

Capital Commitments - Statement of Financial Position

26. CAPITAL COMMITMENTS	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Capital commitments approved and contracted				
Roading	23	1,386	23	1,386
Sewerage	434	25	434	25
Water (Sweetwater land)	250	0	250	0
Governance and Strategy	678	0	678	0
Community facilities	0	45	0	45
Subsidiaries investment property	0	533	0	0
Total capital commitments	1,385	1,989	1,385	1,457

The Roothing commitments attract subsidy to the value of \$13k (2012 - \$781,145). Roothing maintenance and renewal commitments of \$50,425,900 exist for future years. The Governance & Strategy commitment relates to future grants to The Centre at Kerikeri Ltd (The Turner Centre).

On 4 December 2013, an investigation commenced that included a full review of all aspects in relation to the Sweetwater Aquifer project.

To the best of council's knowledge the accounting treatment included in the 2012/13 Annual Report reflects the transactions for the period covered in the Report. Council has not yet completed its investigation into the Sweetwater project. The review at this stage is not sufficiently advanced to give assurances either way, around planning and management, legal compliance, probity and process.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

Council has operating lease agreements for the use of facsimile machines, property and photocopiers/printers.

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Operating lease				
Lease payments made:	487	608	450	546
Lease payments due:				
Not later than 1 year	359	312	282	250
Later than 1 year and not later than 2 years	244	260	170	198
Later than 2 years and not later than 5 years	242	361	126	238
Later than 5 years	791	370	219	277
Total operating leases	1,636	1,303	797	963

There are no restrictions placed on the group by any of the leasing arrangements.

OPERATING LEASES AS LESSOR

Far North Holdings Limited leases its investment property under operating leases. The future aggregate minimum lease payments to be collected under non cancellable operating leases are as follows:

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Non-cancellable operating leases lessor				
Not later than 1 year	1,505	1,336	0	0
Later than 1 and not later than 5 years	4,202	3,598	0	0
Later than 5 years	854	1,177	0	0
Total non cancellable operating leases	6,561	6,111	0	0

27. CONTINGENCIES	CONSOLIDATED		COUNCIL	
	2013	2012	2013	2012
	\$000s	\$000s	\$000s	\$000s
Building Act claims	0	15	0	15
Weather-tight home calls – Riskpool	0	324	0	324
Other legal proceedings	122	75	122	75
Roading legalisation claims	50	50	50	50
Total contingent liabilities	172	464	172	464

LITIGATION

There are 11 claims involving possible future costs totalling an estimated value of \$172,000 exist. These claims are contingent and have not been accrued in the financial statements. (Last year there were 11 possible claims at an estimated value of \$464,000).

The Council is subject to some litigation claims in respect of repair costs for weather-tight homes claims. As at the date of this report, the Weather-tight Homes Resolution Service advises that it is actioning 7 claims in relation to Far North District Council. There is provision for these of \$875,037 shown as a provision in Note 21. The number of buildings affected by those claims is unknown. Claims lodged prior to July 07 will be substantially covered by insurance and those from July 08 will be subject to an excess of \$50k per claim. From July 09 no further claims will be covered by Riskpool.

GUARANTEES

Far North District Council has guaranteed a bank loan for the Civic Centre Trust for \$1,709,603 (2012 \$1,900,000), Hohoura Big Game Sports & Fishing Club \$50,000 (2012 \$50,000) and the Kawakawa Bowling Club of \$40,000 (2012 \$40,000).

28. RELATED PARTY TRANSACTIONS

Key management personnel in relation to NZ IAS24 are deemed to be the Chief Executive, senior management team and Mayor, Councillors, Elected Members of Far North District Council and the Directors of Far North Holdings Limited.

COUNCIL

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates). Other details relating to expenditure incurred by Council are as follows:

	COUNCIL	
	2013	2012
	\$000s	\$000s
Cllr Kitchen – New Zealand Fire Service	0	10
Cllr Kitchen/Macauley – Northland District Health Board	295	295
Cllr Macauley – Kaikohe & District Historical & Mechanical Society	37	36
Cllr Macauley/Member Davis – Kawakawa Hundertwasser Centre	53	40
Cllr Macauley – Palmer Macauley Lawyers	14	4
Cllr Knight – Kaitia Business Association	50	22
Cllr Knight/Cllr Macauley – The Turner Centre	3	7
Cllr McNally – The Rintoul Group	283	0
Cllr McNally – Twin Coast Valuations	2	2
Cllr Maxwell – Creative Edge Bay of Islands	0	5
Cllr Court – Top Energy Consumer Trust	337	0
Member Lugnet – Doubtless Bay Information Centre	10	6
Member Ward – Paihia Business Incorporated	4	0
Member Davis – BOI Vintage Railway Trust	23	8

No other Councillors or senior management have entered into related party transactions with the group.

