

GOVERNANCE REPORT

ROLE OF THE COUNCIL

The publicly elected Councillors have overall responsibility and accountability for the direction and control of the Council's functions.

STRUCTURE OF THE COUNCIL

The Council is made up of eleven Councillors, elected as follows:

New Plymouth constituency	Five members
North Taranaki constituency	Two members
Stratford constituency	One member
South Taranaki constituency	Three members

TARANAKI REGIONAL COUNCILLORS



GOVERNANCE REPORT

COUNCIL COMMITTEES

In formulating its committees, the Taranaki Regional Council is required to take into account the dictates of the Local Government Act 2002. This Act requires that a local authority should ensure that, so far as is practicable, responsibility and processes for decision-making in relation to regulatory responsibilities is separated from responsibility and processes for decision-making for non-regulatory responsibilities.

With the exception of the Executive and the Consents and Regulatory Committees, the Council has decided to appoint non-Council representatives to its various committees as a means to increase the breadth of input to the decisions made by the Council.

The Civil Defence Emergency Management Group is a Joint Committee established under the Civil Defence Emergency Management Act 2002. The Taranaki Regional Council is a member of this Group along with members from the New Plymouth, Stratford and South Taranaki district councils. The Taranaki Regional Council is the administering authority for the Joint Committee.

GOVERNANCE SYSTEMS

The full Council and main Council committees meet on a six-weekly cycle, with other meetings convened as necessary. Agendas and minutes from all meetings are publicly available for scrutiny. The Council is confident that its adopted structure and approach provides an efficient basis for the sound consideration of issues and the making of good decisions, and that the requirements of the Local Government Act 2002 are being met.

DIVISION OF RESPONSIBILITY

The Council operates a clear division of responsibilities between the role of the Council and that of management as required by the Local Government Act 2002. The Council's focus is on setting strategy and policy together with monitoring its implementation. Management is responsible for the implementation of the Council's policy and strategy decisions.

While many of the Council's functions have been delegated, the overall responsibility for maintaining effective systems of internal control rests with the Council. Internal control includes the policies, systems and procedures established to provide measurable assurance that the specific objectives of the Council are achieved.

Taranaki Regional Council

Committees

Executive	Policy and Planning	Consents and Regulatory
David MacLeod <i>Chairman</i> David Lean Roger Maxwell Neil Walker	Neil Walker <i>Chairman</i> Michael Joyce <i>Deputy Chairperson</i> Mike Davey Peter Horton Moira Irving Craig Williamson David MacLeod David Lean Maurice Betts <i>NPDC</i> Robin Vickers <i>SDC</i> Ian Armstrong <i>STDC</i> Graeme High <i>Federated Farmers</i>	David Lean <i>Chairman</i> Brian Jeffares <i>Deputy Chairperson</i> Tom Cloke Mike Davey Michael Joyce Roger Maxwell Neil Walker Craig Williamson David MacLeod
Regional Transport Committee	Taranaki Solid Waste Management Committee	Taranaki Civil Defence Emergency Management Group
Roger Maxwell <i>Chairperson</i> Tom Cloke <i>Deputy Chairperson</i> Harry Duynhoven <i>NPDC</i> Neil Volzke <i>SDC</i> Gordon Lawson <i>STDC</i> Jenny Chetwynd <i>NZTA</i> Rex Hendry <i>Representative for environment sustainability</i> Karen Stowers <i>Representative for access and mobility</i> Dr Greg Simmons <i>Representative for public health</i> John Geraghty <i>Representative for economic development</i> Inspector Frank Grant <i>Representative for safety and personal security</i> Amokura Panoho <i>Representative for cultural interests</i>	Neil Walker <i>Taranaki Regional Council</i> Craig McFarlane <i>New Plymouth District Council</i> Robin Vickers <i>Stratford District Council</i> Ian Armstrong <i>South Taranaki District Council</i>	Brian Jeffares <i>Chairman</i> <i>Taranaki Regional Council</i> Harry Duynhoven <i>New Plymouth District Council</i> Neil Volzke <i>Stratford District Council</i> Ross Dunlop <i>South Taranaki District Council</i>

Figure 4: The Taranaki Regional Council committee structure.

