

building Māori capacity

Policy on relationships with Māori

Māori capacity

The Local Government Act 2002 contains a range of provisions regarding the relationship of local government with Māori. The intention of these provisions is to assist Māori to participate in the decision-making processes of local authorities.

In addition to the obligations within the Local Government Act, the Resource Management Act 1991 outlines specific obligations for Regional Councils regarding:

- Kaitiakitanga;
- The principles of the Treaty of Waitangi; and
- The relationship between Māori and their culture and traditions and their ancestral lands, water, sites, wāhi tapu and other taonga.

In order to give effect to the obligations under the Local Government and Resource Management Acts, the regional council continues to work with Māori to enhance relationships and participation for Māori.

Iwi projects

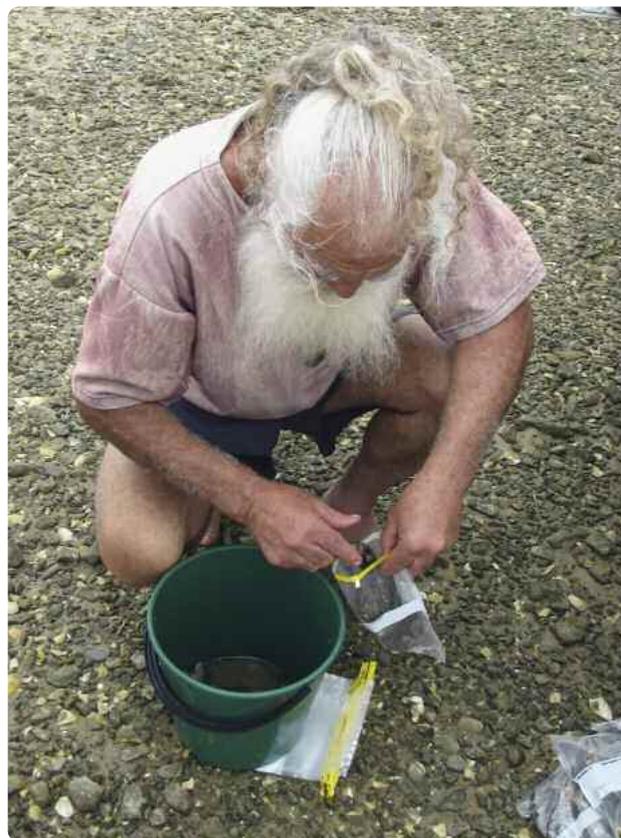
The council's Iwi Management Plan Fund was fully subscribed this year. Te Runanga o Whaingaroa and Te Uri o Hau both received funding to write Environmental Management plans.

A joint project between the council, Te Runanga A Iwi o Ngati Kahu and hapū Ngati Tara is being funded via the council's Joint Iwi Monitoring Project Fund. The idea and basis of the project was mooted by the runanga over concerns about the quality of water and shellfish in the Aurere Estuary.

The council continues to support the Integrated Kaipara Harbour Management Group. The forum is led by Te Uri o Hau in partnership with Nga Rima (southern Kaipara) and Te Runanga o Ngati Whatua. Local authorities and government agencies that have a functional relationship with the harbour through legislation are also involved.

Representation of committees

Both the Regional Transport and Environmental Management Committees have iwi representation.



Regional engagement

The Regional Council's Chief Executive Officer continues to participate in the Iwi/Council CEOs Forum. This valuable regional group meets to discuss a broad range of issues affecting Northland. These included:

- Treaty settlements.
- Economic development.
- Māori engagement.
- Strategic planning documents, e.g. Regional Policy Statement, Regional Growth programme.
- Broadband.
- Regional forums such as; Northland Intersectoral Forum and Enterprise Northland.
- Legislation such as aquaculture.
- Rugby World Cup.

Iwi Liaison Officer

Northland Regional Council continues to employ one specialist Iwi Liaison Officer. The Iwi Liaison Officer continues to work with mana whenua groups to build and maintain effective relationships with iwi groups. A part of this role is to raise the capacity of council staff to engage with mana whenua by providing Treaty of Waitangi and basic te reo and marae protocol training, which is compulsory for all council staff to attend.

our region

Our key challenges

Northland's economic output per person is one of the lowest in the country. The region has large areas with high deprivation levels and unemployment is currently double the average rate for the country. Unlocking Northland's untapped economic potential is seen as one way to address these challenges by creating new opportunities for Northlanders, to raise the overall standard of living and increase the enjoyment of living in this special part of New Zealand. The Northland Regional Council intends to work with other leaders in the region and to invest directly in projects that deliver tangible benefits to current and future generations of Northlanders. The council is specifically investigating how it can support infrastructure and economic development opportunities to create a sustainable Northland in partnership with infrastructure and economic development players, agencies, innovative leaders and other willing parties.

