

NORTHLAND REGIONAL COUNCIL

Agenda

For the extraordinary meeting to be held in the Council Chamber,
Northland Regional Council, 36 Water Street, Whāngārei,
on Tuesday 8 October 2013, commencing at 1 pm

**Recommendations contained in the council agenda are NOT council decisions.
Please refer to council minutes for resolutions.**

OPEN MEETING

Item		Page
1.0	APOLOGIES	-
2.0	DECLARATIONS OF CONFLICTS OF INTEREST	-
3.0	COUNCIL ADOPTION OF THE ANNUAL REPORT	1-12

GOVERNANCE MATTERS

4.0	CONFIRMATION OF MINUTES	
4.1	Minutes of the Extraordinary Council Meeting – 1 October 2013	13-20
5.0	DECISION MAKING MATTERS	
5.1	Update on Joint Venture between KiwiRail and Council	21-26
5.2	Allocation of 2012-2013 Investment Revenue between the Community Investment Fund (CIF) and the Investment and Growth Reserve (I&G)	27-32
5.3	Consultation on Five and Seven Year Leasehold Properties	33-34
5.4	Oyster Bond Alternative Proposal	35-36
6.0	BUSINESS WITH THE PUBLIC EXCLUDED	37-38
6.1	Confirmation of Confidential Minutes of Extraordinary Council Meeting – 1 October 2013	39-42
6.2	Request to Purchase Freehold of Leasehold Property	43-44
6.3	Request to Purchase Freehold of Leasehold Property - Others	45-46

<p>ACC - Accident Compensation Corporation</p> <p>AHB - Animal Health Board</p> <p>ALGIM - Association of Local Government Information Management</p> <p>AMA - Aquaculture Management Area</p> <p>BOI - Bay of Islands</p> <p>BOPRC - Bay of Plenty Regional Council</p> <p>CAPEX - Capital Expenditure (budget to purchase assets)</p> <p>CBEC - Community, Business and Environment Centre</p> <p>CDEM - Civil Defence Emergency Management</p> <p>CEG - Co-ordinating Executive Group – Northland Civil Defence management team</p> <p>CEO - Chief Executive Officer</p> <p>CIMS - Co-ordinated Incident Management System (emergency management structure)</p> <p>CMA - Coastal Marine Area</p> <p>CPCA - Community Pest Control Areas</p> <p>CRI - Crown Research Institute</p> <p>DHB - District Health Board</p> <p>DOC - Department of Conservation</p> <p>DOL - Department of Labour</p> <p>DPMC - Department of Prime Minister and Cabinet</p> <p>ECA - Environmental Curriculum Award</p> <p>ECAN - Environment Canterbury</p> <p>EE - Environmental Education</p> <p>EECA - Energy Efficiency Conservation Authority</p> <p>EEZ - Exclusive Economic Zone</p> <p>EF - Environment Fund</p> <p>EMA - Employers and Manufacturers Association</p> <p>EMC - Environmental Management Committee</p> <p>EOC - Emergency Operations Centre</p> <p>EPA - Environmental Protection Authority</p> <p>FDE - Farm Dairy Effluent</p> <p>FNDC - Far North District Council</p> <p>FNHL - Far North Holdings Limited</p> <p>FPP - First Past the Post – voting system for NRC elections</p> <p>GE - Genetic Engineering</p> <p>GIS - Geographic Information System</p> <p>GMO - Genetically Modified Organism</p> <p>HASNO - Hazardous Substances & New Organisms Act</p> <p>HBRC - Hawke's Bay Regional Council</p> <p>HEMP - Hapū Environmental Management Plan</p> <p>Horizons - Brand name of Manawatu-Wanganui Regional Council</p> <p>HR - Human Resources</p> <p>IEMP - Iwi Environmental Management Plan</p> <p>IPPC - Invited Private Plan Change: a process to allow Aquaculture Management Areas to be established</p> <p>IRIS - Integrated Regional Information System: new computer system being developed collaboratively with other Regional Councils</p> <p>KDC - Kaipara District Council</p> <p>KPI - Key Performance Indicator</p> <p>LATE - Local Authority Trading Enterprise</p> <p>LGA - Local Government Act 2002</p> <p>LGNZ - Local Government New Zealand</p> <p>LGOIMA - Local Government Official Information and Meetings Act 1987</p> <p>LGOL - Local Government Online</p> <p>LTP - Long Term Plan</p> <p>LTFS - Long Term Financial Strategy</p> <p>MCDEM - Ministry of Civil Defence & Emergency Mgmt</p> <p>MFE - Ministry for the Environment</p> <p>MHWS - Mean High Water Springs</p> <p>MNZ - Maritime New Zealand</p> <p>MOH - Ministry of Health</p> <p>MOT - Ministry of Transport</p>	<p>MPI – Ministry of Primary Industries</p> <p>MSD - Ministry of Social Development</p> <p>NCMC - National Crisis Management Centre</p> <p>NES – National Environmental Standards</p> <p>NDHB - Northland District Health Board</p> <p>NZRC - New Zealand Refining Company (Marsden Point)</p> <p>NGO - Non-Governmental Organisation</p> <p>NIF - Northland Intersectoral Forum</p> <p>NIWA - National Institute of Water and Atmosphere</p> <p>NORTEG - Northland Technical Advisory Group</p> <p>NPC - Northland Port Corporation</p> <p>NZCPS - New Zealand Coastal Policy Statement</p> <p>NZTA - New Zealand Transport Agency</p> <p>NZQA - New Zealand Qualifications Authority</p> <p>NZWWA - New Zealand Water and Wastes Association</p> <p>OFI - Opportunity for Improvement</p> <p>ORC - Otago Regional Council</p> <p>OSH - Occupational Safety & Health (now Ministry of Business, Innovation and Employment)</p> <p>PDF - Portable Document Format</p> <p>PPE - Personal Protective Equipment</p> <p>RAP - Response Action Plan</p> <p>RAQP - Regional Air Quality Plan</p> <p>RCP - Regional Coastal Plan</p> <p>RFI - Request for Information</p> <p>RFP - Request for Proposal</p> <p>RTC - Regional Transport Committee</p> <p>RLTS - Regional Land Transport Strategy</p> <p>RMA - Resource Management Act 1991</p> <p>RMG - Resource Managers Group (Regional Councils)</p> <p>RMZ - Riparian Management Zone</p> <p>ROI - Return on Investment</p> <p>RPMS - Regional Pest Management Strategy</p> <p>RPS - Regional Policy Statement</p> <p>RSG - Regional Sector Group</p> <p>RTO - Regional Tourism Organisation</p> <p>RWASP - Regional Water and Soil Plan</p> <p>SCAR - SmartStream Council Activity Reporting</p> <p>SITREP - Situation Report</p> <p>SMF - Sustainable Management Fund</p> <p>SOE - State of Environment (or) State Owned Enterprise</p> <p>SOLGM - Society of Local Government Managers</p> <p>SPARC - Sport & Recreation New Zealand</p> <p>SRC - Southland Regional Council (Environment Southland)</p> <p>STV - Single Transferable Vote</p> <p>SWAG - Surface Water Allocation Group</p> <p>SWPA - Sustainable Water Programme of Action</p> <p>TA - Territorial Authority: City & District Councils</p> <p>TAC - Technical Advisory Group</p> <p>Tier 1 - Site level plan or response for an oil spill</p> <p>Tier 2 - Regional level plan or response to an oil spill</p> <p>Tier 3 - National level plan or response to an oil spill</p> <p>TLA - Territorial Local Authority – City & District Councils</p> <p>TMP - Treasury Management Plan</p> <p>TOR - Terms of Reference</p> <p>TPK - Te Puni Kōkiri (Ministry of Maori Development)</p> <p>TRAION - Te Rūnanga a Iwi o Ngāpuhi</p> <p>TRC - Taranaki Regional Council</p> <p>TROTR - Te Rūnanga o Te Rarawa</p> <p>TUANZ - Telecommunications Users Association of NZ</p> <p>WCRC - West Coast Regional Council</p> <p>WDC - Whangarei District Council</p> <p>WHHIF - Whangarei Harbour Health Improvement Fund</p> <p>WRC - Waikato Regional Council</p> <p>WWTP - Wastewater Treatment Plant</p>
--	--

ISSUE: Council Adoption of the Annual Report**ID:** A584180**To:** Extraordinary Council Meeting, 8 October 2013**From:** Lisa Aubrey, General Manager - Finance and IT**Date:** 1 October 2013**Summary** The purpose of this report is to provide council with an overview of the full year 2012-2013 financial results. It concludes with the recommendations that:

1. the Annual Report 2012-2013 be adopted;
2. the council's audited Annual Report and Financial Statements for the year ended 30 June 2013 be adopted pursuant to section 98 of the Local Government Act 2002;
3. the Chief Executive Officer be authorised to make minor editorial and presentation changes if required and any other changes that may be required by Audit New Zealand; and
4. the Chief Executive Officer be authorised to approve the release of the Summary Annual Report 2012-2013.

