

# council activities

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## STATEMENT OF COST OF ACTIVITIES

## democracy and corporate services

For the year ended 30 June 2011

Actual 30-Jun-10 Cost of Services \$		Note	Actual 30-Jun-11 Cost of Services \$	Annual Plan 30-Jun-11 Cost of Services \$	Variance \$
<b>REVENUE</b>					
68,424	User Charges		49,970	25,825	24,145
4,189,084	Other Revenue	1	3,322,648	3,182,915	139,733
3	Other Gains		–	–	–
<u>4,257,511</u>	<b>TOTAL OPERATING REVENUE</b>		<u>3,372,618</u>	<u>3,208,740</u>	<u>163,878</u>
<b>EXPENDITURE</b>					
562,536	Personnel Costs	2	638,039	509,426	(128,613)
11,554	Depreciation		–	5,443	5,443
1,339,257	Other Operating Expenses	3	1,133,393	1,044,344	(89,049)
189,646	Support Costs internally allocated to Activity		222,988	206,281	(16,707)
<u>2,102,992</u>	<b>TOTAL OPERATING EXPENDITURE</b>		<u>1,994,420</u>	<u>1,765,494</u>	<u>(228,926)</u>
11,554	Less Non-Cash Items		–	5,443	5,443
<u>(2,166,072)</u>	<b>NET CASH COST/(SURPLUS) OF ACTIVITY</b>		<u>(1,378,198)</u>	<u>(1,448,689)</u>	<u>(70,491)</u>
Funded by:					
498,949	Targeted Council Service Rate		641,380	642,688	1,308
174,987	Investment Income		514,603	423,873	(90,729)
(2,840,008)	Transfer from/(to) Cash Reserves		(2,534,180)	(2,515,250)	18,930
<u>(2,166,072)</u>	<b>TOTAL OPERATING FUNDING</b>		<u>(1,378,198)</u>	<u>(1,448,689)</u>	<u>(70,491)</u>
92,845	<b>CAPITAL EXPENDITURE</b>		4,027	50,000	45,973
Funded by:					
11,554	Targeted Council Service Rate		–	–	–
81,291	Transfer from Cash Reserves		4,027	50,000	45,973
<u>92,845</u>	<b>TOTAL CAPITAL FUNDING</b>		<u>4,027</u>	<u>50,000</u>	<u>45,973</u>
<b>TOTAL OPERATING EXPENDITURE BY ACTIVITY</b>					
1,331,592	Community Representation	2	1,544,721	1,380,682	(164,038)
771,400	Commercial Investments		449,700	384,812	(64,888)
<u>2,102,992</u>	<b>TOTAL DEMOCRACY AND CORPORATE SERVICES</b>		<u>1,994,420</u>	<u>1,765,494</u>	<u>(228,926)</u>

## Variance compared to 2010-2011 Annual Plan:

## Revenue

- Other Revenue is greater than budget due to an unbudgeted \$133,000 of NZ Emissions Trading Scheme compensation units received in recognition of the deforestation restriction associated with the 291 hectares of pre-1990 forest at Mt Tiger.

## Expenditure

- Community Representation personnel costs are higher than budget due to the reorganisation of management staff between activities after the annual budgets were published and due to final payments made to staff leaving employment.
- Other Operating expenditure is greater than budget due to the opportunity cost of interest expense cost relating to the acquisition agreement Council has with KiwiRail for securing the Marsden Point Rail Corridor designation and procuring the land.

## LEVELS OF SERVICE

# democracy and corporate services

The Democracy and Corporate Services Group of Activities includes the activities:

- Community representation
- Commercial investments

## Why we do these activities

### Community representation

Community representation aims to give Northlanders opportunities to express their opinions and participate in decisions about our region.

The Northland region is represented by eight councillors elected from three constituencies in line with the district council boundaries. The role of the councillors is to provide good governance over the council's resources through local decision-making on behalf of its communities to promote community wellbeing in the present and for the future. Councillors act in the best interests of the region by being aware of the views of all of its communities and by taking account of the diversity amongst the region. Our communities are kept informed of the council's decision-making via public notices, media releases, council agendas and meetings and the council's website.

