

council activities

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GROUP OF ACTIVITIES



STATEMENT OF COST OF ACTIVITIES

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For the year ended 30 June 2010

Actual 30-Jun-09 Cost of Services \$		Note	Actual 30-Jun-10 Cost of Services \$	LTCCP 30-Jun-10 Cost of Services \$	Variance \$
	REVENUE				
59,787	User Charges		68,424	25,000	43,424
2,958,296	Other Revenue	1	4,189,084	3,475,825	713,259
–	Other Gains		3	–	3
<u>3,018,083</u>	TOTAL OPERATING REVENUE		<u>4,257,511</u>	<u>3,500,825</u>	<u>756,686</u>
	EXPENDITURE				
857,241	Personnel Costs		562,536	481,382	(81,154)
10,117	Depreciation		11,554	5,269	(6,285)
1,443,533	Other Operating Expenses	2	1,339,257	885,688	(453,568)
444,929	Support Costs internally allocated to Activity		189,646	185,227	(4,419)
<u>2,755,820</u>	TOTAL OPERATING EXPENDITURE		<u>2,102,992</u>	<u>1,557,566</u>	<u>(545,426)</u>
10,117	Less non cash items		11,554	5,269	(6,285)
<u>(272,381)</u>	NET CASH COST / (SURPLUS) OF ACTIVITY		<u>(2,166,072)</u>	<u>(1,948,528)</u>	<u>217,545</u>
	<i>Funded by:</i>				
	Targeted Council Service Rate		498,949	508,069	9,120
2,340,217	Investment Income		174,987	202,439	27,452
(2,612,598)	Transfer from / (to) Cash Reserves		(2,840,008)	(2,659,035)	180,974
<u>(272,381)</u>	TOTAL OPERATING FUNDING		<u>(2,166,072)</u>	<u>(1,948,528)</u>	<u>217,545</u>
18,374	CAPITAL EXPENDITURE	3	92,845	219,237	126,392
	<i>Funded by:</i>				
–	Targeted Council Service Rate		11,554	–	(11,554)
18,374	Transfer from Cash Reserves		81,291	219,237	137,946
<u>18,374</u>	TOTAL CAPITAL FUNDING		<u>92,845</u>	<u>219,237</u>	<u>126,392</u>
	TOTAL OPERATING EXPENDITURE BY ACTIVITY				
2,386,719	Community Representation		1,331,592	1,181,431	(150,161)
369,101	Commercial Investments		771,400	376,136	(395,265)
<u>2,755,820</u>	TOTAL DEMOCRACY AND CORPORATE SERVICES		<u>2,102,992</u>	<u>1,557,566</u>	<u>(545,426)</u>

Variance compared to LTCCP

Revenue

1. Other Revenue is greater than forecast due to forestry revenue being \$768 thousand greater than budget. The total forest revenue was \$1.133 million, compared to budgeted revenue of \$365 thousand. There is partially offsetting unbudgeted forestry harvest expenditure \$616 thousand. The net surplus from the forestry harvest is \$517 thousand compared which is \$152 thousand greater than budgeted surplus of 365 thousand. The budgeted surplus assumed a stumpage sale where Council would be paid the net value of the forest produce. Council made a decision to appoint a harvesting and marketing agent, with this sale method, the forestry harvest revenue and expenditure are recognised separately.

Expenditure

2. Other Operating Expenses are greater than forecast due to the cost of the forestry harvest which was netted off forestry harvest revenue for budgeting purposes, as explained above. The increased costs associated with the forestry harvest are offset by the forestry revenue, as explained above. Total forest harvest expenditure was \$616 thousand partially offset by lower than forecast forest maintenance and re-establishment expenditure. In addition, there were cost savings resulting from lower than forecast forest maintenance and re-establishment costs as the replanting has been deferred until the 2010-2011 financial year.

Capital Expenditure

3. Capital expenditure is lower than forecast due to the costs associated with the repairs and maintenance of a commercial investment property being less than originally estimated.