LEGISLATIVE COMPLIANCE

As a regulatory body, the Council administers various regulations and laws. As such, the Council considers it vital that it also complies with relevant legislation. Members and management of the Council are cognisant of the Council's legislative requirements. Where necessary, legal advice is obtained to ensure legislative compliance.

ENVIRONMENTAL COMPLIANCE

Many of the Council's activities are focused on promoting the sustainable use, development and protection of the environment. Both regulatory and non-regulatory methods are employed, and a range of different types of monitoring is undertaken, to test the effectiveness of these methods.

However, in addition to its overall environmental management role in the region, which is substantially focused on the activities of external parties who use environmental resources, the Council itself occasionally engages in resource use activities in undertaking its functions. Where that occurs, the Council has systems and procedures in place to ensure that its own actions comply with at least the standards expected of all other resource users. These include requirements to apply for and obtain necessary consents, the use of independent persons to make decisions on consent applications, and the implementation and public reporting of effective compliance monitoring.

THE TARANAKI REGION

In reviewing the year's performance, it is important to consider the key factors that may influence the region, and therefore, the actions of the Taranaki Regional Council. These factors include geographical, social, economic, environmental, cultural and political influences.

THE REGION

The Taranaki region covers a land area of 723,610 hectares, reaching as far north as the Mohakatino catchment, south to include the Waitotara catchment and inland to the boundary of, but not including, the Whanganui catchment. The region extends 12 nautical miles offshore to include the waters of the territorial sea.

Taranaki consists of four distinctive landforms, each of which requires a different type of environmental management. The Taranaki ring plain, centred on Mount Taranaki/Egmont, consists of fertile and free-draining volcanic soils. The ring plain supports intensive pastoral farming, particularly dairying that is most intensive on the flatter land in southern Taranaki. A large number of rivers and streams, which radiate from Mount Taranaki/Egmont, are extensively used by the agricultural sector, for community water supplies and for a wide range of recreational purposes.

To the east of the ring plain lies the Taranaki hill country, comprising siltstones, sandstones and mudstones, known locally as papa. The topography of the hill country is steeply dissected and is prone to soil erosion and slipping, but can support both pastoral farming and commercial forestry when managed in accordance with the physical limitations of the land.

The coastal terraces along the north and south Taranaki coast make up the third major landform feature of the region. The soils of these areas are among the most versatile and productive in the region but the combination of light, sandy soils and strong winds in some areas can lead to localised wind erosion.

The Taranaki coastal environment is the fourth of the major landforms. The region is exposed to the west and as a consequence, high-energy wave and wind conditions dominate the coastal environment. There are few areas of sheltered water beyond the major estuaries such as the Tongaporutu, Waitara and Patea rivers, and the confines of Port Taranaki.

The Taranaki region has a temperate climate with generally abundant rainfall. The incised nature of ring plain streams means that flooding is not a major problem. However, occasional intense rainfall events can lead to rapid rises in river levels and flooding in hill country valleys and elsewhere.

THE PEOPLE

Figures from the 2006 census show the total population of Taranaki stands at 104,124, an increase of 1.2% over the 2001 census figure. In the previous census period (1996-2001) the population of the region decreased by 3.5%. Taranaki's population accounts for 2.6% of New Zealand's total population.

Population changes have also varied within the region. The most notable feature has been the continued growth in the proportion of the population residing in the New Plymouth district, which, contains 66.2% of the region's population – up from 64.7% in 2001. Both Stratford and South Taranaki districts have experienced declining populations over the last ten years.