Our region

Northland is a long, narrow peninsula with a subtropical climate – the warmest in New Zealand. It has a land area of 1.25 million hectares and a population of nearly 160,000. Local government in the region includes the Northland Regional Council and the Far North, Kaipara and Whāngārei district councils.

Northland is known as “the birthplace of the nation”. It is also known for its national icons, such as ancient kauri forest and its scenic and accessible coastline (a national treasure), sheltered harbours, many offshore islands and ecosystems of important conservation value.

The region is growing in popularity as a holiday destination due to its outstanding natural environment, warm climate, low population density and proximity to Auckland. The Rugby World Cup 2011 is a prime opportunity for us to show off our region to fellow New Zealanders, our Pacific neighbours and the wider world.



Our people

In 2006, Northland had a population of around 148,000 (2006 Census). Our population has continued to grow and is estimated to be 159,000 at June 2011. The largest ethnic group is New Zealand European, however, Northland has a growing Māori population, predicted to increase from 31 percent to 36 percent by 2016. The largest age group in Northland is 10-14 year olds. (We also have a significant number of older people too – 16.3 percent of people in Northland are aged 65 years and over, compared with 13.2 percent of the total New Zealand population).



our region continued



Northern Advocate Photograph

Our culture

Northland has a rich history as the first area settled by a large Māori population and the centre of early European exploration and settlement. There is an extensive range of traditional and archaeological sites, historic buildings and structures.

Traditional sites are important because of their historical, cultural and spiritual significance to Māori. This includes everyday sites such as pā sites and traditional food gathering areas, and wāhi tapu (sacred sites) such as urupā (burial grounds), war sites or tauranga waka (sites where ancestral canoes landed).

Archaeological sites relate to the more recent European occupation during the timber milling and gum digging eras and include camps, dams and coastal shipwrecks. The heritage of Northland is also reflected in the early colonial buildings and structures such as the stone store at Kerikeri, the missionary houses at Waimate, Kerikeri and Russell and the Waitangi Treaty House and National Reserve.

Our economy

Northland has the most diverse economy of New Zealand's 16 regions. Manufacturing (including the Marsden Point Oil Refinery) is the largest industry, accounting for around 17 percent of Northland's GDP. The primary sector (agriculture, forestry and fishing) contributes about 14 percent followed by business and property services (11 percent). For the five years prior to the 2008-2011 recession Northland's economy had been growing in line with the national economy, this had been an improvement on past years.

Northland's economy is now struggling to recover after the long recession. Economic output in the year to March 2011 is estimated to have increased by just 0.2 percent in real terms, following on from a 1.5 percent decrease in the year to March 2010. The recession has been deeper and longer

in Northland. The national economy grew by 1 percent in the year to March 2011 after decreasing by 0.4 percent in the year to March 2010.

The number of people unemployed in Northland has remained relatively static over the past year, at almost 7000, equivalent to 9 percent of the labour force. This compares with an unemployment rate of just 4.5 percent in the year ended March 2008. The current level and rate of unemployment in Northland is similar to those that existed in the late 1990s/early 2000s. Since early 2008, the biggest decreases in employment have occurred in the construction, agriculture, forestry and fishing, and retail/wholesale trade sectors. The number of house sales in the year to March 2011 fell by 22 percent compared to the previous year, with a 7 percent decrease in the average house price. The fall in prices in Northland was among the steepest in the country. Residential consents have fallen to their lowest level in more than a decade. Prospects for non-residential construction are better, with the value of consents being close to the 10-year average.

Along with others, the Northland Regional Council (through the Northland CDEM Group) reported on and assisted Rural Support Trust Northland to manage the impacts of the drought and we will continue to work with our partners to ensure they, our economy and the environment is resilient and prepared for prolonged dry weather in the future.

