

STATEMENT OF COST OF ACTIVITIES

regional economic development

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 \$
REVENUE					
2,500,000	Grants and Subsidies	1	–	–	–
54,948	User Charges		–	–	–
618,030	Targeted Rates		615,626	629,192	(13,566)
<u>3,172,978</u>	TOTAL OPERATING REVENUE		<u>615,626</u>	<u>629,192</u>	<u>(13,566)</u>
EXPENDITURE					
160,293	Personnel Costs		286,647	292,361	5,714
186,150	Finance costs		657,283	602,766	(54,517)
13,033,041	Other Operating Expenses	1	2,719,413	1,479,470	(1,239,943)
21,309	Support Costs internally allocated to Activity		23,472	21,714	(1,758)
<u>13,400,793</u>	TOTAL OPERATING EXPENDITURE		<u>3,686,815</u>	<u>2,396,311</u>	<u>(1,290,504)</u>
–	Less Non-Cash Items		–	–	–
<u>10,227,815</u>	NET CASH COST/(SURPLUS) OF ACTIVITY		<u>3,071,189</u>	<u>1,767,119</u>	<u>(1,304,070)</u>
Funded by:					
50,240	Targeted Council Service Rate		385,959	361,977	(23,982)
545,190	Infrastructure Rate		540,668	567,521	26,853
1,114,993	Recreational Rate		1,170,534	1,198,620	28,086
1,944,355	Investment Income		217,620	259,000	41,380
6,573,037	Transfer from/(to) Cash Reserves	1	756,408	(619,999)	(1,376,407)
<u>10,227,815</u>	TOTAL OPERATING FUNDING		<u>3,071,189</u>	<u>1,767,119</u>	<u>(1,304,070)</u>
TOTAL OPERATING EXPENDITURE BY ACTIVITY					
13,186,179	Economic Development	1	3,424,377	2,087,603	(1,336,774)
214,614	Regional Growth Programme		262,439	308,708	46,269
<u>13,400,793</u>	TOTAL REGIONAL ECONOMIC DEVELOPMENT		<u>3,686,815</u>	<u>2,396,311</u>	<u>(1,290,504)</u>

Variance compared to 2010-2011 Annual Plan:

Expenditure

1. The Economic Development unfavourable variance is predominantly due to payments made to fund the completion of the Regional Events Centre. These payments were budgeted in the previous financial year (2009-2010) and did not eventuate until the 2010-2011 financial year. The total cost of the Northland Events Centre came in on budget.

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The Regional Economic Development Group of Activities includes the activities:

- Regional Growth Programme
- Economic Development

Why we do these activities

Central government's economic development policy recognises that regions and regional economic development are key drivers of New Zealand's overall economic performance. As a regional authority, the Northland Regional Council makes a significant contribution to the economic development of the Northland region through infrastructure development and environmental management. The council's status as a regional organisation gives it the opportunity to research and analyse issues from a regional perspective.

The Northland Regional Council Community Trust is a Council Controlled Organisation that is governed by its own Trust Deed. The trust has two subsidiaries – Destination Northland Limited, which is a tourism promotion agency, and Enterprise Northland which is an economic development agency. The benefits from tourism are not confined to those directly involved in the visitor industry, and are spread widely throughout the community as more people move to the region to live permanently and to work and invest in Northland.

Contribution to community outcomes

Northland's infrastructure is developed in a sustainable way by:

- Identifying infrastructure improvements that will support sustainable economic growth and development.

Northland's natural environment is sustainably managed by:

- Providing a clear vision and proactively planning for the present and future environmental wellbeing of the region and giving due cognisance to the potential impacts of climate variation.

Northland is prosperous by:

- Supporting initiatives that attract investment, new businesses and skilled people into Northland; and
- Helping to identify Northland's unique characteristics and develop the region's competitiveness through the Regional Growth Programme.

Northland residents are educated and skilled by:

- Supporting access to, and participation in, formal education and targeted industry training contributing to Northland's competitiveness.

Northland has cohesive communities by:

- Ensuring that economic growth is balanced with social and environmental responsibilities through the Regional Growth Programme; and
- Working effectively and co-ordinating efforts with business, central and local government to ensure the best outcomes for Northlanders on issues of regional importance.

What we did**Regional growth programme**

In the current 2009-2019 Long Term Plan the council committed to developing a Regional Growth Programme and a growth management reporting framework to focus the regional council's resources and to give further direction to Enterprise Northland. Implementing specific action plans would follow in the subsequent years relating to the Long Term Plan. Prior to the 2009-2019 Long Term Plan the council had sought out specific economic development projects and had chosen to fund the Northland Events Centre in Whāngārei; the Marsden Point rail link property purchase and designation; the Kerikeri Sports Centre and the Dargaville swimming pool.

