

2017 Annual Report



Directory



Main office

36 Water Street, Whāngārei 0110

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

Telephone: 09 470 1200

Facsimile: 09 470 1202

Email: mailroom@nrc.govt.nz

Freephone: 0800 002 004

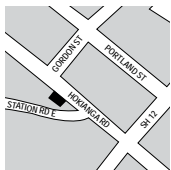
24/7 Environmental Hotline: 0800 504 639

Website: www.nrc.govt.nz

LinkedIn: www.linkedin.com/companies/northlandregionalcouncil

Facebook: www.facebook.com/NorthlandRegionalCouncil

Twitter: www.twitter.com/NRCExpress



Dargaville office

Address: 42 Hokianga Road, Dargaville 0310

Telephone: 09 439 3300

Facsimile: 09 439 3301



Kaitāia office

Address: 192 Commerce Street, Kaitāia 0410

Telephone: 09 408 6600

Facsimile: 09 408 6601

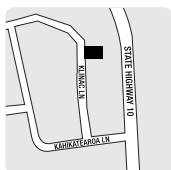


Ōpua office

Address: Unit 10, Ōpua Marine Park, Ōpua 0200

Telephone: 09 402 7516

Facsimile: 09 402 7510



Waipapa office

Address: Shop 9, 12 Klinac Lane, Waipapa

Telephone: 09 470 1200

Contents

SECTION ONE: OVERVIEW	4
Chairman and CEO's foreword	4
Your regional councillors	5
Governance structure	6
Council committees and advisors	7
Our year in review	9
Council objectives	13
Māori participation in council processes	17
Compliance statement	19
Audit report	20

SECTION TWO: COUNCIL ACTIVITIES	26
Overview of our activities	26
Community representation and engagement	27
Resource and catchment management	33
River management	48
Hazard management	55
Economic development	62
Transport	67
Support services	73
Financial prudence	75

SECTION THREE: FINANCIAL STATEMENTS	80
Statement of comprehensive revenue and expense	80
Statement of changes in equity	82
Statement of financial position	83
Statement of cash flows	86
Reconciliation of net surplus after tax to the cash flows from operations	88
Statement of accounting policies	90
Notes to the financial statements	93

SECTION FOUR: OTHER LEGISLATIVE DISCLOSURES	150
Council funding impact statement	151

SECTION FIVE: CCOS AND SUBSIDIARIES	154
Group structure	154
Marsden Maritime Holdings Limited	155
Northland Inc. Limited	157
Regional Software Holdings Limited	161



SECTION ONE: OVERVIEW



Chairman and CEO's foreword

He Kupu Whakataki nā te Toihau rāua ko te Tumuaiki

We are pleased to present our Annual Report 2017 which provides insight into the council's achievements during the past year and how they rate in terms of meeting our performance targets, budgetary goals and community outcomes.

You'll see in these pages a real commitment to working collaboratively to achieve our objectives. We have worked alongside our communities and liaised with Māori, district councils, government agencies, other Northland organisations, and landowners in our quest to build a future for Northland that can be enjoyed for generations to come.

Political change has been part of the year's landscape with the October elections bringing five new councillors to the regional council's table. Strong leadership has enabled this change in governance to progress smoothly and we are grateful for the efforts of councillors and staff who together made this transition period a positive and productive experience. We also acknowledge the valuable contribution of our outgoing elected members.

Hundreds of people have contributed to consultation processes to date on the council's draft Regional Plan and five Catchment Management Plans. The Proposed Regional Plan will set out rules and policies for managing natural resources such as water, soil, air and coastal waters and will be publicly notified later this year. The catchment plans have been developed collaboratively by groups made up of representatives with key interests in each of the catchments - Doubtless Bay, Waitangi, Mangere, Poutō and Whangārei Harbour. The feedback received has helped us refine these documents and we are grateful to those who took part.

A highlight of the year was obtaining \$600,000 from central government's Regional Growth Programme to support funding from all four Northland councils and Land Information New Zealand to undertake a complete LiDAR survey of the Northland region. This \$1.5 million project will significantly improve regional elevation data that will benefit multiple user applications including land and water management, agriculture, construction and transportation.

Swimmability of the Whangārei Falls will be improved through a water quality improvement project that has been given a \$408,000 boost with a \$258,000

allocation from the Ministry for the Environment's Community Environment Fund and a \$150,000 cash contribution from the regional council's Environment Fund over the next three years.

Northland's extensive coastal environment will be better protected with the introduction of a Marine Pathway Plan containing new rules on hull fouling to prevent the spread of marine pests by hull-fouled boats. The plan will be implemented through the council's existing marine surveillance programme. Through the use of innovative new technology, vessel hull surveys increased by 58% to 1700 vessels. The council's advanced programmes for dealing with hull fouling have earned our Biosecurity Manager Don McKenzie a Minister's Biosecurity Award for outstanding contribution and firmly established the council as a world leader in marine biosecurity.

Northland's economy is always to the fore in council thinking and we are delighted that we've been able to support the region's economic growth with a \$3.3million allocation from our Investment and Growth Reserve for a range of projects and activities that will help reinvigorate the North's economy.

Although we lead many initiatives, change only occurs when people work together. We see this every day with programmes such as our Community Pest Control Areas (CPCAs), CoastCare and EnviroSchools. It's our privilege to work with such groups where thousands of volunteers work with our motivated staff to care for our environment. We now have 56 CPCAs involving 1500 people in pest control; 29 CoastCare groups whose 1400 volunteers planted more than 10,000 plants in the last year; and 84 of our 151 schools teaching young people how to look after their environment. This is the stuff of which communities are made and we congratulate everyone involved.

Our council looks forward to working with you all during the next year.

Bill Shepherd
Chairman

Malcolm Nicolson
Chief Executive Officer

Your regional councillors



Bill Shepherd
(Chairman)
Coastal North
Ph: (021) 433 574
E: bills@nrc.govt.nz



David Sinclair
(Deputy Chairman)
Whangārei Urban
(027) 889 3551
E: davids@nrc.govt.nz



John Bain
Whangārei Urban
Ph: (021) 961 894
E: johnbain@nrc.govt.nz



Mike Finlayson
Te Hiku
Ph: (027) 542 2286
E: mikef@nrc.govt.nz



Rick Stolwerk
Coastal South
(027) 542 2708
E: ricks@nrc.govt.nz



Justin Blaikie
Hokianga – Kaikohe
Ph: (021) 542 2992
E: justinb@nrc.govt.nz



Paul Dimery
Coastal Central
Ph: (027) 542 2406
E: pauld@nrc.govt.nz

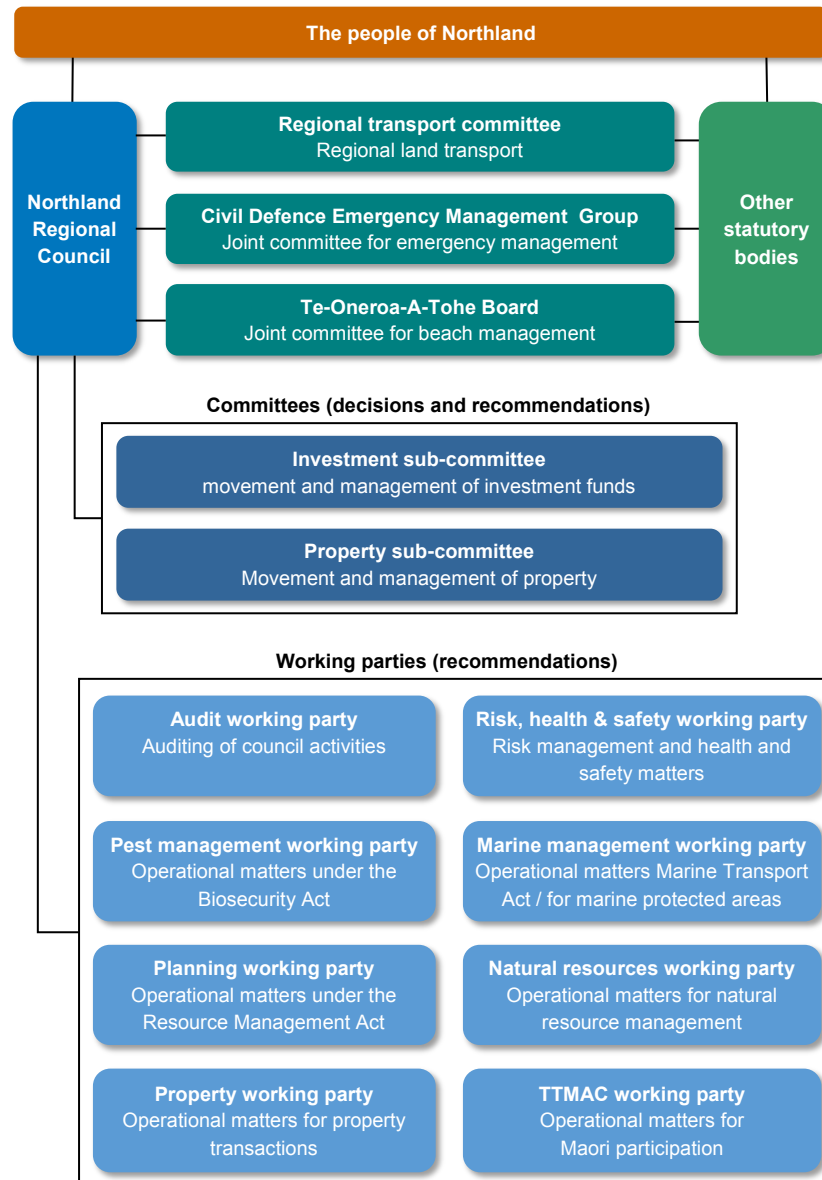


Joce Yeoman
Coastal North
Ph: (027) 542 2358
E: jocey@nrc.govt.nz



Penny Smart
Kaipara
Ph: (021) 439 735
E: pennys@nrc.govt.nz

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 (alternative Mayor Gent)
- Ernst Zöllner from the New Zealand Transport Agency (alternative Mr Gliddon).

Civil Defence Emergency Management Group Joint Committee

Councillor Stolwerk

- Councillor Larsen (KDC)
- Mayor Mai (WDC)
- Councillor Kitchen (Group Chairman/FNDC)
- Superintendent Le Prou (Police Representative)
- Mr Mosby (NZ Fire Service Representative)
- Ms Vercoe (MCDEM).

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 Member Copstick.

Property Subcommittee

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

Council Working Parties

- Audit Working Party – The working party comprises Councillors Sinclair (Chair), Shepherd, Yeoman and Independent Financial Member Copstick.
- Marine Management Working Party – The working party comprises Councillors Stolwerk (Chair), Blaikie, Sinclair and Shepherd (ex officio).
- Natural Resources Working Party – The working party comprises Councillors Blaikie (Chair), Yeoman Stolwerk and Shepherd (ex officio).
- Pest Management Working Party – The working party comprises Councillors Finlayson (Chair), Blaikie, Stolwerk, Dimery and Shepherd (ex officio).
- Planning Working Party – The working party comprises Councillors Yeoman (Chair), Bain, Dimery, Smart and Shepherd (ex officio).
- Risk and Health and Safety Working Party – The working party comprises Councillors Dimery (Chair), Shepherd, Yeoman and Stolwerk.
- TTMAC (Te Taitokerau Māori Advisory Committee) Working Party – The working party comprises up to 30 members in total consisting of six elected members (Councillors Dimery, Shepherd, Blaikie, Finlayson, Smart and Yeoman), and twenty-four non-elected members from iwi, hapū and tangata whenua entities. 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)
- 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)
- Kerikeri-Waipapa River Liaison Working Group – Councillor Yeoman (Chair)

- Mangere Catchment Working Group – Councillor Shepherd
- 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)
- 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)
- 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

Solicitors:

- Buddle Findlay
- Karenza de Silva
- Law North Partners
- Liam McEntegart
- Marsden Woods Inskip & Smith
- SBM Legal
- Simpson Grierson
- Thomson Wilson Law
- Webb Ross McNab Kilpatrick
- McLeods Lawyers

Independent Investment Advisor:

- Eriksen & Associates

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'.

Marine Pathway Plan targets spread of marine pests

Innovative new rules on hull fouling to prevent the spread of marine pests in Northland's extensive coastal environment are contained within the council's Marine Pathway Management Plan, introduced in June this year.

The new legislation allows the council to manage the pathway by which marine pests are spread from one place to another and this effectively means boats, as movement of hull-fouled boats is the single highest risk for marine pest transfer. Pathway management recognises that it is much cheaper to keep pests out than deal with them once they have moved to a new place.

The hull-fouling rules mean that, instead of responding to incursions, council can more pro-actively manage the way marine pests are transported and prevent them from spreading. They will be implemented through the council's existing marine surveillance programme which saw more than 1700 vessel hull surveys last summer, up 58% on the previous year.

More than 1700 hulls were checked for marine pests last summer.



Public feedback helps shape council plans

Hundreds of people have contributed to consultation processes to date on the draft regional plan and five draft catchment management plans. This feedback has been invaluable in helping to finalise these documents. Following consultation on the draft regional plan, a Proposed Regional Plan will be notified by the council later this year and this will start the formal consultation process. The Proposed Regional Plan will set out rules and policy for managing Northland's natural resources such as water, soil, air and coastal waters. It combines council's three current regional plans - the Air Quality, Water and Soil and Coastal plans - into one document.

Council also intends to adopt Catchment Management Plans for the Doubtless Bay, Waitangi, Mangere, Whangārei Harbour and Poutō catchments. The catchment plans are non-statutory documents that focus on managing water quality and quantity and set out objectives for the catchments, and implementation measures to achieve the outcomes sought. They also include catchment-specific rules that are recommended for inclusion in the Proposed Regional Plan. These documents have been developed collaboratively by groups made up of representatives with key interests in each of the catchments (such as tangata whenua, farming, forestry, recreation and environmental interests). These groups have put considerable time and effort into the collaborative process for which council is extremely grateful.

Environment fund brings regional benefit

Environment fund allocations totalling \$779,300 have allowed the completion of 175 projects throughout Northland in the last financial year. The popular fund is highly sought after for a wide range of environmental initiatives and has been helping Northlanders enhance and protect the region's environment since 1996.

Funding is provided through four different funding streams - soil conservation, biodiversity, coastal and water quality, and typically covers up to 50 percent of a project's total cost with landowners providing the remainder of the cost through funding of their own time, other funding sources, or in-kind contributions such as materials.

Landowners, community and conservation groups, local Māori groups and schools have successfully applied for funding. Examples of projects include a Lake Rotokawau and Puwheke Beach fencing project to protect a wetland at the northern end of Rangiputa Station and stock exclusion fencing around five of Northland's Top 150 wetlands.

Community Pest Control Areas flourish

From small beginnings in 2005, the council now supports 56 Community Pest Control Area programmes (CPCAs) in Northland. This includes four new programmes adding more than 16,500 hectares to the land already under pest control by communities. The total amount of land that has previously, and is currently, being managed under a CPCA programme in Northland is now more than 68,000 hectares.

The way in which some of the CPCAs are developed and managed has changed significantly this year as the programme continues to grow. The Kiwi Link CPCA, between Whangārei Heads and Tutukaka, is one of the council's largest CPCA areas, involving nine landcare groups and agencies and totalling over 13,000ha. This large-scale CPCA has evolved from individual landowner CPCAs in 2005 to programmes involving hundreds of landowners who are connected through a number of local landcare groups. The model is being proposed in other areas of Northland where there are a number of local landcare groups all working towards common goals and objectives.

Team members head off to survey plant and bird life in the Warawara Ngahere (forest), a CPCA.



Lifting Northland's economic performance

Northland's future economic growth is being supported by a \$3.3 million allocation from the council's Investment and Growth Reserve (IGR) in the last financial year. A portion of the income from council's commercial operations is allocated each year to projects sourced through Northland Inc. Ltd

(a Council Controlled Organisation). Each project is assessed against specific criteria as having positive economic impacts for the Northland region.

Contributions via the IGR have included \$165,000 for feasibility assessments and business case development; \$832,600 for 'Extension 350', a co-funded regional agricultural extension project to lift the performance and profitability of 350 Northland farms over six years; and \$400,000 toward the construction of tracks at the Waitangi Mountain Bike Park. In addition, the IGR has supported the \$16.25 million Hundertwasser Art Centre in Whangārei with a \$1.5 million contribution.

The regional council is also supporting projects identified in the Tai Tokerau Northland Economic Action Plan, which aims to reinvigorate the North's economy to benefit the whole region.

Council contributed \$400,000 toward the Waitangi Mountain Bike Park.



Getting around - bus transport links expand

The introduction of a trial Mid-North Link bus service last December adds to the network of passenger transport services the regional council provides throughout the region. The new service is designed to help people in the mid-North get to work and make shopping and other appointments easier. Mid-North Link consists of two daily return "workers' services" from Kaikohe to Paihia/Waitangi and Kaikohe to Kerikeri/Waipapa. Operating seven days a week, the services depart early morning and return early evening. A mid-morning Kaikohe to Kerikeri/Waipapa "shoppers' service" operates on Tuesdays and Thursdays.

The Mid-North Link joins the already established Hokianga Link, Far North Link (Busabout Kaitaia), and CityLink Whangarei. The new service is consistent with the regional council's goals to work with communities to offer transport choices in terms of accessing jobs, recreation and community facilities. Among the operational goals identified, the council seeks to create effective and efficient bus networks in main centres, broaden shared access options and

offer reliable travel times and transport services for communities servicing employment areas, retail and public services.

Reducing Kaipara's erosion risk

Progress is being made although plenty of work remains in the longstanding battle to minimise erosion on Kaipara hill country and reduce sedimentation of the sensitive Kaipara Harbour and waterways.

The council has now completed the second year of the four-year Kaipara Hill Country Erosion Project, for which it received \$666,000 from the Ministry for Primary Industries' Hill Country Erosion Fund in 2015. The Ministry's targets have been exceeded so far with 54 farm plans produced for farms with a high risk of erosion, covering nearly 16,000 hectares within the Kaipara catchment.

In addition, 48 hectares of pastoral land with high erosion risk have been retired from grazing through recommendations made during the farm plan process where council land management advisors work direct with Kaipara farmers on their soil conservation initiatives. The council has supplied close to 3,900 poplar poles for planting by 39 Kaipara landowners, according to the advisors' planting plans outlining where the poplars should be planted and providing information about how to handle, plant and maintain them for the best results.

Otuhau-Hatea water quality improvements

A water quality improvement project at the Whangārei Falls has been given a \$408,000 boost with a \$258,000 allocation from the Ministry for the Environment's Community Environment Fund and a \$150,000 cash contribution from the regional council's Environment Fund over the next three years.

The funds will be used to improve swimming water quality at the falls by contributing funding for riparian fencing and planting, contributing to stock water systems where needed to help enable fencing, and signs at the falls reserve to help educate people about the significance of the falls and what they can do to help.

The improvement project recognises the high community interest and value attributed to the falls reserve and the cultural and ecological values of the water. It builds on collaborative work already being done within a broad community group overseeing the project, including the regional council and Whangārei District Council, Whitebait Connection,

Pehiaweri Marae, Tikipunga Community Development Trust (including Tiki Pride) and the Northland District Health Board.

Stronger rules proposed by the Whangārei Harbour Catchment Group will also help improve swimming water quality by requiring landowners to fence stock out of waterways upstream of a number of swimming sites, including the falls.

Working with Māori – enhancing relationships

The Te Taitokerau Māori Advisory Committee continued to operate during 2016 and was reformed post the new triennium as the Te Taitokerau Māori and Council Working Party. This group continued alternating between formal meetings at council and Marae based hui, with the hui allowing councillors and working party members to meet and engage with whānau, hapū and iwi in their own communities.

The year also saw the emergence of a governance to governance relationship between Te Kahu o Taonui (region's iwi chairs) and the Mayoral Forum. The relationship underpins the already existing council and Iwi Chief Executive Forum which continues to meet regularly each year.

Te Oneroa-aTōhē Board (90 Mile Beach), a co-governance committee established as a result of Treaty settlement, has begun a journey to write a beach management plan for 90 Mile Beach. The committee is made up of iwi, Far North District and Regional Council governance representatives. Council continued to be involved in other pre-Treaty settlement processes which will affect the region.

Council continues to engage and support Māori initiatives, engagement and relationships through an open door policy, dedicated Māori staff and an annual contestable fund to write environmental management plans and monitoring projects.

New Waipapa office

The decision to open a new regional office at Waipapa near Kerikeri will deliver long-sought customer service improvements to the mid-North.

This area has been identified as a 'geographic gap' in council's existing customer service network, which has been mostly serviced from its Whangārei headquarters, as well as its Opuā and Kaitiāia regional offices.

Waipapa was selected as the preferred site as it is a service hub for the rapidly expanding Kerikeri area while offering convenient access to the rest of the mid-North. It will give customers the opportunity to

discuss issues with staff face-to-face, encouraging positive engagement and increasing our understanding of local issues.

The centre will be staffed with existing regulatory, land, rivers and biosecurity staff who live locally, but currently work in either the council's Opuā, Whangārei or Kaitiāia offices, bringing with them valuable local knowledge.

A brief prayer at the official opening of the new Waipapa service centre.



Our year in numbers

- 84 of Northland's 151 schools were involved in the Enviroschools programme
- 29 CoastCare Groups working with 1,357 volunteers planted more than 10,000 plants at 11 sites
- Four new Community Pest Control Area groups were formed in Northland, adding more than 16,500 hectares to the land under pest control
- \$2.2 million of investment income was redirected into the Investment Growth Reserve to support Northland's economic development
- 52 cruise ships were safely piloted in and out of the Bay of islands
- Regular fresh water quality monitoring at 161 coastal, river and lake sites
- 100% of all resource consent applications were processed within statutory timeframes
- Water quality was monitored at 59 popular swimming sites and 15 shellfish collection sites during summer
- 115 farm plans covering 24,371 hectares were completed
- 8600 poplar and willow poles were supplied to 117 landowners, most of them from council's Flyger Road poplar and willow nursery.
- Environment Fund allocations totalling \$779,300 allowed the completion of 175 environmental projects throughout Northland
- 979 calls were received via the Environmental Hotline
- 1718 vessels were surveyed through the marine biosecurity hull surveillance programme
- 57 Northland communities now have Civil Defence Emergency Management community response plans

Council objectives

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

Council's objectives cover:

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

Community outcomes

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

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

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

Council values

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

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

Areas of focus

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

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

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

In 'SECTION TWO: COUNCIL ACTIVITIES' there is a breakdown of why we do the various activities we have reported on, how they contribute to council objectives, what we did (including progress with our initiatives) and how we performed against our targets.

Summary of achievement of performance measures

Community representation and engagement (see Page 28 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. **Not achieved**
- 100% of council's ordinary meeting agendas and minutes made available on the council website. **Achieved**

Support and deliver environmental education initiatives

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

Promote community engagement

- Number of people participating in CoastCare groups is maintained or increased. **Achieved**
- 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 processed within the statutory timeframes. **Achieved**

Maintaining and enhancing water quality in our rivers and coastal waters

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

Efficient and effective compliance monitoring of resource consents

- 100% of consents for industrial, municipal sewage and farm discharges and major water takes requiring monitoring are monitored as per the council's consent monitoring programme. **Not achieved**
- 80% of consents for minor to moderate-scale activities requiring monitoring are monitored as per the council's consent monitoring programme. **Achieved**
- Appropriate action is taken to rectify significant non-compliances on 100% of occasions. **Not achieved**

Efficient and effective response to and resolution of reported environmental incidents

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

Monitoring water quality for swimming and shellfish collection

- Weekly faecal indicator bacteria level monitoring is undertaken at 50 (or more) swimming sites from late November to late February 100% of the time. **Achieved**
- Weekly faecal indicator bacteria level monitoring is undertaken at 15 (or more) popular shellfish

collections sites from late November to late February 100% of the time. **Achieved**

- The above monitoring is published on the council's website (or LAWA website) within five working days of water samples being collected during the monitoring period. **Achieved**

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

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

Maintaining a high standard of ambient air quality

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

Provision of farm water quality improvement plans (FWQIP)

- Number of Environment Fund applications granted annually is maintained or increased. **Achieved**
- More than 80 farm water quality improvement plans are produced each year by proactively targeting priority areas requiring water quality improvements. **Achieved**
- Number of 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**

Promoting community involvement in pest management

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

River management (see Page 50 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

- 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 57 for more information on these measures)

Providing accurate and timely flood warnings

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

Maintaining an effective civil defence emergency management system

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

Maintaining natural hazard information and assessments to protect life and property

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

Maintaining an efficient and responsive oil pollution response

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

Economic development (see Page 64 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. **Achieved**

Transport (see Page 69 for more information on these measures)

Providing an efficient and effective public bus service

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

Maintaining navigation aids for safe navigation

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

Providing safe pilotage services for vessels entering the Bay of Islands

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

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

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

Māori participation in council processes

Northland Regional Council values its relationship with Māori/tangata whenua of Taitokerau – Northland. This is reflected in one of our four key areas of focus - to develop meaningful and inclusive relationships with iwi and tangata whenua within Te rohe o Te Taitokerau.

While we are required to comply with various pieces of legislation, we are committed to forming robust and meaningful relationships, as well as creating opportunities to enable Māori to participate in council processes.

