentary
Percentage of funding allocated that complies with the council's agreed allocation criteria.*	100%	100% - achieved	Funding was allocated to four volunteer emergency service groups: - Northland Emergency Services Trust - \$525,000 annually - Surf Life Saving Northern Region - \$120,000 annually - St John Northern Region - \$90,000 annually - Coastguard Northern Region - \$84,000 annually.

Community representation and engagement funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	1,680,399	-	116,115
Targeted rates (other than targeted water rates)	-	2,921,464	2,827,470
Subsidies and grants for operating purposes	63,901	-	10,000
Fees, charges, and targeted rates for water supply	-	59,652	39,229
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	1,744,301	2,981,116	2,992,815
Applications of operating funding			
Payments to staff and suppliers	2,026,399	3,502,360	3,905,870
Finance costs	-	-	-
Internal charges and overheads applied	481,711	658,146	675,626
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	2,508,110	4,160,506	4,581,497
Surplus/(deficit) of operating funding	(763,810)	(1,179,390)	(1,588,682)
Sources of capital funding			
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	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	-
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	-	-	-
to replace existing assets	-	-	-
Increase/(decrease) in reserves	-	-	(59,917)
Increase/(decrease) of investments	(763,810)	(1,179,390)	(1,528,765)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(763,810)	(1,179,390)	(1,588,682)
Surplus/(deficit) of capital funding	763,810	1,179,390	1,588,682
FUNDING BALANCE	-	-	-

Major variances compared to the Long Term Plan 2015-2025

Applications of operating funding

Applications of operating funding is over budget by \$420,991 predominantly due to:

- Additional legal fees of \$251,309 mainly due to costs of a rates challenge case, various legal costs that arose throughout the year, and management advice.
- Higher internal salary charges due to increased activity. These charges are offset by lower charges in other activities.

Resource and catchment management

This group includes the following activities:

- 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.
- Land and biodiversity – promoting sustainable land management practices and maintaining the variety of Northland’s indigenous life forms.
- Planning and policy – reviewing and developing regional plans, policies and strategies that support efficient and effective management of Northland’s natural and physical resources.
- Biosecurity – managing plant pests, animal pests and marine pests (including control and/or eradication) to minimise their adverse effects on the region’s biodiversity, primary production, economy and environment.

Why we do these activities

Our natural and physical resources play a significant part in our economic prosperity, health, environmental values and cultural identity. We aim to work with our communities to ensure resources are well managed and to give effect to legislation and national policy direction in a way that best meets the needs of Northland and its people.

Effective resource management involves setting goals and striving to achieve them through a mix of advocacy, education, advice, regulation, economic assistance, enforcement and other forms of intervention. This is a complex task requiring recognition of the social, economic, environmental and cultural effects of various intervention options – resource management also relies heavily on working with others as we cannot achieve these goals alone.

Our regional planning documents and the processes used to develop and implement them provide the basis for the long-term management of the region’s natural and physical resources to maximise benefits, minimise conflict and allocate resources efficiently while ensuring environmental outcomes and the needs and values of Northlanders are met. The

council’s consenting, monitoring, biosecurity, and land and biodiversity functions implement the plans and measure our progress towards outcomes sought. Our plans and implementation processes also ensure statutory responsibilities under legislation (such as the Resource Management Act 1991 and the Biosecurity Act 1993) and associated national policy and standards are met.

Contribution to council outcomes

The resource management activity primarily contributes to the following council outcomes, values and areas of focus:

- Our environment is maintained or improved, with an emphasis on encouraging sustainable access to, and use of, resources.
- Northland has strong local government leadership ensuring safe and resilient communities.
- We are a positive and customer-friendly organisation.
- We progressively increase the engagement of Northlanders in our activities.
- We develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Tai Tokerau.
- We provide a business-friendly environment.
- We maximise returns to the community from funds invested and effective use of assets.
- We identify, promote or invest in regionally significant infrastructure.

What we did

Consents and monitoring

We are committed to providing an efficient and effective level of service to our ratepayers, and this year we processed all resource consent applications within statutory time-frames, exceeding our target of processing at least 98% of these within statutory time-frames.

Two appeals on council consent decisions were resolved during the year, with the Environment Court upholding our decisions in both cases. Council’s processing procedure was also upheld in the outcome of an objection relating to a consent process that was

heard by an Independent Commissioner. These outcomes reinforce the council's sound, reliable decision-making on consents.

Our wide range of environmental monitoring informs and drives much of the work that the council does, and helps us report back to our communities on local and regional issues and trends.

Our monitoring and research this year included:

- An annual recreational swimming water quality report; and
- A report on monitoring results from the Kaipara Harbour. Regular water quality monitoring at 104 coastal, river and lake sites;
- Fish barrier surveys in two priority catchments;
- Water quality (faecal indicator bacteria) testing at 60 popular swimming sites over summer with results made available online;
- A continued groundwater investigation at Kai Iwi Lakes;
- Installation of automatic water level recorders at a number of lakes in the Poutō peninsula, add to our lake monitoring network;
- The addition of three reference (near pristine) sites to our river water quality network, which now includes 37 water quality monitoring sites, bringing the total of reference sites to six across the region;
- Sediment and turbidity monitoring in the Kaipara Harbour and Whangārei Harbour catchments;
- Microbial source tracking at 13 river sites;
- Routine water quality sampling in Bay of Islands, Whangārei, and Kaipara harbours.
- Estuary monitoring in Mangonui and Ngunguru, investigating the relationship between the marine ecology and environmental factors such as sediment and contaminants;
- Investigation of sediment sources into Mangonui Harbour, using specialised analysis of soils from the surrounding catchment and estuarine sediment;
- On-water marine pollution (vessel sewage) patrols at key harbours over the holiday season. This ensures vessels are aware of the rules to ensure water quality for all marine users. Enforcement was undertaken where vessels were not meeting our rules;
- Clean-up of rubbish on the foreshore along the Hātea River loop in conjunction with Whangārei District Council and Sea Cleaners;
- Deployment of continuous water quality buoys at various locations;

- Assisting Kaipara District Council, locals, and iwi with the establishment of a water quality monitoring programme at Mangawhai; and
- Microbial source tracking of contamination at a number of marine farm growing areas.

Our 24/7 Environmental Hotline is a valuable service which has been operating for more than 20 years. In the 2015/16 year the hotline received 830 calls, and the total number of incidents registered through the hotline since 1993 surpassed the milestone of 20,000. We achieved our target of resolving more than 80% of incidents with more than minor environmental effects within 30 working days.

We did not meet our target for the percentage of significant non-compliance events for permitted farm dairy effluent activities monitored in the 2015/16 year. The target for this measure was that less than 15% of all monitoring events be significant non-compliance events. Although this target was not achieved, the result of 17.3% of monitoring events is the lowest recorded for farm dairy effluent activities in a dairy season to date, and represents an improvement on previous results.

Our targets for water quality in relation to swimming, shellfish, and compliant air sheds were met (see the performance measures and results for more information).

Planning and policy

The key focus of our work this year has been on developing a new regional plan for Northland and finalising the Regional Policy Statement, both of which deliver on our functions under the Resource Management Act and on national policy direction. The new plan will improve resource management in Northland.

Finalising the new Regional Policy Statement for Northland

The Regional Policy Statement for Northland is one of council's most important planning documents as it sets out how the region's natural and physical resources will be managed. Council adopted the independent hearing commissioners' recommendations as its own decisions in a public council meeting (September 2013). Following the council decisions, sixteen appeals were lodged with the Environment Court.

These have all been resolved except for the appeal relating to genetically modified organisms (GMO) which is still before the High Court. The council decided to make the Regional Policy Statement operative in part (except for the GMO provisions) on

9 May 2016. This represents the culmination of several years' work and will provide certainty and enable implementation through district and regional plans to progress. Find out more at www.nrc.govt.nz/rps

Once the GMO matter is resolved by the courts, the Regional Policy Statement can be made operative in full.

Development of a new regional plan

The council has three operative regional resource management plans – the Air Quality Plan, the Water and Soil Plan and the Coastal Plan. Following the review of all three plans in December 2014, council decided to develop a new combined regional plan (to replace all three current plans).

Over the last year, council's Regional Policy Committee has overseen the development of a combined draft regional plan. The draft plan has benefited from input by members of council's Te Taitokerau Māori Advisory Committee and industry liaison groups. It has also been underpinned by research and advice from a range of scientists, particularly in relation to freshwater management in Northland.

The draft regional plan includes provisions to implement a range of national and regional policy, including the NZ Coastal Policy Statement 2010, the National Policy Statement for Freshwater Management 2014 and the operative provisions of the Regional Policy Statement for Northland.

The draft regional plan was released for public feedback on 8 August 2016.

The release of a draft plan is not a requirement under the Resource Management Act 1991 but council saw real value in providing an opportunity for tangata whenua, stakeholders, interested parties and the public to have their say prior to the formal consultation process. This 'front-loading' of the process will hopefully resolve any key issues at an early stage and result in a better final product.

Feedback will be considered and the plan revised prior to the Proposed Regional Plan being publicly notified around mid-2017.

Find out more at www.nrc.govt.nz/newregionalplan

Implementation of the National Policy Statement for Freshwater Management

Council notified its programme to implement the National Policy Statement for Freshwater Management (NPSFM) in December 2015. Under Policy E1 of the NPSFM, council is required to document and formally adopt the key steps and the timeline by which it will deliver on the requirements of the NPSFM by 2025. Policy E1 also requires that council report annually on the extent to which the programme has been implemented. The following provides an overview of implementation progress to date:

- Council's NPSFM Implementation programme was notified December 2015. See www.nrc.govt.nz/NPSfreshwaterprogramme
- Ngunguru catchment group was established November 2015.
- The Draft Regional Plan was released for public feedback 8 August 2016 (which largely gives effect to most of the requirements of the NPSFM, including freshwater management units, and associated water quality and quantity objectives). See www.nrc.govt.nz/newregionalplan
- Additional water quality monitoring sites were established in priority catchments in mid-2014.
- Draft catchment plans were developed collaboratively (with community, stakeholder and tangata whenua representatives) for Doubtless Bay, Mangere, Poutō, Waitangi and Whangārei Harbour catchments – draft catchment plans were released for public feedback 8 August 2016. See www.nrc.govt.nz/waiorafeedback

For more detail on the catchment planning process and other non-regulatory implementation measures, see the following section on Waiora Northland Water.

Other planning matters

Other planning milestones include Plan Change 4 (Aquaculture) being made operative on 9 May 2016 following approval by the Minister of Conservation. Plan Change 4 sets out the way aquaculture will be managed in Northland. It includes policies and rules for managing existing aquaculture and directing how and where new aquaculture is located – these provisions now form part of the operative Regional Coastal Plan.

Waiora Northland Water



Established in 2012/13, the Waiora Northland Water programme is about improving the management and state of the region's freshwater resources.

A significant council programme, Waiora Northland Water is a mixture of region-wide and prioritised catchment-specific initiatives to improve the region's freshwater resources. It includes policy development and operational measures.

Governance of Waiora Northland Water is provided by council's Environmental Management Committee. Each year council reports overall progress on its implementation of the National Policy Statement for Freshwater Management (NPSFM) in its Annual Report. Details of the programme are available at www.nrc.govt.nz/waiora and regular updates can be found in the Environmental Management Committee's agendas at www.nrc.govt.nz/agendas

Progress on region-wide initiatives

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

- Identified "freshwater management units" (in the draft regional plan) for the region's freshwater bodies – essentially grouping catchments or freshwater bodies into 'like' categories for the purpose of setting objectives and limits for water quality and water quantity.
- Used new tools to assist in the understanding of sediment and its management and commissioned research into nutrient loads in dune lakes and rivers – which have informed development of the draft regional plan and draft catchment plans.
- Commenced 126 Farm Water Quality Improvement Plans in 2015/16, which are required for Environment Fund grants. The 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
- In the interests of policy development, stakeholder collaboration, and good management practice, continued to work with primary industries through

liaison groups such as the Dairy Industry Liaison Group, the RMA Forestry Group and the newly established Drystock Industry Liaison Group.

- Continued to build the region's capacity to manage freshwater better through our demonstration projects and properties.
- Continued to monitor the state of freshwater in Northland, the pressures on it and the results of intervention.
- Continued to work with a number of landowners and community groups to implement actions to improve water quality in lakes. For example, a collaborative working group was established with Ngai Takoto and community to implement actions to reverse the decline of water quality in Lake Ngatu. Actions included placement of vehicle bollards at the lake edge, signage and a stocktake of water takes, culverts, inlet drains and wastewater disposal systems near the lake.
- Worked with Ministry for Environment staff to ensure Northland's unique freshwater management challenges are understood at central government level and our approach to implementation of the NPSFM is sound.
- Allocated \$912,482 from the Environment Fund to a total of 181 projects during the year. This was comprised of 45 biosecurity projects focused on targeting pest animals and weeds, and 137 land management projects focused on supporting initiatives to improve water quality and biodiversity. Though this amount was allocated, a number of projects were withdrawn and the subsequent amount actually spent was \$757,423.
- Commenced the MPI-funded Hill Country Erosion Fund project for the Kaipara catchment, with a focus on enhancing soil conservation in the catchment. This project has been awarded \$665,000 over four years, with 2015/16 being year one.
- Expanded the Flyger Road poplar and willow nursery through planting of an additional block of poplar stock. The first harvest was approximately 500 poles, fewer than the anticipated 5000 poles due to slower than anticipated growth rates because of the young age of the stock and lack of irrigation in the initial block. All poplar stock is now irrigated to ensure growth rates are optimised.

Progress on catchment-specific approaches

Under the catchment-specific approaches we have:

- Developed draft catchment plans with the five collaborative catchment groups established to date (Mangere, Whangārei, Doubtless Bay, Poutō and Waitangi).

- Established a collaborative catchment group to consider options to improve the management of sediment in the Ngunguru catchment.
- 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 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, 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.)
- Collected two years of data from an expanded monitoring programme in the priority catchments.
- Partnered with Auckland Council and Ministry for the Environment to commission a study on the economic costs and environmental benefits of a range of sediment mitigation (i.e. reduction) scenarios for the Kaipara Harbour Catchment. This work also involves developing a farm scale tool to identify sediment management options and cost effectiveness.

CoastCare

In 2015/16 CoastCare Northland engaged with over one thousand volunteers through 31 CoastCare groups undertaking dune restoration work. More than 13,000 plants were planted at 15 sites.

Biosecurity

The 2015/16 year was another busy period for our biosecurity response work.

Along with the major work programmes outlined below, we:

- Funded 45 projects to manage animal and pest plants from our Environment Fund to a value of \$155,166.
- Helped train students from across Northland – under the EnviroSchools programme – in 'Project Possum' and the safe use of pesticides.
- Undertook vessel hull surveillance with 1008 vessel hulls checked in harbours from Whangārei to Houhora, a significant increase over the 270 checks performed in the previous year. This is now part of the standard procedures for marine pests.

Review of the Northland Regional Pest Management Strategies

Our Regional Pest Management Strategies (RPMS) are currently under review and a new plan is expected to be confirmed during 2017.

The aims of the review are to:

- Identify options to improve pest management in Northland;
- Reflect recent Biosecurity Act changes; and
- Assess the rationale to include new pest species or remove others.

The RPMS will be replaced with 10-year Regional Pest Management Plan and Marine Pathway Management Plans – proposed plans will be publicly notified for consultation during 2017. A Regional Pest Management Plan will manage identified pests, whereas a Pathway Management Plan will aim to manage the pathways or vectors through which pests may be introduced.

As the review is ongoing, council has resolved to extend the expiry date of the Regional Pest Management Strategies 2010-2015 to February 2017 (pursuant to section 100G of the Biosecurity Act 1993 and section 83(19) Biosecurity Law Reform Act 2012).

Community Pest Control Areas (CPCAs)

Fifty-two CPCAs have been implemented since the programme was established in 2005 (including five renewed as part of larger new CPCAs). Two new CPCAs were added this year adding a further 3249 hectares to the land area under pest control, for a total of 60,050 hectares having been under a CPCA since the programme was established.

Warawara forest is administered by the Department of Conservation and ranks as one of the region's highest priority kauri forests. The partnership with Te Runanga o Te Rarawa, the Department of Conservation, and Reconnecting Northland is formalised via a Memorandum of Understanding. Coordinated pest control operations both within the reserve and surrounding private lands cover more than 13,000 hectares.

All CPCAs met their pest reduction targets this year.

Kauri dieback

Kauri dieback is a disease that is killing kauri. 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 tangata whenua from areas with naturally occurring kauri.

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

The partnership programme for 2015/16 included strengthened programme management, research, operations and engagement and behaviour change work. Council's total contribution to the programme for 2015/16 was budgeted at \$87,000. Our share represents a small percentage of the total funding considered necessary to fund the programme.

Kai Iwi Lakes

Kai Iwi Lakes are outstanding Northland dune lakes with significant values. The lakes have excellent water quality and outstanding ecological condition, providing habitat for a range of endangered plants and animals, as well as numerous recreational activities. However, due to the easy accessibility and high recreational use of the lakes there is a significant risk of aquatic pest introduction, which could have a significant impact on the values of the area. There are already significant threats to the lakes from terrestrial weeds and pest animals.

Since 2013 council staff have been working with the Taharoa Domain Governance Committee, Kaipara District Council, iwi and surrounding landowners on a series of projects to reduce the impact of introduced pests, improve wetland and water quality on adjacent farms and raise public awareness of the lakes and how to look after them.

Freshwater weeds

Annual pest plant surveillance is undertaken for seven lakes and weed assessment is part of the NIWA lakes ecological monitoring programme for over 80 lakes. Post eradication checks following grass carp introduction were done in Lakes Waingnata and Swan on the Poutō Peninsula and Lake Heather at Aupouri. Lake Ngakapua remains clear of oxygen weed after it was sprayed in 2015.

Mediterranean fanworm response

Council's response to Mediterranean fanworm – a significant marine pest – continued in 2015/16 with research, investigation, surveillance, monitoring and removal of the pest.

NIWA dive teams have continued with fanworm surveys throughout Northland and 14 harbours remain free of fanworm. There was ongoing fanworm removal within specific locations within Whangārei Harbour.

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 anti-fouling their hulls.

Performance measures and targets - Resource and catchment management

∞ Performance noted with the infinity sign was not reported in last year's Annual Report.

* Measures noted with a star are new measures within the Resource and catchment management group, which were introduced in our Long Term Plan 2015-2025. More information on the changes that were made in this section can be found on pages 30-37 of our Long Term Plan under the headings 'Changes to services'.

2.1 Consents activity

2.1.1 Efficient and effective processing and administering of resource consents.

Performance measure	Target	2016 Result	Commentary
Percentage of all resource consent applications that are processed within the statutory timeframes.	At least 98%	100% - achieved 2015 result: 99.7% - achieved 2014 result: 100% - achieved 2013 result: 100% - achieved	All 651 consents issued by council were processed within the statutory timeframes.

2.1.2 Creating a business-friendly environment.

2.1.3 Providing advice and responding to enquiries on consent and plan requirements.

2.2 Monitoring

2.2.1 Maintaining and enhancing water quality in our rivers and coastal waters.

Performance measure	Target	2016 Result	Commentary
Percentage of significant non-compliance events for all annually monitored resource consents.*	Less than 15% of monitoring events	4.71% - achieved 2015 result: 7% ∞ 2014 result: 8% ∞	This indicator measures the compliance with resource consents that affect water quality. 130 significant non-compliance events were recorded from a total 2762 monitoring events. The number of significant non-compliance events has been steadily decreasing.
Percentage of significant non-compliance events for permitted farm dairy effluent activities monitored that year.*	Less than 15% of monitoring events	17.32% - Not achieved 2015 result: 26% ∞ 2014 result: - 29% ∞	Of 254 monitoring events, 44 significant non-compliance events were recorded. Although the target was not achieved, this is the lowest percentage of significant non-compliance events recorded for permitted farm dairy effluent activities in a dairy season to date, and represents an improvement on previous results. There are various reasons for non-compliance

2.2.1 Maintaining and enhancing water quality in our rivers and coastal waters.

			events, however council's increased resourcing for farm dairy effluent volume reduction work is expected to have a positive impact on these results.
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2.2.2 Efficient and effective compliance monitoring of resource consents.⁽¹⁾

Performance measure	Target	2016 Result	Commentary
Percentage of consents for industrial, municipal sewage and farm discharges and major water takes requiring monitoring that are monitored as per the council's consent monitoring programme.*	100%	100% - achieved	All 1561 consents were monitored as per the council's consent monitoring programme.
Percentage of consents for minor to moderate-scale activities requiring monitoring that are monitored as per the council's consent monitoring programme.*	80%	98.26% - achieved	There were 2651 individual monitoring events required; of these, 2605 were completed.
Percentage of occasions that appropriate action is taken to rectify significant non-compliances.	100%	100% - achieved 2015 result: 99.6% - not achieved 2014 result: 96% - not achieved 2013 result: 99% - not achieved	173 significant non-compliances were followed-up with action as outlined in council's Resource Consent Monitoring Quality Procedures Manual.

1. *Many consents have a monitoring frequency of less often than once a year (i.e. once every two years; once every three years; once every five years and so on). For these consents, if they are still within the timeframe to complete the monitoring then they are counted as "yes, monitored as per the programme". They will only be counted as exceptions when they have exceeded the timeframe allowed and have not been monitored. What this means is that some consents will be counted as contributing towards achieving this target even though they were not monitored during the year.*

2.2.3 Efficient and effective response to and resolution of reported environmental incidents.

Performance measure	Target	2016 Result	Commentary
Percentage of incidents reported to the Environmental Hotline, where more than minor environmental effects have been confirmed, that are resolved within 30 working days.	80%	88.68% - achieved 2015 result: 85% - achieved	A total of 53 incidents with more than minor environmental effects were reported to the Environmental Hotline, and 47 of these were resolved within 30 working days.

2.2.3 Efficient and effective response to and resolution of reported environmental incidents.

		2014 result: 89% - achieved	
		2013 result: 85% - achieved	

2.2.4 Providing a hazardous waste chemical collection and disposal service.

2.2.5 Providing information on potentially contaminated land.

2.2.6 Monitoring water quality for swimming and shellfish collection.

Performance measure	Target	2016 Result	Commentary
Percentage of times weekly faecal indicator bacteria level monitoring is undertaken at 50 (or more) swimming sites from late November to late February.*	100%	100% - achieved 2015 result: achieved ⁽¹⁾ ∞	Monitoring to determine the water quality of swimming sites was carried out weekly for 14 consecutive weeks over the peak summer season.
Percentage of times weekly faecal indicator bacteria level monitoring is undertaken at 15 (or more) popular shellfish collection sites from late November to late February.*	100%	100% - achieved 2015 result: achieved ⁽²⁾ ∞	Monitoring to determine the water quality of popular shellfish collection sites was carried out weekly during the peak summer season.
Percentage of times the above monitoring is published on the council's website (or LAWA website) within five working days.*	100%	100% - achieved	All water quality information (weekly faecal indicator bacterial level results) for swimming and shellfish collection sites was published on the LAWA website within five working days.

1. The 2015 monitoring programme was carried out for 12 weeks from late November to mid February

2. The 2015 monitoring programme was carried out for 12 weeks from late November to mid February

2.2.7 Monitor the life-supporting capacity of water, in-stream uses and values.

Performance measure	Target	2016 Result	Commentary
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2.2.7 Monitor the life-supporting capacity of water, in-stream uses and values.

Frequency of monitoring the macroinvertebrate community index (MCI) at 10 regionally representative sites.*	Annually	<p>Achieved</p> <p>2015 result: annual monitoring achieved ⁽¹⁾</p> <p>2014 result: annual monitoring achieved ⁽²⁾</p>	Macroinvertebrate communities in waterbodies are a good indicator of stream health, and monitoring these regularly allows stresses and changes in the aquatic environment to be detected. Monitoring of the macroinvertebrate community index at 10 regionally representative sites was completed between January and March 2016.
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1. This result was included as part of measure 1.5 in council's 2015 Annual Report
2. This result was included as part of measure 1.5 in council's 2014 Annual Report

2.2.8 Maintaining a high standard of ambient air quality.

Performance measure	Target	2016 Result	Commentary
Percentage of air sheds meeting the national environmental standards.	100%	<p>100% - achieved</p> <p>2015 result: 100% - achieved</p> <p>2014 result: 100% - achieved</p> <p>2013 result: 100% - achieved</p>	As part of implementing national standards for air quality, we designated local air quality management areas, known as airsheds, where air quality is more likely to have levels of pollutants that exceed the national environmental standard for air quality. Monitored air sheds met national environmental standards 100% of the time, showing that the air quality at these sites is good most of the time.

Land and biodiversity

2.3.1 Promoting sustainable land management, especially water quality, biodiversity, soil conservation and coastal environments.

2.3.2 Provision of farm water quality improvement plans.

Performance measure	Target	2016 Result	Commentary
Number of Environment Fund applications granted annually.*	Maintain or increase	<p>181 - achieved</p> <p>2015 result: 181 ∞</p>	Environment Fund grants are provided to landowners to assist activities undertaken by the landowners to achieve improved sustainable land management. Funding grants for farming activities are conditional on those landowners developing a farm

2.3.2 Provision of farm water quality improvement plans.

		2014 result: 203 ∞	water quality improvement plan, or a council-approved industry-equivalent plan, developed (with the exception of minor landholdings that would not benefit from such a plan).
Number of farm water quality improvement plans produced by proactively targeting priority areas requiring water quality improvements annually.*	More than 80 improvement plans produced in each year	108 - achieved 2015 result: 80 ∞ 2014 result: 140 ∞	The target for the number of improvement plans produced was exceeded by 28.
Number of wetland (including Top 150 Wetland) enhancement and protection projects funded via the Environment Fund annually.*	Establish baseline	12 (baseline established)	This baseline was established by keeping a record of those Environment Fund applications (or proportion of application by cost) that promoted the protection and enhancement of wetlands.
Number of soil conservation projects funded via the Environment Fund annually.*	Establish baseline	84.5 (baseline established)	This baseline establishes the number of projects that align with the objective of soil conservation. This comprises projects that require poplar and willow supply, and Environment Fund applications (or proportion of application by cost) required for soil conservation projects.

2.3.3 Increased protection and improvement of regionally significant spaces.

Planning and policy

2.4.1 Provide and maintain an up-to-date resource management framework to sustainably manage the environment and access to and use of the region's natural and physical resources.

Performance measure	Target	2016 Result	Commentary
<p>The development of a new integrated regional planning framework and an associated series of plan changes completed which address national policy direction and regional resource management issues.</p> <p>(NB: The council's ability to meet these targets may be affected by new and changing central government policy. Any such variations will be reported in the relevant Annual Report).*</p>	National Policy Statement for Freshwater Management (NPS Freshwater) implementation programme is notified.	Achieved	Council notified its programme to implement the NPS Freshwater on 12 December 2015. The development of the draft regional plan is progressing in accordance with the project plan - it was approved by the Regional Policy Committee on 18 July and released for public feedback on 8 August 2016.

2.4.2 Developing and maintaining a number of regional planning documents for the management of the region's natural and physical resources.

2.4.3 Monitoring trends and events that may require a resource management planning/policy response.

2.4.4 Responding to other organisations' resource management documents and policy initiatives.

Biosecurity

2.5.1 Reducing the impact of introduced pests on environmental, economic and social values.

2.5.2 Protecting forests and lake health through effective regional pest control.
Reducing pests will contribute positively to the region's economy, environment and culture.

2.5.3 Promoting community involvement in pest management.

Performance measure	Target	2016 Result	Commentary
Increase in hectares of land under Community Pest Control Area plans per annum.*	Increase by 2,500 hectares per annum	Achieved 2015 result: 56,801 total hectares ∞ 2014 result: 49,834 hectares ∞	Expanding areas under Community Pest Control Area plans contributes positively to the region's economy, environment and culture. The target increase for 2015/16 was achieved, with a total increase of 3249 hectares. This result exceeded council's target by 749 hectares.

Resource and catchment management funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	9,110,226	-	369,450
Targeted rates (other than targeted water rates)	-	8,847,743	8,593,522
Subsidies and grants for operating purposes	85,000	-	176,997
Fees, charges, and targeted rates for water supply	2,703,210	2,194,939	2,279,086
Internal charges and overheads recovered	139,379	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	2,130	-	-
TOTAL OPERATING FUNDING	12,039,944	11,042,682	11,419,055
Applications of operating funding			
Payments to staff and suppliers	10,416,825	10,384,393	10,295,057
Finance costs	-	-	-
Internal charges and overheads applied	3,876,299	4,253,792	4,344,932
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	14,293,123	14,638,186	14,639,989
Surplus/(deficit) of operating funding	(2,253,179)	(3,595,504)	(3,220,934)
Sources of capital funding			
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	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	-
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	29,182	229,614	185,478
to replace existing assets	61,026	56,000	59,894
Increase/(decrease) in reserves	-	(155,000)	(77,695)
Increase/(decrease) of investments	(2,343,386)	(3,726,118)	(3,388,611)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(2,253,179)	(3,595,504)	(3,220,934)
Surplus/(deficit) of capital funding	2,253,179	3,595,504	3,220,934
FUNDING BALANCE	0	0	0

Major variances compared to the Long Term Plan 2015-2025

Operating funding

Operating funding is \$376,373 greater than budget primarily due to:

- Slightly higher rates collected against budget.
- Increased subsidies from central government including Kauri Dieback and Kaipara Hill Country Erosion programmes.
- Incident and prosecution revenue which is not budgeted for.