Our environment

With its proximity to the sea, almost subtropical location and low elevation, Northland has a mild, humid and rather windy climate. Summers tend to be warm and humid. Winters are usually mild with many parts of the region having only a few light frosts each year. The prevailing wind for most parts of the region is from the south-west, however, in summer tropical cyclones give rise to north-easterly winds and heavy rainfall.

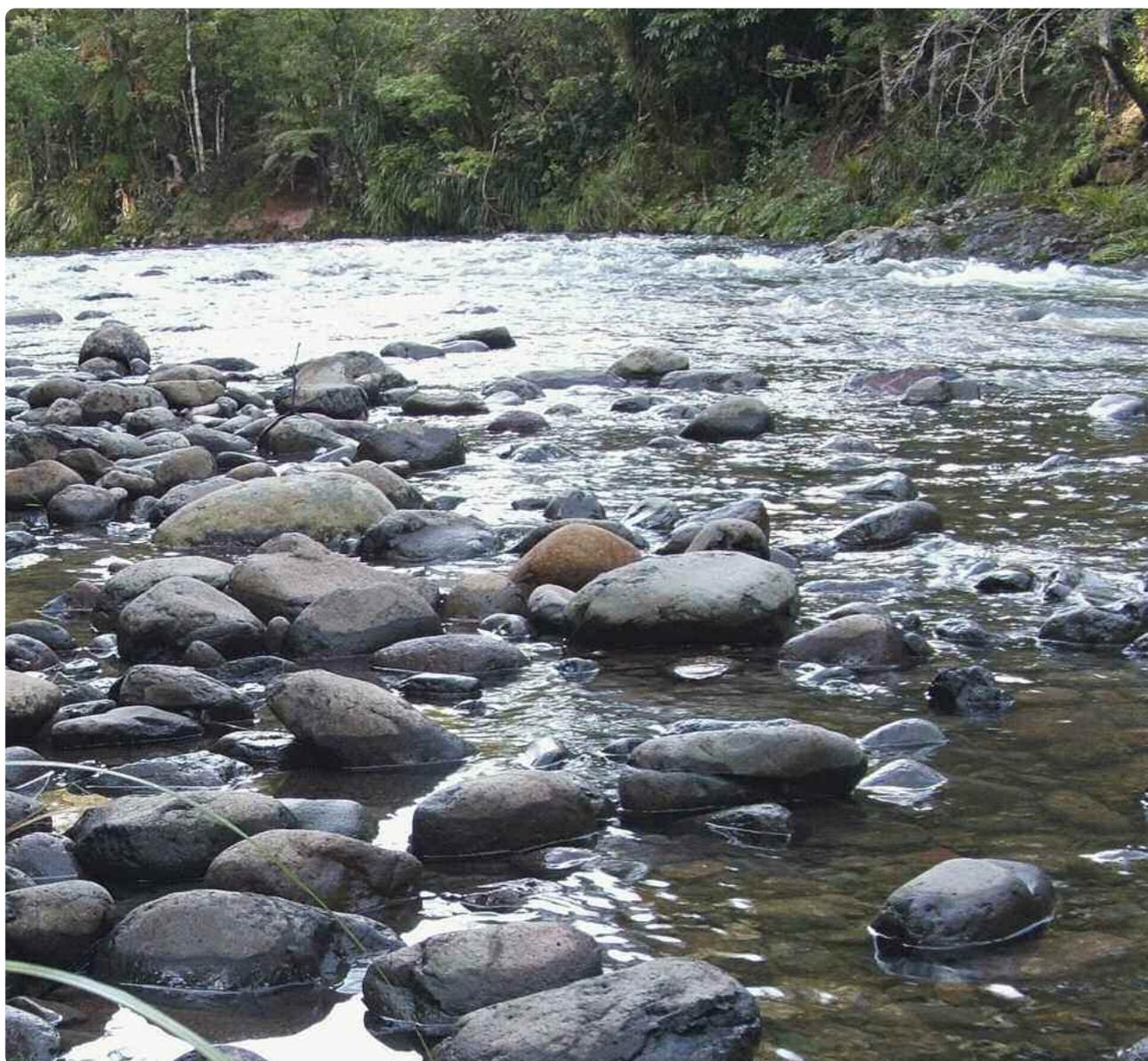
The mean annual rainfall ranges from about 1000-1300mm in low-lying coastal areas, to over 2500mm on some of the higher country, with approximately one-third of the yearly rainfall total falling in the winter months of June, July and August. High-intensity rains can cause severe flooding. Droughts are also common in Northland during the summer months. Records show that parts of the region, on average, have a drought of economic significance every three years.