Report Type:	<input type="checkbox"/>	Normal operations	<input type="checkbox"/>	Information	<input checked="" type="checkbox"/>	Decision
Purpose:	<input type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input checked="" type="checkbox"/>	Legislative function	<input type="checkbox"/>	Annual\Long Term Plan	<input type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	High	<input type="checkbox"/>	Moderate	<input checked="" type="checkbox"/>	Low

Report:

Audit New Zealand will be providing the audit opinion on the Annual Report, subject to council approving the Annual Report on 8 October 2013.

The Annual Report and the Summary Annual Report must be publicly available by 8 November 2013, this being one month after adopting the Annual Report.

It is proposed that the Chief Executive Officer be authorised to approve the Summary Annual Report so this can be publicly available by 8 November 2013 (this was done with the Summary Annual Report last year and then with the Summary Annual Plan).

The Financial Report for the Year Ending 30 June 2013 is still subject to final audit clearance. Any significant changes made to the Annual Report provided in this agenda and at the time of adoption on 8 October 2013 will be disclosed in a supplementary agenda item and presented at the meeting.

Refer **Attachment 1** for the main financial statements comprising:

- Statement of Comprehensive Income;
- Statement of Changes in Equity;
- Statement of Financial Position; and
- Statement of Cash Flows.

ITEM: 3.0

Page 2 of 3

Financial results

Council posted a total comprehensive income result for the year of \$2.032 million compared to a budget of \$1.925 million.

The net surplus/(deficit) after taxation was \$2.072 million surplus compared to a budgeted surplus of \$1.925 million.

The surplus is best explained in the table below which shows the net surplus after taxation and adjusts for the transfers (to)/from reserves and removes other fair value gains and losses. After these adjustments, the operating deficit is \$110 thousand, compared to a budgeted cash surplus of \$60 thousand.

In accordance with the requirements of the Local Government Act 2002 and council's Revenue and Financing Policy, targeted rates must only be applied to the purpose for which they were collected. These transfers, along with the transfers approved by council at the August 2013 council meeting (excluding transfers relating to capital expenditure), are shown in the table below under the heading *less transfers(to)/from reserves*.

The other fair value gains/(losses) are not budgeted, except for a small forestry fair value gain of \$72 thousand. These items are based on annual valuations and are fair value (non-cash) movements.

Table One: Summary of Financial Performance for the year ending 30 June 2013

	Annual Report 2012-2013	2012-22 LTP Budget 2012-2013	Revised Budget 2012-2013
Net Surplus/(deficit) after tax (as per annual Report)	\$ 2,072,139	\$ 1,925,201	\$ 945,363
Total comprehensive Income for year	\$ 2,072,139	\$ 1,925,201	\$ 945,363
Less transfers (to)/from reserves (operational only)			
Land Management	-	-	121,334
Awanui River Reserve	(78,617)	127,092	127,092
Kaihu River Reserve	(45,692)	(5,665)	(5,665)
Kaeo Whangaroa Rivers Reserve	(24,516)	(216,883)	(137,008)
Whangarei Urban Rivers	(136,118)	25,719	375,719
Kerikeri Waipapa River reserve	(132,296)	25,084	25,084
Priority Rivers Reserve	(120,000)	(120,000)	(120,000)
Infrastructure Facilities Reserve	(144,340)	(171,317)	(171,317)
Recreational Facilities Reserve	(725,534)	(726,910)	(726,910)
Investment Fund Reserve	-	-	-
Forest Income Equalisation Reserve	398,972	359,551	359,551
Hatea River Reserve	(66,980)	26,606	26,606
Environment Fund Reserve	126,912	-	130,051
Investment and Growth Reserve (Option 1 of item 5.2 of this agenda)	(1,316,978)	(870,735)	(870,735)
Community Investment Fund Reserve (Option 1 of item 5.2 of this agenda)	(246,092)	(246,092)	(246,092)
Approved Carry Forwards	(150,928)	-	247,072
Kaitaia Bus Reserve	(7,158)	-	-
Total transfers (to)/from reserves	(2,669,365)	(1,793,550)	(865,218)
Surplus/(deficit) after transfers (to)/from reserves	(597,226)	131,651	80,145
Plus:			
Less other gains (non cash)			
Gain on fair value of investment property	(557,182)		
Gain on fair value of forestry	(152,800)	(71,727)	(71,727)
Less:			
Add back other losses (non-cash)			
Loss on fair value of owner occupied buildings	972,678		
Loss on fair value of financial investments	210,252		
Loss on fair value of emission trading scheme credits	14,084		
Net gain/loss on changes in fair value of assets (non-cash)	487,032	(71,727)	(71,727)
Surplus/(deficit) after transfers (to)/from reserves and after fair value movements are removed	(110,194)	59,924	8,418

ITEM: 3.0

Page 3 of 3

Consolidated group results

The consolidated net result after tax is a surplus of \$6.5 million. The total consolidated comprehensive income surplus (includes investment property fair value decreases of \$699 thousand, financial assets fair value decreases of \$100 thousand and a net hedging increase of \$263 thousand) is \$6.0 million. The group has net assets of \$241 million (2012: \$237 million).

Audit clearance

Subject to final audit clearance, and upon the council's approval and adoption, the Annual Report will be printed and distributed to councillors and the statutory recipients in Wellington. These include the Minister and Secretary for Local Government, the Auditor-General and the Parliamentary Library. Northland Members of Parliament and other interested organisations are also issued with copies. The report will be published on the council's website and will be available on compact disk for organisations that request a copy.

Staff would like to record our appreciation to Audit New Zealand, and particularly Francis Caetano and Timneen Taljard, for the smooth progress of the audit.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's 2012-2022 Long Term Plan, and as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002. In accordance with section 76 of the Local Government Act, this matter is not considered to be significant.

The adoption of the Annual Report is required by section 98 of the Local Government Act 2002 and is considered to be of low significance because it is standard council process.

Recommendations:

1. That the report "Council Adoption of the Annual Report" by Lisa Aubrey, General Manager Finance and IT, dated 1 October 2013, be received.
 2. That the council's audited Annual Report and Financial Statements for the year ended 30 June 2013 be adopted pursuant to section 98 of the Local Government Act 2002.
 3. That the Chief Executive Officer be authorised to make minor editorial and presentation changes if required and any other changes that may be required by Audit New Zealand.
 4. That the Chief Executive Officer be authorised to approve the release of the Summary Annual Report 2012-2013.
-

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2013

	Note	Council 30-Jun-13 \$	Long Term Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
INCOME						
Rates	3	17,402,408	17,022,869	15,773,486	17,402,408	15,773,486
Fees and charges	6	3,934,565	4,227,294	4,419,316	3,744,263	5,517,535
Subsides and grants	4	961,224	1,486,699	952,632	1,188,724	952,632
Revenue from activities		-	-	-	1,584,568	340,569
Finance income	5	2,071,611	2,191,906	1,730,661	2,101,167	2,068,817
Other revenue	6	5,804,579	5,027,737	5,115,270	4,881,666	4,310,759
Other gains	7	1,232,548	71,727	891,281	1,349,881	2,427,978
Share of Joint Venture Revenues		-	-	-	664,013	806,525
Share of Associate Companies' Net Surplus		-	-	-	7,846,406	6,485,212
TOTAL INCOME	1	31,406,935	30,028,232	28,882,646	40,763,096	38,683,513
EXPENDITURE						
Personnel costs	9	10,522,650	10,404,100	9,953,470	11,997,858	11,317,484
Depreciation and amortisation expense	21	986,501	1,067,449	1,030,757	1,079,882	1,124,801
Finance costs	5	98,215	1,000	91,970	112,610	107,758
Other losses	8	1,261,656	-	1,261,494	1,261,656	636,640
Other expenditure on activities	2	16,432,775	16,630,482	14,827,952	19,097,132	17,909,691
TOTAL OPERATING EXPENDITURE	1	29,301,796	28,103,031	27,165,643	33,549,137	31,096,374
SHARE OF ASSOCIATE'S SURPLUS/(DEFICIT)		-	-	-	-	-
SURPLUS/(DEFICIT) BEFORE TAX		2,105,139	1,925,201	1,717,003	7,213,959	7,587,139
INCOME TAX CREDIT/(EXPENSE)	10	(33,000)	-	952,158	(669,486)	1,050,453
SURPLUS/(DEFICIT) AFTER TAX		2,072,139	1,925,201	2,669,161	6,544,473	8,637,592
SURPLUS/(DEFICIT) ATTRIBUTABLE TO:						
Northland Regional Council		2,072,139	1,925,201	2,669,161	4,467,169	6,332,875
Non-controlling interest		-	-	-	2,077,304	2,304,717
OTHER COMPREHENSIVE INCOME						
<i>Items that will be reclassified to surplus/(deficit)</i>						
Financial assets at fair value through other comprehensive income	11	(100,320)	-	(181,133)	(100,320)	(181,133)
Net hedging movement (associate)		-	-	-	263,253	32,844
<i>Items that will not be reclassified to surplus/(deficit)</i>						
Gains/(loss) on property revaluations	11	60,000	-	(25,000)	(699,143)	(2,686,015)
Gains/(loss) on Infrastructure Asset (Awanui River Management) revaluation	11	-	-	-	-	-
TOTAL OTHER COMPREHENSIVE INCOME		(40,320)	-	(206,133)	(536,210)	(2,834,304)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,031,819	1,925,201	2,463,028	6,008,263	5,803,288
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Northland Regional Council					3,221,030	3,483,335
Non-controlling interest in surplus/(deficit) of Northland Port Corporation (NZ) Limited					2,787,233	2,319,954
					6,008,263	5,803,288

