

# **Northland Regional Council**

## **Supplementary/Tabled Items**

**Audit & Risk Committee Meeting**

**Tuesday, 26 November 2013  
at 1.00pm**

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**ISSUE: Supplementary/Tabled Items for the Audit and Risk Committee Meeting – 26 November 2013**

**ID:** A597607

**To:** Audit and Risk Committee Meeting, 26 November 2013

**From:** Kathryn Ross, General Manager Planning and Policy

**Date:** 21 November 2013

**Summary** The purpose of this report is to place before the committee the supplementary/tabled items for inclusion in the Audit and Risk Committee agenda. The report concludes with the recommendation that the supplementary/tabled items be received.

<b>Report Type:</b>	<input type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input type="checkbox"/> Decision
<b>Purpose:</b>	<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
<b>Significance:</b>	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

**Report:**

**Open**

- **Tabled Item 3.2A: Directors of Northland Inc. Limited Delegations and Appointment Process**

Council has delegated to the Audit and Risk Committee the authority to appoint directors to Northland Inc. Limited in line with council's Policy (on the Appointment of Directors to Council Controlled Organisations).

The need to appoint additional directors to Northland Inc. Limited has just come to the attention of the Audit and Risk Committee (as a result of early council workshops that are occurring as part of the councillor induction programme) and cannot be delayed until the next meeting of the Audit and Risk Committee scheduled to occur in February 2014.

It is recommended that this tabled item is received and discussed at the same time as item 3.2 on the Audit and Risk Committee Meeting, 26 November 2013 agenda (which addresses delegations from council to the committee regarding Northland Inc. Limited).

- **Tabled Item 3.4A: Northland Inc. Limited Quarter 3 2013/14 Funding Request**

Subsequent to the Audit and Risk Committee agenda being prepared on 22 November 2013 an email request was received from Northland Inc. Limited for the release of Quarter 3 operational funding. Northland Inc. Limited's cashflow situation necessitates the payment of Quarter 3 funding in November to pay wages and salary.

Therefore it is recommended that the item be received and considered alongside agenda item 3.4 on the order paper.

- **Supplementary Item 3.5A: Kaeo Stage 1 Works Budget Update**

After the agenda went to print an error in the recommendation to 2 of the item was noted. A replacement recommendation 2 "That approval is given to revise the 2013/14 Kaeo operational budget to incorporate the \$144,195 revenue from the Ministry of Education." is necessary.

The remainder of the paper is essentially the same as the one in the committee agenda but clarification is included that the approval of the committee is being sought to revise the 2013/14 Kaeo operational budget to incorporate the \$144,195 revenue from the Ministry of Education (that has been invoiced and is expected to be received this financial year).

This supplementary item provides the corrected report and attachment. Therefore it is recommended that the supplementary item be received.

- **Tabled Item 3.13: Community Investment Fund – Growth Asset Exposure Increased to 50% of the Funds Value**

At the 19 November 2013 Council Meeting the Audit and Risk Committee was delegated authority to make a formal decision on the Community Investment Fund asset class allocation. As a result, an Audit and Risk agenda item was prepared for the Audit and Risk committee, however due to the meeting being held on the 26 November 2013 this item could not be included in the original meeting agenda distributed to councillors. It is recommended that this tabled item be received.

### **Confidential**

- **Tabled Item 4.2: Offer to Purchase Council Property**

Due to the date when the offer to purchase was received the information was not fully available in time for the collation of the committee agenda. Thus it is recommended that the tabled item be received.

The general subject of the matter 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:

<b>Item No.</b>	<b>Item Issue</b>	<b>Reason\Grounds</b>
4.2	Offer to Purchase Council Property	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)).

**Recommendation(s):**

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That as permitted under section 46A(7) of the Local Government Official Information and Meetings Act 1987, the supplementary/tabled items:

- 3.2A: Directors of Northland Inc. Limited Delegations and Appointment Process;
- 3.4A: Northland Inc. Limited Quarter 3 2013/14 Funding Request
- 3.5A: Kaeo Stage 1 Works Budget Update Revised version;
- 3.13: Community Investment Fund – Growth Asset Exposure Increased to 50% of the Funds Value; and
- 4.2: Offer to Purchase Council Property.

be received.