River management

This group of activities includes:

- River management and hydrology – In 2010 the council completed river management plans for 27 priority rivers, and the ongoing development and implementation of these flood risk reduction plans is now the primary focus of the river management activity. The council, in conjunction with local river management liaison committees, undertakes the development, implementation and maintenance of flood control works and assets.

Why we do these activities

River flooding is the highest natural hazard risk in Northland because of the extensive development on flood plains 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 council's programme of river management works includes infrastructure improvements that are intended to improve access around our region in times of flooding. The river maintenance and new river works are managed with sustainability of the environment as a primary objective. Examples include the gravel extraction, which provides a local resource while reducing flood risk and in some cases reducing bank erosion; and enabling increased opportunities for land use.

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

Contribution to council outcomes

The river management activity primarily contributes to the following council outcomes, values and areas of focus:

- Our environment is maintained or improved, with an emphasis on encouraging sustainable access to, and use of, resources.
- Northland has strong local government leadership ensuring safe and resilient communities.

- We are a positive and customer-friendly organisation.
- We progressively increase the engagement of Northlanders in our activities.
- We develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Tai Tokerau.
- We provide a business-friendly environment.
- We maximise returns to the community from funds invested and effective use of assets.
- We identify, promote or invest in regionally-significant infrastructure.

What we did

Awanui River scheme

We continued working to better protect Kaitāia and Awanui from the risk of flood through the Awanui River scheme. The key objectives of the 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.

In the 2015/16 year maintenance of the scheme assets was undertaken as agreed through consultation with the Awanui River Management Liaison Committee, and guided by the scheme asset management plan. All annual maintenance works were completed, including cleaning of inside bends and stopbank repairs in the lower Awanui River, coastal stopbank repairs and maintenance of the Whangatane spillway. In addition, an annual weed spray programme, mulching and flood gate maintenance and inspection was undertaken.

Design and resource consenting was completed for modification of the Whangatane spillway intake weir and construction of a stock crossing bridge. These works aim to better use the Whangatane Spillway for additional flow from the Awanui River, thereby reducing flood risk to urban Kaitāia and the lower Awanui River and enabling improved drainage of the Lake Tangonge flood storage area. These works were successfully constructed, and were opened at a civic ceremony held on 1 July 2016.

Kaeo River scheme

Construction of the Kaeo Stage 1 flood scheme works are complete. Stage 2 remains 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.

A range of channel maintenance works were completed in the Kaeo River and surrounding Whangaroa Streams as part of the annual maintenance programme.

Whangārei urban rivers scheme

A milestone for river management in 2015/16 was the completion of the Hopua te Nihotetea detention dam. Practical completion of the dam, located at the ends of Kotuku Street and Raumanga Valley Road in Whangārei, was achieved in December 2015. The dam was officially opened at a civic ceremony held on 9 April 2016.

In addition to this, a range of stream maintenance works were undertaken in the urban Whangārei rivers including streambank erosion protection, fish passage enhancement, and removal of trees and gravel accumulation.

Kerikeri-Waipapa rivers flood management scheme

Construction of the Kerikeri-Waipapa rivers flood management scheme remained stalled by appeals to the Environment Court. Resource consents, designation, and Public Works Act processes and approvals for the Kerikeri River spillway flood scheme were appealed by a land owner. Mediation to resolve the appeals has commenced and continues. Until these appeals have been resolved it is not possible to construct the scheme. The proposed spillway would be 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.

Channel improvement works were identified during the consent hearing for the Kerikeri River spillway flood scheme, and these were completed on the lower Kerikeri River.

In addition to these, a spillway was constructed on the Wairoa River downstream of Cobham Road bridge to reduce flooding to several properties.

Kaihū River scheme

The annual channel maintenance and rice grass spraying programme was completed on the Kaihū River. A contract was also completed to remove significant tree debris from the Kaihū River.

Management Liaison Committees

River or flood management liaison committees have been established for each of the river or flood management schemes that council undertakes. As sub-committees of council's Environmental Management Committee, the role of the liaison committees is to advise and make recommendations to council on matters pertaining to the development and implementation of flood plans. In addition to the committees that have been established for those schemes discussed above, there are committees for the Waitangi and Ruākakā catchments, and most recently, the Taumārere Flood Management Liaison Committee which was established with an inaugural meeting in April 2016.

Other works and maintenance

Seventeen minor river works projects were completed throughout the region. The majority of these works involved the removal of trees and other channel obstructions to improve the free flow of water and reduce flood risk.

Performance measures and targets – River management

∞ Performance noted with the infinity sign was not reported in last year's Annual Report.

* Measures noted with a star are new measures within the River Management group, that were introduced in our Long Term Plan 2015-2025. More information on the changes that were made in this section can be found on pages 42-43 of our Long Term Plan under 'Changes to services'.

3.1.1 Building, monitoring and maintaining flood protection schemes to protect life and property.

Performance measure	Target	2016 Result	Commentary
Number of failures of flood protection system for the Awanui, Whangārei, and Kaeo schemes below specified design levels.	Zero failures	Zero failures - achieved 2015 result: zero failures - achieved 2014 result: zero failures - achieved 2013 result: zero failures - achieved	Flood protection systems are designed to withstand a certain level of flooding. Failure occurs when there is over-topping during an event that the system has been designed to withstand. This measure is dependent on storm events. There have been no events of a magnitude large enough to test these flood protection systems during this reporting period.

3.1.1.1 Providing flood protection and control works for urban and rural Kaitāia.

Performance measure	Target	2016 Result	Commentary
River scheme maintenance works undertaken in accordance with work programme.*	100% of maintenance works undertaken, as determined in conjunction with the Awanui River Management Liaison Committee	100% - achieved 2015 result: 100%∞ 2014 result: 100% for river channel maintenance works ∞	The flood protection work programme for Kaitāia is developed by council and the Awanui River Management Liaison Committee annually, and all work is carried out in accordance with this. All scheduled works for the 2015/16 season have been completed. This comprised: <ul style="list-style-type: none"> • Scheduled annual maintenance: Annual spray programme; annual mulching programme (Tarawhataroa, Awanui, and Whangatane Spillway); flood gate maintenance and inspection. • General Maintenance: Lower Awanui - cleaning inside bends and stopbank repairs; Awanui River SH1 Bridge to Waihoe Channel - stopbank works; Coastal stopbanks including condition assessment; general maintenance; Whangatane Spillway including cleaning of silt traps. <p>An amount of \$273,711 was budgeted for these works, and a total of \$285,339 (operational expenditure only, no capital expenditure) was spent.</p>

3.1.1.1 Providing flood protection and control works for urban and rural Kaitiāia.

Number of failures of the Awanui flood protection scheme below specified design levels.*	Zero failures	Zero failures - achieved 2015 result: zero failures ∞ 2014 result: zero failures ∞	Flood protection systems are designed to withstand a certain level of flooding. Failure of the Awanui flood protection scheme occurs when there is over-topping during an event that the system has been designed to withstand. There have been no events of a magnitude large enough to test the Awanui flood protection scheme during this reporting period.
Flood damage identified, prioritised and repair programme determined in conjunction with the Awanui River Management Liaison Committee.*	Flood damage reported to Awanui River Management Liaison Committee following each flood damage event, and repair programme adopted and implemented.	Achieved 2015 result: 100% ∞ 2014 result: 100% ∞	There have been no floods large enough to damage the scheme stopbanks during this reporting period. Annual inspection is carried out to identify any failures or weak spots, and additional horizontal drainage has been installed at Bell's Hill as recommended by the geotechnical engineer.
Floodgate and stopbank renewals undertaken in accordance with work programme.*	100% of renewals undertaken, as determined in conjunction with the Awanui River Management Liaison Committee.	100% - achieved 2015 result: 100% ∞ 2014 result: 100% ∞	The maintenance programme for floodgates and stopbanks is included as part of the work programme for the scheme. In this reporting period work has included continued repairing or replacing flood gates on a priority basis, with approximately 140 floodgates inspected, maintained and repaired. \$59,000 of a budgeted \$59,995 (capital expenditure only, no operational expenditure) was spent on these works.

3.1.1.2 Providing flood protection and control works for urban Whangārei.

Performance measure	Target	2016 Result	Commentary
River channel maintenance works undertaken in accordance with work programme.*	100% of maintenance works undertaken, as determined in conjunction with the Urban Whangārei River Liaison Committee.	100% - achieved 2015 result: 100% ∞ 2014 result: 100% ∞	The flood protection work programme for urban Whangārei is developed by council and the Urban Whangārei River Management Liaison Committee annually, and all work was carried out in accordance with this. This included gravel extraction at the Boy's High gravel trap; Rust Avenue bridge gravel extraction; tree and gravel removal at Whareora Road; drop structure repair and clean out; and slip repair at Jubilee Park.

3.1.1.2 Providing flood protection and control works for urban Whangārei.

			\$34,000 of a budgeted \$40,000 (operational expenditure only, no capital expenditure) was spent on these works.
Hopua te Nihotetea detention dam monitored and maintained to ensure safe operation.*	100% of dam monitoring and maintenance works undertaken in accordance with the dam management plan.	100% - achieved	Practical completion of Hopua te Nihotetea detention dam (Kotuku dam) was achieved in December 2015. A dam management plan has been developed by council staff based on the recommendations of dam engineers, and regular monitoring and maintenance has been carried out in accordance with this.
Number of failures of the Hopua te Nihotetea detention dam below specified design levels.*	Zero failures.	Zero - achieved	Flood protection systems are designed to withstand a certain level of flooding. Failure of the Hopua te Nihotetea detention dam (Kotuku dam) occurs if the dam is compromised during an event with a return period that is below that of the dam's design level. There have been no events of a magnitude large enough to test the dam during this reporting period.

3.1.2 Delivering river management works to reduce flood and erosion risks.

Performance measure	Target	2016 Result	Commentary
Percentage of the programmed minor flood control works for other rivers implemented in accordance with the approved annual budgets.	100%	100% 2015 result: 86% - not achieved 2014 result: 100% - achieved 2013 result: 70% - not achieved	An annual work programme and budget is established for minor flood control works, through which work is prioritised, implemented and monitored. More work than programmed was completed in the 2015/16 year (an additional 5%) due to synergies with contractors that were mobilised on site and where it was more cost effective to bring future work forward. This resulted in a small budgetary overspend.

3.1.3 Monitoring the state of the regional environment, specifically water resources.

3.1.4 Protecting the life-supporting capacity of water, in-stream uses and values.

3.1.5 Maintaining and enhancing water quality in our rivers and coastal waters through integrated management.

3.1.6 Contributing to informed policy decisions regarding water resources.

3.1.7 Contributing to informed management of river hazards.

3.1.8 Provide accurate rainfall and flood level monitoring.

Performance measure	Target	2016 Result	Commentary
Percentage of time that flood level monitoring is accurate to enable flood warnings to be developed.*	100%	100% - achieved 2015 result: 100% ∞	The issuing of flood warnings relies on accurate information, which is achieved through following the Hydrology Quality Manual, and carrying out regular checks of automatic stations.

River management funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	710,615	-	96,819
Targeted rates (other than targeted water rates)	2,053,462	3,614,087	3,498,167
Subsidies and grants for operating purposes	-	-	70,920
Fees, charges, and targeted rates for water supply	-	-	28,164
Internal charges and overheads recovered	-	-	17,265
Local authorities fuel tax, fines, infringement fees and other receipts	-	28,800	12,152
TOTAL OPERATING FUNDING	2,764,077	3,642,887	3,723,487
Applications of operating funding			
Payments to staff and suppliers	1,265,964	2,166,132	2,268,060
Finance costs	495,749	681,288	508,577
Internal charges and overheads applied	250,545	620,475	630,346
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	2,012,257	3,467,895	3,406,983
Surplus/(deficit) of operating funding	751,820	174,991	316,503
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	619,566	666,087
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	619,566	666,087
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	5,992,890	4,460,946	2,876,603
to replace existing assets	58,409	165,995	38,012
Increase/(decrease) in reserves	(5,320,086)	(3,018,895)	(1,584,631)
Increase/(decrease) of investments	20,607	(813,489)	(347,393)
TOTAL APPLICATIONS OF CAPITAL FUNDING	751,820	794,557	982,591
Surplus/(deficit) of capital funding	(751,820)	(174,991)	(316,504)
FUNDING BALANCE	-	-	-

Major variances compared to the Long Term Plan 2015-2025

Operating funding

Operating funding is \$80,600 over budget mainly due to:

- Revenue released for the Kaeo Vulnerable Homes Assistance Programme. This is offset by expenditure on the programme.

Applications of operating funding

Applications of operating funding is \$60,912 under budget due to:

- Lower costs associated with borrowing for infrastructure, offset by:
- Expenditure associated with the Kaeo Vulnerable Homes Assistance Programme.

Capital expenditure

Capital expenditure on improving levels of service was under by \$1,584,343 due to:

- Completion of the flood protection programme for Kerikeri/Waipapa being delayed.

Hazard management

This group includes the following activities:

- Civil defence and emergency management – the council works collaboratively with the three district councils, emergency services, and key stakeholders as a member of the Northland Civil Defence Emergency Management Group. This group facilitates the coordination and delivery of the Civil Defence Emergency Management Group Plan, which aims to build resilient communities in Northland.
- Natural hazard management – this activity aims to identify, assess and provide information on natural hazards and associated risks, along with the preparation and implementation of risk reduction plans, for the primary purpose of reducing the current and future risk from natural hazards to people and property to as low as reasonably practicable.
- Oil pollution response – this activity aims to contain and clean up pollution from marine oil spills, and to prevent such oil spills from occurring, to avoid and mitigate adverse effects on Northland's environment.

Why we do these activities

Northland is exposed to a range of natural hazards including storm/cyclone, tsunami, volcano, land instability, earthquake, rural fire and drought, with river flooding providing the highest natural hazard risk to the region.

A regional approach to civil defence emergency management reduction, readiness, response and recovery allows for the consistent coordination of emergency services and support organisations, including the regional and three district councils. The government set up this regional approach in 2002 under the Civil Defence Emergency Management Act.

It is a core function of regional councils to minimise the effects from these 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.

Preventing oil spills and minimising the impacts of an oil spill is a key priority to every New Zealander in order to protect our environment and enable 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, within the territorial sea.

Contribution to council outcomes

The hazard management activity primarily contributes to the following council outcomes, values and areas of focus:

- Our environment is maintained or improved, with an emphasis on encouraging sustainable access to, and use of, resources.
- Northland has strong local government leadership ensuring safe and resilient communities.
- We are a positive and customer-friendly organisation.
- We progressively increase the engagement of Northlanders in our activities.
- We develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Tai Tokerau.
- We provide a business-friendly environment.
- We identify, promote or invest in regionally significant infrastructure.

What we did

Oil pollution response

The region's oil spill response system responded to a significant oil spill that occurred from a ship in Whangārei Harbour. Effective containment and clean-up operations were completed within a few days, with the Regional On-scene Commander (ROSC) assisted by numerous staff and contractors from council, Northport, North Tugz and Refining NZ. Mana whenua from Takahiwai were also informed and participated in the response. This also led to them being involved in a training exercise post the spill response.

Based on subsequent feedback and learnings from this major oil spill incident, several improvements to the oil spill response system are being implemented. Key amongst these are the development of a local plan that will better use the expertise and nearby availability of staff from local stakeholders including Northport, North Tugz, Refining NZ and tangata

whenua, plus building a new storage shed for oil spill equipment. These positive developments are expected to reduce initial response times and make better use of resources from various organisations.

Northland's oil pollution response system was maintained through the upkeep of the Regional Marine Oil Spill Contingency Plan, 24/7 response capability, and on-call Regional On-scene Commander coverage. Many of the region's oil spill responders were provided training this year through exercises carried out in the region and attendance at courses conducted by Maritime NZ. New candidates were also identified for future training to maintain the requisite number of responders required by the Contingency Plan.

Work was also continued to achieve compliance with the upkeep of local oil spill contingency plans that are required to be maintained by mobile and fixed fuelling facility operators in the region.

Several of the region's oil spill responders are also members of the national response team, benefiting the region through access to advanced training which is funded by Maritime NZ.

Several other oil spills (mostly minor oil spills from small vessels) were also dealt with within the required timeframes.

Natural hazard management

We completed coastal hazard assessments for both coastal erosion and flooding hazards, for 31 and 61 coastal settlements throughout Northland respectively. This information was provided on council's website GIS (electronic maps) during 2015/16. In addition, over 13,000 letters were sent to affected landowners informing them of the mapped hazards and inviting feedback on the maps. We also released river flood hazard maps for the Awanui catchment which includes the township of Kaitāia and the Awanui River flood scheme.

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 to the coast as well as informing coastal hazard assessments.

A business case for a regionwide LiDAR topographic data capture project was developed as a shared service with all four Northland councils and submitted to central government for consideration of

co-funding. LiDAR information is critical for developing flood hazard maps and has many other uses that will be of benefit for the region.

Civil Defence Emergency Management

The Northland Civil Defence Emergency Management Group (CDEM), which we are a member of, carried out its five-yearly review of the group plan for the region in accordance with the requirements of the Civil Defence Emergency Management Act 2002. The plan was adopted in late December 2015 and has been prepared to demonstrate how CDEM will be delivered in the region over the next five years. Included in the plan are revised hazard analysis, readiness, response, recovery and governance arrangements. The plan also identifies the priorities for the group together with specific actions over the next two years.

A national review of the manner in which emergency welfare services are delivered has been completed, which has highlighted the need to elevate and strengthen the arrangements for welfare service in an emergency. In line with national requirements, the Northland CDEM Group has adjusted and realigned its welfare arrangements and is working with key stakeholder agencies to ensure that capacity and capability exists to achieve coordinated and effective welfare delivery.

A new marae-preparedness project has been launched in Northland to engage Māori with existing civil defence arrangements. The objectives of this are to establish and maintain relationships, build local preparedness, and create resilience. Resources specifically designed for the project have been developed, and priority is being given to those marae in recognised risk areas (flood and tsunami zones).

Community response planning continues to be a priority project and we have continued to convert plans into electronic plans (so they are available online). Of the 57 existing plans, 24 have now been converted into electronic plans and twelve more are in the process of being upgraded.

We were again proud to be involved with two Youth in Emergency Services programmes in Bream Bay and South Hokianga. These programmes continue to be an outstanding success and this year saw 30 young people given the opportunity to experience working in and alongside emergency services professionals. Active support came from the Red Cross, St John, NZ Fire Services, Rural Fire, Coastguard, Surf lifesaving, and the Whangārei and Far North District Councils. Further programmes are planned for the coming year.

The annual Civil Defence Emergency Management Group Forum in Whangārei in May 2015 was attended by over 170 representatives from a broad cross-section of the civil defence community.

The successful shared services agreements with Whangārei 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 2015/16 year funding was made available to continue with capacity and capability building particularly in the area of public information and media.

Performance measures and targets - Hazard management

* Measures noted with a star are new measures within the Hazard management group, that were introduced in our Long Term Plan 2015-2025. More information on the changes that were made in this section can be found on pages 47 - 49 of our Long Term Plan under 'Changes to services'.

Civil defence and emergency management

4.1.1 Maintaining a responsive and efficient civil defence emergency management system. Providing timely information and warnings helps protect the public and property.

4.1.2 Providing accurate and timely flood warnings.

Performance measure	Target	2016 Result	Commentary
Percentage of time that accurate flood warnings are issued.	100%	Not applicable 2015 result: 100% - achieved 2014 result: 100% - achieved 2013 result: 100% - achieved	Flood warnings are issued by the Civil Defence team in response to weather warnings and watches issued by Met service. There have been no events that required warnings to be issued in this reporting period.
Percentage of time that timely ⁽¹⁾ flood warnings are issued for major storm events of regional significance. ^{(2)*}	100%	Not applicable	There have been no storm events of regional significance in this reporting period.

1 As evaluated and reported to council following a major storm event of regional significance.

2 As defined in council's Flood Warnings Procedures.

4.1.3 Maintaining an effective civil defence emergency management system.

Performance measure	Target	2016 Result	Commentary
Percentage of time that emergencies (which require the activation of an emergency operations centre) are debriefed within one month and noted improvements are incorporated into the appropriate emergency operating procedures and response plans.	100%	Not applicable 2015 result: 100% - achieved 2014 result: n/a 2013 result: n/a	There have been no events that have required the activation of an emergency operations centre in this reporting period.

4.1.4 Increasing community awareness, understanding preparedness and participation in civil defence emergency management.

Natural hazard management

4.2.1 Investigating, assessing and documenting natural hazard information to protect life and property.

4.2.2 Maintaining natural hazard information and assessments to protect life and property.

Performance measure	Target	2016 Result	Commentary
Time taken to update flood level monitoring at priority rivers updated within one month following every large flood event.	Within one month of a large flood event.	Not applicable 2015 result: achieved 2014 result: achieved 2013 result: n/a	There were no large flood events that required flood level monitoring at priority rivers.
Frequency that priority beach profile sites updated.	Biennially	Achieved 2015 result: updates completed - achieved 2014 result: updates completed - achieved 2013 result: achieved	Beach profile surveys are undertaken regularly, and according to priority of particular sites. The majority of sites are updated on a six-monthly basis. Beach profiles for all programmed sites are completed.

4.2.3 Development and implementation of flood risk reduction plans for priority rivers or groups of streams in Northland.

4.2.4 Technical input to resource consent applications for flood scheme works to implement flood risk reduction plans.

Oil pollution response

4.3.1 Maintaining an efficient and responsive oil pollution response.

Performance measure	Target	2016 Result	Commentary
Time taken to evaluate and respond to a report of an oil spill once received.	Within one hour of receiving a report	<p>Achieved</p> <p>2015 result: 100% achieved</p> <p>2014 result: 100% achieved</p> <p>2013 result: 100% achieved</p>	<p>Staff responded to 21 oil spill incidents during the 2015/16 year.</p> <p>Initial evaluation and response was completed within one hour of all incidents.</p>

Hazard management funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	1,257,789	-	38,803
Targeted rates (other than targeted water rates)	-	878,187	855,473
Subsidies and grants for operating purposes	75,757	70,000	283,450
Fees, charges, and targeted rates for water supply	1,065	204,300	249,224
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	129,398	12,000	12,000
TOTAL OPERATING FUNDING	1,464,009	1,164,487	1,438,950
Applications of operating funding			
Payments to staff and suppliers	1,214,558	1,210,690	1,308,107
Finance costs	-	-	-
Internal charges and overheads applied	485,566	450,245	466,919
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	1,700,124	1,660,934	1,775,026
Surplus/(deficit) of operating funding	(236,115)	(496,447)	(336,075)
Sources of capital funding			
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	-	-	
TOTAL SOURCES OF CAPITAL FUNDING	-	-	
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	
to improve levels of service	-	-	
to replace existing assets	-	-	
Increase/(decrease) in reserves	-	(100,000)	
Increase/(decrease) of investments	(236,115)	(396,447)	(336,075)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(236,115)	(496,447)	(336,075)
Surplus/(deficit) of capital funding	236,115	496,447	336,075
FUNDING BALANCE	-	-	-

Major variances compared to the Long Term Plan 2015-2025

Operating funding

Operating funding is \$274,463 over budget mainly due to:

- Oil spill preparedness and response cost recoveries being higher than budgeted.

Applications of operating funding

Applications of operating funding is \$114,091 is higher than budgeted due to:

- The costs associated with responding to a major oil spill during the year. These costs were recovered.

Economic development

This group of activities includes the economic development activity.

Why we do these activities

Economic development is vital for generating the resources needed to address some of the pressing problems facing Northland, such as unemployment and low household income. Through our economic development activity we aim to find new ways to bring investment into the region and create rewarding business and employment opportunities. This in turn should help reduce socio-economic disparities and stimulate employment growth.

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, the council makes a significant contribution to the economic development of the Northland region through infrastructure development and environmental management. The council considers it is in a position to commit to the investment necessary to assist in moving the region forward and that the region's current economic performance is no longer a viable option for Northland.

Our investment in Northland was a key platform within our long term plan 2015-2025. We planned to use a portion of our investment income for economic development projects and ventures to improve Northland's economy, increase the number of jobs in Northland and increase the average weekly household income for Northlanders. Furthermore, our council committed to internal business improvement projects to ensure a business-friendly environment that is not perceived as a barrier to doing business.

Contribution to council outcomes

The economic development activity primarily contributes to the following council outcomes, values and areas of focus:

- Northland has strong local government leadership ensuring safe and resilient communities.
- Northland is promoted effectively.
- We are a positive and customer-friendly organisation.
- We progressively increase the engagement of Northlanders in our activities.

- We develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Tai Tokerau.
- We provide a business-friendly environment.
- We maximise returns to the community from funds invested and effective use of assets.
- We identify, promote or invest in regionally significant infrastructure.

What we did

Council's key contribution to a number of economic development measures is achieved through Northland Inc. Ltd in conjunction with the council's Investment and Growth Reserve. Northland Inc. Ltd, the region's economic development agency, is a council-controlled organisation (CCO). Detailed reporting on the activities of Northland Inc. Ltd is set out in 'SECTION FOUR: CCOS AND SUBSIDIARIES'.

In 2011/12 the council began a process of redirecting its investment income away from funding operations (and subsidising rates) to provide funding for the Investment and Growth Reserve (IGR), to fund economic development projects. Projects are sourced through Northland Inc. Ltd and assessed against specific criteria. People are encouraged to approach Northland Inc. Ltd if they have projects they think match the criteria, which are available on council's website at

www.nrc.govt.nz/economicdevelopment

In 2015/16, \$1.7M of investment income was redirected into the IGR.

During 2015/16, a total of \$2.3M was allocated to projects from the IGR, including \$140,000 for feasibility and business case assessments. Two project investments were made: a three-year regional promotions programme totalling \$1.2M to be delivered by Northland Inc. Ltd and \$70,000 in co-funding to assist in establishing The Orchard, a collaborative working space in Whangārei. Council has an active role in overseeing these and earlier projects funded through the IGR, including establishing and monitoring appropriate performance measures, and ensuring conditions of funding are being met.

In addition to these two contributions, council collated and published the 'Northland Economic Quarterly' report. This report tracks regional economic performance and trends via a quarterly economic newsletter. It also examines economic topics of

interest to Northland, for example annual agricultural production statistics and rail freight movements. Find out more at www.nrc.govt.nz/economicquarterly

In conjunction with other Northland councils, we have purchased online economic profiles of the region and the districts and made them publicly available. For more information, see www.nrc.govt.nz/economicdevelopment

We also worked with the other Northland councils, Northland Inc. Ltd, central government agencies and private sector stakeholders on developing the Tai Tokerau Northland Economic Action Plan. The action plan has been developed to take up the opportunities identified in the Tai Tokerau Northland Growth Study which was completed in early 2015. The focus of the collaborative action is now on implementing the projects on the action plan.

Council is also leading a project, funded from a previous allocation from the IGR, to assess the feasibility of additional commercially viable water storage options in Northland. The first phase of the project – the Northland Strategic Irrigation Infrastructure Study – was completed in early 2016. This was a high-level, region-wide study to identify the opportunity for irrigated agriculture to contribute to Northland’s economic development. A key finding of the study was that further detailed work should focus on two ‘clusters’ – one in the mid-North (containing the Kaikohe, Kerikeri and Waimate North command areas) and the other in Kaipara (containing North Kaipara and Ruawai). The main thrust of the phase two work – which will be undertaken during 2016/17 – will be to gather the evidence to assess the commercial viability of community irrigation schemes in these two areas.

Performance measures and targets - Economic development

∞ Performance noted with the infinity sign was not reported in last year's Annual Report.

* Measures noted with a star are new measures within the economic development group, that were introduced in our Long Term Plan 2015-2025. More information on the changes that were made in this section can be found on page 53 of our Long Term Plan 2015-2025 under 'Changes to services'.

5.1.1 Investing in economic development projects and ventures within Northland to increase Northland’s economic performance.

Performance measure	Target	2016 Result	Commentary
The budgeted investment income is transferred into the Investment and Growth Reserve.*	Annual transfer of \$1.7 million	\$1.7 million - achieved 2015 result: \$1.7 million ∞ 2014 result: \$1.7 million ∞	\$1.7 million was transferred from accumulated funds into the Investment and Growth reserve during the 2015/16 year.
Northland Inc. Ltd’s level of compliance with its approved Statement of Intent.*	To the satisfaction of council - to be determined by the August annual review and council resolution	Not achieved	Northland Inc. Ltd's Annual Report 2015/16 indicates that three of their six KPIs have been achieved as follows: <ul style="list-style-type: none"> • Implementation of the Tai Tokerau Northland Economic Action Plan - achieved • 150 unique businesses actively managed - achieved • Two board recommendations to partner with Iwi, hapu and/or Maori collective organisations on economic development projects - achieved

5.1.1 Investing in economic development projects and ventures within Northland to increase Northland's economic performance.

			<ul style="list-style-type: none">• 10% annual increase in (Google analytics) sessions on www.northlandnz.com - not achieved.• Four Northland Inc Board recommendations made to the Northland Regional Council Investment and Growth Reserve for funding - not achieved• \$1.5 million invested in building capacity and supporting innovation in Northland firms - not achieved <p>More information on the performance of Northland Inc. Ltd can be found in 'SECTION FOUR: CCOS AND SUBSIDIARIES'.</p>
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5.1.2 Tracking regional economic performance and trends.