Major variances compared to the Long Term Plan:

Revenue variances:

Revenue from rates is \$380 thousand greater than budget due to:

- Additional rates revenue \$50 thousand, rate penalties charged for late or non-payment of rates \$582 thousand (of which \$168 thousand was paid and received by council) less rates remissions of \$188 thousand and rates discounts of \$65

The financial statements should be read in conjunction with the accounting policies and notes

thousand. This additional rates revenue is more than offset by rate write-offs and the provision for doubtful debts established on unpaid rates.

Revenue from fees and charges is \$293 thousand less than budget is largely due to:

- Lower than budgeted consents and monitoring fees and charges due to less consenting and monitoring activity than anticipated. Associated costs were also lower than budgeted.
- Lower than budgeted bus fare revenue of \$50 thousand due to less patronage than anticipated. This was offset by cost savings resulting from rationalising the bus routes.

Revenue from subsidies and grants is \$525 thousand less than budget is largely due to:

- Lower than budgeted subsidies and grants received from New Zealand Transport Authority for the operation of the bus service and other functions provided by the council. The reduction of subsidies was noted in August/September 2012 following a review by New Zealand Transport Authority on subsidies available nationally.

Revenue from finance income is \$120 thousand less than budget by largely due to:

- Interest revenue from the Community Investment Fund being \$145 thousand less than budget. Other revenue earned on the Community Investment fund is disclosed in separately and Community Investment Fund related income includes interest disclosed in this finance income note of \$536 thousand, dividend revenue of \$130 thousand, gain on disposal of investments of \$438 thousand and foreign exchange gain from hedging of investments of \$84 thousand. Community Investment fund revenue is either capitalised to the Community Investment Fund for future investment or transferred to the Investment and Growth reserve.

Other revenue is \$777 thousand greater than budget, due to:

- Dividend income from the Northland Port Corporation (NZ) Limited is being \$665 thousand greater than budget, unbudgeted dividend income from community investments of \$130 thousand.

Other gains is \$1.16 million greater than budget due to:

- The gains on changes in the fair value and disposal of assets are not budgeted by Council due to their high uncertainty and non-cash nature, with the exception of fair value movement on Council's forestry asset. Gains and losses resulting from fair value movements do not represent additional cash collected or incurred by the Council.
- Fair value gains include an increase in value of Council's investment property \$557 thousand, an increase in the value of the forestry asset of \$153 thousand (compared to the budgeted \$72 thousand).
- Other gains also include gain on sale of financial investments (relating to Community Investment Fund Investments) of \$438 thousand and foreign exchange gains on hedging relating to Community Investment Fund Investments of \$85 thousand.

Expenditure Variances:

Personnel Costs are slightly greater than budget (\$119 thousand) largely due to:

- Employing additional staff to undertake work on farm management plans instead of using consultants.
- Depreciation and amortisation expense is \$81 thousand less than budget mainly due to a delay in purchasing the backup Storage Area Network (SAN) equipment. The variance is not considered to be material.

Finance cost expenditure is \$97 thousand greater than budget due to:

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

Other losses is \$1.1 million greater than budget due to:

- The gains and losses on changes in the fair value and disposal of assets are not budgeted by Council due to their high uncertainty and non-cash nature, with the exception of fair value movement on Council's forestry asset. Gains and losses resulting from fair value movements do not represent additional cash collected or incurred by the Council.
- The fair value decrease in council owner occupied buildings of \$973 thousand and the loss on sale of disposal of property plant and equipment of \$52 thousand.

Other expenditure on activities is less than budget by \$198 thousand primarily due to:

- A saving of \$349 thousand relating to the administration of the Whangarei Bus Service contract, as the bus service was rationalised and reduced in 2012-2013 resulting in a reduction in the contract price.
- A saving of \$351 thousand in relation to the delay in the Rust Ave Bridge replacement project, resulting from tender for the physical works programme only going to the market in May 2013.

- A saving of \$142 thousand in legal fees relating to the delay in the Rust Ave bridge replacement project.
- A saving of \$160 thousand in relation to consent applications expenditure due to receiving fewer consent applications and staff managing the existing consents without requiring to consume the legal fees budget or fulfil a vacant budgeted position.
- A saving of \$94 thousand relating to the Hatea river channel project as the project did not proceed as planned in the 2012-2013 financial year due to a delay in the re-surveying of the river.
- A saving of \$93 thousand in Iwi related projects as a suitable project in line with councils wishes was not identified in the 2012-2013 financial year.
- Savings of \$90 thousand in the Maritime department due to less than anticipated wreckages and debris disposal costs (\$22 thousand), less than anticipated pilotage expenditure as council staff were utilised (\$23 thousand), less than anticipated vessel running costs as councils vessels were deployed close to their Bay of Islands base (\$23 thousand), and less than anticipated overtime associated with oil spills (\$22 thousand).
- A saving of \$102 thousand in contractor costs due to an increased amount of compliance and coastal monitoring work being performed in house rather than being outsourced to contractors.
- A saving of \$98 thousand due to the opportunity cost of the capital associated with the Marsden Point Rail Link joint venture being re-classified and transferred from operating expenditure to finance costs.
- A saving of \$146 thousand in expenditure associated with Computer software maintenance and GIS licensing.
- The provision for doubtful debts being greater than budget by \$593 and unbudgeted write-offs of bad debts and rates arrears of \$162 thousand.
- Unbudgeted legal and consultancy expenditure of \$281 thousand in relation to enforcement actions which will ultimately be recovered from fines from prosecutions.
- Unbudgeted expenditure of \$250 thousand incurred on the eradication of Mediterranean Fan worm.
- An additional \$111 thousand of unbudgeted hearing committee costs and external commissioner costs predominantly incurred in association with the Regional Policy Statement.
- Unbudgeted expenditure of \$76 thousand incurred in relation to assistance payments made to Kaeo home owners.
- And other miscellaneous savings across the organisation of \$46 thousand.

Taxation Expense

The tax expense of \$33 thousand relates to a previously recognised deferred tax asset that council no longer expects to materialise.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Note	Council 30-Jun-13 \$	Long Term Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
Balance at 1 July		119,384,510	119,569,237	116,921,483	237,267,475	232,901,018
Total comprehensive Income previously reported		2,031,819	1,925,201	2,463,028	5,993,923	5,803,288
Total comprehensive income as restated		121,416,330	121,494,438	-	243,261,398	-
Dividends to non-controlling interest		-	-	-	(1,819,987)	(1,436,831)
Balance at 30 June	11	121,416,329	121,494,438	119,384,511	241,441,411	237,267,475
Total comprehensive income attributable to:		-	-	-	-	-
Northland Regional Council		121,416,329	121,494,438	119,384,511	182,050,398	178,950,426
Non-controlling interest		-	-	-	59,391,013	58,317,050
Balance at 30 June	11	121,416,329	121,494,438	119,384,511	241,441,411	237,267,475

Major variances compared to the Long Term Plan:

There are no significant variances.

