

NORTHLAND REGIONAL COUNCIL

Agenda

For meeting to be held in Council Chambers,
36 Water Street, Whangarei, on Tuesday, 20 May 2014,
commencing at 10:00am

Recommendations contained in this committee agenda are NOT formal council decisions. Please refer to council confirmed minutes for resolutions.

OPEN MEETING

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ISSUE: Confirmation of Minutes of the Audit and Risk Committee Meeting – 18 February 2014

ID: A638567

To: Audit and Risk Committee Meeting, 20 May 2014

From: Simon Crabb, Finance Manager

Date: 8 May 2014

Summary The purpose of this report is to confirm the draft minutes of the Audit and Risk Committee meeting held on 18 February 2014. It concludes with the recommendation that the committee confirms the minutes as a true and correct record.

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 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

Background:

The draft minutes are **attached**.

Legal Compliance & Significance Assessment:

Councils are required to keep minutes of proceedings in accordance with the Local Government Act 2002.

Recommendation:

1. That the draft minutes of the Audit and Risk Committee meeting held on 18 February 2014 be confirmed as a true and correct records.
-

NORTHLAND REGIONAL COUNCIL AUDIT AND RISK COMMITTEE

Minutes of the meeting of the Audit and Risk Committee
held in the Council Chamber, 36 Water Street, Whāngārei,
on Tuesday 18 February 2014 commencing at 10 am

Present:

Cr David Sinclair (Chairman)
Cr Paul Dimery (Deputy Chairman)
Cr John Bain
Cr Dennis Bowman
Cr Craig Brown
Cr Joe Carr
Cr Dover Samuels
Cr Bill Shepherd

In Attendance:

Full Meeting

Malcolm Nicolson, Chief Executive Officer
GM - Planning and Policy (Acting GM Finance)
Council Secretary

Part Meeting

Finance Manager
Creative Northland Regional Arts Development Manager
Ernst and Young Senior Audit Manager
Northland Inc. Limited Chief Executive Officer
FNDC Revenue and Collections Manager
NEST Chief Executive Officer
NEST Chairman
NEST Financial Accountant
Economist
Maritime Senior Programme Manager
Commercial Property and Infrastructure Manager
Land/Rivers Senior Programme Manager

The Chairman declared the meeting open at 10.05 am.

Apologies (Item 1.0)

Moved (Bowman/Dimery)

That the apology from Councillor Graeme Ramsey for non-attendance be received.

Carried

Declarations of Conflicts of Interest (Item 2.0)

Councillor Shepherd advised that the Northland Emergency Service Trust (NEST) independent financial accountant, Tony Morris, was his son in law but confirmed that there were no other overlapping interests with NEST and hence no conflicts of roles.

Councillor Bain noted that he was currently a retiring trustee of NEST.

ID:A617078

Audit and Risk Committee Meeting
18 February 2014

Supplementary/Tabled Items for the Audit and Risk Committee Meeting – 18 February 2014 (Item 4.0A)

ID: A617289

Report from Finance Manager Simon Crabb.

Moved (Brown/Bain)

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

- 4.3: Attachment: Offers to Purchase Kensington Site (Appendix Three); and
- 4.4: Kotuku Dam Services Relocation Tender

be received.

Carried

Confirmation of Minutes of the Audit and Risk Committee Meeting – 26 November 2013 (Item 3.1)

ID: A604300

Report from Finance Manager Simon Crabb.

Moved (Brown/Samuels)

That the minutes of the Audit and Risk Committee held on 26 November 2013 be confirmed as a true and correct record.

Carried

Matters Arising from the 26 November 2013 Audit and Risk Committee Meeting (Item 3.2)

ID: A615915

Report from Council Secretary Chris Taylor.

Moved (Carr/Shepherd)

That the report "Matters Arising from the 26 November 2013 Audit and Risk Committee Meeting" by Chris Taylor, Council Secretary, and dated 10 February 2014, be received.

Carried

Culture Heritage Arts Resource Trust (CHART) Key Performance Indicators (KPIs) and Six Monthly Report (Item 3.3)

ID: A615323

Report from General Manager Planning and Policy Kathryn Ross.

Moved (Brown/Shepherd)

That the report "Culture Heritage Arts Resource Trust (CHART) Key Performance Indicators (KPIs) and Six Monthly Report" from Kathryn Ross, General Manager Planning and Policy, and dated 5 February 2014 be received.

Carried

Matters arising from Item 3.3:

Creative Northland Regional Manager, Laura Burns, was in attendance to address the report and noted the request that budget variances must be reported to the Board more frequently than bi-monthly.

It was reaffirmed that Creative Northland existed under the "umbrella" of CHART North. However, work was underway to develop an independent reporting programme for Creative Northland to ensure the distinction between the two organisations was clear.

Ernst and Young Audit Report on Council's Payroll Processes (Item 3.4)

ID: A614282

Report from Finance Manager Simon Crabb.

Moved (Bain/Carr)

That the report "Ernst and Young Audit Report on Council's Payroll Processes", by Simon Crabb, Finance Manager, and dated 30 January 2014, be received.

Carried

Matters arising from Item 3.4:

Ernst and Young Senior Auditor, Elizabeth Richards, was in attendance to provide high level comments on the work undertaken and the findings as detailed in the report.

Northland Emergency Services Trust (NEST) Six Monthly Reporting to 31 December 2013 and Approval for Quarter Two and Three Payments (Item 3.5)

ID: A614895

Report from Finance Manager Simon Crabb.

Councillors Shepherd and Bain declared a conflict of interest .

Moved (Brown/Bowman)

1. That the report "Northland Emergency Services Trust (NEST) Six Monthly Reporting to 31 December 2013 and Approval for Quarter Two and Three Payments", by Simon Crabb, Finance Manager, and dated 3 February 2014, be received.
2. That the second and third quarter payments of \$150,000 plus GST (each) for the 2013/14 financial year be approved for payment.

Carried

Matters arising from Item 3.5:

NEST Chief Executive Officer, Pete Turnbull, Chairman, Paul Ahlers, and independent Financial Accountant, Tony Morris, were in attendance to summarise the content of the report.

The three representatives were commended for NEST's contribution to Northland.

Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 31 December 2013 (Item 3.6)

ID: A614535

Report from Finance Manager Simon Crabb.

Moved (Bain/Carr)

That the Far North District rates collection and remissions process/formulae be reviewed internally to ensure that council's concerns regarding the quantum of outstanding Far North district rate arrears are addressed.

Carried

It was further moved (Carr/Brown)

That the report "Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 31 December 2013" by Simon Crabb, Finance Manager, and dated 3 February 2013, be received.

Carried

ID:A617078

Audit and Risk Committee Meeting
18 February 2014

Matters arising from Item 3.6:

FNDC Revenue and Collections Manager, Cheryl Gavin-Young, was in attendance to address the report.

It was requested that future Revenue and Collection Reports detail:

- i. The percentage of general title rates that have exceeded six years arrears and hence statute barred.
- ii. The percentage of Far North rates in general title compared to Māori freehold title.
- iii. The percentage of general title land transferred to Māori freehold land and outstanding rates on land subject to such a status change.

Chairman Shepherd advised that the Mayoral Forum had agreed to establish a working party to give in-depth consideration to shared services and undertook to ensure that rates collection be deemed a priority.

Northland Inc. Limited Financial Six Monthly Report to 31 December 2013 and Quarterly Reporting Against Statement of Intent 2013/14 (Item 3.7)

ID: A614562

Report from General Manager Planning and Policy, Kathryn Ross, and Financial Manager, Simon Crabb.

Moved (Samuels/Bain)

That the report "Northland Inc. Limited Financial Six Monthly Report to 31 December 2013 and Quarterly Reporting Against Statement of Intent 2013/14" by Kathryn Ross, General Manager Planning and Policy, and Simon Crabb, Finance Manager, and dated 3 February 2014, be received.

Carried

Matters arising from Item 3.7:

Northland Inc. Chief Executive Officer, David Wilson, was in attendance to address the report.

Schedule of Credit Notes for Approval (Item 3.8)

ID: A611933

Report from Accounts Receivable Officer, Trish Wells.

Moved (Bain/Bowman)

1. That the report "Schedule of Credit Notes for Approval" by Trish Wells, Accounts Receivable Officer, and dated 22 January 2014, be received.
2. That the issue of credit notes as detailed in the report from the Accounts Receivable Officer, Trish Wells, dated 22 January 2014, be approved.

ID:A617078

Audit and Risk Committee Meeting
18 February 2014

3. That further credit notes for approval relating to council staff time spent on Northland Inc. Limited activities will be provided to council for approval at the end of each quarter (March 2014 and June 2014).

Carried

Financial Report to 27 January 2014 (Item 3.9)

ID: A614532

Report from Financial Accountant Angela Hobden.

Moved (Bain/Brown)

That the report "Financial Report to 27 January 2014" by Angela Hobden, Financial Accountant, and dated 3 February 2014, be received.

Carried

Matters arising from Item 3.9:

Councillor Carr highlighted the risk relating to the lack of a workable model for the Awanui River and undertook, in conjunction with the Land/Rivers Senior Programme Manager, to ensure the Environmental Management Committee formalised a recommendation to council as to the best manner to proceed.

Land/Rivers Senior Programme Manager, Bruce Howse, also undertook to provide councillors with relevant background information regarding the Awanui River.

Community Investment Fund – Review of Investment Managers' Performance to 31 December 2013 (Item 3.10)

ID: A614516

Report from Finance Manager, Simon Crabb, and Financial Systems Administrator, Kym Ace.

Moved (Bain/Brown)

1. That the report "Community Investment Fund – Review of Investment Managers' Performance to 31 December 2013", by Simon Crabb, Financial Manager, and Kym Ace, Financial Systems Administrator, and dated 10 February 2014, be received.
2. That council approves the current SIPO breach of counter party credit limit capped at 20% of investments invested with one issuer by allowing the current investments with ASB Limited (63.69%) until the deposits were made into the AMP Managed Fund and Schrodgers Real Return Fund in February 2014.

Carried

ID:A617078

Audit and Risk Committee Meeting
18 February 2014

Community Investment Fund (CIF) – Investment in the Brook Income Fund (Item 3.11)

ID: A615336

Report from Finance Manager Simon Crabb.

Moved (Carr/Brown)

1. That the report “Community Investment Fund (CIF) – Investment in the Brook Income Fund”, by Simon Crabb, Finance Manager and dated 4 February 2014, be received.
2. That council open an account with Brook Asset Management Limited and up to \$500 thousand of CIF Income Assets is transferred into the Brook Income Fund.
3. That the Audit and Risk Committee delegate to the Chairman of Council, Chairman of Audit and Risk and the Chief Executive Officer, as a collective, the authority to move CIF capital between investment fund managers.

Carried

Insurance Policy Update for the 2013/14 Financial Year (Item 3.12)

ID: A615264

Report from Financial Accountant, Angela Hobden.

Councillor Carr declared a conflict of interest and did not participate in discussion or voting on the matter.

Moved (Sinclair/Brown)

That the report “Insurance Policy Update for the 2013/14 Financial Year” from Angela Hobden, Financial Accountant, and dated 4 February 2014, be received.

Carried

Councillor Carr abstained from voting

Matters arising from Item 3.12:

It was advised that LGNZ were currently undertaking a major review of insurance in local government; hence the matter would be an on-going debate at both a national and regional level.

2013/14 Quarters One and Two Levels of Service Report (Item 3.13)

ID: A614513

Report from General Manager Planning and Policy Kathryn Ross.

Moved (Shepherd/Bowman)

That the report “2013/14 Quarters One and Two Levels of Service Report” by Kathryn Ross, General Manager Planning and Policy, and dated 5 February 2014, be received.

Carried

Matters arising from Item 3.13:

There was general agreement to retain the current table format rather than “exception reports”.

General Manager Planning and Policy, Kathryn Ross, undertook to liaise with the Regional Transport Committee regarding the appropriate level of reporting on fatal/serious crashes.

Legislative Compliance – Second Quarter 2013/14 (Item 3.14)

ID: A614643

Report from Policy Advisor Vibeke Wright.

Moved (Brown/Shepherd)

That the report “Legislative Compliance – Second Quarter 2013/14” by Vibeke Wright, Policy Advisor, and dated 3 February 2014, be received.

Carried

International Liability and Compensation Regime (Item 3.15)

ID: A614857

Report from Maritime Senior Programme Manager Jim Lyle.

Moved (Shepherd/Brown)

1. That the report “International Liability and Compensation Regime” by Jim Lyle, Maritime Senior Programme Manager, Jim Lyle, and dated 4 February 2014, be received.
2. That a sub-committee be formed to more fully assess the risk and insurance cover, in order to report back to the Audit and Risk Committee with a recommendation.

Carried

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It was further moved (Shepherd/Bain)

That council appoints Councillors Dimery and Sinclair to the sub-committee (to more fully assess the risk and insurance cover as per recommendation 2).

Carried

Matters arising from Item 3.15:

Maritime Senior Programme Manager, Jim Lyle, was in attendance and provided the presentation "Harbourmaster's Liability; the aim of which was to raise council's awareness of the liability issues versus the level of insurance carried. The presentation covered the following key points:

- Requirements of the Maritime Transport Act and powers delegated to the Harbourmaster;
- The international regime to cover the costs and liabilities;
- Funds and insurance regimes;
- Liability convention;
- Five types of damage claims as a result of an oil spill;
- NRC systems and maritime operations; and
- NRC current levels of insurance.

Investment and Growth Reserve Criteria (Item 3.16)

ID: A614030

Report from Economist Darryl Jones.

Moved (Bain/Bowman)

1. That the report "Investment and Growth Reserve Criteria" by Darryl Jones, Economist, and dated 5 February 2014, be received.

Carried

It was further moved (Brown/Bain)

2. That the following amendments be made to the IGR criteria:
 - (a) That the final bullet point of the Management of reserve section be replaced with the following:

Funding for organisational operating expenditure (for the new council-controlled organisation and council-controlled trading organisation) from the reserve is capped at \$1.15 million per annum (2014/15) and adjusted annually by the BERL OPEX LGCI adjuster.
 - (b) That the following additional bullet be included at the end of the Management of reserve section:

An additional \$200,000 per annum may be requested by the new council-controlled organisation to carry out feasibility assessment and business case development.

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18 February 2014

- (c) That an additional bullet point be added to the Types of funding allocations section:
Impact investment funding for projects that have the potential to lift the economic performance of Northland.
 - (d) That a new bullet point be added to the Management of reserve section:
Funding for impact investment funding is capped at \$1 million from any one year's investment income transferred into the IGR, with the possibility of carrying forward a cumulative maximum of \$1 million in unused impact investment funding from previous years.
3. That council agree to make the revised criteria available on the NRC and Northland Inc. Limited websites.

Carried

Matters arising from Item 3.16

There was general agreement that Northland Inc. Limited's Statement of Intent 2014/15 must include the need to consider the geographic spread of economic development across Northland.

The meeting adjourned at 1.04 pm for lunch and reconvened at 1.33 pm

4.0 Business with the Public Excluded

Moved (Bain/Dimery)

- 1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
- 2. That 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:

Item No.	Item Issue	Reason\Grounds
4.1	Confirmation of Confidential Minutes of the Audit and Risk Committee Meeting – 26 November 2013	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.

4.2	Sale of Leasehold Land Subject to 5 and 7 Year Rent Reviews	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)).
4.3 (including tabled attachment)	Offers to Purchase Kensington Site	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)).
4.4 (tabled item)	Kotuku Dam Services Relocation Tender	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)).

Carried

Conclusion

The meeting concluded at 2.32 pm.

**ISSUE: Presentation: Introduction of Audit New Zealand's
New Director and Verbal Update on the Interim
Audit**

ID: A637808

To: Audit and Risk Committee Meeting, 20 May 2014

From: Simon Crabb, Finance Manager

Date: 5 May 2014

Summary The purpose of this report is to introduce Audit New Zealand's new Director and for the Director to give a verbal update on the interim audit.

Report Type:	<input type="checkbox"/> Normal operations	<input checked="" 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

Presentation:

Audit New Zealand's new Director, Karen Mackenzie, will be introducing herself to the Audit and Risk Committee.

Karen Mackenzie will also give a brief verbal update on council's interim audit.

Significance Assessment:

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 only asking for information to be received and no decision is required.

Recommendation:

-
1. That the information from Audit New Zealand Director, Karen Mackenzie, be received.
-

ISSUE: Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 31 March 2014

ID: A636289

To: Audit and Risk Committee Meeting, 20 May 2014

From: Simon Crabb, Finance Manager

Date: 29 April 2014

Summary The purpose of this report is to provide an update on the collection of outstanding rates in the Far North district. It concludes with the recommendation that the report be received.

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 Far North District Council administers the collection of the Regional Council rates in the Far North district on our behalf. The purpose of this report is to provide an update on the collection of current rates and rate arrears owing to the Regional Council.

Attachment One is a report provided by Far North District Council on the collection of current rates and rate arrears for the period ending 31 March 2014.

A representative from Far North District Council will attend the Audit and Risk Committee meeting to answer any questions.

Far North district rates owing to council at 31 March 2014

The following table shows the outstanding Far North district rates balance at 31 March 2014 by rate type (Māori freehold land and general land).

Table One: Total Far North District Council Rates Owed to the Regional Council (GST INC) at 31 March 2014							
	5 + Years	4 Years	3 Years	2 Years	1 Year	Current	Total
Maori Freehold Land	488,511	274,821	348,423	408,489	638,359	830,425	2,989,028
General Land	95,972	72,445	111,479	157,012	336,132	1,977,606	2,750,646
Variance	-	-	-	-	-	-	214
Total	584,482	347,266	459,902	565,501	974,491	2,808,031	5,739,887

At 31 March 2014 the Far North district had total rates owing to the Regional Council of \$5.7M, including outstanding arrears (non-current rates) of \$2.9M.

Far North District Council current rates received

The 2013-2014 Far North district rate strike is \$7.5M. To date we have received \$5.1M, 68% (Mar 2013 68%) in current rates and \$376K in rate arrears. These payments include \$73K of penalty revenue. A further payment will be made in June 2014 with a final wash-up paid in July 2014.

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 as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002. In accordance with section 76 of the Local Government Act, this matter is not considered to be significant.

Recommendation:

1. That the report 'Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 31 March 2014' by Finance Manager, Simon Crabb, and dated 29 April 2014, be received.
-

MEETING: NORTHLAND REGIONAL COUNCIL

Name of item: REVENUE AND COLLECTIONS QUARTERLY REPORT
31 March 2014

Author: Cheryl Gavin-Young, Revenue & Collections Manager

Date of report: 07 April 2014

Document number: A1450973

Executive Summary

The purpose of the report is to provide quarterly reporting to Northland Regional Council on action to collect rate arrears and current rates and to provide information on how collection is tracking against targets.

1) Background:

This document will highlight the actions taken by Revenue & Collections Department to reduce the monies outstanding.

2) Discussion and options

Proactive initiatives

Council preferred option of payment for all ratepayers is by direct debit.

As at 31 March 2014 24.53% of ratepayers had paid via direct debit.

As at 31 December 2013 24.42% of ratepayers had paid via direct debit.

As at 30 September 2013 24.4% of ratepayers had paid via direct debit.

Continued attendance with Community groups including Disability Services, Budgeting Services, Age Concern Expo and Te Runanga A Iwi O Ngapuhi to name a few is aimed at increasing the awareness of the rates rebate scheme and our services.

Remission Applications

Council's remission policies are designed to recognise the unique nature of the Far North with its significant areas of unoccupied Maori freehold land. Overall the policies address issues of financial hardship and the protection of areas of land with particular conservation or community values.

Policy Name	Number Remissions Granted Annually		
	2014	2013	2012
Maori Freehold Land Remissions	606	712	786
Charitable or Community Organisations	11	38	38
Remission of Rates on Land Partially in District	1	2	2
Contiguous Properties	774	875	878
Conservation Property	186	178	175
Total	1578	1805	1879

NB - Maori Freehold Land Remissions are renewed every three years, on application. Current figures do not include applications received and not yet processed.

Statute Barred

Councils have a limitation of time to recover rates. An action to recover unpaid rates must not be commenced later than 6 years after the date on which the last payment became due.

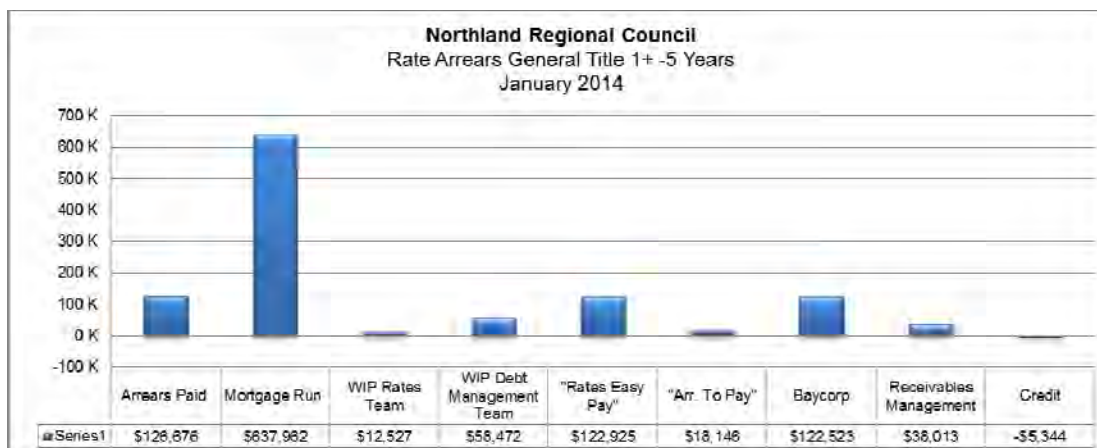
The processing of Statute Barred is due to be completed by the end of the Rating Year. Results will be included in the 4th Quarter Report.

Mortgage Demands

For ratepayers with a mortgage on their title, a notice to the ratepayer requesting payment of outstanding arrears was sent in January 2014.

Council is prepared to accept payment arrangements under Council's **Rates Easy Pay** Policy provided arrangements are in place prior to 30 April 2014.

If payment or payment arrangements are not made by 30 April 2014, a demand will be placed with the mortgagor to make the payment



Baycorp New Zealand

As at 31 March 2014 120 Rate and Water Accounts were loaded with Baycorp.

Following the Mortgage Demand process a Baycorp audit was completed.

\$12,272.88 has been receipted.

Receivables Management (NZ) Limited

As at 31 March 2012 218 Rate and Water Accounts were loaded with Receivables Management (NZ) Limited.

Following the Mortgage Demand process Rate and Water Accounts were loaded with Receivables Management (NZ) Limited.

\$9,200.65 has been receipted.

Legal Action

Accounts in legal pursuit are presently 2 General Title and 1 Maori Freehold title properties with Law North. Law North has been successful with 1 account to date. Legal proceedings have commenced with Baycorp New Zealand for accounts previously loaded with outstanding rate arrears.

Properties under investigation

Properties under investigation include properties where the status of land requires clarification, possible deceased estates or outdated data. These assessments are typically abandoned land requiring notification before recovery through rating sales. A document on the abandoned land process has been written for Council's consideration.

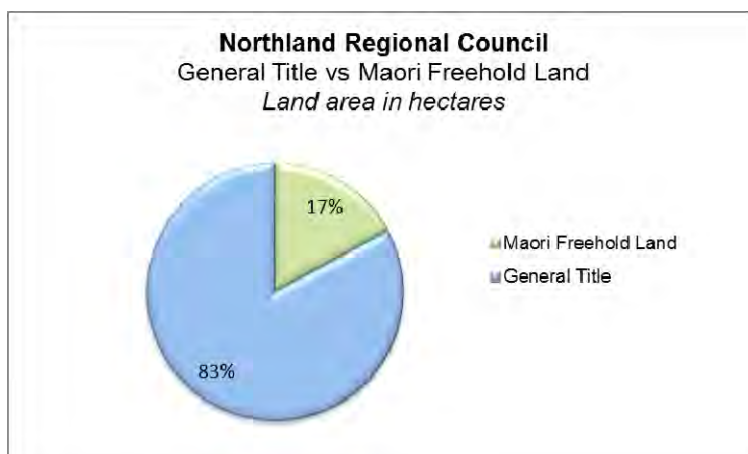
Recovery of Rates for Maori Freehold Land

Regular meetings are scheduled by the Debt Management Team with Ratepayers at Te Ahu, Kaitiaia.

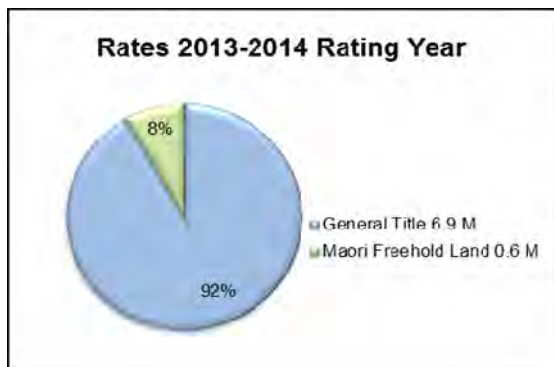
Regular meetings are scheduled by the Debt Management Team with the Maori Land Court in Whangarei.

