

# Council Policies

## Equal Employment Opportunities

### POLICY

The Northland Regional Council and its management are committed to providing equal employment opportunities. Its policy is to support successful performance in staff by recognising their diverse backgrounds and needs, and having a system with the flexibility to meet that diversity.

### 2006 Programme

- Recruitment policies and procedures select from the widest possible cross section in a non-discriminatory way with all staff considered for employment of their choice.
- All staff have the opportunity to participate in training and educational opportunities with a mandatory minimum amount allocated in specific departmental training budgets for all staff.
- The Council provides flexible working conditions to meet both the needs of the employer and personal needs of the staff.
- There is provision for paid parental leave in the Council's employment agreements and flexible return to work from parental leave programmes are provided.
- An employee assistance programme is available to recognise a diverse range of needs within the staff.
- The functions of the Council and the skills required of its staff will continue to be promoted to secondary and tertiary schools, by supporting appropriate work experience programmes and providing scholarships.

### Actual Performance 2006

Programmes and procedures to meet the above Equal Employment policy were in place and observed by all departments throughout the year.

## Health and Safety

### POLICY

The Northland Regional Council and its management are committed to providing a safe and healthy working environment for all staff members, visitors and contractors.

This commitment is reflected in the Council's achievement of secondary level status in ACC's Workplace Safety Management Programme.

### The 2006 programme consists of:

- Hazard identification and control programme (HIAC);
- Accident/incident reporting and investigation;
- Recruitment;
- Induction;
- Training;
- Health and safety procedure manuals;
- Personal protective equipment;
- Health and safety meetings and communications;
- Occupational health monitoring;
- Audits and workplace inspections; and
- Wellness Programmes.

### Actual Performance 2006

Programmes and procedures to meet the above Health and Safety policy were in place and observed by all departments throughout the year. Tertiary level status in ACC's Workplace Safety Management Programme was achieved during the year.

## Council Policies continued

### Council policies and processes to provide opportunities for Maori to contribute to decision making

In accordance with the Council's iwi liaison policy, processes established and/or maintained to provide opportunities for Maori to be involved in decision-making during the 2005-2006 financial year included:

- Appointment of a Maori representative on the Council's Regional Land Transport Committee and maintenance of similar seats on the Landcare and Planning and Policy Committee.
- Specific Maori consultation over proposed plan changes to the Regional Coastal Plan relating to the management of aquaculture, moorings and marinas, mangroves and Whangarei Harbour.
- Circulation of all resource consents, non-notified or notified, to iwi, hapu and marae who have expressed an interest in an area.
- Formalised working relationship with the Te Uri o Hau Settlement Trust as set out in the Memorandum of Understanding between Northland Regional Council and the Trust.
- Close involvement of Lake Omapere Trustees in the lake restoration project, including the preparation of a draft lake management strategy.
- Commitment of funding to two hapu groups for environmental monitoring projects; Te Waiariki me Ngati Korora Ngati Taka Hapu Trust (for shellfish monitoring in the Horahora and Taiharuru estuaries) and the Utukura Environmental Group (for monitoring water quality in the Utukura River).
- Commitment of funding to one hapu group, Ngati Hau, for the development of a hapu environmental management plan.
- Circulation of a panui (newsletter) outlining Council activities of interest to Maori and opportunities for Maori involvement.

### Revenue and Financing Policy (Extract)

#### Introduction

The Council's Revenue and Financing Policy that relates to this financial year has been prepared in terms of the Local Government Act 2002. The objectives of this Revenue and Financing Policy are to ensure that the Council funds its activities in a relevant, equitable and legally appropriate manner.

Funding decisions take into account the principles of fairness, equity, economic efficiency and legal constraints. Councillors are required to exercise political judgement when allocating costs and benefits of services.

#### The Principles

The following principles have been taken into account:

- The community outcomes to which the activity contributes.
- The distribution of benefits between the community as a whole, identifiable parts of the community and individuals.
- The period in or over which those benefits are expected to occur.
- The extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity.
- The costs and benefits, including consequences for transparency and accountability of funding any activity distinctly from other activities.
- The impact of any allocation costs and the recovery of costs on the current and future social, economic, environmental and cultural well-being of the community.
- A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region.
- That a local authority's strategic assets as defined in Section 5 of the Local Government Act 2002 shall be included in the list of assets described in its Policy on Significance and be subject to the special consultative procedure.