5.1.3 Building a business-friendly council environment.

Economic development funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	714,173	-	58,224
Targeted rates (other than targeted water rates)	2,455,878	2,106,722	2,066,706
Subsidies and grants for operating purposes	-	-	76,982
Fees, charges, and targeted rates for water supply	-	62,763	54,837
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	1,244,984	4,634,150	4,753,877
TOTAL OPERATING FUNDING	4,415,035	6,803,635	7,010,627
Applications of operating funding			
Payments to staff and suppliers	2,384,634	3,266,356	3,549,732
Finance costs	587,073	312,893	372,736
Internal charges and overheads applied	124,847	104,374	112,243
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	3,096,554	3,683,623	4,034,711
Surplus/(deficit) of operating funding	1,318,481	3,120,012	2,975,916
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	7,092,000
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	7,092,000
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	-	-	-
to replace existing assets	-	-	1,668
Increase/(decrease) in reserves	750,253	(444,811)	8,788,949
Increase/(decrease) of investments	568,228	3,564,823	1,277,299
TOTAL APPLICATIONS OF CAPITAL FUNDING	1,318,481	3,120,012	10,067,916
Surplus/(deficit) of capital funding	(1,318,481)	(3,120,012)	(2,975,916)
FUNDING BALANCE	-	-	-

Major variances compared to the Long Term Plan 2015-2025

Operating funding

Operating funding is \$206,992 over budget mainly due to:

- Central government funding for Strategic Water Management.
- Increased forestry harvest revenue offset by lower rent revenue as a result of property sales and vacancies.

Applications of operating funding

Applications of operating funding is over budget by \$351,088 predominantly due to:

- Increased forestry harvest costs associated with higher revenue.
- Higher costs associated with the sale of properties, vacant properties and lease arbitrations.
- Offset by grants not paid out from the Investment and Growth funds.

Sources of capital funding

Sources of capital funding is over budget by \$7,092,000 due to:

- Gross proceeds from the sale of property. Proceeds have been transferred to the Property Reinvestment Reserve to be available to reinvest.

Transport

This group includes the following activities:

- Transport - promoting and enabling an effective, efficient and safe land transport system through regional transport management and operations.
- Harbour safety and navigation - regulating and promoting the safety of people using the harbours and coastal areas of Northland.

Why we do these activities

This group of activities involves having a regional coordination, operational and planning role in managing our transport network. Our transport network includes both land transport and transport on our harbours.

Northland harbours provide direct access to world-wide markets and handle very large oil tankers, cargo ships, cruise ships and fishing vessels. Coastal trades include cement, oil products and fuel provision direct to Auckland. Northland is one of the most popular recreational boating areas in New Zealand with some of the best diving, fishing and sightseeing in the world, and is the first point of entry for the majority of visiting foreign yachts. Ship and boat repair facilities, tourism, commercial boating and port and refinery operations provide core economic benefits and employment to the region.

It is important that people are able to move around the region, and access vital services. Council provides passenger transport services in Northland where demand is sufficient to justify these, including the CityLink public bus service in Whangarei. Council also manages the Total Mobility Scheme in Northland, which assists people with impairments to become more mobile and active in the community.

It is important that people are able to move around the region, and access vital services. Council both manages and assists with subsidised public passenger transport services in Northland where they are found to be viable. These currently include Whangārei's CityLink bus service, Kaitiā's BusAbout service and the Hokianga Link between Omāpere/Opononi and Kaikohe. Council also manages the Total Mobility Scheme in Northland, which assists people with impairments to become more mobile and active in the community.

Having a regional coordination, operational and planning role makes sense for ensuring efficient and integrated strategic and financial management of the

network. Harbour navigation and safety management is provided for the safe movement of commercial and recreational vessels. It promotes and regulates safe boating and shipping practices to minimise the risk of maritime accidents to protect the environment and losses to property and persons. Regional councils are obliged to engage in a range of land transport planning, passenger transport and harbour management activities.

Contribution to council outcomes:

The transport activity primarily contributes to the following council outcomes, values and areas of focus:

- Northland has strong local government leadership ensuring safe and resilient communities.
- We are a positive and customer-friendly organisation.
- We progressively increase the engagement of Northlanders in our activities.
- We develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Tai Tokerau.
- We provide a business-friendly environment.
- We maximise returns to the community from funds invested and effective use of assets.
- We identify, promote or invest in regionally significant infrastructure.

What we did

Transport planning

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

During the 2015/16 year we:

- Completed and implemented the Regional Land Transport Plan 2015-2021.
- Completed and implemented the Regional Public Transport Plan 2015-2025.
- Completed and implemented council's transport related procurement strategy, as required by NZTA.

Road transport

The funding uptakes on the Regional Land Transport Plan 2015-2021 by each approved authority were reported to every Regional Transport Committee meeting.

The State Highway 1 Akerama Curves realignment project and the road safety projects on the northern side of the Brynderwyns are well advanced. The flood damage repairs to State Highway 1 at Maramaku were completed and are now fully operational.

The NZ Transport Agency Board continued to support the proposal to lift the level of service on Te Pua Road | Mangakahia Road | Otaika Valley Road | Loop Road North (known as the Northland Inland Freight Route) to a State Highway. This followed greater collaboration and joint asset management between the Far North, Kaipara and Whangarei District Councils, and occurred alongside the formation of the Northland Transportation Alliance, of which Northland Regional Council is a member. The Northland Transportation Alliance brings together transport agencies under one roof to achieve improved journey management, better resilience and emergency response, consistency in approach and improved cost effectiveness in delivery of road maintenance activities. It is another way in which Northland's councils are working together to deliver better outcomes.

The increasing number of fatal and injury-causing vehicle crashes is of growing concern and reflects a national trend. Along with our road safety partners and stakeholders we are continue to bring this figure down through evidence-based road safety projects.

Passenger transport

The 2015/16 passenger numbers for the Whangārei's public bus service, CityLink, again reflected a small decline when compared with previous year's numbers. This decline, which is a national trend, has been attributed primarily to the low price of petrol. In addition, continuing delays to the service caused by roadworks in an around the city have had an effect.

The Total Mobility Scheme showed a decrease in the number of trips taken. A client survey undertaken in early 2016 showed a high satisfaction level in the scheme, the agencies, and the service providers.

As a result of submissions received on the Regional Passenger Transport Plan 2015-2025 and Long Term Plan 2015-2025, council approved the extension of the targeted transport rate for the continued local share subsidisation of the BusAbout Kaitiāia bus

service. In addition, an application for national funding assistance was included in the Regional Land Transport Plan 2015-2021. NZTA approved \$70,000 per annum national subsidy for the service. Staff will continue to work with the Community Business and Environment Centre to ensure that the service is operated as economically as possible

The Hokianga Link passenger transport service between Omāpere/Opononi and Kaikohe continued operation during the period under review.

Due to the number of submissions received through the Regional Passenger Transport Plan 2015-2025 and Long Term Plan 2015-2025 requesting council investigate and implement a Mid-North bus service linking the Hokianga, Kerikeri and Bay of Islands. Staff have been working on this initiative during the 2015/16 financial year.

Harbour safety

The number of cruise ships visiting Northland increased during the year, with 52 ships safely piloted in and out of the Bay of Islands, compared to 41 visits the previous year. Due to a global trend in larger cruise ship sizes capable of accommodating more passengers, passenger numbers also increased. The Harbourmaster also provided advice and guidance to a number of super-yachts that visited the outer Bay of Islands and Whangaroa.

We completed our planned annual maintenance to harbour navigation aids, as per our 'Aids to Navigation' programme. This work included maintenance, repairs and upgrades to buoys, beacons and signage in Whangaroa, Pataua, Whananaki, Whangārei and Kaipara Harbours. Carrying out these planned works significantly reduces failures to navigation aids, enhancing safety of navigation and reducing the need for future breakdown maintenance. Routine replacement of batteries and light fittings were also completed as required.

Work to improve the moorings portfolio continued. This work includes updating the moorings database, improved mapping of mooring areas, digitisation of moorings records, timely advice to mooring licensees, close liaison with mooring contractors and pro-active optimisation of mooring areas wherever possible. The work to achieve better compliance with mooring service requirements continues through communication with mooring licensees, mooring contractors and enforcement for non-compliance as a last resort. Removal of unsafe moorings and destruction of derelict vessels were also organised where required to maintain safety in our harbours.

The council vessel Lazercraft was replaced after many years of productive service with a 4.5-metre catamaran vessel, the Mangapai, which was built to council specifications by Whangārei-based company Blackdog Boats. This new vessel has already proved very versatile, capable of being used for inshore work that council's various departments undertake in the waters around the region. Planned upgrades and routine maintenance work was also completed on the other three council vessels, ensuring their availability for various council activities and incident responses.

The Harbourmaster continued to work closely with Northport, Refining NZ, Maritime NZ and other regional shipping stakeholders to maintain safe and efficient harbour operations in Northland. The Harbourmaster's team also maintained its high standards of maritime incident response throughout the year, dealing with over 280 incidents in a timely manner. These incidents included an unusually high number of vessels that had been wrecked or stranded, requiring considerable efforts by staff to resolve or mitigate.

Performance measures and targets - Transport

∞ Performance noted with the infinity sign was not reported in last year's Annual Report.

* Measures noted with a star are new measures within the transport group, that were introduced in our Long Term Plan 2015-2025. More information on the changes that were made in this section can be found on pages 57 and 58 of our Long Term Plan under 'Changes to services'.

Transport

6.1.1 Embedding safety in the thinking of all Northland road users.

6.1.2 Providing an efficient and effective public bus service.

Performance measure	Target	2016 Result	Commentary
Number of passengers for the Whangārei urban bus service.	Increasing annually	312,193 passengers - not achieved 2015 result: 312,821 - not achieved 2014 result: 323,553 - achieved 2013: result: 305,737 - achieved	This is the second year that the target for the number of passengers for the Whangārei urban bus service has not been achieved. Decline in patronage is a trend nationally, and within Northland can be directly attributed to the fall in petrol price which results in a noticeable move back to private car usage.

6.1.3 Planning for the future transport needs of the region.

Harbour safety and navigation

6.2.1 Promoting navigation and boating safety on Northland harbours.

6.2.2 Maintaining navigation aids for safe navigation.

Performance measure	Target	2016 Result	Commentary
Time taken to repair navigation aids after being reported.	Within five working days	<p>Achieved</p> <p>2015 result: 100% achieved</p> <p>2014 result: 100% achieved</p> <p>2013 result: 100% achieved</p>	All buoys were repaired within five working days. It is noted that one buoy in the Kaipara harbour was beyond repair and required replacement, which took more than five working days to procure.

6.2.3 Providing safe pilotage services for vessels entering the Bay of Islands.

Performance measure	Target	2016 Result	Commentary
Number of incidents from providing pilotage services within Bay of Islands harbours.	Zero incidents	<p>Zero - achieved</p> <p>2015 result: zero - achieved</p> <p>2014 result: zero - achieved</p> <p>2013 result: zero - achieved</p>	There have been no navigational safety incidents.

6.2.4 Ensuring Northland is compliant with the Port and Harbours Safety Code (set by Maritime NZ).

Performance measure	Target	2016 Result	Commentary
Compliance with the Port and Harbours Safety Code.*	Zero non-compliance	<p>Zero non-compliance - achieved ∞</p>	Compliance is determined by external audit carried out by Maritime NZ. Port and Harbour safety systems are compliant and up to date.

6.2.5 Manage moorings in harbours.

Transport funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	1,084,255	-	45,678
Targeted rates (other than targeted water rates)	548,931	1,641,429	1,603,160
Subsidies and grants for operating purposes	1,170,867	1,122,704	1,166,108
Fees, charges, and targeted rates for water supply	1,589,102	1,489,913	1,449,864
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	10,437	-	-
TOTAL OPERATING FUNDING	4,403,593	4,254,047	4,264,809
Applications of operating funding			
Payments to staff and suppliers	4,071,468	3,918,386	3,686,258
Finance costs	-	-	-
Internal charges and overheads applied	675,885	731,052	763,744
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	4,747,353	4,649,439	4,450,001
Surplus/(deficit) of operating funding	(343,760)	(395,392)	(185,192)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	19,217
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	19,217
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	11,716	85,213	2,926
to replace existing assets	100,112	125,000	64,925
Increase/(decrease) in reserves	14,746	7,021	84,199
Increase/(decrease) of investments	(470,335)	(612,625)	(318,024)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(343,761)	(395,392)	(165,974)
Surplus/(deficit) of capital funding	343,761	395,392	185,192
FUNDING BALANCE	-	-	-

Major variances compared to the Long Term Plan 2015-2025

Applications of operating funding

Applications of operating funding is \$199,438 lower than budgeted predominantly due to:

- Lower than budgeted costs of dredging the Hātea River channel.
- The cost of running the Whangārei's CityLink bus service being lower than budgeted.

Support services

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.

<i>For the period ending 30 June</i>	Long Term Plan 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	
Targeted rates (other than targeted water rates)	-	-	
Subsidies and grants for operating purposes	-	-	
Fees, charges, and targeted rates for water supply	39,406	-	176,440
Internal charges and overheads recovered	6,855,642	7,849,985	7,349,695
Local authorities fuel tax, fines, infringement fees and other receipts	5,941,993	3,949,181	5,014,298
TOTAL OPERATING FUNDING	12,837,041	11,799,166	12,540,433
Applications of operating funding			
Payments to staff and suppliers	5,732,245	6,315,509	6,164,003
Finance costs	1,000	-	17,265
Internal charges and overheads applied	17,346	-	
Other operating funding applications	-	-	
TOTAL APPLICATIONS OF OPERATING FUNDING	5,750,591	6,315,509	6,181,268
Surplus/(deficit) of operating funding	7,086,450	5,483,657	6,359,165
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	
Development and financial contributions	-	-	
Increase/(decrease) in debt	-	-	13,000,000
Gross proceeds from sale of assets	-	-	30,105
Lump sum contributions	-	-	
Other dedicated capital funding	-	-	
TOTAL SOURCES OF CAPITAL FUNDING	-	-	13,030,105
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-		
to improve levels of service	388,734	314,000	147,186
to replace existing assets	546,890	699,780	867,245
Increase/(decrease) in reserves	2,587,929	907,181	7,780,488
Increase/(decrease) of investments	3,562,897	3,562,696	10,594,350

TOTAL APPLICATIONS OF CAPITAL FUNDING	7,086,450	5,483,657	19,389,269
Surplus/(deficit) of capital funding	(7,086,450)	(5,483,657)	(6,359,165)
FUNDING BALANCE	-	-	-

Major variances compared to the Long Term Plan 2015-2025

Operating funding

Operating funding is greater than budget by \$741,267 mainly due to:

- Increased gains on managed funds held by council, partially offset by reduced internal interest as a result of external borrowings reducing the internal level of borrowing.
- Revenue for the aerial photography of Northland, a programme that is administered by council. This is offset by increased costs.
- Offset by lower than expected dividend revenue.

Applications of operating funding

Applications of operating funding is \$134,241 under budget due to:

- Lower provision for doubtful debts than budgeted (offset by the following increases in costs).
- Increased costs of the aerial photography programme. Increased revenue was received for the programme.
- Divesting of asset to Whangarei District Council related to redirection of services as part of Whangārei flood protection scheme construction.

Increase in debt

An increase in debt of \$13 million was due to:

- In 2016 council borrowed \$13 million to offset the cost of constructing/purchasing infrastructure which was initially funded from council's internal investments. The lower interest rates secured on this external borrowing has provided benefits to targeted rate payers in the form of lower interest expense, meaning the level or length of council's targeted rates can be reduced. Additionally, all ratepayers have benefited from this strategy as these low-cost funds have been soundly and actively managed to deliver greater investment revenue to council than budgeted, thereby reducing the dependence on council's rating revenue.

Council funding impact statement

Period ending 30 June

	Annual Plan 2014/15 \$	Annual Report 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Sources of operating funding				
General rates, uniform annual general charges, and rates penalties	-	821,270	-	725,089
Targeted rates (other than targeted water rates)	17,967,094	17,867,837	20,009,632	19,444,498
Subsidies and grants for operating purposes	1,081,008	1,683,303	1,192,704	1,784,458
Fees, charges, and targeted rates for water supply	4,369,055	4,234,614	4,014,840	4,283,477
Interest and dividends from investments	5,439,020	5,396,279	5,226,194	6,030,247
Local authorities fuel tax, fines, infringement fees and other receipts	3,310,721	3,151,051	3,542,384	3,755,447
TOTAL OPERATING FUNDING	32,166,898	33,154,354	33,985,755	36,023,216
Applications of operating funding				
Payments to staff and suppliers	28,744,651	28,845,766	30,763,827	31,177,087
Finance costs	110,866	101,197	110,000	525,428
Other operating funding applications	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	28,855,517	28,946,964	30,873,827	31,702,514
Surplus/(deficit) of operating funding	3,311,381	4,207,390	3,111,928	4,320,701
Sources of capital funding				
Subsidies and grants for capital purposes	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	13,000,000
Gross proceeds from sale of assets	-	3,034,579	619,566	7,807,409
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	3,034,579	619,566	20,807,409
Applications of capital funding				
Capital expenditure:				
to meet additional demand	-	-	-	-
to improve levels of service	5,930,977	7,113,178	5,089,773	3,212,193
to replace existing assets	963,494	1,234,838	1,046,775	1,031,743
Increase/(decrease) in reserves	(3,873,871)	(3,008,195)	(2,804,504)	14,931,393
Increase/(decrease) of investments	290,781	1,902,148	399,450	5,952,780
TOTAL APPLICATIONS OF CAPITAL FUNDING	3,311,381	7,241,969	3,731,494	25,128,110
Surplus/(deficit) of capital funding	(3,311,381)	(4,207,390)	(3,111,928)	(4,320,701)
FUNDING BALANCE	-	-	-	-

Reconciliation to the statement of comprehensive revenue and expense

Period ending 30 June

	Annual Plan 2014/15 \$	Annual Report 2014/15 \$	Long Term Plan 2015/16 \$	Actual 2015/16 \$
Capital expenditure included above, not in comprehensive revenue and expense	6,894,471	8,348,016	6,136,548	4,243,937
Investment movements included above, not in comprehensive revenue and expense	290,781	1,902,148	399,450	5,952,780
Other gains and losses not included above, but in other comprehensive revenue and expense	-	257,980		544,372
Gross proceeds included above, but not in comprehensive revenue and expense	-	(3,034,579)		(7,807,409)
Financial asset fair value adjustments not included above, but in comprehensive revenue and expense	-	(56,790)		(9,479)
Property revaluation adjustments not included above, but in comprehensive revenue and expense	-	2,667,399		1,584,023
Forestry asset revaluation not included above, but in comprehensive revenue and expense	177,000	267,000		160,000
Transfers to/(from) special reserves included above, but not in comprehensive revenue and expense	(3,873,871)	(3,008,195)	(2,804,504)	14,931,393
Infrastructure asset revaluation adjustments not included above, but in comprehensive revenue and expense	-	-		-
Increase/(Decrease) in debt included above but not in Comprehensive income	-	-		(13,000,000)
Depreciation and Amortisation Expense not included above, but in comprehensive revenue and expense	(1,228,817)	(1,242,226)	(1,290,843)	(1,318,981)
Total comprehensive revenue and expense per the statement of comprehensive revenue and expense	2,259,564	6,100,680	2,440,651	5,280,636

Financial prudence

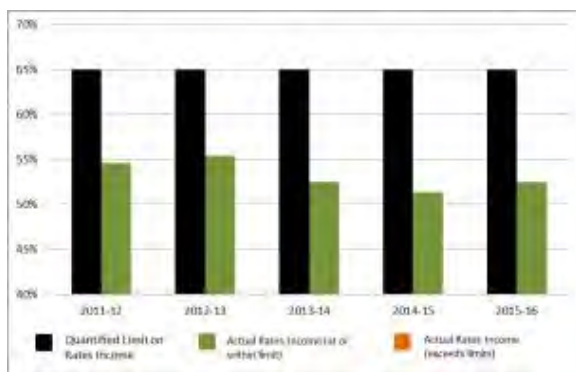
Rates affordability benchmarks

The council meets the rates affordability benchmark if -

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or a less than each quantified limit on rates increases

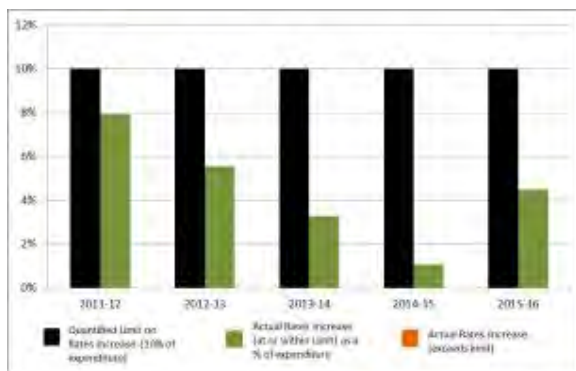
Rates income affordability

The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the council's Long Term Plan 2015-2025. The quantified limit is no more than 65% of total revenue.



Rates increase affordability

The following graph compares the council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the council's Long Term Plan 2015-2025. The quantified limit is no more than 10% of total expenditure.



The majority of increases in rates revenue is attributed to greater numbers of ratepayers rather than significant changes in rates charges.

Debt affordability benchmarks

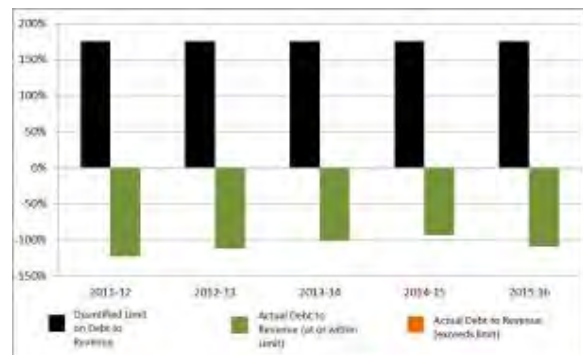
The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graphs compare the council's actual borrowing with quantified limits on borrowing stated in the financial strategy included in the council's Long Term Plan 2015-2025.

Northland Regional Council has \$13 million of external debt.

Net debt to total revenue

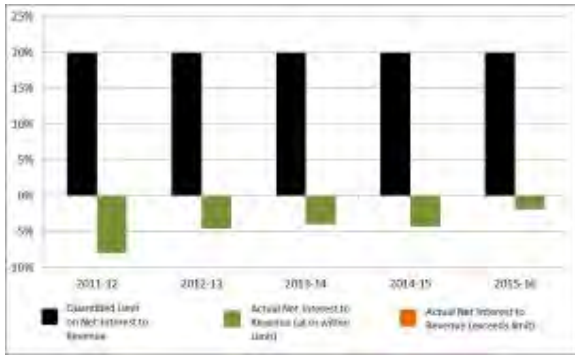
The quantified limit for net debt as a proportion of total revenue is 175%.



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

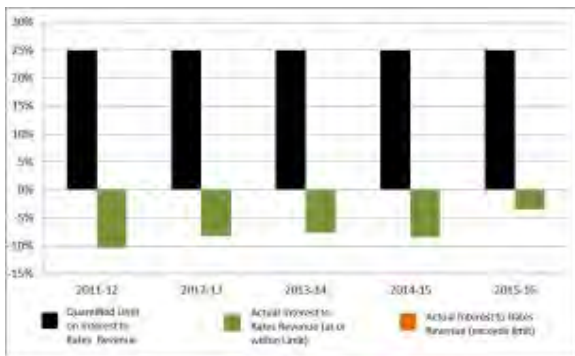
Net interest to total revenue

The quantified limit for net interest as a proportion of total revenue is 20%.



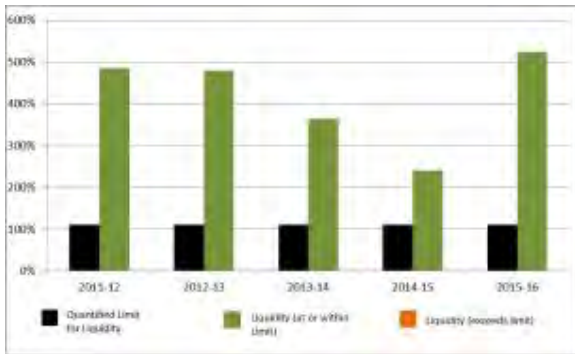
Net interest to annual rates revenue

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

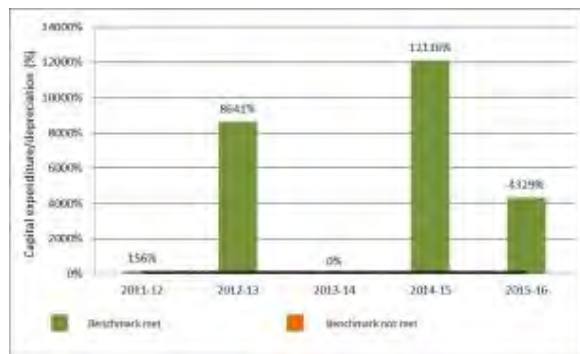
This graph shows council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and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



Essential services benchmark

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

The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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.

2013/14 was a revaluation year. The value for flood control assets was increased and therefore no cost was incurred in that year.

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.



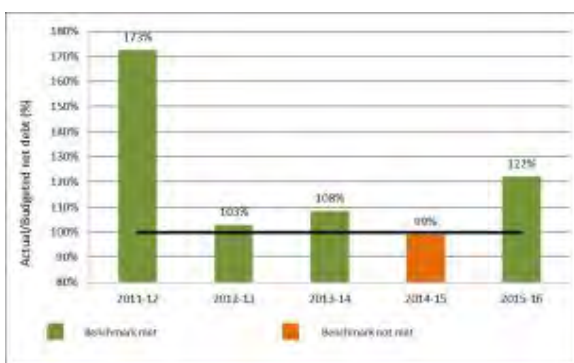
Note that no debt servicing costs existed in 2009/10 and the figures represented in the following years are council's half share of the interest associated with the Marsden Point Rail Link in conjunction with NZ Rail.

Debt control benchmark

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

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

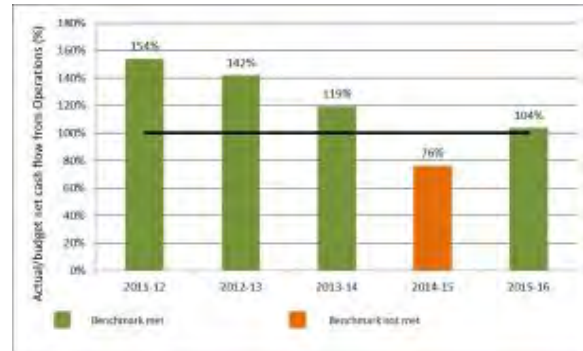
The council meets the debt control benchmark if its actual net debt equals or exceeds its planned net debt. For the purposes of this measure 100% equals planned net assets.



Operations control benchmark

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

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



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

SECTION THREE: FINANCIAL STATEMENTS

Statement of comprehensive revenue and expense

For the year ended 30 June 2016	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Revenue						
Rates	3	20,169,587	20,009,632	18,282,609	20,169,587	18,282,609
Fees and charges	6	4,276,845	4,014,840	4,234,614	5,029,393	4,054,733
Subsidies and grants	4	1,784,458	1,192,704	1,683,303	1,889,458	1,788,303
Revenue from activities		-	-	-	422,467	472,432
Interest revenue	5	1,234,138	1,620,344	1,673,469	1,252,649	1,713,169
Other revenue	6	6,467,953	6,365,234	5,697,485	6,237,418	5,637,104
Other gains	7	4,487,255	1,402,566	4,408,551	8,098,156	5,028,489
TOTAL REVENUE	1	38,420,236	34,605,321	35,980,032	43,099,128	36,976,840
Expenses						
Personnel costs	8	12,555,964	12,112,685	11,725,770	14,175,834	12,707,281
Depreciation and amortisation expense	23	1,318,981	1,290,843	1,242,226	1,483,715	1,390,598
Finance costs	5	525,428	110,000	101,197	741,666	374,566
Other expenses	2	18,724,748	18,651,142	16,800,358	20,557,006	18,765,865
TOTAL EXPENSES	1	33,125,121	32,164,670	29,869,552	36,958,221	33,238,311
Share of associate and joint venture company surplus/(deficit)	20, 21	-	-	-	8,495,465	8,280,807
SURPLUS/(DEFICIT) BEFORE TAX		5,295,115	2,440,651	6,110,480	14,636,372	12,019,337
Income tax expense	9	-	-	-	12,113	(7,911)
SURPLUS/(DEFICIT) AFTER TAX		5,295,115	2,440,651	6,110,480	14,648,485	12,011,426
<i>SURPLUS/(DEFICIT) ATTRIBUTABLE TO:</i>						
Northland Regional Council		5,295,115	2,440,651	6,110,480	8,980,301	8,035,637
Non-controlling interest		-	-	-	5,668,184	3,975,788
Other comprehensive revenue and expense						
<i>Items that will be reclassified to surplus/(deficit):</i>						
Financial assets at fair value through other comprehensive revenue and expense	10	(9,479)	-	(24,800)	(9,479)	(24,800)

	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
For the year ended 30 June 2016						
Net hedging movement (joint venture company)		-	-	-	(395,437)	(268,620)
<i>Items that will not be reclassified to surplus/(deficit):</i>						
Gains/(loss) on property revaluations		(5,000)	-	15,000	278,041	(10,722,191)
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		(14,479)	-	(9,800)	(126,875)	(11,015,611)
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		5,280,636	2,440,651	6,100,680	14,521,610	995,814
TOTAL COMPREHENSIVE REVENUE AND EXPENSE ATTRIBUTABLE TO:						
Northland Regional Council					8,905,566	2,125,662
Non-controlling interest in Marsden Maritime Holdings Limited					5,616,044	(1,129,808)
					14,521,610	995,814

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

Major variances compared to the Long Term Plan 2015-2025

Revenue variances

Revenue from rates is \$159,955 more than budgeted due to:

- Additional rates struck over and above budget and unbudgeted penalties. This is offset by unbudgeted discounts, remissions, and an impairment on the rates struck on Māori freehold land in the Far North.