Consolidated Statement of Financial Position

As at 30 June 2013

	Note	Council 30-Jun-13 \$	Long Term Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
EQUITY						
Retained earnings	11	112,990,743	102,767,362	110,828,307	132,411,385	129,052,707
Other reserves	11	8,563,345	18,727,076	8,556,204	49,639,013	49,897,719
Total equity attributable to Northland Regional Council		121,416,330	121,494,438	119,384,511	182,050,398	178,950,426
Non-controlling interest in subsidiary companies	11	-	-	-	59,391,012	58,317,049
TOTAL EQUITY		121,416,330	121,494,438	119,384,511	241,441,411	237,267,475
ASSETS						
Current assets						
Cash and cash equivalents	12	15,889,952	4,347,115	10,249,654	16,984,938	10,770,273
Debtors and other receivables	13	4,896,707	5,299,089	4,805,052	5,459,628	5,664,701
Inventories	14	3,127,987	1,528,241	3,108,539	3,127,987	3,108,539
Other financial assets - Other Investments	20	9,222,258	2,000,000	11,190,362	9,222,258	11,190,362
Tax refundable	10	-	-	33,000	57,112	104,890
Derivative financial instruments	15	-	-	-	-	-
Total current assets		33,136,903	13,174,445	29,386,607	34,851,922	30,838,765
Non-current assets						
Other receivables	16	5,395,453	5,201,500	5,256,299	5,395,453	5,256,299
Investment property	17	48,296,001	48,320,999	47,674,256	94,296,001	93,174,256
Other financial assets		-	-	-	-	-
Investments in subsidiary – Northland Port Corporation (NZ) Limited and associates	18	7,827,563	7,827,563	7,827,563	46,795,462	44,032,976
Other Investments	20	9,859,589	27,608,367	13,971,405	10,687,181	14,499,047
Investments in CCO's and similar entities	19	753,950	243,753	12,903	753,750	-
Total investment in Council Controlled Organisations		18,441,102	35,679,692	21,811,871	58,236,393	58,532,023
Property, plant and equipment	21	20,186,617	21,486,851	18,640,990	53,183,437	53,795,722
Intangible assets	22	1,110,168	2,288,396	460,689	1,110,168	460,690
Forestry assets	23	1,731,775	1,627,263	1,578,975	1,731,775	1,578,975
Capital projects in progress	21	56,420	-	682,177	732,098	760,644
Deferred taxation asset	10	-	-	-	33,465	673,941
Total non-current assets		95,217,537	114,604,701	96,105,259	214,718,791	214,232,530
TOTAL ASSETS		128,354,440	127,779,146	125,491,866	249,570,713	245,071,316
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	44,611
Bank loan		-	-	-	-	502,429
Creditors and other payables	24	5,114,869	4,677,323	4,442,671	6,240,688	5,508,059
Employee benefit liabilities	25	1,787,191	1,556,003	1,616,401	1,845,195	1,687,417
Borrowings	26	-	-	-	4,840	6,865
Provisions	27	-	-	-	1,906	710
Total current liabilities		6,902,059	6,233,326	6,059,072	8,092,628	7,750,091

The financial statements should be read in conjunction with the accounting policies and notes

	Note	Council 30-Jun-13 \$	Annual Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
NON-CURRENT LIABILITIES						
Employee benefit liabilities	25	36,048	51,382	48,283	36,048	48,283
Borrowings	26	-	-	-	625	5,465
Total non-current liabilities		36,048	51,382	48,283	36,673	53,748
TOTAL LIABILITIES		6,938,107	6,284,708	6,107,355	8,129,301	7,803,839
NET ASSETS		121,416,330	121,494,438	119,384,511	241,441,409	237,267,475

Major variances compared to the Long Term Community Plan:

Assets:

Cash and Cash equivalents are higher than budget by \$11.5 million due to:

- Council holding a higher level of short term cash investments as at 30 June 2013, due longer term investments maturing and electing to hold investments on short term deposits rather than reinvesting at the current low interest rates in longer term bonds. The increase is offset by Other investments (non-current) being \$10.5 million less than budget. For further information, refer to the variance explanation for Other Investments.
- Includes \$1.88 million of cash and short term deposits relating to Community Investment Fund investments which are budgeted to be in Other non-current investments.

Debtors and other receivables are less than budget by \$402 thousand due to:

- Prepayments and GST receivables being less than anticipated at year-end.

Inventories are greater than budget by \$1.6 million due to:

- The reclassification of the rail corridor land from investment property to inventory at 30 June 2012, however this was budgeted under investment property.

Other receivables is \$194 thousand greater than budget due to:

- The expenditure incurred by council and KiwiRail, including opportunity cost of interest during the year relating to the Marsden Point Rail Link corridor. This receivable reflects the amount owed by KiwiRail to Council for KiwiRails 50 percent share of property acquisitions and costs incurred to date.

Other financial assets (current and non-current) are less than budget by \$10 million due to:

- Other investments (\$10.5 million less than budget) - Funds being held in short term deposits and recognised in cash and cash equivalents. For further information, refer to the variance explanation for Cash and cash equivalents.
- Investment in CCO's and other similar entities (\$510 thousand greater than budget) - Regional Software Holdings Limited making a call on \$4.5 million of share capital at is 27 June 2013 board meeting of which councils shareholding or call is 16.75% (\$753,720). The share capital relates to the development costs contributed by each council for the development of the integrated Regional Information System (IRIS) software application. Council had budgeted for the call on funds to take place in the 2013-2014 financial year.

Property Plant and Equipment and Capital projects in progress is less than budget by \$1.3 million due to:

- the budgeted opening Plant property and equipment balance being less than actual by \$1.2 million due to capital works being deferred in the 2011-2012 financial year; greater than budgeted capital works in the 2012-2013 financial year; and revaluation decreases and assets disposals occurring in 2012-2013 that were not budgeted for.

Intangible assets is less than budget by \$1.18 million due to:

- The Integrated Regional Information Systems expenditure being less than anticipated with some cost savings and \$300 thousand of expenditure deferred to the 2013-2014 financial year and due to Regional Software Holdings Limited making a call on funds, resulting in the transfer of \$753,720 of IRIS related development costs from intangible assets to Investment in Regional Software Holdings Limited. Council has budgeted for the transfer to take place in the 2013-2014 financial year.

Liabilities:

Creditors and payables are \$438 thousand higher than budget due to:

- Creditors tending to defer invoicing to council to year-end and issuing these invoices in early July 2013.

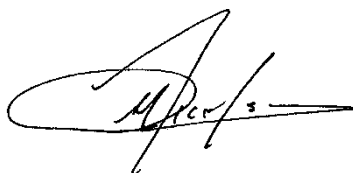
Employee benefit liabilities (current and non-current) are \$215 thousand higher than budget due to:

- Staff taking less leave than anticipated due to some heavy workloads on big projects undertaken across the organisation, including the development of the Regional Policy Statement, the go-live implementation of our new core regulatory system - IRIS and the implementation of our new financial system. In addition council recognised liability for untaken flexi time leave. Staff with high leave have leave management plans agreed with their managers to ensure leave balances and councils liability for leave is reduced.



.....
Chairman

8 October 2013



.....
Chief Executive Officer

8 October 2013

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	Council 30-Jun-13 \$	Annual Plan 30-Jun-13 \$	Council 30-Jun-12 \$	Consolidated 30-Jun-13 \$	Consolidated 30-Jun-12 \$
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from rates revenue		16,945,444	17,022,869	15,691,307	16,945,444	15,691,307
Receipts from customers		7,494,979	7,686,412	7,000,621	11,421,219	9,485,062
Interest received		2,142,447	1,945,814	1,739,607	2,171,980	1,778,242
Dividends received	6	2,233,839	1,439,289	1,660,718	6,881,057	5,286,602
Subsidies and grants received		961,224	1,486,699	952,632	1,288,724	1,600,525
Taxation refund		-	-	999,890	19,258	1,504,079
Payments to suppliers and employees/members		(26,120,957)	(26,921,570)	(23,809,281)	(30,978,984)	(28,152,812)
Interest paid		(98,215)	(1,000)	(91,970)	(88,858)	(107,843)
Income tax paid		-	-	-	(469)	(29,420)
Net goods and services tax received (paid)		213,322	-	371,374	143,029	420,479
NET CASH FROM OPERATING ACTIVITIES		3,772,084	2,658,513	4,514,897	7,802,472	7,476,221
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt from sale of property, plant and equipment		75,817	-	197,749	45,647	203,171
Proceeds from the sale of shares in associates and subsidiaries		-	-	-	(35,002)	-
Receipt from the sale of investment stocks and bonds		6,206,994	11,000,000	3,437,678	6,215,894	3,437,678
Purchase of other receivables		-	-	(54,799)	-	(54,799)
Investments withdrawn		-	-	-	-	608,004
Purchase of property, plant and equipment and intangible assets		(4,350,040)	(3,599,071)	(1,280,720)	(4,708,100)	(1,334,819)
Purchase of investment property		(64,556)	-	(83,351)	(732,359)	(4,054,280)
Purchase of investment stocks and bonds		-	(11,000,000)	-	-	(60,903)
NET CASH FROM INVESTING ACTIVITIES		1,868,214	(3,599,071)	2,216,557	786,059	(1,255,948)
CASH FLOWS FROM FINANCING ACTIVITIES						
Proceeds received from ASB facility		-	-	-	-	502,429
Dividends paid		-	-	-	(1,819,987)	(1,436,831)
Repayments made to ASB facility		-	-	-	(502,429)	-
Settlement of borrowings		-	-	-	(6,865)	(5,490)
NET CASH FROM FINANCING ACTIVITIES		-	-	-	(2,329,281)	(939,892)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS						
		5,640,298	(940,558)	6,731,453	6,259,270	5,280,381
Cash, cash equivalents and bank overdrafts at the beginning of the year	12	10,249,654	5,287,673	3,518,200	10,725,662	5,445,281
CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR	12	15,889,952	4,347,115	10,249,654	16,984,932	10,725,662