### Commercial investments

The council's investment portfolio provides a substantial income contribution towards its operations (24 percent for the 2010-2011 financial year), in effect reducing the rating requirement from the regional ratepayers (refer to the redirection of investment income opposite). Most of the investments currently held by the regional council were transferred from the Northland Harbour Board in the 1989 local government reorganisation as endowment land.

The Northland Regional Council currently holds a commercial investment portfolio comprising commercial property, forestry, equity investments, term deposits bonds, and local government stocks. The council holds a majority shareholding (53.61%) in Northland Port Corporation (NZ) Limited, bond certificates issued by banking institutions and highly rated corporates, and local authority stock issued by the Manawatu District Council.

## Contribution to community outcomes

The Democracy and Corporate Services Group primarily contributes to the following community outcomes:

### Northland's natural environment is sustainably managed by:

- Engaging a forestry consultant to provide expert assistance in strategic forestry planning, silviculture operations, harvesting, and replanting schedules, thereby ensuring the sustainability of the council's forestry holding.

### Northland is prosperous by:

- Directing income generated from investments and forestry holdings (\$6 million) to council operations to minimise ratepayer financial contributions.

### Northland has cohesive communities by:

- Collaborating with representatives of central government and community organisations to achieve regional community outcomes and develop greater understanding between different sectors of the community;
- Working in partnership with Māori to increase capacity to contribute to the council's decision-making processes; and
- Co-ordinating regional council collaboration with the district councils through the triennial agreement.

### Northland retains and enhances its regional identity by:

- Having transparent decision-making processes that are easily understood; and
- Understanding and representing the views of the region and working with others to promote the sustainable development of Northland.

## What we did

The council has advocated for improving the community wellbeing of Northlanders through written submissions and face to face discussions over the past 12 months on the following issues:

- The region's district council annual plans to raise the awareness of regional projects worthy of district council contributions; to encourage working together for the benefit of Northlanders; to seek clarification on projects that would impact on resource consent conditions and to support initiatives within the district council plans that benefited the environment and overall community wellbeing;
- The new Auckland Council's Spatial Plan discussion document to seek greater acknowledgement of the regional interactions between Auckland and Northland, the potential for win-win outcomes, and to suggest that these interactions and opportunities should inform the Auckland Plan as it develops;
- Discussions with key stakeholders including central government, on securing the future of rail in Northland; and
- A wide variety of topics at the regular joint workshops with each of the district councils, meetings of the Mayoral Forum and the Iwi CEOs' Forum.

The council's commercial property return including the properties purchased along the proposed Marsden Point Rail Link (MPRL) was 6.6 percent. If the MPRL properties are excluded, the return was 6.9 percent. This compares favourably with the return to 30 June 2010 which was 6.18 percent and against the target of 4.9 percent.

### Redirection of investment income

As part of the 2011-2012 annual planning process the council consulted in April 2011 on redirecting its investment income away from subsidising rates for council services to building a reserve to fund community projects that will increase Northland's economic performance and improve the environmental, cultural and social wellbeing of Northlanders.

## LEVELS OF SERVICE

# democracy and corporate services

This reserve will enable the council to fund projects, and leverage other funding, that will improve Northland's economic performance and lessen council's long-standing reliance on the investment income (much of it linked to our majority shareholding in the Northland Port Corporation) which has typically subsidised roughly one-third of the average rates bill.

There were submitters for and against the proposal. Affordability was a common thread in the opposing submissions received to the Draft Annual Plan and in accepting the proposal the council recognised that for many Northlanders, every new dollar they must find puts more stress on already stretched finances. However, when all the factors were considered, the council believed the time was long overdue to make some hard decisions and commit to the investment necessary to move forward as a region.

The council will redirect its investment income away from rates over a five year period which means the council's service rate will increase on average \$17.80 (including GST) annually for each of the next five years. The redirected investment income will form the Northland Regional Council Investment and Growth Reserve that will be used to fund projects that will improve Northland's economic performance. The reserve is projected to receive \$1.38 million in the first year of the transition.

### **Proposed Reorganisation of Local Government in Northland**

In November 2010 independent commissioners, Sir Peter Trapski and Dr Don Brash, released their reports examining the Whāngārei and Far North district councils' proposal to reorganise Northland's local government into unitary authorities. In the wake of these reports, which reached different conclusions, all Northland councils have agreed to actively seek ways to work more efficiently and effectively together to provide better services and value to the public.

