



Annual Report 2018

Pūrongo ā-tau 2018

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Section one: Overview
Wāhanga tuatahi: Tirohanga whānui



Chairman and CEO's foreword

Ngā karere mai i te Heamana, Tumuaki

He Kupu Whakataki nā te Toihau rāua ko te Tumuaki

It's been a landmark year for the regional council, culminating in the adoption of an exceptional new Long Term Plan that builds on our sound foundations and sets clear areas of focus for the future. As we move into this exciting new phase of council work, it's important to take some time to look at what we have achieved during the past year, from July 2017 to June 2018. This Annual Report sets out what we've done, how we've paid for it, and whether we have met our performance targets and budget that was set out in our last Long Term Plan, adopted in 2015.

We strive to work very closely with our communities, and this has been a strong feature of our activities during the past 12 months. Thousands of volunteers, from schoolchildren to the elderly, work selflessly to make our environment a better and safer place; planting trees, getting rid of weeds and animal pests, restoring sand dunes, and cleaning-up waterways. It's a true partnership with much of this community work being done with on-the-ground assistance and advice from regional council field staff and subsidies provided through the council's environmental funds.

Our Enviroschools programme has enjoyed continued success, introducing children to their surroundings at an early age and showing them practical ways they can care for their environment. About 100 schools and kindergartens are already involved, with a growing waiting list of schools keen to join the programme. We have made extra funding available to meet the rapidly growing demand for this worthwhile initiative.

Innovative new community and Māori engagement methods are being used in two projects that received \$2 million through the Freshwater Improvement Fund administered by the Ministry for the Environment. This contribution, topped-up with regional council and other funding of almost \$1.6M, is being used to reduce sediment and bacteria levels in the Northern Wairoa River and to improve more than 24 dune lakes.

In the dune lakes project, the council began funding four regional iwi co-ordinators in the rohe of the lakes to engage their communities in the planned work. Communication tools include hui, web content, social media, surveys, a youth education programme and building positive, open relationships with landowners and regulatory agencies.

A three-year project to improve water quality at Otuihau-Whangarei Falls has progressed with more than 18 projects funded in the first year including 4.2km of fencing funded through the regional council's Environment Fund. Up to 1200 trees and shrubs have been planted, and 21 stock troughs installed with Ministry for the Environment funding.

Local plans have been completed for managing freshwater in the catchments of Doubtless Bay, Mangere, Poutō, Waitangi and Whangārei Harbour and the council is working alongside these communities to help them achieve their priorities for water quality improvement.

Our marine biosecurity efforts are continuing with a record 2000 vessels surveyed through our Northland vessel hull surveillance programme. We are working to prevent incursions of marine pests including fanworm which, although not confirmed anywhere other than Whangārei Harbour, has been found on vessels in a few locations outside Whangārei, and was recently found on the seabed in Opuā.

As we look back on our year, it is timely to acknowledge the leadership provided by our councillors and the efforts and achievements of staff, some of whom have won national awards for their outstanding contributions. These include three of the six awards on offer at the Autumn conference of the Association of Local Government Information Management (ALGIM), and the Public Relations Institute of New Zealand's (PRINZ) Young Practitioner award.

Our community's voice, expressed through more than 2200 submissions to our new Long Term Plan 2018-2028, is very strong. You told us to do more to clean-up our waterways, protect our native species, and provide better flood protection, and we've taken your advice. During the next three years, we'll spend an extra \$5.7M on water quality, an extra \$6.6M to reduce the impact of pest animals and plants and aquatic invaders, and \$15M to boost flood protection in and around Kaitiāia.

These are ambitious goals and we are grateful to you for recognising their importance and giving us your backing.

Northlanders have long stood together and we are proud to be able to stand with you in our work to make Northland a region we can leave to our future generations with pride.

Our Northland - together we thrive



Bill Shepherd
Chairman



Malcolm Nicolson
Chief Executive Officer

Your regional councillors Ō koutou Kaikaunihera



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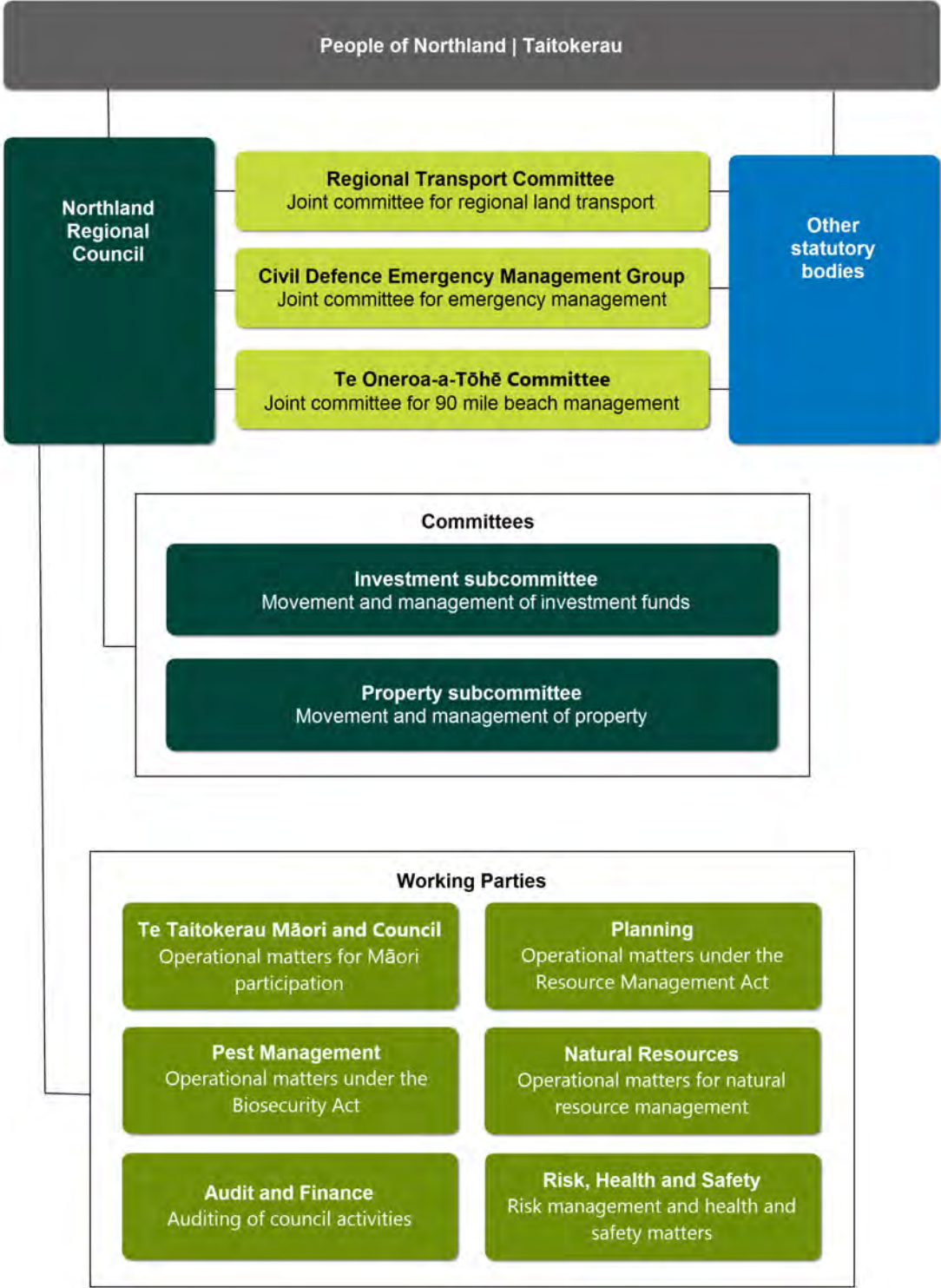


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Governance structure



Council committees and advisors

Statutory Committees and Boards

Regional Transport Committee

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

- Councillor Court representing FNDC (alternative Councillor Vujcich)
- Councillor Martin representing WDC (alternative Councillor Halse)
- Councillor Julie Geange representing KDC
- Ernst Zöllner from the New Zealand Transport Agency (alternative Mr Gliddon).

Civil Defence Emergency Management Group Joint Committee

- Councillor Stolwerk (alternative Dimery)
- Councillor Curnow (KDC)
- Mayor Mai (WDC)
- Councillor Kitchen (Group Chairman/FNDC)
- Superintendent Le Prou (Police representative)
- Mr Mosby (Fire and Emergency NZ representative)
- Mr J Titmus (MCDEM) (observer status).

Te Oneroa-a-Tōhē Board

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

Regional council membership: Councillors Finlayson and Dimery.

Council Subcommittees

Investment Subcommittee

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

Property Subcommittee

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

Council Working Parties

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

Councillor portfolios and memberships

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

- Mangere Catchment Working Group – Councillor Yeoman
- New Zealand Refinery Liaison Committee – Councillor Stolwerk
- Ngunguru Catchment Working Group – Councillor Dimery (Chair)
- Northland Chamber of Commerce council representative – Councillor Dimery
- Northland Conservation Board – Councillor Stolwerk
- Northland Sports Facilities Plan (Sport Northland) – Councillor Dimery
- Poutō Catchment Working Group – Councillor Smart (Co-Chair)
- Ruakaka River Liaison Working Group – Councillor Stolwerk (Chair)
- Shareholder representative for Northland Inc. Limited – Councillor Sinclair
- Shareholder representative for Northland Marsden Maritime Holdings Limited – Chairman Shepherd
- Shareholder representative on Regional Software Holdings Limited – Chairman Shepherd
- Taumarere River Liaison Working Group – Councillor Blaikie (Chair)
- Te Au Mārie 1769 Trust – Councillor Yeoman
- Upper North Island Strategic Alliance (UNISA) – Chairman Shepherd
- Urban Whangārei River Liaison Working Group – Councillor Sinclair (Chair)
- Waitangi Catchment Working Group – Councillor Yeoman
- Waitangi River Liaison Working Group – Councillor Yeoman (Chair)
- Whangārei Catchment Working Group – Councillor Dimery
- Whangārei Heads Pest Management Committee – Councillor Dimery (Chair)

- Whangārei Public Transport Working Party (Councillors Bain, Dimery, and Sinclair)
- Zone One (LGNZ) – Councillor Bain (Councillors Smart and Yeoman alternates).

Advisors

Auditors:

- Deloitte on behalf of the Auditor-General

Bankers:

- ASB Bank
- Bank of New Zealand
- Independent Financial Advisor Geoff Copstick

Solicitors:

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

Independent Investment Advisor:

- Eriksens Global

Chief Executive Officer:

The Chief Executive Malcolm Nicolson is responsible for setting the direction of the council within the policy framework provided by councillors. The 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 || Wāhana tuarua: Nga mahi a te kaunihera'.

Long Term Plan 2018–2028: a bold and visionary document

Strong community support is responsible for among the most forward-thinking documents the regional council has ever produced. The adoption of the Long Term Plan has enabled the council to introduce a raft of new initiatives to tackle head-on the issues of water quality, native species protection and flood infrastructure.

Backed by most of the 2200 submissions received earlier this year, the plan lists water quality as one of the biggest priorities. It allocates an extra \$5.7 million over the next three years to look after lakes and wetlands, reduce sedimentation in waterways and monitor our water resources. People told us they wanted more focus on pest management and we are increasing our budget by an extra \$6.6M over the next three years to reduce the impact of pest animals, weeds and aquatic invaders.

Protecting people from floods is the third priority area and \$15M will be spent on boosting flood protection in and around Kaitiāia – the regional council's largest-ever construction project.

We thank our communities for seeing value in our ambitious plans and look forward to working closely with you to realise our goals.

Submitters have their say

The council received more than 310 submissions to its Proposed Regional Plan for Northland, following a 10-week consultation period late last year. We are grateful to everyone who helped shape this important document – effectively a rulebook for the way the north's water, air, soil and coast are used and managed.

The Proposed Regional Plan replaces three existing regional plans. It covers a broad range of activities, including proposed rules for coastal works, earthworks, water use and discharges to air, land and water. Key proposed changes are new limits on taking water from rivers, lakes and aquifers, making it easier

to get permission for mangrove removal, and new stock exclusion rules for rivers, drains, wetlands and lakes.

Several years in the making, the proposed plan represents substantial input by numerous stakeholders along the way but despite this, will be less than a quarter of the combined size of the three plans it will replace.

Awanui flood scheme upgrade

Work to lessen flood risk in and around Kaitiāia and Awanui has been progressing well, culminating in a massive funding boost through the new Long Term Plan 2018–2028.

A review of the Awanui River flood scheme has been carried out, including assessment of the current levels of service provided, identification of issues, and options for related scheme upgrades. In addition to this, all annual maintenance works were completed, including scheduled repairs along the coastal stopbank, maintenance of scheme flood gates, and continuation of channel maintenance and stopbank works along the lower Awanui River.

Adoption of the Long Term Plan saw approval of a \$15 million, seven-year project designed to protect urban Kaitiāia in a once-in-a-century (1:100) flood event, and the surrounding areas in a 1:20 year event. Planning for the scheme is well underway with a property already purchased near Dunn and Empire Streets at a cost of \$698,000 (GST Inclusive), which will enable the construction of a river overflow channel to mitigate the risk of flooding to Kaitiāia in the event of a slip. Works to construct the river overflow channel are scheduled for 2018/19.

Funding for 30% of the new capital works will come from a 60% increase in the existing Awanui River Management Rate, bringing in an extra \$443,000 a year. The remaining 70% will come from ratepayers regionwide through a new regional flood infrastructure rate introduced through the long term plan process.

The 70/30 split equates to about an extra \$7 per ratepayer across the region.

Freshwater funding boost

A major boost to work on freshwater quality in the region came through a \$2 million allocation from the Freshwater Improvement Fund administered by the Ministry for the Environment. This funding allowed work to start on an initiative to improve water quality

in 24 dune lakes, and a project to reduce sediment and bacteria levels in the Northern Wairoa River and its tributaries.

The \$2.5M 'Northern Wairoa Freshwater Improvement Project' involves working with landowners to implement sustainable land management practices, while the \$1.6M allocation is for dune lakes improvements in the wider Aupōuri and Poutō areas. The projects are spread over five years.

The 'Northland Dune Lakes Strategic Water Quality Improvement Project' has started with modelling, initiatives to reduce nutrient levels, and work to control pest fish and water weeds.

Innovative new community and Māori participation models are being used in these projects. In the dune lakes project, for example, the council is working in partnership with iwi and hapū and has funded the establishment of four regional Māori co-ordinators in the rohe of the lakes. Called Maruwai Kaiwhakahaere, their role is to engage their communities in the planned work. Communication tools include face-to-face hui, web content, social media, surveys and a youth education programme that works through Enviroschools and Te Aho Tū Roa. Positive, open relationships have been established with lakebed or surrounding landowners and regulatory agencies such as the Department of Conservation, Ministry for Primary Industries, Northland Fish and Game Council and district councils.

Strengthening our community presence

The regional council's new Waipapa office, opened in July 2017, has proved to be a real success over the past year and we're now looking at other ways to boost our community presence and offer more comprehensive customer service.

Our customers have responded well to our mid-north location, valuing the increased opportunity to discuss issues face-to-face, and we want to offer this level of service elsewhere in the region. To meet the growing demand for our services, we plan to upgrade and expand our offices in Whangārei and Kaitiāia and establish a stand-alone presence in Dargaville within the next year or two.

The regional council has bought a property at 32 Hokianga Road within short walking distance of the Kaipara District Council. This location recognises the need for people to have ready access to both councils and offers a solution to our plans to strengthen our Kaipara operations by basing more of our field staff in the area.

Kai Iwi Lakes speed restrictions

Speed restrictions of five knots within 200 metres of the shore (inside the yellow buoys) are retained in our new Navigation Safety Bylaw for Kai Iwi Lakes, adopted in October 2017.

The speed restriction was confirmed after further consultation about whether the speed restriction area should be reduced to 100 metres from the shore, as requested by many people during the first round of consultation.

The bylaw has been introduced to manage water-based activities safely, both in and on the water. These include swimming, boating, waterskiing, jetskiing, kayaking and board sports, with land-based activities managed by the Kaipara District Council. The overall aim is to provide a safe environment that can be enjoyed by as many people as possible.

To the rescue...

The regional council has approved a loan of up to \$9.6 million to help the Northland Emergency Services Trust (NEST) fund two rescue helicopters for the region.

The funds have come from low interest loans the council has borrowed via the Local Government Funding Agency and made available to the Trust, at no direct cost to ratepayers.

It's estimated the low interest loan could save NEST, and indirectly the community, more than \$600,000 in interest payments over the life of the loan. The funds were to replace the Trust's helicopters, which were almost 40 years old.

The council has initially provided the trust with \$3.75M to buy one helicopter, with NEST topping up the funds from their helicopter replacement fund and a contribution from the sale of the old machine. There is provision for a further \$5.1M loan for a second helicopter, depending on the Trust's ability to secure new contracts to provide emergency services.

The loan arrangements followed public consultation resulting in 453 submissions; 424 of which were in favour of the loan. Security and other measures have been put in place to protect ratepayers' interests and there's no impact on rates.

The loan is seen as another practical way in which the regional council can support NEST and the provision of emergency air rescue service in Northland.

Coastal hazard maps

A four-year project to update coastal hazard zones has been completed, with the new maps now available for viewing at www.nrc.govt.nz/coastalhazardmaps

Coastal hazard maps identify land potentially at risk of flooding from storm surge and long-term erosion by the sea. Their completion marks the end of a four-year project to update coastal hazard zones (some identified more than 10 years ago) and includes new areas identified following extensive peer-review and the use of modern topographic tools.

In all, there are up to 13,500 potentially affected properties up and down the length of Northland's east and west coasts. These are documented in coastal erosion hazard maps for 31 sites and coastal flood hazard maps for 63 sites where information is available.

The maps show the estimated flood and erosion hazards in 50 years and 100 years' time, based on conservatively predicted sea level rise scenarios of 0.4m during the next 50 years and 1.0m during the next 100 years. They assume that coastal defences are not modified, and that coastal erosion continues unchecked during that time.

The maps will be reviewed and updated about once a decade or as significant new information becomes available.

Celebrating Enviroschools

Our Enviroschools programme – a school-wide approach to sustainability – is growing rapidly with a waiting list of schools wanting to join, from early childhood through to secondary school level.

Among a vast range of learning activities, children at Enviroschools throughout the region are excitedly finding out about gathering seeds, establishing nurseries, trapping possums, looking after waterways, raising bees, making recyclable waxed lunchwrap, and looking after bugs and butterflies.

There are now about 100 schools and kindergartens actively involved in environmental work through the programme region-wide, and this number is increasing annually.

Two schools – Onerahi School and Dargaville Intermediate – have achieved green-gold status in the last year, which is the highest ranking in the Enviroschools programme.

The regional council has increased funding for the Northland Enviroschools programme through its new Long Term Plan 2018–2028, and this will help meet the growing demand for Enviroschools projects.

“Me mahi tahi tātou mo te oranga o tātou taiao – Working together for the wellbeing of our environment”

Our year in numbers

- 2000 boat hulls were surveyed through the marine biosecurity hull surveillance programme
- 97 of Northland's 152 schools were involved in the Enviroschools programme
- \$2 million was obtained through the Freshwater Improvement Fund, administered by the Ministry for the Environment, to reduce sediment and bacteria levels in the Northern Wairoa River and improve more than 24 dune lakes
- Up to 1200 trees and shrubs were planted and 21 stock water troughs were installed as part of the Otuihau-Whangarei Falls water improvement project
- More than 99% of all resource consent applications were processed within the statutory timeframes
- \$1.7 million of investment income was redirected into the Investment Growth Reserve to support Northland's economic growth
- Four new Community Pest Control Areas were formed in Northland, adding 5963 hectares to the land under pest control
- Environment Fund applications allowed the completion of 226 wetland, lake, farm water, and biosecurity projects throughout Northland
- 58 cruise ships were safely piloted in and out of the Bay of Islands
- 152 farm water quality improvement plans totalling 28,617 hectares were completed
- Monitoring to determine the water quality of at least 50 popular swimming sites and 15 shellfish collection sites was carried out weekly and the results were published online
- Regular fresh water quality monitoring was conducted at 94 river and lake sites throughout the region
- 57 Northland communities now have a Civil Defence Emergency Management community response plan
- 2.88 hectares of new development and planting at the Flyger Road poplar and willow nursery

Council objectives

This is the third Annual Report following the adoption of the Long Term Plan 2015–2025 in June 2015. As part of that 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 contributed to the development of new performance measures that have been our measures for the past three years.

This annual report measures the performance of the objectives set out in council's Long Term Plan 2015–2025.

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

Council objectives

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:

- Northland's overall environment is maintained or improved with an emphasis on encouraging the sustainable access to, and use of, resources;
- Northland has strong local government leadership ensuring safe and resilient communities; and
- 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:

- We are a positive and customer-friendly organisation; and
- 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:

- Develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Taitokerau;
- Provide a business-friendly environment;
- Maximise returns to the community from funds invested and effective use of assets; and
- 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 || Wāhanga tuarua: Nga mahi a te kaunihera' 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.

Summary of achievement of performance measures

Community representation and engagement

(see Page 30 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	Achieved
100% of council's ordinary meeting agendas and minutes made available on the council website	Not achieved Two sets of minutes were delivered a day late
Support and deliver environmental education initiatives	
Percentage of schools participating in the Enviroschools programme is maintained or increased	Achieved
Number of students participating in Enviroschools Project Possum Stage 1 is maintained or increased	Not achieved 102 registrations were recorded, four fewer than the last reporting period
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	Not Achieved 923 people were recorded as participating, down from 1,357 last reporting period

Maintaining effective, open and transparent democratic processes	
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	Achieved
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 40 for more information on these measures)

Efficient and effective processing and administering of resource consents	
At least 98% of all resource consent applications are 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 22.6% of events monitored were significantly non-compliant,

Efficient and effective processing and administering of resource consents	
	which is an improvement from 25.2% in the last reporting year
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	Not achieved 92.7% of major consents were monitored as per the monitoring programme; a slight improvement on the last reporting year
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	Not achieved Appropriate action taken 99.3% of the time
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 collection sites from late November to late February 100% of the time	Achieved

Efficient and effective processing and administering of resource consents	
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 of the macroinvertebrate community index (MCI) at 10 regionally representative sites	Achieved
Maintaining a high standard of ambient air quality	
100% of monitored airsheds 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 wetlands (including Top 150 Wetlands) enhancement and protection projects funded via the Environment Fund annually is maintained or increased	Achieved
Number of soil conservation projects funded via the Environment Fund annually is maintained or increased	Achieved
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

Efficient and effective processing and administering of resource consents	
Promoting community involvement in pest management	
Increase land under CPCAs by 2,500 hectares per annum	Achieved

River management

(see Page 51 for more information on these measures)

Building, monitoring and maintaining flood protection schemes	
Zero failures of flood protection systems for the Awanui, Whangārei, and Kaeo schemes below specified design levels	Achieved
To provide flood protection and control works for urban and rural Kaitiāia	
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	

Building, monitoring and maintaining flood protection schemes	
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 59 for more information on these measures)

Providing accurate and timely flood warnings	
Accurate flood warnings are issued 100% of the time	Achieved
Timely flood warnings are issued for major storm events of regional significance 100% of the time	Achieved
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	Achieved
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	Achieved
Priority beach profile sites are updated biennially	Achieved
Maintaining an efficient and responsive oil pollution response	
Oil spills are evaluated and responded to within one hour of a report	Achieved

Economic development

(see Page 66 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 Northland Inc achieved 12 of 14 KPIs

Transport

(see Page 71 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 Number of passengers has decreased by approximately 20,000
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

Working with Māori

Referred to as the birthplace of a Nation, Taitokerau was the first place of settlement by Māori, boasting the second largest Māori population by region (more than 50,000).

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

Council has a number of obligations to Māori and has committed to these and more. This commitment is reflected in one of four key focus areas articulated in our Long Term Plan 2015-2018: To develop meaningful and inclusive relationships with iwi and tangata whenua within Te rohe o Te Taitokerau.

