

ISSUE: Community Investment Fund – Review of Investment Managers’ Performance and Proposed Change to Community Investment Fund SIPO

ID: A536141

To: Council Meeting, 18 June 2013

From: Lisa Aubrey, General Manager - Finance and IT

Date: 6 June 2013

Summary The purpose of this report is to provide council with an independent assessment of the Community Investment Fund Investment Managers’ performance for the period ending 31 April 2013. It concludes with the recommendation that:

1. The report be received; and
2. The investment strategy set out in section 7.2 to the SIPO be amended to allow \$2 million or 30% of the fixed interest portfolio be invested in the Milford Income Fund.

Report Type:	<input checked="" type="checkbox"/>	Normal operations	<input type="checkbox"/>	Information	<input type="checkbox"/>	Decision
Purpose:	<input type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input type="checkbox"/>	Legislative function	<input checked="" type="checkbox"/>	Annual\Long Term Plan	<input type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	High	<input type="checkbox"/>	Moderate	<input checked="" type="checkbox"/>	Low

Background:

The Community Investment Fund Policy and Objectives (CIF - SIPO) was approved by council at the October 2012 meeting.

The fund is managed by three managers, each with a different mandate:

- Income assets are to be managed in-house with assistance from council’s external investment advisor – PwC;
- Australasian Equities by Milford Asset Management; and
- Global Equities by Schroder’s Real Return Fund.

Clause 7.1 of the CIF – SIPO requires Independent Investment Advisor, Eriksen and Associates Limited, to independently review and report on the three appointed fund managers’ performance. This report is **attached** as **Appendix one** and **Appendix two** being a copy of the Milford Income Fund update.

Council officers provided detailed reporting on this and its wider investments in the Investment Report provided to the May 2013 Audit and Finance Committee meeting.

Jonathan Eriksen will be at the meeting to answer any questions.

Proposed change to the Community Investment Fund – Statement of Investment Policies and Objectives:

In accordance with the recommendation made in the report it is proposed the CIF – SIPO be amended to allow \$2 million or 30% of the defensive assets (fixed interest portfolio) be invested in the Milford Income Fund. It should be noted that although Milford is not rated they use an external trustee and an external custodian (Trustees

ITEM: 7.2

Page 2 of 2

Executors Ltd) to protect the ownership of the assets. Eriksen Global have negotiated a reduced management fee of 0.6% and a performance fee of 10% of returns above the investment objective (90 day Bank Bill Index after fees). Funds are accessible on three working days' notice to council's nominated bank account.

A copy of the marked up amended CIF SIPO is **attached** as **Appendix three**.

Legal compliance and significance assessment:

The activities detailed in this report are in accordance with council's Treasury Management Policy and the 2012-2022 Long Term Plan both of which were approved in accordance with council's decision making requirements of section 76-82 of the Local Government Act 2002.

Recommendations:

1. That the report Community Investment Fund – Review of Investment Managers' Performance and Proposed Change to Community Investment Fund SIPO by Lisa Aubrey, General Manager - Finance and IT, dated 6 June 2013, be received.
 2. That the appointment of investment managers set out in section **7.2** and appendices **B** Investment Managers and Advisors and **C** Manager Mandates, to the SIPO be amended to allow \$2 million or 30% of the fixed interest portfolio be invested in the Milford Income Fund. The proposed changes to the SIPO are shown as track changes in the CIF – SIPO attached as appendix three to this report.
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ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL COMMUNITY INVESTMENT FUND

INVESTMENT REVIEW FOR THE QUARTER ENDING 30 APRIL 2013

ERIKSEN & ASSOCIATES LIMITED

5 JUNE 2013

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CONTENTS

Executive Summary.....	3
Introduction	3
Asset Allocations.....	4
Fund Performance	5
Economic Commentary – May 2013.....	7

EXECUTIVE SUMMARY

Eriksen & Associates Ltd (Eriksens) produces investment reviews of the Northland Regional Council Community Investment Fund (the Fund) on a quarterly basis. The following review is for the three months ending April 2013.

The primary goal of the Fund is to promote business development in Northland. The current asset mix is 60% income and 40% growth assets, however this may change to a 50%/50% mix when investment markets stabilise.

The return requirement of the Fund is a real return of 4% per annum (assuming inflation of 2.5%) after tax (if any) and investment expenses, over the long term which is generally considered at least 3 to 5 years.

New Zealand and Australian equity markets performed well over the 3 months to 30 April 2013 with returns of 8.5% and 7.7% respectively. Over the year the NZX50 rose 29.8% and the S&P/ASX 200 rose 23.7%. The New Zealand Government bond index returned 2.7% over the quarter and 6.3% over the year, and the Corporate A Grade index gained 2.0% for the quarter and 6.5% for the year.

However there are relatively few suitable fixed interest investments available at present. Interest rates are starting to rise making them even less attractive. We therefore recommend \$2 million or 30% of the defensive assets be invested in the Milford Income Fund.

INTRODUCTION

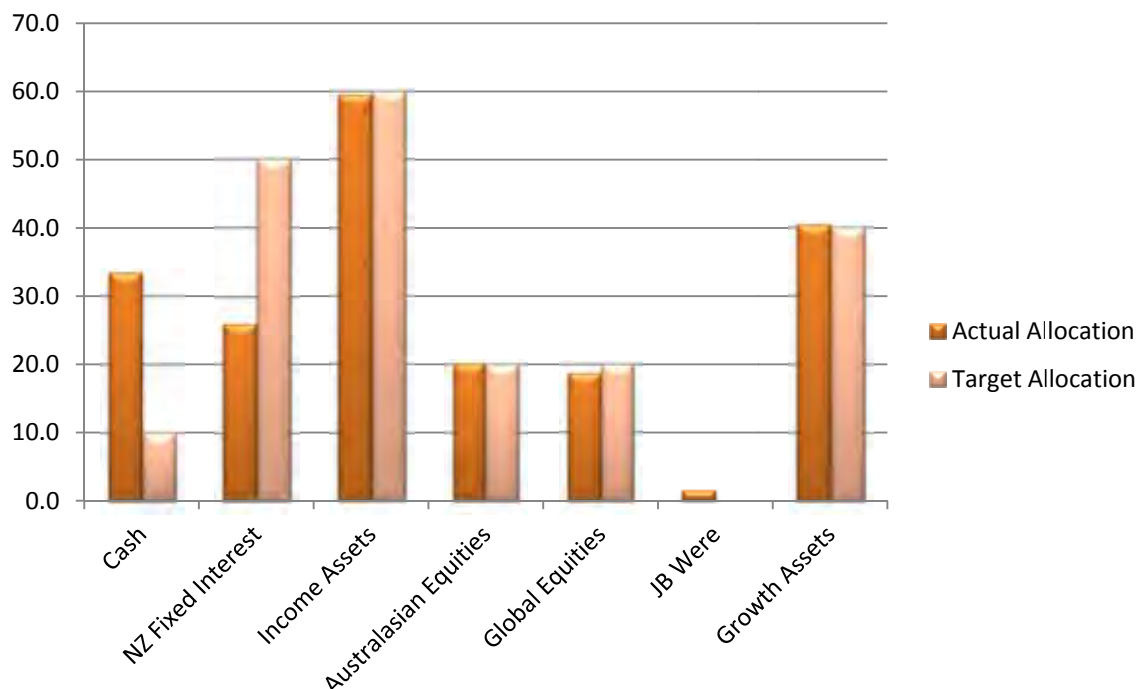
Eriksen & Associates Limited (Eriksens) were appointed investment advisors to the Fund in November 2012. This is our second report on the Fund in accordance with the SIPO approved by Council in October 2012.

This review reports the investment returns for all cash, bonds and equities held by the Fund, in addition to the assets managed by JBWere (and are currently in the process of being sold or taken over by the Council), for the three months to 30 April 2013. In addition, this review shows year-to-date investment returns, including the seven month returns for all cash, bonds and JBWere managed assets, and the four month returns for Milford and Schroders.

The returns shown are based on the data supplied by the in-house investment team for all cash, bonds and JBWere managed assets as at 24 April 2013, and statements supplied by Milford and Schroders at month end. The returns have been calculated from dollar returns and average assets held during the period. There may therefore be a discrepancy from the money weighted asset return if the amounts invested in a particular asset class have changed during a month. If available, the use of daily rather than monthly data might reduce this.

ASSET ALLOCATIONS

The Fund's asset allocations at 30 April 2013 are shown below:



The Fund's asset allocation shows all asset classes except for the externally managed assets are within the range as specified by the SIPO. Australasian equities and global equities are very close to their target allocations. Cash is 24% over allocation while NZ bonds is 24% under, although these are both still well within range. Overall, the allocation between income and growth assets is very close to target.

Allocations	Market Value NZ\$	Actual Allocation %	Target Allocation %	Difference %	Status
Cash	3,524,951	33.5	5 < 10 < 50	23.5	✓
NZ Fixed Interest	2,745,952	26.1	20 < 50 < 80	-23.9	✓
Income Assets	6,270,903	59.5	40 < 60 < 80	-0.5	✓
Australasian Equities	2,125,045	20.2	10 < 20 < 30	0.2	✓
Global Equities	1,973,475	18.7	10 < 20 < 30	-1.3	✓
JB Were	165,628	1.6	0	1.6	✗
Growth Assets	4,264,148	40.5	20 < 40 < 60	0.5	✓
Total Assets	10,535,052	100.00			

The high cash weighting reflects the lack of opportunity to invest in attractive yielding corporate or government bonds in New Zealand. Interest rates have started to rise making longer dated fixed interest investments less attractive. We recommend Council invests \$2 million or 30% of the defensive assets in the Milford Income Fund. A copy of its specifications and recent performance is attached. This is another absolute return styled product managed by Jonathan Windust of Milford. It can hold up to 30% in dividend paying equities to enhance the fixed income returns. This would require a minor change to the SIPO but should enhance the performance of the Fund significantly.

FUND PERFORMANCE

The table below shows the three month investment return on all assets held in the fund, along with the seven month year-to-date returns for income assets and assets held under JBWere, and four month year-to-date returns for Milford and Schroders.

Asset Class	3 Months %	YTD %
Cash	3.1	4.7
Benchmark (90 Day Bank Bill)	0.6	1.5
Over / Underperformance	2.5	3.2
NZ Fixed Interest	3.2	14.9
Benchmark (NZX Corporate A Grade)	2.0	3.6
Over / Underperformance	1.2	11.3
Australasian Equities (Milford)*	4.3	7.8
Benchmark (NZX50 plus 3%)	9.3	14.5
Over / Underperformance	-5.0	-6.7
Global Equities (Schroders)*	1.2	2.4
Benchmark (Aus TM CPI plus 5%)	1.6	2.2
Over / Underperformance	-0.4	0.2
Liquidated Equities (JBWere)	-47.9	-44.4
Benchmark (weighted average)	7.4	18.3
Over / Underperformance	-55.4	-62.7
Total Fund	2.2	6.8
Benchmark (4% real return)	1.4	2.7
Over / Underperformance	0.8	4.1

* YTD returns for Milford and Schroders are for the four month period to 30 April 2013 and the remaining asset classes are for the seven month period to 30 April 2013.

Cash

Cash outperformed the 90 Day Bank Bill Index by 2.5% for the three months to 30 April. Over the year-to-date period, cash outperformed the benchmark by 3.2%.

NZ Fixed Interest

Bonds returned 3.2% over the three months which beat the benchmark by 1.2%. For the year-to-date bonds returned 14.9%, a very pleasing result.

Australasian Equities

Milford's Active Growth Fund underperformed the three month and year-to-date benchmark of NZX50 + 3% p.a. although these are still very good absolute returns.

Global Equities

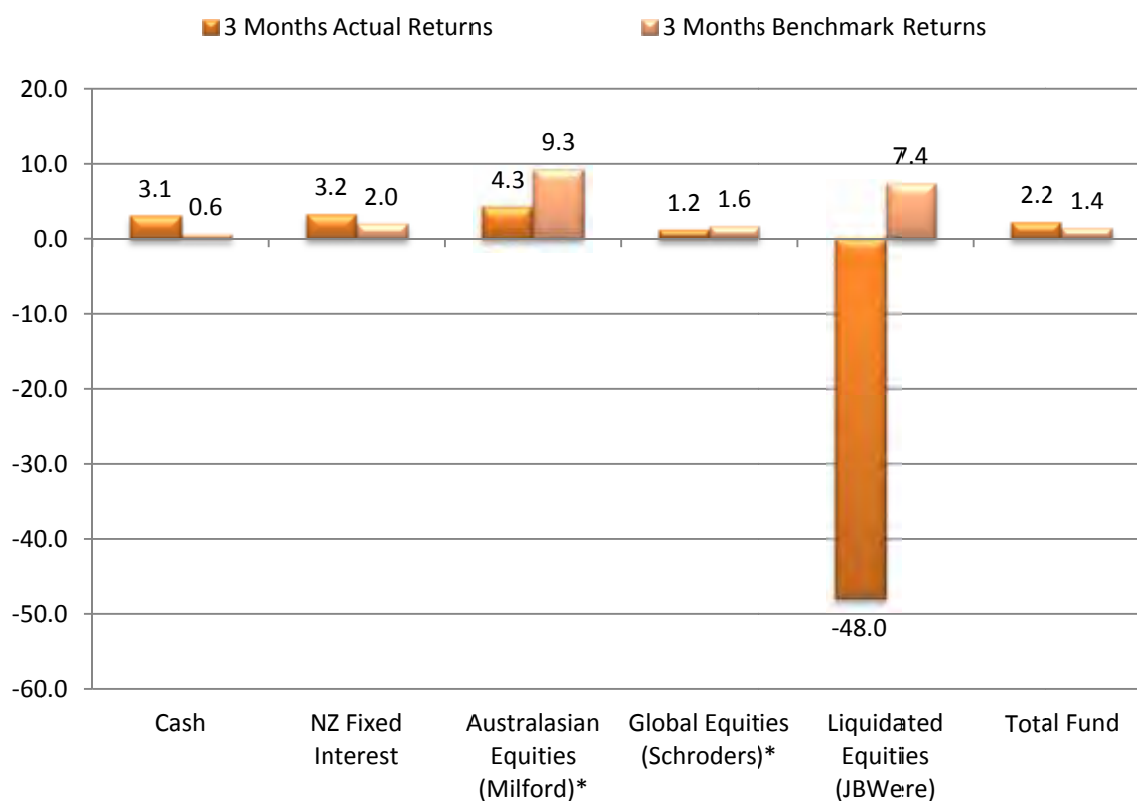
Schroders Real Return Fund underperformed its three month benchmark return of 1.6% by 0.4% but outperformed the year to date benchmark by 0.2%.

Liquidated Equities

These assets have had an impairment applied which has reduced the market value by nearly 50%. The overall value is a very small proportion of the total Fund, thus have very little effect on the overall Fund return.

Overall

The Fund outperformed the benchmark by 0.8% with a return of 2.2% for the three months to 30 April. The benchmark was calculated from the March 2013 quarter CPI results for New Zealand, which showed an increase in inflation of 0.4%. This gives a three month benchmark of 1.4% for the overall Fund after adding 4% per annum.



ECONOMIC COMMENTARY – MAY 2013

Share markets have continued to rise on the back of continued quantitative easing by central banks, with the financial markets seemingly being content to treat any good news as indications of a turnaround, while treating bad news as an irrelevance which will be relieved by more easing if things get tough.

How this race to create money will end up is causing unease, even among investors who have recently benefited from asset price rises. While QE is sometimes justified as having noble objectives (such as escaping deflation), in practice it is used a politically convenient short term expedient to get out of trouble. Over the last few years we have seen it used to lower exchange rates to make exports more competitive, to fund asset swaps and so subsidise struggling banks, and to reduce the real value of any debt to be repaid – thus making the repayments more affordable.

Now the Japanese have joined in. After suffering the effects on their exports of a high currency, and falling GDP, Shinzo Abe the new Japanese prime minister is attempting to stimulate the Japanese economy through his own program of quantitative easing; giving instructions to the Bank of Japan to raise its inflation target to 2% which resulted in a change of Governor.

This has in turn created trade tensions and accusations of a currency war within Asia. South Korea for example has seen the won rise against the yen by 20% over the last 6 months. South Korean attempted to protest against this at the G20, IMF and World Bank. However seems their complaint likely to be ignored given the example of the major western economies who are far worse offenders.

While the Japanese base money supply has increased by around 20% over 5 years, it has doubled in the Eurozone, tripled in the US and quadrupled in the UK. Japan is however trying to catch up, and is currently planning to annually expand its monetary base by 13% of GDP, more than twice the current US rate of 6%. It is debateable whether continued easing will help the global economy to move back to sustained growth. It is likely to be only a way to buy time rather than make much needed structural reform. If so it might only be a palliative when major surgery is really needed and has big risks of triggering major falls in stock markets because of the greatly increased volatility.

A recurring debate since 2008 has centred on the relative merits of fiscal austerity versus fiscal stimulus on heavily indebted economies. At the heart of this is the question of whether the economic activity lost by reduced government spending and (perhaps) higher taxes will be replaced by private sector growth.

Proponents of austerity have argued that the priority should be to reduce government spending so that excessive national debt can be paid down. The private sector can take up the labour and other resources released by the cutbacks – thus hopefully creating export led growth. This point of view has frequently been supported by those who ideologically favour “small government”.

Proponents of stimulus on the other hand argue that austerity stunts growth in the wider economy because businesses are less likely to grow when future demand is so

uncertain. Under this scenario unused resources such as labour remain idle (promoting unemployment and higher social costs on the government) and social dislocation results. Debt levels also look larger because the same number of dollars becomes expressed as a percentage of a lower GDP.

While austerity has been favoured by the IMF, UK government and Eurozone as a way for heavily indebted countries to return to growth, the results to date the results in Greece and elsewhere have been poorer than expected. There has also been the recent revelation that an influential academic paper, which suggested that economies cannot grow if their debt rises above 90%, had a flawed methodology and that the facts are not as clear cut.