Climate change is predicted to cause higher temperatures and extreme weather patterns with greater intensity rain events and periods of drought.

Northland's subtropical weather and wide range of places for things to live means we have many different plants and animals, many of them found nowhere else. Our ecosystems of importance include rivers, lakes and wetlands, forest and shrublands and our coastal environment. We also have a range of pest animals and plants we need to eradicate or manage with the help of the community.

Many of Northland's rivers are relatively short with small catchments. The Wairoa River is Northland's largest, draining a catchment area of 3650 square metres (29 percent of Northland's land area). Most of the major rivers flow into harbours, rather than discharging to the open coast, which has significant implications for coastal water quality. The region has a large number of small and generally shallow lakes but we also have Lake Taharoa of the Kai Iwi group which is one of the largest and deepest dune lakes in the country – it covers an area of 237 hectares and is 37 metres deep.

Our groundwater is a valuable resource as it is used by many towns and rural settlements for domestic water supply, irrigation and stock drinking water. Northland also has one geothermal field around Ngāwhā Springs, to the east of Kaikohe, and our remaining highly versatile or 'productive' soils are now mapped.



our region continued



Our infrastructure

The present transportation network includes 6530 kilometres of road, a rail link from Auckland via Whāngārei to Otiria, a deepwater port at Marsden Point and commercial airports at Whāngārei, Kerikeri and Kaitiāia. The only public transport service is the urban bus service in Whāngārei.

The Marsden Point Oil Refinery is a nationally significant asset. The refinery provides 70 percent of New Zealand's domestic market for petrol, 84 percent of the diesel, 83 percent of the jet fuel, all of the fuel oil and 75 percent of the bitumen that goes on our roads.

The Northport deepwater port offers a number of opportunities. The majority of cargo through the port is timber-related, fertiliser or cement, with kiwifruit as a seasonal addition. A rail link between the port and the main trunk line is in development with land purchases and designations complete. Further progress has been postponed while KiwiRail investigates the economic viability of the Northland-Auckland rail line.

Kerikeri airfield has customs clearance services available. They are within flying distance for light aircraft arriving/departing from New Zealand to Norfolk Island, Noumea in New Caledonia or Lord Howe Island, which can be used as a stepping stone to the Australian mainland. Kaitiāia airport has the longest sealed runway in Northland (1405 m) and Kaikohe airfield has the longest grass runway in Northland (1500 m).

In Northland there is a very small hydro-electric power station on the Wairua River and a geothermal power plant at Ngāwhā. The vast majority of Northland's power needs are generated from outside the region and transmitted via the national grid from Auckland. Marine turbines are being investigated for the mouth of the Kaipara Harbour and wind power generation is being investigated for Poutō Peninsula, Ahipara, Glinks Gully and Baylys Beach.

Currently the government is funding the installation of ultra fast broadband in Whāngārei (the first area to receive the initiative in the country) through a local fibre company. Most of the region has broadband but it is very slow.

financial highlights

Understanding the council's reported surplus for the year ended 30 June 2011

The council has consistently operated within a sound financial position. The continuing and prolonged economic recession has continued to negatively impact on the level of interest revenue earned compared with budget and the fair value of council's investment properties.

Council posted an operating deficit, before tax of \$2.193 million for the year ended 30 June 2011 compared to a budgeted surplus of \$733,000. Total Comprehensive Income saw a deficit of \$921,000 against a budgeted surplus of \$733,000.

There are a number of extraordinary or one-off non-operating items contributing to this variance (see below) and if these are removed, the true operating surplus would be about \$1.7 million. The actual financial result is good and reflects council's prudent financial management and also that a number of work programmes were not completed during the year as anticipated. Council has approved the carry forward, or making available of \$569,000 from this surplus towards operating expenditure in the 2011-2012 financial year to enable outstanding work programmes to be completed as planned. The work programmes include, environment fund awards, the mangrove removal programme, the Regional Policy Statement and economic development promotion initiatives. A further \$420,000 was taken to special reserves, with \$127,000 transferred to the Hātea River Reserve, to be available for dredging works and \$293,000 repaying funds previously advanced for the priority rivers work programme and Awanui River Management Scheme.