In recognising this, council made progress in a number of areas and continues to work with Māori as well as building our internal capacity to better understand and respond to issues of importance to Māori. Highlights of this for the 2017/18 year are:

- Approving an organisation-wide strategy to grow internal capacity and strengthen our responsiveness to Māori. The development of Te Whāriki (responsiveness strategy) was completed and presented to the organisation as the road map to enable and influence better outcomes for Māori. Implementation of the plan forms the next phase which will be achieved during the coming year.
- Training to raise internal capacity was provided to both councillors and staff.
 - Papa Reo - a Te Reo Māori programme comprising four kete was taken up by 61 staff members and three councillors; and
 - This was further supported by internally run te reo classes to help build and extend on the Papa Reo programme; and
 - Fourteen staff and councillors undertook Treaty of Waitangi training.
- Participating in the ongoing discussion pertaining to possible cultural redress through Treaty of Waitangi settlement negotiations for the Kaipara Harbour, including,
 - Ongoing commitment to the agreement with neighbouring councils to ensure councils are informed of the Treaty settlement process; and

- Working closely with Ngā Uri o Kaipara, providing information and advice to support Treaty of Waitangi settlement negotiations.

- Supporting and participating in meetings of the Te Oneroa-a-Tōhē Board, a co-governance committee established through Treaty of Waitangi settlements of four of the five Te Hiku Iwi for Te Oneroa-a-Tōhē / 90 Mile Beach.
- Ongoing implementation of the Memorandum of Understanding with the Post Settlement Governance Entity, Te Uri o Hau Settlement Trust, through governance and management meetings and ensuring targeted consultation on the new Long Term Plan, Proposed Regional Plan and Pest Management Plans.
- Continuing to support and administer Te Taitokerau Māori and Council Working Party (TTMAC).
 - Hosting five formal meetings in Whangārei; and
 - Attending three regional marae based hui:

Te Ao Marama - Te Hana

Te Whare Awhina o Takou Marae - Takou Bay

Waiora Marae - Ngataki.

- Launching the pānui / e-newsletter, Ngā Karere o Taitokerau, to showcase the work of TTMAC across the region.
- Working with the TTMAC Māori Technical Advisory Group to provide ongoing input and advice into council's plans, policies and processes.
- Maintain a relationship among Chief Executives of the region's iwi through attendance at the Iwi Local Government Authorities Chief Executive Forum (ILGACE); as well as fostering a burgeoning relationship between the Mayoral Forum and Te Kahu o Taonui (Iwi Chairs) to underpin ILGACE.
- Provision of funding to support the development or review of iwi/hapū environmental management plans.
 - Completion of a project spanning two financial years which saw the development and endorsement of a plan for Ngāti Kuri which has been lodged with council, and
 - Identification of sites of significance, including mapping and historical accounts, which will form

part of and add value to, an existing hapū management plan.

- Working with iwi and hapū on two water enhancement projects which have gained central

government funding under the Freshwater Improvement Fund:-

- Dune lakes, and
- Northern Wairoa River

Compliance statement

Northland Regional Council

Annual Report

For the year ended 30 June 2018.

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 2018.



Bill Shepherd
Chairman



Malcolm Nicolson
Chief Executive Officer

Date: 23 October 2018

Audit report



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NORTHLAND REGIONAL COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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

We are also required to report on:

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

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

We completed our work on 23 October 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 82 to 146:
 - o present fairly, in all material respects:
 - o the Regional Council and Group's financial position as at 30 June 2018;
 - o the results of the operations and cash flows for the year ended on that date; and
 - o comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 149 to 150, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- the statement of service provision of the Regional Council, which is referred to in the annual report as the Council activities, on pages 26 to 76:
 - o presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, including:
 - o the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - o the reasons for any significant variation between the levels of service achieved and the intended levels of service; and

- o complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 26 to 76, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's annual plan; and
- the funding impact statement for each group of activities on pages 26 to 76, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

Report on the disclosure requirements

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 77 to 79, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

Basis for opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

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

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

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

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

Responsibilities of the auditor for the audited information

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

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

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

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

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

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

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 4 to 20 and 152 to 161, but does not include the audited information and the disclosure requirements.

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

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

Independence

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

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of a limited assurance report pursuant to the Regional Council's Trust Deed, an audit of the Regional Council's maintenance of the Register of Stock, payroll controls review and the audit of the 2018-28 long term plan, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.

A handwritten signature in black ink, appearing to be 'PG', with a long horizontal line extending to the right.

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

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



Overview of our activities

There is 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 were:

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

The Long Term Plan 2015-2025 outlined each group of activities and identified 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.

Community representation and engagement

Whakāturanga hapori me te whakauru

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 objectives 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 the effectiveness of service delivery across the region and ensuring value for money to ratepayers. 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 Ngatahi'. 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 led by the successful establishment of a shared service transport hub – the Northland Transportation Alliance – which has brought together the roading and transport teams of Northland's councils.

Four other projects in particular have also met with early success during initiation in this last year; Northland Regional Council's provision of modern GIS

capability and viewing of spatial and geospatial data to Kaipara District Council; the joint council LIDAR (Light Detection and Ranging) survey which, when complete, is to provide high definition land contour and vegetation density data; an increase in digital accessibility in rural and semi-rural areas of Northland with hard fought for Government funding; and the maximising of the Government's Provincial Growth Funding commitments into Northland.

Priorities also include increasing digital accessibility in rural and semi-rural areas of Northland, shared back-of-house services, progressing a regional four waters programme (stormwater, sewage, potable water and flood water), joint procurement, centres of excellence, and maximising Provincial Growth Funding received and leveraged for Northland.

Council remains a key member of the Upper North Island Strategic Alliance (UNISA), a collaborative body that sees seven local authorities working together to maximise sustainable development opportunities for all of the upper North Island (UNI). From Northland to Waikato, the UNI supports 53 percent of the national population and generates 52 percent of the country's GDP. This last year, UNISA began the development of an inter-regional marine pest pathway management plan for the upper North Island as the best option to restrict the spread of marine pests. UNISA was also pleased to see the new Government take up its call for the Ministry of Transport Supply Chain Study, a port and transport network study involving the UNI regions. Council currently provides secretariat and administration support to UNISA.

The council has been providing civil defence and emergency management to the Whangarei and Kaipara District Councils under shared services agreements for a number of years and has recently agreed to provide similar arrangements for delivery of services to the Far North District Council.

Council is also a shareholder of Regional Software Holdings Limited (RSHL), being a major shared services undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. RSHL is responsible for the long-term maintenance and enhancements of the IRIS (Integrated Regional Information System) product.

The 2017/2018 year was a busy and productive period for RSHL and the six councils. The year involved continuing to drive council implementations and the subsequent operational benefits and efficiencies, with a key focus on understanding the investment activity required to keep the IRIS solution current from a technology perspective, and fit for purpose for all users.

This year RSHL has worked very closely and intensively with Hawke's Bay Regional Council (HBRC) in their implementation of IRIS. Whilst there have been challenges, the implementation has progressed well and the company looks forward to HBRC going live with their implementation.

This time last year, RSHL noted it was starting to work with the regional council sector to establish how the company vehicle can be operationally and financially used for the betterment of the regional council community. This has resulted in the Regional Council Collaboration (ReCoCo) initiative. ReCoCo has been established to facilitate unitary and regional councils entering into collaboration initiatives where there are overlapping or shared objectives, covering areas of common interest or joint responsibility. The delivery vehicle that will be used to facilitate and administer ReCoCo is Regional Software Holdings Ltd. This exciting opportunity will allow the regional council sector to invest in new technologies that, as individual councils, would not be viable.

Engaging with our community

Our annual postal resident survey was carried out using people randomly selected from electoral rolls. Leadership, financial management, trust, community involvement and quality of services provided, were all covered. Although our overall reputation index score was one point lower (56) than last year, we improved our scores for trust, leadership and community consultation. We'll continue to work on improving services in all areas.

Increased Enviroschools Programme

Our Enviroschools programme – a school-wide approach to sustainability – is growing rapidly with a waiting list of schools wanting to join, from early childhood through to secondary school level. Among a vast range of learning activities, children at Enviroschools throughout the region are excitedly finding out about gathering seeds, establishing nurseries, trapping possums, looking after waterways, raising bees, making recyclable waxed lunchwrap, and looking after bugs and butterflies.

There are now about 100 schools and kindergartens actively involved in environmental work through the programme region-wide, and this number is increasing annually. The regional council has increased funding for the Northland Enviroschools programme through its new Long Term Plan 2018-2028, and this will help meet the growing demand for Enviroschools projects.

Further support for our volunteer emergency services

In addition to continuing to provide funding support for Northland's emergency services, the regional council has approved a loan of up to \$9.6 million to help the Northland Emergency Services Trust (NEST) fund two new rescue helicopters for the region. The funds have come from low interest loans the council has borrowed via the Local Government Funding Agency and made available to the Trust, at no direct cost to ratepayers. It's estimated the low interest loan could save NEST, and indirectly the community, more than \$600,000 in interest payments over the life of the loan. The funds were to replace the Trust's helicopters, which were almost 40 years old.

The council has initially provided the Trust with \$3.75M to buy one helicopter, with NEST topping up the funds from their helicopter replacement fund and a contribution from the sale of the old machine. There is provision for a further \$5.1M loan for a second helicopter, depending on the Trust's ability to secure new contracts to provide emergency services.

The loan arrangements followed public consultation resulting in 453 submissions; 424 of which were in favour of the loan. Security and other measures have been put in place to protect ratepayers' interests and there's no impact on rates. The loan is seen as another practical way in which the regional council can support NEST and the provision of emergency air rescue service in Northland.

Service delivery reviews

Council is required (by Section 17a of the Local Government Act) to review the services it delivers at least every six years. These reviews explore how a service is governed, funded and delivered, and aims to encourage efficiencies and highlight opportunities for collaborations between councils. Council has been carrying out a rolling schedule of service delivery reviews since 2016.

Reviews of the following services were completed in 2017:

- Transport
- Civil Defence and Emergency Management
- River Management
- Hydrology
- Land and Biodiversity
- Biosecurity
- Natural Hazard Management services

The reviews demonstrated that council should maintain the status quo for the delivery models of these services.

Working with Māori

As the first area settled by Māori, Taitokerau - Northland has a rich and diverse historic and cultural heritage. Four iwi and five hapū have settled their historic Treaty of Waitangi claims with the Crown.

Māori continue to make contributions to the region through economic development, governance and operational relationships, co-governance and participation in council decision-making processes.

The Iwi Local Government Authorities Chief Executives Forum continued to meet during the year. As a burgeoning relationship, work continued on fostering a governance relationship between Te Kahu o Taonui (Iwi Chairs) and the Mayoral Forum to underpin the Chief Executives' relationship.

Providing an avenue for input into council processes and decisions, the Te Taitokerau Māori and Council Working Party (TTMAC) continued to meet during the year. Through this group, targeted input was provided into council's Long Term Plan 2018-2028, Regional Plan and Regional Pest Management and Marine Plans.

Council continues to support Māori representation on all its priority river and catchment groups and works in partnership with a number of iwi and hapū and various agencies on water quality projects that have received funding from central government.

Through committed funding, council continued to support Māori initiatives, and this year saw the completion of two iwi/hapū environmental management plan projects which received financial support through council's contestable funding streams.

Performance measures and targets – Community representation and engagement

1.1.1 Maintain effective, open and transparent democratic processes.

Performance measure	Target	2018 Result	Commentary
Percentage of the community surveyed that is satisfied with the way council involves the public in the decisions it makes.	Maintain/increase	31% - achieved 2017 result: 27% - not achieved	An additional 13% of people surveyed were 'somewhat satisfied' with how well council involved them in decision-making processes.
Percentage of council's ordinary meeting agendas and minutes made available on the council website (agenda three days prior to council meetings and minutes 14 days post council meetings).	100%	91.6% - not achieved 2017 result: 100% - achieved	This target was not achieved as two sets of council minutes were made available on council's website one day late.

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	2018 Result	Commentary
Percentage of schools participating in the EnviroSchools programme.	Maintain/increase	63.16% - achieved 2017: 55.63% - achieved 2016: 51.63% (baseline established) 2014: 47%	Council has provided the EnviroSchools programme to 96 of Northland's 152 Schools. This statistic does not include the 12 kindergartens that are also registered as EnviroSchools.
Number of students participating in EnviroSchools Project Possum Stage 1.	Maintain/increase	102 - not achieved 2017: 106 - achieved 2016: 83 2015: 93 2014: 68	The Project Possum programme has changed scope slightly and is now called Project Pest Control. 102 registrations were recorded for the programme, four fewer than the last reporting period. Various factors influence the number of attendees at the workshops, including the number of students available at the time of the workshops and other work programmes being run by schools.

1.1.3 Support and deliver environmental education initiatives.

Number of students participating in Enviroschools WaiFencing workshops.	Maintain/increase	<p>82 - achieved</p> <p>2017: 72 - not achieved</p> <p>2016: 77</p> <p>2015: 61</p> <p>2014: 71</p>	A total of 82 students registered for the WaiFencing courses, an increase of 10 from the last reporting period.
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1.1.4 Promote community engagement.

Performance measure	Target	2018 Result	Commentary
Number of people participating in CoastCare groups.	Maintain/increase	<p>923 - not achieved</p> <p>2017: 1,357 - achieved</p> <p>2016: 1,152 (baseline established)</p>	923 people participated in CoastCare groups in this reporting period, which is less than the 1,357 recorded for the last reporting period. The number of people recorded can be swayed significantly by the inclusion of casual volunteers assisting with events such as planting days, accounting for the significant fluctuation between this year and last.
Number of people participating in Community Pest Control Area groups.	Maintain/increase	<p>Achieved</p> <p>2017: 1489 - achieved</p> <p>2016: 1169</p> <p>2015: 1141</p> <p>2014: 1070</p>	The evolution of Community Pest Control Area groups has seen increasing numbers of local landcare groups being involved rather than individual landowners. This has made it difficult to determine the exact number of participants in CPCAs. However four new CPCAs (more than 5000 additional hectares) were included in the programme during the 2017/18 year, with an associated increase in participants from the previous 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	<p>Achieved</p> <p>2017: achieved - (new measure)</p>	New terms of reference were drafted for approval by council at the meeting in December, as the implementation phase of these groups is requiring more flexibility with attendance and membership.

1.1.4 Promote community engagement.

Number of collaborative community engagement groups.	Maintain/increase	74 - achieved 2017: 70 - achieved 2016: 69 (baseline established)	74 groups were regularly engaged with to achieve a shared goal, with the addition of new groups for Civil Defence Emergency Management, Asian paddle crab response, and CoastCare.
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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	2018 Result	Commentary
Percentage of funding allocated that complies with the council's agreed allocation criteria.	100%	100% - achieved 2017: 100% - achieved 2016: 100%	All funding allocated in accordance with criteria.

Community representation and engagement funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2016/17 \$000	Long Term Plan 2017/18 \$000	Actual 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	45
Targeted rates (other than targeted water rates)	2,979	3,040	3,054
Subsidies and grants for operating purposes	-	-	35
Fees, charges, and targeted rates for water supply	60	60	51
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	3,039	3,100	3,185
Applications of operating funding			
Payments to staff and suppliers	3,779	3,701	4,058
Finance costs	-	-	-
Internal charges and overheads applied	681	692	590
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	4,460	4,393	4,648
Surplus/(deficit) of operating funding	(1,421)	(1,293)	(1,463)
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	-	-	40
to replace existing assets	-	-	9
Increase/(decrease) in reserves	-	-	(14)
Increase/(decrease) of investments	(1,421)	(1,293)	(1,498)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(1,421)	(1,293)	(1,463)
Surplus/(deficit) of capital funding	1,421	1,293	1,463
FUNDING BALANCE	-	-	-

Major variances compared to Year 3 (2017/18) of the Long Term Plan 2015-2025

Operating Funding

Operating funding is \$85k more than the long term plan predominantly due to:

- Higher rates collected than in long term plan.
- Te Hiku beach board funding fully offset by expenditure on the beach board activity.

Application of Operational Funding

Application of operating funding is \$255k more than the long term plan predominantly due to:

- Higher internal salary charges due to increased activity.
- More labour costs attributed to this activity than planned.
- Te Hiku beach board expenditure.

Resource and catchment management

Whakahaere a rawa me ngā whaitua

This function includes the following activities:

- Consents – providing consents advice and processing resource consents.
- Environmental monitoring – collecting data to assess the state of the environment and monitor effectiveness of plans.
- Compliance monitoring and enforcement – monitoring and enforcing resource consent conditions or regional plan rules, and responding to complaints of alleged breaches.
- Planning and policy – reviewing and developing regional plans, policies and strategies that support efficient and effective management of Northland's natural and physical resources.
- Land management – promoting sustainable land management practices.
- Biodiversity – maintaining the variety of Northland's indigenous life forms.
- Biosecurity – control and eradication of plant, animal, and marine pests, to minimise their adverse effects on the region's biodiversity, primary production, economy and environment.

Why we do these activities

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.

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 adverse effects and allocate resources efficiently while ensuring environmental outcomes and the needs and values of Northlanders are met.

Contribution to council outcomes

The community 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

This year we processed 707 of 708 resource consents within statutory time-frames, exceeding our 98% target.

Managing resource consent activities often involves balancing the merits of competing environmental and community outcomes. The low proportion of consents appealed to the Environment Court indicates the community's satisfaction with council's decision-making. All appeals on the merits of council consent decisions were resolved through mediation during the year, without requiring court hearings.

Environmental monitoring

Our monitoring and research this year included:

- Broadscale habitat mapping within Ruakaka estuary, identifying the extent of the estuary's vegetation types, shellfish beds and sediment types;
- Sediment and turbidity monitoring in the Whangārei Harbour catchment;
- Biannual measurement of sediment plates at our core estuary monitoring sites;
- Sediment sampling at 32 sites within Whangārei Harbour and Bay of Islands;

- Routine water quality sampling in Bay of Islands, Whangārei, and Kaipara harbours and Mangawhai, Waipu, and Ruakaka estuaries;
- On-water marine pollution (vessel sewage) patrols at key harbours during the holiday season;
- Clean-up and audit of rubbish collected on the foreshore along the Hātea River loop;
- Regular fresh water quality monitoring at 94 river and lake sites;
- Regular coastal water quality monitoring at 51 coastal sites;
- Monitoring water quality at 60 popular swimming sites during summer;
- Monitoring 11 river sites to identify sources of faecal contamination;
- Recording water level in 27 lakes - Kai Iwi lakes and lakes on the Poutō and Aupouri peninsulas;
- Ongoing groundwater investigation in the Kai Iwi Lakes catchment;
- Continuous monitoring of three airsheds and short term monitoring at 10 sites beside unsealed roads during summer;
- Regular updating of our regional water quality and air quality networks data on the LAWA website www.lawa.org.nz/explore-data/northland-region.

Compliance monitoring and enforcement

Compliance monitoring is undertaken to ensure compliance with regional plan rules and resource consent conditions, which are imposed to provide for desired community and environmental outcomes. Council works collaboratively to maximise compliance and improve environmental performance, although formal enforcement action is sometimes taken to compel compliance.

In the 2017/18 year, council monitored 5783 active resource consents. About 4% of these were significantly non-compliant, which is well below the council's target of less than 15%. Monitoring of 230 farm dairy effluent discharges to land resulted in a significant non-compliance rate of 22.6%. This means the target of less than 15% was not achieved, although the result was 3% better than the year before.

Our 24/7 Environmental Hotline received 1052 calls during the year and more than 80% of incidents with more than minor environmental effects were resolved within 30 working days.

Planning and policy

The key focus of our work this year has been on progressing a new regional plan for Northland.

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. These set out the rules and policy for managing Northland's water, soil, air and coastal marine area. Following a review of all three plans, council decided to develop a new combined regional plan to replace them. This new regional plan will implement a range of national and regional policies.

Following feedback on the draft regional plan (during August – September 2016) council notified the Proposed Regional Plan in September 2017. This provided an opportunity for people to have their say through submissions. We expect to release council decisions in early 2019, following completion of a lengthy hearings process.

The council finalised Catchment Management Plans for the Doubtless Bay, Waitangi, Mangere, Whangārei Harbour and Poutō catchments. These documents were developed collaboratively by groups made up of representatives of tangata whenua, key resource users such as the farming and forestry sectors, and groups with recreational and environmental interests. The catchment plans focus on fresh and coastal water management, set out catchment-specific objectives and implementation measures, and include rules that are included in the Proposed Regional Plan.

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

The Regional Policy Statement

The Regional Policy Statement was made fully operative in May 2018, following resolution of outstanding matters relating to genetically modified organisms.

Implementation of the National Policy Statement for Freshwater Management

The National Policy Statement for Freshwater Management (NPSFM) requires council to deliver on the statement's requirements by 2025. Council revised its programme to implement the National Policy Statement for Freshwater Management (NPSFM) in March 2018 - See www.nrc.govt.nz/NPSfreshwaterprogramme

Implementation progress to date:

- Provisions on water quantity have been incorporated in the Proposed Regional Plan. These include water quantity management units and associated limits for rivers and lakes, rules on water takes and discharges, identification and management of outstanding freshwater bodies, policies and rules to protect wetlands, and rules to

exclude livestock from specified water bodies.
Note: due to changes to the NPSFM in August 2017, council has deferred implementation of many of the water quality related requirements until around 2021;

- Draft regional targets for improving water quality for swimming in accordance with NPSFM policy have been set with the Ministry for the Environment;
- Lake management plans developed for high value dune lakes.

Waiora Northland Water

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

Land management

The key focus of the land management team is to promote improved water quality and soil conservation through sustainable land management practices. The team works closely with landowners, community groups, industry sectors and catchment groups, providing advice and funding grants for water quality, soil conservation and biodiversity projects through farm and catchment management.

There were 152 farm plans covering 28,617 hectares completed by the team this reporting period. In total 660 farm plans have been completed since the project commenced in 2013.

The promotion of work to improve water quality and erosion management is supported by the council's Environment Fund which contributed to 172 successful wetland, lake and farm water quality projects, providing a total of \$711,109 of funding grants to Northland landowners.

As part of the team's focus on soil conservation, 8600 poplar and willow poles were supplied to 117 landowners who had received erosion control advice via soil conservation or water quality improvement plans in 2017. A further 7000 poplar and willow poles were supplied in July 2018, to 123 projects across the three districts. Most of these poles were harvested from the council's Flyger Road poplar and willow nursery.

Northland Regional Council is a major partner of the Extension 350 project, along with funding partners Ministry for Primary Industries (MPI) and industry sectors (DairyNZ and Beef and Lamb). The project aims to reach a total of 350 (50 mentor farmers, 50 target farmers and 250 associated farmers) of Northland's 2000 pastoral farmers.

Successful bids for further funding through MPI and the Ministry for the Environment (MFE) has allowed the team to focus on specific areas more closely. Two examples of this funding are:

Kaipara hill country erosion project

This project was allocated \$666,000 from MPI in 2015 and continues until 2019, providing tailored advice to landowners on highly erodible land within the Kaipara catchment.

Farm plans were completed for 54 hill country-focused farms covering nearly 16,000 hectares of erosion-prone land. The landowners received \$361,490 from council's Environment Fund for fencing, planting and retiring steep land.

Upper Hātea catchment Ministry for the Environment Community Environment Fund water quality improvement project

This project was allocated \$258,000 from MFE for three years from March 2017 to supplement a council contribution of \$150,000 to improve water quality at Otuihau / Whangārei Falls. Most of this project concentrates on fencing livestock out of waterways and planting riparian margins. There is strong community involvement, with partners including Whangārei District Council, Northland District Health Board, Pehiaweri Marae, Whitebait Connection and Tiki Pride.

Biodiversity

The council has been working actively to protect and enhance biodiversity and has entered into a memorandum of understanding with the Department of Conservation on shared initiatives regarding biodiversity, biosecurity and water.