In recognition of this, council works and collaborates with Māori and is raising its internal capacity in order to more effectively carry out this work, examples of which include:

- Working with Te Oneroa-a-Tōhē (Ninety Mile Beach) Board a co-governance entity established via Treaty settlement to write a management plan for the beach.
- Working with neighbouring councils and iwi on building knowledge about the Kaipara Harbour, including possible management regimes, environmental impacts and current work programmes, to assist the Treaty Settlement negotiations (Kaipara Moana) between the Crown and Ngāti Whātua.
- Promoting the Te Taitokerau Māori Advisory Committee (TTMAC) which was re-established as a working party of council following the October 2016 local government elections and a wider review of council's governance structure.
- Working with the TTMAC Māori Technical Group which enabled:
 - A specifically targeted Māori engagement process to help inform the Draft Regional Plan, including representation at the full council planning workshops,
 - Input into the Regional Pest Management and Marine Pathways Plans, and
 - Input into the 2017/18 Annual Plan.

At one of the TTMAC meetings, in Whangārei in June 2017.



- Hosting formal TTMAC meetings and marae-based hui including:
 - Three formal meetings in Whangārei
 - Marae-based hui at:
 - Terenga Paraoa Marae, Whangārei
 - Waimanoni Marae, Awanui
 - Ngāti Manawa Marae, Panguru
 - Specific TTMAC consultation hui - re-establishment of relationship in the new triennium
 - Specific TTMAC consultation hui to participate in the regional review of economic development.
- Providing training for Councillors on Te Ao Māori, understanding Māori organisations and whānau, hapū and iwi; and the Treaty of Waitangi, including legislative requirements. This training included an invitation to both Whangārei and Kaipara District Councils.
- Providing introductory Te Reo lessons for staff.
- Attending the regional Iwi and Local Government Agencies Chief Executive Forum, which developed a Terms of Reference to formalise the relationship, and a work programme of regional issues and projects.
- Funding assistance for three projects:
 - Two iwi environmental management plans, and
 - A project to identify sites of significance in line with the new Draft Regional Plan and for

inclusion into an existing hapū management plan.

- Developing an internal strategy to assist council with its responsiveness to Māori. The implementation phase will be rolled out in 2017/18.
- Seeking input into Waiora Northland Water (NPS Fresh Water Management implementation) through the inclusion of Māori on each catchment group.
- Circulating resource consents to Marae, Iwi Authorities and Treaty Settlement Entities.
- Working with Te Rarawa Marae and kaitiaki on a pest management plan for the Warawara Forest and developing capacity to implement the project.

(Te Rarawa won the 2016 Tai Tokerau Māori Business Awards for Excellence in Environmental Awareness and Management).

- Working with Ngāti Kahu rūnanga and kaitiaki on an enhancement project for Lake Waiporohita, through which iwi/Māori won a national kaitiaki award.
- Continuing commitment to the Memorandum of Understanding with Te Uri o Hau through continued staff and financial support for, and regular meetings with, the 'Integrated Kaipara Harbour Management Group'.
- Maintaining an open door policy for responses to iwi/Māori requests for information.



Compliance statement

Northland Regional Council

Annual Report

For the year ended 30 June 2017.

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 2017.

Bill Shepherd
Chairman

Malcolm Nicolson
Chief Executive Officer

Date: 24 October 2017



Audit report

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF NORTHLAND REGIONAL COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 24 October 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 80 to 147:
 - present fairly, in all material respects:
 - the Regional Council and Group's financial position as at 30 June 2017;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 151 and 152, 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 74:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2017, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and

- the statement about capital expenditure for each group of activities on pages 26 to 74, 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 74, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan.

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 75 to 77, 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 19 and 154 to 163, 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 accounting advice, 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.



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

Annual Report 2017

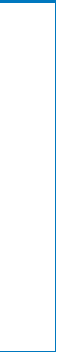
24



24



SECTION TWO: COUNCIL ACTIVITIES



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 are:

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

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

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

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

Community representation and engagement

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

Why we do these activities

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

The Local Government Act 2002, the Local Government Official Information and Meetings Act 1987, the Local Electoral Act 2002 and other relevant legislation sets out the role of elected members and places obligations relating to the conduct of regional council business. These obligations are designed to ensure that the council:

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

Contribution to council outcomes

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

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

As policy-makers for the council, the councillors play an instrumental role in contributing to the council 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. Priorities also include increasing digital accessibility in rural areas of Northland, shared back-of-house services, and an investigation in to the 'four waters' – stormwater, sewage, potable water and floodwater.

Council is also 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. Growth here has increased more rapidly than for the rest of the country and that's predicted to continue. Council currently provides secretariat and administration support to UNISA.

Currently the council provides civil defence & emergency managements services to the Whangarei District Council and the Kaipara District Council. We are also in the process of setting up a similar service for 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. This year Hawkes Bay Regional Council (HBRC) went to market for a core regulatory information management system and following a robust and competitive process selected IRIS as the preferred solution. The success is due to the collaborative contribution, expertise, and commitment of a team from all six regional councils. RSHL is also starting to work within the regional council sector to establish how the company vehicle can be operationally and financially used for the betterment of the regional council community.

Engaging with our community

The Resident Survey is one of the ways council measures customer satisfaction. Carried out this year as a postal survey to capture a larger cross-section

of the community, attributes such as leadership, financial management, trust and quality of services provided were all canvassed. Council recorded an overall reputation index score of 57 (falling just short of the 'acceptable' range of 60-79) and will be continuing to implement a range of measures to improve this.

Funding volunteer emergency services

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

In the 2016/17 year, funding was allocated to four emergency service groups. Funding was allocated to the Northland Emergency Services Trust to provide for the operational costs for the air rescue and ambulance services; to the Surf Life Saving Northern Region to provide for paid professional guards at popular beaches outside volunteer hours; to St John Northern Region to partially fund replacement of Northland ambulances, and to Coastguard Northern Region to fund the operation, support and training costs for Northland units.

Performance measures and targets – Community representation and engagement

1.1.1 Maintain effective, open and transparent democratic processes.			
Performance measure	Target	2017 Result	Commentary
Percentage of the community surveyed that is satisfied with the way council involves the public in the decisions it makes.	Maintain/increase	27% - not achieved 2016 result: 32% (baseline established)	The decrease on previous year may have been caused by the change of methodology from phone survey to paper/web survey.
Percentage of council's ordinary meeting agendas and minutes made available on the council website (agenda three days prior to council meetings)	100%	100% - achieved 2016 result: 100% - achieved	This measure will be amended in the future to align with new Standing Orders that agendas are to be posted on the

1.1.1 Maintain effective, open and transparent democratic processes.

and minutes 14 days post council meetings).		website at least two working days before the meeting.
---	--	---

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	2017 Result	Commentary
Percentage of schools participating in the Enviroschools programme.	Maintain/increase	55.63% - achieved 2016: 51.63% (baseline established) 2014: 47%	Council has provided the Enviroschools programme to 84 of Northland's 151 Schools
Number of students participating in Enviroschools Project Possum Stage 1.	Maintain/increase	106 - achieved 2016: 83 - not achieved 2015: 93 2014: 68	We have seen an increase in numbers of participants in 2017, with 23 more students on Project Possum than 2016. Numbers can vary from year to year.
Number of students participating in Enviroschools WaiFencing workshops.	Maintain/increase	72 - not achieved 2016: 77 - achieved 2015: 61 2014: 71	2016 saw a large increase in numbers of students attending. 2017 numbers have reverted to a more sustainable level.

1.1.4 Promote community engagement.

Performance measure	Target	2017 Result	Commentary
Number of people participating in CoastCare groups.	Maintain/increase	1,357 - achieved 2016: 1,152 (baseline established)	1357 people participated in CoastCare groups in this reporting period.
Number of people participating in Community Pest Control Area groups.	Maintain/increase	1,489 - achieved 2016: 1169 - achieved 2015: 1141	An additional 320 individuals participated in Community Pest Control Area groups in Northland during 2016/2017 These include: <ul style="list-style-type: none"> • 50 people in Tangihua CPCA

1.1.4 Promote community engagement.			
		2014: 1070	<ul style="list-style-type: none"> • 200 people in Kiwi Link CPCA • 50 people in Purua CPCA • 20 people in Kowhairoa CPCA
Representation of key community interests on Waiora Northland Water catchment management groups and river management liaison committees.	Maintained in accordance with respective committee/group terms of reference	Achieved (new measure)	Attendance at meetings was recorded, documented and monitored in meeting minutes for each of the catchment groups. Resignations from some group members were received during the year and replacement representatives were sought as soon as practicable, either from existing members or through a process of recruitment and nomination. Some resignations were not filled due to the disruption it could cause to the catchment groups' decision making process in this final phase of the collaborative catchment process.
Number of collaborative community engagement groups.	Maintain/increase	70 - achieved 2016: 69 (baseline established)	70 groups were regularly engaged with to achieve a shared goal.

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	2017 Result	Commentary
Percentage of funding allocated that complies with the council's agreed allocation criteria.	100%	100% - achieved 2016: 100% - achieved	

Community representation and engagement funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2015/16 \$	Long Term Plan 2016/17 \$	Actual 2016/17 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	38,688
Targeted rates (other than targeted water rates)	2,921,464	2,979,133	2,775,626
Subsidies and grants for operating purposes	-	-	25,800
Fees, charges, and targeted rates for water supply	59,652	59,652	116,511
Internal charges and overheads recovered	-	-	6,398
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	2,981,116	3,038,785	2,963,023
Applications of operating funding			
Payments to staff and suppliers	3,502,360	3,779,063	4,135,925
Finance costs	-	-	-
Internal charges and overheads applied	658,146	680,796	602,715
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	4,160,506	4,459,859	4,738,640
Surplus/(deficit) of operating funding	(1,179,390)	(1,421,074)	(1,775,617)
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	-	-	(238,294)
Increase/(decrease) of investments	(1,179,390)	(1,421,074)	(1,537,323)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(1,179,390)	(1,421,074)	(1,775,617)
Surplus/(deficit) of capital funding	1,179,390	1,421,074	1,775,617
FUNDING BALANCE	-	-	-

Major variances compared to Year 2 (2016/17) of the Long Term Plan 2015-2025

Operating Funding

Operating funding is \$75,762 less than the long term plan predominantly due to:

- More enviroschools courses offset with more expenditure to run the courses
- Te Hiku beach board funding fully offset by expenditure on the beach board activity

Application of Operational Funding

Applications of operating funding is \$278,781 more than the long term plan predominantly due to:

- Higher internal salary charges due to increased activity.
- More consulting costs for a review of economic development activity. This was funded from the 2015/16 surplus.
- Higher enviroschools course fees and related activities.

Resource and catchment management

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

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

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

Our regional planning documents and the processes used to develop and implement them provide the basis for the long-term management of the region’s natural and physical resources to maximise benefits, minimise adverse effects and allocate resources efficiently while ensuring environmental outcomes

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

Contribution to council outcomes

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

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

What we did

Consents

We are committed to providing an efficient and effective level of service to our ratepayers, and this year we processed all resource consent applications within statutory time-frames, exceeding our target of processing at least 98% of these within statutory time-frames. In total 709 consents were issued within the last reporting period.

Our responsibilities for consents play an important safeguard in ensuring the impacts of activities, not already permitted by our Regional Plans, are adequately assessed and managed. Impacts of

activities can be both positive and negative and their management will often involve balancing the merits of competing environmental and community outcomes. The low proportion of consents appealed to the Environment Court is an indication of the community's satisfaction with council's decision-making on the merits of consent applications. All appeals on the merits of council consent decisions were resolved during the year through mediation without requiring court hearings.

Environmental monitoring

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

- Estuary health monitoring at our core sites within Ruakaka, Whangārei, Bay of Islands, Whangaroa, and Kaipara. This programme investigates the relationship between environmental factors such as sediment and contaminants and the marine ecology present;
- Sediment and turbidity monitoring in the Whangārei Harbour catchment;
- Biannual measurement of sediment plates at our core estuary monitoring sites, assessing current sediment accumulation rates;
- Sediment sampling at 32 sites within Whangārei Harbour and Bay of Islands to assess sediment characteristics and contaminant concentrations;
- Routine water quality sampling in Bay of Islands, Whangārei, and Kaipara harbours and the addition of the "Southern Estuaries" programme consisting of Mangawhai, Waipu, and Ruakaka estuaries;
- Deployment of continuous water quality buoys at various locations;
- On-water marine pollution (vessel sewage) patrols at key harbours over the holiday season. This ensures vessels are aware of the rules for marine sewage discharges to ensure water quality for all marine users. Enforcement was undertaken where vessels were not meeting our rules;
- Clean-up of rubbish on the foreshore along the Hātea River loop, auditing the type and location of the rubbish collected;
- Continued assistance to Kaipara District Council's Mangawhai Harbour Water Quality Advisory Panel with administering its water quality monitoring programme within Mangawhai catchment and estuary;
- Regular fresh water quality monitoring at 161 coastal, river and lake sites;

- Regular coastal water quality monitoring at 51 coastal sites;
- Faecal indicator bacteria testing at 59 popular swimming sites over summer with the results made available online;
- Microbial source tracking at 14 river sites to identify sources of faecal contamination;
- Undertaking research on faecal indicator bacteria at a number of river water quality monitoring sites;
- Implementing the installation of automatic water level recorders through our lake water quality monitoring network (27 lakes) in the Poutō and Aupouri peninsulas;
- An ongoing groundwater investigation in the catchment of the Kai Iwi Lakes;
- Annual ecological surveys of regionally representative lakes;
- Fish barrier removal in the Waiarohia Stream, increasing fish diversity in the stream;
- Year-round continuous monitoring of PM₁₀ within three air sheds and short term continuous PM₁₀ monitoring at 10 sites beside unsealed roads over 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.

We met all our targets for monitoring and reporting on representative macroinvertebrate sites and high use-value swimming sites, shellfish beds, and air sheds (see the performance measures and results for more information). Monitoring results from our air sheds show that they are all being managed in a manner that meets our National Environmental Standards target.

Compliance monitoring and enforcement

Compliance monitoring is undertaken to ensure individuals are complying with the requirements in regional plan rules and resource consent conditions, which are imposed to provide for desired community and environmental outcomes. Council works collaboratively with other agencies and stakeholder groups to maximise compliance and improve environmental performance. Where required, formal enforcement action was taken in order to compel compliance.

In the 2016/17 year, council officers completed 5237 resource consent compliance monitoring 'events'. Overall 3% of these were significantly non-compliant with conditions of resource consent, which is well below the council's target of less than 15%. Monitoring of 234 farm dairy effluent discharges to land was also undertaken to check for compliance

against the relevant permitted activity rules in the regional plan. The result of 25.2% significant non-compliance meant the target of less than 15% was not achieved. Achieving this target is dependent on the behaviour of individuals. Nevertheless, the council will continue to take a range of actions to reduce poor behaviour in order to meet the target.

Our 24/7 Environmental Hotline has been operating for more than 20 years and is a valuable tool to monitor incidents of non-compliance which may require council intervention. In the 2016/17 year, the Hotline received 979 calls, and the total number of incidents registered through the Hotline since 1993 surpassed the milestone of 20,000. We achieved our target of resolving more than 80% of incidents with more than minor environmental effects within 30 working days.

Planning and policy

The key focus of our work this year has been on developing a new regional plan for Northland and finalising catchment plans in five priority catchments (Doubtless Bay, Waitangi, Mangere, Whangārei Harbour and Poutō).

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 in December 2014, council decided to develop a new combined regional plan (to replace all three current plans). This new regional plan will implement a range of national and regional policies, including the NZ Coastal Policy Statement 2010, the National Policy Statement for Freshwater Management 2014, and the operative provisions of the Regional Policy Statement for Northland.

In order to test our thinking with communities, we developed a Draft Regional Plan and released this for feedback over August – September 2016. While a draft regional plan is not a legal requirement, council saw real value in providing an opportunity for tangata whenua, stakeholders, interested parties and the public to have their say prior to the formal consultation process under the Resource Management Act 1991.

At the same time, we also sought feedback on Draft Catchment Management Plans for the Doubtless Bay, Waitangi, Mangere, Whangārei Harbour and Poutō catchments. These documents have been 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 and set out catchment-specific objectives and implementation measures. The catchment plans also include rules that are recommended for inclusion in the new regional plan. We are very grateful to the catchment group members who dedicated significant time and effort to develop these plans.

We are also very grateful to those who took the time to provide feedback on both the draft regional plan and draft catchment plans. This has proved invaluable in refining the plans.

We aim to publicly notify the Proposed Regional Plan in September this year, which will provide another opportunity for people to have their say. We also aim to adopt the catchment plans around the same time. Find out more at www.nrc.govt.nz/newregionalplan

Implementation of the National Policy Statement for Freshwater Management

Council notified its programme to implement the National Policy Statement for Freshwater Management (NPSFM) in December 2015 - See www.nrc.govt.nz/NPSfreshwaterprogramme

Under Policy E1 of the NPSFM, council is required to document and formally adopt the key steps and the timeline by which it will deliver on the requirements of the NPSFM by 2025. Policy E1 also requires that council reports annually on the extent to which the programme has been implemented. Much of the implementation of the NPSFM is to be delivered through our new regional plan and catchment plans. The following provides an overview of implementation progress to date:

- We have ‘tested’ the draft regional plan and five draft catchment plans through a round of informal consultation.
- Ongoing refinement of our approach to freshwater management units for Northland and associated limits and new regional plan provisions.
- We worked with the Ministry for the Environment in relation to targets for improving water quality for swimming (as set out in the Clean Water discussion document published by the Ministry for the Environment in February 2017).
- In partnership with Auckland Council and Ministry for the Environment, progressed a study into the economic costs and environmental benefits of a range of sediment mitigation (i.e. reduction)

scenarios for the Kaipara Harbour Catchment (Kaipara Harbour Sediment Mitigation Study).

- Development of lake management plans for high value dune lakes.

It should be noted the government has signalled a range of substantial changes for freshwater management, including regulations to manage livestock access to waterways and further changes to the NPSFM. As a result, council will be reviewing its NPSFM implementation programme later this year.

Waioira Northland Water

Established in 2012/13, the Waioira Northland Water programme is about improving the management and state of the region's freshwater resources. A significant council programme, Waioira Northland Water is a mixture of region-wide and prioritised catchment-specific initiatives to improve the region's freshwater resources. It includes policy development and operational measures. Much of the policy work is delivered through the new regional plan and the five catchment plans outlined above, while operational measures include water quality and quantity monitoring, biodiversity and land management programmes.

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 with landowners, providing advice and funding grants for water quality, soil conservation and biodiversity projects through farm and catchment management.

The land management team has been working closely with many individual landowners, community groups, industry sectors and catchment groups to provide advice via the development of farm plans and catchment planning and work programmes.

There were 115 farm plans covering 24,371 ha completed by the team this reporting period. In total 538 farm plans have been completed since the project commenced in 2013.

By working closely with industry bodies, sustainable land management messages are spread more efficiently to individual landowners and other rural professionals. Each year, at least one land team member represents the council as a judge in the Balance Farm Environment Awards.

The promotion of work to improve water quality and erosion management is supported by the council's highly allocated Environment Fund. The Environment Fund contributed to 175 successful projects, providing a total of \$779,300 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. 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. The project runs for a five-year period with a specific focus on increasing profitability, environmental sustainability and improving farmer wellbeing. The NRC land management team is assisting with farm environment plans and prioritising projects on involved farms.

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.

54 hill country-focused farm plans covering nearly 16,000 hectares of erosion-prone land were completed. Those landowners received \$361,490 from council's environment fund for fencing, planting and retiring steep land. In addition to this, 3840 free poplar poles were delivered to 39 landowners for planting on highly erodible land.

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

This project was allocated \$258,000 from MFE over three years from March 2017 to supplement an NRC 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 in the project, with partners including Whangārei District Council, Northland District Health Board, Pehiaweri Marae, Whitebait Connection and Tiki Pride.

Biodiversity

During this reporting period the council has been working actively with a variety of stakeholders to protect and enhance biodiversity. This includes entering into a memorandum of understanding with the Department of Conservation on shared initiatives in relation to management of 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 involved:

- Supporting 29 CoastCare groups
- Working with 1,357 CoastCare volunteers
- Providing/planting 10,170 plants at 11 sites
- Attendance at field days, shows, events and including Safe Beach Driving
- Running workshops with schools
- Seaweed Beach Cleanup initiative

Wetlands and lakes

Biodiversity staff have worked in partnership with land owners, community groups and iwi to achieve the fencing and protection of a number of lakes and wetlands including five wetlands recognised amongst Northland's best. This work included development of biodiversity and lakes management plans resulting in fencing, planting, pest control and other catchment actions. Work with Ngāti Kahu, Department of Conservation and surrounding landowners at Lake Waiporohita on the Karikari Peninsula was recognised with a national Ministry for the Environment Green Ribbon Award for Kaitiaki Leadership.

The Lakes Annual Ecological Survey was undertaken with NIWA in autumn for more than 20 lakes. Iwi accompanied the survey team to many of the lakes. Annual weed surveillance was also undertaken in six public access lakes. Reed bed monitoring baseline plots were established in Lake Waikare, which is part of Kai Iwi Lakes, to assist Taharoa Domain Governance Committee, Kaipara District Council, mana whenua iwi and others in tracking reed belt health/recovery after the lake was closed off to power boats. Staff are also working with these stakeholders in an advisory

capacity to establish monitoring of threatened fish life in the lakes which will help inform decisions about stocking the lakes with trout.

CoastCare staff also assisted with running the annual Check, Clean, Dry programme funded by MPI through the Biosecurity Department to prevent the spread of freshwater pests among waterways.

The second wetland condition index monitoring of 26 wetlands fenced with support from the Environment Fund was completed in summer 2017. Of these 21 wetlands had improved their scores, some significantly, and none of the wetlands had become more degraded. Landowners each received a report on the findings with recommendations about any other work that would be beneficial.

Biosecurity

We have been actively involved in supporting a significant number of new community pest control groups, marine pest activities and assisting with the response work regarding myrtle rust, a new plant disease affecting pohutukawa and other members of the myrtaceae family.

Along with the major work programmes outlined below, we:

- Funded 54 projects to manage animal and plant pests from the Environment Fund totalling \$126,000
- Provided additional Environment Funding to support new Community Pest Control Areas.
- Helped train 106 students across Northland under the Enviroschools programme "Project Possum", including the safe use of pesticides.
- Undertook more than 1700 vessel hull surveys throughout Northland checking for marine pests - up 58% on the previous year.
- 283 marine pest incidents were recorded for the year, 50% were styela clava incursions. Mediterranean fanworm is still restricted to Whangarei Harbour with the remaining 14 harbours fanworm free.
- Reached over 132,000 people during Biosecurity Month on social media. One video in particular reached almost 29,000 people with 107 'shares'.

Marine biosecurity

The marine biosecurity hull surveillance programme surveyed a total of 1718 vessels and responded to 285 marine pest incursions. Of these Mediterranean fanworm accounted for 30% with 85 incursions, of these 46 (54%) were in Parua Bay, an area of the Whangārei Harbour where fanworm is established.

North of Whangārei there were 25 vessel hull incursions, and no established populations have been discovered on adjacent seabed.

In addition, to hull surveillance, we carried out surveillance on high risk, high vessel traffic areas of the Whangaroa, Doves Bay, and Tutukaka marinas. Structure and seafloor searches found no fanworm. Tutukaka Marina had fanworm removed from structures in 2015, demonstrating a successful eradication of the species from this harbour.

A new Marine Pathways Management Plan has been drafted, with successful public consultation, and a final decision on the plan will be made in the 2017/18 financial year. As part of this plan we have also collaborated with a number of other regional councils to propose an inter-regional pathways plan, which was presented to Upper North Island Strategic Alliance in August 2017.

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.

A new Regional Pest and Marine Pathway Plan has been proposed and public submissions considered. Council has recently been in the process of making decisions on the plan's contents.

Biosecurity partnerships

Council has introduced a new term to group a range of activities related to biosecurity, site and community-led pest management projects called Biosecurity Partnerships. Site-led pest management approaches aim to manage the impact of several pests all at the same time at a defined site or location. This contrasts with a species-led approach, which targets the pest wherever it occurs within the region. Biosecurity Partnerships support a number of existing policies such as High Value Areas, Community Pest Control Areas and grants through council's Environment Fund. Biosecurity Partnerships will also include newly developed Significant Biosecurity Partnerships with other agencies and organisations which support large-scale community-led pest control programmes and align with regional and national initiatives such as Kiwi Coast, Reconnecting Northland and Predator Free 2050.

Community Pest Control Areas (CPCAs)

Council has now supported and developed fifty-six community pest control areas (CPCAs) since the programme was established in 2005 (including six renewed as part of larger new CPCAs). Council established and supported four new CPCAs this year adding over 16,500 hectares to the land under pest control. The total amount of land that has previously and is currently being managed under a CPCA programme is now more than 68,000 hectares.

This year marked a significant change in the way some of our CPCAs are developed and managed. The Kiwi Link CPCA, between Whangarei Heads and Tutukaka, is one of council's largest CPCA areas, involving nine landcare groups and agencies and totalling over 13,000ha. This large-scale CPCA has evolved from individual landowner CPCAs in 2005 to a programme now involving hundreds of landowners who are connected through a number of local landcare groups. This model is being proposed in other areas of Northland where there are a number of local landcare groups all working towards common goals and objectives.

Predator Free 2050

'Predator Free 2050' is an ambitious goal to rid New Zealand of the most damaging introduced predators that threaten our nation's natural taonga, our economy, and primary sector. Ridding New Zealand of possums, rats and stoats by 2050 is a nation-wide goal. It will require new techniques and a co-ordinated team effort across communities, iwi, and the public and private sectors to get there. Council is looking to work towards this aspirational goal.

Kauri dieback

Kauri dieback is a disease that is killing kauri. It has been the subject of a partnership management programme since 2009 involving the Ministry for Primary Industries, Department of Conservation, several regional councils (Northland, Auckland, Waikato and Bay of Plenty) and tangata whenua from areas with naturally occurring kauri.