As a result the policy debate has been reignited with the IMF for example now being more supportive of stimulus. It is shortly due to conduct its annual review of the UK economy and there are indications that it will try to soften the Tory government's current hard line fiscal cuts.

Whether fiscal stimulus could be applied to the indebted southern European countries, however, is less clear. They are partly in the situation they are in because their currency i(the Euro) is overvalued, with exit from the Euro the only real way they can find their own equilibrium. Since exit is widely seen as unacceptable then fiscal stimulus funded by a transfer of wealth from the northern countries seems the only option. This too is currently seen as unacceptable by the prospective donors. As a result Europe seems to have tied itself in a Gordian knot. Short term bailouts (which cannot in themselves provide long term solutions) therefore seem likely to continue.

In the meantime the US stock markets are at record highs as are many of the markets in the developed world. Developing countries stock markets are lagging. Corporates are awash with cash which they are using to make takeovers, buy back shares or even pay bigger dividends.

Recent cuts to interest rates by RBA and ECB have made bond yields even less attractive. Although the return on shares is lower because of the higher prices they still appear less risky than bonds.

The RBA dropped its OCR by 0.25% to 2.75% last month. However the NZD fell over 0.5c against the AUD as a result! The opposite reaction to normal when a drop in yield would usually weaken the currency. This knee jerk reaction has subsequently reversed.

Interesting times.

The Milford Income Fund

April 2013

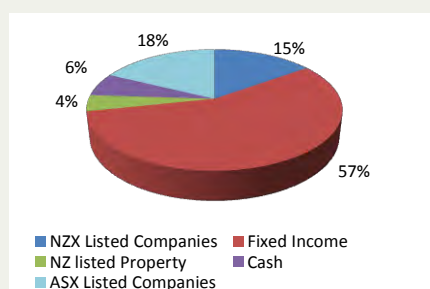
Fund Update

Portfolio Manager



Jonathan Windust CFA

Portfolio Mix



Key Fund Stats

As at 31 March 2013

Fund Size	\$331 million
Unit Price	\$1.2367
Yield of investments*	6.0%
Target Quarterly Distribution	1.5c
Next distribution	22 May 2013

* Weighted average yield of current investments gross of fees and tax, but including tax credits. The Funds actual return will differ to the yield due to capital gains or losses on investments.

Fees

0.65% capped management fee plus a performance fee of 10% of returns (after fees and before tax) above the investment objective.

Investment Objective

The Funds objective is to exceed the 90-Day Bank Bill Index (after fees & before tax). We consider the Fund suitable for investors with a time horizon of at least three years.

Economic and Market Review

The New Zealand economy continued to show signs of improvement during the month again led by strong housing data. Economic figures released during the month showed that the New Zealand economy grew strongly in the fourth quarter of last year, up 1.5% for the quarter and 3.0% for the year. The Reserve Bank of NZ left the official cash rate unchanged during the quarter and forecast that it would be unchanged for the rest of 2013 with the high dollar, drought conditions and still relatively high unemployment likely to contain inflation.

The New Zealand share market continued its strong run during the month with the NZX50 index up 2.4%. The Australian market was somewhat weaker, however, ending down 2.2% due to concerns over slowing growth in China and to a lesser extent Europe. Returns for rated fixed income were solid with the NZX Corporate A index up 0.8%

Portfolio Review

The Milford Income Fund rose 1.6% during February (after fees and before tax) and has returned 12.5% per annum since its inception three years ago. During the month the Fund benefited from strong stock selection including Sky City (+6.6%), Argosy (+4.7%) and Australian property company Cromwell (+5.0%). Shares continued to benefit as investors looked for alternatives to low returns on cash and many fixed income investments.

During the month the Fund took advantage of the discounted placement in SKY TV following the sell down from News Corp. SKY TV shares subsequently performed strongly, up over 10% from its placement price by month end. At month end the Funds' holding to share based investments was marginally reduced to 37.2% although the Fund was active in buying shares which had fallen below our price target and selling those that had risen too far. In particular the Fund added to holdings in Telecom, iiNet and GPT and reduced holdings in Spark Infrastructure, Ardent Leisure, Cromwell and Goodman Group.

Market Outlook and Investment Strategy

The economic outlook has improved but still points to relatively modest levels of growth in New Zealand, Australia and the United States whilst Europe is expected to remain weak. With modest growth we believe that inflation and interest rates are likely to remain at relatively low levels. This environment is supportive for many share investments which offer attractive return premiums to very low cash deposit rates. However, following large rises over the last twelve months further significant gains from shares are less likely and selection of individual companies will become increasingly important. Against a background of relatively low yields on rated fixed income investments the Fund continues to bias investment into income producing shares but retains a core of fixed income to control risk. Within fixed income we continue to bias investment into higher yielding fixed income investments which we believe offer an attractive return premium for the risk incurred.

Disclosure of interest: Milford and Milford Staff have \$3,568,043 invested in the Fund as at 31 March 2013 unit price.

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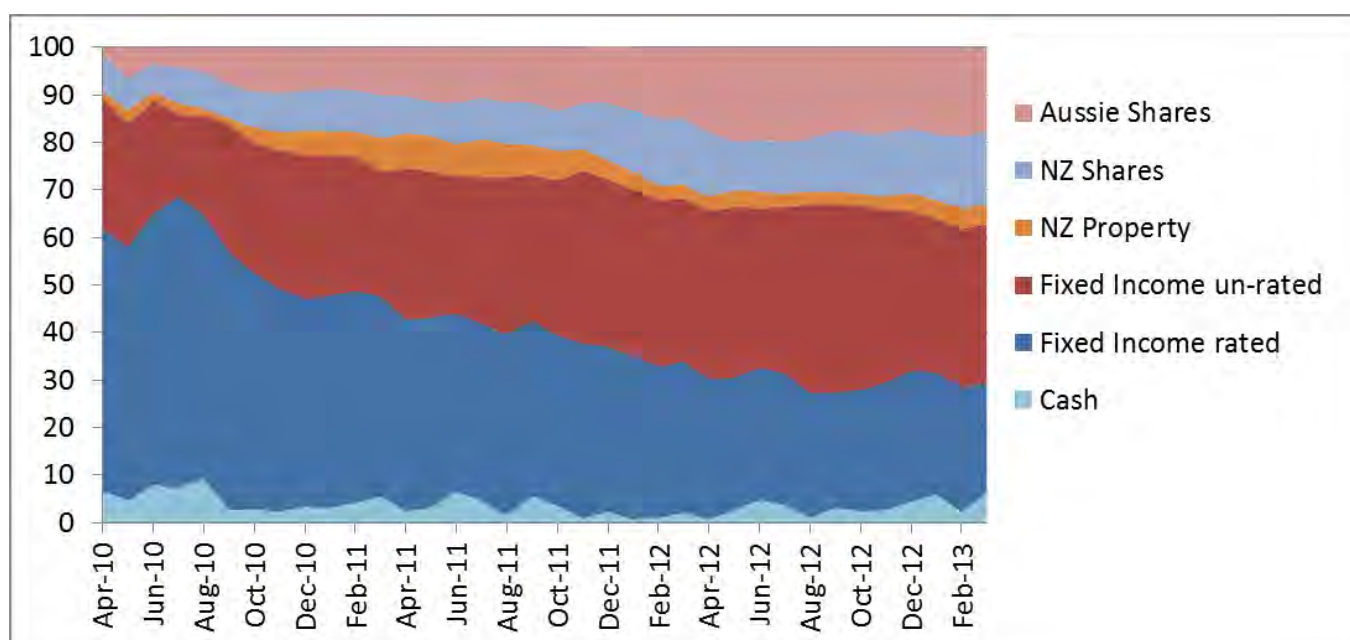
www.milfordasset.com

Milford Funds Limited



April 2013**Milford Income Fund Update****Performance to 31 March 2013 (after fees and before tax)**

	Past Month	Past 1 Year	Past 2 Years (p.a)	Since Inception 1 April 2010 (p.a)
Milford Income Fund	+1.6%	+19.0%	+14.2%	+12.5%
Benchmark (90 Day Bank Bill Index)	+0.2%	+2.7%	+2.7%	+2.8%
Over / Under Performance Benchmark	+1.4%	+16.3%	+11.5%	+9.7%
Milford Income Fund after tax returns				
28.0% PIR tax rate	+1.5%	+17.2%	+12.9%	+11.3%
17.5% PIR tax rate	+1.6%	+18.1%	+13.5%	+11.9%
10.5% PIR tax rate	+1.6%	+18.7%	+14.0%	+12.3%

Income Fund Investment Breakdown**Top Holdings (as at 31 March 2013)**

Fixed Income Investments		NZ Shares		Australian Shares	
	Holding		Holding		Holding
ANZ National Bank April 2013	4.4%	Argosy Property	3.4%	Cromwell Property	3.3%
Goodman Plus	3.4%	Telecom	2.0%	Charter Hall Retail	2.5%
National Capital	2.3%	Vector	1.6%	Charter Hall Group	2.3%
Crown	2.1%	Ebos	1.5%	Mirvac Group	1.8%
Origin Energy	2.0%	Kathmandu	1.4%	Healthscope	1.7%
National Australia Bank	2.0%	Infratil	1.3%	Duet Group	1.5%
Goodman Fielder	1.9%	Restaurant Brands	1.3%	Ardent Leisure	1.5%
Westpac	1.9%	Freightways	1.2%	iiNet	1.1%





Northland Regional Council Community Investment Fund

Statement of Investment Policy and Objectives

Adopted by the Council

On: 18 June 2013

Signed: _____

June 2013

STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

This statement summarises the Council's policies in respect of the investments of the Fund. Council intends to review this SIPO annually and update, as appropriate, the policies to reflect the changing investment markets and Fund requirements.

AMENDMENTS:

Date change made:	Clause number:	Date approved:
21 February 2013	5.3 inserted	19 February 2013 Council Meeting
18 June 2013	<u>7.2, Appendix B and Appendix C amended to enable 20% of the Fund in NZ Fixed Interest to be managed externally by Milford Asset Management.</u> <u>Appendix B and C have been updated to reflect this change.</u>	18 June 2013 Council meeting

The statement is set out as follows:

1. CONTENTS

2. Executive Summary	2
3. Introduction	3
4. Performance objectives	5
5. Investment strategy	6
6. Investment guidelines and requirements	7
7. Investment advisors and managers	8
8. Independent Investment Advisor's Responsibilities and Accountabilities	9
Appendix A – Temporary departures from this statement	10
Appendix B – Investment Managers and advisors	11
Appendix C – Manager Mandates	12

2. EXECUTIVE SUMMARY

- The primary goal of the Northland Regional Council Community Investment Fund “the Fund” is to promote business development in Northland. This targets a reasonable return to produce an income and maintain the real value of the Fund after inflation.
- The current asset mix of the portfolio is set at 60% defensive / 40% growth but over the long term when investment markets stabilise a 50/50 mix may be more appropriate.
- The Fund is to be managed by three managers, each with a different mandate. The benchmark mix for the overall Fund is:

Asset Class	Benchmark %
NZ Fixed Interest	50
Cash	10
Income Assets	60
Australasian Equities	20
Global Equities	20
Growth Assets	40
TOTAL ASSETS	100

- The income assets are to be managed partly by the in-house team in accordance with the mandate specified in this SIPO and partly by an external investment manager.
- Two separate investment managers with complementary investment styles will be appointed to manage the growth assets. At this stage of the economic cycle both managers should have an absolute return style which seeks to preserve capital.

3. INTRODUCTION

3.1 Background

The Fund arose out of the sale of Port Company shares in 1992. It was established in March 1996. The objective of the Fund is to promote business development in Northland.

3.2 Current assets

The assets of the Fund as at June 2012 were \$9.7 million. The nature of the Fund's current investments places no restrictions on the investment policies.

3.3 Taxation

Council is exempt from tax except to the extent that it derives income from Council Controlled Trading Organisations (CCTO).

Council, where possible and desirable, will invest:

- Other than in CCTO's; and
- In investments that provide gains and income that are not taxed prior to being received by Council. Thus compared to a taxed entity, Council will prefer:
 - Investments yielding interest (over those paying dividends); and
 - Investments in growth stocks/low dividend yield stocks (over other/high dividend yield stocks);

The balance date of the Fund is 30 June.

3.4 Distribution policy

- Council may, but does not have to, make distributions from the Fund to meet the objectives of the Fund.
- The real value of the Fund must be retained.
- Distributions may only be made from excess returns over inflation. These will be paid to Council's Income and Growth Fund (IGF).
- No distributions from capital are permitted.

3.5 Primary Objectives

The primary objectives underlying the investment policy for the Fund are:

- to ensure that the Fund is invested prudently;
- to ensure that the Fund is diversified in its investments;
- to ensure that money is available for distribution, as required, to fund approved projects;
- to produce investment income for project funding purposes;
- to maintain the real value of the Fund.



4. PERFORMANCE OBJECTIVES

4.1 Return requirements

The Fund is to achieve a real return, of 4% per annum (assuming inflation of 2.5%) after tax (if any) and investment expenses, over the long term which is generally considered at least 3 to 5 years.

4.2 Risk profile

This investment strategy will be set to achieve the above objective and to limit the risk of a negative return in any one year to less than one in five.

5. INVESTMENT STRATEGY

- 5.1 Given the objectives, the assets of the Fund will be invested based on the following benchmark allocation.

Asset Class	Benchmark %	Ranges
NZ Fixed Interest	50	20-80
Cash	10	5-50
Income Assets	60	40-80
Australasian Equities	20	10-30
Global Equities	20	10-30
Growth Assets	40	20-60
TOTAL ASSETS	100	

- 5.2 Offshore investment sectors will be hedged at the investment manager's discretion.
- 5.3 Where council invests in funds managed offshore in a foreign currency, on the recommendation of council's Independent Investment Advisory, council may hedge its foreign investments back into New Zealand dollars.

6. INVESTMENT GUIDELINES AND REQUIREMENTS

- 6.1 Council accepts their fiduciary duties and the requirements of the Prudent Person provisions of the Trustee Act 1956. Council believes that the appointed manager(s) has the expertise, governance structures and capacity to apply the appropriate risk management techniques to carry out their duties under the investment management agreements(s).
- 6.2 Council therefore places no specific constraints on the investment manager with respect to investment guidelines.
- 6.3 **General**
- All investments must be prudent investments and shall be made in accordance with the requirements of the applicable legislation.
 - Council prefers not to borrow but accept that this constraint may not apply to their investment manager(s)
 - No investment manager appointed by Council may:
 - (i) hold, without prior disclosure to Council, any investment in its own company, its parent or any subsidiary and must disclose any investment in associated companies;
 - (ii) delegate to another investment manager on terms other than in accordance with these guidelines.
 - Futures and options may be used by the investment manager, at its discretion, for the prudential investment management of the Fund provided that such investments are not used for gearing purposes.

7. INVESTMENT ADVISORS AND MANAGERS

7.1 Appointment of an independent investment advisor

An independent investment advisor will be appointed to evaluate the performance of the investment managers (including in-house management of the income assets), and to provide strategic research and market information. The role and accountabilities of the investment advisor are set out in section 8. The appointed advisor is recorded in Appendix B.

Council may change the independent investment advisor from time to time if they so decide.

7.2 Appointment of investment managers

Council will manage the cash and part of the fixed interest portion of the fund in-house, with assistance from council's investment advisor. Part of the fixed interest portion will be invested by an external professional investment manager. Council believes that external professional investment managers should be appointed to manage the growth portion of the Fund. The appointed Investment managers are recorded in Appendix B.

When an investment manager is appointed, a mandate will document the requirements of the manager in terms of performance evaluation, reporting and the investment guidelines and requirements within the guidelines of the Fund as a whole.

Council may change investment manager(s) from time-to-time as they see fit at their sole discretion giving consideration of their performance and the changes to the manager's organisation, investment team and process.

7.3 Investment manager performance evaluation

Each investment manager's performance will be monitored and formally evaluated annually against: such other objectives set out in Section 4 and such other measures as agreed between Council and the investment manager(s) from time-to-time.

7.4 Investment manager reporting

Each investment manager will be required to prepare and submit written and verbal reports as follows:

- (a) the reporting requirements as set out in the manager's mandate as appropriate; and
- (b) as requested by Council
 - recommendations on the manager's mandate;
 - such other information that is required by Council in their day-to-day activities which it is reasonable to ask the manager to provide.

8. INDEPENDENT INVESTMENT ADVISOR'S RESPONSIBILITIES AND ACCOUNTABILITIES

8.1 The appointed independent investment advisor, in terms of clause 7.1, shall be responsible to Council and accountable for:

- providing a regular forward looking commentary on the global economy and investment markets;
- monitoring the investment managers' performances;
- proactively advising Council on market changes including legislation developments and trends.
- ensuring that an investment manager manages the assets of the Fund under its care in terms of its mandate;

8.2 REPORTS

In terms of its responsibilities the independent investment advisor is expected to provide quarterly independent reports as requested, by Council covering:

- the Fund's performance and analysis of the performance measured against such comparators as the investment advisor feels appropriate given the objectives of Council.
- "market intelligence" in terms of changes to the manager that may have an impact on the quality of the future performance.
- An assessment of the impact of unexpected events that have occurred.

With a view, in each case, to identifying the potential for:

- an unacceptable risk occurring;
- poor future performance.

APPENDIX A – TEMPORARY DEPARTURES FROM THIS STATEMENT

Council recognise that from time to time circumstances will occur which require a departure from the guidelines set out in this statement. Any such departure requires the prior approval of Council.

APPENDIX B – INVESTMENT MANAGERS AND ADVISORS**Investment Managers**

Income Assets

- Partly in-house council staff with assistance from council investment advisor and partly:
- NZ Fixed Interest - Milford Asset Management

Growth Assets

- Australasian Equities – Milford Asset Management
- Global Equities – Schroders Real Return Fund

Independent Investment Advisor

Eriksen & Associates Ltd

APPENDIX C – MANAGER MANDATES

Cash and Fixed Interest

The cash and approximately 20% of the Fund in New Zealand fixed interest (income assets) income assets portion of the Fund shall be managed by the in-house financial team as a separate exercise from their normal duties in accordance with this SIPO.