Revenue from fees and charges is \$262,004 more than budgeted, mainly due to:

- Unbudgeted oil spill cost recoveries of \$205,198.
- Aerial photography recharges of \$170,577 to offset with the costs of this project.
- More than budgeted management and monitoring fees of \$98,730.
- Unbudgeted prosecutions of \$92,777 which was fully offset by higher legal costs.
- Unbudgeted biosecurity working group revenue of \$43,664 which was offset by the costs of running the program.
Offset by:
 - Lower consent applications than budgeted of \$203,177.
 - Civil Defence grants budgeted as sundry income \$181,300.

Revenue from subsidies and grants is \$591,754 more than budgeted, mainly due to:

- Civil Defence Emergency Management subsidies from Whangarei and Kaipara District Councils of \$175,200 that was budgeted in sundry income.
- Ministry for Primary Industries funding for half of the Strategic Water Management Project of \$75,000; Kaipara Hill Country Erosion Project of \$81,354; and Kauri Dieback of \$46,959. All of these projects have offsetting expenditure below.
- Greater than budgeted NZTA bus allocations of \$76,925 due to council being able to claim on more expenditure than previously.
- Kaeo Vulnerable Homes Assistance revenue of \$65,969 to offset contractor costs incurred.

Interest revenue is \$386,206 less than budgeted, mainly due to:

- The budget included property previously tenanted by Countdown being sold and the proceeds being put into a term deposit of \$258,098.
- Investment income budgeted as coming from stock and bonds that are instead gains from externally managed funds of \$181,919.
Offset by:
- Unbudgeted interest received on the REL loan of \$53,937.

Other revenue is \$102,719 more than budgeted due to:

- Higher than budgeted forestry income of \$531,342. This was budgeted net of revenue and expenses. The cost relating to this is in other expenditure on activities.
- A freehold investment property vested to the council of \$85,000.
Offset by:
- Lower commercial rental income of \$285,047 as a result of properties that council budgeted to receive rents from being either vacant or sold.
- Lower than budgeted rent received for Marsden Point Rail Link properties of \$118,231.
- Lower than budgeted North Port dividends of \$110,344.

Other gains are \$3,084,689 more than budgeted as the following gains on fair values are not included in the Long Term Plan due to the uncertainty around estimating a 30 June 2016 value at the time of preparing the Long Term Plan:

- Gains on asset fair value adjustments of \$1,589,023.
- Externally managed funds achieving gains of \$687,670 more than budgeted.
- Gains on sale of council assets and investment property of \$423,000.
- Gains on the revaluation of emissions trading scheme assets of \$196,425.
- Gains on the revaluation of forestry holdings of \$160,000.

Expenditure variances

Personnel costs are \$443,279 more than budgeted, mainly due to:

- Unbudgeted summer students and cadets of \$154,299 offset with lower contract staff below.
- Greater than expected annual leave movements of \$73,538.
- KiwiSaver contributions being more than budgeted by \$37,188.
- Kaipara Hill Country Erosion Project staff of \$45,192 recovered via subsidy.
- Redundancy payment of \$34,653.
- A corporate planner funded from favourable variances in other expenditure of \$30,786.
- Overtime being over budget by \$23,882, some of which relates to the oil spill response.
- A fully funded civil defence position of \$19,085.

Finance costs are \$415,428 more than budgeted due to:

- Unbudgeted external interest costs of \$415,428 that are offset by gains in the Property Reinvestment Fund and Infrastructure Investment Fund above.

Other expenses are \$73,606 more than budgeted, mainly due to:

- Forestry harvest costs greater than budgeted of \$415,319. This was budgeted as a net amount in other income.
- Infrastructure assets divested to Whangarei District Council of \$378,179.
- Aerial photography of \$252,953 partially funded from the district councils.
- Non personnel costs for the oil spill response of \$114,468. These costs were recovered from the polluter.
- Legal fees for a rates challenge case of \$166,375.

- Rates paid on investment property budgeted to be sold of \$151,498.
- Loss on sale of assets of \$103,626.
- Higher than budgeted fan worm pest control of \$105,308.
- Commission and legal fees relating to the sale of commercial property and lease arbitrations of \$184,307.
- Kaeo Vulnerable Homes Assistance costs of \$65,969 funded via subsidies.
Offset by:
 - Lower impairment of receivables than budgeted of \$808,201 due to more rates collected than previously and a change in practice recognising the impairment of rates in the year that they are collected. The impairment is recognised in the total rates revenue.
 - Northland Inc Limited grants of \$536,336 lower than budgeted due to planned projects not going ahead in this financial year.
 - Contract staff is lower than budgeted due to summer students and cadets being paid as casual staff under personnel costs of \$184,663.
 - Savings on audit and insurance of \$129,021
 - Lower than expected transport CPI claims and incentives of \$112,000.
 - ACC levies being lower than budget of \$58,121.

Statement of changes in equity

For the year ended 30 June 2016	Note	Accumulated funds \$	Reserves \$	Total Council \$	Long Term Plan \$
Council					
Balance at 1 July 2014		118,188,547	7,601,300	125,789,848	125,203,164
Total comprehensive revenue and expense for the year		6,100,680	-	6,100,680	4,841,147
Net transfers in reserves	10	3,017,993	(3,017,993)	-	-
Balance at 30 June 2015		127,307,222	4,583,307	131,890,529	130,044,311
Total comprehensive revenue and expense for the year		5,280,636	-	5,280,636	2,440,651
Net transfers in reserves	10	(14,916,915)	14,916,915	-	-
Balance at 30 June 2016		117,670,944	19,500,222	137,171,166	132,484,962

	Note	Accumulated funds \$	Reserves \$	Subtotal Group \$	Non-controlling interest \$	Total Group \$
Group						
Balance at 1 July 2014		139,961,426	45,581,115	185,542,540	58,719,979	244,262,520
Total comprehensive revenue and expense for the year		2,125,622	-	2,125,622	(1,129,808)	995,814
Net transfers in reserves	10	8,918,210	(8,918,210)	-	-	-
Dividends paid		-	-	-	(2,203,141)	(2,203,141)
Balance at 30 June 2015		151,005,258	36,662,905	187,668,163	55,387,031	243,055,194
Total comprehensive revenue and expense for the year		8,905,566	-	8,905,566	5,616,044	14,521,610
Net transfers in reserves	10	(14,856,659)	14,856,659	-	-	-
Dividends paid		-	-	-	(2,346,963)	(2,346,963)
Balance at 30 June 2016		145,054,163	51,519,565	196,573,728	58,656,112	255,229,841

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

Statement of financial position

As at 30 June 2016	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
EQUITY						
Accumulated funds	10	117,670,944	129,999,159	127,307,222	145,054,163	151,005,258
Reserves	10	19,500,222	2,485,803	4,583,306	51,519,565	36,662,905
Total equity attributable to Northland Regional Council		137,171,166	132,484,962	131,890,529	196,573,728	187,668,163
Non-controlling interest			-	-	58,656,112	55,387,031
TOTAL EQUITY		137,171,166	132,484,962	131,890,529	255,229,841	243,055,194
ASSETS						
Current assets						
Cash and cash equivalents	11	1,674,580	831,029	5,509,010	2,244,296	5,729,361
Receivables	12	5,264,216	5,233,112	4,993,069	5,771,006	5,780,508
Inventory	13	3,113,202	3,201,224	3,145,987	3,147,917	3,187,621
Assets held for sale	16	17,920,000	-	3,796,000	17,920,000	3,796,000
Other financial assets	22	4,300,718	11,281,864	104,022	4,274,580	275,980
Tax refundable		-	-	-	-	68,231
Loan - NPC Investments Limited	14	-	-	-	-	112,500
Earn out - NPC Investments Limited	15	-	-	-	114,000	75,000
TOTAL CURRENT ASSETS		32,272,715	20,547,229	17,548,089	33,471,798	19,025,202
Non-current assets						
Receivables	18	5,461,413	5,098,752	5,339,025	5,461,413	5,339,025
Investment property	19	28,883,000	45,579,000	47,985,500	92,889,986	105,237,500
Other financial assets	22	48,589,803	22,960,516	28,115,290	49,201,551	28,626,095
Investment in subsidiaries (excluding council control organisations) and joint venture company	20	7,827,563	7,827,563	7,827,563	45,680,812	45,312,092
Investment in Council Controlled Organisations	21	862,683	817,457	862,683	901,044	900,561
Property, plant and equipment	23	30,062,384	33,406,275	23,890,698	49,433,233	43,211,743
Capital projects in progress	23	194,775	-	4,717,455	501,156	4,845,802
Intangible assets	24	704,349	943,710	760,916	704,349	770,542
Forestry assets	25	2,360,000	1,933,000	2,200,000	2,360,000	2,200,000
Loan - NPC Investments Limited	14	-	-	-	-	125,000
Earn out - NPC Investments Limited	15	-	-	-	146,000	139,000
Deferred taxation asset	9	-	-	-	4,387	23,227
TOTAL NON-CURRENT ASSETS		124,945,967	118,566,273	121,699,129	247,283,931	236,730,586
TOTAL ASSETS		157,218,683	139,113,502	139,247,216	280,755,729	255,755,788

As at 30 June 2016	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
LIABILITIES						
Current liabilities						
Payables and deferred revenue	26	4,689,033	5,241,678	5,407,284	5,654,556	6,933,889
Employee entitlements	27	1,503,264	1,361,299	1,339,138	1,551,103	1,368,709
TOTAL CURRENT LIABILITIES		6,192,297	6,602,977	6,746,422	7,205,659	8,302,598
Non-current liabilities						
Payables and deferred revenue	26	844,217	-	598,533	1,114,225	736,264
Employee entitlements	27	11,004	25,563	11,732	11,004	11,732
Borrowings and other financial liabilities	28	13,000,000	-	-	17,195,000	3,650,000
TOTAL NON-CURRENT LIABILITIES		13,855,221	25,563	610,265	18,320,229	4,397,996
TOTAL LIABILITIES		20,047,518	6,628,540	7,356,687	25,525,888	12,700,594
NET ASSETS		137,171,166	132,484,962	131,890,529	255,229,841	243,055,194

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

Major variances compared to the Long Term Plan 2015-2025

Asset variances

Current

Cash and cash equivalents are \$843,551 greater than budget due to:

- Lower spending on Capex and some reserve funded and unbudgeted rates and penalties at year end.

Assets held for sale are \$17,920,000 greater than budget due to:

- Unbudgeted investment properties held for sale that was budgeted in investment properties.

Other financial assets are \$6,981,146 less than budget due to:

- Investments budgeted as term deposits were instead invested into managed funds in non-current other financial assets.

Non-current

Investment property is \$16,696,000 less than budget due to:

- Properties being sold or now classified as assets held for sale.

Other financial assets are \$25,629,287 more than budget due to:

- Investments budgeted as term deposits and borrowed funds were invested into managed funds.

Property, plant and equipment is \$3,343,891 less than budget due to:

- Capital equipment on river projects anticipated to commence in 2015/16 will now commence in the 2016/17. Transport and IT capital project have been delayed as a result of continuing discussions with third parties around the scope of these projects.

Intangible assets are \$239,361 less than budget due to:

- Lower levels of investment in intangible assets than budgeted as a rating software project did not commence as anticipated in 2015/16 as the scope of this project was not finalised and will continue with third parties in 2016/17.

Forestry assets are \$427,000 greater than budget due to:

- Gains on the revaluation of forestry assets are not included in the Long Term Plan due to the uncertainty of estimating this value as at 30 June 2016 at the time of preparing the Long Term Plan.

Liability variances

Current

Payables and deferred revenue are \$552,645 lower than budget due to:

- Lower trade payables than budgeted and more payables being classified as non-current.

Employee entitlements are \$141,965 greater than budget due to:

- Annual leave balances increased more than budgeted

Non-current

Payables and deferred revenue are \$844,217 greater than budget due to:

- Timing of funds that Council holds on behalf of community or government groups. Note 26 provides detail on these funds.

Borrowings and other financial liabilities are \$13,000,000 greater than budget due to:

- The unbudgeted fixed rate notes issued by council in August 2015.

Statement of cash flows

For the year ended 30 June 2016	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Cash flows from operating activities						
Receipts from rates revenue		20,120,947	20,078,515	18,353,388	20,120,947	18,353,388
Receipts from customers		7,781,656	7,863,167	7,265,686	12,211,534	10,007,283
Interest received		314,357	1,620,344	593,685	332,868	633,385
Dividends received	6	2,712,506	2,822,850	2,546,434	8,064,732	7,995,748
Subsidies and grants received		1,963,692	901,764	1,698,485	2,068,692	1,803,486
Taxation refund		-	-	-	64,585	-
Payments to suppliers and employees/members		(30,984,448)	(33,563,706)	(27,512,796)	(34,835,843)	(30,490,463)
Interest paid		(424,231)	(110,000)	-	(599,097)	(273,369)
Income tax paid		-	-	-	34,599	(42,055)
Net goods and services tax received/(paid)		675,677	2,215,076	(352,235)	704,718	(352,893)
Net cash from operating activities		2,160,157	1,828,010	2,592,647	8,167,736	7,634,509
Cash flows from investing activities						
Receipts from sale of property, plant and equipment		840,409	619,566	160,579	855,583	162,318
Receipts from sale of assets held for sale and investment property		7,230,000	-	2,874,000	7,230,000	2,874,000
Loans made		-	-	(810,000)	-	(750,000)
Loan repayments received		28,043	-	20,307	-	-
Receipt from the sale of financial investments		2,283,482	1,440,000	11,165,622	2,483,482	11,175,617
Purchase of property, plant and equipment and intangible assets		(4,507,235)	(6,136,548)	(7,135,152)	(4,851,088)	(7,631,462)
Earn out payment re. Sale of joint venture		-	-	-	255,000	156,000
Vendor financing loan repayment		-	-	-	237,500	190,000
Purchase of investment property		(1,668)	-	(1,210,813)	(4,193,835)	(8,945,434)
Purchase of financial investments		(24,867,618)	-	(7,272,180)	(24,867,618)	(7,472,180)
Net cash from investing activities		(18,994,584)	(4,076,982)	(2,207,637)	(22,850,977)	(10,241,141)
Cash flows from financing activities						
Dividends paid		-	-	-	(2,346,825)	(2,203,141)
Proceeds from borrowings	28	13,000,000	9,120	-	13,545,000	5,500,000
Loan repayments made		-	-	-	-	(1,850,625)
Net cash from financing activities		13,000,000	9,120	-	11,198,175	1,446,234
Net increase (decrease) in cash, cash equivalents and bank overdrafts		(3,834,430)	(2,239,852)	385,009	(3,485,065)	(1,160,399)
Cash, cash equivalents and bank overdrafts at the beginning of the year	11	5,509,010	3,070,881	5,124,001	5,729,361	6,889,760
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	11	1,674,580	831,029	5,509,010	2,244,296	5,729,361

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 2016	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Surplus/(deficit) after tax		5,295,115	6,110,480	14,648,485	12,011,426
Depreciation & amortisation expense	23, 24	1,318,981	1,242,226	1,483,715	1,390,598
Provision for doubtful debts		(2,143,330)	1,025,697	(2,143,330)	1,025,697
Vested and Divested assets		339,179	-	339,179	-
Deferred taxation		-	-	2,117	66
Share of associate companies' retained surplus		-	-	(481,737)	(264,871)
Gain on sale of stakeholding in joint venture		-	-	-	(37,336)
Loss on sale of property, plant and equipment		103,626	-	106,398	(1,072)
Other fair value adjustments		(1,945,448)	(2,919,399)	(5,556,229)	(2,919,399)
Non cash gains on externally managed funds		(2,090,236)	-	(2,090,236)	-
Other comprehensive revenue and expense adjustments		-	(24,800)	-	(643,666)
Loss on local government stocks		-	-	-	121
Total non cash items		(4,417,228)	(676,276)	(8,340,123)	(1,449,862)
Add/(Less) movements in working capital items					
Decrease (increase) in receivables		1,307,611	(3,509,617)	1,583,094	(4,026,149)
Decrease (increase) in GST receivable		592,211	-	592,211	-
Decrease (increase) in inventory		33,203	(2,363)	40,122	(43,997)
Decrease (increase) in assets held for sale		-	(3,796,000)	-	(3,796,000)
Decrease (increase) in other financial assets		(33,953)	-	(33,953)	-
Decrease (increase) in deferred tax		-	-	16,273	-
(Decrease) increase in revenue received in advance		(168,117)	157,075	239,747	359,192
(Decrease) increase in other receivables		(121,554)	(18,301)	(121,554)	(18,301)
(Decrease) increase in payables		(39,487)	648,064	(902,366)	1,482,418
(Decrease) increase in provision for taxation		-	-	71,563	(34,210)
(Decrease) Increase in employee entitlements	27	163,400	47,232	181,669	57,745
Net movement in working capital items		1,733,312	(6,473,911)	1,667,225	(6,019,303)

	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Add/(less) items classified as investing or financing activities				
Realised gains on sale of investment properties and assets held for sale	(423,000)	(214,846)	(423,000)	(214,846)
Transfer of investment property to inventory	-	29,200	-	29,200
Transfer of infrastructure assets to investment properties	-	22,000	-	22,000
Transfer of investment properties to assets held for sale	-	3,796,000	-	3,796,000
Loan repayments received	(28,043)	-	-	-
Non-operating capital items included in working capital movements	-	-	615,120	(540,105)
Total items classified as investing or financing activities	(451,043)	3,632,354	192,120	3,092,249
Net cash inflow/(outflow) from operating activities	2,160,157	2,592,647	8,167,736	7,634,509

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

Statement of accounting policies

Reporting entity

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

The council's group comprises the council and its subsidiaries, namely:

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

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

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

Reporting period

The financial statements of the council and group are for the year ended 30 June 2016. The financial statements were authorised for issue by council on 3 October 2016.

Basis of preparation

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

Statement of Compliance

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

The financial statements comply with Tier 1 PBE accounting standards.

Functional and presentation currency

The financial statements are presented in New Zealand dollars which is the functional currency of Northland Regional Council.

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

Standards issued and not yet effective and not early adopted

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative notice as a consequence of XRB A1 and other amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. Northland Regional Council will apply these amendments in preparing its 30 June 2017 financial statements. Northland Regional Council expects there will be no effect in applying these amendments.

Summary of significant accounting policies

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

Basis of consolidation

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

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.

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

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. The group recognises its investment in its jointly controlled entity (NorthPort Limited) using the equity method. Under the equity method the investment in a jointly controlled entity is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the surplus or deficit of the jointly controlled entity after the date of acquisition. The group's share of the surplus or deficit of the jointly controlled entity is recognised in the surplus or deficit. Investments in jointly controlled entities are carried at cost in Council's parent entity financial statements.

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

Revenue

Revenue is measured at fair value.

Rates revenue

Rates are set annually by a resolution of council and relate to a financial year. All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised and brought to account when the rates are payable based on the council's best estimate of what is expected to be collected.

Rates arising from late payment penalties are recognised as revenue when rates become overdue. Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

These transactions are classified as non-exchange transactions.

Fees and charges

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

Grants and subsidies

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

Sales of goods

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

Interest income is recognised using the effective interest method.

Other revenue – Dividends

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

Rental revenue

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

Funds collected for other organisations

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

Vested assets

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

Expenditure

Expenditure is recognised when goods and services have been received.

Borrowing costs

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

Grant expenditure

Non-discretionary grants are those grants that are awarded when the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the council has no obligation to award the grant on receipt of the grant application and are recognised as expenditure when the grant conditions have been satisfied.

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 revenue and expenses 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. All the leases of the council and group are operating leases.

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 debtors and other receivables is explained under Impairment of financial Assets.

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 non-current 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 revenue and expense and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance costs".

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly as other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired, or liability assumed, affects the surplus or deficit. However, if the council or the group, expects that all, or a portion of a loss, recognised in other comprehensive revenue and expense 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 revenue and expense 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 revenue and expense from the period when the hedge was effective will remain separately recognised in other comprehensive revenue and expense 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 revenue and expense from the period when the hedge was effective will be from other comprehensive revenue and expense to the surplus or deficit.

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.

The council and group classify 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 assets at fair value through other comprehensive revenue and expense.

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 in the surplus or deficit.

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

Loans and receivables

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

12 months after the balance date, which are included in non-current assets.

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

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the council or group 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.

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 revenue and expense

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

This category includes:

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

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

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

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.

Loans and receivables, and held-to maturity investments

Impairment of a loan or a receivable is established when there is objective evidence that the council and group 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 revenue and expense

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 revenue and expense, 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 revenue and expense 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.

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

Prepayments

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.

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 provision of goods and services on a commercial basis are valued at the lower of cost and 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.

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

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.

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.

Land is measured at fair value. Buildings (other than owner occupied building and forest land subject to the ETS) and infrastructure assets are measured at

fair value less accumulated depreciation. Forest land subject to the ETS is the land under the forestry asset and is valued at historical cost.

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

Revaluation

Freehold Land, buildings and infrastructure assets are re-valued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value.

Owner occupied freehold land and buildings

Owner occupied freehold land and buildings are re-valued annually at fair value, as determined by market-based evidence, by an independent valuer.

Infrastructure assets

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

Net revaluation results

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

Additions

The cost of an item of property, plant and equipment is recognised as an asset 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.

Capital projects in progress are recognised at cost less impairment and are not depreciated.

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

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 or group 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 below), at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

Buildings	5-100 years	1-20%
Amenities	5-100 years	1-20%
Plant and equipment	2-20 years	5-50%
Navigational aids	10-20 years	5-10%
Vehicles	4-8 years	12.5-25%
Vessels and dredging equipment	10-25 years	4-10%

Infrastructure assets	8-100 years	1-12.5%
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The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Infrastructural assets components include gates, pipes, outlets and stop banks, depreciation is provided for on stop-bank components of the infrastructure assets. An asset management plan has been prepared for these schemes.

Intangible assets

Software acquisition and development

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

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

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

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

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

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

Computer software	4-5 years	20-25%
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New Zealand Units (Forestry) – Emissions Trading scheme

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

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

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

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

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 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.

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.

The total impairment loss is recognised in the surplus or deficit.

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

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

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

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

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

Easements

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

Forestry assets

Forestry assets are independently re-valued, annually, at fair value less estimated point-of-sale costs. The expectation value method is the valuation approach applied, where by the net present value of the projected net cashflow of the tree crop is calculated. The net present value is linked to sales evidence through the application of a discount rate derived from the current market.

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

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

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, all investment property is measured at fair value at balance date.

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 any transaction costs. After initial recognition, borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the council or

group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

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.

Superannuation schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised in the surplus or deficit when incurred.

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

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

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

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

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

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

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 (Long Term Plan 30-Jun-16)

The budget figures are the year 1 budgets approved by the council in its 2015-25 long term plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

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.

Indirect costs are charged to significant operating activities using appropriate cost drivers such as actual usage and staff numbers.

Critical accounting estimates and assumptions

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

Council and group investment property is revalued annually by an independent valuer. The fair value of the investment properties is based on the market values, being the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction. Due to the relatively low level of recent transactions in some areas, these valuations are inherently subjective.

A range of estimates and assumptions have been applied in determining the fair value of the council's and group's loans, borrowings and earn out. These assumptions are disclosed in notes 22 and 28.

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

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2016.

Council has a number of leasehold properties and freehold properties they are in the process of selling directly to the lessee's or on the open market. These properties have therefore been accounted for as Assets held for resale rather than investment property as it is assumed these sales will occur within the next 12 months.

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

Notes to the financial statements

Note 1: Summary revenue and expenses for groups of activities

	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$
Revenue				
Resource and catchment management		11,419,055	11,042,682	10,854,401
Economic development		7,010,627	6,803,635	3,959,801
Transport		4,264,809	4,254,047	4,038,078
Hazard management		1,438,950	1,164,487	1,368,067
River management		3,723,487	3,642,887	2,925,349
Community representation and engagement		2,992,815	2,981,116	2,020,759
Support services		12,540,433	11,799,166	14,672,788
Total activity revenue and rates as per activity funding impact statements		43,390,176	41,688,020	39,839,243
Internal charges and overheads recovered		(7,366,960)	(7,702,265)	(7,091,385)
Other gains not attributable to an activity		2,397,020	619,566	3,232,174
Total revenue as per statement of comprehensive revenue and expense		38,420,236	34,605,321	35,980,032
Expenses				
Resource and catchment management		14,639,989	14,638,186	14,408,989
Economic development		4,034,711	3,683,623	3,133,960
Transport		4,450,001	4,649,439	4,401,927
Hazard management		1,775,026	1,660,934	1,811,063
River management		3,406,983	3,467,895	2,957,734
Community representation and engagement		4,581,497	4,160,506	3,124,412
Support services		6,181,268	6,315,509	5,793,766
Total activity expenses as per activity funding impact statements		39,069,475	38,576,090	35,631,852
Internal charges and overheads recovered		(7,366,960)	(7,702,265)	(7,091,358)
Other expenses not attributable to an activity		103,625	-	86,859
Depreciation and amortisation		1,318,981	1,290,843	1,242,226
Total expenses as per statement of comprehensive revenue and expense		33,125,121	32,164,670	29,869,552

	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$
DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY				
Resource and catchment management		296,076	318,746	319,883
Economic development		-	-	-
Transport		116,859	75,573	110,940
Hazard management		-	1,520	-
River management		93,504	136,224	47,295
Community representation and engagement		-	6,205	-
Support services		812,542	752,575	764,109
Total directly attributable depreciation and amortisation by group of activity		1,318,981	1,290,843	1,242,226
Depreciation and amortisation not directly related to group of activities		-	-	-
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	23	1,318,981	1,290,843	1,242,226

Note 2: Other expenses

	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Fees to external auditors:						
Fees to Audit New Zealand for audit of financial statements		121,936	121,729	106,489	148,714	132,851
Fees to Audit New Zealand for the audit of the Long Term Plan		-	70,000	77,126	-	77,126
Fees to EY for the audit of the Marsden Maritime Holdings Group		-	-	-	66,010	81,065
Fees for other services provided by the auditor of the Marsden Maritime Holdings Group *		-	-	-	5,490	10,505
Fees to internal auditors **		44,387	20,000	17,450	44,387	17,450
Directors'/Councillors' fees and trustee remuneration		671,274	683,450	640,714	868,941	834,959
Donations		806,938	991,741	676,447	811,105	680,118
Insurance premiums		194,020	242,997	249,265	194,020	249,265
Operating lease payments		-	-	-	121,513	129,797
Impairment of receivables	12	10,483	840,000	858,598	10,483	858,598
Direct operating expenditure on investment properties		544,379	-	287,619	1,089,041	705,406
Operating grants to Northland Inc. Limited		1,170,815	1,170,815	1,150,000	-	-

	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Other payments to Northland Inc. Limited		462,157	-	220,559	-	-
Consultants and contractors		2,115,663	2,127,415	2,226,391	2,227,829	2,380,580
Contracted works		3,746,847	3,506,028	3,337,462	3,746,847	3,337,462
Electricity		112,885	124,900	119,132	112,885	119,132
Divested assets		424,179	-	-	424,179	-
Environment fund payments		757,423	800,000	606,912	757,423	606,912
Poisons and field works		413,613	414,897	401,487	413,613	401,487
Commercial testing		547,771	584,500	553,676	547,771	553,676
Rates collections costs paid to territorial authorities		772,666	803,117	772,139	772,666	772,139
Restructuring of council activities		26,342	-	74,799	26,342	74,799
Loss on disposal of property, plant and equipment		103,626	-	23,164	103,804	23,961
Loss on revaluation of buildings		-	-	31,705	-	31,705
Loss on disposal of financial Investments		-	-	31,990	-	31,990
Other operating expenses		5,677,346	6,149,553	4,337,235	8,063,945	6,654,883
		18,724,748	18,651,142	16,800,358	20,557,006	18,765,865

* The fees for other services provided by the auditor of Marsden Maritime Holdings Group were for tax compliance and related advice.

** The fees to internal auditors in the year ending 30 June 2016 were for the internal audit of Council's indirect taxes, a fraud health review and the interim work performed on a rates assurance review (in progress at year end) performed by Crowe Horwath. Additionally it includes a risk profiling exercise performed by Deloitte which will underpin the development of future internal audit programmes.