A number of Maori Freehold Land rate accounts with occupation orders have been loaded with Receivables Management (NZ) Limited for outstanding rate arrears.

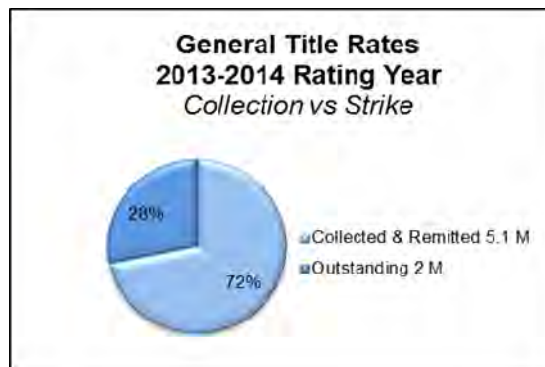
13 Rate Assessments have been changed from General Title to Maori Freehold Land 01 January 2014 – 31 March 2014.



Collection Data



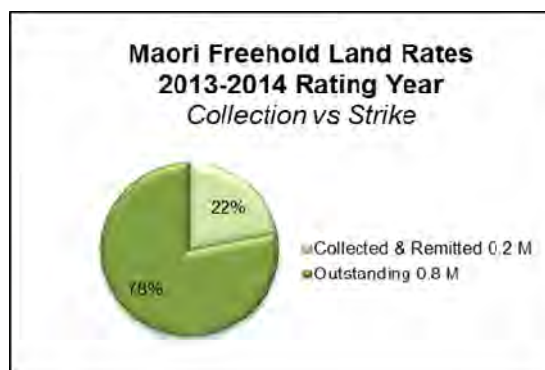
This graph shows the percentage of General Title Rates and Maori Freehold Land Rates struck for the 2013-2014 Rating Year



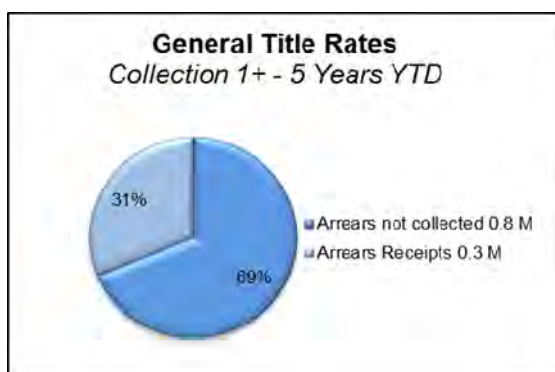
This graph shows the percentage of General Title Rates collected and remitted and outstanding for the 2013-2014 Rating Year



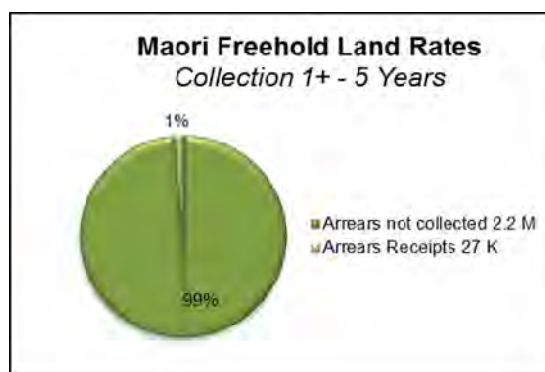
This graph shows the percentage of General Title Rates and Maori Freehold Land Rates unpaid for previous Rating Years



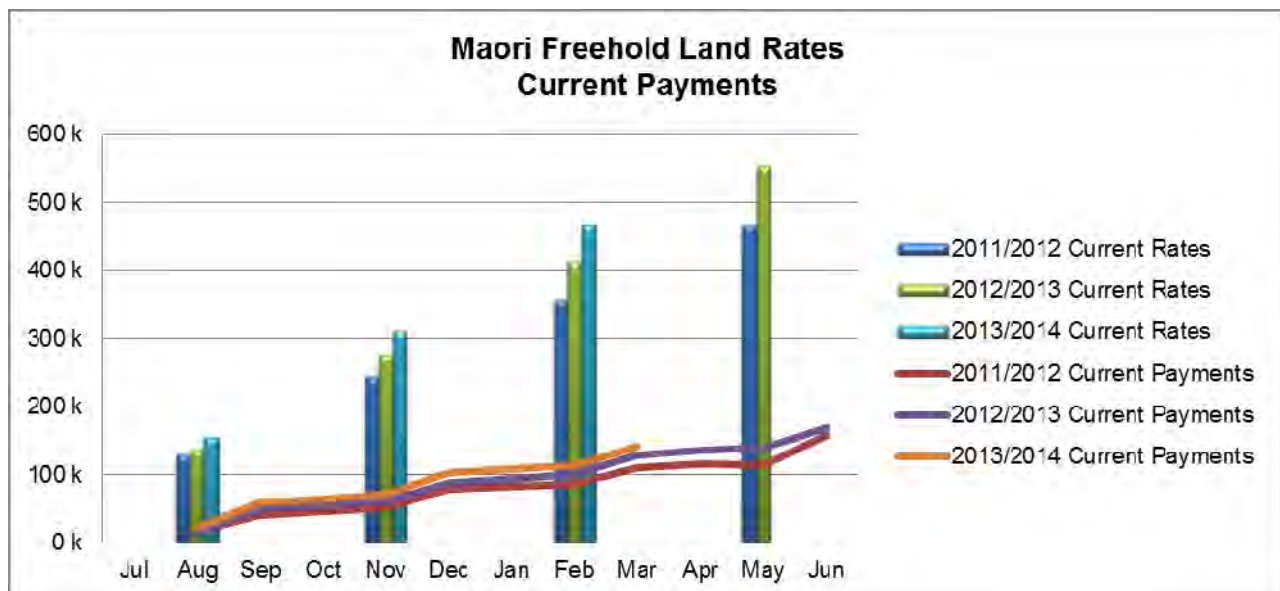
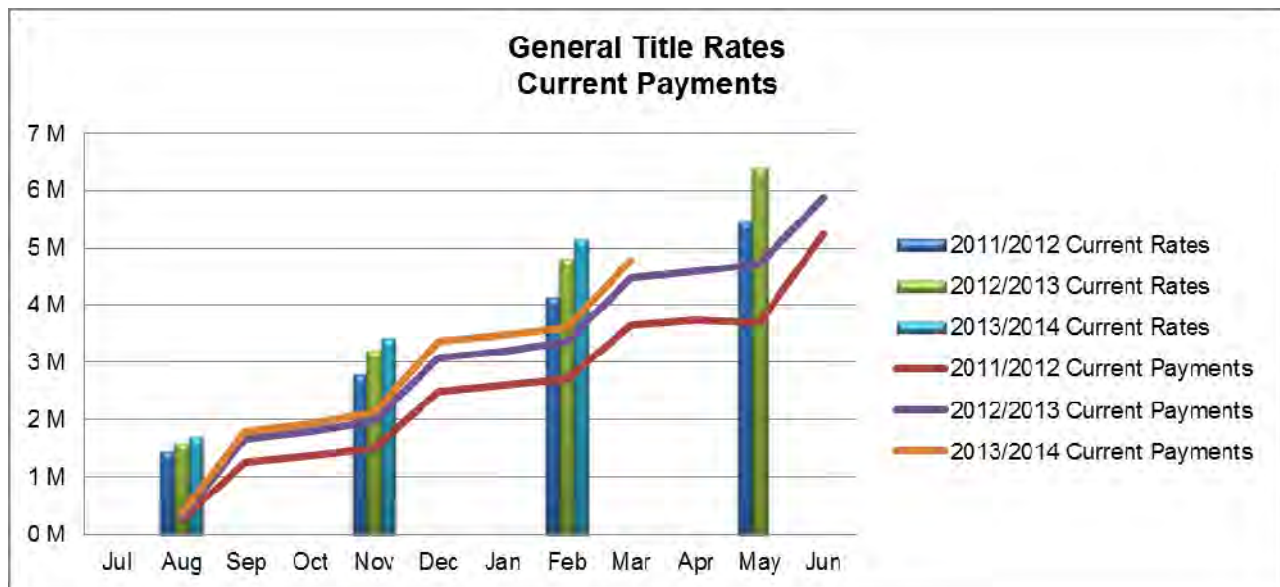
This graph shows the percentage of Maori Freehold Land Rates collected and remitted and outstanding for the 2013-2014 Rating Year



This graph shows the percentage of General Title Rates not collected and collected for previous Rating Years



This graph shows the percentage of Maori Freehold Land Rates not collected and collected for previous Rating Years



ISSUE: Northland Inc. Limited Nine Monthly Financial Reporting and Quarter Three Reporting Against Statement of Intent (SOI)

ID: A635674

To: Audit and Risk Committee Meeting, 20 May 2014

From: Kathryn Ross, General Manager Planning and Policy and Simon Crabb, Finance Manager

Date: 28 April 2014

Summary The purpose of this report is to present Northland Inc. Limited's financial report to 31 March 2014 and non-financial progress against its Statement of Intent (SOI) and governance review for the third quarter to 31 March 2014. It concludes with the recommendation that this report be received.

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

Background:

Financial Report to 31 March 2014:

Attached are the following financial reports supplied by Northland Inc. Limited:

- Brief commentary explaining the year to date financial results to 31 March 2014 (**Appendix One**).
- Northland Inc. Limited - Profit and Loss Budget Performance Report to 31 March 2014 (**Appendix Two**).
- Northland Inc. Limited - Balance Sheet Statement as at 31 March 2014 (**Appendix Three**).
- Northland Inc. Limited – Cash flow for 2013/14 (**Appendix Four**).

In the 2013/14 Annual Plan council agreed to provide Northland Inc. Limited up to \$1M funding from the Investment and Growth Reserve for operational activities and a further \$100K funding from rates for tourism related activities.

At the end of March 2014 council had paid its first, second and third quarter instalments totalling \$750 thousand plus GST from the Investment and Growth Reserve and \$75 thousand plus GST from rates. Council also paid \$159,652 plus GST to Northland Inc. Limited in December 2013 to reimburse extraordinary costs incurred on their transition and the audit of the Oyster Shell project. The fourth quarter instalments of \$250 thousand from the Investment and Growth Reserve and \$25 thousand from rates were paid to Northland Inc. Limited in April 2014.

The Northland Inc. Limited forecasted year end operating result continues to be ahead of (better than) budget and is forecasted to bring the organisation's equity into a positive position of \$2,468 at 30 June 2014. Furthermore, the forecasted cash flow continues to appear manageable through to the end of financial year.

Reporting against Statement of Intent (SOI)

Attached (as appendix five and six) are Northland Inc. Limited's non-financial reports against the SOI, including the modification that has been made, and governance improvement initiatives.

Last quarter Northland Inc. Limited report that for all of the modifications they have achieved all targets (with the exception of the NIF hosting which the report states has been referred back to council and the draft SOI for 2014/15 which the report states is in progress). The draft SOI has now been sent to council and council has given its feedback (as per the delegations in place). Northland Inc. Limited notes that the measures and targets for "building a business friendly environment that encourages business and employment opportunities" will be included in the reviewed SOI.

Northland Inc. Limited's progress against the SOI targets themselves continues to indicate that targets pertaining to business case proposals and assessments will not be met this financial year.

This quarter Northland Inc. Limited have included detail on the current projects it has received, assessed and recommended to council (**appendix 7**). The committee will note that the Aquaculture project it declined to progress is still being progressed by Northland Inc. Limited with MPI (and Northland Inc. Limited state MPI will fund the work and a press release is due "in the next week or so"). Staff are following up with Northland Inc. Limited about whether the project is the land based fish farming project and what has occurred as part of discussions with NIWA.

The Hewlett Street wharf project is still "being negotiated". The Chief Executive Officer of council is still working with Cr Sinclair and Northland Inc. Limited on the project.

The "Economic Development Opportunities from Better Water Use" project has transferred to council and staff are working with MPI on the criteria for the application with a view to bring back the application to council for approval at the earliest opportunity (either as part of the DAP deliberations agenda meeting on 30 May or the June council meeting).

As reported last quarter, progress in the area of sector development is on track and in some cases targets have already been met (or exceeded). The progress with stakeholder engagement remains difficult to assess as many of the measures focus on relationships and outputs (such as attendance at meetings) rather than outcomes. The report notes that use of the brand strategy is "underway as part of the 2014/15 SOI", the exact meaning of this is unclear. It could mean that the strategy will be developed next financial year.

Northland Inc. Limited will be available to speak to these reports.

Legal compliance and significance assessment:

The activities detailed in this report are part of council's routine operations and oversight of its Council Controlled Organisation. They are consistent with council decisions made during deliberations of the Long Term Plan 2012-2022 and as part of the Annual Plan and receipt and modification of Northland Inc. Limited's SOI and as such are in accordance with council's decision making process and sections 76-82 of the Local Government Act 2002 and are of low significance.

The council has delegated assurance and oversight of the SOI, reporting and matters to do with Northland Inc. Limited to the Audit and Risk Committee.

Recommendation:

1. That the report "Northland Inc. Limited Nine Monthly Financial Reporting and Quarter Three Reporting Against SOI" by Kathryn Ross, General Manager Planning and Policy and Simon Crabb, Finance Manager dated 28 April 2014, be received.
-



Report to Board of Directors

Report By:

David Wilson

Dated:

22/04/2014

Subject:

Financial

Attached are the following reports;

Financial Reports

Profit & Loss Budget Performance to 31 March 2014

Report Summary; (notes also on spread sheet)

Revenue is tracking over budget by \$178,446 due to the reimbursement of costs from NRC and \$5,000 from KDC for the NIF project and \$15,000 from WDC for the Digital project and the early invoicing out of the website priority listings, offset by the non funding expected from KDC \$10,000.

Expenditure is under budget by \$1,872 due to savings in wages \$32,988 & directors \$2,604 offset by increased activity in the project area \$30,199 and increase in overhead costs \$7,296.

- Wages:
- Tourism wage actual is due to contractors rate being higher than budgeted salaries and extra cover for Paihia office, the over spend against budget will be offset by savings due in last quarter.
- Investment wage actual will see saving in the forecast
- Business Grow and Corp are timing issues

- Overheads are over budget by \$7,296

Over budget items of note;

- Audit extra costs relating to June 2013
- Vehicle Costs – Includes Interim CEO travel charge and ongoing repairs to owned vehicle and unbudgeted travel expense for extension on the digital project and the newly formed twin coast project
- Communications is a timing issue.

- Legal fees relate to HR advise
- Project Expenses are over budget \$30,199
Over budget items;
Consultant – mileage for contractor was not included in the budget.
Activities – further spend in Investment and Digital areas.

Overall Summary;

The extra funding from NRC & WDC is evident in the variance \$180,332.

Profit & Loss Budget Performance Year End Forecast 2014

Report Summary; (notes also on spread sheet)

Revenue is expected to track above budget due to the reimbursement of extraordinary costs from NRC \$159,652, extended funding from WDC for digital but is offset against expected non funding from KDC \$10,000 & uncertain funding from the Hewlett Street project \$35,000.

Expenditure is forecasted to track over budget by \$37,865 The additional reimbursement from NRC has allowed further possible expenditure in project areas.

Overall Summary;

The yearend forecast surplus of \$189,425 will bring the organisation back to positive equity with a buffer of \$2,468.

Investment salary area includes a new position for Apr-June. Corporate salary area includes cover for front desk Apr – June.

The extra funding from NRC has been assigned to the shortfall in income = \$36,842 to extra expenses of \$37865 leaving a variance of \$84,947 to offset against inherited deficit.

Balance Sheet as of 31 March 2014

Notes are detailed on the report.

Cash Flow forecast

- The cash flow reflects actuals against forecast to 31 March 2014.
- Note the creditors and debtors have been added to the forecast column to compare forecast against actual more accurately.
- With the addition of the reimbursement from NRC the actuals shows positive cash flow position to year end.

Recommendation – Be received the following reports:

- The Profit & Loss Budget Performance to 31 March 2014 & forecast
- The Balance Sheet as of 31 March 2014
- The Cash Flow forecast to June, 2014

	YTD Actuals	YTD Budget	Variance	Year End			Notes
				Forecast Est	Annual Budget	Variance	
Ordinary Income/Expense							
Income							
Project Income							
Callaghan Innovations	43,125	43,125	0	57,500	57,500	0	
Far North Holdings	55,000	55,000	0	55,000	55,000	0	
MSD	5,000	5,000	0	5,000	5,000	0	
Kaipara District Council	5,000	10,000	-5,000	5,000	10,000	-5,000	1
Far North District Council	5,000	5,000	0	5,158	5,000	158	
Industry	22,221	6,500	15,721	26,000	73,000	-47,000	2
NRC	989,652	830,000	159,652	1,264,652	1,105,000	159,652	3
NZTE	129,375	129,375	0	172,500	172,500	0	
Tourism NZ	15,573	22,500	-6,927	30,000	30,000	0	4
Whangarei District Council	105,000	90,000	15,000	125,000	110,000	15,000	5
Total Project Income	1,374,946	1,196,500	178,446	1,745,810	1,623,000	122,810	
Total Income	1,374,946	1,196,500	178,446	1,745,810	1,623,000	122,810	
Expense							
Depreciation	11,845	15,621	-3,776	20,828	20,828	0	
Wages							
Investment	13,009	33,250	-20,241	37,012	57,000	-19,988	6
Business Grow	123,393	135,008	-11,615	180,008	180,008	0	7
Sectors	25,345	24,782	563	25,345	24,782	563	
Tourism	182,197	177,086	5,112	230,772	236,114	-5,342	8
Corporate	166,473	173,353	-6,880	242,618	238,304	4,314	9
Interim CEO	21,574	21,500	74	21,574	21,500	74	
Total Wages	531,991	564,979	-32,988	737,329	757,708	-20,379	
Overheads							
General Administrative							
Kiwisaver	11,558	15,671	-4,113	16,781	20,894	-4,113	10
FBT	0	0	0	9,000	9,000	0	
ACC	2,664	4,179	-1,515	2,664	4,179	-1,515	11
Accounting	0	0	0	3,675	3,675	0	
Audit Fees	20,185	0	20,185	45,185	25,000	20,185	12
Bank Charges	747	675	72	900	900	0	
Insurance	9,070	10,621	-1,551	9,070	10,621	-1,551	
IT Support	13,352	13,368	-16	17,291	17,291	0	
Legal Fees	57,051	55,000	2,051	57,051	55,000	2,051	13
Meeting Expenses	2,535	2,250	285	3,000	3,000	0	
Subscription/Publications	13,788	14,113	-325	14,113	14,113	0	14
Sundry	6,261	6,099	162	8,138	8,138	0	
Telephone & Fax	13,589	14,782	-1,192	19,178	19,178	0	
Travel Costs	7,336	6,190	1,146	8,253	8,253	0	
Vehicle Costs	24,507	18,300	6,207	35,384	24,400	10,984	15
Total General Administrative	182,643	161,246	21,397	249,683	223,642	26,041	
Leases							
Operating Leases	11,282	16,245	-4,962	21,243	21,243	0	16
Vehicle Leases	8,078	12,603	-4,525	10,919	16,804	-5,885	17
Total Leases	19,360	28,848	-9,488	32,162	38,047	-5,885	
Marketing							
Communications	9,875	7,000	2,875	9,875	10,000	-125	18
Total Marketing	9,875	7,000	2,875	9,875	10,000	-125	
Office Supplies							
Postage	496	1,650	-1,154	684	2,200	-1,516	
Stationery	3,686	4,876	-1,190	5,652	6,501	-849	
Total Office Supplies	4,182	6,526	-2,344	6,336	8,701	-2,365	
Premises costs							
Cleaning	4,054	4,511	-457	4,587	5,471	-884	19
Electricity	4,396	7,092	-2,696	6,576	8,592	-2,016	20
Rates	1,376	6,251	-4,874	1,376	7,876	-6,500	21
Rent	41,736	38,854	2,882	55,120	48,905	6,215	22
Total Premises costs	51,563	56,707	-5,145	67,659	70,844	-3,185	
Total Overheads	267,623	260,327	7,296	365,715	351,234	14,481	
Director Expenses							
Fees	36,184	36,375	-191	52,876	48,500	4,376	23
Meeting Expenses	2,822	2,400	422	3,000	3,000	0	
Travel Costs	12,915	15,750	-2,835	14,438	21,000	-6,562	24
Total Director Expenses	51,921	54,525	-2,604	70,314	72,500	-2,186	
Project Direct Costs							
Consultants	50,976	48,000	2,976	70,476	66,000	4,476	25
Activity Costs	270,673	243,450	27,223	303,173	261,700	41,473	26
Total Project Direct Costs	321,649	291,450	30,199	373,649	327,700	45,949	
Total Expense	1,185,030	1,186,902	-1,872	1,567,835	1,529,970	37,865	
Net Ordinary Income	189,916	9,598	180,318	177,975	93,030	84,945	
Other Income/Expense							
Other Income							
Interest Received	14	0	14	2	0	2	
FBT contribution	5,889	5,889	0	11,448	11,448	0	27
Oyster Shell Project Income	31,613	0	31,613	31,613	0	31,613	
Total Other Income	37,516	5,889	31,627	43,063	11,448	31,615	

	YTD Actuals	YTD Budget	Variance	Year End			Notes
				Forecast Est	Annual Budget	Variance	
Other Expense							
Oyster Shell Project							
Oyster Project Expense	31,613	0	31,613	31,613	0	31,613	
Total Other Expense	31,613	0	31,613	31,613	0	31,613	
Net Other Income	5,903	5,889	14	11,450	11,448	2	
Net Income	195,819	15,487	180,332	189,425	104,478	84,947	28
Notes							
1 Forecast	budgetted amount not expected, \$5k for NIF						
2 Forecast	\$35k budgeted for Hewlett Street work - uncertain						
3 Forecast	extraordinary costs recovered from NRC						
4 YTD	timing						
5 Forecast	extra funding for digital project						
6 Forecast	inclusive of new position Mar - June						
7 YTD	timing monthly budget includes portion of bonus						
8 YTD	incorporates tracking overspend and current staff, improves in forecast						
9 Forecast	incorporates new ea position starting Apri						
10 YTD	due to employees being paid on contract for first six months now on employment contracts						
11 YTD	payment to ACC actual						
12 YTD	dispersment charges not budgeted, & extra audit fee from Audit NZ						
13 Forecast	allowed extra \$2k for legal fees over budget						
15 YTD	damage repairs and maintenance on older vehicles, return of a leased car - costs for wear and tear, un budgeted veh cost for digital & todh projects						
16 YTD	timing						
17 Forecast	allowed for Interest on NRC leased vehicle in Feb-June + existing leased car						
18 YTD	timing						
19 Forecast	Staff undertaking cleaning of office in Paihia						
20 YTD	timing						
Forecast	electricity in Paihia part of rent						
21 Forecast	savings on premise in Paihia, whg cost in rent budget						
22 Forecast	increase for Paihia office & whg office rent increase from 1 Feb						
23 Forecast	includes two new directors May-Jun						
24 Forecast	est savings in travel						
25 Forecast	travel component not budgeted						
26 Forecast	savings in tourism offset against additional spend in investment and digital						
27	offset against wages						
28 YTD	due to extra funding from NRC						
Forecast	ahead of budget surplus needed of \$186957						
Summary							
NRC extra funding covers	less income	36,842					
	increase in exp	37,865					
	variance	84,947					
		159,654					

Northland Inc Ltd
Balance Sheet
As of March 31,2014

	Mar,31 14	Closing Balance Jun 30,13	Movement	notes
ASSETS				
Current Assets				
Accelerator Account	54,950	1,358	53,592	
Project Account	15	14	1	
Cheque Account	29,334	26,990	2,344	
Petty Cash	200	200	0	
Total Chequing/Savings	84,499	28,562	55,937	
Accounts Receivable				
Accounts Receivable	45,605	135,800	-90,196	1
Total Accounts Receivable	45,605	135,800	-90,196	
Other Current Assets				
Accounts Receivable -yearend adj	0	22,725	-22,725	
Prepayments	5,254	3,800	1,454	2
Total Other Current Assets	5,254	26,525	-21,270	
Total Current Assets	135,358	190,887	-55,529	
Fixed Assets				
Leased Equipment at Cost	49,105	49,105	0	
Accumulated Deprec Lease Eq	-47,965	-44,455	-3,510	
Total Leased Equipment	1,140	4,650	-3,510	
Office Equipmet				
Office Equipment at Cost	71,208	71,958	-750	
Accumulated Deprec OE	-39,980	-36,191	-3,789	
Total Office Equipmet	31,228	35,767	-4,539	
Vehicles				
Vehicles at Cost	49,986	28,043	21,943	3
Accumulated Deprec	-12,098	-7,552	-4,546	
Total Vehicles	37,888	20,491	17,397	
Total Fixed Assets	70,256	60,908	9,348	
TOTAL ASSETS	205,614	251,795	-46,181	
LIABILITIES & EQUITY				
Liabilities				
Current Liabilities				
NRC Oyster Commitment	0	0	0	
Accounts Payable	109,100	220,982	-111,881	4
Total Accounts Payable	109,100	220,982	-111,881	
Other Current Liabilities				
Accuonts Payable - Year End adj	0	75,719	-75,719	
NRC Loan	23,726	0	23,726	
Accruals	15,000	41,954	-26,954	5
Income in Advance	25,232	82,688	-57,456	6
Current Portion of Leases	835	5,465	-4,630	
GST	778	-46,060	46,838	
Holiday Pay Accrued	22,082	58,004	-35,922	
Total Other Current Liabilities	87,653	217,770	-130,117	
Total Liabilities	196,753	438,752	-241,999	
Equity				
Contributed Capital	100	100	0	
Equity	-148,612	28,004	-176,616	
Retained Surplus/Deficit	-38,445	-38,445	0	
Net Income	195,817	-176,616	372,433	
Total Equity	8,861	-186,957	195,818	
TOTAL LIABILITIES & EQUITY	205,614	251,795	-46,181	

notes

- 1 Recievables are mainly made up of Current: NZTE\$16.5k/Callaghan\$5.5k/balance in website renewals
- 2 Insurance prepayments - next financial year
- 3 Sale of oldest vehicle & purchase of new CEO vehicle
- 4 Payables are made up of, Infomtrics \$56k and rest Mar invoices
- 5 Accruals are made up of \$15k fbt liability 2013
- 6 Income in advance is made up of NIF \$23k/Far North Brox \$2k,