The primary objectives for the in-house financial team will be to achieve:

- a positive return without exposing the Fund to a significant risk of loss of capital. This will be achieved by restricting the Approved Financial Instruments to those listed in the Treasury policy under 5.1.2 thereof (see below).
- a real rate of return (in excess of inflation).

The main objective of the Fund, namely promoting business within the Northland region will be a supplementary objective of the in-house team.

The interest rate risk will be managed by allowing the full ranges between cash and fixed interest to be utilized as appropriate.

Bond holdings are to be diversified by maturity date and nature of issuer.

No more than 20% of this portion of the Fund can be invested with one issuer except for NZ Government Stock for which there is no upper limit.

Bond investments are restricted to investment grade (S&P rated BBB or equivalent) or better and must be senior secured.

Borrowing may only be used for liquidity purposes.

Approximately 30% of the Fund in New Zealand fixed interest is to be invested by Milford Asset Management in the Income Fund. Their target return is to exceed the 90 day Bank Bill Index after fees (broadly 5% - 8% p.a.).

Australasian Equities

Milford Asset Management are to invest a portion of the Fund in the Active Grown Fund. Their targeted outperformance is 3% above the NZX50 index over rolling 3 year periods.

Global Equities

Schroders are to invest a portion of the Fund in the Real Return Fund. Their targeted outperformance is to exceed the return of Australian CPI (trimmed mean) by 5% per annum over rolling 3 year periods.

Clause 5.1.2 of Treasury Policy - Approved Financial Instruments

Dealing in interest rate products must be limited to financial instruments approved by the Council.

Approved interest rate instruments are as follow:

Category	Instrument
Cash management and borrowing	<ul style="list-style-type: none"> • Bank overdraft. • Committed cash advance and bank accepted bill facilities (short term and long term loan facilities). • Uncommitted money market facilities. • LGFA borrower notes/CP/bill/bonds/Floating rate Note (FRNs). • Wholesale Bond and FRN issues. • Commercial Paper (CP). • NZD denominated Private Placements. • Retail Bond and FRN Issues.
Investments	<ul style="list-style-type: none"> • Short term bank deposits. • Bank bills. • Bank certificates of deposit (CD's). • Treasury bills. • LGFA borrower notes/CP/bill/bonds/FRNs. • Local Authority stock or State Owned Enterprise (SOE) bonds and FRNs (senior). • Corporate bonds (senior). • Floating Rate Notes (senior). • Promissory notes/Commercial paper (senior).
Interest rate risk management	<ul style="list-style-type: none"> • Forward rate agreements ("FRAs") on: <ul style="list-style-type: none"> - Bank Bills - Government bonds. • Interest rate swaps including: <ul style="list-style-type: none"> - Forward start swaps (start date <24 months). - Amortising swaps (whereby notional principal amount reduces). - Swap extensions and shortenings. • Interest rate options on: <ul style="list-style-type: none"> - Bank bills (purchased caps and one for one collars). - Government bonds. - Interest rate swaptions (purchased only).

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. All investment securities must be senior in ranking. The following types of investment instruments are expressly excluded:

- Structured debt where issuing entities are not a primary borrower/issuer.
- Sub-ordinated debt, Junior debt, Perpetual Notes and Hybrid Notes such as convertibles.

ISSUE: Adoption of the Final Annual Plan 2013/14, the 2013/14 Charging Policy and the Navigation, Water Transport and Maritime Safety Bylaw Charges Policy 2013/2014

ID: A544195

To: Council Meeting, 18 June 2013

From: Malcolm Nicolson, Chief Executive Officer

Date: 5 June 2013

Summary The purpose of this report is to provide a financial overview of the Annual Plan 2013/2014 and present the final Annual Plan 2013/2014 and the 2013/14 Charging Policy and the Navigation, Water Transport and Maritime Safety Bylaw Charges Policy 2013/2014 for adoption.

Report Type:	Normal operations	<input type="checkbox"/>	Information	<input type="checkbox"/>	Decision	<input checked="" type="checkbox"/>
Purpose:	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function	<input type="checkbox"/>
	Legislative function	<input checked="" type="checkbox"/>	Annual\Long Term Plan	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>
Significance:	High	<input type="checkbox"/>	Moderate	<input type="checkbox"/>	Low	<input checked="" type="checkbox"/>

Annual Plan

The draft Annual Plan 2013-2014 has been updated as a result of the consultation process and subsequent council workshops, deliberations and decisions. Commentary on the changes to the financial statements is included in the Financial Overview section of this report.

The final Plan includes a section titled "Changes to the Annual Plan", which summarises the outcomes of the submissions process as well as subsequent changes to the document as a result of additionally identified budget requirements by staff.

Once the revised Annual Plan is adopted the document will be printed, distributed and posted on council's website. Submitters will receive responses on the issues raised in their submission within three to four weeks.

The revised Annual Plan is included with the agenda as a separate document.

Financial Overview

Since council's Annual Plan 2013-2014 deliberations meeting on 26 March 2013 the following changes have been incorporated into the 2013-2014 financial forecasts to reflect the council's decisions.

As per the Prospective Statement of Comprehensive Income, **Other operating expenditure on activities** has increased in the final plan by **\$33,288** from the draft plan amount of \$15,375,883 to \$15,409,171 due to:

- The introduction of \$30,000 for valuation and legal fees relating to the potential sale of leasehold properties;

ITEM: 8.1

Page 2 of 8

- The introduction of \$20,000 for internal auditor services;
- The introduction of \$15,000 for repairs and maintenance relating to the Marsden Point Rail Link properties;
- The introduction of \$8,000 for the continued funding of the Bay of Islands rubbish barge service;
- The introduction of \$50,000 for participation in, and funding of UNISA projects;
- An additional \$7,260 to increase the total councillor training budget to \$15,000.
- The reduction in the regional transport management and passenger transport administration expenditure budgets of \$100,325. This reduction is to present the Kaitiāia bus contract on a “per passenger carried” basis and the removal of the bus shelter construction provision. Both these adjustments have corresponding income adjustments with the overall effect being a net cost saving of \$24,033;
- Other minor adjustments of \$3,353.

As per the Prospective Statement of Comprehensive Income, **Revenue from activities** has reduced in the final plan by **\$76,292** from the draft plan amount of \$5,219,949 to \$ 5,143,657 due to:

- The reduction in the regional transport management and passenger transport administration revenue budgets by \$76,292 providing a net saving of \$24,033 when offset with the corresponding transport expenditure revisions.

Capital expenditure has reduced in the final plan by **\$5,764,440** from the draft plan amount of \$7,738,207 to \$1,973,767 due to:

- The introduction of \$50,000 for the design and manufacture of a floating dock treatment facility;
- The introduction of \$58,354 for water quality improvements plans relating to council's Flyger Road properties;
- The reduction of Whāngārei detention dam capital budget by \$5,872,794 from \$6,407,163 to \$534,369 to reflect the estimated property purchases remaining in 2013-2014 of \$534,369. Approval to bring forward capital expenditure relating to property acquisitions in 2012-2013 was approved at the February 2013 Council meeting. It should be noted the overall total cost budgeted for the Whāngārei detention dam project has not been reduced, this change in the projected capital expenditure for 2013-2014 is a result of re-phasing the expected timing of the capital expenditure.

On completion of the 2012-2013 financial year, a review will be performed on any proposed capital expenditure not spent in the current year and proposed to be carried forward. This will be presented to council for review and approval at the August 2013 Audit and Finance Committee meeting.

As per the Prospective Statement of Comprehensive Income, **Total Rating Revenue** has reduced in the final plan by **\$10,273** from the draft plan amount of \$17,522,445 to \$17,512,172.

The increase in General rating revenue (Targeted Council Service rate and the Land Management rate) **from the current 2012-2013 year** is \$378,515, representing a general rating revenue increase of 3%. Due to council recognising rating remissions, advised by the district councils, the increase in General rates (across the region) on average is \$5.93 including GST per ratepayer for the year, representing an average increase per ratepayer of 3.57%.

Charging Policy

Proposed changes to the 2013-2014 charging policy were set out in the draft Annual Plan 2013-2014 and Summary Annual Plan.

The council has the authority to fix fees and charges associated with delivering its activities under a range of legislation (listed in the introduction of the Charging Policy) and in accordance with section 150 of the Local Government Act. The Charging Policy includes background on the setting of the fees and the full schedule of fees and charges, including the fees and charges set under the Navigation, Water Transport and Maritime Safety Bylaw Charges.

Navigation, Water Transport and Maritime Safety Bylaw Charges

Proposed changes to the 2012 Navigation, Water Transport and Maritime Safety Bylaw Charges were set out in the draft Annual Plan 2013-2014 and Summary Annual Plan.

The Local Government Act 1974 and 2002 has the provision for regional councils to fix fees and charges for navigation-related activities via a bylaw. The bylaw requires formal adoption by the council, after completing the special consultative procedure.

Amended rating policies for the Kaipara District Council

In its Draft Annual Plan the Kaipara District Council consulted on a number of proposed changes to its rating policies. The region's three district councils collect the regional council rates. To minimise the marginal costs of collection, the regional council adopts the rating policies set by each of the district councils. Following consultation, the Kaipara District Council rating policy amendments were made as part of the 2013-2014 Annual Plan process. The amended policies impacting on regional council rates are summarised as follows:

- Rating policy three - a reduction in rates instalments from six to four instalments annually. Instalments dates will be the 20th of August, November, February and May.
- Rating policy twelve - changes to the remission policy, intended to allow council to act fairly and reasonably when considering the remission and enforcement of late payment penalties.

The revised rating policy is included in the Kaipara District Council's Annual Plan and is also available on their website <http://www.kaipara.govt.nz>. The revised policies are as **Appendix A**.

Legal compliance and significance assessment:

The adoption of an Annual Plan is a requirement of section 95 of the Local Government Act 2002 and the process to be followed must follow and/or take account of Part 6 of the Act which encompasses the council's decision making (sections 76 to 81), planning (sections 95 and 96) and consultation (sections 82 to 90) processes.

The procedures for amending and adopting a bylaw follow the requirements of sections 83, 86 and 156 of the Local Government Act 2002. Section 684B of the Local Government Act 1974 authorises the council to fix fees and charges for navigation-related activities. The Charging Policy has been reviewed in accordance with the requirements of section 150(1)(b) of the Local Government Act.

Recommendations:

1. That the report “Adoption of the Final Annual Plan 2013-2014, the 2013-2014 Charging Policy and the Navigation, Water Transport and Maritime Safety Bylaw Charges Policy 2013-2014” by Malcolm Nicolson, Chief Executive Officer, dated 5 June 2013 be received.
 2. That in accordance with section 95 of the Local Government Act 2002, the council adopts the Annual Plan 2013-2014.
 3. That following consultation undertaken by Kaipara District Council in its draft Annual Plan 2013-2014, council adopts the amended Kaipara rating policies to be applied to regional council rates collected in the Kaipara district.
 4. That the Charging Policy 2013-2014 included within the final Annual Plan 2013-2014 be approved and adopted, and come into force on 1 July 2013.
 5. That the Northland Regional Council Navigation, Water Transport and Maritime Safety Bylaw Charges 2013 made pursuant to section 684B of the Local Government Act 1974 and in accordance with sections 83, 86 and 156 of the Local Government Act 2002, as contained in the final Annual Plan 2013-2014 be adopted and shall come into force on 1 July 2013.
 6. That the council authorises the Chief Executive Officer to make any necessary minor drafting, typographical or presentation correction to the Annual Plan 2013-2014 prior to the document going to print.
-

Kaipara District Council Rating Policies**Appendix A****Three Instalments**

Rates are payable in four instalments. The due dates (which in future will also be the penalty dates) are as follows:

Instalment Number	Due Date
One	20 August
Two	20 November
Three	20 February
Four	20 May

Twelve Rates Remission: Penalties**Objective**

The objective of this policy is to enable the Council to act fairly and reasonably in relation to penalties applied when rates have not been received by the due date.

Conditions and criteria

- 1 Where the ratepayer meets the payment conditions agreed with the Council to resolve a rates arrears, the Council can remit any part of the penalties already incurred or yet to be incurred.
- 2 The penalties incurred on the first instalment of each financial year will be remitted if the ratepayer pays the total amount of rates due for the year, excluding the penalty on the first instalment, but including any arrears owing at the beginning of the financial year, by the second instalment due date.
- 3 There are extenuating circumstances, such as the loss of records by fire or theft. If the ratepayer stops paying rates then the Council is able to reinstate the penalties.
- 4 The remission will apply from the beginning of the rating period in which the application is approved and may not be backdated to prior years.

Treatment of Penalties on Small Overdue Balances

When a small balance is overdue which is uneconomical to collect, Council staff may write off the balance in line with other Council procedures. Penalties will not be applied in these circumstances.

Sixteen Rates Remission: Transition to averaging Defined Operational Costs relating to Stormwater and Wastewater Activities between Individual Networks and Schemes**Objective**

The objective of this policy is to assist ratepayers who have large increases in rates under the Kaipara District Council's proposed policy to average defined operating costs for stormwater across the existing five stormwater networks and for wastewater services across the existing six wastewater schemes. The proposed policy would expire on 30 June 2015.

Conditions and Criteria

- 1 Average defined operating costs relating to stormwater is defined as, the combined operating costs for the five stormwater networks to be funded by the stormwater targeted rates less interest and depreciation, divided by the total land value for properties connected to the networks.

ITEM: 8.1

Page 6 of 8

- 2 Average defined operating costs relating to wastewater is defined as, the combined operating costs for the six wastewater schemes to be funded by the wastewater targeted rates less interest and depreciation, divided by the number of wastewater charges (connected equivalent) for properties connected and capable of connection to the networks. For 2013/2014, this figure is calculated at \$558.74 (including GST).
- 3 Any unchanged property is defined as a rating unit that compared with the immediately preceding rating year, is unchanged in terms of the information to be used for setting and assessing the rates for the rating unit. The following actions would not constitute a change to the property for the purposes of this policy:
 - a. A valuation change due to the general revaluation
 - b. A change resulting from an objection, or a correction, to the information in the rating database
 - c. A change in value due to a decision from the Rating Valuations Tribunal.
- 4 A rates remission will be automatically applied to any unchanged property that has an increase in rates for stormwater and wastewater combined where the increase is over \$100.00 and more than 20 per cent of the former year's rates.
- 5 The amount of rates to be remitted for any property that meets criterion 4 is the difference between the current and former year's rates for stormwater and wastewater combined less 20 per cent of the former year's rates, provided that the increase is over \$100.00.
- 6 For the purposes of calculating the remission, the current year's rates will be the GST inclusive rates for stormwater and wastewater assessed for the current year, exclusive of any other remission or postponement scheme.
- 7 For the purposes of calculating the remission, the former year's rates will be the GST inclusive rates for stormwater and wastewater assessed for the year immediately preceding the current rating year, exclusive of any other remission or postponement scheme, penalties or arrears.
- 8 For the purposes of calculating the remission, all targeted rates for stormwater and wastewater will be included in both the current year's rates except:
 - a. Wastewater – Mangawhai Capital Contribution A
 - b. Wastewater – Mangawhai Capital Contribution B
 - c. Wastewater – Mangawhai Capital Contribution C
 - d. Wastewater – Mangawhai Capital Contribution D
 - e. Wastewater – Mangawhai Capital Contribution E
 - f. Wastewater – Mangawhai Capital Contribution F
 - g. Wastewater – Baylys (Sunset West Subdivision).

ITEM: 8.1

Page 7 of 8

Seventeen Water Supply Rates Remissions: Excessive Water Rates due to a fault**Objective**

The objective of this policy is to provide relief to ratepayers who have excessive water rates due to a fault (leak) in the internal reticulation serving their rating unit where it is in the Council's interests to do so.

Conditions and criteria**Definitions**

- Remission means the partial or total write-off of monies owed to the Kaipara District Council
- The boundary between the Council maintained water system and the privately maintained water system is taken as being the water meter.

Council may remit the excess water rates where the application meets the following criteria:

- 1 A remission will only be considered where immediate action to repair or minimise water loss is taken on notification. Any remission will only apply up to the date the ratepayer became aware of or was notified of the leak.
- 2 A remission will not normally be granted where the leak is the result of poor workmanship or incorrect installation.
- 3 That all applicants are requested to submit their application in writing, using an 'Excess Water Charges Remission Application Form'.
- 4 That details of the location and the repairs to the reticulation be submitted for verification (e.g. receipt or supplier's invoice) and information supplied showing due diligence in the repair of the leak.
- 5 Any remission under this policy is a "one-off" and any further remissions for subsequent leaks on the same reticulation supply line may only be granted if the full reticulation system is replaced. Where there are special circumstances which prevent this any remission will only be given at the discretion of the General Manager Policy and Governance.
- 6 The General Manager Policy and Governance or Finance Manager will be given delegated authority to consider applications for the remission of any rates in terms of this policy and to approve or decline them as appropriate. This delegated authority does not preclude any application for remission being referred to the Council or a committee of Council if considered appropriate to do so.

Eighteen Policy for Payment of Rates for Subsequent Financial Years**Objective**

The objective of this policy is to assist ratepayers who want to make payment of specified rates (Wastewater - Mangawhai Capital Contribution targeted rates A, D, E and F) in anticipation of liability for the specified rates in subsequent financial years. This policy is made under section 56 of the Local Government (Rating) Act 2002. Its effect is to provide ratepayers with the opportunity to extinguish their liability in relation to the Mangawhai Wastewater Capital Contribution sooner than under the long term rating option, and at a discount to the amount payable over time.