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**ISSUE: Directors of Northland Inc. Limited Delegations and Appointment Process**

**ID:** A597666

**To:** Audit and Risk Committee Meeting, 26 November 2013

**From:** Malcolm Nicolson, Chief Executive Officer

**Date:** 21 November 2013

**Summary** The purpose of this report is to delegate authority from the committee to the Chairman of the Committee, the Chairman of Council, the Mayors of the Far North and Whangarei District councils and the Chairman of Kaipara District Council to establish the process for and make the appointment of two additional Directors to Northland Inc. Limited. To ensure this is within the terms of delegation of the committee, a specific recommendation is made to recommend an amendment of the committee's terms of reference to council. This tabled item should therefore be read alongside item 3.2 in the meeting agenda.

<b>Report Type:</b>	<input checked="" type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input checked="" type="checkbox"/> Decision
<b>Purpose:</b>	<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
<b>Significance:</b>	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

**Background:**

Council has delegated to the Audit and Risk Committee the authority to appoint Directors to Northland Inc. Limited in line with council's Policy (on the Appointment of Directors to Council Controlled Organisations). The Policy states that where the council (in this case the committee given the delegation) decides to advertise a vacancy, it will form an ad hoc committee to consider applications and make a recommendation to council.

Northland Inc. Limited's constitution states that "The minimum number of Directors shall be 2 and the maximum number of Directors shall be 9." There are currently three directors, Colin Mitten (Chairperson), Karleen Everitt and Sarah Petersen.

The need to appoint additional Directors to Northland Inc. Limited has come to the attention of the Audit and Risk Committee (as a result of early council workshops that are occurring as part of the councillor induction programme) and the setting up of a group or adhoc committee cannot be delayed until the next meeting of the Audit and Risk Committee which is likely to be scheduled to occur in February 2014.

It is recommended that this item is received and discussed at the same time as item 3.2 on the Audit and Risk Committee Meeting, 26 November 2013 agenda (which addresses delegations from council regarding Northland Inc. Limited).

**Discussion:**

The Board of Northland Inc. Limited currently has too few Directors to ensure that it has the full mix of skills, knowledge, experience and attributes to deliver the SOI and objectives of the organisation (as per the council's Policy (on the Appointment of Directors to Council Controlled Organisations)). In addition the council's policy on director appointment and rotation for Northland Inc. Limited is as follows:

- Directors will be appointed for three year terms.
- Council will restrict the total term served on the Board to a period of six years, however reserves the right to extend the total term served to a maximum of nine years.
- Nothing in this policy restricts Council's rights under clause 18 of the Constitution to remove or replace a director at its sole discretion.

Colin Mitten (Chairperson) was appointed to the Board on 1 July 2012 for two years (till 30 June 2014). Karleen Everitt and Sarah Petersen were appointed to 30 June 2015 and 30 June 2016 respectively.

I therefore recommend that the committee appoints two additional directors to achieve the full mix of skills and experience and to provide for succession planning and that it does this through an objective, transparent and accountable process ensuring all appointments are made on the basis of merit.

I also recommend that these vacancies are advertised in line with current policy and that a group is set up to consider the necessary skills and experience that should be included in the person specifications prior to advertisement and develops and oversees the process of appointment. Given the importance of the appointments to the success of Northland Inc. Limited and the delivery of council's economic development activity I recommend that the Chairman of the committee, the Chairman of council be included in the group.

As a matter of principle I recommend that the group receives information from Northland Inc. Limited's Board on the skills and experience required for the roles and particularly on any exiting gaps they perceive exist currently. (This information should come from the skills matrix that has already been developed by Northland Inc. Limited.) This information should then be used to develop the person specifications prior to advertisement (council would provide the resources to run the process of appointment).

Northlanders and all local authorities in Northland are concerned about the issue of Northland's economic progress and wellbeing and the effect it has on the economic and social wellbeing of Northland residents and ratepayers. Both Far North and Whangarei District Councils have their own entities and activities for economic development and it is important that the initiatives of all councils are integrated and do not compete against each other. I therefore recommend that the Mayors of the Far North and Whangarei District Councils and the Chairman of Kaipara District Council be invited to join the group to progress the appointment of directors, rather than the committee overseeing the process alone. This would facilitate buy-in to and ownership of Northland Inc. Limited's success by the councils and is another example of how we can all work together on behalf of and for the advancement and wellbeing of our communities.