The financial statements should be read in conjunction with the accounting policies and notes

ITEM: 4.1

Page 1 of 1

ISSUE: Confirmation of Minutes – 1 October 2013**ID:** A586875**To:** Extraordinary Council Meeting, 8 October 2013**From:** Chris Taylor, Council Secretary**Date:** 2 October 2013

Summary The purpose of this report is to present the unconfirmed minutes of the extraordinary council meeting held on 1 October 2013. It concludes with the recommendation that council confirms the minutes as a true and correct record.

Report Type:	<input checked="" type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input checked="" type="checkbox"/> Legislative function	<input type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

Report:

The minutes are **attached**.

Legal compliance:

Councils are required to keep minutes of proceedings in accordance with the Local Government Act 2002.

Recommendation:

That the minutes of the extraordinary council meeting held on 1 October 2013 be confirmed as a true and correct record.

NORTHLAND REGIONAL COUNCIL

Minutes of the extraordinary meeting of the council
held in the council chamber, Northland Regional Council, 36 Water Street,
Whāngārei, on Tuesday 1 October 2013,
commencing at 1.00 pm

Present:

Chairman, Craig Brown

Councillors:

Joe Carr

Tony Davies-Colley

Bronwyn Hunt

Graeme Ramsey

Bill Rossiter

Ian Walker

In Attendance:**Full Meeting**

Chief Executive Officer, Malcolm Nicolson

Communications Officer

Council Secretary

Part Meeting

GM – Finance and IT

GM – Planning and Policy

Consents/Monitoring SPM

Policy Analyst

Acting Monitoring Programme Manager - Coastal

The Chairman declared the meeting open at 1.00 pm.

Apologies (Item 1.0)**Moved (Carr/Hunt)**

That the apologies from Deputy Chairman John Bain for non-attendance be received.

Carried

Declarations of Conflicts of Interest (Item 2.0)

The Chairman invited members to make declarations item-by-item as the meeting progressed. There were no declarations of conflict at this point.

Tabled Item for the Extraordinary Council Meeting – 1 October 2013 (Item 2.0A)**ID: A586043****Report from Council Secretary Chris Taylor.****Moved (Rossiter/Hunt)**

That as permitted under section 46A(7) of the Local Government Official Information and Meetings Act 1987, the tabled item:

- Item 7.2: Northland Inc. – Going Concern at 30 June 2013 (amended)

be received.

Carried

General Manager – Planning and Policy, Kathryn Ross, was in attendance and took the opportunity to announce that the Northland Regional Council had recently received an award of excellence from the Resource Management Law Association of New Zealand Ltd for the Proposed Regional Policy Statement (RPS) for Northland. In particular, for following a collaborative approach and presenting it in a form that was logically constructed and easy to navigate and use. The award was then presented to Councillor Ian Walker, Chairman of the Regional Policy Committee; which had overseen the development of the RPS.

Oyster Farm Bonds Update (Item 3.1)**ID: A585361****Report from Consents/Monitoring Senior Programme Manager Colin Dall.****Moved (Brown/Rossiter)**

That the report "Oyster Farm Bonds Update", from Colin Dall, Consents/Monitoring Senior Programme Manager, dated 24 September 2013, be received.

Carried**Matters arising from Item 3.1:**

New Zealand Oyster Industry Association (NZOIA) Executive Officer, Tom Hollings, Former NZOIA President, Callum McCallum, Aotearoa Fisheries Ltd General Manager – Aquaculture and NZOIA Vice President, Don Collier, Pacific Marine Farms Manager, Ben Haig, Ocean Law New Zealand Partner, Justine Inns, Ministry of Primary Industries Manager of Aquaculture, Daniel Lees, and Aquaculture New Zealand CEO, Gary Hooper, were in attendance to support the proposed Memorandum of Understanding between NZOIA and NRC.

Confirmation was provided that a further report would be presented for consideration at the 8 October 2013 extraordinary meeting of council; with the full intention of finalising the agreement.

Chief Executive's Report to Council (Item 4.0)**ID: A584287****Report from Chief Executive Officer Malcolm Nicolson.****Moved (Rossiter/Walker)**

That the Chief Executive Officer's report dated 23 September 2013, be received.

An amendment was moved (Davies-Colley/Ramsey)

1. That the Chief Executive Officer's report dated 23 September 2013, be received.
2. That further research on the National Marine Park proposed for Northland be undertaken internally, with independent consultants employed to conduct specific work only, and a further report be brought back to council.

Carried**Confirmation of Minutes – 17 September 2013 (Item 5.1)****ID: A584677****Report from Council Secretary Chris Taylor.****Moved (Hunt/Brown)**

That the minutes of the council meeting held on 17 September 2013 be confirmed as a true and correct record, subject to the correction to Item 10.0 which was moved and seconded by Councillors Rossiter and Brown respectively.

Carried**Far North District Council – Collection of Regional Council Rates and Rates Arrears – Quarterly Update to 30 June 2013 (Item 6.1)****ID: A585322****Report from General Manager – Finance and IT Lisa Aubrey.****Moved (Ramsey/Hunt)**

That the report "Far North District Council – Collection of Regional Council Rates and Rates Arrears - Quarterly Update to 30 June 2013" from General Manager - Finance and IT, Lisa Aubrey, dated 25 September 2013, be received.

Carried

Schedule of Credit Notes for Approval (Item 6.2)

ID: A584344

Report from Accounts Receivable Officer Trish Wells.

Moved (Walker/Rossiter)

1. That the report "Schedule of Credit Notes for Approval" from the Accounts Receivable Officer, Trish Wells, dated 20 September 2013, be received.
2. That the issue of credit notes as detailed below be approved.

Credit Amount excl. GST	Original Amount excl. GST	Reason
\$1,052.36	\$1,052.36	NRC staff time and work undertaken on behalf of Northland Inc. during February 2013. (Human resources, Economist, Communications)
\$1,389.41	\$1,389.41	NRC staff time and work undertaken on behalf of Northland Inc. during March 2013. (Human resources, Economist, Health and Safety)
\$586.54	\$586.54	NRC staff time and work undertaken on behalf of Northland Inc. during April 2013. (Human resources, Economist)
\$1,360.60	\$1,360.60	NRC staff time and work undertaken on behalf of Northland Inc. during May and June 2013. (Communications, Corporate Planning, Growth/Infrastructure)
\$4,080.13	\$4,080.13	NRC staff time and work undertaken on behalf of Northland Inc. during July 2013. (Communications, Corporate Planning, Growth/Infrastructure)
\$4,518.06	\$4,518.06	NRC staff time and work undertaken on behalf of Northland Inc. for the month of August 2013 as described below. (Economist, Consent Management, Corporate Planning, Growth/Infrastructure)
\$12,987.10	\$12,987.10	TOTAL

3. That further credit notes for approval relating to council staff time spent on Northland Inc. activities will be provided to council for approval at the end of each quarter (September, December, March and June).

Carried

Northland Inc. 2013/14 Quarter Two Funding (Item 7.1)**ID: A584177****Report from Chief Executive Officer Malcolm Nicolson.****Moved (Rossiter/Brown)**

1. That the report "Northland Inc. 2013/14 Quarter Two Funding" by Malcolm Nicolson, Chief Executive Officer, dated 24 September 2013, be received.
2. That council pay \$250,000 to Northland Inc. from the Northland Regional Council Investment and Growth Reserve for Quarter Two operations.
3. That council pay \$25,000 (+ GST if any) to Northland Inc. funded from rates revenue for tourism related operational activities.