The values above included payments made after 1 July 2013 as follows: \$237 Turner Centre; \$33,390 The Rintoul Group; \$13,388 BOI Vintage Railway Trust; \$4,370 Palmer Macauley

KEY MANAGEMENT PERSONNEL	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Council – salaries	1,669	1,541	1,669	1,541
Council – severance	0	0	0	0
Subsidiary – salaries	381	375	0	0
Total salaries - key management personnel	2,050	1,916	1,669	1,541

Far North Holdings Limited is wholly owned by Far North District Council. In presenting the financial statements of the group the effect of transactions and balances between fellow subsidiaries have been eliminated.

TRANSACTIONS

All transactions between companies in the Group and Far North District Council were made on commercial terms and conditions with the exception of management and administrative services which were supplied to Far North Developments Limited free of charge.

Transactions between the Group and Far North District Council

	COUNCIL	
	2013 \$000s	2012 \$000s
Far North Holdings Ltd		
Services received from Council	247	257
Services provided to Council	988	676
Amounts payable to members of the Group	186	105
Amounts receivable from members of the Group	236	68
Te Ahu Charitable Trust		
Contribution to Te Ahu Charitable Trust.	300	3,141
Amounts payable to Council	51	20

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2012 \$nil).

Council has 3 CCO's – Far North Holdings Limited, Te Ahu Charitable Trust and Rolands Wood Trust. The values relating to the Rolands Wood trust are deemed not material for the Far North District Council consolidation. The Rolands Wood Trust has a balance of \$130k (\$134k June 2012) shown as a deposit in Far North District Council accounts. This was specifically bequeathed to Council for the maintenance of an area of woodland for community use

29.REMUNERATION	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s

The Chief Executive Officer of the Far North District Council, appointed under section 42(1) of the Local Government Act 2002 received a salary and benefits respectively of:

CEO	2013	2012	2013	2012
Salary	291	272	291	272
Vehicle	11	0	11	0
Principal allowance	1	1	1	1
Telephone allowance	1	1	1	1
Total CEO costs	304	274	304	274

29.REMUNERATION	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Elected representatives:				
Mayor Brown - salary	108	108	108	108
Mayor Brown - vehicle	11	6	11	6
Other elected representatives				
Baker T – salary	41	41	41	41
Baker T – mileage & other expenses	2	3	2	3
Court A – salary	52	52	52	52
Court A – mileage & other expenses	5	5	5	5
Dalton T – salary	41	41	41	41
Dalton T – mileage & other expenses	1	1	1	1
Macauley S – salary	42	42	42	42
Macauley S – mileage & other expenses	1	1	1	1
Kitchen C – salary	41	41	41	41
Kitchen C – mileage & other expenses	1	1	1	1
Maxwell D – salary	42	41	42	41
Maxwell D – mileage & other expenses	2	2	2	2
McNally S – salary	41	41	41	41
McNally S – mileage & other expenses	2	2	2	2
Knight M – salary	41	41	41	41
Knight M – mileage & other expenses	5	3	5	3
Radich M – salary	41	41	41	41
Radich M – mileage & other expenses	4	3	4	3
Total elected representatives	524	516	524	516
Elected members				
Te Hiku Community Board				
Bowman D – salary	19	19	19	19
Bowman D – mileage & other expenses	3	3	3	3
Lugnet C – salary	10	10	10	10
Lugnet C – mileage & other expenses	2	1	2	1
Van Der Sluis W – salary	10	10	10	10
Van Der Sluis W – mileage & other expenses	1	0	1	0
Atkinson S – salary	14	14	14	14
Atkinson S – mileage & other expenses	2	2	2	2
Senior D – salary	10	10	10	10
Senior D – mileage & other expenses	2	2	2	2
Smith Y – salary	10	10	10	10
Smith Y – mileage & other expenses	2	1	2	1
Kaikohe-Hokianga Community Board				
Stephens W – salary	19	19	19	19
Stephens W – mileage & other expenses	4	1	4	1
Anderson M – salary	5	10	5	10
Anderson M – mileage & other expenses	1	3	1	3

29.REMUNERATION	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Gundry W – salary	10	10	10	10
Pakai L – salary	10	10	10	10
Pakai L mileage & other expenses	1	0	1	0
Cherrington J – salary	10	10	10	10
Cherrington J – mileage & other expenses	2	1	2	1
Schollum J – salary	14	14	14	14
Schollum J – mileage & other expenses	2	1	2	1
Clarke G – salary	3	0	3	0
Clarke G – mileage & other expenses	1	0	1	0
Bay of Islands-Whangaroa Community Board				
Annison F – salary	19	19	19	19
Annison F – mileage & other expenses	1	1	1	1
Brown H – salary	10	10	10	10
Brown H – mileage & other expenses	1	1	1	1
Davis J – salary	10	10	10	10
Davis J – mileage & other expenses	1	1	1	1
Greening T – salary	10	10	10	10
Greening T – mileage & other expenses	2	1	2	1
Mills B – salary	10	10	10	10
Mills B – mileage & other expenses	3	2	3	2
Turner D – salary	10	10	10	10
Turner D – mileage & other expenses	2	3	2	3
Ward B – salary	14	14	14	14
Ward B – mileage & other expenses	1	0	1	0
Total community board costs	261	253	261	253
Total remuneration costs	1,089	1,043	1,089	1,043

	COUNCIL	
	2013 \$000s	2012 \$000s
Total annual remuneration by band of employee as at 30 June		
< \$60,000	139	150
\$60,000 to \$79,999	65	54
\$80,000 to \$99,999	22	19
\$100,000 to \$119,999	12	8
\$120,000 to \$139,999	7	5
\$140,000 to \$280,000	4	5
Total employees	249	241

Total remuneration includes non-financial benefits provided to employees

At balance date, the Council employed 218 (2011/12 – 214) full time employees, with the balance of staff representing 22.7 (2011/12 – 16.4) full time equivalent employees. A full time employee is determined on the basis of a 40 hour week.

