

**Audit and Risk Subcommittee**  
**Tuesday 6 October 2020 at 10.30am**

# **AGENDA**

## Audit and Risk Subcommittee Agenda

Meeting to be held in the Council Chamber  
36 Water Street, Whangārei  
on Tuesday 6 October 2020, commencing at 10.30am

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

### MEMBERSHIP OF THE AUDIT AND RISK SUBCOMMITTEE

Chairperson, Councillor Colin Kitchen

Councillor John Bain

Councillor Amy Macdonald

Councillor Joce Yeoman

Ex-Officio Penny Smart

Independent Financial Advisor  
Geoff Copstick

Independent Audit & Risk  
Advisor Danny Tuato'o

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<b>1.0 HOUSEKEEPING</b>	
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<b>6.1</b> Confirmation of Confidential Minutes - 24 June 2020	
<b>6.2</b> Up date form AON Insurance	

**TITLE:** Confirmation of Minutes - 24 June 2020

**ID:** A1358805

**From:** Judith Graham, Corporate Excellence P/A

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**Recommendation**

That the minutes of the Audit & Risk Subcommittee meeting held on 24 June 2020 to be confirmed as a true and correct record.

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**Attachments/Ngā tapirihanga**

Nil

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**Authorised by Group Manager**

**Name:** Bruce Howse, Group Manager - Corporate Excellence,

**Title:** Group Manager - Corporate Excellence

**Date:**

**TITLE:** 2019/20 Annual Report and Deloitte Audit Report

**ID:** A1362628

**From:** Simon Crabb, Finance Manager

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### **Executive summary/Whakarāpopototanga**

The Deloitte Audit Report on the matters arising from their 2019/20 end of year audit is attached as Attachment One. Peter Gulliver (Deloitte Audit Partner) will attend the September Subcommittee meeting to discuss this report.

The independent member of council, Geoff Copstick, has performed a review of the 2020 Annual Report and has provided a written report summarising his observations, attached as Attachment Two.

The Summary 2020 Annual Report and the Full 2020 Annual Report are attached as Attachment Three and Four respectively. The final formatting and layout of these documents is still being performed.

The final signed audit opinions will be released upon council's adoption of the Summary and the full Annual Report on 20 October 2020, and Deloitte receiving the signed letters of compliance and representation.

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### **Recommendation(s)**

1. That the report '2019/20 Annual Report and Deloitte Audit Report' by Simon Crabb, Finance Manager and dated 10 September 2020, be received.
2. That the Subcommittee endorse a recommendation to council that the Summary Annual Report, the Full Annual Report, and the financial statements for the year ended 30 June 2020 be adopted.

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### **Background/Tuhinga**

#### **2019-20 Financial Result**

Council posted a total comprehensive revenue and expense surplus for the 2019/20 financial year of \$5.38M. At the August 2020 council meeting, the draft net surplus after transfers from/(to) special reserves presented to council was \$40K.

The movement from the draft result to the total comprehensive revenue and expense reported in the 2020 Report is explained in Table One over the page.



Table One

<b>2019/20 DRAFT net surplus after transfers to reserves reported to Council in August 2020</b>	<b>40,311</b>
Add back the transfers to Special Reserves as these do not form part of the statutory reporting format	2,787,233
Add back the transfer to reserves approved by Council in August as they do not form part of the statutory reporting format:	
- COVID-19 Reinstatement Reserve	1,700,000
- Opex Reserve	467,695
Add back non-cash gains/(losses) on the revaluation of council's assets:	
- Investment properties & vested assets	1,149,349
- Owner occupied land & buildings	394,411
- Carbon credits	156,267
- NEST Loan interest	43,775
- Infrastructure assets	(1,253,564)
- Forestry holdings	(107,000)
<b>Total Comprehensive Revenue &amp; Expense - as reported in the 2019/20 Annual Report</b>	<b>\$5,378,477</b>

### Deloitte Audit Report

The following two matters were included as part of the Audit findings commentary in the Deloitte Audit report (refer Attachment Three) and will be discussed further by the Audit partner (Peter Gulliver) at the Subcommittee meeting.

#### 1. Restatement of Prior Year Infrastructure values

During this year's annual reporting programme it was discovered that several land parcels associated with the Whangarei Detention Dam were incorrectly accounted for in the last valuation (2017) of the dam supplied to NRC by its independent valuer.

Council holds an easement to use a number of land parcels associated with the dam, and in 2017 these parcels were incorrectly valued based on full ownership, while a small amount (\$58K) of valid land was excluded from the valuation. The overall impact was a net overstatement in the value of the Dam in 2017 of \$2.9M.

This overstatement was corrected in the 2020 financial statements by reducing the opening balance of the Dam assets and council's equity, by \$2.9M in the 2019 financial figures (the comparative column).

To avoid this oversight happening again, a record of title will be required to be held on file by the department responsible for engaging an independent valuer. Furthermore, all valuation reports will be confirmed as correct, with reference to any title records, by the council officer responsible for the asset valuation.

## 2. Investment Property Valuations

### a. Independent Valuation of the Kensington Development Project

In determining the market value of the Kensington Development Project at 30 June 2020, councils independent valuers (Telfer Young) used an approach that calculated a completed development value of \$11,950,000 inclusive of the sales proceeds of the childcare site.

The budgeted cost of project is \$15,476,800 (including land, construction and holding costs), which implies that in the view of Telfer Young the value of the completed project is going to be less than overall cost of the project.

### b. Independent Valuation of the Kaipara Service Centre Development Project

Telfer Young valued the Kaipara Service Centre Development Project at 30 June 2020 at \$185K reflecting the costs of demolition and site clearance only, disregarding the development costs spent to date of approximately \$745K.

Telfer Young also stated in their valuation report that the return from investment of the Kaipara Service Centre project *"is well below what would be required by an investor in this location"*.

In reference to 2a and 2b, Deloitte make the point that property valuations are based on a number of assumptions and professional judgement. Deloitte suggest council may want to consider engaging with Telfer Young directly to fully understand their assumptions and the approach that underpins the values attributed to these two development projects.

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## Considerations

### Options

No.	Option	Advantages	Disadvantages
1	Adopt	Facilitate the adoption and public availability of the 2020 Annual Report and 2020 Summary Annual Report within the statutory timeframes set out in the LGA 2002.	None
2	Do not Adopt	The annual report can be amended if required	A special council meeting would need to be called before 31 October 20 to adopt a revised 2020 Annual Report and comply with the Local Electoral Act 2001 and the Local Government Act 2002.

The staff's recommended option is 1.

## 2. Significance and engagement

In relation to section 79 of the Local Government Act 2002, this decision is considered to be of low significance when assessed against council's Significance and Engagement Policy because it has previously been consulted on and provided for in council's Long Term Plan and/or is part of council's day to day activities. This does not mean that this matter is not of significance to tāngata whenua and/or individual communities, but that council is able to make decisions relating to this matter without undertaking further consultation or engagement.

## 3. Policy, risk management and legislative compliance

Endorsement of the recommendations is consistent with sections 98 and 99 of the Local Government Act 2002 regarding the timeframes for adoption and public availability of the annual report and the requirement for an audit report to be included in both the full Annual Report and Summary Annual Report.

### Further considerations

Being a purely administrative matter, financial implications, community views, and Māori impact statement are not applicable.


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### Attachments/Ngā tapirihanga

Attachment 1: 2019/20 Deloitte Audit Report [↓](#) 

Attachment 2: 2019/20 Geoff Copstick Commentary [↓](#) 

Attachment 3: 2019/20 Annual Report Summary [↓](#) 

Attachment 4: 2019/20 Annual Report [↓](#) 

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### Authorised by Group Manager

**Name:** Bruce Howse, Group Manager - Corporate Excellence,

**Title:** Group Manager - Corporate Excellence

**Date:**

**Deloitte.**



**Northland Regional Council**

Report to the Audit and Risk Subcommittee  
for the year ended 30 June 2020  
23 September 2020

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- B. Our audit explained
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- D. Internal control findings
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2. Appendices to the final report

- Appendix 1: Purpose of report and responsibility statement
- Appendix 2: Independence and fees
- Appendix 3: Other communications
- Appendix 4: Simplifying the Annual



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## A. Partner introduction

We are pleased to present this report to the Audit & Risk Committee on the consolidated group financial statements and groups of activity statement of Northland Regional Council ('NRC' or 'Council') and its subsidiaries ('Group') for the year ended 30 June 2020..

We have substantially completed our audit subject to the satisfactory resolution of the remaining outstanding items. As of the date of this report, the most significant outstanding items are :

- Procedures relating to the final disclosures in the financial statements and annual report;
- Completion of internal quality review procedures;
- Appropriate procedures relating to subsequent events up to the date of our audit opinion;
- Receipt of the signed management representation letter; and
- Adoption of the financial statements and annual report by Council


Included in this report are the matters arising from our audit which we consider appropriate for the attention of the Audit & Risk Subcommittee. These matters have been discussed with management and their comments have been included where appropriate.

This year's audit scope was consistent with the prior year.

As previously communicated, and as mandated by the OAG, our audit report will include an emphasis of matter (EOM) paragraph in relation to how Covid-19 has impacted the Group's financial results. Management has included several disclosures within the financial statements to explain the key impacts, which mainly relate to the various investment property and owner occupied property valuations. The EOM paragraph within our audit report will make reference to these disclosures.

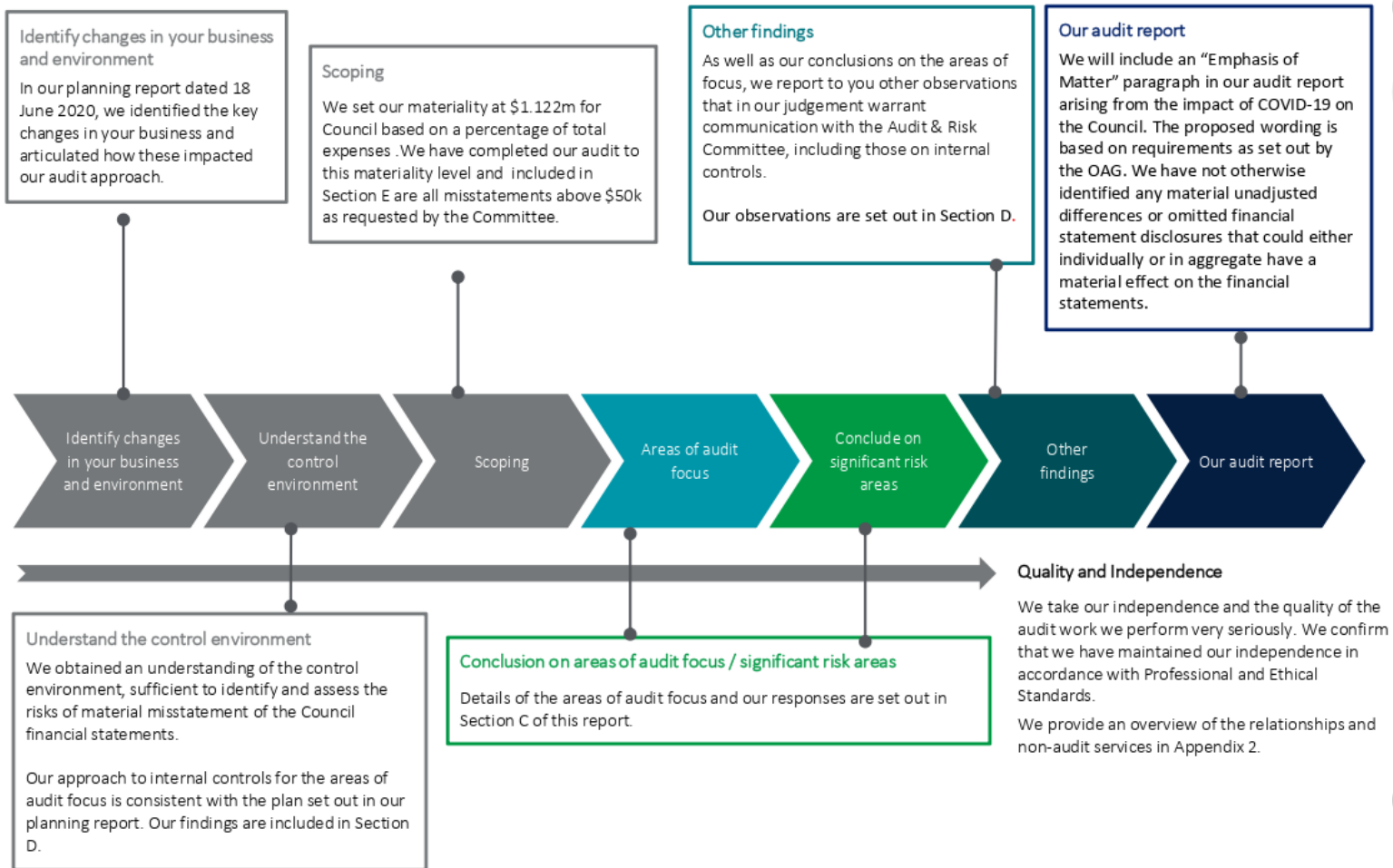
We look forward to the Committee meeting on 30th September 2020 where we will have the opportunity to discuss this report. In the interim, should you require clarification on any matter in this report please do not hesitate to contact us.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit.

  
Peter Gulliver, Partner  
for Deloitte Limited  
Appointed Auditor on behalf of the Office of the Auditor General  
Auckland | 23 September 2020



## B. Our audit explained – a tailored approach



## C. Areas of audit focus – dashboard

The following areas of audit focus are consistent with the areas identified in our planning report.

Area of audit focus	Significant risk	Presumed fraud risk	Planned controls testing approach	Level of management judgement required
Asset valuations and assessment of carrying values of assets	No	No	D+I	●
Governance and valuation of investment assets	No	No	D+I	●
Legislative compliance: rates revenue	No	No	D+I OE	●
Validity of fees and charges revenue	Yes	Yes	D+I	●
Management override of controls	Yes	Yes	D+I	N/A
Impact of Covid-19	No	No	N/A	N/A
Other matters including OAG audit brief requirements	No	No	D+I	●

### Approach to controls

D+I: Testing of the design and implementation of key controls  
OE: Testing of the operating effectiveness of key controls

### Level of management judgement required





## C. Areas of audit focus

Area of audit focus	Our approach	Audit findings
<p><b>Asset valuations and assessment of carrying values of assets</b></p> <p>NRC recognises the following classes of asset at fair value:</p> <ul style="list-style-type: none"> <li>• Infrastructure assets;</li> <li>• Land and buildings;</li> <li>• Investment properties;</li> <li>• Emissions trading units;</li> <li>• Forestry assets</li> </ul> <p>Determining the fair value of assets requires management and independent valuers to make a number of judgments around the appropriate valuation methodology and assumptions. Valuation outcomes are often sensitive to variations in the key assumptions.</p> <p>This gives rise to a risk around the valuation of these assets at year-end and the treatment of movements in fair value during the year.</p>	<p>In order to address this risk, we</p> <ul style="list-style-type: none"> <li>• Obtained the independent valuations of the relevant asset classes;</li> <li>• Obtained representations directly from the independent valuers confirming their valuation methodology;</li> <li>• Reviewed the key underlying assumptions used by the independent valuers to determine whether these assumptions were reasonable and in line with the relevant financial reporting and valuation standards;</li> <li>• Assessed the appropriateness of the assumptions in light of the impact of Covid-19;</li> <li>• Held various discussions with the valuers as appropriate;</li> <li>• Determined whether the revaluation transactions are correctly accounted for and disclosed in the financial statements. If there is significant valuation uncertainty noted as a result of Covid-19, ensure that this has been adequately disclosed in the financial statements; and</li> <li>• Considered any caveats included in the valuation.</li> </ul> <p>We have specifically considered the valuation approach for the Kensington development and the Kaipara Service Centre which are both under development at year end.</p> <p>We also performed testing over the sale of the assets relating to the Marsden Point Rail Link (MPRL) to ensure the appropriate accounting treatment and disclosure is reflected in the financial statements.</p>	<ul style="list-style-type: none"> <li>• During FY20, Council discovered that a number of land parcels associated with the Whangarei Detention Dam were incorrectly accounted for in the valuation of the dam supplied to the Council by its independent valuer in 2017 (when these assets were last valued). This has resulted in an overstatement in the value of infrastructure assets by \$2.9m which has been corrected as a prior year adjustment. The 2019 balance sheet has been restated by reducing the value of the infrastructure assets and equity accordingly. Appropriate disclosures have been included in the financial statements.</li> <li>• As part of the current year infrastructure asset valuation process management have obtained certificate of title searches to ensure that all land included as part of the valuation is correctly owned by Council.</li> <li>• As a result of Covid, the valuers have applied assumptions regarding the reasonably possible impacts of Covid based on available information on 30 June 2020. This created a greater degree of uncertainty on the valuation of these assets as at 30 June 2020. However it is important to note that this does not mean the valuation cannot be relied upon for the purposes of financial reporting, rather that there may be a wider degree of variation in relation to key assumptions and inputs into the valuation. This uncertainty has been appropriately disclosed in the financial statements and noted in our audit report as part of a Covid related emphasis of matter paragraph.</li> </ul> <p>On the following page we have commented specifically on the valuation of the Kensington and Kaipara Hub property being developed.</p>



## C. Areas of audit focus

### Audit findings

#### Asset valuations and assessment of carrying values (continued)

##### Investment property valuations

###### *Former Countdown Supermarket – Kensington*

We note that the Kensington property, which is subject to a development project, has been independently valued by Telfer Young for financial reporting purposes at \$6,150,000 as at 30 June 2020. After accounting for the project costs of \$4,383,000 incurred during the year this asset has been written down by \$2,133,000 since 30 June 2019. This essentially means the valuers are not ascribing value for the full amount of development costs incurred. We noted the same position as part of our 2019 report to Council.

In their report the valuers comment that they have assessed the property using a residual development approach, which assumes a completed development. Accordingly the valuers have capitalised assessed market rents to arrive at an “as if complete” value, from which are deducted leasing costs (including incentives), construction costs, holding costs, a contingency and an allowance for profit and risk. The valuer has been advised that 6 agreements to lease are now unconditional representing nearly 50% of the proposed floor area. A further 34% of the retail units have either heads of agreement or conditional agreements to lease with the remaining 16% being in early negotiations or enquiry stage. The rents agreed to date are well above other rents within Kensington, the Regent and other suburban shopping centres which is positive but also presents potential sustainability risks. There are still a number of units within the development not leased and while rents are underway and generally above market rentals, most of these agreements will likely have substantial incentives.

This valuation approach derives an “as completed” market value of \$11,950,000 (including the sale of the childcare land) which is less than the budgeted total development cost of \$15,476,800 (including land cost, construction, and holding costs) implying a negative project value.

###### *32 Hokianga Road, Dargaville*

This property will be a new office for Northland Regional Council and Kaipara District Council. During the year, \$744,706 of costs have been incurred to develop this property. Telfer Young has independently valued the property at \$185,000 as at 30 June 2020 resulting in a write down of \$754,706 in FY20 which means that all development costs incurred in FY20 has been written off.

As development costs are expected to exceed \$9,000,000 plus GST, the valuers have indicated that the return is well below what would be required by an investor in this location. Given the projected overall deficit, the property has been valued as a clear development site at the date of assessment reflecting the cost of demolition and site clearance.

Valuation of development properties is an exercise in professional judgement based on various assumptions and other considerations. We also note that valuation of partially completed developments introduces additional judgements around expected rent arrangements. In order to fully understand the approach the valuers have taken and the likely final outcomes for these two development projects we recommend Council seeks to engage with the valuers directly.



## C. Areas of audit focus

Area of audit focus	Our approach	Audit findings
<p><b>Governance and valuation of investment assets</b></p> <p>NRC has a significant portfolio of investment assets. The strategy around the use of this investment portfolio and the returns received are an important component of Council's funding of its activities.</p> <p>This gives rise to risks around the robustness of governance processes around these investments, the valuation of the investments at year-end, and whether the appropriate accounting treatment has been applied in respect of those valuations, as well as fair value movements.</p>	<p>We addressed these risks through :</p> <ul style="list-style-type: none"> <li>• Evaluating the governance processes and controls around investment assets. This will involve determining whether investment mandates and parameters are monitored as part of governance arrangements, including the risk/return strategy employed and the adequacy of reporting in this area;</li> <li>• Ascertaining the quality of controls in place at the investment manager and custodian by obtaining internal control audit reports;</li> <li>• Reviewing the accounting treatment applied to investment assets against relevant financial reporting standards;</li> <li>• Reviewing the calculation of investment asset fair values at year-end; and</li> <li>• Reconcile and validate the cash movements in and out of the investment funds</li> </ul>	<p>During our audit of the financial assets held in various investment funds we compare the allocation of assets to the benchmarks in the Statement of Investment Policy and Objectives (SIPO). The SIPO for each fund governs the make-up of the fund, benchmark asset allocations, and minimum / maximum holdings for particular asset fund types.</p> <p>We note that Council's fund manager reports this information on a quarterly basis. As at 30 June 2020 two short term funds had breached the allocation per SIPO:</p> <ul style="list-style-type: none"> <li>- Quay Street Income currently sitting at 32.7% (range of 0-30% per SIPO)</li> <li>- Self Managed cash fund currently sitting at 13.8% (range of 0-5% per SIPO).</li> </ul> <p>We note this allocation was in response to the current market conditions. The Investment Committee has approved this allocation whilst assets are being rebalanced.</p>



C. Areas of audit focus

Area of audit focus	Our approach	Audit findings
<p><b>Legislative compliance: rates revenue</b></p> <p>Over recent years there have been a number of issues within the Local Government sector arising from rates not being set in accordance with the Local Government (Rating) Act 2002 (LGRA). Compliance with the detail of the LGRA is vital: if the rate is not within the range of options and restrictions provided for in that Act, it may not be valid.</p> <p>Management and Council need to continue to ensure that the requirements of the LGRA are adhered to and that there is consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the respective LTP or Annual Plan (AP).</p>	<p>In order to address this risk, we:</p> <ul style="list-style-type: none"><li>• Tested the controls around the rates setting process at Council;</li><li>• Completed a ‘work programme’ compiled by the OAG, (similar to that completed in the prior year), to assist us in determining if rates had been set correctly by the Council;</li><li>• Reviewed the meeting minutes recording the adoption of the rates resolution, determining whether the rates are in accordance with the revenue and financing policy as well as reviewing any other information available with regard to rates.</li></ul> <p>We note that we are not legal experts and we recommend Council continue to have their legal advisor review the documentation supporting the setting of rates to confirm legislative compliance.</p>	<p>We identified no material misstatement during our testing on rates.</p> <p>We note that Council uses Simpson Grierson to review its rating documentation prior to its adoption. This is a good process that should be continued.</p>



C. Areas of audit focus

Area of audit focus	Our approach	Audit findings
<p><b>Validity of fees and charges revenue</b></p> <p>There is a risk that fees and charges revenue may be misstated if they are calculated incorrectly or revenue is recognised incorrectly.</p> <p>We have identified this as our presumed risk of fraudulent revenue recognition as required by auditing standards.</p>	<p>We tested a sample of fees and charges revenue for accuracy. We also reviewed the recognition policy and practice against relevant financial reporting standards to ensure the revenue is recognised at the right time.</p>	<p>We identified no material misstatement in respect of fees and charges revenue.</p>



## C. Areas of audit focus

Area of audit focus	Our approach	Audit findings
<p><b>Management override of controls</b></p> <p>We are required to design and perform audit procedures to respond to the risk of management's override of controls.</p>	<p>As part of our testing of the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the Group financial statements, we performed the following testing:</p> <ul style="list-style-type: none"> <li>• Understand and evaluate the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the Group financial statements.</li> <li>• Test the appropriateness of a sample of journal entries and adjustments and make enquiries about inappropriate or unusual activities relating to the processing of journal entries and other adjustments.</li> <li>• Review accounting estimates for bias that could result in material misstatement due to fraud, including assessing whether the judgements and decisions made, even if individually reasonable, indicate a possible bias on the part of management.</li> <li>• Perform a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's Group financial statements.</li> <li>• Obtain an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the entity and its environment.</li> </ul>	<p>We have not identified any inappropriate journal entries or indications of management bias.</p> <p>We have communicated to management that best practice would be for all manual journal entries to be reviewed independently of the journal preparer prior to posting.</p>



## C. Areas of audit focus

Area of audit focus	Our approach	Audit findings																								
<p><b>COVID-19 Impact</b></p> <p>Covid-19 continues to rapidly evolve, and has already had a significant impact on the operations of many organisations.</p> <p>Entities must carefully consider their unique circumstances and risk exposures when analysing how recent events may affect their financial reporting. Specifically, financial reporting and related financial statement disclosures need to convey all material effects of Covid.</p> <p>For Northland Regional Council the FY20 impacts will likely manifest themselves in relation to investment property revaluation uncertainties (refer earlier area of focus), and the level of provisioning required for rates receivables and receivables due for other income items.</p>	<p>We have maintained regular contact with management over the last 6 months in particular to ensure we understand the Council's position with respect to Covid-19, including for the FY20 year subject to audit, but also FY21 where the Annual Plan required additional consideration with respect to areas where income would be reduced and costs removed or deferred.</p> <p>With respect to FY20 our work have included additional emphasis on:</p> <ul style="list-style-type: none"><li>• Provision for doubtful debts on other receivables such as fees and charges;</li><li>• The provisioning approach for rates receivables given the likely additional financial stress amongst the rate payer base;</li><li>• Fair value measurements, particularly investment properties;</li><li>• The recognition and disclosure of grant income received to provide support to certain sectors of the community;</li><li>• Recognition and disclosure of wage subsidies claimed; and</li><li>• Disclosures made in the financial statements</li></ul> <p>It is important that the Annual Report provides appropriate insight into the risks and uncertainties facing the organisation due to Covid and the judgements that have been made in preparing financial information.</p>	<p>Covid-19 has resulted in impacts to key estimates and judgements used in the following areas:</p> <ul style="list-style-type: none"><li>• Investment property, owner occupied freehold land and buildings, infrastructure and forestry assets. Refer to slide 6 for further discussions.</li><li>• Provision for non collection of rates receivables and general debtors as at 30 June 2020.</li></ul> <p>Council has assessed the non collection risk of rates receivables based on an analysis of Council's historical non-collection rate from each district. Council also incorporated an additional Covid provision of \$49k which is based on the movement in the unpaid current Whangarei District Council rates of 20%. The rates receivable balance for other territorial authorities have remained relatively in line with prior year representative of the fact that rate payments have not been materially impacted by Covid at this stage.</p> <p>To assess if Council's provision for each territorial authorities is sufficient, we have performed a stress test of the impact of the estimated collection rate on the provision.</p> <table><tr><th></th><th>WDC \$'000</th><th>FNDC \$'000</th><th>KDC \$'000</th></tr><tr><td>Provision for uncollected rate arrears (excluding penalties)</td><td>254</td><td>1,690</td><td>271</td></tr><tr><td><b>Average</b> collection rate for rate arrears based on last 3 years</td><td>55%</td><td>11%</td><td>39%</td></tr><tr><td><b>Worst</b> collection rate for rate arrears in the last 3 years</td><td>52%</td><td>9%</td><td>33%</td></tr><tr><td>Additional provision based on worst collection rate</td><td>17</td><td>43</td><td>27</td></tr><tr><td>Additional provision based on worst collection rate and additional 10% stress test</td><td>73</td><td>209</td><td>71</td></tr></table> <p>We also noted that Council has taken advantage of \$1.5m from the central government's wage subsidy effectively reducing the labour cost for Northland ratepayers. This has been disclosed in the financial statements.</p>		WDC \$'000	FNDC \$'000	KDC \$'000	Provision for uncollected rate arrears (excluding penalties)	254	1,690	271	<b>Average</b> collection rate for rate arrears based on last 3 years	55%	11%	39%	<b>Worst</b> collection rate for rate arrears in the last 3 years	52%	9%	33%	Additional provision based on worst collection rate	17	43	27	Additional provision based on worst collection rate and additional 10% stress test	73	209	71
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## C. Areas of audit focus

### Other matters including OAG audit brief requirements

Area of audit focus	Our approach	Audit findings
<b>Performance, waste and probity</b>  Ensuring that Parliament's expectations are met with respect to use of rate payer funds is a key feature of any audit in the public sector.	Our audit approach included a specific programme of work, as in previous years, covering the following aspects: <ul style="list-style-type: none"> <li>• Confirming Council has the appropriate policy framework for areas such as delegated authorities, fraud, conflicts of interest etc.</li> <li>• Ensuring we understand any changes made to such policies.</li> <li>• Testing certain areas of sensitive expenditure to ensure spending is appropriate and authorised in accordance with policy and best practice.</li> <li>• Reviewing areas such as credit card expenditure, fuel card expenditure, and mobile phone expenditure.</li> </ul>	We did not identify any issues in respect of performance, waste, and probity.
<b>Managing conflicts of interest and related party transactions</b>  Councils are required to ensure that there are appropriate procedures in place to identify and manage conflicts of interest that related party disclosures in the financial statements are complete.	Our audit procedures on related party disclosures included searching public records for potential related party relationships (such as the Companies Office website).  We also ensured any entries in the interests register were individually assessed, and those which met the definition of a related party transaction during the year were disclosed in the Annual Report. This included remuneration disclosures relating to the Councillors and key management personnel.	We are satisfied that related party transactions including remuneration disclosures relating to Councillors have been appropriately disclosed in the annual report.
<b>Financial prudence</b>  Councils are required to include appropriate benchmarking reporting in the Annual Report as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.	Our audit procedures included reviewing the disclosures and recalculating key ratios to determine whether Council was in compliance with these regulations.	We identified no issues in respect of these disclosures.





## C. Areas of audit focus

### Other matters including OAG audit brief requirements and proposed response

Area of audit focus	Our approach	Audit findings
<p><b>Legislative compliance and more specifically legality of rates</b></p> <p>The Council is subject to significant regulatory and legislative compliance requirements. The Council needs to have adequate systems in place to monitor compliance with legislation along with any changes occurring in the applicable legislation.</p>	<p>Our audit procedures included looking at Council's processes for ensuring legislative compliance, including specifically testing compliance with legislation that materially impacts on the financial statements. This included the Local Government Act 2002 and the Local Government (Rating) Act 2002. In particular extensive work was completed on the rates setting process, as outlined in the Areas of Focus section above.</p>	<p>We identified no issues in respect of legislative compliance for the current financial year.</p>
<p><b>Provincial growth fund</b></p> <p>The Provincial growth fund represents a \$3billion investment of public money in projects and initiatives which aim to lift productivity potential in New Zealand's regions.</p> <p>Councils are required to account for the fund in accordance with PBE accounting standards and be transparent with their communities about the funding.</p> <p>The Council has had one Provincial Growth fund contract relating to the Water Storage and Use Project.</p>	<p>We reviewed all contracts in place (multiple contracts relating to the one project).</p> <p>We focused on the risk that revenue may not be recorded in the appropriate accounting period due to incorrect recognition or deferral of revenue. This could arise from incorrectly identifying conditions or restrictions associated with revenue transactions or incorrectly applying the contractual terms associated with the timing of when revenue is recognised.</p>	<p>There are a number of conditions with this funding and revenue can only be recognised when each separately identified condition is met.</p> <p>Further the project has now been passed to another community organisation and so the financial impacts have been concluded in Council's financial statements for the year ended 30 June 2020.</p>



## C. Areas of audit focus

### Other matters including OAG audit brief requirements and proposed response

Area of audit focus	Our approach	Audit findings
<p><b>Fraud</b></p> <p>The primary responsibility for the prevention and detection of fraud rests with management and the Council, including designing, implementing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.</p>	<p>Throughout the financial year we remained alert for issues that indicate fraud.</p> <p>Specifically our work involved:</p> <ul style="list-style-type: none"> <li>• Formal inquiries of the Council, management and others within the entity regarding the risks of fraud within the Council including the processes in place to mitigate those risks;</li> <li>• Documenting systems and internal controls used by the Council to prevent and detect fraud. In this area we will raise any weaknesses with management and the Council as applicable;</li> <li>• Remaining alert for the existence of any confidentially clauses in employment contracts that may prevent disclosure of information and thus reduce the level of transparency of spending of public monies; and</li> <li>• Reviewing the current fraud policy to ensure it follows OAG guidance and ensure management and employees are aware of the fraud policy and its content.</li> </ul>	<p>We do not have any matters to report with respect to actual or suspected fraud, or Council's policy framework in this area.</p>



## D. Internal control findings

### Assessment of internal control

Our audit approach requires us to obtain an understanding of an entity's internal controls, sufficiently to identify and assess the risks of material misstatement of the Group's financial statements whether due to fraud or error.

We remind you that our audit is not designed to express an opinion on the effectiveness of the controls operating within the Council. We will report to management any recommendations on controls that we identified during the course of our audit work. The matters being communicated are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported. Our recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

### Observations and recommendations in the current period

We have not identified any significant deficiencies in internal controls which would impact upon our ability to provide our opinion. Any minor control observations have been communicated to management throughout the course of the audit.



## E. Summary of unadjusted differences

In performing our audit, we have not identified unadjusted differences that could individually or in aggregate have a material effect on the consolidated financial statements for the year ended 30 June 2020.



## F. Summary of audit adjustments - disclosures

In performing our audit, no material uncorrected disclosure deficiencies were detected in the Group financial statements.



## Appendix 1: Purpose of report and responsibility statement

### Purpose of report

This report has been prepared for the Audit & Risk Committee and is part of our ongoing discussions as auditor in accordance with our engagement letter and master terms of business dated 17<sup>th</sup> June 2020 and as required by New Zealand auditing standards.

This report is intended for the Council’s Audit & Risk Committee (and other Council members) and should not be distributed further. We do not accept any responsibility for reliance that a third party might place on this report should they obtain a copy without our consent.

This report includes only those matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to the Committee. The ultimate responsibility for the preparation of the Group financial statements rests with the Council.

### Responsibilities

We are responsible for conducting an audit of the Group for the year ended 30 June 2020 in accordance with New Zealand auditing standards issued by the NZ Auditing and Assurance Standards Board. Our audit is performed pursuant to the requirements of the Public Audit Act 2001, the Local Government Act 2002, and taking into consideration instructions received from the Office of the Auditor General, with the objective of forming and expressing an opinion on the Group’s financial statements, performance information, and other requirements of Schedule 10 that have been prepared by management with the oversight of the Council. The audit of the Group financial statements and group of activities statement does not relieve management or the Council of their responsibilities.

Our audit is not designed to provide assurance as to the overall effectiveness of the Council’s controls but we will provide you with any recommendations on controls that we may identify during the course of our audit work.



## Appendix 2: Independence and fees

Effective 1 April 2020, the updated Code of Ethics (AAG PES 1) introduce a change to the Auditor-Generals' independence requirements by placing limitation on "other work" that can be carried out by auditors, over and above the work we carry out on behalf of the Auditor-General. We have obtained approval to provide the below services for the year ending 30 June 2020.

The professional fees earned by Deloitte Limited in the period from 1 July 2019 to 30 June 2020 are as follows:

	CY (\$'000)	PY (\$'000)	Notes
Fees payable for the audit of the Council's annual report and summary financial statement	120	118	
OAG overhead	11	12	
Other assurance engagements relating to the Debenture Trust Deed and audit of the Register of Security Stock	6	6	
<b>Total audit related and other assurance fees</b>	<b>137</b>	<b>136</b>	
Cyber governance maturity assessment	5	10	
Agreed upon procedures for Waima Waitai Wairoa project	5	-	
Review of Annual Plan for 2020-2021	2	-	(1)
Online Fraud and Corruption Awareness Training	-	8	(1)
<b>Total services</b>	<b>149</b>	<b>154</b>	

(1) These are one-off services provided during FY19 and FY20.

Deloitte has been engaged to undertake certain advisory work for Waka Kotahi. This engagement is in relation to certain additional costs that are being passed on by bus operators to Regional Councils and therefore to Waka Kotahi as a result of new provisions in the Employment Relations Amendment Act. Any interaction between the Deloitte engagement team and Northland Regional Council in relation to this project will be via Waka Kotahi and will not involve members of the audit team. We have obtained OAG approval to provide this service to Waka Kotahi.



### Appendix 3: Other communications

The following matters are communicated in accordance with the requirements of New Zealand auditing standards:

Non-compliance with laws and regulations	In performing our audit of the Group for the year ended 30 June 2020, we have not become aware of any instances of non-compliance with applicable laws and regulations that may have an impact on the determination of material amounts and disclosures within the financial statements.
Accounting policies / financial reporting	<p>There were no changes in accounting policies during the year ended 30 June 2020.</p> <p>We have not become aware of any other significant qualitative aspects of the Group’s accounting practices, including judgements about accounting policies, accounting estimates and financial statement disclosures that need to be communicated to the Audit &amp; Risk Committee.</p>
Related parties	No significant related party matters other than those reflected in the Group financial statements came to our attention that, in our professional judgement, need to be communicated to the Audit & Risk Committee
Written representation	A copy of the representation letter to be signed on behalf of the Council has been circulated separately.
Other information	We have read the other information (the financial and non-financial information other than the financial statements) contained within the annual report to consider whether there are material inconsistencies with the financial statements.

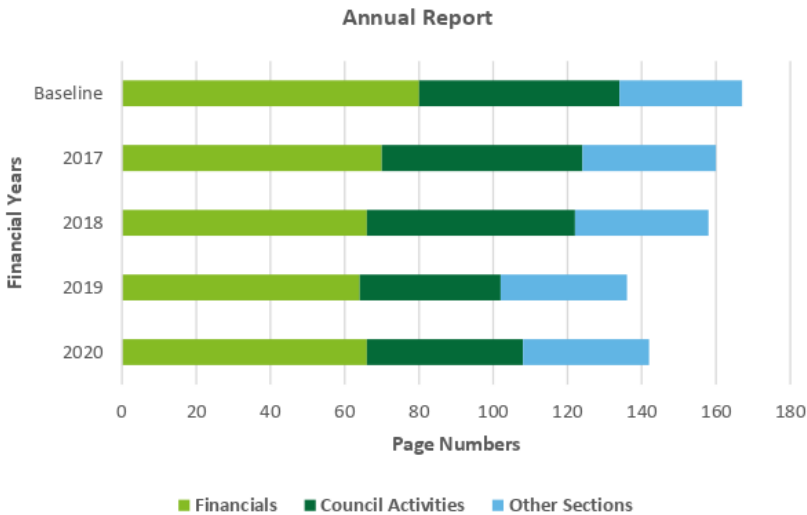


## Appendix 4: Simplifying the annual report

Since we were appointed as your auditors, we have been on a journey with management on simplifying the annual report.

The chart below shows the change in page numbers per section year on year. We have segregated the annual report into three main areas – the Financials (relating to Section 3 Financial Statements), Council Activities (relating to Section 2 which includes the statement of service performance, the funding impact statements for each activity and financial prudence); and Other Sections (relating to Section 1 Overview, Section 4 Legislative disclosures and section 5 CCO’s and Subsidiaries).

Note we have included the 2016 annual report to act as the baseline comparative data.