Note 3: Rates revenue

	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Targeted rates attributable to activities						
Targeted council services rate		7,997,225	8,255,003	7,551,045	7,997,225	7,551,045
Targeted land management rate		5,888,360	6,043,507	5,510,126	5,888,360	5,510,126
Regional recreational facilities rate		1,255,205	1,272,475	1,225,803	1,255,205	1,225,803
Regional infrastructure rate		595,607	611,350	590,949	595,607	590,949
Emergency Service Rate		896,661	928,687	-	896,661	-
Rescue helicopter service rate		-	-	599,415	-	599,415
Whāngārei transport rate		479,021	480,018	434,303	479,021	434,303

Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Kāitaiā transport rate	76,792	81,684	74,287	76,792	74,287
Awanui River management rate	550,444	593,900	377,679	550,444	377,679
Kaihū River management rate	71,778	77,540	71,824	71,778	71,824
Kaeo River management rate	129,079	139,015	128,544	129,079	128,544
Kerikeri-Waipapa rivers management rate	296,284	313,966	180,871	296,284	180,871
Whāngārei urban rivers management rate	1,118,926	1,122,923	716,494	1,118,926	716,494
Whāngārei Heads Pest Control Rate	89,117	89,565	-	89,117	-
Rates penalties	725,089	-	821,270	725,089	821,270
Total revenue from rates	20,169,587	20,009,632	18,282,609	20,169,587	18,282,609

Rates remission, penalties, early discount payments and impairments

Rates revenue is shown net of rates remissions, early payment discounts and an impairment of \$429,894 (2015 \$406,497) to rates assessed on Māori freehold land in the Far North District (see note 12). Northland Regional Council's rates remission policies allows it to remit approved rates as per the Rates Remission Policies of the Territorial Authorities who collect Northland Regional Council's rates on its behalf. Whangarei District Council offers a 3% early payment discount if rates are paid in full at the first instalment of 20 August.

Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Total rates revenue	20,413,327	20,009,632	18,372,233	20,413,327	18,372,233
Rates Penalties	725,089	-	821,270	725,089	821,270
Rates Discounts	(72,766)	-	(66,093)	(72,766)	(66,093)
Impairment to Rates on Maori Freehold Land in the Far North District	(429,894)	-	(406,497)	(429,894)	(406,497)
Rates Remissions					
Kaipara	(30,102)	-	(14,067)	(30,102)	(14,067)
Whāngārei	(270,826)	-	(172,460)	(270,826)	(172,460)
Far North	(165,243)	-	(251,777)	(165,243)	(251,777)
Total remissions	(466,170)	-	(438,304)	(466,170)	(438,304)
Rates revenue net of remissions, penalties, discounts and impairment	20,169,587	20,009,632	18,282,609	20,169,587	18,282,609

Non-rated 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

	30-Jun-15 \$	30-Jun-14 \$
The number of rating units within council's region at 30 June:	95,967	95,146
The total capital value of rating units within council's region at 30 June:	40,096,513,490	38,172,784,750
The total land value of rating units within council's region at 30 June:	20,701,666,005	20,010,665,850

Note 4: Subsidies and grants

Note	Council 30-Jun-16 \$	Annual Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Total subsidies and grants	1,784,458	1,192,704	1,683,303	1,889,458	1,788,303

Subsidies and grants are principally from New Zealand Transport Agency for passenger services, transport and strategy development, Maritime New Zealand for oil spill clean-up, the Ministry for Primary Industries for the Strategic Water Management project, Kaipara Harbour Hill Country project, Kauri Dieback project. The district councils also contribute subsidies to help fund the civil defence and emergency management activity.

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

Note 5: Interest revenue and finance costs

Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Interest revenue					
Term and bank deposits	694,232	952,330	866,411	716,059	909,751
Externally managed funds	21,669	182,294	200,099	21,669	200,099
Investment stock and bonds	18,375	18,000	137,138	18,375	137,138
Related party loans	3,316	-	3,640	-	-
Loans	53,937	-	16,807	53,937	16,807
Joint venture	299,932	320,000	292,248	299,932	292,248
Investment and growth fund	142,677	147,720	157,126	142,677	157,126
Total interest revenue	1,234,138	1,620,344	1,673,469	1,252,649	1,713,169
Finance costs					
Interest expense	525,428	110,000	101,197	741,666	374,566
Total finance costs	525,428	110,000	101,197	741,666	374,566
NET INTEREST REVENUE	708,710	1,510,344	1,572,272	510,983	1,338,603

Note 6: Fees and charges and other revenue

Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Total Fees and charges	4,276,845	4,014,840	4,234,614	5,029,393	4,054,733
Rental revenue from investment properties	2,785,576	3,188,855	3,151,051	5,216,543	5,619,956
Revenue from forestry harvest	884,871	353,529	-	884,871	-
Vested assets	85,000	-	-	85,000	-
Dividend revenue - Marsden Maritime Holdings Limited	2,712,506	2,822,850	2,546,434	-	-
Dividend revenue - other investments	-	-	-	51,004	17,148
Total other revenue	6,467,953	6,365,234	5,697,485	6,237,418	5,637,104

Note 7: Other gains

Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$	
Non-financial instruments gains						
Gain on revaluation of investment property	19	1,396,083	-	2,652,399	4,631,058	3,263,475
Gain on revaluation of assets held for sale	16	43,000	-	-	43,000	
Gain on revaluation of forestry assets	25	160,000	-	267,000	160,000	267,000
Gain on revaluation of land and buildings		149,940	-	-	149,940	-
Gain on revaluation of Emission trading scheme - NZU's		196,425	-	42,777	196,425	42,777
Gain on disposal of investment property		27,000	619,566	270,000	27,000	270,000
Gain on disposal of assets held for sale		396,000	-	-	396,000	-
Gain on disposal of property, plant and equipment		-	-	-	120	1,072
Total non-financial instruments gains		2,368,448	619,566	3,232,167	5,603,543	3,844,324
Financial instruments gains						
Gain on revaluation of financial investments		-	-	-	375,806	7,790
Externally Managed Investment Funds		2,090,236	783,000	1,176,376	2,090,236	1,176,376
Reversal of Impairment		28,572	-	-	28,572	-
Total financial instruments gains		2,118,808	783,000	1,176,376	2,494,614	1,184,166
Total other gains		4,487,255	1,402,566	4,408,551	8,098,156	5,028,489

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

Note 8: Personnel costs

	Note	Council 30-Jun-16 \$	Long Term Plan 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Salaries and wages		12,073,046	11,827,037	11,390,310	13,666,112	12,371,821
Employer contributions to defined contribution plans		319,520	285,647	288,230	346,324	288,230
Increase/(decrease) in employee benefit liabilities	27	163,398	-	47,230	163,398	47,230
Total personnel costs		12,555,964	12,112,685	11,725,770	14,175,834	12,707,281

Personnel costs includes salaries, wages, leave and other employee-earned compensation.

Employer contributions to defined contribution plans includes contributions to KiwiSaver and the National Provident Funds; Pension National Scheme and Lump Sum National scheme.

Note 9: Taxation

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Components of tax expense					
Current tax expense/(credit)		-	-	3,646	7,845
Adjustment to current tax in prior periods		-	-	(17,876)	-
Deferred tax asset		-	-	2,117	66
Tax expense		-	-	(12,113)	7,911
Relationship between tax expense and accounting surplus					
Surplus/(deficit) before tax		5,295,115	6,110,480	14,636,372	12,019,337
Taxation at 28%		1,482,632	1,710,934	4,098,184	3,365,414
Plus (less) tax effect of:					
Non-deductible expenditure		-	-	353,376	2,410
Recognition of temporary differences		-	-	(135)	(10,075)
Imputation dividend receipts		(1,054,863)	(990,280)	(3,298,707)	(3,224,289)
Non-taxable income		(666,557)	(889,357)	(1,291,541)	(369,482)
Tax paid on joint venture company earnings		-	-	(116,406)	51,837
Prior year adjustment		-	-	(17,876)	-
Carried forward losses derecognised/(recognised)		238,788	168,703	260,992	295,771
Tax expense		-	-	(12,113)	7,911
Imputation credits					
Imputation credits available for use in subsequent reporting periods		-	-	11,808,203	9,334,160

Deferred tax asset/(liability)

	Note	Property, plant and equipment	Financial instruments	Employee entitlements	Other provisions	Losses	Total
GROUP							
Balance at 1 July 2014		(311,133)	-	2,384	14,736	317,306	23,293
Charged to surplus or deficit		(160,420)	-	3,339	1,193	155,822	(66)
Charged to other comprehensive revenue and expense		-	-	-	-	-	-
Balance at 30 June 2015		(471,553)	-	5,723	15,929	473,128	23,227
Charged to surplus or deficit		(161,165)	-	(5,723)	(10,629)	158,677	(18,840)
Charged to other comprehensive revenue and expense		-	-	-	-	-	-
Balance at 30 June 2016		(632,718)	-	-	5,300	631,805	4,387

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

A deferred tax asset has not been recognised in relation to tax losses in NRC of \$7,420,006 (2015 \$6,567,191)

As at 30 June 2016 Northland Inc Limited has \$0 taxation losses available to carry forward of which the tax effect is \$0 (2015 losses of \$0, 2015 tax effect \$0). Northland Inc has not recognised a deferred tax asset in relation to tax losses of \$0 (2015: \$nil) and temporary differences of \$0 (2015: nil). Northland Inc has \$3,503 (2015: \$36,096) imputation credits available for use in subsequent reporting periods.

As at 30 June 2016 Marsden Maritime Holdings Limited group has taxation losses carried forward amounting to \$5,842,621 of which the tax effect is \$1,635,934 (2015 losses \$5,309,361, tax effect \$1,486,621) available for offset against future assessable income of which a portion is recognised above. At 30 June 2016 Marsden Maritime Holdings Limited has \$11,804,700 imputation credits available for use in subsequent reporting periods (2015: \$9,298,064)

Note 10: Equity

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
10A Accumulated funds					
As at 1 July		127,307,222	118,188,547	151,005,258	139,961,426
Surplus/(deficit) for year		5,295,115	6,110,480	8,980,300	8,035,638
Transfers from special reserves		1,475,820	6,225,545	1,475,820	6,225,545
Transfers to special reserves		(16,407,213)	(3,217,351)	(16,407,213)	(3,217,351)
Net transfers from/(to) special reserves		(14,931,394)	3,008,195	(14,931,394)	3,008,195
As at 30 June		117,670,944	127,307,222	145,054,163	151,005,258

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
10B Reserves				
Asset revaluation reserve				
As at 1 July	961,290	946,290	33,213,759	38,954,967
Revaluation gains/(losses) - land	(5,000)	15,000	146,738	(5,741,208)
As at 30 June	956,290	961,290	33,360,497	33,213,759
Asset revaluation reserve consists of:				
Land	956,290	961,290	33,360,497	33,213,759
Total asset revaluation reserve	956,290	961,290	33,360,497	33,213,759
Fair value through other comprehensive revenue and expense reserve				
As at 1 July	(8,370)	16,430	(8,370)	16,430
Net change in fair value	(9,479)	(56,790)	(9,479)	(56,790)
Transfer to surplus or deficit on disposal	-	31,990	-	31,990
As at 30 June	(17,849)	(8,370)	(17,849)	(8,370)
Hedging reserve				
As at 1 July	-	-	(172,870)	(28,863)
Gains/losses recognised	-	-	211,994	(144,007)
As at 30 June	-	-	(384,864)	(172,870)
Special reserves				
Land management reserve				
As at 1 July	1,315,791	1,303,791	1,315,791	1,303,791
Transfer (to)/from accumulated funds	(215,599)	12,000	(215,599)	12,000
As at 30 June	1,100,192	1,315,791	1,100,192	1,315,791
Awanui river reserve				
As at 1 July	(327,229)	(181,039)	(327,229)	(181,039)
Transfer (to)/from accumulated funds	(363,544)	(146,190)	(363,544)	(146,190)
As at 30 June	(690,773)	(327,229)	(690,773)	(327,229)
Kaihū river reserve				
As at 1 July	96,176	56,465	96,176	56,465
Transfer (to)/from accumulated funds	(20,300)	39,711	(20,300)	39,711
As at 30 June	75,876	96,176	75,876	96,176

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Kaeo-Whangaroa rivers reserve				
As at 1 July	(72,171)	(135,898)	(72,171)	(135,898)
Transfer (to)/(from) accumulated funds	86,913	63,727	86,913	63,727
As at 30 June	14,742	(72,171)	14,742	(72,171)
Whāngārei urban rivers reserve				
As at 1 July	(9,497,476)	(4,204,525)	(9,497,476)	(4,204,525)
Transfer (to)/(from) accumulated funds	(750,777)	(5,292,951)	(750,777)	(5,292,951)
As at 30 June	(10,248,253)	(9,497,476)	(10,248,253)	(9,497,476)
Kerikeri-Waipapa rivers reserve				
As at 1 July	215,767	174,243	215,767	174,243
Transfer (to)/(from) accumulated funds	104,275	41,524	104,275	41,524
As at 30 June	320,042	215,767	320,042	215,767
Infrastructure facilities reserve				
As at 1 July	(1,127,639)	(1,277,408)	(1,127,639)	(1,277,408)
Transfer (to)/(from) accumulated funds	269,640	149,769	269,639	149,769
As at 30 June	(858,000)	(1,127,639)	(858,000)	(1,127,639)
Recreational facilities reserve				
As at 1 July	(3,279,322)	(4,216,424)	(3,279,322)	(4,216,424)
Transfer (to)/(from) accumulated funds	1,133,513	937,102	1,133,513	937,102
As at 30 June	(2,145,809)	(3,279,322)	(2,145,809)	(3,279,322)
Property reinvestment fund reserve				
As at 1 July	10,299,401	8,335,297	10,299,401	8,335,297
Transfer (to)/(from) accumulated funds	7,884,931	1,964,104	7,884,931	1,964,104
As at 30 June	18,184,332	10,299,401	18,184,332	10,299,401
Equalisation fund reserve				
As at 1 July	1,952,776	1,952,776	1,952,776	1,952,776
Transfer (to)/(from) accumulated funds	4,315	-	4,315	-
As at 30 June	1,957,091	1,952,776	1,957,091	1,952,776
Hatea river maintenance reserve				
As at 1 July	56,198	136,207	56,198	136,207
Transfer (to)/(from) accumulated funds	92,468	(80,009)	92,468	(80,009)
As at 30 June	148,666	56,198	148,666	56,198
Investment and growth reserve				
As at 1 July	3,624,774	3,940,670	3,624,774	3,940,670
Transfer (to)/(from) accumulated funds	(114,945)	(315,896)	(114,945)	(315,896)
As at 30 June	3,509,829	3,624,774	3,509,829	3,624,774

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Kāitaiā bus reserve				
As at 1 July	23,341	13,927	23,341	13,927
Transfer (to)/from accumulated funds	(1,110)	9,414	(1,110)	9,414
As at 30 June	22,231	23,341	22,231	23,341
Infrastructure investment fund reserve				
As at 1 July	-	-	-	-
Transfer (to)/from accumulated funds	6,025,737	-	6,025,737	-
As at 30 June	6,025,737	-	6,025,737	-
Whangarei transport reserve				
As at 1 July	-	-	-	-
Transfer (to)/from accumulated funds	(9,544)	-	(9,544)	-
As at 30 June	(9,544)	-	(9,544)	-
Emergency services reserve				
As at 1 July	-	-	-	-
Transfer (to)/from accumulated funds	106,083	-	106,083	-
As at 30 June	106,083	-	106,083	-
Whangarei heads pest management reserve				
As at 1 July	-	-	-	-
Transfer (to)/from accumulated funds	20,031	-	20,031	-
As at 30 June	20,031	-	20,031	-
Approved carry forwards reserve				
As at 1 July	350,000	740,499	350,000	740,499
Transfer (to)/from accumulated funds	679,307	(390,499)	679,307	(390,499)
As at 30 June	1,029,307	350,000	1,029,307	350,000
Total reserves at 30 June	19,500,222	4,583,306	51,519,565	36,662,905
Non-controlling interest	-	-	58,656,112	55,387,031
TOTAL EQUITY AT 30 JUNE	137,171,166	131,890,529	255,229,841	243,055,194

Reconciliation of non-controlling interest

	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Balance at 1 July	55,387,031	58,719,979
Share of total comprehensive revenue and expense attributed to the non controlling interest in Marsden Maritime Holdings Limited.	5,616,044	(1,129,808)
Dividends paid	(2,346,963)	(2,203,141)
Balance at 30 June	58,656,112	55,387,031

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

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

Internal borrowings

	Note	Opening balance 1-Jul-15 \$	Funds borrowed 2015/16 \$	Funds repaid 2015/16 \$	Closing balance 30-Jun-16 \$	Interest charged 2015/16 \$
Economic Development		4,406,961	-	(4,406,961)	-	27,065
River Management		9,896,877	1,114,322	(5,941,105)	5,070,093	328,819
TOTAL		14,303,838	1,114,322	(10,348,066)	5,070,093	355,884

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.</p> <p>Council is proposing to use this reserve to fund operating activities that would ordinarily be funded from the Land Management Rate. Using this reserve in this manner enables council to keep rates affordable while continuing to provide positive operational outcomes. In the three years from 2015/16 to 2017/18 council is proposing to use \$275,000 annually as follows:</p> <ul style="list-style-type: none"> • \$125k towards the Environment Fund • \$20K towards hydrology webcams • \$100K towards Land elevation surveys • \$30k towards increased soil monitoring and ecological surveys. <p>In 2016/17 council also intends to use the reserve to fund a special project to reduce effluent discharge from dairy farms, and has made \$65,000 available.</p> <p>The use of the reserve will be reviewed at the end of the 2017/18 financial year. While the Land Management reserve maintains a positive balance it can be used to fund emergency events such as remedial storm expenditure on a case-by-case basis. The Chief Executive Officer has delegation to incur expenditure of up to \$500,000 to enable the council to fund agreed expenditure from this reserve. The criteria for acceptable expenditure are as follows:</p> <ol style="list-style-type: none"> 1. Matching of government and district contributions to provide financial assistance for repair work for significant events; 2. Restoration work affecting one or more rivers, following a major flooding event; 	Civil defence and emergency management, natural hazard management, river management, land and biodiversity, biosecurity

Reserve name	Purpose	Activities that may be funded from reserve
	<p>3. Urgent work to reduce the immediate flood risk;</p> <p>4. Storm damage repairs within a special rating area under the relevant Flood Management Plans.</p>	
Awanui River 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. The deficit balance of this reserve will be repaid from the targeted Awanui river management rates collected from the rate payers within the area of benefit identified in the Awanui flood management plan.	River management
Kaihū River 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
Kaeo-Whangaroa River 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
Whangārei Urban Rivers reserve	This reserve was created to hold any Targeted Whangārei 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 Whangārei Urban Rivers Management scheme. The deficit balance of this reserve will be repaid from the targeted Whangārei Urban Rivers Management rates collected from residential and commercial ratepayer's in the Whangārei CBD and ratepayer's in the water catchment area (including properties falling in the Waiarohia, Raumanga, Kirikiri and Hātea Rivers catchments).	River management
Kerikeri-Waipapa Rivers 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
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. The deficit balance of this reserve will be repaid from the Targeted Regional Infrastructure rates collected from ratepayers in all three Northland districts.	Economic development
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 12 years. The deficit balance of this reserve will be repaid from the Targeted Regional Recreational Facilities rates collected from ratepayer's in all three Northland districts. The Targeted Regional Recreational Facilities rate is set to continue for 2 more years.	Economic development

Reserve name	Purpose	Activities that may be funded from reserve
Property Reinvestment Fund reserve	This reserve was established to hold the proceeds of a commercial property sales and acquisitions and includes the proceeds of a special dividend (capital) payment made by the Marsden Maritime Holdings Limited. The funds are general funds and are set aside to be reinvested in income producing assets. The fund invests monies in separate managed funds which has been earmarked to hold the funds pending the identification of approved property investments. The fund targets a reasonable return to produce an income akin to rents and relating capital appreciation of the property market so as to maintain the purchasing power of the capital base.	Economic development
Equalisation Fund reserve	This reserve was created to set aside 50% of council's forestry net income arising in any year. This reserve is intended to provide future funding of councils general operating activities by allowing council to use these funds for any council activity to smooth future rating increases. It is further intended that this fund be used to fund the cost of forestry operations in non-harvesting years. 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. 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.	All
Hātea River Maintenance reserve	This reserve was created to set aside a component of the council services rate specifically levied across the Whangārei constituency to ensure funding is immediately available in the event dredging of the Hātea river is required. The funds may be applied to the following: <ol style="list-style-type: none"> 1. Ongoing maintenance and dredging; 2. Disposal of dredged spoil material; 3. The provision of an annual hydrographic survey of the river. The reserve is to be maintained at a targeted fund of up to \$400,000.	Harbour safety and navigation
Investment and Growth reserve	This reserve was created to set aside the investment income redirected to be made available for activities and projects that contribute towards economic well-being. Council will allocate monies from the reserve to projects in accordance with set criteria.	Economic development
Kaitāia Bus reserve	This reserve is to be created to hold any targeted Kaitāia transport rates collected and unspent in any given year to cover any future funding shortfalls of Kaitāia bus service.	Transport
Approved carry forwards reserve	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
Whangārei Heads Pest Management reserve	This reserve was created to hold any targeted Whangārei Heads pest management rates collected and unspent in any given year to cover any future funding shortfalls of this pest management program.	Land and biodiversity

Reserve name	Purpose	Activities that may be funded from reserve
Infrastructure Investment Fund reserve	This reserve was established to stabilise the impact of irregular large infrastructure projects on council's income and capital requirements. It will help spread the costs of such projects. The fund is also intended to provide more flexibility around when such large capital intensive projects can commence. The fund invests monies which has been earmarked for the approved infrastructure and economic development investments in external managed funds. The funds targets a moderate return, with capital protection and reasonable liquidity paramount in keeping with the Prudent Person rules of the Trustee Act. Low risk diversified income funds have been selected to achieve this.	River management
Whangārei Transport reserve	This reserve is to be created to hold any targeted Whangārei transport rates collected and unspent in any given year to cover any future funding shortfalls of Whangārei transport service.	Transport
Emergency Services reserve	This reserve is to be created to hold any targeted Emergency Services rates collected and unspent in any given year to contribute to any future funding shortfalls of Emergency Services funding.	Community representation and engagement

Note 11: Cash and cash equivalents

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Cash on hand at trading banks	1,662,064	1,319,010	2,231,780	1,539,361
Term deposits with maturities of less than 3 months at acquisition	-	4,190,000	-	4,190,000
Property Re-Investment Fund - Term deposits with maturities of less than 3 months at acquisition	12,516	-	12,516	-
Total cash and cash equivalents	1,674,580	5,509,010	2,244,296	5,729,361

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 2016 that were not available for use by the group.

Council

Council's current account deposits held with the ASB Bank are interest bearing at a interest rate of 1.50% (2015: 2.5%). At balance date, funds held on call deposit with the ASB Bank yield interest at 2.15% (June 2015: 3.15%).

Marsden Maritime Holdings Limited

Current account deposits held are non-interest bearing.

Note 12: Receivables

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Rates receivables	3,355,834	5,447,141	3,355,834	5,447,141
Other receivables	3,772,044	2,896,705	4,139,684	3,434,728
GST receivable	540,426	1,132,638	545,783	1,231,678
Receivables from subsidiaries and associates	13,301	3,390	31,715	49,421
Prepayments	45,668	119,583	161,047	223,928
Gross debtors and other receivables	7,727,274	9,599,457	8,234,064	10,386,896
Less provision for impairment of receivables	(2,463,058)	(4,606,388)	(2,463,058)	(4,606,388)
Total current receivables	5,264,216	4,993,069	5,771,006	5,780,508
Total current receivables comprise:				
Receivables from non-exchange transactions - this includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates	4,142,742	4,274,168	4,263,478	4,583,792
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	1,121,474	718,901	1,507,528	1,196,717
	5,264,216	4,993,069	5,771,006	5,780,508

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 of rates on Māori freehold land

Outstanding rates are usually recognised in full when the rates become payable due to the fact that the value can be measured reliably, it is probable that council is going to receive payment, and there is not expected to be a significant delay in receipt. Rates revenue is recognised immediately because there are no conditions arising from the transaction.

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

The estimated amount of uncollectible Māori freehold land rates for 2016 was based on a two year average collection rate and amounted to \$429,894 (2015: 406,497) The 2015 figures have been restated as presented in note 41. The rates revenue presented in Note 3 and the rates receivable in Note 12 have been reduced by \$429,894 (2015 \$406,497). Similarly the impairment of receivables expense in Note 2 and the balance of the provision for the impairment on rates receivables in note 12 have also been reduced by \$429,894 (2015 \$406,497).

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

Provision for impairment of receivables

As of 30 June 2016 and 2015, all overdue rates receivables have been assessed for impairment and the appropriate provisions applied. The provision for the impairment of receivables 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.

Note	2016			2015		
	Gross \$	Impairment \$	Net \$	Gross \$	Impairment \$	Net \$
The ageing profile of receivables at year end is detailed below:						
Council						
Not past due	4,439,540	-	4,439,540	3,763,994	-	3,763,994
Past due 1-60 days	23,380	-	23,380	8,610	-	8,610
Past due 61-120 days	7,612	-	7,612	88,913	-	88,913
Past due > 120 days	3,256,743	(2,463,058)	793,684	5,737,940	(4,606,388)	1,131,553
Total	7,727,274	(2,463,058)	5,264,216	9,599,457	(4,606,388)	4,993,069

Group	Note	2016			2015		
		Gross \$	Impairment \$	Net \$	Gross \$	Impairment \$	Net \$
Not past due		4,923,549	-	4,923,549	4,551,433	-	4,551,433
Past due 1-60 days		23,380	-	23,380	8,610	-	8,610
Past due 61-120 days		7,612	-	7,612	88,913	-	88,913
Past due > 120 days		3,279,524	(2,463,058)	816,465	5,737,940	(4,606,388)	1,131,553
Total		8,234,064	(2,463,058)	5,771,006	10,386,897	(4,606,388)	5,780,508

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.

Specific receivables

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Individual impairment		24,614	21,219	24,614	21,219
Collective impairment		2,438,444	4,585,169	2,438,444	4,585,169
Total provision for impairment		2,463,058	4,606,388	2,463,058	4,606,388

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.

Individually impaired debtors

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Past due 1-60 days		-	-	-	-
Past due 61-120 days		-	-	-	-
Past due > 120 days		24,614	21,219	24,614	21,219
Total individual impairment		24,614	21,219	24,614	21,219
Movements in the provision for impairment of receivables are as follows:					
At 1 July		4,606,388	3,987,188	4,606,388	3,987,188
Additional provisions made during the year		10,483	855,950	10,483	855,950
Receivables written off during the period		(2,153,813)	(236,750)	(2,153,813)	(236,750)
At 30 June		2,463,058	4,606,388	2,463,058	4,606,388

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

Note 13: Inventory

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Stores and materials		47,718	80,921	82,433	122,555
Marsden to Oakleigh Rail Corridor Designation	29	3,065,483	3,065,066	3,065,483	3,065,066
		3,113,202	3,145,987	3,147,917	3,187,621

Stores and materials predominantly comprise of poisons and traps used in the eradication of pests to the environment and sold to the general public.

The 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.

Refer to Note 29 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 14: Loan - Northport Coolstores Limited

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Current portion - due within the next 12 months		-	-	-	112,500
Non-current portion - due past the next 12 months		-	-	-	125,000
		-	-	-	237,500

Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited sold its 50% share in North Port Coolstores (1989) to NPC Investments Ltd on 1 February 2014. The terms and conditions of sale included the provision of vendor finance amounting to \$450,000 which was repayable in equal quarterly instalments over the five year term of this loan ending 31 December 2018. During the year the outstanding loan amount was repaid in full.

Note 15: Earn out - Northport Coolstores Limited

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Opening balance		-	-	214,000	250,000
Earn out payment received		-	-	(255,000)	(156,000)
Fair value adjustment		-	-	301,000	120,000
		-	-	260,000	214,000
Current portion - due within the next 12 months		-	-	114,000	75,000
Non-current portion - due past the next 12 months		-	-	146,000	139,000
		-	-	260,000	214,000

Marsden Maritime Holdings Limited

Under the terms and conditions of the sale of its stakeholding in North Port Coolstores (1989) Ltd, Marden 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 fair value of anticipated future receipts is assessed annually. For this year the fair value has been based on the assumption that revenues for each of the remaining three years will be 13% above the anticipated earn out threshold at the time of the sale. A discount rate of 15% has been applied to the anticipated future receipts based on the uncertainty of the level of revenue which will be earned.

Note 16: Assets held for sale

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Balance 1 July		3,796,000	-	3,796,000	-
Transfers from investment properties	19	17,487,000	3,796,000	17,487,000	3,796,000
Disposals		(3,796,000)	-	(3,796,000)	-
Properties transferred from infrastructure assets		390,000	-	390,000	-
Fair value gains/(loss) on valuation	7	43,000	-	43,000	-
Total assets held for sale		17,920,000	3,796,000	17,920,000	3,796,000
Total assets held for sale are:					
Buildings		250,178	-	250,178	-
Land		17,669,822	3,796,000	17,669,822	3,796,000
		17,920,000	3,796,000	17,920,000	3,796,000

During the year 19 ground lease investment properties and one freehold investment property were transferred from *Investment properties* to *Non-current assets held for sale* after being valued under PBE IPSAS 16 at 30 June 2016 at \$17,487,000 (2015: \$17,011,000). One infrastructure asset was transferred to *Assets held for sale* and valued under PBE IFRS5 at the lower of its carrying amount and fair value less costs to sell at the time of its reclassification. Also during the year 10 leasehold investment properties with a value of \$3,796,000 were sold for \$4,192,000, with all the associated proceeds net of selling costs being placed into council's property reinvestment fund pending the identification of further property investments.

In the 2014/2015 Annual Plan council consulted on having the flexibility to manage its entire investment property portfolio, regardless of lease tenure, on a more commercial basis and having the ability to sell any of its leasehold investment properties on a case by case, discretionary basis, subject to certain criteria being met.

As a result of the feedback and further consideration of the proposal council adopted these criteria as part of the 2014/15 Annual Plan as well as considering the sale of its leasehold interest in properties located in the Kioreroa/Lower Port Road and Union East/Bougainville Street.