### **Ninety Mile Beach/Te Whāroa Oneroa a Tōhe**

The council has continued to be involved in the settlement discussions for Ninety Mile Beach/ Te Whāroa Oneroa a Tōhe. The government plans a pre-election announcement of the settlement result including a decision on the future management of Ninety Mile Beach.

### **Investment in Northland Port Corporation**

The council has a 53.61% shareholding in Northland Port Corporation (NZ) Ltd which provides the council with a major revenue stream in the form of dividends. There is a risk that the company will not perform and as a result there is no, or reduced, dividend payments.

Full council meets with the board annually and the board's Chairman meets with the council CEO and Chairman on major issues as required, generally two or three times per annum. The council also has a councillor representative on the board to ensure the board and council strategic focus is aligned and to ensure council is kept abreast of any important issues and matters.

Northland Port Corporation has achieved a surplus \$4.727 million (11.45 cents/share) for the year to 30 June 2011. This compares to a surplus of \$3.134 million (7.59 cents/share) for the previous year.

The port business has been resilient despite the challenging global market place. The main reason for the increase in the surplus was the improved trading result of associate company, Northport Ltd which had experienced above budget results consistently throughout the year caused mainly by buoyant log volumes.

A final dividend of 4 cents/share, fully imputed was declared in August and was paid on 23 September 2011, bringing total ordinary dividends declared in respect of the year to 6.5 cents/share, up from 5.5 cents/share last year.

The company's asset revaluation reserve showed a reduction of \$8.3 million reflecting a general reduction in land values in the Marsden point area. The asset revaluation reserve currently stands at \$80.3 million. The requirements under IFRS accounting standards to revalue land holdings annually will continue to cause companies like Northland Port Corporation to sustain yearly changes to its accounted asset base. Such changes are only actually realised if the land is sold.

## Activity 1.1 Community Representation

**Objective:** To ensure community representation through elected councillors and to facilitate long-term planning through the creation of the Northland Community Plan, including the identification and monitoring of community outcomes.

### 2010-2012 Performance Measures and Targets

1.1.1 Provide democratic local decision-making and action on behalf of the community.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p>a. All council decisions made in an effective and accountable manner.</p> <ul style="list-style-type: none"> <li>Zero council decisions overturned as a result of judicial review annually.</li> </ul>	<p><b>Achieved</b> (2010: Achieved). No judicial reviews initiated in the period to 30 June 2011.</p>
<p>b. Call for nominations and hold elections for the 2010-2013 triennium.</p> <ul style="list-style-type: none"> <li>Public notice of nominations by 30 July 2010 and election held on 9 October 2010.</li> </ul>	<p><b>Achieved</b> (2010: Achieved). Advertisements appeared 20-22 July 2010.</p>
<p>c. Notify and conduct council and committee meetings.</p> <ul style="list-style-type: none"> <li>Produce an annual schedule of meeting dates and publicly notify meetings one month prior. All meetings conducted in accordance with the requirements of the Local Government Act (LGA) 2002 and Standing Orders.</li> </ul>	<p><b>Achieved</b> (2010: Achieved). The council adopted the 2011 meetings calendar at its monthly meeting on 7 December 2010 and all the scheduled meetings have been publicly notified one month prior in the Northern Advocate, a regional newspaper. All meetings were conducted in accordance with the relevant legislative requirements.</p>
<p>d. Respond to all official information requests.</p> <ul style="list-style-type: none"> <li>All information requests are replied to in accordance with the Local Government Official Information and Meetings Act 1987 and all Ombudsman investigations uphold our information decisions.</li> </ul>	<p><b>Achieved</b> (2010: Achieved). All information requests have been replied to within 20 working days. No decisions have been overturned by external investigations and there are no investigations in progress. The Office of the Auditor General's (OAG) report on the Northland Events Centre was made public on 29 May 2011. The OAG report acknowledged the significant achievement in building the centre within budget and timeframes as a collaborative project between two councils. The report made several suggestions regarding Whāngārei District Council's decision-making which included consulting more with the regional council before changing the ongoing ownership and management arrangements. The full report can be viewed on the OAG's website: <a href="http://www.oag.govt.nz">www.oag.govt.nz</a></p>
<p>e. Adopt and make public a Local Governance Statement, Triennial Agreement, Council Code of Conduct and Register of Committee and Staff Delegations.</p> <ul style="list-style-type: none"> <li>All documents produced in accordance with the requirements of the LGA 2002 following the 2010 election.</li> </ul>	<p><b>Achieved</b> (2010: Achieved). Triennial Agreement provided to the Mayoral Forum 21 February, Local Governance Statement made publicly available 1 April, amended Code of Conduct adopted at council meeting 19 April. Delegations register up to date.</p>