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

The partnership programme for 2016/17 included strengthened programme management, research, operations and engagement and behaviour change work. Council's total contribution to the programme for 2016/17 was budgeted at \$87,000. Our share represents a small percentage of the total funding considered necessary to fund the programme.

Kai Iwi Lakes

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

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

Freshwater pests

Freshwater pests 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. Within the past six months staff have discovered a number of Perch sites, the first in Northland for more than 30 years.

Five turtles have also been reported in local waterways with two recovered alive by Biosecurity staff and subsequently re-homed with a local primary school. Biosecurity staff have participated in two investigations into breaches of containment permits for grass carp and illegal release of grass carp and mosquito fish into local waterways. An external contractor is being hired to complete an application with the EPA to re-class chlorine as a pesticide, which will be an invaluable tool in eradicating populations of pest fish in the region.

Performance measures and targets - Resource and catchment management

2.1 Consents activity

2.1.1 Efficient and effective processing and administering of resource consents.			
Performance measure	Target	2017 Result	Commentary
Percentage of all resource consent applications that are processed within the statutory timeframes.	At least 98%	100% - achieved 2016: 100% - achieved 2015: 99.7% - achieved 2014: 100% - achieved 2013: 100% - achieved	All 709 consents issued by council were processed within the statutory timeframes.

2.1.2 Creating a business-friendly environment.

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

2.2 Monitoring

2.2.1 Maintaining and enhancing water quality in our rivers and coastal waters.			
Performance measure	Target	2017 Result	Commentary
Percentage of significant non-compliance events for all annually monitored resource consents.	Less than 15% of monitoring events	3.04% - achieved 2016: 4.71% - achieved 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%. 159 significant non-compliance events were recorded from a total 5237 monitoring events.
Percentage of significant non-compliance events for permitted farm dairy effluent activities monitored for the year.	Less than 15% of monitoring events	25.2% - not achieved 2016: 17.32% - not achieved 2015: 26% 2014: 29%	There were 59 significant non-compliance events recorded from a total of 234 monitoring events. Although the target was not achieved, this target is dependent on landowner behaviour which is influenced by Council activities as well as other factors.

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

Performance measure	Target	2017 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% - not achieved 2016: 100% - achieved	The majority of outstanding monitoring is for water takes. A new Water Use monitoring officer started in August 2016 and is still working on getting the monitoring for water takes up to the required target
Percentage of consents for minor to moderate-scale activities requiring monitoring that are monitored as per the council's consent monitoring programme.	80%	89% - achieved 2016: 98.26% - achieved	A total of 2749 individual monitoring events were required. Of these, 2452 were completed.
Percentage of occasions that appropriate action is taken to rectify significant non-compliances.	100%	97.71% - not achieved 2016: 100% - achieved 2015: 99.6% - not achieved 2014: 96% - not achieved 2013: 99% - not achieved	A total of 218 significant non-compliances were graded as significantly non-compliant. Of these, five had not been followed-up or had action taken as outlined in council's Resource Consent Monitoring Quality Procedures Manual.

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

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

Performance measure	Target	2017 Result	Commentary
Percentage of incidents reported to the Environmental Hotline, where more than minor environmental effects have been confirmed, that are resolved within 30 working days.	80%	80.9% - achieved 2016: 88.68% - achieved 2015: 85% - achieved 2014: 89% - achieved 2013: 85% - achieved	A total of 42 incidents with more than moderate to significant adverse effects were reported to the Environmental Hotline. Of these, eight were not resolved within 30 working days.

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	2017 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 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 21 February 2017
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 2016: 100% - achieved 2015: achieved ⁽²⁾	Monitoring to determine the water quality of popular shellfish collection sites was carried out weekly and completed on 21 February 2017
Percentage of times the above monitoring is published on the council's website (or LAWA website) within five working days.	100%	100% - achieved 2016: 100% - achieved	All water quality information (weekly faecal indicator bacterial level results) for swimming and shellfish collection sites was published on the LAWA website within five working days.

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

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

Performance measure	Target	2017 Result	Commentary
Frequency of monitoring the macroinvertebrate community index (MCI) at 10 regionally representative sites.	Annually	Achieved 2016: achieved 2015: annual monitoring achieved ⁽¹⁾ 2014: annual monitoring achieved ⁽²⁾	Macroinvertebrate communities in waterbodies are a good indicator of stream health, and monitoring these regularly allows stresses and changes in the aquatic environment to be detected. Monitoring of the macroinvertebrate community index was completed at 10 regionally representative sites

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	2017 Result	Commentary
Percentage of airsheds meeting the national environmental standards.	100%	Achieved 2016: 100% - achieved 2015: 100% - achieved 2014: 100% - achieved 2013: 100% - achieved	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	2017 Result	Commentary
Number of Environment Fund applications granted annually.	Maintain or increase	218 - achieved 2016: 181 - achieved 2015: 181 2014: 203	Environment Fund grants are provided to landowners to assist activities undertaken by the landowners to achieve improved sustainable land management. Funding grants for farming activities are conditional on those landowners developing a farm water quality improvement plan, or a council-approved industry-equivalent plan, (with the exception of minor landholdings that would not benefit from such a plan). 218 efund projects were approved. Of these, 44 withdrew and 174 were completed with payments made to farmers
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	114 - achieved 2016: 108 - achieved 2015: 80 2014: 140	A total of 114 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 - achieved 2016: 12 - baseline established	This comprises Environment Fund applications (or proportion of application by cost) that promoted the protection and enhancement of wetlands. A total of 21 wetland projects were funded via the Environment Fund.

2.3.2 Provision of farm water quality improvement plans.

Number of soil conservation projects funded via the Environment Fund annually.	Maintain or increase	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 117 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	2017 Result	Commentary
<p>The development of a new integrated regional planning framework and an associated series of plan changes completed which address national policy direction and regional resource management issues.</p> <p>(NB: The council's ability to meet these targets may be affected by new and changing central government policy. Any such variations will be reported in the relevant Annual Report).</p>	National Policy Statement for Freshwater Management (NPS Freshwater) implementation programme is notified.	Achieved 2016: achieved	The NPS Freshwater management implementation programme was notified November 2015. The programme is on track with a draft regional plan released for pre-notification consultation August - September 2016. Council intends to notify the Proposed Regional Plan September 2017 (this will deliver many of the NPS FM requirements). It should be noted that the government signalled changes to the NPSFM in February 2017 which will require council's implementation plan to be revised.

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	2017 Result	Commentary
Increase in hectares of land under Community Pest Control Area plans per annum.*	Increase by 2,500 hectares per annum	<p>76,849ha - 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 16,799 hectares of land is under Community Pest Control Area plans. This includes:</p> <ul style="list-style-type: none"> • 1060 hectares in Tangihua CPCA • 12,837 hectares in Kiwilink CPCA • 2598 hectares in Purua CPCA • 286 hectares in Kowhairoa CPCA

Resource and catchment management funding impact statement

<i>For the period ending 30 June</i>	Long Term Plan 2015/16 \$	Long Term Plan 2016/17 \$	Actual 2016/17 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	123,848
Targeted rates (other than targeted water rates)	8,847,743	9,099,271	8,788,601
Subsidies and grants for operating purposes	-	-	349,288
Fees, charges, and targeted rates for water supply	2,194,939	2,255,513	2,716,482
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	11,042,682	11,354,784	11,978,219
Applications of operating funding			
Payments to staff and suppliers	10,384,393	10,412,486	10,815,701
Finance costs	-	-	-
Internal charges and overheads applied	4,253,793	4,401,675	4,190,749
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	14,638,186	14,814,161	15,006,450
Surplus/(deficit) of operating funding	(3,595,504)	(3,459,377)	(3,028,231)
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	229,614	35,914	231,651
to replace existing assets	56,000	62,592	69,742
Increase/(decrease) in reserves	(155,000)	(155,000)	(709,054)
Increase/(decrease) of investments	(3,726,118)	(3,402,883)	(2,620,570)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(3,595,504)	(3,459,377)	(3,028,231)
Surplus/(deficit) of capital funding	3,595,504	3,459,377	3,028,231
FUNDING BALANCE	-	-	-

Major variances compared to Year 2 (2016/17) of the Long Term Plan 2015-2025

Operating Funding

Operating funding is \$623,435 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.
- More prosecutions income than budgeted. This is partially offset with a provision for a fine that is unlikely to be collected.

Application of Operational Funding

Applications of operating funding is \$192,289 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 the 2015/16 surplus and additional land management reserve movements.
- Increased pest control activity including the work relating to the Whangarei Heads Pest Control targeted rate.

Capital Expenditure

Capital expenditure funding is \$202,887 more than the long term plan predominantly due to:

- The upgrade of council's poplar nursery funded from the 2015/16 surplus.

River management

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 Kaitāia 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 2016/17 year, maintenance of the scheme assets was undertaken as agreed through consultation with the Awanui River Management Liaison Committee, and guided by the scheme asset management plan. All annual maintenance works were completed, including continuation of channel maintenance and stopbank optimisation works along the lower Awanui River, coastal stopbank repairs and maintenance of scheme flood gates. Monitoring of the Bells Hill Slip at Kaitāia was an on-going activity throughout the year.

Design and resource consenting was completed for modification to the Awanui River and stopbank at Matthews Park involving re-profiling the channel bank and setting back the stopbank further into the park. These works complement the Whangatane Spillway intake modification works completed in 2015/16, by restoring the previous apportionment of peak flow between the two channels, but retaining land drainage benefits along the Lower Awanui River, and further reducing flood risk to urban Kaitāia. These works were successfully constructed, and completed in April 2017.

Kaeo River scheme

Maintenance of the Kaeo Stage 1 flood scheme works was completed, including the topping up of the Western end of the main Stopbank number 2, following settlement. A revised Stage 2, incorporating Waikare Creek channel widening, and Kaeo River diversion parallel to the township remains on hold while the performance of Stage 1 is assessed to make a more informed decision on Stage 2 options. It is intended that the performance of the Stage 1 works will be evaluated following a significant flood before progressing with any Stage 2 works.

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

Whangārei urban rivers scheme

The Hopua te Nihotetea detention dam has operated in line with expectations and was tested by two small flood events during the year. The dam was officially opened at a civic ceremony held on 9 April 2016. A land slip upstream of the dam has been remediated, and monitoring of the dam structure, including spillways is being undertaken in line with operation and maintenance plans.

In addition to this, a range of minor stream maintenance works was undertaken in the urban Whangārei rivers during the reporting period, including streambank erosion protection, removal of trees and gravel accumulation.

Kerikeri-Waipapa rivers flood management scheme

Following a technical review of the impact of proposed scheme works on the Lower Kerikeri River, the council relinquished resource consents and designation for the Kerikeri River spillway flood scheme, which were under appeal by an affected land owner. The proposed purpose of the spillway was to divert excess river flow from the Kerikeri River to downstream of the Rainbow Falls, reducing flood risk to properties located along the Waitotara Drive, Waipapa Road, and Rainbow Falls Road in the area of Kerikeri River overflow. The technical review indicated that the existing pre-scheme flood risk in the Lower Kerikeri River was likely to be higher than previously assessed. Whilst the effect of the scheme itself was found to be reasonably consistent with previous predictions, the higher pre-scheme flood levels assessed for the lower river resulted in more downstream buildings being predicted to be affected by the scheme.

Further validation of the flood risk in the Lower Kerikeri River is required before the proposed spillway scheme can be re-visited. However, this requires collection of additional flood data in the Lower Kerikeri River, and also verification of the Kerikeri River overflows predicted by the flood model. New stream recorders have been set up in the Lower Kerikeri River and Lower Waipapa Stream to enable this.

Flood maps from the review process will update the current set on the NRC online map viewer in late 2017.

The spillway constructed on the Wairoa Stream downstream of Cobham Road has been operating as expected, and reduces flood risk to several properties.

Maintenance was undertaken on the Puketotara spillway which diverts flow from the Puketotara Stream immediately downstream of the SH10. The work involved removing and/or spraying tea tree, gorse, casuarina trees and pampas that were obstructing the spillway. Additional channel maintenance was completed on the Whiriwhiritoa Stream upstream of the SH10 box culvert, at the Waipapa Industrial Estate.

Kaihū River scheme

The annual channel maintenance and rice grass spraying programme was completed on the Kaihū River. An experimental trial to control California rush has proved successful, which will enable us to control this weed and prevent it blocking the river channel.

Management Liaison Committees

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

Other works and maintenance

Seventeen minor river works projects were completed at the following locations throughout the region: Ruakaka; Helena Bay; Panguru; Pakanae; Kawakawa; Moerewa; Victoria Valley; Paparoa; Nguguru; Otaika; Tangowahine; Harris Road; Te Ngaere; and Tauranga Bay. The majority of these works involved the removal of trees and other channel obstructions to improve the free flow of water and reduce flood risk.

Performance measures and targets – River management

3.1.1 Building, monitoring and maintaining flood protection schemes to protect life and property.			
Performance measure	Target	2017 Result	Commentary
Number of failures of flood protection system for the Awanui, Whangārei, and Kaeo schemes, below specified design levels.	Zero failures	Zero failures - achieved 2016: zero failures - achieved 2015: zero failures - achieved 2014: zero failures - achieved 2013: zero failures - achieved	Flood protection systems are designed to withstand a certain level of flooding. Failure occurs when there is over-topping during an event that the system has been designed to withstand. This measure is dependent on storm events. There have been no events of a magnitude large enough to test 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	2017 Result	Commentary
River scheme maintenance works undertaken in accordance with work programme.	100% of maintenance works undertaken, as determined in conjunction with the Awanui River Management Liaison Committee	100% - achieved 2016: 100% - achieved 2015: 100% 2014: 100% for river channel maintenance works	The flood protection work programme for Kaitāia is developed by council and the Awanui River Management Liaison Committee annually, and all work is carried out in accordance with this. All scheduled works for 2016/2017 were completed with a small overspend and reported back to the committee during the 8 June 2017 meeting.
Number of failures of the Awanui flood protection scheme below specified design levels.	Zero failures	Zero failures - achieved 2016: zero failures - achieved 2015: zero failures 2014: zero failures	Flood protection systems are designed to withstand a certain level of flooding. Failure of the Awanui flood protection scheme occurs when there is over-topping during an event that the system has been designed to withstand. There have been no events of a magnitude large enough to test the Awanui flood protection scheme during this reporting period.

3.1.1.1 Providing flood protection and control works for urban and rural Kaitāia.			
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 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. A slip has developed upstream of Matthews Park, left hand bank. It is currently not affecting the stopbank. Further assessment is being undertaken by Rileys engineers.
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 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. A total of 16 renewals for Flood Gates were completed.

3.1.1.2 Providing flood protection and control works for urban Whangārei.			
Performance measure	Target	2017 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 2016: 100% - achieved 2015: 100% 2014: 100%	The flood protection work programme for urban Whangārei is developed by council and the Urban Whangārei River Management Liaison Committee annually, and all work was carried out in accordance with this. This included unscheduled work completed on a slip that developed upstream of the dam inlet.
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 2016: 100% - achieved	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.

3.1.1.2 Providing flood protection and control works for urban Whangārei.

Number of failures of the Hopua te Nihotetea detention dam below specified design levels.	Zero failures.	Zero failures - achieved 2016: Zero - achieved	Flood protection systems are designed to withstand a certain level of flooding. Failure of the Hopua te Nihotetea detention dam (Kotuku dam) occurs if the dam is compromised during an event with a return period that is below that of the dam's design level. No failures have occurred.
---	----------------	--	---

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

Performance measure	Target	2017 Result	Commentary
Percentage of the programmed minor flood control works for other rivers implemented in accordance with the approved annual budgets.	100%	100% - achieved 2016: 100% achieved 2015: 86% - not achieved 2014: 100% - achieved 2013: 70% - not achieved	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 2016/2017 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	2017 Result	Commentary
Percentage of time that flood level monitoring is accurate to enable flood warnings to be developed.	100%	100% - achieved 2016: 100% - achieved 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 2015/16 \$	Long Term Plan 2016/17 \$	Actual 2016/17 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	44,748
Targeted rates (other than targeted water rates)	3,614,087	3,652,115	3,510,382
Subsidies and grants for operating purposes	-	-	7,402
Fees, charges, and targeted rates for water supply	-	-	9,799
Internal charges and overheads recovered	-	-	19,072
Local authorities fuel tax, fines, infringement fees and other receipts	28,800	-	20,087
TOTAL OPERATING FUNDING	3,642,887	3,652,115	3,611,490
Applications of operating funding			
Payments to staff and suppliers	2,166,132	2,207,939	2,552,588
Finance costs	681,288	792,847	485,167
Internal charges and overheads applied	620,475	642,279	662,391
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	3,467,895	3,643,065	3,700,146
Surplus/(deficit) of operating funding	174,991	9,050	(88,656)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	619,566	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	619,566	-	-
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	4,460,946	62,079	(12,458)
to replace existing assets	165,995	103,039	167,869
Increase/(decrease) in reserves	(3,018,895)	471,498	338,332
Increase/(decrease) of investments	(813,489)	(627,566)	(582,399)
TOTAL APPLICATIONS OF CAPITAL FUNDING	794,557	9,050	(88,656)
Surplus/(deficit) of capital funding	(174,991)	(9,050)	88,656
FUNDING BALANCE	-	-	-

Application of Operational Funding

Applications of operating funding is \$57,081 more than the long term plan predominantly due to:

- Higher river works expenditure for priority rivers
- Professional and legal fees for the Kerkeri river spillway reclassified from capital expenditure, offset by
- Lower cost associated with borrowing for infrastructure.

Hazard management

This group includes the following activities:

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

Why we do these activities

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

A regional approach to civil defence emergency management 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 from 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 hazard management activity primarily contributes to the following council outcomes, values and areas of focus:

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

What we did

Oil pollution response

Northland's oil pollution response system was maintained through the upkeep of the Regional Marine Oil Spill Contingency Plan, 24/7 response capability, and on-call Regional On-scene Commander coverage. Many of the region's oil spill responders were provided 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 working group of key stakeholders has been developing an improved collaborative approach to carrying out a fast response for any large oil spill at Marsden Point. A new oil spill equipment storage building has been completed by Refining NZ. Plans continue to improve training and response on-site, with possible industry training of local staff in oil spill

response. In the meantime, key Refining NZ and Northport staff have been progressing through the Maritime NZ standard training system.

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, benefitting the region through access to advanced training which is funded by Maritime NZ.

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

Natural hazard management

We consulted on draft hazard assessments for both coastal erosion and flooding hazards for 31 and 61 settlements throughout Northland respectively. This information (mapped hazards) was provided in draft format on council's website GIS (electronic maps) during 2015/16. Feedback received from affected landowners on the maps has been used to refine the mapping and a release of the final version is planned in late 2017. An additional area of coastal flood hazard mapping was completed along the north shore of the Whangārei harbour during this reporting period. We also initiated a river flood hazard mapping project for the Waipu and Paparoa catchments.

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

A region wide LiDAR topographic data capture project was initiated following a tender process - with the contract awarded to RPS consultants NZ Ltd. The project is being 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, but is generally a prerequisite for developing natural hazards maps.

Civil Defence Emergency Management

The Northland CDEM Group members, including welfare, lifelines, emergency services and supporting agencies, planned for and participated in Exercise

Tangaroa, a three-day nationally-led exercise to test national, regional and local readiness, response and recovery arrangements for a near source tsunami. In the lead-up to the exercise, a review of tsunami evacuation maps was undertaken and a new app for alerting and warning was introduced to the region. Updated and more accurate tsunami inundation maps are now more easily available on the council website.

Within days of the exercise the Kaikoura earthquake occurred, which resulted in a full activation of the group's emergency alerting and warning systems, including activation of the region's tsunami siren network and directions to evacuate from the east coast. Fortunately, the warning was lifted for Northland within a short time.

Some gaps were identified in the warning arrangements during the de-brief on the exercise and the earthquake response. Fifteen additional tsunami sirens have been installed and further work on developing the alerting app has been undertaken to simplify the distribution of warnings.

In line with national requirements, the Northland CDEM Group has adjusted and realigned its welfare arrangements and has continued to work with key stakeholder agencies to ensure that capacity and capability exists to achieve coordinated and effective welfare delivery. Northland welfare personnel were deployed to assist during the Kaikoura and Edgumbe emergencies.

Central government has continued to support new initiatives in Northland by providing support through the Ministry for Civil Defence & Emergency Managements' National Resilience Fund. During the 2016/17 year, funding was made available to develop tools and resources to support welfare response.

Community response planning continues to be a priority project, with a number of new plans developed with communities and further plans being made available on line. There are now 57 Northland communities that have CDEM Community Response Plans.

We were again proud to be involved with the Youth in Emergency Services programme with this year's programme run in Dargaville. This programme continues to be an outstanding success and this year saw 18 young people given the opportunity to experience working in and alongside emergency services professionals. Active support came from the Red Cross, St John, NZ Fire Services, Rural Fire, Coastguard, Surf Lifesaving, and the Whangārei and Far North District Councils. Further programmes are planned for the coming year.

A second programme with eight young people from the Northland Youth Theatre was also very successful with the development of a short video titled "Expect the unexpected" being produced. The video has been widely viewed on You Tube and the CDEM Group's facebook page.

The annual Civil Defence Emergency Management Group Forum in Whangārei in May 2016 was attended by more than 200 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	2017 Result	Commentary
Percentage of time that accurate flood warnings are issued.	100%	Not applicable 2016: n/a 2015: 100% - achieved 2014: 100% - achieved 2013: 100% - achieved	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 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	2017 Result	Commentary
Percentage of time that emergencies (which require the activation of an emergency operations centre) are debriefed within one month and noted improvements are incorporated into the appropriate emergency operating procedures and response plans.	100%	Not applicable 2016: n/a 2015: 100% - achieved 2014: n/a 2013: n/a	There were no events that required the activation of an emergency operations centre in this reporting period.

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

² As defined in council's Flood Warnings Procedures.

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	2017 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 2016: n/a 2015: achieved 2014: achieved 2013: n/a	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 2016: achieved 2015: achieved 2014: achieved 2013: achieved	All priority beach sites surveyed and data entered as required.

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

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

Oil pollution response

4.3.1 Maintaining an efficient and responsive oil pollution response.			
Performance measure	Target	2017 Result	Commentary
Time taken to evaluate and respond to a report of an oil spill once received.	Within one hour of receiving a report	100% - achieved 2016: 100% - achieved 2015: 100% - achieved 2014: 100% - achieved 2013: 100% - achieved	100% of hot-line calls responded to within targets and no major oil spills were identified.

Hazard management funding impact statement

For the period ending 30 June

	Long Term Plan 2015/16 \$	Long Term Plan 2016/17 \$	Actual 2016/17 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	14,483
Targeted rates (other than targeted water rates)	878,187	903,199	1,014,254
Subsidies and grants for operating purposes	70,000	71,638	341,595
Fees, charges, and targeted rates for water supply	204,300	209,080	210,096
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	12,000	12,000	12,000
TOTAL OPERATING FUNDING	1,164,487	1,195,917	1,592,428
Applications of operating funding			
Payments to staff and suppliers	1,210,690	1,236,414	1,199,789
Finance costs	-	-	-
Internal charges and overheads applied	450,244	465,420	587,938
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	1,660,934	1,701,834	1,787,727
Surplus/(deficit) of operating funding	(496,447)	(505,916)	(195,300)
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	-
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	-	-	-
to replace existing assets	-	-	-
Increase/(decrease) in reserves	(100,000)	(100,000)	166,917
Increase/(decrease) of investments	(396,447)	(405,916)	(362,217)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(496,447)	(505,916)	(195,300)
Surplus/(deficit) of capital funding	496,447	505,916	195,300
FUNDING BALANCE	-	-	-

Major variances compared to Year 2 (2016/17) of the Long Term Plan 2015-2025

Operational Funding

Operating funding is \$396,510 more than the long term plan predominantly due to:

- Income for the LIDAR project partially offset with expenditure.
- Higher land management rates than the long term plan.

Economic development

This group of activities includes the economic development activity.

Why we do these activities

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

Central government's economic development policy recognises that regions and regional economic development are key drivers of New Zealand's overall economic performance. As a regional authority, the council makes a significant contribution to the economic development of 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 also 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 FOUR: CCOS AND SUBSIDIARIES](#).

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. 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 2016/17, \$2.2M of investment income was redirected into the IGR.

During 2016/17, a total of \$3.3M was allocated to projects from the IGR, including:

- \$165,000 for feasibility assessments and business case development.
- Provision was made to fund three projects as impact investments:
 - \$832,600 over six-years for a regional agricultural extension programme (Extension 350) with co-funding from the Ministry for Primary Industries, DairyNZ and Beef+Lamb NZ;
 - \$400,000 towards the construction of tracks at the Waitangi Mountain Bike Park; and
 - \$1.5M for the Hundertwasser Art Centre in Whangārei.

Council has an active role in overseeing these and earlier projects funded through the IGR, including establishing and monitoring appropriate performance measures, and ensuring conditions of funding are being met.

In addition to these contributions, council collated and published the 'Northland Economic Quarterly' report. This report tracks regional economic performance and trends via a quarterly economic newsletter. It also examines economic topics of interest to Northland, for example Māori in the workforce and net international migration into 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

We also worked with the other Northland councils, Northland Inc. Ltd, central government agencies and private sector stakeholders to implement the projects in the Tai Tokerau Northland Economic Action Plan. The action plan was launched in February 2016 to take up the opportunities identified in the Tai Tokerau Northland Growth Study completed in early 2015. A key achievement during the year for the council was obtaining \$600,000 in funding from central government's Regional Growth Programme to support funding from all four Northland councils and Land Information New Zealand to undertake a complete LiDAR survey of the Northland region. This will significantly improve regional elevation data that will benefit multiple user applications including land and water management, agriculture, construction and transportation.