The budgeted deficit and the variance of actual results against budget is largely due to council's contribution towards the Events Centre of \$1.52 million. This was budgeted to occur in the 2009-2010 Financial year. The Events Centre contract is a fixed price design-build contract. The \$13 million contribution made by council is to be funded from revenue collected from the Recreational Facilities rate over an approximate 15 year period (the Recreational Facilities rate commenced on 1 July 2006). The outstanding liability as at 30 June 2011 is \$9.57 million.

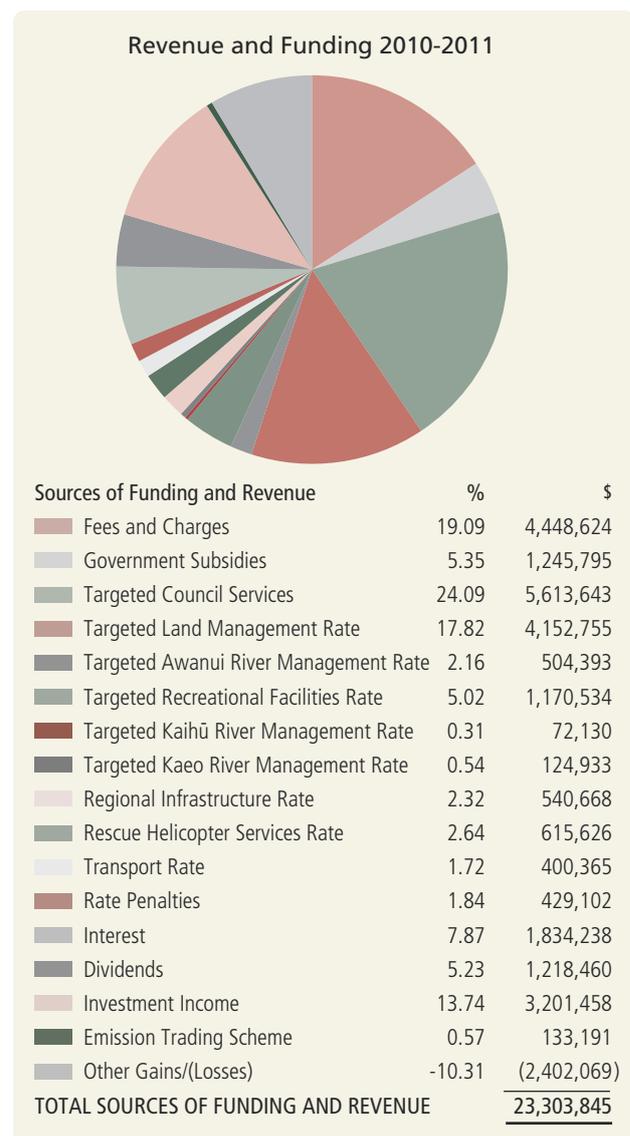
The operating deficit of \$2.193 million includes a \$2.4 million dollar deficit in other gains/(losses). This is made up of a decrease of \$2.795 million in the fair value of investment property (including \$527,000 decrease relating to land purchased for the proposed Marsden Point to Oakleigh rail corridor), a \$361,000 decrease in the fair value of owner occupied buildings and a \$40,000 loss on the sale of property plant and equipment. These losses were offset slightly by the \$435,000 increase in the fair value of council's forestry assets and the \$359,000 reversal of impairment previously recognised for council's investment in subsidiary, the Northland Regional Council Community Trust. Under NZ IFRS certain fair value and impairment movements are recognised as income in our financial statements even though the council has not actually received or paid any additional cash. Council budgeted fair value increases in the value of forestry assets of \$93,000.

Gains and losses resulting from fair value movements do not represent additional cash collected or paid by the council and therefore the surplus or losses are not used to offset or increase rates or to fund council's planned expenditure for future financial years.

Council recognised a further \$1.27 million in other comprehensive income. This other comprehensive income is made up of \$1.1 million fair value increase of the Awanui River management scheme asset, a fair value increase of our financial assets of \$233,000 and a decrease in the land of our owner occupied properties of \$58,000.