	Number of pages reduced since FY16	% change
Financials	14	18%
Council Activities	12	22%
TOTAL	26	19%

**Commentary of changes**

In FY19, our focus was on reducing the Council Activities section due to Year 1 implementation of the 2018-2028 LTP.

In FY20, there is a slight increase in page numbers across the sections due to Covid-19 and the drought response which resulted in additional disclosures to illustrate the impact these events have on Council operations for the year.

We expect there to be a further opportunity to streamline and improve the non financial performance measure disclosures as part of the upcoming 2021-31 LTP.







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## Northland Regional Council – Audit & Risk Subcommittee

### 2019/20 Annual Report & Audit

#### *Geoff Copstick – Independent Financial Advisor*

Over the past few months, as in the past few last years, I have attended both audit planning and reporting progress meetings with Simon Crabb and the team from Deloitte to be able to communicate directly to councillors on any pertinent issues that arose through the process of preparing, and the audit of NRC's 2020 Annual Report. Central government's alert level response to Covid-19 and the pandemic itself were predicted to significantly challenge both team's ability to complete the work and meet the deadlines set by law. Now that the report is finalised I can report that both Simon Crabb and NRC's finance team and the Deloitte's team have more than met those challenges. By sheer hard work, good use of technology and above all consistent professional collaboration the report is complete and audited without qualification, well ahead of schedule. Council should be very, very proud of Simon and be assured that our, now 4-year relationship with our auditors is robust, respectful and delivering efficiency. Peter Gulliver our audit partner again rates NRC's performance as among the best of the local government entities he is involved with as an OAG-appointed auditor.

Given the turbulence created by Covid-19 comparisons of the numbers in the financial statements to the prior year give some useful illustrations of how resilient Malcolm and the ELT have made NRC and some insights into the stresses building up right now in the local, national and global economies; stresses I advise council to monitor very carefully though existing resources or perhaps to consider establishing (or connecting with) an economic data analysis team for that purpose.

1. Again NRC has posted a materially better result than was planned. NRC has posted a \$4.8Million surplus (against \$0.3Million loss per the LTP). I have extended the analysis of operating cashflows into the 2020 year and draw councillors attention to the ever-shifting bias of cashflows (both inflows and expenditure) between NRC controlled and non-controlled sources – this year I have further split out the cash inflows because of the \$7M increase this year in income from grants and subsidies (largely unplanned and by my analysis non-controllable) which accrues on the basis of work done (and expenditure incurred – in 2020 ~ \$6M disclosed in note 4 on page 83 of the report as 'other operating expenses'). The table shows that MMH income is steady and that NRC-controlled inflows have declined (following the bumper year for rates income in 2019 – the rates affordability metric and last year's report tells that story! This year the over-plan income and expense flowed from grants and subsidies and the work NRC is obliged to undertake to get them.

NRC - Cashflow trends 2016 - 2020									
NZ\$000s			2016	2017	2018	2019	2020	Average change	Average change (LY)
NRC controlled cash inflows			28,217	27,529	29,808	38,039	33,690	5.5%	11.2%
Cash from grants and subsidies			1,964	3,257	2,644	4,900	14,890	84.1%	44.1%
MMH Dividends			2,712	3,100	3,432	3,488	3,543	7.1%	8.9%
Total			32,893	33,886	35,884	46,427	52,123		
Operating costs			- 30,733	- 33,755	- 35,047	- 41,441	- 47,485	18.2%	6.8%
Operating cash inflow			2,160	131	837	4,986	4,638		

The need for investment gains and a stable or increasing dividend from MMH to pay for our increasing cost base may still hold but this year the picture is hugely overshadowed by the success NRC has enjoyed getting 3<sup>rd</sup> party grants albeit these are matched by costs incurred to do the work involved (and thus P&L neutral by and large) but in the post Covid economy such grants and subsidies may be harder to get, require more of NRC as a recipient or not be available at all. Council should seek assurance NRC is not hard wiring cost structures into place that will be hard to scale back if grant and subsidy income dries up in the years to come. I also advise council that if this ad-hoc activity is going grow, then additional financial reporting from Vincent and Simon to present in more detail the kinds of expenses associated with grants and subsidies and ensure the new ERP system facilitates transparent and full reporting of each income and cost stream over time (like a portfolio report).

Another resource allocation issue exposed by this year's numbers is that these cash inflows, the activities undertaken and their associated costs are unplanned – NRC does not control when these grants become available nor the quantum available to NRC. If these activities displace planned workstreams where resources are constrained councillors will have to judge the tensions between what is planned and approved against what is made possible by these grants.

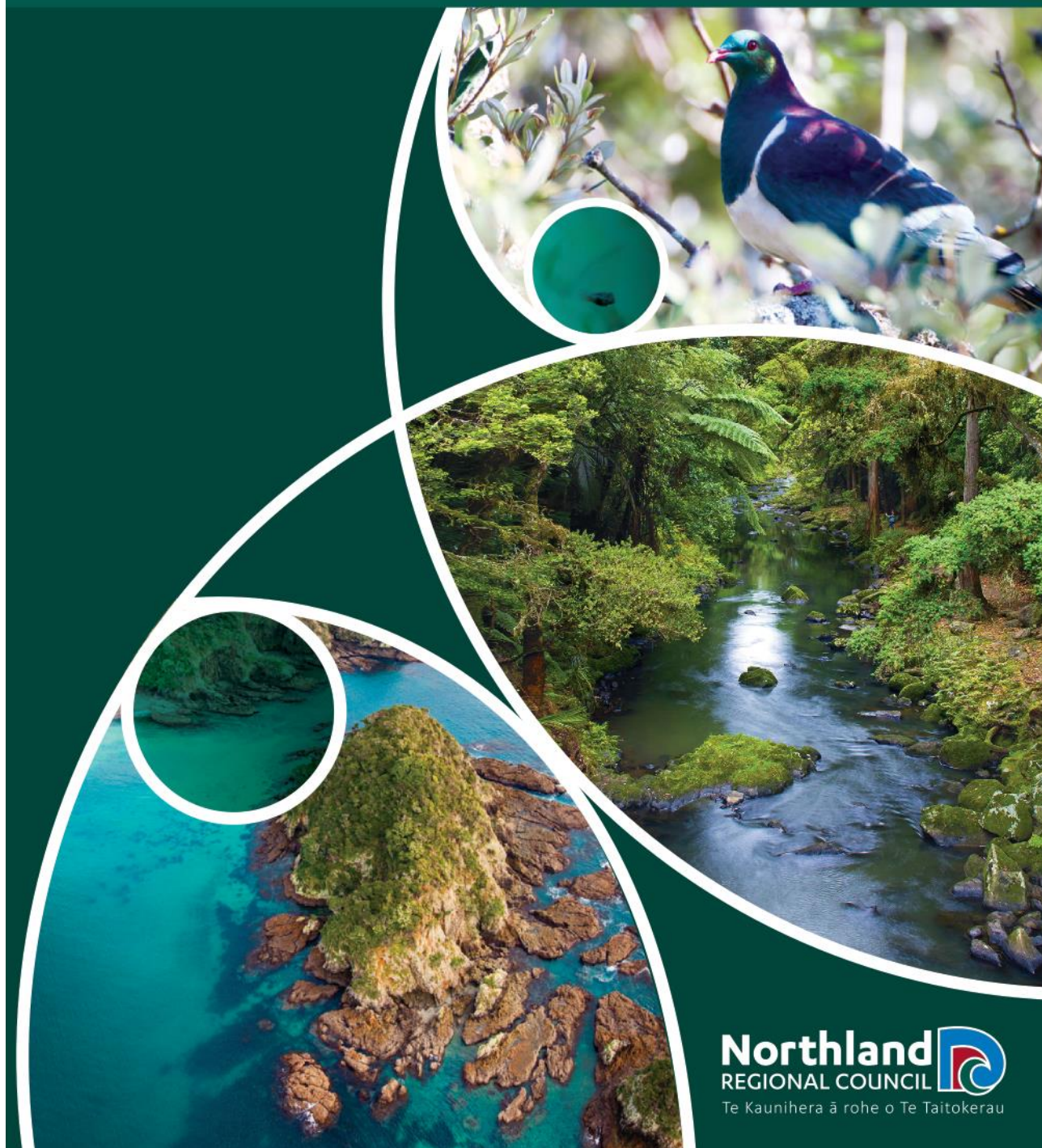
2. Last year the subcommittee asked that to the extent possible under the OAGs audit arrangements Peter Gulliver present evidence to us that Deloitte's are consistently working to ensure NRC is getting value for money – this should be no surprise to Peter - it was a condition of our endorsement of his firm getting the gig!!
3. Evidence of the wider economic stresses building following Covid-19 have already been alluded to regarding the availability of central government grants (note that government debt is now much higher than the previous recent highs in 2012/2013 - ~26%). Elsewhere in our accounts we see the value of our assets under pressure and certainly very volatile. Volatility is uncertainty by definition and the issue for NRC is our strategy to rely on the earning capacity of our diverse and substantial balance sheet to supplement rates income. I have previously said that Malcolm and the ELT had done a frankly remarkable job of building core competency at NRC while remaining flexible enough to cope with earnings volatility – but our commercial property portfolio, our managed funds and even some current assets (eg rates receivable) are in my opinion very vulnerable to general economic stress and another quandary worth debating is that general economic stress generates real needs among the communities we serve and potentially inflates expenses to meet those needs. This year MMH wrote down commercial property it owns as tenants closed or wound down operations, the valuers reporting on our own development projects cast some doubt on the recoverable value of those ongoing investments and as we have heard the bonds and shares comprising our managed funds are volatile (see 1-year VIX index below). The assets we derive income from weaken in the very situations that amplify community needs and I recommend council devote some time to develop policy to guide NRC on high level balance sheet management and to seek creative ways of breaking the deadlock between these two contrary conditions.





# Pūrongo ā tau whakarāpopototanga **2020**

*Annual Report Summary 2020*





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## Kia ora and welcome

### He Kupu Whakataki nā te Heamana rāua ko te Tumuaki

*We've all had to dig deep and draw on reserves we didn't know we had to withstand challenge and upheaval in the last year (July 2019 to June 2020). Welcome to our Annual Report, which provides a snapshot of some of our activities during this time.*

We've risen to the challenges of drought, pandemic, economic uncertainty and political change and have remained true to our mission to create a healthy environment, a strong economy and resilient communities.

The October local government elections brought four new councillors to our nine-member council. We acknowledge the leadership and achievements of our outgoing and incoming elected representatives.

Our region endured one of the most severe droughts on record. Northland's Civil Defence Emergency Management Group worked alongside many other agencies in a collaborative response to the drought and pandemic crises.

The COVID-19 pandemic required a rapid response from the council and we continued to provide the business-as-usual services that keep our environment, people and communities healthy and safe.

Among the milestones achieved, the three-year Otuihau-Whāngarei Falls project to improve water quality in the upper Hātea river reached its final stages.

We're in the second year of the eight-year \$15 million Awanui flood risk reduction programme and are on target with our work to reduce flood risk to Kaitiā township and its surrounding communities.

The council completed pre-feasibility work for the region's water storage and use project, now managed by a Trust. The intent is to capture more of Northland's rain and make it available when it's needed, providing greater resilience to climate change and generating new economic opportunities.

Protection of the region's dune lakes is continuing with the most recently-completed work at Lakes Wahakari and Waiparera in the Far North and several lakes in the Kai Iwi and Poutō lakes area.

Outstanding success is being noted in animal and weed pest control programmes run by thousands of volunteers throughout the region. They are vital to achieving the environmental outcomes you've told us are important. Without them, it would be much harder to achieve positive change in the communities we serve.

**Ehara taku toa I te toa takitahi,  
engari kē he toa takitini**

*Success is not the work of one,  
but the work of many*



**Malcolm Nicolson**  
Chief Executive Officer



**Penny Smart**  
Chair

This summary of Northland Regional Council activities is for the year 1 July 2019 to 30 June 2020 and contains information from our full Annual Report 2020. The full report for the financial year to 30 June 2020 was authorised for issue by resolution of Northland Regional Council on 20 October 2020. The Annual Report Summary was authorised for issue by the Chief Executive on 21 October 2020. For our full audited Annual Report, visit [www.nrc.govt.nz/annualreport](http://www.nrc.govt.nz/annualreport)



# Ngā hua o 2019/20

## Highlights of 2019/20

### Together we thrive

*Our strength lies in collaboration with community groups, iwi and hapū and we have consolidated existing partnerships and forged new ones throughout the year. Thousands of volunteers work with us on wide-ranging initiatives such as pest animal control, weed busting, riparian and coastal planting, raising plants in shade houses and fencing to keep stock out of waterways.*

They are a formidable force and we were able to acknowledge their passion and dedication through our annual Environmental Awards, now in their second year. We've welcomed a new generation of environmental action

with the addition of 15 Early Childhood Education Centres to our EnviroSchools programme and we now have 126 EnviroSchools in our region. Our \$20,000 Environmental Leaders Fund assists schools with some of this work while a \$10,000 allocation from our biosecurity environment fund supports practical hands-on environmental projects that have a positive impact on our environment.



4



### Improving freshwater quality

*We know that improving freshwater quality is a high priority for our communities - that's why we're spending millions of dollars on looking after our streams, rivers, lakes and wetlands. Much of this work is collaborative, involving landowners, tāngata whenua, community organisations and government agencies committed to a common goal. An example is Walmā Waltai Walora - a unique partnership that brings together these groups with a shared vision to improve the mauri (spiritual life force) of the Kaipara Harbour.*

The regional council's part in this project includes: promoting good farming and forestry principles and restoration practices, supporting landowners with sustainable land

management, subsidising fencing, planting on highly erodible land, stock water reticulation and wetland enhancement. This work combines to reduce the amount of sediment going into the Northern Wairoa River and flowing out into the harbour. Protecting our dune lakes in the Aupōuri (Far North) and Poutō/Kai Iwi Lakes (Kaipara) areas is an ongoing project of considerable importance, again involving the regional council and communities determined to improve the water quality in their fragile taonga. Among other freshwater projects, the three-year Otuihau-Whāngarei Falls project to improve water quality in the upper Hātea River has reached its final stages.

5



# Ngā hua o 2019/20

## Highlights of 2019/20



### Pest control in action

*All over our region, people from all walks of life are giving of their time to tackle pest plants and animals in Northland, often in harsh country and inhospitable conditions. Their dedicated effort to restore and protect our environment so that our native plants and animals can flourish is truly astounding.*

Much of this work is the result of community partnerships and collaborations and we are proud to be part of these efforts to help our environment recover and thrive. Kiwi numbers have risen from 80 to 900 in Whangārei Heads since 2002 and there are now 76 Community Pest Control Areas (CPCAs) covering 130,393 hectares in Northland.

The 155 community groups comprising “Kiwi Coast” have killed 396,634 pests in the last seven years. We supplied 9,000 predator traps to help with this work and contributed \$196,070 from the Environment Fund for pest control in the last year. Close to 2,050 boat hulls were inspected during our annual marine biosecurity hull surveillance programme to prevent the spread of marine pests, and we’re working with 117 landowners to protect kauri in the region.

### A strong economy

*Regional economic growth is an important part of our wellbeing. The COVID-19 pandemic has had, and is likely to continue to place a significant constraint on the Northland economy. Job opportunities for young people in tourism related and construction industries will be severely limited without government initiatives.*

To that end we’re working closely with our regional economic development agency, Northland Inc. Limited, the three district councils and central government agencies to deliver co-ordinated recovery initiatives in Northland. In the last year, we’ve supported, through our Investment and Growth

Reserve, the development of a project to build pasture resilience to pest and disease in Northland, a pā-based amphitheatre visitor experience project at Mōkau, and the Northland water storage and use project. Through the same fund, we made an enabling investment funding allocation to the Manea Footprints of Kupe cultural and education centre at Opononi.





# Ngā hua o 2019/20

## Highlights of 2019/20

### Protecting our people

*Flooding ranks as one of the highest risks for Northland, so the development of flood protection infrastructure and various river works are a priority for the council. A comprehensive programme of flood protection work is in progress in the Awanui catchment where we're in the second year of an eight-year \$15 million flood risk reduction programme to provide a higher level of flood protection for Kaitāia township and its surrounding communities.*

The work includes a new spillway to direct water away from the Bell's Hill slip site, work on the lower Awanui River catchment, and stopbank stabilisation behind the Te Ahu centre. Updated river flood maps for Awanui and Kerikeri

catchments are now complete. They're based on the latest survey data available and the new modelling is showing reduced flood risk in these areas. A new 113-metre long flood wall in Woods Road, Whangārei is increasing the level of flood protection in flood-prone Commerce Street. The \$360,000 project is a small part of a \$1 million programme of flood mitigation works spanning three years.



### Resilient communities

*The region's four councils work together on civil defence emergency management, along with emergency services, welfare groups, other agencies and trained volunteers, to build resilience in our communities.*

Storms, flooding and tsunami are among the highest risks to Northland and are a focus for Northland's civil defence emergency management network. However, it was the arrival of COVID-19 pandemic overlapping with drought that this

year required the longest continuous response in the history of the Northland Civil Defence Emergency Management (CDEM) Group. Both responses brought their own challenges and led to new ways of working together with other organisations, and more formal collaboration with Northland iwi has been a hugely positive outcome of this time.

### Disclosure statement

Both the Northland drought and the COVID-19 pandemic have brought significant challenges this financial year, meaning a number of our performance measures and targets have not been met. While council has undertaken measures to reduce the impact of COVID-19 on its financial operations such as reduced, postponed or cancelled work streams and cost-savings across all activities, none of this has resulted in a reduction in the levels of service provided or put at risk the obligations and duties of the council in the 2019/20 year.



# Tā mātou mahi whakarāpopoto

## Summary of our performance

Some of our measures have not been met as a result of the Northland drought response and the COVID-19 pandemic. For more information, please refer to the full Annual Report 2020.

### Governance and engagement

4 out of 10 targets met



14%

subscriber increase in online and social media channels.

66%

of Northland schools and kindergartens participated in the EnviroSchools programme.

25%

of residents surveyed were satisfied with how council involves the public in decisions.

### Customer services and community resilience

9 out of 11 targets met



308,789

people used the Whangārei urban bus service, with 91.8% satisfied with the service.

58%

of customers surveyed said they were satisfied with the quality of service they received from the council.

100%

of reported faults in aids to navigation were responded to within five working days.

### River management

1 out of 1 target met



No failures in flood protection systems for the Awanui, Whangārei and Kāeo schemes.

### Environmental services

5 out of 12 targets met



10,953<sub>ha</sub>

of additional land was added to the land already under Community Pest Control Areas.

32,730<sub>ha</sub>

increase in land actively managed under a sustainable farm environment plan.

### Economic development

1 out of 2 targets met



100%

Northland Inc's compliance with Local Govt Act requirements relating to its Statement of Intent (SOI).

63%

of Northland Inc's SOI key performance indicators achieved.

### Regulatory services

7 out of 15 targets met



60 and 15

popular swimming sites

popular shellfish collection sites were monitored monthly during summer.

100%

of resource consents were processed within statutory timeframes.

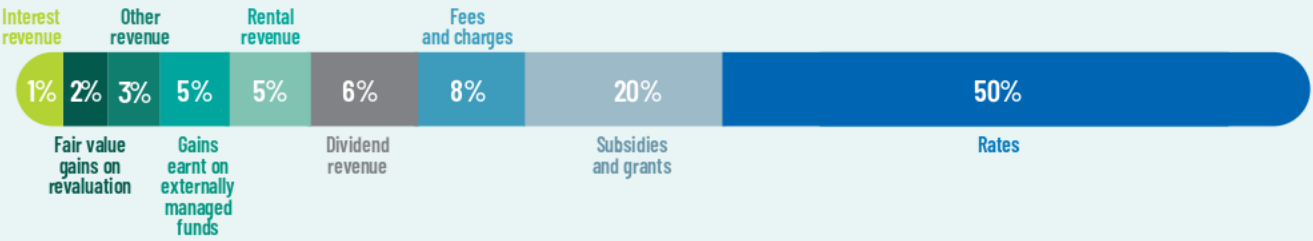
100%

of monitored air sheds met national environmental standards.

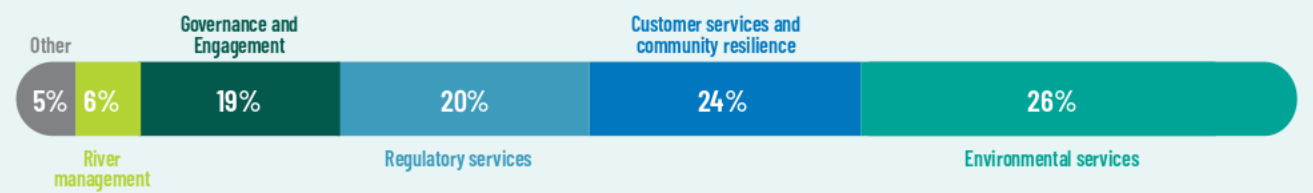
# Te whakarāpopoto o te pūrongo pūtea

## Financial summary

### \$59M Actual revenue



### \$54M Actual operational spending



**Council's revenue for the 2019-20 financial year was \$9.9M more than its 2019-20 Annual Plan, mainly due to:**

- » Increases in subsidy revenues, off-setting the increased costs incurred over a number of council projects and work programmes.
- » Unbudgeted COVID-19 wage subsidies.
- » Vested assets and increases in the fair value (non-cash) of council's investment properties.

**Council's total expenses for the 2019-20 financial year was \$4.8M more than its 2019-20 Annual Plan, mostly due to:**

- » Project costs not in the Annual Plan that arose during the year that were funded by unbudgeted subsidies received.
- » Welfare support and drought support payments made during the year and funded from Central Government subsidies.
- » Losses arising from asset revaluations, and the disposal of the Marsden Point Rail Link Joint Venture.
- » Lower than budget expenditure due to savings, delays and work programmes not coming on line as anticipated by year end.

### Other budget variations

- » Council's current assets are higher than its 2019-20 Annual Plan mainly due to the funding requirement for council's two development projects being held in the short term investment fund.
- » Council's non current assets are lower than its 2019-20 Annual Plan mainly due to lower capital expenditure occurring during the year than planned, and a reduction in the value of infrastructure assets.
- » Council's current liabilities and non-current liabilities vary from the 2019-20 Annual Plan as a \$10M loan due for repayment in August 2020 has been transferred from non-current, and classified as a current liability in the Annual Report.

### Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2020	Council 30 Jun 20 \$000	Annual Plan 30 Jun 20 \$000	Council 30 Jun 19 \$000	Consolidated 30 Jun 20 \$000	Consolidated 30 Jun 19 \$000
REVENUE					
Operating revenue (excluding share of associate and joint venture company surplus and rates)	29,517	19,225	22,877	33,163	27,030
Rates	29,487	29,860	27,203	29,497	27,203
Total revenue	59,014	49,085	49,820	62,660	54,233
EXPENDITURE					
Operating expenses (excluding finance expense)	53,317	48,114	43,978	62,026	50,744
Finance costs	930	1,340	903	1,430	1,241
Total expenditure	54,247	49,454	44,881	63,456	51,985
Share of associate and joint venture company surplus	-	-	-	8,748	9,007
Income tax	-	-	-	(22)	(19)
SURPLUS/(DEFICIT) AFTER TAX	4,767	(369)	4,939	7,930	11,236
Attributable to:	-	-	-	-	-
Northland Regional Council	4,767	(369)	4,939	4,799	6,604
Non-controlling interest	-	-	-	3,131	4,632
OTHER COMPREHENSIVE REVENUE AND EXPENSE - Financial assets at fair value through other comprehensive revenue and expense					
Gains/(loss) on property revaluations (other than investment properties)	522	-	10	(601)	540
Gains/(loss) on carbon credit revaluation	156	-	36	156	36
Gains/(loss) on infrastructure asset revaluation	(66)	-	-	(66)	-
Net hedging movement (joint venture company)	-	-	-	(186)	(308)
Total other comprehensive revenue and expense	612	-	46	(697)	268
TOTAL COMPREHENSIVE REVENUE AND EXPENSE	5,379	(369)	4,985	7,233	11,504
Attributable to:	-	-	-	-	-
Northland Regional Council	-	-	-	4,709	6,769
Non-controlling interest	-	-	-	2,524	4,735

# Te whakarāpopoto o te pūrongo pūtea

## Financial summary

### Statement of Financial Position

As at 30 June	Council 30 Jun 20 \$000	Annual Plan 30 Jun 20 \$000	Council 30 Jun 19 \$000	Consolidated 30 Jun 20 \$000	Consolidated 30 Jun 19 \$000
Current assets	32,493	12,463	19,014	33,859	20,992
Non-current assets	156,431	172,724	160,103	304,327	304,873
<b>TOTAL ASSETS</b>	<b>188,924</b>	<b>185,187</b>	<b>179,117</b>	<b>338,186</b>	<b>325,865</b>
Current liabilities	(21,196)	(6,394)	(6,866)	(23,142)	(9,552)
Non-current liabilities	(10,182)	(27,901)	(20,084)	(27,600)	(33,036)
<b>TOTAL LIABILITIES</b>	<b>(31,378)</b>	<b>(34,296)</b>	<b>(26,950)</b>	<b>(50,742)</b>	<b>(42,588)</b>
<b>NET ASSETS/EQUITY</b>	<b>157,546</b>	<b>150,892</b>	<b>152,167</b>	<b>287,444</b>	<b>283,277</b>

### Statement of Changes in Equity

For the year ended 30 June 2020	Council 30 Jun 20 \$000	Annual Plan 30 Jun 20 \$000	Council 30 Jun 19 \$000	Consolidated 30 Jun 20 \$000	Consolidated 30 Jun 19 \$000
<b>OPENING BALANCE</b>	152,167	151,261	150,089	283,277	277,697
Adjustment to infrastructure asset value*	-	-	(2,907)	-	(2,907)
<b>OPENING EQUITY (2019 restated)</b>	<b>152,167</b>	<b>151,261</b>	<b>147,182</b>	<b>283,277</b>	<b>274,790</b>
Total comprehensive revenue and expense for the year	5,379	(369)	4,985	7,233	11,503
Dividends paid	-	-	-	(3,066)	(3,017)
<b>CLOSING EQUITY</b>	<b>157,546</b>	<b>150,892</b>	<b>152,167</b>	<b>287,444</b>	<b>283,277</b>
Attributable to:					
Northland Regional Council	157,546	150,892	152,167	222,982	218,273
Non-controlling Interest	-	-	-	64,462	65,004
	<b>157,546</b>	<b>150,892</b>	<b>152,167</b>	<b>287,444</b>	<b>283,277</b>
<b>COMPONENTS OF EQUITY</b>					
Accumulated funds	115,702	137,567	119,943	148,562	152,771
Asset revaluation reserve	1,949	3,963	1,337	35,115	35,105
Hedging reserve	-	-	-	(590)	(490)
Special reserves	39,895	9,362	30,887	39,895	30,887
Minority interest	-	-	-	64,462	65,004
	<b>157,546</b>	<b>150,892</b>	<b>152,167</b>	<b>287,444</b>	<b>283,277</b>

\*During 2019/20, the council discovered that a number of land parcels associated with the Whangarei detention dam were incorrectly accounted for, in the valuation of the dam supplied to council by it's independent valuer in 2017, when the assets were last valued.

### Consolidated Statement of Cash Flows

For the year ended 30 June 2020	Council 30 Jun 20 \$000	Annual Plan 30 Jun 20 \$000	Council 30 Jun 19 \$000	Consolidated 30 Jun 20 \$000	Consolidated 30 Jun 19 \$000
Net cash from operating activities	4,638	3,355	4,986	11,684	11,668
Net cash from investing activities	(1,337)	(9,904)	(6,378)	(9,949)	(15,804)
Net cash from financing activities	-	6,545	1,000	1,335	4,083
<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>3,301</b>	<b>(5)</b>	<b>(392)</b>	<b>3,070</b>	<b>(53)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	606	86	998	1,758	1,811
<b>Closing cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>3,907</b>	<b>81</b>	<b>606</b>	<b>4,828</b>	<b>1,758</b>

### Accounting policies

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

The primary objective of the council is to provide goods or services and perform regulatory functions for the community benefit. The council does not operate to make a profit.

The audited statements of the council and group for the 12 months to 30 June 2020 have been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The council has designated itself and the group as Tier 1 Public Benefit Entities (based on size). The summary financial statements have been prepared in accordance with Tier 1 Public Benefit Entity (PBE) accounting standards as they relate to summary financial statements and comply with Public Benefit Entity Financial Reporting Standard 43 (FRS43) Summary Financial Statements. The full financial statements of the council comply with PBE accounting standards.

The summary financial statements are presented in New Zealand dollars rounded to the nearest thousand dollars, unless otherwise stated.

The summary financial statements have been extracted from the full financial statements so do not include all the disclosures provided in the audited full financial statements and cannot be expected to provide as complete an understanding as provided by the audited full financial statements.

The Annual Report Summary has been audited for consistency with the full Annual Report and the audit opinion issued by Deloitte, on behalf of the Auditor-General is included as part of this document. The full Annual Report received an unmodified Audit Report, which included an emphasis of matter relating to the COVID-19 pandemic, and was adopted by council on 20 October 2020.

In this summary, "council" refers to Northland Regional Council only. The terms "consolidated" and "group" refer to Northland Regional Council and Northland Inc. Limited (100% owned), Marsden Maritime Holdings Limited (53.61% owned) and Regional Software Holdings Limited (16.75% owned). All entities are incorporated and domiciled in New Zealand.



# Te whakarāpopoto o te pūrongo pūtea

## Financial summary

### The impact of the COVID-19 global pandemic

**Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe.**

Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

In response to the global pandemic, New Zealand entered a Government-directed alert level system dictating the level of business activity and social interaction that can take place. When NZ went into Alert Levels 3 and 4, council's Pandemic Plan was enacted to enable the vast majority of council staff to work from home, helping to keep them safe and ensuring business continuity.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It's not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the council for future periods.

**The pandemic has resulted in impacts to key estimates and judgments used in the 2019-20 financial statements including:**

- » Investment property valuations being impacted as at 30 June 2020 as detailed in note 12 of the full 2019-20 Annual Report.
- » Owner-occupied freehold land and building valuations being impacted as at 30 June 2020 as detailed in note 14 of the full 2019-20 Annual Report.

- » Infrastructure asset valuations assumptions being impacted as at 30 June 2020 as detailed in note 14 of the full 2019-20 Annual Report.
- » Provision for uncollectability of rates receivable and general debtors as at 30 June 2020 as detailed in note 7 of the full 2019-20 Annual Report.
- » Forestry asset valuation assumptions being impacted as at 30 June 2020 as detailed in note 16 of the full 2019-20 Annual Report.

**To date, council has undertaken the following steps to reduce the impact of COVID-19 on its operations:**

- » Taken advantage of \$1.5M from the central government's wage subsidy, effectively reducing the labour cost for Northland ratepayers.
- » Reduced, postponed or cancelled work streams and costs without risking the obligations and duties of the council in 2019/20, and originally culling close to \$2.4M of work streams and costs from its 2020/21 Annual Plan.
- » Maintained a larger allocation of cash assets as a driver to de-risk and safeguard the value of council's investment portfolio.
- » Set aside \$1.7M of cash in a COVID-19 reinstatement reserve dedicated to fund the reinstatement of prioritised work streams that were originally culled from the council's 2020/21 work programme.
- » Set aside \$1.6M of cash to be called upon and provide stability should the investment returns from council's externally managed investment portfolio not eventuate as anticipated in 2020/21.
- » Planned to use an additional \$2.3M of cash reserves to fund operations in the 2020/21.

### Events after balance date

Subsequent to balance date, Marsden Maritime Holdings Limited declared a fully imputed dividend of 9.25 cents per share to be paid on 25 September 2020.

In August 2020 the council reduced its debt by \$6.6M, by way of repaying a maturing \$10M debenture (with a fixed interest rate of 3.79%) and taking new a new loan of \$4.4M from the Local Government Funding Agency (with a fixed interest rate of 1.98%) that is set to mature in April 2033.

The council agreed a construction contract in August 2020 to construct a building in Dargaville to accommodate Northland Regional Council and Kaipara District Council staff, and other commercial tenants. The total budget for this project is \$9.2M.

There were no other significant events after balance date.





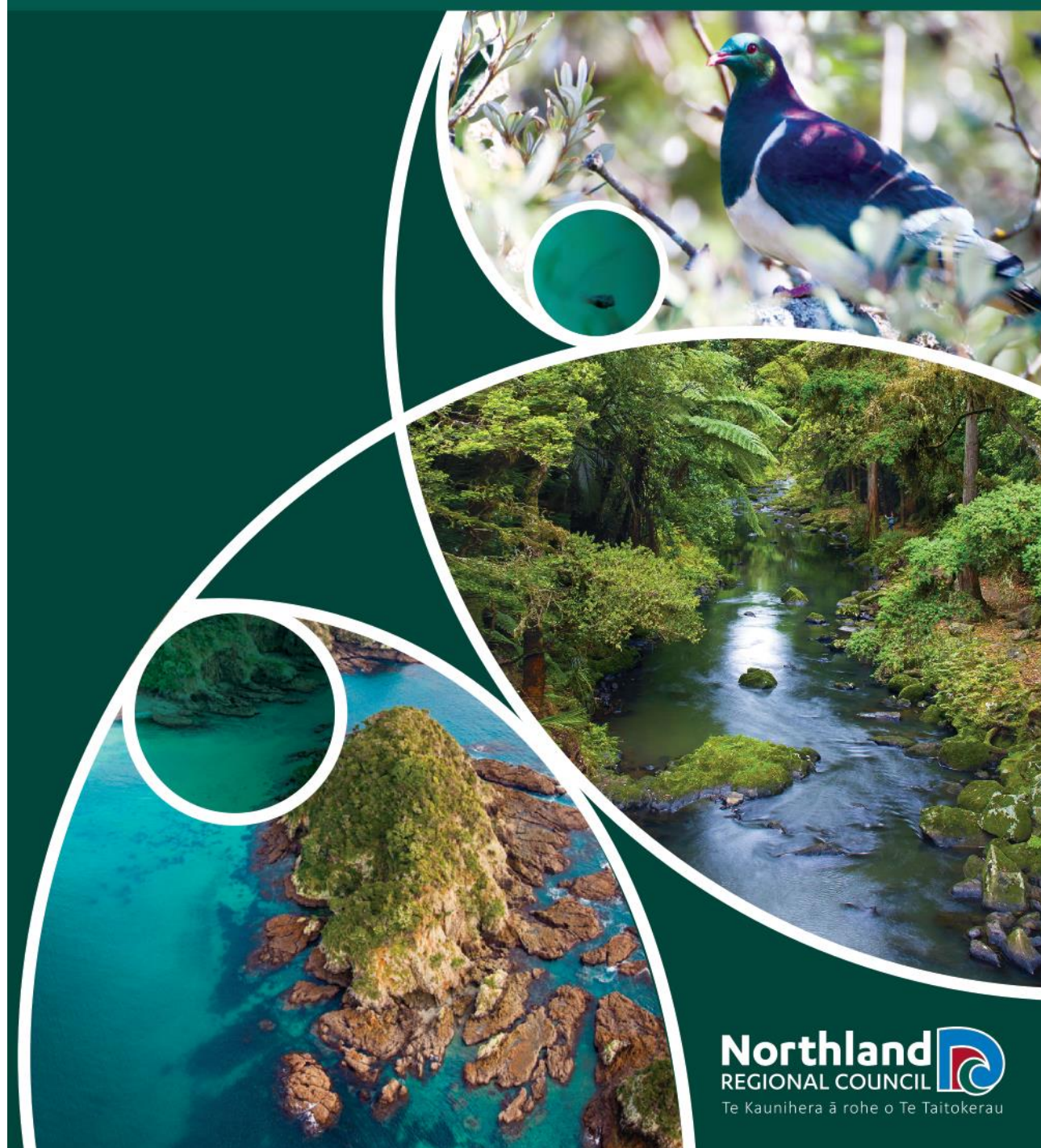


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**Northland**  
REGIONAL COUNCIL   
Te Kaunihera ā rohe o Te Taitokerau

# Pūrongo ā tau 2020

## *Annual Report 2020*





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# Section one: Overview

## Wāhanga tuatahi: Tirohanga whānui

# Chair and CEO's foreword

## Ngā karere mai i te Heamana, Tumuaki

We've all had to dig deep and draw on reserves we didn't know we had to withstand challenge and upheaval, both within and outside our organisation, in the last year (July 2019 to June 2020). Welcome to our Annual Report, which provides a snapshot of some of our activities during this time.

Drought, pandemic, economic uncertainty and political change have punctuated the year, testing our individual and collective strengths and catapulting us into new ways of working and thinking.

We've risen to these challenges and are proud that we have continued to achieve goals, reach milestones and remain true to our mission to create a healthy environment, a strong economy and resilient communities in our region.

The October local government elections brought four new councillors to our nine-member council. We acknowledge the leadership and achievements of our outgoing and incoming elected representatives, who've led with unwavering support during a profoundly uncertain time.

Our region has been tipped into one of the most severe droughts on record, requiring a massive all-of-staff response for a long period of time. Our Natural Resources Monitoring Unit provided essential baseline data to support critical civil defence work.

Northland's Civil Defence Emergency Management Group, along with community groups, welfare and government agencies, iwi/hapu and volunteers, worked long hours in a collaborative response to the drought and pandemic crises.

These partnerships helped us get through these challenging events and demonstrated what can be achieved when communities pull together in times of hardship.

The drought was easing when the COVID-19 pandemic hit, requiring a rapid response from the council. Within days, most of our staff were working from home, marking the beginning of a new way of working and thinking.

Through the combined efforts of staff and councillors, we continued to provide the business-as-usual services that keep our environment, people and communities healthy and safe.

Among the milestones achieved, the three-year Otuihau-Whāngarei Falls project to improve water quality in the upper Hātea river reached its final stages. About 20 kilometres of riparian fencing and 18,000 native plants went into the ground as part of this work.

We're in the second year of the eight-year \$15 million Awanui flood risk reduction programme and are very much on target with our work to reduce flood risk to Kaitiāia township and its surrounding communities. A new spillway to divert floodwaters away from the town is complete.

The council completed pre-feasibility work for the region's water storage and use project under budget and on-time. Reservoir sites have been identified in Kaipara and the mid-North. The intent is to capture more of Northland's rain and make it available when it's needed, providing greater resilience to climate change and economic opportunities for our communities. The commercial implementation phase of this project is now managed by a trust.

Protection of the region's precious and unique dune lakes is continuing with the most recently-completed work at Lakes Wahakari and Waiparera in the Far North and several lakes in the Kai Iwi and Poutō lakes area. The work to improve water quality and protect biodiversity includes fencing, pest fishing and the eradication of invasive water weeds.


Outstanding success is being noted in animal and weed pest control programmes run by thousands of volunteers throughout the region. This army of passionate and dedicated volunteers is vital to achieving the environmental outcomes you've told us are important. Without them, it would be much harder to achieve positive change in the communities we serve.