#### Funding and Revenue Policy

The proposed funding of activities recognises that it is not always economically efficient to impose and collect fees on a strict user pays basis. The Council's Funding and Revenue Policy is based on fair and equitable funding solutions which can be implemented in a practical way over several years.

The options available for funding the activities of the Council are:

- General rates, including uniform annual general charges
- Targeted rates
- Fees and charges
- Borrowing
- Proceeds from asset sales
- Financial contributions under the Resource Management Act 1991
- Grants and subsidies
- Investment revenue
- Any other source

The Council applies the following sources of revenue to fund its activities. The following table show the proposed funding from revenue sources and actual results.

#### FUNDING MIX

Sources of Revenue	Annual Plan 2006 Total Revenue \$	2006 Funding Mix %
Rates	5,471,174	38.0
Investments (net)	6,495,964	45.3
Fees and Charges	2,144,600	14.9
Subsidies	269,543	1.8
Asset sales/capital transactions	0	0
<b>Total Revenue</b>	<b>14,381,281</b>	
Funded by Reserves (Net Surplus)	0	0
<b>Total Expenditure</b>	<b>14,381,281</b>	<b>100.0</b>

#### Actual Performance 2005-2006

Increased investment income including an unbudgeted special dividend and profits on the sale of capital investments, have altered the revenue ratios for the year ended 30 June 2006 against Revenue and Finance Policy targets, as follows:

Revenue Source	Actual 2005-2006 \$	Actual 2005-2006 %	Annual Plan %
Rates	5,457,536	25.2	38.0
User Fees/Sundry income	2,580,792	11.9	14.9
Investments	6,452,320	29.8	45.3
Subsidies	267,312	1.2	1.8
Vested Assets	6,925,283	31.9	0
<b>Total</b>	<b>21,683,243</b>	<b>100.0</b>	<b>100.0</b>

## Treasury Management Policy (Extract)

### Philosophy and Objectives

The Council maintains a conservative risk profile in recognition of its trustee role as the caretaker of public funds.

The Council has adopted a prudent philosophy that treasury activities are a risk management function which focuses on protecting the Council's investments, forecast expenditure, including interest costs and maintaining adequate liquidity and stable cash flows. The Council does not undertake any treasury activity that is unrelated to its underlying cash flows or is speculative in nature.

### Actual Performance 2005-2006

There were no significant variations or material departures from the Council's Investment and Borrowing Management Policies which were amended during the year ended 30 June 2006.

#### Financial Investments

Investments are generally made with creditworthy institutions as determined by their Standard and Poors credit rating. Investment of surplus funds was limited to Local Authority and Government Stock and approved corporate bonds and deposits with New Zealand registered banks.

The average interest rate received on all surplus funds held during the financial year was 7.33% or 28 points more than the average call rate of 7.05% while the average 90 day bank rate was 7.39% for the same period. Funds applied to stock investments reduced the actual return to 7.28%.

#### Equity Investments - Northland Port Corporation (NZ) Limited

The dividend received of \$1,596,264 represents a small return of 2.4% on a reduced holding of 22.8 million shares with a capital value of \$66.1M at balance date. Along with its competitors, the port is facing challenging market conditions, as well as adjusting to its new land development role.

The port industry's **comparative performance** for its listed companies for the latest financial reports available (2006 year, unless stated):

	Northland	Lyttelton	Southport	Tauranga
Shareholders' Equity %	95.1	62.3	84.1	65.5
Net Profit to SHF %	1.7	7.2	9.5	7.2
Net Profit to Assets %	1.6	4.5	8.0	14.5
Earnings per share - cents	4.5	9.8	9.3	23.2
Dividend yield %	0.5	2.5	7.6	3.74

## Council Policies continued

The key objectives of the Treasury Management Policy are:

- To ensure that the Council can meet its financial commitments as they fall due.
- To optimise investment returns within the constraints of a prudent investment regime.
- To protect the Council's financial assets and prevent unauthorised transactions.

### Borrowing

The Council's borrowing is minimal and relates only to the occasional use of an overdraft facility. Notwithstanding, this policy recognises that the Council may prudently apply debt funding in future to any significant or new activities, in order to acknowledge the principle of intergenerational equity.