ITEM: 8.1

Page 8 of 8

Conditions and Criteria

Definition: "specified rates" means any one of the following targeted rates:

- Wastewater – Mangawhai Capital Contribution A
 - Wastewater – Mangawhai Capital Contribution D
 - Wastewater – Mangawhai Capital Contribution E
 - Wastewater – Mangawhai Capital Contribution F
- 1 For so long as a Rating Unit is subject to one of the specified rates, the ratepayer may, at any time before the due date for the last instalment of rates payable in that financial year, pay an amount calculated in accordance with this policy to clear the rating unit's liability for the specified rate for all future years.
 - 2 The sum to clear the Rating Unit's liability will equal the original principal amount (excluding GST) applying to that specified rate, less the principal paid (excluding GST), divided by the number of rating units liable for the targeted rate in the financial year (plus GST).
 - 3 In the 2013/2014 financial year, the amount of the payment to clear a Rating Unit's liability will be:

Schedule of Wastewater – Mangawhai Capital Contribution Targeted Rates	Liability per unit if paid in 2013/2014 financial year (GST incl.)
Wastewater – Mangawhai Capital Contribution A	\$8,397.00
Wastewater – Mangawhai Capital Contribution D	\$6,210.50
Wastewater – Mangawhai Capital Contribution E	\$6,728.10
Wastewater – Mangawhai Capital Contribution F	\$7,261.30

- 4 Elections must be in writing and addressed to the General Manager, Policy and Governance or the Finance Manager.
- 5 The Council will credit the payment in accordance with the policy.
- 6 The discount offered by electing to make a payment in accordance with this policy equals the Council's estimate of the cost of interest (plus GST) over the estimated term of the specified rate.

ITEM: 8.2

Page 1 of 10

ISSUE: Rates for Year 1 July 2013 to 30 June 2014**ID:** A544251**To:** Council Meeting, 18 June 2013**From:** Simon Crabb, Finance Manager, and Lisa Aubrey, General Manager - Finance and IT**Date:** 5 June 2013

Summary This paper presents the detail of the rates for the 2013-2014 financial year contained within the Annual Plan 2013-2014 and concludes with a recommendation that the rates be authorised for adoption as authorised by the Local Government (Rating) Act 2002.

Report Type:	<input type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input checked="" type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input checked="" type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input type="checkbox"/> High	<input checked="" type="checkbox"/> Moderate	<input type="checkbox"/> Low

Background:

The Northland Regional Council is scheduled to adopt its Annual Plan 2013-2014 at the council meeting to be held on 18 June 2013. Following the adoption of the 2013-2014 Annual Plan, all formal requirements to resolve the rates for the year ended 30 June 2014 are in place and permit the following resolution to proceed.

Valuations

It should be noted the gross number of units advised to council for the Kaipara district were incorrect. When preparing the final Annual Plan 2013-2014 council has needed to reduce the gross number of Kaipara rating units from 13,911 to 13,057 (2012: 12,760). The targeted council services rate for the Kaipara district has been increased by \$6.62 inclusive of GST from \$100.13 including GST to \$106.75 including GST as a result. There have been no other material changes to the valuations or the total number of rateable properties for the territorial districts.

The rating information databases were made available for public inspection during May 2013.

The full details of the rates calculations and rates collected from each constituent district of the Northland region will be as set out in the table below:

ITEM: 8.2

Page 2 of 10

Table One: Valuations by district (including equalised values)

District	GROSS No. of rating units (Kaipara) or separately used or inhabited parts of rating units (others)	NET No. of rating units (Kaipara) or separately used or inhabited parts of rating units (others)	Capital Value 30 June 2013 \$,000	Land Value 30 June 2013 \$,000	Equalised Capital Value 30 June 2013 \$,000	Equalised Land Value 30 June 2013 \$,000
Far North	35,214	33,687	14,640,452	8,660,240	12,918,296	7,490,848
Kaipara	13,057	12,962	5,943,072	3,559,985	5,672,781	3,316,518
Whāngārei	41,253	39,504	17,379,844	8,934,205	17,379,844	8,934,205
Total	89,524	86,153	37,963,368	21,154,430	35,970,921	19,740,571

Table Two: Council rates 2013-2014 financial year

	Far North District (GST inclusive)	Kaipara District (GST inclusive)	Whāngārei District (GST inclusive)	Total Gross Rates (GST inclusive)	Total Net Rates (GST inclusive)
Targeted Council Services Rate					
Per SUIP	\$93.58			\$3,295,326	\$3,152,429
Per RU		\$106.75		\$1,393,835	\$1,383,694
Per SUIP			\$109.08	\$4,499,877	\$4,309,096
Total				<u>\$9,189,038</u>	<u>\$8,845,219</u>
Targeted Land Management Rate					
Rate per \$ of Actual LV	\$0.0002713			\$2,349,393	\$2,319,049
Rate per \$ of Actual LV		\$0.0002892		\$1,029,637	\$1,026,636
Rate per \$ of Actual LV			\$0.0003159	\$2,822,360	\$2,766,243
Total				<u>\$6,201,390</u>	<u>\$6,111,928</u>
Targeted Northland Regional Recreational Facilities Rate					
Per SUIP	\$5.75			\$202,481	\$193,700
Per RU		\$5.75		\$75,078	\$74,532
Per SUIP			\$28.75	\$1,186,023	\$1,135,740
Total				<u>\$1,463,582</u>	<u>\$1,403,972</u>
Targeted Regional Infrastructure Rate					
Rate per \$ of Actual LV	\$0.0000308			\$266,769	\$266,769
Rate per \$ of Actual LV		\$0.0000332		\$118,111	\$118,111
Rate per \$ of Actual LV			\$0.0000356	\$318,176	\$318,176
Total				<u>\$703,056</u>	<u>\$703,056</u>

ITEM: 8.2

Page 3 of 10

	Far North District (GST inclusive)	Kaipara District (GST inclusive)	Whāngārei District (GST inclusive)	Total Gross Rates (GST inclusive)	Total Net Rates (GST inclusive)
Targeted Rescue Helicopter Services Rate					
Per SUIP	\$8.29			\$291,977	\$279,316
Per RU		\$8.29		\$108,262	\$107,474
Per SUIP			\$8.29	\$342,049	\$327,547
Total				<u>\$742,288</u>	<u>\$714,337</u>
Targeted Whāngārei Transport Rate					
Per SUIP			\$12.78	<u>\$527,069</u>	<u>\$504,723</u>
Targeted Kaitiāia Transport Rate					
Per SUIP	\$15.62			<u>\$93,380</u>	<u>\$91,849</u>
Targeted Awanui River Flood Management Rate					
Far North District Rural				\$128,199	\$126,999
Far North District Urban				\$358,089	\$353,589
Total				<u>\$486,288</u>	<u>\$480,588</u>
Targeted Kaihu River Flood Management Rate					
Kaipara				<u>\$90,404</u>	<u>\$90,404</u>
Targeted Kaeo-Whangaroa Rivers Management Rate					
Far North (Kaeo only)				<u>\$147,868</u>	<u>\$147,868</u>
Targeted Whāngārei Urban Rivers Management Rate					
Whāngārei				<u>\$827,431</u>	<u>\$827,431</u>
Targeted Kerikeri-Waipapa Rivers Management Rate					
Kerikeri-Waipapa				<u>\$222,122</u>	<u>\$217,626</u>
Total Far North District				\$7,355,603	\$7,149,194
Total Kaipara District				\$2,815,326	\$2,800,851
Total Whāngārei District				\$10,522,984	\$10,188,956
Total Rates (including GST)				<u>\$20,693,913</u>	<u>\$20,139,001</u>

Where appropriate, all rates and the quantum of rates revenue must be stated at their GST inclusive sums.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's 2013-14 Annual Plan and as such are in accordance with the council's decision making process and sections 76 to 82 of the Local Government Act 2002. In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because the decision is in accordance with Local Government (Rating) Act 2002 and the Local Government Act 2002.

Recommendations:

1. That the report Rates for Year 1 July 2013 to 30 June 2014 by Simon Crabb, Financial Manager, and Lisa Aubrey, General Manager - Finance and IT, dated 5 June 2013, be received.
2. That the Northland Regional Council resolves to make the following rates as authorised by the Local Government (Rating) Act 2002 for the financial year commencing 1 July 2013 and ending 30 June 2014.

3. Targeted Council Services Rate

A targeted fixed rate as authorised by sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002. The rate is calculated on the total projected capital value, as determined by the certificate of projected valuation, of each constituent district in the Northland region. An additional \$1.73 per separately used or inhabited parts of rating units (SUIP) is to be levied across the Whāngārei constituency to provide funding for the ongoing maintenance needs of the Hātea River channel. The rate is a fixed rate, differentiated by location in the Northland region, and assessed on each separately used or inhabited parts of a rating unit (SUIP) in the Far North and Whāngārei District and on each rating unit (RU) in the Kaipara District. The rate will be set as follows:

	<u>Including GST</u>
Far North District	\$93.58 per SUIP
Kaipara District	\$106.75 per RU
Whāngārei District	\$109.08 per SUIP

4. Targeted Land Management Rate

A targeted rate as authorised by sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002. This rate is assessed on the land value of each rating unit in the region. The rate is set per dollar of the actual rateable land value. The rate per dollar of actual rateable land value is different for each constituent district, as the rate is allocated on the basis of projected land value, as provided for in section 131 of the Local Government (Rating) Act. The rate is set as follows:

	<u>Including GST</u>
Far North District	\$0.0002713 per dollar of land value
Kaipara District	\$0.0002892 per dollar of land value
Whāngārei District	\$0.0003159 per dollar of land value

Alternatively the rate may be stated in dollar terms, i.e. the rate is \$27.13, \$28.92 and \$31.59 per **\$100,000** of land value in the Far North, Kaipara and Whāngārei Districts respectively.

5. Targeted Northland Regional Recreational Facilities Rate

A targeted Regional Recreational Facilities Rate as authorised by sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002. The rate is a fixed rate, differentiated by location in the Northland region. The rate will be assessed on each rating unit (RU) in the Kaipara District and each separately used or inhabited parts of each rating unit (SUIP) in the Far North and Whāngārei Districts. The rate will be set as follows:

ITEM: 8.2

Page 5 of 10

	<u>Including GST</u>
Far North District	\$5.75 per SUIP
Kaipara District	\$5.75 per RU
Whāngārei District	\$28.75 per SUIP

6. Targeted Regional Infrastructure Rate

A targeted rate as authorised by sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002. This rate is assessed on the land value of each rating unit in the region. The rate is set per dollar of the actual rateable land value. The rate per dollar of actual rateable land value is different for each constituent district, as the rate is allocated on the basis of projected land value, as provided for in section 131 of the Local Government (Rating) Act. The rate is set as follows:

	<u>Including GST</u>
Far North District	\$0.0000308 per dollar of land value
Kaipara District	\$0.0000332 per dollar of land value
Whāngārei District	\$0.0000356 per dollar of land value

Alternatively the rate may be stated in dollar terms, i.e., the rate is \$3.08, \$3.32 and \$3.56 per **\$100,000** of land value in the Far North, Kaipara and Whāngārei Districts respectively.

7. Targeted Rescue Helicopter Services Rate

A targeted Rescue Helicopter Services Rate as authorised by sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002. The rate is a fixed rate assessed on each separately used or inhabited parts (SUIP) of each rating unit in the Far North and Whāngārei Districts and each rating unit (RU) in the Kaipara District. The rate is set as follows:

	<u>Including GST</u>
Far North District	\$8.29 per SUIP
Kaipara District	\$8.29 per RU
Whāngārei District	\$8.29 per SUIP

8. Targeted Whāngārei Transport Rate

A targeted rate as authorised by sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002. The rate is a fixed rate charge assessed on each separately used or inhabited parts of each rating unit in the Whāngārei District. The rate is set as follows:

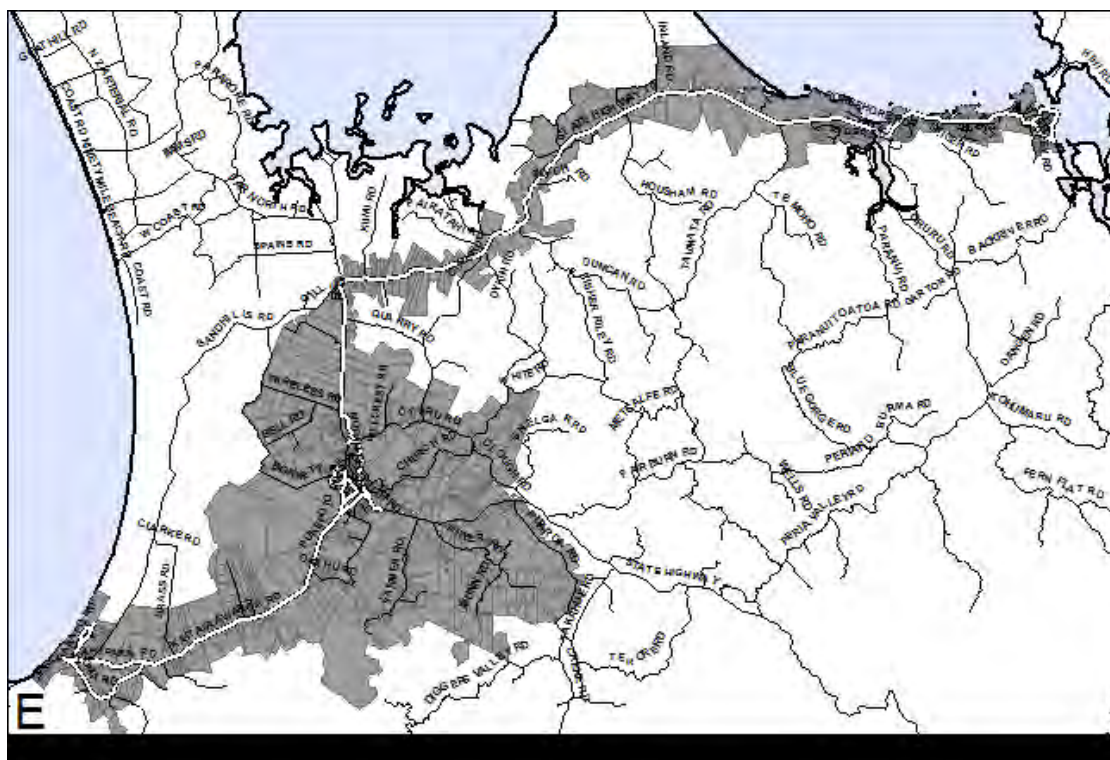
	<u>Including GST</u>
Whāngārei District	\$12.78 per SUIP

9. Targeted Kaitāia Transport Rate

A targeted rate as authorised by sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002. The rate is a fixed rate charge and is assessed on each separately used or inhabited parts of each rating unit located near the Kaitāia bus route. These rating units are identified in the map below:

ITEM: 8.2

Page 6 of 10



The rate is set as follows:

Far North District (Kaitiāia only)

Including GST
\$15.62 per SUIP

10. Targeted Awanui River Flood Management Rate

A targeted rate set under sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002, assessed and set differentially by location and area of benefit as defined in the Awanui River Flood Management Plan, are as follows:

- | | <u>Including GST</u> |
|--|-----------------------------|
| a) Urban rate class UA (floodplain location) \$128.11 direct benefit plus \$12.81 indirect benefit, total per each separately used or inhabited parts of a rating unit: | \$140.92 |
| b) Urban rate classes UF (higher ground) \$12.81 direct benefit plus \$12.81 indirect benefit, total per each separately used or inhabited parts of a rating unit: | \$25.62 |
| c) Commercial differential factor: | 3.0 |
| d) Rural rate differentiated by class, \$7.88 per each separately used or inhabited parts of a rating unit of indirect benefit plus a rate per hectare for each of the following classes of land in the defined Kaitiāia flood rating district as stated in the Awanui River Asset Management Plan: | \$7.88 |

ITEM: 8.2

Page 7 of 10

Class	Description	<u>Rate per Ha</u> <u>Including</u> <u>GST</u>
A1/A2	Maximum benefit; peat basins, low-lying reclaimed tidal areas and alluvial land at risk from frequent ponding and flooding:	\$16.24
B1/B2	High benefit land subject to floodwater flows but not ponding as floods recede:	\$12.18
C	Moderate benefit; land floods less frequently and water clears quickly:	\$8.12
E	Land in flood ways and ponding areas that receive no benefit and land in native bush that performs watershed protection function:	Nil
F	Contributes runoff waters and increases the need for flood protection:	\$0.65

11. Targeted Kaihu River Flood Management Rate

A targeted rate set under sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002, and assessed and set differentially by location and area of benefit and defined in the Kaihu River Management Plan are as follows:

	<u>Including GST</u>
a) Class A - \$25.62 per hectare of land on the floodplain and side valleys downstream of Rotu Bottleneck:	\$25.62
b) Class B - \$12.81 per hectare of land on floodplain and tributary side valleys between Ahikiwi and Rotu Bottleneck:	\$12.81
c) Catchment Rate – \$1.92 per hectare of land within the Kaihu River rating area:	\$1.92
d) Urban Contribution – annual contribution from the Kaipara District Council instead of a separate rate per property:	\$5,694.00 pa

12. Targeted Kaeo-Whangaroa Rivers Flood Management Rate

A targeted rate set under sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002, set and assessed on a uniform basis in respect of each separately used or inhabited parts of rating units falling within the former Whangaroa Ward (falling between rating rolls 100-199), will be levied as follows:

	<u>Including GST</u>
Former Whangaroa Ward	\$74.53

ITEM: 8.2

Page 8 of 10

13. Targeted Whāngārei Urban Rivers Management Rate

A targeted rate set under sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002, differentiated by location (see maps below) and category and set as a fixed amount assessed on each separately used or inhabited parts of each rating unit.