CoastCare

Biodiversity staff work with CoastCare groups all over Northland to achieve protection and enhancement of dunes for ecological cultural and amenity values as well as erosion control. This work included:

- Supporting 32 CoastCare groups;
- Working with 923 CoastCare volunteers;
- Provided advice and planting plans for dune restoration projects;
- Providing/planting 11,946 plants at 14 sites;
- Participating in the CoastCare/Enviroschools Seaweed Beach Clean-up initiative involving around 2085 people from 56 groups.

Wetlands and lakes

Biodiversity staff have worked in partnership with land owners, community groups and iwi to achieve the fencing and protection of 21 wetlands and lakes including three wetlands recognised amongst Northland's best. Staff worked with DOC and iwi in the Far North to tackle Northland's only population of gypsywort, a serious wetland weed. We hope to achieve eradication of this plant.

The Lakes Annual Ecological Survey was undertaken for 12 lakes with NIWA. Iwi accompanied the survey team to many of the lakes. Annual weed surveillance was carried out in five public access lakes and Lake Ngakapua was declared free of lagarosiphon oxygen weed after a full diver search. The Northland Dune Lakes Freshwater Improvement Fund Project (2018-2022), partly funded by MfE, began delivery work in the second half of the year, including a freshwater pests mailout survey to landowners around waterbodies larger than 0.5 ha.

Biodiversity staff co-ordinated and ran the annual 'Check, Clean, Dry' programme funded by MPI through the Biosecurity Department. This educational programme aims to prevent the spread of freshwater pests via human activities in lakes, rivers and wetlands.

Biosecurity

We have been actively involved in supporting new community pest control groups, marine pest activities and response work regarding myrtle rust, a new plant disease affecting pohutukawa and other members of the myrtaceae family. In addition we assisted MPI with the management of the cattle disease *Mycoplasma Bovis*

Along with the major work programmes outlined below, we:

- Distributed \$128,000 from the Environment Fund for 55 projects to manage animal and plant pests.
- Helped train more than 100 students across Northland through the Enviroschools 'Project Possum' programme.
- Used social media to reach more than 132,000 people during Biosecurity Month.

Marine biosecurity

There were 2000 vessels checked for marine pests through Northland's marine biosecurity hull surveillance programme. Of the 151 marine pest incidents recorded during the year, 50% were styela clava incursions. Mediterranean fanworm is still restricted to Whangārei Harbour with the remaining 14 harbours in Northland fanworm free. Surveillance

was carried out in response to high risk infested vessels in Whangaroa, Tapu point, Matauwhi Bay and Tutukaka marina. Structure and seafloor searches found no fanworm. Subsequent to the reporting period for this Annual Report 2017/18, fanworm was also found in Opuā, and a council and MPI response to this new incursion, aimed at eradication, is underway.

A new Marine Pathways Management Plan has been adopted by council which sets out rules for acceptable levels of bio-fouling when travelling between harbours. We have also collaborated with several other regional councils to propose an inter-regional pathways plan. Work to progress a discussion document concerning this initiative is continuing.

Review of the Northland Pest Management Strategies

The aims of the review were 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.

Biosecurity partnerships

Council continues to build and develop biosecurity partnerships with Northland communities, iwi, agencies and other stakeholders to support community-led pest control initiatives. These partnerships support integrated pest management programmes and include successful initiatives such as Community Pest Control Programmes (CPCA), Biosecurity Environment Fund (Biofund), High Value Areas and Significant Biosecurity Partnerships with organisations like the Kiwi Coast Trust and Reconnecting Northland. There are now 60 CPCAs in Northland, totalling more than 82,800 hectares.

Weeds

More than 530 people attended weed awareness workshops throughout the region last year. Some of these were held as part of the Enviroschools programme and the council-led Wai-Restoration programme.

There has been a steady decline in the number of fruiting batwing passionflower plants in the known areas around Whangārei and Kerikeri. Many sites are still being monitored with no plants found, although the seed is long lived and several more years of survey work are needed to confirm eradication. No Mexican feather grass has been found in sites designated as 'eradicated' and no field horsetail has been found at the one known site. Many other pest plant species are decreasing at all surveyed sites.

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 continues to contribute to the Kauri Dieback Programme and is undertaking activities on the ground including soil sampling, risk assessments, developing management plans, assisting with fencing applications, workshops and education, and supporting communities to manage and contain the disease. Aerial surveillance has been undertaken during 2017/18 in an attempt to locate areas where the disease may be present in Northland. More than 300 sites have been identified that require further follow up (ground truthing) to determine if Kauri Dieback is present in the soil.

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 risk of aquatic pest introduction, which could have a major 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 fish pests

Freshwater pest fish are an escalating threat in Northland. Staff have identified more than 20 historic records of pest fish releases in Northland, including two references to releases of Orfe in the Kaipara/Kaiwaka area. Orfe were thought to have been released only in the Auckland area and subsequently eradicated from the country. It will be a significant discovery if Orfe are found to persist still in Northland. It is suspected that at one site Orfe may have interbred with koi carp and staff aim to retrieve samples for DNA testing this summer.

Turtle sightings continue to multiply in Northland and two turtles have been handed in, including a rare and injured Reeves turtle. They have both been re-homed and there are currently four active turtle sites within the Northland region that require further survey using a purpose-built turtle trap.

Performance measures and targets - Resource and catchment management

Consents activity

2.1.1 Efficient and effective processing and administering of resource consents.

Performance measure	Target	2018 Result	Commentary
Percentage of all resource consent applications that are processed within the statutory timeframes.	At least 98%	99.9% - achieved 2017: 100% - achieved 2016: 100% 2015: 99.7% 2014: 100%	707 of 708 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.

Monitoring

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

Performance measure	Target	2018 Result	Commentary
Percentage of significant non-compliance events for all annually monitored resource consents.	Less than 15% of monitoring events	3.79% - achieved 2017: 3.04% - achieved 2016: 4.71% 2015: 7% 2014: 8%	This indicator only measures the compliance with resource consents that affect water quality. Overall significant non-compliance was less than 15%. 219 significant non-compliance events were recorded from a total 5783 monitoring events.
Percentage of significant non-compliance events for permitted farm dairy effluent activities monitored for the year.	Less than 15% of monitoring events	22.6% - not achieved 2017: 25.2% - not achieved 2016: 17.32% 2015: 26%	Although the target was not achieved, it was a slight improvement on the last reporting period. This target is dependent on landowner behaviour which is influenced by Council activities as well as other factors.

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

2014: 29%

2.2.2 Efficient and effective compliance monitoring of resource consents.⁽¹⁾

Performance measure	Target	2018 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%	92.7% - not achieved 2017: 92% - not achieved 2016: 100%	Of the 1134 major consents, there were 83 which were not monitored as per the 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%	82.7% - achieved 2017: 89% - achieved 2016: 98.26%	A total of 2655 individual monitoring events were required, and 339 were not monitored as per the monitoring programme.
Percentage of occasions that appropriate action is taken to rectify significant non-compliances.	100%	99.3% - not achieved 2017: 97.71% - not achieved 2016: 100% - achieved 2015: 99.6% 2014: 96%	Two of 276 significant non-compliant monitoring events had not had formal follow-up action taken. These events both occurred late in the reporting period and are in the process of being followed-up.

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	2018 Result	Commentary
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2.2.3 Efficient and effective response to and resolution of reported environmental incidents.

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%	83.7% - achieved 2017: 80.9% - achieved 2016: 88.68% 2015: 85% 2014: 89%	Of the 49 incidents that had more than minor environmental effects, eight of them took more than 30 working days to resolve.
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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	2018 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 2017: 100% - achieved 2016: 100% - achieved 2015: achieved ⁽¹⁾	Monitoring to determine the water quality of popular swimming sites was carried out weekly during the peak summer season and was completed on 6 March 2018.
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 2017: 100% - achieved 2016: 100% - achieved 2015: achieved ⁽²⁾	Monitoring to determine the water quality of popular shellfish collection sites was carried out weekly and completed on 6 March 2018.
Percentage of times the above monitoring is published on the council's website (or LAWA website) within five working days.	100%	100% - achieved 2017: 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.

2.2.6 Monitoring water quality for swimming and shellfish collection.

2016: 100% - achieved

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	2018 Result	Commentary
Frequency of monitoring the macroinvertebrate community index (MCI) at 10 regionally representative sites.	Annually	Achieved 2017: achieved 2016: achieved 2015: annual monitoring achieved ⁽¹⁾ 2014: annual monitoring achieved ⁽²⁾	Macroinvertebrate communities in waterbodies are a good indicator of stream health. Annual macroinvertebrate monitoring was carried out at 10 regionally representative sites: Waiarohia at Whau Valley; Victoria at Victoria Valley Road; Waitangi at Wakelins; Whakapara at Cableway; Mangere at Knight Rd; Opouteke at Suspension Bridge; Punakitere at Taheke Recorder; Manganui at Mititai Rd; Kaihu at Gorge, and Waipoua at SH12. The sampling was undertaken during the summer months and results were received in July 2018.

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	2018 Result	Commentary
Percentage of airsheds meeting the national environmental standards.	100%	100% - achieved 2017: 100% - achieved 2016: 100% 2015: 100% 2014: 100%	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 airsheds 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	2018 Result	Commentary
Number of Environment Fund applications granted annually.	Maintain or increase	226 - achieved 2017: 218 - achieved 2016: 181 2015: 181 2014: 203	Environment Fund grants are provided to landowners to assist activities undertaken by the landowners to achieve improved sustainable land management. Lower funds were made available in the reporting period, however 226 applications were granted, including those through the biosecurity biofund.
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	152 - achieved 2017: 114 - achieved 2016: 108 2015: 80 2014: 140	A total of 152 farm water quality improvement plans were produced.
Number of wetland (including Top 150 Wetland) enhancement and protection projects funded via the Environment Fund annually.	Maintain or increase	21.8 - achieved 2017: 21 - achieved 2016: 12 - baseline established	This comprises Environment Fund applications (or proportion of application by cost) that promoted the protection and enhancement of wetlands. 21.8 wetland projects (or parts of projects) were funded via the Environment Fund.
Number of soil conservation projects funded via the Environment Fund annually.	Maintain or increase	125 - achieved 2017: 117 - achieved 2016: 84.5 - baseline established	This comprises projects that require poplar and willow supply, and Environment Fund applications (or proportion of application by cost) required for soil conservation projects. A total of 125 soil conservation projects were funded via the Environment Fund.

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	2018 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>	<p>National Policy Statement for Freshwater Management (NPS Freshwater) implementation programme is notified.</p>	<p>Achieved</p> <p>2017: achieved</p> <p>2016: achieved</p>	<p>Following the close of submissions and further submissions on the Proposed Regional Plan, council released its Section 42A report (staff recommendations) on 5 July 2018. Hearings are scheduled for 28 August 2018. The Regional Policy Statement was made fully operative on 14 June 2018 (following Environment Court decision on GMO provisions). Council also reviewed and notified a revised NPS Freshwater Implementation Plan and draft regional swimming water quality targets in March 2018 to reflect the August 2017 changes to the NPS Freshwater.</p>

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	2018 Result	Commentary
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2.5.3 Promoting community involvement in pest management.

<p>Increase in hectares of land under Community Pest Control Area plans per annum.</p>	<p>Increase by 2,500 hectares per annum</p>	<p>82, 812 ha - achieved</p> <p>2017: 76,849 ha - achieved</p> <p>2016: 60,050 total hectares - achieved</p> <p>2015: 56,801 total hectares</p> <p>2014: 49,834 hectares</p>	<p>Expanding areas under Community Pest Control Area plans contributes positively to the region's economy, environment and culture. In total an additional 5963 hectares of land was added to Community Pest Control Area plans during the reporting period. This includes:</p> <ul style="list-style-type: none"> ● Bream Tail farm CPCA (458.6ha) ● The Sanctuary CPCA (177.0ha) ● Kerikeri Peninsula CPCA (503.7ha) ● Whananaki CPCA (4824.0ha)
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Resource and catchment management funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2016/17 \$000	Long Term Plan 2017/18 \$000	Actual 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	136
Targeted rates (other than targeted water rates)	9,099	9,368	8,982
Subsidies and grants for operating purposes	-	-	751
Fees, charges, and targeted rates for water supply	2,256	2,310	2,699
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	11,355	11,678	12,568
Applications of operating funding			
Payments to staff and suppliers	10,412	10,857	11,185
Finance costs	-	-	-
Internal charges and overheads applied	4,402	4,473	4,613
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	14,814	15,330	15,798
Surplus/(deficit) of operating funding	(3,459)	(3,652)	(3,230)
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	36	-	146
to replace existing assets	63	8	11
Increase/(decrease) in reserves	(155)	(155)	(284)
Increase/(decrease) of investments	(3,403)	(3,505)	(3,103)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(3,459)	(3,652)	(3,230)
Surplus/(deficit) of capital funding	3,459	3,652	3,230
FUNDING BALANCE	-	-	-

Major variances compared to Year 3 (2017/18) of the Long Term Plan 2015-2025

Operating Funding

Operating funding is \$890k more than the long term plan predominantly due to:

- Ministry for Primary Industries grants for the Kaipara Hill Country Erosion project. This is offset by additional costs incurred.
- Ministry for the Environment grants for the Kaipara Harbour Sediment Study project. This is offset by additional costs incurred.
- Freshwater Improvement Fund grants offsetting additional costs incurred.
- Higher than in the long term plan consent application and management fees.

Application of Operational Funding

Application of operating funding is \$468k more than the long term plan predominantly due to:

- Expenditure for the Kaipara Hill Country Erosion project not in the long term plan
- Expenditure for the Kaipara Harbour Sediment Study project not in the long term plan
- More environment fund payments funded from additional land management reserve movements.
- Increased pest control activity including the work relating to the Whangarei Heads Pest Control targeted rate.
- Increased costs legal, consultant, and hearings costs relating to resource consent applications.

Capital Expenditure

Capital expenditure funding is \$149k more than the long term plan predominantly due to:

- The upgrade of council's poplar nursery.

River management

Whakahaere a Awa

This group of activities includes:

- River management and hydrology – 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. River maintenance and new river works are managed with sustainability of the environment as a primary objective. Examples include 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 its 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 reduce the flood risk to Kaitiāia and Awanui through a review of the Awanui River flood 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. The review included assessment of the current levels of service provided by the flood scheme, and identification of particular issues that require addressing, and options for related scheme upgrades.

In the 2017/18 year, maintenance of the scheme assets was undertaken as agreed through consultation with the Awanui River Working Group and guided by the scheme asset management plan. All annual maintenance works were completed, including continuation of channel maintenance and stopbank optimisation works along the lower Awanui River. Scheduled repairs along the coastal stopbank and maintenance of scheme flood gates were completed as planned. Bell's Hill Slip remediation, including a benching option to reduce the risk of flooding to Kaitiāia, is underway. LiDAR capture for the Awanui catchment has been completed and incorporated in the model upgrade and detailed design for Bell's Hill remediation work.

Slip repair work utilising rock stabilisation near Matilda Place upstream of Matthews Park was completed.

Kaeo River scheme

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

The Hopua te Nihotetea detention dam has operated in line with expectations and was tested by two small flood events during the year. Annual deformation monitoring and dam safety monitoring of the dam structure, including spillways, has been completed in line with operation and maintenance plans.

A range of minor stream maintenance works were completed including fallen tree removal and gravel accumulation.

Kerikeri-Waipapa rivers flood management scheme

Maintenance was undertaken on the Kerikeri River consisting of fallen tree removal, mulching and weed spraying.

Kaihū River scheme

The annual channel maintenance and rice grass spraying programme was completed on the Kaihū River.

River working groups

River or flood management working group committees have been established for each of the river or flood management schemes that council undertakes. The role of the working group committees is to advise and make recommendations to council on matters pertaining to the development and implementation of flood mitigation options. In addition to the committees that have been established for those schemes discussed above, there are committees for the Ruākakā and Taumārere catchments.

Other works and maintenance

Twenty-six 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 near houses or roading infrastructure.

Performance measures and targets – River management

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

Performance measure	Target	2018 Result	Commentary
Number of failures of flood protection system for the Awanui, Whangārei, and Kaeo schemes, below specified design levels.	Zero failures	<p>Zero failures - achieved</p> <p>2017: zero failures - achieved</p> <p>2016: zero failures</p> <p>2015: zero failures</p> <p>2014: zero failures</p>	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 the Awanui, Whangārei, and Kaeo 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	2018 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	<p>100% - achieved</p> <p>2017: 100% - achieved</p> <p>2016: 100%</p> <p>2015: 100%</p> <p>2014: 100% for river channel maintenance works</p>	The flood protection work programme for Kaitāia is developed by council and the Awanui River Working Group annually, and all work is carried out in accordance with this. All scheduled works for 2017/2018 were completed.
Number of failures of the Awanui flood protection scheme below specified design levels.	Zero failures	<p>Zero failures - achieved</p> <p>2017: zero failures - achieved</p> <p>2016: zero failures</p> <p>2015: zero failures</p>	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.

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

		2014: zero failures	
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 2017: achieved 2016: Achieved 2015:100% 2014: 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. Scheduled maintenance work completed on Matilda Place Stopbank as reported to the Awanui River Working Group
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 2017: 100% - achieved 2016: 100% - achieved 2015: 100% 2014: 100%	The maintenance programme for floodgates and stopbanks is included as part of the work programme for the scheme. Renewals were undertaken as determined in conjunction with the Awanui River Management Liaison Committee.

3.1.1.2 Providing flood protection and control works for urban Whangārei.

Performance measure	Target	2018 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 2017: 100% - achieved 2016: 100% 2015: 100% 2014: 100%	The flood protection work programme for urban Whangārei is developed by council and the Urban Whangārei Rivers Working Group annually, and all work was carried out in accordance with this.

3.1.1.2 Providing flood protection and control works for urban Whangārei.

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 2017: 100% - achieved 2016: 100%	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 failures - achieved 2017: zero - achieved 2016: zero	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. No failures have occurred.

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

Performance measure	Target	2018 Result	Commentary
Percentage of the programmed minor flood control works for other rivers implemented in accordance with the approved annual budgets.	100%	100% - achieved 2017: 100% - achieved 2016: 100% 2015: 86% 2014: 100%	An annual work programme and budget is established for minor flood control works, through which work is prioritised, implemented and monitored. All priority works identified in 2017/18 were completed.

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	2018 Result	Commentary
Percentage of time that flood level monitoring is accurate to enable flood warnings to be developed.	100%	100% - achieved 2017: 100% - achieved 2016: 100% 2015: 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 2016/17 \$000	Long Term Plan 2017/18 \$000	Actual 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	45
Targeted rates (other than targeted water rates)	3,652	3,694	3,298
Subsidies and grants for operating purposes	-	-	4
Fees, charges, and targeted rates for water supply	-	-	7
Internal charges and overheads recovered	-	-	28
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	38
TOTAL OPERATING FUNDING	3,652	3,694	3,420
Applications of operating funding			
Payments to staff and suppliers	2,208	2,221	2,557
Finance costs	793	753	389
Internal charges and overheads applied	642	653	760
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	3,643	3,627	3,706
Surplus/(deficit) of operating funding	9	67	(286)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	4,731
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	4,731
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	62	26	344
to replace existing assets	103	101	115
Increase/(decrease) in reserves	472	523	232
Increase/(decrease) of investments	(628)	(583)	3,754
TOTAL APPLICATIONS OF CAPITAL FUNDING	9	67	4,445
Surplus/(deficit) of capital funding	(9)	(67)	286
FUNDING BALANCE	-	-	-

Major Variances compared to Year 3 (2017/18) of the Long Term Plan 2015-2025

Operating Funding

Operating funding is \$274k less than the long term plan predominantly due to:

- Reduced Targeted River rates than long term plan due to the lower cost of utilising external borrowing and the discontinuation of the Kerikeri River Rat.

Application of Operational Funding

Application of operating funding is \$79k more than the long term plan predominantly due to:

- Professional and legal fees for the Kerikeri river spillway reclassified from capital expenditure, partially offset by
- Lower cost associated with borrowing for infrastructure.

Sources of Capital Funding

Sources of capital funding is \$4,731k more than the long term plan predominantly due to:

- Additional external borrowings for flood infrastructure projects eliminating internal borrowing.

Capital Expenditure

Capital Expenditure is \$332k more than the long term plan predominantly due to:

- Additional Awanui River capital expenditure
- Work on the Awanui River flood scheme emergency preparedness project.

Hazard management

Whakahaere a Haumaruru

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.
- 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 risk reduction, readiness, response and recovery allows for the 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 of these hazards on life, property and the quality of the environment. The council is tasked 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 for 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 community 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 identify, promote or invest in regionally significant infrastructure.

What we did

Oil pollution response

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 (ROSC) coverage. A new tier 2 plan was produced and published. The regional harbourmaster transferred the designated ROSC role to the marine manager while remaining an alternative ROSC. This will allow better use of resources should an incident involve shipping and navigational issues.

Many of the region's oil spill responders were provided with 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.

A Marsden Point response plan has been developed with key stakeholders, enabling an improved collaborative approach to carrying out a fast response for any large oil spill at Marsden Point. This plan is now operational.

Work has 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 funded by Maritime NZ. Several council staff attended a three-day national response exercise in Auckland. Regional exercises were completed as planned. Iwi representatives are invited to all exercises. Exercises and responses are funded by the oil spill fund unless the spiller is identified.

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

Natural hazard management

Final mapping of 31 coastal erosion sites and 63 coastal flood hazard sites located around Northland have now been released. This information (mapped coastal hazards) was provided on council's website GIS (electronic maps) in early 2018. Feedback received from affected landowners on the maps was used to refine the mapping. An additional area of coastal flood hazard mapping was completed along the north shore of the Whangārei harbour during this reporting period, and the coastal flood hazard mapping for the Marsden Point and Marsden Cove areas were updated. We also completed a river flood hazard mapping project for the Waipu and Paparoa catchments, with the mapping due to be released in late 2018. River flood hazard maps for the Kaihu and Awakino catchments draining to Dargaville were updated to allow for 1.0m of sea level rise.

We again completed beach profile monitoring to detect changes in shore profile at priority sites during summer and winter. Staff trialled the use of drones to undertake photogrammetry surveys to complement beach profile surveys. 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 adjacent to the coast as well as informing coastal erosion hazard assessments.

A region-wide LiDAR topographic data capture project started in January. As at the end of the reporting year, 5% of the region had been captured, including the area in and around the Awanui catchment. This new survey is already being used to update the Awanui

flood model. The LiDAR survey is being undertaken by RPS consultants NZ Ltd, and co-financed as a shared service by all four Northland councils alongside central government agencies and one private sector partner. LiDAR survey has many applications for both private and public sectors, and is especially useful for mapping purposes.

Civil Defence Emergency Management

The Northland Civil Defence Emergency Management Group carried out an independent review to evaluate the efficiency and effectiveness of the CDEM arrangements and structures across the four constituent councils and to identify opportunities for improvement. Strengths, weaknesses and opportunities for improvement in service delivery were identified.

Three key recommendations were identified, including to review the representation on the CDEM and CEG with a view to ensuring that the appropriate level of commitment and seniority sits on the two groups. Secondly, that the delivery of CDEM services across the four contributing councils be through a fully integrated strengthened shared service model and, thirdly, that funding for the integrated strengthened shared service model be from a regionally set rate to cover all direct CDEM costs.

Following on from the report the four councils fully implemented the strengthened shared services arrangements, reviewed the representation and are considering the funding arrangements.

Central government has continued its support of new initiatives in Northland by providing funding through the Ministry for Civil Defence & Emergency Management's National Resilience Fund for a second year to finalise the outcomes of tools and resources to support welfare response. This project was led by the Welfare Coordination Group Chair, Ms Claire Nyberg, who received a Ministerial award for the contribution she made to welfare at local, regional and national levels.

Central government also appointed a Technical Advisory Group to carry out a high-level review of CDEM responses in New Zealand. The review report made 42 recommendations, which are now being considered. Strengthening regional delivery of CDEM was amongst the recommendations.

Community response plans continue to be a high priority for the Northland CDEM Group with 57 communities now having individually tailored response plans for their communities, and 12 plans having been updated or reviewed. Most of these plans are available through electronic media.

A further 24 tsunami sirens were added to the Northland tsunami siren network along with 36 tsunami information boards placed in coastal areas to provide information about tsunami hazards and inundation mapping zones. Indoor tsunami sirens have also been developed and made available to the public.