Given the wider involvement I am recommending and that the group will set the person specifications and oversee the process for appointment, including conducting

interviews and reference checking etc, it is appropriate to consider whether the committee should also delegate the decision making on the appointments to the group. Given that the group will have had the opportunity to set the person specification and assure itself that any appointee is suitable I am satisfied that it would be appropriate to make this delegation. Committee members not involved in this process would effectively have to run the process again if they were not prepared to accept the recommendations from the group and were committed to an objective, transparent and accountable process as per the current council policy. This would be inefficient and costly.

I therefore consider that the committee should recommend to council that the terms of reference for the committee are amended to clarify that the committee can delegate the appointment of directors to Northland Inc Limited to an adhoc subcommittee or working group and that subcommittee or working group may contain members that are representatives of Northland's territorial local authorities. Given the committee and council membership is currently the same, if this recommendation is accepted by the committee then it should be resolved by the council and the preliminary work to get the process started with the adhoc subcommittee should commence as soon as possible.

**Legal Compliance & Significance Assessment:**

The activities detailed in this report are provided for in the Long Term Plan 2012-2022, and comply with Northland Inc. Limited's Constitution. The item and recommendations are not considered significant under the Significance Policy; and comply with the council's decision making process including assessments of options and sections 76-82 of the Local Government Act 2002.

**Recommendation(s):**

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1. That the report 'Directors of Northland Inc. Limited Delegations and Appointment Process' by Malcolm Nicolson, Chief Executive Officer, and dated 21 November 2013, be received.
2. That the committee recommend to council that the terms of reference for the committee are amended to clarify that the committee can delegate the appointment of directors to Northland Inc. Limited to an adhoc subcommittee or working group and that subcommittee or working group may contain members that are representatives of Northland's territorial local authorities.
3. That subject to the recommendation in 2 above being accepted that the committee delegates authority to an adhoc subcommittee comprised of the Chairman of the Committee, the Chairman of Council, the Mayors of the Far North and Whangarei District councils and the Chairman of Kaipara District Council to establish the process for and make the appointment of two additional Directors to Northland Inc. Limited.
4. That the Chairman of Council writes to the Mayors of the Far North and Whangarei District councils and the Chairman of Kaipara District Council inviting them to join the adhoc subcommittee and

**ITEM: 3.2A**

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participate in an early meeting to agree the process for appointment and a meeting with the current Northland Inc. Limited on the skills and experience required.

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**ISSUE: Northland Inc. Limited Quarter 3 2013/14 Funding Request**

**ID:** A598159

**To:** Audit and Risk Committee Meeting, 26 November 2013

**From:** Kathryn Ross, General Manager Planning and Policy

**Date:** 22 November 2013

**Summary** The purpose of this report is to request that committee authorise the release of Quarter 3 operational funding (\$250,000 plus GST from the Investment and Growth Reserve and \$25,000 plus GST against an invoice raised from rates revenue).

<b>Report Type:</b>	<input checked="" type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input type="checkbox"/> Decision
<b>Purpose:</b>	<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
<b>Significance:</b>	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

**Report:**

Subsequent to the Audit and Risk Committee agenda being prepared on 22 November 2013 an email request was received from Northland Inc. Limited for the release of Quarter 3 operational funding.

**Summary**

Northland Inc. Limited’s cashflow situation (highlighted in Item 3.4 of the committee’s agenda) necessitates the payment of Quarter 3 funding in November to pay wages and salary. Given the cashflow issues and the council’s commitment to meet Northland Inc. Limited’s financial obligations and commitments for 2013/2014 I recommend that the committee approve the release of Quarter 3 operational funding as follows:

- \$250,000 plus GST to Northland Inc. Limited from the Northland Regional Council Investment and Growth Reserve, as provided for under the criteria included in the Long Term Plan 2012-2022 as Quarter 3 funding.
- Pay \$25,000 plus GST to Northland Inc. Limited against an invoice raised from rates revenue.

**Legal compliance and significance assessment:**

The decisions requested in this item flow from the Long Term Plan 2012-2022 and previous decisions of council to set up Northland Inc. Limited as its council-controlled organisation. They are part of council’s normal operations and are not regarded as significant under council policy.

**Recommendations:**

1. That the report “Northland Inc. Limited Quarter 3 2013/14 Funding Request” by Kathryn Ross, General Manager Planning and Policy, dated 12 December 2012, be received.