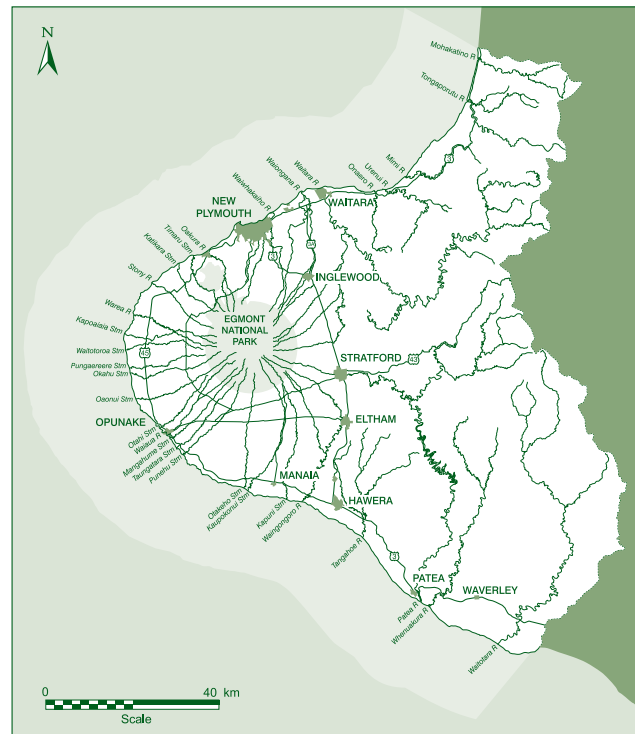


Figure 5: The Taranaki region

The general trend has been for a decrease in the population of smaller rural towns and an increased concentration of population in north Taranaki.

The Taranaki population is both older and younger than the national average, with a higher proportion of children under 15 years and adults over 65 years of age. This may be in part due to lifestyle factors, as Taranaki is seen as an attractive and desirable area for family living with good facilities and affordable housing.

The percentage of Maori within the region continues to increase from 11.3% in 1986 to 14.7% at the 2001 census and 15.2% at the 2006 census.

THE ECONOMY

A notable feature of the Taranaki region is its reliance on the region's natural and physical resources for its social and economic wellbeing. Farming and other land-based activities continue to play a prominent role in employment.

Over 16% of the labour force is employed in agriculture and fisheries, compared with 8.3% nationally.

Dairying dominates farming in Taranaki, particularly on the ring plain. There are 1,800 dairy farms and about 480,000 dairy cows, producing approximately 12% of New Zealand's total milksolids. In addition to direct farm income from milk production, the added value by the processing of milk, whey and cheese manufacturing, is a significant contributor to employment.

Sheep and beef farming are concentrated in the hill country and also play an important part in the regional economy.

THE TARANAKI REGION

Exotic forest plantations continue to expand, with the region offering a suitable climate, good forestry sites and a well-established roading system and port facility. There has been a marked increase in exotic forest plantations in the region from 9,700 hectares in 1990 to an estimated 28,000 hectares in 2002.

The oil and gas industry is a major contributor to the regional economy. The Taranaki Basin is currently New Zealand's only hydrocarbon producing area, with the Kapuni and the offshore Maui fields making up the major part of New Zealand's natural gas resources. Development of the offshore Kupe field, discovered in 1986, commenced during 2009/2010.

Extensive drilling programmes have continued in an effort to support the Kapuni and Maui fields. These have resulted in a number of significant additional fields being discovered in the last 10 to 15 years. The Mangahewa onshore gas and condensate field was discovered in 1997, the Maari offshore field in 1998 and the Rimu onshore field in South Taranaki in 1999. The nearby Kauri field was discovered in 2001. The Pohokura offshore gas field in North Taranaki, the largest gas and condensate find in 30 years, was discovered in 2000 while the offshore Tui, Amokura and Pateke oil fields were discovered in 2003 and 2004. Exploration interest in Taranaki remains high.