Council is also leading a project, funded from a previous allocation from the IGR, to assess the feasibility of additional commercially viable water storage options in Northland. The first phase of the project – the Northland Strategic Irrigation Infrastructure Study – was completed in early 2016 and identified two areas worthy of further investigation: a Mid-North cluster and a Kaipara cluster. During 2016/17, a second study was undertaken to scope up a small number of potential irrigation scheme options in these two areas. This study considered in greater detail and depth the potential for irrigation demand and supply opportunities in these areas, as well as what an appropriate development entity may look like. Four irrigation scheme options were developed: one in Kaipara and three in the Mid-North area. Council is now considering, in consultation with the relevant district councils and central government agencies, how best to respond to this latest investigation.

Council also worked with the three district councils in Northland to undertake a joint review of all local authorities' development activities, including tourism and destination marketing services. This review, undertaken by MartinJenkins, was done to ensure compliance with the requirements of section 17A of the Local Government Act 2002. The review concluded that councils are delivering a large number of the right kinds of services, that there are no major gaps, and that business and industry value the activities that are delivered. Areas identified for improvement included providing greater strategic direction and priority setting, further support for destination marketing, refining the operation of the IGR, and changes to the delivery model towards a more joined-up approach across all four councils (potentially a joint CCO). The findings from the review are being considered by the respective councils in developing their Long Term Plans 2018-2028.

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	2017 Result	Commentary
The budgeted investment income is transferred into the Investment and Growth Reserve.	Annual transfer of \$1.7 million	Achieved 2016: \$1.7 million - achieved 2015: \$1.7 million 2014: \$1.7 million	\$2.2 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 September 2017	Achieved 2016: Not achieved	Northland Inc. achieved ten of its eleven KPIs. The only KPI not achieved was to add at least five new projects to the TTNEAP. In 2016/17 three projects were added.

5.1.2 Tracking regional economic performance and trends.

5.1.3 Building a business-friendly council environment.

Economic development funding impact statement

For the period ending 30 June

	Long Term Plan 2015/16 \$	Long Term Plan 2016/17 \$	Actual 2016/17 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	21,703
Targeted rates (other than targeted water rates)	2,106,722	2,119,431	2,056,193
Subsidies and grants for operating purposes	-	-	196,062
Fees, charges, and targeted rates for water supply	62,763	64,232	47,217
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	4,634,150	4,370,710	3,974,359
TOTAL OPERATING FUNDING	6,803,635	6,554,373	6,295,534
Applications of operating funding			
Payments to staff and suppliers	2,946,356	2,557,185	4,198,108
Finance costs	632,893	560,956	290,378
Internal charges and overheads applied	104,374	107,620	151,132
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	3,683,623	3,225,761	4,639,618
Surplus/(deficit) of operating funding	3,120,012	3,328,612	1,655,916
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	3,161,359
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	3,161,359
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	-	-	1,778,919
to replace existing assets	-	-	-
Increase/(decrease) in reserves	(444,811)	(286,978)	4,167,205
Increase/(decrease) of investments	3,564,823	3,615,590	(1,128,849)
TOTAL APPLICATIONS OF CAPITAL FUNDING	3,120,012	3,328,612	4,817,276
Surplus/(deficit) of capital funding	(3,120,012)	(3,328,612)	(1,655,917)
FUNDING BALANCE	-	-	-

Major variances compared to Year 2 (2016/17) of the Long Term Plan 2015-2025

Operational Funding

Operating funding is \$258,839 less than the long term plan predominantly due to:

- 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:
- Ministry for Primary Industries subsidies for the Strategic Water Management project not in the long term plan

Application of Operational Funding

Applications of operating funding is \$1,413,857 more than the long term plan predominantly due to:

- Legal fees for a rates challenge case
- Costs relating to the Strategic Water Management project
- Higher expenditure for the holding of an vacant investment property to be sold
- More Northland Inc projects than in the long term plan

Sources of Capital Funding

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

Capital Expenditure

Capital Expenditure is \$1,778,919 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
- Improvements of residential properties held as a part of the Marsden Point Rail Link and Hopua te Nihotetea Detention Dam projects.

Transport

This group includes the following activities:

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

Why we do these activities

This group of activities involves having a 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 2016/17 year we:

- Commenced the three-year review of the Regional Land Transport Plan 2015-2021;
- Commenced a review of the Regional Public Transport Plan 2015-2025 to better align it with the New Zealand Transport Agency (NZTA) Business Case Approach;
- Commenced a review of the Regional Road Safety Action Plan to ensure it incorporates the latest evidence-based crash statistics, as required by NZTA;
- The NZTA-required Procurement Strategy is being updated to better align with the Northland Transportation Alliance regional outlook.

The Northland Transportation Alliance - which brings together transport agencies under one roof to achieve improved journey management, better resilience and emergency response, consistency in approach and improved cost effectiveness in delivery of road maintenance activities - continued to gain momentum during the 2016/17 period.

The continued increase in the number of fatal and injury-causing vehicle crashes is of growing concern and reflects both a national and international trend. 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 2016/17 passenger numbers for Whangārei's CityLink public bus service, have again reflected a small decline when compared with previous years. This decline, which is a national trend, has been attributed primarily to the low price of petrol. In addition, continuing delays to the service caused by roadworks in and around the city have had an effect.

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

The Far North Link service (Kaitaia) has recently introduced new vans to the service and there has been an increase in advertising in an effort to increase passenger numbers.

The Mid North Link trial service (Kaikohe - Bay of Islands) commenced operation in December 2016. It is still too early to predict passenger trends on this service.

Harbour safety

The Northland Regional Navigation Safety Bylaw was reviewed this year, and the new NRC Navigation Safety Bylaw 2017 came into force on 1 August 2017. Consultation for the separate Kai Iwi Lake Bylaw was also commenced, with the new bylaws for the lakes expected to be in force in time for the summer season.

The number of cruise ships visiting Northland remained steady at 52 ships safely piloted in and out of the Bay of Islands this year. The trend is still expected to continue with increasing size and numbers, with 65 forecast for the coming season. The 'tender' wharf at Waitangi has been upgraded to provide better alignment with deeper water and enable more tenders to berth at once. Two of the main channel lights were renewed with stronger 5nm lights.

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. Carrying out these planned works significantly

reduces failures of AtoNs, and consequently enhances safety of navigation and reduces the need for future breakdown maintenance. Routine replacement of batteries and light fittings was also completed as required. A larger project to replace older beacons in Whangārei was delayed due to contractor delays, but is expected to be completed in August/September 2017.

The Harbourmaster continued to work closely with Maritime NZ, Northport, Refining NZ, 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 reviewed, along with their risk assessments. The review of the Whangārei SMS will be completed this year and an external review is scheduled for March 2018. A large amount of work was spent on risk assessments for Portland, and the requirements needed to enable a new larger cement vessel to operate from there. In partnership with Northport a complete hydrographic survey of the main channel of Whangārei harbour was completed. Refining NZ has also been promoting a proposal for a new channel design to allow deeper draft tankers to visit the refinery. The company is currently undertaking extensive public consultation and is expected to make a decision on whether to proceed with the proposal in the next reporting period.

The Harbourmaster's office also maintained its high standards of maritime incident response throughout the year, dealing with over 384 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. A stronger approach to enforcement was also taken this last summer, especially with dive flags, with 40 infringement fines issued. This decision was taken after several years of safety education failed to improve safety compliance on issues considered to endanger lives.

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.

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	2017 Result	Commentary
Number of passengers for the Whangārei urban bus service.	Increasing annually	Not achieved 2016: 312,193 passengers - not achieved 2015: 312,821 - not achieved 2014: 323,553 - achieved 2013: 305,737 - achieved	There were 309,414 passengers in this reporting period. Trend in passenger numbers remains below expectation due to low fuel prices and continued delays to scheduled services from urban roadworks.

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	2017 Result	Commentary
Time taken to repair navigation aids after being reported.	Within five working days	Achieved 2016: Achieved 2015: 100% achieved 2014: 100% achieved 2013: 100% achieved	All buoys were repaired within five working days. Takaka Rock beacon Hokianga required extensive repairs but continued functioning during repair work.

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

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

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

Performance measure	Target	2017 Result	Commentary
Compliance with the Port and Harbours Safety Code.	Zero non-compliance	<p>Achieved</p> <p>2016: Zero non-compliance - achieved</p>	Compliance is determined by external audit carried out by Maritime NZ. An external audit is planned for March 2018.

6.2.5 Manage moorings in harbours.

Transport funding impact statement

For the period ending 30 June

	Long Term Plan 2015/16 \$	Long Term Plan 2016/17 \$	Actual 2016/17 \$
Sources of operating funding			
General rates, uniform annual general charges, and rates penalties	-	-	23,847
Targeted rates (other than targeted water rates)	1,641,429	1,941,607	2,001,056
Subsidies and grants for operating purposes	1,122,704	1,192,968	1,247,371
Fees, charges, and targeted rates for water supply	1,489,914	1,459,642	1,419,871
Internal charges and overheads recovered	-	-	9,367
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
TOTAL OPERATING FUNDING	4,254,047	4,594,217	4,701,512
Applications of operating funding			
Payments to staff and suppliers	3,918,386	4,352,820	4,279,952
Finance costs	-	-	3,928
Internal charges and overheads applied	731,053	755,309	900,053
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	4,649,439	5,108,129	5,183,933
Surplus/(deficit) of operating funding	(395,392)	(513,912)	(482,421)
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	85,213	138,742	78,627
to replace existing assets	125,000	170,332	164,783
Increase/(decrease) in reserves	7,020	4,550	128,586
Increase/(decrease) of investments	(612,625)	(827,536)	(854,418)
TOTAL APPLICATIONS OF CAPITAL FUNDING	(395,392)	(513,912)	(482,422)
Surplus/(deficit) of capital funding	395,392	513,912	482,422
FUNDING BALANCE	-	-	-

Major variances compared to Year 2 (2016/17) of the Long Term Plan 2015-2025

Operational Funding

Operating funding is \$107,295 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 Capital Funding

Capital expenditure funding is \$65,665 less than the long term plan predominantly due to:

- Delays in the deployment of an electronic ticketing system for the buses.

Support services

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

<i>For the period ending 30 June</i>	Long Term Plan 2015/16 \$	Long Term Plan 2016/17 \$	Actual 2016/17 \$
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	-	-	148,681
Internal charges and overheads recovered	7,849,985	8,115,414	7,256,216
Local authorities fuel tax, fines, infringement fees and other receipts	3,949,181	4,263,616	5,280,943
TOTAL OPERATING FUNDING	11,799,166	12,379,030	12,685,840
Applications of operating funding			
Payments to staff and suppliers	6,315,509	6,485,990	6,239,357
Finance costs	-	-	-
Internal charges and overheads applied	-	-	-
Other operating funding applications	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	6,315,509	6,485,990	6,239,357
Surplus/(deficit) of operating funding	5,483,657	5,893,040	6,446,483
Sources of capital funding			
Subsidies and grants for capital purposes	-	-	-
Development and financial contributions	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	193,667
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	-	-	193,667
Applications of capital funding			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	314,000	41,301	98,246
to replace existing assets	699,780	746,601	903,814
Increase/(decrease) in reserves	907,181	897,972	1,265,739
Increase/(decrease) of investments	3,562,696	4,207,166	4,372,351

TOTAL APPLICATIONS OF CAPITAL FUNDING	5,483,657	5,893,040	6,640,150
Surplus/(deficit) of capital funding	(5,483,657)	(5,893,040)	(6,446,483)
FUNDING BALANCE	-	-	-

Major variances compared to Year 2 (2016/17) of the Long Term Plan 2015-2025

Operational Funding

Operating funding is \$306,810 more than the long term plan predominantly due to:

- Aerial photography income offset fully offset by costs
- Higher externally managed funds gains than in the long term plan. 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

Applications of operating funding is \$246,633 less than the long term plan predominantly due to:

- Lower provision for doubtful debts (partially offset by the following costs)
- Costs for the conclusion of the aerial photography project
- Costs for a legal case funded by income equalisation reserve transfers
- More personnel costs than in the long term plan due to increased activity

Capital Expenditure

Capital expenditure funding is \$214,158 more than the long term plan predominantly due to:

- An increase in the vehicle replacement program partially offset with proceeds from vehicle sales
- Spend on the fitting out of the new Mid North Office undertaken earlier than expected.

Financial prudence

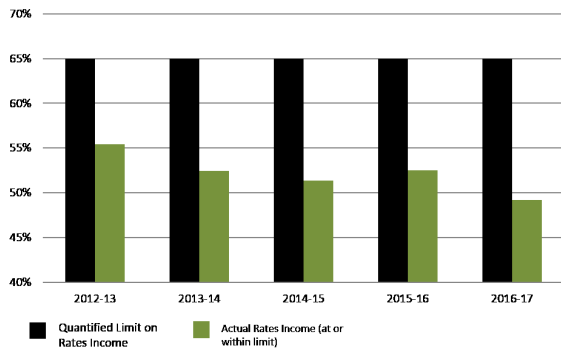
Rates affordability benchmarks

The council meets the rates affordability benchmark if -

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

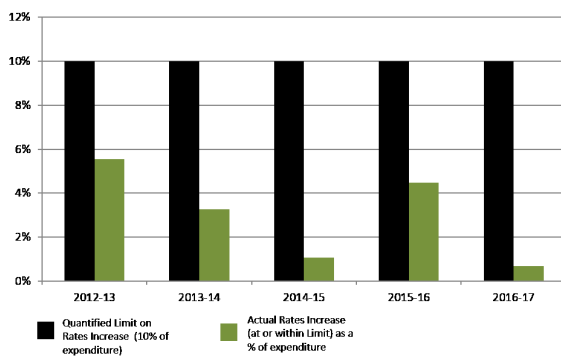
Rates income affordability

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



Rates increase affordability

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



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

Debt affordability benchmarks

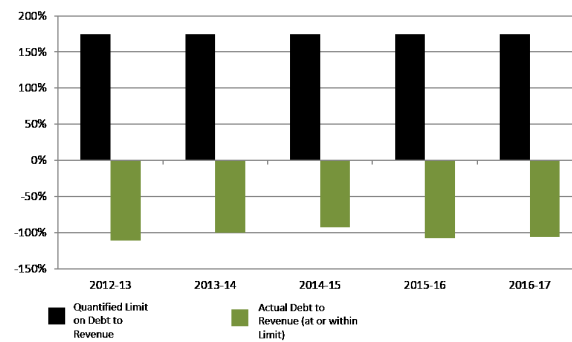
The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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

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

Net debt to total revenue

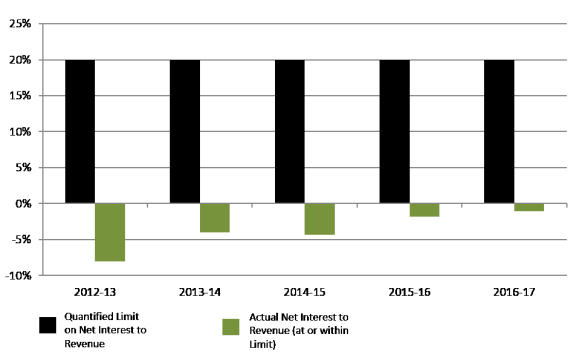
The quantified limit for net debt as a proportion of total revenue is 175%.



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

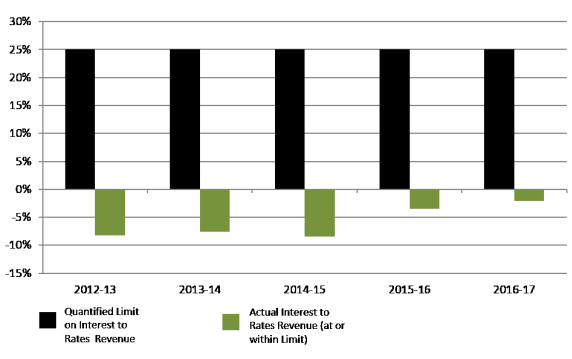
Net interest to total revenue

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



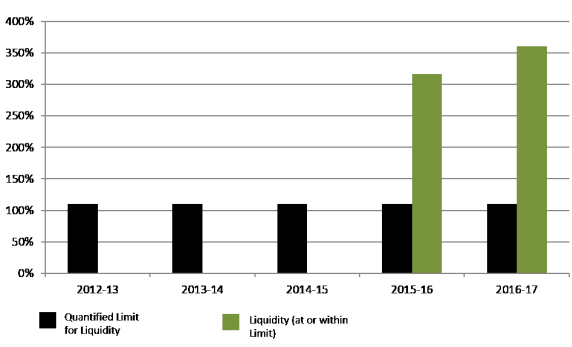
Net interest to annual rates revenue

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



Liquidity

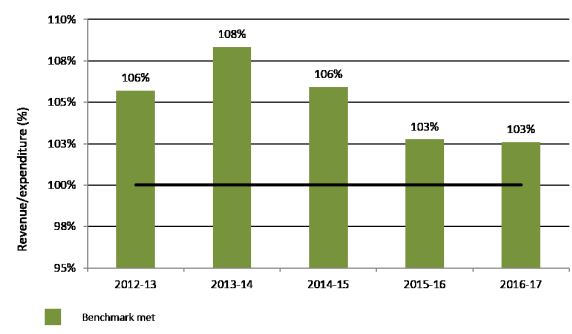
The quantified limit for liquidity is set as a minimum of 110%.



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

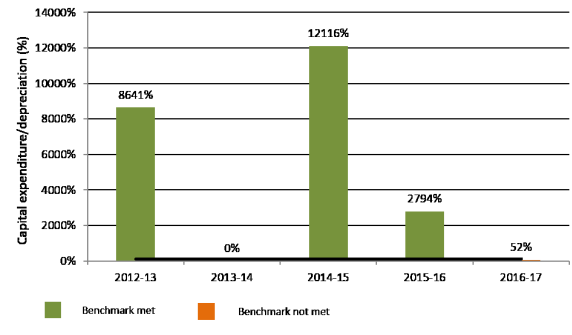
This graph shows council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and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

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.



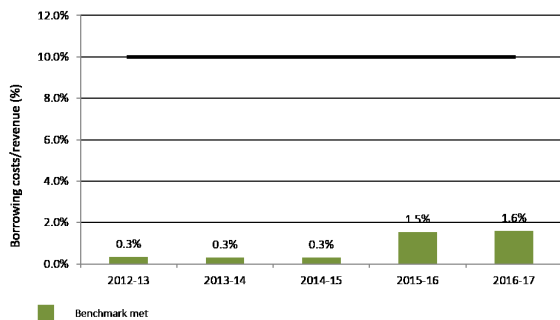
2013/14 was a revaluation year. The value for flood control assets was increased and therefore no cost was incurred in that year.

2016-17 capital expenditure included a credit for the Kerikeri River scheme where prior year capital expenditure was re-classified as operational expenditure.

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.



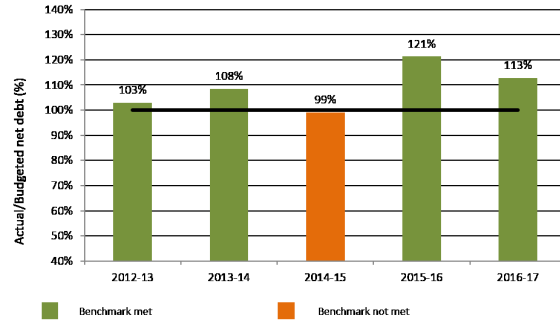
Note that no debt servicing costs existed in 2009/10 and the figures represented in the following years are council's half share of the interest associated with the Marsden Point Rail Link in conjunction with NZ Rail.

Debt control benchmark

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

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

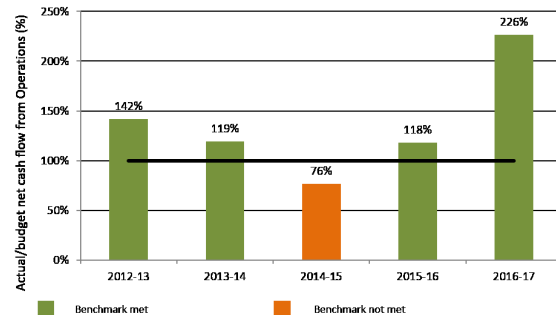
The council meets the debt control benchmark if its actual net debt equals or exceeds its planned net debt. For the purposes of this measure 100% equals planned net assets. The benchmark is represented by the black line.



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



Statement of comprehensive revenue and expense

For the year ended 30 June 2017	Note	Council 30-Jun-17 \$	Annual Plan 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Revenue						
Rates	2(i)	20,413,428	20,637,017	20,169,587	20,413,428	20,169,587
Fees and charges	2(iv)	3,902,591	4,387,804	4,276,845	4,819,721	5,029,393
Subsidies and grants	2(ii)	2,933,585	1,264,780	1,784,458	3,038,585	1,889,458
Revenue from activities				-	476,777	422,467
Interest revenue	2(iii)	1,008,007	2,876,583	1,234,138	1,018,101	1,252,649
Other revenue	2(iv)	5,866,685	5,279,162	6,467,953	5,982,046	6,237,418
Other gains	2(v)	7,382,310	836,000	4,487,255	7,911,250	8,098,156
TOTAL REVENUE	1	41,506,606	35,281,346	38,420,236	43,659,908	43,099,128
Expenses						
Personnel costs	3	13,294,777	12,985,731	12,555,964	15,438,045	14,175,834
Depreciation and amortisation expense	17	1,581,560	1,323,275	1,318,981	1,767,138	1,483,715
Finance costs	2(iii)	583,397	578,864	525,428	815,366	741,666
Other expenses	4	20,159,663	18,904,262	18,724,748	21,972,047	20,557,006
TOTAL EXPENSES	1	35,619,397	33,792,132	33,125,121	39,992,596	36,958,221
Share of associate and joint venture company surplus/(deficit)	160,(0)	-	-	-	9,140,109	8,495,465
SURPLUS/(DEFICIT) BEFORE TAX		5,887,209	1,489,214	5,295,115	12,807,421	14,636,372
Income tax expense	5	-	-	-	(18,568)	12,113
SURPLUS/(DEFICIT) AFTER TAX		5,887,209	1,489,214	5,295,115	12,788,853	14,648,485
<i>SURPLUS/(DEFICIT) ATTRIBUTABLE TO:</i>						
Northland Regional Council		5,887,209	1,489,214	5,295,115	8,051,364	8,980,301
Non-controlling interest				-	4,737,489	5,668,184
Other comprehensive revenue and expense						
<i>Items that will be reclassified to surplus/(deficit):</i>						
Financial assets at fair value through other comprehensive income	23	17,849	-	(9,479)	17,849	(9,479)
Net hedging movement (joint venture company)				-	182,349	(395,437)
<i>Items that will not be reclassified to surplus/(deficit):</i>						
Gains/(loss) on property revaluations (other than investment properties)	23	38,717		(5,000)	417,071	278,041

Gains/(loss) on infrastructure asset revaluations	23	2,973,233	-	-	2,973,233	-
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		3,029,799	-	(14,479)	3,590,502	(126,875)
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		8,917,008	1,489,214	5,280,636	16,379,355	14,521,610
<i>TOTAL COMPREHENSIVE REVENUE AND EXPENSE ATTRIBUTABLE TO:</i>						
Northland Regional Council					11,381,755	8,905,566
Non-controlling interest in Marsden Maritime Holdings Limited					4,997,600	5,616,044
					16,379,355	14,521,610

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 2016/17

Revenue is \$6.23M more than annual plan, mainly due to:

- Gains on revaluation of investment properties and assets held for sale of \$3,707,009
- Gains on the sale of investment properties and assets held for sale of \$490,359
- Gains on revaluation of other assets of \$766,450
- Higher than budgeted in the annual plan commercial property revenue of \$310,737 due the budgeting assumption that a property would be sold but the property has remained in Council possession earning rental revenue.
- Higher than the annual plan Marsden Maritime Holdings Limited dividends of \$276,786
- Prosecutions revenue of \$356,165
- Income for the LIDAR project of \$200,000 offsetting the costs incurred in this project not budgeted for in the annual plan
- MPI funding for half of the strategic Water Management Project of \$157,250 offsetting half of the cost incurred in this project
- MFE subsidies for the Kaipara Harbour Sediment Study of \$149,298 mostly offsetting costs incurred in this project not budgeted for in the annual plan
- Aerial photography subsidies of \$122,034 partially offsetting the costs incurred in this project not budgeted for in the annual plan

Partially offset by:

- Lower gains on externally managed funds \$251,049 than budgeted in the annual plan. This was in the annual plan as interest revenue but actual revenue is classified as other gains in the annual report.
- Lower rates revenue of \$223,589 due to an impairment on the rates struck on Māori freehold

land in the Far North partially offset by unbudgeted rates penalties and a reduced provision for doubtful debts expense.

Expenditure is \$1.83M more than annual plan, mainly due to:

- More investment and growth reserve funded economic development grants of \$785,287 than budgeted in the annual plan
- Costs for the Better Water Management project \$314,500 funded equally from MPI and the investment and growth reserve not budgeted in the annual plan
- Depreciation on buildings and dam assets more than the annual plan of \$156,826 which is offset by an increased fair value gain upon revaluation
- An increase on vehicle depreciation of \$240,648 due to an increase in number of vehicles for new project field staff, the replacement of the maritime canter truck at a higher value than the previous vehicle, and an increase in the average value of new vehicles purchased.
- More than annual plan environment fund payments of \$179,691
- More than annual plan legal costs for lease arbitrations of \$141,501
- Costs for aerial photography of \$211,047 partially offset with additional revenue not in the annual plan
- Costs for the LIDAR project offset by additional revenue of \$150,000 not in the annual plan
- Costs for the Kaipara Harbour Sediment Study mostly offset by MFE funding of \$174,298 not in the annual plan

Partially offset by:

- Lower than annual plan doubtful debts of \$396,530.