MEETING ATTENDANCE ELECTED MEMBERS		
	COUNCIL	AUDIT & FINANCE
Meetings for the year	12	8
W Brown (*)	12	7
A Court (*)	11	6
T Baker (*)	8	3
S McNally (*)	12	7
D Maxwell (*)	10	2
S Macauley	11	0
T Dalton	8	0
C Kitchen	7	0
M Radich	12	0
M Knight (*)	12	8

Cllr Baker was granted a leave of absence of four months due to ill health.

The Audit & Finance Committee has five (2012 four) elected members with all of the others able to attend if they wish.

Cllr Maxwell stood down from the Audit & Finance Committee in August 2012 and Cllr Court joined in September 2012. The Committee was increased to five members in March 2013 when Cllr Baker joined.

MEETING ATTENDANCE	
Bay of Islands-Whangaroa Community Board	
Meetings for the year	11
F Annison	11
H Brown	11
J Davis	11
T Greening	10
B Mills	11
D Turner	11
B Ward	11
Te Hiku Community Board	
Meetings for the year	11
D Bowman	11
C Lugnet	10
Y Smith	11
W Van De Sluis	11
S Atkinson	10
D Senior	10
Kaikohe-Hokianga Community Board	
Meetings for the year	12
W Stephens	12
M Anderson (**)	4
G Clarke (**)	4
W Gundry	8
L Pakai	10
J Cherrington	10
J Schollum	12

** Member Anderson resigned in December 2012 and Member Clarke was appointed in March 2013

30. SEVERANCE PAYMENTS

There were no severance payments made in 2012/13 (2011/12 – 1 for \$84,366).

31. EVENTS AFTER BALANCE SHEET DATE

Neither Far North District Council or its subsidiaries, had any events occurring after the balance sheet date that require disclosure in these financial statements (2012 - nil).

32. FINANCIAL INSTRUMENT RISK	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
32a. Financial Instrument categories				
FINANCIAL ASSETS				
Derivatives that are hedge accounted				
Derivative financial instrument liabilities	726	0	726	0
Total derivatives that are hedge accounted	726	0	726	0
Loans and receivables				
Cash and cash equivalents	4,117	3,058	3,738	2,665
Other financial assets				
Short term deposits	3,185	2,314	3,185	1,995
Debtors and other receivables	38,422	32,955	37,728	32,553
Total loans and receivables	45,725	38,327	44,652	37,213
Available for sale				
LGNZ shares	101	46	101	46
LGFA borrower notes	160	0	160	0
Total available for sale	261	46	261	46
FINANCIAL LIABILITIES				
Derivatives that are hedge accounted				
Derivative financial instrument liabilities				
Current	53	0	53	0
Non-current	324	731	324	731
Total derivatives that are hedge accounted	377	731	377	731
Financial liabilities at amortised cost				
Creditors and other payables	24,883	19,656	23,117	18,529
Borrowings				
Bank overdraft	0	0	0	0
Secured loans	100,163	111,006	89,622	100,716
Total financial liabilities at amortised cost	125,046	131,393	112,739	119,976

MANAGEMENT POLICIES WITH RESPECT TO FINANCIAL INSTRUMENTS

The Group has a series of policies providing risk management for interest rates and the concentration of credit risk. The Group is risk averse and seeks to minimise exposure from its treasury activities. The Group has established a Treasury Policy specifying what transactions can be entered into. The policy does not allow any financial transactions that are speculative in nature to be entered into.

PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Council is exposed to equity price risk on investments, which are classified as financial assets held at fair value through equity. The price risk arises due to changes in performance of the shares held and is annually assessed.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This could particularly impact on the cost of borrowing or the return on investment. The interest rates on the Group's borrowings are disclosed in note 23. There are 12 interest rate swap agreements in place at 30 June 2013 (2012 - 4). Council manages its interest rate risk by varying financing terms of its public debt.

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group has limited exposure to currency risk.

CREDIT RISK

Credit risk is the risk that a third party will default on its obligation to the Group, causing the Group to incur a loss. The maximum amount of credit risk for each class is the carrying amount in the Statement of Financial Position. Council has minimal credit risk, apart from Māori land rates, which is provided for in the provision for Impairment of rates (Note 9), in its holdings of various financial instruments. These financial instruments include bank balances, local authority stock and accounts receivable.