In 2009-2010 a Regional Growth Programme/Strategy was drafted and after council consideration the strategy was rejected as the programme/strategy was reliant on collaboration and partnerships with other key agencies including the district councils. At the time the unitary authority debate was underway with two of the district councils calling for the disbanding of the regional council. This tension between key parties was too great to form collaborative partnerships. In the period 2009-2011 the regional council chose to pursue individual economic projects with willing private organisations using existing resources within the council. In 2010-2011 a further investigative report into unlocking Northland's economic potential was completed and the council consulted on establishing the Investment and Growth Reserve in order to fund and/or invest in identified economic opportunities. We spent \$262,438 of the \$417,693 budget for the 2010-2011. The outstanding budget amount has been carried over to be used in the 2011-2012 year.

The Regional Growth Programme was a key performance measure for this group of activities. There were associated measures in latter years for the economic development activity and associated measures within the Regional Information and Engagement activity. The consequence to not progressing with a formal programme/strategy at this time means the associated performances measures have not been achieved.

The next step to focus our economic development efforts is to develop funding criteria for the new Investment and Growth Reserve and to develop some future milestones for the Economic Development activity in the new Long Term Plan for 2012-2022.

The new Regional Policy and Development Committee for the 2010-2013 term has been set up to investigate and report to council or the Audit and Finance Committee (as appropriate) options for the regional council's contribution to community growth and economic development, including development of regional community growth and infrastructure development projects.

Economic Development

Enterprise Northland and GNS Science co-ordinated the recent aerial mineral survey from funding secured from the regional council, the Far North District Council and a

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government contribution. The survey measured geomagnetic and radiometric data across the region. GNS Science is developing five interpretative case studies from the results of the minerals survey; to practically illustrate a value proposition from a user's perspective, in preparation for the release of the survey information to industry participants.

The Northland Energy Forum was established and its first executive meeting held. The forum aims to be the recognised and respected leadership group on energy in Northland, successfully influencing and guiding decision-makers for the benefit and wellbeing of Northland's communities and economy. Wider membership will be sought in the coming year. The forum is chaired by Vaughan Wykes of the New Zealand Refining Company Limited and initial membership of the forum includes:

- New Zealand Refining Company Ltd
- Top Energy
- Northpower
- Meridian Energy
- Transpower
- Mighty River Power
- ECCA
- Fonterra
- Golden Bay Cement.

Rugby World Cup 2011

The local build-up to this year's Rugby World Cup (RWC) began in earnest in the 2010-2011 year with the council's regional economic agency Enterprise Northland playing a pivotal role, including providing a regional Northland 2011 co-ordinator. (Northland 2011 is the group co-ordinating the North's RWC 2011 planning and operational delivery. Its membership includes the Northland Regional Council, the region's three district councils and the Northland Rugby Union. It is also supported by local economic, sporting, tourism and business groups.) Funding expended in 2010-2011 was \$221,686 compared to a budget of \$269,000. A further \$297,901 is committed for the 2011-2012 financial year.

Regional council staff provided support and assistance to Northland 2011, including development of the Northland 2011 website www.northland2011.com The website offers background information about the tournament, the teams visiting Northland and more on how you, your school, club, business or other group can get involved.

The promotional activities for businesses and the community to adopt a second team has the catch cry "Paint It Red 2011" as red is the predominant colour of all three hosted teams – Canada, Japan and Tonga. Initiatives to promote the region to Rugby World Cup visitors include a welcome centre at Kaiwaka Town Hall, the southern entrance to the region, Festivals and events throughout Northland have also been co-ordinated and promoted to ensure visitors stay as long as possible in Northland.

Waikare Oyster Rehabilitation

Enterprise Northland has worked with oyster farmers and regional council staff on a business case to secure government funding from the national Waste Minimisation Fund to clean up the inlet and secure an economic return for the oyster shells recovered. In August 2011 the government announced \$2.1 million of funding for the project.

Recreational facilities rate - Events Centre

The Northland Events Centre was formally opened by the Governor-General Sir Anand Satyanand on 28 May 2011. This premier facility was completed by the regional council on time and under-budget with over 80 percent of the \$18.5M project awarded to local businesses (actual spend was \$18,482,768). Contractor Argon Construction formally handed over the completed facility to the regional council in September 2010. The regional council is currently working through the process to hand over the facility to the Whāngārei District Council for ongoing management as previously agreed.