Whāngārei CBD flood area:



Contributing water catchments in Whangarei Urban Rivers Management scheme:



ITEM: 8.2

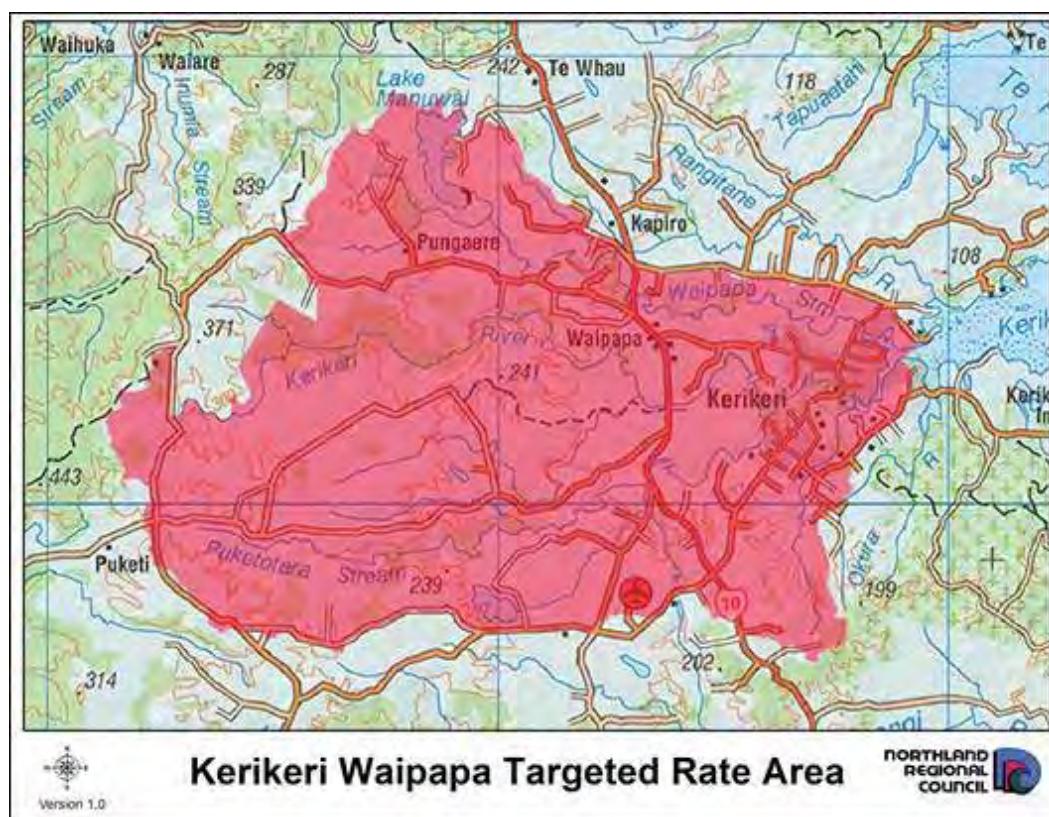
Page 9 of 10

The rate is set as follows:

- | | <u>Including GST</u> |
|--|-----------------------------|
| a) Commercial properties located in the Whāngārei CBD flood area: | \$274.37 per SUIP |
| b) Residential properties located in the Whāngārei CBD flood area: | \$104.28 per SUIP |
| c) Residential and commercial properties located in the contributing water catchment area (includes all those properties falling in the Waiarohia, Raumanga, Kirikiri and Hātea River catchments): | \$36.77 per SUIP |

14. Targeted Kerikeri-Waipapa Rivers Management Rate

A targeted rate set under sections 16 to 18 and Schedules 2 and 3 of the Local Government (Rating) Act 2002, set and assessed on a uniform basis in respect of each separately used or inhabited parts of rating units for properties identified in the map below as contributing catchments within the Kerikeri-Waipapa area.



The rate is set as follows:

- | | <u>Including GST</u> |
|-----------------------------------|-----------------------------|
| Kerikeri – Waipapa catchment area | \$49.96 per SUIP |

ITEM: 8.2

Page 10 of 10

15. Rating powers delegated to constituent local authorities

The Far North District Council, the Kaipara District Council and the Whāngārei District Council are hereby delegated powers to discount, remit and add penalties to the regional rates resolved herein, as described in resolution 16, and to act as the authorised agent of the Northland Regional Council for approving rates relief under the separate policies included in the Northland Regional Council Rating Policies adopted for the year commencing 1 July 2013.

16. Payment dates for rates, discount and additional charges

The dates and methods for the payment of instalments of rates and any discount and/or additional charges applied to the regional rates shall be the same as resolved by the Far North District Council, the Kaipara District Council and the Whāngārei District Council and shall apply within those constituencies of the Northland region. Penalty rates are GST exclusive.

An additional charge of ten per cent (10%) will be applied to all Whāngārei District Council constituency rates on 2 September 2013 for the previous rating year remaining unpaid as at 1 July 2013. An additional penalty of 10% will be added to each instalment or part thereof for the current year which remains unpaid after the due date for payment.

An additional charge of ten per cent (10%) will be applied to all Far North District Council constituency rates for previous rating years remaining unpaid after 1 September 2013 and a further charge of ten per cent (10%) will be applied to rates remaining unpaid as at 1 March 2014. An additional penalty of 10% will be added to each instalment or part thereof for the current year which remains unpaid after the due date for payment.

An additional charge of ten per cent (10%) may be applied to all Kaipara District Council constituency rates for the previous rating year remaining unpaid after 1 July 2013 and a further charge of ten per cent (10%) may be applied to rates remaining unpaid as at 1 January 2014. An additional penalty of 10% may be added to each instalment or part thereof for the current year which remains unpaid after the due date for payment.

Pursuant to section 53 of the Local Government (Rating) Act 2002, the regional rates are collected by the territorial authority for the district in which the land is situated. The territorial authorities whose districts are in the district of the Northland Regional Council are the Far North District Council, the Kaipara District Council and the Whāngārei District Council.

ITEM: 8.3

Page 1 of 2

ISSUE: Northland Inc. Directors – Terms and Rotation**ID:** A545224**To:** Council Meeting, 18 June 2013**From:** Malcolm Nicolson, Chief Executive Officer**Date:** 7 June 2013

Summary The purpose of this report is to confirm with council a policy on the terms for directors of Northland Inc. Limited, including a requirement to modify the initial directors' terms. It concludes with the recommendation that the policy is adopted and implemented by the Chief Executive Officer.

Report Type:	<input type="checkbox"/>	Normal operations	<input type="checkbox"/>	Information	<input checked="" type="checkbox"/>	Decision
Purpose:	<input type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input type="checkbox"/>	Legislative function	<input type="checkbox"/>	Annual\Long Term Plan	<input checked="" type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	High	<input type="checkbox"/>	Moderate	<input checked="" type="checkbox"/>	Low

Discussion:

The desirability of having a formal rotation policy for directors of Northland Inc. Limited was discussed at a council workshop on 21 May 2013. Council indicated in principle that it wanted to develop a formal rotation policy. Three years is considered an appropriate term for a directorship, with an expectation of one reappointment for a further term. A regular rotation of retirements to foster new inputs to the board is also recommended.

To achieve this, the terms of the current directors need to be modified and a clear process for rotation and removal needs to be put in place.

It is noted that under the Constitution of Northland Inc. Limited, directors have indefinite terms, but can be removed from office at any time by written notice from the council as shareholder.

Legal compliance and significance assessment:

The activities provided for in this report comply with section 157 of the Companies Act 1993 and clause 18 of the Constitution of the Company. The matters contained in and addressed by the report are part of normal council operations and not regarded as significant under council policy.

Recommendations:

-
1. That the report "Northland Inc. Directors – Terms and Rotation" by Malcolm Nicolson, Chief Executive Officer, dated 7 June 2013, be received.
 2. That the council adopt as policy that directors of Northland Inc. Limited should generally have terms of three years with an expectation of one

ITEM: 8.3

Page 2 of 2

reappointment for a further term of three years; subject to council being satisfied with their performance then and at all times.

3. That, subject to paragraph 4, no director may hold office for more than a total of six years whether or not consecutively.
 4. That it may be appropriate to vary the policy in exceptional circumstances where directors have vacated office otherwise than in accordance with their anticipated rotation; but such situations are anticipated to be rare and will be addressed when they arise.
 5. That it is undesirable to change all directors at once and therefore a variation to the policy in paragraphs 2 and 3 is needed to establish an initial rotation.
 6. That the Chief Executive Officer gives effect to the decision in paragraph 5:
 - (a) by identifying a schedule of initial terms for the current directors to establish the required rotation;
 - (b) by giving written notice to Northland Inc. Limited in accordance with clause 18(a) of its Constitution of the schedule; and
 - (c) by giving notice to each director of the schedule.
-

ISSUE: Remit Proposal – Local Government New Zealand Annual General Meeting July 2013

ID: A541864

To: Council Meeting, 18 June 2013

From: Chris Taylor, Council Secretary

Date: 23 May 2013

Summary This report seeks council agreement to support a remit proposed to the Local Government New Zealand Annual General Meeting seeking a place for local government in the Constitution Act.

Report Type:	<input type="checkbox"/>	Normal operations	<input type="checkbox"/>	Information	<input checked="" type="checkbox"/>	Decision
Purpose:	<input type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input type="checkbox"/>	Legislative function	<input type="checkbox"/>	Annual\Long Term Plan	<input checked="" type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	High	<input type="checkbox"/>	Moderate	<input checked="" type="checkbox"/>	Low

Background:

Local Government New Zealand (LGNZ) will hold its Annual General Meeting (AGM) on 22 and 23 July 2013 in Hamilton. The council delegates attending the AGM are Chairman Brown, the Chief Executive Officer and Councillors Bain and Hunt. Remits to be presented at the AGM were called for earlier in the year and the process for remits is governed by the Local Government New Zealand Remit Policy (**Attachment A**).

There is currently significant reform occurring throughout the local government sector, for example in the Better Local Government package and legislative changes and as demonstrated by the reorganisation applications being considered by the Local Government Commission. Despite this reform the constitutional importance of local government to the nature of New Zealand's democratic arrangements remains largely unstated. The government has established the Constitutional Advisory Panel to consider the potential opportunities for constitutional reform in New Zealand. This provides an opportunity to clearly articulate the role of local government as part of New Zealand's constitutional arrangements.

Wellington City Council (WCC) has circulated a policy remit based on its paper "Local Government - A Place in our Constitution" (**Attachment B**). It proposes that delegates to the LGNZ AGM support the following:

- i. That Local Government New Zealand will seek to promote an amendment to the Constitution Act 1986 that gives constitutional expression to local government; and
- ii. That local government – its essential place and significance – be reflected in any constitutional arrangements for New Zealand that may emerge out of the current constitutional review process.

(The detail on how this remit would be translated into New Zealand's constitutional arrangements would be developed following successful adoption of the remit by the AGM, and put forward in an LGNZ submission to the Panel.)

ITEM: 8.4

Page 2 of 2

WCC submitted the remit to LGNZ with the support of the following councils:

- Far North District Council
- Porirua City Council
- Dunedin City Council
- Carterton City Council
- South Wairarapa District Council
- Masterton District Council.

While the remit has been submitted, WCC is seeking further expressions of support prior to the AGM. The remit and supporting reasoning in the paper “Local Government - A Place in our Constitution” accords with and supports council’s own position on the place of local government within New Zealand’s democratic arrangements, particularly as recently expressed in its submission on the Local Government Amendment Bill 2012 and in its alternative application to the Local Government Commission. It is therefore recommended that a letter be sent to WCC affirming council’s support for the remit. Furthermore, the matter will be formally voted on at the AGM and it is recommended that the council’s delegates to the AGM be authorised to vote in favour of the remit.

Legal compliance and significance assessment:

The activities detailed in this report are in accordance with the council’s decision making process and sections 76-82 of the Local Government Act 2002.

Officers have considered the significance of the matter, taking into account the council’s significance policy. This matter is considered of low significance.

Recommendations:

-
1. That the report “Remit Proposal – Local Government New Zealand Annual General Meeting July 2013” by Chris Taylor, Council Secretary, dated 23 May 2013, be received.
 2. That Northland Regional Council send a letter to the Wellington City Council confirming Northland Regional Council’s support for the policy remit on local government’s place in the New Zealand Constitution.
 3. That the Northland Regional Council authorises its delegates at the Local Government New Zealand Annual General Meeting (Chairman Brown, the Chief Executive Officer and Councillors Bain and Hunt) to vote in favour of the policy remit on council’s behalf.
-

LOCAL GOVERNMENT NEW ZEALAND REMIT POLICY

The criteria for considering remits were reviewed in March 1999 and National Council adopted the following Remits Screening Policy:

1. Remits must be relevant to local government as a whole rather than exclusively relevant to a single zone or sector group (or an individual council.)
2. Remits should be of a major policy nature (constitutional and substantive policy) rather than matters that can be dealt with by administrative action.
3. Remits must have formal support from at least one zone or sector group meeting, or five Councils, prior to their being submitted, in order for the proposer to assess support, clarity of the proposal etc.
4. Remits defeated at the AGM in two successive years will not be permitted to go forward.
5. Remits will be assessed to determine whether the matters raised can be actioned by alternative, and equally valid, means to achieve the desired outcome.
6. Remits that deal with issues or matters currently being actioned by LGNZ may also be declined on the grounds that the matters raised are "in-hand." This does not include remits that deal with the same issue but from a different point of view.
7. Remits must be accompanied by background information and research to show that the matter warrants consideration by delegates. Such background should show:
 - the nature of the issue
 - the background to its being raised
 - the issue's relationship, if any, to the current Work Programme and its objectives
 - the level of work, if any, already undertaken on the issue by the proposer, and outcomes to date
 - the outcomes of any zone or sector meetings which have discussed the issue
 - suggested actions that could be taken by LGNZ should the remit be adopted.

Process

Under the remits process:

- a remits committee (comprising the President, Vice Presidents and chief executive) is to be formed to review and assess proposed remits against the criteria described in this policy
- to allow time for the remits committee to properly assess remits, all proposed remits and accompanying information are forwarded to LGNZ within two months prior to the AGM

- prior to their assessment meeting, the remits committee will receive a staff report on each remit. The reports will assess each remit against the criteria outlined in this policy
- proposers whose remits fail to meet the tests imposed by this policy will be informed prior to the AGM of the Committee's decision, alternative actions available, and the reasons behind the decision.

To ensure quality preparation for members' consideration at the AGM, the committee will not consider or take forward proposed remits that do not meet this policy, or are received after the due date.

General

Remits discussed at the AGM will be presented in the AGM Business Papers that will be with delegates not later than 2 weeks before the AGM, as required by the Rules.

**ITEM: 8.4
Attachment B****Local Government – A Place in our Constitution**

*Remit Proposal – Wellington City Council
Local Government New Zealand Annual General Meeting
July 2013*

Ahead of the Local Government New Zealand Annual General Meeting in Hamilton in July this year, Wellington City Council proposes a policy remit for consideration by delegates. The remit proposes the addition of a statement that “there shall be local government” in the Constitution Act 1986.

Wellington is the home of New Zealand’s democracy and it is fitting and proper that Wellington City Council should propose a simple but symbolically significant amendment to the Constitution Act.

This White Paper presents for discussion a proposal to amend the Constitution Act to give local government a place in New Zealand’s democratic governance arrangements. This paper proposes that regardless of the extent to which local government is responsible for delivering services and activities, the nature of local government as a crucial part of our constitutional framework is undeniable.

Local government is addressing change in the environment in which it operates. Changes in how Auckland’s local government arrangements are organised, amended legislation opening the door to more change, the Better Local Government framework all set out new horizons for the local government sector.

These challenges will be met and local government will continue to be responsible for billions of dollars worth of activity in our economy. Local government will continue to build our towns and cities and work constructively to reflect the aspirations New Zealanders have for the kinds of towns, cities and regions we wish to live in and leave for generations to follow.

This paper proposes that an amendment to the Constitution Act is a hugely symbolic gesture towards reflecting the kind of democracy that New Zealand is, a place where free and open elections allow us to elect our leaders and to make decisions directly affecting the things we can touch, see and feel in our daily lives.

New Zealanders are currently engaging in a conversation about the future of our constitution. This is the appropriate time to have fully reflected the structures that support and protect our democratic traditions.

Remit Proposal

1. Wellington City Council (WCC) proposes that delegates to the Local Government New Zealand (LGNZ) Annual General Meeting support the following remit:

That Local Government New Zealand will seek to promote an amendment to the Constitution Act 1986 inserting a new Part 5:

Local Government

- *There shall continue to be Local Government.*
- *That Local Government shall be the same as referred to in the Local Government Act 2002 as territorial, regional or unitary council bodies.*
- *That Local Government in the form of territorial, regional or unitary council bodies be regarded as always in existence, notwithstanding that local government bodies may have been dissolved or expired.*
- *That Local Government, in the form of territorial, regional or unitary council bodies shall have as their members those persons who are elected from time to time in accordance with the Local Electoral Act 2001.*

Background

Constitutions

2. A constitution, in whatever form it takes, is a moral covenant between a government and its people. Regardless of the form of any constitutional arrangements, the protection of certain rights, freedoms, and obligations are the terms of agreement between a people, who delegate power and a government who may execute those delegations.
3. The Cabinet Manual says:

A constitution is about public power, the power of the state. It describes and establishes the major institutions of government, states their principal powers, and regulates the existence of those powers in a broad way. While all constitutions have these general characteristics, each constitution is affected by the national character of the state it services.¹

¹ Cabinet Manual, Introduction, "On the Constitution of New Zealand: An introduction to the foundations of the current form of government", Rt Hon Sir Kenneth Keith, 1990, updated 2008 - <http://cabinetmanual.cabinetoffice.govt.nz/node/68>

4. Perhaps the most famous written constitution, establishing the tradition of a true agreement between a people and their government and the ascribing of certain powers, rights and freedoms, is that of the United States:

We the People of the United States, in order to form a more perfect Union, establish Justice, insure domestic Tranquillity, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.²

5. That constitution, while arguably imperfect, does exemplify the very nature of constitutions. That they are enduring, they are principled and importantly, they set out the nature of the democracies they define. Constitutions form a trust and set out the principled expectations by citizens for those they elect as leaders.
6. The form and function of government is also legally entrenched. Constitutional amendments are not only rare and significant, but require a “super-majority vote”. The process of amending the US Constitution requires the House of Representatives and the Senate by a two-thirds majority, a joint resolution, to amend the constitution that is then ratified directly by each state in the Union.