We were able to acknowledge some of these efforts in this year's Environmental Awards ceremony, livestreamed via Facebook because of the COVID-19 crisis.

We opened a temporary customer service centre in Dargaville staffed by a full time customer services officer and some of the council's Kaipara-based land and biosecurity staff, who will move to a new shared space with Kaipara District Council staff next year.

Ehara taku toa I te toa takitahi, engari kē he toa takitini

*Success is not the work of one, but the work of many*



Penny Smart  
Chair

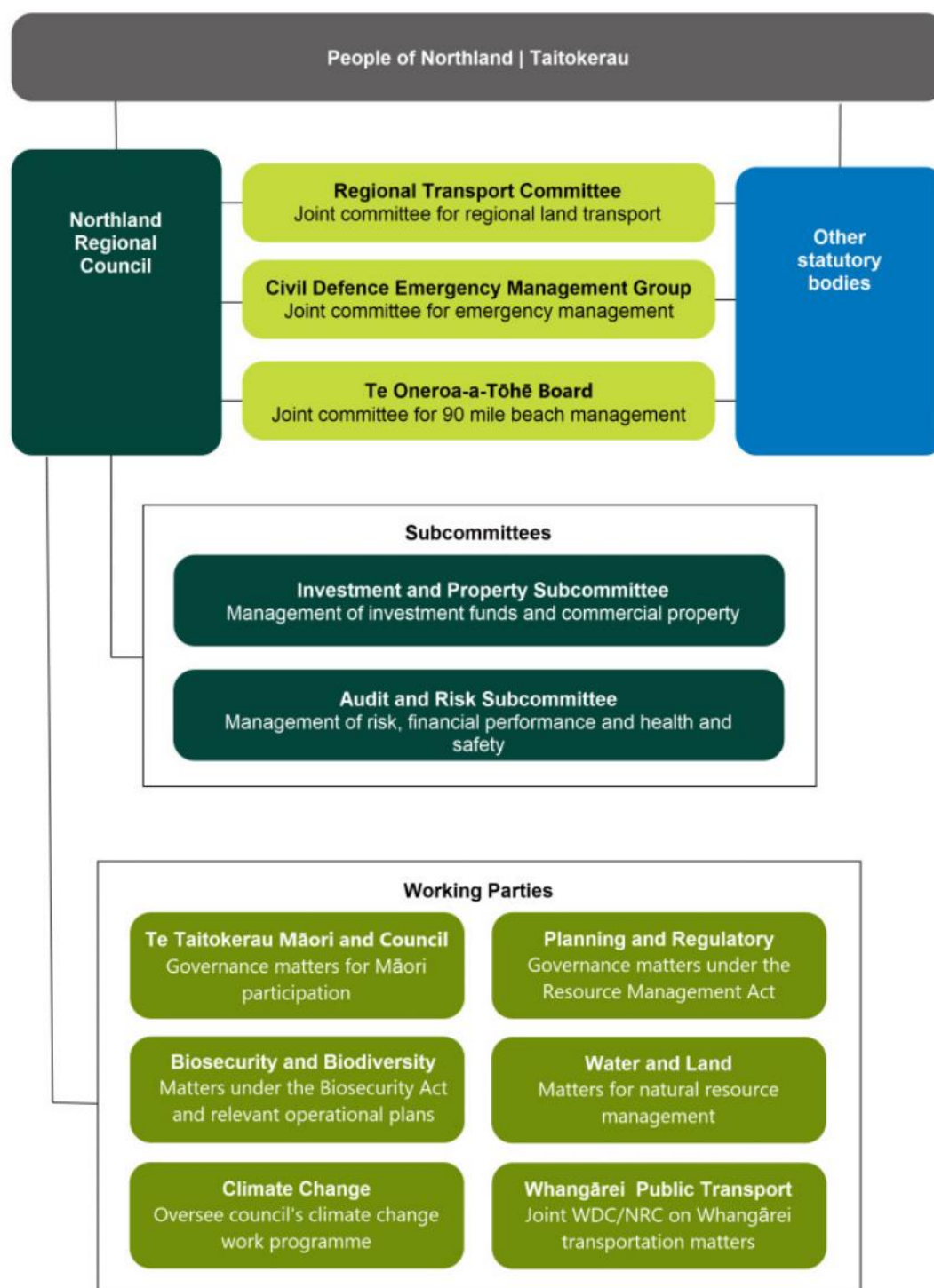


Malcolm Nicolson  
Chief Executive Officer

## Your regional councillors Ō koutou Kaikaunihera



## Governance structure





# Council committees and advisors

## Regional council representation on statutory committees and boards

### Regional Transport Committee

Councillors Bain (Chair), Stolwerk (alternative Councillor Blaikie)

This committee brings together Northland's four councils and the New Zealand Transport Agency, and oversees strategic transport planning and passenger transport functions for the Northland region.

### Civil Defence Emergency Management Group Joint Committee (CDEM Group)

Councillor Stolwerk (alternative Councillor Kitchen)

This joint committee brings together Northland's four councils (with Fire and Emergency and NZ Police in an observer capacity) and sets the strategic direction for the CDEM Group.

### Te Oneroa-a-Tōhē Board

Regional council membership: Councillors Kitchen and Robinson

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).

## Council Subcommittees

### Investment and Property Subcommittee

Councillors Stolwerk (Chair), Blaikie, Bain, Kitchen, Smart (ex officio) (alternative Councillor Craw), and Independent Advisors (x2)

### Audit and Risk Subcommittee

Councillors Kitchen (Chair), Bain, Macdonald, Yeoman, Smart (ex officio) (alternative Councillor Blaikie), and Independent Advisors (x2)

## Council Working Parties

- Climate Change Working Party – comprises Councillors Macdonald (Chair), Craw, Robinson, Yeoman, Smart (ex officio), and four members of Te Taitokerau Māori and Council (TTMAC) Working Party
- WDC/NRC Whangārei Public Transport Working Party – comprises Councillors Bain (Chair), Craw, Stolwerk, and three Whangārei District councillors
- Planning and Regulatory Working Party – comprises Councillors Yeoman (Chair), Blaikie, Macdonald, Kitchen, Smart (ex officio), and four members of Te Taitokerau Māori and Council (TTMAC) Working Party
- Biosecurity and Biodiversity Working Party – comprises Councillors Craw (Chair), Blaikie, Robinson, Stolwerk, Smart (ex officio), and four members of Te Taitokerau Māori and Council (TTMAC) Working Party
- Te Taitokerau Māori and Council Working Party (TTMAC) – comprises up to 30 members in total consisting of full council, and 21 Māori representatives. The working party is co-chaired by Councillor Robinson and Rudy Taylor (Te Whakaminenga O Te Hikutu Hapu-Whanau)
- Water and Land Working Party – comprises Councillors Blaikie (Chair), Craw, Macdonald, Robinson, Yeoman, Smart (ex officio), and five members of Te Taitokerau Māori and Council (TTMAC) Working Party

## Councillor memberships and portfolios

- Appeals on Regional Plan – Councillor Yeoman
- Awanui River Working Group – Councillor Kitchen (Chair)
- Doubtless Bay Catchment Working Group – Councillor Kitchen
- Inter-council working party on genetically modified organisms risk evaluation and management – no appointment until Regional Plan finalised
- Kāeo-Whangaroa River Working Group – Councillor Robinson (Chair)
- Kaihū River Working Group – Councillor Bain (Chair)
- Kaipara Moana Working Party – Councillors Smart and Yeoman
- Kerikeri River Working Group – Councillor Yeoman (Chair)
- Mangere Catchment Working Group – Councillor Yeoman



- Ngunguru Catchment Working Group – Councillor Macdonald
- Northland Conservation Board – shared across council
- Northland Sports Facilities Plan (Sport Northland) – Councillor Stolwerk
- Poutō Catchment Working Group – Councillor Smart
- Ruakākā River Working Group – Councillor Stolwerk (Chair)
- Shareholder representative for Northland Inc. Limited – Councillor Bain
- Shareholder representative for Northland Marsden Maritime Holdings Limited – Councillor Smart (Chair)
- Shareholder representative on Regional Software Holdings Limited – Councillor Smart (Chair)
- Taumārere River Working Group – Councillor Blaikie (Co-Chair)
- Upper North Island Strategic Alliance (UNISA) – Councillor Smart (Chair)
- Urban Whangārei Working Group – Councillor Craw (Chair)
- Waitangi Catchment Working Group – Councillor Robinson
- Whangārei Catchment Working Group – Councillor Craw
- Whangārei Heads Pest Management Working Group – Councillor Macdonald
- Zone One (LGNZ) – Councillor Smart (Chair) (Councillor Yeoman as alternative)

## Advisors

### Auditors:

- Deloitte Limited on behalf of the Auditor-General

### Bankers:

- ASB Bank
- ANZ Bank
- Bank of New Zealand

### Solicitors:

- Atkins Holm Majurey Limited
- Brookfields Lawyers
- Buddle Findlay
- Chapman Tripp
- K3 Legal Limited
- Karenza de Silva
- Marsden Woods Inskip & Smith
- Natural Resources Law Limited
- Paul Sills
- SBM Legal
- Simpson Grierson
- Thomson Wilson Law
- Webb Ross McNab Kilpatrick
- Wynn Williams

### Independent Advisors:

- Danny Tuato'o – Audit and risk
- Eriksens Global – Investments
- Geoff Copstick – Financial

### 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 executive leadership team is accountable to him and he is accountable to the council.

## Council's strategic direction

This is the second Annual Report following the adoption of the Long Term Plan 2018-2028 in June 2018. As part of developing the Long Term Plan, council gave careful consideration to the service we provide to our community, what we are working to achieve, and our priorities for making this happen. This is outlined as our strategic direction, which is driven by our vision: 'Our Northland - together we thrive'. Our strategic direction also sets out council's values and areas of focus, which drive the activities and performance measures set out in the long term plan, and are reported on in this Annual Report.



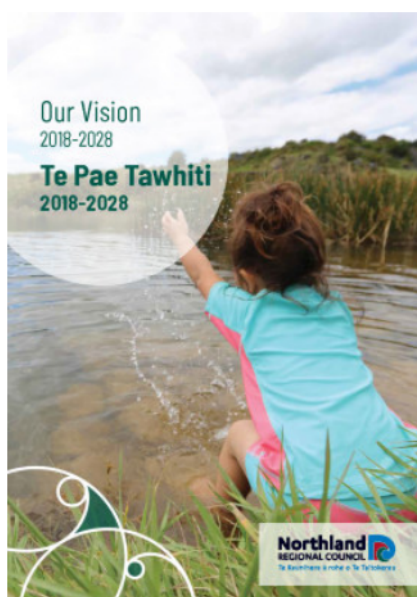
## Our year in review

Our Long Term Plan 2018-2028 was our most ambitious and forward-thinking strategic plan to date. It laid the foundation for a raft of new initiatives to tackle the issues of water quality, native species protection and flood infrastructure.

We've spent the last two years putting words in to action, and making headway on this essential work to make Northland really thrive.

Following the adoption of our Long Term Plan 2018-2028, which provided clear direction and resourcing, we thought about what this work really meant for the future of Northland and what tangible results it would achieve in three, 10, and 30 years.

We set out this long-term vision in '[Our Vision 2018-2028 | Te Pae Tawhiti 2018-2028](#)', a document that provides a real feel for what your regional council is doing to achieve outcomes in our areas of focus.



Some of this progress is reported in this annual report, but it's just a snapshot - the progress is much wider. Here are some of our highlights from the year:

### Together we thrive

Our strength lies in collaboration with community groups, iwi and hapū and we have consolidated existing partnerships and forged new ones throughout the year. Thousands of volunteers work with us on wide-ranging initiatives such as pest animal control, weed busting, riparian and coastal planting, raising plants in shade houses and fencing to keep stock out

of waterways. They are a formidable force and we were able to acknowledge their passion and dedication through our annual Environmental Awards, now in their second year. We've welcomed a new generation of environmental action with the addition of 15 Early Childhood Education Centres to our Enviroschools programme and we now have 126 Enviroschools in our region. Our \$20,000 Environmental Leaders Fund assists schools with some of this work while a \$10,000 allocation from our biosecurity environment fund supports practical hands-on environmental projects that have a positive impact on our environment.

### Improving freshwater quality

We know that improving freshwater quality is a high priority for our communities - that's why we're spending millions of dollars on looking after our streams, rivers, lakes and wetlands. Much of this work is collaborative, involving landowners, tangata whenua, community organisations and government agencies committed to a common goal. An example is Waimā Waitai Waiora - a unique partnership that brings together these groups with a shared vision to improve the mauri (spiritual life force) of the Kaipara Harbour. The regional council's part in this project includes: promoting good farming and forestry principles and restoration practices, supporting landowners with sustainable land management, subsidising fencing, planting on highly erodible land, stock water reticulation and wetland enhancement. This work combines to reduce the amount of sediment going into the Northern Wairoa River and flowing out into the harbour. Protecting our dune lakes in the Aupōuri (Far North) and Poutō/ Kai Iwi Lakes (Kaipara) areas is an ongoing project of considerable importance, again involving the regional council and communities determined to improve the water quality in their fragile taonga. Among other freshwater projects, the three-year Otuihau-Whāngarei Falls project to improve water quality in the upper Hātea River has reached its final stages.

### Pest control in action

All over our region, people from all walks of life are giving of their time to tackle pest plants and animals in Northland, often in harsh country and inhospitable conditions. Their dedicated effort to restore and protect our environment so that our native plants and animals can flourish is truly astounding. Much of this work is the result of community partnerships and collaborations and we are proud to be part of these efforts to help our environment recover and thrive.

Kiwi numbers have risen from 80 to 900 in Whangarei Heads since 2002 and there are now 76 Community Pest Control Areas (CPCAs) covering 130,393 hectares in Northland. The 155 community groups comprising "Kiwi Coast" have killed 396,634 pests in the last seven years. We supplied 9,000 predator traps to help with this work and contributed \$196,070 from the Environment Fund for pest control in the last year. Close to 2,050 boat hulls were inspected during our annual marine biosecurity hull surveillance programme to prevent the spread of marine pests, and we're working with 117 landowners to protect kauri in the region.

### **A strong economy**

Regional economic growth is an important part of our wellbeing. The COVID-19 pandemic has had, and is likely to continue to place, a significant constraint on the Northland economy. Job opportunities for young people in tourism related and construction industries will be severely limited without government initiatives. To that end we are working closely with our regional economic development agency, Northland Inc. Limited, the three district councils and central government agencies to deliver co-ordinated recovery initiatives in Northland. In the last year, we've supported, through our Investment and Growth Reserve, the development of a project to build pasture resilience to pest and disease in Northland, a pa-based amphitheatre visitor experience project at Mōkau, and the Northland water storage and use project. Through the same fund, we made an enabling investment funding allocation to the Manea Footprints of Kupe cultural and education centre at Opononi.

### **Resilient communities**

The region's four councils work together on civil defence emergency management, along with emergency services, welfare groups, other agencies and trained volunteers, to build resilience in our communities. Storms, flooding and tsunami are among the highest risks to Northland and are a focus for Northland's civil defence emergency management network. However, it was the arrival of COVID-19

pandemic overlapping with drought that this year required the longest continuous response in the history of the Northland Civil Defence Emergency Management (CDEM) Group. Both responses brought their own challenges and led to new ways of working together with other organisations, and more formal collaboration with Northland iwi has been a hugely positive outcome of this time.

### **Protecting our people**

Flooding ranks as one of the highest risks for Northland so the development of flood protection infrastructure and various river works are a priority for the council. A comprehensive programme of flood protection work is in progress in the Awanui catchment where we are in the second year of an eight-year \$15 million flood risk reduction programme to provide a higher level of flood protection for Kaitiā township and its surrounding communities. The work includes a new spillway to direct water away from the Bell's Hill slip site, work on the lower Awanui River catchment, and stopbank stabilisation behind the Te Ahu centre. Updated river flood maps for Awanui and Kerikeri catchments are now complete. They are based on the latest survey data available and the new modelling is showing reduced flood risk in these areas. A new 113-metre long flood wall in Woods Road, Whangārei is increasing the level of flood protection in flood-prone Commerce Street. The \$360,000 project is a small part of a \$1 million programme of flood mitigation works spanning three years.

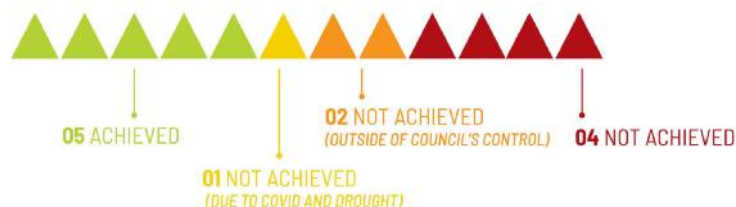
### **Disclosure statement**

Both the Northland drought and the COVID-19 pandemic have brought significant challenges this financial year, meaning a number of our performance measures and targets have not been met. While council has undertaken measures to reduce the impact of COVID-19 on its financial operations such as reduced, postponed or cancelled work streams and cost-savings across all activities, none of this has resulted in a reduction in the levels of service provided or put at risk the obligations and duties of the council in the 2019/20 year.



## Achievement of key performance indicators

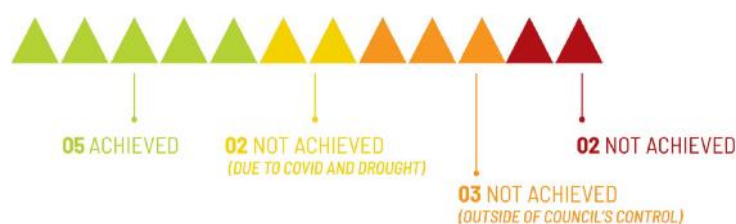
### Governance and engagement » Total 12



### Regulatory services » Total 15



### Environmental services » Total 12



### River Management » Total 01



### Customer services and community resilience » Total 11



# Māori participation in council processes

## *Strengthening Relationships with Māori | Nau te raurau, naaku te raurau, kā ora ai te Iwi*

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

Council has a number of obligations to Māori and has committed to these and more. This commitment is reflected in our key focus areas articulated in our Long Term Plan 2018-2018: Enduring relationships with tangata whenua.

In recognising this, council made progress in a number of areas and continues to work with Māori as well as building our internal capacity to better understand and respond to issues of importance to Māori. Highlights for the 2019/2020 year are:

### Pōwhiri mo ngā Kaunihera hou o Te Taitokerau

In partnership with Te Parawhau we welcomed the new councillors and their whānau at our offices in Whāngārei. This marked a progressive and positive beginning for the new council and everyone who attended the event.



### The re-establishment of Te Taitokerau Māori and Council Working Party

In November 2019, the new council met and finalised its new governance structure. Our Te Taitokerau Māori and Council Working Party (TTMAC) was re-established, at the same time endorsing the significant achievements of TTMAC in two previous trienniums. TTMAC for the first time consists of all councillors and 21 iwi and hapū representatives. These representatives have been mandated by their respective iwi authorities and hapū entities, and now tangata whenua members also have equal membership represented on council working parties. This includes the 50% representation of tangata whenua on the following working parties:

- Climate Change Working Party
- Planning and Regulatory Working Party
- Biosecurity and Biodiversity Working Party
- Water and Land Working Party

Two formal meetings have been hosted in Whāngārei, however no regional hui were held as a result of the impacts of the COVID-19 pandemic, with the main priority to support communities to stay healthy during these unprecedented times.

TTMAC have identified top strategic priorities, being:

- the development of an overarching water strategy
- the development of a climate change strategy
- the development of an economic development strategy, including a focus on Māori economic development
- the development of a marine strategy as it pertains to Te Taitokerau
- building tangata whenua capacity and capability
- strengthening Māori representation in local body politics

These priorities will drive the significant strategic work programme being undertaken with council. This includes input and advice on:

- the inter-regional marine pest pathway plan
- the development of Mātauranga Māori monitoring guidelines
- the development of cultural impact assessment guidelines / template
- the five-year efficiency and effectiveness review of the Regional Policy Statement
- the Long-Term Plan 2021/31 and subsequent annual plans
- the climate change strategy
- the implementation of Mana Whakahono ā Rohe
- the economic development programme of Northland Inc. Limited

Supporting and participating in meetings of the Te Oneroa-a-Tōhē Board, a co-governance committee established through Treaty of Waitangi settlements of four out of five Te Hiku Iwi for Te Oneroa-a-Tōhē / 90 Mile Beach:

- preparation of a beach management plan and a public consultation process to help manage the

beach is underway as a requirement of the Te Hiku o Te Ika Iwi Treaty of Waitangi settlement legislation

Participating in the ongoing discussion pertaining to possible cultural redress through Treaty of Waitangi settlement negotiations for the Kaipara Harbour, including:

- ongoing commitment to the agreement with neighbouring councils to ensure they are informed of the Treaty settlement process, and
- continuing to work closely with Ngā Uri o Kaipara, providing information and advice to support Treaty of Waitangi settlement negotiations

The establishment of a co-governance committee has been confirmed, in partnership with Kaipara Uri, Auckland Council, and the Crown, to oversee a significant programme of work over the next six years to remediate the Kaipara Moana, with a focus on reducing sediment entering the harbour. This six year programme has attracted \$100 million of Crown co-funding and is the first co-governance arrangement, between council and iwi and hapū, within Taitokerau where the focus is on the ground environmental remediation.

Provision of funding to support the development or review of iwi/hapū environmental management plans.

Provision of funding scholarships Tū I te Ora to support students studying or training in areas that align with the council's focus and mission of "working together to create a healthy environment, strong economy and resilient communities". Also an aim to build Māori capacity within Te Taitokerau and provide opportunities for further education, with two earmarked for Māori who whakapapa (share a genealogical connection) to Te Taitokerau.

#### Te Whāriki Core Cultural Competency Framework

A core cultural competency framework established and implemented to build capabilities of council staff to engage with iwi and hapū has been developed to implement Te Whāriki – council's Māori responsiveness strategy

Te Whāriki Level 1 workshops have been established and delivered on Terenga Paraoa Marae and focus on three core components of competency for staff, being:

- te reo Māori – demonstrates basic level of te reo Māori
- tikanga Māori – shows awareness of tikanga Māori
- the Treaty of Waitangi/Te Tiriti o Waitangi – demonstrates basic awareness of the historical significance of the Treaty of Waitangi and its contemporary applications

In addition:

- the Treaty of Waitangi/Te Tiriti o Waitangi training for councillors' induction and ongoing workshops to increase understanding of kaupapa Māori protocols and practices



- increasing staff within Māori relationships team to build capacity of council to respond appropriately to the needs and aspirations of tāngata whenua
- responding to resource consent issues being raised by hapū and iwi and how we can work to improve our responses when challenged by hapū and iwi regarding council policies and processes
- attendance at tangihanga, pōwhiri and significant events by councillors and staff to show a commitment to ongoing relationships with iwi and hapū
- strengthening relationships and working with Te Kahu o Taonui, iwi groups, iwi health providers and Māori organisations to respond to the impacts of droughts and the COVID-19 pandemic with positive and lasting connections made to continue to work together to sustain the resilience within the Te Taitokerau region

# Compliance statement

## Northland Regional Council

### Annual Report

For the year ended 30 June 2020.

### 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 2020.



Penny Smart  
Chair



Malcolm Nicolson  
Chief Executive Officer

Date: 20 October 2020



# Audit report

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



## Overview of our activities

Northland Regional Council is required by law to deliver a range of core services, and strives for excellence in delivering these services. There are other services that we deliver outside of our legal requirements.

We do this where we can (within legislative mandate) to respond to requests from our communities, address issues that arise, and make the most of opportunities, where the service or activity contributes to achieving good outcomes across the region.

In 2018 council approved the [Long Term Plan 2018-2028](#), which set out the range of services we intend to deliver during the next 10 years.



These services are broken down into activities and are grouped as follows:

- **Governance and engagement** - Governance, Māori relationships, communication and engagement, and economic development
- **Regulatory services** - Planning and policy, consents, and monitoring
- **Environmental services** - Natural hazard management, hydrology, biosecurity, biodiversity, land and water
- **River management** - River management
- **Customer services and community resilience** - Customer services, civil defence emergency management, oil pollution response, harbour safety and navigation, and transport
- **Corporate excellence** - Finance, human resources and information technology management activities (however these are not specifically reported on).

The Long Term Plan 2018-2028 identified the significant aspects of each service and set performance measures and targets for these to enable the level of service to be assessed

These performance measures and targets are reported on for the second time in this Annual Report 2020.

# Governance and engagement

## Ratonga whakahaere whakauru

### Hei aha te kai o te rangatira? He korero, he korero, he korero

*What is the food of chiefs? It is knowledge, it is communication*

This group includes the following activities:

- governance
- Māori relationships
- communications and engagement
- economic development

These activities contribute to the following council areas of focus (community outcomes):

- continuous improvement in water quality and security of supply
- enhancement of indigenous biodiversity and biosecurity
- a strong regional economy
- safe and resilient communities
- enduring relationships with tangata whenua
- efficient and effective service delivery
- improved returns on council investments
- efficient and effective land transport policies and public transport

### Community well-being

The community of Northland is represented by councillors who make decisions collectively as the council. In order to make good decisions, council needs to have an understanding of the wants and needs of the people of Northland, and must consider all aspects of Northland – its social landscape, environment, economy, culture, and the aspirations of the diverse individual communities that make up the tapestry of Northland.

This activity group provides for the ongoing flow of information between council and the people of Northland. It promotes cultural competency so that council fulfills its statutory obligations to Māori, and provides for effective, transparent governance on behalf of the people of the Northland region. This activity group also actively promotes sustainable economic development in Northland.

The activities within the Governance and engagement group are considered to have a positive effect on community well-being.

### Changes to level of service

The Long Term Plan 2018–2028 provided for a "maintained or increased" level of service within each of the activities in the Governance and engagement group. This proposed level of service has been maintained, however the performance measures and targets have not been well achieved with only five of 12 performance targets met. Of the seven targets not met, one of these was due to a combination of the impacts of COVID-19 plus other factors. Additional non-achievement was partially due to external factors outside of councils control, local body elections, and a shift in focus for improving levels of service provided.

### What we did

#### *Engaging with our communities*

The Tū i te ora Scholarship programme was launched successfully with four scholarships, each valued at \$3,000, awarded to deserving students chosen from more than 70 applicants. The scholarships support students studying or training in areas aligned with the regional council's work and build Māori capability within Taitokerau.

The environmental awards, now in their second year, recognise kaitiakitanga in action and attracted entries from people doing amazing voluntary work to help our environment. Because of the impacts of the COVID-19 pandemic, the winners were announced at a virtual event and later presented their awards in person.

As a further result of the COVID-19 pandemic, council meetings were livestreamed to our Facebook page from May, increasing our accessibility and attracting positive community engagement and feedback.

The annual residents' survey was carried out using people randomly selected from electoral rolls and inviting the wider community to have its say. Results indicate improvements in overall satisfaction, quality of service communication, engagement and how well council is responding to issues. They also give an indication of areas where we can look to improve as an organisation.

### Enviroschools

Of Northland's 126 Enviroschools, seven hold Green-Gold status, 20 Silver and 42 Bronze. We've welcomed a new generation of environmental action. As the first region to boast a dedicated early childhood education (ECE) facilitator, we have added 15 new ECE centers to the programme.

With community groups and local hapū, dune lake education days were held across the region. Our WaiFencing and Project Pest Control NCEA-based courses have both attracted record numbers of senior students.

### Economic development

An additional funding allocation of \$12 million was secured from the Provincial Growth Fund (PGF) to continue investigating water storage and use options in three areas located in Kaipara and the Mid-North. This funding was on top of the \$18.5 million secured in 2018/19 for the project. The Pre-feasibility Phase investigation was completed in March and indicated that viable scheme options exist in both Kaipara and Mid-North areas. Responsibility for the project has been passed over to the Te Tai Tokerau Water Trust for commercialisation and implementation.

We worked with the district councils to lobby central government for increased infrastructure investment in the region, such as a new large dry dock facility,

improved transport linkages and better digital connectivity, which resulted in significant Government investment.

We also worked closely with the district councils to develop a proposal for the joint delivery of economic development activities in Northland, including the transformation of Northland Inc. Limited into a jointly owned council-controlled organisation, and increasing the quantum of funding available for council investment into economic development projects. This may be consulted on at a later date.

In response to the COVID-19 pandemic, Northland Inc. Limited provided a significant lift in its support to businesses. Data and analysis on the impact of the COVID-19 pandemic on the Northland economy was also produced to aid decision makers.

### Māori relationships

Our work with Māori is outlined in this report on page 14 titled 'Māori participation in council processes'

### Service delivery review

In order to ensure that all services are reviewed every six years, as required by the Local Government Act, council maintains a rolling schedule of reviews. Reviews were undertaken for investment property and maritime services activities.

## 1.1 Governance

### Performance measures and targets

1.1.1 Maintain effective, open and transparent democratic processes.		
Performance measure	Target	2019/20 result
Percentage of official information <sup>(1)</sup> requests that are responded to within 20 working days.	100% compliance	90% - not achieved  18 out of 193 LGOIMA requests were not responded to within 20 working days.
Percentage of time that council receives a favourable ("unqualified") audit opinion on its Long Term Plan, Annual Plan, and Annual Report.	100% compliance	100% - achieved
Percentage of time that elected members attend council meetings.	90% compliance	93% - achieved

### 1.1.1 Maintain 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.	Improve	25% - not achieved (2018/19 result: 33%)
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1. LGOIMA - Local Government Official Information and Meetings Act

## 1.2 Māori relationships

### Performance measures and targets

#### 1.2.1 Establish enduring and robust governance relationships between council and Māori of Taitokerau

Performance measure	Target	2019/20 result
Ten meetings <sup>(1)</sup> of the Te Taitokerau Māori and Council Working Party are held each calendar year.	10 meetings held annually	Not achieved  Local body elections and re-establishment of TTMAC saw no meetings between Oct 2019 - March 2020. All April/June marae-based meetings were cancelled due to the impacts of COVID-19.

1. Five formal meetings and five marae-based meetings

#### 1.2.2 Provide opportunities for Māori to participate in council processes

Performance measure	Target	2019/20 result
Percentage of time council meets all relevant requirements of Treaty of Waitangi settlement legislation.	100% compliance	95.6% - not achieved  This measure comprises three elements: the recording of statutory acknowledgements in regional plans; attendance and support of co-governance committees; and circulation of consent applications to Treaty settlement groups.  Council has achieved two of these elements in full, with the third (the circulation of consent applications) achieved in part. This was due to 83 bore consents failing to be circulated.
Percentage of time targeted pre-consultation engagement is undertaken with Māori during council's statutory Resource Management Act planning processes.	100% compliance	100% - achieved



## 1.3 Communications and engagement

### Performance measures and targets

1.3.1 Support and deliver environmental education initiatives		
Performance measure	Target	2019/20 result
Percentage of schools and kindergartens participating in the Enviroschools programme. <sup>(1)</sup>	Maintain or increase	66% - achieved (2018/19 result: 62%)

1. Schools include primary, intermediate and secondary schools.

1.3.2 Promote effective community engagement		
Performance measure	Target	2019/20 result
Number of subscribers to online and social media channels <sup>(1)</sup>	25% annual increase  (number and percentage increase to be reported)	18,617 subscribers, 14% increase - not achieved  This is due to a shift in focus from increasing FB likes/followers to improving reach and overall engagement with our audience.
Frequency of engagement with council's Collaborative Community Engagement Groups <sup>(2)</sup>	Annual engagement with 100% of groups  (actual number of groups and percentage compliance to be reported)	126 groups, 98% - not achieved  Engagement was achieved with 123 out of 126 active groups. One instance was due to limited staff resourcing; one was engaged with via phone and email but not face-to-face; and the final one was the far north civil defence group of Moehinui marae.

1. Includes social media, eNewsletters and web alerts

2. Collaborative Community Engagement Groups are defined as any group that the council engages with at least annually, that contributes knowledge and resources to achieve outcomes in a defined area. For example - CoastCare groups, catchment management groups, river liaison committees or civil defence community response groups.

## 1.4 Economic development

### Performance measures and targets

1.4.1 Invest in economic development projects and ventures within Northland to improve Northland's economic performance		
Performance measure	Target	2019/20 result
Northland Inc's compliance with Local Government Act requirements relating to its Statement of Intent (SOI) <sup>(1)</sup>	100% compliance	100% - achieved
Percentage of Northland Inc's SOI key performance indicators achieved by 30 June each year.	100% compliance	69% - not achieved

1.4.1 Invest in economic development projects and ventures within Northland to improve Northland's economic performance		
		11 of the 16 key performance indicators were achieved. Of the five not achieved, three were due to the impacts of COVID-19. The other two have not been reported on due to lack of data.

1. Requirements are to provide council with a draft Statement of Intent (SOI) by 1 March, consider council comments by 1 May, and deliver final SOI by 30 June each year.

## Governance and engagement | Ratonga whakahaere whakauru

### Funding Impact Statement

For the period ending 30 June	Long Term Plan 2018/19 \$000	Long Term Plan 2019/20 \$000	Actual 2019/20 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, and rates penalties	-	-	53
Targeted rates	2,873	3,017	3,271
Subsidies and grants for operating purposes	-	-	2,379
Fees and charges	60	60	88
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	1,344	1,402	1,382
<b>TOTAL OPERATING FUNDING</b>	<b>4,276</b>	<b>4,478</b>	<b>7,173</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	7,433	6,560	9,209
Finance costs	253	253	266
Internal charges and overheads applied	798	843	567
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>8,484</b>	<b>7,655</b>	<b>10,042</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(4,207)</b>	<b>(3,177)</b>	<b>(2,869)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	6	-	182
to replace existing assets	13	-	-
Increase/(decrease) in reserves	(3,479)	(2,446)	(2,161)
Increase/(decrease) of investments	(747)	(731)	(890)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(4,207)</b>	<b>(3,177)</b>	<b>(2,869)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>4,207</b>	<b>3,177</b>	<b>2,869</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

### **Major variances compared to Year 2 (2019/20) of the Long Term Plan 2018–2028**

#### Operational Funding

Sources of operating funding is \$2.42M more than the long term plan predominantly due to:

- Water storage project grants not in the long term plan. This is offset by additional costs incurred.

#### Application of Operational Funding

Applications of operating funding is \$2.37M more than the long term plan predominantly due to:

- Expenditure on a water storage project not in the long term plan

# Regulatory services Ratonga a ture

## Whatungarongaro te tangata, toitū te whenua

*As man disappears, the land remains*

This group includes the following activities:

- planning and policy
- consents
- monitoring

These activities contribute to the following council areas of focus (community outcomes):

- continuous improvement in water quality and security of supply
- safe and resilient communities
- enduring relationships with tangata whenua
- efficient and effective service delivery
- enhancement of indigenous biodiversity and biosecurity

## Community well-being

The natural and physical resources of Northland are central to our economy, culture and communities. The regulatory services group of activities aims to ensure that these resources are well governed and managed to meet the needs of Northlanders, having a positive effect on community well-being.

## Changes to levels of service

The Long Term Plan 2018-2028 provided for a "maintained or increased" level of service within each of the activities in the Regulatory services group. This proposed level of service has been maintained, however the performance measures and targets have not been well achieved with only seven out of 15 performance targets met. Of the eight targets not met, five of these were due to the drought response and the impacts of COVID-19. The additional three were largely due to external factors outside of council's control. Overall, non-achievement was minor and did not impact the level of service provided.

## What we did

### Regional Plan for Northland

There were 23 appeals to the Environment Court against the council's decision on the Proposed Regional Plan for Northland. The council participated

in 18 days of court-assisted mediation on these appeals. The parties managed to reach consensus on a large number of appeal points and in June 2020, council published an appeals version of the plan [www.nrc.govt.nz/newregionalplan](http://www.nrc.govt.nz/newregionalplan)

The Regional Plan includes implementation of council's obligations for managing freshwater quantity under the National Policy Statement for Freshwater Management, with the freshwater quality requirements intended to be implemented in a plan change commencing in 2021.

### Consents

Decisions on 795 consents were issued during the year. Of these only one, which covered three consent activities, resulted in an appeal on a council decision. The appeal is still before the Environment Court.

### Environmental monitoring

In addition to the monitoring carried out and recorded as performance measures in this report, four water level stations were installed to support the Northland Water Storage Project in Kaikohe. Further monitoring was also undertaken in response to the drought, including:

- two water quality buoys deployed to Lake Omapere & Whau Valley dam to assist Civil Defence Emergency Management
- the completion of 106 ecological and low flow assessments across Northland

### Compliance monitoring and enforcement

In addition to the compliance monitoring carried out and recorded as performance measures in this report, council also carried out 252 inspections/assessments of forestry activities under the National Environmental Standard – Plantation Forestry.

Council took the following enforcement actions in relation to non-compliance with resource consent conditions and/or regional rules:

- 152 infringement notices (187 in 2018/19)
- 247 abatement notices (271 in 2018/19)



- nil enforcement orders (1 in 2018/19)
- 5 prosecutions initiated (3 in 2018/19)

## 2.1 Planning and policy

### Performance measures and targets

2.1.1 Develop and maintain regional planning documents for the management of Northland's natural and physical resources		
Performance measure	Target	2019/20 result
Develop a new Regional Plan.	<p>By 2018/19 Hold hearings and release council decisions on the proposed Regional Plan.</p> <p>By 2019/20 Engage Māori and stakeholders in plan preparation process.</p> <p>By 2020/21 Notify any plan changes required to implement the National Policy Statement for Freshwater Management (NPS Freshwater).</p> <p>By 2025/26 Efficiency and effectiveness review of the new Regional Plan.</p>	<p>Not achieved</p> <p>Planning for engagement on the plan change to implement NPS Freshwater has started, but not the engagement itself. This is largely due to the delay in the release of the updated NPS Freshwater, and staff effort focussed on resolving appeals on the Proposed Regional Plan.</p>
Make changes to the new Regional Plan and Regional Policy Statement (RPS) as necessary to implement national direction and to respond to resource management issues.	<p>By 2018/19 NPS Freshwater implementation programme is notified by 31 December 2018.</p> <p>Regional targets to improve water quality at specified swimming sites identified and publicly available.</p> <p>By 2019/20 Engage Māori and stakeholders in plan preparation process.</p> <p>By 2020/21 Notify plan change to identify and protect significant freshwater biodiversity sites in the Regional Plan<sup>(1)</sup></p> <p>By 2025/26 Further necessary changes to RPS and Regional Plan in response to national planning standards completed.</p>	<p>Not achieved</p> <p>See explanation above for measure "Develop a new Regional Plan".</p>

1. If not addressed through proposed plan process in 2018.

## 2.2 Consents

### Performance measures and targets

2.2.1 Provide efficient and effective processing and administering of resource consents		
Performance measure	Target	2019/20 result
Percentage of all resource consent applications that are processed within the statutory timeframes.	98% compliance <sup>(1)</sup>	100% - achieved (2018/19 result: 99.1%)

1. This target takes into account that there may be fluctuations in the number and complexity of resource consent applications that council receives.