Statement of changes in equity

For the year ended 30 June 2017	Note	Accumulated funds \$	Reserves \$	Total Council \$	Annual Plan \$	
Council						
Balance at 1 July 2015		127,307,222	4,583,306	131,890,529	130,044,311	
Total comprehensive revenue and expense for the year		5,280,636	-	5,280,636	2,956,117	
Net transfers in special reserves	23	(14,931,394)	14,931,394	-	-	
Net transfers in other reserves	23	14,479	(14,479)	-	-	
Balance at 30 June 2016		117,670,944	19,500,221	137,171,165	133,000,428	
Total comprehensive revenue and expense for the year		8,917,008	-	8,917,008	1,489,213	
Net transfers in special reserves	23	(2,243,384)	2,243,384	-	-	
Net transfers in other reserves	23	(3,029,799)	3,029,799	-	-	
Balance at 30 June 2017		121,314,769	24,773,404	146,088,173	134,489,641	
Group						
	Note	Accumulated funds \$	Reserves \$	Subtotal Group \$	Non-controlling interest \$	Total Group \$
Balance at 1 July 2015		151,005,258	36,662,905	187,668,163	55,387,031	243,055,194
Total comprehensive revenue and expense for the year		8,905,566	-	8,905,566	5,616,044	14,521,610
Net transfers in special reserves	23	(14,931,394)	14,931,394	-	-	-
Net transfers in other reserves	23	74,733	(74,733)	-	-	-
Dividends paid		-	-	-	(2,346,963)	(2,346,963)
Balance at 30 June 2016		145,054,163	51,519,566	196,573,729	58,656,112	255,229,841
Total comprehensive revenue and expense for the year		11,381,755	-	11,381,755	4,997,600	16,379,355
Net transfers in special reserves	23	(2,243,384)	2,243,384	-	-	-
Net transfers in other reserves	23	(3,330,390)	3,330,390	-	-	-
Dividends paid		-	-	-	(2,682,084)	(2,682,084)
Balance at 30 June 2017		150,862,144	57,093,340	207,955,484	60,971,628	268,927,112

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 2017	Note	Council 30-Jun-17 \$	Annual Plan 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
EQUITY						
Accumulated funds	23	121,314,769	117,073,095	117,670,944	150,862,144	145,054,163
Reserves	23	24,773,404	17,416,546	19,500,221	57,093,340	51,519,566
Total equity attributable to Northland Regional Council		146,088,173	134,489,641	137,171,165	207,955,484	196,573,729
Non-controlling interest	23				60,971,628	58,656,112
TOTAL EQUITY		146,088,173	134,489,641	137,171,165	268,927,112	255,229,841
ASSETS						
Current assets						
Cash and cash equivalents	7	1,221,986	782,397	1,674,580	1,705,963	2,244,296
Receivables	8	5,296,507	4,996,625	5,264,216	6,280,178	5,771,006
Inventory	9	3,132,052	3,274,603	3,113,202	3,169,241	3,147,916
Assets held for sale	10	19,988,000	-	17,920,000	24,238,000	17,920,000
Other financial assets	12	6,692,398	7,898,022	4,300,718	6,676,532	4,274,580
Earn out - NPC Investments Limited	15	-	-	-	128,000	114,000
TOTAL CURRENT ASSETS		36,330,943	16,951,647	32,272,716	42,197,914	33,471,798
Non-current assets						
Receivables	13	5,626,535	5,796,444	5,461,410	5,626,535	5,461,413
Investment property	14	28,957,000	40,870,000	28,883,000	95,242,015	92,889,986
Other financial assets	12	49,034,330	47,206,131	48,589,803	49,740,296	49,201,551
Investment in subsidiaries (excluding council control organisations) and joint venture company	16(i)	7,827,563	7,827,563	7,827,563	46,061,054	45,680,812
Investment in Council Controlled Organisations	16(ii)	862,683	862,683	862,683	889,026	901,044
Property, plant and equipment	17	34,098,446	33,857,645	30,062,384	53,983,004	49,433,233
Capital projects in progress	17	228,764	-	194,775	4,306,526	501,156
Intangible assets	18	591,099	208,142	704,349	591,099	704,349
Forestry assets	19	2,713,000	2,200,000	2,360,000	2,713,000	2,360,000
Earn out - NPC Investments Limited	15	-	-	-	111,000	146,000
Deferred taxation asset		-	-	-	-	4,387
TOTAL NON-CURRENT ASSETS		129,939,420	138,828,608	124,945,967	259,263,555	247,283,931
TOTAL ASSETS		166,270,363	155,780,255	157,218,683	301,461,469	280,755,729

As at 30 June 2017	Note	Council 30-Jun-17 \$	Annual Plan 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
LIABILITIES						
Current liabilities						
Payables and deferred revenue	20	4,743,607	6,107,103	4,689,033	6,558,473	5,654,556
Employee entitlements	21	1,623,161	1,370,474	1,503,264	1,692,958	1,551,103
Borrowings and other financial liabilities	22	3,000,000	-	-	3,000,000	-
TOTAL CURRENT LIABILITIES		9,366,768	7,477,577	6,192,297	11,251,431	7,205,659
Non-current liabilities						
Payables and deferred revenue	20	800,862	738,590	844,217	1,418,366	1,114,225
Employee entitlements	21	14,560	74,447	11,004	14,560	11,004
Borrowings and other financial liabilities	22	10,000,000	13,000,000	13,000,000	19,850,000	17,195,000
TOTAL NON-CURRENT LIABILITIES		10,815,422	13,813,037	13,855,221	21,282,926	18,320,229
TOTAL LIABILITIES		20,182,190	21,290,614	20,047,518	32,534,357	25,525,888
NET ASSETS		146,088,173	134,489,641	137,171,165	268,927,112	255,229,841

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 2016/17

Asset variances

Current

Cash and cash equivalents are \$439,589 greater than the annual plan due to:

- Lower spending on capital expenditure and the timing of cash movements at year end

Receivables are \$299,882 greater than the annual plan due to:

- Strategic water management study revenue accrued at year end
- Additional rent from the conclusion of an arbitration receivable at year end

Assets held for sale are \$19,988,000 more than the annual plan due to:

- Properties budgeted in the annual plan to be sold not being sold in the 2016/17 financial year
- Properties budgeted in the annual plan as investment properties under non-current assets

Other financial assets are \$1,205,624 less than the annual plan due to:

- Timing of balances in the working capital fund at year end

Non-current

Investment Property is \$11,913,000 less than the annual plan due to:

- Transfers to properties held for sale under current assets

Partially offset by:

- Gains in investment property revaluations

Other financial assets are \$1,828,198 more than the annual plan due to:

- Proceeds on property sales reinvested into the property reinvestment fund not budgeted in the annual plan

Partially offset by:

- Emissions trading scheme assets budgeted here but classified as intangible assets

Intangible assets are \$382,957 more than the annual plan due to:

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

Forestry assets are \$513,000 more than the annual plan due to:

- Gains on the revaluation of forestry assets. Council does not 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 \$1,363,496 less than the annual plan due to:

- Lower trade payables at year end
- Greater movements in revenue in advance than in the annual plan such as the Kaeo vulnerable homes assistance programme which concluded in the 2016/17 financial year.

Employee entitlements are \$252,687 more than the annual plan due to:

- An increase in the planned leave liabilities
- More unpaid days at year end

Borrowings and other financial liabilities are \$3,000,000 more than the annual plan due to:

- Part of council's borrowings becoming due in the 12 months preceding 30 June 2017 and being transferred from non-current liabilities.

Non-current

Borrowings and other financial liabilities are \$3,000,000 less than the annual plan due to:

Part of council's borrowings becoming due in the 12 months preceding 30 June 2017 and being transferred to current liabilities.

Statement of cash flows

For the year ended 30 June 2017	Note	Council 30-Jun-17 \$	Annual Plan 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Cash flows from operating activities						
Receipts from rates revenue		20,337,631	22,332,957	20,120,947	20,337,631	20,120,947
Receipts from customers		6,425,980	4,632,896	7,781,656	11,562,856	12,211,534
Interest received		412,057	87,382	314,357	422,151	332,868
Dividends received		3,100,007	2,823,221	2,712,506	8,864,784	8,064,732
Subsidies and grants received		3,256,698	1,019,688	1,963,692	3,361,697	2,068,692
Taxation refund		353,737	-	-	353,737	64,585
Payments to suppliers and employees/members		(33,141,578)	(32,474,751)	(30,984,448)	(37,520,403)	(34,835,843)
Interest paid		(482,200)	(578,864)	(424,231)	(677,199)	(599,097)
Income tax paid		-	-	-	(14,181)	34,599
Net goods and services tax received/(paid)		(131,382)	1,662,318	675,677	(31,637)	704,718
Net cash from operating activities		130,950	(495,152)	2,160,157	6,659,436	8,167,736
Cash flows from investing activities						
Receipts from sale of property, plant and equipment		193,668	-	840,409	197,246	855,583
Receipts from sale of property held for sale		1,828,913	-	-	1,828,913	-
Receipts from sale of assets held for sale and investment property		1,352,000	-	7,230,000	1,352,000	7,230,000
Receipt from the sale of investments		3,517,980	2,500,000	2,283,482	3,517,980	2,483,482
Loans made		(26,500)	-	-	-	-
Loan repayments received		30,232	-	28,043	-	-
Purchase of property, plant and equipment and intangible assets		(2,414,367)	(1,782,354)	(4,507,235)	(10,111,470)	(4,851,088)
Earn out payment re. Sale of joint venture		-	-	-	147,000	255,000
Vendor financing loan repayment		-	-	-	-	237,500
Purchase of investment property		(1,143,931)	-	(1,668)	(3,140,489)	(4,193,835)
Purchase of financial investments		(3,921,539)	-	(24,867,618)	(3,961,865)	(24,867,618)
Net cash from investing activities		(583,544)	717,646	(18,994,584)	(10,170,685)	(22,850,977)
Cash flows from financing activities						
Dividends paid		-	-	-	(2,682,084)	(2,346,825)
Proceeds from borrowings		-	-	13,000,000	5,655,000	13,545,000
Net cash from financing activities		-	-	13,000,000	2,972,916	11,198,175
Net increase (decrease) in cash, cash equivalents and bank overdrafts		(452,594)	222,494	(3,834,430)	(538,333)	(3,485,065)

Cash, cash equivalents and bank overdrafts at the beginning of the year	7	1,674,580	559,903	5,509,010	2,244,296	5,729,361
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	7	1,221,986	782,397	1,674,580	1,705,963	2,244,296

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 2017	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Surplus/(deficit) after tax	5,887,209	5,295,115	12,788,853	14,648,485
Add (less) non cash items				
Depreciation & amortisation expense	1,581,560	1,318,981	1,767,138	1,483,715
Divested asset expense	30,000	339,179	30,000	339,179
Deferred taxation	-	-	4,387	2,117
Share of associate companies' retained surplus	-	-	(310,646)	(481,737)
Fair value adjustments	(4,440,440)	(1,945,448)	(4,968,093)	(5,556,229)
Non cash gains on externally managed funds and loans	(2,440,201)	(2,090,236)	(2,440,201)	(2,090,236)
Other non-cash items	65,680	-	65,680	-
Total non cash items	(5,203,401)	(2,377,524)	(5,851,735)	(6,303,191)
Add/(less) items classified as investing or financing activities				
Gains/(loss) on sale of property plant and equipment	(5,795)	103,626	(1,709)	106,398
Gains/(loss) on sale of investment properties and assets held for sale	(509,913)	(423,000)	(509,912)	(423,000)
Loan repayments received	-	(28,043)	-	-
Total items classified as investing or financing activities	(515,708)	(347,417)	(511,621)	(316,602)
Add/(Less) movements in working capital				
Decrease (increase) in trade and other receivables	(390,872)	(909,634)	(824,579)	(623,117)
Decrease (increase) in GST receivable	-	592,211	-	592,211
Decrease (increase) in prepayments	193,454	73,915	150,284	62,881
Decrease (increase) in inventory	(18,850)	33,203	(21,324)	40,122
Decrease (increase) in other financial assets	-	(33,953)	-	(33,953)
Decrease (increase) in tax refundable	-	-	-	16,723
(Decrease) increase in other receivables	-	(121,554)	-	(121,554)
(Decrease) increase in trade and other payables	114,015	(39,487)	558,728	(902,366)
(Decrease) increase in revenue received in advance	(102,795)	(168,117)	649,326	239,747
(Decrease) increase in provisions	-	-	-	71,563
(Decrease) Increase in employee entitlements accrual	123,454	163,400	145,412	181,669
Non operating capital items included in working capital movements	44,439	-	(423,910)	615,120

	(37,151)	(410,016)	233,938	139,046
Net cashflows from operating activities	130,950	2,160,157	6,659,436	8,167,736

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 2017. The financial statements were authorised for issue by council on 24 October 2017.

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.

Standards issued and not yet effective and not early adopted

Impairment of Revalued Assets (amendments to PBE IPSAS 21 and 26)

In April 2017, the External Reporting Board (XRB) issued Impairment of Revalued Assets, which now scopes in revalued property plant and equipment into the impairment accounting standards. Previously only property plant and equipment assets measured at cost were scoped into impairment accounting standards.

These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Council will apply the impairment of revalued assets amendments in preparing its 30 June 2018 financial statements, and expects there will be no material effect in applying these amendments.

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 annual periods 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 outline 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 2016/17 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 is 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. Further detail is provided in Note 14.

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 17.

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 19.

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 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 2017.

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 (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-17 \$	Annual Plan 30-Jun-17 \$	Council 30-Jun-16 \$
Revenue			
Resource and catchment management	11,978,219	11,448,226	11,419,055
Economic development	6,295,534	5,742,854	7,010,627
Transport	4,701,512	4,788,896	4,264,809
Hazard management	1,592,428	1,370,203	1,438,950
River management	3,611,490	3,663,335	3,723,487
Community representation and engagement	2,963,023	2,916,420	2,992,815
Support services	12,685,840	12,370,810	12,540,433
Total activity revenue and rates as per activity funding impact statements	43,828,046	42,300,744	43,390,176
Internal charges and overheads recovered	(7,291,053)	(7,019,399)	(7,366,960)
Other gains not attributable to an activity	4,969,613		2,397,020
Total revenue as per statement of comprehensive revenue and expense	41,506,606	35,281,345	38,420,236
Expenses			
Resource and catchment management	15,006,450	14,662,688	14,639,989
Economic development	4,639,618	3,561,779	4,034,711
Transport	5,183,933	5,093,274	4,450,001
Hazard management	1,787,727	1,867,684	1,775,026
River management	3,700,146	3,554,218	3,406,983
Community representation and engagement	4,738,640	4,266,672	4,581,497
Support services	6,239,357	6,481,941	6,181,268
Total activity expenses as per activity funding impact statements	41,295,871	39,488,256	39,069,475

Internal charges and overheads recovered	(7,291,053)	(7,019,399)	(7,366,960)
Other expenses not attributable to an activity	33,019	-	103,625
Depreciation and amortisation	1,581,560	1,323,275	1,318,981
Total expenses as per statement of comprehensive revenue and expense	35,619,397	33,792,132	33,125,121

DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY	Note	Council 30-Jun-17 \$	Annual Plan 30-Jun-17 \$	Council 30-Jun-16 \$
Resource and catchment management		313,774	328,759	296,076
Transport		116,663	80,118	116,859
Hazard management		-	1,520	-
River management		130,461	150,134	93,504
Support services		1,020,662	762,744	812,542
TOTAL DEPRECIATION AND AMORTISATION EXPENSE	17	1,581,560	1,323,275	1,318,981

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) Breakdown of council rates and further information:

	Council and Consolidated 30-Jun-17 \$	Council and Consolidated 30-Jun-16 \$
Targeted rates revenue	20,146,112	19,444,498
Rates penalties	267,316	725,089
Total revenue from rates	20,413,428	20,169,587

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 \$375,494, (2016 \$429,894) to rates assessed on Māori freehold land in the Far North District (see note 12). Northland Regional Council's rates remission policies allows it to remit approved rates as per the Rates Remission Policies of the Territorial Authorities who collect Northland Regional Council's rates on its behalf. The Whangarei District Council offers a 3% early payment discount if rates are paid in full at the first instalment of 20 August.

2(ii) Breakdown of subsidies and further information:

	Council and Consolidated 30-Jun-17 \$	Council and Consolidated 30-Jun-16 \$
Total subsidies and grants	3,038,585	1,889,458

Subsidies and grants are principally from New Zealand Transport Agency for passenger services, transport and strategy development, Maritime New Zealand for oil spill clean-up, the Ministry for Primary Industries for the Better Water Management project and Kaipara Harbour Hill Country project. Subsidies are received from The Ministry for the Environment for the Kaipara Harbour sediment project. The district councils also contribute subsidies to help fund the Civil Defence and Emergency Management activity, and Whangarei District Council also contributes to the cost of the Whangarei total mobility operation.

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

2(iii) Breakdown of interest revenue and finance costs:

Accounting policy

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

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Interest revenue				
Term and bank deposits	634,075	836,908	646,331	858,735
Externally managed investment funds	4,162	21,669	4,162	21,669
Investment stock and bonds	5,984	18,375	5,984	18,375
Related party loans	2,162	3,316	-	-
Loans	56,199	53,937	56,199	53,937
Joint venture	305,425	299,932	305,425	299,932
Total interest revenue	1,008,007	1,234,138	1,018,101	1,252,649
Finance costs				
Interest expense	583,397	525,428	815,366	741,666
Total finance costs	583,397	525,428	815,366	741,666
NET INTEREST REVENUE	424,609	708,710	202,735	510,983

2(iv) Breakdown of fees and charges and other revenue

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Total Fees and charges	3,902,591	4,276,845	4,819,721	5,029,393
Rental revenue from investment properties	2,766,678	2,785,576	5,982,046	5,216,543
Revenue from forestry harvest	-	884,871	-	884,871
Vested assets	-	85,000	-	85,000
Dividend revenue - Marsden Maritime Holdings Limited	3,100,007	2,712,506	-	-
Dividend revenue - other investments	-	-	-	51,004
Total other revenue	5,866,685	6,467,953	5,982,046	6,237,418

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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Not later than one year	2,175,763	2,092,251	4,073,267	3,890,144
Later than one year and not later than five years	4,988,925	5,492,589	10,415,930	11,058,348
Later than five years	4,429,472	5,254,193	13,615,473	14,503,350
Total non-cancellable operating leases	11,594,160	12,839,033	28,104,670	29,451,842

Council

Operating leases relate to investment properties owned by Northland Regional Council. The majority of Council's investment portfolio is made up of leasehold properties. These leasehold properties have lease terms of between 5 to 21 years with options to extend at the completion of each lease. All leasehold lease contracts contain market review clauses at varying cycles and, or upon expiration of the contract. The lessee does not have an option to purchase the property at the expiry of the lease period. Council owns some farm's and dwellings that generate lease and rental revenue. These properties generally have lease terms of around 12 months. Council also owns four freehold properties which have lease terms of between 1 and 20 years.

Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited leases land and buildings to a variety of customers within close proximity to the port. These non cancellable leases have remaining terms of between one month and 32 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

Northland Inc Limited and Regional Software Holdings Limited do not have any operating leases payments to be collected at year end.

No contingent rents have been recognised during the year.

2(v) Breakdown of other gains:

	Note	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Gain on revaluation of investment property	14	2,953,009	1,396,083	3,294,232	4,631,058
Gain on revaluation of assets held for sale	10	754,000	43,000	754,000	43,000
Gain on revaluation of Infrastructural assets	17	154,148	-	154,148	-
Gain on revaluation of forestry assets	19	353,000	160,000	353,000	160,000
Gain on revaluation of land and buildings	17	259,302	149,940	259,302	149,940
Gain on revaluation of Emission trading scheme - NZU's	18	-	196,425	-	196,425
Gain on disposal of investment property		309,495	27,000	309,495	27,000
Gain on disposal of assets held for sale		180,864	396,000	180,864	396,000
Gain on disposal of property, plant and equipment		5,795	-	6,187	120
Total non-financial instruments gains		4,969,613	2,368,448	5,311,228	5,603,543
Gain on revaluation of financial investments		-	-	187,325	375,806
Externally Managed Investment Funds		2,412,697	2,090,236	2,412,697	2,090,236
Reversal of Impairment			28,572	-	28,572
Total financial instruments gains		2,412,697	2,118,808	2,600,022	2,494,614
Total other gains		7,382,310	4,487,255	7,911,250	8,098,156

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

Note 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:

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Salaries and wages	12,824,670	12,073,046	14,908,183	13,666,112
Employer contributions to defined contribution plans	346,653	319,520	384,450	346,324
Increase/(decrease) in employee benefit liabilities	21 123,454	163,398	145,412	163,398
Total personnel costs	13,294,777	12,555,964	15,438,045	14,175,834

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 2017 to the Chief Executive was \$290,602 (2016: \$284,622).

Elected representatives

Elected representatives received the following remuneration:

Note	Salary 30-Jun-17	Non-salary 30-Jun-17	Total Council Remuneration 30-Jun-17	Total Council Remuneration 30-Jun-16
Bill Shepherd, Chair*	110,446	1,073	111,519	110,161
David Sinclair, Deputy Chair	72,779	2,085	74,864	62,738
Paul Dimery	66,416	9,410	75,826	68,596
John Bain	66,416	3,901	70,317	62,514
Joce Yeoman	47,176	3,147	50,323	-
Justin Blaikie	47,176	7,406	54,582	-
Mike Finlayson	47,176	10,625	57,801	-
Penny Smart	47,176	6,877	54,053	-
Rick Stolworthy	47,176	7,441	54,617	-
Craig Brown	19,240	873	20,113	63,283
Joe Carr	19,240	4,170	23,410	73,294
Monty Knight	19,240	4,957	24,197	75,925
Graeme Ramsey	21,925	1,117	23,042	81,570
Dover Samuels	19,241	4,170	23,410	73,193
Total elected representatives' remuneration	650,822	67,252	718,074	671,274

* *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 2017 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.

Note	Council 30-Jun-17	Council 30-Jun-16
< \$60,000	86	88
\$60,000 - \$79,999	81	73
\$80,000 - \$99,999	19	25
\$100,000 - \$139,999	7	9
\$140,000 - \$279,999	7	5
Total employees	200	200

Total remuneration includes any non financial benefits provided to employees.

At balance date, the Council employed 168 (2016: 158) full time employees with the balance of staff representing 17.65 (2016: 18.90) 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 2017, the Council made no severance payments (2016: 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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Fees to external auditors:				
	137,116	-	167,886	-
	5,000	-	5,000	-
	10,000	-	10,000	-
	-	121,936	-	148,714
	3,091	-	3,091	-
	-	-	70,317	66,010
	-	-	6,460	5,490
	23,273	44,387	23,273	44,387
3	718,074	671,274	991,574	868,941
	853,638	806,938	856,171	811,105
	-	-	126,881	121,513
8	363,470	10,483	363,470	10,483
	1,198,212	1,170,815	-	-
	932,188	462,157	-	-
	30,000	424,179	30,000	424,179
	-	103,626	5,374	103,804
18	11,349	-	11,349	-
	21,669	-	21,669	-
	15,852,583	14,908,955	19,279,532	17,952,382
Total other expenses	20,159,663	18,724,748	21,972,047	20,557,006

* The fees paid to Deloitte for non-assurance services were for general accounting advice undertaken during the preparation of the 2016 Annual Report (which was audited by Audit NZ).

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

*** The fees paid to internal auditors in the year ending 30 June 2017 were for assurance reviews of the rates revenue collection processes undertaken by the Kaipara District Council and Far North District Council.

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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Not later than one year	29,680	-	109,760	38,775
Later than one year and not later than five years	52,123	-	258,156	22,800
Later than five years	-	-	-	-
Total non-cancellable operating leases	81,803	-	367,916	61,575

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-17 \$	Consolidated 30-Jun-16 \$
Components of tax expense		
Current tax expense/(credit)	14,181	3,646
Adjustment to current tax in prior periods	-	(17,876)
Deferred tax asset	4,387	2,117
Tax expense	18,568	(12,113)
Relationship between tax expense and accounting surplus		
Surplus/(deficit) before tax	12,807,421	14,636,372
Taxation at 28%	3,586,077	4,098,184
Plus (less) tax effect of:		
Non-deductible expenditure	775,365	353,376
Recognition of temporary differences	3,365	(135)
Imputation dividend receipts	(3,677,808)	(3,298,707)
Non-taxable income	(729,181)	(1,291,541)
Tax paid on joint venture company earnings	(70,937)	(116,406)
Prior year adjustment	-	(17,876)
Carried forward losses derecognised/(recognised)	131,687	260,992
Tax expense/(benefit)	18,568	(12,113)
Imputation credits		
Imputation credits available for use in subsequent reporting periods	12,908,403	11,808,203

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 \$8,249,108 (2016: \$7,420,006)

As at 30 June 2017 Marsden Maritime Holdings Limited group has taxation losses amounting to \$6,040,568 of which the tax effect is \$1,691,359 (2016 losses \$5,842,621, tax effect \$1,635,934) 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. At 30 June 2017 Marsden Maritime Holdings Limited has \$12,908,403 imputation credits available for use in subsequent reporting periods (2016: \$11,804,700).

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. 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 2017, the Joint Venture had no assets and liabilities.