The New Zealand Context

7. Unlike most modern democracies, New Zealand does not retain a codified constitution. In both countries, constitutional arrangements are found within a range of legal documents, the decisions of the court and enduring constitutional conventions. While there is a view that New Zealand must form a written constitution, it is clear that a constitution can exist, and endure, without necessarily being written in a single place.
8. In New Zealand, the documents in which our constitutional arrangements are considered to be vested are not superior law, no super-majority is required to amend and there are no special requirements for amendment to those legislative Acts other than simple majority.
9. The major sources making up the constitutional arrangements of New Zealand include:
 - Constitution Act 1986
 - Electoral Act 1993
 - New Zealand Bill of Rights Act 1990
 - State Sector Act 1988
 - Judicature Act 1908
 - Official Information Act 1982
 - Ombudsmen Act 1975
 - Public Finance Act 1989
 - Treaty of Waitangi
 - The Prerogative Powers of the Queen.

² Preamble to the Constitution of the United States of America

10. Some important decisions by New Zealand courts and conventions of the constitution which in practice regulate, control and in some cases transform the use of legal powers arising from the prerogative powers help to protect and enhance the democratic character of our constitution.
11. This paper doesn't seek to expose a view on whether New Zealand should have a single written constitution or not. Rather, this paper seeks to address the nature of local government within the constitutional framework New Zealand has now and may have in future.
12. Those things said, it is crucial to be clear about the way in which New Zealand's constitution is arranged and the tenor of those arrangements. It is that New Zealand will be democratic, that it will be incorrupt and that leaders will act in the best interests of citizens.

The Nature of Democracy in New Zealand

13. The quality of New Zealand's democratic arrangements is the aspect this paper is concerned with. While a democracy is largely identifiable by free and open elections, a democracy must also give citizens opportunities to participate in decision-making.
14. The quality of New Zealand's democracy is strengthened by the checks and balances that empower citizens with tools to act against abuses of power and against decision-making that are over extensions of executive or other powers.
15. New Zealand's democracy is punctuated by a tradition of the exercise of power through an elected Parliament, an impartial and independent judiciary, a free press, access to government information, protection of individual rights and freedom from corruption.
16. The exercise of decision-making power in New Zealand is on the basis of making decisions as close as possible to the communities those decisions may affect and that decisions should be made by the most competent body with sufficient mandate.
17. The existence and function of local government contributes to New Zealand's robust democratic tradition. In its submission to the Constitutional Arrangements Committee in 2005, Local Government New Zealand had cause to quote Richard Mulgan who states:

...if democracy is to do with self government, the control of one's own life and environment, then the most important area of control is the most immediate environment, the locality in which one lives. Home and neighbourhood should take precedence over the wider and more remote units of region, state or nation.³

18. New Zealanders enjoy high quality representation from elected Members of Parliament with 1 representative to around every 55,000 New Zealanders. In addition, New Zealanders elect non-electorate-based MPs who contribute to representation that is further reflective of New Zealand's ethnic and demographic diversity.

³ Mulgan, "Democratic Theory, Devolution and Accountability" ed Martin and Harper, 1988.

19. The existence of local government is in the nature of establishing democratic representation closer to the point of impact and influence. It is reflective of an enduring desire of those in free and democratic societies to influence decision-making that has a real and direct impact on the environment in which they live.

Government that is Local

20. The provision of local governance and civil society mechanisms through which citizens can then have their concerns and values expressed is fundamental to the way New Zealanders expect their democracy to operate. Regardless of the scope of activities for which local government has upon which to focus, that it is part of the democratic apparatus is key:

...local government is the prime element in democracy and has an intrinsic value regardless of the functions it may carry out.⁴

21. That it makes decisions exerting some control on “*ones own life and environment*”, that it is truly government which is *local*, it possesses the virtues of being fundamental to the make up of our democratic governance. Undeniably, democratic governance is the ultimate system to ensure citizen participation in decision-making, it demands participation by virtue of electing leaders and then holding them to account.
22. By providing local government structures that distribute their resources in an equitable, transparent and accountable way, democratic governance increases access to services by citizens⁵. In addition to that access, citizens are also afforded a system that allows them to tailor those services to suit the needs of the home and neighbourhood in addition to or even in spite of the views of a central government.
23. In this respect, local government acts as a check and balance against the priorities of an elected central government which, in New Zealand, is subject to party politics. The nature of local government in New Zealand, to be driven largely in a committee style, enables a truer reflection of local preferences and aspirations.
24. The extent to which local government in New Zealand is empowered through decentralization of function, creates local structures that can make decisions and distribute services and resources independent of a central government and more responsively. This is most especially so given local government’s ability to raise its own revenue.
25. Clearly, the advantage of democratic governance more broadly is in its ability to reduce disparity and provide equality of opportunity away from the “tyranny of the majority”⁶ as James Madison wrote. That is keenly enabled by the existence local government with its connections to both the area over which there is jurisdiction but similarly its ability to distribute resources to reflect much more local preferences.

⁴ “Representative Government”, John Stewart Mill, 1861

⁵ “Democracy, Governance and Development: A Conceptual Framework”, Cheema and Maguire, United Nations Development Programme

⁶ “The Federalist” (No.10), James Madison, 1787

The Nature of Local Government

The Constitution Act

26. The principal statement of New Zealand's constitutional framework is the Constitution Act 1986. The Act itself is stunning in simplicity and sets out the establishment of:
- The Sovereign as Head of State
 - That there shall be a Parliament with an executive and a legislature
 - That there shall be an independent Judiciary.
27. Each of the institutions has a role to play and core functions that can overlap, but they also provide a check and balance upon each other. The question of the place of Local Government arises here. Local Government is not set out in the Constitution Act, but should it be?

The Nature of Parliament

28. At its most fundamental, Parliament can be described by the following key characteristics:
- Its Members are elected
 - It may pass law
 - It may raise revenue.
29. While, more broadly, the characteristics of Parliament can be far more exhaustively defined, the true nature of Parliament is defined by these key elements. It is fitting, of course, that Parliament's place in our constitutional arrangements is clearly set out in our principal constitutional Act.
30. When reviewing the basest elements of Parliament, we consider now the core characteristics of local government:
- Its Members are elected
 - It may pass regulation
 - It may raise revenue.
31. This paper considers that the core characteristics of both Parliament and Local Government are the same. The mandate to act according to the legislative provisions that define the functions of local government on the basis of free and democratic elections is the same.
32. The ability to impose rates is accepted in return for the appropriate delivery of services where measures of public consultation, consideration and transparency are the same. And, that citizens delegate the power of representative decision-making and the creation of regulations that are both abided by and/or enforced, are the same.

33. There is no other apparatus of New Zealand's framework of government that shares these core characteristics with Parliament. The very name *Local Government* is an indication of its status in our communities. It is a form of government consistent with the traditions of New Zealand's robust representative democracy. It is truly government that is local.

The Place of Local Government

The Local Government Environment – The Challenge of Change

Auckland

34. On 9 December 2009, the government introduced the first major piece of local government legislation in over ten years with the Local Government (Auckland) Act. For the first time in its history, Auckland was about to be governed by one council.
35. When the Auckland Act became law in 2010, 8 councils would become one, Auckland was to have one Mayor and Auckland would be set to elect 20 Councillors to a new Auckland Council.
36. This is the most significant change to the local government landscape since large scale reforms were undertaken in 1989. There were and continue to be a wide range of views about whether reform was necessary to the structure of Auckland's local government arrangements to address a range of apparent issues, most importantly Auckland's transport challenges.

Better Local Government

37. In March 2012, the government sent strong signals that reforms in Auckland were to be viewed as a compass for the local government sector. The government's broad strategy is called *Better Local Government*.
38. Better Local Government makes reorganisations easier and encourages a more strategic regional view. Better Local Government asks local government to be more effective with its resources and to think about the long term with clear, simple and easily accessible plans.
39. The first four points were part of a work programme which culminated in the first piece of legislation which was passed in December 2012. The Act provides for:
- A new purpose statement
 - New financial prudence requirements
 - Changes to the way councils are governed
 - Changes to the process for reorganising local government.

40. The new purpose statement and the changes to the reorganisation process came into effect as soon as the Act was passed. The changes to the governance arrangements also came into effect with the passing of the Act, except for new mayoral powers which apply from the October 2013 elections.
41. The financial prudence requirements are to be set by regulation. The work to develop those regulations is underway, in consultation with Local Government New Zealand.
42. Work is also underway on the second phase of the reform programme which now consists of six streams of work after Government added points five and six since the announcement was made in March.
 - An efficiency taskforce
 - An expert advisory group on local government infrastructure efficiency
 - A review of development contributions
 - A framework to guide the allocation of regulatory roles between local and central government
 - Investigation of a dual or two-tiered governance model for local government
 - Development of options for a performance framework for local government.
43. Following Auckland and the release of Better Local Government, the Local Government Act 2002 Amendment Bill was released. Government then passed new law that changed the local government sector in line with what has happened in Auckland.
44. Importantly, the Local Government Commission who makes decisions about whether reorganisations should happen or not will have more scope. This means anyone with strong community support will be able to apply to reorganise local government in their area. In addition, the Local Government Commission has new criteria that encourage a regional view, a regional voice and simplified strategic regional planning.

Lingering Question

45. So, while the functions of local government may be applied with some flexibility, the nature has, does and will continue to endure. It is not proposed in this paper that local government is under threat. This paper doesn't propose that the changing focus or drive towards what local government should *do* is diminishing its role within our constitutional arrangements.
46. Rather, as discussed earlier and while important, the extent to which local government is empowered to make decisions and be government that is local is perhaps irrelevant to the question of whether or not it is reflected within our constitutional arrangements in the first place.

47. However, while significant reform is being undertaken throughout the local government sector, the importance of local government, the constitutional importance of local government to the nature of New Zealand's democratic arrangements remains largely unstated.
48. With that said, it is the position of this paper that it is the character of local government rather than its function that gives rise to its importance to our constitutional arrangements and the nature of our democracy.
49. The local government sector is predominantly guided by the Local Government Act 2002 (the LGA). It is not the position of this paper to propose amendments to the scope of activities that local government is empowered to undertake, more it is the simple recognition that local government is fundamental to the democratic governance arrangements of New Zealand.
50. As is the case with all legislation in New Zealand, the LGA is neither superior nor entrenched legislation; it is a piece of legislation that remains open to reform by a simple majority in New Zealand. This paper does not advocate the entrenchment or otherwise of the LGA or any other Act of Parliament, again the focus here is to ask whether New Zealanders would expect a key aspect of its democratic governance arrangements to be reflected in legislation addressing the form of those arrangements.
51. The manner in how local government works, the systems and structures that support it, the mechanisms drawn upon to ensure the necessary transparency and accountability are arguably important and necessarily open to change by Parliament.
52. With that being said, there is an important and lingering question about the place of local government in New Zealand and whether local government as a fundamental aspect of New Zealand's democratic arrangements should be more clearly defined as part of our constitutional arrangements.
53. The Constitution Act 1986 does not currently include a reference to there being local government in New Zealand. While the Constitution Act, like other significant Acts considered to be part of New Zealand's constitutional arrangements is not entrenched or considered superior law, they are Acts to which our courts and Parliament pay deference to.
54. While it is reasonable to conclude that New Zealanders would vehemently oppose any apparent political will to disestablish local government, it is likewise not sufficiently recognised in our constitutional arrangements and we believe that it should be.

Change to the Constitution Act – What it means

55. The current structure of the Constitution Act is as follows:

- Part 1 – The Sovereign
- Part 2 – The Executive
- Part 3 – The Legislature
- Part 4 – The Judiciary
- Part 5 – Miscellaneous Provisions

56. In simple terms, the Constitution Act sets out what apparatus will be in place, the fundamental mechanisms that are designed to deliver, protect, and maintain our democratic governance.
57. The Act provides that, for example, there shall be a Parliament of New Zealand, not the way in which its Members will be elected, the way in which it will conduct its business, or the Officers it will establish the rules under which law will be made.
58. The Act provides that, for example, there shall be an independent judiciary, not the way in which judges are appointed, the rules for conducting the courts over which they preside or the manner in which courts will consider the matters before them.
59. As discussed in this paper, the nature of local government is that it empowers citizens to engage in democracy, it is a tool through which democracy is delivered, strengthened and protected. Its absence from our constitutional framework is conspicuous.
60. An amendment to the Constitution Act is a hugely symbolic recognition of the fact that New Zealand's long tradition of democracy is comprised not only of a strong and stable central government but also of local government that has built our towns and cities and continues to represent our local preferences.

Conclusion

61. Local government provides an avenue for popular participation in representative decision-making. It is in our nature to want our homes and neighbourhoods to reflect our aspirations for the kind of New Zealand in which we wish to live.
62. Local government allows us to exert control over the aspects of democratic governance we can see and touch on a daily basis, those things in our lives that we see, touch and feel every day.
63. Local government, regardless of the extent to which it is empowered to undertake activities and to make decisions is fundamental to the kind of democratic governance we wish for ourselves.
64. We believe that recognition of the place of local government is vital to protecting its enduring importance as a fundamental characteristic to how New Zealanders wish to govern ourselves.
65. We support Government's establishment of a Constitutional Review Panel to consider such matters and urge the local government sector to support this remit. Further, we urge Wellingtonians and other New Zealanders to support this initiative in order to fully reflect the nature of our democratic governance.

ITEM: 8.5

Page 1 of 3

ISSUE: Solar Photovoltaic Array to Save Electricity Costs**ID:** A544534**To:** Council Meeting, 18 June 2013**From:** Joseph Camuso, Rivers Programme Manager**Date:** 19 May 2013

Summary The purpose of this report is to inform council on investing in a solar photovoltaic array to offset the council's electricity usage. The council's office at Water Street consumes approximately \$11,000 worth of electricity per month. The paper concludes with the recommendation that the council invests in an 18.5 kW solar PV array at a cost of \$51,430, with a payback period of 10 years and useful life of over 25 years.

Report Type:	<input checked="" type="checkbox"/>	Normal operations	<input type="checkbox"/>	Information	<input checked="" type="checkbox"/>	Decision
Purpose:	<input checked="" type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input type="checkbox"/>	Legislative function	<input type="checkbox"/>	Annual\Long Term Plan	<input checked="" type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	High	<input type="checkbox"/>	Moderate	<input checked="" type="checkbox"/>	Low

Background:

The Northland Regional Council (NRC) Water Street building consumes approximately \$11,000 worth of electricity per month. An 18.5 kW solar PV array would generate approximately 10% of NRC's electricity demand between working hours. The solar array would cost approximately \$51,430 and have a payback of between eight to 10 years. The useful life of the system is expected to be a minimum of 25 years and like any other capital improvement become part of the building (i.e. like a new air conditioning system).

Discussion:

Staff have obtained quotes from three solar photovoltaic companies for 10, 18.5 and 28.75 kW arrays (the preferred quote is listed below). For example a 10 kW solar array would cost approximately \$30,000 dollars (ex GST). This array would save the council approximately \$3,000 dollars per year and would have a payback period of approximately 10 years (however, staff did not factor price increases or decreases for electricity) see table below.

Quotes on Solar PV Arrays			
kW (rated kW size)	10	18.5	28.75
Quoted cost (ex GST)	\$29,995	\$51,430	\$79,925
Watts (rated watts)	10000	18500	28750
Cost for array installed (\$/Kw)	\$3.00	\$2.78	\$2.78
Amount of kW units/pa	13690	25327	39359
Cost of kW (\$/kW) Mercury Energy and Northpower	\$0.22	\$0.22	\$0.22
Amount saved per year	\$3,012	\$5,572	\$8,659
Pay back/ (years)	9.96	9.23	9.23

ITEM: 8.5

Page 2 of 3

The solar array could be mounted on the main roof or lab and lower roofs (see photo below of the Wellsford Library).



Photo 1 Auckland Council 30 kW solar array - Wellsford Library Feb 2013.

Benefits:

- Electricity generated from the solar array would be used on site by the NRC to offset electricity demand coming into the building.
- Proactive and progressive: buying futures in electricity at approximately \$0.12 per kW over 20 years.
- Example of an investment that is good for the environment.
- The inverter connecting the solar array to the mains can monitor the production from the array and display this at reception (i.e. "The NRC solar array is currently generating 12% of this building's electricity needs").
- Data collected could be used to help inform other business and homeowners on costs and performance of solar PV.
- Community and staff would like to see NRC be progressive and be seen as leaders.
- Other councils around New Zealand are seeing the benefit in solar PV (Palmerston North, Wellington, Nelson, Auckland, etc.).
- The costs of PV panels have dropped in recent years which have made the investment more attractive.

ITEM: 8.5

Page 3 of 3

Recommendations:

1. That the report Solar Photovoltaic Array to Save Electricity Costs from the Rivers Programme Manager, Joseph Camuso, dated 19 May 2013, be received.
 2. That the council approves in principle the investment of an 18.5 kW solar PV array for the NRC Water Street building at a cost of approximately \$51,430, pending the outcome of the seismic investigation and any building renovations that this might trigger.
-

ISSUE: Ballance Farm Environment Awards - Update**ID:** A541556**To:** Council Meeting, 18 June 2013**From:** Dean Evans, Land Programme Manager**Date:** 23 May 2013

Summary The purpose of this report is to provide council with an updated breakdown of funding assistance and staff time to the Ballance Farm Environment Awards.

The report concludes with the recommendations that the report be received and that the council continues to be the regional sponsor of the Ballance Farm Environment Awards, to be reviewed annually.

Report Type:	<input checked="" type="checkbox"/>	Normal operations	<input checked="" type="checkbox"/>	Information	<input checked="" type="checkbox"/>	Decision
Purpose:	<input type="checkbox"/>	Infrastructure	<input checked="" type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input type="checkbox"/>	Legislative function	<input type="checkbox"/>	Annual/Long Term Plan	<input type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	High	<input type="checkbox"/>	Moderate	<input checked="" type="checkbox"/>	Low

Report:**Introduction**

The Northland Regional Council (NRC) introduced the awards to the region in 2005/06, in partnership with the New Zealand Farm Environment Award Trust. The key objectives of the awards are to encourage sustainable land management and to show that profitability need not be compromised, and in the best examples, can restore and enhance environmental values.

The awards reflect NRC's role as an environmental guardian, while encouraging the sustainable use of the region's resources to promote economic growth. The feedback and winners' profiles encourage other farmers to be proactive with their resource management as part of an economically viable agricultural enterprise.