The presence of oil and gas in the region has given rise to industries involved in the processing, distribution, use and export of hydrocarbons. Production stations or gas treatment plants are found at Oaonui, Kapuni, Waihapa, Rimu, Kaimiro and the McKee oil and gas field. An ammonia urea plant is located at Kapuni, UF resin plant at Waitara and gas-fired power stations at Stratford and New Plymouth.

Tourism is playing an increasingly important role in the Taranaki economy, with over 550,000 guest nights spent in the Taranaki region by domestic and international visitors per annum. Most visitors are from other North island regions. Some 15% of total guest nights are from international visitors. The region's mountain, forests, gardens and parks are attracting increasing numbers of visitors for rural-based and outdoor recreation activities. The Taranaki region is also becoming increasingly popular and recognised for a range of organised cultural, sporting and other events.

As an export-based economy, major changes in the world economy can significantly affect Taranaki. The regional economy is therefore more vulnerable to changes in overseas markets than larger urban-dominated regions.

ENVIRONMENTAL ISSUES

The use and quality of water is the major resource management issue in the region. Water is a vital resource for agriculture, recreation and industry and has profound cultural and spiritual importance to the community.

While overall water quality in the region is very good, particularly in the upper catchments, there is some deterioration in the lower reaches of rivers as a result of intensive agricultural land use.

With the continuing intensification of dairying, there will be increasing pressures placed on our water resources from farm run-off, sediment and nutrients. Increased efforts will be needed just to maintain current water quality and to improve quality where deterioration has occurred. Attention must continue to be given to promoting good land and riparian management practices.

Management of the many industrial, municipal and agricultural waste discharges from individual point sources has improved significantly over the years. These discharges are closely monitored. It is vital for Taranaki's future that all major discharges to land, water and air are carefully managed.

Where there are gaps in our knowledge of the resources of the region or the environmental effects of their use, necessary investigations and research must be undertaken to improve our understanding.

Other significant environmental issues facing the Taranaki region include:

- managing clearance of bush and scrub on steep hill country, to avoid soil erosion that degrades land productivity and water quality. Parts of the inland hill country experience significant soil erosion but changes to more sustainable land use practices and conversion to forestry present opportunities to address this
- controlling threats to indigenous flora and fauna and the economic costs faced by the region as a result of pest plants and pest animals
- managing the coastline and coastal waters in a way that recognises special ecologically and culturally sensitive areas within the coastal environment, and that allows appropriate use and development of the coast
- promoting protection of the region's remaining significant wetlands
- managing discharges of contaminants to air and maintaining the high overall standard of air quality
- managing the allocation of the region's surface water resources, especially for increasing interest in pasture irrigation.

RESOURCE MANAGEMENT ISSUES AND IWI

The tangata whenua, through the region's eight iwi: (Ngati Tama, Ngati Mutunga, Ngati Maru, Te Atiawa, Taranaki, Nga Ruahine, Ngati Ruanui and Nga Rauaru), have particular concerns with respect to the natural environment, particularly water (surface water, groundwater and coastal waters), the allocation of that water, and the discharge of contaminants which might affect water quality.

Iwi wish to maintain meaningful and adequate input to Council decision-making and to have structures and processes in place to enable that to occur.