Council invests funds only in deposits with registered banks and local authority stock and limits the amount of credit exposure to any one institution or organisation. Accordingly, Council does not require any collateral or security to support the financial instruments with organisations it deals with.

FAIR VALUE

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arms length transaction.

The fair value of financial instruments is approximately equivalent to the carrying amount disclosed in the Statement of Financial Position.

CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk is the risk that the cash flow from a financial instrument will fluctuate because of changes in market interest rates. Council has variable rate borrowings in the form of bank facilities, drawable on demand.

FAIR VALUE INTEREST RISK

Fair value interest risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Council holds all long term borrowings at fixed rates which could expose the Council to fair value interest rate risk.

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
Maximum exposure to credit risk				
Cash at bank and term deposits	4,117	3,058	3,738	2,665
Debtors and other receivables	38,422	32,955	37,728	32,553
Other financial assets	3,185	2,314	3,185	1,995
LGNZ shares	101	46	101	46
LGFA borrower notes	160	0	160	0
Total credit risk	45,986	38,373	44,913	37,259

CREDIT QUALITY OF FINANCIAL ASSETS

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

	CONSOLIDATED		COUNCIL	
	2013 \$000s	2012 \$000s	2013 \$000s	2012 \$000s
COUNTERPARTIES WITH CREDIT RATINGS				
Cash at bank and term deposits				
AA-	4,117	3,058	3,738	2,665
Total cash at bank and term deposits	4,117	3,058	3,738	2,665
Derivative financial assets				
Derivative financial instruments				
AA-	349	(731)	349	(731)
Total Derivative financial assets	349	(731)	349	(731)
Fair value through equity				
A+	261	46	261	46
Total fair value through equity	261	46	261	46

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors or other receivables with reference to credit ratings. Apart from Māori land, which is provided for in the provision for impairment of rates (Note 9), Council has no significant concentration of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly rate payers, and 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 Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Council aims to maintain flexibility in funding by keeping committed credit lines available. In meeting its liquidity requirements, Council maintains a loan profile, in accordance with its funding and financial policies, which includes a Treasury Management Policy. Council has a maximum amount that can be drawn against its overdraft facility of \$3,000,000 (2012- \$3,000,000). There are no restrictions on the use of this facility.

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES

The table below analyses Council's financial liabilities into relevant maturity groups, based on the remaining period at the balance date, up to the contractual maturity date. Future interest payments are based on the rate attributable to that debt. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount \$000s	Contractual cash flows \$000s	Less than 1 year \$000s	1-2 years \$000s	2-5 years \$000s	More than 5 years \$000s
Council 2013						
Creditors and other payables	23,117	23,117	23,117	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	(14)	(14)	0	0	(14)	0
Secured loans	89,622	106,970	8,330	13,189	62,817	22,634
Finance leases	0	0	0	0	0	0
Total	112,725	130,073	31,447	13,189	62,803	22,634
Group 2013						
Creditors and other payables	24,883	24,883	24,883	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	(14)	(14)	0	0	(14)	0
Secured loans	100,162	117,510	8,330	23,729	62,817	22,634
Finance leases	0	0	0	0	0	0
Total	125,031	142,379	33,213	23,729	62,803	22,634
Council 2012						
Creditors and other payables	18,529	18,529	18,529	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	731	731	0	0	731	0
Secured loans	100,716	120,146	7,223	34,100	55,343	23,480
Finance leases	0	0	0	0	0	0
Total	119,976	139,406	25,752	34,100	56,074	23,480
Group 2012						
Creditors and other payables	19,656	19,656	19,656	0	0	0
Bank overdraft	0	0	0	0	0	0
Net settled derivative liabilities	731	731	0	0	731	0
Secured loans	111,006	129,466	7,223	34,100	55,343	23,480
Finance leases	0	0	0	0	0	0
Total	131,393	149,853	26,879	34,100	56,074	23,480

SENSITIVITY ANALYSIS

The table below illustrates the potential profit and loss impact for reasonably possible market movements, with all other variables held constant based on Council's financial instrument exposures at the balance date.

INTEREST RATE RISK COUNCIL	2013 \$000s		2012 \$000s	
	Profit – 100 bps	Profit + 100 bps	Profit – 100 bps	Profit + 100 bps
Financial assets				
Cash and cash equivalents	2	(2)	2	(2)
Derivative financial assets				
Derivative financial instruments	(2,363)	2,219	(769)	718
Financial liabilities				
Borrowings				
Credit lines	(51)	51	(30)	30
Total sensitivity to interest rate risk	(2,412)	2,268	(797)	746

EXPLANATION OF SENSITIVITY ANALYSIS

1. Cash and cash equivalents

Cash and cash equivalents are \$3,738,000 (2012 \$2,665,000) which are at a floating rate. A movement of plus or minus 1% has an effect on interest income of \$2,175 (2012 \$2,107)

2. Credit lines

The balance on the credit lines was \$10,000,000 (2012 \$24,000,000) at a floating rate. A movement in interest rates of plus or minus 1% has an effect on interest payable of \$50,659 (2012 \$30,397)

Far North Holdings does not have any significant interest rate risk.