Carried**Northland Inc. – Going Concern at 30 June 2013 (amended)****(Tabled Item 7.2)****ID: A585591****Report from General Manager – Finance and IT Lisa Aubrey.****Moved (Rossiter/Davies-Colley)**

1. That the report "Northland Inc. - Going Concern at 30 June 2013" by Lisa Aubrey, General Manager - Finance and IT, dated 27 September 2013, be received.
2. That council approves the letter of comfort, as detailed in pages 3 and 4 of the tabled item received at the 1 October extraordinary council meeting, to enable Audit NZ to audit the 30 June 2013 Northland Inc. accounts on the basis it is a going concern.
3. That Northland Inc. be required to seek specific council approval prior to becoming contractually liable to any financial commitments or obligations that extend beyond 30 June 2014. This includes any multi-year contracts, finance and operating leases.
4. That Northland Inc. be required to provide monthly financial reports to council to enable council to monitor the financial status of Northland Inc.

An amendment was moved (Carr/Ramsey)

1. That the report "Northland Inc. - Going Concern at 30 June 2013" by Lisa Aubrey, General Manager - Finance and IT, dated 27 September 2013, be received.
2. That council approves the letter of comfort, as detailed in pages 3 and 4 of the tabled item received at the 1 October extraordinary council meeting, to enable Audit NZ to audit the 30 June 2013 Northland Inc. accounts on the basis it is a going concern.

3. That Northland Inc. be required to seek specific council approval prior to becoming contractually liable to any financial commitments or obligations that extend beyond 30 June 2014. This includes any multi-year contracts, finance and operating leases.
4. That Northland Inc. be required to provide monthly financial reports to council to enable council to monitor the financial status of Northland Inc.
5. That Northland Inc. be required to return to positive equity in two years; and this detail be included in the letter of comfort.

Carried

Business with the Public Excluded (Item 8.0)

ID: A585362

Report from Council Secretary Chris Taylor.

Moved (Walker/Rossiter)

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reason\Grounds
8.1	Confidential Minutes of the Council Meeting – 17 September 2013	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.
8.2	Offer to Purchase Council Property	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to allow the council to carry on, without prejudice or disadvantage, negotiations, including commercial and industrial negotiations (section 7(2)(i)).

Carried

CONCLUSION

The meeting concluded at 2.25 pm.

ISSUE: Update on Joint Venture between KiwiRail and Council**ID:** A584137**To:** Extraordinary Council Meeting, 8 October 2013**From:** Lisa Aubrey, General Manager - Finance and IT**Date:** 3 October 2013

Summary The purpose of this report is to provide an update on the financial transactions between KiwiRail and council in relation to the unincorporated joint venture to secure the designation of the rail corridor between Marsden Point and Oakleigh. It concludes with the recommendations that the report be received and the council recognises opportunity cost of interest payable to KiwiRail of \$98,145 on the costs they have incurred in securing the rail designation.

Report Type:	<input type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input checked="" type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input type="checkbox"/> Annual/Long Term Plan	<input checked="" type="checkbox"/> Other
Significance:	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

Report:**Background**

In January 2009, council and ONTRACK (now known as KiwiRail) signed an acquisition agreement to acquire land and to procure and facilitate the development of the Marsden Point Rail Link designation.

The council's prime objective is to secure the rail corridor against incompatible subdivision and development; thereby preserving the opportunity for the rail link to be built at some time in the future at KiwiRail's cost.

The acquisition agreement sets out the obligations of each entity and the costs and income to be shared. The agreement also sets out the order in which financial contributions and income are to be applied to costs and expenditure incurred.

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

Apart from the reclamation which has consent in perpetuity, the disturbance and occupation consents expire 35 years from date of commencement which was 30 May 2012, so the expiry date is 29 May 2047.

It should be noted, the consents must be "given effect to" by 29 May 2032 otherwise they lapse.

ITEM: 5.1

Page 2 of 5

The financial information relating to the unincorporated joint venture has been reported in each Annual Report since 2008/2009.

Prior to completing the 2008/2009 Annual Report, an accounting opinion was obtained from PricewaterhouseCoopers to ensure the accounting treatment applied by council was correct.

Financial information for the year ending 30 June 2013

Table One below shows the council's financial transactions in relation to the joint venture between KiwiRail and council.

The table also sets out the equity reserve balance of the revenue collected under the targeted infrastructure rate and the associated expenditure, and shows the annual and life to date surplus/(deficit) of the unincorporated joint venture.

Table One: Profit and Loss Statement for Council's share of the MPRL Unincorporated Joint Venture

	2008/2009		2009/2010		2010/2011		2011/2012		2012/2013		Total
Infrastructure Rate	\$ 528,927		\$ 545,190		\$ 554,231		\$ 601,154		\$ 602,273		\$ 2,831,775
0207 - Interest - JV	\$ 233,539		\$ 218,115		\$ 217,620		\$ 296,981		\$ 300,770		\$ 1,267,025
Rent Revenue	\$ 84,761		\$ 69,179		\$ 96,624		\$ 222,946		\$ 213,129		
Total Revenue	\$ 847,227		\$ 832,483		\$ 868,475		\$ 1,121,081		\$ 1,116,172		\$ 3,669,267
Less Expenditure											
0963 - FV Adjustments - MPRL Assets	\$ 688,500		\$ 695,000		\$ 526,527		\$ 41,467		\$ 32,638		\$ 1,918,855
2047 - Consultants	\$ 5,600		\$ 8,278		\$ 34,364		\$ 41,311		\$ 65,426		\$ 154,980
2123 - Legal Fees	\$ 168,445				\$ 12,769		\$ 99				\$ 181,313
5355 - Interest Paid - Sundry	\$ 29,631		\$ 82,571		\$ 91,194		\$ 93,272		\$ 98,145		\$ 394,813
5228- Commission on Rate collection							\$ 18,441		\$ 26,229		\$ 44,670
Expenditure	\$ 892,177		\$ 785,849		\$ 664,853		\$ 194,590		\$ 157,162		\$ 2,694,631
Operating surplus/(Deficit)	-\$ 44,949		\$ 46,635		\$ 203,622		\$ 926,491		\$ 959,010		\$ 974,636
Less transfer to general funds (compensate for opportunity cost of using funds)	-\$ 551,867		-\$ 505,408		-\$ 531,864		-\$ 816,907.92		-\$ 814,669.83		-\$ 3,220,717
Transfer to/(from) reserve	-\$ 596,816		-\$ 458,773		-\$ 328,242		\$ 109,583		\$ 144,340		-\$ 1,129,908
Add prior year surplus/(deficit)			-\$ 596,816		-\$ 1,055,590		-\$ 1,383,832		-\$ 1,274,249		
Surplus/Deficit after transfer to general funds	-\$ 596,816		-\$ 1,055,590		-\$ 1,383,832		-\$ 1,274,249		-\$ 1,129,908		
Assets and Liabilities	30-Jun-09	movement 09/10	closing balance 30/06/10	movement 10/11	closing balance 30/06/11	movement 11/12	closing balance 30/06/12	movement 12/13	closing balance 30/06/13		
Land at cost	\$ 3,436,000		\$ 3,436,000	\$ 2,225,000	\$ 5,661,000	\$ 20,494	\$ 5,681,494	\$ 25,100	\$ 5,706,594		
Land at Valuation	-\$ 688,500	-\$ 695,000	-\$ 1,383,500	-\$ 526,527	-\$ 1,910,027	-\$ 41,467	-\$ 1,951,494	-\$ 32,637	-\$ 1,918,857		
Designation Asset -inventory	\$ 830,364	\$ 467,439	\$ 1,297,803	\$ 18,508	\$ 1,316,311	\$ 96,359	\$ 1,412,669	\$ 51,456	\$ 1,464,126		
Accounts Receivable/(Payable)	\$ 3,016,532	-\$ 323,617	\$ 2,692,915	\$ 2,508,582	\$ 5,201,497	\$ 54,799	\$ 5,256,296	\$ 139,154	\$ 5,395,450		
Sundry Payable				-\$ 289,143.79	-\$ 93,962	\$ 195,181.72	\$ 101,541	-\$ 93,640.94			
	6,594,395.80	- 551,177.94	6,043,217.86	4,225,562.96	9,979,637.03	224,146.69	10,203,783.72	349,887.57	10,553,671.36		

In accordance with the acquisition agreement and accounting opinion on the accounting treatment, a summary of the requirements and resulting financial transactions recognised by council in its 30 June 2013 Annual Report is detailed below:

Land acquisition and fair value adjustments:

- Since the 2008/2009 financial year council has acquired eight properties at a total cost of \$11,210,200 (GST exclusive). The value at 30 June 2013 is \$7,573,478 made up of residual land (accounted for as investment property) \$4,430,000 and the rail corridor \$3,143,478 (accounted for as inventory asset). The rail corridor costs will now be fixed and will not be subject to annual valuations.