Northland INC													
Cash Flow 2013/14													
	March		April		May		June		Jul 13 - Jun14				
	Forecast	actual	Forecast	actual	Forecast	actual	Forecast	actual	Forecast YTD	actual YTD	Variance YTD	Annual Budget	notes
Income													
Corporate			287,500						885,500	885,500	-	1,173,000	
Bus Grow Income	22,042	22,042	22,042		22,042		44,084		176,332	176,334	2	264,500	
Tourism Income	21,850	35,813	28,750		6,000		23,000		263,350	261,800	(1,551)	359,950	
Investment Income									-	-	-	40,250	
Sector Income	28,750	28,750							28,750	28,750	-	28,750	
Interest		11							-	14	14	-	
extraordinary Income									-	187,115	187,115	-	sale of veh & NRC reimb
Total Income	72,642	86,616	338,292	-	28,042	-	67,084	-	1,353,932	1,539,513	185,581	1,866,450	
Expenses													
Corporate													
Salaries	19,000	16,397	27,154		19,999		24,595		197,453	199,923	2,470	259,804	
Specific Costs	6,891	6,088	6,886		8,144		8,144		83,246	85,115	1,869	123,913	
Share of Overheads	8,609	8,205	6,983		7,891		21,261		80,544	81,798	1,254	116,679	
Bus Grow													
Salaries	12,304	11,069	19,690		11,651		28,767		115,371	113,205	(2,166)	180,008	
Specific Costs	1,917	1,917	1,917		1,912		1,917		17,253	17,253	(0)	23,000	
Share of Overheads	5,983	5,655	4,862		5,488		14,901		55,759	56,409	650	81,009	
										-	-		
Tourism													
Salaries	15,591	20,793	19,029		14,554		15,002		189,342	196,356	7,014	236,114	
Specific Costs	5,080	1,841	5,080		5,080		5,080		119,024	104,285	(14,739)	134,263	
Share of Overheads	7,852	7,371	6,380		7,201		19,556		73,175	73,977	802	106,312	
I & G													
Salaries	3,346	3,346	8,324		8,330		8,330		13,896	13,896	-	57,000	
Specific Costs			0		0		-		98,620	98,620	(0)	80,500	
Share of Overheads	1,932	1,826	1,570		1,772		4,799		18,006	18,217	211	26,148	
Sector													
Salaries									24,782	24,781	(1)	24,782	
Specific Costs	7,590	(4,013)	16,590		13,590		13,590		139,044	145,371	6,327	161,805	
Share of Overheads	768	794	611		699		1,960		7,243	7,913	670	10,513	
total expenses	96,863	81,289	125,075	-	106,311	-	167,902	-	1,232,758	1,237,119	4,361	1,621,849	
GST estimate	1,451				40,883				106,143	49,904	(56,239)	130,736	
FBT contribution	954		954		954		954		8,586				
unbudgettd projects		(42,940)											
SUB TOTAL OPERATING CASHFLOWS	(24,718)	48,267	214,171	-	(118,198)	-	(99,864)	-	23,616	252,490	237,459	113,865	
Prior year debtors													
Prior year creditors	5,000	5,000	5,000		7,500		5,000						
total prior year	5,000	5,000	5,000	-	7,500	-	5,000	-					
TOTAL OPERATING CASHFLOWS	(29,718)	43,267	209,171	-	(125,698)	-	(104,864)	-					
OPENING BALANCE	(186,905)	41,031	(216,623)	84,298	(7,452)	293,469	(133,150)	167,771					
Operating surplus/(deficit)	(29,718)	43,267	209,171	209,171	(125,698)	(125,698)	(104,864)	(104,864)					
Non operating surplus/(deficit)													
CLOSING BALANCE	(216,623)	84,298	(7,452)	293,469	(133,150)	167,771	(238,013)	62,907					

OVERARCHING OBJECTIVE	OUTPUT / DELIVERABLE	MEASURE	TARGET	Progress Jul 13 – Mar 2014
Investment and Growth: leverage economic growth in the region through the strategic co-ordination, management and allocation of available public and private sector funding.	Receive, assess, and recommend proposals to the Investment and Growth Fund that meet the quality criteria and investment criteria:	Number of proposals received	2013/14: 40	Progress: Seven robust proposals received
		Number of proposals assessed	2013/14: 20	Eight robust proposals have been presented to the Board. Four have been accepted for detailed investigation, one requires advice from central government before commencing further work, two proposals have been declined.
		Number of proposals recommended	2013/14: 4	Three proposals has been approved and recommended to the NRC. Note: Further detailed information on all the current projects (including current status) is included as Appendix A
	Support development of business cases by other parties of economic development projects (for investment by Council and others) <ul style="list-style-type: none"> • business clusters • targeted industry sector groups • iwi /Maori organisations 	Number of business cases supported.	2013/14: 2	Progress: Captured in the above progress report.

OVERARCHING OBJECTIVE	OUTPUT / DELIVERABLE	MEASURE	TARGET	Progress Jul 13 – Mar 2014
Sector development: assist with growing the performance, productivity and profitability of Northland's key industry sectors.	Develop the capability of businesses through the delivery of the NZTE Business Partnership Programme.	Number of unique businesses actively managed.	2013/14: 135	Progress: Actual to date = 103
		Value of business capability vouchers allocated.	2013/14: \$120,000 12 month target as per new milestones set by NZTE.	Actual to date = \$112,759
	Support innovative product research and development through the delivery of Callaghan Innovation R and D funding.	Number of successful Northland applications per annum.	2013/14: 4	Progress: Actual to date = 6
		Value of successful Northland applications per annum.	2013/14: \$300,000	Actual to date = \$352,363
	Encourage strategic growth at a business cluster level through organising Business Information events.	Number of events per annum.	2013/14: 2	Progress: 3 held, being: Capital Raising and Angel Investment & Northland Food Forum working group.
		Average number of businesses attending each seminar.	2013/14: 6	Actual to date = 80 (40 per event Capital Raising and Angel Investment) & 30 to Food Forum working group.
	Support the development of	Number of strategies	2013/14: 3	Progress:

	<p>growth strategies by targeted industry sector groups:</p> <ul style="list-style-type: none"> • Primary • Added value • Emerging opportunities 	developed.		<p>NI is actively working with NEAG to develop Industry sector development plans. These will contribute to “Northland 2025” a regional Economic Development plan. Help will be sought to widen input for the plan once the sector plans are done and the Governments Regional Growth Study has been completed.</p>
	Encourage the development of joint venture projects business clusters.	Number of joint projects supported	2013/14: 2	<p>Progress: Two proposal’s have been developed with partnerships with Iwi groups. One in tourism has been forwarded to the Tourism Dev Fund, one is in consultation stage. Further projects are likely in aquaculture if consents can be gained. A significant proposal in digital is in train and is likely to be achieved.</p>

OVERARCHING OBJECTIVE	OUTPUT / DELIVERABLE	MEASURE	TARGET	Progress Jul 13 – Mar 2014
<p>Stakeholder Engagement: work with interested parties on activities and projects that contribute to the economic development priorities</p>	<p>Participate in activities and projects as appropriate with</p> <ul style="list-style-type: none"> • business clusters • targeted industry sector groups • cross-sectoral groups • inter-agency fora 	Number of projects actively engaged in	2013/14: 10	<p>Progress: Currently participating with 5 group activities/projects with interested parties being: Northland Aquaculture Development Group Digital sector Marine Sector</p>

of Northland Inc.	<ul style="list-style-type: none"> iwi / Maori organisations 			Tourism Development Group Forestry Group
	Support identified stakeholder groups to develop the capability to undertake independent action.	Number of stakeholder groups supported to independence	2013/14: 1	Progress: Ongoing support towards independence for 4 stakeholder groups Northland Economic Action Group Tourism Development Group Northland Aquaculture Development Group Forestry action board
	Maintain active relationships with iwi/Maori organisations	Attend Iwi leaders forum	2013/14: ongoing	Progress: Meetings have been held with 6 Iwi CEO's in this quarter, along with attending a leader forums in September 13 & March 14.
	Increase the use of the Northland (First) brand by stakeholders	% of key stakeholders using brand	2013/14: 25	Progress: Strategy development underway as part of 2014/15 SOI.

NRC SOI Modifications as dated 31 December 2013

OVERARCHING OBJECTIVE	OUTPUT / DELIVERABLE	MEASURE	TARGET	Progress Jul 13 – Mar 2014
Sector Development				
A	To investigate and confirm the options available to Northland Inc and NRC in terms of transferring the project management and operational control of the Oyster project back to council or another suitable entity.	Report to Council	20 August 2013 and monthly thereafter until achieved	Achieved: (reported last Quarter)
B	A review of the Oyster Project management to date with a view to providing detailed analysis on the issues resulting in the current budget overrun.	Report to council	20 August 2013	Achieved: (reported last Quarter)
C	To cease all operational or project management activities without specific council approval	Provide implementation plan to council	31 July 2013	Achieved: (reported last Quarter)
D	For the board of directors to ensure governance and managerial controls are in place to effectively manage the financial and legal risks relating to all activities of Northland Inc	Report to council	20 August 2013 and monthly thereafter until achieved	Achieved: (reported last Quarter)
E	To transfer the hosting of the secretariat for the Northland Intersectoral Forum (NIF) back to the council	Tasks completed and confirmed with council	31 July 2013	Unachieved: NIF decision to continue arrangement with NI. A project has been developed in school-to-work transition as part of

				NIF's work programme
F	To cease all secretariat and administrative support for all industry sector groups currently being provided with those services.	Tasks completed and confirmed with council	31 July 2013	Achieved: Only limited support to sector groups undertaken to ensure continued engagement with those sectors.
G	To review and install adequate management controls to meet the performance targets set by NZTE under the Business Growth and Callaghan Innovations Programmes and to report back to council on those management controls.	Report to council	20 August 2013 and monthly thereafter until achieved	Achieved: (reported last Quarter)
H	To ensure that the Business Growth and Callaghan Innovations Programmes are delivered across the entire region.	Report to council	20 August 2013 and quarterly thereafter	Achieved: During the first nine months we have worked with 141 businesses of which 23 were in Kaipara 16%, 71 were in Whangarei 51%, and 47 in the Far North 33% Callaghan Funding; WDC area \$194,813, FNDC area \$152,750, KDC area \$4,800
I	To seek to engage with local business association in the delivery of the Business Growth and Callaghan Innovations Programmes in a decentralised fashion	Report to council	20 August 2013 and quarterly thereafter	Achieved: 22 Northland Business Associations have been emailed through the region to promote the Regional Business Partnership focusing on the

				business Capability Assessment but also including information on the Research and Development opportunities. All were given the opportunity to host the RBP, six have taken up the offer.
J	<p>To continue to engage with and assist industry sector groups by:</p> <ul style="list-style-type: none"> Facilitating the relationship between the groups with local and central government, acting as a legal entity through which sectors can attract local and central government funding into the sectors within Northland where a sector does not have the necessary legal structures to facilitate such a relationship 	Report to council	20 August 2013 and quarterly thereafter	<p>Progress:</p> <p>Northland Inc has continued to facilitate and provide secretariat for NEAG. MOU has been developed and has been signed in the first quarter 2014. NI is facilitating the development of Industry sector development plans that will contribute to the Northland 2025 Economic Action Plan.</p>

OVERARCHING OBJECTIVE	OUTPUT / DELIVERABLE	MEASURE	TARGET	Progress Jul 13 – Mar 2014
Stakeholder Engagement				
A	<p>Draft Strategy for council consideration that:</p> <ul style="list-style-type: none"> Promotes Northland (using the Northland brand) focusing on Northland as a destination for investment 	Draft strategy delivered to council	20 August 2013 and monthly thereafter until strategy is achieved	<p>Progress:</p> <p>Strategy in development as part as revised SOI process</p>

	and highlighting the economic development opportunities that exist in the region.			
B	<p>Review the benefits of transferring the operational and destination marketing functions of the RTO to an independent structure and governance arrangement (the promotion of Northland to potential domestic and international visitors) with appropriate private sector ownership and buy in for Northland tourism. Consideration to include:</p> <ul style="list-style-type: none"> • The funding sources and their continuity • Accountability arrangements • Transparency of use of public funds • Transaction arrangements • Efficiency and effectiveness • Relationships with industry stakeholders • Skill base • Legal status of the RTO; and • Relationship with Northland Inc and council 	Report progress to council	20 August 2013 and monthly thereafter until achieved	Achieved: (reported last Quarter)
C	Build a business friendly environment that encourages business and employment opportunities	Report progress to council	To be confirmed	Progress: To be included in reviewed SOI process

Sector	Project	Specific Location	District	Phase	Update	Total Value of Project	I & G Investment	date received	expected completion date
Project Phase: Introduction									
Manufacturing	Possum Fur and Fibre	Coastal Hikurangi	Region wide	Introduction	initial meeting with client completed. Client is developing concept with local iwi partners and has TPK funding to assist with project scoping. Also potential for R&D development	unknown	unknown	Mar-14	unknown
Manufacturing	Water treatment process	Whangarei	Whangarei	Introduction	Referred from Callaghan as moving into I&GR funding application stage. Ref to paper regarding Northland Innovation Centre within Board minutes April 2014.	unknown	unknown	1 August 2013	N/A
Forestry	Laminated timber product	Ruakaka	Whangarei	Introduction	Callaghan assisting with development of business case. Project is understood to be at point of announcing its implementation.	\$20,000,000	\$0	1 June 2012	unknown
Totals				Introduction		\$20,000,000	\$0		3
Project Phase: Initial Project Assessment									
Forestry	Bio Fuel – Forestry Waste	Kaitia	Far North	Initial project assessment	Client has funded shipping of product to Germany - trial is underway	\$10,000,000	unknown	1 July 2013	unknown
Minerals	Resin and Wax Project	Kaimaumu	Far North	Initial project assessment	Business case being developed by Client. Client has had discussion with NRC re consenting requirements	\$40,000,000	unknown	1 June 2012	unknown
Heritage	Manea	Hokianga	Far North	Initial project assessment	Initial project assessment completed Nov 2013. Awaiting response from applicaton to central government for funding before commencing detail assesement	\$3,200,000	\$850,000	1 November 2013	late 2014
Totals				Initial project assessment		\$53,200,000	\$850,000		3
Project Phase: Detailed Project Assessment									
Tourism	BoI Tender for Cruise Industry	Bay of Islands	Far North	Detailed project assessment phase	Board requested understanding relationship with Northport proposal and wider cruise ship industry in Bay of Islands	\$400,000	\$200,000	1 January 2014	N/A
Forestry	Carbon Bio Char	Ruakaka	Whangarei	Detailed project assessment phase	Client's scientist has been put in touch with MPI scientist to confirm the technology - waiting response from this process before presenting MoU and letter of intent to Board	\$20,000,000	\$5,000,000	1 July 2013	mid 2014
Cross Sector Project	Hawaiki - Fibre Cable Landing	Ruakaka	Whangarei	Detailed project assessment phase	Expectation is that investment no longer required due to NZ investor taking all four investment blocks. Northland Inc is facilitating Hawaiki enagement with Iwi, Council leaders and stakeholders.	removed as distorting the dashboard (\$418,460,000)	removed as distorting the dashboard (\$11,956,000)	1 March 2013	N/A

Sector	Project	Specific Location	District	Phase	Update	Total Value of Project	I & G Investment	date received	expected completion date
Aquaculture	Fin Fish - Land Based	Region wide	Region Wide	Detailed project assessment phase	NIWA and Northland Inc currently developing business plan for the design (and cost) of construction of commercial facility at Bream Bay.			1 June 2012	N/A
Totals				Detailed project assessment		\$20,400,000	\$5,200,000		4

Project Phase: Approved by Board

Aquaculture	Fin Fish - Sea Space	Region wide	Region Wide	Project approved by Board	Board approved original proposal in June 2013. NRC did not progress application. Northland Inc has been working with MPI who have agreed to fund the project in the main - media release due in next week or so.	\$288,750	\$144,375	1 June 2012	2 April 2014
Marine	Hewlett St Wharf	Region wide	Whangarei	Project approved by Board	Workshop between Council and Northland Inc held on 25 March 2014. Process following workshop is currently being negotiated with NRC.	\$5,200,000	\$2,600,000	1 June 2012	unknown
Agriculture & Horticulture	Economic Development Opportunities from Better Water Use	Region wide	Region Wide	Project approved by Board	Project approved in March 2014. NRC considering at Council meeting on 15 April 2014.	\$420,000	\$210,000	1 June 2013	15 April 2014
Totals				Projects approved by Board		\$5,908,750	\$2,954,375		3

Project Phase: Approved by NRC

		Region wide		Project Approved by NRC					
		Region wide		Project Approved by NRC					
Totals				Projects approved by NRC		\$0	\$0		0

Project Phase: Projects Declined / Withdrawn

Health	Project Promise	Whangarei	Whangarei	Project Declined	Project declined at initial project assessment phase due to lack of economic benefit - project has public health focus	\$5,600,000	\$3,000,000		1 July 2013
Tourism	Henge Maunu	Whangarei	Whangarei	Project Declined	Project declined at initial project assessment phase due to lack of economic benefit - project has tourism focus	unknown	unknown		1 July 2013
Aquaculture	Colenso Triangle	Opua - Bay of Islands	Far North	Project Declined February 2014 Board Meeting due to lack of economic return / GDP / Jobs.	letter to be sent to client outlining board decision and requesting explanation of how this project fits within broader development of Opua Marina and whether there is an opportunity for Northland Inc to assist with Marina	\$538,000	\$538,000	1 January 2014	20 February 2014
Manufacturing	Tyre sealant manufacture	Ruakaka	Whangarei	Project declined February 2014 Board Meeting due to lack of information. Board has noted willingness to reconsider on production of suitably detailed business case	Letter sent to client outlining board decision and willingness to reconsider on production of business case.	\$4,000,000	\$2,000,000	1 October 2013	20 February 2014
Totals				Projects Declined/withdrawn		\$10,138,000	\$5,538,000		4

Sector	Project	Specific Location	District	Phase	Update	Total Value of Project	I & G Investment	date received	expected completion date
Project Phase: Files Closed									
Manufacturing	Fibre Optic Factory	Ruakaka	Whangarei	File closed March 2014	Initial project regarding investment assistance to create fibre optic cable manufacturing plant. No information at present.	\$20,000,000	\$2,500,000	1 June 2012	N/A
Marine	Opua Marina	Opua	Far North	File closed March 2014	Initial investment opportunity for significant share in opua marine development. Proposal put forward to client.	\$26,000,000	\$13,000,000	1 June 2012	early 2014
Technology	Data Centre	Ruakaka	Whangarei	File closed March 2014	Project was JV funding and potentially assistance with land /building and was linked to fibre cable landing. Introductions made to fibre cable landing project but project has not progressed.	unknown	unknown	1 June 2012	N/A
Totals				Projects Closed		\$46,000,000	\$15,500,000		3

ISSUE: Schedule of Credit Notes for Approval – Northland Inc. Limited

ID: A630695

To: Audit and Risk Committee Meeting, 20 May 2014

From: Trish Wells, Accounts Receivable Officer

Date: 7 April 2014

Summary The purpose of this report is to seek council approval to write-off staff time spent on work undertaken on behalf of Northland Inc. Limited. The report concludes with the recommendation that the credit notes be approved.

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

Report:

The credit notes presented in Table One below relate specifically to council staff time and work undertaken on behalf of Northland Inc. Limited.

Council will raise an invoice and a credit note concurrently for the council staff time spent on Northland Inc. Limited activities. As a result Northland Inc. Limited will not be required to pay council, however council and Northland Inc. Limited will have a record of the work performed.

Table One:

Credit Amount excl. GST	Original Amount excl. GST	Reason
\$1,154.95	\$1,154.95	NRC staff time and work undertaken on behalf of Northland Inc. Limited during January 2014. (Economist, CCO advice)
\$2,740.93	\$2,740.93	NRC staff time and work undertaken on behalf of Northland Inc. Limited during February 2014. (Economist, CCO advice, Financial support)
\$1,499.29	\$1,499.29	NRC staff time and work undertaken on behalf of Northland Inc. Limited during March 2014. (Economist, CCO advice)
\$5,395.17	\$5,395.17	TOTAL

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's Long Term Plan 2012-2022 and as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002. In accordance with section 76 of the Local Government Act, this matter is not considered to be significant.

Recommendations:

1. That the report 'Schedule of Credit Notes for Approval – Northland Inc. Limited' from the Accounts Receivable Officer, Trish Wells, dated 7 April 2014, be received.
 2. That the issue of credit notes as detailed in the report from the Accounts Receivable Officer, Trish Wells, dated 7 April 2014, be approved.
 3. That further credit notes for approval relating to council staff time spent on Northland Inc. Limited activities will be provided to council for approval at the end of each quarter (June 2014).
-

ISSUE: Schedule of Credit Notes for Approval

ID: A636121

To: Audit and Risk Committee Meeting, 20 May 2014

From: Trish Wells, Accounts Receivable Officer

Date: 29 April 2014

Summary The purpose of this report is to seek council approval to issue credit notes with a value over \$600. It concludes with the recommendation that the credit note as detailed in the report be approved.

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

Report:

This credit note relates specifically the Sovereign Station objection to costs.

Credit Amount excl. GST	Original Amount excl. GST	Reason
\$4,570.49	\$6,985.49	NRC processed a Certificate of Compliance application APP.029251.01.01 by Sovereign Station Trustee Limited. It withdrew the application before a decision was issued. It objected to those charges under s357 RMA. To avoid the costs that would have been involved with a hearing of the matter, we negotiated and finally agreed with Sovereign a revised charge of \$2,415.00 (\$2,100.00 plus GST).

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's Long Term Plan 2012-2022 and as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002. In accordance with section 76 of the Local Government Act, this matter is not considered to be significant.

Recommendations:

1. That the report "Schedule of Credit Notes for Approval" from the Accounts Receivable Officer, Trish Wells, dated 29 April 2014, be received.
 2. That the issue of credit notes as detailed in the report from the Accounts Receivable Officer, Trish Wells, dated 29 April 2014, be approved.
-

ISSUE: Financial Report to 29 April 2014

ID: A638722

To: Audit and Risk Committee Meeting, 20 May 2014

From: Angela Hobden, Financial Accountant

Date: 7 May 2014

Summary The purpose of this report is to present the **Detailed Council Cost of Services Statement** and the **Cost of Service Statements by Activity** for the ten months ended 29 April 2014 for councillors' information. It concludes with the recommendation that this report be received.

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

Report:

Overview

This report presents the operating results for council for the ten months ended 29 April 2014.

For the total council Financial Results refer to **Attachment A**, for the Financial Dashboard refer to **Attachment B**, and for the Statement of Financial Position (Balance Sheet) refer to **Attachment C**.

Operating Results:

The Council Detailed Report for the year to date (YTD) shows a net operating surplus of \$4.861M against a budgeted net surplus of \$2.510M, resulting in an overall favourable variance for the year to date of \$2.351M before transfers (to) or from Special Reserves. After transfers to or from Reserves council has a favourable variance of \$1.445M.¹ (This is the figure council should use to project its year end position and not the greater amount pre-transfer.)

Quarterly Review:

As a result of a quarterly review by the Chief Executive and Managers we have identified \$403K of the \$1.445M as being potential year end savings / available funds for 2014/15 projects.

These are:

- \$221K of additional dividend received.
- \$82K of Iwi funding carried forward from 2012/2013 for special projects that has not been required this year (but which staff suggest is likely to be needed to support the Te Taitokerau Maori Advisory Committee in addition to the \$30k included in the Draft Annual Plan).