We were again proud to be involved with the Youth in Emergency Services programme run in Mangonui this year. This programme continues to be an outstanding success and this year 15 young people were 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 Far North District Council. Funding for this programme has come from central government and further programmes are anticipated in coming years.

The annual Civil Defence Emergency Management Group Forum in Whangārei in May 2017 was attended by more than 220 representatives from a broad cross-section of the civil defence community.

Performance measures and targets - Hazard management

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	2018 Result	Commentary
Percentage of time that accurate flood warnings are issued.	100%	Not applicable 2017: n/a 2016: n/a 2015: 100% 2014: 100%	There were 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 2017: n/a 2016: n/a	There were no storm events of regional significance in this reporting period.

4.1.3 Maintaining an effective civil defence emergency management system.

Performance measure	Target	2018 Result	Commentary
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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.

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 2017: n/a 2016: n/a 2015: 100% 2014: n/a	There were no events that required the activation of an emergency operations centre in this reporting period.
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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	2018 Result	Commentary
Time taken to update flood level monitoring at priority rivers following every large flood event.	Within one month of a large flood event.	Not applicable 2017: n/a 2016: n/a 2015: achieved 2014: achieved	There were no large flood events that required updated flood level monitoring in this reporting period.
Frequency with which priority beach profile sites updated.	Biennially	Achieved 2017: achieved 2016: achieved 2015: achieved 2014: achieved	All priority beach sites surveyed and data entered as required.

Oil pollution response

4.3.1 Maintaining an efficient and responsive oil pollution response.

Performance measure	Target	2018 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>100% - achieved</p> <p>2017: 100% - achieved</p> <p>2016: 100%</p> <p>2015: 100%</p> <p>2014: 100%</p>	No significant spills were identified.

Hazard management funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2016/17 \$000	Long Term Plan 2017/18 \$000	Actual 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	19
Targeted rates (other than targeted water rates)	903	930	1,213
Subsidies and grants for operating purposes	72	73	275
Fees, charges, and targeted rates for water supply	209	214	2
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	12	12	6
TOTAL OPERATING FUNDING	1,196	1,229	1,515
Applications of operating funding			
Payments to staff and suppliers	1,236	1,264	1,312
Finance costs	-	-	-
Internal charges and overheads applied	466	473	645
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	1,702	1,737	1,957
Surplus/(deficit) of operating funding	(506)	(508)	(442)
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)	(100)	(120)
Increase/(decrease) of investments	(406)	(408)	(322)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(506)	(508)	(442)
Surplus/(deficit) of capital funding	506	508	442
FUNDING BALANCE	-	-	-

Major variances compared to Year 3 (2017/18) of the Long Term Plan 2015-2025

Operational Funding

Operating funding is \$286k more than the long term plan predominantly due to:

- Higher land management rates than the long term plan.

Application of Operational Funding

Application of operating funding is \$220k more than the long term plan predominantly due to:

- Higher levels of staff attracting more internal overhead allocations
- Higher internal salary charges due to increased activity.

Economic development

Whanaketanga Ohanga

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. The government has committed to investing \$3 billion over three years through the Provincial Growth Fund (PGF) to lift productivity in the provinces. As a regional authority, the council makes a significant contribution to the economic development of Northland by delivering on its core functions - such as environmental management and infrastructure development (e.g. flood protection). Furthermore, our council has committed to internal business improvement projects to ensure a business-friendly environment that is not perceived as a barrier to doing business.

In addition to these, council considers it is in a position to commit additional resources to specific economic development activities with the goal of lifting the economic performance of 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.

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 (IGR). Northland Inc. Ltd, the region's economic development agency, is Northland Regional Council's council-controlled organisation (CCO). Detailed reporting on the activities of Northland Inc. Ltd is set out in 'Section five: CCO's and Subsidiaries || Wāhanga tuarima: CCOs me nga Kamupene'.

In 2011/12 the council began a process of redirecting some of its investment income away from funding operations (and subsidising rates) to provide funding for the IGR that is then allocated to economic development projects. Projects are sourced through Northland Inc. Ltd and assessed against specific criteria. Council amended the criteria in February 2018 to, among other things, give delegated authority to Northland Inc. Ltd for the allocation of funding for business case assessments and provide greater clarity about what projects can be funded from the IGR. These changes were made as a result of the findings of the Local Government Act 2002 section 17A review of all local authorities' economic development activities in Northland (undertaken by MartinJenkins in 2017). 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 2017/18, \$1.7M of investment income was redirected into the IGR, and a total of \$1.5M was allocated to projects from the IGR, including:

- \$290,000 for feasibility assessments and/or business case development for nine projects;
- \$500,000 towards the construction of Kawakawa Hundertwasser Park Centre;
- \$100,000 for further investigation of the opportunities to develop new water storage and use options in Northland; and
- \$600,000 over three years to allow Northland Inc. Ltd to carry out additional regional promotion activities.

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.

Council works closely with other Northland councils, Northland Inc. Ltd, central government agencies and private sector stakeholders on a variety of economic development related programmes and projects. During 2017/18, council's work in this area included the following activities:-

- Tai Tokerau Northland Economic Action Plan - development of new reporting measures.
- Northland Walking and Cycling Strategy - coordinated a forum of partners and stakeholders to develop a draft regional strategy to be adopted by council in 2018/19.

- Digital Enablement - lobbied to ensure that Northland obtained its fair share of the Rural Broadband Initiative, Mobile Black Spot and Ultra-Fast Broadband funding.
- New water storage and use - began a process of preparing an application to the Government's Provincial Growth Fund to investigate the opportunities for new viable community- scale water storage and use options in the Kaipara and Mid-North areas.
- Provincial Growth Fund Steering Group - to coordinate and prioritise joint council applications to maximise Provincial Growth Fund gains for the region.

In addition to these contributions, council collated and published four issues of 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 analysis of regional economic growth by district and sector, population projections and traffic flows in the region. 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

Performance measures and targets - Economic development

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

Performance measure	Target	2018 Result	Commentary
The budgeted investment income is transferred into the Investment and Growth Reserve.	Annual transfer of \$1.7 million	Achieved 2017: achieved 2016: \$1.7 million - achieved 2015: \$1.7 million 2014: \$1.7 million	\$1.7 million was transferred from accumulated funds into the Investment and Growth reserve in this reporting period.
Northland Inc. Ltd's level of compliance with its approved Statement of Intent.	To the satisfaction of council - determined by Council meeting October 2018	Not achieved 2017: achieved 2016: not achieved	Northland Inc. achieved 12 of its 14 KPIs. The only KPIs not achieved were the percentage of RBP active companies that are research active, and growth in website traffic.

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 2016/17 \$000	Long Term Plan 2017/18 \$000	Actual 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	21
Targeted rates (other than targeted water rates)	2,119	2,088	1,771
Subsidies and grants for operating purposes	-	-	58
Fees, charges, and targeted rates for water supply	64	66	84
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	4,371	4,545	4,146
TOTAL OPERATING FUNDING	6,554	6,699	6,080
Applications of operating funding			
Payments to staff and suppliers	2,557	2,361	3,488
Finance costs	561	457	271
Internal charges and overheads applied	108	110	205
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	3,225	2,928	3,964
Surplus/(deficit) of operating funding	3,329	3,771	2,116
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	811
Gross proceeds from sale of assets	-	-	7,404
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	8,215
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	-	-	9,936
to replace existing assets	-	-	25
Increase/(decrease) in reserves	(287)	57	598
Increase/(decrease) of investments	3,616	3,714	(228)
TOTAL APPLICATIONS OF CAPITAL FUNDING	3,329	3,771	10,331
Surplus/(deficit) of capital funding	(3,329)	(3,771)	(2,116)
FUNDING BALANCE	-	-	-

Major variances compared to Year 3 (2017/18) of the Long Term Plan 2015-2025

Operational Funding

Operating funding is \$619k less than the long term plan predominantly due to:

- Lower recreational facilities rates due to 2017/18 being the final year of paying off this project
- Lower rental income due to the ongoing review of the commercial property held by council leading to the sale of commercial properties and the investment of proceeds into managed funds. The income from these managed funds is part of the support activity. This is offset by:
- Higher Community Investment Fund gains than in long term plan.

Application of Operational Funding

Application of operating funding is \$1,036k more than the long term plan predominantly due to:

- More Northland Inc. projects than in the long term plan
- Higher costs from increased commercial property investigations including consultant and legal expenditure
- Higher expenditure for the holding of an vacant investment property to be sold.

Sources of Capital Funding

Sources of capital funding is \$8,215k more than the long term plan predominantly due to:

- Proceeds from property sales which are invested in the property reinvestment fund.

Capital Expenditure

Capital Expenditure is \$9,961k more than the long term plan predominantly due to:

- Property investments as a result of the ongoing commercial property holding review.
- Investment in a storage facility for large council equipment not in the long term plan.

Transport

Whakahaere a waka

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 regionally co-ordinated operational and planning role in managing our transportation network and transport services. Our transport network includes both land transport and transport on our harbours. Regional councils are obliged to engage in a range of land transport planning, passenger transport and harbour management activities. Having a regionally co-ordinated 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 people. 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 manages subsidised contracted passenger transport services in Northland. These include the CityLink Service in Whangārei, the Far North Link in the Kaitiāia area, the mid-North Link connecting Kaikohe, Kerikeri and the Bay of Islands, and the Hokianga Link which connects Ōmāpere/Opononi to Kaikohe. Council also manages

the Total Mobility Scheme in Whangārei, which assists people with impairments to become more mobile and active in the community.

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 continues to work with its transportation partners, including district councils, government agencies and the community, on transport planning, passenger transport delivery and road safety.

During the 2017/18 year we:

- Finalised the three-year review of the Regional Land Transport Plan 2015-2021. This was submitted to the NZ Transport Agency in April 2018, and the approved funding levels will be known at the end of August when the National Land Transport Programme is released;
- Continued the review of the Regional Public Transport Plan 2015-2025 to better align it with the New Zealand Transport Agency (NZTA) business case approach;
- Undertook the annual review of the Regional Road Safety Action Plan to ensure it incorporates the latest evidence-based crash statistics, as required by NZTA;

The Northland Transportation Alliance brings together Northland's 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 continued to gain momentum during the 2017/18 period.

The continued increase in the number of fatal and injury-causing vehicle crashes continues to be of concern and reflects both a national and international trend. . The Government Policy Statement 2018 has recognised this as a major issue and has listed road safety as its number one priority. Along with our road safety partners and stakeholders we continue to strive to reduce this figure through evidence-based road safety projects

Passenger transport

The 2017/18 passenger numbers for Whangārei's CityLink public bus service, have once again reflected a decline when compared with previous years. Long awaited improvements to the service were to have been implemented in May 2018 when the new operating contract was to take effect, but for a number of reasons this is now scheduled for late 2018.

The Total Mobility Scheme is operating well in Whangārei. The introduction of RideWise, an integrated electronic system which allows for real time capture (and payment) of journey information, on line eligibility assessment, and access to streamlined, easily auditable reporting, has been of great benefit to both the council, the scheme members and assessing agencies.

The Far North Link service (Kaitāia) continues to provide a valued service in the Far North. In an effort to raise the profile of the service, the timetable was updated to an easier to read format and increased advertising was undertaken.

The Mid-North Link trial service (Kaikohe - Bay of Islands) completes its initial trial period in November 2018. Support for the service varies, and changes (likely to be the removal of weekend services) will be made to the timetable in late 2018.

Hokianga Link continues to be well supported by a core group of residents, and, in the summer months, visitors to the area.

Harbour safety

The Kai Iwi Lakes Navigation Safety Bylaw was completed this year, and came into force on 1 July 2018, with some amendments to the 2017 edition following a second consultation. Infringement regulations will be applied for this year. Infringement regulations have already been applied for the regional

navigational safety bylaws that came into force on 1 August 2017, and should be ready for the next summer season.

The number of booked cruise ships increased to 64 this season. The 'tender' wharf upgrade at Waitangi worked well, allowing improved tendering and more space. However it was a season marked by poor weather, with 6 outright cancellations, an additional 2 where the pilot boarded but the weather was too bad for the vessel to stay, and one where the weather was too bad for the pilot to safely board. One super-yacht visited twice for a few days.

We completed our planned annual maintenance to harbour aids to navigation (AtoN). This work included maintenance, repairs and upgrades to buoys, beacons and signs in Whangārei, Whananaki and Mangonui. Whangārei received an upgrade of new aids to navigation wooden beacons over the whole harbour, with the upper harbour Hātea river beacons removed and replaced with polyethylene buoys. Carrying out these planned works significantly reduces failures of AtoNs, and consequently enhances safety of navigation and reduces the need for future breakdown maintenance. Mangonui now has a marked channel with 5 new channel buoys installed. Routine replacement of batteries and light fittings was also completed as required, with new custom manufactured batteries to replace the poor quality originals. Hokianga buoys and beacons were serviced by a contractor. One of the original steel landmark beacons, Takaka rock, received a complete refurbish which should last many years. A new starboard buoy at the entrance to Tutukaka was installed, following a request from the marina.

The Harbourmaster continued to work closely with Maritime NZ, Northport, Refining NZ, Golden Bay cement and other regional shipping stakeholders to maintain safe and efficient harbour operations in Northland. The Whangārei and Bay of Islands safety management systems (SMS) were audited using the external peer review system set up under a inter-regional code working group. the audit found the systems were functioning well. A new larger cement vessel has commenced operating to Portland, with a number of upgrades to facilities and the channel. In partnership with Northport, a further hydrographic survey of the main channel of Whangārei harbour along with One Tree Point and Parua Bay was completed. Refining NZ has progressed to a consent application for a new channel design to allow deeper draft tankers to visit the refinery.

The Harbourmaster's office also maintained its high standards of maritime incident response throughout the year, dealing with more than 360 incidents in a timely manner. These incidents continued to include a number of derelict vessels that required removal and destruction, minor oil spills, mooring issues and

AtoN failures and navigational safety issues. Two large fishing vessels that were a long running issue were removed and destroyed. Due to the new bylaws an education campaign was used this last summer, especially around the provisions of the new lifejacket rules.

The Harbourmaster's office continues to work closely and liaise with other regions and Maritime NZ on recreational and navigational safety issues so that a

nationally consistent approach is taken in Northland. The provision of Maritime NZ funding enabled the development of safety videos, summer safe ambassadors to provide education, and various recreational boating safety initiatives. Council also funded coastguard boating education to train trainers and equip swimming pools to teach water safety to 1228 year 8 students. The trainers will continue to teach water safety with the same equipment in coming years.

Performance measures and targets - Transport

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	2018 Result	Commentary
Number of passengers for the Whangārei urban bus service.	Increasing annually	290,594 passengers - not achieved 2017: 309,414 passengers - not achieved 2016: 312,193 passengers - not achieved 2015: 312,821 - not achieved 2014: 323,553 - achieved	There were 290,594 passengers in this reporting period. This decrease may in part be attributed to delays in updating the ticketing system, which in turn impacted on the timeline for planned improvements to be introduced with the new operating contract.

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	2018 Result	Commentary
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6.2.2 Maintaining navigation aids for safe navigation.

Time taken to repair navigation aids after being reported.	Within five working days	Achieved 2017: achieved 2016: Achieved 2015: 100% achieved 2014: 100% achieved	There were no exceptional outages in the reporting period, with lights and beacons serviced and repaired routinely and within specified service periods.
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6.2.3 Providing safe pilotage services for vessels entering the Bay of Islands.

Performance measure	Target	2018 Result	Commentary
Number of incidents from providing pilotage services within Bay of Islands harbours.	Zero incidents	Zero - achieved 2017: zero - achieved 2016: zero 2015: zero 2014: zero	All cruise ships were safely piloted.

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

Performance measure	Target	2018 Result	Commentary
Compliance with the Port and Harbours Safety Code.	Zero non-compliance	Achieved 2017: achieved 2016: Zero non-compliance - achieved	A complete review of the port and harbour safety system was carried out during the reporting period by external code reviewers. All system documentation was updated in anticipation, and all systems were found compliant with code.

6.2.5 Manage moorings in harbours.

Transport funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2016/17 \$000	Long Term Plan 2017/18 \$000	Actual 2017/18 \$000
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	29
Targeted rates (other than targeted water rates)	1,941	1,980	2,219
Subsidies and grants for operating purposes	1,193	1,224	1,619
Fees, charges, and targeted rates for water supply	1,460	1,495	1,603
Internal charges and overheads recovered	-	-	20
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	4,594	4,699	5,490
Applications of operating funding			
Payments to staff and suppliers	4,353	4,497	4,822
Finance costs	-	-	6
Internal charges and overheads applied	755	768	880
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	5,108	5,265	5,708
Surplus/(deficit) of operating funding	(514)	(566)	(218)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	67
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	-	-	67
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	139	61	250
to replace existing assets	170	45	118
Increase/(decrease) in reserves	5	2	(78)
Increase/(decrease) of investments	(828)	(674)	(441)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(514)	(566)	(151)
Surplus/(deficit) of capital funding	514	566	218
FUNDING BALANCE	-	-	-

Major variances compared to Year 3 (2017/18) of the Long Term Plan 2015-2025

Operational Funding

Operating funding is \$791k more than the long term plan predominantly due to:

- Higher than budgeted council services rates allocated to the transport activity
- Higher than budgeted subsidies for transport activities due to being able to claim for more expenses than budgeted.

Application of Operational Funding

Application of operating funding is \$443k more than the long term plan predominantly due to:

- A refund of mid north bus rates due to an error that rated properties not within the rating area
- Higher transport contract costs than in long term plan
- Higher levels of promotion and advertising for road safety and passenger transport
- Costs relating to a Northland joint transport agency.

Sources of Capital Funding

Capital expenditure funding is \$67k more than the long term plan predominantly due to:

- Subsidy for a regional ticketing system.

Capital Expenditure

Capital expenditure is \$262k more than the long term plan predominantly due to:

- Costs for a regional ticketing system that was delayed from the 2016/17 year
- Harbour safety capital projects that were delayed from the 2016/17 financial year.

Support services

Ratonga Tautoko

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 2016/17 \$000	Long Term Plan 2017/18 \$000	Actual 2017/18 \$000
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	-	-	31
Internal charges and overheads recovered	8,115	7,949	7,692
Local authorities fuel tax, fines, infringement fees and other receipts	4,264	4,820	6,868
TOTAL OPERATING FUNDING	12,379	12,769	14,591
Applications of operating funding			
Payments to staff and suppliers	6,486	6,599	7,090
Finance costs	-	-	83
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	6,486	6,599	7,173
Surplus/(deficit) of operating funding	5,893	6,170	7,418
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	33
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	33
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	41	-	201

<i>For the period ending 30 June</i>	Long Term Plan 2016/17 \$000	Long Term Plan 2017/18 \$000	Actual 2017/18 \$000
to replace existing assets	747	642	494
Increase/(decrease) in reserves	898	901	1,443
Increase/(decrease) of investments	4,207	4,627	5,313
TOTAL APPLICATIONS OF CAPITAL FUNDING	5,893	6,170	7,451
Surplus/(deficit) of capital funding	(5,893)	(6,170)	(7,418)
FUNDING BALANCE	-	-	-

Major variances compared to Year 3 (2017/18) of the Long Term Plan 2015-2025

Operational Funding

Operating funding is \$1,822k more than the long term plan predominantly due to:

- Higher externally managed funds gains than in the long term plan. Some of this income would have previously been commercial property rent in the economic development activity. This is offset by:
- Lower internal interest income due to using external borrowing for special reserve projects such as the Hopua te Nihotetea Detention Dam and the Marsden Point Rail Link.

Application of Operational Funding

Application of operating funding is \$574k more than the long term plan predominantly due to:

- Costs for a legal case funded by income equalisation reserve transfers
- Costs relating to an IT Infrastructure as a Service project
- Web development costs not in long term plan
- Costs relating to a seismic strengthening review
- More personnel costs than in the long term plan due to increased activity.

This is partially offset by:

- Lower provision for doubtful debts.

Financial prudence

Rates affordability benchmarks

The council meets the rates affordability benchmark if –

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

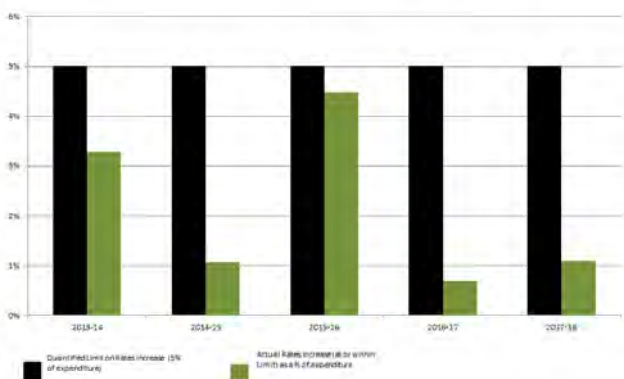
Rates income affordability

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 5% 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

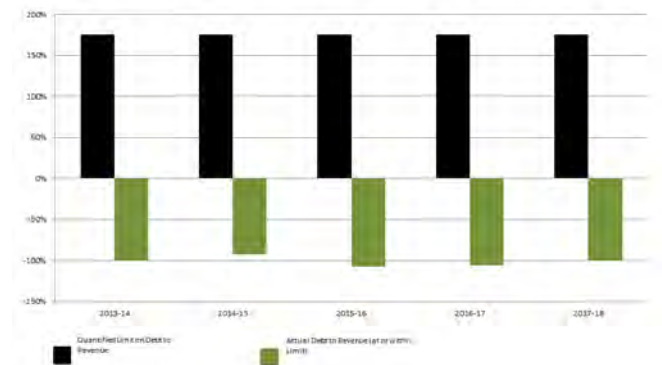
The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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 \$18.5 million of external debt.

Net debt to total revenue

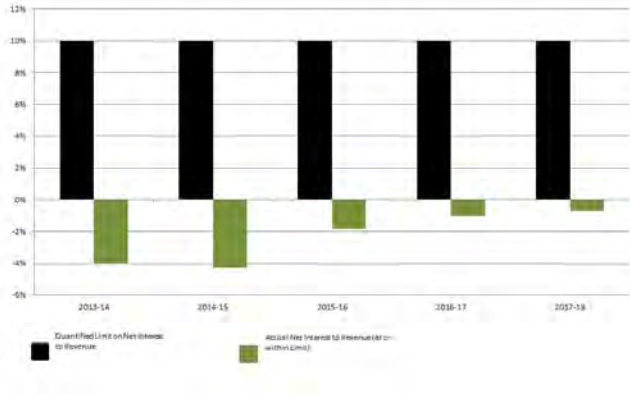
The quantified limit for net debt as a proportion of total revenue is 175%.



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

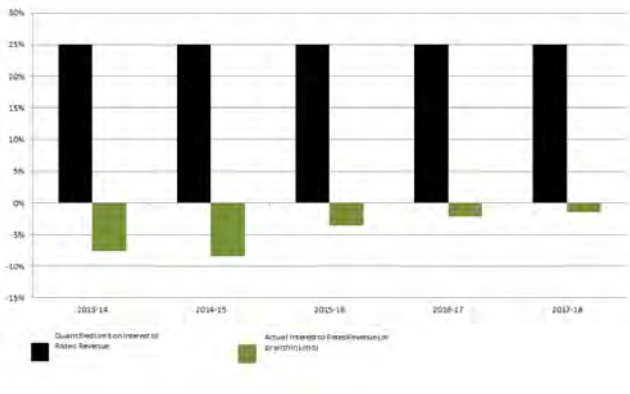
Net interest to total revenue

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



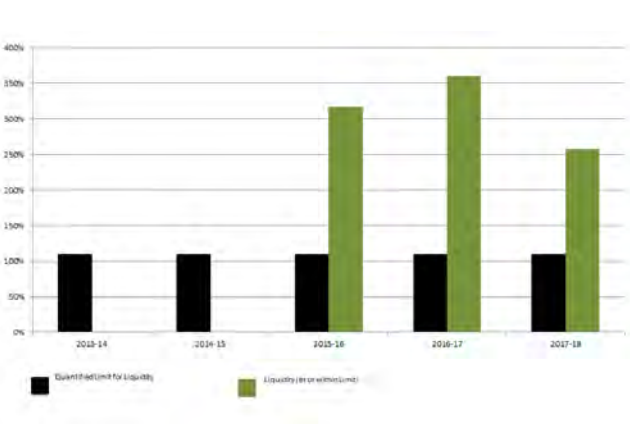
Net interest to annual rates revenue

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



Liquidity

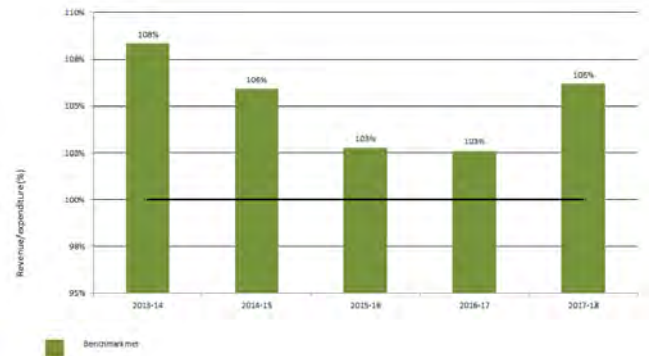
The quantified limit for liquidity is set as a minimum of 110%.