### Investments

The Council's objective is to optimise returns in the long term while balancing risks against returns. This policy recognises that a responsible public authority has a low risk profile which generally results in lower returns. The Council holds the following mix of investments:

- Financial investments
- Equity investments
- Forestry
- Investment property

All investments are expressed in New Zealand dollars and no investments or borrowings are made in foreign currencies.

### Revenue from Investments

Investment income and interest earned on surplus funds help to meet the costs of the Council's environmental activities, for the benefit of all Northlanders.

### Investment Property

The Council owns investment property in the Whangarei area. Properties are leased on medium to long term leases and revenue is stable owing to the nature of ground leases. Advice is sought on an ongoing basis from the Council's property consultants.

### Equity Investments

The Council owns 52.4 per cent of the equity capital of the Northland Port Corporation (NZ) Limited. These shares are recorded at a mix of deemed and actual cost of \$8,058,150.25 (being 22,795,601 ordinary shares of 25c each nominal value). The remainder of the share capital is publicly owned and all shares are listed on the Stock Exchange of New Zealand.

### Forestry Investments

The Council and its predecessors have been involved in forestry since exotic forest planting started in the 1970s. The Council currently owns 524 hectares of plantation and soil conservation forests which are located in the Whangarei area. The Council intends to develop, maintain and protect its timber plantations, in order to maximise long term revenue while meeting the Council's environmental responsibilities.

There are several different methods of selling forests and the Council has chosen the per tonne stump sale basis, which minimises harvesting risks. There is no benchmark for this method and tender prices received determine the industry average at the time of sale. Valuations by registered forestry valuers are obtained to ensure that the tenders received are reasonable.

### Investment Property

The current market value of investment property increased this financial year by \$8,018,596 to \$30,732,264 (last year \$22,713,668) or by 35.3 per cent and by 18.4 per cent last year over the 2004 net current market value. Based on the 2005 valuation of the property portfolio the Council expected to receive a return of 6.5 per cent. The return achieved was 8.2 per cent on the adjusted current value of \$30,732,264 at balance date.

### Borrowing Management Policy

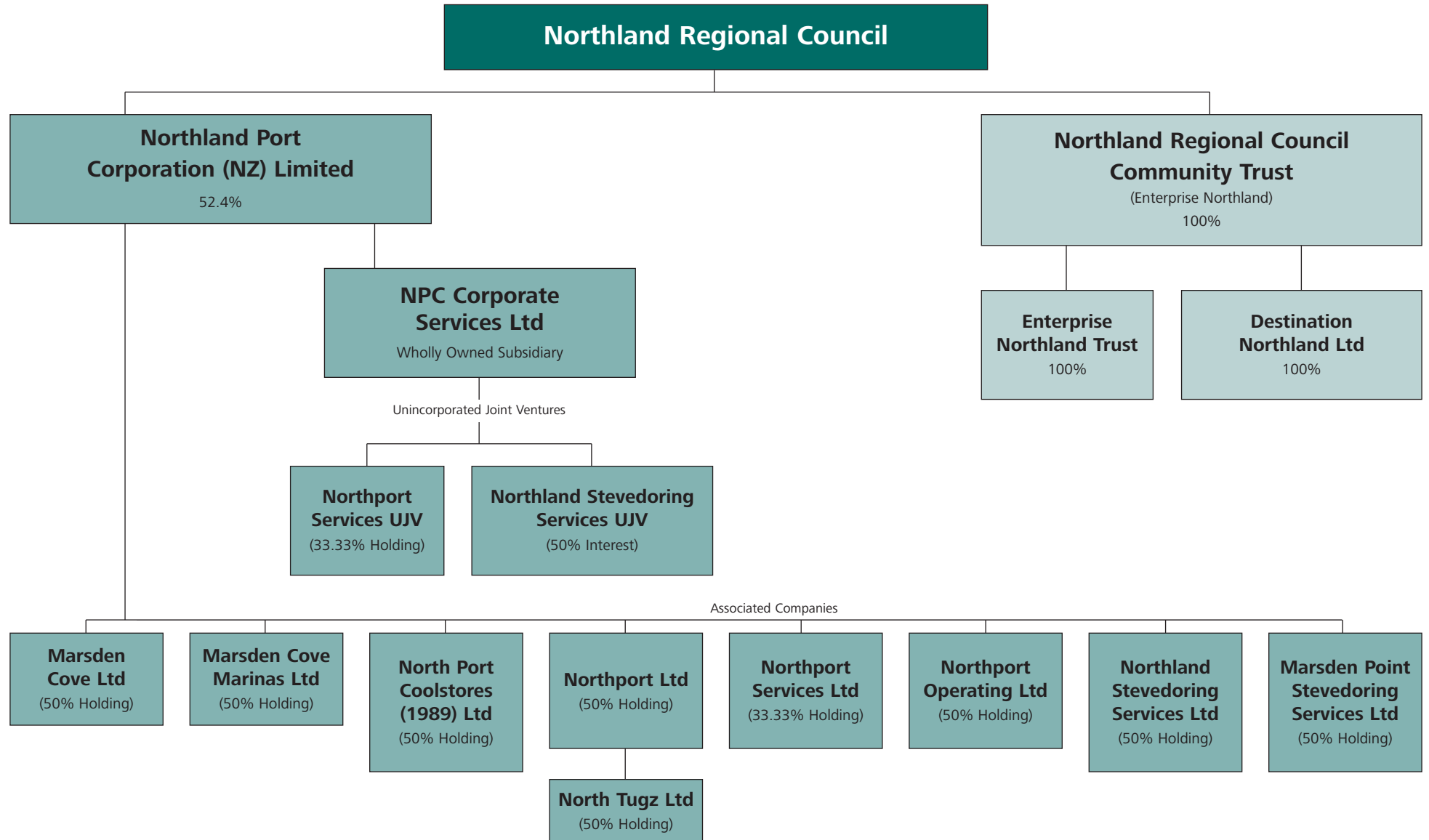
There has been no new borrowing and all debt was repaid last year. There is now no external debt left. The policy has been complied with in full, as illustrated:

Borrowing Limits	Target	Actual
Interest Expense as a percentage of operating cashflows	15.0%	0.0%
Net external debt per capita	\$220.00	\$0.00
Debt to ratepayers equity	33.0%	0.0%

### Actual Performance 2005-2006

Refer to page 37, Note 12 (Term Debt) of the Financial Statements.

# Group Structure



# Northland Port Corporation (NZ) Limited

## Port Ownership

The Northland Regional Council owns 52.4 per cent (22.8 million shares) of the issued capital of the Northland Port Corporation (NZ) Limited, which is presently 43,474,369 ordinary shares of 25 cents each. The balance of shares are held by the public and all shares are listed on the New Zealand Stock Exchange.

The Council reviews its shareholding in the company during the triennial review of its strategic plan.

There are six directors of the Northland Port Corporation (NZ) Limited. Two directors retire by rotation each year. The following are the directors confirmed at the 2005 Annual General Meeting of shareholders:

Mr M W Daniel, Chairman

Mr J W B Hardie, Deputy Chairman

Mr M R Gross

Mr P R Hill

Mr R J McKay

Mr G E Vazey

## Company Operations

Over the last few years the Company has rationalised its operations and is now essentially an investment company with holdings in the following companies:

Northport Limited	50.0%	Port operating company
Northport Services Limited	33.3%	Cargo services
Northland Stevedoring Services Limited	50.0%	Stevedores
North Port Coolstores (1989) Limited	50.0%	Coolstore operators
Northport Operating Limited	50.0%	Non-trading
Marsden Cove Limited	50.0%	Property developer
Marsden Cove Marinas Limited	50.0%	Marina Operator
Marsden Point Stevedoring Services Ltd	50.0%	Non-trading

Northport Limited operates port facilities at both Whangarei and the new deep water terminal at Marsden Point where operations are undertaken in conjunction with Northport Services.