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

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Recognised in:
Revenue and Expense:			
Lease revenue for the year (50% share)	111,789	116,670	Rental revenue from investment properties - Note 2(iv)
Gain on revaluation of Land and buildings for the year (50%)	183,059	144,583	Gain on revaluation of investment property - Note 2(v)
Opportunity Cost on Council's Life to date expenditure	305,425	299,932	Interest revenue - Joint Venture - Note 2(ii)
Council's operating expenditure for the year (50% share)	34,747	39,488	Direct operating expenditure on investment properties Note 4
KiwiRail's operating expenditure for the year (50% share)	-	-	
Opportunity Cost on KiwiRail's Life to date expenditure	101,197	101,197	Interest expense - Note 2(iii)

Financial Position:

Balance of Designation and injurious affection land value (50% Share)	1,601,357	1,601,357	
Balance of KiwiRail costs to secure designation (50% Share)	1,464,126	1,464,126	
Total Balance of Designation Asset Value (50% share)	3,065,483	3,065,483	Inventory - Note 9
Capital Improvements for the year made to Land and building along the proposed corridor (50% share)	37,941	834	Investment property - Note 14
Balance of Residual Land and building along the proposed corridor (50% share)	2,990,000	2,769,000	Investment property - Note 14
Balance of Receivable owing from KiwiRail	5,626,535	5,461,410	Non current receivables - Note 13

Note 7: Cash and cash equivalents

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.

Breakdown of cash and cash equivalents and further information:

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Cash on hand at trading banks	1,221,986	1,662,064	1,705,963	2,231,780
Property Re-Investment Fund - Term deposits with maturities of less than 3 months at acquisition	-	12,516	-	12,516
Total cash and cash equivalents	1,221,986	1,674,580	1,705,963	2,244,296

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

There were no cash or cash equivalent balances held at 30 June 2017 that were not available for use by the group.

Council

Council's current account deposits held with the ASB Bank are interest bearing at a interest rate of 1.00% (2016: 1.50%). At balance date, funds held on call deposit with the ASB Bank yield interest at 1.65% (June 2016: 2.15%).

Marsden Maritime Holdings Limited

Current account deposits held are non-interest bearing.

Note 8: 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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Rates receivables	3,281,880	3,355,834	3,281,880	3,355,834
Other receivables	4,154,776	3,772,044	4,708,911	4,139,684
GST receivable	270,066	540,426	532,762	545,783
Receivables from subsidiaries and associates	24,703	13,301	32,993	31,715
Prepayments	239,122	45,668	397,671	161,047
Gross debtors and other receivables	7,970,547	7,727,274	8,954,218	8,234,064
Less provision for uncollectability of receivables	(2,674,040)	(2,463,058)	(2,674,040)	(2,463,058)
Total current receivables	5,296,507	5,264,216	6,280,178	5,771,006
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	3,958,600	4,142,742	4,605,155	4,263,478
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	1,337,907	1,121,474	1,675,023	1,507,528
	5,296,507	5,264,216	6,280,178	5,771,006

Fair value

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

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

Assessment for uncollectibility

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 2017 was based on the 2016-17 non collection rate adjusted for the arrears collected in 2016-17 and amounted to \$375,494 (2016: 429,894). The rates revenue presented in Note 2 and the rates receivable in this note have been reduced by \$375,494 (2016 \$429,894). 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 \$375,494 (2016 \$429,894).

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:

	2017			2016		
	Gross \$	Provision for uncollectibility \$	Net \$	Gross \$	Provision for uncollectibility \$	Net \$
Council						
Not past due	4,361,125		4,361,125	4,439,540	-	4,439,540
Past due 1-60 days	287,804		287,804	23,380	-	23,380
Past due 61-120 days	6,256		6,256	7,612	-	7,612
Past due > 120 days	3,315,362	(2,674,040)	641,322	3,256,743	(2,463,058)	793,684
Total	7,970,547	(2,674,040)	5,296,507	7,727,274	(2,463,058)	5,264,216

	2017			2016		
	Gross \$	Provision for uncollectibility \$	Net \$	Gross \$	Provision for uncollectibility \$	Net \$
Group						
Not past due	5,145,568		5,145,568	4,923,549	-	4,923,549
Past due 1-60 days	407,370		407,370	23,380	-	23,380
Past due 61-120 days	85,918		85,918	7,612	-	7,612
Past due > 120 days	3,315,362	(2,674,040)	641,322	3,279,524	(2,463,058)	816,465
Total	8,954,218	(2,674,040)	6,280,178	8,234,064	(2,463,058)	5,771,006

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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Movements in the provision for uncollectibility of receivables are as follows:				
Balance at 1 July	2,463,058	4,606,388	2,463,058	4,606,388
Additional provisions made during the year	363,470	10,483	363,470	10,483
Receivables written off during the period	(152,488)	(2,153,813)	(152,488)	(2,153,813)
Balance at 30 June	2,674,040	2,463,058	2,674,040	2,463,058

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

Note 9: 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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Stores and materials		66,569	47,718	103,758	82,433
Marsden to Oakleigh Rail Corridor Designation	6	3,065,483	3,065,483	3,065,483	3,065,483
		3,132,052	3,113,202	3,169,241	3,147,916

Note 10: 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. Investment property classified as assets held for sale are recognised at fair value.

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

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

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.

Breakdown of assets held for sale and further information:

Note	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Balance at 1 July	17,920,000	3,796,000	17,920,000	3,796,000
Transfers from investment properties	14 2,954,000	17,487,000	2,954,000	17,487,000
Disposals	(1,640,000)	(3,796,000)	(1,640,000)	(3,796,000)
Properties transferred from infrastructure assets	-	390,000	-	390,000
Properties transferred from freehold land	-	-	4,250,000	-
Fair value gains/(loss) on valuation	2(v) 754,000	43,000	754,000	43,000
Total assets held for sale	19,988,000	17,920,000	24,238,000	17,920,000

During the year 4 leasehold investment properties with a value of \$1,640,000 were sold for \$1,828,913 with all the associated proceeds net of selling costs being placed into Councils property reinvestment fund pending the identification of further property investments. The remaining 17 unsold properties classified as Assets held for sale at 30 June 2016 and a further 3 properties transferred from investment properties during the year have been valued at Fair Value under PBE IPSAS 16 as at 30 June 2017. The valuation of councils investment properties held for sale was undertaken by Telfer Young Northland Ltd and Extensor Ltd.

Marsden Maritime Holdings Limited

During the year Marsden Maritime Holding Limited transferred a 43.87 hectare block of land from Property plant and equipment to Assets held for Sale. The block of land was valued by independent valuer Chris Seagar of Seagar & Partners at fair value less expected costs to sell.

Note 11: Derivative of 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. However, if the council or the group, expects that all, or a portion of a loss, recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified in the surplus or deficit.

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

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

At 30 June 2017, the joint venture entity Northport Ltd was party to interest rate swap contracts with principal amounts totalling \$59,500,000 (2016 \$42,500,000).

Note 12: 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.

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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
CURRENT PORTION				
Term deposits, corporate and local government bonds, and other securities	-	203,821	-	203,821
Loans to subsidiary	15,866	26,138	-	-
Working capital investment fund	6,676,532	4,070,760	6,676,532	4,070,760
Total current portion	6,692,398	4,300,718	6,676,532	4,274,580
NON-CURRENT PORTION				
Loans to subsidiary	13,844	7,304	-	-
Other loans	819,933	792,428	819,933	792,428
Term deposits, corporate and local government bonds, and other securities	8,000,000	10,646,347	8,719,810	11,265,398
Community Investment Fund	13,185,771	12,467,689	13,185,771	12,467,689
Property Reinvestment Investment Fund	20,745,202	18,546,208	20,745,202	18,546,208
Infrastructure Investment Fund	6,269,580	6,129,828	6,269,580	6,129,828
Total non-current portion	49,034,330	48,589,803	49,740,296	49,201,551
TOTAL OTHER FINANCIAL ASSETS	55,726,728	52,890,522	56,416,828	43,476,131
Term deposits, corporate and local government bonds, and other securities consist of:				
Term deposits, corporate and local government bonds	8,000,000	10,646,347	8,000,200	10,646,547
Corporate Bonds	-	203,821	-	203,821
Fonterra Co-operative Group Limited - shares	-	-	719,610	618,852
	8,000,000	10,850,168	8,719,810	11,469,220

Fair value

Term Deposits

The carrying amount of term deposits approximates their fair value.

Loans to Subsidiary

Three term loan facilities have been issued to councils subsidiary Northland Inc. Limited. \$25,000 was drawdown by Northland Inc. Limited in February 2014 with a fixed annual interest rate of 6% and fully repaid in February 2017, \$60,000 was drawdown in October 2014 with a fixed annual interest rate of 7% over a term of 3 years, and \$26,500 was drawdown in December 2016 with a fixed interest rate of 6% over 3 years.

The fair values of council's total loans to Northland Inc. Limited is not materially different to carrying value.

Other Loan

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

The fair value of council's other loan is not materially different to carrying value.

Fonterra Cooperative Group Limited Shares

As at 30 June 2017, 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 \$6.00 per share (2016: total holding of 113,343 shares at an average of \$5.46 per share). The Group acquired an additional 6,592 shares at a cost of \$40,328 and recognised a total fair value increase for the year of \$60,430 (2016 fair value increase \$74,806).

Externally managed investment funds

Eriksen and Associates Limited are appointed as council's investment advisor for 4 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 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.

Community Investment Fund

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

The fair value and carrying amount of the Community Investment Fund at 30 June 2017 is \$13,185,771 (2016: \$12,467,689).

The one year return achieved by this fund to 30 June 2017 was 7.2% against a fund target objective of 4.9% (2016: 5.8% against a fund target objective of 4.8%).

Property Reinvestment Fund

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

The fair value and carrying amount of the Property Reinvestment fund at 30 June 2017 is \$20,745,202 (2016: \$18,558,724).

The one year return achieved by this fund to 30 June 2017 was 5.8% against a fund target objective of 8.6% (2016: 9.7% against a fund target objective of 10.5%).

Infrastructure Investment Fund

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

The fair value and carrying amount of the Infrastructure investment fund at 30 June 2017 is \$6,269,579 (2016: \$6,129,828).

The return on this fund was 4.0% against a fund target objective of 4.8% (2016: 2.5% since its inception (31 July 2015) against a fund target objective of 4.8%).

Working Capital Investment Fund

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

The fair value and carrying amount of the Working Capital fund at 30 June 2017 is \$6,676,532 (2016: \$4,070,760).

The return on this fund was 3.0% against a fund target objective of 3.8% (2016: 1.1% since its inception (31 March 2016) against a fund target objective of 1.0%).

Interest rates

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Weighted average effective interest rates:				
Term deposits	6.27%	4.76%	6.27%	4.76%
Other securities	8.00%	8.00%	8.00%	8.00%

Note 13: Non-current receivables

Breakdown of non-current receivables and further information:

Note	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Non-current Receivables	5,626,535	5,461,410	5,626,535	5,461,413

Council's non-current receivables relate to the outstanding amount owed to council by KiwiRail relating to the NRC/KiwiRail Unincorporated Joint Venture.

There is no impairment provision for non current receivables.

Note 14: 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 Telfer Young Northland Ltd and Extensor Ltd who are 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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Balance at 1 July		28,883,000	47,985,500	92,889,986	105,237,500
Additions		1,105,991	417	2,967,892	3,520,427
Vested assets		-	85,000	-	85,000
Disposals and Divested assets		(1,031,000)	(3,057,000)	(1,031,000)	(3,057,000)
Transfers to assets held for sale	10	(2,954,000)	(17,487,000)	(2,954,000)	(17,487,000)
Transfers from capital work in progress		-	-	74,905	-
Transfers to infrastructure assets		-	(40,000)	-	(40,000)
Fair value gains/(losses) on valuation	2(v)	2,953,009	1,396,083	3,294,232	4,631,058
Balance at 30 June		28,957,000	28,883,000	95,242,015	92,889,986

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 2017.

Council's investment properties are valued at fair value comprising of ground leases of \$17,252,000 (2016: \$19,664,000), freehold investment properties (land and buildings) of \$8,715,000 (2016: \$6,450,000) and properties purchased along the proposed Marsden Point Rail corridor of \$2,990,000 (2016: \$2,769,000).

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 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 7.92% to 10.19% (2016: 9.14% to 9.92%)

Future market rents

+5.60% for 5 yearly ground lease rent reviews (2016: 5.6%)

+5.85% for 7 yearly ground lease rent reviews (2016: 5.85%)

+7.15% for 21 yearly ground lease rent reviews (2016: 7.155%)

Annual inflation on land values: 1.5% (2016: 1.5%)

Discount rate: 8.75% (2016: 9.0%)

Investment properties valuation - Marsden Maritime Holdings Limited

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

Fair value has been determined based on valuations performed 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*: \$105-\$125 per square metre (2016: \$100-\$120 per square metre)

Years to full tenancy: 10 years (2016: 10 years)

Discount rate range: 8.75% - 11.5% (2016: 8.75% - 11.5%)

Capitalisation rate range: 6.0% - 7.5% (2016: 6.0% - 9%)

Exit yield range: 7.75% - 8.0% (2016: 7.75% - 8.0%)

Berth licence sales rate pa: 5.0% - 15% (2016: 5.0% - 15%)

Annual Rental cash-flow: \$244,000 - \$287,580 (2016: \$167,000- \$198,000)

* excludes undeveloped land and land designated for a transport corridor which has a value of \$35 to \$110 per m² (2016: \$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 15: Earn out - Northport Coolstores Limited

Note	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Opening balance	260,000	214,000
Earn out payment received	(147,000)	(255,000)
Fair value adjustment	126,000	301,000
	239,000	260,000
Current portion - due within the next 12 months	128,000	114,000
Non-current portion - due past the next 12 months	111,000	146,000
	239,000	260,000

Note 16(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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Investment in joint venture company		-	46,061,054	45,680,812
Shares in Marsden Maritime Holdings Limited (22.14 million shares)	7,827,563	7,827,563	-	-
Total investments in subsidiaries (excluding CCOs) and joint venture company	7,827,563	7,827,563	46,061,054	45,680,812

Shares in Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited is a listed company. The fair value of these shares, as per the market price at 30 June 2017 is \$4.35 per share (2016: \$3.07 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 (2016: 50%), with Port of Tauranga Limited holding the remaining 50%.

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

	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Current assets	3,987,231	4,711,600
Non-current assets	130,674,916	132,689,116
Current liabilities	4,693,317	4,682,210
Non-current liabilities	35,047,881	38,419,408
Net assets	94,920,949	94,299,098
Group share of net assets (50%)	47,460,475	47,149,549
Other consolidation adjustments	(1,399,421)	(1,468,737)
Total Investment in joint venture company	46,061,054	45,680,812
Opening carrying value	45,680,812	45,312,092
Share of after tax surplus	9,152,126	8,494,982
Dividends paid	(8,829,463)	(8,013,728)
Share of land revaluation movement	(124,770)	(395,577)
Share of hedge reserve movement	182,349	283,042
Closing carrying value	46,061,054	45,680,812
Revenue	40,894,265	38,801,691
Net surplus	18,165,618	16,858,926
Current period write back in respect of previous inter-entity asset sales	69,317	65,519
Total share of joint venture company net surplus (50%)	9,152,126	8,494,982

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 17 and 24.

Note 16(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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Investment in Northland Inc. Limited (subsidiary)	200	200	-	-
Investment in Regional Software Holdings Limited (associate)	862,483	862,483	889,026	901,044
	862,683	862,683	889,026	901,044

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:

	Note	Council 30-Jun-17 \$	Council 30-Jun-16 \$
Assets		5,485,048	5,527,708
Liabilities		177,426	148,341
Revenue		1,125,800	1,095,183
Surplus/(deficit) for the year		(71,745)	2,884
Share capital		5,149,150	5,149,150
Council's interest		16.75%	16.75%
Council's investment in Regional Software Holdings Limited in council parent financial statements		862,483	862,483

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 2017 Regional Software Holdings Limited had a deficit of \$71,745 (2016 \$2,884 surplus), and council recognised its 16.75% shareholding being a deficit of \$12,017 (2016: \$483 surplus) on consolidation.

The total share of associates and joint venture company surplus in comprehensive revenue and expense is \$9,140,109 (2016 \$8,495,465) being councils share of the Regional Software Holdings Limited deficit \$12,017 (2016: \$483) note 16(ii), and Marsden Maritime Holdings Limited share of surplus in their joint venture company, Northport Limited, \$9,152,126 (2016 \$8,494,982) note 16(i).

Note 17: Property, plant and equipment

Accounting policy

Property, plant and equipment consist of:

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

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

Land - Land is measured at fair value. Buildings (other than owner occupied 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 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%
- Amenities	5-100 years	1-20%
- Plant and equipment	2-20 years	5-50%
- Navigational aids	10-20 years	5-10%
- Vehicles	4-8 years	12.5-25%
- Vessels and dredging equipment	10-25 years	4-10%
- Infrastructure assets	8-100 years	1-12.5%

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 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Freehold land				
Freehold land at valuation - opening balance	1,462,500	1,467,500	1,462,500	1,467,500
Additions	453,783	-	453,783	-
Revaluation movement	38,717	(5,000)	38,717	(5,000)
Total freehold land - closing balance	1,955,000	1,462,500	1,955,000	1,462,500
Forest land subject to the ETS				
Forest land subject to the ETS at cost - opening balance	706,856	706,856	706,856	706,856
Total Forest land subject to the ETS - closing balance	706,856	706,856	706,856	706,856
Freehold land - Port				
Freehold land Port at valuation - opening balance	-	-	17,106,000	17,106,000
Total freehold land Port - opening balance	-	-	17,106,000	17,106,000
Additions	-	-	4,250,000	-
Transfer between asset classes	-	-	(4,300,000)	-
Revaluation movement	-	-	344,000	-
Total freehold land Port - closing balance	-	-	17,400,000	17,106,000
Buildings				
Buildings - at valuation	4,510,500	4,274,500	4,510,500	4,274,500
Additions	243,073	86,060	243,073	86,060
Revaluation movement	259,302	149,940	259,302	149,940
Depreciation expense	(92,875)	-	(92,875)	-
Total buildings - closing balance	4,920,000	4,510,500	4,920,000	4,510,500

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Infrastructure				
Infrastructure at cost - opening balance	18,950,734	13,265,229	18,950,734	13,265,229
Less accumulated depreciation	(140,799)	(47,295)	(140,799)	(47,295)
Total infrastructure opening balance	18,809,935	13,217,934	18,809,935	13,217,934
Additions	129,648	7,138,683	129,648	7,138,683
Disposals and divested assets	(30,000)	(1,103,179)	(30,000)	(1,103,179)
Transfer between asset classes	-	(350,000)	-	(350,000)
Revaluation movement	3,127,380	-	3,127,380	-
Depreciation expense	(130,461)	(93,504)	(130,461)	(93,504)
Total infrastructure closing balance	21,906,502	18,809,935	21,906,502	18,809,935
Infrastructure at valuation - closing balance	21,906,502	18,950,734	21,906,502	18,950,734
Accumulated depreciation	-	(140,799)	-	(140,799)
Total infrastructure closing balance	21,906,502	18,809,935	21,906,502	18,809,935
Amenities				
Amenities at cost - opening balance	-	-	2,497,427	2,435,286
Less accumulated depreciation	-	-	(755,760)	(690,034)
Total amenities opening balance	-	-	1,741,667	1,745,252
Additions	-	-	4,614	40,132
Transfer between asset classes	-	-	-	22,008
Revaluation movement	-	-	159,124	-
Depreciation expense	-	-	(65,405)	(65,726)
Total amenities closing balance	-	-	1,840,000	1,741,666
Amenities at valuation	-	-	1,840,000	2,497,426
Less accumulated depreciation	-	-	-	(755,760)
Total amenities closing balance	-	-	1,840,000	1,741,666
Plant and equipment				
Plant and equipment at cost - opening balance	7,119,487	7,180,269	7,892,271	7,869,126
Less accumulated depreciation	(4,427,785)	(4,889,350)	(4,744,853)	(5,173,506)
Total plant and equipment opening balance	2,691,702	2,290,918	3,147,418	2,695,619
Additions	623,845	1,004,096	826,960	1,145,683
Disposals	(406,598)	(1,064,877)	(442,150)	(1,082,823)
Accumulated depreciation on disposals	376,923	1,037,677	402,999	1,037,677
Depreciation expense	(640,256)	(576,112)	(731,051)	(648,748)
Total plant and equipment closing balance	2,645,616	2,691,702	3,204,176	3,147,408

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Plant and equipment at cost	7,336,734	7,119,487	8,260,471	7,896,235
Less accumulated depreciation	(4,691,118)	(4,427,785)	(5,056,295)	(4,748,827)
Total plant and equipment closing balance	2,645,616	2,691,702	3,204,176	3,147,408
Navigational aids				
Navigational aids at cost - opening balance	543,049	517,475	543,049	517,475
Less accumulated depreciation	(345,713)	(296,277)	(345,713)	(296,277)
Total navigational aids opening balance	197,336	211,197	197,336	211,197
Additions	75,261	34,313	75,261	34,313
Disposals	(9,351)	(8,738)	(9,351)	(8,738)
Accumulated depreciation on disposals	5,715	4,062	5,715	4,062
Depreciation expense	(52,876)	(53,497)	(52,876)	(53,497)
Total navigational aids closing balance	216,085	197,336	216,085	197,336
Navigational aids at cost	608,960	543,049	608,960	543,049
Less accumulated depreciation	(392,875)	(345,713)	(392,875)	(345,713)
Total navigational aids closing balance	216,085	197,336	216,085	197,336
Vehicles				
Vehicles at cost - opening balance	2,063,233	1,962,788	2,192,228	2,072,654
Less accumulated depreciation	(892,003)	(824,843)	(953,522)	(859,989)
Total vehicles opening balance	1,171,230	1,137,945	1,238,705	1,212,665
Additions	667,966	457,910	717,060	477,037
Disposals	(420,438)	(357,466)	(426,960)	(357,466)
Accumulated depreciation on disposals	275,483	203,607	280,808	203,607
Depreciation expense	(393,927)	(270,767)	(423,305)	(297,140)
Total vehicles closing balance	1,300,313	1,171,229	1,386,308	1,238,703
Vehicles at cost	2,310,760	2,063,233	2,482,327	2,192,226
Less accumulated depreciation	(1,010,447)	(892,003)	(1,096,019)	(953,522)
Total vehicles closing balance	1,300,313	1,171,229	1,386,308	1,238,703

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Vessels and maritime equipment				
Vessels and maritime equipment at cost - opening balance	1,265,521	1,295,809	1,265,521	1,295,809
Less accumulated depreciation	(753,195)	(721,963)	(753,195)	(721,963)
Total vessels and maritime equipment opening balance	512,326	573,846	512,326	573,846
Additions	-	26,643	-	26,643
Disposals	(1,324)	(56,930)	(1,324)	(56,930)
Accumulated depreciation on disposals	863	32,129	863	32,129
Depreciation expense	(63,787)	(63,362)	(63,787)	(63,362)
Total vessels and maritime equipment closing balance	448,078	512,325	448,078	512,325
Vessels and maritime equipment at cost	1,264,196	1,265,521	1,264,196	1,265,521
Less accumulated depreciation	(816,118)	(753,195)	(816,118)	(753,195)
Total vessels and maritime equipment closing balance	448,078	512,325	448,078	512,325
Total assets				
Total assets at cost	11,698,146	11,663,197	34,048,086	14,897,206
Total assets at valuation	24,923,733	19,007,229	23,079,000	36,113,229
Total assets cost/valuation	36,621,879	30,670,426	57,127,086	51,010,435
Accumulated depreciation	(6,559,495)	(6,779,728)	(7,693,842)	(7,789,064)
Total assets - opening balance	30,062,384	23,890,697	49,433,244	43,221,370
Additions	2,193,575	8,747,705	6,700,398	8,948,551
Disposals and divested assets	(867,710)	(2,591,191)	(909,784)	(2,609,137)
Accumulated depreciation on disposals	658,980	1,277,475	690,384	1,277,475
Transfer between asset classes	-	(350,000)	(4,300,000)	(327,992)
Revaluation movement	3,425,399	144,940	3,928,523	144,940
Depreciation expense	(1,374,182)	(1,057,242)	(1,559,760)	(1,221,977)
Total assets - closing balance	34,098,446	30,062,384	53,983,004	49,433,232
Total assets at cost - closing balance	12,227,507	11,698,146	13,322,811	15,101,314
Total assets at valuation - closing balance	28,781,502	24,923,733	48,021,503	42,029,733
Total cost/valuation	41,009,009	36,621,880	61,344,313	57,131,048
Accumulated depreciation	(6,910,563)	(6,559,495)	(7,361,309)	(7,697,815)
Total assets - closing balance	34,098,446	30,062,384	53,983,004	49,433,233
Capital work in progress	228,764	194,775	4,306,526	501,156
Total fixed assets	34,327,210	30,257,159	58,289,530	49,934,389
Depreciation and amortisation expense:				
Property, plant and equipment	1,374,182	1,057,242	1,559,760	1,221,976
Intangibles	207,378	261,738	207,378	261,738
	1,581,560	1,318,981	1,767,138	1,483,715

Valuation of freehold land and buildings - Council

The most recent valuation of council's freehold land and buildings was performed by independent registered valuers Telfer Young (Northland) Limited, and is effective as at 30 June 2017.

Council's land and buildings are valued at fair value of \$ 6,875,000 (2016:\$5,973,000) 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 2017 valuations include market rentals and capitalisation rates.

- Market rents range from: \$96 to \$165 per square metre.
- Capitalisation rates are market based rates of returns, ranging from 5.97% to 11.03%.