¹ We transfer items such as unbudgeted Kaeo capital subsidies and surplus targeted rates to reserves as these cannot be spent on anything other than the projects rated for.

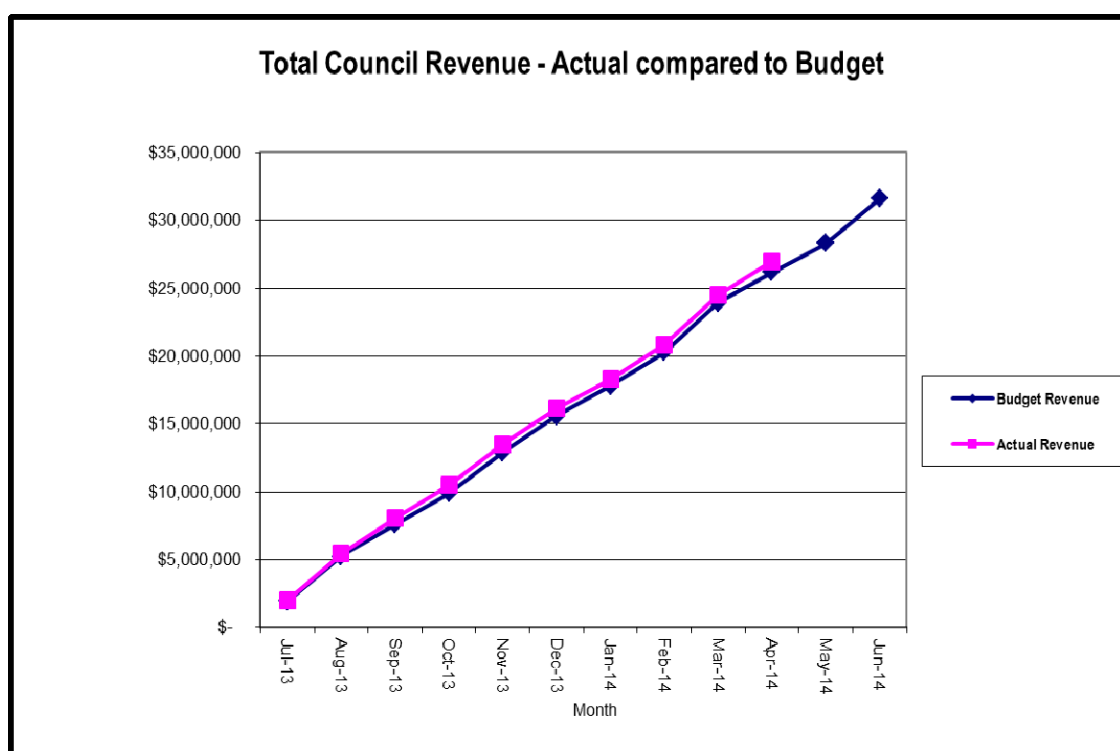
- \$100K of policy and planning funding carried forward from 2012/2013 that has not been spent yet due to the pace of setting up and the delivery of the work programmes of the priority catchment sub committees (Waioira Northland Water Programme). There are a number of projects that the catchment leads have identified which are unlikely to be completed within this financial year. Staff are reviewing whether the 2014/15 draft budgets are sufficient to complete all projects identified this year and for next and whether timeframes are realistic. One option should this \$100K funding no longer be required for water management is to use it for the RPS (and not use the Forestry Income Equalisation Reserve).

These amounts will be presented at the 2014/2015 Annual Plan deliberations for council consideration.

It should be noted that these are one-off savings/windfalls and the draft Long Term Plan 2015-2025 budgets will be built based on council's new objectives, new issues to be addressed and new/revised and ongoing work programmes. (I.e. the Annual Plan 2014/15 budgets won't simply be rolled over.)

Revenue:

Year to date revenue is \$26.965M which is \$780K or 3% above budget. This is illustrated by the following line graph.



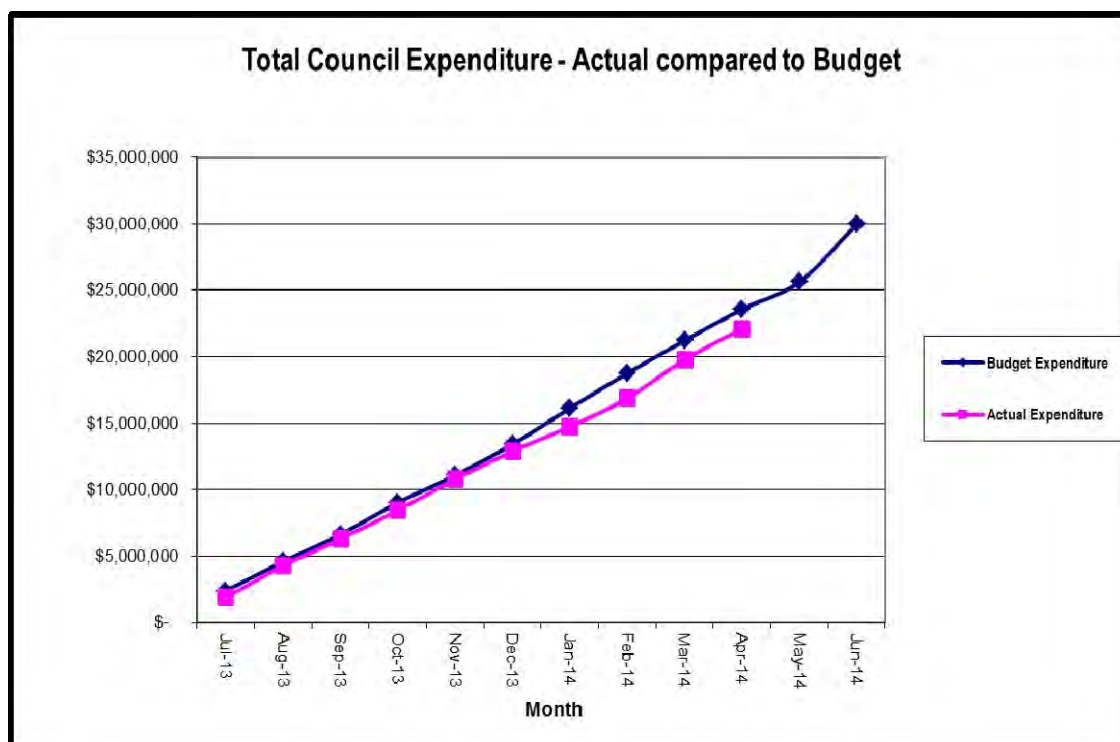
The material differences that make up the \$780K year to date favourable revenue variance are:

- **Rates – has a favourable variance/is greater than budget by YTD \$161K or 1%**
 - Unbudgeted rates penalties received. (We don't budget to receive rates penalties as it is difficult to determine the response we have to collection strategies throughout the year.)

- **Grants and Subsidies – has a favourable variance/is greater than budget by YTD \$269K or 29%**
 - As reported last quarter, we receive DIA subsidies for Kaeo capital flood works and homes. We have now transferred all subsidy for the Kaeo capital flood works (\$242K) to the reserve to fund these capital works. The \$76K for the two Kaeo homes is offset by matching expenditure.
 - Ministry of Primary Industries subsidies for the Oyster Shell project of \$108K. The excess Oyster Shell project subsidies have been transferred to a special reserve to provide ongoing funding for this project.
 - Regional transport management subsidies are behind budget by \$30K but are offset by lower than anticipated costs (in consultants and advertising) associated with campaigns.
 - Passenger transport administration is also behind budget by \$103K because of lower NZTA subsidies and TLA share of costs. However this is cost neutral to council because we are not spending as originally budgeted.
- **Investment Interest Income – has a favourable variance/is greater than budget by YTD \$80K or 7%**
 - Our average weighted interest rate is now 5.18% against a budget of 4.97% which results in more interest revenue than budgeted.
- **Investment Property Income – has a favourable variance/is greater than budget by YTD \$143K or 5%**
 - Rental income from investment properties is \$87K higher than budget because of the higher than anticipated arbitration settlements.
 - Rents received for the Kotuku Street properties were unbudgeted and contribute \$56K to this surplus. This rent will also go into the reserve to assist funding the Whangarei detention dam.
- **Dividend Income – has a favourable variance/is greater than budget by YTD \$221K or 11%**
 - We have now had the second/final dividend from Northland Port Corporation for the year. These were higher than budgeted by 1.0 cents per share. (This \$221K will be discussed as part of the deliberations on the Draft Annual Plan 2014/15.)
- **Community Investment Fund Income – has a favourable variance/is greater than budget by YTD \$148K or 26%**
 - The average weighted return from these investments is 7.2% compared to our budgeted average of 6.51%.
- **User Fees and Sundry – has an unfavourable variance/is under budget by \$242K or 6%**
 - Fewer consent applications (\$340K), lower consent monitoring (\$147K), lower biosecurity fieldwork charges (\$105K) account for the majority of the unfavourable variances. These are offset by favourable variances of \$291K in cost recoveries such as Queensland Fruit Fly activities, CDEM contracts, weed eradication activities, enviroschool programmes, bus ticket audit recovery and more coastal permit charges.

Expenditure

Year to date expenditure is \$22.103M which is \$1.571M or 7% less than budget before transfers to or from Reserves, as shown in the following line graph.



The material differences that make up the year to date favourable expenditure variance of \$1.571M are:

- **Resource Management Group** has an underspend of \$1.027M or 9% for the year to date. This variance is split over a number of cost centres within the resource management activity as follows:

Consents Applications – has a favourable variance/is under budget by \$381K or 42%

This variance is driven by the lower than anticipated number of consent applications and consequent lower staff costs. The salaries expenditure YTD is also lower than budget due to the continued staff vacancy and internal secondment. Consultant expenditure is underspent by \$81K. In addition, expenditure such as advertising, photocopying and hearing committee fees are also under budget.

State of the Environment Monitoring – has a favourable variance/is less than budget by \$291K or 21%

Predominantly driven by:

- Personnel charges are \$154K less than budget due to staff time being coded to council activities other than those originally budgeted and less use of contract staff.
- Consultant expenditure is less than budget by \$52K and commercial testing is \$98K underspent. This variance is driven by timing and is expected to be on target by year end.

Planning and Policy – has a favourable variance/is under budget by \$360K or 17%

- Council decided to fund hearing committee costs and legal fees (currently at \$137K) for the RPS from the Forest Income Equalisation Reserve. RPS appeal resolution is anticipated to incur further consultancy expenditure. Council will have the option at the end of the year whether to use the reserve or any surplus for this expenditure.
- NPS Freshwater consultant expenditure is under budget by \$215K but this is a timing issue and contracts let in 2014 (to date these total \$110K-\$130K) should bring expenditure within approximately \$50K of budget by year end. Please note that this does not include the approximately \$100K carried forward from 2012/13 (for the harbour/catchment management plans and priority catchments) that was discussed at the beginning of this report and which will be considered as part of council deliberations on the Draft Annual Plan 2014/15.
- Staff time charged to this department is under budget by \$98K due to a corporate planner vacancy and staff time being charged to Local Government Reform and other community representation and engagement compared with the original budget.

- **River Management Group – favourable variance/is under budget by \$163K or 7%**

- This is predominantly driven by the timing of stop bank and river work which is under budget by \$83K. This is due to be spent in the next few months.
- Consultant expenditure is also under budget by \$180K. There is expected to be a year-end surplus of \$118K for Awanui River works and \$150K for the Kerikeri-Waipapa River works due to delays caused by technical issues and further work required. These savings will be transferred to reserves at year end (because by law they can't be spent on projects other than those for which the targeted rate was levied).
- There is also expenditure of \$71K on two Kaeo properties covered by a subsidy as reported earlier.

- **Hazard Management Group – favourable variance/is under budget by \$218K or 16%**

- Natural Hazard Management has an underspend of \$199K or 16% predominantly due to an underspend in consultancy \$130K (originally programmed to occur evenly throughout the year). The Coastal Erosion Hazard Zone review is now underway and the LiDAR tender has been awarded. There are delays with aerial mapping but this should be completed by year-end.
- Oil pollution response has an underspend of \$22K or 22% due to less staff time and less oil spill controls due to fewer than anticipated incidents.

- **Transport Group – favourable variance/is under budget by \$274K or 7%**

Passenger Transport Administration has an underspend of \$183K or 10% due to the contract for the CityLink services being negotiated at a better price than anticipated \$20K, continued lower use of the Total Mobility Scheme \$48K and no invoices being received from Whāngārei District Council for bus shelter maintenance \$18K. Expenditure on promotions, advertising and photocopying is also \$22K under budget but is expected to be on track by the end of the year.

Regional Transport Management has an underspend of \$62K or 18% predominantly due to a combination of underspends in consultancy, photocopying and sundry supplies which is partially offset by labour charges after a reassignment of duties in house.

- **Community Representation and Engagement – unfavourable variance/is over budget by \$91K or 5%**

Community Representation and Engagement has an overspend of \$121K partly due to the increase in members' remuneration \$52K following the determination by the Remuneration Authority. Local Government reform costs of \$62K also contribute to the overspend. There is also additional labour charge in this area for Local Government Reform of \$70K. (However the committee will note that there is labour underspend in other areas stated in this report.)

- **Support Services and Commercial Investments – favourable variance/is under budget by \$35K or 12%**

- Costs for Communications, Finance and Information and Technology, Information Management and Administration and Human Resources are internally transferred to operating areas and therefore do not affect this variance. However, overhead expenditure is \$265K less than budgeted. This contributes to underspending in other departments, as this "saving" is allocated (as overheads are allocated) to those departments. (This is why this area is only \$35K underspent overall.)
- There is an underspend of \$79K in communications with savings in seminars and iwi activities.
- Legal fees, printing and consulting costs in the finance area have also not been spent as anticipated.
- Information Technology contributes to underspends in consultants, phone costs, computer consumables and maintenance. To date there have been less break downs than anticipated in this area.

- **Transfers from/(to) Special Reserves**

- Awanui River Reserve - the programmed expenditure on consultants and flood works has not yet occurred as anticipated. Therefore only \$56K has been transferred from the reserve. (Please note that the anticipated budget for the year to date is \$124K, leaving a variance of \$68K which has not yet been required to come from the reserve.)
- Kaeo River Reserve shows that a surplus of \$264K more than anticipated is able to be transferred to the reserve. This is a direct result of the subsidies from DIA for the capital works.
- Whangarei Urban River Reserve has a surplus of \$269K available to be transferred to the reserve which is \$62K more than anticipated. This is as a result of the unbudgeted rents received from the dam properties.
- The Hātea River Reserve shows that more work has been done than anticipated (\$46K) and this will be covered by a transfer from the reserve.
- The Waipapa Kerikeri Reserve shows that expenditure is \$75K behind budget in expenditure on consultants and river clearance at this stage resulting in a transfer to the reserve of \$78K instead of a transfer from the reserve of \$3K which had been anticipated.

- **Capital Expenditure**

Capital expenditure for the year to date is \$3.820M against a year to date budget of \$5.668M. Expenditure on the second biosecurity floating dock, monitoring equipment and information systems are behind budget but expected to catch up in the next two months. Expenditure on the Whangarei maritime patrol vessel (\$127K) has not eventuated as anticipated due to the build and delivery not being able to be completed before financial year end. River Management is Kotuku Street properties and the first stages of work on the Kaeo Flood Management Scheme. The proposed purchase of Marsden Point Rail Link land (that was due to be purchased in December for \$87K) has not yet gone ahead. Information Systems are behind budget but have the LYNC project and infrastructure expenditure coming on line in the next two months.

Capex Reporting				
Year to Date to 29 April 2014				
Activity	YEAR TO DATE			Revised Budget
	YTD Actual	YTD Budget	YTD Variance	
Monitoring	76,305.57	118,669.00	42,363.43	118,669.00
Biosecurity	25,219.56	55,000.00	29,780.44	55,000.00
Emergency Management	999.64	1,250.00	250.36	1,250.00
Land and Biodiversity	5,360.50	29,511.50	24,151.00	29,511.50
Harbour Safety and Navigation	58,321.05	242,451.00	184,129.95	242,451.00
Oil Pollution Response	2,050.40	5,000.00	2,949.60	5,000.00
River Management	2,714,253.26	3,886,715.00	1,172,461.74	4,012,237.00
Commercial Investments	42,050.00	145,953.00	103,903.00	222,501.00
Information Systems	321,305.84	611,476.00	290,170.16	717,772.00
Community Representation and Engagement	16,692.11	18,927.00	2,234.89	18,927.00
Support	557,701.55	553,091.00	-4,610.55	565,991.00
GRAND TOTAL FOR COUNCIL	3,820,259	5,668,044	1,847,784	5,989,310

Balance Sheet

Other current and term investments, cash and cash equivalents have a variance against budget which results from the timing of maturities.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's Long Term Plan 2012-22 and 2013/2014 Annual 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 is part of normal day to day operations of council, and it does not require a council decision but is for information purposes only.

Recommendation:

1. That the report "Financial Report to 29 April 2014" by Angela Hobden, Financial Accountant, dated 7 May 2014, be received.

Council Detailed Report

Year to Date Report to 29 April 2014

					Full Year Revised Budget
Total Council	YTD Actual	YTD Budget	Variance	Variance %	
Revenue					
Rates	14,754,596	14,593,478	161,118	1%	17,512,172
User Fees and Sundry	3,671,760	3,913,850	(242,090)	-6%	4,355,313
Grants and Subsidies	1,212,002	943,067	268,935	29%	1,115,385
Investment Interest Income	1,230,197	1,150,639	79,558	7%	2,199,106
Investment Property Income	3,063,166	2,919,733	143,433	5%	3,636,608
Dividend Income	2,325,005	2,103,577	221,428	11%	2,103,577
Community Investment Fund Income	707,983	560,296	147,688	26%	672,355
Total Revenue	26,964,710	26,184,639	780,071	3%	31,594,517
Expenditure					
Resource Management					
Biosecurity	2,326,855	2,273,223	(53,632)	-2%	2,720,587
Consents advice and information	676,062	692,159	16,097	2%	840,251
Consents applications	517,866	898,982	381,117	42%	1,093,189
Land and Biodiversity	1,837,159	1,873,602	36,443	2%	2,413,111
Compliance Monitoring, Environmental incidents response	2,378,627	2,373,916	(4,711)	0%	2,897,653
State of the environment monitoring	1,099,468	1,390,728	291,261	21%	1,652,430
Planning and policy	1,731,017	2,091,462	360,445	17%	2,614,141
Total Resource Management	10,567,054	11,594,073	1,027,020	9%	14,231,361
River Management					
River Management	2,303,301	2,466,299	162,998	7%	3,448,351
Total River Management	2,303,301	2,466,299	162,998	7%	3,448,351
Economic Development					
Economic development activities	1,576,360	1,526,916	(49,445)	-3%	1,573,244
Economic development projects	838,855	834,318	(4,537)	-1%	1,505,747
Total Economic Development	2,415,215	2,361,234	(53,982)	-2%	3,078,991
Hazard Management					
Civil defence and emergency	456,566	453,236	(3,330)	-1%	546,520
Natural hazard management	573,138	772,352	199,215	26%	930,474
Oil pollution response	79,257	101,633	22,376	22%	127,309
Total Hazard Management	1,108,961	1,327,221	218,260	16%	1,604,302
Transport					
Harbour safety and navigation	1,401,459	1,430,147	28,688	2%	1,692,029
Passenger transport administration	1,691,661	1,874,743	183,082	10%	2,316,330
Regional transport management	287,528	349,378	61,850	18%	422,116
Total Transport	3,380,649	3,654,268	273,619	7%	4,430,475
Community Representation and Engagement					
Environmental education	369,387	398,921	29,535	7%	505,236
Community Representation and Engagement	1,703,169	1,582,241	(120,928)	-8%	1,881,520
Total Community Representation and Engagement	2,072,556	1,981,162	(91,394)	-5%	2,386,756
Support Services and Commercial Investments					
Commercial	255,801	290,317	34,516	12%	364,403
Communications	760,463	839,767	79,304	9%	1,079,431
Finance and Information Technology	2,515,026	2,657,417	142,391	5%	3,926,498
Information Management and Administration	668,669	725,968	57,299	8%	820,854
Human Resources	276,620	262,459	(14,161)	-5%	314,501
Internal Transfers	(4,220,778)	(4,485,611)	(264,833)	6%	(5,708,111)
Total Support Services and Commercial Investments	255,801	290,317	34,517	12%	797,576
Total Expenditure	22,103,537	23,674,576	1,571,039	7%	29,977,813
Net (Cost)/Surplus of Services	4,861,173	2,510,063	2,351,110	94%	1,616,704
Other Gains					

	YTD Actual	YTD Budget	Variance	Variance %	Full Year Revised Budget
Total Council					
Forestry Revaluation	-	-	-	-	147,447
(Loss)/Gain on Disposal of Financial Investments	(42,628)				-
Revaluation - Fair value of Financial Investments	(2,725)				-
Emissions Trading Scheme	-	-	-	-	30,686
Total Gains	(45,353)	-	-	-	178,133
Net (Cost)/Surplus of Service before transfer from/(to) Special Reserves	4,815,820	2,510,063	2,351,110	94%	1,794,837
Transfers from/(to) Special Reserves					
Transfers from/(to) Land Management	245,505	245,505	-	0%	245,505
Transfers from/(to) Awanui River	55,753	123,765	68,012	55%	211,774
Transfers from/(to) Kaihu River	3,781	12,162	8,381	69%	2,295
Transfers from/(to) Kaeo River Reserve	(462,013)	(198,095)	263,919	-133%	(191,374)
Transfers from/(to) Whangarei Urban River Reserve	(269,613)	(207,295)	62,318	-30%	29,596
Transfers from/(to) Priority Rivers Reserve	-	-	-	-	(20,553)
Transfers from/(to) Infrastructure Facilities Reserve	-	-	-	-	(132,895)
Transfers from/(to) Recreational Facilities Reserve	(679,070)	(722,921)	(43,851)	6%	(814,721)
Transfers from/(to) Investment Fund Reserve	-	-	-	-	-
Transfers from/(to) Forest Income Equalisation Reserve	162,405	240,385	77,980	32%	596,848
Transfers from/(to) Hatea River Reserve	6,687	(39,576)	(46,263)	117%	(48,540)
Transfers from/(to) Environment Fund Reserve	-	-	-	-	3,139
Transfers from/(to) Investment and Growth Reserve	462,935	599,357	136,422	23%	(1,661,087)
Transfers from/(to) Approved Carry Forwards General Funds	40,000	201,587	161,587	80%	398,000
Transfers from/(to) Waipapa/Kerikeri River Reserve	(78,192)	3,471	81,663	2353%	107,166
Transfers from/(to) Community Investment Reserve	-	-	-	-	(245,114)
Transfers from/(to) Oyster Shell Reserve	(90,712)		90,712		-
Net (Cost)/Surplus of Service after transfer from/(to) Special Reserves	4,213,285	2,768,408	1,444,877	52%	274,876

	YTD Actual	YTD Budget	Variance	Variance %	Full Year Revised Budget
Note 1: Total Expenditure by Type					
Expenditure					
Labour Costs	8,954,281	9,258,654	304,373	3%	10,938,560
Operations	11,716,279	13,026,476	1,310,198	10%	17,371,901
Member Expenses	489,736	446,302	(43,434)	-10%	535,562
Depreciation	943,241	943,155	(86)	0%	1,131,791
Finance Overheads	4,220,778	4,485,599	264,821	6%	5,708,109
Internal Recharges	(4,220,778)	(4,485,611)	(264,833)	6%	(5,708,111)
Total Expenditure	22,103,537	23,674,576	1,571,039	7%	29,977,813