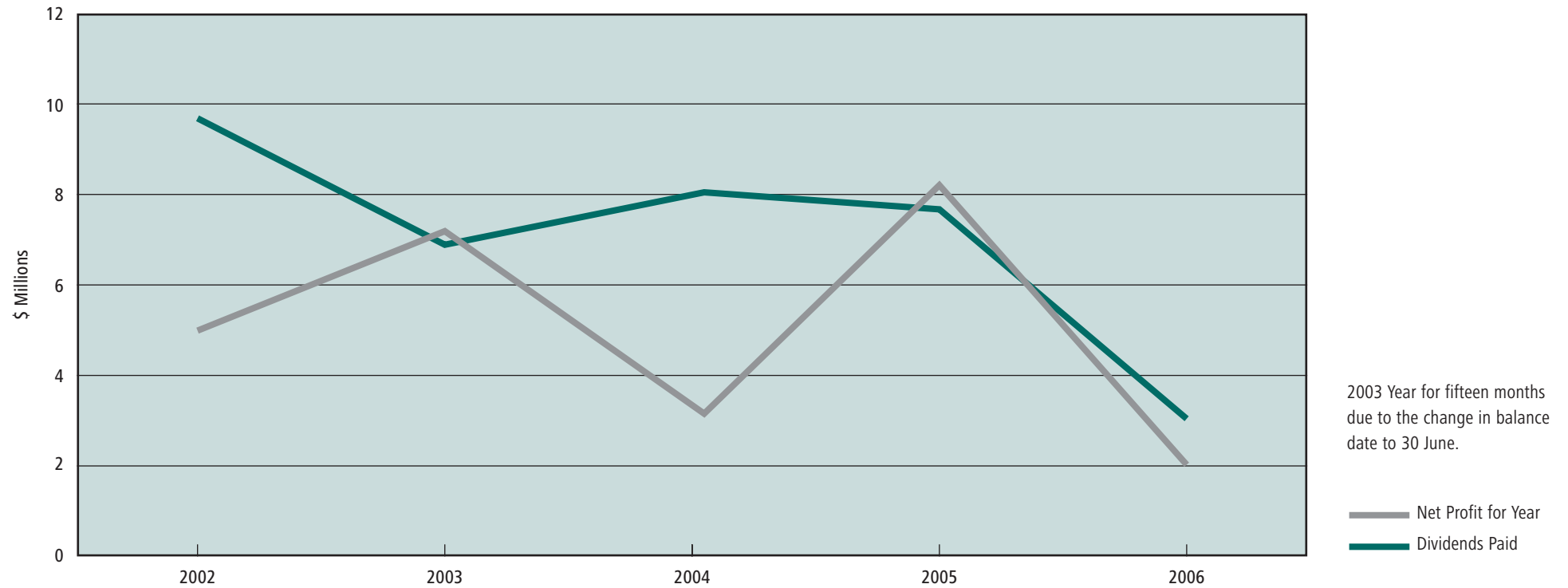
North Port Coolstores operates a coolstore at Port Whangarei. Marsden Cove Limited is currently undertaking marina and residential waterway development in the Marsden Bay area.

The Company also owns approximately 180 hectares of industrially zoned land in the Marsden Point area which is being progressively developed for industry which utilises the port at Marsden Point.

## Company Financial Data

As a listed company, the Northland Port Corporation (NZ) Limited is not required to publish a Statement of Corporate Intent nor provide budget estimates to the Council, its major shareholder. The corporation is exempt from the Council Controlled Organisations provisions of The Local Government Act 2002.

## Profit and Dividend Results



### The audited financial results for the last five years are as follows:

Year Ending:	31-03-2002	(15 months) 30-06-2003	30-06-2004	30-06-2005	30-06-2006
Turnover	\$18.68M	\$12.20M	\$6.1M	\$6.2M	\$6.2M
Net Profit for Year (after tax)	\$5.04M	\$7.36M	\$3.36M	\$8.1M	\$2.0M
Dividends Paid	\$9.75M	\$6.84 M	\$8.09M	\$7.7M	\$3.04M
Net Asset backing per share	103.16c	104.41c	201.72c	252.1c	281.6c
Return on average shareholders' funds	11.17%	17.1%	5.3%	8.4%	1.7%
Return on Assets	10.9%	17.1%	3.9%	7.2%	1.6%
Shareholders' equity	92.87%	100%	96.19%	97.3%	95.1%
Shareholders' equity	\$42.78M	\$43.3M	\$83.7M	\$109.6M	\$122.4M

# Northland Regional Council Community Trust

The Northland Regional Council established a Community Trust in 1996 to encourage and promote sustainable economic development for the benefit of the people of Northland. Trading as "Enterprise Northland", the Trust has continued to implement the recommendations made in the 2002 Strategy for the Sustainable Economic Development of Northland, and to operate as a successful Regional Economic Development Agency. The Trust's capital of \$12.3M at June 2006 was provided from the profit on the Council's sale of 10 million shares in Northland Port Corporation (NZ) Limited in 1992, plus retained earnings and losses to date.