The decision to place the freehold investment property on the market for sale was due to the lease expiring and an unsuccessful expressions of interest process for a joint venture development. Council now sees merit in selling the property as a freehold package to any interested party.

The accumulated property revaluation recognised in equity for the properties held for sale at 30 June 2016 is \$7,658,534 (2015: \$2,604,000)

Note 17: Derivative financial instruments

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. Derivative financial instruments are initially recognised at fair value on the date the derivative contract is entered into and

are subsequently remeasured at each balance date to their final value. The method of recognising the resulting gain or loss depends on whether the derivative contract is designed as a hedging instrument, and if so, the nature of the item being hedged.

At 30 June 2016, the joint venture entity Northport Ltd was party to fixed interest swap contracts with principal amounts totalling \$42,500,000 (2015 \$57,000,000).

Note 18: Non-current receivables

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Receivables	5,461,413	5,339,025	5,461,413	5,339,025

Council's non-current receivables relate to the outstanding amount owed to council by KiwiRail relating to the NRC/KiwiRail Unincorporated Joint Venture. (Refer to Note 29 for further information on the Joint venture between council and KiwiRail).

There is no impairment provision for non current receivables.

Note 19: Investment property

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Balance at 1 July	47,985,500	50,579,001	105,237,500	98,979,001
Additions	417	1,161,300	3,520,427	9,402,224
Vested assets	85,000		85,000	-
Disposals	(3,057,000)	(2,604,000)	(3,057,000)	(2,604,000)
Transfers to property inventory asset (rail corridor)	-	(29,200)	-	(29,200)
Transfers to assets held for sale	16 (17,487,000)	(3,796,000)	(17,487,000)	(3,796,000)
Transfers to infrastructure assets	(40,000)	22,000	(40,000)	22,000
Fair value gains/(losses) on valuation	7 1,396,083	2,652,400	4,631,058	3,263,476
Balance at 30 June	28,883,000	47,985,500	92,889,986	105,237,500

Investment properties valuation - Northland Regional Council

Investment properties are stated at fair value, effective 30 June 2016. Fair value is the price at which a property could be exchanged between knowledgeable and willing parties in an arm's length transaction. Fair value is determined by the valuation undertaken by Telfer Young (Northland) Ltd who are independent valuers that hold a recognised and relevant professional qualification and who have recent experience in the location and category of the investment properties being valued. Values for investment properties valued under PBE IPSAS 16 have been assessed primarily on a market related basis where sufficient data is available. For commercial properties, rentals, investment return rates and land improvement levels have been related directly to a wide range of Northland sales evidence while for rural blocks direct sales analysis has been used.

Council's investment properties comprise ground leases of \$19,664,000 (2015: \$31,608,000) and land and buildings held for investment purposes of \$6,450,000 (2015: \$13,753,000) and properties purchased along the proposed Marsden Point Rail corridor of \$2,769,000 (2015: \$2,624,000). Nineteen ground lease investment properties and one freehold investment property have been transferred to *Non-current assets held for sale* after being valued under PBE IPSAS 16 at 30 June 2016 at \$17,487,000 (2015 \$17,011,000). During the year, one freehold investment property, one leasehold property and a small portion of another freehold property with a total value of \$3,011,000 were sold for \$3,038,000, with all these proceeds net of selling costs being

placed into council's property reinvestment fund pending the identification of further property investments. Also during the year, one freehold investment property was vested to council with the corresponding leasehold investment in this property being divested from council at a net gain of \$39,000.

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 nine properties have been purchased. Seven of these properties were purchased during 2007/08 and 2008/09, one in 2010/11, and one in the 2014/15 year. The total acquisition cost of these properties is \$11.3M with council's half share being an inventory asset (made up of the land comprising the rail corridor) of \$1,601,356 (2015 \$1,600,939) and investment property currently valued at \$2,769,000 (2015 \$2,624,000).

Refer to Note 29 for further information on the joint venture between council and KiwiRail.

Investment properties valuation - Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited investment properties consist of freehold land and improvements situated adjacent to Northport, as well as the Marsden Cove Marina complex.

Fair value has been determined based on valuations performed in accordance with NZ IAS 40 as at 30 June 2016, by Chris Seagar and Andrew Sowry of Sowry & Partners, industry specialists 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.

The requirements of NZ IAS 40 are in line with PBE IPSAS 16 and any minor differences in these standards does not lead to any significant differences in accounting treatment.

	Valuation Technique	Significant Unobservable Inputs	30 June 2016 Range	30 June 2015 Range
Land Improvements held for lease	Discounted Cash Flow (DCF) Method and Income Capitalisation and Direct Comparative Approach	Land Available for Lease Value per M ² *	\$100 - \$120	\$110 - \$120
		Years to full tenancy	10 years	10 years
		Discount Rate	9%	9%
		Capitalisation Rate	6% - 9%	7% - 8%
		Exit Yield at 10 Years	8%	8%
Marsden Cove Marina	DCF Method	Berth License Sell Down rate pa	5% - 15%	5% - 15%
		Discount Rate	11.50%	0.115
Marsden Cove Commercial Complex	DCF Method	Annual Rental cashflow	\$167,000 - \$198,000	\$157,000 - \$187,000
		Exit Yield at 10 Years	7.75%	8%
		Discount Rate	8.75%	10%

* Excludes undeveloped land and land designated for a transport corridor which has a value of \$35 to \$110 per m² (2015: \$35 to \$110 per m²)

Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the assets life, including an exit or terminal value. The method involves the projection of a series of cashflows from the investment property assets. To this projected cashflow series a discount rate is applied to establish present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

Significant increases (decreases) in estimated land value, rent growth and berth sell down rates per annum in isolation would result in a significantly higher(lower) fair value of investment property. Significant increases(decrease) in discount rates (and exit yields) in isolation would result in significantly lower(higher) value. With the exception of a portion of land designated for a transport corridor, the Group has no restrictions on the realisability of its investment properties.

Information about the revenue and expenses in relation to investment property is detailed below.

	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Investment property income/expenditure				
Rental Income	2,785,576	3,151,051	5,216,543	5,261,774
Expenses from investment property generating income	544,379	287,619	1,089,041	761,614

Note 20: Investments in subsidiary (excluding CCOs) and joint venture company

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Investment in joint venture company	-	-	45,680,812	45,312,092
Shares in Marsden Maritime Holdings Limited (22.14 million shares)	7,827,563	7,827,563	-	-
Total investments in subsidiaries (excluding CCOs) and joint venture company	7,827,563	7,827,563	45,680,812	45,312,092

Shares in Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited is a listed company. The fair value of these shares, as per the market price at 30 June 2016 is \$3.07 per share (2015 - \$2.85 per share). The shares are held at historical cost of \$0.35 cents per share. Council shareholding in Marsden Maritime Holdings Limited is 53.61%.

Marsden Maritime Holdings Limited - Investment in NorthPort Limited

Marsden Maritime Holdings Limited has a 50% shareholding in the port at Marsden Point which trades as NorthPort Limited (2015: 50%), with Port of Tauranga Limited holding the remaining 50%.

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

	Note	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Current assets		4,711,600	4,963,457
Non-current assets		132,689,116	129,794,799
Current liabilities		4,682,210	5,623,956
Non-current liabilities		38,419,408	35,441,882
Net assets		94,299,098	93,692,418
Group share of net assets (50%)		47,149,549	46,846,209
Other consolidation adjustments		(1,468,737)	(1,534,117)
Total Investment in joint venture company		45,680,812	45,312,092
Opening carrying value		45,312,092	46,053,008
Share of after tax surplus		8,494,982	8,243,471
Dividends paid		(8,013,728)	(7,978,600)
Share of land revaluation movement		(395,577)	(737,168)
Share of hedge reserve movement		283,042	(268,620)
Closing carrying value		45,680,812	45,312,092
Revenue		38,801,691	36,762,234
Net surplus		16,858,926	16,327,459
Current period write back in respect of previous inter-entity asset sales		65,519	79,741
Total share of joint venture company net surplus (50%)		8,494,982	8,243,741

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 30 and 31.

Note 21: Investments in council-controlled organisations

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Investment in Northland Inc. Limited (subsidiary)	200	200	-	-
Investment in Regional Software Holdings Limited (associate)	862,483	862,483	901,044	900,561
	862,683	862,683	901,044	900,561

Regional Software Holdings Limited

Regional Software Holdings Limited ("RSHL") is a Public Limited Company incorporated and registered under the Companies Act 1993 and is a council controlled organisation as defined in Section 6 of the Local Government Act. RSHL is an unlisted company, established on 1 January 2013 with a primary objective to provide a framework

for collaboration between the shareholders and support the procurement or development of shared software resource products and services in a manner that provides a more cost effective alternative than individual councils can achieve on their own. Council has a 16.75% shareholding.

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

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$
Assets		5,527,708	5,606,111
Liabilities		148,341	229,627
Revenue		1,095,183	1,206,149
Surplus/(deficit) for the year		2,884	222,902
Share capital		5,149,150	5,149,150
Council's interest		16.75%	16.75%
Council's investment in Regional Software Holdings Limited in council parent financial statements		862,483	862,483
Share of associates contingent liabilities incurred jointly with other investors			-
Contingent liabilities that arise because of several liability			-

Regional Software Holdings Ltd is an associate of council as the Council CEO is on the Board of Directors of Regional Software Holding Ltd and as such it is considered that council has significance influence over the operating and financial policies of Regional Software Holdings Ltd. For the year ended 30 June 2016 Regional Software Holdings Ltd had a surplus of \$2,884 (2015: \$222,902) and council recognised its 16.75% shareholding being \$483 (2015: \$37,336) on consolidation.

The total share of associates surplus is \$8,495,465 (2015 \$8,280,807) being council's share of the Regional Software Holdings Ltd surplus \$483 (2015: \$37,336) (Note 21), and Marsden Maritime Holdings Limited share of surplus in their joint venture company, Northport Limited, \$8,494,982 (Note 20).

Northland Inc. Limited

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

In accordance with section 5(3) of the Local Government (Financial Reporting and Prudence) Regulations 2014 the sum of councils' investment in CCOs and entities listed in 6(4) of the Local Government act 2002 is \$8,690,246 (2015: \$8,690,246).

Note 22: Other financial assets

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
CURRENT PORTION				
Term deposits, corporate and local government bonds, and other securities	203,821	75,980	203,821	275,980
Loans to subsidiary	26,138	28,042	-	-
Working capital investment fund	4,070,760	-	4,070,760	-
Total current portion	4,300,718	104,022	4,274,580	275,980
NON-CURRENT PORTION				
Loans to subsidiary	7,304	33,441	-	-
Other loans	792,428	758,475	792,428	758,475
Term deposits, corporate and local government bonds, and other securities	10,646,347	15,552,004	11,265,399	16,096,250
Community Investment Fund	12,467,689	11,771,369	12,467,689	11,771,369
Property Reinvestment Investment Fund	18,546,208	-	18,546,208	-
Infrastructure Investment Fund	6,129,828	-	6,129,828	-
Total non-current portion	48,589,803	28,115,290	49,201,551	28,626,095
Term deposits, corporate and local government bonds, and other securities consists of:				
Term deposits, corporate and local government bonds	10,850,168	12,336,000	10,850,368	12,536,000
Other securities (Property Reinvestment Fund, Income Funds)	-	3,291,985	-	3,291,985
Fonterra Co-operative Group Limited - shares	-	-	618,852	544,246
	10,850,168	15,627,984	11,469,220	16,372,230

Fair value - term deposits

The carrying amount of term deposits approximates their fair value.

Fair value - corporate and local government bonds and other securities – investments held by council

The fair value for the Council's investment in a corporate bond is provided by ETOS Ltd and is determined by using the cash flows from the bond based upon a discount rate derived from relevant market inputs of 2.81% (2015: 3.37%). The purchase price of this bond was \$221,670, and the value at 30 June 2016 was \$203,820 (2015: \$212,319). One bond matured in 2016 at \$75,000 (2015: \$75,980).

Externally managed investment funds

Eriksen and Associates Limited are appointed as council's investment advisor for four externally managed investment funds providing independent overarching investment guidance for these funds. Council's externally managed funds are classified as financial assets at fair value through surplus or deficit as Eriksen and Associates Limited evaluate and report the performance of each fund on a fair value basis (every quarter) in accordance with the respective Statement of Investment Policy and Objectives. This designation is consistent with the investment strategy in councils finance strategy as all the managed funds are managed prudently against their SIPOS with a view to prudently maximising and managing returns over the long term within a diverse portfolio that preserves and maintains the capital value of each fund. All council's externally managed funds except the working capital fund are presented as non-current as council does not expect to dispose of them within 12 months of the balance date.

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

Externally managed investment fund - Community Investment Fund

The Community Investment Fund arose out of the sale of Port company shares in 1992. It was established in March 1996 and its objective is to promote business and economic development in Northland.

The fair value and carrying value of the Community Investment Fund at 30 June 2016 was \$12,467,689 (2015 \$11,771,369). The one year return achieved by this fund to 30 June 2016 was 5.8% against a fund target objective of 4.8%. (2015: 11.2% against a fund target objective of 4.8%)

At the end of the financial year, the Community Investment Fund asset mix is as follows.

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$
Diversified Income - Milford Income Fund	2,875,849	2,563,242
Diversified Income - Harbour Asset Management Income Fund	2,075,523	1,938,962
Diversified Income - Mint Income Fund	1,900,031	1,726,817
Total income assets	6,851,403	6,229,021
Global Equities - Schroders Real Return 5%+ Fund	2,044,038	2,693,254
Global Equities - AMP Multi Asset Fund	560,818	555,887
Australasian Equities - Milford Growth Fund	2,517,809	2,293,207
Australasian Equities - Aspiring Fund	493,621	
Total growth assets	5,616,286	5,542,348
Total Community Investment Fund	12,467,689	11,771,369

Externally managed investment fund - Property Reinvestment Fund

The Property Reinvestment Fund arose out of the sale of commercial properties and is used to earmark funds for approved property investments in the future and achieve inflation proofed rental-like yields to subsidise council operations in the meantime.

The fair value and carrying value of the Property Reinvestment Fund at 30 June 2016 was \$18,558,724 (2015 \$3,291,985). The one year return achieved by this fund to 30 June 2016 was 9.7% against a fund target objective of 10.5%. (2015: No comparative as the Statement of Investment Policy and Objective for this fund was established on 25 May 2015).

At the end of the financial year, the Property Reinvestment Fund asset mix is as follows.

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$
Property reinvestment fund			
Diversified Income - Milford Income Fund		870,950	776,250
Diversified Income - Mint Income Fund		9,678,273	2,197,271
Diversified Income - Quay Street Income Fund		2,915,873	-
Cash		12,516	-
		13,477,612	2,973,521
<hr/>			
Australasian Equities - Aspiring Fund		2,218,863	-
Australasian Equities - Mint Equities Fund		2,272,638	-
Australasian Private Equities - Continuity Capital Fund		589,611	318,464
		5,081,112	318,464
		18,558,724	3,291,985
<hr/>			
The Property Reinvestment Fund is disclosed in the notes to the financial statements as follows:	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$
Cash and cash equivalents	11	12,516	-
Other financial assets - non-current	22	18,546,208	-
Financial assets - non-current, term deposits, local authority and government stock and other securities		-	3,291,985
		18,558,724	3,291,985

Externally Managed Investment Fund - Infrastructure Investment Fund

The purpose of the Infrastructure Investment Fund is to stabilise the impact of irregular large infrastructure projects on council's income and capital requirements by investing monies earmarked for future approved capital projects.

The fair value and carrying value of the Infrastructure Investment fund at 30 June 2016 was \$6,129,828 (2015 Nil). The return on this fund since inception (31 July 2015) was 2.5% against a fund objective target of 4.8%.

At the end of the financial year, the Infrastructure Investment fund asset mix is as follows:

	Council 30-Jun-16 \$	Council 30-Jun-15 \$
Diversified Income - Harbour Asset Management Income Fund	1,058,260	-
Diversified Income - Mint Income Fund	2,691,208	-
Diversified Income - Schroders Real Return 3.5%+ Fund	2,380,360	-
Total Infrastructure Investment Fund	6,129,828	-

Externally Managed Investment Fund - Working Capital Investment Fund

The purpose of the Working Capital Investment Fund asset mix is to create transparency and govern council's working capital assets by investing in a diversified selection of defensively orientated managed funds.

The fair value and carrying value of the Working Capital fund at 30 June 2016 was \$4,070,760 (2015 Nil). The return on this fund since inception (31 March 2016) was 1.1% against a fund objective target of 1.0%.

At the end of the financial year, the asset allocation of the Working Capital Fund is as follows:

	Council 30-Jun-16 \$	Council 30-Jun-15 \$
Fixed Interest - AMP Short Duration	1,627,722	-
Diversified Income - Blackrock Figo Fund	1,196,617	-
Diversified Income - Mint Income Fund	1,246,421	-
Total Working Capital Fund	4,070,760	-

Loans to subsidiary

Two term loan facilities have been issued to council's subsidiary Northland Inc. Limited. \$25,000 was drawdown by Northland Inc. Limited in February 2014 with a fixed annual interest rate of 6% over a term of three years and \$60,000 was drawdown in October 2014 with a fixed annual interest rate of 7% over a term of 3 years.

The fair value of council's loans to Northland Inc Ltd is \$34,045 based upon a discount rate of 4.2% being the 90 day bank bill at 30 June 2016 plus a margin of 1.78% representing the margin of the loans at the time of issue.

Other loan

A term loan facility of \$750,000 was issued to Resources Enterprises Limited (REL) and drawdown on 5 March 2015 for the purpose of purchasing capital machinery relating to the development of a Northland business. The funding of this loan was made from council's Investment and Growth Reserve. The REL Loan is secured over the property of the debtor by way of a General Security Agreement. The applicable interest rate is set as the greater of OCR +3.5% or 7%. Quarterly interest payments are due in June, September, December and March of each year with the final interest and loan principle payment to be paid on 5 March 2020. For the first two years of the loan the OCR component of the interest payment is paid to council while the remaining interest payable amount is capitalised to the loan for repayment on 5 March 2020.

The fair value of council's other loan is \$815,298 based upon a discount rate of 6.2% being the four year swap rate at 30 June 2016 plus a margin of 3.5% representing the original margin at the time the loan was issued.

Fonterra Co-operative Group Ltd shares

As at 30 June 2016, Marsden Maritime Holdings Limited and its Group held 113,343 co-operative shares in Fonterra Co-operative Group Ltd having a disclosed fair value of \$5.46 per share (2015: total holding of 113,343 shares at an average of \$4.80 per share). The Group recognised a fair value increase of \$74,806 (2015 fair value decrease \$112,210) being the movement in the disclosed fair value of shares held in Fonterra Co-operative Group Ltd. The movement is derived from the movement per share from \$4.80 to \$5.46 over the financial year multiplied by the number of shares held at 30 June 2016.

Interest rates - Updated

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Weighted average effective interest rates:				
Term deposits	4.76%	4.60%	4.76%	4.60%
Other securities	8.00%	8.14%	8.00%	8.14%

Note 23: Property, plant and equipment

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Freehold land				
Freehold land at valuation - opening balance	1,467,500	1,452,500	1,467,500	1,452,500
Revaluation movement	(5,000)	15,000	(5,000)	15,000
Total freehold land - closing balance	1,462,500	1,467,500	1,462,500	1,467,500
Forest land subject to the ETS				
Forest land subject to the ETS at cost - opening balance	706,856	706,856	706,856	706,856
Total Forest land subject to the ETS - closing balance	706,856	706,856	706,856	706,856
Freehold land - port				
Freehold land port at valuation - opening balance	-	-	17,106,000	27,050,000
Transfer between asset classes	-	-	-	56,024
Revaluation movement	-	-	-	(10,000,024)
Total freehold land port - closing balance	-	-	17,106,000	17,106,000
Land at valuation - closing balance	-	-	17,106,000	17,106,000
Total freehold land port - closing balance	-	-	17,106,000	17,106,000
Buildings				
Buildings - at valuation	4,274,500	4,227,500	4,274,500	4,227,500
Additions	86,060	78,704	86,060	78,704
Revaluation movement	149,940	(31,705)	149,940	(31,705)
Total buildings - closing balance	4,510,500	4,274,500	4,510,500	4,274,500
Buildings at valuation - closing balance	4,510,500	4,274,500	4,510,500	4,274,500
Total buildings - closing balance	4,510,500	4,274,500	4,510,500	4,274,500

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Infrastructure				
Infrastructure at valuation - opening balance	13,265,229	12,274,254	13,265,229	12,274,254
Less accumulated depreciation	(47,295)	-	(47,295)	-
Total infrastructure opening balance	13,217,934	12,274,254	13,217,934	12,274,254
Additions	7,138,683	1,012,975	7,138,683	1,012,975
Disposals and divested assets	(1,103,179)	-	(1,103,179)	-
Transfer between asset classes	(350,000)	(22,000)	(350,000)	(22,000)
Depreciation expense	(93,504)	(47,295)	(93,504)	(47,295)
Total infrastructure closing balance	18,809,935	13,217,935	18,809,935	13,217,935
Infrastructure at valuation - closing balance	18,950,734	13,265,229	18,950,734	13,265,229
Accumulated depreciation	(140,799)	(47,294)	(140,799)	(47,294)
Total infrastructure closing balance	18,809,935	13,217,935	18,809,935	13,217,935
Amenities				
Amenities at cost - opening balance	-	-	2,435,286	2,435,286
Less accumulated depreciation	-	-	(690,034)	(620,770)
Total amenities opening balance	-	-	1,745,252	1,814,516
Transfer between asset classes	-	-	22,008	-
Depreciation expense	-	-	(65,726)	(69,264)
Total amenities closing balance	-	-	1,741,666	1,745,252
Amenities at cost	-	-	-	2,435,286
Less accumulated depreciation	-	-	(755,760)	(690,034)
Total amenities closing balance	-	-	1,741,666	1,745,252
Plant and equipment				
Plant and equipment at cost - opening balance	7,180,269	6,684,379	7,869,126	7,038,386
Less accumulated depreciation	(4,889,350)	(4,494,266)	(5,173,506)	(4,722,062)
Total plant and equipment opening balance	2,290,918	2,190,113	2,695,619	2,316,324
Additions	1,004,096	664,352	1,145,683	986,583
Disposals	(1,064,877)	(168,464)	(1,082,823)	(169,131)
Accumulated depreciation on disposals	1,037,677	153,158	1,037,677	153,158
Transfer between asset classes	-	-	-	4,400
Depreciation expense	576,112	(548,242)	(648,748)	(605,342)
Total plant and equipment closing balance	2,691,702	2,290,918	3,147,408	2,685,993
Plant and equipment at cost	7,119,487	7,180,269	7,896,235	7,859,907
Less accumulated depreciation	(4,427,785)	(4,889,350)	(4,748,827)	(5,173,913)
Total plant and equipment closing balance	2,691,702	2,290,918	3,147,408	2,685,993

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Leased equipment				
Leased equipment at cost - opening balance	-	-	-	11,056
Less accumulated depreciation	-	-	-	(9,495)
Total leased equipment opening balance	-	-	-	1,561
Disposals	-	-	-	(1,561)
Total leased equipment closing balance	-	-	-	(1,561)
Leased equipment at cost	-	-	-	11,056
Less accumulated depreciation	-	-	-	(11,056)
Total leased equipment closing balance	-	-	-	-
Navigational aids				
Navigational aids at cost - opening balance	517,475	731,346	517,475	731,346
Less accumulated depreciation	(296,277)	(461,958)	(296,277)	(461,958)
Total navigational aids opening balance	211,197	269,388	211,197	269,388
Additions	34,313	20,270	34,313	20,270
Disposals	(8,738)	(234,141)	(8,738)	(234,141)
Accumulated depreciation on disposals	4,062	225,168	4,062	225,168
Depreciation expense	(53,497)	(59,487)	(53,497)	(59,487)
Total navigational aids closing balance	197,336	221,197	197,336	221,197
Navigational aids at cost	543,049	517,475	543,049	517,475
Less accumulated depreciation	(345,713)	(296,277)	(345,713)	(296,277)
Total navigational aids closing balance	197,336	221,197	197,336	221,197
Vehicles				
Vehicles at cost - opening balance	1,962,788	1,858,351	2,072,654	1,906,394
Less accumulated depreciation	(824,843)	(735,573)	(859,989)	(749,083)
Total vehicles opening balance	1,137,945	1,122,778	1,212,665	1,157,311
Additions	457,910	419,858	477,037	481,679
Disposals	(357,466)	(315,421)	(357,466)	(315,421)
Accumulated depreciation on disposals	203,607	157,276	203,607	157,276
Depreciation expense	(270,767)	(246,546)	(297,140)	(268,180)
Total vehicles closing balance	1,171,229	1,137,946	1,238,703	1,212,666
Vehicles at cost	2,063,233	1,962,788	2,192,226	2,072,652
Less accumulated depreciation	(892,003)	(824,843)	(953,522)	(859,987)
Total vehicles closing balance	1,171,229	1,137,946	1,238,703	1,212,666

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Vessels and maritime equipment				
Vessels and maritime equipment at cost - opening balance	1,295,809	1,213,307	1,295,809	1,213,307
Less accumulated depreciation	(721,963)	(743,990)	(721,963)	(743,990)
Total vessels and maritime equipment opening balance	573,846	469,316	573,846	469,316
Additions	26,643	157,304	26,643	157,304
Disposals	(56,930)	(74,801)	(56,930)	(74,801)
Accumulated depreciation on disposals	32,129	73,481	32,129	73,481
Depreciation expense	(63,362)	(51,453)	(63,362)	(51,453)
Total vessels and maritime equipment closing balance	512,325	573,847	512,325	573,847
Vessels and maritime equipment at cost	1,265,521	1,295,809	1,265,521	1,295,809
Less accumulated depreciation	(753,195)	(721,963)	(753,195)	(721,963)
Total vessels and maritime equipment closing balance	512,325	573,847	512,325	573,847
Total assets				
Total assets at cost	11,663,197	11,194,237	14,897,206	14,042,630
Total assets at valuation	19,007,229	17,954,254	36,113,229	17,954,254
Total assets cost/valuation	30,670,426	29,148,491	51,010,435	31,996,884
Accumulated depreciation	(6,779,728)	(6,435,787)	(7,789,064)	(7,307,358)
Total assets - opening balance	23,890,697	22,712,704	43,221,370	24,689,526
Additions	8,747,705	2,353,464	8,948,551	2,737,516
Disposals	(2,591,191)	(792,827)	(2,609,137)	(795,055)
Accumulated depreciation on disposals	1,277,475	609,084	1,277,475	609,084
Transfer between asset classes	(350,000)	(22,000)	(327,992)	38,424
Revaluation movement	144,940	(16,705)	144,940	(10,016,729)
Depreciation expense	(1,057,242)	(953,022)	(1,221,977)	(1,101,018)
Total assets - closing balance	30,062,384	23,890,697	49,433,232	16,161,747
Total assets at cost - closing balance	11,698,146	11,663,197	15,101,314	14,899,041
Total assets at valuation - closing balance	24,923,733	19,007,229	42,029,733	36,113,229
Total cost/valuation	36,621,880	30,670,426	57,131,048	51,012,270
Accumulated depreciation	(6,559,495)	(6,779,728)	(7,697,815)	(7,789,468)
Total assets - closing balance	30,062,384	23,890,698	49,433,233	43,211,743
Capital work in progress	194,775	4,717,455	501,156	4,845,802
Total fixed assets	30,257,159	28,608,153	49,934,389	48,057,545
Depreciation and amortisation expense:				
Property, plant and equipment	1,057,242	953,022	1,221,976	1,101,018
Intangibles	261,738	289,204	261,738	289,580
	1,318,981	1,242,226	1,483,715	1,390,598

Valuation of freehold land and buildings - Council

Northland Regional Council freehold land and buildings as at 30 June have been revalued by Telfer Young (Northland) Limited and stated at the "fair value" of \$5,973,000 (2015: \$5,742,000). The valuation was conducted in accordance with PBE IPSAS 17 - 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.

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 2016 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.

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. 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, or earn revenue that has not been derived from an open market and for which market based evidence does not exist.

Valuation of Freehold Land - Marsden Maritime Holdings Limited

At 30 June 2016 Freehold land has been revalued and stated at fair value being \$17,106,000 (2015 \$17,106,000). The fair value of freehold land, a recurring level 3 fair value measured asset, was determined by using the market comparison method. The valuation has been prepared using the highest and best use approach while considering various market drivers for land in the Marsden Point area together with limited recent sales evidence for the area. The valuation was undertaken by independent valuers Chris Seager and Andrew Sowry of Seager & Partners.

Significant unobservable valuation input	Range 30 June 2016	Range 30 June 2015
Price per hectare	\$100,000 to \$187,500	\$100,000 to \$190,000

Significant increases (decreases) in estimated price per hectare in isolation would result in a significantly higher (lower) fair value. With the exception of a portion of land designated for a transport corridor, the Marsden Maritime Holdings Limited has non restrictions on the realisability of its freehold land.

Valuation of infrastructural assets - Council

Infrastructural assets are revalued every three years using the depreciated replacement cost method. The most recent valuation of council's infrastructural assets was performed by Gary Williams (of G & E Williams Consultants Limited), a Fellow of the Institution of Professional Engineers New Zealand (IPENZ).

The valuation is effective as at 30 June 2014 and was performed in accordance with the appropriate accounting standard at the time NZ IAS 16. The current standard PBE IPSAS 17 and NZ IAS 16 have almost identical treatment for initially recognising and subsequently measuring Infrastructural assets.