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Democracy and Corporate Services Overview

Corporate Services

The 2009-2010 financial year saw a number of achievements in Democracy and Corporate Services including:

- Preparation and production of the Annual Plan 2010-2011.
- Ongoing work on the \$16.5M Northland Events Centre at Okara Park in Whāngārei. This project is on target to be completed on time and within budget which is a major achievement for the Council. An additional central government grant of \$2.5M was secured to enable the events centre to meet the standards necessary to host Rugby World Cup games in October 2011 and to provide a lasting legacy for the region.
- Work to further progress the Integrated Regional Information System (IRIS). This collaborative project involves a number of New Zealand's regional councils and is designed to process the councils' environmental monitoring, regulatory and administrative work.
- In October 2009, a panel of independent commissioners recommended that national rail operator Kiwirail be allowed to formally designate the corridor of land it would use for the proposed rail link from Oakleigh to Marsden Point. The proposed line would link the Marsden Point deepwater port to the national rail network and is considered to be an invaluable piece of infrastructure poised to deliver significant, long lasting economic benefits to Northland.

Adverse global economic conditions – and the extra pressure this put on the return provided by Council's investment portfolio, was an additional challenge.

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 2010	Actual 30 June 2009
a. All Council decisions made in an effective and accountable manner. <ul style="list-style-type: none"> • Zero Council decisions overturned as a result of judicial review annually. 	Achieved. No judicial reviews initiated in the year to 30 June 2010.	Achieved.
b. Call for nominations and hold elections for the 2010-2013 triennium. <ul style="list-style-type: none"> • Public notice of nominations by 30 July 2010 and election held on 9 October 2010. 	Achieved. Advertisements appeared on 20 - 22 July 2010.	New measure.
c. Notify and conduct Council and Committee meetings. <ul style="list-style-type: none"> • 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. 	Achieved. Annual schedule of meetings reported to Council 21 October 2009 and all Council meetings advertised monthly. All meetings conducted in accordance with the relevant requirements.	Achieved.

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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 2010	Actual 30 June 2009
<p>d. Respond to all official information requests.</p> <ul style="list-style-type: none"> 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. 	<p>Achieved.</p> <p>All information requests have been replied to within 20 working days. No decisions have been overturned by external investigations.</p> <p>The Council is awaiting a response from the Office of the Auditor General into their enquiry into the Northland Events Centre. The Council provided all information in February 2010 and is yet to receive a response.</p>	New measure.
<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"> All documents produced in accordance with the requirements of the LGA 2002 following the 2010 election. 	<p>Not applicable for this period.</p> <p>2010 elections will be held on 9 October 2010. Drafts have been completed.</p>	Partially achieved.
<p>f. Ensure Māori have the opportunity to participate in Council decision-making.</p> <ul style="list-style-type: none"> CEO attends a minimum of two Iwi Chief Executives Forums annually. Initiatives reported in CEO and Chairman's reports annually. 	<p>Achieved.</p> <p>CEO attended meetings in July, August, September, and October 2009 and April and June 2010.</p>	New measure.
<p>g. Facilitate a sustainable development approach to all Council practices and policies.</p> <ul style="list-style-type: none"> Develop a framework by 31 December 2009 to provide annual reports on sustainable Council practices and policy initiatives. Report at 30 June 2010 and 2011. 	<p>Achieved.</p> <p>Framework developed in October 2009. Annual Report to 30 June 2010 completed.</p>	New measure.

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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 2010	Actual 30 June 2009
<p>a. Consult on and communicate the Council's strategic direction and long-term plans.</p> <ul style="list-style-type: none"> Adopt the Northland Community Plan 2009-2019 by 1 July 2009, and Annual Plans in the intervening years by 30 June 2010 and 2011. 	<p>Achieved.</p> <p>2009-2019 LTCCP was adopted on 24 June 2009. 2010-2011 Annual Plan was adopted on 16 June 2010.</p>	Achieved.
<p>b. Collaborate with Northland communities and organisations in regard to achieving regional community outcomes.</p> <ul style="list-style-type: none"> Update community outcomes by 1 December 2010. Report on the community's progress in achieving outcomes in the Northland Community Plan 2012-2022. 	<p>Not applicable in this period.</p> <p>NB. It is expected that Councils will no longer be required to report on their contribution to community outcomes in the 2012-2022 LTP. This change is a result of the TAFM Bill that is currently before parliament. It is expected that final changes will be known in early November 2010.</p>	New measure.
<p>c. Collaborate with the three District Councils to advocate on behalf of all Northlanders.</p> <ul style="list-style-type: none"> Attend a minimum of two Mayoral Forum meetings annually. 	<p>Achieved.</p> <p>Meetings attended in August and October and December 2009 and February and April 2010.</p>	New measure.

Significant positive and negative effects on well-being

The Community Representation activity may have the following impacts on well-being:

Well-beings	Positive effects	Negative effects
Social	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 well-being of the wider public or future generations.
Economic	Promoting effective stewardship of Council resources for the maximum benefit of the region.	
Environmental	Community outcome monitoring provides data on environmental trends resulting in more informed decision making.	
Cultural	Community consultation results in greater understanding of cultural issues in the region.	