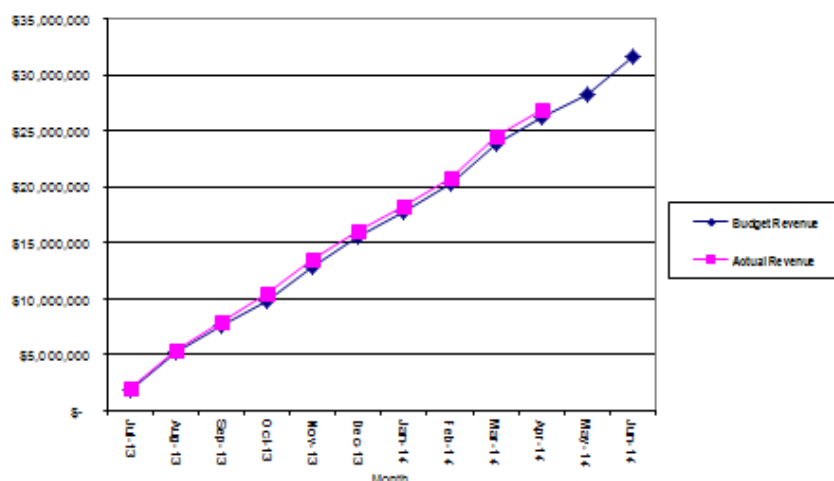
Northland Regional Council

FINANCIAL DASHBOARD

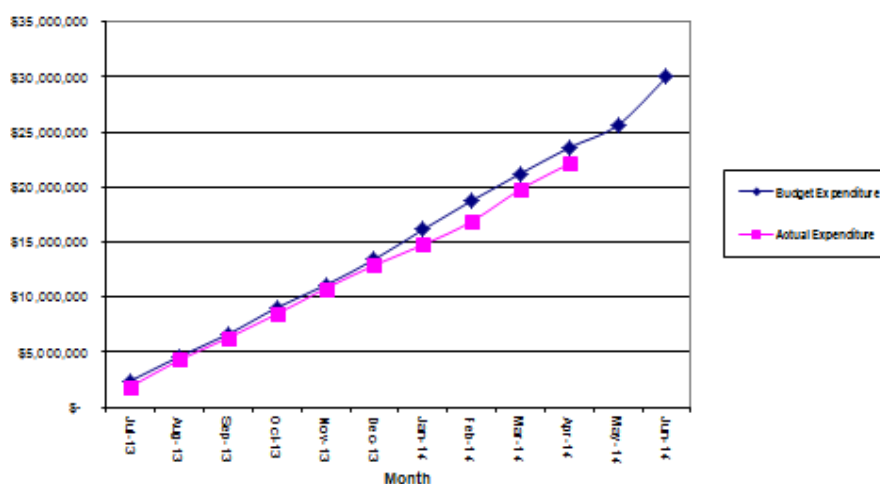
Year to Date Report to 29 April 2014

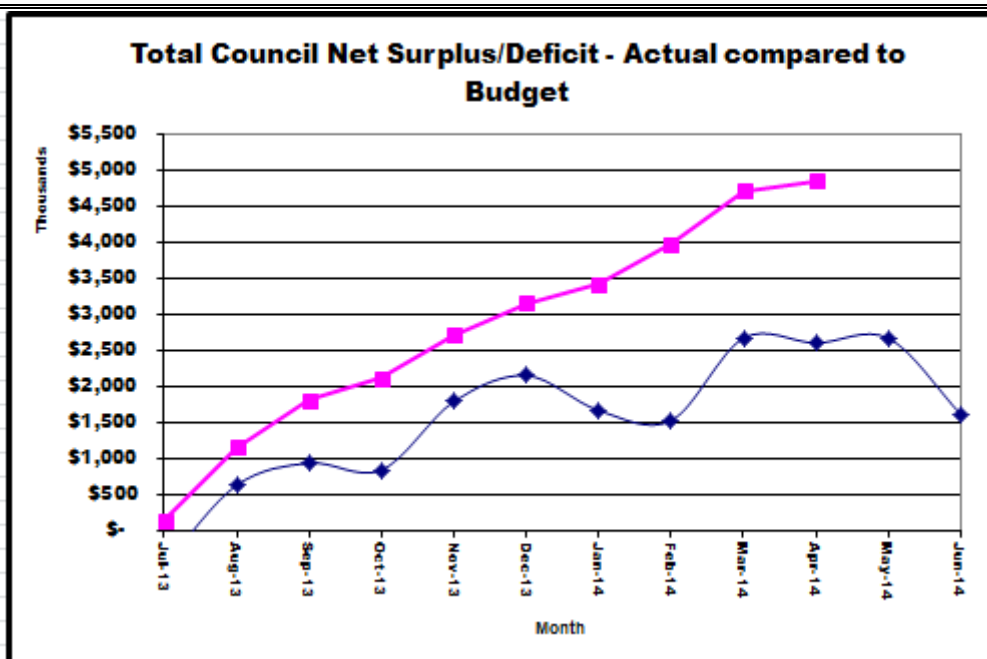
SUMMARY OPERATING RESULTS			
	000's ACTUAL YTD	000's BUDGET YTD	000's VARIANCE YTD
Revenue (including other gains)	\$ 26,965	\$ 26,185	\$ 780
Expenditure	\$ 22,104	\$ 23,675	\$ 1,571
NET (COST)/SURPLUS BEFORE TRANSFERS FROM/(TO) RESERVES	\$ 4,861	\$ 2,510	\$ 2,351

Total Council Revenue - Actual compared to Budget













Total Council Expenditure - Actual compared to Budget





KEY: Budget Actual

YTD EXPENDITURE VARIANCE INDICATORS BY COUNCIL ACTIVITY

 = negative (unfavourable) variance over 10%			
 = negative (unfavourable) variance under 10%	FAV / UNFAV		FAV / UNFAV
 = positive (favourable) variance			
Resource Management		Transport	
River Management		Community Representation and Engagement	
Economic Development		Support Services and Commercial	
Hazard Management			

YTD CAPITAL EXPENDITURE BY COUNCIL ACTIVITY

	\$000's	Brief Description of Major Items Purchased
Monitoring	\$ 76	Analysis Equipment \$48K Instruments \$8K telemetry
Biosecurity	\$ 25	GPS \$4K Probes 15K Field Cable \$1K
Emergency Management	\$ 1	Optical equipment \$5K, Floating Dock \$19K Sub pump \$1K
Land & Biodiversity	\$ 5	42" TV and bracket
River Management	\$ 2,714	Geovane & brushcutter
Commercial Investments	\$ 42	Kotuku St pties and Public Works Act land, Kao & Awanui rivers
Harbour Safety & Navigation	\$ 58	Water reticulation Flyer Rd
Oil Pollution response	\$ 2	Beacons \$28K, Salvage Pump \$1K, Vessel elec \$28K, Scan Kit \$1
Information Systems	\$ 322	Canvas Cover, load straps & signwriting
Community representation	\$ 17	IRIS \$83K, Hware \$119K, Generator \$93k, T1 Packs \$8K, Sware \$19
Support Services and Commercial	\$ 558	Display Wall & Stands
TOTAL CAPITAL EXPENDITURE YEAR TO DATE	\$ 3,820	9 new vehicles, s/writing etc, shelving, air con, solar power, seismic

INVESTMENT PORTFOLIO YEAR TO DATE PERFORMANCE

At 29 April 2014 the investment portfolio has made a return of \$7.326M against a budgeted return of \$6.734M.

Consolidated Statement of Financial Position

	Council As at 29 April 2014 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$
EQUITY			
Retained earnings	117,294,745	107,269,799	112,990,747
Other reserves	8,937,407	18,143,888	8,425,585
Total equity attributable to Northland Regional Council	126,232,152	125,413,687	121,416,333
Non-controlling interest in subsidiary companies			
TOTAL EQUITY	126,232,152	125,413,687	121,416,333
ASSETS			
Current assets			
Cash and cash equivalents	5,343,947	7,000,725	15,889,952
Trade and other receivables	5,519,587	4,893,100	4,896,707
Inventories	3,127,791	3,165,500	3,127,987
Other Investments	8,766,567	11,190,362	9,222,258
Total current assets	22,757,892	26,249,687	33,136,903
Non-Current Assets			
Other receivables	5,418,537	5,256,299	5,395,453
Investment property	48,296,001	47,674,256	48,296,001
Investments in subsidiaries and associates	8,581,513	7,840,467	8,581,513
Other investments	20,375,580	14,247,205	9,859,589
Property, plant and equipment	19,259,111	27,226,723	20,186,617
Intangible assets	1,044,748	1,443,845	1,110,168
Biological assets	1,731,775	1,798,149	1,731,775
Capital projects in progress	3,808,436	-	56,420
Total non-current assets	108,515,701	105,486,945	95,217,537
Total Assets	131,273,593	131,736,632	128,354,440
LIABILITIES			
Current liabilities			
Trade and other payables	3,419,733	4,617,350	5,114,869
Employee benefit liabilities	1,585,660	1,656,126	1,787,191
Total current liabilities	5,005,393	6,273,475	6,902,059
Non-Current Liabilities			
Employee benefit liabilities	36,048	49,470	36,048
Total non-current liabilities	36,048	49,470	36,048
Total Liabilities	5,041,441	6,322,945	6,938,107
NET ASSETS	126,232,152	125,413,687	121,416,333

**ISSUE: Investment Schedule and Performance –
Financial Report to 29 April 2014**

ID: A638724

To: Audit and Risk Committee Meeting, 20 May 2014

From: Kym Ace, Financial Systems Administrator

Date: 8 May 2014

Summary The purpose of this report is to provide a summary of council's investment performance for the year to date, ten month period ending 29 April 2014 and to report compliance against the councils' Treasury Management Policy. The investment policy included in the Treasury Management Policy is a requirement of section 102(4)(a) of the Local Government Act. The investment policy was adopted as part of the 2012-2022 Long Term Plan. The report concludes with the recommendation that the investment schedule and performance report be received.

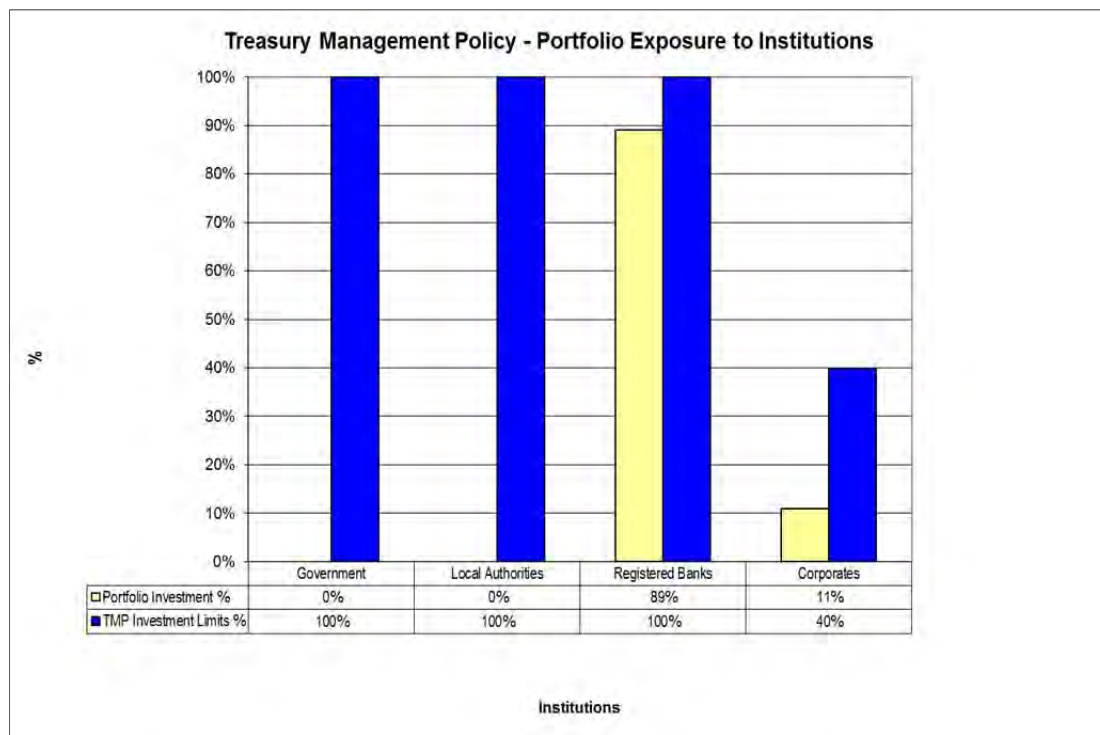
Report Type:	<input checked="" type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative 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:

Performance and compliance against council's Treasury Management Policy is provided in this report and reporting for the Community Investment Fund is provided in a **separate agenda item (item number 3.9)**.

Investment of cash and stock/bonds

The following graph graphically illustrates council's investment of cash and stock/bonds against the limits set out in the investment policy. Council's investment complies with the investment policy.



Credit rating of investment counterparties

Under council's Treasury Management Policy (TMP) section 6.3 allows investments to be made in accordance with the following counterparty/issuer:

Counterparty/Issuer	Minimum long term/short term credit rating – stated and possible	Investments maximum per counterparty (\$m)	Interest rate risk management instrument maximum per counterparty (\$m)	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited	None	Unlimited
Local Government Funding Agency (LGFA)	N/A	20.0	None	20.0
NZD Registered Supranationals	AAA	20.0	None	20.0
State Owned Enterprises [name]	A-BBB/ A2	5.0	None	5.0
NZ Registered Bank [name]	A-/ A2	20.0	10.0	30.0
Corporate Bonds/ CP [names]*	A-/ A2 BBB/A2	2.0 1.0	None None	2.0 1.0
Local Government Stock/ Bonds/ FRN/ CP [name]**	A-/ A2 (if rated) Unrated	20.0 5.0	None None	20.0 5.0
<p>* Subject to a maximum exposure no greater than 40% of the NFIP being invested in corporate debt securities at any one point in time. A maximum of 20% of the NFIP can be rated less than A- and no lower than BBB.</p> <p>** Subject to a maximum exposure no greater than 60% of the NFIP being invested in local government debt at any one point in time. The maximum portfolio exposure limit does not apply to the LGFA.</p> <p>This summary list will be expanded on a counterparty named basis which will be authorised by the CEO.</p>				

At 29 April 2014 council held one investment with Infratil of \$75K (maturing 15 November 2015) which is non-rated and therefore falls outside the credit counterparty requirements. This bond is earning 8.5% coupon interest which is paid quarterly. It has previously been agreed with council to continue to hold these on the basis staff would maintain a watching brief over this.

Interest rate profile – excluding working capital

Under council's TMP section 6.1.3 the following interest rate re-pricing percentages, calculated on the projected 12 month rolling Net Financial Investment Portfolio (NFIP) total, are as follows:

Interest rate re-pricing period	Minimum limit	Maximum limit	Actual at 29 April 2014	Current Investment face value
0 to 1 year	40% of NFIP	100% of NFIP	60.6%	\$ 13,280,000
1 to 3 years	0% of NFIP	60% of NFIP	1.3%	\$ 275,000
3 to 5 years	0% of NFIP	40% of NFIP	36.5%	\$ 8,000,000
5 to 10 years*	0% of NFIP	20% of NFIP	1.7%	\$ 370,000
				\$ 21,925,000

Council's investment complies with the investment policy. The above investment of \$21,925,000 is based on face value and excludes working capital. The current market value of these investments is \$22,008,982.

Financial year to date performance

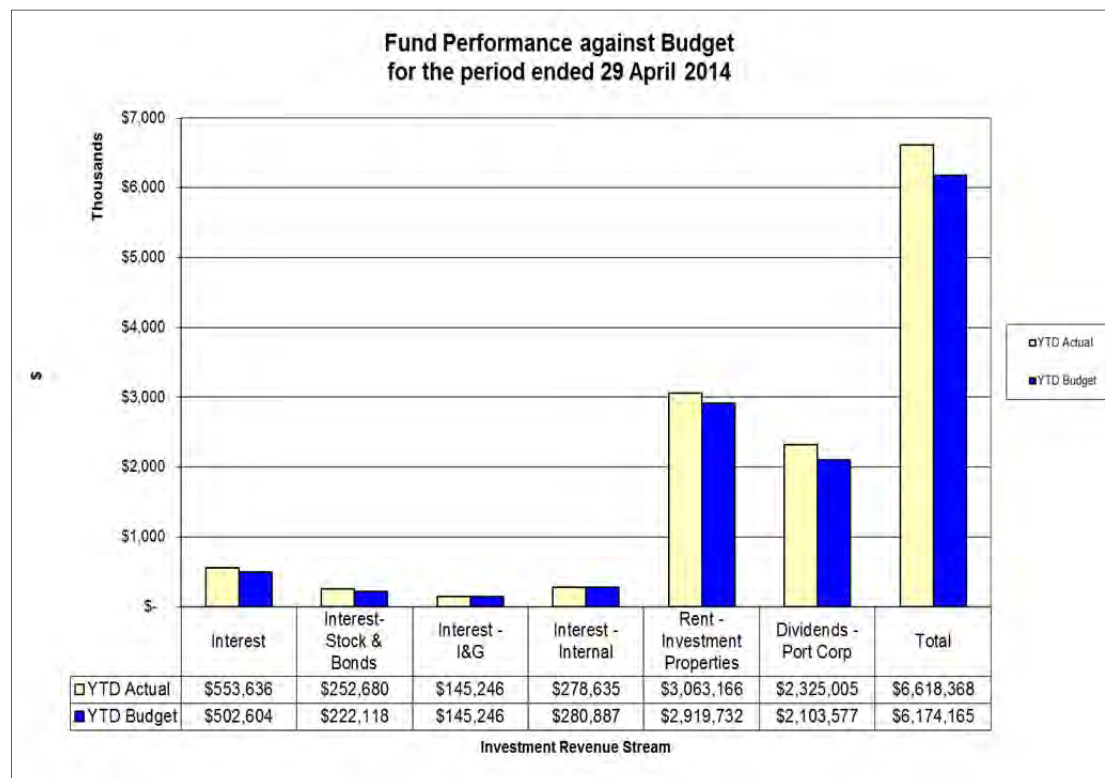
Year to date council's total investment portfolio (excluding the Community Investment Fund which is covered separately) has made a return of \$6,618,368 against a budgeted return of \$6,174,165. This favourable variance is predominantly due to \$221K dividend income variance, \$143K investment property income variance and \$80K of investment interest income variance. On call funds are currently earning a return of 3.4%, short term (0-3 years) deposit between 3.58% and 4.3% and medium (4-5 years) deposits between 6.25% and 6.31%.

While this analysis demonstrates that collectively and by investment class the portfolio is performing better than budget. The Chief Executive remains concerned that overall the portfolio is underperforming its potential due to the highly restrictive treasury management policy in place, and the very short term focus applied to the portfolio arising from the impact of the Local Government Reform debate. The Chief Executive is of the view that governance, either through this committee or as part of the LTP workshops, need to debate this issue and provide clear guidance to management in this regard.

ITEM: 3.8

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The breakdown of the year to date return by investment revenue stream is as follows:

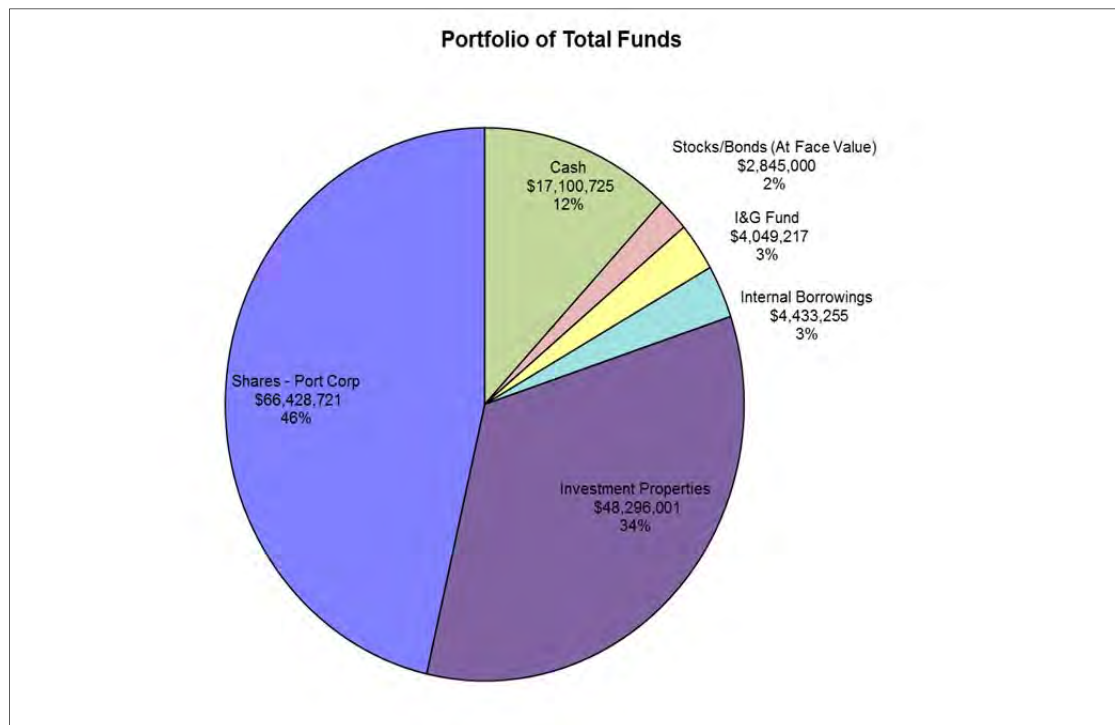


The rate of return by investment revenue stream is shown on the table below, together with the actual weighted average return compared with budgeted weighted average return for the cash and stocks and bonds investments.

Return on Investment to 29 April 2014	Year to Date Actual	Year to Date Budget	YTD Revenue	Actual WACC	Budgeted WACC
Investment Class					
Cash	4.00%	3.92%	\$553,636	2.33%	2.17%
Stocks/bonds	8.22%	6.54%	\$252,680	1.06%	0.96%
I & G Fund	5.15%	5.18%	\$145,246	0.61%	0.63%
Internal borrowings	6.89%	6.81%	\$278,635	1.17%	1.21%
Total cash investments			\$1,230,197	5.18%	4.97%
Shares - Port Corp	4.33%	4.13%	\$2,325,005		
Investment properties	7.63%	7.25%	\$3,063,166		
Total investment revenue – excluding CIF income			\$6,618,368		

Portfolio of total funds

The total value of the investment portfolio as at 29 April 2014 is \$143,152,919 and is comprised of:



Northland Regional Council holds \$22,142,910 shares in Northland Port Corporation (NZ) Limited. The cost value of these shares is \$7,827,563. As at 30 June 2013 the market price of these shares was \$2.76. As at 29 April 2014, the market price is \$3.00.

Internal borrowing is cash used to fund the contribution made towards the development of the Northland Events Centre. The internal borrowing will be repaid from the Recreational Facilities Rate over a remaining approximate 5 year period.

Northland Port Corporation share price movement

The table below details the share price movement and dividend yield of the Northland Port Corporation's share price in the 2013 financial year compared to the Ports of Tauranga, South Port NZ Limited and Lyttelton Port Company Limited. This information has been provided for comparative or benchmarking purposes.

Share Price Movement to 29 April 2014							
	Quarter 1 Movement (Apr to Jun 13)	Quarter 2 Movement (Jul to Sept 13)	Quarter 3 Movement (Oct to Dec 13)	Quarter 4 Movement (Jan to Mar 14)	Annual Move- ment (Apr 13 to Apr 14)	Share Price Apr 2013	Share Price Apr 2014
Northland Port Corp	0%	3%	1%	5%	9%	2.74	3.00
Ports of Tauranga	0%	1%	2%	-2%	-8%	15.50	14.25
South Port NZ Ltd	-5%	10%	-9%	5%	6%	3.25	3.45
Lyttelton Port Coy Ltd	35%	-12%	20%	7%	38%	2.30	3.17

Dividend Yield						
	Dividend per share 2012	Dividend Yield June 2012	Share Price June 2012	Dividend per share 2013	Dividend Yield June 2013	Share Price June 2013
Northland Port Corp	0.075	3.97%	1.89	0.100	3.62%	2.76
Ports of Tauranga	0.330	2.96%	11.13	0.460	4.13%	13.80
South Port NZ Ltd	0.200	6.25%	3.20	0.220	6.98%	3.15
Lyttelton Port Coy Ltd¹	0.000	0.00%	2.00	0.000	0.00%	2.85

¹ Lyttelton Port Coy dividend was deferred until insurance settlement known from earthquakes.

Compliance with decision making processes:

The activities detailed in this report are in accordance with the council's Treasury Management Policy which was adopted in compliance with the 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, and it does not require a council decision but is for information purposes only.

Recommendation:

1. That the report "Investment Schedule and Performance – Financial Report to 29 April 2014" from the Financial Systems Administrator, Kym Ace, dated 8 May 2014, be received.

ISSUE: Community Investment Fund – Review of Investment Managers’ Performance to 31 March 2014

ID: A634819

To: Audit and Risk Committee Meeting, 20 May 2014

From: Simon Crabb, Finance Manager

Date: 17 April 2014

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 March 2014. It concludes with the recommendation that the report be received.

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:

At 31 March 2014 the Community Investment Fund (CIF) is managed by seven managers, each with a different mandate:

- Income assets (managed in-house) with assistance from council’s external investment advisor – PricewaterhouseCoopers (PwC);
- Income assets managed by Milford Income Fund;
- Income assets managed by Brook Asset Management Income Fund;
- Income assets managed by Harbour Asset Management Short Duration Fund;
- Australasian Equities managed by Milford Active Growth Fund;
- Global Equities managed by Schroder’s Real Return Fund and
- Global Equities managed by AMP Global Multi-Asset Fund.

Clause 7.1 of the Community Investment Fund Policy and Objectives (CIF-SIPO) requires Independent Investment Advisor, Eriksen and Associates Limited, to independently review and report on the seven appointed fund managers’ performance. This report for the March 2014 quarter is **attached** as **Appendix One**.

The market value of the fund at 31 March 2014 is \$10.4M. The asset allocation mix is 48% income assets and 52% growth assets which is well within the ranges specified by the CIF-SIPO.

For the year to date period (nine month returns) the fund returned 6.9%, outperforming the year to date benchmark of 2.7% by 4.2%, and over the year, the fund returned 7.8%, outperforming the full year benchmark of 5.5% by 2.3%.