Our sources of income

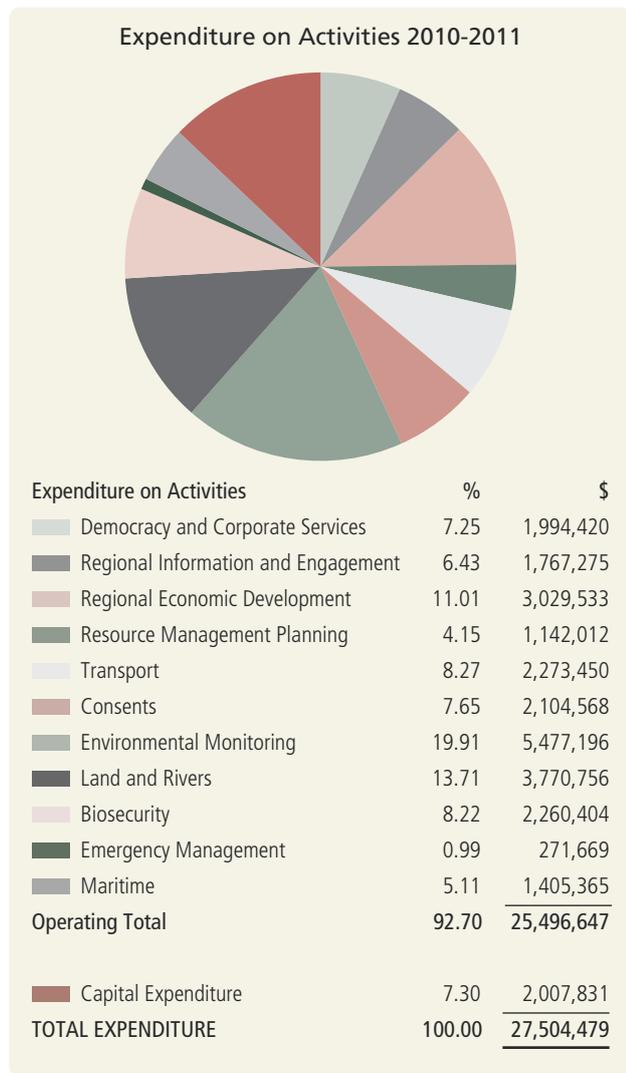
The following graph shows the various sources of the council's \$23.3 million income during 2010-2011. The largest contribution to revenue was provided by rates. While rates continues to be the main source of income, the council also received income from a number of other sources including from government grants and subsidies, user fees and charges and investment income.



financial highlights continued

Our expenditure

The following graph shows the allocation of our \$30 million of expenditure by activity. The council's expenditure is guided by the priorities identified in our 2010-2011 Annual Plan.



Council's Assets

The major components of our assets include:

- Current assets (including investments with maturities less than 12 months, cash and trade receivables) – \$11.54 million;
- Investment property (including forestry assets) – \$49.9 million;
- Property, plant and equipment (including operational assets such as council-occupied land and buildings and river management schemes) – \$20.13 million;
- Investment in subsidiaries and associates (including investment in the Northland Regional Council Community Trust \$10.5 million and shares held in Northland Port Corporation (NZ) Limited \$7.8 million. (Note, our investment in Northland Port Corporation (NZ) is reflected at original cost in the council financial statements in accordance with applicable reporting standards. However, the investment in the Northland Regional Council Community Trust reflects the impaired value, with the original cost being \$12.14 million); and
- Other non-current investments (including other receivables and investments in stocks and other securities) – \$22.9 million.