2. That Northland Inc. Limited is paid \$250,000 plus GST from the Northland Regional Council Investment and Growth Reserve for Quarter 3 operations against an invoice raised as soon as practical.
  3. That Northland Inc. Limited is paid \$25,000 plus GST for Quarter 3 from rates revenue against an invoice raised.
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**ISSUE: Kaeo Stage 1 Flood Works Update**

**ID:** A595062

**To:** Audit and Risk Committee Meeting, 26 November 2013

**From:** Neville Wilson, River Management Engineer

**Date:** 11 November 2013

**Summary** The purpose of this report is to provide an update on the Kaeo Flood Scheme Stage 1 works budget.

<b>Report Type:</b>	<input checked="" type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input type="checkbox"/> Decision
<b>Purpose:</b>	<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 type="checkbox"/> Other
<b>Significance:</b>	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

**History and Overview**

The township of Kaeo has a long history of flooding and is built on a floodplain. Kaeo is vulnerable to flooding from the Kaeo River and Waikare Stream. In the floods of March and July 2007 the Kaeo River breached the school stopbank and high velocity flood waters flowed along State Highway 10, the main-street of the township.

**Flood Risk Reduction Strategy for Kaeo**

The NRC has been working closely with the Kaeo River Whangaroa Catchment Liaison Committee to develop a comprehensive strategy for affordable flood risk reduction. The committee is made up of members of the community (upper, mid, lower and outer catchment members), Iwi, NZTA, FNDC, DOC, Marine Farmers etc. The meetings are open public meetings and typically well attended. A range of 9 options were analysed for flood risk reduction and explored by the committee. Not one silver bullet option existed and the committee chose a range of options, mainly Stage 1 deflection banks, managed retreat, enhanced status quo, community response plan and early flood warning system. This report has been prepared to outline how the Stage 1 works budget is tracking.

**Kaeo Flood Scheme Stage 1 Works**

Stage 1 of the Kaeo River Flood Scheme is scheduled to start 2 December 2013.

Arrangements for land use are finalised, and a memorandum of agreement has been signed with all parties along with compensation payment completed.

**Kaeo Flood Scheme Stage 1 Works - Budget**

The Long Term Plan budget for Stage 1 is \$697,185 excl GST. This is over half subsidised by funding approved from the Ministry of Education (\$144,195 excl GST) and the Department of Internal Affairs (\$243,000 excl GST).

Staff have invoiced the Ministry of Education for the \$144,195 (excl GST) funding contribution, as per the agreement between the Ministry and NRC, and approval is sought to revise the 2013/14 Kaeo operational budget to incorporate the \$144,195 revenue from the Ministry of Education. The revenue will be transferred to the Kaeo-Whangaroa Rivers targeted rate reserve and used to fund the capital expenditure of the Stage 1 works.

The estimated total project expenses as at 24 October 2013 is \$767,276 excl GST inclusive of \$66,000 worth of contingencies and \$22,891 increased forecast capital expenditure. \$190,816 excl GST has been spent to date. An itemised breakdown of the budget is **attached** to this report. The attached budget should be read in conjunction with this report.

### **Kaeo Flood Scheme Stage 1 Works – Budget Discussion**

As at 24 October 2013 the projected budget is tracking toward a slight overspend (3% if no contingencies drawn upon or 13% with contingencies drawn). The slightly higher forecast is due to changes to the design drawings, land owner compensation agreements, the resource consent application, changes required to the internal drainage network, along with a forecast cost fluctuation agreed with the contractor due to deferring the contract start date from December 2012 to December 2013.

The primary uncertainties of the budget which may result in further additional costs are as follows:

- Variations requested by the contractor and approved by the engineer as a necessary part of the works. However, it is not expected that such variation requests would exceed the contingency sum allowed for in the contract of \$50,000.
- Surveyor Fees. A formal quote has not yet been received; the budget estimate of \$10,000 has been supplied by the engineer.
- Archaeological Find. In the event of an overly significant archaeological find during the works the \$15,000 contingency may be exceeded particularly by way of variation requested by the contractor for a possible delay to the programme of works.
- Cost Fluctuation Adjustment. Due to the deference of the project start date from December 2012 (time of tender) to December 2013 we agreed to pay the contractor a cost fluctuation adjustment based on labour price index (LPI) and producer price index (PPI) as covered by NZS3910:2003. The formula for calculating the cost fluctuation has been carried out using LPI and PPI for the 2011-2012 indices provided by Statistics New Zealand. These indicate a possible cost fluctuation payment of 2% of the tendered sum is likely however a cost fluctuation payment of 4% has been allowed for in the projected budget.