Current construction rates were used for major stop bank assets, and updated prices were obtained for the structural assets of pipes, headwalls and floodgates

Since the valuation, asset inspections have been undertaken regularly by independent contractors and council staff as part of the asset management plan.

Flood protection and control works

	Whangarei		Awanui		Kaeo		Kerikeri-Waipapa		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Closing book value	7,508,095	2,477,710	10,457,342	9,885,197	844,498	855,028			18,809,935	13,217,935
Acquisitions made by way of:										
Construction	6,516,717	5,466,063	621,967	115,639	-	68,952	111,342	79,776	7,250,026	5,730,430
Transfers	-	-	-	-	-	-	-	-	-	-
	6,516,717	5,466,063	621,967	115,639	0	68,952	111,342	79,776	7,250,026	5,730,430

Estimated replacement cost	6,066,500	2,477,170	12,581,529	13,390,383	855,028	855,028	-	-	19,503,057	16,723,121
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Capital work in progress - Council

Work in progress is property plant and equipment in the course of construction. At 30 June 2016 council had incurred a total of \$194,775 of work in progress (2015 \$4,717,455). Of the \$194,775, \$191,118 (2015 \$79,776) relates to the construction of the Kerikeri Waipapa flood protection scheme, and \$3,656 relates to the regional information ticketing system. The remaining balance \$4,637,679 for 2015 relates to the Hopua te Nihotetea detention dam.

Capital work in progress - Marsden Maritime Holdings Ltd

At 30 June 2016 Marsden Maritime Holding Ltd had incurred a total of \$306,381 of work in progress (2015 \$128,347). Of the \$306,381, \$74,904 (2015: \$5,446) relates to improvements to investment property, and \$231,477 (2015: \$122,901) relates to miscellaneous plant and equipment.

Insurance of assets

At 30 June 2016 council had assets covered by full replacement insurance of \$63,021,301 (2015: \$60,017,199) and indemnity insurance of \$522,732 (2015: \$2,024,072). Assets with a sum insured value totalling \$3,414,846 (2015: \$3,414,846) are covered by financial risk sharing arrangements with \$1,707,423 (50%) (2015 \$1,707,423) being available to council. At 30 June 2016 there are no specific assets self-insured.

Note 24: Intangible assets

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Computer software				
Cost - opening balance	2,095,849	2,209,567	3,380,686	3,304,408
Accumulated amortisation	(1,450,169)	(1,160,964)	(2,725,380)	(2,435,802)
Computer software opening carrying amount	645,680	868,603	655,306	868,603
Additions	17,244	66,282	17,243	76,281
Net disposals*	(8,498)	-	(18,119)	-

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Amortisation charge	(261,738)	(289,204)	(261,738)	(289,578)
Total computer software closing balance	392,668	645,680	392,691	655,306
Cost	2,057,441	2,095,849	3,379,807	3,380,686
Accumulated amortisation	(1,664,753)	(1,450,169)	(2,987,119)	(2,725,380)
Total computer software closing balance	392,688	645,680	392,688	655,306
Emission Trading Scheme - New Zealand Units (NZU's)				
Opening balance	115,236	72,459	115,236	72,459
Gain on revaluation of Emission Trading Scheme - NZU's	196,425	42,777	196,425	42,777
Total Emission Trading Scheme - NZU's - Closing Balance	311,661	115,236	311,661	115,236
Total Intangible Assets	704,349	760,916	704,349	770,542

* Disposals are reported net after accumulated depreciation.

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

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

The Council has 291 hectares of pre 1990 forest land. This land is subject to the provisions of the New Zealand emissions trading scheme ("ETS"). Council will recognise credits received at fair value at balance date. At the end of the financial year council held 17,460 NZ units (2015: 17,460) at \$17.85 per unit (2015: \$6.60 per unit) with a total market value of \$311,661 (2015 \$115,236).

Note 25: Forestry assets

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Balance at 1 July	2,200,000	1,933,000	2,200,000	1,933,000
Gains arising from changes in fair values less estimated point-of-sale costs	160,000	267,000	160,000	267,000
Balance at 30 June	2,360,000	2,200,000	2,360,000	2,200,000

Northland Regional Council owns 303 hectares (2015 319) of radiata pine forest which are at varying stages of maturity, ranging from 6 to 25 years. The number of hectares has decreased from 2015 (down 16 hectares) as a result of forest harvesting in May-June 2016. This area will be replanted in winter 2017.

Valuation assumptions

Independent registered forestry industry consultants, Chandler Fraser Keating Ltd (CFK), have valued council's forestry assets at fair value less estimated selling costs as at 30 June 2016.

The valuation has been undertaken in accordance Public Benefit Entity International Public Sector Accounting Standard 27. 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 2016 (and 2015), CFK derived the fair value of the forest using an expectation value (or income) method. Under the expectation value approach, the net present value of the forest is calculated by discounting the projected future net cash flow of the tree crop to the valuation date (30 June 2016). The calculated net present

value is then linked to sales evidence through the application of a discount rate of 9.5% (2015: 10%) derived from the analysis of actual transactions. Costs and prices are held constant in 2016 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 prices regularly and considers the need for active financial risk management.

Note 26: Payables and deferred revenue

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
CURRENT PORTION				
Payables and deferred revenue under exchange transactions				
Trade payables	2,275,994	3,032,494	2,552,022	3,965,213
Other payables and accruals	372,929	593,163	696,553	1,054,807
Revenue received in advance	673,679	831,330	967,535	880,330
Amounts due to subsidiaries and associates	6,900	-	51,900	24,856
	3,329,501	4,456,987	4,268,009	5,925,206
Payables and deferred revenue under non-exchange transactions				
Grants payable	614,319	460,745	614,319	460,745
Other grants and deferred revenue received subject to conditions not yet met	525,577	353,382	525,577	411,768
Other taxes (e.g. GST and FBT)	219,636	136,170	246,651	136,170
	1,359,532	950,297	1,386,547	1,008,683
Current total payables and deferred revenue	4,689,033	5,407,284	5,654,556	6,933,889
NON-CURRENT PORTION				
Payables and deferred revenue under non-exchange transactions				
Grants payable	-	-	-	-
Other grants received and deferred revenue subject to conditions not yet met	844,217	598,533	1,114,225	736,264
Other taxes (e.g. GST and FBT)	-	-	-	-
Non-current total payables and deferred revenue	844,217	598,533	1,114,225	736,264

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

- Contributions from Northland region local authorities and other interested parties to support the Northland Civil Defence Emergency Management (CDEM) Group. This group was established under the CDEM Act sections 23 and 24. At 30 June 2016 a balance of \$320,239 (\$160,000 current portion) (2015 \$356,368, current \$150,000) is held by NRC on behalf of this group. NRC only acts as a conduit for funds to be made available to the CDEM Group, and has a return obligation to the CDEM.

- Lifeline is a voluntary group that receives funding from Northland region local authorities and other interested parties. At 30 June 2016 the balance is \$31,520 (current portion \$12,500) (2015 \$33,620, all current portion) and is held by NRC on behalf of this group. NRC only acts as a conduit for funds to be made available to the Lifeline group, and has a return obligation to the Lifelines group.
- Kai tiaki Fund was established as part of a resource consent application. Northport contributes to the fund which is then used by interested parties to fund projects to maintain the environmental health of Whangarei Harbour. At 30 June 2016 the balance is \$210,033 (\$20,710 current portion) (2015 \$227,277, \$60,000 current portion) and has a return obligation to an alternative organisation should council not complete the programme.
- Waipao Catchment Rehabilitation is an account that NRC administers on behalf of the consents issued for water takes from Poriti Springs. At 30 June 2016 the balance is \$25,392 (current portion \$1,000) (2015 \$23,356, all current portion) and is used by the consent holders group planting and fencing. NRC only acts as a conduit for funds and as such has a return obligation to the consent holders.
- Te Hiku Beach Board Funds was established with funds from Treaty of Waitangi settlements. This funding is specifically for establishing a beach management plan. At 30 June 2016 the balance is \$400,000 (all current portion) (2015 \$183,569, \$40,000 current portion). Council is obliged by the NgaiTakoto Claims Settlement Act 2015 to hold the funds on behalf of the board and expend them as directed by the board.
- Kaeo Property Assistance Funds was established with funds from the Ministry of Education. This funding was specifically for assisting flood prone homeowners with flood protection. At 30 June 2016 the balance is \$141,888 (current portion \$30,850) (2015 \$183,569, \$40,000 current portion). Any unspent funds at the end of the programme must be returned in November 2016.
- Kaipara Sediment study funds are held by Northland Regional Council to undertake a report on the sources, effect, and mitigations of sediment entering the Kaipara harbour. The balance is \$100,000 (all current portion) (2015 not present). These funds would be claimed back from council should council not uphold its obligations.
- Houhora service station settlement is held by Northland Regional Council to monitor the ongoing effects of the rehabilitation of the contaminated site. The balance is \$91,319 (\$9,226 current portion) (2015 \$91,319, \$10,000 current portion). These funds would be claimed back from council should council not uphold its obligations.
- Oyster Shell Project was established with assistance from the Ministry for the Environment and Ministry for Primary Industries to clean up the detritus created over many years of oyster farming. At 30 June 2015 the balance is \$35,903 (all current portion) (2015 \$36,456, all current portion). These funds would be returned if unspent.
- Money is held on behalf of Living Waters for two projects: Parry Road wetland & stream work and an alternative water source project for the area. At 30 June 2015 the balance is \$13,500 (all current portion) (2015 not present). These funds would be returned if unspent.

Note 27: Employee benefit liabilities

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Annual leave	1,083,223	1,009,757	1,114,798	1,030,196
Accrued pay	189,111	98,033	205,375	107,165
Sick leave	53,087	49,123	53,087	49,123
Flexi time leave	114,799	119,511	114,799	119,511
Other leave	25,516	25,954	25,516	25,954
Retirement gratuities	48,532	48,491	48,532	48,491
	1,514,267	1,350,870	1,562,106	1,380,441

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Represented by:				
Current benefit liabilities	1,503,264	1,339,138	1,551,103	1,368,709
Non-current benefit liabilities	11,004	11,732	11,004	11,732
	1,514,267	1,350,870	1,562,106	1,380,441

Key assumption in measuring retirement gratuities

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. Any changes in these assumptions will affect the carrying amount of the liability. In 2016, a discount rate of 5% (2015 5%) and salary inflation factor of 1.1% (2015 2.5%) were used.

Note 28: Borrowings

Note	Council 30-Jun-16	Council 30-Jun-15	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Non-current				
Debentures	13,000,000	-	13,000,000	-
Secured Loans	-	-	4,195,000	3,650,000
Total non-current borrowings	13,000,000	-	17,195,000	3,650,000

Council

As at 30 June 2016 Council has 2 debentures (2015 Nil). The first is a \$3,000,000 fixed rate note issued under a debenture trust deed at a fixed annual interest rate of 3.44%, maturing on 13 February 2018. The second is a \$10 million fixed rate note issued under a debenture trust deed at a fixed annual interest rate of 3.79%, maturing on 13 February 2020. Council secures both of these fixed rate notes by granting a security interest in its rates revenue set and assessed under the Local Government Rating Act 2002.

The fair value of council's debentures at 30 June 2016 is \$13,419,857. The fair value is based upon a discount rate of 2.73% (being the 2 year swap rate at 30 June 2016 of 2.23% plus the margin at the time of the fixed rate issue of 0.5%) applied to the \$3,000,000 fixed rate note, and a discount rate of 2.87% applied to the \$10,000,000 fixed rate note (being the 5 year swap rate at 30 June 2016 of 2.7% plus the margin at the time of issue of 0.6%).

Marsden Maritime Holdings Limited

As at 30 June 2016 Marsden Maritime Holdings Limited has a secured loan facility of \$6,000,000 (2015: \$6,000,000) with \$4,195,000 (2015 \$3,650,000) being drawdown. The facility matures in July 2019.

The remainder of the loan facility is able to be drawn down on request subject to the company being in compliance with undertakings in respect of the facility. Interest rates are determined by reference to prevailing money market rates at the time of draw-down plus a margin. Interest rates paid during the year ranged from 3.39% to 4.59% (2015: 4.36% to 4.84%).

The loan facility is secured by a first ranking mortgage over all of Marsden Maritime Holding Ltd land holdings and Marsden Cove Marina and a security interest in all present and after-acquired property.

Note 29: Joint Venture - between NRC 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.

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.

Council entered into voluntary negotiations with land owners who owned land along the proposed corridor. A total of 9 properties have been acquired at a total cost of \$11.3 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 percent share of the land. Council will have a receivable from KiwiRail to account for the remaining 50 percent share of the security interest held in the ownership of the land.

The agreement between Council and KiwiRail requires each organisation to incur expenditure in their own right, but for each entity to recognise a 50 percent share of the combined expenditure, with an expectation that both parties will be reimbursed from the annual contribution and from the proceeds from the sale of the surplus land acquired. The agreement 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, the agreement requires the Joint Venture to reimburse Council for the opportunity cost of capital (interest income) as the first priority.

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

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

In the current financial year, the total operating expenditure incurred by Council in relation to the joint venture is \$140,685 (2015: \$162,437), this includes \$101,197 (2015 \$101,197) for the opportunity cost of interest payable to KiwiRail. The rental revenue received by Council in respect to the properties in the Marsden Point rail link joint venture was \$116,670 (2015: \$121,083).

In addition there was a fair value gain on land and buildings of \$144,583 (2015 \$120,687) recognised in council's books.

Council recognised \$299,932 (2015 \$292,248) as income relating to KiwiRail's 50 percent share of the council's opportunity cost of capital incurred.

KiwiRail did not incur any operating costs during the year (2015 nil). KiwiRail share of rental revenue was \$116,670 (2015: \$121,083).

Council's 50 percent share of the designation asset costs are recognised as inventory of \$3,065,482 (2015 \$3,065,006) (refer to note 13)

As at 30 June 2016, KiwiRail has a liability of \$5,461,413 (2015 \$5,339,025) to council. This liability largely relates to KiwiRail's share of the acquisition cost of purchase properties. Council has recognised the liability owed by KiwiRail for their 50 percent share of the cost of the properties and other associated costs as a non current receivable (refer to note 18).

Council's share of properties acquired are included in Council's Investment Properties and Inventories refer note 13 and note 19.

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 2016, the Joint Venture had no assets and liabilities.

Note 30: Capital commitments and operating leases

30A Capital Commitments

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Property plant and equipment	83,370	1,487,176	2,058,025	1,959,116
	83,370	1,487,176	2,058,025	1,959,116

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

Council

At 30 June 2016 council had an uninterrupted power supply \$19,000 and a number of water level recorders and a power pack \$16,370 (2015: \$3,000) on order but not received at year end. Also a contract to construct an events show trailer \$42,000 and a contract to construct a number of port side navigation buoys \$6,000 were in place at year end however construction of both these projects was only partly complete and ongoing at year end. The remaining balance at the end of 2015 relates to \$85,176 to increase information technology storage space and \$1,399,000 in relation to the construction of the Hopua te Nihotetea detention dam.

Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited capital commitments at 30 June 2016 amount to \$580,360 (2015: Nil) in respect to the construction of additional commercial units at Marsden Cove marina complex and \$1,394,295 (2015: \$471,940) in respect to its share of the committed capital expenditure on property plat and equipment in relation to NorthPort Ltd.

Northland Inc Limited and Regional Software Holdings Limited have no capital commitments at 30 June 2016. (June 2015: nil)

30B Operating leases as lessee

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

Note	Northland Inc. Limited 30-Jun16	Northland Inc. Limited 30-Jun15	Consolidated 30-Jun16	Consolidated 30-Jun15
Not later than one year	38,775	63,599	38,775	63,599
Later than one year and not later than five years	22,800	61,575	22,800	61,575
Later than five years	(a) -	-	-	-
Total non-cancellable operating leases	(a) 61,575	125,174	61,575	125,174

Northland Inc Limited

Northland Inc Limited have one lease commitment in relation to their premises amounting to \$38,775 (2015 \$63,599) expiring on 31 March 2017 with a right of renewal for one term of 5 years, 3 months and 5 days. Northland Inc Limited also have one lease commitment in relation to plant and equipment amounting to \$22,800 (2015 \$61,575) with a term of 5 years expiring on 16 November 2019.

Council, Marsden Maritime Holdings Limited and Regional Software Holdings Limited do not have any lease commitments as a lessee at year end.

There are no restrictions placed on the Council and Group by any of the leasing arrangements. The current lease of the reclaimed land at Marsden Point, which is 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 agreement for this land but without prejudicing the Company's right to apply for freehold title.

30C Operating leases as lessor

Council

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

Lease payments

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Not later than one year	2,092,251	2,392,293	3,890,144	3,679,116
Later than one year and not later than five years	5,492,589	7,275,854	11,058,348	11,507,676
Later than five years	5,254,193	7,590,070	14,503,350	15,138,401
Total non-cancellable operating leases	12,839,033	17,258,217	29,451,842	30,325,193

Council

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 leasehold properties have lease terms of between 5 to 21 years with options to extend at the completion of each lease. All leasehold lease contracts contain market review clauses at varying cycles and, or upon expiration of the contract. The lessee does not have an option to purchase the property at the expiry of the lease period. Council owns some farm's and dwellings that generate lease and rental revenue. These properties generally have lease terms of around 12 months. Council also owns four freehold properties which have lease terms of between 1 and 20 years.

Marsden Maritime Holdings Limited

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

Northland Inc Limited and Regional Software Holdings Limited do not have any operating leases payments to be collected at year end.

No contingent rents have been recognised during the year.

Note 31: Contingent liabilities

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Bonds	-	-	75,000	75,000
Rates postponed	-	-	137,400	200,898
	-	-	212,400	275,898

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 requiring a requiring authority to acquire a particular landowners property. There is provision within the Rail Corridor Acquisition for council to provide assistance to KiwiRail if KiwiRail is approached by a landowner wanting to sell their properties. Agreement between Council and KiwiRail

Mangawhai Ratepayers and Residents and Richard Bruce Rogan & Heather Elizabeth Rogan (CIV – 2015 – 488 – 95)

On 16 July 2015 Northland Regional Council and Kaipara District Council were served with a Notice of proceeding by Mangawhai Ratepayers and Residents Association and Richard Bruce Rogan & Heather Elizabeth Rogan who have applied for a Judicial Review in regard to the validity of rates from 2011/2012 - 2015/2016. The proceeding was jointly defended by Northland Regional Council and Kaipara District Council, and the case was heard in May 2016 and the Court's decision was reserved. The Court indicated that if any of the review is upheld, a further hearing will be required to establish what relief, if any, is granted.

Other Legal Claims

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

Marsden Maritime Holdings Limited

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

1. To the Bank of New Zealand for a \$75,000 (2015: \$75,000) Bond given by them to the New Zealand Stock Exchange.
2. To the Whanagrei District Council in respect postponed land rates on Company owned farmland in accordance with the Councils previous postponed rates policy \$137,400 (2015: \$200,898). This amount becomes payable immediately if the said land ceases to be farmland, is subdivided or is sold.

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

Note 32: Contingent assets

At 30 June 2016 the council and the group has no contingent assets (2015 Nil)

Note 33: Related party transactions

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

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

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

Key Management Personnel Compensation

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

	Note	Council 30-Jun-16	Council 30-Jun-15
Councillors			
Remuneration	\$	671,274	\$ 640,714
Full time equivalent members		9	9
Independent (non elected) member of the Finance Committee			
Remuneration	\$	20,004	\$ 20,247
Full time equivalent members		1	1
Senior management team including the Chief Executive			
Remuneration	\$	1,208,982	\$ 975,853
Full time equivalent members		6.6	4.4
Total key management personnel remuneration	\$	1,900,260	\$ 1,636,814
Total full-time equivalent personnel		16.6	14.4

Note 34: Remuneration

Note 34A: Chief Executive

Chief Executive

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

The total remuneration (including any non financial benefits) paid or payable for the year to the Chief Executive was \$284,622 (2015 \$291,167). Of the \$291,167 salary paid in the 2014-15 comparative financial year, \$8,163 was backpay relating to the previous financial year.

A breakdown of the Chief Executive's remuneration is as follows:

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$
Salary		261,026	267,811
Vehicle - (including FBT)		14,718	14,235
KiwiSaver employer contribution		7,831	8,034
Memberships and allowances		1,048	1,087
Total remuneration		284,622	291,167

Note 34B: Elected representatives

Elected representatives received the following remuneration for the period:

Elected representatives

	Note	Salary 30-Jun-16	Non-salary 30-Jun-16	Total Council Remuneration 30-Jun-16	Total Council Remuneration 30-Jun-15
Bill Shepherd, Chair ¹		109,492	669	110,161	102,525
Graeme Ramsey, Deputy Chair		74,200	7,369	81,569	81,512
Joe Carr, Chair Environmental Management Committee		61,325	11,969	73,294	73,480
Chair, Finance Committee - David Sinclair		61,325	1,413	62,738	63,477
Craig Brown		61,325	1,958	63,283	66,017
John Bain		61,325	1,189	62,514	65,270
Dover Samuels		61,325	11,868	73,193	72,434
Paul Dimery		61,325	7,271	68,596	69,289
Monty Knight		61,325	14,600	75,925	24,816
Dennis Bowman		-	-	-	21,894
Total elected representatives' remuneration		612,967	58,307	671,274	640,714

¹ The Chairman has full private use of a council vehicle

Elected representatives' 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.

Elected representatives' non salary

Councillors are able to claim an allowance for mileage, travel time and communications. These allowances are set by the Remuneration Authority and paid to Councillors based on claims approved by the council chairman and chief executive.

Note 34C: Council employees

The annual remuneration by band for council employees as at 30 June 2016 is detailed below. For employees receiving remuneration of \$60,000 or more, they are grouped into \$20,000 bands as presented below. For any \$20,000 bands with 5 or fewer employees in the band, they are combined upwards with the next banding as stipulated in the Local Government Act 2002.

Council employees

Note	Council 30-Jun-16	Council 30-Jun-15
< \$60,000	88	93
\$60,000 - \$79,999	73	61
\$80,000 - \$99,999	25	23
\$100,000 - \$139,999	9	7
\$140,000 - \$279,999	5	2
Total employees	200	186

Total remuneration includes any non financial benefits provided to employees

At balance date, the Council employed 158 (2015 143) full time equivalents with the balance of staff representing 18.90 (2015 17.52) full time equivalent employees. A full time employee is determined on the basis of a 37.5 working week.

Note 35: 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 2016, the Council made no severance payments to any employees (2015: three payment totalling \$34,444).

Note 36: Events after balance sheet date

Subsequent to balance date, Marsden Maritime Holdings Limited declared a fully imputed dividend of 7.75 cents per share to be paid on 16 September 2016.

On 15 September 2016, the High Court issued an interim decision on the judicial review proceedings brought by Mangawhai Ratepayers and Residents Association and Richard Bruce Rogan & Heather Elizabeth Rogan. The Court found that, for the 2011/2012 to 2013/2014 rating years (inclusive) the Northland Regional Council failed to comply with section 24 of the Local Government (Rating) Act 2002 in how it set the due dates for payment of rates. The Court also found that the Northland Regional Council cannot lawfully delegate the power to assess or recover rates, or add or remit penalties, to the Kaipara District Council. The Court made a declaration that the Northland Regional Council's rates for the Kaipara district have not been lawfully set or assessed for the rating years from 2011/2012 to 2015/2016 inclusive. The Council has the opportunity to provide further submissions and evidence by 21 November 2016 before the Court decides whether any further relief (beyond the declaration) is granted.

It is not possible to quantify potential liability at this time.

There were no other significant events after balance date.

Note 37: Segment reporting

The Northland Regional Council is a public benefit entity and is therefore not required to present segment information under NZ IFRS 8 (2.2) Operating Segments.

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 38: Financial instruments

Note 38A: Financial instrument categories

	Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
FINANCIAL ASSETS					
Loans and receivables:					
Cash and cash equivalents	11	1,674,580	5,509,010	2,244,296	5,729,361
Term deposits	22	10,646,347	12,047,700	10,646,347	12,247,700
Debtors and other receivables	12	5,264,216	4,993,069	5,771,006	5,780,508
Loans to subsidiary	22	33,441	61,483	-	-
Other loans	22	792,428	758,475	792,428	758,475
Other receivables (long term)	18	5,461,413	5,339,025	5,461,413	5,339,025
Total loans and receivables		23,872,424	28,708,762	24,915,488	29,855,069
Financial assets at fair value through surplus or deficit					
Other financial assets:					
Income funds		30,517,087	9,202,541	30,517,087	9,202,541
Equity Funds		10,697,398	5,860,813	10,697,398	5,860,813
Listed shares		-	-	618,852	544,246
Earn out - NPC investments Ltd		-	-	260,000	214,000
Total financial assets at fair value through surplus or deficit		41,214,485	15,063,354	42,093,337	15,821,600
Fair value through other comprehensive revenue and expense					
Other financial assets:					
Corporate and local government bonds		203,821	288,300	203,821	288,300
Total fair value through other comprehensive revenue and expense		203,821	288,300	203,821	288,300
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost					
Creditors and other payables	26	5,533,250	6,005,817	6,768,781	7,670,153
Borrowings:					
Debentures	28	13,000,000	-	13,000,000	-
Bank loan		-	-	4,195,000	3,650,000
Total financial liabilities measured at cost		18,533,250	6,005,817	23,963,781	11,320,153

Note 38B: 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.

	Note	Valuation techniques			
		Total \$	Quoted market price \$	Observable inputs \$	Significant non-observable inputs \$
30 June 2016 - Council					
Financial assets					
Income funds		30,517,089	30,517,087	-	-
Equity funds		10,697,398	10,697,398	-	-
Corporate and local government bonds		203,820	203,820	-	-
30 June 2016 - Group					
Financial assets					
Income funds		30,517,087	30,517,087	-	-
Equity funds		10,697,398	10,697,398	-	-
Corporate and local government bonds		203,820	203,820	-	-
Earn out - NPC Investments Ltd		260,000	-	-	260,000

	Note	Valuation techniques			
		Total \$	Quoted market price \$	Observable inputs \$	Significant non-observable inputs \$
30 June 2015 - Council					
Financial assets					
Income funds		9,202,541	9,202,541	-	-
Equity funds		5,860,813	5,860,813	-	-
Corporate and local government bonds		288,300	288,300	-	-
30 June 2015 - Group					
Financial assets					
Income funds		9,202,541	9,202,541	-	-
Equity funds		5,860,813	5,860,813	-	-
Corporate and local government bonds		288,300	288,300	-	-
Earn out - NPC Investment Ltd		214,000	-	-	214,000

Valuation techniques with significant non-observable inputs (level 3)

The table below provides reconciliation from the opening balance to the closing balance for the level 3 fair value measurements.

	2016 \$	2015 \$
Balance at 1 July	214,000	250,000
Gain and losses recognised in the surplus or deficit	301,000	120,000
Earn out payment received	(255,000)	(156,000)
Balance at 30 June	260,000	214,000

There were no transfers between the different levels of the fair value hierarchy.

Note 38C: Financial instrument

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

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

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

Price risk

Price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risk arises on listed share investments. For council this only includes security investments in its externally managed funds. Price risk can be minimised through diversification. At 30 June 2016 councils externally managed investment funds were diversified over 14 fund managers (refer note 22), some of which is invested in cash, New Zealand offshore companies, New Zealand offshore bonds and property. The use of a wide range of fund managers with different mandates and different asset allocations mitigates council's price risk.

Marsden Maritime Holdings Ltd price risk arises from its investment in Fonterra Co-operative Group Ltd shares and is immaterial in terms of the possible impact on the statement of comprehensive revenue and expense.

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 its \$2M (2015: \$2.7M) Community Investment Fund investment in Schroder 's Equity Fund, \$2.4M (2015 nil) in infrastructure investment fund investment in Schroder's income fund and \$1.2M (2015 nil) investment in Blackrock income fund. Advice is sought from an independent investment advisor to determine when it is appropriate to take a hedge out to protect council against risk of adverse movements.

Marsden Maritime Holdings Limited foreign exchange risk is considered minimal.

Fair value interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Northland Regional Council's exposure to fair value interest rate risk is limited to its interest-bearing investments within the portfolio and its \$13 million borrowings in the form of fixed rate notes.

Cash flow interest rate risk

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

Council's long term borrowing and long term deposit investments are at a fixed rate. Marsden Maritime Holdings Limited's exposure to cash flow interest rate risk is limited to its \$6,500,000 loan facility with BNZ. Interest rates on this loan facility are determined by reference to the prevailing market rates at the time of drawdown plus a margin. During the year interest rates ranged from 3.39% to 4.59%.