If council's freehold land and buildings were measured at depreciated replacement cost the carrying amount would be \$6,995,000 (2016: \$6,035,500). Council has no restrictions on the realisability of its freehold land and buildings.

Valuation of Freehold Land - Marsden Maritime Holdings Limited

The most recent valuation of Marsden Maritime Holdings Limited's freehold land was performed by independent registered valuers Seagar & Partners and is effective as at 30 June 2017.

Marsden Maritime Holding Limited freehold land is valued at fair value of \$17,400,000 (2016: \$17,106,000) 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 2017 valuations include estimated prices per hectare of freehold land in the Marsden point area.

- Price per hectare: \$85,000 to \$187,500

If Marsden Maritime Holdings Limited's freehold land were measured at depreciated replacement cost the carrying amount would be \$5,292,337 (2016: \$1,913,640).

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 Amenities - Marsden Maritime Holdings Limited

The most recent valuation of Marsden Maritime Holdings Limited's amenities was performed by independent registered valuers Telfer Young (Northland) Ltd and is effective as at 30 June 2017.

Marsden Maritime Holdings Limited amenities are valued at fair value of \$1,840,000 (2016: \$1,741,667). As there is no general market to assist in determining the market value of the amenities, the optimised depreciated replacement cost approach methodology was used to establish the cost to replace the amenities having regard to current costings, and then an allowance for depreciation was deducted.

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 stop banks, 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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Closing book value	9,905,055	7,508,095	11,118,670	10,457,342	882,777	844,498	-	-	21,906,502	18,809,935
Acquisitions made by way of:										
Construction	38,122	6,516,717	91,526	621,967	-	-	3,438	111,342	133,086	7,250,026
Transfers		-		-		-		-		-
	38,122	6,516,717	91,526	621,967	-	0	3,438	111,342	133,086	7,250,026
Estimated replacement cost	6,596,910	6,066,500	14,846,460	12,581,529	913,340	855,028	-	-	22,356,710	19,503,057

Disposal of Infrastructural Assets - Council

During the year, council divested Kotuku street land (with a book value of \$30,000) to the Whangarei District Council.

Capital Commitments

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Property plant and equipment	171,265	83,370	2,497,662	2,058,025
	171,265	83,370	2,497,662	2,058,025

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

Note 18: 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-17 \$	Council and Consolidated 30-Jun-16 \$
Computer software			
Cost - opening balance		3,379,807	3,380,686
Accumulated amortisation		(2,987,119)	(2,725,380)
Computer software opening carrying amount		392,688	655,306
Additions		114,622	17,243
Net disposals*		(9,145)	(18,119)
Amortisation charge		(207,378)	(261,738)
Total computer software closing balance		290,787	392,691
Cost		3,485,281	3,379,807
Accumulated amortisation		(3,194,494)	(2,987,119)
Total computer software closing balance		290,787	392,688
Emission Trading Scheme - New Zealand Units (NZU's)			
Opening balance		311,661	115,236
Gain/(loss) on revaluation of Emission Trading Scheme - NZU's	4	(11,349)	196,425
Total Emission Trading Scheme - NZU's - Closing Balance		300,312	311,661
Total Intangible Assets		591,099	704,349

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 (2016: 17,460) at \$17.20 per unit (2016: \$17.85 per unit) with a total market value of \$300,312 (2016: \$311,661).

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 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Intangible assets	31,806	-	31,806	-
	31,806	-	31,806	-

Note 19: 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-17 \$	Council and Consolidated 30-Jun-16 \$
Balance at 1 July		2,360,000	2,200,000
Gains arising from changes in fair values less estimated point-of-sale costs	2(v)	353,000	160,000
Balance at 30 June		<u>2,713,000</u>	<u>2,360,000</u>

Northland Regional Council owns 303 hectares (2016: 303) of radiata pine forest which are at varying stages of maturity, ranging from 7 to 26 years. The latest block harvested in the 2015-16 year is due to be replanted in July 2017.

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 2017.

In 2017 (and 2016) Jenksmax Consulting Limited (2016: Chandler Fraser Keating Ltd) 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 2017). The calculated net present value is linked to sales evidence through the application of a discount rate of 9.0% (2016: 9.5%) derived from the analysis of relevant sales information provided by Woodlands Pacific Ltd.

Note 20: Payables and deferred revenue

Accounting policy

Creditors and other payables are recorded at their face value.

Breakdown of payables and deferred revenue and further information:

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
CURRENT PORTION				
Payables and deferred revenue under exchange transactions				
Trade payables	1,628,594	2,275,994	2,429,512	2,552,022
Other payables and accruals	980,101	372,929	1,465,814	696,553
Revenue received in advance	570,884	673,679	570,884	967,535
Amounts due to subsidiaries and associates	408,566	6,900	111,560	51,900
	3,588,145	3,329,501	4,577,770	4,268,009
Payables and deferred revenue under non-exchange transactions				
Grants payable	256,312	614,319	256,312	614,319
Other grants and deferred revenue received subject to conditions not yet met	727,520	525,577	1,426,001	525,577
Other taxes (e.g. GST and FBT)	171,630	219,636	298,390	246,651
	1,155,462	1,359,532	1,980,703	1,386,547
Current total payables and deferred revenue	4,743,607	4,689,033	6,558,473	5,654,556
NON-CURRENT PORTION				
Payables and deferred revenue under non-exchange transactions				
Other grants received and deferred revenue subject to conditions not yet met	800,862	844,217	1,418,366	1,114,225
Non-current total payables and deferred revenue	800,862	844,217	1,418,366	1,114,225

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 21: 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-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Annual leave	1,134,241	1,083,223	1,176,676	1,114,798
Accrued pay	242,376	189,111	269,738	205,375
Other leave	261,104	241,934	261,104	241,934
	1,637,721	1,514,267	1,707,518	1,562,106
	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Represented by:				
Current benefit liabilities	1,623,161	1,503,264	1,692,958	1,551,103
Non-current benefit liabilities	14,560	11,004	14,560	11,004
	1,637,721	1,514,267	1,707,518	1,562,106

Note 22: Borrowings

Accounting policy

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

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

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

Breakdown of borrowings and further information:

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Current				-
Debentures	3,000,000	-	3,000,000	-
Total current borrowings	3,000,000	-	3,000,000	-
Non-current				-
Debentures	10,000,000	13,000,000	10,000,000	13,000,000
Secured Loans	-	-	9,850,000	4,195,000
Total non-current borrowings	10,000,000	13,000,000	19,850,000	17,195,000

Council

As at 30 June 2017 Council has 2 debentures (2016: 2). The first is a \$3,000,000 fixed rate note issued under a debenture trust deed at a fixed annual interest rate of 3.44%, maturing on 13 February 2018. The second is a \$10,000,000 fixed rate note issued under a debenture trust deed at a fixed annual interest rate of 3.79%, maturing on 13 August 2020. Council secures both of these fixed rate notes by granting a security interest in its rates revenue set and assessed under the Local Government Rating Act 2002.

The Fair value of council's debentures at 30 June 2017 is \$13,246,680 (2016: \$13,419,857).

Marsden Maritime Holdings Limited

As at 30 June 2017 Marsden Maritime Holdings Limited has a secured loan facility of \$10,000,000 (2016: 6,000,000) with \$9,850,000 (2016: \$4,195,000) being drawdown. 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 3.00% to 3.55% (2016: 3.39% to 4.59%).

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

Note 23: 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-17 \$	Annual Plan 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Accumulated funds					
As at 1 July	117,670,944	116,487,017	127,307,222	145,054,164	151,005,258
Surplus/(deficit) for year	5,887,209	1,489,213	5,295,115	8,051,364	8,980,300
Transfers from special reserves	2,275,671	1,330,993	1,475,820	2,275,671	1,475,820
Transfers to special reserves	(4,519,055)	(2,234,128)	(16,407,213)	(4,519,055)	(16,407,213)
Net transfers from/(to) special reserves	(2,243,384)	(903,134)	(14,931,394)	(2,243,384)	(14,931,394)
As at 30 June	121,314,769	117,073,095	117,670,944	150,862,144	145,054,163

Reserves	Annual Plan		Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
	Council 30-Jun-17 \$	30-Jun-17 \$			
Asset revaluation reserve					
As at 1 July	956,290	944,860	961,290	33,360,497	33,213,759
Revaluation gains/(losses) - buildings	-	-	-	-	-
Revaluation gains/(losses) - land	38,717	-	(5,000)	156,246	146,738
Revaluation gains/(losses) - infrastructure assets	2,973,233	-	-	2,973,233	-
Revaluation gains/(losses) - amenities	-	-	-	85,306	-
As at 30 June	3,968,240	944,860	956,290	36,575,282	33,360,497
Asset revaluation reserve consists of:					
Land	995,007	944,860	956,290	33,516,743	33,360,497
Buildings	-	-	-	-	-
Infrastructure assets	2,973,233	-	-	2,973,233	-
Amenities	-	-	-	85,306	-
Total Asset revaluation reserve	3,968,240	944,860	956,290	36,575,282	33,360,497
Fair value through other comprehensive revenue and expense reserve					
As at 1 July	(17,849)	16,430	(8,370)	(17,849)	(8,370)
Net change in fair value	17,849	-	(9,479)	17,849	(9,479)
Transfer to surplus or deficit on disposal	-	-	-	-	-
As at 30 June	-	16,430	(17,849)	-	(17,849)
Special reserves					
As at 1 July	18,561,780	15,552,121	3,630,387	18,561,780	3,630,387
Transfers to accumulated funds	(2,275,671)	(1,330,993)	(1,475,820)	(2,275,671)	(1,475,820)
Transfers from accumulated funds	4,519,055	2,234,128	16,407,213	4,519,055	16,407,213
As at 30 June	20,805,164	16,455,256	18,561,780	20,805,164	18,561,780
Hedging reserve					
As at 1 July	-	-	-	(384,864)	(172,870)
Fair value gains/(losses) recognised	-	-	-	97,757	(211,994)
As at 30 June	-	-	-	(287,107)	(384,864)
Total Reserves	24,773,404	17,416,546	19,500,221	57,093,340	51,519,566
Non-controlling interest	-	-	-	60,971,628	58,656,112

Total Equity	146,088,173	134,489,641	137,171,165	268,927,112	255,229,841
Non-controlling interest					
Balance at 1 July				58,656,112	55,387,031
Share of total comprehensive revenue and expense attributable to the non controlling interest in Marsden Maritime Holdings Limited				4,997,600	5,616,044
Dividends paid				(2,682,084)	(2,346,963)
Balance at 30 June				60,971,628	58,656,112

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

		Balance at 1 July 2016 \$	Transfers in/(out) of the fund \$	Balance at 30 June 2017 \$	Annual Plan 30-Jun-17 \$
2017					
	Civil defence and emergency management, natural hazard management, river management, land and biodiversity and biosecurity				
Land management reserve		1,100,192	(320,176)	780,016	688,791
Awanui river reserve	River management	(690,773)	(3,737)	(694,510)	(735,903)
Kaihū river reserve	River management	75,876	3,574	79,450	20,749
Kaeo-Whangaroa rivers reserve	River management	14,742	55,245	69,987	1,481
Whāngārei urban rivers reserve	River management	(10,248,253)	277,445	(9,970,808)	(9,398,234)
Kerikeri-Waipapa rivers reserve	River management	320,042	147,350	467,392	(1,518,471)
Infrastructure facilities reserve	Economic development	(858,000)	401,586	(456,414)	(844,498)
Recreational facilities reserve	Economic development	(2,145,809)	1,204,402	(941,407)	(1,074,795)
Property reinvestment fund reserve	Economic development	18,184,332	1,770,611	19,954,943	18,977,311
Equalisation fund reserve	All	1,957,091	(568,488)	1,388,603	1,180,731
Hatea river maintenance reserve	Harbour safety and navigation	148,666	15,185	163,851	66,124
Investment and growth reserve	Economic development	3,509,829	(714,419)	2,795,410	2,819,820
Kāitaiā bus reserve	Transport	22,231	8,087	30,318	28,067
Infrastructure investment fund reserve	River management	6,025,737	32,999	6,058,736	6,244,082
Whangarei transport reserve	Transport	(9,544)	(47,539)	(57,083)	-
Emergency services reserve	Community Representation and engagement	106,083	11,802	117,885	-

Whangarei Heads pest management reserve	Land and Biodiversity	20,031	(6,543)	13,488	-
Approved carry forwards reserve	All	1,029,307	(614,771)	414,536	-
Mid North bus reserve	Transport	-	143,835	143,835	-
Lidar project reserve	Natural hazard management	-	446,936	446,936	-
Total Special Reserves		18,561,780	2,243,384	20,805,164	16,455,256

		Balance at 1 July 2015 \$	Transfers in/(out) of the fund \$	Balance at 30 June 2016 \$	Annual Plan 30-Jun-16 \$
2016	Civil defence and emergency management, natural hazard management, river management, land and biodiversity and biosecurity				
Land management reserve	River management	1,315,791	(215,599)	1,100,192	1,028,291
Awanui river reserve	River management	(327,229)	(363,544)	(690,773)	(739,530)
Kaihu river reserve	River management	96,176	(20,300)	75,876	41,123
Kaeo-Whangaroa rivers reserve	River management	(72,171)	86,913	14,742	(25,122)
Whangarei urban rivers reserve	River management	(9,497,476)	(750,777)	(10,248,253)	(9,786,317)
Kerikeri-Waipapa rivers reserve	Economic development	215,767	104,275	320,042	(1,662,495)
Infrastructure facilities reserve	Economic development	(1,127,639)	269,640	(858,000)	(1,047,489)
Recreational facilities reserve	Economic development	(3,279,322)	1,133,513	(2,145,809)	(2,263,180)
Property reinvestment fund reserve	All	10,299,401	7,884,931	18,184,332	18,704,528
Equalisation fund reserve	Harbour safety and navigation	1,952,776	4,315	1,957,091	1,926,456
Hatea river maintenance reserve	Economic development	56,198	92,468	148,666	60,856
Investment and growth reserve	Transport	3,624,774	(114,945)	3,509,829	3,045,214
Kaitai bus reserve	River management	23,341	(1,110)	22,231	25,704
Infrastructure investment fund reserve	Transport	-	6,025,737	6,025,737	6,244,082
Whangarei transport reserve	Community Representation and engagement	-	(9,544)	(9,544)	-
Emergency services reserve	Land and Biodiversity	-	106,083	106,083	-

Whangarei Heads pest management reserve	All	-	20,031	20,031	-
Approved carry forwards reserve		350,000	679,307	1,029,307	-
Total Special Reserves		3,630,387	14,931,394	18,561,780	15,552,121

Purpose of each reserve fund:

Land Management reserve
The Land management reserve was created to set aside Land Management rates collected but not fully used in any given year. This reserve can be used to fund emergency events such as remedial storm expenditure on a case-by-case basis and council can use this reserve to fund operating activities that would ordinarily be funded from the Land Management Rate. Using this reserve in this manner enables council to keep rates affordable while continuing to provide positive operational outcomes
Awanui River reserve
The Awanui river reserve was created to hold any Targeted Awanui River Management rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Awanui River Flood Management scheme. This keeps surpluses/ deficits in this activity separate from other activities. The deficit balance of this reserve will be repaid from future targeted Awanui river management rates collected from the rate payers within the area of benefit identified in the Awanui flood management plan.
Kaihū River reserve
The Kaihu river reserve was created to hold any Targeted Kaihū River Management rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kaihū River Flood Management scheme. This keeps surpluses/ deficits in this activity separate from other activities.
Kaeo-Whangaroa River reserve
The Kaeo-Whangaroa rivers reserve was created to hold any Targeted Kaeo-Whangaroa River Management rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kaeo-Whangaroa River Flood Management scheme. This keeps surpluses/ deficits in this activity separate from other activities.
Whangārei Urban Rivers reserve
The Whangarei urban rivers reserve was created to hold any targeted Whangārei Urban Rivers Management rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Whangārei Urban Rivers Management scheme. This keeps surpluses/ deficits in this activity separate from other activities. The deficit balance of this reserve will be repaid from future targeted Whangārei Urban Rivers Management rates collected from residential and commercial ratepayer's in the Whangārei CBD and ratepayer's in the water catchment area (including properties falling in the Waiarohia, Raumanga, Kirikiri and Hātea Rivers catchments).
Kerikeri-Waipapa Rivers reserve
This reserve was created to hold any Targeted Kerikeri-Waipapa River Management rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Kerikeri-Waipapa River Flood Management scheme. This keeps surpluses/ deficits in this activity separate from other activities.
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 and other future 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 deficit balance owing on this reserve will be repaid by the Regional Recreational facilities rate.

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) that are set aside to be reinvested in assets producing an income akin to rents and relating capital appreciation of the property market.

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. This reserve also funds 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. 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 created to hold any targeted Whangārei transport rates collected and unspent in any given year to cover any future funding shortfalls of Whangārei transport service. This keeps surpluses/ deficits in this activity separate from other activities.

Emergency Services reserve

This reserve is to be created to hold any targeted Emergency Services rates collected and unspent in any given year to contribute to any future funding shortfalls of Emergency Services funding. This keeps surpluses/ deficits in this activity separate from other activities. This keeps surpluses/ deficits in this activity separate from other activities.

Whangārei Heads Pest Management reserve

This reserve was created to hold any targeted Whangārei Heads pest management rates collected and unspent in any given year to cover any future funding shortfalls of this pest management program. This keeps surpluses/ deficits in this activity separate from other activities.

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

Lidar Project reserve

This reserve is created to hold any unspent funding collected from the parties involved (Northland Regional Council, Northland's three District Councils, Taumata Plantations Ltd, Land Information NZ and the Ministry of Business, Innovation and Employment) in a project to undertake a multi-year topographic survey utilising Airborne Laser Scanning (LIDAR) over the entire Northland region.

Note 24: Contingencies

24(i): Contingent liabilities

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
Bonds	-	-	75,000	75,000
Rates postponed	-	-	70,322	137,400
	-	-	145,322	212,400

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. Agreement between Council and KiwiRail.

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

Further to the note in last year's annual report, both the Court's interim decision and final decision in these proceedings have been received. Two grounds of challenge were upheld against the Council, and the Court quashed the Council's rates and penalties for 2011/12 to 2015/16 (inclusive) in respect of the Kaipara district. The Court did not order any refunds of rates. The implication of this judgement is that uncollected rates from the Kaipara district for the 2011/12 to 2015/16 years are not enforceable. Council has made appropriate provision in the financial statements. There is also a contingent liability in relation to rates collected from the Kaipara district for the 2011/12 to 2015/16 period. The relevant amount of rates collected is \$16.3 million. No challenge has been made to the rates in the Far North and Whangarei districts. Council is appealing this decision and no final assessment can be made until a decision from the Court of Appeal is known.

Judgement has now been received in the proceeding, RB and HE Rogan v KDC and NRC (CIV-2015-288-182), being an appeal by the ratepayers of a decision from the District Court awarding judgement to the Kaipara District Council and the regional council for unpaid rates. The appeal was dismissed against Kaipara District Council and allowed against Northland Regional Council. The regional council's appeal against the High Court's decision in the judicial review proceedings may have an impact on the recovery of these rates. As at balance date, Northland Regional Council is considering its options following the delivery of this judgement. Accordingly, at balance date no final assessment can be made at this point.

The Council has incurred legal costs in both proceedings. The issue of any costs award is yet to be resolved and accordingly it is not possible to anticipate how this issue may be resolved.

Waipu groyne

In March 2016 the Northland Regional Council and Whangarei District Council requested the Local Government Commission to make a determination of ownership of the Waipu River groyne structure in accordance with clause 110(4) of the Local Government (Northland Region) Reorganisation Order 1989. As at balance date no determination has yet been received from the Local Government Commission and the financial implications of ownership have not been determined at this point in time. However the structure is likely to require some renewal expenditure in the future and this would need to be assessed and provided for by the organisation that has been determined to hold ownership for the structure. Council has assessed the risk and does not consider this to be a material issue.

Other Legal Claims

At year end Council were involved in a number of legal cases 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 (2016: \$75,000) Bond given by them to the New Zealand Stock Exchange.
2. To the Whangarei District Council in respect postponed land rates on Company owned farmland in accordance with the Council's previous postponed rates policy \$70,322 (2016: \$137,400). This amount becomes payable immediately if the said land ceases to be farmland, is subdivided or is sold.

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

24(ii): Contingent assets

At 30 June 2017 the council and the group has no contingent assets (2016: Nil).

Note 25: 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 or subsidiary requiring disclosure.

Key Management Personnel Compensation

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

	Council 30-Jun-17	Council 30-Jun-16
	\$	\$
Councillors		
Remuneration	718,074	671,274
Full time equivalent members	9	9
Independent (non elected) member of Council		
Remuneration	22,055	20,004
Full time equivalent members	1	1
Senior management team including the Chief Executive		
Remuneration	1,171,208	1,208,982
Full time equivalent members	6.0	6.6
Total key management personnel remuneration	1,911,337	1,900,260
Total full time equivalent personnel	16.0	16.6

Note 26: Events after balance sheet date

Subsequent to balance date, Marsden Maritime Holdings Limited declared a fully imputed dividend of 8.75 cents per share to be paid on 15 September 2017.

Last year we reported on the High Court's interim decision received on 15 September 2016 in the judicial review proceedings brought by Mangawhai Ratepayers and Residents Association and Richard Bruce Rogan & Heather Elizabeth Rogan (RB and HE Rogan v KDC and NRC (CIV-2015-488-95)). On 17 August 2017, the High Court issued its final decision quashing (setting aside) the Northland Regional Council's rates for the 2011/2012 to 2015/2016 rating years. The Court did not order any refunds of rates but one of the effects of the decision is that any amounts remaining unpaid from those years are irrecoverable at this point in time. The Council has appealed this decision. Council has incurred legal costs in the proceedings.

Subsequent to balance date council has decided not to appeal the District Court decision in the RB and HE Rogan vs KDC and NRC case (CIV-2015-288-182)

On 14 August 2017 council entered into new borrowings of \$2,800,000 by issuing a fixed coupon bond under its debenture trust deed at a fixed interest rate of 4.86% and a maturity date of 13 August 2032. The subscriber of the fixed coupon bond is the Local Government Funding Agency (LGFA). Council is a non guarantor member of the LGFA and as such participates in the LGFA at the lowest level of risk and cannot be called upon to make any additional contributions if the LGFA is at risk of defaulting on their payment obligations (the LGFA does hold \$44,800 of the \$2,800,000 as borrower notes which are redeemed plus interest when the borrowings are repaid). The purpose of the \$2,800,000 borrowings is to replace council's remaining internal borrowings associated with the Whangarei and Awanui flood protection schemes and by doing so pass interest cost savings directly on to the targeted ratepayers paying for these schemes. Under the Trust deed the fixed rate bond is secured by a charge over councils rates and rates revenue.

Subsequent to balance date the Local Government Commission determined that the Waipu Groyne is the property of the Whangarei District Council, and accordingly there are no further financial implications for Northland Regional Council.

There were no other significant events after balance date.

Note 27: Breach of legislation

Other than the breach declared in the judgement detailed in Notes 24 and 26, there were no significant breaches of legislation during the year ended 30 June 2017.

Note 28: Segment reporting

The Northland Regional Council is a public benefit entity and is therefore not required to present segment information under NZ IFRS 8 (2.2) Operating Segments.

The council's subsidiary, Marsden Maritime Holdings Limited, is an entity whose securities are publicly traded, and it will therefore present segment information in its own separate financial report.

Note 29: Financial instruments

Note 29A: Financial instrument categories

Note	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$	
FINANCIAL ASSETS					
Loans and receivables:					
Cash and cash equivalents	7	1,221,986	1,674,580	1,705,963	2,244,296
Term deposits	12	8,000,000	10,646,347	8,000,000	10,646,347
Debtors and other receivables	8	5,296,507	5,264,216	6,280,178	5,771,006
Loans to subsidiary	12	29,711	33,441	-	-
Other loans	12	819,933	792,428	819,933	792,428
Other receivables (long term)	13	5,626,535	5,461,413	5,626,535	5,461,413
Total loans and receivables		20,994,672	23,872,424	22,432,609	24,915,488
Financial assets at fair value through surplus or deficit					
Other financial assets:					
Income funds	12	31,859,907	30,517,087	31,859,907	30,517,087
Equity Funds	12	15,017,176	10,697,398	15,017,176	10,697,398
Listed shares	12	-	-	719,610	618,852
Earn out - NPC investments Ltd	15	-	-	239,000	260,000
Total financial assets at fair value through surplus or deficit		46,877,083	41,214,485	47,835,693	42,093,337
Fair value through other comprehensive revenue and expense					
Other financial assets:					
Corporate and local government bonds	12	-	203,821	-	203,821
Total fair value through other comprehensive revenue and expense		-	203,821	-	203,821
FINANCIAL LIABILITIES					
Financial liabilities measured at amortised cost					

Creditors and other payables	20	5,544,470	5,533,250	7,976,839	6,768,781
Borrowings:					
Debentures	22	13,000,000	13,000,000	13,000,000	13,000,000
Bank loan	22	-	-	9,850,000	4,195,000
Total financial liabilities measured at cost		18,544,470	18,533,250	30,826,839	23,963,781

Note 29B: 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 29C: 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 2017 councils externally managed investment funds were diversified over 14 fund managers (refer Note 12). 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 \$2.2M (2016: \$2M) Community Investment Fund investment in Schroders Equity Fund, \$1.4M (2016 \$2.4M) in infrastructure investment fund investment in Schroders income fund, \$1.1M (2016 \$1.2M) Infrastructure Investment Fund investment in Blackrock income

fund and \$1.7M (2016: \$nil) Working Capital 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 \$13 million borrowings in the form of fixed rate notes.