In April 2014 the Brook Asset Management Income Fund (Brook) was closed down by its sole shareholder, Macquarie Bank. The Eriksen and Associates recommended alternative investment to replace Brook is presented in confidential agenda item 4.2.

Jonathan Eriksen of Eriksen and Associates Limited will be at the meeting to answer any questions.

Compliance against SIPO

At 31 March 2014 there were no breaches of the CIF-SIPO.

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, and it does not require a council decision but is for information purposes only.

Recommendation:

1. That the report "Community Investment Fund – Review of Investment Managers' Performance to 31 March 2014", by Simon Crabb, Finance Manager, dated 17 April 2014, be received.
-

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL COMMUNITY INVESTMENT FUND

INVESTMENT REVIEW FOR THE QUARTER ENDING 31 MARCH 2014

ERIKSEN & ASSOCIATES LIMITED

15 APRIL 2014

Auckland

Eriksen & Associates Ltd
443 Lake Rd, Takapuna
Box 33 1318, Auckland, New Zealand
Ph +64 9 486 3144 Fax +64 9 486 4413
auckland@eriksensglobal.com

Wellington

Eriksen & Associates Ltd
Level 9, 111 The Terrace
Box 10 105, Wellington, New Zealand
Ph +64 4 470 6144 Fax +64 4 470 6145
wellington@eriksensglobal.com

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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 quarter ending 31 March 2014.

The primary goal of the Fund is to promote business development in Northland. The current asset mix is 50% income and 50% growth assets which was agreed at the November 2013 Council meeting. To reflect the higher weighting to growth assets, a further \$500k was invested in Schroders Real Return Fund and a new investment of \$500k was made into AMP Capital's GMAF during the quarter.

An investment of \$265k was made into Brook Asset Management's Income Fund during the quarter. Unfortunately, Brook's parent company, Macquarie has decided to close down Brook and so this investment will be refunded to the NRCCIF in due course (along with any expenses/fees incurred).

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. The benchmark return for the Fund has been taken from the December 2013 quarter CPI results which are the latest available at the time of writing this report. The CPI was 1.5% per annum (annualised over three years). This gives a real return one year benchmark of 5.5% for this report.

There are a number of alternative assets that the Fund still holds that have been reported on in the past. These assets are unlikely to be paid and so the values have been written down to zero. Their book values prior to this were very low so makes an immaterial difference to the overall market value of the Fund by treating them in this manner.

World equity markets produced mixed results over the month and quarter to 31 March 2014. Some European markets and the Japanese market fell over both periods. Emerging markets bucked the recent downward trend in March posting a 1.9% gain, however the overall result for the quarter was slightly negative at -0.5%. Global government bonds fell quite sharply over the month which caused a negative result for the quarter also. Global investment grade bonds rose over both periods.

The Australian and New Zealand equity markets rose over the month and quarter with the NZX50 gaining 8.5% over the past three months, a strong result. New Zealand government bonds fell slightly over the month of March but were still positive over the quarter. Investment grade bonds rose over both periods.

During the month of March the NZD depreciated against the AUD and strengthened against the other major currencies. Over the quarter, the NZD appreciated against all the major currencies.

Over the one year to 31 March, global, Australian and New Zealand equity markets produced strong results. Only the FTSE100 (UK market) and emerging markets had gains in the single digits. Most other markets had gains of at least 15% for the year. The NZX50 rose 16.2% over the 12 month period and the S&P ASX200 rose 13.5%.

Global and New Zealand government bond markets fell over the year but investment grade bonds for these markets rose. The NZD appreciated against the AUD by 16.5% over the year and rose against the Yen by 13.4%. It also appreciated against the greenback, by 3.6%. It fell against the Euro and Great British Pound.

INTRODUCTION

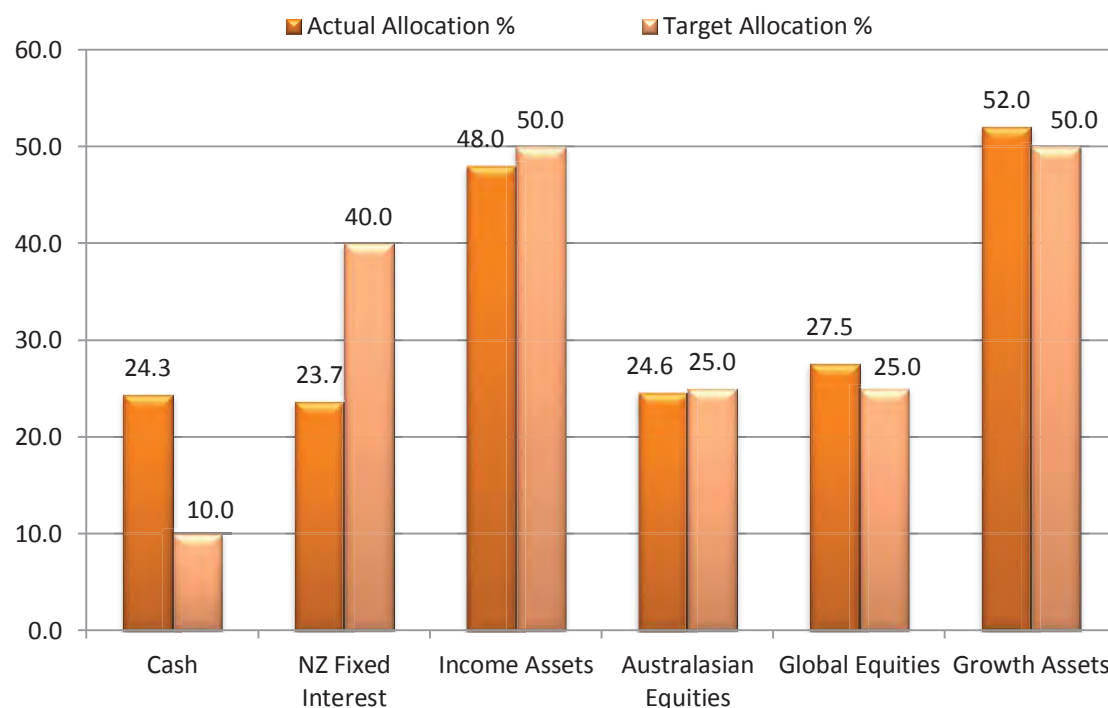
Eriksen & Associates Limited (Eriksens) were appointed investment advisors to the Fund in November 2012. This is our sixth report on the Fund in accordance with the SIPO approved by Council in November 2013. All assets previously managed by JBWere are excluded from this and subsequent reports. This is because the values of these assets have been written down to zero due to the unlikelihood of being able to liquidate them.

This review reports the investment returns for all cash, bonds and equities held by the Fund for the quarter to 31 March 2014. In addition, this review shows year-to-date investment returns which represent nine month returns, and one year returns.

The returns shown are based on the data supplied by the in-house investment team for some cash and bond assets, and statements supplied by Milford, Harbour, AMP and Schroders at 31 March 2014. 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 31 March 2014 are shown below:



The Fund's asset allocation shows all asset classes are within the ranges as specified by the SIPO. Australasian equities and global equities are very close to their target allocations. The weighting to NZ fixed interest has reduced over the quarter as the parcel of NZ bonds held at the end of last quarter have now been sold. Some of the proceeds from this were used for a new investment into Brook's Income Fund (which will be refunded in due course due to the impending closure of the company). The rest of the proceeds from these bonds, along with most of the cash and term deposits held, have been used to fund the new investment into AMP's GMAF and a further investment into Schroders.

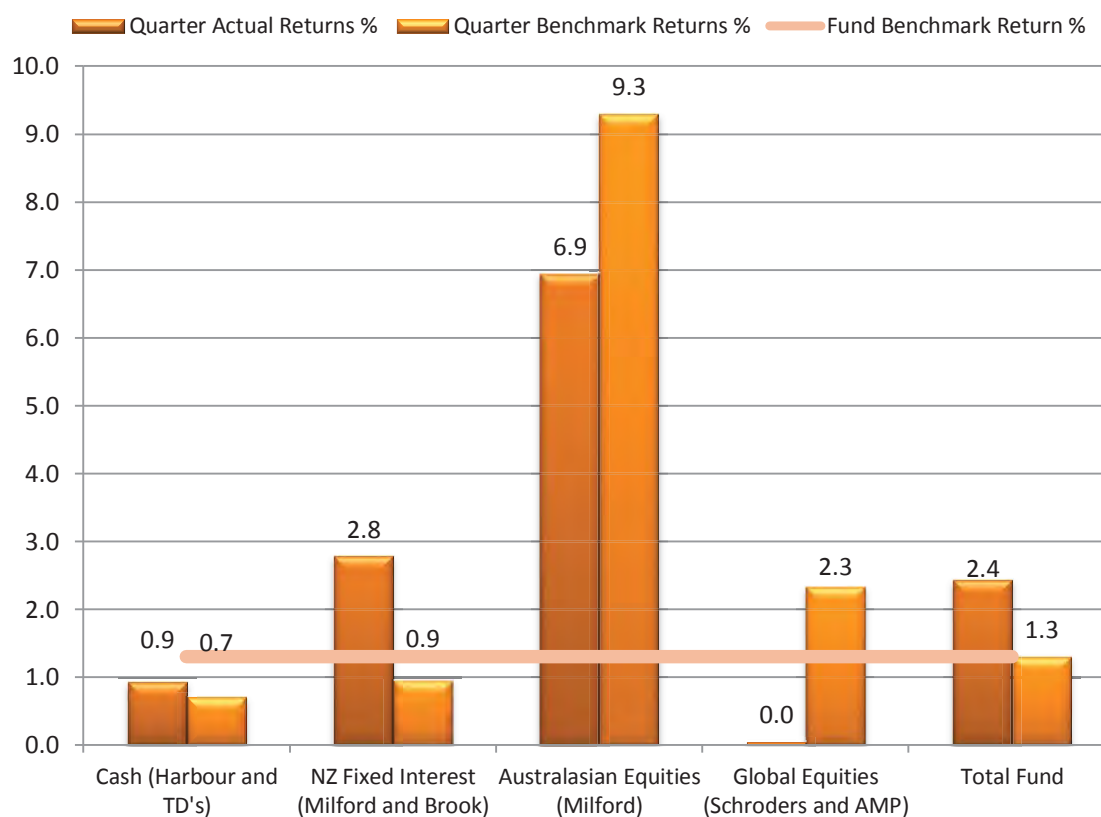
The weighting to growth assets and income assets are much closer to their targets now that these investments into AMP and Schroders have been made.

Allocations	Market Value NZ\$	Actual Allocation %	Target Allocation %	Difference %	Status
Cash	2,527,671	24.3	5 < 10 < 50	14.3	✓
NZ Fixed Interest	2,457,509	23.7	20 < 40 < 60	-16.3	✓
Income Assets	4,985,180	48.0	30 < 50 < 70	-2.0	✓
Australasian Equities	2,550,254	24.6	15 < 25 < 35	-0.4	✓
Global Equities	2,851,593	27.5	15 < 25 < 35	2.5	✓
Growth Assets	5,401,847	52.0	30 < 50 < 70	2.0	✓
Total Assets	10,387,027	100.0			

FUND PERFORMANCE

The table below shows the quarter, year-to-date and one year investment returns on the Fund's asset classes. The year-to-date period represents nine month returns. The returns in each asset class are weighted by the individual assets within each class.

Asset Class	Quarter %	YTD %	1 Year %
Cash (Harbour and TD's)	0.9	2.5	3.6
Benchmark (90 Day Bank Bill)	0.7	2.0	2.7
Over / Underperformance	0.2	0.5	0.9
NZ Fixed Interest (Milford and Brook)	2.8	8.0	8.9
Benchmark (weighted average)	0.9	2.4	3.1
Over / Underperformance	1.9	5.6	5.8
Australasian Equities (Milford)	6.9	17.0	20.0
Benchmark (NZX50 plus 3%)	9.3	18.3	19.7
Over / Underperformance	-2.4	-1.3	0.3
Global Equities (Schroders and AMP)	0.0	2.5	3.0
Benchmark (Aus TM CPI plus 5%)	2.3	6.5	8.3
Over / Underperformance	-2.3	-4.0	-5.3
Total Fund	2.4	6.9	7.8
Benchmark (4% real return)	1.3	2.7	5.5
Over / Underperformance	1.1	4.2	2.3



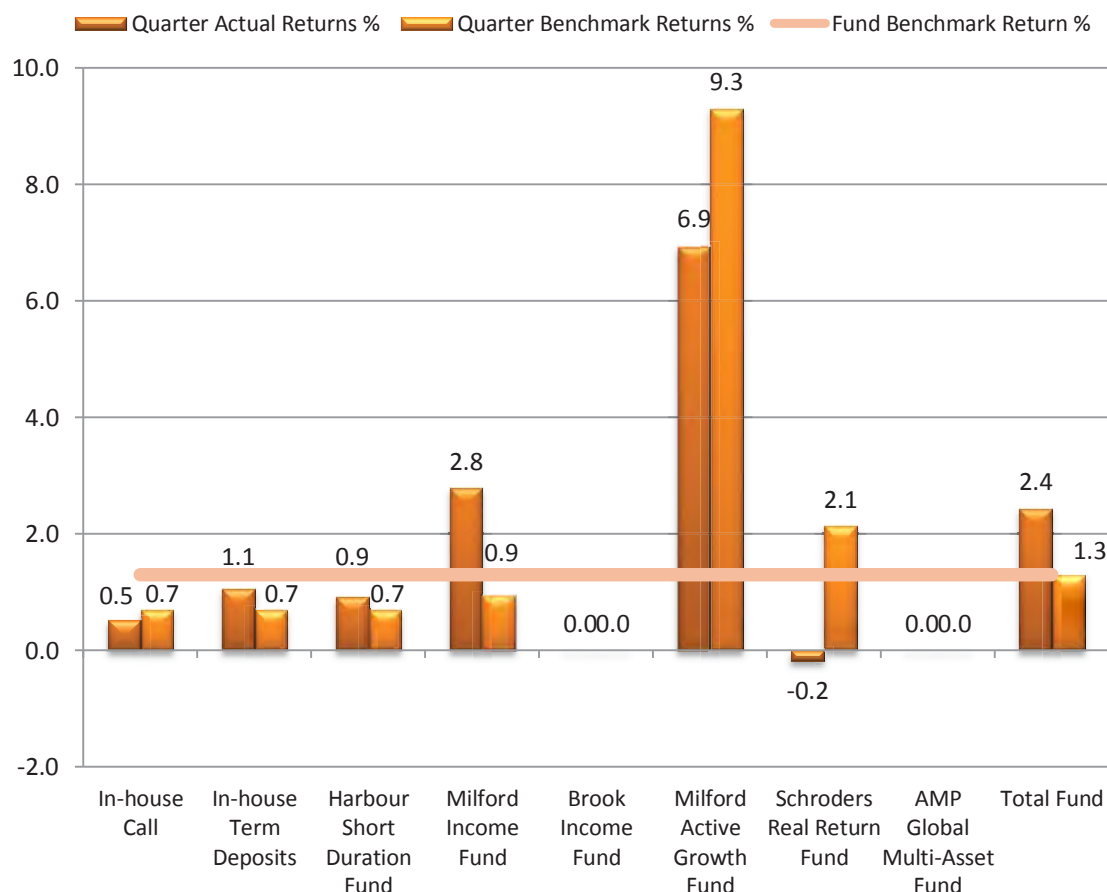
Overall

The Fund outperformed the benchmark by 1.1% with a return of 2.4% for the quarter to 31 March. The benchmark was calculated from the December 2013 annual CPI results for New Zealand as the CPI results for the March 2014 quarter had not been released at the time of writing this report. The CPI figures for December showed an annualized increase in inflation of 1.5% over a rolling three year period. This gives a quarter benchmark of 1.3% for the overall Fund after adding 4% per annum.

Over the year-to-date period the Fund returned 6.9% which outperformed the benchmark by 4.2%, and over the year it returned 7.8% which was an outperformance of 2.3%.

The table below shows the individual market values and asset returns for the quarter, year-to-date and one year periods.

Asset	Market Value NZ\$	Quarter %	YTD %	1 Year %
Cash				
In-house Call	512	0.5	2.0	2.7
Benchmark (90 Day Bank Bill)		0.7	2.0	2.7
Over / Underperformance		-0.2	0.0	0.0
In-house Term Deposits	480,000	1.1	2.8	4.0
Benchmark (90 Day Bank Bill)		0.7	2.0	2.7
Over / Underperformance		0.4	0.8	1.3
Harbour Short Duration Fund	2,047,159	0.9	2.4	n/a
Benchmark (90 Day Bank Bill)		0.7	2.0	2.7
Over / Underperformance		0.2	0.4	
NZ Fixed Interest				
Milford Income Fund	2,192,509	2.8	8.6	n/a
Benchmark (90 Day Bank Bill plus 1% p.a.)		0.9	2.8	3.7
Over / Underperformance		1.9	5.8	
Brook Income Fund	265,000	n/a	n/a	n/a
Benchmark (90 Day Bank Bill plus 1% p.a.)		n/a	n/a	n/a
Over / Underperformance				
Australasian Equities				
Milford Active Growth Fund	2,550,254	6.9	17.0	20.0
Benchmark (NZX50 + 3% p.a.)		9.3	18.3	19.7
Over / Underperformance		-2.4	-1.3	0.3
Global Equities				
Schroders Real Return Fund	2,346,423	-0.2	1.8	3.0
Benchmark (Aus CPI trimmed mean + 5% p.a.)		2.1	6.3	8.3
Over / Underperformance		-2.3	-4.5	-5.3
AMP Global Multi-Asset Fund	505,170	n/a	n/a	n/a
Benchmark (NZ CPI + 5% p.a.)		n/a	n/a	n/a
Over / Underperformance				



Cash

Cash includes in-house call, in-house term deposits and Harbour Asset Management Short Duration Fund returns. The asset class outperformed the 90 Day Bank Bill Index by 0.2% for the quarter and 0.5% for the year-to-date, returning 0.9% and 2.5% respectively. For the one year period it outperformed the benchmark by 0.9% with a return of 3.6%. In house term deposit returns were the main driver of this outperformance.

NZ Fixed Interest

This asset class comprises Milford's Income Fund and Brook's Income Fund. All NZ bonds have now been completely sold down. The returns for the quarter relate solely to the performance of Milford's Income Fund however the year-to-date and year returns include the performance of NZ bonds also. The investment with Brook was made in March thus it has no impact on returns.

This asset class returned 2.8% for the quarter to 31 March which outperformed the benchmark by 1.9%. For the year-to-date period the return was 8.0%, outperforming the benchmark by 5.6% and for the year it returned 8.9%, outperforming the benchmark by 5.8%.

Australasian Equities

Milford's Active Growth Fund underperformed the benchmark over the quarter by 2.3% although still had a solid return of 6.9%. It underperformed the year-to-date benchmark of NZX50 + 3% p.a. by 1.3%, returning 17.0%. The one year return was 20.0% which was 0.3% above the benchmark return. These are still excellent results.

Global Equities

The global equities asset class consists of Schroders Real Return Fund and a new investment made during the quarter into AMP's Global Multi-Asset Fund. The year-to-date and one year returns relate to Schroders' performance. The quarterly performance figure includes AMP and Schroders.

The investment with Schroders is denominated in Australian dollars and is unhedged. The investment in AMP is a 50%/50% split between Schroders Real Return Fund in Australia and AMP Australia's Multi-Asset Fund. The return on this investment is fully hedged to NZ dollars.

Over the quarter global equities returned nil, underperforming the Australian CPI (trimmed mean) plus 5% p.a. benchmark by 2.3%. This underperformance was due to Schroders and AMP underperforming their respective benchmarks (but still posting positive returns) and the NZD appreciating against the AUD. This loss on returns from currency is likely to be short term as the dollar continues to sit above fair value in our opinion.

The return for the year-to-date was 2.5% which was 4.0% below the benchmark return. Schroders underperformed the one year benchmark by 5.3% with a return of 3.0% over this period. These underperformances can be attributed to the strong kiwi dollar which has appreciated 16.5% against the AUD over the year.

The table below shows the returns for Schroders in New Zealand and Australian dollar terms:

Schroders Real Return Fund	Quarter Return			1 Year Return		
		%			%	
	Gross	Bench mark	Value Added	Gross	Bench mark	Value Added
NZD Return	-0.2	2.1	-2.1	3.0	8.3	-5.3
AUD Return	1.2	2.1	-0.3	8.4	8.3	0.1

This shows the return in local currency terms is very good against the benchmark. The NZD/AUD is above fair value in our opinion and so the losses due to currency movements should be regained over time.

ECONOMIC COMMENTARY – MARCH 2014

The strong run by global equity markets last year was sustained in the last quarter by most markets except Japan and the United Kingdom. New Zealand was the star-performer with strong demand for growth stocks by offshore investors pushing the NZX50 to an 8.8% return for the quarter including imputation credits.

Strong demand for dairy products and investor interest pushed the New Zealand dollar up to 86c US which pushed the overall gains on unhedged global equities for the quarter into the red (-4% for New Zealand investors).

In April the frothiness of the US and New Zealand markets has led to profit taking and reductions in tech stocks and growth stocks. The Australian dollar has strengthened against both the US and Kiwi dollars. This is due to offshore speculators taking off their short positions on the Australian dollar because of the increased confidence and ongoing exports to China. Commodity prices (especially dairy) have also fallen.

As expected the Reserve Bank of New Zealand tightened by 0.25% in March for its first tightening with the next to follow probably this month. The housing market has cooled a trifle although prices are still slowly rising.

We expect ongoing volatility in stock markets because of the softness of the Chinese economy, concerns over tapering in the US and the geo-political situation in the Ukraine and other political hot spots. Whether we see a significant downturn or just more choppiness will depend primarily on China and possibly Russia in the months ahead.

How the Chinese government manages the slowdown, the liquidity squeeze caused by the withdrawal of funds due to US tapering and the sluggish demand for their exports globally will be critical for the stability of the global economy. As commodity exporters both Australia and New Zealand are hoping China manages these economic challenges well. The recent relaxing of the exchange rate to allow the Renminbi to weaken against the US dollar by 2.5% is a warning to speculators not to assume the movement is a one way bet. This should also help exports. More importantly although the controls on Chinese financial markets by the Peoples Bank of China remain tight, the precarious position of the shadow banking system is being addressed. However with banks in Hong Kong having borrowed and on lent over 160% of GDP the potential credit bubble is another threat to global markets.

Although little can be deduced from official Chinese trade statistics we suspect that China still has a positive growth rate even though it may be closer to 4% than 7% currently. The Government has not cracked down on Chinese purchasing property abroad which is boosting residential sales in most Western countries including US, UK, Australia and New Zealand.

In the last month the Federal Reserve has continued to taper yet the unemployment rate remains about 6.8%. It seems likely there will be political pressure to keep easing and perhaps even reverse direction depending on how the GDP growth and job stats unfold. We are less optimistic for a sustained recovery in the US, partly because other parts of the globe, especially Europe are still struggling to reflate their economies. Productive jobs are still in short supply and the crisis in Ukraine pushes up energy costs significantly.

It is early days but so far the New Zealand economy has handled the tightening cycle by the Reserve Bank well. Hopefully Australia can continue to export minerals to China and sustain its economic momentum as well.

Don't expect the last 15 months of equity markets' excellent performance to continue for the next 15 months. The underlying global economy still appears to be struggling in most parts of the world so it may be time for a correction?

ISSUE: Risk Management Framework Update

ID: A638015

To: Audit and Risk Committee Meeting, 20 May 2014

From: Bruce Howse, Land/Rivers Senior Programme Manager

Date: 30 April 2014

Summary The purpose of this report is to update the Committee on proposed changes to the NRC risk management framework and register. It concludes with the recommendation that the report be received and changes approved.

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 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:

Council has delegated oversight of risk to its Audit and Risk Committee. Cr Dimery is the holder of the risk management portfolio.

The risk management framework and register were presented to Council at a 19 November 2013 workshop and at the 26 November 2013 Audit and Risk Committee meeting.

As part of the framework, a six monthly report is required to be submitted to the Audit and Risk Committee for the purposes of:

- Highlighting any significant changes to the risk register which have occurred since the last report or which are known to be about to occur and the strategies in place to meet new or altered risks.
- Provide commentary on any significant areas of poor, reduced or improved risk management performance, including details of the mitigated action taken, or proposed to be taken, where significant risk management failure has been identified.

The purpose of this report is to update the Committee on proposed changes to the NRC risk register/framework and seek Committee approval for the proposed changes.

Risk Management Framework – Highlight of Proposed Changes

The framework is comprised of the Risk Management Framework (**Attachment One**) and the Risk Register (**Attachment Two**). Proposed changes to each of these is described in the following.

Following discussion with Audit New Zealand, the risk management framework is proposed to be updated by the inclusion of additional wording relating to the treatment of risk. The new wording states that (refer page 12 of risk management framework/policy - Attachment One) '*Where residual risk scores are greater than 6 for*

a particular risk then... The Action plan will contain details on the necessary controls/risk treatment options and risk response to be applied to the particular risk. For reference to the typical suite of controls/risk treatment options and risk response options that may be applied refer to the mitigation action section of the risk register.'