33. CAPITAL MANAGEMENT

The Council's capital is its equity (or ratepayers' funds), which comprise retained earnings 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. Ratepayer's funds are largely managed as a by-product of managing revenues, expenses, liabilities, investments and general financial dealings.

Far North District Council has created reserves for different areas of benefit. These are used where there is a discrete set of rate payers as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to specific reserves.

34. PROPERTY AVAILABLE FOR SALE

Far North District Council has 4 (2012 – nil) parcels of land that will be transferred under an Office of Treaty Settlement agreement at a value of \$610,000. There are an additional 3 (2012 – nil) parcels that have been declared surplus to requirement and marketed for sale and have a market value of \$441,000. Directors of Far North Holdings Limited have initiated a plan to sell 1 properties with a total value of \$500,000 (2012 – 1 properties \$500,000).

35. DERIVATIVE FINANCIAL INSTRUMENTS

	COUNCIL	
	2013 \$000s	2012 \$000s
Non-current asset – cash flow hedge	726	0
Current liability – cash flow hedge	(53)	0
Non-current liability - cash flow hedge	(324)	(731)
Total derivative financial instrument liabilities	349	(731)

FAIR VALUE

The fair value of the interest rate swap has been determined using discounted cash flow valuation based on quoted market rates. Derivative financial assets and liabilities are valued using valuation techniques using observable inputs, being level two per the fair value hierarchy.

INTEREST RATE SWAP

The notional principal amount of the outstanding interest rate swap contracts with Council was \$60,000,000 (June 2012 \$20,000,000). At June 30 the fixed interest rates of the cash flow hedges ranged from 2.89% to 7.1% with maturity dates ranging from February 2014 to March 2022 (2012 – 6.5%, 6.51%, 3.89% and 7.1%). There was a gain of \$362k recognised in the Statement of Comprehensive Income (2012 nil).

36. VARIANCES TO ANNUAL PLAN	COUNCIL 2013 \$000s
Statement of Comprehensive Income	
Annual Plan surplus	12,020
Annual Report surplus	6,657
Net operating surplus variance	(5,363)
Variance represented by:	
Variance area	
Rates	6,171
Other	878
Total income variance	7,049
District facilities (*)	(9,975)
Environmental management (*)	1,164
Governance & strategy (*)	(1,424)
Roading & footpaths	1,341
Sewerage treatment & disposal	(1,280)
Stormwater drainage	60
Waste management	(34)
Water supply	(2,572)
Other expenditure	(792)
Increased depreciation	(1,141)
Decrease in finance costs	2,242
Total expenditure variance	(12,411)
Net operating surplus variance	(5,363)

(*) See individual Statement of Service Performance for explanation of each group's variance to Annual Plan.

Council's asset revaluation reserves have decreased by \$19 million during the year.

37. FUNDING IMPACT STATEMENT	ANNUAL PLAN 2013 \$000s	ANNUAL REPORT 2012 \$000s	LTP 2013 \$000s	ACTUAL 2012 \$000s
Whole of Council				
Sources of operational funding				
General rates, uniform annual general charges, rates penalties	47,245	51,783	45,817	53,451
Targeted rates (excluding water supply rates)	17,013	19,065	22,801	21,339
Subsidies and grants for operating purposes	7,270	8,608	5,621	6,051
Fees, charges and targeted water supply rates	16,105	12,460	15,492	13,063
Interest and dividends from investments	608	482	399	939
Local authority fuel tax, fines, infringement fees and other receipts	961	2,725	954	1,214
Total operating funding (A)	89,202	95,122	91,084	96,057
Applications of operating funding				
Payments to staff and suppliers	60,776	64,530	61,152	62,707
Finance costs	8,868	6,237	7,120	5,171
Internal charges and overheads applied	0	0	0	13
Total applications of operating funding (B)	69,644	70,767	68,272	67,891
Surplus/(deficit of operating funding (A-B))	19,558	24,355	22,811	28,166
Sources of capital funding				
Subsidies and grants for capital expenditure	13,885	10,001	16,075	14,256
Development and financial contributions	2,297	1,578	484	1,780
Increase (decrease) in debt	5,153	(8,607)	10,762	(11,094)
Total sources of capital funding (C)	21,335	2,973	27,321	4,942
Applications of capital funding				
Capital expenditure to meet:				
-Additional demand	859	667	902	413
-Improved levels of service	19,682	10,279	26,482	16,237
-Replacement of existing assets	15,144	14,921	24,038	14,401
Increase (decrease) in reserves	5,208	1,461	(1,290)	2,057
Total applications of capital funding (D)	40,893	27,328	50,132	33,108
Surplus/(deficit) of capital funding (C-D)	(19,558)	(24,355)	(22,811)	(28,166)
Funding balance ((A-B) + (C-D))	0	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