### **Request To Advance Further Capital Funding**

Staff are seeking approval to advance a further \$88,891 of capital expenditure, beyond the \$697,185 budgeted for in the Long Term Plan, should contingencies sums (\$66,000) be required to be spent during the implementation of the works and to cover the increased forecast capital expenditure (\$22,891). The advance would need to be funded from Council reserves, and repaid from the Kaeo-Whangaroa Rivers targeted rate.

It is noted that the estimated Kaeo-Whangaroa Rivers targeted rate collection for 2013/14 is \$128,581.

### **Legal Compliance & Significance Assessment:**

The activities detailed in this report are provided for in activities described in the council's 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.

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 has previously been provided for in the council's Long Term Plan.

**Recommendations:**

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1. That the report Kaeo Stage 1 Flood Works Update by Neville Wilson, River Management Engineer, and dated 11 November 2013, be received.
  2. That approval is given to revise the 2013/14 Kaeo operational budget to incorporate the \$144,195 revenue from the Ministry of Education.
  3. That approval is given to advance a further \$88,891 of unbudgeted capital expenditure, beyond the \$697,185 budgeted for in the Long Term Plan, should contingencies sums (\$66,000) be required to be spent during the works and to cover the increased forecast capital expenditure estimate (\$22,891).
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**Kaeo Flood Scheme Stage 1 Works Projected Budget October 2013**

Date: 24.10.2013

Capital Budget From LTP for 2012/13 (EXC GST)

\$697,185.00

ITEM	DESCRIPTION	Estimate	Spent to Date (16 Sep 2013)	Spent to Date (24 Oct 2013)	Projected Estimate	
1	Construction of Physical Works (Tender sum = \$470,054, tender sum includes \$50k contingency)	\$470,054	\$0	\$0	\$470,054	
1.1 (Var)	600mm dia culvert in lieu of 375mm dia 30m length (Zivkovich)	\$4,776	\$0	\$0	\$4,776	
1.2	Cost Fluctuation Adjustment (allow 4% of tendered price)	\$18,800	\$0	\$0	\$18,800	
2	Construction Supervision & Engineering Contract Management	\$54,820	\$0	\$0	\$54,820	
3	Surveyor (for measure & value)	\$10,000	\$0	\$0	\$10,000	
4	Archaeological Monitoring (assumes nothing of significance found on site & one pre-works site visit)	\$3,750	\$0	\$0	\$3,750	
4a	Archeological Monitoring contingency (assumes a moderate find requiring further investigation)	\$15,000	\$0	\$0	\$15,000	
5	Iwi Monitoring	\$2,100	\$0	\$0	\$2,100	
5a	Iwi monitoring contingency	\$1,000	\$0	\$0	\$1,000	
6	NRC compliance monitoring	\$2,610	\$0	\$0	\$2,610	
7	Landowner Compensation including legal fees	\$139,000	\$14,150	\$128,150	\$10,850	
7.1	Delivery of 5 truck loads of rock to Green Property	\$1,500	\$0	\$0	\$1,500	
8	Consenting	\$37,000	\$52,756	\$52,726	\$0	
9	Revision of Drawings for changes to Spillway	\$9,000	\$5,459	\$9,940	\$0	
Sum				\$190,816	\$595,260	
	Sum of Expected Total Expenditure				\$786,076	
	LTP Capital Budget less Expected Total Expenditure				-\$88,891	-13%
	LTP Capital Budget less Expected Total Expenditure without contingencies				-\$22,891.05	-3%

\*Note: Spent to date (date) is inclusive of all spending to that date inclusive of previous spent to date column

**ISSUE: Community Investment Fund – Growth Asset Exposure Increased to 50% of the Funds Value**

**ID:** A597807

**To:** Audit and Risk Committee Meeting, 26 November 2013

**From:** Simon Crabb, Finance Manager

**Date:** 21 November 2013

**Summary** The purpose of this report is to seek approval to change the asset class benchmark allocation in the CIF Statement of Investment Policy and Objectives to a mix of 50% income assets and 50% growth assets. This report also seeks approval of a strategy to transfer \$1M of CIF income assets into an AMP Managed Fund in an endeavour to achieve this 50% 50% mix.