A number of proposed changes have been made to the risk register. These changes are provided in red text and strikethroughs (Attachment Two). A summary of changes and comments on other risks are provided below in Table 1.

An additional column has been added to the register showing if the risk trend is increasing, stable or decreasing, along with colour coding showing the risk category for quick reference.

Table 1: Summary of proposed changes to risks and comments

Risk reference	Summary of changes/comments on risks
1.	The global financial crisis commenced more than 6 years ago, likelihood reduced from 3 to 2, and risk reduced to 6.
2.	Staff concerned that position of FNDC continues to deteriorate, likelihood revised from 3 to 4, effect revised from 5 to 4, and risk increased to 16. Residual risk rating increased from 3 to 6.
5.	Uncertainty in the legislative reform process is creating more uncertainty, potentially having an adverse effect on recruitment. Effect changed from 3 to 4, and risk rating increased to 16.
8.	Issues have been encountered with taxi services not meeting contractual obligations for total mobility services. Likelihood increased from 3 to 4, and risk increased to 4.
9.	The risk of cost of contracted bus services significantly exceeding the budget due to unforecast changes in the diesel bus contract index has reduced as NZTA are subsidising CPI's, likelihood reduced from 3 to 2 and risk reduced from 6 to 4.
10.	Regional Transport Chairman added to CEO under responsibility section for this risk.
11.	Risk description changed to reflect navigation accident resulting in large scale oil spill, effect increased from 3 to 5, risk increased from 3 to 5, and residual risk increased from 1 to 3.
14.	A modest number of appeals have been received to the Regional Policy Statement, reducing potential risk of hearings/appeals expenditure being greater than budget and reserve commitment, likelihood reduced from 2 to 1, and risk decreased to 2.
15.	Changes adopted to fund criteria which may increase the risk of returns on investment being less than expected. Likelihood increased from 3 to 4, and risk ranking increased from 6 to 8.
16.	With increased reliance on dividends, and by not increasing rates, the effect has been increased from a 3 to 4, and risk increased from 3 to 4.
23.	Pressure to not increase rates results in higher return requirement with associated risk of not being achieved. Risk profile not changed, but risk flagged.
24.	Reducing political support for rail link, and the less than optimum position of Kiwirail, increases this potential risk, likelihood and effect both revised from 2 to 3, and risk from 4 to 9. Residual risk increased from 2 to 4.
30.	Growing impact of local government reform uncertainty. Risk profile not changed, but risk flagged.
31.	LTP objectives to be imbedded in individual performance agreements as a further mitigation action.
32.	Local government review uncertainty is deemed to increase this risk, effect changed from 2 to 3 and risk increased from 6 to 9.
36. – 41.	These are new risks that have been added to the register since last report to

	Audit and Risk Committee.
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Legal Compliance & Significance Assessment:

The activities detailed in this report are part of council's normal operations and form part of its good governance and corporate planning processes. The framework and recommendations are consistent with AS/NZS ISO 31000:2009 – Risk management – Principles and guidelines and existing council policy. The council has delegated oversight of risk to its Audit and Risk Committee. Normal operations are not deemed to be significant.

Recommendations:

1. That the report 'Risk Management Framework Update', from Bruce Howse, Land/Rivers Senior Programme Manager, dated 30 April 2014, be received.
 2. That the committee approves the proposed changes to the risk management framework and register.
-

ITEM [2.43.10](#): Attachment One

Risk Management Framework

1. Purpose

Northland Regional Council is committed to managing risk in an ongoing and proactive manner. The purpose of this framework is to ensure that key corporate risks are effectively identified and responded to correctly given:

- the nature of the risks faced by council
- the council's ability to accept and/or manage risk(s)
- the resources available to manage risks
- council's culture.

2. Introduction

Risk needs to be managed so that the council maximises its ability to meet its strategic objectives as well as associated operational targets and goals.

The objective of the risk management process is to identify realistic risks faced by the council and to analyse and evaluate those risks in a systematic way. The outcome of the evaluation is then used to:

- manage risk
- identify improvements to avoid risk events, minimise their impact or to realise an opportunity.

3. Definitions

Risk	The threat that an event or action will adversely affect council's ability to achieve its objectives or to successfully execute its strategies. (The "effect of uncertainty on objectives" ISO) Risk is measured in terms of likelihood and impact.
Risk Assessment	The overall process of risk identification and evaluation.
Risk management	The culture, processes and structures that are directed towards the effective management of potential opportunities and possible adverse effects
Corporate risk	Corporate risks are identified and managed by senior management (i.e. Chief Executive and Executive

	Management Team) and council. The focus of corporate risks is more likely, but not exclusively, to be on: <ul style="list-style-type: none"> • External influences affecting Council's effective operations • Risks that are common to more than one activity • Risks around the Council's ability to meet service levels, • react to emergencies, support the activities or specific projects • The most critical activities and specific risks.
--	--

The definitions recognise that risk is ever present and is not in itself a negative factor. The consideration of whether an event or action will present a significant risk is the key. Risk management informs the decision-making process and can stimulate and generate the development of new opportunities, and ensure that where opportunities do arise they are responded to appropriately.

The range or spectrum of risks comprising 'significant risk' is commonly defined as being made up of five major categories of risk - strategic, financial, service delivery/business risk, legal and finally reputation risks.

Council groups these risks as follows:

- **Operational risk:** financial, service delivery /business risk, legal and compliance – arises from people, systems and process.
- **Strategic risk:** risk arising from the possible consequences of strategic decisions taken by the Council, or the risk of a failure to achieve corporate priorities
- **Political risk:** internal and external political environment, governance and reputational risk.

4. Council-wide framework

Risk management can be applied across an entire organisation, to its many areas and levels (e.g. projects, programmes), as well as to specific functions (civil defence and emergency management), projects and activities.

Risk management using consistent processes

within a comprehensive framework helps ensure that risk is managed effectively, efficiently and coherently across the council.

Risk management is part of the day-to-day process of managing our work. It is not a stand-alone discipline. To get the most benefit, risk management needs to be integrated with existing business processes.

Council's risk framework is integrated with existing business processes including internal audit, strategic and operational planning (including budgeting) processes, health and safety, legislative compliance and project management.



This framework incorporates three key elements:

- Council's risk management policy
- Council's corporate risk management process
- Council's corporate risk register (Appendix A)

ITEM [2-43.10](#): Attachment One

5. Risk Management Principles

This framework is based on the following principles. Risk management:

1. Creates and protects value
2. Is an integral part of all organisational processes
3. Is part of decision making
4. Explicitly addresses uncertainty
5. Is systematic, structured and timely
6. Is based on the best available information
7. Is tailored
8. Takes human and cultural factors into account
9. Is transparent and inclusive
10. Is dynamic, iterative and responsive to change
11. Facilitates continual improvement of the organisation.

6. Background and Context

Council has refreshed its 2006 Risk Management Framework as part of its good governance and corporate planning processes and to ensure consistency with AS/NZS ISO 31000:2009 – Risk management – Principles and guidelines. This has entailed a review of the policies and procedures as well as the overall framework for risk management.

7. Approval and Review

Council is committed to the periodic review and verification of the risk management framework and its continuous improvement. The Chief Executive will ensure the Framework is reviewed triennially.

The Framework was last reviewed and endorsed by the Executive Management team in August 2013.

Councils Audit and Risk Committee approved the risk management framework and register at its 26 November 2013 meeting.

ITEM [2-43.10](#): Attachment One

Corporate Risk Management Policy

1. Purpose

The purpose of this policy is to articulate the council's risk management philosophy, risk thresholds, approaches and expectations for corporate risk management.

2. Risk Management objectives

Council uses risk management to:

- Enhance our ability to achieve our vision and objectives (as detailed in the council's current Long Term Plan) and strategies
- Maintain the integrity of services
- Identify, evaluate, manage and react to opportunities and threats
- Effectively allocate and use resources for risk treatment
- Improve our operational efficiency through proactive risk management, innovation and integration
- Improve decision making and planning, prioritise actions and choose between alternatives
- Safeguard assets, people, finances and property, and improve our compliance, controls, financial reporting, loss prevention and incident management
- Create a culture where all employees accept responsibility for managing risk
- Improve stakeholder confidence and trust and demonstrate transparent and responsible risk management and effective governance
- Record and maintain a risk management framework aligned with the AS/NZS ISO 31000:2009 standard

3. Scope

This is a council wide policy for 'risk management'. Council's risk management system includes:

- Allocating responsibilities for risk management
- Proper resourcing of the risk management system;
- Identification and assessment of risks.
- Reporting of new risks or risks yet to have been identified;
- Regular monitoring and reporting of risk management;

- Ongoing training of managers and staff to enable them to fulfill their risk management obligations;
- Development, maintenance and review of fit for purpose, legally compliant council policies and procedures; and
- Continual improvement of the risk management system.

4. Risk attitude

Risk Attitude (AS/NZS ISO 31000:2009) is the: 'Organisation's approach to assess and eventually pursue, retain, take or turn away from risk.'

Council will accept and tolerate risk to the extent that it can achieve its objectives.

Council has no risk appetite compromising staff, contractor and public safety and welfare or risks that are assessed as extreme.

We are cautious and conservative when it comes to financial (See Treasury Management Policy) and reputational risk. However we support higher levels of risk in supporting innovation in service delivery and when the cost of mitigating risk is higher than the potential loss.

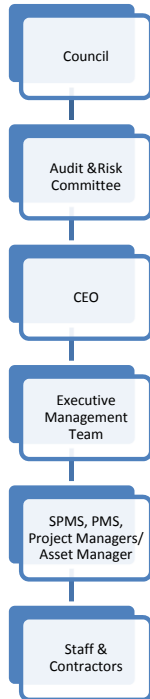
The council will accept and tolerate (residual) risk that is moderate or low (scores 1-6).

Council's risk attitude will be reviewed annually, and risk thresholds will be further refined. In reviewing council's risk attitude and determining the acceptable level of risk, council will consider:

- The community's attitude to a loss of level of service?
- The time and resources is council willing to commit to minimise risk exposure?
- What level of risk requires immediate action?
- What level of risk requires a formal response strategy to avoid the risk event or minimise its impact?
- Events that have actually occurred, the level they were managed at, and their impacts?
- Is council comfortable with current risk levels, or are too many risks being taken (or not enough)?
- Consequences of not mitigating the risk?

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5. Governance Framework



6. Responsibilities for risk management

Who	What
CEO	Risk Management Sponsor Oversight and review of the risk management framework, policy and process Reporting to council Liaison with stakeholders
Executive Management Team	Risk steering group Identifying and managing corporate risks to acceptable levels Ensuring risk management framework in place Ensuring legislative and governance obligations are met Ensuring integration of risk management with other council policies, processes and practices Participating in review the risk management framework, policy and process
Directors /General	Promote risk management culture

Managers / Managers	Communicate and raise awareness of risk management to own staff Identify, manage and monitor risks in their groups / departments Assign responsibilities
(Senior) Programme Managers, Project Managers, Asset Managers	Manage activity / programme / project / asset risks, including registers, risk review, monitoring risk action plan Encourage staff to report risk
Risk Administrator	Oversight of risk management process Maintenance of corporate risk register Planning and executing reviews and audits of the corporate risk register Ensure effectiveness of risk controls Report on risk management to the Executive Management Team, and on to the Audit and Risk Committee / council Gather risk information from the relevant people, for example, Risk Owners, SPMS Monitor risks and controls through the risk register review process Measures and reports on the effectiveness and adequacy of risk management and internal control processes and systems Processing new risks Facilitate management of cross-organisational risks
Risk owners – identified in corporate risk register	Support risk management of council within their area of responsibility Responsible for identification and assessment of risks and developing appropriate response Manage (owned) risk within any acceptable risk tolerance set
All staff	Awareness of risk management and process Everyday identification and management of risks and improvement actions to minimize events and impacts.
Contractors	All contractors must comply and work within council's risk management process (or the

	relevant sub process e.g. health and safety).
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Organisational responsibilities

Every person employed or engaged by council is responsible for considering risk in the course of their duties. Everyone at council should:

- Be aware of council's policies and procedures which promote and support risk management; and
- Report and escalate risk management concerns, issues and failures in accordance with this policy based on organisational structure and normal reporting lines (e.g. to line manager)

The risk register is the responsibility of the Executive Management Team (EMT) supported by the Risk Administrator (currently the Land and Rivers SPM¹).

Executive management team members and risk owners are responsible for managing those risks identified in the register that are within their individual areas of responsibility and for participating in the review process.

SPMs and PMs will encourage risk reporting and participate in the reviews of the risk register.

Role based responsibilities

In addition to the general responsibilities above, specific risk management responsibilities for council individual activities attach to a range of council roles, including:

- emergency preparedness and response for the region by the Civil Defence Emergency Management Group;
- hazard identification and profiling under the hazard management activity,
- oil pollution preparedness and response under the maritime services activity;
- pest risk assessment under the Regional Pest Management Strategy and biosecurity activity

They have their own monitoring and reporting regimes for managing these specific risks.

¹ Changed from GM Planning and Policy on 17 October 2013. (EMT meeting)

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Resourcing

Council is committed to properly resourcing the development, maintenance and improvement of its risk management system.

Identification and assessment of risk management obligations

Council has many activities. Whilst management of all risks is important, the emphasis in our corporate risk management framework is on the significant corporate risks. The corporate risk register is focused on these risks and is developed with appropriate advice and input as required from all areas of the council.

The register is used to record and summarise each risk and to outline current mitigation measures and potential future management options.

Treating risk

Risk owners and treatment / action plans will be used to manage risk in those situations where residual risk exceeds a risk score of greater than 6. ~~where residual risk exceeds a risk score of greater than 6.~~

Reporting of new or risks yet to be identified

Council values and encourages reporting. The free, frank and timely disclosure of all situations of actual or potential unidentified risks is encouraged so that these can be addressed and if possible, corrected. In the first instance disclosure should be to the line manager and Risk Administrator, who will identify -

- Risk description;
- Risk category;
- Risk rating;
- Causes;
- Impacts; and
- Current controls.

for inclusion in the New and Emerging Risks report to EMT. All risks assessed as high or extreme will be referred to the next scheduled EMT meeting.

Regular monitoring and reporting of risk management

Monitoring and reporting will be in line with the process attached.

The CEO will report monthly via the CEO's

report on any risk identified as extreme.

Training

The competence and training needs to achieve and promote risk management in our organisation will be assessed on an ongoing basis. Compliance training requirements will be integrated with the development of Northland Regional Council's training framework if necessary.

Compliant policies and procedures

Risk Management is supported and promoted by regularly reviewed and updated operating policies and procedures which are fit for purpose, legally compliant and which identify the full range of risk management issues which apply.

Continuous improvement of the compliance system

The risk management framework will be continually improved through regular review and the identification of opportunities for

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Standard review cycle

- The risk management framework (EMT and council triennially – option for independent third party review)
- The risk management policy and council's appetite for risk (EMT annually)
- The risk management process (EMT annually)
- The risk register (EMT quarterly for extreme risks, six monthly for high risks, annually all risks. Council/Audit and Risk Committee annually.)

Approval and review dates

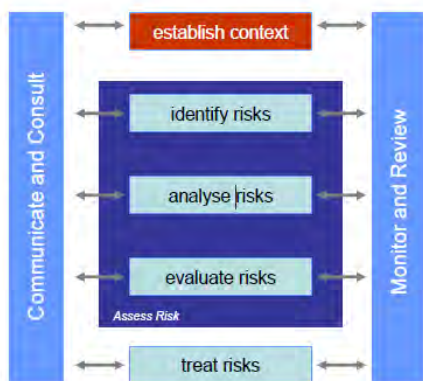
This Risk Management Policy was developed in 2012 and endorsed by the Chief Executive of Northland Regional Council and Senior Management Team in June 2013. It was refreshed in August 2013 alongside the Framework. This policy will be reviewed no later than June 2015.

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Risk management process

Risk management is a continual process that involves the following key steps:

- Communicate and consult
- Establish the context
- Identify risks
- Analyse risks
- Evaluate risks
- Treat risks
- Monitor and review.



This process is formally conducted across the entire organisation on an annual basis. This occurs in conjunction with the corporate and business planning process and involves the review and update of risk profiles for the council as a whole.

Although this process is conducted across the entire organisation on an annual basis, risk management is not solely an annual process. It should be occurring at all times and in relation to all business activities. Therefore everyone has a responsibility to continually apply this process when making business decisions and when conducting day-to-day management.

The following sections expand upon the risk management process above. The risk criteria and matrix have been established as the basis for risk evaluation and align with AS/NZS ISO 31000:2009.

1. Communicate and consult

Communication and consultation with internal and external stakeholders is important throughout the risk management process to ensure the organisation has a comprehensive picture of the risks we face.

Internal communication and consultation is aimed at informing internal stakeholders of:

- The risk management process.
- Seeking feedback for the process.
- Key risks and their responsibilities for managing of these.

External communication and consultation is targeted at informing external stakeholders of:

- The council's risk management approach.
- The effectiveness of our risk management approach.
- Requesting feedback where appropriate.

2. Establish context

The "Establish the Context" part of the risk management process will only need to be repeated when there are significant changes to either our external environment or business operations.

Ask - How will the external environment impact on our ability to achieve corporate objectives?
Consider:

- Business, Social, Regulatory, Cultural, Competitive, Financial and Political Environments in which we operate.
- Our strengths, weaknesses, opportunities and threats.
- Our culture, structure, capabilities (in terms of resources such as people, systems, processes and capital), goals and objectives and the strategies in place to achieve these.
- The risk management context – the goals, objectives scope etc of the risk management process.

3. Identify possible risks

All possible significant corporate risks need to be identified. Significant risks can include financial, environmental, social, compliance, operational and health and safety considerations. Council uses the following three categories for significant risks:

- **Operational risk:** financial, service delivery /business risk, legal and compliance – arises from people, systems and process.

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- **Strategic risk**: risk arising from the possible consequences of strategic decisions taken by the Council, or the risk of a failure to achieve corporate priorities
- **Political risk**: internal and external political environment, governance and reputational risk.

Risks can be allocated one or more of the above categories which are used to determine at a high level the context of the risk.

For the purposes of the corporate risk management framework, council defines those risks as 'significant' as those ones that are identified by the Executive Management Team and determined to be of a sufficient magnitude that they should be included on the risk register.

EMT will also consider risk at each meeting, both inherently in its decision making and specifically (as an agenda item).

How to identify risks

Council will use the following techniques to identify risk:

- Brainstorming
- Interviews
- Independent / external reviews
- Working with other councils and public sector organisations including reviewing risks they have identified
- Internal audit reporting
- ISO registration and procedures / quality systems
- Strategic and operational planning (including budgeting) processes
- Health and safety process - committee
- Review of legislative compliance
- Review of strategic documents and annual report
- Project risk registers and reviews

- Review of the opportunities for improvement system
- Review of Team, Department and Executive Management Team meeting minutes.

Once identified, significant risks are entered into the register. The register is used to record, categorise and summarise each risk and identify a risk owner (usually an Executive Management Team member).

4. Analyse risks

Determine likelihood and consequence for initial risk factor

The initial determination of risk (establishing a risk rating) is based on a 'no measures in place' to prevent or minimise the likelihood or consequence – that is a risk is identified at a 'raw' or unmodified level. Essentially initial risk is an exercise to determine "What is the worst that could happen?"

Tables 1 and 2 demonstrate the scales used to determine the likelihood and consequence levels, which are input into the risk calculation to consider the effect of a risk event.

The likelihood of occurrence and severity of consequences should be based on as much real data as possible, for example local knowledge or recorded events such as maintenance records, weather events etc.

When analysing a risk, it is also important to understand the effectiveness of current controls that are in place. Controls are systems, processes, policies etc. that are implemented to reduce risk levels, either by reducing the consequence of a risk if it does occur and/or to reduce the likelihood of the risk occurring.

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Table 1 - Likelihood occurrence The likelihood scales identify how likely, or often, a particular event is expected to occur.

Likelihood	Descriptor	Probability
Frequent	Continuous or will happen frequently Major Risk: Will most certainly occur in the foreseeable future	5
Often	6 – 12 times per year Major Risk: Will possibly occur in the foreseeable future	4
Likely	1 – 5 times per year Major Risk : There is always a chance it will occur in the foreseeable future	3
Possible	Once every 2 to 5 years Major Risk: There is little chance of occurrence in the foreseeable future	2
Rare	Less than once every five years Major Risk: Occurrence is unlikely in the foreseeable future	1

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Table 2 - Consequence rating The consequence descriptors in Table 2 indicate the level of possible consequences for a risk.

Consequence (Score)	Financial	Health & Safety	Reputation	Operational
Severe (5)	Loss of \$500k or greater (for a single Council activity).	Fatality.	Insurmountable loss in community confidence. Negative multi-media nation-wide coverage for 2 weeks +.	Serious loss of critical operational capability for more than 1 month and serious disruption to service levels.
Major (4)	Loss of \$250k to \$500k (for a single Council activity).	Injury with + 3 months time off.	Large loss in community confidence that will take significant time to remedy. Negative multi-media nation-wide coverage for up to 2 weeks.	Serious loss of critical operational capability between 2 weeks and up to 1 month and major disruption to service levels.
Moderate (3)	Loss of \$140k to \$250k (for a single Council activity).	Injury with 2 weeks to 3 months time off	Manageable loss in community confidence. Negative multi-media nation-wide coverage for several days.	Serious loss of critical operational capability for over 2 weeks and disruption to service levels.
Minor (2)	Loss of less than \$140k (for a single Council activity).	Injury with less than 2 weeks time off	Loss of confidence among sections of the community. Negative multi-media nation-wide coverage for 2 days.	Loss of critical operational capability in some areas and some disruption to service levels.
Inconsequential (1)	Loss of less than \$50k (for a single Council activity).	Nil	Negative feedback from individuals or small groups in the community. Negative regional multimedia coverage for up to 2 days.	No loss of critical operational capability or negative disruption to service levels.

NB: This table provides guidance as to the consequences for several key corporate risk areas, other activities may fall outside this table and require additional assessment.

After the likelihood and consequence factors have been determined, the level of risk is calculated by multiplying the Likelihood of Occurrence (Table 1) and Consequence Rating (Table 2) together.

Risk = the likelihood of an event occurring x the consequence of an event.

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Risk Rating

The outcome is a risk rating. The risk rating enables definition between those risks that are more significant and those that are of a lesser nature.

Table 3 - Risk assessment matrix

	Consequence				
	Inconsequential(1)	Minor(2)	Moderate(3)	Major(4)	Severe(5)
Frequent (5)	5	10	15	20	25
Often (4)	4	8	12	16	20
Likely (3)	3	6	9	12	15
Possible (2)	2	4	6	8	10
Rare(1)	1	2	3	4	5

Having established the status of the risk on the risk assessment matrix the risks are ranked. Four risk categories are used: Extreme, High, Moderate, and Low.

Table 4 - Comparative levels of risk

15-25	Extreme risk	Requires immediate assessment of actions. Escalate to GM/EMT for prioritized response and treatment plan development. CEO reports monthly.
8-15	High risk	Requires remedial assessment and action via the annual (or long term) planning process
4-6	Moderate risk	Address via new procedures and/or modification of existing practices and training
1-3	Low risk	No formal requirement for further action, unless escalation of risk is possible.

Once the impact has been ranked according to the comparative risk level it poses, it is then possible to target the treatment of the risk exposure, by beginning with the highest risks and identifying potential mitigation measures.

Once the initial risk is determined, current mitigation measures are identified to determine the residual risk and noted on the risk register.

Underlying likelihood and effect assessments for residual risk rating

Judgement is applied to assess and determine the residual risk rating based on the

documented mitigation actions effectiveness and application.

Key questions in applying judgement include:

- Does the mitigation action(s) address

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the risk effectively?

- Is the mitigation action(s) documented and communicated or integrated as standard operating procedures?
- Is the mitigation in operation and applied consistently?

Risks that are well controlled will have a correspondingly lower residual risk rating.

Treat risk

Treating risks involves the following key steps:

- Identify risk treatment options
- Select risk treatment options
- Assign risk ownership

- Prepare risk treatment plan(s).

If necessary/Where residual risk scores are greater than 6 for a particular risk, then an action plan is developed to further reduce the likelihood or consequences of the risk occurring where this is considered appropriate and/or necessary and the residual risk is revised accordingly and the register is updated. The Action plan will contain details on the necessary controls/risk treatment options and risk response to be applied to the particular risk. For reference to the typical suite of controls/risk treatment options and risk response options that may be applied refer to the mitigation action section of the risk register.

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Risk treatment options include:

Risk Treatment Options	
Avoid the risk	Change business processes or objectives so as to avoid the risk
Change the likelihood	Undertake actions aimed at reducing the probability of the risk occurring
Change the consequence	Undertake actions aimed at reducing the impact of the risk
Share/ transfer the risk	Transfer ownership and liability to a Third party (e.g. Insurance)
Retain the risk	Accept the impact of the risk

Monitoring and review

The Risk Administrator reviews the risk register with the EMT and SPMs/PMs as follows:

- Extreme risks will be reviewed quarterly
- High risks will be reviewed every six months
- Moderate risks will be reviewed annually
- Low risks will be reviewed annually if resources permit.