District facilities	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	9,215	9,652	10,738
Targeted rates (excluding water supply rates)	6,743	8,334	8,402
Subsidies and grants for operating purposes	150	110	111
Fees, charges and targeted water supply rates	1,633	2,108	1,887
Internal charges and overheads recovered	6	13	300
Local authority fuel tax, fines, infringement fees and other receipts	153	157	178
Total operating funding (A)	17,899	20,374	21,616
Applications of operating funding			
Payments to staff and suppliers	10,599	11,593	11,847
Finance costs	1,250	1,200	675
Internal charges and overheads applied	3,769	4,177	3,050
Total applications of operating funding (B)	15,618	16,970	15,573
Surplus/(deficit of operating funding (A-B))	2,281	3,404	6,043
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	110
Development and financial contributions	570	113	166
Increase (decrease) in debt	798	714	(7)
Total sources of capital funding (C)	1,369	827	269
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	50	170	138
-Improved levels of service	1,550	825	664
-Replacement of existing assets	612	5,954	1,391
Increase (decrease) in reserves	1,438	(2,718)	4,119
Total applications of capital funding (D)	3,650	4,232	6,312
Surplus/(deficit) of capital funding (C-D)	(2,281)	(3,404)	(6,043)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Environmental Management	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	7,355	7,211	7,554
Targeted rates (excluding water supply rates)	0	0	0
Subsidies and grants for operating purposes	10	0	0
Fees, charges and targeted water supply rates	3,558	3,160	3,023
Internal charges and overheads recovered	4	4	39
Local authority fuel tax, fines, infringement fees and other receipts	89	92	56
Total operating funding (A)	11,016	10,467	10,675
Applications of operating funding			
Payments to staff and suppliers	7,354	7,774	6,923
Finance costs	8	177	20
Internal charges and overheads applied	3,506	2,352	2,039
Total applications of operating funding (B)	10,868	10,303	8,982
Surplus/(deficit of operating funding (A-B))	148	164	1,690
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	(7)	(23)	(23)
Total sources of capital funding (C)	(7)	(23)	(23)
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	0	10	8
-Replacement of existing assets	0	0	0
Increase (decrease) in reserves	141	131	1,659
Total applications of capital funding (D)	141	141	1,667
Surplus/(deficit) of capital funding (C-D)	(148)	(164)	(1,690)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Governance and strategy	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	9,867	10,087	11,254
Targeted rates (excluding water supply rates)	0	0	0
Subsidies and grants for operating purposes	10	32	0
Fees, charges and targeted water supply rates	567	528	596
Internal charges and overheads recovered	51	13	50
Local authority fuel tax, fines, infringement fees and other receipts	493	280	789
Total operating funding (A)	10,988	10,940	12,689
Applications of operating funding			
Payments to staff and suppliers	15,766	15,822	15,422
Finance costs	1,059	1,435	1,283
Internal charges and overheads applied	(9,362)	(10,072)	(7,774)
Total applications of operating funding (B)	7,463	7,185	8,930
Surplus/(deficit of operating funding (A-B))	3,525	3,755	3,758
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	124	371	234
Increase (decrease) in debt	(672)	54	(73)
Total sources of capital funding (C)	(548)	425	161
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	116	585	198
-Replacement of existing assets	676	1,285	473
Increase (decrease) in reserves	2,185	2,310	3,034
Increase (decrease) in investments	0	0	214
Total applications of capital funding (D)	2,977	4,180	3,919
Surplus/(deficit) of capital funding (C-D)	(3,525)	(3,755)	(3,758)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Roads and footpaths			
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	13,630	11,558	14,915
Targeted rates (excluding water supply rates)	1,051	4,026	989
Subsidies and grants for operating purposes	7,101	5,479	5,939
Fees, charges and targeted water supply rates	757	792	685
Internal charges and overheads recovered	13	27	5
Local authority fuel tax, fines, infringement fees and other receipts	580	597	565
Total operating funding (A)	23,132	22,479	23,099
Applications of operating funding			
Payments to staff and suppliers	14,366	14,667	13,252
Finance costs	1,332	961	673
Internal charges and overheads applied	301	(199)	622
Total applications of operating funding (B)	15,999	15,428	14,547
Surplus/(deficit of operating funding (A-B))	7,132	7,050	8,552
Sources of capital funding			
Subsidies and grants for capital expenditure	10,365	9,904	9,059
Development and financial contributions	313	0	110
Increase (decrease) in debt	583	2,332	143
Total sources of capital funding (C)	11,261	12,237	9,312
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	809	732	275
-Improved levels of service	4,792	6,195	4,750
-Replacement of existing assets	13,762	12,274	11,663
Increase (decrease) in reserves	(970)	86	1,176
Total applications of capital funding (D)	18,393	19,287	17,864
Surplus/(deficit) of capital funding (C-D)	(7,132)	(7,050)	(8,552)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sewerage treatment and disposal			
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	715	762	1,537
Targeted rates (excluding water supply rates)	8,701	9,925	9,844
Subsidies and grants for operating purposes	0	0	0
Fees, charges and targeted water supply rates	677	231	156
Internal charges and overheads recovered	4	4	(14)
Local authority fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	10,097	10,923	11,523
Applications of operating funding			
Payments to staff and suppliers	4,112	4,234	4,999
Finance costs	2,722	1,711	1,320
Internal charges and overheads applied	601	981	721
Total applications of operating funding (B)	7,435	6,926	7,815
Surplus/(deficit of operating funding (A-B))	2,662	3,996	3,708
Sources of capital funding			
Subsidies and grants for capital expenditure	2,930	5,757	5,060
Development and financial contributions	922	0	654
Increase (decrease) in debt	4,902	7,028	1,900
Total sources of capital funding (C)	8,753	12,785	7,614
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	10,354	15,750	8,824
-Replacement of existing assets	25	2,021	541
Increase (decrease) in reserves	1,036	(990)	1,957
Total applications of capital funding (D)	11,415	16,782	11,322
Surplus/(deficit) of capital funding (C-D)	(2,662)	(3,996)	(3,708)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Stormwater Drainage	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	2,197	2,125	2,250
Targeted rates (excluding water supply rates)	518	517	539
Subsidies and grants for operating purposes	0	0	0
Fees, charges and targeted water supply rates	0	0	0
Internal charges and overheads recovered	12	0	0
Local authority fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	2,727	2,642	2,790
Applications of operating funding			
Payments to staff and suppliers	928	899	740
Finance costs	626	339	263
Internal charges and overheads applied	256	298	249
Total applications of operating funding (B)	1,809	1,535	1,252
Surplus/(deficit of operating funding (A-B))	917	1,107	1,537
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	181	0	40
Increase (decrease) in debt	(242)	286	(287)
Total sources of capital funding (C)	(60)	286	(247)
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	850	1,095	444
-Replacement of existing assets	0	300	0
Increase (decrease) in reserves	7	(2)	846
Total applications of capital funding (D)	857	1,393	1,290
Surplus/(deficit) of capital funding (C-D)	(917)	(1,107)	(1,537)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Waste management	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	4,055	4,216	4,449
Targeted rates (excluding water supply rates)	0	0	0
Subsidies and grants for operating purposes	0	0	0
Fees, charges and targeted water supply rates	1,019	916	921
Internal charges and overheads recovered	0	0	16
Local authority fuel tax, fines, infringement fees and other receipts	165	166	169
Total operating funding (A)	5,238	5,297	5,555
Applications of operating funding			
Payments to staff and suppliers	3,865	3,829	3,931
Finance costs	530	394	304
Internal charges and overheads applied	307	491	355
Total applications of operating funding (B)	4,703	4,714	4,589
Surplus/(deficit of operating funding (A-B))	536	583	966
Sources of capital funding			
Subsidies and grants for capital expenditure	0	0	0
Development and financial contributions	0	0	0
Increase (decrease) in debt	(339)	(227)	(302)
Total sources of capital funding (C)	(339)	(227)	(302)
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	170	215	89
-Replacement of existing assets	69	217	41
Increase (decrease) in reserves	(42)	(76)	533
Total applications of capital funding (D)	197	356	663
Surplus/(deficit) of capital funding (C-D)	(536)	(583)	(966)
Funding balance ((A-B) + (C-D))	0	0	0