## 2.3 Monitoring

Our monitoring activity comprises compliance monitoring and state of the environment monitoring

### Performance measures and targets

*Compliance monitoring:*

2.3.1 Provide efficient and effective compliance monitoring of resource consents		
Performance measure	Target	2019/20 result
Percentage of monitored resource consents that are not graded as significantly non-compliant <sup>(1)</sup>	90%	94.4% - achieved
Percentage of monitored permitted farm dairy effluent activities that are not graded as significantly non-compliant <sup>(2)</sup> .	90%	85% - not achieved  30 of 199 permitted activity dairy farms were inspected and found to be significantly non-compliant. This measure is dependent on landowner behaviour which, while influenced by council activities, is also influenced by factors outside of council's control.
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%	90.9% - not achieved  881 of 969 consents were monitored as per their monitoring programme. Of the 88 consents that were not fully monitored, 69 of them had some monitoring during the year. Only 19 consents had none of the required monitoring undertaken. This was largely due to lack of resources during the drought 2020 response and the impacts of COVID-19.

1. To be considered 'significantly non-compliant' the activity will have, or have the potential to have, a major or significant effect on the environment
2. To be considered 'significantly non-compliant' the activity will have, or have the potential to have, a major or significant effect on the environment

### 2.3.2 Efficient and effective response to and resolution of reported environmental incidents

Performance measure	Target	2019/20 result
Percentage of environmental incidents with more than minor effects reported to the Environmental Hotline resolved within 30 working days.	80% resolved within 30 working days	89% - achieved

### State of the environment monitoring

#### 2.4.1 Gather and make available information on the suitability of water bodies for swimming and shellfish collection

Performance measure	Target	2019/20 result
Monitor at least 50 popular swimming sites weekly during the summer for faecal indicator bacteria and publish the results. <sup>(1)</sup>	50 or more sites monitored weekly during summer	60 sites - achieved
Monitor at least 15 popular shellfish collection sites weekly during the summer and publish the results. <sup>(2)</sup>	15 or more sites monitored weekly during summer	15 sites - achieved

1. Sites are monitored weekly in the summer from late November/early December to late February/early March.
2. Sites are monitored weekly in the summer from late November/early December to late February/early March.

#### 2.4.2 Monitor the life-supporting capacity of water (fresh and marine), uses and values

Performance measure	Target	2019/20 result
Percentage of sites monitored for macroinvertebrates showing improved or maintained trend in their Macroinvertebrate Community Indices (MCI).	At least 90%	Data unavailable  Results have not been received from the provider due to delays because of the impacts of COVID-19. Results are expected in September 2020.
Percentage of fish monitoring sites showing improved or maintained trend in their Index of Biotic Integrity (IBI).	At least 90%	Data unavailable  No data to assess due to the drought response and the impacts of COVID-19, with no following data expected.
Percentage of lake sites monitored for ecological status showing improved or maintained trend in their Submerged Plant Indices (SPI).	At least 90%	Data unavailable  Ecological Survey was booked in April with NIWA but was postponed until August/September 2020 due to impacts of COVID-19.

#### 2.4.2 Monitor the life-supporting capacity of water (fresh and marine), uses and values

Percentage of lake sites monitored for level of nutrient enrichment showing improved or maintained trend in their Trophic Level Indices (TLI).	At least 90%	100% - achieved
Comprehensively monitor at least 40 coastal sites monthly for general water quality.	40 sites monitored annually	<p>Quarters 1 to 3: 40+ sites - achieved</p> <p>Quarter 4: not achieved</p> <p>The impacts of COVID-19 meant that one coastal site was not completed in March and no sampling was completed in April. All other months were completed as required.</p>

#### 2.4.3 Monitor the standard of ambient air quality in Northland

Performance measure	Target	2019/20 result
Percentage of air sheds meeting the national air quality environmental standards.	100% compliance	100% - achieved

## Regulatory services | Ratonga a ture Funding Impact Statement

For the period ending 30 June	Long Term Plan 2018/19 \$000	Long Term Plan 2019/20 \$000	Actual 2019/20 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, and rates penalties	-	-	109
Targeted rates	6,024	6,386	6,713
Subsidies and grants for operating purposes	-	-	16
Fees and charges	1,868	1,909	2,386
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL OPERATING FUNDING</b>	<b>7,893</b>	<b>8,296</b>	<b>9,224</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	5,707	6,094	6,506
Finance costs	-	-	-
Internal charges and overheads applied	3,211	3,398	4,125
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>8,918</b>	<b>9,493</b>	<b>10,631</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(1,025)</b>	<b>(1,197)</b>	<b>(1,407)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	67	10	58
to replace existing assets	100	43	243
Increase/(decrease) in reserves	-	-	(35)
Increase/(decrease) of investments	(1,193)	(1,249)	(1,673)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(1,025)</b>	<b>(1,197)</b>	<b>(1,407)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>1,025</b>	<b>1,197</b>	<b>1,407</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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### **Major variances compared to Year 2 (2019/20) of the Long Term Plan 2018–2028**

#### Operating Funding

Operating funding is \$928K more than the long term plan predominantly due to:

- Higher than planned consent application and monitoring fees
- Prosecution income not in the long term plan

#### Application of Operational Funding

Applications of operating funding is \$1.14M more than the long term plan predominantly due to:

- Higher overhead allocated to this area relating to a change in organisational structure moving staff between activities.
- Higher than planned legal and consultant costs relating to the regional plan and freshwater National Policy Statement (NPS) implementation
- Higher than planned legal fees relating to environmental incidents

# Environmental services Ratonga i te taiao

## Tiakina te Taiao, tiakina te iwi e

*Protect the environment, protect the people*

This group includes the following activities:

- natural hazard management
- hydrology
- biosecurity
- biodiversity
- land and water

The activities contribute to the following council areas of focus (community outcomes):

- continuous improvement in water quality and security of supply
- enhancement of indigenous biodiversity and biosecurity
- enduring relationships with tangata whenua
- efficient and effective service delivery

## Community well-being

Managing the natural resources of Northland is a complex task encompassing social, economic, environmental and cultural factors. The environmental services group of activities focuses on improving the natural environment through programmes of management, protection and enhancement and protecting Northland from natural hazards. This has a positive effect on community well-being.

## Changes to levels of service

The Long Term Plan 2018-2028 provided for a "maintained or increased" level of service within each of the activities in the Environmental services group. This proposed level of service has been maintained, however the performance measures and targets have not been well achieved with only five out of 12 performance targets met. Of the seven targets not met, two of these were due to the drought response and the impacts of COVID-19, with a further one being a combination of these events plus other factors. The additional four were largely due to external factors outside of council's control. Overall, non-achievement was minor and did not impact the level of service provided.

## What we did

### Biosecurity

The biosecurity team has continued to grow partnerships, working with community volunteers to carry out vital pest control work. The biosecurity team received over 5,100 public enquiries during the year, sold more than 8994 predator traps, and carried out a raft of other work as highlighted below.

### Incursions

Kauri dieback remains a major risk to the region, with the kauri dieback team working quickly to complete more than 117 management plans to prevent disease spread on and off private land, sampling 70 sites plus 10 requests from the public, taking 157 soil samples for analysis, attended 28 community events and fencing four at-risk forest blocks on private land. Our deer response team responded to two deer farm escapes and two illegal liberations that resulted in 14 deer kills.

### Predator Free Whangārei

Predator Free Whangārei was launched this year and is a collaborative five-year project that builds on over 20 years of dedicated and successful community predator control in the Whangārei area. Over the next five years the project aims to eradicate possums from the Whangārei Heads peninsula. Additional aims include building upon existing predator control programmes across the Whangārei District, and focusing on urban and landscape scale predator control targeting rats, mustelids and possums.

### Kiwi Coast

Since getting underway seven years ago, the Kiwi Coast has continuously expanded, as existing projects linked in and new groups started. The Kiwi Coast has grown to operate at a regional scale, linking projects over 291km from Mangawhai at the southern limit of the Northland region to the Aupouri Peninsula in the Far North. As at 30 June 2020, 159 entities have linked

into Kiwi Coast, 153 of which are community-led groups and active projects. Collectively, these groups and projects manage approximately 198,300 hectares.

Kiwi Coast's main priorities are to reduce threats to kiwi survival and engage Northlanders in caring for their kiwi. Kiwi Coast has continued to strategically support predator control in key areas to link projects and build continuous trapping networks across landscapes to boost kiwi survival and allow their safe dispersal into new areas.

Monitoring results demonstrate the strength of Kiwi Coast's collaborative approach. Collated trap catch data shows that 396,634 animal pests were caught in traps by groups and projects involved in the Kiwi Coast over the last seven years. An average of 1,800 pest animals are now trapped on the Kiwi Coast every week.

#### Urban pest control

Tiaki Whangārei has entered into its second year and continues to create momentum in urban conservation. Tiaki Whangārei has three key aims: to increase community connections, ecological knowledge and social well-being; encourage kaitiakitanga and guardianship of the environment; and protect and enhance native biodiversity. Traps for rat and possum control are being distributed throughout Whangārei as part of this project.

#### High Value Areas

Councils high value area programme has proven to be extremely successful, working across large landscapes to reduce the impacts of introduced pests. High value pest control areas were successfully implemented for Whangārei Heads, Mid North/Bay of Islands, Tutukaka, Kai Iwi Lakes and Piroa-Brynderwyns, funded from the region-wide pest management rate.

#### Land and water

Over \$1.32 million from council's Environment Fund (including Central Government Investment, MfE and MPI) was allocated to land management projects (activities include fencing, afforestation, soil conservation planting, and water reticulation), and 162 Farm Environment Plans (FEPs) were completed via the Long Term Plan 2018-2028 land management programme, covering more than 32,730 ha of land.

This year was the start of a four year, \$3.4 million Hill Country Erosion Fund project (co-funded by MPI) focusing on sustainable hill country management throughout the whole region, concentrating on retirement of hill country and afforestation flagship projects, plus important research on testing poplar timber and developing mitigation regarding eroding

harbour coastlines. This was the final year of the Hātea catchment project (co-funded by the MfE). Meaningful progress was made with stock exclusion fencing, stock water reticulation, and riparian planting carried out on properties above the Whangārei Falls.

The Waimā Waitai Waiora project completed its third year, with a number of successful initiatives targeting water quality in the Northern Wairoa catchment. The project (consisting of eight partners including agencies, iwi and hapū) included initiatives such as granting funding and advice for riparian fencing, water reticulation, wetland restoration, Te Kawa Wairoa (Maturanga Māori research project), biodiversity enhancement, education and wananga, and community and contractor planting achieving 100,000 native plants in the ground.

#### Biodiversity

Biodiversity work has included the completion of 14 Biodiversity Plans with landowners and iwi, and submerged weed annual surveillance in Kai Iwi lakes. The annual lakes ecological monitoring with NIWA was postponed due to the impacts of COVID-19.

#### Dune lakes

On-the-ground work on the Freshwater Improvement Fund (FIF) Year 3 dune lake programme incorporated netting of pest fish in four lakes. Only two of the five planned event days for dune lakes education were able to be held due to the impacts of COVID-19. These events were held at Waimimiha and Ngatu for more than 110 students from numerous schools. One hui was held in conjunction with dune lakes Kaiwhakahaere (FIF iwi representatives) and a second hui to work on the mātauranga Māori component of the project was cancelled due to the impacts of COVID-19. Kaiwhakahaere took the opportunity to visit the NIWA freshwater plant growing facilities with council staff, and also attended a lake symposium in Hamilton. A programme of continued training was provided for FIF staff and Kaiwhakahaere, including water safety, kayaking and electric fishing. Grass carp removal operations had to be postponed due to the impacts of COVID-19. Planning is well underway for earthworks and sediment mitigation scheduled in summer of Year Four at several dune lakes. A significant amount of herbicide for aquatic plant eradication operations in three Far North Lakes was imported from the USA and is in storage for deployment in spring 2020 (Year Four).

#### CoastCare

CoastCare staff work with groups and communities across Northland, as well as local and central government agencies and iwi, to achieve protection and restoration of dune systems. This happens

through support of CoastCare groups and provision of advice (including restoration plans), plants and other materials, earthworks, and weed control.

Over the last year 12,962 plants have been provided through the CoastCare programme for 15 sites around the region. Seventeen school and community events have been attended by CoastCare staff. Key CoastCare messages have also been promoted through newsletters, videos, social media campaigns, posters, brochures and signs with the support of the council's communications team.

CoastCare staff have again worked alongside the Far North District Council, the Department of Conservation, and local iwi to support the collaborative Far North Kaitiaki Ranger programmes, which have been expanded this year to include Te Oneroa-a-Tōhē (Ahipara to Hukatere), Kaimaumau, and Doubtless Bay, as well as continuing on at Karikari Peninsula.

#### *Flood mapping and models*

The Awanui and Kerikeri models were updated to include the latest LiDAR and to correct some minor anomalies found in the mapping. The new Awanui mapping is being used for the detailed design of the Awanui scheme upgrade, which will increase the level of service from 1:30 year annual exceedance probability (AEP) to 1:100 year AEP protection.

The LiDAR digital elevation model has been made available to the public and is also being used to generate a hydro-enforced digital elevation model and a region-wide flood model. The new LiDAR is also being used to update the Coastal Flood Hazard maps, plus multiple internal uses such as identifying slope stability, Kauri dieback and wilding pines, and mapping wetlands.

#### *Kaipara Moana Remediation Programme*

A strong business case for a significant cross-regional programme to help restore Kaipara Moana was developed in partnership with Kaipara Uri (Te Uri o Hau, Te Roroa, Ngā Maunga Whakahi o Kaipara, Ngāti Whātua Ōrākei and Te Rūnanga o Ngāti Whātua), Auckland Council and Kaipara and Whangārei District Councils. The proposed Kaipara Moana Remediation Programme is a \$300 million programme, over a 10-year period, aimed at restoring water quality in the Kaipara Moana through a range of initiatives planned to halve sediment loss from the land to the sea. The programme recently received Crown funding of \$100 million for the first six years with co-funding from Auckland Council and Northland Regional Council to be consulted on through respective Long Term Plan processes. A co-governance committee will be established to provide oversight of this exciting project that has the potential to make a significant difference to the health and mauri of the Kaipara Moana.

## 3.1 Natural Hazard Management

### Performance measures and targets

#### 3.1.1 Identify and make available information on areas potentially affected by natural hazards through mapping

Performance measure	Target	2019/20 result
Number (and percentage) of river catchments flood-mapped to identify river flooding hazards.	By 2018/19 - 28 (21.7%)	28 catchments (21.7%) - not achieved
	By 2019/20 - 29 (22.5%)	The preliminary region-wide LiDAR was only delivered in March. Awanui and Kerikeri Catchments have been upgraded to reflect new LiDAR.
	By 2020/21 - 129 (100%)	The upgraded models better reflect the best available data.



## 3.2 Hydrology

### Performance measures and targets

3.2.1 Provide information on water resources including rainfall, flood levels and ground water		
Performance measure	Target	2019/20 result
Percentage of time that flood level monitoring is accurate to enable flood warnings to be developed.	100% compliance	No flood warnings - achieved

## 3.3 Biosecurity

### Performance measures and targets

3.3.1 Promote community involvement in pest management		
Performance measure	Target	2019/20 result
Increase in hectares of land under Community Pest Control Area Plans (CPCAs) per annum.	Increase by 5000 hectares annually	10,953 ha increase - achieved
Increase in kiwi populations within council supported programmes <sup>(1)</sup>	Increase by 2% annually	7.3 kiwi calls per hour - not achieved (2018/19 result: 7.2 calls per hour)

1. monitored in accordance with the standardised Department of Conservation kiwi call count monitoring scheme.

3.3.2 Implement measures to slow the introduction and spread of new and established marine pests		
Performance measure	Target	2019/20 result
Survey at least 2000 vessel hulls for marine pests each year as part of the Marine Pathway Management Plan.	2000 hulls annually	2,048 hulls inspected - achieved

## 3.4 Biodiversity

### Performance measures and targets

3.4.1 Maintain and enhance indigenous biodiversity and eco-systems around our rivers, lakes, wetlands and coastal margins		
Performance measure	Target	2019/20 result

3.4.1 Maintain and enhance indigenous biodiversity and eco-systems around our rivers, lakes, wetlands and coastal margins		
Number of wetlands <sup>(1)</sup> enhancement and protection projects funded via Efund annually.	By 2018/19 - 13 By 2019/20 - 14 By 2020/21 - 15 By 2027/28 - 20	13 wetlands - not achieved  One project was withdrawn as landowner was unable to have contractor carry out work due to impacts of COVID-19.
Number of plants provided through CoastCare programme.	By 2018/19 - 11,000 By 2019/20 - 12,000 By 2020/21 - 13,000 By 2027/28 - 20,000	12,962 - achieved
Number of objectives met that are set out in annual work plan for Freshwater Improvement <sup>(2)</sup>	100% of objectives met	60% - not achieved.  Of six objectives, one has been achieved, three have been largely achieved with some actions and events delayed due to impacts of COVID-19. One is not due to start until 2020/21 and one has been repealed.

1. Includes Top Wetlands

2. Objectives are set out in Ministry for the Environment project work plans for the Northern Wairoa and Dune Lakes Freshwater Improvement Fund projects.

## 3.5 Land and water

### Performance measures and targets

3.5.1 Promote improved water quality by providing advice and funding on sustainable land management, soil conservation, and biodiversity through farm management and catchment management initiatives		
Performance measure	Target	2019/20 result
Area hectares (ha) of land being actively managed under a sustainable farm environment plan.	Increase 25,000 ha per annum	32,730 ha - achieved
Area (ha) of highly erodible land being actively managed under a farm environment plan.	Maintain or increase (from baseline data)	6,519 ha - not achieved (2018/19 result: 7,000 ha)
Number of subsidised poplar poles provided for erosion-prone land by the Flyger Road nursery.	By 2018/19 - 6000 By 2019/20 - 7000 By 2020/21 - 8000 By 2027/28 - 20,000	4,616 poles - not achieved  Lower numbers due to the impacts of the drought response and COVID-19. No subsidy package provided this year until SHaRP begins.

**3.5.1 Promote improved water quality by providing advice and funding on sustainable land management, soil conservation, and biodiversity through farm management and catchment management initiatives**

Kilometres of waterway margins protected to reduce sediment, nutrient run-off and general contamination of water, funded by the Environment Fund.	Increase (from baseline data)	181 kms – not achieved  (2018/19 result: 297 kms)  This is due to concentrating on hill country and wetland fencing, which is more expensive, therefore we were not able to complete as much.
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## Environmental services | Ratonga i te taiao

### Funding Impact Statement

<i>For the period ending 30 June</i>	Long Term Plan 2018/19 \$000	Long Term Plan 2019/20 \$000	Actual 2019/20 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, and rates penalties	-	-	130
Targeted rates	7,395	8,196	8,010
Subsidies and grants for operating purposes	506	330	2,897
Fees and charges	441	446	567
Internal charges and overheads recovered	-	-	-
Local authorities fuel tax, fines, infringement fees and other receipts	-	-	-
<b>TOTAL OPERATING FUNDING</b>	<b>8,343</b>	<b>8,973</b>	<b>11,604</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	8,861	9,293	10,898
Finance costs	-	-	-
Internal charges and overheads applied	2,440	2,583	3,169
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>11,301</b>	<b>11,876</b>	<b>14,067</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(2,958)</b>	<b>(2,903)</b>	<b>(2,463)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	151	403	158
to replace existing assets	9	2	1
Increase/(decrease) in reserves	(234)	-	(106)
Increase/(decrease) of investments	(2,885)	(3,308)	(2,516)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(2,958)</b>	<b>(2,903)</b>	<b>(2,463)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>2,958</b>	<b>2,903</b>	<b>2,463</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>



## **Major variances compared to Year 2 (2019/20) of the Long Term Plan 2018–2028**

### Operational funding

Operating funding is \$2.63M more than the long term plan predominantly due to:

- Ministry for Primary Industries grants for the sustainable hill country and regional priorities project not in the long term plan.
- Ministry for Primary Industries subsidies for a wilding pine removal project not in the long term plan
- Subsidies for the LIDAR programme not in the long term plan
- Ministry for the environment subsidies for freshwater improvement fund projects not in the long term plan

### Application of operational funding

Applications of operating funding is \$2.1M more than the long term plan predominantly due to:

- Expenditure for the sustainable hill country and regional priorities project not in the long term plan
- Expenditure for the freshwater improvement fund projects not in the long term plan
- Expenditure for the LIDAR programme not in the long term plan
- Expenditure for the wilding pine removal project not in the long term plan

# River management

## Ratonga whakahaere a awa

### Ko au te awa, ko te awa ko au

*I am the river; the river is me*

This group includes the River Management activity.

The activity contributes to the following council area of focus (community outcome):

- Safe and resilient communities;
- Efficient and effective service delivery.

### Community well-being

The river management group of activities focuses on managing risk and protecting Northland communities from flood hazards. This involves the preparation, implementation and maintenance of risk reduction plans, flood control works and assets in conjunction with local river management working groups. The river management activity has a positive effect on community well-being by improving community resilience.

### Changes to level of service

The Long Term Plan 2018-2028 provided for an "increased" level of service for the river management activity, which has been achieved as evidenced by achievement of the performance measure.

### What we did

#### Awanui upgrade

The Juken New Zealand (JNL) spillway bypass was almost completed, and on budget, however due to the impacts of COVID-19 less than 5% of work remains.

#### Matangirau

After community consultation, detailed design and resource consenting, it was agreed to complete a test section so that the community could gauge the works effectiveness and impact on their land. This was completed in December 2019. The remainder of the works are scheduled for completion in the 2020-2021 works season. Further community consultation is scheduled later this year.

#### Panguru

This work was completed prior to the impacts of COVID-19, with only grassing and fencing remaining, however this has now also been completed.

#### Kawakawa-Taumarere

This work was scheduled to start in the third week of March, however had to be postponed due to the impacts of COVID-19. Work is now scheduled to begin mid-January 2021.

#### Whangārei

This work was completed in the 2019-2020 work season.

## 4.1 River management

### Performance measures and targets

#### 4.1.1 Build, monitor and maintain flood protection schemes to protect life and property

Performance measure	Target	2019/20 result
Number of flood events occurring as a result of failures of flood protection systems for the Awanui, Whangārei, and Kāeo schemes below specified design levels. <sup>(1)</sup>	Zero	Zero failures - achieved

1. *The number of flood events arising due to the failure of the flood protections systems is considered to be the most direct measure of whether these systems are repaired and renewed to the standards set out in the activity management plans.*

## River management | Ratonga whakahaere a awa Funding Impact Statement

For the period ending 30 June	Long Term Plan 2018/19 \$000	Long Term Plan 2019/20 \$000	Actual 2019/20 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, and rates penalties	-	-	72
Targeted rates	4,630	5,019	4,842
Subsidies and grants for operating purposes	-	-	8
Fees and charges	-	-	7
Internal charges and overheads recovered	34	17	32
Local authorities fuel tax, fines, infringement fees and other receipts	36	36	40
<b>TOTAL OPERATING FUNDING</b>	<b>4,700</b>	<b>5,072</b>	<b>5,001</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	2,246	2,679	2,569
Finance costs	419	517	445
Internal charges and overheads applied	894	947	305
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>3,559</b>	<b>4,143</b>	<b>3,319</b>
<b>Surplus/(deficit) of operating funding</b>	<b>1,141</b>	<b>929</b>	<b>1,682</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	2,667	1,445	
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>2,667</b>	<b>1,445</b>	
<b>Applications of capital funding</b>			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	2,277	1,471	2,250
to replace existing assets	694	405	4
Increase/(decrease) in reserves	1,542	1,369	(833)
Increase/(decrease) of investments	(705)	(871)	261
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>3,808</b>	<b>2,374</b>	<b>1,682</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(1,141)</b>	<b>(929)</b>	<b>(1,682)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **Major Variances compared to Year 2 (2019/20) of the Long Term Plan 2018-2028**

### **Application of Operational Funding**

Applications of operating funding is \$824K less than the long term plan predominantly due to:

- Lower overhead allocated to this area relating to a change in organisational structure moving staff between activities.

### **Sources of Capital Funding**

Sources of capital funding is \$1.4M less than the long term plan predominantly due to:

- Not requiring borrowing on flood infrastructure work during the year. This was due to both delays from COVID-19 on work until later in the year and having surplus rates to utilise instead of needing to borrow.

### **Capital Expenditure**

Capital Expenditure is \$378K more than the long term plan predominantly due to:

- Some overruns on flood infrastructure capex.



# Customer services and community resilience

## Ratonga manawaroa a haponi

### Hei aha te mea nui i tenei Ao? He tangata, he tangata, he tangata

*What is the greatest thing in the world? It is people, it is community*

This group includes the following activities:

- customer services
- civil defence emergency management
- oil pollution response
- harbour safety and navigation
- transport

These activities contribute to the following council areas of focus (community outcomes):

- a strong regional economy
- safe and resilient communities
- efficient and effective service delivery
- efficient and effective land transport policies and public transport

#### Community well-being

Council is continually working to improve the safety and resilience of Northland and its communities. This includes working to keep people safe on the roads and on the water, preparing the region for emergency situations, and ensuring that council provides professional and timely interaction with the people of Northland. This group of activities works to ensure that excellent customer service is delivered across all activities.

The activities within the Customer Services and Community Resilience group are considered to have a positive effect on community well-being.

#### Changes to levels of service

The Long Term Plan 2018-2028 provided for a "maintained or increased" level of service within each of the activities in the Customer services and community resilience group. This proposed level of service has been achieved as evidenced by achievement of nine out of 11 performance targets. The two instances of non-achievement were minor, with one being a direct result of the impacts of COVID-19, and did not impact on the overall level of service provided.

#### What we did

##### Customer services

The total number of incoming calls through customer services was 27,263 with 98.1% of calls being answered within 30 seconds.

##### Maritime

##### Incidents

The total number of maritime incidents for the year was 261, with 28 accidents including collision, grounding and near misses. Thirty-eight incidents were received relating to navigation aids, mostly due to them being out of position or light failures. Moorings also featured highly with 35 incidents reported, most of them related to illegal occupation and/or placement.

Thirty-four oil spills were reported and responded to throughout the region.

Offences against the Navigation Safety Bylaw featured most heavily, with 90 incidents reported. Offences were largely due to speeding, obstruction to navigation, and jet ski registration/identification.

The remainder of incidents were miscellaneous, ranging from floating obstructions to navigation and abandoned or derelict vessels.

##### Shipping

The 2019/2020 cruise ship season was mostly successful until it was cut short by the impacts of the COVID-19 pandemic. Fifty-four cruise ships successfully called into the Bay of Islands, with 16 vessel visits lost as a result of the pandemic. Work has been ongoing to develop a simulator model for the Bay of Islands to supplement pilot training and ongoing professional development. The pilot training manual is also under periodic review. Navigational safety was enhanced for the Bay of Islands with the installation of a wave rider buoy to collate and

transmit real time data surrounding swell direction and height. The buoy also serves as a platform for other departments with a monitoring and sampling function.

#### Council vessels

Council's vessel 'Waikare' underwent major work, with a full main engine replacement. Both engines were replaced with refurbished units to ensure the vessel remains reliable and fit for purpose during critical operations.

#### Other projects

Work continued on maintenance dredging in the Hātea river. Hydrographic survey equipment has been successfully commissioned and is being applied to effectively obtain accurate high density hydrographic data throughout the region. The successful application of the equipment has gained significant interest from third party stakeholders.

### Regional Transport

#### Planning

Work has continued on the 2021-2027 Regional Land Transport Plan and the Regional Public Transport Plan. Both documents must be submitted by 30 April 2021 in order for Northland to be in a position to apply for national funding assistance for transport infrastructure and services for the 2021-2027 financial period.

The Regional Walking and Cycling Strategy was completed during this period.

#### Contracted bus services

All bus services were severely affected by the impacts of the COVID-19 pandemic at the end of the financial year. Until existing and new passengers consider public transport to be a safe option, passenger numbers are likely to remain down during the 2020/2021 financial period.

#### Whangarei CityLink

Following the reduction in fares on the Whangārei CityLink bus service in October 2018, passenger numbers continued to reflect an upward trend in both passengers and revenue. This positive trend was abruptly halted due to the pandemic.

The new electronic ticketing system, the BEE Card, is now fully operational on this service.

#### Far North Link

The Far North Link bus service carried 4,909 passengers during the year. SuperGold Card travel concession was introduced in 2018/2019.

#### Mid North Link

The Mid North bus service carried 1,809 passengers. This service was reduced in line with reduced customer demand. SuperGold Card is also accepted on this service.

#### The Hokianga Link

This service, which combines with the Mid North Link, carried 609 passengers during the 2019/2020 financial year. SuperGold Card is now accepted on this service.

#### Bream Bay Link trial service

This new once per week service was introduced in August 2019 and operated between Kaiwaka via Mangawhai, Waipū, Ruakākā to Whangārei. It has proven to be more popular than originally anticipated. Total passengers carried were 507.

#### Total Mobility

Our current Total Mobility database has 1,632 active clients, an increase of 128. Advertising and promotion of the scheme has been increased in an effort to create greater awareness of the benefits. This is combined with encouraging agencies to be more proactive in introducing eligible clients to the scheme.

Trips declined by 2,997 this year due to the impacts of COVID-19. A new transport operator was contracted, which doubled wheelchair-capable vehicles from two to four.

#### Regional Road Safety

Regional Road Safety partners continue with advertising, promoting and initiatives in an effort to reduce the increased deaths and serious injuries on the region's roads. Approaches to NZTA for the installation of centre barriers on the region's state highways continues.

During the 2019/2020 year, there were 27 deaths and 168 serious injuries on Northland roads.

#### Civil defence emergency management

This year required the longest continuous response in the history of the Northland Civil Defence Emergency Management (CDEM) Group. The arrival of the COVID-19 pandemic, overlapping with the ongoing drought, amounted to more than 19 weeks in response, including a seven-week State of National Emergency. Both responses brought their own

challenges (particularly COVID-19 and the need to continue operating effectively through the lockdown phase), and led to new ways of working together with partner agencies, Government departments, iwi, community groups, and others.

A lasting and highly valued outcome of this time has been the collaboration with Northland iwi (represented by Te Kahu o Taonui [TKoT]). Two representatives of TKoT have been appointed to Northland CDEM's Coordinating Executive Group (CEG) and iwi are also represented on the Northland Welfare Coordination Group (WCG), as well as other groups associated with welfare and the ongoing recovery.

This year's drought in Northland has been one of the most severe on record (and was ultimately classified by the Government as a large-scale adverse event for most of the country: all of the North Island, the top of the South Island down to North Canterbury, and the Chatham Islands).

Working with Northland's four councils, emergency services and Northland District Health Board, an initial priority was to set up emergency water supplies in case they were required in the locations where town water supplies came under most pressure – Kaitiāia, Kaikohe and Rawene. Northland CDEM Group requested assistance from the New Zealand Defence Force, which provided trucks with water tanks installed and a team of drivers to deliver water to community facilities and marae, in case it was needed by the communities they serve. The commitment of Fonterra and Fire and Emergency New Zealand was essential to refilling the emergency water supplies if they had been required. Iwi enabled alternative water sources to be established, and worked with Northland CDEM (along with staff contributed from a range of organisations) to coordinate water deliveries. The Northland CDEM Group, supported by central government funding and iwi, established a network and a process to fill and clean tanks of those in need (totalling almost 300 tanks).

The rural sector – farmers, growers and supporting businesses – was heavily impacted and assistance was coordinated by the Northland Rural Support Trust, together with the Ministry for Primary Industries.

Looking to the future, representatives of the Northland DHB Public Health Unit, Te Puni Kokiri and the Northland CDEM Group have collectively recognised that there is a vulnerable community of whānau living in rural communities in Northland, which is struggling to access the quantity and quality of water they need for drinking, cooking, bathing, handwashing, and growing their kai. This is due to socio-economic constraints and poor infrastructure (failing tanks and poor supply systems). It is proposed that a project be established in consultation with the key partners and iwi, to carry out a scoping exercise

designed to identify and prioritise the at-risk communities that would most benefit from assistance in repairs, maintenance or water supply infrastructure upgrades.

Meanwhile, the COVID-19 response was a CDEM welfare response for Northland communities. All CDEM groups nationwide were tasked with the responsibility for providing emergency household goods and services to those unable to access supplies themselves. In Northland, an 0800 number set up in late March received more than 680 calls over seven weeks.

Other response activities included Intelligence-gathering and reporting from agencies and the community to the National Emergency Management Agency (NEMA) and Northland CDEM stakeholders.

Central government funding was made available to support both responses. More than \$1.8 million in funding from central Government was provided through the Northland CDEM Group to Northland iwi, foodbanks, community food organisations and other welfare providers. This funding supported the delivery of food and welfare assistance, following the announcement in late April of a nationwide \$30 million support package. (This was in addition to grants from charitable foundations and other funding provided in the initial stages of the COVID-19 response via the Ministry of Social Development and Te Puni Kokiri and other funding organisations).

Notwithstanding the challenges of the COVID-19 response, new technology platforms were introduced both nationally and within Northland, including Emi, an information management tool built using Microsoft Teams for use nationally during emergency/event activations. This replaces the previous EMIS system.

Northland continues to move forward on a shared services basis and the agreements with all three of the region's district councils are in the process of their annual renewals.

Other notable events of the year included the establishment of the new National Emergency Management Agency (NEMA) – a key component of the reforms of New Zealand's emergency management system. NEMA became operational on 1 December 2019 and replaced the Ministry of Civil Defence & Emergency Management.

Northland CDEM Group has begun a review of its Group plan, which will outline how CDEM will be delivered in Northland over the coming five years. CDEM Group plans are a requirement for all CDEM Groups under the CDEM Act 2002. This will be the fourth Northland CDEM Group plan, with previous plans having been adopted in 2004, 2010 and 2016.

## 5.1 Customer services

### Performance measures and targets

5.1.1 Providing meaningful customer service		
Performance measure	Target	2019/20 result
Percentage of customers surveyed who are satisfied with the quality of service received following an interaction with council.	Maintain or increase (specific targets will be set once baseline established)	58% - achieved (2018/19 result: 52%)

## 5.2 Civil defence emergency management

### Performance measures and targets

5.2.1 Provide accurate and timely flood warnings to enable communities to take precautionary measures to protect life and property		
Performance measure	Target	2019/20 result
Percentage of time that accurate flood warnings are issued in accordance with the council's flood warnings procedures.	100% compliance	No rainfall events warranting warning - achieved

5.2.2 Maintain an effective civil defence emergency management system		
Performance measure	Target	2019/20 result
Percentage of time that emergencies <sup>(1)</sup> are debriefed within one month, and noted improvements are incorporated into the appropriate emergency operating procedures and response plans.	100% annually	Achieved

1. Emergencies that require the activation of an emergency operations centre.

## 5.3 Oil pollution response

### Performance measures and targets

5.3.1 Maintain an efficient and responsive oil pollution response		
Performance measure	Target	2019/20 result
Maintain a regional oil spill response plan, including a minimum of 30 up-to-date trained responders <sup>(1)</sup>	Maintain a minimum of 30 responders at all times	30 responders - achieved

1. The number of trained responders required is set by Maritime Pollution Response Services, Maritime New Zealand in accordance with a national plan.

## 5.4 Harbour safety and navigation

### Performance measures and targets

5.4.1 Provide regional navigational safety control of shipping and small craft, provide aids to navigation to ensure the region's navigable waters are safe for people to use, and manage the region's moorings.

Performance measure	Target	2019/20 result
Percentage of time that the operational safety management system for the pilotage areas of Whangārei and Bay of Islands complies with the Port and Harbour Safety Code. <sup>(1)</sup>	100% compliance	100% - achieved
Percentage of time that pilotage in the Bay of Islands is provided in accordance with the safety management system. <sup>(2)</sup>	100% compliance	100% - achieved
Percentage of reported aids to navigation faults that are responded to within five working days.	100% compliance	100% - achieved
Percentage of moorings either serviced within the past three years or booked to be serviced.	95% of moorings	98.5% - achieved

1. Operational safety management system compliance with the Port and Harbour Safety Code is measured by conducting an annual self-assessment and periodic peer review.
2. Operational safety management system compliance with the Port and Harbour Safety Code is measured by conducting an annual self-assessment.

## 5.5 Transport

### Performance measures and targets

5.5.1 Provide an efficient and effective public bus service

Performance measure	Target	2019/20 result
Number of passengers for the Whangārei urban bus service. <sup>(1)</sup>	Maintain 310,000 per annum	308,789 - not achieved  Due to the impacts of COVID-19, passenger numbers on the CityLink services severely declined.
Percentage of passengers satisfied with overall Whangārei bus service. <sup>(2)</sup>	95% compliance	91.8% - not achieved  Lower satisfaction is due to current frequency, the need for a better terminal, and road works causing delays.

1. Other bus services apart from Whangārei not included as they are either minor, temporary or trial services only.
2. Passenger satisfaction rating of six or above on a 10 point scale.



5.5.2 Plan for the future transport needs of the region

Performance measure	Target	2019/20 result
Develop and maintain statutory transport planning documents including the Regional Land Transport Plan (RLTP) and Regional Public Transport Plan (RPTP).	By 2018/19 - Adopt RLTP and RPTP	Achieved

## Customer services and community resilience | Ratonga manawaroa a hapori

### Funding Impact Statement

<i>For the period ending 30 June</i>	Long Term Plan 2018/19 \$000	Long Term Plan 2019/20 \$000	Actual 2019/20 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, and rates penalties	-	-	70
Targeted rates	4,490	4,715	4,872
Subsidies and grants for operating purposes	2,539	2,539	4,999
Fees and charges	1,820	1,859	1,713
Internal charges and overheads recovered	8	8	23
Local authorities fuel tax, fines, infringement fees and other receipts	221	367	-
<b>TOTAL OPERATING FUNDING</b>	<b>9,079</b>	<b>9,488</b>	<b>11,677</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	8,319	8,566	10,871
Finance costs	221	367	4
Internal charges and overheads applied	1,603	1,691	1,736
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>10,142</b>	<b>10,624</b>	<b>12,611</b>
<b>Surplus/(deficit) of operating funding</b>	<b>(1,064)</b>	<b>(1,136)</b>	<b>(934)</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	27
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>-</b>	<b>-</b>	<b>27</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	434	-	45
to replace existing assets	185	25	94
Increase/(decrease) in reserves	(18)	(16)	56
Increase/(decrease) of investments	(1,665)	(1,144)	(1,102)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>(1,064)</b>	<b>(1,136)</b>	<b>(907)</b>
<b>Surplus/(deficit) of capital funding</b>	<b>1,064</b>	<b>1,136</b>	<b>934</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>

### **Major variances compared to Year 2 (2019/20) of the Long Term Plan 2018–2028**

#### Operational Funding

Operating funding is \$2.19M more than the long term plan predominantly due to:

- Subsidies from the Ministry of Civil Defence relating to drought and COVID-19 responses not in the long term plan
- A shared civil defence function co funded by the district council's not in the long term plan

#### Application of Operational Funding

Applications of operating funding is \$1.99M more than the long term plan predominantly due to:

- Costs relating to the COVID-19 and drought responses not in the long term plan
- Costs for the shared civil defence function not in the long term plan

# Corporate excellence Ratonga rangapū

## Mā e huru huru, ka rere te manu

*Adorn the bird with feathers so it can fly*

This group includes the corporate services activity.