The activities of the Trust are governed by a Trust Deed. In accordance with the requirements of the Trust Deed, the Deed is to be reviewed every five years, and this review was commenced during the period. There are currently eight Trustees and a Chief Executive Officer. Key objectives of the Trust are:

- To implement and facilitate the recommendations from the 2002 Northland Economic Development Strategy.
- To operate a successful Regional Economic Development Agency.
- To manage the investment fund effectively in order to provide income to the Trust.
- To work in partnership with District Economic Development Agencies and their Councils, business and industry sectors, iwi, central government agencies and other key stakeholders in the Northland economy.

The general activity of the Trust as defined in Section 4 of the Trust Deed, shall be to encourage and promote investment in the development of the Northland Region by providing technical assistance and advice, by performing a co-ordination and advocacy role, and by facilitating access to business finance, provided however that such activities are undertaken with a focus on benefits to the community rather than individual benefit.

## Enterprise Northland

In accordance with the requirements of the Local Government Act 2002, Enterprise Northland prepares an annual Statement of Intent outlining its objectives and performance standards for the coming year's activities. Core areas of activities as detailed in the Statement of Intent include:

- Regional Economic Development
- Development groups
- Communications
- Skills development
- Enterprise education
- Major regional initiative – "Activate Northland"
- SME business development
- Maori economic development
- Best practice.
- Regional Marketing
- Infrastructure

## Destination Northland Limited

Destination Northland's mission is to assist Northland businesses and communities to maximise and manage the sustainable economic benefits of increased visitor numbers through partnership. It has been very successful in meeting its primary objective of increasing visitor market share for Northland. It has won national recognition for its promotional and development initiatives, in particular, for its work in establishing the Northland touring route, the Twin Coast Discovery Highway, as a leading visitor and community asset.

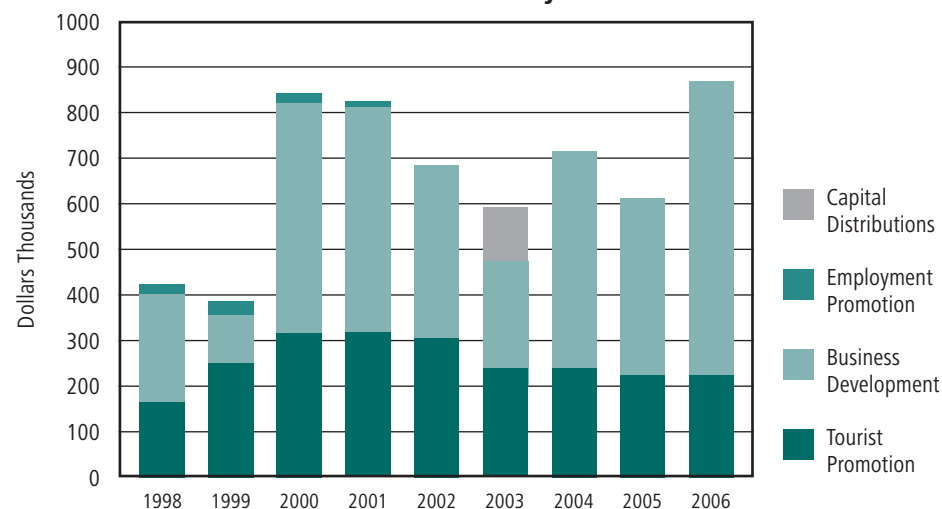
The Destination Northland Annual Business Plan forms the basis of quarterly reports to the Community Trust and the Northland Regional Council.

During 2005, Destination Northland Limited has continued its focus on:

- Increasing the total number of visitors to the region and their length of stay.
- Achieving an increase in total tourism expenditure in the region.
- Providing assistance to help manage the impact of increased tourist numbers on the region.
- Encouraging new tourism investment in the region.

In the 2005-2006 year the Northland Regional Council Community Trust distributed \$875,000 (last year: \$614,760) in support of its regional economic and tourism initiatives.