<b>Report Type:</b>	<input checked="" type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input type="checkbox"/> Decision
<b>Purpose:</b>	<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
<b>Significance:</b>	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

**Background:**

At the 19 November 2013 Council Meeting Eriksen and Associates Limited presented a recommendation to council that the Community and Investment Fund (CIF) increase its exposure to growth assets by 10% to 50% of the total fund value.

The Eriksen and Associates Limited presentation is marked as **Attachment One**.

At the 19 November Council Meeting, the Audit and Risk Committee was delegated authority to make a formal decision on the Eriksen and Associates recommendation. Accordingly approval is sought from the Audit and Risk Committee to change the CIF asset class benchmark allocation in the CIF Statement of Investment Policy and Objectives (CIF-SIPO) from 60% income asset and 40% growth asset mix (60:40) to a 50% income asset and 50% growth asset mix (50:50).

Staff propose the following investment strategy to progress towards a 50:50 mix:

1. Transfer two Fixed Interest Bonds from the CIF income portfolio to council's general funds in exchange for their market value in cash. The bonds to be transferred are an ANZ National 9.66% perpetual bond with a current market value of \$300K and a Contact Energy 8% bond with a current market value of \$307K. Both of these bonds are BBB rated and the only CIF bonds that comply with council's Treasury Management Policy.
2. Combine \$600K of the cash (achieved via 1 above) with a maturing CIF term deposit of \$200K, to fund an initial investment of \$800K into the AMP Global Multi Asset Fund (growth asset). The AMP Global Multi Asset Fund has a target return of CPI + 5% and was recommended by Eriksen and Associates at the November Council Meeting.

3. Invest up to a further \$200K in the AMP Global Multi Asset Fund as CIF fixed interest bond/s mature or can be sold. The maximum investment in the AMP Global Multi Asset Fund will be capped at \$1M.

Prior to taking any CIF fixed interest bond/s to the market, staff will take advice from council's treasury management advisors PriceWaterhouse Coopers to identify the best bond/s to sell to achieve at least the face value of the bond.

Once the \$1M investment in the AMP Global Multi Asset Fund is complete the actual CIF asset class allocation will be 48% income assets and 52% growth assets which is expected to be within the acceptable range of the proposed CIF SIPO benchmark.

**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 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 it is part of normal day to day operations of council.

**Recommendation:**

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1. That the report Community Investment Fund – Growth Asset Exposure Increased to 50% of the Funds Value by Simon Crabb, Finance Manager, dated 21 November 2013, be received.
  2. That the asset class benchmark allocation in the CIF Statement of Investment Policy and Objectives (CIF-SIPO) change to 50% income assets and 50% growth assets.
  3. That two bonds (as detailed in this report) from the Community Investment Fund income portfolio are transferred to council's general funds in exchange for their market value in cash.
  4. That staff invest an initial \$800K of the Community Investment Fund in the AMP Global Multi Asset Fund.
  5. That staff invest up to a further \$200K of the Community Investment Fund in the AMP Global Multi Asset Fund as fixed interest bond/s mature, or are sold at market.
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# Northland Regional Council Community Investment Fund

**Jonathan Eriksen  
Eriksen & Associates Ltd  
November 2013**

# September 2013 Results

- Fund worth \$11.2 million
- 39.7% growth assets, 60.3% defensive  
(40 and 60 benchmark)
- 2.4% return for the quarter. Benchmark 1.3%(4% real)
- 5.9% return for the year. Benchmark 5.4%
- Australasian equities and global equities all performed well
- Milford underperformed benchmark but still did 14.9% for the year

# Economy

- New Zealand in relatively good shape
- Australia weaker – fall in commodity prices but new Government
- China politically stable
- US economy improving slowly but QE continues?
- Europe still struggling
- Our share and bond markets driven by offshore investors
- Stock markets more fully priced
- .... but less risky than bonds.

# Recommendations

- Increase exposure to growth assets to 50:50
- Invest \$1 million in a new AMP product MAF. 50:50 blend of Schroders RRF and AMP MAF (managed in Sydney)
- NZD PIE i.e. fully hedged.