Cash flow interest rate risk

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

Council's long term borrowing and long term deposit investments are at a fixed rate. Marsden Maritime Holdings Limited's exposure to cash flow interest rate risk is limited to its \$10,000,000 loan facility of which \$9,850,000 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 3.00% 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 instrument is as follows:

Note	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$	
Cash at bank and term deposits	7	1,221,986	1,674,580	1,705,963	2,244,296
Debtors and other receivables	8	5,296,507	5,264,216	6,280,178	5,771,006
Non-current receivables	13	5,626,535	5,461,413	5,626,535	5,461,413
Term deposits, corporate and local government bonds	12	8,000,000	10,850,168	8,000,000	10,850,368

Loans to subsidiary	12	29,711	33,441	-	-
Other loans	12	819,933	792,428	819,933	792,428
Shares	12	-	-	-	618,852
Income funds	12	31,859,907	30,517,087	31,859,907	30,517,087
Equity funds	12	15,017,176	10,697,398	15,017,176	10,697,398
Earn out - NPC Investments Ltd	15	-	-	239,000	260,000
		67,871,755	65,290,729	69,548,692	66,593,994

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates:

	Council 30-Jun-17 \$	Council 30-Jun-16 \$	Consolidated 30-Jun-17 \$	Consolidated 30-Jun-16 \$
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and current term deposits				
AA-	1,221,986	1,674,580	1,705,963	2,244,296
Total cash at bank and current term deposits	1,221,986	1,674,580	1,705,963	2,244,296
Term deposits, local authority and government stock				
A-		203,820		203,829
AA-	8,000,000	10,646,347	8,000,000	10,646,547
Total term deposits, local authority and government stock	8,000,000	10,850,168	8,000,000	10,850,368
COUNTERPARTIES WITHOUT CREDIT RATINGS				
Shares		-	719,610	618,852
Loans	849,643	825,869	819,933	792,427
Income funds	31,859,907	30,517,087	31,859,907	30,517,087
Equity funds	15,017,176	10,697,398	15,017,176	10,697,398
Earn out - NPC Investments Ltd	-	-	239,000	260,000
	47,726,726	42,040,354	48,655,426	42,885,764

Debtors and other receivables arise mainly from the council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Other than rates owing on Maori Freehold Land (see note 12 for the impairment applied to these debtors) the council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers, and the council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through the investment portfolio. The Council's Investment policy limits the level of investments that must mature within the next twelve months to a minimum of 40% of its investment portfolio.

Marsden Maritime Holdings manages its exposure to liquidity risk by maintaining a balance continuity of funding and flexibility through the use of bank loans, overdrafts and committed available credit lines. At as 30 June 2017 Marsden Maritime Holdings Limited had access to BNZ funding totalling \$11,500,000 of which \$9,850,000 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 \$	Contractual Cash Flows \$	Less than 1 Year \$	1 - 2 Years \$	2 - 5 Years \$	More than 5 Years \$
Council 2017						
Creditors and other payables	5,544,470	5,544,470	4,743,607	800,863		
Debentures	13,000,000	14,247,152	3,443,465	758,000	10,045,688	
Total	18,544,470	19,791,622	8,187,072	1,558,863	10,045,688	
Group 2017						
Creditors and other payables	7,976,839	7,976,839	6,558,473	1,418,366	-	
Secured bank facility	9,850,000	11,110,000	390,000	-	10,720,000	
Debentures	13,000,000	14,247,152	3,443,465	758,000	10,045,688	
Total	30,826,839	33,333,991	10,391,938	2,176,366	20,765,688	
Council 2016						
Creditors and other payables	5,533,250	5,533,250	4,689,033	844,217	-	-
Debentures	13,000,000	14,911,900	482,200	3,482,200	10,947,500	-
Total	18,533,250	20,445,150	5,171,233	4,326,417	10,947,500	-
Group 2016						
Creditors and other payables	6,768,781	6,768,781	5,654,556	1,114,225	-	-
Secured bank facility	4,195,000	5,533,250	176,667	-	4,548,333	-
Debentures	13,000,000	14,911,900	482,200	3,482,200	10,947,500	-
Total	23,963,781	27,213,932	6,313,423	4,596,425	15,495,833	-

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.

	2017				2016			
	+100bps		-100bps		+100bps		-100bps	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
COUNCIL								
Total sensitivity to interest rate risk	560,991		(560,991)		535,354	2,038	(535,354)	(2,038)
	2017				2016			
	+100bps		-100bps		+100bps		-100bps	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
GROUP								
Total sensitivity to interest rate risk	469,270		(469,270)		501,701	2,038	(501,701)	(2,038)

Borrowings

Council has \$13,000,000 of external borrowings in the form of a fixed rate note. The rate of interest payable is fixed for the life of the borrowings and is not affected by rising or falling interest rates.

Note 29D: 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 23 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.

Annual Report 2017

148

148



SECTION FOUR: OTHER LEGISLATIVE DISCLOSURES



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-16 \$	30-Jun-15 \$
The number of rating units within council's region at 30 June:	97,261	95,967
The total capital value of rating units within council's region at 30 June:	40,468,433,985	40,096,513,490
The total land value of rating units within council's region at 30 June:	20,805,439,195	20,701,666,005

Insurance of assets

At 30 June 2017 council had assets covered by full replacement insurance of \$61,297,048 (2016: \$63,021,301) and indemnity insurance of \$790,000 (2016: \$522,732). Assets with a sum insured value totalling \$4,058,646 (2016: \$3,414,846) are covered by financial risk sharing arrangements with \$2,029,323 (50%) (2016 \$1,707,423) being available to council. At 30 June 2017 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:

Note	Opening balance 1-Jul-16 \$	Funds borrowed 2016/17 \$	Funds repaid 2016/17 \$	Change to external borrowing 2016/17 \$	Closing balance 30-Jun-17 \$	Interest charged 2016/17 \$
River management	5,070,093	32,186	(291,152)	(2,045,544)	2,765,583	192,148
Transport		57,083			57,083	3,928
TOTAL	5,070,093	89,269	(291,152)	(2,045,544)	2,822,666	196,076

Council funding impact statement

Period ending 30 June 2017

	Long Term Plan			
	2015/16	Annual Report	Annual Plan	Actual
	\$	2015/16	2016/17	2016/17
		\$	\$	\$
Sources of operating funding				
General rates, uniform annual general charges, and rates penalties	-	725,089	-	267,316
Targeted rates (other than targeted water rates)	20,009,632	19,444,498	20,637,017	20,146,112
Subsidies and grants for operating purposes	1,192,704	1,784,458	1,264,780	2,167,519
Fees, charges, and targeted rates for water supply	4,014,840	4,283,477	4,387,804	4,668,657
Interest and dividends from investments	5,226,194	6,030,247	6,535,804	6,520,711
Local authorities fuel tax, fines, infringement fees and other receipts	3,542,384	3,755,447	2,455,941	2,766,678
TOTAL OPERATING FUNDING	33,985,755	36,023,216	35,281,346	36,536,993
Applications of operating funding				
Payments to staff and suppliers	30,763,827	31,177,087	31,889,993	33,421,421
Finance costs	110,000	525,428	578,864	583,397
Other operating funding applications	-	-	-	-
TOTAL APPLICATIONS OF OPERATING FUNDING	30,873,827	31,702,514	32,468,857	34,004,818
Surplus/(deficit) of operating funding	3,111,928	4,320,701	2,812,489	2,532,174
Sources of capital funding				
Subsidies and grants for capital purposes	-	-	-	-
Development and financial contributions	-	-	-	-
Increase/(decrease) in debt	-	13,000,000	-	-
Gross proceeds from sale of assets	619,566	7,807,409	-	3,355,026
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
TOTAL SOURCES OF CAPITAL FUNDING	619,566	20,807,409	-	3,355,026
Applications of capital funding				
Capital expenditure:				
to meet additional demand	-	-	-	-
to improve levels of service	5,089,773	3,212,193	523,785	2,174,986
to replace existing assets	1,046,775	1,031,743	1,258,564	1,306,209
Increase/(decrease) in reserves	(2,804,504)	14,931,393	876,996	5,119,432
Increase/(decrease) of investments	399,450	5,952,780	153,144	(2,713,426)
TOTAL APPLICATIONS OF CAPITAL FUNDING	3,731,494	25,128,110	2,812,489	5,887,200

Surplus/(deficit) of capital funding	(3,111,928)	(4,320,701)	(2,812,489)	(2,532,174)
FUNDING BALANCE	-	-	-	-

Reconciliation to the statement of comprehensive revenue and expense

Period ending 30 June

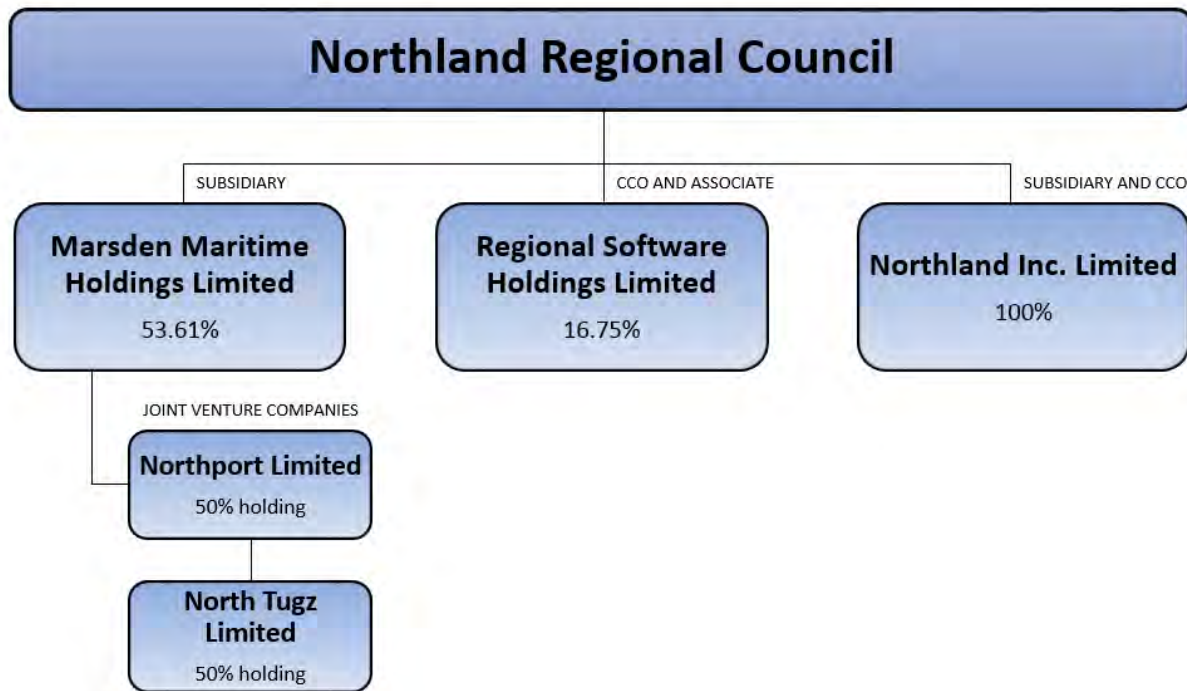
	Long Term		Annual Plan 2016/17 \$	Actual 2016/17 \$
	Plan 2015/16 \$	Annual Report 2015/16 \$		
Capital expenditure included above, not in comprehensive revenue and expense	6,136,548	4,243,937	1,782,349	3,481,195
Investment movements included above, not in comprehensive revenue and expense	399,450	5,952,780	153,144	(2,713,426)
Other gains and losses not included above, but in other comprehensive revenue and expense	-	544,372	-	-
Gross proceeds included above, but not in comprehensive revenue and expense	-	(7,807,409)	-	(3,355,026)
Gains on asset disposals included in comprehensive revenue and expense	-	-	-	496,155
Property revaluation adjustments not included above, but in comprehensive revenue and expense	-	1,584,023	-	4,005,028
Infrastructure asset revaluation adjustments not included above, but in comprehensive revenue and expense	-	-	-	3,127,380
Forestry asset revaluation not included above, but in comprehensive revenue and expense	-	160,000	-	353,000
Transfers to/(from) special reserves included above, but not in comprehensive revenue and expense	(2,804,504)	14,931,393	876,996	5,119,432
Financial Asset fair value adjustments included in comprehensive income but not above	-	(9,479)	-	(15,170)
Increase/(Decrease) in debt included above but not in Comprehensive income	-	(13,000,000)	-	-
Depreciation and Amortisation Expense not included above, but in comprehensive revenue and expense	(1,290,843)	(1,318,981)	(1,323,275)	(1,581,560)
Total comprehensive revenue and expense per the statement of comprehensive revenue and expense	2,440,651	5,280,636	1,489,214	8,917,008



SECTION FIVE: CCOS AND SUBSIDIARIES



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 2017	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

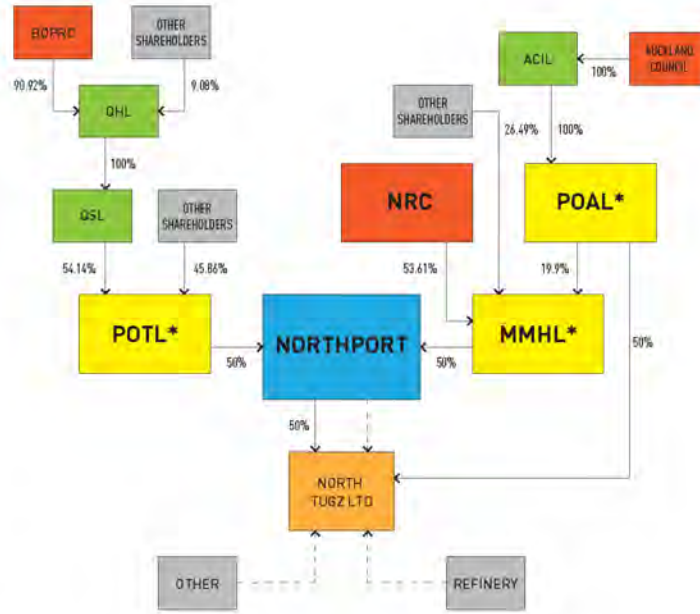
—————> Ownership (in whole or part)
 - - - - -> Customer relationship

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 regional economy through facilitating the creation of sustainable jobs, business, investment and export opportunities in strategic sectors and communities across Northland. This is delivered through 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 (TTEAP).

The following objectives for the economic development organisation were established in its 2016-19 Statement of Intent.

- Successfully promote Northland as a place to live, work, invest and visit
- Facilitate and support the implementation of the Tai Tokerau Northland Economic Action Plan
- Promote the establishment and development of infrastructure that underpins economic growth
- Leverage Northland's proximity to Auckland
- Communicate Northland's economic development successes to internal and external stakeholders to build confidence in the Northland economy
- Promote economic development opportunities which lift local economies, provide employment and increase incomes
- Provide sound advice to the NRC, Territorial Authorities and Government on strategy, economic trends and economic development opportunities in Northland

- Provide sound advice to the NRC in regard to investment opportunities for Northland that provide a return for council funds and protect shareholder interests
- Leverage NRC's Investment and Growth Reserve to attract investment into Northland
- Facilitate Iwi, Hapu, Whanau, Ahu Whenua Trusts or other Maori organisations to create employment opportunities for Northland
- Facilitate business support for Northland firms to build business capability and capacity and promote capital investment, research and development
- Establish a suite of capital assistance and business investment partners for Northland entrepreneurs and firms
- Establish a high performing innovation ecosystem to support innovation and create new businesses.

Investment and Growth Reserve

Northland Inc. Limited's activities include a focus on finding economic development projects that qualify for funding through council's Investment and Growth Reserve. The reserve is to be used to fund specific projects that will increase jobs and economic performance in Northland. The council adopted criteria for determining eligible projects to be funded from the reserve. The main points are as follows:

- The reserve's objective is to increase Northland's jobs numbers, average weekly household income and Gross Domestic Product (GDP) by investing in economic projects/ventures.
- The reserve will provide operational expenditure for Northland Inc. Limited to identify, progress and monitor projects.
- Up to an additional \$200,000 per annum will be made available to Northland Inc. Limited from the reserve to carry out feasibility and business case assessments of potential projects.
- The reserve will provide loan funding or directly invested funds for capital expenditure on new ventures or expanding existing businesses, and operating expenditure (for a finite period and with conditions).
- Loaned funds or directly invested funds will deliver an appropriate rate of return, taking into account the level of risk and revenue flows.
- The reserve can also provide impact investment funding – a new category of funding established in 2014 and capped at \$1 million per annum.

Projects funded through this category do not have to deliver a return to council. However, they still must demonstrate an ability to lift the economic performance of the region.

- Any project that is determined to potentially have significant adverse impacts on social, environmental, economic, or cultural well-being will not be eligible for funding, regardless of the positive impacts.
- All projects will be assessed for funding eligibility against a business case assessment tool.
- Only projects recommended for funding by Northland Inc. Limited will be considered by the council.
- Council will decide on the allocation of all reserve funds.

Key performance measures and targets

The following section provides a summary of the activities carried out in each of the five work programme during 2016/17, including reporting against the eleven 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 2016/17 key performance targets and results for this work programme are:

Measure	2016/17 performance target	Result
Northland Inc Board recommendations made to the Northland Regional Council Investment and Growth Reserve for debt or equity funding	1	Achieved 1
Northland Inc Board recommendations made to the Northland Regional Council Investment and Growth Reserve for impact investment funding	1	Achieved 2

The Board of Northland Inc. Limited made positive recommendations on funding three investment projects during 2016/17: Extension 350, Maungatapere Berries (Onyx Capital) and Hundertwasser Art Centre (Whangārei). Council approved funding for all three projects. Work is continuing on finalising the loan investment to Onyx Capital. A fourth investment project (Waitangi Mountain Bike), which had been positively recommended by the Board in 2015/16, was also approved by council for funding in 2016/17. Council approved six projects for feasibility assessment and business case development worth \$165,000.

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 2016/17 key performance targets and results for this work programme are:

Measure	2016/17 performance target	Result
Increase in aggregated total turnover of RBP active companies	5%	Achieved 8%
Proportion of RBP active companies that are research active	25%	Achieved 30.2%

Additional activities carried out in this activity included the establishment of the Orchard co-working space in November 2016, the inaugural Local Food Northland conference in February 2017, and the completion of a Heads of Agreement with Massey University's ecentre to deliver incubator services in Northland.

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 2016/17 key performance target and result for this work programme is:

Measure	2016/17 performance target	Result
Northland Inc Board recommendations made to the Northland Regional Council Investment and Growth Reserve for project funding partnering with iwi, hapu and/or Māori collective organisations on economic development	1	Achieved 1

The Northland Inc. Board agreed to co-fund work on one project: develop a business case for establishing a cultural experience at Otuihau/Whangārei Falls. Other specific activities undertaken in 2016/17 within this work programme included working with Rawhiti 3b2 Ahu Whenua Trust to advance development of the Cape Brett Walkway, supporting the Te Tai Tokerau Miere Coalition to complete a business plan for expanding manuka plantations in Tai Tokerau, and assisting with the integration of Māori perspectives into the Twin Coast Discovery Revitalisation project.

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 2016/17 key performance targets and results for this work programme are:

Measure	2016/17 performance target	Result
Annual increase in (Google Analytics) sessions on www.northlandnz.com	10%	Achieved 32%
Industry investment in regional promotions activity	\$300,000	Achieved \$340,408
An equivalent advertising value achieved through destination media coverage	\$15 million	Achieved \$31 million

A major activity in this work programme during 2016/17 was to continue the Twin Coast Discovery Revitalisation project funded through council's Investment and Growth Reserve. A major milestone was reached in the first half of 2017 with the launch of the first tranche of three new byway journeys using authentic content. Additional multi-year funding from the Investment and Growth Reserve has also been provided to implement an expanded regional promotion activity. One outcome of this has been to promote Northland more fully and widely under TNZ's trade marketing umbrella in countries such as India and South America as well as the more traditional Australian and North American markets.

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 2016/17 key performance targets and results for this work programme are:

Measure	2016/17 performance target	Result
Quantify the value of confirmed investment from outside the region into Northland		Achieved \$22.3 million
Successfully complete the projects / actions		Achieved 14 of 61 projects completed 54 key actions completed

Measure	2016/17 performance target	Result
		across the remaining projects
New projects are added to the TTNEAP	At least 5	Not achieved 3

Three new projects were added to the TTNEAP: an investigation into the potential commercialisation of totara, the Hihiaua Cultural Centre and the Whangārei Marina Development projects.

Regional Software Holdings Limited

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

Over the last few years, the six regional councils have developed a leading edge software solution (IRIS) for the regional council specific functions undertaken by those councils. The 2016/17 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 considerable focus on the completion of the mobile and self-service modules. Delivery and implementation of these provides considerable additional benefits, efficiencies and cost-savings to both external customers of the councils and internal users.

In terms of software delivery across the 2016/17 year, there were four releases of enhancements with the focus increasingly on mobile solutions, online services, mapping capabilities and ensuring that our underlying technology platform remains current and fit for purpose.

Financially, the company is in a sound position as planned and the IRIS assets have been recognised in the financial statements. Regional Software Holdings Ltd.'s revenue comes from licence charges and fees from the shareholding councils. This funding is used for the maintenance and development of the IRIS product. The company does not trade to make a profit; rather it charges to cover its planned level of expenditure. The continuing investment in the development and enhancement of IRIS ensures that the product maintains its value within the Company's balance sheet.

RSHL faces a number of opportunities going forward. In particular the Company continues to look to grow the number of regional councils using the IRIS solution. This year Hawkes Bay Regional Council (HBRC) went to market for a core regulatory information management system. Following a robust and competitive process HBRC selected IRIS as the preferred solution.

RSHL will continue to work with other regional councils to explore further opportunities to grow the IRIS customer base. RSHL is also 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.

The success of IRIS and RSHL is due to the collaborative approach of the six regional councils. The success and richness of the IRIS product is a reflection of the contribution, expertise, and commitment of a team of well over 100 people from all the shareholding councils, in a variety of roles.

The outlook for RSHL and the IRIS product is bright and there are significant opportunities to support the activities and achievements of New Zealand regional councils.

Each council contributed financially to the development cost of IRIS based on their shareholding in RSHL. At the time of formation the following shareholding was agreed.

Environment Waikato	32.75%
Northland Regional Council	16.75%
Horizons Regional Council	15.50%
Taranaki Regional Council	15.50%
Southland Regional Council	15.50%
West Coast Regional Council	4.00%

Each council has the ability to appoint one director to the board. Each member of the board has equal voting rights.

Our council's experience

This council continues to maximise the benefits of the IRIS solution and the high level of integration achieved with other core application such as Document Management, Geographic and Financial Information Systems. For Northland, the collaborative approach to the project continues to bring together the best ideas, practises and experiences into a solution that is fit for purpose, performs well and is well received by users.

Statement of Intent and performance targets

RSHL has prepared a Statement of Intent ending 30 June 2017. The following table summarises the performance targets and results for the 2016/17 financial year.

Performance target	Level of achievement		Comment
	2016-17	2015-16	
Non-Financial			
IRIS Advisory Groups 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) met every month by video conference. Three in-person meetings were also held across the year. The AG has continued to operate in an effective and constructive manner throughout the year.
A robust and consistent process operates to develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects.	Achieved	New measure	The major enhancements roadmap for 2016/17 was developed and approved by the Advisory Group. RSHL commissioned Datacom to develop Mobile Roadmap and Integration Strategy which, along with the Application Infrastructure Strategy will inform future development in these areas.
Major Enhancement projects identified on the Annual Roadmap are completed on time and within budget.	Achieved	New measure	There were eight major enhancement projects on the annual road map for 2016/17. Four of these were completed within budget and as scheduled during 2016/17 and the remaining four projects are in progress and due to be completed as scheduled on the annual road map in 2017/18.
Budgets and processes for support and minor enhancements are effectively managed. (Assessed by the Advisory Group)	Achieved	New measure	
User (non-IT) participation in RSHL management and development processes is increased. (Measured by membership of formal RSHL groups).	Not Achieved	New measure	Users continue to collaborate and participate in RSHL through the User Groups, but participation in formal RSHL groups has not expanded.
Reporting and Payments (Section 9.3 of Business Plan) are completed on time.	Partially Achieved	Not achieved	The reporting and payments timetable has largely been met, with the exception of the revised Business Plan which did not pass through a formal approval process within the timeframe set out in the reporting timetable.

Performance target	Level of achievement		Comment
	2016-17	2015-16	
Consider a new service area or areas outside of the current scope of IRIS ⁰	Achieved	Achieved	Business Intelligence and Customer Portal are being planned to compliment the current functionality of IRIS.RSHL is also proposing to take a role as a 'vehicle' for delivering wider regional council information and software solutions beyond IRIS and beyond the current shareholder and customer base of RSHL.
Financial			
RSHL will operate within 5% (plus or minus) of its budget.	Achieved	New measure	Expenditure against the available funding has been closely monitored throughout the year and has tracked close to budget overall. The areas of increased expenditure, such as Depreciation were offset by under spends in other areas. See Note 13 for further details.
Annual charges: increase in cost to councils not to exceed the CPI.	Achieved	Not achieved	The annual charges were increased by 3% for the 2015/16 year in the SOI. This exceeds the current CPI, therefore the Annual charges to the Councils was decreased to the CPI at 1.3%
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	In progress	RSHL responded to an RFP issued by Hawkes Bay Regional Council (HBRC), and as a result HBRC has signed up to implement IRIS as a customer of RSHL. HBRC is due to go live with IRIS during 2018.

* 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.

Annual Report 2017

164

164