This measure wasn't applicable during the financial years 2012-13 to 2014-15 due to council not having any external borrowing in those financial years.

Balanced budget benchmark

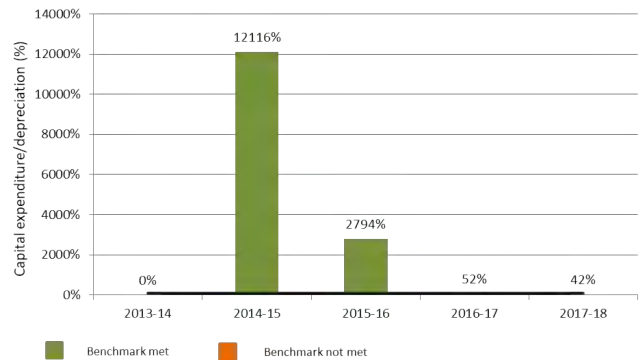
This graph shows council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and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



Essential services benchmark

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

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



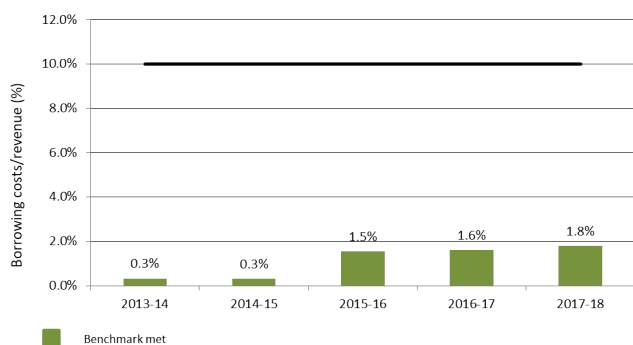
2014-15 reflects the capital cost associated with the construction of the Hopua te Nihotetea Detention Dam.

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

Debt servicing benchmark

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

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

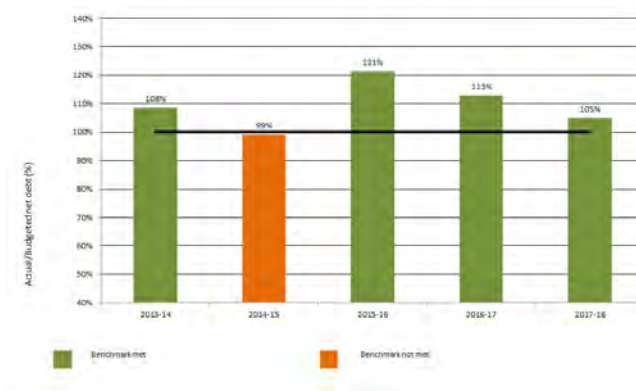


Debt control benchmark

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

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

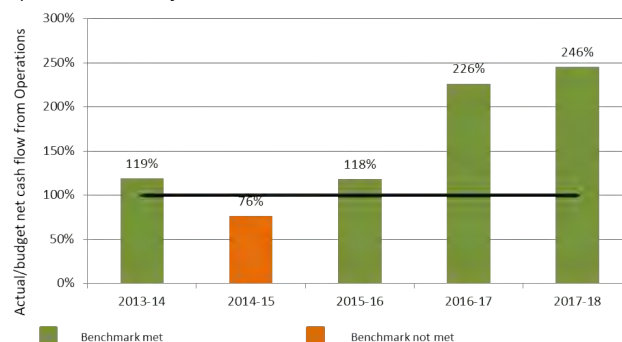
The council meets the debt control benchmark if its actual net debt equals or exceeds its planned net debt. For the purposes of this measure 100% equals planned net assets. The benchmark is represented by the black line.



Operations control benchmark

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

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



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

Section three: Financial statements
Wāhanga tuatoru: Tauākī pūtea



Statement of comprehensive revenue and expense

For the year ended 30 June 2018	Note	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Revenue						
Rates		20,832	20,962	20,413	20,832	20,413
Fees and charges		4,479	4,510	3,903	5,694	4,820
Subsidies and grants		2,809	1,910	2,934	2,914	3,039
Revenue from activities		-	-	-	802	477
Interest revenue		1,005	1,033	1,008	1,014	1,018
Other revenue	2(ii)	6,112	5,672	5,867	6,472	5,982
Other gains	2(iii)	7,316	2,769	7,382	7,433	7,911
TOTAL REVENUE	1	42,553	36,856	41,507	45,161	43,660
Expenses						
Personnel costs	3	14,248	13,954	13,295	16,744	15,438
Depreciation and amortisation expense	16	1,683	1,434	1,582	2,041	1,767
Finance costs		703	726	583	1,025	816
Other expenses	4	21,913	20,716	20,160	24,367	21,972
TOTAL EXPENSES	1	38,547	36,830	35,620	44,177	39,993
Share of associate and joint venture company surplus/(deficit)	15(i),(ii)	-	-	-	9,215	9,140
SURPLUS/(DEFICIT) BEFORE TAX		4,006	26	5,887	10,199	12,807
Income tax expense	5	-	-	-	(19)	(18)
SURPLUS/(DEFICIT) AFTER TAX		4,006	26	5,887	10,180	12,789
<i>SURPLUS/(DEFICIT) ATTRIBUTABLE TO:</i>						
Northland Regional Council		4,006	26	5,887	5,622	8,051
Non-controlling interest				-	4,558	4,738
Other comprehensive revenue and expense						
<i>Items that will be reclassified to surplus/(deficit):</i>						
Financial assets at fair value through other comprehensive income	22		-	18	-	18
Net hedging movement (joint venture company)				-	(71)	182
<i>Items that will not be reclassified to surplus/(deficit):</i>						
Gains/(loss) on property revaluations (other than investment properties)	22	(5)		39	1,631	417

For the year ended 30 June 2018	Note	Council	Annual Plan	Council	Consolidated	Consolidated
		30-Jun-18 \$000	30-Jun-18 \$000	30-Jun-17 \$000	30-Jun-18 \$000	30-Jun-17 \$000
Gains/(loss) on infrastructure asset revaluations	22		-	2,973	-	2,973
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		(5)	-	3,030	1,560	3,590
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		4,001	26	8,917	11,740	16,379
<i>TOTAL COMPREHENSIVE REVENUE AND EXPENSE ATTRIBUTABLE TO:</i>						
Northland Regional Council					6,456	11,382
Non-controlling interest in Marsden Maritime Holdings Limited					5,284	4,997
					11,740	16,379

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

Major variances compared to the Annual Plan 2017/18

Revenue

Revenue is \$5,697k more than annual plan, mainly due to:

- Gains on revaluation of investment properties of \$2,622k
- Externally managed fund gains are higher than planned by \$1,171k
- Reduced rating revenue due to an impairment on Maori freehold land current year rates of \$377k, which is offset by a lower provision for doubtful debt expense
- Gains on revaluation of forestry assets of \$522k
- Higher than planned consent application and management fees of \$254k
- Higher than planned NZTA subsidies on transport works of \$224k offsetting more costs incurred in transport works
- Higher than planned Marsden Maritime Holdings Limited dividends of \$222k
- Higher than planned commercial property revenue of \$218k due to rent reviews and the purchase of additional commercial properties
- Prosecution income of \$148k

Expenditure

Expenditure is \$1,717k more than annual plan, mainly due to:

- Losses on the revaluation of owner occupied buildings of \$893k
- Losses on revaluation of assets held for sale of \$418k
- Fair value adjustment of \$295k on the initial recognition of the loan advanced to Northland Emergency Services Trust (which was issued to NEST at 4.77% pa compared to a market rate assumption of 6.5% pa)
- Higher than planned depreciation of \$250k on owner occupied properties and infrastructure assets
- Higher than planned costs relating to an Infrastructure as a Service IT program of \$226k
- Higher than planned hearing commissioner fees of \$193k relating to consenting activity
- Higher than planned river works of \$161k
- Higher than planned transport contract works of \$137k
- Leave movements of \$128k
- Higher than planned legal fees relating to environmental incidents of \$99k

Partially Offset by:

- Lower than planned economic development grants of \$969k
- Lower than planned doubtful debt expense of \$387k

Statement of changes in equity

For the year ended 30 June 2018	Note	Accumulated funds \$000	Reserves \$000	Total Council \$000	Annual Plan \$000
Council					
Balance at 1 July 2016		117,671	19,500	137,171	133,000
Total comprehensive revenue and expense for the year		8,917	-	8,917	7,164
Net transfers in special reserves	22	(2,243)	2,243	-	-
Net transfers in other reserves		(3,030)	3,030	-	-
Balance at 30 June 2017		121,315	24,773	146,088	140,164
Total comprehensive revenue and expense for the year		4,001	-	4,001	26
Net transfers in special reserves		(1,781)	1,781	-	-
Net transfers in other reserves	22	5	(5)	-	-
Balance at 30 June 2018		123,540	26,549	150,089	140,190

For the year ended 30 June 2018	Note	Accumulated funds \$000	Reserves \$000	Subtotal Group \$000	Non-controlling interest \$000	Total Group \$000
Group						
Balance at 1 July 2016		145,054	51,520	196,574	58,656	255,230
Total comprehensive revenue and expense for the year		11,382	-	11,382	4,998	16,379
Net transfers in special reserves	22	(2,243)	2,243	-	-	-
Net transfers in other reserves		(3,330)	3,330	-	-	-
Dividends paid		-	-	-	(2,682)	(2,682)
Balance at 30 June 2017		150,862	57,093	207,955	60,972	268,927
Total comprehensive revenue and expense for the year		6,456	-	6,456	5,284	11,740
Net transfers in special reserves	22	(1,781)	1,781	-	-	-
Net transfers in other reserves		(834)	834	-	-	-
Dividends paid		-	-	-	(2,970)	(2,970)
Balance at 30 June 2018		154,703	59,708	214,411	63,286	277,697

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 2018	Note	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
EQUITY						
Accumulated funds	22	123,540	114,671	121,315	154,703	150,862
Reserves	22	26,549	25,519	24,773	59,708	57,093
Total equity attributable to Northland Regional Council		150,089	140,190	146,088	214,411	207,955
Non-controlling interest	22				63,286	60,972
TOTAL EQUITY		150,089	140,190	146,088	277,697	268,927
ASSETS						
Current assets						
Cash and cash equivalents		998	402	1,222	1,811	1,706
Receivables	7	5,862	6,231	5,297	7,015	6,280
Inventory	8	3,102	3,186	3,132	3,143	3,169
Investment property assets held for sale	9	11,248	16,443	19,988	11,248	24,238
Other financial assets	11	4,039	3,783	6,692	4,030	6,677
Earn out - NPC Investments Limited	14	-	-	-	155	128
TOTAL CURRENT ASSETS		25,249	30,045	36,331	27,402	42,198
Non-current assets						
Receivables	12	5,744	6,855	5,626	5,744	5,627
Investment property	13	41,100	29,564	28,957	107,997	95,242
Other financial assets	11	56,048	49,372	49,034	56,696	49,740
Investment in subsidiaries (excluding council control organisations) and joint venture company	15(i)	7,828	7,827	7,828	47,050	46,061
Investment in Council Controlled Organisations	15(ii)	863	863	863	872	889
Property, plant and equipment	16	34,630	32,213	34,098	61,798	53,983
Capital projects in progress	16	206	-	229	291	4,306
Intangible assets	17	600	140	591	600	591
Forestry assets	18	3,235	2,360	2,713	3,235	2,713
Earn out - NPC Investments Limited	14	-	-	-	-	111
TOTAL NON-CURRENT ASSETS		150,254	129,194	129,939	284,283	259,263
TOTAL ASSETS		175,503	159,239	166,270	311,685	301,461
LIABILITIES						

As at 30 June 2018	Note	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Current liabilities						
Payables and deferred revenue	19	4,453	3,647	4,744	6,085	6,558
Employee entitlements	20	1,751	1,538	1,623	1,834	1,693
Borrowings and other financial liabilities	21	-	-	3,000	-	3,000
TOTAL CURRENT LIABILITIES		6,204	5,185	9,367	7,919	11,251
Non-current liabilities						
Payables and deferred revenue	19	653	850	801	1,462	1,418
Employee entitlements	20	15	14	14	15	15
Borrowings and other financial liabilities	21	18,542	13,000	10,000	24,592	19,850
TOTAL NON-CURRENT LIABILITIES		19,210	13,864	10,815	26,069	21,283
TOTAL LIABILITIES		25,414	19,049	20,182	33,988	32,534
NET ASSETS		150,089	140,190	146,088	277,697	268,927

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

Major variances compared to the Annual Plan 2017/18

Asset variances

Current

Cash and cash equivalents are \$596k greater than the annual plan predominantly due to:

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

Receivables are \$369k lower than the annual plan predominantly due to:

- Receiving more money earlier from debtors

Investment property assets held for sale are \$5,195k less than the annual plan due to:

- Properties sold or transferred back to investment properties during the financial year

Non-current

Non-Current Receivables are \$1,111k less than the annual plan predominantly due to:

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

Investment Property is \$11,536k more than the annual plan due to:

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

Other financial assets are \$6,676k more than the annual plan due to:

- A loan to Northland Emergency Services Trust (NEST)
- Proceeds from borrowings freed up internal funds which were invested into externally managed funds
- Recapitalised gains on externally managed funds

Partially Offset by:

- Emissions trading scheme assets classified as intangible assets but in the annual plan as other financial assets

Property, plant, and equipment are \$2,417k more than the annual plan due to:

- An increase in owner occupied property for council staff office space and equipment storage
- Infrastructure assets experienced a significant revaluation gain after the annual plan was published (recognised in the 2017 financial statements)

Intangible assets are \$460k more than the annual plan predominantly due to:

- Emissions trading scheme assets classified as intangible assets but in the annual plan as other financial assets

Forestry assets are \$875k more than the annual plan due to:

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

Liability variances

Current

Payables and deferred revenue is \$806k more than the annual plan due to:

- Higher trade payables at year end
- Higher revenue in advance than in the annual plan for the LIDAR project

Employee entitlements are \$213k more than the annual plan due to:

- An increase in the employee leave balances
- More unpaid days at year end

Non-current

Borrowings and other financial liabilities are \$5,542k more than the annual plan due to:

- Increased borrowing drawn down to fund flood infrastructure projects which will be repaid from targeted rates
- Increased borrowing drawn down to fund a loan to Northland Emergency Services Trust which will be repaid over five years

Statement of cash flows

For the year ended 30 June 2018	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Cash flows from operating activities					
Receipts from rates revenue	20,526	24,121	20,338	20,526	20,338
Receipts from customers	7,478	5,929	6,426	13,325	11,563
Interest received	1,803	157	412	1,811	422
Dividends received	3,432	3,210	3,100	9,369	8,865
Subsidies and grants received	2,644	1,453	3,257	2,749	3,361
Taxation refund	-	-	354	-	354
Payments to suppliers and employees/members	(34,488)	(38,514)	(33,142)	(39,091)	(37,521)
Interest paid	(601)	(726)	(482)	(876)	(677)
Income tax paid	-	-	-	(19)	(14)
Net goods and services tax received/(paid)	43	2,535	(132)	(85)	(32)
Net cash from operating activities	837	(1,835)	131	7,709	6,659
Cash flows from investing activities					
Receipts from sale of property, plant and equipment	33	-	194	37	197
Receipts from sale of property held for sale	6,246	-	1,829	9,846	1,829
Receipts from sale of investment property	1,158	-	1,352	1,158	1,352
Receipt from the sale of investments	42,085	3,500	3,518	42,085	3,518
Loans made	(3,750)	-	(27)	(3,750)	-
Loan repayments received	16	-	30	-	-
Purchase of property, plant and equipment and intangible assets	(2,224)	(1,516)	(2,414)	(5,050)	(10,111)
Earn out payment re. Sale of joint venture	-	-	-	-	147
Purchase of investment property	(9,414)	-	(1,144)	(9,949)	(3,140)
Purchase of financial investments	(40,616)	-	(3,922)	(40,616)	(3,962)
Net cash from investing activities	(6,466)	1,984	(584)	(6,239)	(10,170)
Cash flows from financing activities					
Dividends paid	-	-	-	(2,970)	(2,682)
Proceeds from borrowings	8,405	-	-	8,405	5,655
Repayment of borrowings	(3,000)	-	-	(6,800)	-
Net cash from financing activities	5,405	-	-	(1,365)	2,973
Net increase (decrease) in cash, cash equivalents and bank overdrafts	(224)	149	(453)	105	(538)
Cash, cash equivalents and bank overdrafts at the beginning of the year	1,222	253	1,675	1,706	2,244

For the year ended 30 June 2018	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	998	402	1,222	1,811	1,706

Accounting policy

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.

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

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

For the year ended 30 June 2018	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Surplus/(deficit) after tax	4,006	5,887	10,180	12,789
Add/(less) non cash items				
Depreciation & amortisation expense	1,683	1,581	2,041	1,767
Divested asset expense	-	30	-	30
Deferred taxation	-	-	-	4
Share of associate companies' retained surplus	-	-	118	(311)
Fair value adjustments	(1,605)	(4,440)	(1,987)	(4,968)
Non cash gains on externally managed funds and loans	(2,253)	(2,440)	(2,253)	(2,440)
Other non-cash items	140	66	140	66
Total non cash items	(2,035)	(5,203)	(1,941)	(5,852)
Add/(less) items classified as investing or financing activities				
Gains/(loss) on sale of property plant and equipment	(17)	(6)	28	(2)
Gains/(loss) on sale of investment properties and assets held for sale	(104)	(510)	(104)	(510)
Total items classified as investing or financing activities	(121)	(516)	(76)	(512)
Add/(Less) movements in working capital				
Decrease (increase) in trade and other receivables	(680)	(391)	(366)	(824)
Decrease (increase) in prepayments	9	194	25	150
Decrease (increase) in inventory	31	(19)	26	(21)
(Decrease) increase in trade and other payables	(457)	114	(1,362)	559
(Decrease) increase in revenue received in advance	(44)	(103)	371	649
(Decrease) Increase in employee entitlements accrual	128	124	142	145
Non operating capital items included in working capital movements	-	44	710	(424)
	(1,013)	(37)	(454)	234
Net cashflows from operating activities	837	131	7,709	6,659

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 established under, and governed by, the Local Government Act 2002 and the Local Government (Rating) Act 2002. The council's group comprises the council and its subsidiaries, namely:

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

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

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

Reporting period

The financial statements of the council and group are for the year ended 30 June 2018. The financial statements were authorised for issue by council on 23 October 2018.

Basis of preparation

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

Statement of Compliance

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

The financial statements comply with PBE accounting standards.

Functional and presentation currency

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

Standards issued and not yet effective and not early adopted

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

Impairment of revalued assets

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

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

The council plan to apply the new standard in preparing the 30 June 2020 financial statements. The council has not yet assessed in detail the impact of the new standard.

Interests in other entities

In January 2017 the XRB issued new standards for interest in other entities (PBE IPSAS 34-38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for financial years beginning on or after 1 January 2019, with early application permitted. The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council and group has not yet assessed the effects of these new standards.

Financial instruments

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

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

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

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and group has not yet assessed the effects of these new standards.

Other changes in accounting policies

There have been no other changes in accounting policies

Summary of significant accounting policies

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

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

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

Basis of consolidation

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

Foreign currency transactions

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

Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council in its 2017/18 annual 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.

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 reasonable under the circumstances.

Council and group investment property and owner occupied property (land and buildings) are revalued annually by independent valuers. The fair value of the investment properties is based on the market values, being the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction. Due to the relatively low level of recent transactions in some areas, these valuations are inherently subjective. The estimates and assumptions that have a significant risk of causing a material adjustment to the fair value of investment property and owner occupied property are provided in notes 13 and 16 respectively.

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

Council's forestry assets are revalued annually by an independent valuer. There are a number of estimates and assumptions exercised when valuing forestry

assets such as estimating the discount rates to determine future tree crop cash flows. Further detail is provided in Note 18.

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

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

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

Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2018.

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

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

Notes to the financial statements

Note 1: Summary revenue and expenditure for groups of activities

Accounting policy

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

Breakdown of summary revenue and expenditure for group of activities:

	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000
Revenue			
Resource and catchment management	12,568	11,747	11,978
Economic development	6,080	5,494	6,296
Transport	5,557	5,622	4,702
Hazard management	1,515	1,548	1,592
River management	3,420	3,452	3,611
Community representation and engagement	3,185	3,185	2,963
Support services	14,591	13,371	12,686
Total activity revenue and rates as per activity funding impact statements	46,916	44,419	43,828
Internal charges and overheads recovered	(7,739)	(7,564)	(7,291)
Other gains not attributable to an activity	3,376		4,970
Total revenue as per statement of comprehensive revenue and expense	42,553	36,855	41,507
Expenses			
Resource and catchment management	15,798	15,469	15,006
Economic development	3,965	4,911	4,640
Transport	5,708	5,456	5,184
Hazard management	1,956	2,170	1,788
River management	3,706	3,504	3,700
Community representation and engagement	4,647	4,337	4,739
Support services	7,173	7,113	6,239
Total activity expenses as per activity funding impact statements	42,953	42,960	41,296
Internal charges and overheads recovered	(7,739)	(7,564)	(7,291)
Other expenses not attributable to an activity	1,650	-	33
Depreciation and amortisation	1,683	1,434	1,582

	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000
Total expenses as per statement of comprehensive revenue and expense	38,547	36,830	35,620

BREAKDOWN OF DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY	Note	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000
Resource and catchment management		212	334	314
Transport		126	87	117
Hazard management		-	2	-
River management		330	170	130
Community Representation and Engagement		-	3	
Support services		1,015	839	1,021
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	16	1,683	1,434	1,582

Note 2: Revenue

Accounting policy

Revenue is measured at fair value.

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

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

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

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

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

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

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

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

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

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

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

Rates revenue is shown net of rates remissions and postponements, early payment discounts and an impairment of \$377,087 (2017: \$375,494) to rates assessed on Māori freehold land in the Far North District (see note 7). 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. The Whangarei District Council offers a 2% early payment discount if rates are paid in full at the first instalment of 20 August.

2(ii) Breakdown of other revenue

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Rental revenue from investment properties	2,680	2,767	6,472	5,982
Dividend revenue - Marsden Maritime Holdings Limited	3,432	3,100	-	-
Total other revenue	6,112	5,867	6,472	5,982

Operating leases as lessor

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

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Not later than one year	2,384	2,112	4,145	4,010
Later than one year and not later than five years	8,463	7,034	13,336	12,461
Later than five years	8,779	7,276	16,975	16,462
Total non-cancellable operating leases	19,626	16,422	34,456	32,933

The council and consolidated 30 June 2017 operating lease values have been restated to reflect the commitment up to the lease renewal date as compared to the rent renewal date.