Credit risk

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

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

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

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

Maximum exposure to credit risk

The council and group's maximum credit risk exposure for each class of financial instrument is as follows:

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
Cash at bank and term deposits	1,674,580	5,509,010	2,244,296	5,509,010
Debtors and other receivables	5,264,216	4,993,069	5,771,006	5,780,508
Non-current receivables	5,461,413	5,339,025	5,461,413	5,339,026
Term deposits, corporate and local government bonds	10,850,168	12,336,000	10,850,368	12,336,000
Loans to subsidiary	33,441	61,483	-	-
Other loans	792,428	758,475	792,428	758,475
Shares	-	-	618,852	544,246
Income funds	30,517,087	9,202,541	30,517,087	9,202,541
Equity funds	10,697,398	5,860,813	10,697,398	5,860,813
Earn out - NPC Investments Ltd	-	-	260,000	214,000
	65,290,729	44,060,416	66,593,994	45,420,723

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:

Note	Council 30-Jun-16 \$	Council 30-Jun-15 \$	Consolidated 30-Jun-16 \$	Consolidated 30-Jun-15 \$
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and current term deposits				
AA-	1,674,580	5,509,010	2,244,296	5,509,010
Total cash at bank and current term deposits	1,674,580	5,509,010	2,244,296	5,509,010
Term deposits, local authority and government stock				
A-	203,820	212,319	203,829	212,319
AA-	10,646,347	12,047,701	10,646,547	12,047,701
Unrated	-	75,980	-	75,980
Total term deposits, local authority and government stock	10,850,168	12,336,000	10,850,368	12,336,000
COUNTERPARTIES WITHOUT CREDIT RATINGS				
Shares	-	-	618,852	544,046
Loans	825,869	819,958	792,427	758,475
Income funds	30,517,087	9,202,541	30,517,087	9,202,541
Equity funds	10,697,398	5,860,813	10,697,398	5,860,813
Earn out - NPC Investments Ltd	-	-	260,000	214,000
	42,040,354	15,883,312	42,885,764	16,580,075

Debtors and other receivables arise mainly from the council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Other than rates owing on Maori Freehold Land (see note 12 for the impairment applied to these debtors) the council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and the council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the investment portfolio. The Council's Investment policy limits the level of investments that must mature within the next twelve months to a minimum of 40% of its investment portfolio

Marsden Maritime Holdings manages its exposure to liquidity risk by maintaining a balance continuity of funding and flexibility through the use of bank loans, overdrafts and committed available credit lines. At 30 June 2016 Marsden Maritime Holdings Limited had access to BNZ funding totalling \$6,500,000 (2015 \$6,500,000).

Contractual maturity of financial liabilities

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

	Note	Carrying Amount \$	Contractual Cash Flows \$	Less than 1 Year \$	1 - 2 Years \$	2 - 5 Years \$	More than 5 Years \$
Council 2016							
Creditors and other payables		5,533,250	5,533,250	4,689,033	844,217	-	-
Debentures		13,000,000	14,911,900	482,200	3,482,200	10,947,500	-
Total		18,533,250	20,445,150	5,171,233	4,326,417	10,947,500	-
Group 2016							
Creditors and other payables		6,768,681	6,768,781	5,654,566	1,114,225	-	-
Secured bank facility		4,195,000	5,533,250	176,667	-	4,548,333	-
Debentures		13,000,000	14,911,900	482,200	3,482,200	10,947,500	-
Total		23,963,781	27,213,932	6,313,423	4,596,425	15,495,833	-
Council 2015							
Creditors and other payables		6,005,817	6,005,817	5,407,284	598,533	-	-
Group 2015							
Creditors and other payables		7,670,153	7,670,153	6,933,889	736,264	-	-
Secured bank facility		3,650,000	4,400,000	187,500	-	4,212,500	-
Total		11,320,153	12,070,153	7,121,389	736,264	4,212,500	-

Contractual maturity of financial assets

The table below analyses the council's and group'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 and include interest receipts.

	Note	Carrying Amount \$	Contractual Cash Flows \$	Less than 1 Year \$	1 - 2 Years \$	2 - 5 Years \$	More than 5 Years \$
Council 2016							
Cash and cash equivalents		1,674,580	1,683,581	1,683,581		-	-
Debtors and other receivables		5,264,216	5,264,216	5,264,216		-	-
Other receivables		5,461,413	5,461,413			5,461,413	
Other financial assets:							
Term deposits, corporate and local authority bonds		10,850,168	13,664,995	3,156,676		10,508,319	-
Loans		825,869	1,038,568	55,318	64,693	918,557	
Income funds		30,517,087	30,517,087			30,517,087	-
Equity funds		10,697,398	10,697,398			10,697,398	-
Total		65,290,729	68,327,256	10,159,790	64,693	58,102,774	-

Group 2016

Cash and cash equivalents	2,244,296	2,256,359	2,256,359	-	-	-
Debtors and other receivables	5,771,006	5,771,006	5,771,006	-	-	-
Other receivables	5,461,413	5,461,413	-	-	5,461,413	-
Other financial assets:						
Term deposits, corporate and local authority bonds	10,850,368	13,664,995	3,156,676	-	10,508,319	-
Loans	792,428	1,002,201	27,770	57,283	917,148	-
Listed shares	618,852	618,852	618,852	-	-	-
Income funds	30,517,087	30,517,087	-	-	30,517,087	-
Equity funds	10,697,398	10,697,398	-	-	10,697,398	-
Earn out - NPC Investment Ltd	260,000	260,000	114,000	73,000	73,000	-
Total	67,212,846	70,249,310	11,944,662	130,283	58,174,364	-

Note	Carrying Amount \$	Contractual Cash Flows \$	Less than 1 Year \$	1 - 2 Years \$	2 - 5 Years \$	More than 5 Years \$
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Council 2015

Cash and cash equivalents	5,509,010	5,550,327	5,550,327	-	-	-
Debtors and other receivables	4,993,069	4,993,069	4,993,069	-	-	-
Other receivables	5,339,025	5,339,025	-	-	5,339,025	-
Other financial assets:						
Term deposits, corporate and local authority bonds	12,336,000	12,363,204	12,141,111	222,093	-	-
Loans	819,958	819,958	28,042	26,137	765,777	-
Income funds	9,202,541	9,202,541	9,202,541	-	-	-
Equity funds	5,860,813	5,860,813	5,860,813	-	-	-
Total	44,060,416	44,128,938	37,775,904	248,230	6,104,802	-

Group 2015

Cash and cash equivalents	5,729,361	5,772,331	5,772,331	-	-	-
Debtors and other receivables	5,780,508	5,780,508	5,780,508	-	-	-
Other receivables	5,339,025	5,339,025	-	-	5,339,025	-
Other financial assets:						
Term deposits, corporate and local authority bonds	11,716,041	11,543,246	12,113,069	195,956	(765,777)	-
Loans	819,958	819,958	28,042	26,137	765,777	-
Listed shares	544,246	544,246	544,246	-	-	-
Income funds	9,202,541	9,202,541	9,202,541	-	-	-
Equity funds	5,860,813	5,860,813	5,860,813	-	-	-
Earn out - NPC Investments Ltd	214,000	214,000	214,000	-	-	-
Total	45,206,493	45,076,668	39,515,550	222,093	5,339,025	-

Sensitivity analysis

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

Note	2016				2015			
	+100bps		-100bps		+100bps		-100bps	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
COUNCIL								
Financial assets								
Cash and cash equivalents	16,746		(16,746)		55,090	-	(55,090)	-
Other financial assets:								
Corporate and local government bonds	-	2,038	-	(2,038)	2,883		(2,883)	
Term deposits and other securities	106,463		(106,463)		120,447		(120,447)	
Term deposits, local authority and government stock						-		-
Community Investment Fund	124,677		(124,677)		117,714	-	(117,714)	-
Property Investment Fund	185,462		(185,462)		32,920	-	(32,920)	-
Infrastructure Investment Fund	61,298		(61,298)					
Working Capital Investment Fund	40,708		(40,708)					
Financial liabilities								
Derivatives - hedge accounted					-	-	-	-
Total sensitivity to interest rate risk	535,354	2,038	(535,354)	(2,038)	329,084	-	(329,084)	-

Note	2016				2015			
	+100bps		-100bps		+100bps		-100bps	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
GROUP								
Financial assets								
Cash and cash equivalents	22,443		(22,443)		57,294		(57,294)	
Other financial assets:								
Corporate and local government bonds		2,038		(2,038)	2,883		(2,883)	
Term deposits and other securities	106,463		(106,463)		120,477		(120,477)	
Community Investment Fund	124,677		(124,677)		117,714		(117,714)	
Property Investment Fund	185,462		(185,462)		32,920		(32,920)	
Infrastructure investment fund	61,298		(61,298)					
Working capital investment fund	40,708		(40,708)					
Earn out - NPC Investment Ltd	2,600		(2,600)		2,140		(2,140)	
Financial liabilities								
Borrowings:								
Secured bank facility	(41,950)		41,950		(36,500)		36,500	
Total sensitivity to interest rate risk	501,701	2,038	(501,701)	(2,038)	296,927		(296,927)	

Borrowings

Council has \$13,000,000 of external borrowings in the form of a fixed rate note. The rate of interest payable is fixed for the life of the borrowings and is not affected by rising or falling interest rates.

Note 38D: Capital management

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

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the council. Intergenerational equity requires today's ratepayers to meet the costs of using the council's assets and not expecting them to meet the full costs of long term assets that will benefit ratepayers in future generations. Additionally, the council has in place asset management plans for major classes of assets, detailing renewal and maintenance programs to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

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

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Refer to Note 10 for a list of council's reserves. Self-insurance reserves are built up annually from regional-wide or sometimes targeted rates and are made available for specific unforeseen events. The release of these funds is approved by council.

Note 39: Adjustments to the comparative year financial statements

	Note	Actual 30-Jun-15				After adjustment
		Before adjustments	Reclassification adjustment	PBE transition adjustment	Correction of error	
COUNCIL						
Revenue						
Rates	(a)	18,689,106	-	-	(406,497)	18,282,609
Expenses						
Other expenses	(a) (e)	17,215,225	-	-	(414,867)	16,800,358
Other comprehensive revenue and expense						
Financial assets as fair value through other comprehensive revenue and expense	(e)	(16,430)			(8,370)	(24,800)
Current assets						
Rates Receivables	(a)(b)	6,611,719	(758,081)	-	(406,497)	5,447,141
Receivables	(c)	3,073,796			(177,091)	2,896,705
GST Receivable	(b)	374,557	758,081	-	-	1,132,638
Receivables from subsidiaries		3,390				3,390
Prepayments		119,583				119,583
Provision for impairment	(a)	(5,012,885)	-	-	406,497	(4,606,388)
Total Receivables		5,170,160	-	-	(177,091)	4,993,069

Non Current Assets

Receivables	(c)	5,161,934	-	-	177,091	5,339,025
Other financial assets	(f)	28,230,526	-	-	(115,236)	28,115,290
Intangible assets	(f)	645,680	-	-	115,236	760,916

Equity

Accumulated funds	(e)	127,298,853			8,370	127,307,222
Reserves	(e)	4,591,676			(8,370)	4,583,306

GROUP**Revenue****Actual 30-Jun-15**

Rates	(a)	18,689,106	-	-	(406,497)	18,282,609
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Expenses

Other expenses	(a)(e)	19,180,732	-	-	(414,867)	18,765,865
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Other comprehensive revenue and expense

Financial assets at fair value through other comprehensive revenue and expense	(e)	(16,430)			(8,370)	(24,800)
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Current assets

Rates Receivables	(a)(b)	6,611,719	(758,081)	-	(406,497)	5,447,141
Receivables	(c)	3,611,819			(177,091)	3,434,728
GST Receivable	(b)	473,597	758,081			1,231,678
Receivables from subsidiaries		49,421				49,421
Prepayments		223,928				223,928
Provision for impairment	(a)	(5,012,885)	-	-	406,497	(4,606,388)

Total Receivables

		<u>5,957,599</u>	<u>-</u>	<u>-</u>	<u>(177,091)</u>	<u>5,780,508</u>
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Non Current Assets

Receivables	(c)	5,161,934	-	-	177,091	5,339,025
Other financial assets	(f)	28,741,331	-	-	(115,236)	28,626,095
Intangible assets	(f)	655,306	-	-	115,236	770,542

Equity

Accumulated funds	(e)	150,996,888	-	-	8,370	151,005,258
Reserves	(e)	36,671,275	-	-	(8,370)	36,662,905

Long Term Plan 30-Jun-16

	Before adjustments	Reclassification adjustment	PBE transition adjustment	Correction of error	After adjustment
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COUNCIL**Revenue**

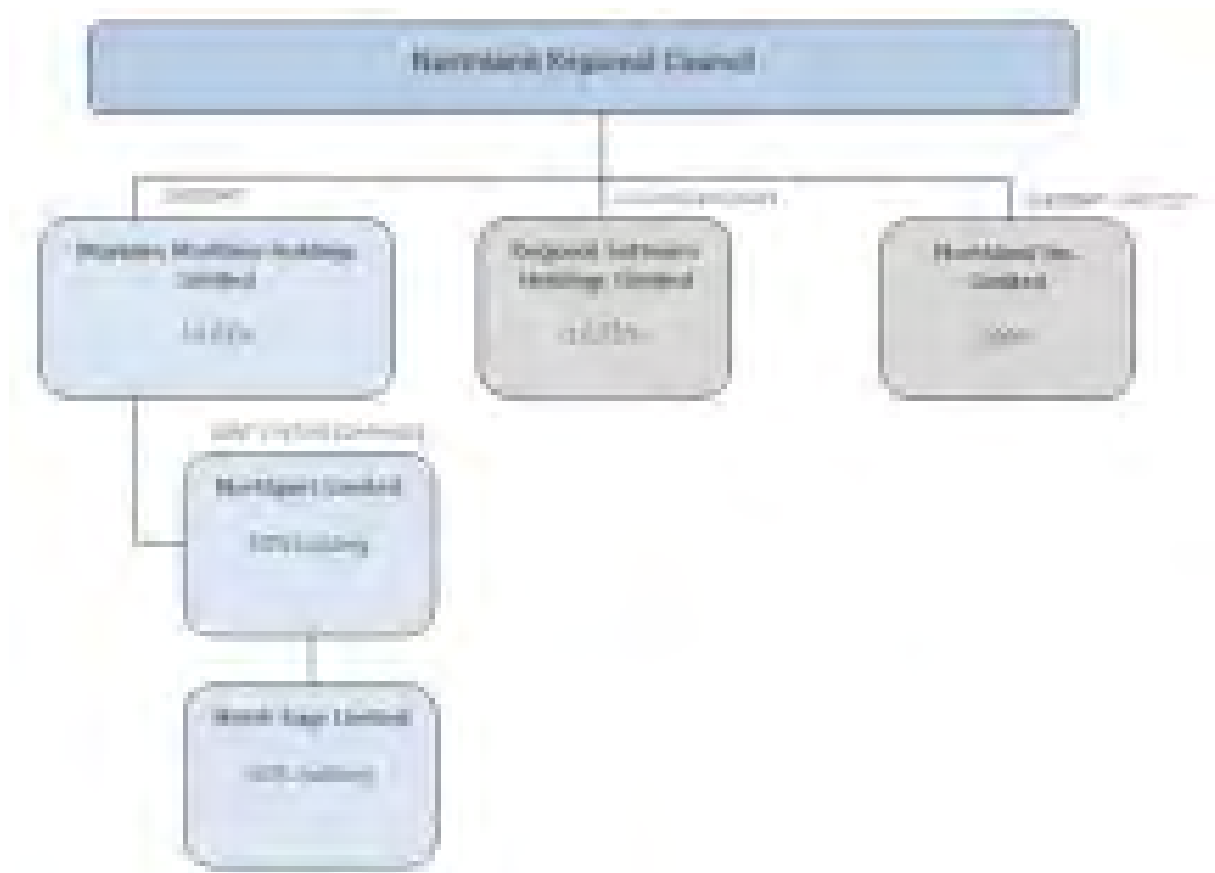
Other revenue	(d)	6,984,800			(619,566)	6,365,234
Other gains	(d)	783,000			619,566	1,402,566

Explanatory notes

- a) For the council and the group, an impairment of \$406,497 was made to the Maori Freehold Land Rates struck in 2014-15 to reflect the uncollectibility of rates on Maori Freehold Land (MFL) . Accounting standards require revenue to be recognised when it is more likely to occur than not to occur. This determination is based on an councils past experience. As such, an adjustment has been made to rates revenue and rates receivable for the estimated uncollectible amount of MFL rates. The reduced level of the restated rates receivable (as a result of this impairment) has a corresponding impact of the level of the impairment provision assessment.
- b) Council and the Group have reclassified a GST refund owing from the IRD associated with an overpayment of GST on rates as it is considered more appropriate to be classified as a GST receivable rather than a rates receivable.
- c) Council and the Group have reclassified a current receivable owing from Kiwirail as a non current receivable owing from Kiwirail to accumulate and present the total amount owing from Kiwirail under the one classification.
- d) During the 2015-25 Long Term planning process the estimated budget for proceeds arising from property sales in 2015-16 was classified as "other revenue", rather than the correct classification of "other gains".
- e) Council and the Group have reclassified an expense relating to the loss on the revaluation of fair value of councils corporate and local government bonds to other comprehensive revenue and expense (and the corresponding Reserve) in line with accounting policy.
- f) Council and the Group have reclassified their New Zealand Credits in respect to the Emissions Trading Scheme as intangible assets (2015: non current financial assets)

SECTION FOUR: CCOS AND SUBSIDIARIES

Group structure



A council-controlled organisation (CCO) is a company or organisation in which a council or council's 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.

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.

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

Marsden Maritime Holdings Limited

Company operations and ownership

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

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

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

In 2014, the company purchased the Marsden Cove Marina, comprising 230 berths, adjoining commercial buildings, and land. Marsden Maritime Holdings Ltd (MMHL) is a stakeholder of Marsden Cove Canals Management Ltd (MCCML), which administers the waterways within the Marsden Cove marina development. MCCML is an IRD approved charitable entity with budgeted expenditure met by dividing costs across all canal users. Due to the nature of this entity it has not been consolidated with MMHL in their financial statements.

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

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

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

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

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

Company financial data

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

Company	Holding at 30 June 2016	Main activity
Northland Port	50.0%	Port operating company

Northland Inc. Limited

About this council-controlled organisation (CCO)

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

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

Policies and objectives

Council's Long Term Plan 2015-2025 establishes the framework for Northland Inc. Limited. The activities and functions of the economic development organisation include:

- Provide advice to Northland Regional Council in regard to investment opportunities for Northland that may provide a better return to for council funds and protect shareholder interests.
- Provide well researched and well prepared economic development projects for consideration of Northland Regional Council's Investment and Growth Reserve.
- Prepare investment cases and the subsequent funding of major projects, utilizing a syndication of funding streams including the Investment and Growth Reserve.
- Partner with iwi, hapū, and Māori collective organisations to facilitate economic development opportunities for Northland.
- Establish a suite of capital assistance and business investment partners; including an Angel Investor network and access to venture capital for Northland entrepreneurs and firms.
- Facilitate business support for Northland firms to build business capability and capacity, promote capital investment, research and development.
- Communicate Northland's economic development successes to internal and external stakeholders to build confidence in the Northland economy.
- Leverage Northland's proximity to Auckland to facilitate economic development opportunities for Northland.

- Work to reduce disparities in Northland by actively promoting economic development projects that can lift communities and local economies.
- Promoting Northland as a place to live, work, invest and visit.

Investment and Growth Reserve

Northland Inc. Limited's activities include a focus on finding economic development projects that qualify for funding through council's Investment and Growth Reserve. 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. The main points are as follows:

- The reserve's objective is to increase Northland's jobs numbers, average weekly household income and Gross Domestic Product (GDP) by investing in economic projects/ventures.
- The reserve will provide operational expenditure for Northland Inc. Limited to identify, progress and monitor projects.
- Up to an additional \$200,000 per annum will be made available to Northland Inc. Limited from the reserve to carry out feasibility and business case assessments of potential 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.
- The reserve can also provide impact investment funding – a new category of funding established in 2014 and 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.
- 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 Northland Inc. Limited will be considered by the council.
- Council will decide on the allocation of all reserve funds.

Key performance measures and targets

Northland Inc. Limited's key performance measures and targets are reported under the council's economic group of activities and are listed below:

- The Tai Tokerau Northland Economic Action Plan (TTNEAP) implementation is underway.
- A minimum of four Northland Inc Board recommendations made to the Northland Regional Council Investment and Growth Reserve for funding.
- A minimum of 150 unique business engagements and \$1.5 million invested in building capacity and supporting innovation in Northland firms.
- A minimum of two Northland Inc. Board recommendations to partner with Iwi, hapū and/or Māori collective organisations on economic development projects.
- A minimum 10% annual increase in (Google Analytics) sessions on www.northlandnz.com

A year in review

2015/16 was the third full year in which Northland Inc. Limited has been operating under the current structure. The mission of Northland Inc. Limited is to strengthen, diversify and grow the regional economy through facilitating the creation of sustainable jobs, business, investment and export opportunities in strategic sectors and communities across Northland. This is delivered through four work programmes: investment and infrastructure; business innovation and growth; Māori economic development; and regional promotion and tourism.

The following provides a summary overview of the activities carried out and achievements in each of the four work programmes for the 2015/16 year.

Investment and infrastructure

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

The 2015/16 key performance targets and results for this work programme are as follows.

Measure	2015/16 performance target	Result
Implementation of the Tai Tokerau Northland Economic Action Plan (TTENAP)	Underway	Achieved
Northland Inc Board recommendations made to the Northland Regional Council Investment and Growth Reserve for funding	4	Not achieved – 3

Following the release of the Tai Tokerau Northland Growth Study in February 2015, a Tai Tokerau Northland Economic Action Plan (TTNEAP) has been developed and launched by Ministers in February 2016. The TTNEAP turns the opportunities identified in the growth study into tangible actions, and brings together a collection of more than 50 projects organised within four work streams: Enablers (roading, digital, skills and capabilities and water resources), Land and Water (looking at ways to use the land and water resources more productively), Visitor Industry (growing tourism through reduced seasonality, product development and better promotion) and Specialised Manufacturing and Services (growing innovation and specialist manufacturing sectors). A broad range of organisations will contribute to the success of the Action Plan, from business and Iwi/Māori through to not-for-profit and local and central government. Northland Inc. chairs the Working Group established to guide the implementation of the TTNEAP. The first implementation report was released in June 2016.

The Board of Northland Inc. Limited made positive recommendations on funding three investment projects during 2015/16. Council approved funding for two of these projects: Regional Promotion project and the Orchard Collaborative Business Hub project. Work is continuing to fine tune the investment opportunity of the third project before being resubmitted for council consideration. Council also approved six projects for feasibility assessment and business case development worth \$140,000.

Another major piece of work within this activity during 2015/16 was support provided to Hawaiki to choose Northland as the place to land the fastest and largest data link between the United States, Australia and New Zealand. The cable is due to go live in June 2018.

Business innovation and growth

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

The 2015/16 key performance targets and results for this work programme are:

Measure	2015/16 performance target	Result
Number of unique businesses actively managed	150	Achieved – 267
Investment in building capacity and supporting innovation in Northland firms	\$1,500,000	Not achieved – \$439,111

In total 269 unique business engagements with Northland businesses occurred during 2014/15, up from 199 in 2014/15. A total of \$164,113 worth of vouchers from NZTE were obtained by these businesses to improve their performance in identified areas. The primary focus of the training was on business planning, systems and managing resources. By the end of the financial year, 10 projects undertaken by Northland firms had received \$110,000 of Callaghan Innovation R&D funding.

Other activities undertaken in 2015/16 within this work programme included the establishment of three new work areas: Landing Pad Investment Programme, Start-up Cafes and a Business Coalitions Programme.

Māori economic development

The broad scope of activities within this work programme are to engage with Māori to advance iwi, hapū and whanau aspirations for economic development, support the implementation of *He Tangata, He Whenua, He Oranga*, and partner with Māori in investment, business and economic development projects.

The 2015/16 key performance target and result for this work programme is:

Measure	2015/16 performance target	Result
Board recommendations to partner with Iwi, hapū and/or Māori collective organisations on economic development projects	2	Achieved – 3

The Northland Inc. Board agreed to co-fund work on three projects: two separate tourism strategies with Te Roroa and Te Runanga o Waingarua, and a strategy with Rawhiti 3b2 Ahu Whenua Trust to develop the Cape Brett Walkway.

Other specific activities undertaken in 2015/16 within this work programme included working to ensure the objectives of *He Tangata, He Whenua, He Oranga* are met through projects in the TTNEAP, identifying Māori land holdings and their economic activity, and supporting the Tai Tokerau Miere Coalition to advance Māori interests in apiculture.

Regional promotion and tourism

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

The 2015/16 key performance target and result for this work programme is:

Measure	2015/16 performance target	Result
Annual increase in (Google Analytics) sessions on www.northlandnz.com	10%	Not achieved – 9% decrease

The decrease in sessions is partly due to changes in the platform – consolidating two websites into one content management system and a partitioning of the website structure. It also reflects the increasingly crowded market for information, with substantial money being spent by third parties to drive traffic. People are also gathering information from a raft of digital channels, includes blogs and social media.

The focus of Northland Inc. Limited is to provide up-to-date and compelling content on the website rather than to drive numbers.

A major activity in this work programme during 2015/16 was the Twin Coast Discovery Revitalisation project. Activity focused on a series of workshops with local community/operators to develop Byway routes and work with NZTA to identify infrastructure improvements (e.g. signage pullover areas and route

aesthetics). Addition funding was also provided for an expanded regional promotion activity. This resulted in a doubling in the number of Northland businesses attending the annual TRENZ international buyer-seller exchange, two trade visits to Australia, a refreshed marketing collateral, an updated image library, the production of a new conference planner, and the online promotion of Northland to Chinese consumers.

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 enhancements 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 major achievements for 2015/16 was the delivery of five releases containing key functionality to support the ongoing delivery of mobile and online services along with ensuring the underlying technology platform remains current.

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.

RSHL faces a number of challenges going forward. In particular the Company will be looking to ensure that it continues to deliver value for its members and build on this success and provide a compelling proposition for all regional councils. Additionally the Company will also need to respond to any structural changes that may occur within the local government.

It is also the opportunity to leverage a successful, proven and established collaborative framework based on shared best practice and enabling technologies by expanding this across all regional councils.

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.

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.

Our council's experience

This council continues to maximise the benefits of the IRIS solution and the high level of integration achieved with other core application such as Document Management, Geographic and Financial Information Systems. For Northland, the collaborative approach to the project continues to bring together the best ideas, practices and experiences into a solution that is fit for purpose, performs well and is well received by users. The IRIS solution was part of the technology solution that won the ALGIM Web and Digital Project of the year award with its implementation of a technology solution to solve a business problem with the 'Fight against Mediterranean Fanworm'.

Statement of Intent and performance targets

RSHL has prepared a Statement of Intent for year ending 30 June 2016.

The following table summarises the performances targets and results for the 2015/16 financial year.

	Performance Measure	Performance to 30th June 2016
Non Financial	IRIS Advisory Group meets regularly & is effective (self-assessed by the Advisory Group, compared to expectations in the Terms of Reference for the Advisory Group).	<p>Achieved</p> <p>The Advisory Group (AG) met every month (except for a single combined meeting for December and January), and these have now moved from voice to video conference meetings. Three in-person meetings were also held across the year.</p> <p>The AG has continued to operate in an effective and constructive manner throughout the year, with the addition of more in-person meetings helping to strengthen the collaborative nature of the group and ensure more in-depth discussion.</p>
	95% of Support requests are resolved within agreed timeframes (as per section 13 of Support Contract).	<p>Achieved</p> <p>Section 13 of the Support Agreement sets target response and resolution times for Priority One issues (Critical/Showstopper) only. There were just 'n' issues logged at this status during the year (JIRA numbers ...) out of a total of nnn issues raised during the 2015/16 year. These were responded to and resolved within the timeframe.</p> <p>Overall figures for support issues across the 2015/16 year:</p> <ul style="list-style-type: none"> • Open issues as at 30 June 2015 = 28 • Raised between 1 July 2015 and 30 June 2016 = nnn • Closed between 1 July 2015 and 30 June 2016 = nnn • Resolved (to be released) = nn • Open as at 30 June 2016 = nn
	IRIS user groups meet and effectively control their support and minor development budgets.	<p>Achieved</p> <p>User group meetings have been held fortnightly and have been very effective.</p> <p>An in-person User Group meeting was also held in March. This focused on the consents process in order to help drive the exchange of best practice and greater standardisation across the councils.</p> <p>The support and minor development budgets have been effectively managed and controlled throughout the year.</p>
	IRIS annual development projects have approved business cases, and are completed on time and within budget.	<p>Achieved</p> <p>Development projects have progressed based on approved business cases and Statements of Work for each project, and these have been completed within the agreed budget and on time (original indicative timeframes for some projects were adjusted by agreement).</p> <p>Development projects were within the overall budget.</p>

	Performance Measure	Performance to 30th June 2016
	Reporting and Payments (Section 9.3 of Business Plan) are completed on time.	Not Achieved The reporting and payments timetable has largely been met, with the exception of the revised Business Plan which did not pass through a formal approval process within the timeframe set out in the reporting timetable.
	Consider a new service area or areas outside of the current scope of IRIS	Achieved Business Intelligence and Customer Portal are being planned to compliment the current functionality of IRIS.
Financial	RSHL will operate within its budget	Achieved Expenditure against the available funding has been closely monitored throughout the year and has tracked close to budget.
	Annual charges: increase in cost to councils not to exceed the CPI.	Not Achieved The annual charges were increased by 3% for the 2015/16 year. Although this exceeds the current CPI, this is in line with assumption made in the 2015/16 RSHL Business Plan of a 3% CPI increase for all costs (section 10.2).
Growth	One further Council added to IRIS as shareholder or customer by end of 2017.	In Progress Informal discussions have been held with three councils who have expressed interest in IRIS. Further discussions have since been held between Gisborne District Council, RSHL and Datacom around the possible use of some IRIS modules within a unitary authority environment. These discussions are ongoing. RSHL will continue work to develop IRIS as a compelling product and competitive option for non-IRIS regional councils and unitary authorities.

* 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.