Joint venture with Ontrack for the proposed Marsden Point Rail link

The council has entered into a joint venture with Ontrack to purchase and hold land along the proposed route for a rail link to Marsden Point deep water port so it will be possible for a rail link to be built in the future and the land is not developed in the interim. Council has purchased a total of eight properties along the proposed Marsden Point rail corridor at a cost of \$11.32M (GST exclusive). Seven of these properties were purchased during 2007-2008 and 2008-2009 and one further property was purchased in the 2010-2011 year. Where possible the residential dwellings and farm land are leased to ensure the properties are well maintained and to help offset the holding costs. As at 30 June 2011, the properties were valued at \$7.51M (2010: \$4.105M).

The properties are a long-term investment and the council expects the value of the properties to recover over the longer term when the recession is over. The rail designation process continues with no final decision being made as yet as to whether the rail link will be built and when. A review is currently being carried out by Kiwirail on the overall viability of the rail line north of Auckland and it is hoped that this will have a positive outcome for the joint venture.

Creative Northland grant

The council provides an annual grant of \$50,000 to Creative Northland, the arts promotion trust. The trust works to deliver a fantastic place to live and sustainable economic development for the Northland region by:

- Creating an arts and cultural destination for domestic and international tourists;
- Stimulating sector development to present Northland as a choice for relocations and new business;
- Sustaining, stimulating and encouraging arts and cultural initiatives which grow and foster the creative options available to every citizen of Northland; and



Destination Northland Photograph

- Creating a sustainable environment for artists and arts organisations in Northland (a place where artists and arts organisations can produce work, make their living and deliver fabulous creative results for Northland, delivering their work to the world).

Creative Northland has identified Māori and youth as focal groups in Northland for the stimulating and encouraging elements of their development work.

In the past year Creative Northland has won "Distribution Strategy Funding" from Creative New Zealand, which brings \$133,000 per annum into Northland's economy and stimulates and generates capacity-building and professional development across Northland. Workshops in the past year on how to develop a website have been well received in extending artists' profiles beyond the boundaries of their physical address.

The additional funding supports Creative Northland, for the next three years, in delivering high quality touring arts to Northland. Creative Northland has a proven track record in designing and delivering affordable and effective action research, which brings previously disparate groups together and develops an understanding of how collaboration can transform the funding landscape and the outcomes for arts, culture and heritage organisations across Northland.

After a long research and consultation process the arts, cultural and heritage sector agreed that they would work together under the auspices of CHART to prioritise key arts, cultural and heritage projects across a ten year timeline so that core funding could be attracted (from outside the region) to move these projects forward in the agreed prioritised order.

Major funders, including the ASB Trust, agreed that this would make the task of allocating funding to arts projects much easier for them. The sector also understood, through the research process, the need to have responsive, robust, mature organisations which govern themselves well, collaborate with partners, strategise for success and build in

risk management and sustainability paradigms into all of their thinking and planning for the future. These sorts of signals of a mature sector offer funders confidence in the results which these organisations can now promise to deliver.

Destination Northland

DNL's involvement with both TVNZ and TV3 culminated in the launch of three new programmes featuring Northland during the quarter April-June 2011. TV1's North series had an equivalent airtime value of \$3.9 million; the launch episode of NZ's Next Top Model filmed in the Bay of Islands, was watched by more than 320,000 viewers; and the launch episode of TV3's Café Secrets was filmed in Rāwene and highlighted the Northern Crossing multi-sport event.

The 2010-2011 year has been a challenging 12 months for both the Northland and New Zealand visitor industry. The ongoing effects from the economic crisis have had a big effect on visitor numbers from United Kingdom and United States which are longer stay markets for our region. Although events in Christchurch, Japan and Chile may be many kilometres from Northland, the flow-on effects have been felt here, especially the Christchurch earthquakes. This has resulted in cancellations of total NZ visits, particularly in the March – May period. Overall however, Northland's visitor numbers have performed to a similar level as the previous 12 months, -1 percent compared to -1.9 percent for New Zealand.

Destination Northland receives funding from a variety of sources with considerable input from the tourism industry:

- Northland Regional Council and NRCCT - \$350,000; 22 percent of total
- District Councils - \$220,000; 14 percent of total
- Industry including Tourism New Zealand - \$975,000; 64 percent of total.

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Activity 3.1 Regional Growth Programme

Objective: Provide inclusive leadership and an integrated planning framework leading to a set of detailed actions to improve the present and future wellbeing of Northlanders.