LEVELS OF SERVICE

# democracy and corporate services

## Activity 1.1 Community Representation continued

1.1.1 Provide democratic local decision-making and action on behalf of the community.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p><b>f. Ensure Māori have the opportunity to participate in council decision-making.</b></p> <ul style="list-style-type: none"> <li>CEO attends a minimum of two Iwi Chief Executives Forums annually. Initiatives reported in CEO and Chairman's reports annually.</li> </ul>	<p><b>Achieved</b> (2010: Achieved).</p> <p>Ken Paterson attended the 8 February 2011 and 12 April 2011 forums. The forum focused on developing a regional leadership approach for iwi and local government in Northland. The drafted paper was being circulated to individual organisations in May/June 2011 and would be progressed further in 2011-2012. Progress on this initiative was not formally reported to the council during the year.</p>
<p><b>g. Facilitate a sustainable development approach to all council practices and policies.</b></p> <ul style="list-style-type: none"> <li>Develop a framework by 31 December 2009 to provide annual reports on sustainable council practices and policy initiatives. Report at 30 June 2011.</li> </ul>	<p><b>Achieved</b> (2010: Achieved).</p> <p>Framework developed in October 2009. Annual Report to 30 June 2010 and 30 June 2011 completed and references sustainable practices and initiatives under these activities: Environmental Education (promotion of sustainable practices); Resource Management Planning (development of new Regional Policy Statement for sustainable use of our resources); Passenger Transport (sustainable services); Consents and Monitoring (ensuring land use is sustainable without detriment to environment); Hazard Management (sustainable use of erosion/flood prone land) and Biosecurity (sustainable programmes for pest management).</p>

1.1.2 Involve the community in the council's long-term planning.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p><b>a. Consult on and communicate the council's strategic direction and long-term plans.</b></p> <ul style="list-style-type: none"> <li>Adopt the Northland Community Plan 2009-2019 by 1 July 2009, and Annual Plans in the intervening years by 30 June 2011.</li> </ul>	<p><b>Achieved</b> (2010: Achieved).</p> <p>2009-2019 Northland Community Plan was adopted on 24 June 2009; 2010-2011 Annual Plan was adopted on 16 June 2010; 2011-2012 Annual Plan was adopted on 21 June 2011.</p> <p>The consultation summary for all three documents was delivered to every household in the region with newspaper and radio advertising to promote the consultation and issues raised by the council. The Long Term Plan received 612 submissions; the 2010-2011 Annual Plan received 522 submissions and the 2011-2012 Annual Plan received 220 submissions. Hearings for the 2011-2012 Annual Plan were held in Dargaville, Kaeo and Whāngārei which were all centres for proposed new river management rates or schemes and attracted a high proportion of the submitters.</p>

## Activity 1.1 Community Representation continued

1.1.2 Involve the community in the council's long-term planning.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p><b>b. Collaborate with Northland communities and organisations in regard to achieving regional community outcomes.</b></p> <ul style="list-style-type: none"> <li>Update community outcomes by 1 December 2010. Report on the community's progress in achieving outcomes in the Northland Community Plan 2012-2022.</li> </ul>	<p><b>Not achieved</b> (2010: Not applicable).</p> <p>The council did not undertake any reporting on the progress in achieving community outcomes during the year. A progress report is being compiled by the Northland Intersectoral Forum and will be available in September 2011.</p>
<p><b>c. Collaborate with the three district councils to advocate on behalf of all Northlanders.</b></p> <ul style="list-style-type: none"> <li>Attend a minimum of two Mayoral Forum meetings annually.</li> </ul>	<p><b>Achieved</b> (2010: Achieved).</p> <p>Five Mayoral Forums have been attended by Northland Regional Council representatives during 2010-2011. Mark Farnsworth and Ken Paterson attended the Mayoral Forum on 23 August 2010. Ken Paterson attended the Mayoral Forum on 13 December 2010.</p> <p>Craig Brown and Ken Paterson attended the Mayoral Forum on 21 February 2011, 18 April 2011 and 20 June 2011.</p>