37. FUNDING IMPACT STATEMENT CONTINUED

Water supply	LTP 2011/12 \$000s	LTP 2012/13 \$000s	ACTUAL 2012/13 \$000s
Sources of operational funding			
General rates, uniform annual general charges, rates penalties	212	206	754
Targeted rates (excluding water supply rates)	0	0	1,564
Subsidies and grants for operating purposes	0	0	0
Fees, charges and targeted water supply rates	7,894	7,756	5,794
Internal charges and overheads recovered	0	0	0
Local authority fuel tax, fines, infringement fees and other receipts	0	0	0
Total operating funding (A)	8,106	7,962	8,112
Applications of operating funding			
Payments to staff and suppliers	3,787	3,470	5,594
Finance costs	1,341	903	633
Internal charges and overheads applied	621	837	696
Total applications of operating funding (B)	5,749	5,211	6,923
Surplus/(deficit of operating funding (A-B))	2,357	2,751	1,189
Sources of capital funding			
Subsidies and grants for capital expenditure	590	413	27
Development and financial contributions	186	0	576
Increase (decrease) in debt	131	597	(177)
Total sources of capital funding (C)	906	1,010	426
Applications of capital funding			
Capital expenditure to meet:			
-Additional demand	0	0	0
-Improved levels of service	1,850	1,808	1,224
-Replacement of existing assets	0	1,985	290
Increase (decrease) in reserves	1,413	(32)	101
Total applications of capital funding (D)	3,263	3,761	1,615
Surplus/(deficit) of capital funding (C-D)	(2,357)	(2,751)	(1,189)
Funding balance ((A-B) + (C-D))	0	0	0

Reserves report

The LGA, Schedule 10, requires the Annual Report to include information on each reserve fund set aside by Council. The Annual Report must identify the purpose of the fund, the activity it relates to and the amount expected to be in the fund as well as indicating the amounts that were allocated to and from the reserves during the year. The following tables identify the

Reserve balance purposes

OTHER RESERVES:

Revaluation reserves

These reserves represent the movement in the valuation of Council's assets

Fair value through equity reserve, capital reserve, cash flow hedge reserve

These reserves are all balance sheet reserves used for accounting purposes only.