This activity contributes to all council areas of focus (community outcomes):

- continuous improvement in water quality and security of supply
- enhancement of indigenous biodiversity and biosecurity
- a strong regional economy
- safe and resilient communities
- enduring relationships with tangata whenua
- efficient and effective service delivery
- improved returns on council investments
- efficient and effective land transport policies and public transport

## Community well-being

The corporate excellence group encompasses many of the corporate and support functions required to ensure that council business is run in an efficient, accountable, and legislatively compliant manner. This includes management of council's financial operations and investments, human resources and health and safety, information management, information technology, property, and other administration.

This service underpins all the work that council undertakes in the areas of governance and engagement, regulatory services, environmental services, and customer service and community resilience. Without it council could not deliver any of the levels of service discussed above.

The corporate excellence activity is considered to have a positive effect on community well-being.

## Changes to level of service

The Long Term Plan 2018-2028 provided for an "increasing" level of service for the corporate excellence activity in line with the need to support increases to all other council activities, and an increase in service resulting from the Regional sporting facilities rate. This proposed level of service has been achieved, with the distribution of more

than \$550,000 of funding from the Regional sporting facilities rate, however the performance measures and targets have not been well achieved with only 27 out of 51 performance measures met. Of the 24 targets not met, nine of these were due to the drought response and the impacts of COVID-19, with a further one being a combination of these events plus other factors. The additional 14 targets not met were due to a number of reasons, many because of external factors outside of council's control. Overall, non-achievement did not impact the level of service provided.

## Corporate excellence | Ratonga rangapū

### Funding Impact Statement

For the period ending 30 June	Long Term Plan 2018/19 \$000	Long Term Plan 2019/20 \$000	Actual 2019/20 \$000
<b>Sources of operating funding</b>			
General rates, uniform annual general charges, and rates penalties	-	-	21
Targeted rates	1,757	2,122	1,332
Subsidies and grants for operating purposes	-	-	1,683
Fees and charges	120	123	81
Internal charges and overheads recovered	9,059	9,583	10,060
Local authorities fuel tax, fines, infringement fees and other receipts	8,996	10,629	10,265
<b>TOTAL OPERATING FUNDING</b>	<b>19,932</b>	<b>22,457</b>	<b>23,442</b>
<b>Applications of operating funding</b>			
Payments to staff and suppliers	9,145	10,507	9,264
Finance costs	86	89	321
Internal charges and overheads applied	114	121	107
Other operating funding applications	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>9,345</b>	<b>10,717</b>	<b>9,692</b>
<b>Surplus/(deficit) of operating funding</b>	<b>10,588</b>	<b>11,740</b>	<b>13,750</b>
<b>Sources of capital funding</b>			
Subsidies and grants for capital purposes	-	-	-
Increase/(decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	14,194	7,311
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>-</b>	<b>14,194</b>	<b>7,311</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
to meet additional demand	-	-	-
to improve levels of service	730	524	5,156
to replace existing assets	524	14,916	4,580
Increase/(decrease) in reserves	2,106	2,610	12,086
Increase/(decrease) of investments	7,227	7,883	(761)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>10,588</b>	<b>25,934</b>	<b>21,061</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(10,588)</b>	<b>(11,740)</b>	<b>(13,750)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>



## **Major variances compared to Year 2 (2020/21) of the Long Term Plan 2018-2028**

### **Operational Funding**

Operating funding is \$986K more than the long term plan predominantly due to:

- Wage subsidies not in the long term plan
- Higher than planned overhead recoveries
- An unplanned vested asset resulting from the Marsden Point Rail Link asset disposal.
- Higher than planned commercial rent income

Offset by:

- Lower than planned council services rates allocated to this activity
- A forestry harvest planned for LTP year two occurred instead in LTP year one
- Lower than planned externally managed fund gains due to lower fund balances than planned.

### **Sources of Capital Funding**

Sources of capital funding is \$6.9M less than the long term plan predominantly due to:

- The sale of commercial properties held for resale did not occur as originally in the long term plan

### **Capital Expenditure**

Capital Expenditure is \$5.7M less than the long term plan predominantly due to:

- Expenditure on the Kensington redevelopment being lower than in the long term plan
- Expenditure on the Kaipara Service Centre being lower than in the long term plan

# Financial prudence

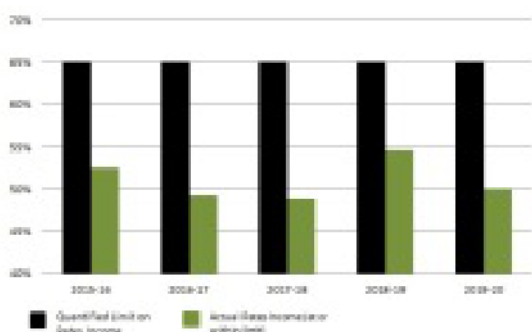
## Rates affordability benchmarks

The council meets the rates affordability benchmark if:

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

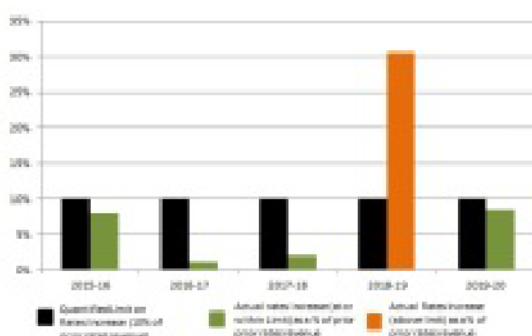
### Rates income affordability

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 2018-2028. 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 in the financial strategy included in the council's Long Term Plan 2018-2028. The quantified limit is 10%.



In 2018-19 council decided to breach its quantified limit on rates rises in order to undertake programmes that allow it to meet community and central government expectations. This is considered an exceptional year and an opportunity to position council for the medium to long term.

## Debt affordability benchmarks

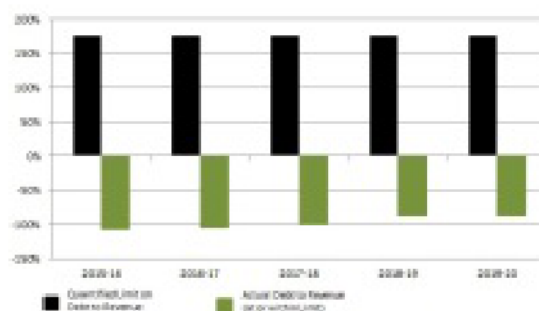
The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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 2018-2028.

Northland Regional Council has \$19.6 million of external debt.

### Net debt to total revenue

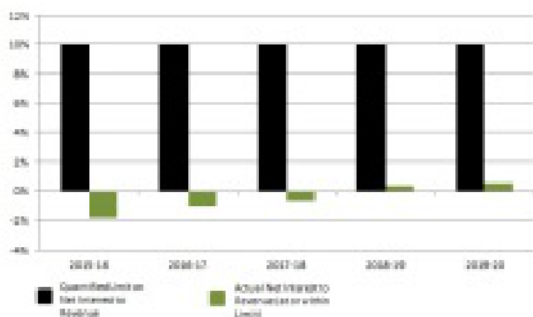
The quantified limit for net debt as a proportion of total revenue is 175%.



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

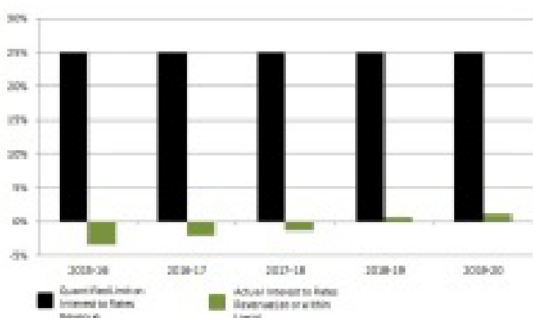
### Net interest to total revenue

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



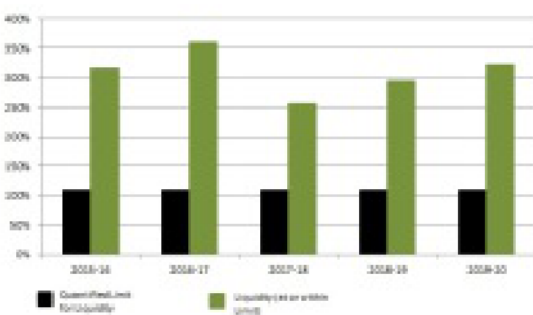
### Net interest to annual rates revenue

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



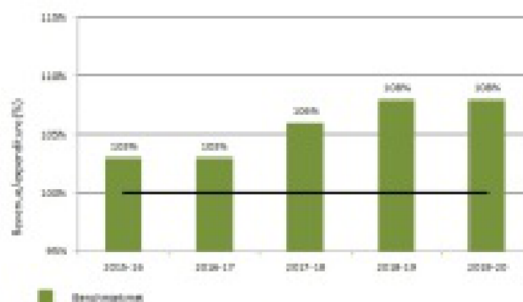
### Liquidity

Council measures liquidity as total externally managed funds over total external borrowings. The quantified limit for liquidity is set as a minimum of 110%.



### Balanced budget benchmark

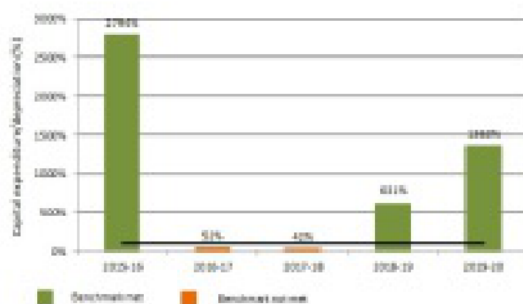
This graph shows council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and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



### Essential services benchmark

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

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



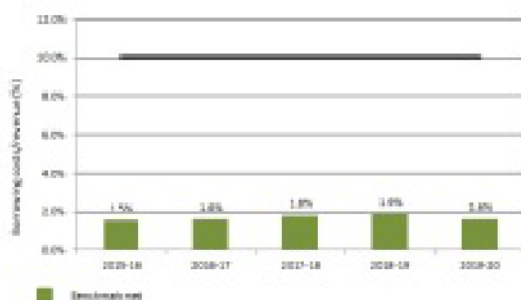
2016-17 and 2017-18 reflects lower capital expenditure due to the reclassification of Kerikeri flood protection works from capital expenditure originally incurred in 2015-16 to operation expenditure in 2016-17 and 2017-18 as the project did not continue.

2018-19 and 2019-20 reflect the capital cost associated with the Flood Infrastructure Schemes

## Debt servicing benchmark

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

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

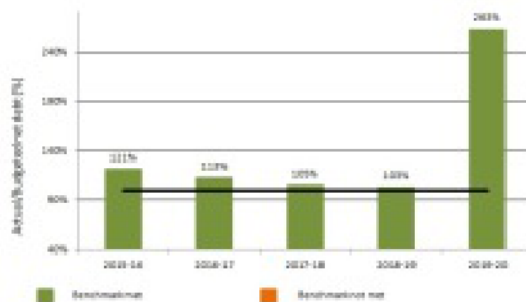


## Debt control benchmark

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

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

The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt. For the purposes of this measure 100% equals planned net assets and an amount higher than 100% represents lower net debt than planned. The benchmark is represented by the black line.

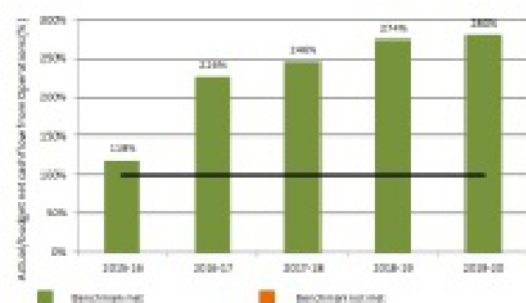


2019-20 reflects capital works funded by either debt or reductions in council's externally managed funds not occurring as planned.

## 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.



## Section three: Financial statements Wāhanga tuatoru: Tauākī pūtea



# Statement of comprehensive revenue and expense

For the year ended 30 June 2020	Note	Council 30-Jun-20 \$000	Annual Plan 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
<b>Revenue</b>						
Rates		29,497	29,860	27,203	29,497	27,203
Fees and charges		4,842	4,388	4,487	5,964	6,024
Subsidies and grants		12,008	4,793	4,900	12,113	5,005
Revenue from activities		-	-	-	1,816	1,458
Interest revenue		624	1,001	731	631	753
Other revenue	2(ii)	8,306	6,704	7,529	9,838	8,216
Other gains	2(iii)	3,737	2,339	4,970	2,801	5,574
<b>TOTAL REVENUE</b>	<b>1</b>	<b>59,014</b>	<b>49,085</b>	<b>49,820</b>	<b>62,660</b>	<b>54,233</b>
<b>Expenses</b>						
Personnel costs	3	17,892	17,623	15,935	20,725	18,580
Depreciation and amortisation expense	14	1,740	1,810	1,629	2,231	2,084
Finance costs		930	1,340	903	1,430	1,241
Other expenses	4	33,685	28,681	26,414	39,070	30,080
<b>TOTAL EXPENSES</b>	<b>1</b>	<b>54,247</b>	<b>49,454</b>	<b>44,881</b>	<b>63,456</b>	<b>51,985</b>
Share of associate and joint venture company surplus/(deficit)	13(i)(ii)	-	-	-	8,748	9,007
<b>SURPLUS/(DEFICIT) BEFORE TAX</b>		<b>4,767</b>	<b>(369)</b>	<b>4,939</b>	<b>7,952</b>	<b>11,255</b>
Income tax expense	5	-	-	-	(22)	(19)
<b>SURPLUS/(DEFICIT) AFTER TAX</b>		<b>4,767</b>	<b>(369)</b>	<b>4,939</b>	<b>7,930</b>	<b>11,236</b>
<b>SURPLUS/(DEFICIT) ATTRIBUTABLE TO:</b>						
Northland Regional Council		4,767	(369)	4,939	4,799	6,604
Non-controlling interest				-	3,131	4,632
<b>Other comprehensive revenue and expense</b>						
<i>Items that will be reclassified to surplus/(deficit):</i>						
Net hedging movement (joint venture company)				-	(186)	(308)
<i>Items that will not be reclassified to surplus/(deficit):</i>						
Gains/(loss) on property revaluations (other than investment properties)	14	522	-	10	(601)	540
Gains/(loss) on carbon credit revaluations	15	156	-	36	156	36

For the year ended 30 June 2020	Note	Council 30-Jun-20 \$000	Annual Plan 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Gains/(loss) on Infrastructure Asset revaluations	20	(66)	-	-	(66)	
TOTAL OTHER COMPREHENSIVE REVENUE AND EXPENSE		612	-	46	(697)	268
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		5,379	(369)	4,985	7,233	11,504
TOTAL COMPREHENSIVE REVENUE AND EXPENSE ATTRIBUTABLE TO:						
Northland Regional Council					4,709	6,769
Non-controlling interest in Marsden Maritime Holdings Limited					2,524	4,735
					7,233	11,504

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 2019/20 (in thousands)

#### Revenue

Revenue is \$9.9M more than annual plan, mainly due to:

- Unbudgeted water storage project grants of \$2,235
- Unbudgeted Ministry of Civil Defence subsidies of \$2,046 relating to COVID-19 and drought responses
- Unbudgeted COVID-19 wage subsidies of \$1,521
- Gains of \$916 and vested assets of \$1,715 resulting from the annual revaluation of investment properties.
- Unbudgeted subsidies for the Sustainable Hill Country and Regional Priorities project of \$531
- Unbudgeted subsidies for a wilding conifer removal project of \$499
- Unbudgeted LIDAR survey program subsidies of \$352

#### Expenditure

Expenditure is \$4,793 more than annual plan, mainly due to:

- LIDAR costs of \$707 not in the annual plan
- Costs for the Sustainable Hill Country and Regional Priorities project of \$405 not in the annual plan

- Wilding conifer project costs of \$499
- COVID-19 welfare support payments of \$1,647 not in the annual plan
- Drought support expenditure of \$427 not in the annual plan
- Loss on disposal of \$770 associated with the Marsden Point Rail Link (MPRL)
- Revaluation losses on infrastructure assets of \$1,187
- Expenditure on a water storage project of \$2,339 not in the annual plan

Partially Offset by:

- Lower than planned lab testing costs of \$326
- Lower than planned biosecurity works of \$653 due to the impacts of the COVID-19 lockdown
- Lower than planned sports rate grants of \$791
- Lower than planned economic development grants of \$225
- Lower than planned operational spend on the Kensington Redevelopment \$679 due to delays from the COVID-19 lockdown
- Lower than planned expenditure on Freshwater Improvement Fund projects of \$653
- Lower than planned bus facility costs of \$494 relating to a delayed bus terminus upgrade
- Lower than planned bus contracts of \$230 relating to Whangarei rural bus trials

## Statement of changes in equity

For the year ended 30 June 2020	Note	Accumulated funds \$000	Reserves \$000	Total Council \$000	Annual Plan \$000
Council					
Balance as at 30 June 2018		123,540	26,549	150,089	150,413
Reclassification of carbon credit asset revaluation reserve		(235)	235	-	-
Adjustment to infrastructure asset value		-	(2,907)	(2,907)	-
Restated Balance at 1 July 2018		123,305	24,877	147,182	150,413
Total comprehensive revenue and expense for the year		4,985	-	4,985	848
Net transfers in special reserves	20	(8,301)	8,301	-	-
Net transfers in other reserves		(46)	46	-	-
Balance at 30 June 2019		119,943	32,224	152,167	151,261
Total comprehensive revenue and expense for the year		5,379		5,379	(369)
Net transfers in special reserves	20	(9,008)	9,008		-
Net transfers in other reserves	20	(612)	612		-
Balance at 30 June 2020		115,702	41,844	157,546	150,892

For the year ended 30 June 2020	Note	Accumulated funds \$000	Reserves \$000	Subtotal Group \$000	Non-controlling interest \$000	Total Group \$000
Group						
Balance as at 30 June 2018		154,703	59,708	214,411	63,286	277,697
Reclassification of carbon credit asset revaluation reserve		(235)	235	-	-	-
Adjustment to infrastructure asset value		-	(2,907)	(2,907)	-	(2,907)
Restated Balance at 1 July 2018		154,468	57,036	211,504	63,286	274,790
Total comprehensive revenue and expense for the year		6,769	-	6,769	4,735	11,503
Net transfers in special reserves	20	(8,301)	8,301	-	-	-
Net transfers in other reserves		(165)	165	-	-	-
Dividends paid		-	-	-	(3,017)	(3,017)
Balance at 30 June 2019		152,771	65,502	218,273	65,004	283,277
Total comprehensive revenue and expense for the year		4,709	-	4,709	2,524	7,233
Net transfers in special reserves	20	(9,008)	9,008	-	-	-
Net transfers in other reserves		90	(90)	-	-	-
Dividends paid		-	-	-	(3,066)	(3,066)
Balance at 30 June 2020		148,562	74,420	222,982	64,462	287,444

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 2020	Note	Council 30-Jun-20 \$000	Annual Plan 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
<b>EQUITY</b>						
Accumulated funds	20	115,702	137,567	119,943	148,562	152,771
Reserves	20	41,844	13,324	32,224	74,420	65,502
Total equity attributable to Northland Regional Council		157,546	150,892	152,167	222,982	218,273
Non-controlling interest	20				64,462	65,004
<b>TOTAL EQUITY</b>		157,546	150,892	152,167	287,444	283,277
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	6	3,907	73	606	4,828	1,758
Receivables	7	7,090	5,285	4,056	7,462	4,792
Inventory	8	483	3,175	3,181	556	3,276
Investment property assets held for sale	9	715	-	2,361	715	2,361
Other financial assets	10	20,298	3,930	8,810	20,298	8,805
<b>TOTAL CURRENT ASSETS</b>		32,493	12,463	19,014	33,859	20,992
<b>Non-current assets</b>						
Receivables	11		5,900	5,948	-	5,948
Investment property	12	60,361	70,449	53,261	138,357	129,130
Other financial assets	10	47,514	42,922	54,675	47,963	55,137
Investment in subsidiaries (excluding council control organisations) and joint venture company	13(i)	7,828	7,828	7,828	46,269	46,719
Investment in Council Controlled Organisations	13(ii)	863	863	863	810	871
Property, plant and equipment	14	35,914	41,376	33,314	66,375	62,624
Capital projects in progress	14	4	-	308	606	538
Intangible assets	15	790	525	642	790	642
Forestry assets	16	3,157	2,862	3,264	3,157	3,264
<b>TOTAL NON-CURRENT ASSETS</b>		156,431	172,724	160,103	304,327	304,873
<b>TOTAL ASSETS</b>		188,924	185,187	179,117	338,186	325,865



As at 30 June 2020	Note	Council 30-Jun-20 \$000	Annual Plan 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Payables and deferred revenue	17	8,884	4,602	5,000	10,729	7,626
Employee entitlements	18	2,312	1,792	1,866	2,413	1,926
Borrowings and other financial liabilities	19	10,000	-	-	10,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>21,196</b>	<b>6,394</b>	<b>6,866</b>	<b>23,142</b>	<b>9,552</b>
<b>Non-current liabilities</b>						
Payables and deferred revenue	17	608	806	510	1,476	1,312
Employee entitlements	18	16	19	16	16	16
Borrowings and other financial liabilities	19	9,558	27,077	19,558	26,108	31,708
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>10,182</b>	<b>27,901</b>	<b>20,084</b>	<b>27,600</b>	<b>33,036</b>
<b>TOTAL LIABILITIES</b>		<b>31,378</b>	<b>34,296</b>	<b>26,950</b>	<b>50,742</b>	<b>42,588</b>
<b>NET ASSETS</b>		<b>157,546</b>	<b>150,892</b>	<b>152,167</b>	<b>287,444</b>	<b>283,277</b>

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 2019/20 (in thousands)

#### Asset variances

##### Current

Cash and cash equivalents are \$3,834 greater than the annual plan predominantly due to:

- Higher term deposits at year end than planned

Receivables are \$1,805 higher than the annual plan predominantly due to:

- Having some large grant and subsidy receivables at year end mostly for the water storage project.

Inventory is \$2,692 lower than the annual plan predominantly due to:

- The disposal of the Marsden Point Rail Link inventory asset not in the annual plan

Investment property assets held for sale are \$715 more than the annual plan due to:

- Properties not sold during the 2019/20 financial year as planned

Other financial assets are \$16,368 more than the annual plan due to:

- The funding requirement for council's two development projects being held in the short term investment fund

##### Non-current

Non-Current Receivables are \$5,900 less than the annual plan predominantly due to:

- The disposal of the Marsden Point Rail Link asset meant that NRC received the balance owing on it's non-current receivable.

Investment Property is \$10,088 less than the annual plan due to:

- The Kensington and Kaipara Service centre development projects being delayed due to the COVID-19 lockdown and other issues.

Other financial assets are \$4,318 more than the long plan due to:

- The proceeds from the sale of the Marsden Point Rail Link Joint Venture were held in the long term fund at year end

Property, plant, and equipment are \$5,462 less than the annual plan due to:

- Lower capital expenditure than planned
- Losses in revaluation on infrastructure assets and council occupied buildings

Intangible assets are \$265 more than the annual plan predominantly due to:

- Gains on the revaluation of emissions trading assets.
- Regional ticketing system capital expenditure not in the annual plan

Forestry assets are \$295 more than the annual plan due to:

- The forestry harvest completed late in the 2018/19 financial year being smaller than anticipated in the 2019/20 contributed to a lower annual plan forestry asset balance.

#### Liability variances

##### *Current*

Payables and deferred revenue is \$4,141 more than the annual plan due to:

- Higher than planned levels of funding received in advance for works not yet undertaken

Employee entitlements are \$520 more than the annual plan due to:

- An increase in total employees
- An increase in employee leave balances

Borrowings and other financial liabilities are \$10,000 more than the annual plan due to:

- A debenture becoming due within the following twelve months

##### *Non-current*

Borrowings and other financial liabilities are \$17,519 less than the annual plan due to:

- A debenture becoming due within the following twelve months being classified as current
- Not requiring as much borrowing for river works as planned due to earlier delays in capital programs allowing rates to build up to cover part of the capital expenditure.

## Statement of cash flows

For the year ended 30 June 2020	Council 30-Jun-20 \$000	Annual Plan 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
<b>Cash flows from operating activities</b>					
Receipts from rates revenue	29,473	28,907	26,273	29,473	26,273
Receipts from customers	3,766	14,503	8,627	11,703	16,402
Interest received	451	3,602	3,139	461	3,160
Dividends received	3,543	-	3,488	8,745	9,190
Subsidies and grants received	14,890	2,144	4,900	14,995	5,005
Payments to suppliers and employees/members	(46,419)	(48,206)	(40,304)	(52,098)	(46,913)
Interest paid	(831)	(1,201)	(802)	(1,330)	(1,088)
Income tax paid	-	-	-	(22)	(19)
Net goods and services tax received/(paid)	(235)	3,603	(335)	(243)	(342)
<b>Net cash from operating activities</b>	<b>4,638</b>	<b>3,355</b>	<b>4,986</b>	<b>11,684</b>	<b>11,668</b>
<b>Cash flows from investing activities</b>					
Receipts from sale of property, plant and equipment	135	14,194	170	135	170
Receipts from sale of investment property and assets	13,234	-	1,351	13,234	1,351
Receipt from the sale of investments held for sale	54,927	(6,300)	39,660	54,927	39,662
Loan repayments received	5	-	558	(0)	549
Purchase of property, plant and equipment and intangible assets	(5,206)	(17,798)	(3,182)	(7,976)	(5,155)
Purchase of investment property	(7,793)	-	(3,821)	(13,630)	(11,265)
Purchase of financial investments	(56,639)	-	(41,114)	(56,639)	(41,116)
<b>Net cash from investing activities</b>	<b>(1,337)</b>	<b>(9,904)</b>	<b>(6,378)</b>	<b>(9,949)</b>	<b>(15,804)</b>
<b>Cash flows from financing activities</b>					
Proceeds received from ASB facility	-			4,400	6,100
Dividends paid	-	-	-	(3,065)	(3,017)
Proceeds from borrowings	-	6,545	1,000	-	1,000
<b>Net cash from financing activities</b>	<b>-</b>	<b>6,545</b>	<b>1,000</b>	<b>1,335</b>	<b>4,083</b>
<b>Net increase (decrease) in cash, cash equivalents and bank overdrafts</b>	<b>3,301</b>	<b>(5)</b>	<b>(392)</b>	<b>3,070</b>	<b>(53)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	606	86	998	1,758	1,811
<b>CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS AT THE END OF THE YEAR</b>	<b>3,907</b>	<b>81</b>	<b>606</b>	<b>4,828</b>	<b>1,758</b>

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

For the year ended 30 June 2020	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Surplus/(deficit) after tax	4,767	4,939	7,930	11,236
<b>Add/(less) non cash items</b>				
Depreciation & amortisation expense	1,740	1,629	2,231	2,084
Vested asset revenue	(1,715)	-	(1,715)	-
Divested asset expense	182	-	182	-
Deferred taxation	-	-	-	-
Share of associate companies' retained surplus	-	-	(3)	183
Fair value adjustments	523	(1,340)	3,377	(1,911)
Non cash gains on externally managed funds and loans	(2,575)	(3,207)	(2,575)	(3,207)
Other non-cash items	(147)	765	(148)	765
<b>Total non cash items</b>	<b>(1,992)</b>	<b>(2,153)</b>	<b>1,349</b>	<b>(2,086)</b>
<b>Add/(less) items classified as investing or financing activities</b>				
(Gains)/loss on sale of property plant and equipment	(63)	(42)	(43)	(38)
(Gains)/loss on sale of investment properties and assets held for sale	820	112	820	112
<b>Total items classified as investing or financing activities</b>	<b>757</b>	<b>70</b>	<b>777</b>	<b>74</b>
<b>Add/(Less) movements in working capital</b>				
Decrease (increase) in trade and other receivables	(3,071)	1,679	(2,729)	2,144
Decrease (increase) in prepayments	36	(78)	58	(122)
Decrease (increase) in inventory	2,698	(79)	2,721	(133)
(Decrease) increase in trade and other payables	3,717	387	2,776	1,375
(Decrease) increase in revenue received in advance	265	16	490	16
(Decrease) Increase in employee entitlements accrual	446	117	486	93
Investing capital items included in working capital movements	(2,985)	88	(2,174)	(929)
	1,106	2,130	1,628	2,444
<b>Net cashflows from operating activities</b>	<b>4,638</b>	<b>4,986</b>	<b>11,684</b>	<b>11,668</b>

# 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 2020. The financial statements were authorised for issue by council on 20 October 2020.

## 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 practice in New Zealand (NZ GAAP).

The financial statements comply with PBE accounting standards.

## Functional and presentation currency

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

## Standards issued and not yet effective and not early adopted

Standards and amendments, issued but not yet effective and which are relevant to the council :

### 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. Although the council has not assessed the effect of the new standard, it does not expect any significant changes as the requirements are similar to PBE IPSAS 29.

### PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. The council has not yet determined how the application of PBE FRS 48 will affect its service performance reporting.

### Amendment to PBE IPSAS 2 Statement of Cash Flows

An amendment to PBE IPSAS 2 Statement of Cash Flows requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This amendment is effective for annual periods beginning on or after 1 January 2021 with early application permitted. Council does not intend to early adopt the amendment and has not yet assessed in detail the impact of the amendment.



### Other changes in accounting policies

There have been no other changes in accounting policies.

### Summary of significant accounting policies

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

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

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

### Basis of consolidation

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

### Foreign currency transactions

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

### Goods and services tax (GST)

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

### Budget figures

The budget figures are those approved by the council in its 2019-2020 Annual Plan (AP). The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

### Critical accounting estimates and assumptions

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

Council and group investment property and owner occupied property (land and buildings) are revalued annually by independent valuers. The fair value of the investment properties is based on the market values, being the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction. Due to the relatively low level of recent transactions in some areas, these valuations are inherently subjective. The estimates and assumptions that have a significant risk of causing a material adjustment to the fair value of investment property and owner occupied property are provided in Notes 12 and 14 respectively.

Council's infrastructure assets are revalued by an independent valuer at regular intervals, with the most recent infrastructure valuation effective as at 30 June 2020. 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 14.

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 16.

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.

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

### Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2020.

Council has one leasehold property it is in the process of selling directly to the lessees or on the open market. This property has therefore been classified as current assets investment property (assets held for sale) as it is assumed this 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.

### Restatement of Infrastructure Asset Value

The Council and group has adjusted its comparative year financial statements for the year ended 30 June 2019.

During 2019/20, the Council discovered that a number of land parcels associated with the Whangarei Detention Dam were incorrectly accounted for in the valuation of the dam supplied to NRC by its independent valuer in 2017 when these assets were last valued.

Council holds an easement to use the land parcels that were mistakenly included but does not hold outright ownership. In 2017 these parcels were incorrectly valued based on full ownership, while a small amount (\$58K) of valid land was excluded from the valuation, generating a net overstatement in the fair value of the Dam of \$2.9M.

The financial statements for 2019 which are presented as comparative information in the 30 June 2020 financial statements have been restated to correct this error. The correction reduces the opening balance of the Council and group Infrastructure assets and infrastructure asset revaluation reserve by \$2.9M.

### Reclassification Adjustment of Gains on revaluation of Carbon Credits

During the year, the Council and group have reclassified the gains on revaluation of carbon credits as other comprehensive revenue and expense and accumulated to a carbon credit asset revaluation reserve in accordance with Councils accounting policy. The 2019 gain on the revaluation of carbon credits of \$36K, have been reclassified from Other gains in surplus and deficit to other comprehensive revenue and expense. The historical accumulated

gains prior to 2019 of \$235K have been reclassified from Accumulated Funds to a Carbon Credit Asset Revaluation Reserve.

### Impact of the COVID-19 global pandemic

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have experienced great volatility. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

In response to the global pandemic, New Zealand entered a Government directed alert level system dictating the level of business activity and social interaction that can take place. When NZ went into Alert Level's 3 and 4, councils Pandemic Plan was enacted to enable the vast majority of council staff to work from home, helping to keep them safe and ensuring business continuity.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the council for future periods.

The pandemic has resulted in impacts to key estimates and judgments used in these financial statements including:

- Provision for uncollectability of rates receivable and general debtors as at 30 June 2020 as detailed in note 7
- Investment property valuations being impacted as at 30 June 2020 as detailed in note 12
- Owner occupied freehold land and building valuations being impacted as at 30 June 2020 as detailed in note 14
- Infrastructure Asset valuations assumptions being impacted as at 30 June 2020 as detailed in note 14
- Forestry asset valuation assumptions being impacted as at 30 June 2020 as detailed in note 16

To date, Council has undertaken the following steps to reduce the impact of COVID-19 on its operations:

- taken advantage of \$1.5m from the central governments wage subsidy effectively reducing the labour cost for Northland ratepayers.

- reduced, postponed or cancelled work streams and costs without risking the obligations and duties of the Council in 2019/20, and originally culling close to \$2.4M of work streams and costs from its 2020/21 Annual Plan.
- maintained a larger allocation of cash assets as a driver to de-risk and safeguard the value of Councils Investment portfolio
- set aside \$1.7M of cash in a COVID-19 Reinstatement reserve dedicated to fund the reinstatement of prioritised work streams that were originally culled from the Councils 2020/21 work programme.
- set aside \$1.6M of cash to be called upon and provide stability should the investment returns from Councils externally managed investment portfolio not eventuate as anticipated in 2020/21.
- planned to use an additional \$2.3M of cash reserves to fund operations in the 2020/21.

# Notes to the financial statements

## 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-20 \$000	Annual Plan 30-Jun-20 \$000	Council 30-Jun-19 \$000
<b>Revenue</b>			
Governance and Engagement	7,173	4,543	4,275
Environmental Services	11,604	9,926	10,051
River Management	5,001	5,072	4,691
Regulatory Services	9,224	8,746	8,250
Customer Services – Community Resilience	11,704	10,798	8,794
Corporate Excellence	23,443	22,342	22,022
<b>Total activity revenue and rates as per activity funding impact statements</b>	<b>68,149</b>	<b>61,427</b>	<b>58,083</b>
Internal charges and overheads recovered	(10,115)	(12,342)	(9,814)
Other gains not attributable to an activity	980	-	1,587
<b>Total revenue as per statement of comprehensive revenue and expense</b>	<b>59,014</b>	<b>49,085</b>	<b>49,856</b>
<b>Expenses</b>			
Governance and Engagement	10,042	8,072	7,199
Environmental Services	14,067	13,711	12,899
River Management	3,319	3,362	3,647
Regulatory Services	10,631	11,528	9,246
Customer Services – Community Resilience	12,611	11,803	9,728
Corporate Excellence	9,692	11,510	9,246
<b>Total activity expenses as per activity funding impact statements</b>	<b>60,362</b>	<b>59,986</b>	<b>51,965</b>
Internal charges and overheads recovered	(10,115)	(12,342)	(9,814)
Other expenses not attributable to an activity	2,260	-	1,101
Depreciation and amortisation	1,740	1,810	1,629
<b>Total expenses as per statement of comprehensive revenue and expense</b>	<b>54,247</b>	<b>49,454</b>	<b>44,881</b>

BREAKDOWN OF DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY	Note	Council 30-Jun-20 \$000	Annual Plan 30-Jun-20 \$000	Council 30-Jun-19 \$000
Governance and Engagement				
Regulatory Services		404	401	368
Environmental Services		-	-	-
River Management		192	136	191
Customer Services - Community Resilience		211	137	147
Corporate Excellence		933	1,136	923
<b>TOTAL DEPRECIATION AND AMORTISATION EXPENSE</b>	<b>14</b>	<b>1,740</b>	<b>1,810</b>	<b>1,629</b>

## 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. Any short term rent relief provided is fully recognised in the period in which it occurs.

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

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

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

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

Rates revenue is shown net of rates remissions and postponements, early payment discounts and an impairment of \$626,882 (2019: \$561,198) to rates assessed on Māori freehold land in the Far North District (see note 7). Northland Regional Council's rates remission policies allow it to remit approved rates as per the Rates Remission Policies of the Territorial Authorities that collect Northland Regional Council's rates on its behalf. The Whangarei District Council offers a 2% early payment discount if rates are paid in full at the first instalment of 20 August.

## 2(ii) Breakdown of other revenue

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Rental revenue from investment properties	3,048	2,992	8,123	7,167
Forestry harvest revenue	-	1,049	-	1,049
Vested Asset	1,715	-	1,715	-
Dividend revenue – Marsden Maritime Holdings Limited	3,543	3,488	-	-
<b>Total other revenue</b>	<b>8,306</b>	<b>7,529</b>	<b>9,838</b>	<b>8,216</b>

## 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-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Not later than one year	2,521	2,787	5,242	4,730
Later than one year and not later than five years	7,361	9,245	14,778	14,369
Later than five years	5,360	10,615	10,620	18,413
<b>Total non-cancellable operating leases</b>	<b>15,242</b>	<b>22,647</b>	<b>30,640</b>	<b>37,512</b>

### Council

Operating leases relate to investment properties owned by Northland Regional Council. The majority (in terms of numbers) of Council's investment property portfolio is made up of leasehold properties. These leasehold properties have perpetual lease terms ranging from 5 to 21 years. The lessee has the option to renew the lease at the completion of each term. All leases contain market review clauses at varying cycle's or upon renewal. The lessee does not have a right to purchase the property at the expiry of the lease. Council owns 2 rural holdings having lease or tenancy terms between 12 months and 3 years, and has two urban residential properties. Council also owns 33 freehold commercial properties, of which five are vacant, two are being redeveloped, and the remaining 26 have lease terms of between one month 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 31 years. All leases include a clause to enable upward revision of the rental charge on contractual rent review dates according to prevailing market conditions.

No contingent rents have been recognised during the year.

### 2(iii) Breakdown of other gains:

	Note	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Gain on revaluation of investment property	12	916	1,293	-	1,897
Gain on revaluation of investment property assets held for sale	9	-	142	-	142
Gain on revaluation of forestry assets	16	-	29	-	29
Gain on disposal of property, plant and equipment		63	42	43	42
<b>Total non-financial instruments gains</b>		<b>979</b>	<b>1,506</b>	<b>43</b>	<b>2,110</b>
Externally Managed Investment Funds		2,758	3,419	2,758	3,419
Gain on fair value adjustment of financial investments	10		45	-	45
<b>Total financial instruments gains</b>		<b>2,758</b>	<b>3,464</b>	<b>2,758</b>	<b>3,464</b>
<b>Total other gains</b>		<b>3,737</b>	<b>4,970</b>	<b>2,801</b>	<b>5,574</b>

The fair value gains on investment property arise from the annual revaluation of these investments.