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 perpetual lease terms ranging from 5 years to 21 years. The lessee has the option to renew the lease at the completion of each term. All leases contain market review clauses at varying cycles or upon expiration. The lessee does not have a right to purchase the property at the expiry of the lease. Council owns a farm and dwellings that generate lease and rental revenue, generally having lease terms between 12 months and 3 years. Council also owns eight freehold commercial 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.

No contingent rents have been recognised during the year.

2(iii) Breakdown of other gains:

	Note	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Gain on revaluation of investment property	13	2,622	2,953	2,665	3,294
Gain on revaluation of investment property assets held for sale	9	-	754	-	754
Gain on revaluation of Infrastructural assets	16	-	154	-	154
Gain on revaluation of forestry assets	18	522	353	522	353
Gain on revaluation of land and buildings	16	-	259	-	259
Gain on revaluation of Emission trading scheme - NZU's	17	68	-	68	-
Gain on disposal of investment property		-	310	-	310
Gain on disposal of investment property assets held for sale		147	181	147	181
Gain on disposal of property, plant and equipment		17	6	17	6
Total non-financial instruments gains		3,376	4,970	3,419	5,311
Gain on revaluation of financial investments		-	-	74	187
Externally Managed Investment Funds		3,940	2,413	3,940	2,413
Total financial instruments gains		3,940	2,413	4,014	2,600
Total other gains		7,316	7,383	7,433	7,911

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

Note 3: Personnel costs

Accounting policy

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

Breakdown of personnel costs and further information:

	Note	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Salaries and wages		13,734	12,825	16,175	14,908
Employer contributions to defined contribution plans		386	347	427	385
Increase/(decrease) in employee benefit liabilities	20	128	123	142	145
Total personnel costs		14,248	13,295	16,744	15,438

Chief Executive remuneration

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

The total remuneration (including any non financial benefits) paid or payable for the year ended 30 June 2018 to the Chief Executive was \$305,662 (2017: \$290,602).

Elected representatives

Elected representatives received the following remuneration:

	Note	Salary 30-Jun-18 \$000	Non-salary 30-Jun-18 \$000	Total Council Remuneration 30-Jun-18 \$000	Total Council Remuneration 30-Jun-17 \$000
Bill Shepherd, Chair*		113	1	114	112
David Sinclair, Deputy Chair		77	2	79	75
Paul Dimery		68	13	81	76
John Bain		68	2	70	70
Joce Yeoman		68	5	73	50
Justin Blaikie		68	10	78	55
Mike Finlayson		68	17	85	58
Penny Smart		68	12	80	54
Rick Stolworthy		68	12	80	55
Craig Brown		-	-	-	20
Joe Carr		-	-	-	23
Monty Knight		-	-	-	24

	Note	Salary 30-Jun-18 \$000	Non-salary 30-Jun-18 \$000	Total Council Remuneration 30-Jun-18 \$000	Total Council Remuneration 30-Jun-17 \$000
Graeme Ramsey		-	-	-	23
Dover Samuels		-	-	-	23
Total elected representatives' remuneration	4	663	77	740	718

* *The Chair has full private use of a council vehicle.*

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

Council employee remuneration by band

The annual remuneration by band for council employees as at 30 June 2018 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 30-Jun-18	Council 30-Jun-17
< \$60,000	82	86
\$60,000 - \$79,999	90	81
\$80,000 - \$99,999	22	19
\$100,000 - \$119,999	8	5
\$120,000 - \$139,999	2	2
\$140,000 - \$179,999	6	6
\$290,000 - \$310,000	1	1
Total employees	211	200

Total remuneration includes any non financial benefits provided to employees.

At balance date, the Council employed 174 (2017: 168) full time employees with the balance of staff representing 18.36 (2017: 17.65) full time equivalent employees. A full time employee is determined on the basis of a 37.5 hour working week.

Severance payments

For the year ending 30 June 2018, the Council made no severance payments (2017: nil).

Note 4: Other expenses

Accounting Policy

Expenditure is recognised when goods and services have been received.

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

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

Breakdown of other expenses and further information:

	Note	Council 30-Jun-18 \$000	Annual Plan 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Fees to external auditors:						
Fees to Deloitte for audit of financial statements		115	124	113	139	137
Fees to Deloitte for other services*		16	-	15	16	15
Fees to Deloitte for audit of the Long Term Plan		76	75	-	76	-
Fees to EY for the audit of the Marsden Maritime Holdings Group		-	-	-	71	70
Fees for other services provided by the auditor of Marsden Maritime Holdings Limited**		-	-	-	12	6
Directors'/Councillors' fees and trustee remuneration	3	740	728	718	1,043	992
Donations		893	999	854	900	856
Operating lease payments		30	-	7	173	134
Impairment of receivables	7	285	700	152	285	152
Operating grants to Northland Inc. Limited		1,222	1,222	1,198	-	-
Other payments to Northland Inc. Limited		1,177	3,143	932	-	-
Divested assets		-	-	30	-	30
Loss on disposal of investment properties		42	-	-	42	-
Loss on disposal of property, plant and equipment		-	-	-	45	5
Loss on revaluation of investment property assets held for sale	9	418	-	-	418	-
Loss on revaluation of Emission Trading Scheme - NZU's		-	-	12	-	12
Loss on revaluation of buildings and amenities	16	893	-	-	629	-
Loss on fair value adjustment of financial investments		295	-	-	295	-
Loss on disposal of financial investments		-	-	22	-	22
Other operating expenses		15,711	13,725	16,107	20,223	19,541
Total other expenses		21,913	20,716	20,160	24,367	21,972

* The fees paid to Deloitte for other services for the year ending 30 June 2018 were for a review of council's payroll process, and for the audit compliance report prepared in respect to council's debenture trust deed.

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

Operating leases as lessee

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

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Not later than one year	30	30	110	110
Later than one year and not later than five years	22	52	148	258
Later than five years	-	-	-	-
Total non-cancellable operating leases	52	82	258	368

Note 5: Taxation

Accounting policy

The income tax expense includes both current and deferred tax.

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

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

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

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

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

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

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

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

Breakdown of taxation and further information:

	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Components of tax expense		
Current tax expense/(credit)	19	14
Deferred tax asset	-	4
Tax expense	19	18
Relationship between tax expense and accounting surplus		
Surplus/(deficit) before tax	10,199	12,807
Taxation at 28%	2,856	3,586
Plus (less) tax effect of:		
Non-deductible expenditure	925	775
Recognition of temporary differences	5	3
Imputation dividend receipts	(3,948)	(3,678)
Non-taxable income	(107)	(729)
Tax paid on joint venture company earnings	40	(71)
Carried forward losses derecognised/(recognised)	248	132
Tax expense/(benefit)	19	18

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 \$9,092,329 (2017: \$8,249,108).

As at 30 June 2018 Marsden Maritime Holdings Limited group has taxation losses amounting to \$6,411,291 of which the tax effect is \$1,795,162 (2017 losses \$6,040,568; tax effect \$1,691,359) subject to Inland Revenue Department confirmation. Due to the time frame in which assessable income is anticipated to be available to offset such losses, MMH has determined that it is appropriate to only recognise losses in the financial statements to a level that directly offsets the deferred tax liability.

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

Council entered into voluntary negotiations with land owners who owned land along the proposed corridor and a total of 9 properties have been acquired at a total cost of \$11.3 million between 2007-08 and 2014-15. In accordance with the Joint Venture agreement, while Council has full legal title and full ownership rights to these properties, the accounting treatment must be based on the economic substance of the agreement. The land is deemed to be a jointly controlled asset, therefore, Council and KiwiRail will each recognise a 50 percent share of the land. Council will have a receivable from KiwiRail to account for the remaining 50 percent share of the security interest held in the ownership of the land.

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

land acquired. The agreement 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.

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 2018, the Joint Venture had no assets and liabilities.

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

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Recognised in:
Revenue and Expense:			
Lease revenue for the year (50% share)	126	112	Rental revenue from investment properties
Gain on revaluation of Land and buildings for the year (50%)	436	183	Gain on revaluation of investment property
Opportunity Cost on Council's Life to date expenditure	294	305	Interest revenue - Joint Venture
Council's operating expenditure for the year (50% share)	38	35	Other operating expenditure
Opportunity Cost on KiwiRail's Life to date expenditure	101	101	- Note 4 Finance costs
Financial Position:			
Balance of Designation and injurious affection land value (50% Share)	1,601	1,601	
Balance of KiwiRail costs to secure designation (50% Share)	1,464	1,464	
Total Balance of Designation Asset Value (50% share)	3,065	3,065	Inventory - Note 8
Capital Improvements for the year made to Land and building along the proposed corridor (50% share)	12	38	Investment property - additions - Note 13
Balance of Residual Land and building along the proposed corridor (50% share)	3,438	2,990	Investment property - Note 13
Balance of Receivable owing from KiwiRail	5,744	5,627	Non current receivables - Note 12

Note 7: Current receivables

Accounting policy

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

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

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

Breakdown of receivables and further information

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Rates receivables	3,312	3,282	3,312	3,282
Other receivables	4,788	4,155	5,811	4,709
GST receivable	255	270	255	533
Receivables from subsidiaries and associates	13	25	-	33
Prepayments	230	239	373	397
Gross debtors and other receivables	8,598	7,971	9,751	8,954
Less provision for uncollectability of receivables	(2,736)	(2,674)	(2,736)	(2,674)
Total current receivables	5,862	5,297	7,015	6,280
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	4,833	3,959	5,224	4,605
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	1,029	1,338	1,791	1,675
	5,862	5,297	7,015	6,280

Assessment for uncollectibility

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

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

The estimated amount of uncollectible Maori Freehold Land rates for 2018 was based on the 2017-18 non collection rate adjusted for the arrears collected in 2017-18 and amounted to \$377,087 (2017: 375,494). Rates revenue and the rates receivable have been reduced by \$377,087 (2017: \$375,494). Similarly the impairment of receivables expense in Note 4 and the balance of the provision for the impairment on rates receivables in this note have also been reduced by \$377,087 (2017: \$375,494).

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

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

	2018			2017		
	Gross \$000	Provision for uncollectibility \$000	Net \$000	Gross \$000	Provision for uncollectibility \$000	Net \$000
Council						
Not past due	5,140	-	5,140	4,361	-	4,361
Past due 1-60 days	74	-	74	288	-	288
Past due 61-120 days	5	-	5	6	-	6
Past due > 120 days	3,379	(2,736)	643	3,315	(2,674)	641
Total	8,598	(2,736)	5,862	7,970	(2,674)	5,296

	2018			2017		
	Gross \$000	Provision for uncollectibility \$000	Net \$000	Gross \$000	Provision for uncollectibility \$000	Net \$000
Group						
Not past due	6,242	-	6,242	5,146	-	5,146
Past due 1-60 days	100	-	100	407	-	407
Past due 61-120 days	30	-	30	86	-	86
Past due > 120 days	3,379	(2,736)	643	3,315	(2,674)	641
Total	9,751	(2,736)	7,015	8,954	(2,674)	6,280

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

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Movements in the provision for uncollectibility of receivables are as follows:				
Balance at 1 July	2,674	2,463	2,674	2,463
Additional provisions made during the year	348	363	348	363

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Receivables written off during the period	(286)	(152)	(285)	(152)
Balance at 30 June	2,736	2,674	2,736	2,674

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

Note 8: Inventory

Accounting policy

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

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

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

Breakdown of inventory and further information:

	Note	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Stores and materials		37	67	78	104
Marsden to Oakleigh Rail Corridor Designation	6	3,065	3,065	3,065	3,065
		3,102	3,132	3,143	3,169

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

Note 9: Assets held for sale

Accounting policy

Assets 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. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in the surplus or deficit.

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

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

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

Breakdown of assets held for sale and further information:

	Note	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Balance at 1 July		19,988	17,920	24,238	17,920
Transfers from/(to) investment properties	13	(2,223)	2,954	(2,223)	2,954
Disposals		(6,099)	(1,640)	(10,349)	(1,640)
Properties transferred from freehold land		-	-	-	4,250
Fair value gains/(loss) on valuation	(4) / 2(iii)	(418)	754	(418)	754
Total assets held for sale		11,248	19,988	11,248	24,238

During the year 11 leasehold investment properties with a value of \$6,099,000 were sold for \$6,306,500 with all the associated proceeds net of selling costs being placed into council's property reinvestment fund pending the identification of further property investments. A further four properties were transferred to investment properties. Six properties are classified as Investment property assets held for sale at 30 June 2018 and have been valued at Fair Value under PBE IPSAS 16. The valuation of council's investment properties held for sale was undertaken by Telfer Young Northland Ltd.

Marsden Maritime Holdings Limited

As at 30 June 2017 Marsden Maritime Holdings Limited was actively marketing a 43.87 hectare block of land for sale and expecting it to be sold within 12 months of balance date. This block of land was subsequently sold with settlement taking place in November 2017.

Note 10: Derivative financial instruments

Accounting policy

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

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

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

Cash flow hedge

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

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

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

Note 11: Other financial assets

Accounting policy

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

Financial assets at fair value through surplus or deficit

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

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

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

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

Loans and receivables

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

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

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

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

Financial assets at fair value through other comprehensive revenue and expense

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

This category includes:

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

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

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

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

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

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

Breakdown of other financial assets and further information:

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
CURRENT PORTION				
Loans to subsidiary	9	16	-	-
Short term investment fund (formerly Working capital investment fund)	4,030	6,677	4,030	6,677
Total current portion	4,039	6,693	4,030	6,677
NON-CURRENT PORTION				
Loans to subsidiary	5	14	-	-
Other loans	4,275	820	4,275	820
Term deposits, corporate and local government bonds, and other securities	8,137	8,000	8,790	8,720
Community Investment Fund	14,158	13,186	14,158	13,186
Property Reinvestment Investment Fund	18,479	20,745	18,479	20,745
Infrastructure Investment Fund	10,994	6,269	10,994	6,269
Total non-current portion	56,048	49,034	56,696	49,740
TOTAL OTHER FINANCIAL ASSETS	60,087	55,727	61,726	56,417

Term deposits, corporate and local government bonds, and other securities consist of:	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Term deposits	8,000	8,000	8,000	8,000
Local Government Funding Agency Borrower Notes	137	-	137	-
Fonterra Co-operative Group Limited - shares	-	-	653	720
	8,137	8,000	8,790	8,720

Fair value

Term Deposits

The carrying amount of term deposits approximates their fair value.

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

Other Loans

A term loan facility of \$750,000 was issued to Resources Enterprises Limited (REL) for the purpose of purchasing capital machinery relating to the development of a Northland business. 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%. For the first two years of the loan the OCR component of the interest payment was paid to council while the remaining interest payable amount was capitalised to the loan for repayment on 5 March 2020. After the first two years, full interest payments are payable to council on a quarterly basis. The fair value of council's loan to REL is not materially different to carrying value.

Funds of \$3,750,000 were advanced to Northland Emergency Services Trust (NEST) on 8 May 2018 to assist with the purchase of a helicopter. The NEST loan is secured over the newly purchased helicopter by way of a General Security Deed and has an applicable fixed interest rate of 4.77% pa. The carrying amount of the NEST loan is \$3,454,982 reflecting a non-cash fair value adjustment of \$295,018. This fair value adjustment of \$295,018 will be unwound through profit and loss over the term of the loan.

Fonterra Cooperative Group Limited Shares

As at 30 June 2018, Marsden Maritime Holdings Limited and its Group held 119,935 co-operative shares in Fonterra Co-operative Group Ltd having a disclosed fair value of \$5.44 per share (2017: total holding of 119,935 shares at an average of \$6.00 per share), recognising a total fair value decrease for the year of \$67,164 (2017: fair value increase \$60,430).

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 council's finance strategy as all the managed funds are managed prudently against their SIPOs with a view to prudently maximising and managing returns over the long term within a diverse portfolio that preserves and maintains the capital value of each fund. All council's externally managed funds except the Short Term Fund (formerly known as 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.

	Council and Consolidated 30-Jun-18	Council and Consolidated 30-Jun-17
Externally managed investment fund performance (12 month return to 30 June 2018, net of fees)		
Community investment fund	9.20%	7.20.%
Property reinvestment fund	10.00%	5.80%
Infrastructure investment fund	7.00%	4.00%
Short term investment fund (formerly working capital fund)	8.50%	3.00%

	Council and Consolidated 30-Jun-18	Council and Consolidated 30-Jun-17
Weighted average effective interest rates		
Term deposits	6.27%	6.27%
Other securities	4.37%	8.00%

Note 12: Non-current receivables

Breakdown of non-current receivables and further information:

	Note	Council and Consolidated 30-Jun-18 \$000	Council and Consolidated 30-Jun-17 \$000
Non-current Receivables	6	5,744	5,627

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

There is no impairment provision for non current receivables.

Note 13: Investment property

Accounting policy

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

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

After initial recognition, all investment property is measured at fair value at balance date. Fair Value is the price at which a property could be exchanged by knowledgeable and willing parties in an arm's length transaction. Fair Value is determined annually by the valuation undertaken by independent valuers that hold recognised and relevant professional qualifications and 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.

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

Breakdown of investment property and further information:

	Note	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Balance at 1 July		28,957	28,883	95,242	92,890
Additions		9,401	1,106	9,889	2,968
Disposals and Divested assets		(1,203)	(1,031)	(1,203)	(1,031)
Transfers from/(to) assets held for sale	9	2,223	(2,954)	2,223	(2,954)
Transfers from capital work in progress		-	-	-	75
Transfers to property plant and equipment - freehold land	16	(215)	-	(215)	-
Transfers to property plant and equipment - buildings	16	(685)	-	(685)	-
Movement in lease incentives				81	
Fair value gains/(losses) on valuation	2(iii)	2,622	2,953	2,665	3,294
Balance at 30 June		41,100	28,957	107,997	95,242

Investment properties valuation - Council

The annual valuation of council's investment properties was performed by Telfer Young (Northland) Limited. The valuation is effective as at 30 June 2018.

Council's investment properties are valued at fair value comprising of ground leases of \$20,202,000 (2017: \$17,252,000), freehold investment properties (land and buildings) of \$17,460,000 (2017: \$8,715,000) and properties purchased along the proposed Marsden Point Rail corridor of \$3,438,000 (2017: \$2,990,000).

The fair value of council's investment property has been determined in accordance with PBE IPSAS 16 using the income capitalisation method for freehold properties, the discounted cashflow method for leasehold properties, and the market based comparison approach for 2 properties in the vicinity of the Kotuku Street Retention Dam and the properties along the proposed Oakleigh to Marsden point rail link route. These methods are based upon assumptions including capitalisation rates, future ground lease rental rates, future land value, and an appropriate discount rate.

Capitalisation rate range 4.93% to 9.87% (2017: 7.92% to 10.19%)

Future market rents

+5.60% for 5 yearly ground lease rent reviews (2017: 5.60%)

+5.85% for 7 yearly ground lease rent reviews (2017: 5.85%)

+7.15% for 21 yearly ground lease rent reviews (2017: 7.15%)

Annual inflation on land values: 1.5% (2017: 1.5%)

Discount rate: 8.50% (2017: 8.75%)

Marsden Maritime Holdings Limited

Fair value has been determined based on valuations performed as at 30 June 2018 by Seagar & Partners, industry specialists in valuing these types of asset.

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

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

Land available for lease range*: \$80-\$115 per square metre (2017: \$105-\$125 per square metre)

Years to full tenancy: 10 years (2017: 10 years)

Discount rate range: 9.0% - 10.5% (2017: 8.75% - 11.5%)

Capitalisation rate: 7.25% (2017: 6.0% -7.5%)

Exit yield range: 7.25% - 7.75% (2017: 7.75% - 8.0%)

Berth licence sales rate pa: 10.0% - 15% (2017: 5.0% - 15%)

Annual Rental cash-flow: \$283,000- \$341,000 (2017: \$244,000- \$287,580)

* excludes undeveloped land and land designated for a transport corridor which has a value of \$35 to \$110 per m² (2017: \$35 to \$110 per m²)

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

Note 14: Earn out - Northport Coolstores Limited

	Note	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Opening balance		239	260
Earn out payment received		(225)	(147)
Fair value adjustment	2(iii)	141	126
		155	239
Current portion - due within next 12 months		155	128
Non-current portion - due past next 12 months		-	111
		155	239

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

Accounting policy

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

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

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

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

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

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Investment in joint venture company	-	-	47,050	46,061
Shares in Marsden Maritime Holdings Limited (22.14 million shares)	7,828	7,828	-	-
Total investments in subsidiaries (excluding CCOs) and joint venture company	7,828	7,828	47,050	46,061

Council - Investment in Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited is a listed company. The fair value of these shares, as per the market price at 30 June 2018 is \$5.25 per share (2017: \$4.35 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 (2017: 50%), with Port of Tauranga Limited holding the remaining 50%.

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

	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Current assets	4,644	3,987
Non-current assets	132,243	130,675

	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Current liabilities	38,400	4,693
Non-current liabilities	1,672	35,048
Net assets	96,815	94,921
Group share of net assets (50%)	48,408	47,460
Other consolidation adjustments	(1,358)	(1,399)
Total Investment in joint venture company	47,050	46,061
Opening carrying value	46,061	45,681
Share of after tax surplus	9,232	9,152
Dividends paid	(9,333)	(8,829)
Share of land revaluation movement	1,161	(125)
Share of hedge reserve movement	(71)	182
Closing carrying value	47,050	46,061
Revenue	42,195	40,894
Net surplus	18,381	18,166
Current period write back in respect of previous inter-entity asset sales	42	69
Total share of joint venture company net surplus (50%)	9,232	9,152

Joint venture commitments and contingencies

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

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

Accounting policy

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

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

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

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

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

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

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Investment in Northland Inc. Limited (subsidiary)	-	-	-	-
Investment in Regional Software Holdings Limited (associate)	863	863	872	889
	863	863	872	889

Northland Inc. Limited

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

Regional Software Holdings Limited

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

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

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000
Assets	5,371	5,485
Liabilities	166	177
Revenue	1,229	1,126
Surplus/(deficit) for the year	(103)	(72)
Share capital	5,149	5,149
Council's interest	16.75%	16.75%
Council's investment in Regional Software Holdings Limited in council parent financial statements	862	862

Regional Software Holdings Limited is an associate of council as the council's CEO is on the Board of directors of Regional Software Holdings Limited and as such it is considered that council has significant influence over the operating and financial policies of Regional Software Holdings Limited. For the year ended 30 June 2018 Regional Software Holdings Limited had a deficit of \$102,588 (2017: \$71,745 deficit), and council recognised its 16.75% shareholding being a deficit of \$17,183 (2017: \$12,017 deficit) on consolidation.

The total share of associates and joint venture company surplus in comprehensive revenue and expense is \$9,214,660 (2017: \$9,140,109) being councils share of the Regional Software Holdings Limited deficit \$17,183 (2017: \$12,017) note 15(ii), and Marsden Maritime Holdings Limited share of surplus in their joint venture company, Northport Limited, \$9,231,843 (2017: \$9,152,126) note 15(i).