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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 2010	Actual 30 June 2009
a. Maintain or increase the level of return from investment properties. <ul style="list-style-type: none"> Achieve an annual return of at least 4.9% on the total value of investment properties. 	Achieved. Return on investment properties is 6.18%.	New measure.
b. Manage the Council's commercial property portfolio in accordance with the Treasury Management Policy.	Achieved.	New measure.
c. Maintain cost-effective management of the commercial property portfolio. <ul style="list-style-type: none"> Commercial Property administration costs are retained at <7.5% of total commercial rental income per annum. 	Achieved. Administration costs are 2.6%.	New measure.
d. Maintain the forestry holding to ensure maximum net forestry returns on a sustainable basis. <ul style="list-style-type: none"> Performance against the Forest Management Plan reported annually to the Audit and Finance Committee. 	Achieved. Report provided to Council in July 2010.	Achieved.
e. Develop strategic commercial investment objectives, policies and direction as part of the Regional Growth Programme. <ul style="list-style-type: none"> Set objectives by 30 June 2010. Report and review annually. 	Not achieved. The Regional Growth Strategy has experienced delays. This will be reviewed in the 2010-2011 financial year.	New measure.

Significant positive and negative effects on well-being

The Community Representation activity may have the following impacts on well-being:

Well-beings	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.	

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Additional Reporting

Proposed Reorganisation of Local Government in Northland

The Regional Council has not been directly involved in proposing the amalgamation but there has been considerable media coverage and discussion on the proposal by the Far North (FNDC) and Whāngārei District Councils (WDC) to form two unitary authorities in Northland. The proposal would result in the dissolving of both the Northland Regional Council and the Kaipara District Council.

WDC and FNDC appointed Commissioners to hear submissions on their proposed changes to local government in Northland. Commissioners' findings are expected to be completed by September 2010. Should the District Councils further pursue a reorganisation proposal, a poll with support of 10% of electors would need to be achieved before a reorganisation proposal could be sent to the Local Government Commission. Following consultation, a further poll of at least 50% of electors in each affected district would need to be achieved before any changes could take place. Resulting changes would then occur in the 2013 Triennial Election.

No performance measures are at risk. Should the bid by the District Councils be successful, no changes would be implemented until the 2013 Triennial Election.

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 with Marsden Point deep water port so that it will be possible for a rail link to be built in the future and that this land is not developed in the interim.

Council has purchased a total of seven properties along the proposed Marsden Point rail corridor at a cost of \$6.87M (GST exclusive). No properties have been purchased in the year ended 30 June 2010.

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 2010, the properties were valued at \$4.105M (2009: \$5.495M). The properties are a long term investment and 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.

Investment in Northland Port Corporation (NZ) Ltd

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. The risk is that the company does not perform and as a result there is no, or reduced, dividend interim.

Northland Regional Council was actively involved in the recruitment of NPC Director nominees in August 2009. This included advertising for the role, developing the person specification and job description and Council panel interviewing the shortlisted applicants. Three nominees were put forward by Council.

Full Council meets with the Board annually and the Chairman of the board meets with the Council CEO and Chairman on major issues as requires, 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.

The Northland Regional Council has a 53.61% shareholding in Northland Port Corporation (NZ) Ltd. Northland Port Corporation has achieved a surplus \$3.134 million (7.59 cents/share) for the year to 30 June 2010.

This compares to a surplus of \$2.693 million (6.30 cents/share) for the previous year.

The main reason for the increase in surplus was the improved trading result of associate company, Northport Ltd which had experienced above budget results consistently throughout the year.

There was a reduction of \$3.9 million (2009 - \$10.5 million) in the Company's asset revaluation reserve reflecting a slight reduction overall in land values in the Marsden Point area. The asset revaluation reserve currently stands at \$88.6 million (2009 - \$92.4 million).

Cargo volumes through the port at approximately 2 million tonnes were 400,000 tonnes ahead of those of the previous year. The main increase was in log exports which was offset to some degree by reductions in fertiliser and coal volumes. Indications are that the recent high levels of log exports will continue into the foreseeable future.

A final dividend of 3 cents/share (2009 - 3cents/share), fully imputed will be paid on 24 September 2010, bringing total ordinary dividends declared in respect of the year to 5.5 cents/share (2009 - 5.5 cents/share).