2010-2012 Performance Measures and Targets

3.1.1 Lead in partnership with key stakeholders, the development of a Regional Growth Programme for Northland.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p>a. Develop a Growth Programme discussion document and conduct appropriate consultation to finalise agreed Terms of Reference for the Growth Programme.</p> <ul style="list-style-type: none"> Progress reported to council via the CEO's monthly report. 	<p>Not achieved (2010: Not achieved).</p> <p>In 2009-2010 the council investigated the form of the Regional Growth Programme but rejected the drafted strategy. The proposal relied on collaborative partnerships with the region's district councils and other agencies and the political tension between the councils was considered too high as a result of the unitary debate at the time. In February 2011 the council decided to focus on selected "growth enhancing" projects. As part of the recent Annual Plan process the council consulted on how these projects could be chosen and funded. The result of this consultation was a decision to redirect investment income into the Northland Regional Council Investment and Growth Reserve and to establish project selection criteria. This decision is reflected in the 2011-2012 Annual Plan.</p>
<p>b. Develop an agreed schedule of detailed actions required to implement the Growth Programme.</p> <ul style="list-style-type: none"> Action Plan developed and progress reported to the council via the CEO's monthly report. 	<p>Not achieved (2010: Not achieved).</p> <p>The 2011-2012 Annual Plan has determined the form of the Regional Growth Programme going forward and further actions will be developed during the 2011-2012 financial year for inclusion in the 2012-2022 Long Term Plan. Additional project funding may come from the council's newly formed Investment and Growth Reserve once criteria are established. For now the business plans of NRCCT, Enterprise Northland and Destination Northland are serving as the basic growth strategies.</p>
<p>c. Monitor and report on implementation of the Growth Programme action plan.</p> <ul style="list-style-type: none"> Progress reports provided quarterly to the Audit and Finance Committee and annually in the Northland Regional Council Annual Report. 	<p>Not achieved (2010: Not achieved).</p> <p>As noted above, an action plan has not been prepared and therefore quarterly and annual reporting on progress has not occurred. Progress on investigations into the growth programme has been reported in the CEO's monthly report.</p>

Activity 3.1 Regional Growth Programme continued

3.1.1 Lead in partnership with key stakeholders, the development of a Regional Growth Programme for Northland.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p>d. Monitor growth management drivers and trends in population, demographics and development.</p> <ul style="list-style-type: none"> Develop a growth management reporting framework and publish monitoring reports annually. 	<p>Not achieved (2010: Not achieved).</p> <p>The reporting framework will be developed during 2011-2012. In the meantime the council has received quarterly reports from Infometrics via Enterprise Northland's reporting during the year which covers GDP, employment, retail sales, guest accommodation, house sales, building consents, electricity consumption and vehicle sales.</p>

Significant positive and negative effects on wellbeing

The Regional Growth Programme activity may have the following impacts on wellbeing:

Wellbeing	Positive effects	Negative effects
Social	Local government and other agencies working together to compile information and to identify and respond to future trends in an integrated fashion.	Uneven population growth throughout the region which includes declining populations (and therefore services) in many inland settlements.
Economic	Enabling Northland local authorities to meet the future infrastructure needs of the region and provide a sound platform for future government investment.	
Environmental	Minimising adverse environmental impacts through co-ordinated sustainable development planning practices as opposed to ad-hoc development.	Potential loss of environmental and biodiversity values in areas of increased development.
Cultural	Ensuring that future land use needs are identified and can be provided for including cultural uses.	Change of land use and increased population may impact negatively on traditional values.

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Activity 3.2 Economic Development

Objective: To proactively lead the economic development of Northland.