ITEM: 5.1

Page 3 of 5

- Council has recognised its 50% share of its ownership of the land and inventory asset (corridor and injurious infection component of land) and derecognised the other 50% share by creating a receivable for the same amount. This represents land acquisition costs recoverable from KiwiRail in accordance with the acquisition agreement. It should be noted that in substance council has a 100% legal interest in the land which comprises a 50% beneficial interest and a 50% security interest in relation to the receivable from KiwiRail.
- Council's 50% share is shown in our balance sheet as Investment Property \$2,215,000 and Inventory asset \$1,517,739.
- Council must recognise 50% of any fair value adjustments resulting from the annual valuations of this property.
- Council's 50% of fair value increase in the 2012/2013 financial year is \$32,637. The total fair value decrease recognised by council since 2008/2009 is \$1,918,855.

Cost of designation and rail corridor:

- The cost of designation is to be treated as an inventory held for distribution (designation asset). Council should recognise its 50% of the designation inventory acquired by KiwiRail and create a payable to KiwiRail for the same amount.
- Council recognised \$51,456 in 2012/2013 financial year being additional designation consent costs incurred by KiwiRail.
- Since 2008/2009 council has recognised total inventory asset of \$3,305,866 made up of \$1,571,739 for the rail corridor land and \$1,734,127 for its 50% share of the costs of securing the designation cost. The amount of \$1,734,127 represents council's 50% share of the costs incurred by KiwiRail relating to obtaining the consent for the designation.

Operating expenditure:

- Operating costs incurred by each entity are to be shared on an equal basis. Council will recognise 50% of the cost incurred and recoverable in the Statement of Comprehensive Income and will recognise a corresponding receivable for the other 50% share.
- Council recognised operating expenses of \$65,426 in the 2012/2013 financial year (excluding fair value adjustments, interest paid to KiwiRail and cost of collecting infrastructure rate).

Opportunity cost of interest:

- Council should recognise interest revenue and a corresponding receivable for KiwiRail's 50% share of council's opportunity cost of interest for acquiring land. In the same manner, council should recognise interest expense and a corresponding payable for council's 50% share of the opportunity cost of interest incurred by KiwiRail in relation to designation costs. Opportunity cost of interest is calculated at 7% as agreed at the commencement of the term.
- Council recognised interest revenue from KiwiRail of \$300,770 in the 2012/2013 financial year.
- Council recognised interest expense of \$98,145 as payable to KiwiRail in the 2012/2013 financial year. The agreement does not strictly provide for KiwiRail to be paid opportunity cost of interest, but as previously discussed and agreed with council; both parties consider this to be equitable.

ITEM: 5.1

Page 4 of 5

As at 30 June 2013, council held a receivable from KiwiRail of \$5,301,809 (made up of other receivable of \$5,395,450 and sundry payable of \$93,641). KiwiRail has a liability of the same.

The rules around the distribution of the annual \$500,000 contribution to be paid by council and KiwiRail are set out in section 7 of the acquisition agreement. The agreement sets out the order in which income/revenue is to be applied to costs. Following the rules, council is required to pay KiwiRail the sundry payable amount of \$93,641 for the year ending at 30 June 2013. This payment has not been made. The anomaly with rules of distribution is that KiwiRail owes council in excess of \$5M and this payment would further increase the amount owed by KiwiRail to council.

It should be noted that in the draft annual report it was assumed \$148,362 would be transferred to the Infrastructure Facilities Reserve, this amount is to be amended to \$144,340.

Updated property acquisition and disposal

In March 2012 council were provided with an update on the costs of securing the designation and the expectation the costs would exceed original estimates largely due to the pronounced decline in property values experienced since acquiring the properties. Original forecasts assumed that the rail corridor could be subdivided from the acquired properties and the properties could be sold at a price sufficient to fund the cost associated with acquisition, obtaining the designation consent and the opportunity cost of interest for the period the properties were to be held.

As a result of the prolonged economic recession the values of the properties have collectively declined by some 35% and consequently it appears unlikely council will be able to sell the acquired properties at the levels assumed in the short to medium term.

During September 2012 council put out a Request for Proposal seeking expressions of interest on the Flyger Road land. Council did not seek to progress any of the responses received.

Also in 2012 council, in conjunction with KiwiRail, engaged Alister Nicholls from Telfer Young (Northland) and John Larmer from Telfer Young (Taranaki) to prepare an assessment on the Flyger Road and Hewlett Road properties to determine highest and best use. Council concluded the most prudent course of action was to retain the properties for the foreseeable future in the expectation and hope that the recovery of the property market will offset the holding costs.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's 2012-2022 Long Term Council Community Plan, and as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act. In accordance with section 76 of the Local Government Act, this matter is not considered to be significant.

ITEM: 5.1

Page 5 of 5

Recommendations:

1. That the report "Update on Joint Venture between KiwiRail and Council" by Lisa Aubrey, General Manager - Finance and IT, dated 3 October 2013, be received.
 2. That council recognises opportunity cost of interest payable to KiwiRail of \$98,145 on the costs they have incurred in securing the rail designation.
-

ISSUE: Allocation of 2012-2013 Investment Revenue between the Community Investment Fund (CIF) and the Investment and Growth Reserve (I&G)

ID: A586765

To: Extraordinary Council Meeting, 8 October 2013

From: Simon Crabb, Finance Manager

Date: 2 October 2013

Summary The purpose of this paper is to seek a decision from council on the amount of investment income to be capitalised into the CIF to inflation protect the funds value, and to agree the amount of investment income be transferred from the CIF fund to the I&G Reserve.

It concludes with the recommendation that the report be received and council elect one of the five following alternatives:

1. Capitalise 2.4% of the Community Investment Fund balance of \$10,253,000; and transfer 20% of the budgeted \$6,710,685 investment income to the Investment and Growth Reserve;
OR
2. Capitalise 0.7% of the Community Investment Fund balance of \$10,253,000; and transfer 20% of the budgeted \$6,710,685 investment income to the Investment and Growth Reserve;
OR
3. Capitalise 2.4% of the Community Investment Fund balance of \$10,253,000; and transfer 20% of the actual \$7,300,159 investment income to the Investment and Growth Reserve;
OR
4. Capitalise 0.7% of the Community Investment Fund balance of \$10,253,000; and transfer 20% of the actual \$7,300,159 investment income to the Investment and Growth Reserve.
AND/OR
5. Elect alternative options 1, 2, 3 or 4 and approve a further discretionary amount of XX to be retained in the Community Investment Fund.

Report Type:	<input type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input checked="" type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input type="checkbox"/> Annual\Long Term Plan	<input checked="" type="checkbox"/> Other
Significance:	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

Report:

Following consultation in the 2011-2012 Annual Plan, council established the Investment and Growth Reserve (I&G). The purpose of this reserve is to set aside investment income to be made available for projects that contribute towards the economic wellbeing of Northland. As set out in the financial strategy of the 2012-2022 Long Term Plan, council has the discretion to either transfer 20% of the budgeted

ITEM: 5.2

Page 2 of 6

investment income of \$6,710,685 into the I&G or transfer 20% of the actual investment income received to the reserve, this amount may be high or lower than the budgeted amount.

Until such time as a project is identified to be funded the accumulated funds are held in the reserve and are invested in accordance with council's Treasury Management Policy. All interest income earned on the reserve funds is capitalised back to the reserve.

Confirming the amount of investment income to be transferred to the Investment and Growth Reserve

The actual investment income received in 2012-2013 was \$7,300,159. To enable council to set its budgets and to provide certainty, council based its budgeted forecasts of transfers to the I&G Reserve on the basis of total investment income being fixed at \$6,710,685. It was assumed when setting the budgets, there would be a wash-up transfer to capture all investment revenue once 100% of investment revenue was transferred after year 10.

Council however does have at its discretion to transfer 20% of the budgeted investment income of \$6,710,685 or 20% of actual investment income of \$7,300,159. The additional investment income of \$589,474 is primarily a result of additional dividend revenue received. Regrettably much of this additional investment income has been offset by the net cost of rate adjustments and write-offs of \$728,939 compared with the budget of \$250,000 (as reported to the July 2013 Audit and Finance Committee meeting).

Council has the discretion to transfer either:

- **\$1,342,137** being 20% of the budgeted investment income of \$6,710,685; or
- **\$1,460,032** being 20% of the actual investment income received of \$7,300,159.