Distributions to Community





# Council Controlled Organisations

## Northland Regional Council Community Trust (trading as Enterprise Northland)

The Community Outcomes this activity primarily contributes to are Regional Growth and Collaborative Leadership.

### LEVEL OF SERVICE

The level of service is set in the Trust's Statement of Intent.

#### Detailed Targets Set for this Activity

- **Regional Economic Development:** Implement recommendations from the 2002 Economic Strategy that form the content of Enterprise Northland's annual Statement of Intent.  
(Measure: Report annually on progress against the action detailed in the 2002 Economic Strategy contained in the current Statement of Intent.)
- **Maori Economic Development:** Continue to ensure Maori economic development opportunities are identified and actioned with each sector development group.  
(Measure: Opportunities identified by each development group and progress reported annually.)
- **Development Groups:** Ensure each development group formulates an annual Action Plan based on recommended sector specific strategies.  
(Measure: Actions Plans completed and progress reported on annually.)

#### Service Performance

- Northland Regional Council Community Trust has delegated reporting against this action point to Enterprise Northland Trust and this reporting is contained in Enterprise Northland Trust's Report on Statement of Intent.
- **Aquaculture:** Enterprise Northland in partnership with National Institute of Water and Atmospheric Research Ltd (NIWA) has produced a comprehensive financial report on the viability of sea based fin fish farming at selected Northland locations. The results of this report have been presented to a number of Northland iwi organisations. Enterprise Northland is currently assisting iwi organisations to progress this financial model into a full business case.
- **Tourism:** A working group of Northland tourism businesses along with representatives from Tai Tokerau Maori and Cultural Tourism Association (TTM and CTA) and Enterprise Northland has finalised a partnership with Te Puni Kokiri (TPK) to have a dedicated Maori Tourism resource implement the recommendations from the Northland Tourism Strategy relating to Maori tourism development.
- **Farming:** Enterprise Northland's Pastoral Coordinator Gareth Bayham is continuing to develop a specialised programme for Maori Trust owned farms. Funding is currently being sought to bring together best practise material and Northland Maori Trusts are being approached to make them aware of this opportunity. It is hoped to have 2-3 farms participating in the programme during the second half of 2006.
- Action plans for sector development groups were completed during the year, and annual sector progress reports were completed and available via Enterprise Northland.

## Council Controlled Organisations continued

- **Skills Development Action Plan:** Implement the recommendations from the Skills Development Plan due for release August 2004.  
(Measure: Recommendations implemented and progress reported on annually.)
- **Regional Marketing:** Enhancement of Northland's position as a leading destination.  
(Measure: Continue to enhance Northland's position as a leading destination by funding Destination Northland Limited to market the region as a visitor destination and to address recommendations in the 2003 Tourism Strategy.  
Continue to assist communities in the delivery of improved visitor experiences, in order to increase visitor numbers, length of stay and spend, thus creating sustainable economic benefits and employment within communities.)
- **Major Regional Initiative (MRI) – Activate Northland:** Roll-out first year MRI action plan.  
(Measure: Meet MRI milestone targets.)
- **Enterprise Education:** Increase the number of YEP Enterprise schools.  
(Measure: Appoint Enterprise Co-coordinators, with Northland Management Units funded by Top Energy or Northpower, to Okaihau College, Ruawai College and Pompallier College.)

### Nature and scope of activities

- NRCCT was a member of the Northland Skills Forum who published an annual implementation report in February 2006.
- Destination Northland Ltd has continued to market the region as a visitor destination. Northland visitor numbers decreased 1.7% compared to the previous year. The total for NZ also decreased (-1.0%) as the effects of cheap international airfares for New Zealanders to travel overseas and high domestic fuel prices reduced domestic travel. Full details of Destination Northland Limited's results are contained in its 2005-2006 Annual Report.
- The Activate Northland annual action plan has been implemented.
 

Total Milestones	30
Total Achieved	25
- The number of Enterprise Schools increased from 15 to 20. Increased funding from Top Energy and Northpower was secured to fund Young Enterprise management units to the value of \$63,000.

The nature and scope of activities planned for the Northland Regional Council Community Trust did not differ materially from the activities actually provided during the year.

Full details on the service performance of the Northland Regional Council Community Trust can be found in the Trust's 2005-2006 Annual Report and the progress report on the implementation of the 2002 Strategy for Economic Development in Northland.