### Note 3: Personnel costs

#### Accounting policy

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

#### Breakdown of personnel costs and further information:

	Note	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Salaries and wages		16,974	15,389	19,721	18,012
Employer contributions to defined contribution plans		472	430	517	475
Increase/(decrease) in employee benefit liabilities	18	446	116	487	93
<b>Total personnel costs</b>		<b>17,892</b>	<b>15,935</b>	<b>20,725</b>	<b>18,580</b>

#### 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 2020 to the Chief Executive was \$319,010 (2019: \$306,614).

#### Elected representatives

Elected representatives received the following remuneration:

	Note	Salary 30-Jun-20 \$000	Non-salary 30-Jun-20 \$000	Total Council Remuneration 30-Jun-20 \$000	Total Council Remuneration 30-Jun-19 \$000
Penny Smart, Chair		108	5	113	80
Justin Blaikie, Deputy Chair		74	8	82	83
John Bain		70	3	73	71
Jack Crow		48	1	49	-
Colin Kitchen		48	9	57	-
Amy Macdonald		48	8	56	-
Marty Robinson		48	5	53	-
Rick Stolworthy		70	9	79	79
Joce Yeoman		70	4	74	96
Bill Shepherd		36	-	36	116
David Sinclair		24	1	25	80
Paul Dimery		21	5	26	86
Mike Finlayson		21	8	29	87
<b>Total elected representatives' remuneration</b>	<b>4</b>	<b>686</b>	<b>66</b>	<b>752</b>	<b>778</b>

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 chair and chief executive.

#### *Council employee remuneration by band*

The annual remuneration by band for council employees as at 30 June 2020 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 five or fewer employees in the band, they are combined upwards with the next banding as stipulated in the Local Government Act 2002.

	Council 30-Jun-20	Council 30-Jun-19
< \$60,000	69	76
\$60,000 - \$79,999	106	94
\$80,000 - \$99,999	31	30
\$100,000 - \$119,999	18	14
\$120,000 - \$179,999	10	9
\$300,000 - \$319,999	1	1
<b>Total employees</b>	<b>235</b>	<b>224</b>

Total remuneration includes any non financial benefits provided to employees.

At 30 June 2020, the Council employed 194 (2019: 189) full time employees with the balance of staff representing 24.75 (2019: 17.41) 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 2020, the Council made 2 (2019: 1) severance payments to employees totalling \$18,000 (2019: \$26,986). The value of each of the severance payments was \$10,000 and \$8,000.

### **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-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Fees to external auditors:					
Fees to Deloitte for audit of financial statements		120	118	151	150
Fees to Deloitte for other services*		18	20	18	20
Fees to OAG for audit of financial statements		11	12	11	14
Fees to EY for the audit of the Marsden Maritime Holdings Group		-	-	87	72
Fees for other services provided by the auditor of Marsden Maritime Holdings Limited**			-	6	5
Directors/Councillors' fees and trustee remuneration	3	752	778	1,150	1,160
Donations		1,460	1,077	1,461	1,080
Operating lease payments		79	30	238	185
Impairment of receivables	7	476	602	477	672
Impairment of loan		-	820	-	820
Operating grants to Northland Inc. Limited		1,336	1,307	-	-
Other payments to Northland Inc. Limited		467	677	-	-
Divested Assets		182	-	182	-
Loss on disposal of investment property assets held for sale		50	-	50	-
Loss on disposal of MPRL Joint Venture		770	112	770	112
Loss on disposal of property, plant and equipment		-	-	-	3
Loss on revaluation of investment property assets held for sale	9	18	-	18	-
Loss on revaluation of forestry assets	16	107	-	107	-
Loss on revaluation of infrastructure assets		1,187	-	1,187	-
Loss on revaluation of buildings and amenities	14	127	169	-	34
Loss on fair value adjustment of financial investments		-	-	13	167
Loss on revaluation of investment property assets				2,052	
Other operating expenses		26,525	20,692	31,092	25,586
<b>Total other expenses</b>		<b>33,685</b>	<b>26,414</b>	<b>39,070</b>	<b>30,080</b>

\* The fees paid to Deloitte for other services for the year ending 30 June 2020 were for a maturity assessment review of Cyber governance, a review of the Waima Waitai Wairoa project and other documentation pertaining to councils 2020-21 Annual Plan, and for the audit compliance report prepared in respect of councils debenture trust deed.

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



## 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-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Not later than one year	105	49	162	140
Later than one year and not later than five years	143	105	171	191
Later than five years	-	-	-	-
Total non-cancellable operating leases	248	154	333	331

## 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-20 \$000	Consolidated 30-Jun-19 \$000
Components of tax expense		
Current tax expense/(credit)	22	19
Tax expense	22	19
Relationship between tax expense and accounting surplus		
Surplus/(deficit) before tax	7,952	11,255
Taxation at 28%	2,227	3,151
Plus (less) tax effect of:		
Non-deductible expenditure	1,829	997
Recognition of temporary differences	17	-
Imputation dividend receipts	(3,826)	(3,930)
Non-taxable income	(398)	(512)
Tax paid on joint venture company earnings	(14)	55
Carried forward losses derecognised/(recognised)	187	247
Tax expense/(benefit)	22	19

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 NRC is exempt from income tax.

A deferred tax asset has not been recognised in relation to tax losses in NRC of \$11,620,843 (2019 \$10,143,588) as council considers it unlikely that the benefit of these losses will be utilised against future taxable income.

As at 30 June 2020 Marsden Maritime Holdings Limited group has taxation losses amounting to \$7,055,992 of which the tax effect is \$1,975,569 (2019 losses \$6,600,901 tax effect \$1,848,252) subject to Inland Revenue Department confirmation. Due to the timeframe in which assessable income is anticipated to be available to offset such losses, MMH has determined that it is appropriate to only recognise losses in the financial statements to a level that directly offsets the deferred tax liability.

**Note 6: Cash and Cash Equivalents**

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Cash on hand and at trading banks *	1,140	606	2,061	1,758
Term deposits, held as part of the Short Term Fund - with maturities of less than 3 months acquisition	2,000		2,000	
Other Term deposits - with maturities of less than 3 months at acquisition	767		767	
Total cash and cash equivalents	3,907	606	4,828	1,758

\* The Council holds unspent funds included in cash at bank of \$225,831 that are subject to restrictions. \$6,230 relates to marine farm and commercial bonds. \$219,601 relates to deposits held in respect to tenancy agreements.

## Note 7: Current receivables

### Accounting policy

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

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

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

### Breakdown of receivables and further information

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Rates receivables	3,445	3,287	3,445	3,287
Other receivables	5,248	2,257	5,553	2,765
GST receivable	643	582	686	707
Receivables from subsidiaries and associates	71	14	-	-
Prepayments	271	308	437	495
Gross debtors and other receivables	9678	6,448	10,121	7,254
Less provision for uncollectibility of receivables	(2,588)	(2,392)	(2,659)	(2,462)
<b>Total current receivables</b>	<b>7,090</b>	<b>4,056</b>	<b>7,462</b>	<b>4,792</b>
<b>Total current receivables comprise:</b>				
Receivables from non-exchange transactions - this includes outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates	5,788	3,296	6,039	3,936
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges that have not been subsidised by rates	1,302	760	1,423	856
	<b>7,090</b>	<b>4,056</b>	<b>7,462</b>	<b>4,792</b>

### Assessment for uncollectibility

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

Due to the historical experience of non-payment of council rates, 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 2020 was based on the 2019-20 non collection rate adjusted for the arrears collected in 2019-20 and amounted to \$626,882 (2019: \$561,198). Rates revenue and the rates receivable have been reduced by \$626,882 (2019: \$561,198). 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 \$626,882 (2019: \$561,198).

Outstanding rates (other than rates assessed on Maori Freehold Land as detailed above) 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.

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:

	2020			2019		
	Gross \$000	Provision for uncollectibility \$000	Net \$000	Gross \$000	Provision for uncollectibility \$000	Net \$000
<b>Council</b>						
Not past due	5,277	(6)	5,271	3,269	(4)	3,265
Past due 1-60 days	555	(22)	533	58	(14)	44
Past due 61-120 days	82	(39)	43	46	(14)	32
Past due > 120 days	3,764	(2,521)	1,243	3,075	(2,360)	715
<b>Total</b>	<b>9,678</b>	<b>(2,588)</b>	<b>7,090</b>	<b>6,448</b>	<b>(2,392)</b>	<b>4,056</b>

	2020			2019		
	Gross \$000	Provision for uncollectibility \$000	Net \$000	Gross \$000	Provision for uncollectibility \$000	Net \$000
<b>Group</b>						
Not past due	5,552	(6)	5,546	3,941	(4)	3,937
Past due 1-60 days	586	(22)	564	74	(14)	60
Past due 61-120 days	147	(39)	108	79	(15)	64
Past due > 120 days	3,836	(2,592)	1,244	3,160	(2,429)	731
<b>Total</b>	<b>10,121</b>	<b>(2,659)</b>	<b>7,462</b>	<b>7,254</b>	<b>(2,462)</b>	<b>4,792</b>

Impact of the COVID-19 global pandemic

Provision for Uncollectability

The provision for uncollectability of general receivables has been based on a review of specific overdue receivables and a collective assessment.

- The evaluation of specific overdue receivables paid particular attention to debtors who have contacted council expressing an issue of unaffordability due to the impact of COVID-19, and debtors who historically have paid on a timely basis yet are outstanding at 30 June 2020 and have not contacted council. The increase in the specific provision for collectability due to the impact of COVID-19 for 2019/20 is \$21K.
- The collective assessment is based on an analysis of past collection history and debt write offs.

The provision for uncollectability of rates receivables has been assessed based on an analysis of council's historical non-collection rate from each district. In addition, any reduction in the collection of rates due to the negative financial impact of COVID-19 on the community was taken into consideration in 2019/20. The increase in the 2019/20 provision for uncollectability due to the impact of COVID-19 was \$49K.

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Movements in the provision for uncollectability of receivables are as follows:				
Balance at 1 July	2,392	2,736	2,462	2,736
Additional provisions made during the year	476	602	477	672
Receivables written off during the period	(280)	(946)	(280)	(946)
Balance at 30 June	2,588	2,392	2,659	2,462

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

## Note 8: Inventory

### Accounting policy

Inventories such (as stores, chemicals 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-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Stores and materials		483	116	556	211
Marsden to Oakleigh Rail Corridor Designation		-	3,065	-	3,065
		483	3,181	556	3,276



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

#### Joint Venture – between Council and NZ Railway Corporation

During the year, the Council sold its ownership in a number of investment properties (note 12) along the proposed Marsden point rail corridor to NZ Railways Corporation (NZRC). NZRC also paid the Council for its outstanding share of historical financing costs and operational property management costs (note 11). The Council transferred its share of the inventory asset representing the cost to attain the rail corridor designation (Note 8) to NZRC.

#### Note 9: Assets held for sale

##### Accounting policy

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses are recognised in the surplus or deficit.

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

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

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

#### Breakdown of assets held for sale and further information:

	Note	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Balance at 1 July		2,361	11,248	2,361	11,248
Transfers from/(to) investment properties	12	(747)	(9,029)	(747)	(9,029)
Disposals		(881)	-	(881)	-
Fair value gains/(loss) on valuation	4/2(iii)	(18)	142	(18)	142
<b>Total assets held for sale</b>		<b>715</b>	<b>2,361</b>	<b>715</b>	<b>2,361</b>

During the year 1 property held for resale was reclassified as an Investment property and 2 properties were sold, leaving 1 investment property asset held for sale at 30 June 2020. Council investment properties held for sale are valued at Fair Value under PBE IPSAS 16. The valuation was undertaken by Telfer Young Northland Ltd as at 30 June 2020.

## Note 10: Other financial assets

### Accounting policy

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

#### *Financial assets at fair value through surplus or deficit*

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

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

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

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

#### *Loans and receivables*

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

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

Breakdown of other financial assets and further information:

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
<b>CURRENT PORTION</b>				
Term deposits, and other securities *	1,480	2600	1,480	2,600
Loans to subsidiary	-	5	-	-
Short term investment fund	18,818	6,205	18,818	6,205
<b>Total current portion</b>	<b>20,298</b>	<b>8,810</b>	<b>20,298</b>	<b>8,805</b>
<b>NON-CURRENT PORTION</b>				
Loans to subsidiary	-	-	-	-
Other loans	3,050	3,006	3,050	3,006
Term deposits, corporate and local government bonds, and other securities	153	153	602	615
Long Term Fund	44,311	-	44,311	-
Community Investment Fund	-	14,347	-	14,347
Property Reinvestment Fund	-	16,958	-	16,958
Infrastructure Investment Fund	-	20,211	-	20,211
<b>Total non-current portion</b>	<b>47,514</b>	<b>54,675</b>	<b>47,963</b>	<b>55,137</b>
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>67,812</b>	<b>63,485</b>	<b>68,261</b>	<b>63,942</b>

\* includes \$85k of term deposits held as retentions and subject to restrictions

Fair value

The carrying amount of term deposits approximates their fair value.

Funds of \$3,750,000 were advanced to Northland Emergency Services Trust (NEST) on 8 May 2018 to assist with the purchase of a helicopter. The NEST Loan is secured over the newly purchased helicopter by way of a General Security Deed and has an applicable fixed interest rate of 4.77% pa. A lump sum repayment of \$548,786 was received from NEST during the 2018-19 year. The carrying amount of the NEST loan is \$3,050,245 (2019: \$3,006,470) reflecting a non-cash fair value adjustment of \$150,969 (2019: \$194,744) to account for the fact the interest rate is below an assessed market interest rate of 6.5%. The fair value adjustment of \$150,969 will be unwound through profit and loss over the term of the loan.

Fonterra Cooperative Group Limited Shares

As at 30 June 2020, 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 \$3.74 per share (2019: total holding of 119,935 shares at an average of \$3.85 per share) recognising a total fair value decrease for the year of \$13,193 (2019: fair value increase \$190,696).

Externally managed investment funds

Eriksen and Associates Limited are appointed as council's investment advisors for 2 externally managed investment funds (Nov 2019: 4 funds were rationalised into 2 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 (monthly) in accordance councils Statement of Investment Policy and Objectives (SIPO). This designation is consistent with the investment strategy in council's finance strategy, as the managed

funds are managed prudently against the SIPO 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. The Long Term Fund is presented as non current as council does not expect to dispose of it 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.

At year end, Council had uncalled committed capital relating to its investment in private equity fund managers of \$4,407,394.

#### Impact of the COVID-19 global pandemic

Since 31 December 2019, the outbreak of COVID-19 and related global responses has caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with monetary interventions designed to stabilise economic conditions, the duration and extent of the impact of the COVID-19 outbreak on councils' financial assets remains uncertain.

During the year, council's investment portfolio maintained a higher allocation to cash as a driver to de-risk, and further safeguard, the council's investment portfolio. For the 12 months to 30 June 2020 the actual returns, net of fees, generated by councils 2 externally managed investment funds, in comparison to their respective target return objective were:

Long Term Investment Fund: Actual 5.1% pa; Target 6.0% pa

Short Term Investment Fund: Actual 4.5% pa; Target 4.2% pa

Externally managed investment fund performance (12 month return to 30 June 2020, net of fees)	Council and Consolidated 30-Jun-20	Council and Consolidated 30-Jun-19
Long Term fund (established November 2019)	5.10%	
Short Term fund (established November 2019)	4.50%	
Community investment fund (disestablished October 2019)	10.7%	6.30%
Property reinvestment fund (disestablished October 2019)	11.10%	7.00%
Infrastructure investment fund (disestablished October 2019)	9.50%	6.70%
Short term investment fund -formerly working capital fund (disestablished October 2019)	5.40%	5.50%

Weighted average effective interest rates	Council and Consolidated 30-Jun-20	Council and Consolidated 30-Jun-19
Term deposits	0.92%	4.32%
Other securities	4.29%	4.29%



## Note 11: Non-current receivables

Breakdown of non-current receivables and further information:

	Note	Council and Consolidated 30-Jun-20 \$000	Council and Consolidated 30-Jun-19 \$000
Non-current Receivables		-	5,948

There is no impairment provision for non current receivables.

## Note 12: Investment property

### Accounting policy

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

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

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

	Nb	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Balance at 1 July		53,261	41,100	129,130	107,997
Additions		7,891	3,697	12,997	11,944
Vested Assets	2(i)	1,715	-	1,715	(1,463)
Disposals and Divested assets		(4,044)	(1,463)	(4,044)	(1,463)
Transfers from/(to) assets held for sale	9	747	9,029	747	9,029
Transfers from/(to) property plant and equipment - freehold land	14	(75)	85	(75)	205
Transfers from/(to) property plant and equipment - buildings	14	(50)	70	(50)	70
Transfers from/(to) infrastructure assets	14	-	(550)	-	(550)
Movement in lease incentives		-	-	(11)	1
Fair value gains/(losses) on valuation	2(f)	916	1,293	(2,052)	1,897
Balance at 30 June		60,361	53,261	138,357	129,130

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 2020.

Council's investment properties are valued at fair value comprising of ground leases of \$20,198,000 (2019: \$24,165,000), freehold investment properties (land and buildings) of \$40,163,000 (2019: \$25,555,000). \$3,438,000 of properties along the proposed MPRL corridor were included in the 2019 comparative, and these properties were disposed of during the year.

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, the market based comparison approach for two properties in the vicinity of the Kotuku Street Retention Dam and the residual development approach for a commercial development currently in progress. These methods are based upon assumptions including capitalisation rates, future ground lease rental rates, future land value, and an appropriate discount rate.

Capitalisation rate range 4.86% to 10.33% (2019: 5.57% to 10.16%)

Future market rents

+5.10% for five- yearly ground lease rent reviews (2019: 5.60%)

+5.35% for seven- yearly ground lease rent reviews (2019: 5.85%)

+6.65% for 21-yearly ground lease rent reviews (2019: 7.15%)

Annual inflation on land values: 1.5% (2019: 1.75%)

Discount rate: 8.0% (2019: 8.25%)

Impact of the COVID-19 global pandemic - Council

As at 30 June 2020, the real estate markets to which the Council investment properties belong were impacted by severe market disruption and lack of transactional data as a result of the COVID-19 lockdown from mid to late March 2020. This created a greater degree of uncertainty on the value of investment property as at 30 June 2020, however it is important to note that uncertainty doesn't necessarily imply value changes but rather there may be a wider than average value range to the individual ascribed valuations for each property.

The valuation uncertainty could affect key inputs, assumptions and processes used in the revaluation of the Council and the Groups investment properties such as:

- Estimating and analysing the ground rental rates and net income that a property can generate, and
- Estimating and analysing the discount rate to convert the net income into a properties investment value
- Estimating and analysing the relevant rates of return/capitalisation rates that affect a property's value
- Projections of rental growth in the short to medium term

#### Investment properties valuation – Marsden Maritime Holdings Limited

Fair value has been determined based on valuations performed as at 30 June 2020 by Seagar & Partners, industry specialists in valuing these types of assets.

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 and annual rental cash flows. The assumptions for the valuation of Marsden Cove Marina changed for the year ended 30 June 2020 to reflect current practice. This years valuation was based on future cashflows from berth rental and reversion of existing licenses rather than a sell down of available berths via license agreement over a period of time.

Land available for lease range\*: \$75-\$110 per square metre (2019: \$80-\$115 per square metre)

Discount rate range: 8.5% - 9.75% (2019: 9.0% - 10.25%)

Capitalisation rate: 7.50% (2019: 7.50%)

Exit yield range: 7.25% - 7.5% (2019: 7.25% - 7.75%)

Berth licence sell down period: NA (2019: 8 years)

Annual Rental cash flow: \$299,000- \$354,000 (2019: \$288,000- \$344,000)

\* excludes undeveloped land and land designated for a transport corridor which has a value of \$30 to \$100 per square metre (2019: \$35 to \$110 per m<sup>2</sup>)

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.

#### Impact of the COVID-19 global pandemic. Marsden Maritime Holding Limited

Due to the uncertainty related to COVID-19 that has led to a reduction in the number of real estate transactions and has impacted the availability of market data as at 30 June 2020, the independent valuation of the Group's portfolio as at 30 June 2020 have been reported on the basis of 'valuation uncertainty', meaning less certainty and a higher degree of caution should be applied to the valuations. The opinion of value has been determined at the valuation date based on a certain set of assumptions used by the valuer, however these could change in a short period of time due to subsequent changes in the property market.

#### Capital Commitments

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Investment Property	3,130	-	3,819	1,567
Total capital commitments	3,130	-	3,819	1,567

### Note 13(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 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-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Investment in joint venture company	-	-	46,269	46,719
Shares in Marsden Maritime Holdings Limited (22.14 million shares)	7,828	7,828	-	-
Total investments in subsidiaries (excluding CCOs) and joint venture company	7,828	7,828	46,269	46,719

#### Council - Investment in Marsden Maritime Holdings Limited

Marsden Maritime Holdings Limited is a listed company. The fair value of these shares, as per the market price at 30 June 2020 is \$6.50 per share (2019: \$5.30 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%.

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

	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Current assets	5,366	4,766
Non-current assets	141,676	131,515
Current liabilities	6,696	5,461
Non-current liabilities	45,144	34,692
Net assets	95,202	96,128
Group share of net assets (50%)	47,601	48,064
Other consolidation adjustments	(1,332)	(1,345)
Total Investment in joint venture company	46,269	46,719
Opening carrying value	46,719	47,050
Share of after tax surplus	8,808	9,008
Dividends paid	(8,745)	(9,190)
Share of land revaluation movement	(327)	160
Share of hedge reserve movement	(186)	(309)
Closing carrying value	46,269	46,719
Revenue	39,840	42,622
Net surplus	17,590	17,990
Current period write back in respect of previous inter-entity asset sales	13	13
Total share of joint venture company net surplus (50%)	8,808	9,008

#### 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 14 and 21.



## Note 13(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-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Investment in Regional Software Holdings Limited (associate)	863	863	810	871
Total investments in council controlled organisations	863	863	810	871

### Northland Inc. Limited

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

### Regional Software Holdings Limited

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

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

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000
Assets	5,259	5,551
Liabilities	422	353
Revenue	1,662	1,480
Surplus/(deficit) for the year	(362)	(6)
Share capital	5,149	5,149
Council's interest	16.75%	16.75%
Council's investment in Regional Software Holdings Limited in council parent financial statements	863	863

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 2020 Regional Software Holdings Limited had a deficit of \$361,545 (2019: \$6,351 deficit), and council recognised its 16.75% shareholding being a deficit of \$60,559 (2019: \$1,064 deficit) on consolidation.

The total share of associates and Joint Venture company surplus in comprehensive revenue and expense is \$8,747,640 (2019: \$9,007,040) being councils share of the Regional Software Holdings Limited deficit \$60,559 (2019: \$1,064) Note 13(ii), and Marsden Maritime Holdings Limited share of surplus in their joint venture company, Northport Limited, \$8,808,199 (2019: \$9,008,104) Note 13(i).

## Note 14: Property, plant and equipment

### Accounting policy

Property, plant and equipment consists of:

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

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

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

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

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

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

*Additions:* The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the council and exceeds \$2000 (GST exc), 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	5-50 years 1-20%
- Plant, equipment, vehicles and vessels	2-100 years 1-50%
- Infrastructure assets	20-190 years 0.5-5%

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 stopbanks. Depreciation is not provided for on stopbank 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 and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell and its value in use.

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

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

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

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

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

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

COUNCIL	Freehold Land \$000	Forestry Land \$000	Buildings \$000	Infrastructure \$000	Plant, equipment, vehicles and vessels \$000	TOTAL \$000	Capital work in progress \$000
<b>Year ended 30 June 2019</b>							
Opening net book value	2,165	707	5,155	19,012	4,684	31,723	206
Additions	-	-	339	1,030	1,629	2,998	190
Disposals* and divested assets	-	-	-	(30)	(98)	(128)	-
Transfer between asset classes	(85)	-	(70)	550	-	395	(88)
Revaluation movement	10	-	(169)	-	-	(159)	-
Transfer to operations	-	-	-	-	-	-	-
Depreciation expense	-	-	(105)	(163)	(1,247)	(1,515)	-
<b>Closing net book value</b>	<b>2,090</b>	<b>707</b>	<b>5,150</b>	<b>20,399</b>	<b>4,968</b>	<b>33,314</b>	<b>308</b>
<b>At 30 June 2019</b>							
Assets at cost/valuation	2,090	707	5,150	20,762	13,312	42,021	308
Accumulated depreciation	-	-	-	(363)	(8,344)	(8,707)	-
<b>Net book value</b>	<b>2,090</b>	<b>707</b>	<b>5,150</b>	<b>20,399</b>	<b>4,968</b>	<b>33,314</b>	<b>308</b>
<b>Year ended 30 June 2020</b>							
Opening net book value	2,090	707	5,150	20,399	4,968	33,314	308
Additions	873	-	380	2,265	1,426	4,944	4
Disposals* and divested assets	-	-	-	-	(72)	(72)	-
Transfer between asset classes	50	-	75	-	-	125	(308)
Revaluation movement	522	-	(127)	(1,254)	-	(859)	-
Depreciation expense	-	-	(108)	(165)	(1,265)	(1,538)	-
<b>Closing net book value</b>	<b>3,535</b>	<b>707</b>	<b>5,370</b>	<b>21,245</b>	<b>5,057</b>	<b>35,914</b>	<b>4</b>
<b>At 30 June 2020</b>							
Assets at cost/valuation	3,535	707	5,370	21,245	14,074	44,931	4
Accumulated depreciation	-	-	-	-	(9,017)	(9,017)	-
<b>Net book value</b>	<b>3,535</b>	<b>707</b>	<b>5,370</b>	<b>21,245</b>	<b>5,057</b>	<b>35,914</b>	<b>4</b>

Depreciation and amortisation expense		Council 30-Jun-20	Council 30-Jun-19
Property, plant and equipment		1,538	1,515
Intangibles	Note 15	202	114
<b>Total</b>		<b>1,740</b>	<b>1,629</b>

*\* disposals are reported net after accumulated depreciation*

CONSOLIDATED	Freehold Land \$000	Forestry Land \$000	Freehold Land - Port \$000	Buildings and amenities \$000	Infrastructure \$000	Plant, equipment, vehicles and vessels \$000	TOTAL \$000	Work in progress \$000
Year ended 30 June 2019								
Opening net book value	2,165	707	19,320	11,191	19,012	6,496	58,891	291
Additions	-	-	515	1,613	1,030	1,995	5,153	396
Disposals* and divested assets	-	-	-	-	(30)	(102)	(132)	-
Transfer between asset classes	(85)	-	18	(68)	550	(79)	336	(149)
Revaluation movement	10	-	370	(34)	-	-	346	-
Transfer to operations	-	-	-	-	-	-	-	-
Depreciation expense	-	-	-	(334)	(163)	(1,473)	(1,970)	-
Closing net book value	2,090	707	20,223	12,368	20,399	6,837	62,624	538
At 30 June 2019								
Assets at cost/valuation	2,090	707	20,223	12,695	20,762	16,041	72,518	538
Accumulated depreciation	-	-	-	(327)	(363)	(9,204)	(9,894)	-
Net book value	2,090	707	20,399	12,368	20,399	6,837	62,624	538
Year ended 30 June 2020								
Opening net book value	2,090	707	20,223	12,368	20,399	6,837	62,624	538
Additions	873	-	291	2,117	2,265	1,705	7,251	400
Disposals* and divested assets	-	-	-	-	-	(91)	(91)	-
Transfer between asset classes	50	-	23	75	-	-	148	(332)
Revaluation movement	522	-	(814)	18	(1,254)	-	(1,528)	-
Depreciation expense	-	-	-	(387)	(165)	(1,477)	(2,029)	-
Closing net book value	3,535	707	19,723	14,191	21,245	6,974	66,375	606
At 30 June 2020								
Assets at cost/valuation	3,535	707	19,723	14,798	21,245	17,054	77,062	606
Accumulated depreciation	-	-	-	(607)	-	(10,080)	(10,687)	-
Net book value	3,535	707	19,723	14,191	21,245	6,974	66,375	606



Depreciation and amortisation expense		Consolidated	Consolidated
		30-Jun-20	30-Jun-19
Property, plant and equipment		2,029	1,970
Intangibles	Note 15	202	114
<b>Total</b>		<b>2,231</b>	<b>2,084</b>

*\* disposals are reported net after accumulated depreciation*

### Valuation of freehold land and buildings

The most recent valuation of council's freehold land and buildings was performed by Telfer Young (Northland) Limited, and is effective as at 30 June 2020.

During the year, one freehold property was transferred from council's investment property portfolio.

Council's land and buildings are valued at fair value of \$8,905,000 (2019: \$7,240,000) 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 2020 valuations include market rentals and capitalisation rates.

- Market rents range from: \$131 to \$191 per square metre.
- Capitalisation rates are market based rates of returns, ranging from 6.63% to 11.36%.

If council's freehold land and buildings were measured at depreciated replacement cost, the carrying amount would be \$7,790,000 (2019: \$7,420,000). Council has no restrictions on the realisability of its freehold land and buildings.

### Valuation of Freehold Land and Buildings – Marsden Maritime Holdings Limited

The most recent valuation of Marsden Maritime Holding Limited's freehold land was performed by independent registered valuers, Seagar & Partners, and is effective as at 30 June 2020.

Marsden Maritime Holdings Limited freehold land is valued at fair value of \$19,722,933 (2019: \$20,222,933) 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 limited, recent sales evidence for the area. Significant assumptions in the 30 June 2020 valuations include estimated prices per hectare of freehold land in the Marsden Point area.

- Price per hectare: \$100,000 to \$205,000

If Marsden Maritime Holdings Limited's freehold land and buildings were measured at depreciated replacement cost the carrying amount would be \$7,425,553 (2019: \$7,111,246).

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

### Valuation of Buildings – Marsden Maritime Holdings Limited

The most recent valuation of Marsden Maritime Holdings Limited's buildings was performed by independent registered valuers Telfer Young (Northland) Ltd and is effective as at 30 June 2020.

Marsden Maritime Holdings Limited buildings are valued at fair value of \$2,100,000 (2019: \$2,010,000). As there is no general market to assist in determining the market value of the buildings, the optimised depreciated replacement cost approach methodology was used to establish the cost to replace the buildings having regard to current costings, and then an allowance for depreciation was deducted.

### 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 2020.

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

In determining the fair value of associated infrastructure land, land has been valued as vacant with assessments to comparable market evidence taking into consideration adjustments for size, contour, location, zoning and designation, current and potential uses. Where it is identified that the land is designated reserve, an appropriate adjustment has been made to reflect the retrieved nature of any future development potential. The basis when valuing designated land is that the land may not be used for any other purpose than is designated with an adjustment made to reflect the value of the chance of any permission being obtained for some other use at some future time.

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.

#### Impact of the COVID-19 global pandemic on infrastructure Assets

Councils infrastructure assets are specialist in nature and revalued on a cost approach with an allowance for depreciation. Construction costs have surpassed inflation since the last full revaluation in 2017. The vast majority of the land associated with council's infrastructure assets is on reserve zoned land, which largely follows the trend of valuation appreciation similar to the residential property sector, albeit at a lower level. Given the residential property sector has recorded an increase in values since 2017, it is assumed that reserve land has also seen value appreciation which is unlikely to be eroded due to the global pandemic.

The infrastructure valuation key inputs, assumptions and processes used in the revaluation of the council infrastructure assets are not materially impacted by COVID-19 pandemic.

#### Impact of the COVID-19 global pandemic on Owner Occupied Freehold Land and Buildings:

As at 30 June 2020, the markets relating to the Council and the Group's owner occupied freehold land and buildings were impacted by severe market disruption and lack of transactional data as a result of the COVID-19 lockdown from mid to late March 2020. This created a greater degree of uncertainty on the value of owner occupied freehold land and buildings as at 30 June 2020 however it is important to note that uncertainty doesn't necessarily imply value changes but rather there may be a wider than average value range to the individual ascribed valuations for each property.

The valuation uncertainty could affect key inputs, assumptions and processes used in the revaluation of the Council and the Groups owner occupied properties being:

- Estimating and analysing the ground rental rates and net income that a property can generate, and
- Estimating and analysing the discount rate to convert the net income into a properties investment value
- Estimating and analysing the relevant rates of return/capitalisation rates that affect a property's value
- Projections of rental growth in the short to medium term

#### Core infrastructure disclosure

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

	Whangarei		Awanui		Kaeo-Whangaroa		Punguru		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Closing book value	7,712	6,871	12,142	12,659	885	869	506	-	21,245	20,399

Acquisitions made by way of:										
Constructed by Council	440	-	853	1,030	60	-	506	-	1,859	1,030
Transferred to Council	-	-	407	550	-	-	-	-	407	550
Total Acquisitions	440	-	1,260	1,580	60	-	506	-	2,266	1,580
Most recent cost estimate for revalued assets	7,397	6,597	15,419	16,426	949	913	506	-	24,271	23,936

#### Capital Commitments

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Property plant and equipment	61	380	76	380
Total capital commitments	61	380	76	380

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

## Note 15: 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 council's 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 revalued annually with reference to market prices. The net revaluation result is credited or debited to other comprehensive revenue and expense and accumulated to an asset revaluation reserve in equity. 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.

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-20 \$000	Council and Consolidated 30-Jun-19 \$000
Computer software			
Cost - opening balance		3,758	3,638
Accumulated amortisation		(3,520)	(3,406)
Computer software opening carrying amount		238	232
Additions		194	120
Net disposals*		-	-
Amortisation charge		(202)	(114)
Total computer software closing balance		230	238
Cost		3,952	3,758
Accumulated amortisation		(3,722)	(3,520)
Total computer software closing balance		230	238
Intellectual Property			
Opening balance			
Additions		182	-
Net disposals* and divested assets		(182)	-
Total intellectual property closing balance		-	-
Emission Trading Scheme - New Zealand Units (NZU's)			
Opening balance		404	368
Gain/(loss) on revaluation of Emission Trading Scheme - NZU's	20	156	36
Total Emission Trading Scheme - NZU's - Closing Balance		560	404
Total Intangible Assets		790	642

\* 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.

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 (2019: 17,460) at \$32.10 per unit (2019: \$23.15 per unit) with a total market value of \$560,466 (2019: \$404,199).

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.



## Note 16: Forestry assets

### Accounting policy

Forestry assets are independently revalued, 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-20 \$000	Council and Consolidated 30-Jun-19 \$000
Balance at 1 July		3,264	3,235
Decrease due to harvest	2(ii)	-	(646)
Gain/(Loss) arising from changes in fair values less estimated point-of-sale costs	4,2(ii)	(107)	675
Balance at 30 June		3,157	3,264

Northland Regional Council owns 295 hectares (2019: 295 hectares) of radiata pine forest which are at varying stages of maturity, ranging from 3 to 25 years.

### Valuation assumptions

Independent registered forestry industry consultants, Jenksmax Consulting Ltd, have valued forestry assets at fair value less estimated selling costs as at 30 June 2020.

In 2020 (and 2019) Jenksmax Consulting Limited derived the fair value of the forest using an expectation value method. Under the expectation value approach, the net present value of the forest is calculated by discounting the projected future net cash flow of the tree crop to the valuation date (30 June 2020). The calculated net present value is linked to sales evidence through the application of a discount rate of 8.0% (2019: 8.0%) derived with consideration to discount rate surveys, reporting rates from NZ forest growers and recent transactions. In applying this approach PBE IPSAS 27 requires exclusion of financing, funding and costs related to subsequent crops. Costs and prices are held constant in 2020 NZ dollars, i.e. the net impact of inflation is assumed to be zero.

### Forestry assets Impact of the COVID-19 global pandemic:

The short-term outlook for NZ export logs is uncertain as the world comes out of Covid-19 to varying degrees and timeframes. Both demand and prices are likely to come under pressure due to lower internal demand in China and the general worldwide economic downturn as it rebuilds after Covid-19.

The current 1 year average base log price is significantly lower (12-13%) than last year, but reflects the volatile past year and the initial Covid-19 impacts and is considered unrepresentative of longer term expected export log prices.

Going forward, most sources seem to believe that the log export market may fall further, but then stabilise and rebuild as the world returns to normality. The underlying Asia-Pacific longer-term market fundamentals remain the same, and there will be solid future demand for NZ logs. Log prices will likely average out longer-term somewhere around previous levels, perhaps not as high as early 2019, but in line with historic averages.

As the next planned harvest at Councils Mt Tiger forestry holding is not until after 2024, this year's valuation uses a 3-year average base log price of \$138/ Jasm3 AWG. Last year's valuation, prior to the volatile past 12 months, used a 1 year average base log price at around \$144/Jasm3 AWG.

It is too early to say how Covid-19 will impact on discount rates used in the forestry valuation. On the one hand (suggesting possible higher discount rates), there is now increased uncertainty in the export log market and how this will fair post Covid-19. On the other hand (suggesting lower discount rates), given the post Covid-19 impacts on financial markets and low current interest rates for most investments, forestry is often considered favourable as a solid and diversified investment. What is likely is some combination of the above, which may balance out.

Therefore, a market discount rate of 8.0% was used in this year's valuation. This is maintained from last year, noting that whilst there is uncertainty post Covid-19, at this point in time it is too early to have any robust prediction on where discount rates will settle in future.

## Note 17: Payables and deferred revenue

Breakdown of payables and deferred revenue and further information:

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
<b>CURRENT PORTION</b>				
Payables and deferred revenue under exchange transactions				
Payables and accruals	5,160	3,160	6,238	4,825
Revenue received in advance	808	543	808	543
Amounts due to subsidiaries and associates	280	45	-	-
	6,248	3,748	7,046	5,368
Payables and deferred revenue under non-exchange transactions				
Grants payable	192	206	192	206
Other grants and deferred revenue received subject to conditions not yet met	2,427	854	3,490	1,868
Other taxes	17	192	1	184
	2,636	1,252	3,683	2,258
Current total payables and deferred revenue	8,884	5,000	10,729	7,626
<b>NON-CURRENT PORTION</b>				
Payables and deferred revenue under non-exchange transactions				
Other grants received and deferred revenue subject to conditions not yet met	608	510	1,476	1,312
Non-current total payables and deferred revenue	608	510	1,476	1,312

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 18: 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-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Annual leave	1,538	1,288	1,592	1,323
Accrued salaries and wages	450	295	497	320
Other leave	340	299	340	299
	2,328	1,882	2,429	1,942
Represented by:				
Current benefit liabilities	2,312	1,866	2,413	1,926
Non-current benefit liabilities	16	16	16	16
	2,328	1,882	2,429	1,942

## Note 19: Borrowings

### Accounting policy

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

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

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

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

### Breakdown of borrowings and further information:

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
<b>Current</b>				
Debentures	10,000		10,000	
<b>Total current borrowings</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>	<b>-</b>
<b>Non-current</b>				
Debentures	-	10,000	-	10,000
Local Government Funding Agency - Bond Issuance	9,558	9,558	9,558	9,558
Secured Loans	-	-	16,550	12,150
<b>Total non-current borrowings</b>	<b>9,558</b>	<b>19,558</b>	<b>26,108</b>	<b>31,708</b>

### Council

As at 30 June 2020 Council has 1 debenture (2019: 1) of \$10,000,000 (2019: \$10,000,000) issued under a debenture trust deed, being a fixed rate note at a fixed annual interest rate of 3.79%, maturing on 13 August 2020. Also at 30 June 2020, Council has four bond issuances (2019: 4) with the Local Government Funding Agency. The first being a \$2,800,000 fixed coupon bond issued at a fixed annual interest rate of 4.86%, maturing on 13 August 2032. The second a \$3,811,000 fixed coupon bond issued at a fixed annual interest rate of 4.77%, maturing on 14 February 2033. The third a \$1,931,000 fixed coupon bond issued at a fixed annual interest rate of 4.72%, maturing on 14 February 2033 and the fourth a \$1,016,000 fixed coupon bond issued during the year at a fixed annual interest rate of 4.0%, maturing on 14 February 2033. Council secures its fixed coupon bonds and its fixed rate note by granting a security interest in its rates revenue. Rates revenue is set and assessed under the Local Government Rating Act 2002.