Note 16: Property, plant and equipment

Accounting policy

Property, plant and equipment consist of:

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

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

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

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

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

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

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

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

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

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

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

- Buildings	5-100 years	1-20%
- Plant, equipment, vehicles and vessels	2-100 years	1-50%
- Infrastructure assets	8-100 years	1-12.5%

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

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

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

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

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

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

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

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

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

COUNCIL	Freehold Land \$000	Forestry Land \$000	Buildings \$000	Infrastructure \$000	Plant, equipment, vehicles and vessels \$000	TOTAL \$000	Capital work in progress \$000
Year ended 30 June 2017							
Opening net book value	1,463	707	4,510	18,810	4,573	30,062	195
Additions	454	-	243	130	1,367	2,194	100
Disposals* and divested assets	-	-	-	(30)	(179)	(209)	-
Transfer between asset classes	-	-	-	-	-	-	(66)
Revaluation movement	39	-	259	3,127	-	3,425	-
Depreciation expense	-	-	(93)	(130)	(1,151)	(1,374)	-
Closing net book value	1,955	707	4,920	21,907	4,610	34,098	229
At 30 June 2017							
Assets at cost/valuation	1,955	707	4,920	21,907	11,521	41,009	229
Accumulated depreciation	-	-	-	-	(6,911)	(6,911)	-
Net book value	1,955	707	4,920	21,907	4,610	34,098	229
Year ended 30 June 2018							
Opening net book value	1,955	707	4,920	21,907	4,610	34,098	229
Additions	-	-	548	213	1,255	2,016	191
Disposals* and divested assets	-	-	-	-	(15)	(15)	-
Transfer between asset classes	215	-	685	-	-	900	(73)
Revaluation movement	(5)	-	(893)	-	-	(898)	-
Transfer to operations	-	-	-	-	-	-	(140)
Depreciation expense	-	-	(105)	(200)	(1,166)	(1,471)	-
Closing net book value	2,165	707	5,155	21,919	4,684	34,630	206
At 30 June 2018							
Assets at cost/valuation	2,165	707	5,155	22,119	12,430	42,576	206
Accumulated depreciation	-	-	-	(200)	(7,746)	(7,947)	-
Net book value	2,165	707	5,155	21,919	4,684	34,630	206

Depreciation and amortisation expense		Council 30-Jun-18	Council 30-Jun-17
Property, plant and equipment		1,471	1,374
Intangibles	Note 17	212	207
Total		1,683	1,582

* disposals are reported net after accumulated depreciation

CONSOLIDATED	Freehold Land \$000	Forestry Land \$000	Freehold Land - Port \$000	Buildings and amenities \$000	Infra-structure \$000	Plant, equipment, vehicles and vessels \$000	TOTAL \$000	Work in progress \$000
Year ended 30 June 2017								
Opening net book value	1,463	707	17,106	6,252	18,810	5,096	49,433	501
Additions	453	-	4,250	248	130	1,619	6,700	3,947
Disposals* and divested assets	-	-	-	-	(30)	(189)	(219)	-
Transfer between asset classes	-	-	(4,300)	-	-	-	(4,300)	(141)
Revaluation movement	39	-	344	418	3,127	-	3,929	-
Depreciation expense	-	-	-	(158)	(130)	(1,271)	(1,560)	-
Closing net book value	1,955	707	17,400	6,760	21,907	5,255	53,983	4,307
At 30 June 2017								
Assets at cost/valuation	1,955	707	17,400	6,760	21,907	12,616	61,345	4,307
Accumulated depreciation	-	-	-	-	-	(7,361)	(7,361)	-
Net book value	1,955	707	17,400	6,760	21,907	5,255	53,984	4,307
Year ended 30 June 2018								
Opening net book value	1,955	707	17,400	6,760	21,907	5,255	53,984	4,307
Additions	-	-	666	2,185	213	1,814	4,878	264
Disposals* and divested assets	-	-	-	-	-	(42)	(42)	-
Transfer between asset classes	215	-	620	3,299	-	832	4,966	(4,140)
Revaluation movement	(5)	-	634	(788)	-	-	(159)	-
Transfer to operations	-	-	-	-	-	-	-	(140)
Depreciation expense	-	-	-	(265)	(200)	(1,363)	(1,829)	-
Closing net book value	2,165	707	19,320	11,191	21,919	6,496	61,798	291
At 30 June 2018								
Assets at cost/valuation	2,165	707	19,320	11,191	22,120	14,877	70,380	291
Accumulated depreciation	-	-	-	-	(201)	(8,381)	(8,582)	-
Net book value	2,165	707	19,320	11,191	21,919	6,496	61,798	291

Depreciation and amortisation expense		Consolidated 30-Jun-18	Consolidated 30-Jun-17
Property, plant and equipment		1,829	1,560
Intangibles	Note 17	212	207
Total		2,041	1,767

* disposals are reported net after accumulated depreciation

Valuation of freehold land and buildings

The most recent valuation of council's freehold land and buildings was performed by Telfer Young (Northland) Limited, and is effective as at 30 June 2018.

Council's land and buildings are valued at fair value of \$ 7,320,000 (2017: \$6,875,000) using a market-based approach based on a highest and best use approach, whereby the potential market rentals are capitalised to derive a market value of the property. Significant assumptions in the 30 June 2018 valuations include market rentals and capitalisation rates.

- Market rents range from: \$96 to \$180 per square metre
- Capitalisation rates are market based rates of returns, ranging from 7.27% to 11.74%

If council's freehold land and buildings were measured at depreciated replacement cost the carrying amount would be \$7,425,000 (2017: \$6,995,000). Council has no restrictions on the realisability of its freehold land and buildings.

Valuation of Freehold Land and Buildings - Marsden Maritime Holdings Limited

The most recent valuation of Marsden Maritime Holding Limited's freehold land was performed by independent registered valuers, Seagar & Partners, and is effective as at 30 June 2018.

Marsden Maritime Holdings Limited freehold land is valued at fair value of \$19,320,000 (2017 \$17,400,000) using a market comparison method based on a highest and best use approach considering various market outcomes for land in the Marsden Point area together with recent sales evidence for the area. Significant assumptions in the 30 June 2018 valuations include estimated prices per hectare of freehold land in the Marsden point area.

- Price per hectare: \$100,000 to \$190,000

If Marsden Maritime Holdings Limited's freehold land and buildings were measured at depreciated replacement cost the carrying amount would be \$6,577,901 (2017: \$5,292,337).

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

Valuation of Buildings - Marsden Maritime Holdings Limited

The most recent valuation of Marsden Maritime Holdings Limited's buildings was performed by independent registered valuers Telfer Young (Northland) Ltd and is effective as at 30 June 2018.

Marsden Maritime Holdings Limited buildings are valued at fair value of \$1,910,000 (2017 \$1,840,000). As there is no general market to assist in determining the market value of the buildings, the optimised depreciated replacement cost approach methodology was used to establish the cost to replace the buildings having regard to current costings, and then an allowance for depreciation was deducted. In the current year, Marsden Maritime Holdings Limited constructed a new boat ramp and haul out facility at Marsden Cove. The carrying value of this ramp and haul out facility has been assessed to be similar to the fair value.

Valuation of Infrastructural assets - Council

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

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

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

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

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

Flood protection assets were assessed for impairment by Riley Consultants, Fenwick Contracting, and staff inspections, and no impairment losses have been recognised during the year.

Core infrastructure disclosure

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

	Whangarei		Awanui		Kaeo		Kerikeri-Waipapa		Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Closing book value	9,842	9,905	11,205	11,119	873	883	-	-	21,919	21,907
Acquisitions made by way of:										
Construction	-	38	213	92	-	-	-	3	213	133
Transfers	-	-	-	-	-	-	-	-	-	-
	-	38	213	92	-	-	-	3	213	133
Estimated replacement cost	6,597	6,597	14,846	14,846	913	913	-	-	22,357	22,357

Capital Commitments

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Property plant and equipment	181	171	560	2,498
Total capital commitments	181	171	560	2,498

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

Note 17: Intangible assets

Accounting policy

Software acquisition and development

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

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

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

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

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

Carbon Credits

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

New Zealand Units are 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

Easements

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

Amortisation

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

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

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

Computer software 3-5 years 20-33%

Breakdown of intangible assets and further information:

	Note	Council and Consolidated 30-Jun-18 \$000	Council and Consolidated 30-Jun-17 \$000
Computer software			
Cost - opening balance		3,485	3,380
Accumulated amortisation		(3,194)	(2,987)
Computer software opening carrying amount		291	393
Additions		153	114
Net disposals*		-	(9)
Amortisation charge		(212)	(207)
Total computer software closing balance		232	291
Cost		3,638	3,485
Accumulated amortisation		(3,406)	(3,194)
Total computer software closing balance		232	291
Emission Trading Scheme - New Zealand Units (NZU's)			
Opening balance		300	311
Gain/(loss) on revaluation of Emission Trading Scheme - NZU's	2(iii)	68	(11)
Total Emission Trading Scheme - NZU's - Closing Balance		368	300
Total Intangible Assets		600	591

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 (2017: 17,460) at \$21.10 per unit (2017: \$17.20 per unit) with a total market value of \$368,406 (2017: \$300,312).

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

* 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.

Capital Commitments

	Council and Consolidated 30-Jun-18 \$000	Council and Consolidated 30-Jun-17 \$000
Intangible assets	5	32
Total intangible capital commitments	5	32

Note 18: Forestry assets

Accounting policy

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

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

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

Breakdown of forestry assets and further information:

	Note	Council and Consolidated 30-Jun-18 \$000	Council and Consolidated 30-Jun-17 \$000
Balance at 1 July		2,713	2,360
Gains arising from changes in fair values less estimated point-of-sale costs	2(iii)	522	353
Balance at 30 June		3,235	2,713

Northland Regional Council owns 318 hectares (2017: 303 hectares) of radiata pine forest which are at varying stages of maturity, ranging from 1 to 27 years.

Valuation assumptions

Independent registered forestry industry consultants, Jenksmax Consulting Ltd, have valued forestry assets at fair value less estimated selling costs as at 30 June 2018.

In 2018 (and 2017) Jenksmax Consulting Limited derived the fair value of the forest using an expectation value method. Under the expectation value approach the net present value of the forest is calculated by discounting the projected future net cash flow of the tree crop to the valuation date (30 June 2018). The calculated net present value is linked to sales evidence through the application of a discount rate of 9.0% (2017: 9.0%) derived from the analysis of relevant sales information provided by Woodlands Pacific Ltd. In applying this approach PBE IPSAS 27 requires exclusion of financing, funding and costs related to subsequent crops. Costs and prices are held constant in 2018 NZ dollars, i.e. the net impact of inflation is assumed to be zero.

Note 19: Payables and deferred revenue

Breakdown of payables and deferred revenue and further information:

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
CURRENT PORTION				
Payables and deferred revenue under exchange transactions				
Payables and accruals	2,594	2,609	3,439	3,896
Revenue received in advance	527	571	527	571
Amounts due to subsidiaries and associates	149	409	7	112
	3,270	3,589	3,973	4,579
Payables and deferred revenue under non-exchange transactions				
Grants payable	156	256	156	256
Other grants and deferred revenue received subject to conditions not yet met	827	727	1,750	1,426
Other taxes (e.g. GST and FBT)	200	172	206	298
	1,183	1,155	2,112	1,980
Current total payables and deferred revenue	4,453	4,744	6,085	6,558
NON-CURRENT PORTION				
Payables and deferred revenue under non-exchange transactions				
Other grants received and deferred revenue subject to conditions not yet met	653	801	1,462	1,418
Non-current total payables and deferred revenue	653	801	1,462	1,418

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

Note 20: Employee entitlements

Accounting policy

Short-term employee entitlements

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

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

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

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

Long-term employee entitlements

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

Presentation of employee entitlements

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

Breakdown of employee entitlements and further information:

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Annual leave	1,240	1,134	1,292	1,177
Accrued salaries and wages	263	243	294	270
Other leave	263	261	263	261
	1,766	1,638	1,849	1,708
Represented by:				
Current benefit liabilities	1,751	1,623	1,834	1,693
Non-current benefit liabilities	15	15	15	15
	1,766	1,638	1,849	1,708

Note 21: Borrowings

Accounting policy

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

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

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

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

Breakdown of borrowings and further information:

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Current				
Debentures	-	3,000	-	3,000
Total current borrowings	-	3,000	-	3,000
Non-current				
Debentures	10,000	10,000	10,000	10,000
Local Government Funding Agency - Bond Issuance	8,542	-	8,542	-
Secured Loans	-	-	6,050	9,850
Total non-current borrowings	18,542	10,000	24,592	19,850

Council

As at 30 June 2018 Council has 1 debenture (2017: 2) of \$10,000,000 (2017: \$13,000,000) issued under a debenture trust deed, being a fixed rate note at a fixed annual interest rate of 3.79%, maturing on 13 August 2020. Also at 30 June 2018, Council has 3 bond issuances (2017: nil) with the Local Government Funding Agency. The first being a \$2,800,000 fixed coupon bond issued at a fixed annual interest rate of 4.86%, maturing on 13 August 2032. The second is a \$3,811,000 fixed coupon bond issued at a fixed annual interest rate of 4.77%, maturing on 14 February 2033, and the third is a \$1,931,000 fixed coupon bond issued at a fixed annual interest rate of 4.72% maturing on 14 February 2033. Council secures its fixed coupon bonds and its fixed rate note by granting a security interest in its rates revenue set and assessed under the Local Government Rating Act 2002.

The Fair value of council's debentures at 30 June 2018 is \$19,816,809 (2017: \$13,246,680).

There are a number of covenants included within the loan agreement with the LGFA. No breach of these loan covenants has occurred during the period.

Marsden Maritime Holdings Limited

As at 30 June 2018 Marsden Maritime Holdings Limited has a secured loan facility of \$10,000,000 (2017: 10,000,000) with \$6,050,000 (2017: \$9,850,000) being drawn down. The facility matures in November 2021.

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 2.93% to 3.55% (2017: 3.00% to 3.55%).

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

Note 22: Equity

Accounting policy

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

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

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

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

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

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

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

Breakdown of equity and further information:

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Accumulated funds				
As at 1 July	121,315	117,670	150,862	145,054
Surplus/(deficit) for year	4,006	5,887	5,622	8,051
Net transfers from/(to) special reserves	(1,781)	(2,243)	(1,781)	2,243
As at 30 June	123,540	121,315	154,703	150,862

Reserves	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Asset revaluation reserve				
As at 1 July	3,968	956	36,575	33,361
Revaluation gains/(losses) - buildings and amenities	-	-	(85)	85
Revaluation gains/(losses) - land	(5)	39	957	156
Revaluation gains/(losses) - infrastructure assets	-	2,973	-	2,973
As at 30 June	3,963	3,968	37,447	36,575
Asset revaluation reserve attributable to:				
Land	990	995	34,474	33,517
Buildings and amenities	-	-	-	85
Infrastructure assets	2,973	2,973	2,973	2,973
Total Asset revaluation reserve	3,963	3,968	37,447	36,575
Fair value through other comprehensive revenue and expense reserve				
As at 1 July	(0)	(18)	(0)	(18)
Net change in fair value		18	-	18
As at 30 June	(0)	-	(0)	-
Special reserves				
As at 1 July	20,805	18,562	20,805	18,562
Transfers from/(to) accumulated funds	1,781	2,243	1,781	2,243
As at 30 June	22,586	20,805	22,586	20,805
Cashflow hedge reserve				
As at 1 July	-	-	(287)	(385)
Fair value gains/(losses) recognised	-	-	(38)	98
As at 30 June	-	-	(325)	(287)
Total Reserves	26,549	24,773	59,708	57,093
Non-controlling interest	-	-	63,286	60,972

Reserves	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Total Equity	150,089	146,088	277,697	268,927
Non-controlling interest				
Balance at 1 July			60,972	58,656
Share of total comprehensive revenue and expense attributable to the non controlling interest in Marsden Maritime Holdings Limited			5,284	4,998
Dividends paid			(2,970)	(2,682)
Balance at 30 June			63,286	60,972

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

Note 22 continued 2018	Activities to which the reserve relates	Balance at 1 July 2017 \$000	Balance at 30 June 2018 \$000
Land management reserve	Civil defence and emergency management, natural hazard management, river management, land and biodiversity and biosecurity	780	370
Awanui river reserve	River management	(695)	(862)
Kaihū river reserve	River management	79	71
Kaeo-Whangaroa rivers reserve	River management	70	128
Whāngārei urban rivers reserve	River management	(9,971)	(9,606)
Kerikeri-Waipapa rivers reserve	River management	467	453
Infrastructure facilities reserve	Economic development	(456)	(2,814)
Recreational facilities reserve	Economic development	(941)	28
Property reinvestment fund reserve	Economic development	19,955	18,444
Equalisation fund reserve	All	1,389	954
Hatea river maintenance reserve	Harbour safety and navigation	164	176
Investment and growth reserve	Economic development	2,795	2,185
Kāitaiā bus reserve	Transport	30	38
Infrastructure investment fund reserve	River management	6,059	12,129
Whangarei transport reserve	Transport	(57)	(145)
Emergency services reserve	Community Representation and engagement	118	149

Note 22 continued 2018	Activities to which the reserve relates	Balance at 1 July 2017 \$000	Balance at 30 June 2018 \$000
Whangarei Heads pest management reserve	Land and Biodiversity	13	1
Approved carry forwards reserve	All	415	187
Mid North bus reserve	Transport	144	88
Lidar project reserve	Natural hazard management	447	547
Capital Subsidy reserve		-	67
Total Special Reserves		20,805	22,586

Purpose of each reserve fund:

Land Management reserve

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

River reserves

The Awanui, Kaihu, Kaeo -Whangaroa, Kerikeri-Waipapa and Whangarei urban river reserves were all created to hold targeted rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of their respective river flood management schemes. This keeps the surpluses/deficits in the appropriate activity separate from other activities. Any deficit balance in these reserves will be repaid from future targeted river management rates collected from the rate payers within the area of benefit identified in the respective flood management plans.

Infrastructure Facilities reserve

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

Recreational Facilities reserve

This reserve was established to represent the balance of the borrowing associated with the \$13M contribution made by council towards the establishment of the Northland Regional Events Centre. The balance in this reserve will be paid out, at council's discretion, in a manner that will assist the Northland Regional Events Centre.

Property Reinvestment Fund reserve

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

Equalisation Fund reserve

This reserve was created to set aside 50% of council's forestry net income arising in any year. This reserve is intended to provide future funding of councils general operating activities by allowing council to use these funds for any council activity to smooth future rating increases. It is further intended that this reserve be used to fund the cost of forestry operations in non-harvesting years.

Hātea River Maintenance reserve

This reserve was created to set aside a component of the council services rate specifically levied across the Whangārei constituency to ensure funding is immediately available in the event dredging of the Hātea river is required. The funds may be applied to the following:

1. Ongoing maintenance and dredging;
2. Disposal of dredged spoil material;
3. The provision of an annual hydrographic survey of the river.

The reserve is to be maintained at a targeted fund of up to \$400,000.

Investment and Growth reserve

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

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. This keeps surpluses/ deficits in this activity separate from other activities.

Infrastructure Investment Fund reserve

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

Whangārei Transport reserve

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

Emergency Services reserve

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

Whangārei Heads Pest Management reserve

This reserve was established 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. The small balance in this reserve will be spent in the 2018-19 financial year on traps for stoat control and Kiwi preservation in the Whangārei Heads area.

Approved carry forwards reserve

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

Mid North Bus Service reserve

This reserve was created to hold any targeted Mid North transport rates collected and unspent in any given year to cover any future funding shortfalls of the mid-north bus passenger transport service transport service.

Lidar Project reserve

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

Capital Subsidy reserve

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

Note 23: Contingencies

23(i): Contingent liabilities

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Bonds	-	-	75	75
Remedial damages claim	-	-	128	-
Rates postponed	-	-	-	70
	-	-	203	145

Council

KiwiRail

KiwiRail, the requiring authority responsible for the Marsden Point Rail Link Designation, may be approached by landowners seeking the acquisition of their properties. There is specific provision within the Resource Management Act 1991 that allows landowners to seek an order from the Environment Court requiring 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.

Other Legal Claims

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

Marsden Maritime Holdings Limited

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

1. To the Bank of New Zealand for a \$75,000 (2017: \$75,000) Bond given by them to the New Zealand Stock Exchange.

2. A claim for remedial damages of \$128,040 excluding GST has been served on the company by the owners of the revetment walls that were damaged during the construction of the company's new boat ramp. The claim has been referred to the insurers of the boat ramp construction contract and as at 30 June 2018 the company was awaiting confirmation that the claim has been accepted.

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

23(ii): Contingent assets

At 30 June 2018 the council and the group has no contingent assets (2017: Nil).

Note 24: Related party transactions

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

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

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

Key Management Personnel Compensation

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

	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000
Councillors		
Remuneration	740	718
<i>Full time equivalent members</i>	9	9
Independent (non elected) member of Council		
Remuneration	39	22
<i>Full time equivalent members</i>	1	1
Senior management team including the Chief Executive		
Remuneration	1,162	1,171
<i>Full time equivalent members</i>	6.0	6.35
Total key management personnel remuneration	1,942	1,911
<i>Total full time equivalent personnel</i>	<i>16.0</i>	<i>16.35</i>

Note 25: Events after balance sheet date

Subsequent to balance date, Marsden Maritime Holdings Limited declared a fully imputed dividend of 9.00 cents per share to be paid on 14 September 2018.

Mangawhai Ratepayers and Residents Association and Richard Bruce Rogan & Heather Elizabeth Rogan (CIV-2015-488-95)

These proceedings are now at an end, following the Supreme Court's decision of 6 August 2018 to decline the MRRRA and Mr and Mrs Rogan leave to appeal the Court of Appeal's decision. Northland Regional Council (NRC) and Kaipara District Council (KDC) have been awarded costs in the High Court, Court of Appeal and Supreme Court from the MRRRA and Mr and Mrs Rogan. The amount in the High Court has not yet been ordered, but the total amount from all three courts is likely to be less than \$100,000.

In last year's note we referred to the High Court's final decision, received in August 2017, which was adverse to the NRC. NRC appealed the interim and final decisions to the Court of Appeal, and the MRRRA and Mr and Mrs Rogan cross-appealed against the interim decision including the dismissal of their claims against the KDC.

The Court of Appeal's decision was received in March 2018. It allowed NRC's appeal in most respects; upholding the High Court's finding only in respect of the Council's approach to setting the due dates in the 2011/12, 2012/13 and 2013/14 years and the penalty resolutions for the 2011/12, 2014/15 and 2015/16 years. However, the Court of Appeal validated the rates and penalties for the relevant years under section 5 of the Judicature Amendment Act 1972. This means the rates and penalties are valid and payable.

The MRRRA and Mr and Mrs Rogan sought leave to appeal this decision to the Supreme Court and leave has been declined.

The Council has, since balance date, settled its interest in rates claimed in RB and HE Rogan v KDC and NRC (CIV-2015-488-182). KDC's interest remains and the appeal of the High Court's decision is due to be heard in the Court of Appeal on 11 September 2018. The outcome of this case will be relevant to other rates collection proceedings the Councils have underway and that have been stayed pending the outcome of the recovery proceedings against Mr and Mrs Rogan.

There were no other significant events after balance date.

Note 26: Financial instruments

Note 26A: Financial instrument categories

	Note	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
FINANCIAL ASSETS					
Loans and receivables:					
Cash and cash equivalents	-	998	1,222	1,811	1,706
Term deposits	11	8,000	8,000	8,000	8,000
Local government funding agency borrower notes	11	137	-	137	-
Debtors and other receivables	7	5,862	5,296	7,015	6,280
Loans to subsidiary	11	14	30	-	-
Other loans	11	4,275	820	4,275	820
Other receivables (long term)	12	5,744	5,627	5,744	5,627
Total loans and receivables		25,030	20,995	26,982	22,433
Financial assets at fair value through surplus or deficit					
Other financial assets:					
Income funds	11	21,655	31,860	21,655	31,860
Equity Funds	11	26,007	15,017	26,007	15,017

	Note	Council 30-Jun-18 \$000	Council 30-Jun-17 \$000	Consolidated 30-Jun-18 \$000	Consolidated 30-Jun-17 \$000
Listed shares	11	-	-	653	720
Earn out - NPC investments Ltd	14	-	-	155	239
Total financial assets at fair value through surplus or deficit		47,662	46,877	48,470	47,836
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost					
Creditors and other payables	19	5,106	5,544	7,547	7,977
Borrowings:					
Debentures	21	10,000	13,000	10,000	13,000
Local government funding agency - bond issuance	21	8,542		8,542	
Bank loan	21	-	-	6,050	9,850
Total financial liabilities measured at cost		23,648	18,544	32,139	30,827

Note 26B: Fair value hierarchy disclosures

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

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

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

Note 26C: Financial instrument

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

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

The Council also has investments in externally managed funds and administers these funds with overarching independent investment advice from Eriksen and Associates Limited. These four funds are administered in accordance with the relevant Statement of Investment Policies and Objectives (SIPO). The four SIPOs and any changes to them are approved by council. 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 2018 councils externally managed investment funds were diversified over 13 fund managers. The use of a wide range of fund managers with different mandates and different asset allocations mitigates council's price risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council has some exposure to currency risk resulting from its \$2.4M (2017: \$2.2M) Community Investment Fund investment in Schroders Equity Fund, \$0.2M (2017: Nil) Community Investment Fund investment in MLC Private Equity, \$0.2M (2017: Nil) Property Reinvestment Fund investment in MLC Private Equity, \$1.3M (2017: \$1.4M) in infrastructure investment fund investment in Schroders income fund, and \$1.1M (2017: \$1.1M) Infrastructure Investment Fund 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 \$18.5 million borrowings in the form of fixed rate notes of \$10 million and Local Government Funding Agency bonds of \$8.5 million.