RESTRICTED RESERVES:

Community services fund

Funds are generated by way of targeted rates and are intended for the use of maintenance of community infrastructure such as parks and reserves, public toilets, cemeteries, swimming pools, footpaths, halls etc., and the maintenance of central town areas such as street cleaning and rubbish collection. Funds were maintained at ward level but as the rating policy has changed over time, funds are now maintained as a district wide reserve

General separate funds (drainage, stormwater separate rate, water, wastewater)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

Special funds

Funds received under the RMA that are ring fenced for specific works relating to the aspect of the RMA under which they were contributed.

General separate funds (Kerikeri mainstreet, economic dev't, CBD reserves, car park funds)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

General separate funds (Community footpath reserves)

These are restricted reserves that are restricted for specific purposes and are not available for general expenditure.

RETAINED EARNINGS:

Retained earnings

General funds retained by Council arising from the accumulation of prior year's surpluses or deficits from general rate funded operations.

Development contributions

Contributions received in line with Council's Development Contributions Policy. As the policy has changed over time, funds are required to be kept at both district wide and ward levels to provide an account of the contributions received under each policy and their use.

Open spaces development contributions

Contributions received in line with Council's Development Contributions Policy. As the policy has changed over time, funds are required to be kept at both district wide and ward levels to provide an account of the contributions received under each policy and their use.

Depreciation reserves

Council is required to fund depreciation on assets that it is intending to renew at a future date. The depreciation charges generated are held by asset/activity area so that funds are available for future replacement.

Emergency event reserve

Specific funds earmarked for the recovery requirements of future weather related events.

Property disposal reserve

Net sale proceeds arising from surplus property for use to fund future strategic needs within communities. The funds are held at activity and ward levels. The funding decisions are made by Council either at the time of sale or at a future date.

Mineral Survey Reserve

Reserve to investigate the mineral potential of the Northland Region.

NOTE: Where a reserve balance is shown in brackets it means the reserve is overdrawn.

38. RESERVES	OPENING BALANCE 2012/13 \$000s	ADDITIONS 2012/13 \$000s	WITHDRAWALS 2012/13 \$000s	CLOSING BALANCE 2012/13 \$000s
Other reserves				
Revaluation reserves	272,399	22,595	(41,692)	253,302
LGNZ Share valuation reserve	46	10	0	56
Cash flow hedge reserve	(731)	717	0	(14)
Capital reserve	2,697	0	0	2,697
Total other reserves	274,411	23,322	(41,692)	256,041
Restricted reserves				
Community services reserves	(1,994)	10,899	(9,740)	(835)
General separate funds (drainage, stormwater, water, wastewater)	(1,142)	26,434	(26,941)	(1,649)
Special funds	3,942	152	(32)	4,062
General separate funds (Kerikeri mainstreet, economic development, CBD rates, car parks)	666	133	(103)	696
General separate funds (footpaths)	0	234	0	234
Total restricted reserves	1,472	37,852	(36,816)	2,508
Retained Earnings				
Retained earnings	1,346,211	7,087	(14,976)	1,338,322
Development contributions	(17,663)	766	(767)	(17,664)
Open spaces development contributions	(4,078)	68	(132)	(4,142)
Depreciation reserves	(33,126)	42,179	(28,087)	(19,034)
Emergency event reserve	(57)	1,531	(887)	587
Property disposal reserve	549	0	(154)	395
Mineral survey reserve	50	0	0	50
Total retained earnings	1,291,886	51,631	(45,003)	1,298,514

39. STATUTORY REPORTING DEADLINE

Section 98(3) of the Local Government Act 2002 requires Local Authorities to complete and adopt their annual report within four months of the end of the financial year (31 October). The Council did not adopt the 2012/13 annual report within the statutory reporting deadline.

CAPITAL STATEMENT	CONSOLIDATED			COUNCIL	
	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL
	2013	2012	2013	2013	2012
	\$000s	\$000s	\$000s	\$000s	\$000s
Capital Statement					
Net Operating surplus	8,670	6,175	6,657	12,020	2,997
Depreciation funding	19,073	19,600	19,073	29,872	19,600
Loans	5,669	16,344	5,669	15,356	16,344
Development funding	899	1,073	899	1,332	1,073
Reserve funding	81	475	81	375	475
Reserve appropriations	(2,163)	(772)	(2,163)	(4,985)	(772)
Retained profit funding	32	137	32	2,046	137
Other funding	0	0	0	0	0
Total Funding	32,261	43,032	30,247	56,016	39,855
New work	17,608	11,132	17,608	26,391	11,132
Renewal works	15,099	15,617	15,099	25,031	15,617
Total Capital Works	32,707	26,749	32,707	51,422	26,749
Loan repayments	7,094	13,607	7,094	4,593	13,607
Total Debt	7,094	13,607	7,094	4,593	13,607
Total Capital Expenditure	39,801	40,356	39,801	56,016	40,356
NET SURPLUS/(DEFICIT)	(7,540)	2,676	(9,554)	0	(501)