The total fair value of council's debentures and bond issuances at 30 June 2020 is \$23,393,595 (2019: \$22,334,521).

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

### Marsden Maritime Holdings Limited

As at 30 June 2020 Marsden Maritime Holdings Limited has a secured loan facility of \$20,000,000 (2019: \$20,000,000) with \$16,550,000 (2019: \$12,150,000) being drawn down. The facility maturity dates range from 31 August 2021 to 31 March 2022.

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 (excluding establishment and line fees) paid during the year ranged from 1.27% to 2.86% (2019: 2.58% to 3.18%.)

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

## **Note 20: 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 and intangible assets 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-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Accumulated funds				
As at 1 July	119,943	123,305	152,771	154,468
Surplus/(deficit) for year	4,767	4,939	4,799	6,604
Net transfers from/(to) special reserves	(9,008)	(8,301)	(9,008)	(8,301)
As at 30 June	115,702	119,943	148,562	152,771

Reserves	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Asset revaluation reserve				
As at 1 July	1,337	1,291	35,105	34,775
Revaluation gains/(losses) - buildings and amenities	-	-	10	-
Revaluation gains/(losses) - land	522	10	(90)	294
Revaluation gains/(losses) - infrastructure assets	(66)	-	(66)	-
Revaluation gains/(losses) - carbon credits	156	36	156	36
As at 30 June	1,949	1,337	35,115	35,105
Asset revaluation reserve attributable to:				
Land	1,522	1,000	34,678	34,768
Buildings and amenities	-	-	10	-
Infrastructure assets	-	66	-	66
Carbon credits	427	271	427	271
Total Asset revaluation reserve	1,949	1,337	35,115	35,105
Special reserves				
As at 1 July	30,887	22,586	30,887	22,586
Transfers from/(to) accumulated funds	9,008	8,301	9,008	8,301
As at 30 June	39,895	30,887	39,895	30,887
Cashflow hedge reserve				
As at 1 July	-	-	(490)	(325)
Fair value gains/(losses) recognised	-	-	(100)	(165)
As at 30 June	-	-	(590)	(490)
Total Reserves	41,844	32,224	74,420	65,502
Non-controlling interest	-	-	64,462	65,004
Total Equity	157,546	152,167	287,444	283,277
Non-controlling interest				



Reserves	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Balance at 1 July			65,004	63,286
Share of total comprehensive revenue and expense attributable to the non controlling interest in Marsden Maritime Holdings Limited			2,524	4,735
Dividends paid			(3,065)	(3,017)
Balance at 30 June			64,462	65,004

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

Note 20 continued	Activities to which the reserve relates	Balance at 30 June 2020 \$000	Balance at 1 July 2019 \$000
Land management reserve	Civil defence and emergency management, natural hazard management, river management, land and water, hydrology, biodiversity and biosecurity	516	267
Awanui river reserve	River management	(660)	(842)
Kaihū river reserve	River management	40	32
Kaeo-Whangaroa rivers reserve	River management	233	176
Whangārei urban rivers reserve	River management	(8,618)	(9,078)
Kerikeri-Waipapa rivers reserve	River management	430	455
Infrastructure facilities reserve	Economic development	(166)	(2,532)
Property reinvestment fund reserve	Economic development	21,434	16,749
Equalisation fund reserve	All	1,463	1,463
Hātea river maintenance reserve	Harbour safety and navigation	165	222
Investment and growth reserve	Economic development	601	1,249
Infrastructure investment fund reserve	River management/Economic development	21,083	20,915
Whangārei transport reserve	Transport	(40)	(74)
Emergency services reserve	Civil defence and emergency management	82	58
Approved carry forwards reserve	All	256	72
Lidar project reserve	Natural hazard management	11	367
Flood infrastructure reserve	River management	(1,770)	(537)

Note 20 continued	Activities to which the reserve relates	Balance at 30 June 2020 \$000	Balance at 1 July 2019 \$000
Kaeo River flood infrastructure reserve	River management	23	21
Awanui River flood infrastructure reserve	River management	(188)	(134)
Whangārei River flood infrastructure reserve	River management	(13)	55
Far North transport reserve	Transport	221	152
Regional Sporting Facilities reserve	Economic development	1407	621
Opex reserve	All	1620	1,131
Capital Subsidy reserve	All	65	77
COVID-19 Reinstatement Reserve	All	1,700	
<b>Total Special Reserves</b>		<b>39,895</b>	<b>30,887</b>

Purpose of each reserve fund:

**Land Management reserve**

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

**River and Flood Infrastructure reserves**

The Awanui, Kaihū, Kaeo-Whangaroa, Kerikeri-Waipapa and Whangārei urban river reserves and flood infrastructure reserves hold targeted river management rates and targeted flood infrastructure rates collected and unspent in any given year to cover:

- any future funding shortfalls in respect to the maintenance and operation of existing river flood management schemes (River Reserves)
- any future funding shortfalls in respect to the development, maintenance and operation of new flood infrastructure schemes (Flood Infrastructure Reserves)

This keeps the surpluses/deficits in the appropriate activity separate from other activities. Any deficit balance in these reserves will be repaid from future targeted river management and flood infrastructure rates collected from the rate payers within the area of benefit identified in the respective flood management plans.

**Infrastructure Facilities reserve**

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

**Property Reinvestment Fund reserve**

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

#### Equalisation Fund reserve

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

#### Hātea River Maintenance reserve

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

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

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

#### Investment and Growth reserve

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

#### 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.

#### Transport reserves

The Whangārei transport reserve and the Far North transport reserve hold any targeted Whangārei transport and Far North transport rates collected and unspent in any given year to cover any future funding shortfalls of their respective transport services. Any deficit balance in these reserves will be repaid from future targeted rates collected from ratepayers in the Whangārei district (Whangārei transport rates) and Far North district (Far North transport rates).

#### Emergency Services reserve

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

#### 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.

#### LiDAR Project reserve

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

#### Flood Infrastructure reserve

This reserve was created to hold any targeted flood infrastructure rates relating to new flood protection capital programmes, identified in the infrastructure strategy, that were collected and unspent in any given year. These unspent rates will cover any future funding shortfalls in the new flood protection capital programmes.

#### Regional Sporting Facilities reserve

This reserve holds any targeted regional sporting facilities rates collected and unspent in any given year to contribute to any future funding shortfalls of regional sporting facilities funding.

#### Opex reserve

This reserve was established to ensure the stability of work programs, employment and ongoing day to day operations of the Council by ensuring that the portion of annual operating costs that is intended to be funded from gains derived from Council's managed funds is in reserve to cover any unanticipated loss in council funding arising from adverse economic conditions or volatility in financial markets.

#### Capital Subsidy reserve

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

#### COVID-19 Reinstatement reserve

This reserve was established to set aside funding that can be used to fund the reintroduction of prioritised work programmes, salaries and projects that were originally deferred or abandoned from councils 2020/21 Annual Plan as a result of a deficit arising from the impact of COVID-19. Funding of new projects from this reserve is permitted subject to a council resolution.

## Note 21: Contingencies

### 21(i): Contingent liabilities

	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Bonds	-	-	75	75
	-	-	75	75

#### Council

At year end, council was involved in an Environment Court proceeding regarding a contaminated site. Council is not a respondent in these proceedings, however the court adjourned the issues of the respondents' liability and apportionment of liability and it is uncertain if council will be able to recover any costs from the respondents that it may contribute towards the clean-up of the site.

#### Other Legal Claims

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

#### Marsden Maritime Holdings Limited

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

1. To the Bank of New Zealand for a \$75,000 (2019: \$75,000) Bond given by them to the New Zealand Stock Exchange.

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

#### 21(ii): Contingent assets

At 30 June 2020 the council and the group has no contingent assets (2019: Nil).

### Note 22: Related party transactions

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

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

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

#### Key Management Personnel Compensation

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

	Council 30-Jun-20	Council 30-Jun-19
<b>Councillors</b>		
Remuneration \$000	752	778
Full time equivalent members	9	9
<b>Independent (non elected) members of Council</b>		
Remuneration \$000	25	27
Full time equivalent members	2	1
<b>Senior management team including the Chief Executive</b>		
Remuneration \$000	1,156	1,135
Full time equivalent members	5.4	6
<b>Total key management personnel remuneration \$000</b>	<b>1,933</b>	<b>1,940</b>
<b>Total full time equivalent personnel</b>	<b>16.4</b>	<b>16</b>

### Note 23: Events after balance sheet date

Subsequent to balance date, Marsden Maritime Holdings Limited declared a fully imputed dividend of 9.25 cents per share to be paid on 25 September 2020.

The Council agreed a construction contract in August 2020, to construct a building in Dargaville to accommodate Northland regional and Kaipara district council staff, and other commercial tenants. The total budget for this project is \$9.2m.

In August 2020 the Council reduced its debt by \$6.6M, by way of repaying a maturing \$10M debenture (with a fixed interest rate of 3.79%) and taking a new loan of \$4.4M from the Local Government Funding Agency (with a fixed interest rate of 1.98%) that is set to mature in April 2033.

There were no other significant events after balance date.

## Note 24: Financial instruments

### Note 24A: Financial instrument categories

	Note	Council 30-Jun-20 \$000	Council 30-Jun-19 \$000	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
<b>FINANCIAL ASSETS</b>					
Loans and receivables:					
Cash on hand and at trading banks	6	1,140	606	2,061	1,758
Term deposits	6,10	4,247	2,600	4,247	2,600
Local government funding agency borrower notes	10	153	153	153	153
Debtors and other receivables	7	7,090	4,056	7,462	4,792
Loans to subsidiary	10	-	5	-	-
Other loans	10	3,050	3,006	3,050	3,006
Other receivables (long term)	11	-	5,948	-	5,948
<b>Total loans and receivables</b>		<b>15,680</b>	<b>16,374</b>	<b>16,973</b>	<b>18,257</b>
Financial assets at fair value through surplus or deficit					
Other financial assets:					
Income funds	10	31,140	27,807	31,140	27,807
Equity Funds	10	31,989	29,914	31,989	29,914
Listed shares	10	-	-	449	462
<b>Total financial assets at fair value through surplus or deficit</b>		<b>63,129</b>	<b>57,721</b>	<b>63,578</b>	<b>58,183</b>
<b>FINANCIAL LIABILITIES</b>					
Financial liabilities measured at amortised cost					
Creditors and other payables	17	9,492	5,510	12,204	8,938
Borrowings:					
Debentures	19	10,000	10,000	10,000	10,000
Local government funding agency - bond issuance	19	9,558	9,558	9,558	9,558
Bank loan	19	-	-	16,550	12,150
<b>Total financial liabilities measured at cost</b>		<b>29,050</b>	<b>25,068</b>	<b>48,312</b>	<b>40,646</b>

### Note 24B: 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 24C: 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 two funds are administered in accordance with the relevant Statement of Investment Policies and Objectives (SIPO). The two SIPOs and any changes to them are approved by council. Monthly performance reporting on the two funds is prepared by Eriksen's and Associates Limited, and any breach of compliance with any SIPO is also reported monthly to council's investment subcommittee.

##### 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 2020 council's externally managed investment funds were diversified over 13 fund managers. The use of a wide range of fund managers with different mandates and different asset allocations mitigates council's price risk.

##### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Council has some exposure to currency risk is provided below:

	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Community Investment Fund: Investments in		
MLC Private Equity Fund (II)	-	659
Schroders Real Return Fund +5%	-	2,277
Infrastructure Investment Fund: Investments in		
Blackrock Fixed Income Global Opportunities Fund	-	1,138
Schroders Real Return Fund +5%	-	1,276
Long Term Fund: Investments in		
Blackrock Fixed Income Global Opportunities Fund	1,183	-

	Consolidated 30-Jun-20 \$000	Consolidated 30-Jun-19 \$000
Continuity Capital	2,229	-
MLC Private Equity Fund (II)	989	-
Schroders Real Return Fund +5%	3,071	-
<b>Total exposure to currency risk</b>	<b>7,472</b>	<b>5,350</b>

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 \$19.6 million borrowings in the form of fixed rate notes of \$10 million and Local Government Funding Agency bonds of \$9.6 million.

#### *Cash flow interest rate risk*

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

Council's long term borrowing and long term deposit investments are at a fixed rate. Marsden Maritime Holdings Limited's exposure to cash flow interest rate risk is limited to its \$20,000,000 loan facility of which \$16,550,000 was drawn down at year end with BNZ. Interest rates on this loan facility are determined by reference to the prevailing market rates at the time of draw down plus a margin. During the year interest rates ranged from 1.27% to 2.86%.

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

#### *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 Treasury Management 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. Council's SIPO ensures credit risk of each fund manager and the overall fund is managed within acceptable parameters.

Marsden Maritime Holdings Limited manages its credit exposure by only trading with recognised, credit-

worthy parties and by limiting the amount of funds placed with any one financial institute at any one time. Accordingly, the group has no significant concentrations of credit risk.

#### *Maximum exposure to credit risk*

The council and group's maximum credit risk exposure for each class of financial asset is the carrying value set out in the table in Note 24A.

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 7 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 treasury management policy limits the level of investments that must mature within the next 12 months to a minimum of 15% 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. As at 30 June 2020 Marsden Maritime Holdings Limited had access to BNZ funding totalling \$20.5 million of which \$16.55 million was drawn down at year end (2019: \$12.15 million)

### Contractual maturity of financial liabilities

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

	Carrying Amount \$000	Contractual Cash Flows \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000	More than 5 Years \$000
<b>Council 2020</b>						
Creditors and other payables	9,492	9,492	8,884	608	-	-
Debentures	10,000	10,046	10,046	-	-	-
Local Government Funding Agency - Bond Issuance	9,558	15,169	450	899	1,349	12,471
<b>Total</b>	<b>29,050</b>	<b>34,707</b>	<b>19,380</b>	<b>1,507</b>	<b>1,349</b>	<b>12,471</b>
<b>Group 2020</b>						
Creditors and other payables	12,204	12,204	10,729	1,476	-	-
Secured bank facility	16,550	17,090	380	16,710	-	-
Debentures	10,000	10,046	10,046	-	-	-
Local Government Funding Agency - Bond Issuance	9,558	15,169	450	899	1,349	12,471
<b>Total</b>	<b>48,312</b>	<b>54,509</b>	<b>21,605</b>	<b>19,085</b>	<b>1,349</b>	<b>12,471</b>
<b>Council 2019</b>						
Creditors and other payables	5,510	5,510	5,000	510	-	-
Debentures	10,000	10,425	379	10,046	-	-
Local Government Funding Agency - Bond Issuance	9,558	15,169	450	899	1,349	12,921

	Carrying Amount \$000	Contractual Cash Flows \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000	More than 5 Years \$000
Total	25,068	31,554	5,829	11,455	1,349	12,921
Group 2019						
Creditors and other payables	8,938	8,938	7,626	1,312	-	-
Secured bank facility	12,150	12,880	470	12,410	-	-
Debentures	10,000	10,425	379	10,046	-	-
Local Government Funding Agency - Bond Issuance	9,558	15,619	450	899	1,349	12,921
Total	40,646	47,862	8,925	24,667	1,349	12,921

### Sensitivity analysis

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

Sensitivity analysis	2020				2019			
	+100bps		-100bps		+100bps		-100bps	
	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000
COUNCIL								
Total sensitivity to interest rate risk	687	-	(687)	-	611	-	(611)	-

	2020				2019			
	+100bps		-100bps		+100bps		-100bps	
	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000	Surplus \$000	Other Equity \$000
GROUP								
Total sensitivity to interest rate risk	530	-	(530)	-	501	-	(501)	-

### Borrowings

Council has \$19.6 million of external borrowings in the form of a fixed rate note of \$10 million and Local Government Funding Agency bonds of \$9.6 million. The rate of interest payable is fixed for the life of the borrowings and is not affected by rising or falling interest rates.

### Note 24D: 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 20 for a list of council's reserves. Self-insurance reserves are built up annually from regional-wide or sometimes targeted rates and are made available for specific unforeseen events. The release of these funds is approved by council.



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

### Rating base information

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

	30-Jun-19	30-Jun-18
The number of rating units within council's region at 30 June:	97,998	97,124
The total capital value of rating units within council's region at 30 June:	\$54,439,612,940	\$45,355,396,350
The total land value of rating units within council's region at 30 June:	\$27,943,969,900	\$23,110,228,420

### Insurance of assets

At 30 June 2020 council had assets covered by full replacement insurance of \$86,967,089 (2019: \$82,125,250) and indemnity insurance of \$70,000 (2019: \$70,000). At 30 June 2020 there are no assets self insured.

### Internal borrowings

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

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

	Opening balance 1-Jul-19 \$000	Funds borrowed 2019/20 \$000	Funds repaid 2019/20 \$000	Change to external borrowing 2019/20 \$000	Closing balance 30-Jun-20 \$000	Interest charged 2019/20 \$000
Transport	74	-	(34)		40	4
<b>TOTAL</b>	<b>74</b>	<b>-</b>	<b>(34)</b>		<b>40</b>	<b>4</b>

# Council funding impact statement

Period ending 30 June 2020

	Long Term Plan 2018/19 \$000	Annual Report 2018/19 \$000	Annual Plan 2019/20 \$000	Actual 2019/20 \$000
<b>Sources of operating funding</b>				
General rates, uniform annual general charges, and rates penalties	-	418	-	456
Targeted rates	27,169	26,785	29,860	29,041
Subsidies and grants for operating purposes	3,046	4,890	4,793	11,981
Fees and charges	4,310	4,487	4,388	4,842
Interest and dividends from investments	8,021	7,638	7,048	6,924
Local authorities fuel tax, fines, infringement fees and other receipts	2,575	4,041	2,996	4,763
<b>TOTAL OPERATING FUNDING</b>	<b>45,121</b>	<b>48,259</b>	<b>49,085</b>	<b>58,007</b>
<b>Applications of operating funding</b>				
Payments to staff and suppliers	41,711	41,248	46,304	49,317
Finance costs	936	903	1,340	931
Other operating funding applications	-	-	-	-
<b>TOTAL APPLICATIONS OF OPERATING FUNDING</b>	<b>42,647</b>	<b>42,151</b>	<b>47,644</b>	<b>50,248</b>
<b>Surplus/(deficit) of operating funding</b>	<b>2,474</b>	<b>6,108</b>	<b>1,441</b>	<b>7,759</b>
<b>Sources of capital funding</b>				
Subsidies and grants for capital purposes	-	10	-	27
Increase/(decrease) in debt	2,667	1,016	6,545	-
Gross proceeds from sale of assets	-	1,521	-	7,312
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>TOTAL SOURCES OF CAPITAL FUNDING</b>	<b>2,667</b>	<b>2,547</b>	<b>6,545</b>	<b>7,339</b>
<b>Applications of capital funding</b>				
Capital expenditure:				
to meet additional demand	-	-	-	-
to improve levels of service	3,666	5,801	15,470	7,849
to replace existing assets	1,525	1,065	1,274	4,922
Increase/(decrease) in reserves	(83)	8,301	(616)	9,008
Increase/(decrease) of investments	33	(6,512)	(8142)	(6,681)
<b>TOTAL APPLICATIONS OF CAPITAL FUNDING</b>	<b>5,141</b>	<b>8,655</b>	<b>7,986</b>	<b>15,098</b>
<b>Surplus/(deficit) of capital funding</b>	<b>(2,474)</b>	<b>(6,108)</b>	<b>(1,441)</b>	<b>(7,759)</b>
<b>FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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## Reconciliation to the statement of comprehensive revenue and expense

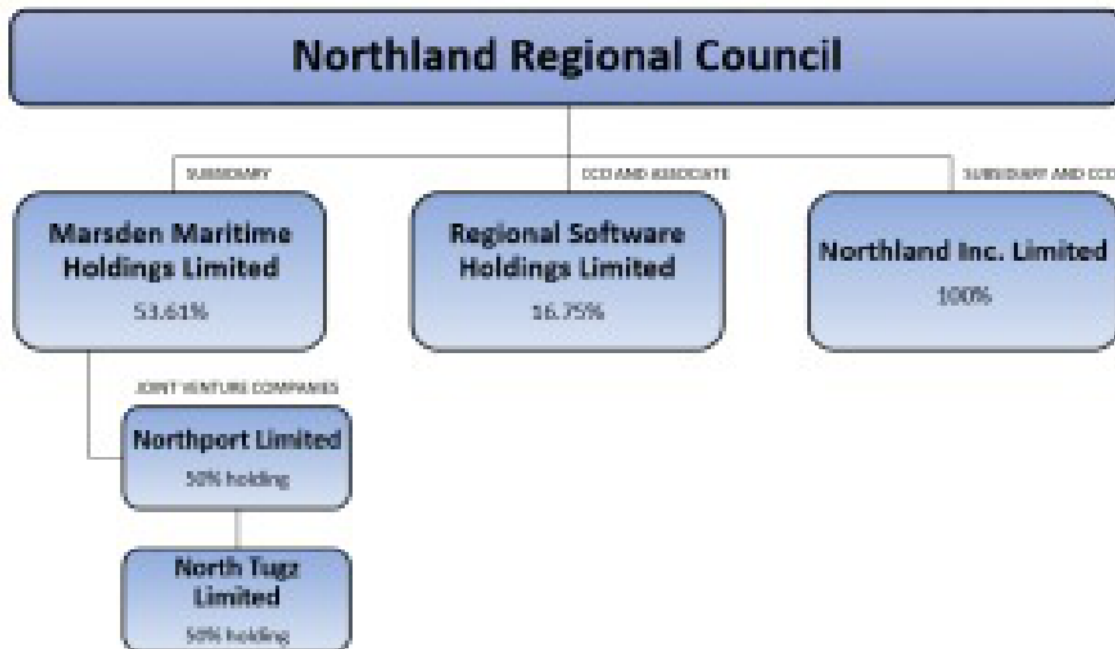
Period ending 30 June 2020

	Long Term Plan 2018/19 \$000	Annual Report 2018/19 \$000	Annual Plan 2019/20 \$000	Actual 2019/20 \$000
Capital expenditure included above, not in comprehensive revenue and expense	5,190	6,866	16,744	12,771
Investment movements included above not in comprehensive revenue and expense	33	(6,512)	(8,142)	(6,681)
Other gains included in comprehensive income not above	-	10	-	-
Gross proceeds included above, but not in comprehensive revenue and expense	-	(1,521)	-	(7,311)
Gains on asset disposals included in comprehensive revenue and expense	-	(70)	-	(757)
Revaluation adjustments not included above, but in comprehensive revenue and expense	-	1,376	-	90
Impairment on an economic development loan included in comprehensive revenue and expense	-	(820)	-	-
Transfers to/from special reserves included above, but not in comprehensive revenue and expense	(83)	8,301	(616)	9,008
Increase/(decrease) in debt included above but not in comprehensive income	(2,667)	(1,016)	(6,545)	-
Depreciation and amortisation expense not included above, but in comprehensive revenue and expense	(1,626)	(1,629)	(1,810)	(1,740)
<b>Total comprehensive revenue and expense per the statement of comprehensive revenue and expense</b>	<b>848</b>	<b>4,985</b>	<b>(369)</b>	<b>5,379</b>

# Section five: CCO's and Subsidiaries

## Wāhanga tuarima: CCOs me nga Kamupene

## Group structure



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

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

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



# Marsden Maritime Holdings Limited

## Company operations and ownership

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

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

In 2002, in a 50/50 joint venture with Port of Tauranga, associate company Northport Ltd was formed and a new cargo terminal at Marsden Point was developed. Northport Ltd operates the deep water commercial port facility situated at the entrance to Whangārei Harbour, making it the northern-most multi-purpose port in New Zealand, and the closest port to the majority of New Zealand's international markets. More information about Northport Ltd is available at [www.northport.co.nz](http://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 seven members. Under the company's constitution, one-third (or the number nearest to 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/](http://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 2020	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

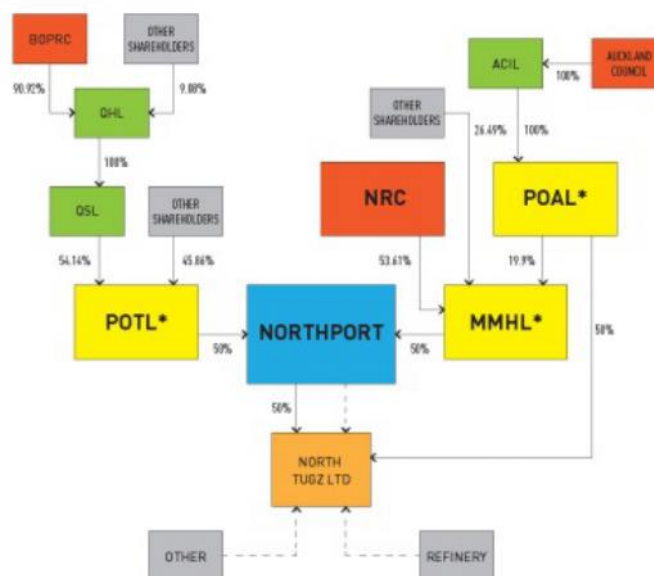
—————> Ownership (in whole or part)  
- - - - -> Customer relationship

#### 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 2018-2028 establishes the framework for Northland Inc. Limited. The mission of Northland Inc. Limited is to strengthen, diversify and grow the Northland economy. This is delivered through four work programmes: investment and PGF; engagement, collaboration and visibility; Māori economic development; and destination management and marketing.

The following objectives for the economic development organisation were established in its 2019-22 Statement of Intent.

- Advocate and promote the establishment and development of infrastructure that underpins regional economic growth.
- Attract, facilitate and support investment opportunities in regionally strategic sectors.
- Promote Northland as a progressive and positive place to visit, do business and live.
- Provide and facilitate business support services that enable Northland businesses to grow.
- Increase innovation and entrepreneurship in Northland.
- Partner with Māori to develop and implement economic development projects for the benefit of Northland.

## Key performance measures and targets

The following section provides a summary of the activities carried out in each of the five work programme during 2019/20, including reporting against the 16 key performance indicator

### *Investment and PGF*

- Support and facilitate the implementation of the Tai Tokerau Northland Economic Action Plan.
- Support tourism product development and infrastructure as enablers of Northland's tourism sector.

### *Investment and Growth Reserve*

Northland Inc. Limited's activities include a focus on finding economic development projects that qualify for funding through council's Investment and Growth Reserve (IGR). The objective of the reserve is provide a fund that enables council to make strategic investments that lift the long-term growth of the Northland economy. In August 2018 council adopted new criteria and procedures for allocating funding from the reserve. The main points are as follows:

- The reserve provides operational expenditure for Northland Inc. Limited in line with what is budgeted in council's Long Term Plan.
- Up to \$300,000 per annum can be used for project development funding.
- Responsibility for allocating project development funding of up to \$100,000 is delegated to the Board of Northland Inc. Ltd.
- The reserve can be used to provide enabling investment funding for projects that lift the economic performance of Northland through the construction of public or community held infrastructure or the development or regionally strategic sectors. Council has determined these sectors to be agriculture and horticulture, marine, tourism and digital.
- Any project that is determined to potentially have significant adverse impacts on social, environmental, economic, or cultural well-being will not be eligible for funding, regardless of the positive impacts.
- Decisions on enabling investment funding are made by council and must have been considered and evaluated for funding by the Board of Northland Inc Ltd.
- Applications for enabling investment funding must be accompanied by a robust business case.

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, including council's Investment and Growth Reserve, promoting the region for investment and supporting the implementation of the Tai Tokerau Northland Economic Action Plan.

The 2019/20 key performance targets and results for this work programme are:

Measure	2019/20 performance target	Result
Percentage of IGR business case decisions (by the Board) made within 90 days of receiving application	100%	Achieved, 100%
Number of inward delegations hosted	4	Not Achieved, 0
Investment recommendations are accompanied by a robust business case	100%	Achieved, 100%
Number and value of high impact projects that are implemented	3	Achieved, 3

There were no enabling investment project recommendations received from the board of Northland Inc. Limited during 2019/20. Three projects received project development funding totalling \$144,334. The spread of COVID-19 during 2020 and the resulting travel restrictions put in place limited the ability of Northland Inc. to host inward investment delegations.

#### *Engagement, collaboration and visibility*

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. Ltd. The Northland Chamber of Commerce partners with Northland Inc. Ltd to deliver the NZTE contract for small businesses.

The 2019/20 key performance targets and results for this work programme are:

Measure	2019/20 performance target	Result
Number of unique businesses assisted (by TA and industry)	230	Achieved, 624
Value of NZTE and Callaghan Innovation grant funding facilitated	\$1.0m	Achieved, \$2.3m
Client satisfaction (as measured by Net Promoter Score)	90%	Achieved, 97%
Orchard occupancy rate	85%	Achieved, 120%

The significant over achievement of the performance targets relating to business engagement and grant funding facilitated was due to the COVID-19 response service put in place to assist businesses. This included a dedicated 0800 phone line, additional staff resources (including secondments from the district councils) and new central government funding.

### *Māori economic development*

The broad scope of activities within this work programme are to engage with Māori to advance their aspirations for economic development, support Māori business and partner with Māori in investment, and economic development projects.

The 2019/20 key performance target and result for this work programme is:

Measure	2019/20 performance target	Result
Number of unique Māori businesses assisted	50	Achieved, 118
Number and value of high impact projects that are implemented	1	Achieved, 1
Value of NZTE and Callaghan Innovation grant funding facilitated for Māori businesses	\$25,000	Achieved \$426,157
Client satisfaction (Net Promoter Score for Māori businesses)	Data no longer available	Not Achieved

The small number of clients and the lack of responses mean that there was not enough data to calculate a client satisfaction score for this activity.

As commented above, the significant over achievement of the performance business engagement and grant funding facilitated was due to the COVID-19 response to assist businesses.

### *Destination management and marketing*

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 2019/20 key performance targets and results for this work programme are:

Measure	2019/20 performance target	Result
Visitor spend from target markets	\$1.175m	Not Achieved, \$1.014m
Value of industry investment in regional promotion activity	\$350,000	Not Achieved, \$175,808
Equivalent Advertising Value achieved from destination marketing	\$16.5m	Achieved, \$19.2m
RTO Net Promoter Score	Could not be determined	Not Achieved

The value of visitor spending in the region and industry investment targets were not met due to the impact of COVID-19 lockdown restrictions, which for example resulted in the postponement of TRENZ and the cancellation of all famils. A final end of June year net promoter score is not available as Northland Inc. no longer receive this data. For the nine-month period through to March 2020, Northland Inc recorded a RTO Net Promoter Score of 44.



## Regional Software Holdings Limited

Council is also a shareholder of Regional Software Holdings Limited (RSHL), being a major shared services undertaking by the Northland, Waikato, Taranaki, Horizons, West Coast and Southland regional councils. Hawkes Bay Regional Council is also a customer of Regional Software Holdings Ltd.

RSHL is responsible for the long-term maintenance and enhancements of the IRIS (Integrated Regional Information System) product and developed for and by the shareholding councils. The software solution is designed for the regional council specific functions undertaken by those councils and has been a remarkable success.

2019/20 was a year of accelerated growth and development for Regional Software Holdings Ltd.

For the IRIS product, the focus was on consolidation. Four releases of new functionality were delivered over the year with a total of six major enhancements and 16 minor enhancements. The focus during 2019/20 was on rolling out a new and improved mapping interface, along with technical changes that have resulted in significant performance improvements for users.

As noted in previous annual reports, there is a need to undertake a reinvestment in the IRIS solution to ensure the underlying technology remains current and fit for purpose.

Regional Software Holdings Ltd has identified development of the roadmap for the next generation of IRIS (IRIS Next Generation) as a key strategic priority. Significant steps towards this goal were taken in 2019/20.

This initiative is called IRIS Next Generation. The scope of the work includes selection of a software vendor and partner to deliver the software solution. In conjunction with this, RSHL intends to lead the development of consistent good practice processes for the regional council sector. This approach builds on a key lesson learnt from the IRIS programme, that having councils agree on consistent good practice processes significantly reduces the cost of developing and operating IRIS software.

The intention is that IRIS NextGen will be cloud based with better online and mobile features. IRIS NextGen will be more efficient for staff and customers.

In 2019/20 RSHL worked with 10 councils to short-list potential partners to help us deliver IRIS Next Generation. RSHL has commenced a formal Request for Proposal process to identify a future partner and

solution. 12 councils are participating in this process. We intend for IRIS NextGen to be a sector-wide initiative.

RSHL's strategic priorities for IRIS Next Generation are:

- To complete the RFP to find a new solution and partner.
- Obtain the necessary buy-in from sector leaders for the development of consistent good practice process.
- To attract new councils to the IRIS Programme and engage them in the development of good practice.
- Develop consistent good practice process for the sector, including a governance framework

Regional Software Holdings Ltd's philosophy is to develop only that software which is necessary to deliver a complete solution for regional councils. With IRIS NextGen it is expected that commercial software will be a greater proportion of the solution than is the case with IRIS. RSHL is also aware of the need to create a transition plan for existing IRIS councils from IRIS to IRIS NextGen.

It will also be necessary to develop long-term financial projections for Regional Software Holdings Ltd and consider the appropriate future structure for the company.

We have previously noted that Regional Software Holdings Ltd is working with the regional council sector to roll out the Regional Council Collaboration (ReCoCo) initiative.

There is a focus in the sector on collaboration, development of shared services and more use of Council Controlled Organisations. RSHL and its shareholding councils are aligned with this direction.

ReCoCo facilitates unitary and regional councils entering into collaborative initiatives where there are overlapping or shared objectives, covering areas of common interest or joint responsibility. Regional Software Holdings Ltd is the delivery vehicle used to facilitate and administer ReCoCo.

The ReCoCo programme became fully operational from 1st July 2018.

RSHL receives funding from across the regional council sector to deliver collaborative projects that are put forward by the Regional Council Special Interest Groups (SIGs).

ReCoCo is now well established with more than 10 projects in flight, and an established funding model in place. In the 2020 financial year, more than \$160,000 has been invested into collaborative projects for the sector. Notably, the sector implementation plan adopted by the CE Forum includes several projects which are tagged specifically for ReCoCo.

In addition to this RSHL has an agreement with the RCEOs Group to assist with the management of sector work programmes, including:

- Funding management,
- Procurement and payment, and
- Outcome tracking.

The sector recognises the benefits of collaboration between councils, as a result the number and size of collaborative projects is growing each year. As the volume of shared initiatives increases, councils face administrative challenges with paying invoices and recouping costs from other councils. It is also increasingly important that the sector can demonstrate the outcomes achieved from collaboration.

Extending the ReCoCo model to support sector-wide work programmes helps to address these issues and opportunities.

To support accelerated growth and development RSHL has continued with the establishment of independent business infrastructure.

In 2019 the Board welcomed Mark Donnelly as the full-time General Manager. The benefits of having a full-time general manager can clearly be seen in the accelerated progress of the company.

In 2019 RSHL transitioned its financial services from Horizons Regional Council to West Coast Regional Council. However as the activities of the company continue to expand, it is no longer sustainable for a council to provide financial services in a part time capacity. Accordingly, in June 2020 ONLA were engaged to deliver financial services for RSHL. ONLA are based in Palmerston North and have previous experience supporting Council Controlled Organisations.

RSHL has completed a branding project to create a brand and supporting collateral for RSHL. The results of this can be seen in this report. As we seek to increase our engagement and involvement in the sector it was essential that we have a recognisable and engaging brand.

Over the past 12 months, RSHL has transitioned away from Waikato Regional Council for records management. RSHL business records are now

maintained in Microsoft-365. This has made it easier to collaborate and reduced our dependence on Waikato Regional Council. The necessary Information Technology and Information Management policies are in place.

Financially, the company continues to be in a sound position, as planned. Regional Software Holdings Ltd.'s revenue comes from license charges and fees from the shareholding councils. This funding is used for the maintenance and development of the IRIS product. Therefore, the company does not trade to make a profit. Rather, it charges to cover its planned level of expenditure.

The growth in the user base of IRIS allows the company to reduce the license charges and fees. This is a real tangible financial benefit to the regional councils involved in IRIS.

The success of IRIS and Regional Software Holdings Ltd is due to the collaborative approach of the six regional councils and the wider sector. 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 Regional Software Holdings Ltd and the IRIS product is bright and there are significant opportunities to support the activities and achievements of New Zealand regional councils and unitary authorities.

#### Shareholding

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%

#### 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 2019. The following table summarises the performance targets and results for the 2019/20 financial year.

Performance target	Level of achievement		Comment
	2019/20	2018/19	
<b>Non-financial</b>			
Undertake an annual survey of users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support.  Baseline to be developed following the completion of the first survey	Complete	In Progress	The first annual survey was undertaken in July 2019.  The next survey will be in August 2020.
Develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects.  Draft annual roadmap presented to the Board by 31 December of each year for the following year.  Adoption by the Board by 30 June of each year.	Complete	Achieved	The product roadmap for IRIS was presented, discussed and agreed at the board meeting in December 2019 and the roadmap for the year was approved as part of the business plan.
Major enhancement projects identified on the annual road map are completed on time and within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.	Complete	Achieved	There were four releases of new functionality were delivered with a total of six major enhancements in 2019/20.
Budgets and processes for support and minor enhancements are approved by the Board by 30 June each year and delivery is within these budgets is effectively managed by the Advisory Group (AG).	Complete	Achieved	
User Groups and business representatives are engaged in the development of the Major Enhancement Annual Roadmap	Complete	Achieved	Representatives from all IRIS councils have been actively involved in developing the enhanced roadmap.
<b>Financial</b>			
RSHL will operate within 5% (plus or minus) of its overall annual budget.	Achieved	Not Achieved	Spend on capital development has been reduced in favour of operational spend to identify the eventual replacement for IRIS. ReCoCo activity continues to be unpredictable, although this does not impact on RSHL balance sheet.  All variations to budget have been approved by the board.
Annual charges will be kept to a maximum of 2% increase year on year	Complete	Achieved	
Monitor the Regional Council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL	Complete	Achieved	ReCoCo has helped to extend the customer base of RSHL with all 16 councils in the sector engaged in one or

Performance target	Level of achievement		Comment
	2019/20	2018/19	
Non-financial			
			more projects. In addition, 11 councils are working with RSHL to identify the eventual replacement for IRIS.
Consider, evaluate and if appropriate, implement new service areas or areas outside of the current scope of IRIS	Complete	Achieved	This is being achieved through the ReCoCo initiative.
Be a service delivery agent for wider regional council sector and related bodies information management projects (ReCoCo) and related shared services.	Complete	Achieved	RSHL currently has 10 ReCoCo initiatives under management and several initiatives in development with the SIGs.
Projects to be delivered on time and on budget as agreed in each of the Statements of Works between RSHL and the Regional Council Corporate Services.			RSHL has been engaged to manage the delivery of all sector shared work programmes under the Sector Shared Finance System initiative.