### Significant positive and negative effects on wellbeing

The Community Representation activity may have the following impacts on wellbeing:

Wellbeing	Positive effects	Negative effects
<b>Social</b>	Community consultation provides public input into the sustainable management of Northland and the achievement of community outcomes.	People may feel their rights have been diminished in order to provide for the wellbeing of the wider public or future generations.
<b>Economic</b>	Promoting effective stewardship of council resources for the maximum benefit of the region.	
<b>Environmental</b>	Community outcome monitoring provides data on environmental trends resulting in more informed decision-making.	
<b>Cultural</b>	Community consultation results in greater understanding of cultural issues in the region.	



## LEVELS OF SERVICE

## democracy and corporate services

## Activity 1.2 Commercial Investments

**Objective:** To effectively and efficiently manage the council's commercial investments to provide a maximum rate of return, (within the constraints of the relevant lease agreements), thus providing a reliable cash flow to reduce the burden on regional ratepayers.

## 2010-2012 Performance Measures and Targets

1.2.1 Manage and maximise the return on commercial property with consideration to the requirements of the council and the public.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p>a. <b>Maintain or increase the level of return from investment properties.</b></p> <ul style="list-style-type: none"> <li>• Achieve an annual return of at least 4.9% on the total value of investment properties.</li> </ul>	<p><b>Achieved</b> (2010: Achieved).</p> <p>The return, including the properties purchased along the proposed Marsden Point Rail link (MPRL), is 6.6%. If the MPRL properties are excluded, the return is 6.9%. This compares favourably with the return to 30 June 2010 which was 6.18%.</p> <p>Council's commercial properties are a low risk investment primarily comprised of leasehold properties vested to council following the 1989 restructure of councils. The investment properties provide a sound financial return.</p>
<p>b. <b>Manage the council's commercial property portfolio in accordance with the Treasury Management Policy.</b></p>	<p><b>Achieved</b>, there were no breaches of the policy (2010: Achieved).</p>
<p>c. <b>Maintain cost-effective management of the commercial property portfolio.</b></p> <ul style="list-style-type: none"> <li>• Commercial Property administration costs are retained at &lt;7.5% of total commercial rental income per annum.</li> </ul>	<p><b>Achieved</b> (2010: Achieved).</p> <p>Administration costs to 30 June 2011 were 5.89% (2010: 3.09%).</p>
<p>d. <b>Maintain the forestry holding to ensure maximum net forestry returns on a sustainable basis.</b></p> <ul style="list-style-type: none"> <li>• Performance against the Forest Management Plan reported annually to the Audit and Finance Committee.</li> </ul>	<p><b>Achieved</b> (2010: Achieved).</p> <p>The operational costs for the management of the forestry holding were under budget by \$38,000 (budget of \$200,933) due to a saving from deferring/cancelling a portion of the pruning and fertilising programme. Operations this year included the replanting of 27 hectares and general maintenance. There was no harvesting planned or carried out.</p>
<p>e. <b>Develop strategic commercial investment objectives, policies and direction as part of the Regional Growth Programme.</b></p> <ul style="list-style-type: none"> <li>• Report and review on achievement of objectives annually.</li> </ul>	<p><b>Not achieved</b> (2010: Not achieved).</p> <p>Council agreed in May 2011 to the terms of reference for a strategic review of council's property portfolio. This work will continue into 2011-2012.</p>



### Activity 1.2 Commercial Investments continued

#### Significant positive and negative effects on wellbeing

The Commercial Investments activity may have the following impacts on wellbeing:

Wellbeing	Positive effects	Negative effects
Economic	Less revenue is required from regional ratepayers as a result of the income derived from the council's commercial investment portfolio.	There are no known significant negative effects surrounding the council's planned commercial investment activities.
Environmental	Forests absorb carbon dioxide from the atmosphere which assists in reducing and stabilising green-house gas emissions therefore supporting the global efforts to address climate change.	