Update

A review of council staff time (Land Management, 3 years /Communications, 1 year) has shown that considerable time and effort have gone into making these awards a success; the council also provides a \$25,000 sponsorship.

The benefits of continuing with the regional sponsorship of these awards follow. However, further opportunities have been identified to gain maximum "bang for buck" for the Northland ratepayer and these will be listed in any future agreements with the New Zealand Farm Environment Trust.

ITEM: 8.6

Page 2 of 3

Benefits:

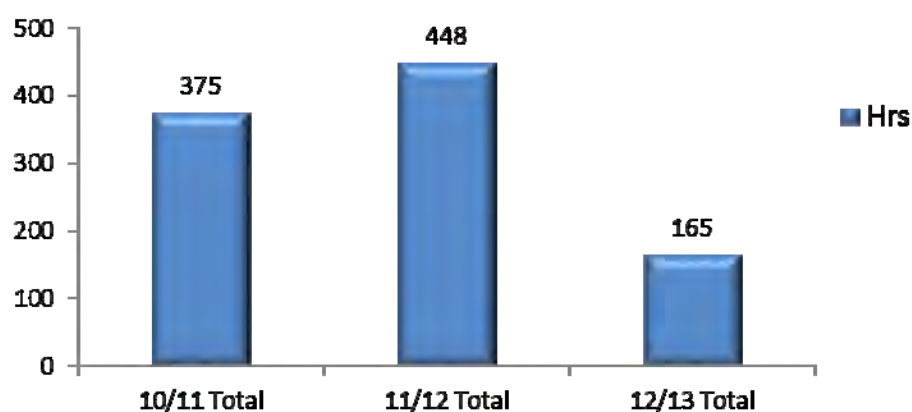
- Staff training both for our staff and cross-pollination with other rural professionals to carry some of the council's key messages to clients;
- Direct farmer contact - opportunity to get on to farms we may otherwise not be invited onto;
- Interface between NRC and the farming community as a whole;
- A non-regulatory council face on the farm providing good information and value to the farmer;
- Raises the council's profile with key service providers such as Dairy NZ, Beef and Lamb NZ, Ballance, forestry companies, Horticulture NZ; and
- Compliments our "What we do" statement.

Table 1: Land Management staff – 2012/13 effort breakdown

	Awards Evening	Finalist Reporting	Finalist Judging	Entrant Reporting	Entrant Judging	Judges Training
Land Management staff involvement 2012/13						
Bob Cathcart	x	x	x	x	x	x
Anita Semenoff	x			x	x	x
Bruce Griffin	x			x	x	x
Debbie Johnson	x					x

Graph 1: Land Management staff - hours for the previous three years

Ballance Farm Environment Awards NRC Land Management Staff Hrs



Land Management staff time for 2012/13 equates to \$13,460, further costs have not been calculated as these vary greatly through shared resources with other partners.

ITEM: 8.6

Page 3 of 3

Communication team breakdown for 2012/13

Item	Time (hours)	Quantity	Cost
Attendance at meetings	5.5		
Preparation of Proshow for awards night	15		
Help with awards set-up and attendance at awards night	8		
Accommodation awards night		1	\$139.00
Travel - (incl mileage)	4	229	\$141.98
Field day - preparation and attendance	12		
Other admin	7		
Media	4.5		\$508.50
Events Co-ordinator - total hours	51.5		\$3,965.50
Total (excl GST)	56		\$4,754.98
Staff Days	7.5		

Other opportunities identified:

- Ballance winner to present at NRC EMC meeting following prize giving;
- Ballance winner to present at NRC All Staff meeting held in December; and
- Ballance to prepare a quarterly article relating to the Ballance winner's and best practice. This material will be utilised by the NRC's Land Management and Community Relations teams.

Total NRC contribution for 2012/13

Sponsorship	\$25,000.00
Land Management hrs.	\$13,460.00
Events Co-ordinator hrs.	\$4,754.98
Total NRC contribution	\$43,214.98

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's 2012-2022 Long Term Plan and as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002.

With reference to section 79 of the Local Government Act 2002, this matter is considered to be of low significance under council policy as it is a matter of day to day operations provided for in the council's Long Term Plan.

Recommendations:

1. That the report Ballance Farm Environment Awards – Update by Dean Evans, Land Programme Manager, dated 23 May 2013, be received.
2. That the Northland Regional Council continues to be the regional sponsor of the Ballance Farm Environment Awards, to be reviewed annually.

ISSUE: Elected Members' Amendments to the Current Allowances and Expenses Policy and Opportunity to Make Submissions on Elected Members' Remuneration from Elections 2013

ID: A545360

To: Council Meeting, 18 June 2013

From: Lisa Aubrey, General Manager - Finance and IT

Date: 12 June 2013

Summary The purpose of this report is to advise of amendments made to the 2012/2013 Remuneration Determination and to reflect these changes in council's Allowances and Expenses Policy and to provide an overview of the changes to elected members' remuneration and to prepare council's submission by 19 July 2013. The report recommends:

1. That the report be received.
2. That approval of the Remuneration Authority be sought for changes made to 5(1)(d), 5(5)(a) and (b), 5(6)(b), 5(7), 6(3), 8(1) and (8)(2) of the Elected Members' Allowances and Expenses Policy as shown as track changes in Appendix A.
3. That as agreed at a workshop on 11 June 2013 the higher duties allowance of \$79,050 be fully allocated as follows:
 - a) That the Deputy Chair receive 40% (\$21,080) of the higher duties allowance, bringing the Deputy Chair total salary to \$73,780;
 - b) That council appoint the following or similar committee chair, portfolio leader roles; Audit and Finance Chair, Environmental Management Committee Chair, Regional Transport Committee Chair, Policy and Strategy Committee Chair, River Catchment Portfolio Leader, Harbour Catchment Management (Kaipara and Whāngārei) Portfolio Leader and Economic Development and CCO Portfolio Leader and each of these positions receive a higher duties allowance of \$8,218.43 each.
 - c) It is estimated the Deputy Chair spends on average an additional 10 hours' work per week and the Committee Chairs and Portfolio Leasers spend on average an additional five hours per week performing these roles.
4. That staff submit the higher duties allocation set out above to the Remuneration Authority for approval by no later than 19 July 2013.

Report Type:	<input checked="" type="checkbox"/>	Normal operations	<input type="checkbox"/>	Information	<input type="checkbox"/>	Decision
Purpose:	<input type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input type="checkbox"/>	Legislative function	<input type="checkbox"/>	Annual\Long Term Plan	<input checked="" type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	High	<input type="checkbox"/>	Moderate	<input checked="" type="checkbox"/>	Low

Report:**Proposed amendments to the Elected Members and Expenses Policy**

In September 2012 the Remuneration Authority advised of amendments to its 2012/13 determination. These amendments related to the reimbursement of members' mileage and travel, and provisions for communications allowances. The amendments are marked in the proposed revised Elected Members and Expenses Policy **attached as Appendix A**.

A summary of the changes is as follows:

Vehicle mileage

- Threshold distance for making mileage claims is now defined as the lessor of 30 kilometres or the distance equivalent to a round trip between the member's residence and the nearest office of the local authority by the most direct route that is reasonable in the circumstances.
- *The amendments to this allowance clause are designed to provide more flexibility and to allow for travel reimbursement to be made for mileage where the distance travelled is less than 30 kilometres and genuinely reflects travel to a recognised place of work.*

Travel time allowance

- The two hour threshold for claiming travel allowance has been reduced to one hour and the maximum annual entitlement of 100 hours has been removed.

Communication allowance

- An additional clause was introduced. As council already pays the maximum allowance, the introduction of this clause does not result in a change.

Resource consent hearing fees

- The fee for a member who acts as the chairperson of a resource consent hearing is entitled to be paid a fee of \$100 per hour (previously \$85) of hearing time and non-chairpersons \$85 per hour (previously \$68).

These rates apply from 1 July 2012. Council staff have review councillors claims made to date and have in fact applied these changes from 1 July 2012.

Remuneration post elections 2013

On 30 April 2013 the Remuneration Authority wrote to the Chairman advising of the remuneration setting for 2013. The Remuneration Authority's intention is to give council certainty to its costs and councillors intending to re-stand for election some certainty around councilor salary levels.

The average base councillor's salary will decrease from \$55,549 to \$52,700. The Chair's salary will move from \$106,700 to \$106,650. The overall council costs are shown in the table below:

ITEM: 8.7

Page 3 of 8

	<i>Per Remuneration Authority letter 30/04/2013</i>	<i>Per Remuneration Authority letter 30/04/2013</i>	<i>Assumed result based on 23/05/2013 Remuneration Authority letter</i>
	2012	2013 (with eight councillors)	Assumed result for 2013 (with nine councillors)
Chair's salary	106,700	106,650	106,650
Councillors' salaries	388,841	447,950	\$500,650
Total salary cost	\$495,541	\$554,600	\$607,300

The Remuneration Authority has stated the 2013 salaries have been calculated on the assumptions that your council will fully utilise the extra 1.5 times base councillor salary for positions of additional responsibility. The calculations are independent of changes council may have made to the number of elected representatives.

The letter specifically states:

The 2013 salaries have been calculated on the assumptions that your council will fully utilise the extra 1.5 times base councillor salary for positions of additional responsibility.

In subsequent correspondence received on 23 May 2013 the Remuneration Authority has advised:

In deciding on levels of adjustment required to satisfy the Authority's responsibilities towards ratepayers and incumbents, as well as having regard to adverse economic conditions, we looked at overall figures across all councils and community boards. We did not take into account each individual's council's, or community board's change in total remuneration costs.

Therefore, the fact a council has had a change in number of councillors does not affect the final base councillors salary that we have determined for that council.

This means the total salary cost will increase to \$607,300 to allow the eight councillors (excluding the Chair) to receive the base salary of \$52,700 and for 1.5 times the base councillor salary to be available for positions of additional responsibility.

Council budgeted \$507,434 for elected members' remuneration in its 2013/2014 Annual Plan. The increased requirement will need to be funded from any cost savings able to be made during the year and/or the cash surplus of \$132,249 provided for in the Annual Plan budget.

Local Government Elected Members' Remuneration from Elections 2013

On 23 May 2013 the Remuneration Authority released further information on the Local Government Elected Members' Remuneration from Elections 2013.

The Authority is seeking submissions regarding the setting of remuneration for elections 2013 and the process for approval of additional remuneration for positions of additional responsibility. Submissions close on Friday 19 July 2013.

ITEM: 8.7

Page 4 of 8

Councils are being asked to submit proposals for approval now and for it to be effective following the election. If there are changes following the election, council may apply to the Authority to vary the way the additional funding is allocated. The Remuneration Authority has noted in its experience, there are generally very few changes after elections.

A summary of questions and answers released by the Remuneration Authority is set out below.

Summary of key information:

Effective date

- Immediately following the 2013 local body elections. Remuneration for members not re-standing for election will cease on the day when members elected come into office.

Representation changes

- As stated above, from the correspondence it is assumed the total salary pool will be increased to \$607,300 to allow the eight councillors (excluding the Chair) to receive the base salary of \$52,700 and for 1.5 times the base councillor salary to be available for positions of additional responsibility.

Base salary and additional pay for councillors

- Councillors can receive extra pay for:
 - Positions of additional responsibility (including deputy chairperson);
 - Committee chairperson/portfolio holder; and
 - Membership of specialist panels, working parties and external bodies for example taking on significant extra duties during the Regional Policy Statement process. These will vary from council to council.
- Proposals for expenditure from this pool must be submitted to, and approved by, the Remuneration Authority. Prior to approving additional pay for membership of specialist panels, working parties and external bodies, the Authority would require to see evidence of significant extra workload and/or responsibility required on an ongoing basis.
- Where a councillor is also appointed as a member or chair of a community board, the Remuneration Authority will not approve any extra pay for carrying out that role.

Limits to what individual councillors can receive for positions of additional responsibility (total available pool for this council is \$79,050)

- Additional remuneration for a deputy chair will not exceed 40% of the base councillor salary (\$21,080).
- Additional remuneration for committee chairperson or portfolio leaders or other councillor positions of additional responsibility will be between 5% and 25% (\$2,635 - \$13,175) of the base councillor salary.

Are councils expected to allocate and spend the total pool available for additional councillor pay each year? Can any unspent funds be carried over?

- A council is not required to distribute its entire pool. Any unspent funds cannot, however, be carried over to the next financial year, with the exception of funds for additional duties to support the District Plan Process (*council officer*)

ITEM: 8.7

Page 5 of 8

suggestion: regional and unitary authorities should check this includes Regional Policy Statement).

- Prior approval for any carryover must be sought from the Remuneration Authority.
- If the pool set aside for duties relating to the District Plan process is not a full spend, then the remainder is not able to be reallocated to councillors to top up their base salary.

Other comments

- Councils are not able to request an increase in the size of the pool for additional councillor responsibilities.
- Council must submit proposals to the Remuneration Authority if it wishes to allocate some or all of its pool for positions of additional responsibility.
- A council does not have to set up pay for additional responsibilities if it chooses to operate with a flat structure.

Mayors/Chairs

- The method for reducing the mayor/chairperson's remuneration to reflect private usage of a council provided car remains unchanged i.e. value x 47% x 20%.

Fees for resource consent hearings

- Councillors undertaking resource consent hearings under the Resource Management Act will still be entitled to additional fees for that work.
- Hearing fees for non-council initiated resources will continue to form part of the Remuneration Authority's determination. The hourly rate will be revised each year.
- Councillors undertaking hearings under the Resource Management Act can be paid for preparation time. This has changed from the previous system. The preparation time to be reimbursed should not exceed the time of the actual hearing. Preparation time may include time for reading, attending onsite meetings, or attending pre-hearing briefings/meetings.
- The mayor and chairs are generally not able to receive fees for participating in resource consent hearings.

Changes to be made to the reimbursement of expenses and mileage allowance and the communications allowance

- Prior to the 2013 council elections and every three years thereafter the Remuneration Authority will reassess rates, thresholds, caps and conditions for travel-time allowances, mileage allowances, communication allowances, and resource consent hearings.
- The maximum hourly rate for travel time will be increased to \$35 after the 2013 election.
- The maximum mileage allowance will be increased to 77 cents per kilometre for the first 5,000 kilometres, and increased to 37 cents per kilometre for the distances greater than 5,000 kilometres.
- Changes to the communication allowance are more extensive and will be covered under a separate heading in this agenda paper.

Update on changes to the communication allocation from 2013

A summary of the Remuneration Authority release titled "Updated Policy on Usage and Provision of Communication Devices" provided to council on 28 May 2013 is provided below:

ITEM: 8.7

Page 6 of 8

Hardware

The Authority's preferred approach would be that councils provide necessary equipment, consumables, servicing and reimburse on proof of expenditure on other costs that might occur.

The Remuneration Authority is aware of two issues with the above statement. Firstly, some elected officials may wish to utilise their own equipment and secondly, the operational cost of council managing a reimbursement system that requires production of proof of expenditure.

Finally, the policy provides parameters for instances where elected officials who live in areas where broadband, Wi-Fi and cell phone coverage is poor or non-existent.

The Authority believes it is efficient if a council provides each elected official with a phone (mobile or landline) a PC and/or tablet and a compatible scanner and printer. The council should also cover the costs of any consumables required.

Equipment should remain the property of the council and shall be replaced or updated at least triennially.

Whilst the Authority has a strong preference for direct provisions of equipment, the decision on whether elected officials should be allowed or encouraged to use personal devices will be left as a matter of local decision. Equally the nature of the forms of technology required will be left to a local decision.

Where councils decide to provide an allowance to those electing to use their own devices, an allowance can be provided to cover reasonable costs of additional wear and tear of hardware owned by the elected official such as:

- Computer and/or tablet;
- Printer;
- Modem; and
- Mobile phone.

The Authority believes a reasonable allowance could be equal to 33% (being useful life of three years for this type of hardware) of 50% (i.e., half the usage assumed to be for council business) of an average cost of the hardware item.

Typical hardware costs and associated allowances are:

Item	Average Price	Allowance (33% of 50% of price)
PC or tablet	\$900	\$150
Printer	\$250	\$40
Telephone (mobile or handset)	\$375	\$60
		\$250

The Authority would in this case approve a maximum allowance of \$250 where the equipment requirements of the council are for either a PC or a tablet or \$400 if the requirements are for both.

ITEM: 8.7

Page 7 of 8

Internet connections

The Authority prefers council to provide a separate connection. If elected members do not wish to run parallel data systems, or if this option is not available, it should be a matter for a local decision.

If an allowance is provided, the Authority believes that no more than 25% of the connection/usage charges of a broadband connection can be regarded as bona fide additional costs incurred by an elected official. A maximum of **\$250** would be approved by the Authority reflecting 25% of the average cost of a landline and broadband connection.

Costs of calls, texts and data through mobile phones

The Authority's preferred option is that this is based on actual cost recovery basis.

The Authority will approve a maximum allowance of **\$400** per annum to cover council generated calls. This represents about 800 extra payable minutes to an average plan.

Unusual circumstances

Where regular landline or mobile coverage is not available and non-standard equipment is required, council may put a costed recommendation to the Authority for approval to make a one-off payment for installation and either a reimbursement or allowance for on-going maintenance and support reflecting the costs involved.

It is anticipated this allowance will normally reflect no more than 75% of the costs involved.

Legal compliance and significance assessment:

The activities detailed in this report are part of the council's day to day operations and as such are provided for in the council's 2012-2022 Long Term Plan, and are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002. In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because the Remuneration Authority sets elected members' salaries and reimbursement of expenses, council is now simply required to determine how it prefers to allocate \$79,050 for positions of higher responsibility to be applied following the 2013 elections.

Recommendations:

1. That the report Elected Members Amendments to the Current Allowances and Expenses Policy and Opportunity to Make Submissions on Elected Members' Remuneration from Elections 2013 by Lisa Aubrey, General Manager - Finance and IT, dated 7 June 2013, be received.
2. That approval of the Remuneration Authority be sought for changes made to 5(1)(d), 5(5)(a) and (b), 5(6)(b), 5(7), 6(3), 8(1) and (8)(2) of the Elected Members' Allowances and Expenses Policy as shown as track changes in Appendix A.