It should be noted that the achievement of some of the above performance targets are dependent on decisions to be made by parties over which the board of directors has limited influence.







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**Northland**  
REGIONAL COUNCIL   
Te Kaunihera ā rohe o Te Taitokerau

**TITLE: Risk Management Activity- Update**

**ID:** A1356751

**From:** Kym Ace, Corporate Systems Champion

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**Executive summary/Whakarāpopototanga**

The Risk Management Activity Update Report outlines the summary of Council's progress in risk management related activities including updates on Corporate and Group Risks and deep dives into Corporate Risk RC00015 Core IT applications/systems, RC00014 Cyber security attack and RC00012 Noncompliance with Health and Safety at Work Act.

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**Recommendation**

That the report 'Risk Management Activity- Update ' by Kym Ace, Corporate Systems Champion and dated 26 August 2020, be received.

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**Background/Tuhinga**

**Risks Register**

1. The corporate and group risk registers have now been migrated from the excel spreadsheets into the Promapp risk module.
2. The risks and their treatment/s (mitigation action/s) are being managed by staff through the Promapp risk module. Risk reporting will be provided quarterly to the Audit and Risk Subcommittee. The monitoring of the corporate and group risk registers will be performed by the Corporate Systems Champion on a monthly basis.
3. The corporate and group risks, their risk types, pre-control (inherent) and post control (residual rating) are summarised in Appendix 1.

**Deep Dives**

4. The Corporate System Champion facilitates risk owners to provide deep dives into each corporate and or group risk in accordance with the following schedule (Table 1), initially focussing on the corporate risk with the highest pre-controls risk rating e.g. Health and safety, core IT applications/systems and cyber security refer Appendix 2. The number of risks that would require deep dives will depend on the risk appetite set in the framework i.e. all risk that exceed council's post-control moderate risk appetite for implemented controls.


**Table One**


#	Corporate Risk	Sept 2020	Dec 2020	March 2020
1	Core IT applications/systems	√		
2	Climate change		√	
3	Treaty Settlements			√
4	Investment Portfolio financial risk		√	
5	Non-Compliance with Health and Safety at Work Act 2015	√		
6	Poor State of Sustainable Solvents Site			√
7	Changes in central government policy impacting council's budgets and activities		√	
8	Cyber Security attack	√		

9	Changes in political direction			√
10	Inability to deliver on councillor expectations		√	

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### Attachments/Ngā tapirihanga

Attachment 1: Corporate and Group Risk [↓](#) 

Attachment 2: Corporate Risk Deep Dives [↓](#) 

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### Authorised by Group Manager

**Name:** Bruce Howse, Group Manager - Corporate Excellence,

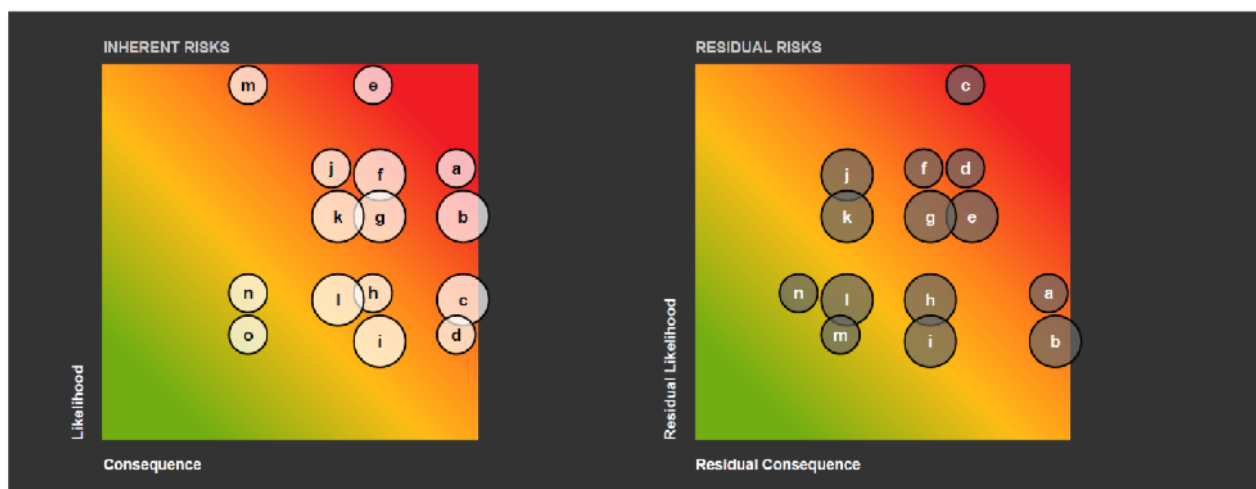
**Title:** Group Manager - Corporate Excellence

**Date:**

## Appendix One.

### 1.0 Corporate Risk Scores

Printed Monday, September 21, 2020 11:05 AM



#### 1. Core IT applications/systems are not designed and/or implemented to support all organisational processes

There is a risk that our core IT applications/systems are not designed and/or implemented to support all organisational processes as an integrated single solution. There are gaps in our core systems such as People & Capability, Enterprise Assets, Customer Relationship Management, and Contract Management. Current systems are unable to support organisational needs and we cannot deliver the tools that are required by staff to support them in delivering the LTP activities. Systems will break if nothing is done. For all documents: <https://thehub:8443/documents/fA108896>

Corporate Risk Register, Financial, Reputation, Service Delivery

Owner: Bruce Howse

RESIDUAL  
20.0  
EXTREME

INHERENT  
20.0  
EXTREME

#### 2. Treaty Settlements

There is a risk that Northland Treaty settlements will result in take-on costs for NRC Corporate Risk Register, Financial, Service Delivery

Owner: Ben Lee

RESIDUAL  
16.0  
EXTREME

INHERENT  
16.0  
EXTREME

#### 3. Climate Change Risk - extreme weather resulting in flood

NRC does not provide the necessary response to an extreme weather resulting in flooding impacting council's infrastructure and the community.

Corporate Risk Register, Service Delivery

Owner: Jonathan Gibbard

RESIDUAL  
12.0  
HIGH

INHERENT  
15.0  
EXTREME

#### 4. Climate Change Risk - extreme weather impacting CDEM responsiveness

There is a risk that CDEM responsiveness will be impacted by an extreme weather event resulting in the community being compromised. Corporate Risk Register, Service Delivery

Owner: Tony Phipps

RESIDUAL  
12.0  
HIGH

INHERENT  
15.0  
EXTREME

**5. Cyber security attack**

- a** There is a risk of cyber security attack causing disruption to Council systems and possible loss of data Corporate Risk Register, Financial, Reputation, Service Delivery  
**e**  
**Owner:** Bruce Howse

RESIDUAL
12.0
HIGH
INHERENT
20.0
EXTREME

**6. Core IT Systems / Applications will stop working**

- g** There is a risk that our core IT systems/applications will stop working and vendors will cease support as they are end of life resulting in productivity and security issues.  
**e**  
Corporate Risk Register, Service Delivery  
**Owner:** Bruce Howse

RESIDUAL
12.0
HIGH
INHERENT
12.0
HIGH

**7. Investment portfolio financial risk**

- b** There is a risk councils investment performance will be impacted by:  
**f**
  - financial Investment market volatility
  - Marsden Maritime Holdings dividend diversion
  - Falling fees and charges in economic recession
  - Dependency on commercial returns in volatile time, resulting in revenue and service delivery being impacted. (Note: 40% of revenue is non-rates)
Corporate Risk Register, Financial  
**Owner:** Bruce Howse

RESIDUAL
12.0
HIGH
INHERENT
15.0
EXTREME

**8. Noncompliance with Health and Safety at Work Act 2015**

- b** There is a risk that council does not provide a safe and health work environment for staff, contractors or visitor events that may result in loss of life or permanent disability therefore not complying with Health and Safety at Work Act 2015  
**a**  
Corporate Risk Register, Health and Safety  
**Owner:** Bruce Howse

RESIDUAL
10.0
HIGH
INHERENT
15.0
EXTREME

**9. Climate Change risk - Council's policy and planning controls do not manage the risks adequately resulting in the community being compromised**

- j** There is a risk that Council's policy and planning controls do not manage the risks associated with climate change adequately (e.g. coastal inundation due to sea level rise) resulting in the community being compromised  
**g**  
Corporate Risk Register, Service Delivery  
**Owner:** Jonathan Gibbard

RESIDUAL
9.0
HIGH
INHERENT
12.0
HIGH

**10. Changes in central Government policy impacting council's budgets and activities.**

- g** There is a risk to NRC that central government policy could change at any time outside the legislative process, which can potentially impact Council's budgets and operational activities. These changes can cause significant costs to ratepayers with little consultation and no useful rights of appeal.  
**g**  
Corporate Risk Register, Service Delivery  
**Owner:** Bruce Howse

RESIDUAL
9.0
HIGH
INHERENT
12.0
HIGH

**11. Inability to deliver on councillor expectations**

- k** There is a risk that NRC is unable to deliver on councillor expectations Corporate Risk Register, Reputation, Service Delivery  
**j**  
**Owner:** Ben Lee

RESIDUAL
8.0
HIGH
INHERENT
9.0
HIGH



## 12. Changes in political direction

- (m) There is a risk that changes in political direction will result in activity resources (\$, people, etc.)  
(j) having to be redirected. Corporate Risk Register, Reputation

Owner: Ben Lee

RESIDUAL
8.0
HIGH
INHERENT
10.0
HIGH

## 13. Keeping on top of / Resourcing legislative changes

- (f) There is a risk that we don't keep on top of legislative changes because of lack of resources or information. This may result in us being  
(j) challenged and potentially judicial review Corporate Risk Register, Legislative

Owner: Colin Dall

RESIDUAL
8.0
HIGH
INHERENT
16.0
EXTREME

## 14. Personnel - Loss of knowledge and skills

- (k) There is a risk of loss and skills caused by staff leaving or absent (e.g. on leave) or a lack of succession and developments plans that may result in gaps  
(h) in knowledge and information. Corporate Risk Register, Service Delivery

Owner: Bruce Howse

RESIDUAL
6.0
MODERAT
INHERENT
9.0
HIGH

## 15. Procurement

- (h) There is a risk that council fails to comply with best practice procurement activity as a result of:  
(h)
  - Not following AOG guidance
  - Not following policy and procedures

This may result in:

- Sub-optimal procurement decisions
- Legal challenge
- Risk of fraud

Corporate Risk Register, Reputation, Service Delivery

Owner: Bruce Howse

RESIDUAL
6.0
MODERAT
INHERENT
8.0
HIGH

## 16. Employment documentation not being saved to EDRMS

- (k) There is a risk of incomplete employment documentation (especially signed agreements and signed variations to contracts) because Managers are not  
(h) saving these in the EDRMS. This may result in incorrect decisions.

Corporate Risk Register, Service Delivery

Owner: Bruce Howse

RESIDUAL
6.0
MODERAT
INHERENT
9.0
HIGH

## 17. Information assets stored outside of core business systems

- (g) There is a risk that NRC information assets is stored outside of core business systems (EDRMS, network drives) and are therefore not  
(h) easily discoverable or protected. Corporate Risk Register, Service Delivery

Owner: Bruce Howse

RESIDUAL
6.0
MODERAT
INHERENT
12.0
HIGH

## 18. Data loss through theft, unauthorized access or distribution

- (k) There is a risk of data loss through theft, unauthorised access or unauthorised distribution of information resulting in damage to reputation and informa  
(h)

Corporate Risk Register, Service Delivery

Owner: Bruce Howse

RESIDUAL
6.0
MODERAT
INHERENT
9.0
HIGH

**19. Capability and operational capacity to manage events and directives**

**(k)** There is a risk that Northland Regional Council does not possess the capability and operational capacity necessary to provide the required response to events (including natural hazard, pollution, biosecurity and emergency events, or Government direction) that may result in us being unable to deliver our LTP activities and services.

Corporate Risk Register, Service Delivery

Owner: Bruce Howse

RESIDUAL
6.0
MODERATE
INHERENT
9.0
HIGH

**20. Climate Change Risk - changes in Government Policy - impacting council's strategies, plans, policies and Service delivery (e.g. national risk reduction plans)**

**(g)** There is a risk that council's plans, policies and service delivery will be impacted by changes in government climate change policy. Corporate Risk Register, Service Delivery

Owner: Jonathan Gibbard

RESIDUAL
6.0
MODERATE
INHERENT
12.0
HIGH

**21. Operational capacity of NRC buildings in the event of a fire or other disaster**

**(d)** There is a risk that the operational capacity of NRC buildings would be impacted in the event of a fire or other disaster. Corporate Risk Register, Health and Safety, Service Delivery

Owner: Bruce Howse

RESIDUAL
5.0
MODERATE
INHERENT
5.0
MODERATE

**22. Maritime operational risks: ship grounding/ collision, major shipping incident and failure of system**

**(c)** There is a risk of a maritime incident (including a ship grounding / collision or a major shipping incident) caused by an accident or system failure that may result in unlimited liability or action being brought against NRC.

Corporate Risk Register, Financial

Owner: Tony Phipps

RESIDUAL
5.0
MODERATE
INHERENT
10.0
HIGH

**23. Fraud Corruption and Dishonesty**

**(c)** There is a risk that NRC does not mitigate exposure to fraudulent, corrupt or dishonest activities that may result in negative multi-media coverage requiring significant additional work to repair stakeholder confidence.

Corporate Risk Register, Financial, Legislative, Reputation

Owner: Bruce Howse

RESIDUAL
5.0
MODERATE
INHERENT
10.0
HIGH

**24. Contract Management**

**(k)** There is a risk that contract management activities do not deliver the objectives caused by not having a system and adequate processes to manage contracts. This may result in compromised service delivery, cost overruns, or actions taken that don't align to the project

Corporate Risk Register, Service Delivery

Owner: Bruce Howse

RESIDUAL
4.0
MODERATE
INHERENT
9.0
HIGH

**25. Divisions in Council**

**(g)** There is a risk that divisions develop in council that result in council not working as one team with a common purpose Corporate Risk Register, Reputation

Owner: Ben Lee

RESIDUAL
4.0
MODERATE
INHERENT
12.0
HIGH

**26. Councillors influenced/captured by local interest group**

- There is a risk that council will be influenced/captured by a local interest group that could effect their ability to make regional decisions Corporate Risk Register, Reputation

Owner: Ben Lee

RESIDUAL 4.0 MODERAT
INHERENT 12.0 HIGH

**27. Policy and procedures inconsistently applied effecting decision**

- There is a risk that if policies and procedures are inconsistently applied decision will be effected that may result in dissatisfied staff and stakeholders. Corporate Risk Register, Reputation, Service Delivery

Owner: Bruce Howse

RESIDUAL 4.0 MODERAT
INHERENT 6.0 MODERAT E

**28. Decision being made which breaches delegated authority**

- There is a risk that a decision is challenged caused by a breach in delegated authority. This may result in a judicial or audit review with associated reputational and political exposure. Corporate Risk Register, Reputation

Owner: Ben Lee

RESIDUAL 4.0 MODERAT
INHERENT 6.0 MODERAT E

**29. Investment level in RSHL do not sustain IRIS product**

- There is a risk that the IRIS product maintenance and development cannot be maintained because of the investment levels required into sustain RSHL Corporate Risk Register, Financial

Owner: Malcolm Nicolson

RESIDUAL 4.0 MODERAT
INHERENT 6.0 MODERAT E

**30. Climate change - Greenhouse gas emission**

- There is a risk that council is perceived to be inadequately addressing green house gas emissions from its own operations Corporate Risk Register, Reputation

Owner: Jonathan Gibbard

RESIDUAL 4.0 MODERAT
INHERENT 9.0 HIGH

**31. Northland Transport Alliance (NTA) triangular employment issue**

- There is a risk that NRC will be implicated in a NTA triangular employment issue should a PG claim be made by a non NRC employee. This may result in potential reputation damage and/or reputational damage.

Corporate Risk Register, Reputation

Owner: Bruce Howse

RESIDUAL 4.0 MODERAT
INHERENT 6.0 MODERAT E

**32. Variation to employment agreements having incorrect/inappropriate wording**

- There is a risk of variation to employment agreements having incorrect/inappropriate wording caused by Managers not consulting with HR resulting in non-compliance with legislation. Corporate Risk Register, Legislative

Owner: Bruce Howse

RESIDUAL 3.0 LOW
INHERENT 6.0 MODERAT E

**33. Breach of legislation because of lack of knowledge of wider legislative requirements**

- There is a risk of breach of legislation caused by a lack of knowledge of wider legislative requirements resulting in potential legal challenge and/or litigation Corporate Risk Register, Legislative

Owner: Bruce Howse

RESIDUAL  
3.0  
LOW

INHERENT  
4.0  
MODERATE

**34. Non-compliance with the Vulnerable Children's Act**

- There is a risk of non-compliance with the Vulnerable Children's Act caused by having a molester interacting with children or being unaware of the requirements resulting in potential legal challenge and/or litigation

Corporate Risk Register, Legislative

Owner: Bruce Howse

RESIDUAL  
3.0  
LOW

INHERENT  
4.0  
MODERATE

**35. Organisational capability and continuity would not be maintained because of a lack of succession planning.**

- There is a risk that either organisational capability and continuity would not be maintained because of a lack of succession planning. This may result in loss of knowledge, no backup, increased attrition costs, work streams being compromised.

Corporate Risk Register, Reputation, Service Delivery

Owner: Bruce Howse

RESIDUAL  
3.0  
LOW

INHERENT  
2.0  
LOW

36.

**37. Managers not following proper disciplinary procedures**

- There is a risk that managers do not following proper disciplinary procedures caused by lack of knowledge and robust processes resulting in a personal grievance payout and bad publicity.

Corporate Risk Register, Reputation, Service Delivery

Owner: Bruce Howse

RESIDUAL  
3.0  
LOW

INHERENT  
6.0  
MODERATE

**38. Contractor vs Employee**

- There is a risk of a service provider being taken on as a contractor vs an employee caused by processes not being followed. This may result in Council being taken to the Employment Authority and potentially having to pay costs (including annual and sick leave).

Corporate Risk Register

Owner: Bruce Howse

RESIDUAL  
3.0  
LOW

INHERENT  
6.0  
MODERATE

**39. Disclosure of private information**

- There is a risk that private information is disclosed cause by accidental or malicious acts which may result in NRC breach of legislation and potentially costs incurred. Corporate Risk Register, Reputation

Owner: Bruce Howse

RESIDUAL  
3.0  
LOW

INHERENT  
6.0  
MODERATE

**40. Legal risk**

- There is a risk that NRC does not comply with legislation that may result in a breach of legislation that cannot be resolved internally and may rise to a judicial review or action and potentially penalties.

Corporate Risk Register, Legislative

Owner: Bruce Howse

RESIDUAL  
3.0  
LOW

INHERENT  
10.0  
HIGH

#### 41. Organisational culture - silo mentality

- There is a risk of service inefficiencies caused by organisational culture and silo mentality which may result in:
- double up activities
  - not the best solution implemented
  - adverse effects on other departments
- Corporate Risk Register, Financial, Service Delivery  
Owner: Ben Lee

RESIDUAL
2.0
LOW
INHERENT
4.0
MODERATE
E

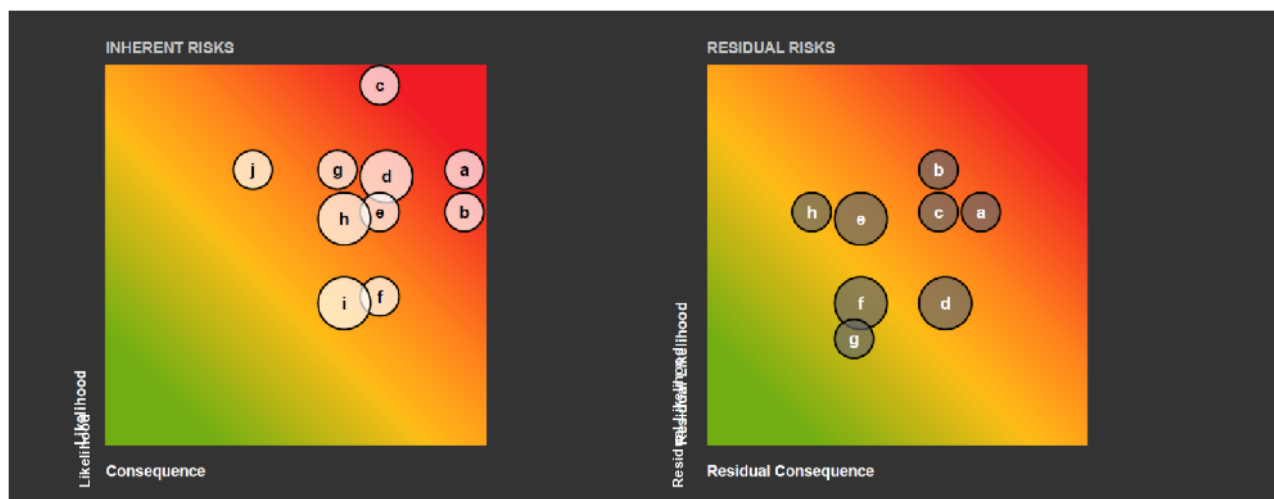
#### 42. Loss of physical information due to natural disaster

- There is a risk that physical information assets are lost due to a natural disaster (flood, etc.) that may result in us being unable to answer information requests. Corporate Risk Register, Service Delivery  
Owner: Bruce Howse

RESIDUAL
2.0
LOW
INHERENT
10.0
HIGH

### 1.1 Group Risk Scores

Printed Monday, September 21, 2020 11:05 AM



#### 1. Biosecurity could not defend an enforcement action that was challenged because of a lack of documented process controls

- There is a risk to council that Biosecurity could not defend an enforcement action that was challenged, because there is a lack of clear documented processes that are consistently followed.  
Group Risk Register  
Owner: Jonathan Gibbard

RESIDUAL
12.0
HIGH
INHERENT
20.0
EXTREME

#### 2. Poor state of Sustainable Solvents Site

- There is a potential risk to Council regarding the Sustainable Solvents Ltd site in Ruakaka because of the poor state of the site. Potential further enforcement costs, with no chance of cost recovery from offender.  
Group Risk Register, Financial, Reputation, Service Delivery  
Owner: Colin Dall

RESIDUAL
12.0
HIGH
INHERENT
20.0
EXTREME

### 3. Spatial data storage integrity and management

- d** There is a risk that the storage, integrity and management of spatial data doesn't follow acceptable information management practices and standards this can result in duplication of data.

Group Risk Register, Service Delivery

Owner: Bruce Howse

RESIDUAL
9.0
HIGH
INHERENT
16.0
EXTREME

### 4. Hydrometric network

- h** There is a risk that hydrometric data will not be available caused by the loss of a hydrometric network site which may result in us not knowing what is happening (ties into civil defence). Group Risk Register, Service Delivery

Owner: Colin Dall

RESIDUAL
6.0
MODERAT
INHERENT
9.0
HIGH

### 5. Hilltop database support

- e** There is a risk that we will be unable to get adequate support for the Hilltop database caused by the product being sold to Hill Laboratories. This may result in data issues and product instability.

Group Risk Register, Service Delivery

Owner: Colin Dall

RESIDUAL
6.0
MODERAT
INHERENT
12.0
HIGH

### 6. Hilltop data integrity

- d** There is a risk that the Hilltop data integrity could be compromised by system errors and introduced issues (setup and bugs) which could result in data loss/error and subsequent reporting issues.

Group Risk Register, Service Delivery

Owner: Colin Dall

RESIDUAL
6.0
MODERAT
INHERENT
16.0
EXTREME

### 7. Kensington redevelopment H&S Construction Site

- i** There is a health and safety construction site risk associated with the Kensington redevelopment. Group Risk Register, Health and Safety

Owner: Bruce Howse

RESIDUAL
6.0
MODERAT
INHERENT
6.0
MODERAT
E

### 8. Dargaville redevelopment H&S construction Site

- i** There is a health and safety construction risk associated with the Dargaville construction site Group Risk Register, Health and Safety

Owner: Bruce Howse

RESIDUAL
6.0
MODERAT
INHERENT
6.0
MODERAT
E

### 9. Information incorrectly stored and therefore not complying with the Public Records Act

- h** There is a risk that information is stored incorrectly and therefore doesn't comply with the Public Records Act and/or Information Management Standards

Group Risk Register, Service Delivery

Owner: Bruce Howse

RESIDUAL
6.0
MODERAT
INHERENT
9.0
HIGH



**10. Marine Farm abandoned structures**

- d** There is an environmental risk that abandoned marine farm structures will cause navigational safety issues and resulting cleanup costs (Kaipara Harbour) Group Risk Register, Reputation  
**e**
- Owner:** Colin Dall

RESIDUAL
6.0
MODERATE
INHERENT
16.0
EXTREME

**11. Dam Failure**

- j** There is a risk of dam failure as a result of the dam register not actively being managed. This may result in potential impact to councils resources to investigate any resulting event. This mainly relates to non-consented dam structures.  
**e**
- Group Risk Register, Reputation
- Owner:** Colin Dall

RESIDUAL
6.0
MODERATE
INHERENT
8.0
HIGH

**12. Access issues to field sites**

- b** There is a risk that landowners might not allow access across private  
**f**
- land to field sites Group Risk Register, Service Delivery
- Owner:** Colin Dall

RESIDUAL
4.0
MODERATE
INHERENT
15.0
EXTREME

**13. Advising public on environmental incidents**

- f** There is a risk that protocol are not followed in advising stakeholders and the public of environmental incidents. This may result in public health not being protected Group Risk Register, Reputation  
**f**
- Owner:** Colin Dall

RESIDUAL
4.0
MODERATE
INHERENT
8.0
HIGH

**14. ReCoCo work program doesn't deliver shared capabilities within the required timeframe**

- g** There is a risk that the ReCoCo work program doesn't deliver shared capabilities in a timeframe that meets NRC needs resulting in NRC needing to pursue alternatives, increasing investment required.  
**h**
- Group Risk Register, Service Delivery
- Owner:** Bruce Howse

RESIDUAL
3.0
LOW
INHERENT
12.0
HIGH

**15. Flyger Road Nursery - strategy and LTP LOS**

- i** There is a risk that we will not meet our soil conservation strategy and LTP levels of services caused by poles not being available from the Flyger Road Nursery Group Risk Register, Service Delivery  
**g**
- Owner:** Jonathan Gibbard

RESIDUAL
2.0
LOW
INHERENT
6.0
MODERATE

## 1.2 Fraud, Dishonesty and Corruption Risk Scores

Printed Monday, September 21, 2020 11:05 AM

### 1. Theft and inappropriate use of council assets

- d** There is a risk of theft or and inappropriate use of council assets Fraud, Dishonesty and Corruption, Service Delivery  
**a**

Owner: Bruce Howse

RESIDUAL
6.0
MODERATE
INHERENT
6.0
MODERATE
E

### 2. Conflict of Interest

- a** There is a risk of corruption where a conflict of interest exists Fraud, Dishonesty and Corruption, Service Delivery  
**a**

Owner: Bruce Howse

RESIDUAL
6.0
MODERATE
INHERENT
9.0
HIGH

### 3. Bribery and inappropriate receipt of gifts & secondary employment

- b** There is a risk that bribery and inappropriate receipt of gifts & secondary employment - could result in inappropriate decisions being made, fraud, bad press etc. Fraud, Dishonesty and Corruption, Reputation  
**a**

Owner: Bruce Howse

RESIDUAL
6.0
MODERATE
INHERENT
6.0
MODERATE
E

### 4. Supplier Invoice Fraud

- b** There is a risk of supplier invoice Fraud, Dishonesty and Corruption, Financial, Service Delivery  
**c**

Owner: Bruce Howse

RESIDUAL
6.0
MODERATE
INHERENT
6.0
MODERATE
E

### 5. Timesheet and expense claim fraud

- d** There is a risk of timesheet and expense claim fraud  
**d** Fraud, Dishonesty and Corruption, Financial, Service Delivery

Owner: Bruce Howse

RESIDUAL
4.0
MODERATE
INHERENT
6.0
MODERATE
E

### 6. Recruitment Fraud

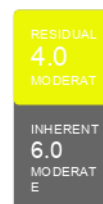
- d** There is a risk of recruitment Fraud  
**d** Fraud, Dishonesty and Corruption, Service Delivery

Owner: Bruce Howse

RESIDUAL
4.0
MODERATE
INHERENT
6.0
MODERATE
E

7. **Theft of Bus Service Revenue**

- (d) There is a risk of theft of Bus Service  
(d) Revenue Fraud, Dishonesty and  
Corruption, Financial **Owner:** Bruce  
Howse



8. **Material misstatement of the financial statements**

- (b) There is a risk of Material misstatement of the  
(b) financial statements Fraud, Dishonesty and  
Corruption, Financial  
**Owner:** Bruce Howse



9. **Payroll Fraud**

- (c) There is a risk of payroll fraud  
(e) Fraud, Dishonesty and Corruption, Service Delivery  
**Owner:** Bruce Howse



10. **Theft of Koha**

- (e) There is a risk of theft of koha  
(f) Fraud, Dishonesty and Corruption, Service Delivery  
**Owner:** Bruce Howse



## Appendix 2 – Corporate risk deep dives

RC00015 Core IT applications/systems are not designed and/or implemented to support all organisational processes	Pre-controls (Inherent) Risk Likelihood	Pre-controls Risk Consequence	Pre-controls Risk Ranking	Post-control (Residual) Risk Ranking	Risk Owner
There is a risk that our core IT applications/systems are not designed and/or implemented to support all organisational processes as an integrated single solution. There are gaps in our core systems such as People & Capability, Enterprise Assets, Customer Relationship Management, and Contract Management. Current systems are unable to support organisational needs and we cannot deliver the tools that are required by staff to support them in delivering the LTP activities. Systems will break if nothing is done.	Frequent	Major	Extreme	Extreme	GM Corporate Excellence - Bruce Howse
<p><b>Appetite:</b> Not included in this report as risk appetite is still in development as part of the risk maturity evaluation.</p> <p><b>Type of Risk:</b> Service delivery, financial, reputation</p> <p><b>Background:</b> NRC aims to be a technology enabled and information led organisation. We are in an increasingly digital age characterised by rapidly evolving technology, ongoing business change and increasing expectations of our stakeholders including customers and staff. In order to meet these expectations, capture the opportunities and continue to deliver efficient and effective services NRC needs to continually review and invest in ensuring that our technology platforms and solutions remain current and continue to enable our organisation.</p> <p>Council's Information Services Team:</p> <ul style="list-style-type: none"> <li>- continually review and revise how Council delivers information services to 'keep up' and make the most of technology enabled opportunities</li> <li>- provide information and technology services and leadership to support Council to fulfil statutory roles and achieve outcomes</li> <li>- operate robust IT management processes that support a secure, efficient and enabling technology environment</li> <li>- remain aware of the significant and increasing cyber security threats ensuring a balance of flexibility with risk and maintaining response and recovery plans</li> <li>- plan for future by with continuous review and investment in technology (software, systems and hardware) to enable us to remain current, secure and agile.</li> </ul>					

Key Treatments or mitigation Activities	Responsible Person	Timeframe	Signoff	Frequency	Status
Enterprise System indicative business case developed & approved	Carol Cottam	18 Feb 2020	Approved by ELT and Council in June 2019	Once	Complete
Enterprise Solution detailed business case in development eta June 2020	Carol Cottam Linda Harrison	June 2020	Detailed business case developed.	Once	Complete
IRIS replacement - RHSL request for expression of interest was completed in 2019. Development of detailed requirements for RFP is underway. Intent is that this will inform investment requirements.	Carol Cottam	December 2020	Detailed requirements are being generated through collaboration across 10 councils. RFP to be issued in December 2020. Now tracking behind Enterprise Solution.	Quarterly	In progress
Ensure our current systems are updated to current releases/versions	Carol Cottam	On-going	All applications are running on supported versions	Monthly	Implemented
Alternative interim solutions considered and assessed based on critical needs.	Carol Cottam	On-going	Requests are reviewed when raised, no additional requirement identified recently	Quarterly	Implemented

RC00014 Cyber security attack	Pre-controls (Inherent) Risk Likelihood	Pre-controls Risk Consequence	Pre-controls Risk Ranking	Post-control (Residual) Risk Ranking	Risk Owner
There is a risk of cyber security attack causing disruption to Council systems and possible loss of data	Often	Severe	Extreme	High	GM Corporate Excellence - Bruce Howse
<p><b>Appetite:</b> Not included in this report as risk appetite is still in development as part of the risk maturity evaluation.</p> <p><b>Type of Risk:</b> Service delivery, financial, reputation</p> <p><b>Background:</b> Information security relates to both electronic and manual storage of data, and corporate/personal information. In addition, it considers real time information/instructions that are electronically transmitted through the operational network. Threats to information can be generated externally to NRC or from within the organisation. There is an increasing global trend of cyber-crime therefore the inherent risk assessment assumes that with no controls such as firewalls it is almost certain that NRC would fall victim to an intentional or opportunistic cyber event. This type of event would have a major consequence for NRC impacting core services. In addition to the several technical preventative controls in place that are operating effectively, NRC has compensating soft controls around staff and contractor competency to be alert to activities such as phishing attacks and to ensure the protection of physical information.</p> <p>Council's Information Services Team:</p> <ul style="list-style-type: none"> <li>- operate robust IT management processes that support a secure, efficient and enabling technology environment</li> <li>- remain aware of the significant and increasing cyber security threats ensuring a balance of flexibility with risk and maintaining response and recovery plans</li> <li>- plan for future by with continuous review and investment in technology (software, systems and hardware) to enable us to remain current, secure and agile.</li> </ul>					
Key Treatments or mitigation Activities	Responsible Person	Timeframe	Signoff	Frequency	Status
Multiple layers of defences (Perimeter & endpoint)	Carol Cottam	On-going	Several products are utilised to provide multi-layer defences. Additional security layers	Quarterly	Implemented



			have been added to provide cover to a distributed working environment.		
Education programme (K5 SSE phriendly phishing, fraud and seminars)	Carol Cottam	On-going	Online training courses are available for staff.	Quarterly	Implemented
Network accounts with elevated permissions are changed regularly and stored in an encrypted password safe	Carol Cottam	On-going	Privileged account passwords are stored in password safe. Passwords on privileged accounts are changed when key staff leave	Quarterly	Implemented
Cyber Security Audit	Carol Cottam	On-going	A review of Cyber and Information security risks is being undertaken from August.	Quarterly	In progress
Undertake Cloud Software baseline audit to identify how many cloud software solutions are used by staff to assist with the development of appropriate controls	Carol Cottam	On-going	Requests are reviewed when raised, no additional requirement identified recently	Quarterly	Outstanding

RC00012 Noncompliance with Health and Safety at Work Act 2015	Pre-controls (Inherent) Risk Likelihood	Pre-controls Risk Consequence	Pre-controls Risk Ranking	Post-control (Residual) Risk Ranking	Risk Owner
There is a risk that council does not provide a safe and health work environment for staff, contractors or visitor events that may result in loss of life or permanent disability therefore not complying with Health and Safety at Work Act 2015	Likely	Severe	Extreme	High	GM Corporate Excellence - Bruce Howse
<p><b>Appetite:</b> Not included in this report as risk appetite is still in development as part of the risk maturity evaluation.</p> <p><b>Type of Risk:</b> Health and Safety, service delivery</p> <p><b>Background:</b></p> <p>The Health and Safety at Work Act 2015 makes everyone's health and safety responsibilities clear:</p> <ul style="list-style-type: none"> <li>• Businesses have the primary responsibility for the health and safety of their workers and any other workers they influence or direct. They are also responsible for the health and safety of people at risk from the work of their business.</li> <li>• Officers (company directors, partners, board members, chief executives) must do due diligence to make sure the business understands and is meeting its health and safety responsibilities.</li> <li>• Workers must take reasonable care for their own health and safety and that their actions don't adversely affect the health and safety of others. They must also follow any reasonable health and safety instruction given to them by the business and cooperate with any reasonable business policy or procedure relating to health and safety in the workplace</li> <li>• Other people who come into the workplace, such as visitors or customers, also have some health and safety duties to ensure that their actions don't adversely affect the health and safety of others</li> </ul>					
Key Treatments or mitigation Activities	Responsible Person	Timeframe	Signoff	Frequency	Status
Health and Safety Strategy to identify, prioritise and schedule actions/initiatives/projects to align Council's practices with good practice	Beryl Steele	On-going	In place and operational	Annually	Implemented
Health and Safety Committee terms of Reference established and reviewed	Beryl Steele	On-going	Reviewed at the end of 2019	Quarterly	Implemented
Health and Safety Policy is reviewed as scheduled and available to staff on the express	Beryl Steele	On-going	Reviewed June 2019. Next review June 2021	Every 24 months	Implemented
Health and safety processes and practices documented	Beryl Steele	On-going	On-going as per H&S Action plan	Annually	In progress

Health and Safety hazard/risk register	Beryl Steele	On-going	Has been reviewed. It is a living document so will require continual review and updating.	Monthly	In progress
Health and Safety Training: - induction - hazard specific - task safety plans - contractor H&S management - H&S Leadership - H&S Representatives - Incident Management	Beryl Steele	On-going	H&S Strategy action plan includes development and review of these items	Annually	In progress
Monitor and report health and safety incidents and trends to health and safety committee, ELT and Audit and Risk Sub-Committee	Beryl Steele Jess Matson Kelcie Mills	On-going	Monthly report to H&S Committee. Quarterly reporting to ELT and six-monthly to Audit and Risk Sub-committee.	Every six months	Implemented

## **TITLE: Business with the Public Excluded**

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### **Executive 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.

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### **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	Reasons/Grounds
6.1	Confirmation of Confidential Minutes - 24 June 2020	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.
6.2	Up date form AON Insurance	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(b)(ii) and the withholding of which is necessary to enable council to carry out, without prejudice or disadvantage, commercial activities s7(2)(h).

3. That the Independent Financial Advisor be permitted to stay during business with the public excluded.
- 

### **Considerations**

#### **1. Options**

Not applicable. This is an administrative procedure.

#### **2. Significance and Engagement**

This is a procedural matter required by law. Hence when assessed against council policy is deemed to be of low significance.

#### **3. Policy and Legislative Compliance**

The report complies with the provisions to exclude the public from the whole or any part of the proceedings of any meeting as detailed in sections 47 and 48 of the Local Government Official Information Act 1987.

#### **4. Other Considerations**

Being a purely administrative matter; Community Views, Māori Impact Statement, Financial Implications, and Implementation Issues are not applicable.