Cash flow interest rate risk

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

Council's long term borrowing and long term deposit investments are at a fixed rate. Marsden Maritime Holdings Limited's exposure to cash flow interest rate risk is limited to its \$10,000,000 loan facility of which \$6,050,000 was drawdown at year end 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 2.93% to 3.55%.

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 asset is the carrying value set out in the table in note 26A.

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

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the investment portfolio. The Council's 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 as 30 June 2018 Marsden Maritime Holdings Limited had access to BNZ funding totalling \$10,500,000 of which \$6,050,000 was drawdown at year end.

Contractual maturity of financial liabilities

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

	Carrying Amount \$000	Contractual Cash Flows \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000	More than 5 Years \$000
Council 2018						
Creditors and other payables	5,106	5,106	4,453	653	-	-
Debentures	10,000	10,804	379	10,425	-	-
Local Government Funding Agency - Bond Issuance	8,542	14,458	409	818	1,227	12,004
Total	23,643	30,368	5,241	11,895	1,227	12,004
Group 2018						
Creditors and other payables	7,547	7,547	6,085	1,462	-	-
Secured bank facility	6,050	6,810	240	480	6,090	-
Debentures	10,000	10,804	379	10,425	-	-
Local Government Funding Agency - Bond Issuance	8,542	14,458	409	818	1,227	12,004
Total	32,139	39,619	7,113	13,185	7,317	12,004
Council 2017						
Creditors and other payables	5,544	5,544	4,744	801	-	-
Debentures	13,000	14,247	3,443	758	10,046	-
Total	18,544	19,791	8,187	1,559	10,046	-

	Carrying Amount \$000	Contractual Cash Flows \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000	More than 5 Years \$000
Group 2017						
Creditors and other payables	7,977	7,977	6,558	1,418	-	-
Secured bank facility	9,850	11,110	390	-	10,720	-
Debentures	13,000	14,247	3,443	758	10,046	-
Total	30,827	33,334	10,392	2,176	20,766	-

Sensitivity analysis

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

Sensitivity analysis	2018				2017			
	+100bps		-100bps		+100bps		-100bps	
	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000
COUNCIL								
Total sensitivity to interest rate risk	568	-	(568)	-	561	-	(561)	-

	2018				2017			
	+100bps		-100bps		+100bps		-100bps	
	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000
GROUP								
Total sensitivity to interest rate risk	517	-	(517)	-	470	-	(470)	-

Borrowings

Council has \$18.5 million of external borrowings in the form of a fixed rate note of \$10 million and Local Government Funding Agency bonds of \$8.5 million. The rate of interest payable is fixed for the life of the borrowings and is not affected by rising or falling interest rates.

Note 26D: Capital management

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

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

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

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

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

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

Section four: Legislative disclosures
Wāhanga tuawha: Ngā
Whakāturanga a Ture



Rating base information

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

	30-Jun-17	30-Jun-16
The number of rating units within council's region at 30 June:	96,100	96,923
The total capital value of rating units within council's region at 30 June:	\$42,460,884,025	\$40,328,268,545
The total land value of rating units within council's region at 30 June:	\$21,659,510,195	\$20,740,523,555

Insurance of assets

At 30 June 2018 council had assets covered by full replacement insurance of \$67,762,545 (2017: \$61,297,048) and indemnity insurance of \$70,000 (2017: \$790,000). Assets with a sum insured value totalling \$3,988,050 (2017: \$4,058,646) are covered by financial risk sharing arrangements with \$1,994,025 (50%) (2017: \$2,029,323) being available to council. At 30 June 2018 there are no Assets self insured.

Internal borrowings

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

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

	Opening balance 1-Jul-17 \$000	Funds borrowed 2017/18 \$000	Funds repaid 2017/18 \$000	Change to external borrowing 2017/18 \$000	Closing balance 30-Jun-18 \$000	Interest charged 2017/18 \$000
River management	2,566	-	-	(2,566)	-	8
Transport	57	87	-		145	6
TOTAL	2,623	87	-	(2,566)	145	14

Council funding impact statement

Period ending 30 June 2018

	Long Term Plan 2016/17 \$000	Annual Report 2016/17 \$000	Annual Plan 2017/18 \$000	Actual 2017/18 \$000
Sources of operating funding				
General rates, uniform annual general charges, and rates penalties	-	267	-	295
Targeted rates (other than targeted water rates)	20,695	20,146	20,962	20,537
Subsidies and grants for operating purposes	1,265	2,168	1,909	2,742
Fees, charges, and targeted rates for water supply	4,050	4,669	4,510	4,478
Interest and dividends from investments	5,606	6,521	7,013	8,378
Local authorities fuel tax, fines, infringement fees and other receipts	3,177	2,767	2,461	2,680
TOTAL OPERATING FUNDING	34,792	36,537	36,855	39,110
Applications of operating funding				
Payments to staff and suppliers	31,352	33,421	34,670	34,512
Finance costs	110	583	726	703
Other operating funding applications	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	31,462	34,005	35,396	35,215
Surplus/(deficit) of operating funding	3,330	2,532	1,459	3,895
Sources of capital funding				
Subsidies and grants for capital purposes	-	-	-	67
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	-	-	5,542
Gross proceeds from sale of assets	-	3,355	-	7,438
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	3,355	-	13,047
Applications of capital funding				
Capital expenditure:				
to meet additional demand	-	-	-	-
to improve levels of service	278	2,175	498	10,917
to replace existing assets	1,083	1,306	1,016	772
Increase/(decrease) in reserves	832	5,119	(91)	1,776
Increase/(decrease) of investments	1,138	(2,713)	35	3,477
TOTAL APPLICATIONS OF CAPITAL FUNDING	3,330	5,887	1,459	16,942

	Long Term Plan 2016/17 \$000	Annual Report 2016/17 \$000	Annual Plan 2017/18 \$000	Actual 2017/18 \$000
Surplus/(deficit) of capital funding	(3,330)	(2,532)	(1,459)	(3,895)
FUNDING BALANCE	-	-	-	0

Reconciliation to the statement of comprehensive revenue and expense

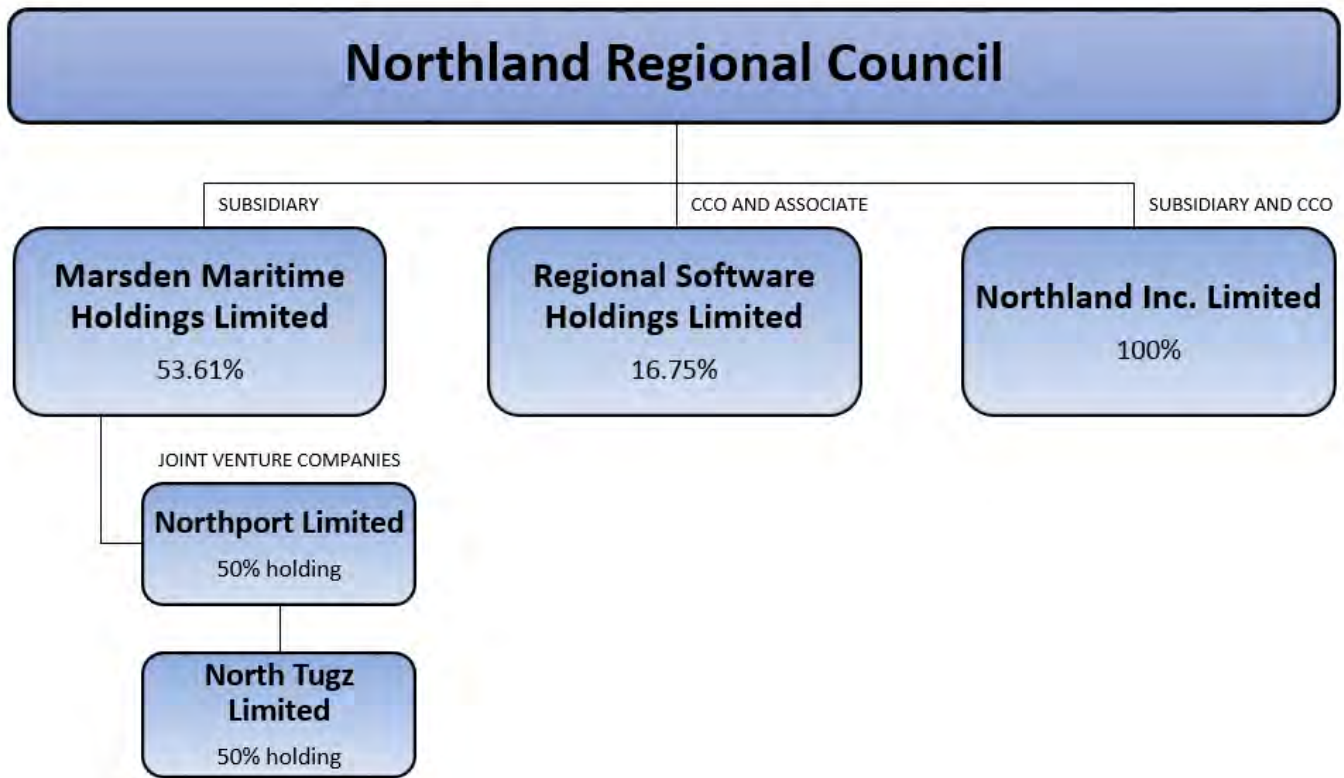
Period ending 30 June 2018

	Long Term Plan 2016/17 \$000	Annual Report 2016/17 \$000	Annual Plan 2017/18 \$000	Actual 2017/18 \$000
Capital expenditure included above, not in comprehensive revenue and expense	1,361	3,481	1,514	11,689
Investment movements included above not in comprehensive revenue and expense	1,138	(2,713)	35	3,477
Gross proceeds included above, but not in comprehensive revenue and expense	-	(3,355)	-	(7,438)
Gains on asset disposals included in comprehensive revenue and expense	-	496	-	122
Property revaluation adjustments not included above, but in comprehensive revenue and expense	-	4,005	-	1,305
Infrastructure asset revaluation adjustments not included above, but in comprehensive revenue and expense	-	3,127	-	-
Forestry asset revaluation not included above, but in comprehensive revenue and expense	-	353	-	522
Transfers to/(from) special reserves included above, but not in comprehensive revenue and expense	832	5,119	(91)	1,776
Financial Asset fair value adjustments included in comprehensive income but not above	-	(15)	-	(227)
Increase/(Decrease) in debt included above but not in Comprehensive income	-	-	-	(5,542)
Depreciation and Amortisation Expense not included above, but in comprehensive revenue and expense	(1,386)	(1,582)	(1,434)	(1,683)
Total comprehensive revenue and expense per the statement of comprehensive revenue and expense	1,945	8,917	26	4,001

Section five: CCO's and Subsidiaries
Wāhanga tuarima: CCOs me nga
Kamupene



Group structure



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

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

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

Marsden Maritime Holdings Limited

Company operations and ownership

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

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

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

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

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

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

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

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

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

Company financial data

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

Company	Holding at 30 June 2018	Main activity
Northland Port	50.0%	Port operating company

Marsden Maritime Holdings Ltd

53.61% Northland Regional Council
 19.90% Ports of Auckland Ltd
 26.49% other Shareholders

Northport Ltd

50% Marsden Maritime Holdings Ltd
 50% Port of Tauranga Ltd

North Tugz Ltd

50% Northport Ltd
 50% Ports of Auckland Ltd

FLOWCHART NOTES

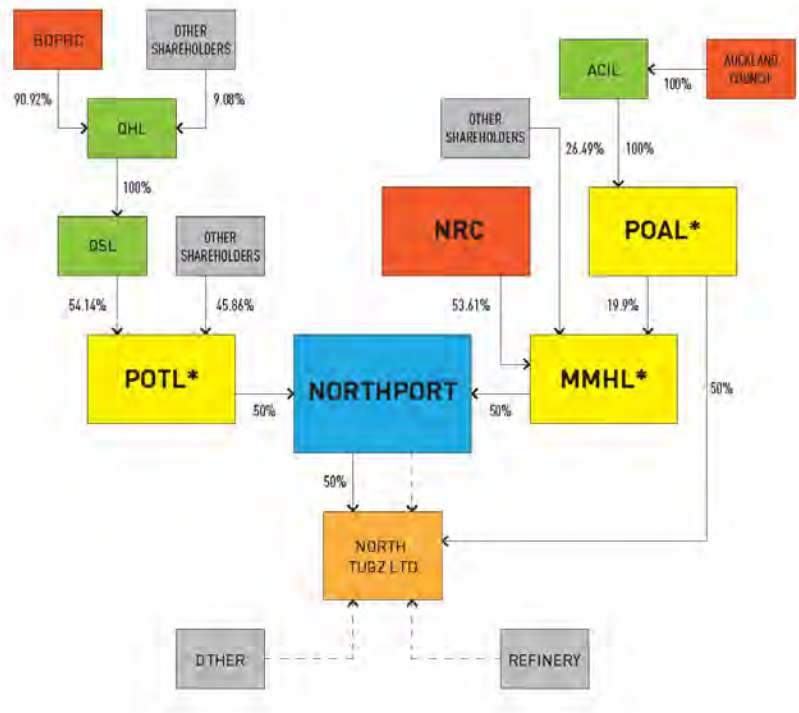
—————> Ownership (in whole or part)
 - - - - -> Customer relationship

Abbreviations

BOPRC = Bay of Plenty Regional Council
 QHL = Quayside Holdings Ltd
 QSL = Quayside Securities Ltd
 ACIL = Auckland Council Investments Ltd
 POTL = Port of Tauranga Ltd
 MMHL = Marsden Maritime Holdings Ltd
 POAL = Ports of Auckland Ltd
 NRC = Northland Regional Council

Percentages shown indicate how much the parent entity owns of the connected entity.
 Not all minor shareholders are shown.

* Designated port companies



Northland Inc. Limited

About this council-controlled organisation (CCO)

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

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

Policies and objectives

Council's Long Term Plan 2015–2025 establishes the framework for Northland Inc. Limited. The mission of Northland Inc. Limited is to strengthen, diversify and grow the Northland economy. This is delivered through five work programmes: investment and infrastructure; business innovation and growth; Māori economic development; regional promotion and tourism; and implementation of the Tai Tokerau Northland Economic Action Plan (TTNEAP).

The following objectives for the economic development organisation were established in its 2017–20 Statement of Intent.

- Lead, support and facilitate the implementation of the Tai Tokerau Northland Economic Action Plan
- Promote the establishment and development of infrastructure that underpins economic growth
- Attract and leverage investment in strategic sectors
- Use the NRC's Investment and Growth Reserve to catalyse and leverage regional economic development projects for Northland
- Promote Northland as a progressive and positive place to visit, do business and live
- Partner with Māori organisations to develop and implement economic development projects for the benefit of Northland
- Provide and facilitate business support services that enable Northland firms to grow
- Establish a high performing innovation ecosystem to increase innovation and entrepreneurship in Northland

Investment and Growth Reserve

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

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

Key performance measures and targets

The following section provides a summary of the activities carried out in each of the five work programme during 2017/18, including reporting against the 14 key performance indicators.

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 2017/18 key performance targets and results for this work programme are:

Measure	2017/18 performance target	Result
Develop investment ready proposals	2	Achieved, 2
Northland Inc Board recommendations made to the Northland Regional Council Investment and Growth Reserve for debt or equity funding	1	Measure is no longer relevant due to changes to the criteria and procedures for the allocation of funding from the IGR made by council in February 2018
Northland Inc Board recommendations made to the Northland Regional Council Investment and Growth Reserve for impact investment (now called enabling investment) funding	1	Achieved, 2

The Board of Northland Inc. Limited made positive recommendations on funding two impact investment projects during 2017/18: \$100,000 for further investigation into the opportunities for developing new water storage and use options in Northland; and \$600,000 over three years to allow Northland Inc. Ltd to carry out additional regional promotion activities. Nine projects received feasibility assessment and business case development funding totaling \$290,000.

Business innovation and growth

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

The 2017/18 key performance targets and results for this work programme are:

Measure	2017/18 performance target	Result
Increase in aggregated total turnover of RBP active companies	5%	Achieved, 5%
Proportion of RBP active companies that are research active	25%	Not Achieved, 7%
Orchard occupancy rate	30%	Achieved, 67%

The proportion of RBP active companies that are research active is lower than the target rate because of a large increase (74%) in RBP active companies.

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 2017/18 key performance target and result for this work programme is:

Measure	2017/18 performance target	Result
New projects partnering with Māori on economic development funded and underway	2	Achieved, 2
Number of active Māori businesses in RBP	30	Achieved, 50

The two new projects partnering with Māori are the Ngāwhā Springs redevelopment and the Manea Footprints of Kupe projects, both of which received Business Case Assessment funding through the IGR.

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 2017/18 key performance targets and results for this work programme are:

Measure	2017/18 performance target	Result
Industry investment in regional promotions activity	\$300,000	Achieved, \$370,000
An equivalent advertising value achieved through destination media coverage	\$15 million	Achieved, \$25 million
Increase in traffic on social media channels	10%	Achieved, 18%
Website traffic growth exceeds growth in visitor spend	10%	Not achieved, -20%

The reduction in the website traffic for 2017/18 was due to a relatively poor fourth quarter 2017/18 result in comparison to quarter 4 in 2016/17. Website traffic numbers in the fourth quarter 2016/17 were unusually high due to a specific Auckland digital campaign which saw a 60% increase in website visits that quarter, while website traffic in the fourth quarter 2017/18 was low due to a site re-launch in April. Visitor spending in Northland grew by 3% in the year ended June 2018.

Tai Tokerau Northland Economic Action Plan

The Tai Tokerau Northland Economic Action Plan (TTNEAP), launched in February 2016, brings together a collection of more than 50 projects organised within four work streams. Northland Inc. chairs the Working Group established to guide the implementation of the TTNEAP, and provides portfolio and project management services to keep implementation on track. The TTNEAP requires multiple agencies to work together collaboratively in order for the projects to be delivered and new ones identified.

The 2017/18 key performance targets and results for this work programme are:

Measure	2017/18 performance target	Result
Total value of investments in TTNEAP projects		Achieved, \$112 million (includes digital investments in rural broadband and UFB)
Projects, actions, milestones successfully completed		Achieved

Regional Software Holdings Limited

Council is also a shareholder of Regional Software Holdings Limited (RSHL), being a major shared services undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. RSHL is responsible for the long-term maintenance and enhancements of the IRIS (Integrated Regional Information System) product.

The 2017/2018 year was a busy and productive period for RSHL and the six councils. The year involved continuing to drive council implementations and the subsequent operational benefits and efficiencies, with a key focus on understanding the investment activity required to keep the IRIS solution current from a technology perspective, and fit for purpose for all users.

This year RSHL has worked very closely and intensively with Hawke's Bay Regional Council (HBRC) in their implementation of IRIS. Whilst there have been challenges, the implementation has progressed well and the Company looks forward to HBRC going live with their implementation.

This time last year, RSHL noted it was starting to work with the regional council sector to establish how the company vehicle can be operationally and financially used for the betterment of the regional council community. This has resulted in the Regional Council Collaboration (ReCoCo) initiative. ReCoCo has been established to facilitate unitary and regional councils entering into collaboration initiatives where there are overlapping or shared objectives, covering areas of common interest or joint responsibility. The delivery vehicle that will be used to facilitate and administer ReCoCo is Regional Software Holdings Ltd. This exciting opportunity will allow the regional council sector to invest in new technologies that, as individual councils, would not be viable.

Each council has the ability to appoint one director to the board, with each member of the board having equal voting rights. And independent director with specific skills and experience in sales/marketing and software life-cycle management was appointed as a non-voting member.

Our council's experience

This council continues to maximise the benefits of the IRIS solution and the high level of integration achieved with other core application such as Document Management, Geographic and Financial Information Systems. For Northland, the collaborative approach to the project continues to bring together the best ideas, practises and experiences into a solution that is fit for purpose, performs well and is well received by users.

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%

Statement of Intent and performance targets

RSHL has prepared a Statement of Intent ending 30 June 2018. The following table summarises the performance targets and results for the 2017/18 financial year.

Performance target	Level of achievement		Comment
	2017/18	2016/17	
RSHL Advisory Group meets regularly & is effective (Self-assessed by the Advisory Group, compared to expectations in the Terms of Reference for the Advisory Group).	Achieved	Achieved	The Advisory Group (AG) has continued to operate in an effective and constructive manner throughout the year, and in line with the expectations in the Terms of Reference. The AG met every month by video conference. Four in-person meetings were also held across the year.
A robust and consistent process operates to develop, approve, communicate and refine the annual road map for RSHL major enhancement projects.	Achieved	Achieved	The major enhancements roadmap for 2017/18 was developed and approved by the Advisory Group.
Major Enhancement projects identified on the Annual Roadmap are completed on time and within budget.	Achieved	Achieved	There were eight major enhancement projects on the annual road map for 2017/18. Seven of these were completed within budget and as scheduled during 2017/18 and the remaining project is in progress and due to be completed as scheduled on the annual road map in 2018/19.
Budgets and processes for support and minor enhancements are effectively managed. (Assessed by the Advisory Group)	Achieved	Achieved	The minor enhancements and support budgets were fully consumed.
User (non-IT) participation in RSHL management and development processes is increased. (Measured by membership of formal RSHL groups).	Achieved	Not achieved	Users continue to collaborate and participate in RSHL through the User Groups. As noted in minutes of Advisory Group Meeting 21 June 2018: <ul style="list-style-type: none"> • There has been user participation in the Wednesday fortnightly meetings to provide feedback on development features throughout the year. • Development of MAJ42 (RMA changes) involved consent representatives from each of the seven participating Councils.
Reporting and Payments (Section 9.3 of Business Plan) are completed on time.	Partially achieved	Partially 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.

Performance target	Level of achievement		Comment
	2017/18	2016/17	
Non-financial			
Consider a new service area or areas outside of the current scope of IRIS1.	Achieved	Achieved	RSHL has been established as the 'delivery vehicle' for collaborative and cross-sector projects as part of the Regional Council Collaboration initiative (ReCoCo).
An independent director will be appointed to the Board by December 2017	Achieved	New measure	New director Asbjorn Aakjaer appointed 30 November 2017
Financial			
RSHL will operate within 5% (plus or minus) of its overall annual budget.	Not achieved	Achieved	Revenue was 6% higher than budget, Total expenditure is 15% higher than budget. Additional Depreciation is the main driver of the expenditure variance, additional licensing and implementation costs were fully offset by additional revenue. There were unbudgeted prior year work in progress write offs which contributed to 7% of the expenditure increase. See note 14 for more variance analysis.
Annual charges will be kept to a maximum of 2% increase year on year	Achieved	New measure	Although the 2% threshold from member contributions has been exceeded, the annual charges stated in the Statement of Intent has been achieved.
Growth			
Respond to requests from Councils with the intent of adding one further Council to IRIS as a shareholder or customer by end of 2018.	Achieved	Achieved	Hawke's Bay Regional Council (HBRC) are currently implementing IRIS as a customer of RSHL, with the first phase of their implementation due to go live in November 2018. RSHL has also responded to an expression of interest from another regional council and is currently in discussion around their intent to implement IRIS and join the RSHL collaboration group.

* It should be noted that the achievement of some of the above performance targets are dependent on decisions to be made by parties over which the board of directors has limited influence.

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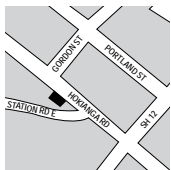
24/7 Environmental Hotline: 0800 504 639

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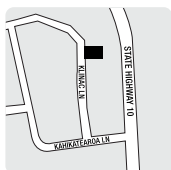


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