ITEM: 8.7

Page 8 of 8

3. That as agreed at a workshop on 11 June 2013 the higher duties allowance of \$79,050 be fully allocated as follows:
 - a) That the Deputy Chair receive 40% (\$21,080) of the higher duties allowance, bringing the Deputy Chair total salary to \$73,780;
 - b) That council appoint the following or similar committee chair, portfolio leader roles; Audit and Finance Chair, Environmental Management Committee Chair, Regional Transport Committee Chair, Policy and Strategy Committee Chair, River Catchment Portfolio Leader, Harbour Catchment Management (Kaipara and Whāngārei) Portfolio Leader and Economic Development and CCO Portfolio Leader and each of these positions receive a higher duties allowance of \$8,218.43 each.
 - c) It is estimated the Deputy Chair spends on average an additional 10 hours' work per week and the Committee Chairs and Portfolio Leaders spend on average an additional five hours per week performing these roles.
 4. That staff submit the higher duties allocation set out above to the Remuneration Authority for approval by no later than 19 July 2013.
-

Northland Regional Council

Elected Members' Expenses and Allowances Policy

June 2013

(Refer GM – Finance and Information for updates)

Table of Contents

1	Purpose Of This Policy	5
2	Expense Claims And Reimbursement.....	6
3	Conference & Training Costs	7
4	Accommodation Costs Whilst Away At Conferences, Seminars, Etc.	7
5	Vehicle Mileage And Travel Time Allowance	8
6	Communication Allowance	9
7	Credit Cards	9
8	Resource Consent Hearing Fees	9
9	Tax Treatment.....	11 140

Document Review Approval

Date	Section Amended	Sign
16 November 2010	Policy Approved	Approved by Remuneration Authority
21 June 2011	5(1)(d), 5(2)	Approved by Remuneration Authority 6 July 2011
<u>18 June 2013</u>	<u>5(1)(d), 5(5)(a) & (b), 5(6)(b), 5(7), 6(3), -8(1) & (8)(2)-</u>	

Preface

The Northland Regional Council has the following Mission Statement:

“The Northland Regional Council will provide policies, guidance and resources which encourage and enable the Northland community to manage and enhance its environment in a sustainable manner”.

This manual has been established for Managers, Team Leaders and employees as a reference and to reinforce our Elected Members’ Expenses and Allowances policies and procedures.

Elected Members’ Expenses and Allowances Policy confirmed:

.....
Chief Executive Officer
Northland Regional Council

~~November 2010~~ June 2013

1 Purpose of this Policy

General Purpose

In addition to remuneration, elected members of the Northland Regional Council are entitled to:

- Claim actual and reasonable expenses, in full or in part.
- Vehicle mileage and travel time allowance
- Communication allowance
- Resource consent hearing fees (with exception of Chairman)

Elected members may elect to not seek reimbursement of expenses to which they are entitled.

Principle of Reimbursement

In general terms the payment of expenses is governed by evaluating a claim against the principle that elected members should not incur personal expense in the performance of their representational or governance functions and that fair and reasonable expenses incurred in the course of their representational or governance functions should be reimbursed by the Council.

Claims for Expenses Not Covered by Policy

Claims for expenses other than those listed here will generally not be considered except in special circumstances. In the event that an elected member wishes to seek reimbursement for an expense not detailed in this policy, the Chief Executive Officer, or his officers, shall be guided by the Auditor-General's 2007 good practice guide on "Controlling Sensitive Expenditure: Guidelines for Public Entities" and advise the Chairman, who will make the final decision, or in the case of claims from the Chairman, the deputy Chairman.

Evidence of Expenses

With the exception of mileage and travel time allowances, all other expense claims require supporting receipts. For mileage expenses, please refer to the policy statements in the "Vehicle Mileage and Travel Time Allowance" section of this policy. All expense claims must:

- Clearly state the business purpose of the expenditure;
- Be accompanied by adequate original supporting documentation;
- Document the date, amount, description and purpose of minor expenditure when receipts are unavailable; and
- Be submitted promptly (within one month) after the expenditure is incurred.

2 Expense Claims and Reimbursement

Travel Expenses

Chairman's Car

1. Council will provide a vehicle, which may be garaged at the Chairman's home with full private use permitted. In accordance with Remuneration Authority methodology, a reduction in gross salary based $\{\text{value of vehicle}\} \times 47\% \times \{20\% - \text{maximum deduction}\}$ will be made;
2. For the avoidance of doubt, the Chairman is entitled to claim under the policy provisions for 'Vehicle Mileage Allowance' in the event of the Chairman's private vehicle being used for Chairman duties.

Pool Cars

1. Elected members are entitled to make use of Northland Regional Council pool cars for use on official Council business, in which case the 'Staff Vehicle Use Policy' shall apply.

Rental Vehicles

1. Should a rental car be required by an elected member when travelling away from home on local authority business and a Council pool car is not available, arrangement and payment for the vehicle shall be booked and arranged directly between the Northland Regional Council and the rental car company, with fuel expenses reimbursed to the elected member on production of receipts. Further, there should not be unreasonable or extensive private use of the vehicle. In these cases, "away from home" means outside of the Region; within the Region it is expected that a Council pool car would be used in the first instance.

Air Travel

1. If required, Council will meet 100% of any air travel costs (or the equivalent airfare or mileage, whichever is the lower) required by an elected member, subject to that travel being necessary for the fulfillment of the member's role as directed and approved the Chairman or the deputy Chairman or the Chief Executive Officer in the Chairman's absence. Travel is to be booked and arranged by the Northland Regional Council.

Airline Clubs/Airpoints/Airdollars

1. Subscriptions to airline clubs (such as the Koru Club), shall be at each member's discretion and own expense, with the exception of the Chairman whose subscription shall be arranged by the Northland Regional Council.
2. The Northland Regional Council will not provide or maintain 'airpoints' or 'airdollars' subscriptions or programmes.

Other Travel

1. If required, Council will reimburse or meet the actual and reasonable costs of any 'other travel' (e.g. ferry fares, bus fares, car parking fees, etc.) undertaken in the fulfillment of an elected member's role on official Council business.
2. 'Other travel' expenses may be claimed for meetings, workshops, and conferences.

3 Conference & Training Costs

1. If required, Council will meet 100% of any conference fees or training costs required or incurred by an elected member, subject to that cost being necessary for the fulfilment of the member's role as directed and approved by the Chairman or by a resolution of Council in a public meeting and arranged by Northland Regional Council. In the case of the Chairman, any conferences, training or meetings attended will be reported to Council monthly.

4 Accommodation Costs whilst away at Conferences, Seminars, etc.

1. Council will meet 100% of any accommodation required by an elected member, subject to that accommodation being necessary for the fulfilment of the member's role as directed and approved by the Chairman or by a resolution of Council in a public meeting and arranged by Northland Regional Council.
2. Reimbursements for mini-bar purchases or 'in-house' movies will not be made.

Meals and Sustenance, Incidental Expenses

1. Meals purchased by an elected member while away from home on Council business may be reimbursed for actual and reasonable costs, on production of receipts.
2. Meal expenses may not be claimed if a meal is provided as part of another package paid for by the entity.

Private Accommodation Paid For By Local Authority

1. No private accommodation (e.g. apartments) will be provided to any member.

Private Accommodation Provided By Friends/Relatives

1. An allowance of \$50 per night may be paid to an elected member for accommodation provided by friends/relatives of the elected member when travelling away from home on local authority business. The value of this allowance is commensurate with provisions in the staff policy.

Hospitality & Entertainment Allowances & Expenses

1. Allowances or expenses reimbursement for hospitality and/or entertainment will only be considered where these are:
 - (a) Cost-effective and appropriate for the occasion.
 - (b) Approved by the Chairman and Chief Executive Officer or the Deputy Chairman and the Chief Executive Officer, in the case of the Chairman.
 - (c) Substantiated by appropriate documentation that includes receipts, names of parties entertained, and the reasons for the entertainment and hospitality.

Subscriptions to Clubs or Associations

1. Expenses will not be reimbursed, nor allowances paid, in respect of membership of subscriptions to clubs or associations, except where there is a clear relationship between the elected member's role within the local authority and the club or association (e.g. Society of Local Government Managers).

5 Vehicle Mileage And Travel Time Allowance

Vehicle Mileage Allowance

1. A vehicle mileage allowance may be claimed in accordance with the Local Government Elected Members Determination for an elected member's use of their own vehicle, including travel to and from the members residence, if the travel is:
 - (a) In the members own vehicle; and
 - (b) By the most direct route that is reasonable in the circumstances; and
 - (c) On the local authority's business.
 - ~~(e)~~
 - ~~(d) Equal to or greater than 30 kilometres Undertaken by the member on the date exceeds the threshold distance per day and must the claim must only be for the distance travelled on that day that exceeds the threshold distance .-~~
2. The vehicle mileage allowance is payable to elected members at the rate of **\$-0.74** per kilometer for the first 5000 kilometres of **qualifying mileage** traveled in any one year and \$0.35 per kilometre thereafter.
3. Mileage claims must be made monthly.
4. A local authority's business is defined as:
 - (a) Public Council, Committee/Sub-Committee meetings as noted in the formal meeting calendar. Claims will only be paid for travel to such public meetings at which an elected member is entitled to vote, unless policy statement 2(c) below applies.
 - (b) Council, Committee/Sub-committee, as noted in the formal meeting calendar. Claims will only be paid for travel to such workshops at which the elected member has been elected or appointed to the forum concerned, unless policy statement 2(c) below applies.
 - (c) Attendance at other meetings or workshops, conferences, site visits relating to an appointed portfolio, and civic functions. Travel claims outside of these areas will only be approved if there is:
 - i. Evidence of prior approval of the Chairman (or Deputy Chairman in the Chairman's absence) or the Chief Executive Officer.
5. **Threshold distance** means the shorter of the following distances:
 - (a) The distance equivalent to a round trip between the member's residence and the nearest office of the local ~~authirity~~ authority by the most direct route that is reasonable in the circumstances; and
 - ~~(a)~~(b) 30 kilometres, if the distance equivalent to a round trip between the member's residence and the nearest office of the local authority is greater than 30 kilometers by the most direct route that is reasonable in the circumstances.

Travel Time Allowance

6. Council will pay a travel time allowance to its members for travel by a member, including travel to and from the member's residence, if the travel is:
 - (a) On the local authority's business;
 - (b) By the quickest form of transport reasonable in the circumstances; and
 - (c) The travel time of the member exceeds 1 hour.

7. The allowance is payable in relation to each day for which the member qualifies under subclause 10(1).

(a) at no more than \$15 per hour; but

(a)(b) only in respect of the travel for that day that exceeds 1 hour.

(a) —

7. The travel allowance is \$15.00 per hour.

8. The maximum payment to any one elected member in a year is 100 hours.

9.8. The Chairman of the Northland Regional Council is not entitled to claim a travel time allowance.

10.9. Travel time allowance claims must be made monthly.

6 Communication Allowance

1. Council will pay a communications allowance to its members towards the expenses of all or any of the following:

(a) A mobile telephone.

(b) A computer or ancillary equipment.

(c) An internet connection.

2. The maximum allowance available under the Local Government Elected members Determination is \$750 and will be paid monthly on a pro-rated basis.

3. However, the allowance is not payable to a member ~~to~~ the extent that the local authority provides him or her with 1 or more of the following:

a. The use of a mobile telephone.

b. The use of computer and ancillary equipment.

~~a-c.~~ An internet connection.

7 Credit Cards

1. The Chairman will be entitled to be issued with a Council credit card. The credit card may only be used for Council related expenditure and all expenditure must be supported by appropriate supporting documentation.

2. The Chairman of ~~the~~ Audit and Finance Committee will be responsible for authorising the Chairman credit card expenditure on a monthly basis. In the event that the Chairman of the Audit and Finance Committee benefits from the expenditure, the Deputy Chairman or another councilor not involved in the transaction shall approve the expenditure.

8 Resource Consent Hearing Fees

1. A member who acts as the chairperson of a resource consent hearing is entitled to be paid a fee of ~~\$85~~ 100 per hour of hearing time.

2. A member who is not the chairperson of a resource consent hearing is entitled to be paid a fee of ~~\$68~~ 80 per hour of hearing time.

3. For any period of hearing time that is less than 1 hour, the fee must be apportioned accordingly.

4. If the Chairman of the Northland Regional Council acts as the Chairperson of a resource consent hearing the Chairman is not entitled to be paid a fee.
5. The definition of a resource consent hearing is provided under clause 7 of the Local Government Elected Members (2010/11) (Except Auckland) Determination 2010 and attached herewith as Appendix 1.

9 Tax Treatment

Withholding Tax

1. Council is only required to deduct withholding tax from payments that it makes to members for any *work or services* that they perform.
2. Reimbursements that Council pays to members for expenditure incurred as an elected member while on Council-related business or any allowances that a member may receive from Council are *not* subject to withholding tax.

APPENDIX 1

As provided in the Local Government Elected Members (2012/13) Certain Local Authorities Determination 2012, for the purpose of Resource Consent Hearing Fees **Resource Consent Hearing** means:

- (a) *a hearing arising from a resource consent application made under section 88 of the Resource Management Act 1991; or*
- (b) *a hearing arising from a notice of requirement given under section 168 of the Resource Management Act 1991; or*
- (c) *a formal pre-hearing meeting held under section 99 of the Resource Management Act 1991 as a preliminary step before a hearing referred to in paragraph (a) or (b); or*
- (d) *a hearing relating to a private change in a district or regional plan or policy statement requested under clause 21 of Schedule 1 of the Resource Management Act 1991; or*
- (e) *a mediation hearing in the Environment Court as part of an appeal from a decision of a local authority; or*
- (f) *a hearing on an objection against a charge fixed by the local authority under section 36 of the Resource Management Act 1991.*

A Resource Consent Hearing does not include:

- (a) *a hearing of submissions as part of the process of preparation of a district or regional plan or policy statement; or*
- (b) *a hearing relating to a change or variation in a district or regional plan or policy statement requested by the local authority; or*
- (c) *a hearing relating to a notice of requirement initiated by the local authority; or*
- (d) *any other hearing not specified in subclause (1).*

Hearing time means:

- (a) *time spent by a member in hearing a resource consent hearing; and*
- (b) *includes the time spent by a member:*
 - i. *in formal committee deliberations; and*
 - ii. *at a formal pre-hearing meeting held under section 99 of the Resource Management Act 1991; and*
 - iii. *at a formal site inspection as part of a group inspection or as part of a pre-hearing meeting; and*
 - iv. *in determining a notified resource consent application where a formal hearing does not take place.*

Hearing time does not include time spent by a member:

- (a) *preparing for a resource consent hearing; or*
- (b) *inspecting a site, except where (b)(iii) above applies.*

ISSUE: Elections – Early Processing of Voting Papers**ID:** A545210**To:** Council Meeting, 18 June 2013**From:** Vibeke Wright, Policy Advisor**Date:** 7 June 2013**Summary** The purpose of this report is to seek a resolution from the council to enable the early processing of votes for the October 2013 election.

Report Type:	<input checked="" type="checkbox"/>	Normal operations	<input type="checkbox"/>	Information	<input checked="" type="checkbox"/>	Decision
Purpose:	<input type="checkbox"/>	Infrastructure	<input type="checkbox"/>	Public service	<input type="checkbox"/>	Regulatory function
	<input checked="" type="checkbox"/>	Legislative function	<input type="checkbox"/>	Annual\Long Term Plan	<input type="checkbox"/>	Other
Significance:	<input type="checkbox"/>	High	<input type="checkbox"/>	Moderate	<input checked="" type="checkbox"/>	Low

Councils are permitted to make a resolution¹ under section 79 of the Local Electoral Act 2001 to allow for the early processing of returned voting documents.

Early processing enables returned voting documents - once the roll scrutiny process has been completed - to be opened, extracted, and checked for validity. Votes are also captured twice electronically. However, no totalling of votes is permitted as part of early processing, or prior to the close of voting. The early processing functions are undertaken in a secure environment and under the supervision of a Justice of the Peace. Early processing enables timely and accurate preliminary results to be released as soon as they are available after the close of voting.

For the 2010 triennial elections, the Northland Regional Council resolved to adopt the early processing of returned documents.

Legal compliance and significance assessment:

The relevant legislation in relation to this issue is the Local Electoral Act 2001. The information provided in this report and the recommended resolution complies in all respects with relevant legislation. In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it deals with an administrative matter to provide for efficient election management.

Recommendations:

1. That the report "Elections – Early Processing of Voting Papers" by Vibeke Wright, Policy Advisor and dated 7 June 2013 be received.
2. That council adopts the early processing of returned voting documents for the 2013 Northland Regional Council triennial elections, as permitted under Section 79 of the Local Electoral Act 2001.

¹ The Local Electoral Act Amendment Bill will enable decisions to conduct early processing to be made by Electoral Officers rather than the elected council. Enactment of the Bill is expected soon, but the timeframe is uncertain and it is possible (though unlikely) this amendment could be changed during the final stages. It is therefore considered prudent to seek the council's resolution under current legislation.

ISSUE: Business with the Public Excluded**ID:** A546026**TO:** Council Meeting, 18 June 2013**FROM:** Chris Taylor, Council Secretary**SUMMARY:** The purpose of this report is to recommend that the public be excluded from the proceedings of this meeting to consider the confidential matters detailed below for the reasons given.

Recommendations:

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reason\Grounds
9.1.1	Confidential Minutes of the Council Meeting - 21 May 2013	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.
9.1.2	Confidential Minutes of the Audit and Finance Committee Meeting – 28 May 2013	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.
9.2	Proposed Acquisition of Rail Corridor	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to allow the council to carry on, without prejudice or disadvantage, negotiations, including commercial and industrial negotiations (section 7(2)(i)).
9.3	Kotuku Detention Dam Update	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to allow the council to carry on, without prejudice or disadvantage, negotiations, including commercial and industrial negotiations (section 7(2)(i)).