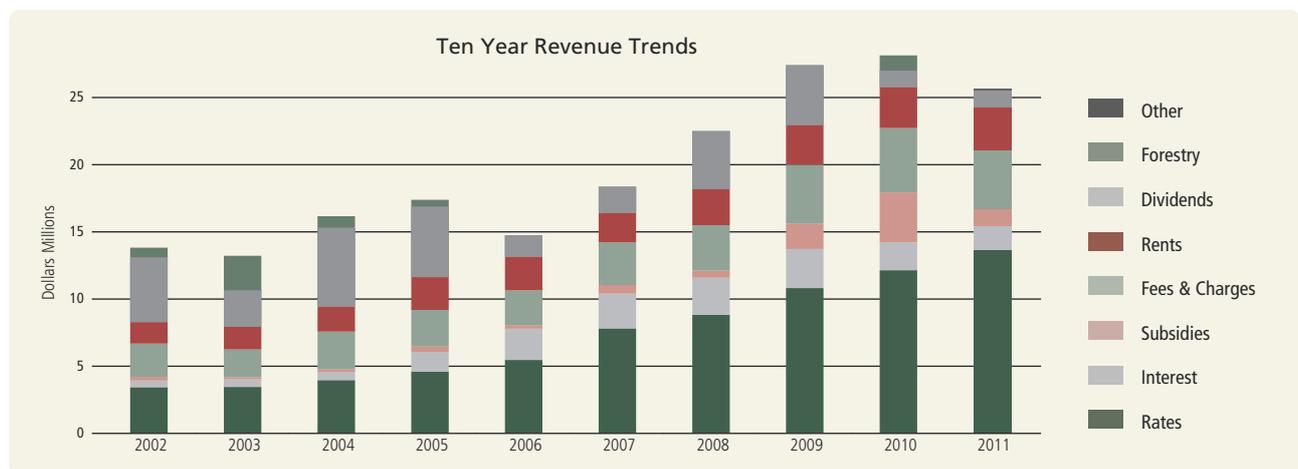
Council's Liabilities

Current liabilities (including trade and other payables, employee benefits and tax liability) – \$5.9 million.

Non-current liabilities (made up of non-current employee benefit liabilities) – \$49,000.

Revenue trends

Rating revenue since 2005-2006 reflects the introduction of targeted rates to fund the Regional Events Centre and extra land and emergency management initiatives. In the 2009-2010 financial year, council introduced a targeted transport rate to fund the Whāngārei Bus Passenger transport services, that were previously funded by the Whāngārei District Council. Council also introduced the targeted rescue helicopter services rate to provide funding certainty to the Northland Emergency Services Trust.



compliance statement

Northland Regional Council

Annual Report

For the year ended 30 June 2011

Statement of Compliance

1. The council and its officers are responsible for preparing this report and financial statements, including the statement of service performance, and confirm that all statutory requirements of the Local Government Act 2002 have been complied with.
2. In our view, this Annual Report fairly reflects the financial position and operating results of the council and its subsidiaries for the year ended 30 June 2011.



Craig Brown
Chairman



Tony Phipps
Chief Executive Officer (Acting)



Lisa Aubrey
General Manager Finance & IT

18 October 2011

audit report

To the readers of
Northland Regional Council and Group's
Annual Report
For the year ended 30 June 2011

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

The Auditor General is the auditor of Northland Regional Council (the Regional Council) and Group. The Auditor General has appointed me, F Caetano, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, non financial performance information and compliance with the other requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report of the Regional Council and Group on her behalf.

We have audited:

- the financial statements of the Regional Council and Group on pages 150 to 208, that comprise the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the non financial performance information of the Regional Council and Group on pages 40 to 148; and
- the Regional Council's compliance with the other requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report (other schedule 10 information).

Opinion on the financial statements, non financial performance information and other schedule 10 information

In our opinion:

- The financial statements of the Regional Council and Group on pages 150 to 208:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Regional Council and Group's financial position as at 30 June 2011; and
 - the financial performance and cash flows for the year ended on that date.
- The non financial performance information of the Regional Council and Group on pages 40 to 148:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Regional Council and Group's levels of service for the year ended 30 June 2011, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- The Regional Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Our audit was completed on 18 October 2011. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements, non financial performance information and other schedule 10 information are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, non financial performance information and other schedule 10 information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements, non financial performance information and other schedule 10 information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, non financial performance information and other schedule 10 information whether due to fraud or error. In making

those risk assessments, we consider internal control relevant to the preparation of the Regional Council and Group's financial statements, non financial performance information and other schedule 10 information that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements and non financial performance information;
- determining the appropriateness of the reported non financial performance information within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, non financial performance information and other schedule 10 information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, non financial performance information and other schedule 10 information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and non financial performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Regional Council and Group's financial position, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to its forecast; and
- other information required by schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, non financial performance information and other schedule 10 information that are free from material misstatement, whether due to fraud or error.

The Council's responsibilities arise from the Local Government Act 2002.

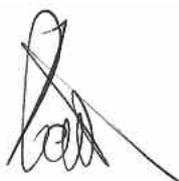
Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, non financial performance information and compliance with the other schedule 10 information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and in conducting the audit of the Long Term Plan, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



F Caetano
Audit New Zealand
On behalf of the Auditor General
Auckland, New Zealand