2010-2012 Performance Measures and Targets

3.2.1 Support economic development initiatives that align with the Regional Growth Programme and/or benefit Northland.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p>a. Negotiate an Annual Statement of Intent and rolling three-year business plan with the Northland Regional Council Community Trust.</p> <ul style="list-style-type: none"> • A Statement of Intent (SOI) that meets the requirements of the Local Government Act 2002 is received by 30 June each year. • Approve an annual business plan and triennial funding agreement by 30 June each year. • Receipt of quarterly performance reports from the Trust detailing actual results compared to the objectives contained in the Statement of Intent and Business Plan. 	<p>Achieved (2010: Not achieved). The final SOI was received on 21 June 2011 and presented to the July council meeting.</p> <p>Not achieved (2010: Achieved). The draft business plan deadline has been renegotiated to end of September 2011 while the council considers its next milestones for economic development initiatives. There is little impact to NRCCT and its subsidiaries in the delay to finalising the business plan as projects and workstreams in the prior plan continue in the meantime. The funding agreement is approved every three years when the Long Term Plan is adopted.</p> <p>Achieved (2010: Achieved). Quarterly reports have been received for the periods April to June, July to September, October to December 2010 and January to March 2011. Councillors requested an improved report format for Enterprise Northland which was presented for the first time for the October to December report.</p> <p>Northland Regional Council Community Trust's two subsidiaries performed well to budget. Enterprise Northland had a net surplus of \$64,219 against a budget of nil surplus/deficit and Destination Northland Ltd had a small net loss of \$7892 against a budget of nil surplus/deficit. The trust had a net surplus of \$302,494 (2010: surplus of \$321,729).</p> <p>Highlights have included the preparations for the Rugby World Cup, the Waikare Oyster rehabilitation project funding and the aerial minerals survey (explained further on the activity pages and in the "our year in review" section).</p> <p>The main issue of concern noted in the reports was the low economic performance of the region compared to the rest of New Zealand. Enterprise Northland reiterates that the recipe for growth will only come with regional leadership and the whole community taking responsibility for economic development. To make a difference the region needs step changes and many of them.</p>

Activity 3.2 Economic Development continued

3.2.1 Support economic development initiatives that align with the Regional Growth Programme and/or benefit Northland.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p>b. Support the promotion of Northland as a place to invest, work, and visit as a tourist destination.</p> <ul style="list-style-type: none"> • Negotiation of an Annual Business Plan and Terms of Agreement with Destination Northland Ltd. • Receipt of quarterly performance reports detailing actual results compared to the objectives contained in the Annual Business Plan. 	<p>Achieved (2010: Achieved). Terms of Agreement for the 2010-2011 year were signed on 19 August 2010.</p> <p>Achieved (2010: Achieved). Quarterly reports have been received for the periods April to June, July to September, October to December 2010 and January to March 2011.</p> <p>The 2010-2011 year has been a record in terms of visiting media handled via Destination Northland, with a total media exposure of \$7 million of equivalent advertising dollars achieved just for domestic New Zealand media, impacted greatly by the TV1 North series.</p> <p>Sales for the 2011 Northland Trade Guide have increased by 10% resulting in an increased size of 44 pages. The trade guide is a DNL key tool for influencing brochure itineraries with international wholesalers.</p> <p>Northland's visitor numbers have performed to a similar level as the previous 12 months -1% compared to -1.9% for New Zealand.</p>
<p>c. Provide community funding for regional initiatives undertaken by the council or in joint venture or partnership with other authorities and organisations on a case-by-case basis.</p> <ul style="list-style-type: none"> • Conduct due diligence and the appropriate community consultation on significant projects as required in accordance with the requirements of the Local Government Act 2002. • Report annually on any new regional initiatives undertaken. 	<p>Not applicable to this reporting period (2010: Achieved). No new regional initiatives have commenced or been undertaken during the period. The Northland Events Centre was a regional initiative built largely in 2009-10 and officially opened in 2010-2011.</p> <p>Not applicable to this reporting period (2010: Not applicable). No new regional initiatives have commenced or been undertaken during the period.</p>

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Activity 3.2 Economic Development continued

3.2.1 Support economic development initiatives that align with the Regional Growth Programme and/or benefit Northland.	
Performance Measures and Targets	Actual Service Performance to 30 June 2011
<p>d. Develop a project funding strategy and risk assessment of any infrastructure priority that the council decides to commit significant funding to.</p> <ul style="list-style-type: none"> • Conduct appropriate due diligence and community consultation in accordance with the requirements of the Local Government Act 2002. • Report annually on any significant regional infrastructure projects undertaken. 	<p>Not applicable to this reporting period (2010: Not applicable). No new infrastructure priorities were funded during the period.</p> <p>Not applicable for this reporting period (2010: Not applicable). No significant new regional infrastructure projects undertaken during the period. The council will determine future infrastructure priorities in conjunction with future Long Term Plans and the Regional Growth Plan.</p>

Significant positive and negative effects on wellbeing

The Economic Development activity may have the following impacts on wellbeing:

Wellbeing	Positive effects	Negative effects
Social	Increased diversity and upgrading of social services as the population and economic performance of the region increases.	The potential exists for significant negative impacts on wellbeing if economic growth decisions are made without taking into account social, cultural and environmental considerations.
Economic	Increased employment opportunities, income levels and standards of living.	
Environmental	The region has the ability to fund important environmental initiatives.	
Cultural	Increased employment and business development opportunities and funding available for cultural activities.	