Community Investment Fund

In 2012-2013 the Community Investment Fund (formerly known as the Northland Regional Council Community Trust) was transferred to council. The purpose of this fund is to generate a revenue stream to support the funding of a \$1 million payment from council to Northland Inc. Limited (an additional \$100 thousand related to tourism activities is rate funded). This \$1 million contribution enables Northland Inc. Limited to deliver on the agreed objectives and deliverables as set in the Statement of Intent.

Council budgeted Community Investment Fund revenue of \$680,112 (based on the former fund manager advice). Actual revenue earned on the fund was **\$1,155,476** (which includes \$47,937 accrued interest not yet capitalised to the value of the fund). This represents additional revenue compared with budget of **\$475,635** and resulted in the value of the Community Investment Fund to increase from **\$9,478,926** to **\$10,586,735** (or \$10,634,672 with accrued interest) before any transfers or payments are made from this fund.

In the 2012-2022 Long Term Plan, council signalled its intention to maintain the real value of the Community Investment Fund by increasing the capital amount of the fund by the rate of inflation. When the Long Term Plan was compiled, it was estimated that in the 2012-2013 financial year the capital fund would need to increase by \$246 thousand, being 2.4% of \$10.253 million, to maintain its real value relative to inflation.

ITEM: 5.2

Page 3 of 6

The actual increase in Consumer Price Index (CPI) from the June 2012 quarter to the June 2013 quarter was 0.7%. Therefore council has the discretion to either:

- Maintain the real value of the fund by capitalising \$246,092 being the budgeted **2.4%** of the fund balance disclosed in the LTP of \$10.253 million; or
- Maintain the real value of the fund by capitalising \$71,771 being **0.7%** of the fund balance disclosed in the LTP of \$10.253 million.

The accumulated funds held in the Community Investment Fund are invested more aggressively than the funds contained in the Investment and Growth Reserve, as Community Investment Fund investments are made in accordance with the Statement of Investment Policies and Objectives (SIPO) adopted by council in October 2012.

The larger the amount that is capitalised (retained) to the Community Investment Fund the greater the pool of funds that are available to be invested more aggressively in accordance with the SIPO. The larger the amount capitalised to the CIF fund, less funding is available to support the \$1 million payment to Northland Inc. and this would have to be funded from the I&G Reserve. The cumulative total of the two reserves will not materially change, irrespective of the decision made. This difference is how much capital is available in each fund to be invested.

It should be noted, the investment of the CIF was very successful in the 2012-2013 financial year, but the nature of the investment carries more risk and subject to greater volatility compared to investments made in accordance with council's Treasury Management Policy. It should be further noted that 2012-2013 investment results may not be indicative of future results.

The purpose of this paper is to ask council to make a decision on the amount of investment income to be capitalised to the Community Investment Fund to inflation protect the funds real value and the amount of council's investment income that should be transferred into the Investment and Growth Reserve.

The tables below illustrate the amounts to be transferred under each alternative option:

Table A

Community Investment Fund - capitalise **2.4%** of the Community Investment Fund balance of \$10,253,000.

Investment and Growth Reserve - transfer 20% of the budgeted **\$6,710,685** investment income.

Community Investment Fund	Actual
Opening Balance as at 1 July 2012	-
Transfer of Funds from NRCCT	9,478,926
Transfer of capitalised funds	246,092
Closing Balance as at 30 June 2013	9,725,018
Investment and Growth Reserve	Actual
Opening Balance as at 1 July 2012	1,544,019
Transfer to reserve of Investment income	1,342,137
Transfer (to)/from CIF reserve	(141,701)
Interest earned on Reserve funds	116,542
Closing Balance as at 30 June 2013	2,860,997

ITEM: 5.2

Page 4 of 6

Table B

Community Investment Fund - capitalise **0.7%** of the Community Investment Fund balance of \$10,253,000.

Investment and Growth Reserve - transfer 20% of the budgeted **\$6,710,685** investment income.

Community Investment Fund	Actual
Opening Balance as at 1 July 2012	-
Transfer of Funds from NRCCT	9,478,926
Transfer of capitalised funds	71,771
Closing Balance as at 30 June 2013	9,550,697

Investment and Growth Reserve	Actual
Opening Balance as at 1 July 2012	1,544,019
Transfer to reserve of Investment income	1,342,137
Transfer (to)/from CIF reserve	32,620
Interest earned on Reserve funds	120,043
Closing Balance as at 30 June 2013	3,038,819

Table C

Community Investment Fund - capitalise **2.4%** of the Community Investment Fund balance of \$10,253,000.

Investment and Growth Reserve - transfer 20% of the actual **\$7,300,159** investment income.

Community Investment Fund	Actual
Opening Balance as at 1 July 2012	-
Transfer of Funds from NRCCT	9,478,926
Transfer of capitalised funds	246,072
Closing Balance as at 30 June 2013	9,724,998

Investment and Growth Reserve	Actual
Opening Balance as at 1 July 2012	1,544,019
Transfer to reserve of Investment income	1,460,032
Transfer (to)/from CIF reserve	(141,681)
Interest earned on Reserve funds	120,263
Closing Balance as at 30 June 2013	2,982,633

ITEM: 5.2

Page 5 of 6

Table D

Community Investment Fund - capitalise **0.7%** of the Community Investment Fund balance of \$10,253,000.

Investment and Growth Reserve - transfer 20% of the actual **\$7,300,159** investment income.

Community Investment Fund	Actual
Opening Balance as at 1 July 2012	-
Transfer of Funds from NRCCT	9,478,926
Transfer of capitalised funds	71,771
Closing Balance as at 30 June 2013	9,550,697

Investment and Growth Reserve	Actual
Opening Balance as at 1 July 2012	1,544,019
Transfer to reserve of Investment income	1,460,032
Transfer (to)/from CIF reserve	32,620
Interest earned on Reserve funds	125,763
Closing Balance as at 30 June 2013	3,162,434

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the councils 2012-2022 Long Term Plan and as such are in accordance with council's decision making processes and sections 76-82 of the Local Government Act 2002.

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council.

Recommendations:

1. That the report "Allocation of 2012-2013 Investment Revenue between the Community Investment Fund (CIF) and the Investment and Growth Reserve (I&G)" by Simon Crabb, Finance Manager, dated 2 October 2013, be received.
2. Capitalise 2.4% of the Community Investment Fund balance of \$10,253,000 and transfer 20% of the budgeted \$6,710,685 investment income to the Investment and Growth Reserve;
OR
3. Capitalise 0.7% of the Community Investment Fund balance of \$10,253,000 and transfer 20% of the budgeted \$6,710,685 investment income to the Investment and Growth Reserve;
OR
4. Capitalise 2.4% of the Community Investment Fund balance of \$10,253,000 and transfer 20% of the actual \$7,300,159 investment income to the Investment and Growth Reserve;
OR

ITEM: 5.2

Page 6 of 6

5. Capitalise 0.7% of the Community Investment Fund balance of \$10,253,000 and transfer 20% of the actual \$7,300,159 investment income to the Investment and Growth Reserve.
- AND/OR**
6. Elect alternative recommendations 2, 3, 4 or 5 and approve a further discretionary amount of XX to be retained in the Community Investment Fund.
-

ITEM: 5.3

Page 1 of 1

ISSUE: **Consultation on Five and Seven Year Leasehold Properties**

ID: A587134

To: Extraordinary Council Meeting, 8 October 2013

From: Lisa Aubrey, General Manager – Finance and IT

Date: 3 October 2013

This item will be sent out under separate cover.

ITEM: 5.4

Page 1 of 1

ISSUE: Oyster Bond Alternative Proposal

ID: A586982

To: Extraordinary Council Meeting, 8 October 2013

From: Colin Dall, Consents/Monitoring Senior Programme Manager

Date: 3 October 2013

This item will be sent out under separate cover.

ISSUE: Business with the Public Excluded**ID:** A587013**TO:** Extraordinary Council Meeting, 8 October 2013**FROM:** Chris Taylor, Council Secretary**SUMMARY:** The purpose of this report is to recommend that the public be excluded from the proceedings of this meeting to consider the confidential matters detailed below for the reasons given.

Recommendations:

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reason\Grounds
6.1	Confidential Minutes of the Extraordinary Council Meeting -1 October 2013	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.
6.2	Request to Purchase Freehold of Leasehold Property	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to allow the council to carry on, without prejudice or disadvantage, negotiations, including commercial and industrial negotiations (section 7(2)(i)).
6.3	Request to Purchase Freehold of Leasehold Property - Others	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to allow the council to carry on, without prejudice or disadvantage, negotiations, including commercial and industrial negotiations (section 7(2)(i)).