FINANCIAL TRENDS

	Actual 2010/11	Budget 2010/11	Actual 2009/10	Actual 2008/09	Actual 2007/08	Actual 2006/07	Actual 2005/06	Actual 2004/05	Actual 2003/04	Actual 2002/03	Actual 2001/02
General rates	\$6.85m	\$6.85m	\$5.7m	\$5.5m	\$5.4m	\$5.3m	\$4.3m	\$3.3m	\$3.2m	\$3.1m	\$2.9m
Percent change	20.2%	20.2%	3.3%	2.4%	2.5%	23.3%	30.5%	3.1%	2.3%	6.9%	-3.9%
General rates to income	31.8%	33.0%	35.5%	32.1%	33.3%	38.1%	40.1%	28.9%	29.2%	28.7%	25.8%
Rates per \$100,000 capital value	\$17.25	\$17.25	\$12.96	\$14.77	\$15.55	\$16.46	\$18.80	\$23.89	\$27.14	\$30.72	\$32.63
Total expenditure	\$18.62m	\$19.23m	\$16.68m	\$16.0m	\$13.6m	\$12.1m	\$10.8m	\$10.5m	\$9.6m	\$9.7m	\$18.9m
Percent change	11.63%	15.29%	9.62%	17.65%	12.39%	12.04%	2.86%	9.4%	-1.0%	-48.7%	125.7%
Operating surplus/(deficit)	\$2.9m	\$1.6m	(\$0.5m)	\$1.3m	\$2.61m	\$1.75m	(\$0.3m)	\$0.84m	\$1.3m	\$1.2m	(\$7.8m)
Working capital	\$1.84m	\$0.2m	\$10.6m	\$4.93m	\$3.1m	\$4.8m	\$7.34m	\$1.8m	\$1.3m	\$2.9m	\$2.4m
Current ratio	1.55:1	1.06:1	4.96:1	2.97:1	2.2:1	2.6:1	5.5:1	2.1:1	2.1:1	2.8:1	2.7:1
Total assets	\$78.4m	\$76.6m	\$74.2m	\$74.5m	\$71.9m	\$69.4m	\$66.2m	\$66.5m	\$59.8m	\$58.1m	\$55.8m
Public debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Public debt to total assets	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

AUDIT REPORT

Independent Auditor's Report to the Readers of Taranaki Regional Council and Group's Annual Report for the Year Ended 30 June 2011

The Auditor-General is the auditor of Taranaki Regional Council (the Regional Council) and group. The Auditor-General has appointed me, Graham Naylor, using the staff and resources of Deloitte, to carry out the audit of the financial statements, Statement of Service Performance and other information required by schedule 10 of the Local Government Act 2002 (other information) of the Regional Council and group on her behalf.

We have audited:

- the financial statements of the Regional Council and group on pages 67 to 94, 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, explanatory information and other information required by schedule 10 of the Local Government Act 2002; and
- the Statement of Service Performance of the Regional Council on pages 23 to 66 that includes other information required by schedule 10 of the Local Government Act 2002.

OPINION ON THE FINANCIAL STATEMENTS, THE STATEMENT OF SERVICE PERFORMANCE AND THE OTHER INFORMATION

In our opinion:

- The financial statements of the Regional Council and group on pages 67 to 94:
 - 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 results of its operations and cash flows for the year ended on that date.
- The Statement of Service Performance of the Regional Council on pages 23 to 66:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Regional Council'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 other information of the Regional Council and group contained in the financial statements and the Statement of Service Performance, complies with the requirements of Schedule 10 of the Local Government Act 2002 applicable to the annual report and fairly reflects the required information.

Our audit was completed on 20 September 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, Statement of Service Performance and other 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, Statement of Service Performance and other 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, Statement of Service Performance and

other information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, Statement of Service Performance and other 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, Statement of Service Performance and other 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, Statement of Service Performance and other information;
- determining the appropriateness of the reported Statement of Service Performance within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, Statement of Service Performance and other information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, Statement of Service Performance and other 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 Statement of Service Performance 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 forecast; and
- other information in accordance with Schedule 10 of the Local Government Act 2002 that fairly reflects the required information.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, Statement of Service Performance and other 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, Statement of Service Performance and other 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, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



Graham Naylor
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand

This audit report relates to the financial statements and service performance information of Taranaki Regional Council and Group for the year ended 30 June 2011 included on Taranaki Regional Council's website. The Council is responsible for the maintenance and integrity of Taranaki Regional Council's website. We have not been engaged to report on the integrity of Taranaki Regional Council's website. We accept no responsibility for any changes that may have occurred to the financial statements or service performance information since they were initially presented on the website. The audit report refers only to the financial statements and service performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements and service performance information. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements, service performance information and related audit report dated 20 September 2011 to confirm the information included in the audited financial statements and service performance information presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.