This process will determine whether any further actions or reviews are necessary as well as determining whether any new risks need to be added.

The review will, where appropriate, involve a re-assessment of risks in accordance with the above process. Any relevant risk management process steps will then be completed if required.

Where a new or emerging risk is identified, the Risk Administrator includes the risk -

- Risk description
- Risk category
- Risk rating
- Causes
- Impact; and
- Current controls

in the New and Emerging Risks report to EMT. All risks assessed as high or extreme will be referred to the next scheduled EMT meeting.

EMT then determines whether the risks warrant inclusion in the risk register.

(Note EMT will also consider risk at each meeting, both inherently in its decision making and specifically (as an agenda item).)

Risk reporting

The CEO will report monthly via the CEO's report on any risk identified as extreme (i.e. those risks with a rating of 15 to 25).

This monitoring process will result in a six monthly report to the Audit and Risk Committee which will:

- Highlight any significant changes to the risk register which have occurred since the last report or which are known to be about to occur and the strategies in place to meet new or

altered risks.

- Provide commentary on any significant areas of poor, reduced or improved risk management performance, including details of the mitigated action take, or proposed to be taken, where significant risk management failure has been identified.

The Council and Audit and Risk Committee will annually review the register.

Ref	Group of activities	Activity	Risk category - Operational Strategic Political	Risk description	Likelihood (1 low to 5 high)	Effect (1 low to 5 high)	Risk rating	Trend & risk level	Mitigation possible Y/N	Responsibility	Mitigation action	Residual risk (after mitigation) (1-25)	Residual Risk Acceptable(1-6)	Justification etc	Action Plan Status/Owner/Link
1	All	All	Operational Strategic Political	Deterioration of the global financial position increasing fiscal pressure on council (through non payment of rates and fees and charges and lower returns (interest) on cash investments and potentially lower dividends). Reduced revenue could impact on council's ability to deliver current agreed levels of service to the community. The global financial crisis commenced more than 6 years ago, risk now of lowered relevance.	2	3	6	↓	Y	General Manager Finance and IT	Sound budget processes in practice including use of BERL inflationary indices. Robust aged receivable collection process in place for sundry debtors. Council has statutory ability to collect unpaid rates on non Maori Freehold land. (Council needs a plan to address rates collection in the Far North. This has been raised with council as a matter of priority for the new triennium.) Received regular updates to finance and policy staff from external economists (ANZ) and have in-house resource economist. Reserves available for short-term contingency. Annual reviews of budget and level of service with the community (so from year to year, council can adapt accordingly). Monthly and quarterly variance reporting (early identification of risk). Strong focus on managing business as usual costs.	3	Y	CEO owner While robust collection for sundry debtors exists, the (in)ability of FNDC to collect rates is increasing this risk. Council must put in a plan to prevent the situation worsening early in its triennium. The potential for one rates collection agency has been mooted. This is being explored with council as a matter of priority. (Separated out as a specific risk - risk 2)	
2	Support Services	Finance	Political Strategic Operational	Level of rates non-payment stays same or gets worse. Concern that FNDC position continues to deteriorate.	4	4	16	↑	Y	CEO and Finance Manager	Working with district councils to improve payment compliance rates. Working with central government on alternative options for funding non-rates payment. Advancing discussions on single rating agency. (Needs to be reviewed before adopting Annual plan 14/15.) Council is currently budgeting for doubtful debt (rates and reserves), the quantum's will be revisited as part of the draft Annual Plan 14/15.	3	Y		
3	All	All	Operational Political	Council does not meet all its legislative requirements and jeopardises government funding, risks being fined and/or sued, replacement of councillors with commissioners, loss of public confidence in council and LG.	1	4	4	↔	Y	CEO	Legislative compliance programme in place - reporting quarterly by SPMs/GMs through to council. Nominated officer checks for new legislation and adds to programme quarterly. Knowledgeable staff employed and news alerts in place for notifying legislation amendments.	1	Y		
4	All	All	Political Strategic Operational	Increasing expectations and central government demand for service delivery in an environment of reducing costs and capping rate increases could limit effectiveness in delivering projects/services that meet community expectations - in particular the implementation of National Policy Statement for Fresh Water Management.	5	3	15	↔	Y	Deputy CEO	Consulted with community on options available for implementing the NPS were included in latest Annual Plan/LTP. Implementation includes regular stakeholder involvement to determine community expectations for outcomes and associated costs at a catchment level. Collaboration with other regions working on NPS will provide further information extending our capabilities. We employ and retain suitable staff and resources to work as efficiently as possible. Further shared services for other LG services also being explored with local and relevant LG sector.	2	Y		
5	All	All	Operational Strategic Political	Legislative reform may impact on council's ability to plan long term with LG structure proposals for Northland likely following enactment of the amended LGA2002. Planning of long term projects may be delayed until any reorganisation proposal has been considered. While change should be positive both internally and for Northland there is a risk that staff may not be retained in the interim with staff looking for greater employment certainty. Significant investment in responding – resourcing and time vs financial constraints. Uncertainty in the legislative reform process is creating more uncertainty, potentially having an adverse effect on recruitment.	4	4	16	↑	Y	CEO / Councillors	Continuous stakeholder and staff engagement on reform progress and reorganisation proposals. Offering staff training opportunities and assistance (e.g. CVs, Interview techniques) to ensure they are well prepared for change. Management review of programmes and projects to ensure core council activities are not impacted adversely, prioritised work programmes and resources taking into account potential future amalgamation. Budget set to manage within current resources. Specialist team to lead response to LGC proposal. Participation in national working groups (SOLGM and LGNZ). Committed to open communication with Northland councils (through Mayoral Forum, joint workshops). Will work with/for Northlanders in our engagement on any reorganisation proposals.	2	Y		
6	All	All	Operational Political	Staff take action or recommend action that results in significant public financial loss or action taken against council.	1	4	4	↔	Y	CEO / Manager Finance	Well trained knowledgeable staff employed. Specialist skills retained when required. Peer review by other councils utilised for plan documents. Professional indemnity insurance in place.	1	Y		
7	All	Operations	Operational	Death or severe harm to staff while undertaking work programmes out in the field or within headquarters/regional offices.	1	5	5	↔	Y	Deputy CEO	Council's Health and Safety system includes comprehensive hazard register; policy, procedures and safe work practices documentation including training records. Regular health and safety committee meetings are held and health and safety is a standing agenda item for all team meetings. ACC tertiary level accreditation retained at last audit (August 2012). Insurance is in place.	1	Y		
8	Transport	Transport	Operational Political	Customers are unhappy with contracted bus and total mobility services because of a failure to meet reliability and/or quality targets. Issues have been encountered with taxi services not meeting contractual obligations for total mobility services.	4	1	4	↑	Y	SPM Transport Operations	Total Mobility - biannual meetings held with agencies and transport providers; good working relationships maintained. Council has option to target rate fund the service if the WDC withdrew. Bus Operations - Strong relationships with operators, regular meetings with North Bus and regional contract manager. Contract includes penalty clauses for lateness to timetable and missed trips. A complaints register is maintained and actioned by both parties (maintained by Council, sent to NorthBus for action and response). The buses were all new at commencement of the contract (2008) so reliability of the Buses is not currently an issue. Both - customers' satisfaction surveyed annually - recent surveys show 80% plus satisfaction.	3	Y	Due to NZTA not contributing to CPI increases, recommend the residual risk remains at this level.	

Ref	Group of activities	Activity	Risk category - Operational Strategic Political	Risk description	Likelihood (1 low to 5 high)	Effect (1 low to 5 high)	Risk rating	Trend & risk level	Mitigation possible Y/N	Responsibility	Mitigation action	Residual risk (after mitigation) (1-25)	Residual Risk Acceptable(1-6)	Justification etc	Action Plan Status/Owner/Link
9	Transport	Transport	Operational Political	The cost of contracted bus services significantly exceeds the budget due to unforecast changes in the diesel bus contract index. Contrary to NRC previously having been advised by NZTA that from 1 July 2012 they will not contribute any funding towards CPI increases, after staff having made numerous approaches to NZTA on this CPI's are now being subsidised.	2	2	4	↓	Y	CEO SPM Transport Operations	Budget reviewed annually using indices provided by NZTA to best anticipate diesel price increases and monitored quarterly. Regular monitoring of passenger numbers and rationalisation of bus runs when necessary. Annual review of NZTA funding, fare recovery and local contribution through Annual Plan process allows community consultation on potential increases to rates/bus fares. Council can top up from reserves, cash or reduce level of service to manage the issues. If prices go up significantly. We can either stop the service or increase rates and fares.	2	Y		
10	Transport	Transport	Operational Strategic Political	NZTA cut funding across a number of subsidised areas. Risk to bus service, risk to road safety, risk to total mobility, risk to forward planning.	4	3	12	↔	Y	RTC Chair/CEO	Annual budgeting for assessing impact of any change in subsidies and consultation with public on options for future of service. Lobbying of government and local politicians by CEO and Chair.	3	Y		
11	Transport	Harbour Safety and Navigation	Operational Political	Navigation accident in the harbour results in large-scale oil spill and oil spill threatens environment.	1	5	5	↔	Y	Harbour Master	Northland Marine Oil spill Contingency Plan describes risk, resources and actions to prevent accidents and council's response to one. Council provides pilotage services in Bay of Islands utilising skilled specialist staff, has maintenance plans for maintaining navigation aids for safe shipping activities and other recreational boating and approves Tier 1 oil transfer site plans. Risk assessments and plans meet New Zealand Port and Harbour Marine Safety Code. Insurance is in place. Regular meetings with safety Management stakeholder groups; regular review of Navigation Safety Bylaws; patrols and education by Harbour Wardens. Summer education and publicity programme run on conjunction with Maritime NZ and small boat safety council.	3	Y		
12	Hazard Management	Civil Defence and Emergency Management	Operational Political	Response systems fail in the event of a natural disaster.	2	4	8	↔	Y	CDEM	Refer Civil Defence Emergency Management Plan (national and regional structure) for readiness, reduction, response and recovery. Plan regularly reviewed and updated, debriefs of all emergency responses provide continuous improvement.	1	Y		
13	River Management	River Management	Operational Political	Failure of flood protection structures and measures.	2	4	8	↔	Y	Deputy CEO	Priority rivers management plans developed for the 27 priority rivers within Northland (based on risk assessment to life and property). Working progressively through list to implement annual maintenance and consider options for capital works to further reduce flood risk. Asset Management Plan in place for Awanui scheme. Land Management reserve in place to fund emergency works if necessary. Refer also to the CDEM mitigations. Full insurance is in place.	2	Y		
14	Resource Management	Resource Planning	Operational Strategic	Regional Policy Statement hearings/appeals expenditure is greater than budget and reserve commitment. A modest number of appeals have been received, reducing potential risk.	2	1	2	↓	Y	General Manager - Planning and Policy	Stakeholder engagement through development of new plan including region's and neighbouring district councils. Competent and knowledgeable staff engaged on project follow best practice within council's Quality Planning Manual. Collaboration with other regional councils on their recent plan developments. Willingness to resolve as many appeals/issues as possible through mediation process.	1	Y		
15	Economic Development	Investment and Growth Reserve projects	Strategic Political	Projects funded from the Investment and Growth Reserve return less than expected or zero returns. Changes adopted to fund criteria which may increase the risk of returns on investment being less than expected.	2	4	8	↑	Y	CEO/Councillors	Criteria for funding projects and project funding approved by council. Business assessment tool being developed for screening projects for recommendation to the council. Only interest available for funding; capital of council's investments not at risk.	2	Y		
16	Support Services	Finance	Operational Strategic	Northland Port Corporation Ltd does not deliver projected dividend. Increased reliance on dividends by not increasing rates.	1	4	4	↑	Y	CEO/Councillors	Competent directors and management with regular reporting to shareholder. Councillor on company's Board of Directors, acts as a watchdog over council's investment. Transition to reduce and eventually eliminate dividend for funding operations will reduce council's dependency on this revenue stream. Future use for economic development projects is less reliant on projected income value.	1	Y		
17	Support Services	Finance	Operational Political	Loss of council funds (through fraud).	1	2	2	↔	Y	All	Strong management control environment; robust system controls in place; best practices policies and procedures in place including council's Treasury Management Policy. Internal accounting controls in place with external and internal audit processes. Insurance is in place.	1	Y		
18	Support Services	IT	Operational	Loss of financial and other important records	1	2	2	↔	Y	General Manager - Finance and IT	Offsite back up of all IT records. Retention and disposal policy in place. Key documents are electronic. Insurance is in place.	1	Y		

Ref	Group of activities	Activity	Risk category - Operational Strategic Political	Risk description	Likelihood (1 low to 5 high)	Effect (1 low to 5 high)	Risk rating	Trend & risk level	Mitigation possible Y/N	Responsibility	Mitigation action	Residual risk (after mitigation) (1-25)	Residual Risk Acceptable(1-6)	Justification etc	Action Plan Status/Owner/Link
19	Support Services	Property	Operational	The performance of council's owner-occupied buildings during an earthquake will not allow staff to exit the building without casualty. The council Whangarei headquarters building as been identified as having non-ductile columns - we are in the process of arranging a Geo Tech report/review.	1	5	5	↔	Y	General Manager - Finance and IT	NRC building has been assessed for earthquake risk - result is 67% compliant. Assessment will be updated once Geo tech report completed. Council received the results of the further seismic structural analysis on the 36 Water Street building in late June 2013. The results of the Water Street building assessment are that in current conditions, the four-storey building is 58% NBS and the two-storey building 34% NBS. The engineers have reported that the cantilever column in the two-storey building could be strengthened to achieve 58% NBS for that building also. This work will be completed in late 2013 (waiting for Tim Hayman for quote, expected to cost \$15-\$20K). The engineers have been requested to design the strengthening required to achieve 58% NBS for the two storey building as well as provide details and cost estimates on strengthening options to achieve the 67% NBS. We expect to have engineering requirements to bring building to 67% NBS by 6 December 2013 – this would then need to go to RFP for costing. Strengthening works have been completed on the two story building.	2	Y		
20	Support Services	IT	Operation	Network outage causes lost productivity for staff and source of problem not identified leading to disruption in continuity of supply of information systems to council and the community.	2	4	8	↔	Y	General Manager - Finance and IT	Trained IT staff employed. Up to date and current infrastructure (with warranties over the life of the infrastructure). As-built plans and network infrastructure documented (good understanding of dependences and how everything works). Redundancy and resilience integrated into infrastructure and the network (back up if something fails). Regular and planned renewal and replacement programme. common technologies (Microsoft VMware, HP etc) Implementation in accordance with best practice. Offsite DR (automated with full failover). Alerts (early notification). Tape backups at a third site. Informed and expert consultants who are available on demand (24/7). Good coverage of consultants and external providers ensures the knowledge of council's system and network is not restricted to a small number of staff and consultants. Website - external facing information is hosted externally.	1	Y		
21	Support Services	IT	Operational	Due to power failure and/or a significant event, access to the council building is lost (including access to IT server room and network) and service delivery interrupted.	1	5	5	↔	Y	General Manager - Finance and IT	Power Failure (but access retained) to council building - UPS system in place and generator project in train. If no access to building then failover to DR site, staff will be able to access remotely (provided the wider service provider networks are available). Refer separate DR and business continuity plan. Generator now in place for backup power supply, and generator is subject to a routine maintenance schedule.	1	Y		
22	Support Services	IT	Operational	Major supplier goes out of business - loss of product or service. Biggest risk is the business hosting council's DR site ceases to operate.	3	3	9	↔	Y	General Manager - Finance and IT	Minimal council kit is located in offsite location. Discussions ongoing with current and other providers for long term solution Regular meetings and ears to the ground. If site was compromised if alternative location was available would act to have DR site up and running within a week. Maintaining relationships with range of suppliers and other businesses.	2	Y		
23	Support Services	Commercial Investments	Political Strategic Operational	Council investment mix changed and returns lower than projected. Pressure to not increase rates results in higher return requirement with associated risk of not being achieved.	1	3	3	↔	Y	General Manager - Finance and IT	Treasury Management policy change requires robust decision-making processes to be followed. Transition to reduce and eventually eliminate investment income for funding operations will reduce council's dependency on this revenue stream. Future use for economic development projects is less reliant on projected income value.	1	Y		
24	Support Services	Commercial Investments	Political Strategic Operational	Marsden Point Rail corridor not pursued and sale of properties returns less than original sale price. Reducing political support for rail link, and the less than optimum position of Kiwirail, increases this potential risk.	2 3	2 3	4 9	↔	Y	CEO	Lobbying Kiwirail and government for rail link to be pursued. Hold properties until market recovers.	2	Y		
25	All	All	Political	Councillor decision making. Councillors either make short term decisions (3 year election cycle) or no decisions in light of their personal political and economic environment (e.g. freshwater NPS) and, do not consider other impacts e.g. Maori impact, economic impact. Fractured governance. Lack of decision making due to dysfunctional governance	3	3	9	↔	Y	Councillors/CEO	Executive management team ("EMT") activities are structured to align to the Long Term Plan ("LTP") and other governing regulations. EMT provide Councillors with information to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation.	2	Y	The efficient transition to the new council reduced the risk profile.	
26	Support Services	Finance	Financial	Poor investment decisions are made that result in substantial loss.	1	4	4	↔	Y	CEO/ Councillors	Staff provide advice as requested by the Councillor to aid the Councillors to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation. Controls available for financial investments (e.g. Treasury Management Policy).	1	Y		

Ref	Group of activities	Activity	Risk category - Operational Strategic Political	Risk description	Likelihood (1 low to 5 high)	Effect (1 low to 5 high)	Risk rating	Trend & risk level	Mitigation possible Y/N	Responsibility	Mitigation action	Residual risk (after mitigation) (1-25)	Residual Risk Acceptable(1-6)	Justification etc	Action Plan Status/Owner/Link
27	All	All	Political	Opportunities (e.g. economic) are not maximized due to slow pace of decisions making as a result of lack of agreement, inconsistent decision making and/or insufficient information provided to aid decision making. Decisions are re-litigated by Councillors / CEO resulting in a loss of momentum in taking Northland forward	3	3	9	↔	Y	CEO/ Councillors	Local Government Act have controls and requirements that may enhance decision making. Urgent Council meetings can be called to assist in decision making. CEO has full delegation to spend within the agreed budget provide the activities undertaken will cover the agreed objective and agreed levels of service.	3	Y		
28	Support Services	Finance	Financial	Financial and investment decisions are not made or investigated further due to the complacency driven by the current cash position.	1	2	2	↔	Y	General Manager Finance and IT	On a daily basis management review the cash position to determine the daily cash requirements in order to invest money any surplus cash (currently invested on a business saver rate). Management prepare rolling 12 month forecasts with longer term annual forecasts to monitor funding levels over the period of the approved LTP.	1	Y		
29		Northland Inc.	Operational Strategic Political	Northland Inc do not deliver what has been committed. No reporting back on Northland Inc activity.	3	3	9	↔	Y	CEO/ Board Northland Inc	Council has a high degree of responsibility and control of objectives and targets of Northland Inc and must agree to the Statement of Intent ("SOI") or take all practicable steps to have the SOI modified if it does not agree. Council has ordered a modification to the SOI (for the 13/14 year) and has instituted monthly reporting (particular focus on financial reporting) to council / audit committee by NInc.	3	Y		
30	All	All	Operational	Burn out/stress of staff through capacity and resourcing pressures due to restraints and additional requirements of the local government process. Growing risk of local government reform uncertainty.	3	4	12	↔	Y	CEO/ EMT	EMT and line management actively monitor staff and provide flexi time as required for overtime. Staff workload is reprioritised (as required) to meet the prioritised requirements. Counselling is available if required. Provide recognition to staff on a case by case basis.	3	Y		
31	All	All	Operational Strategic Political	Political desires overtake service delivery requirements, and services provided by NRC do not grow in line with the LTP, as LTP is seen as a process that must be followed, rather than a strategy resulting in a disconnect between projects and LTP (poor alignment of strategic priorities) .	3	3	9	↔	Y	Councillors	EMT actively monitor services provided and expenditure incurred to check that they are linked to the LTP. EMT activities are structured to align to the LTP and other governing regulations. EMT provide Councillors with information to make informed decisions. LTP objectives to be imbedded in individual performance agreements as a further mitigation action.	3	Y		
32	All	All	Operational Political	Loss of key personnel and Councillors (loss of IP, knowledge, relationships) that can be further impacted due to the size and the location of the NRC. Local government reform uncertainty is deemed to increase risk.	3	3	9	↑	Y	CEO / EMT	Back up for roles is undertaken for some of the activities and further steps are being taken to upskill current staff to cover roles as required. Could recruit from the general public to cover the roles as required	2	Y		
33	All	All	Operational	Disaster impacting NRC Operations (e.g. flooding, earthquake, tsunami, fire) for a prolonged period or a localised physical/environmental disaster specific to asset or activities undertaken. Loss of head office due to fire or other such event. Loss of a satellite site (Opua, Kaitaia, Dargaville) due to fire or other such event. Lost productivity.	1	5	5	↔	Y	CEO / EMT	Satellite site could be more easily re-established as staff numbers are lower and could work from home if required. ITDRP is in place and data centre is available. Remote access is available and can log in via the internet (from personal computers). Core staff have logins pins 4 Redundancy available on LAN and WAN links. Planning shows that natural hazard risk for the head office is low. Sprinklers have been installed throughout head office and gas suppression in the server room. Regional emergencies can be responded to from other locations if required (e.g. Fire Department, Whangarei DC) . Insurance coverage	1	Y		
34	All	All	Operational Strategic Political	Management vs Governance – potential culture of mistrust and operating in silos	2	3	6	↔	Y	CEO/ Councillors	EMT meet with Councillors as required and when requested. EMT and other management run workshops with Councillors to provide requested information and training	2	Y		
35	All	All	Operational Political	Conflicts of interest ("COI") (Councillors and NRC employees) are not disclosed and or not appropriately managed once disclosed.	2	3	6	↔	Y	CEO/ Councillors	COI declarations are required on at least an annual basis for staff and Councillors. Members Interest Act sets requirement to state any COI when the matter arises during sessions. Listing is maintained of all known and declared COI's. New financial system will flag any known associations between entities and Councillors. Financial Reporting Act requires conflicts to be noted in the annual report. Where potential conflicts of interest may arise the CEO and Chairman can and have obtained independent legal advice and provided this to the councillors involved.	2	Y		
36	All	All		Decision making can be centred around lobby groups and may not be in the best interest of the greater community. Disconnect with rate payers / communities.	2	2	4	↔	Y	CEO/ Councillors	Council, with advice from EMT, set the strategy and priorities in the Draft LTP. EMT provides advice to Council for effective decision making based on the submissions received to the draft LTP/AP and the strategy and priority of these planning documents. LPT is written as "open ended" to allow for changes in the community requirements	1	Y		
37	All	All	Political	Low voter turnout at local government elections has the potential to result in political representation that does not reflect the cross section of community interests and has the potential for one-sided representation of certain interest groups	3	3	9	↔	Y	CEO/ Councillors	EMT provide Councillors with information to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation.	3			

Ref	Group of activities	Activity	Risk category - Operational Strategic Political	Risk description	Likelihood (1 low to 5 high)	Effect (1 low to 5 high)	Risk rating	Trend & risk level	Mitigation possible Y/N	Responsibility	Mitigation action	Residual risk (after mitigation) (1-25)	Residual Risk Acceptable(1-6)	Justification etc	Action Plan Status/Owner/Link
38	Biosecurity	Biosecurity	Operational Strategic Political	Requests have been made to Marsden Cove Marina to assist with the eradication of Mediterranean fanworm. Fanworm populations in one part of the marina are not reducing as quickly as predicted and there is the ability under the biosecurity act to require the owner to assist with the costs of removal. A lawyer acting on behalf of the owner has sought information and expressed his concern over the project and the use of chlorine to treat fanworm. If the owner does not agree to funding a plan and a notice of direction is issued it is predicted that the owner will refuse to act and will defend their position via the Environment court. This action could serve to delay further project work to remove fanworm at Marsden Cove putting at risk other non- infected facilities within Whāngārei harbour such as vessels, port structures and other marinas.	3	3	9	↔	Y	Deputy CEO/ Biosecurity SPM	NIWA advice has been sought which responds to all of the concerns raised by the owner. Staff have arranged to meet with the owner to develop a plan which would isolate the problem area, being the undeveloped section of stage two in Marsden Cove Marina (A lock and weir separate stage two from the wider marina and prevent fanworm larvae from spreading further whilst diver removal continues). Recent (February) meetings held with the owners management indicate that there is less risk of this issue escalating to the Environment Court they have agreed informally to assist with payment for fanworm control and will use a levy on berth holders to meet part of the costs.	4	Y		
39	All (NINC)	Northland Inc.	Operational Strategic Political	Relationship between the NINC Board and Councillors deteriorates, impacting on the ability of the organisations to work collaboratively and achieve outcomes.	4	3	12	↔	Y	CEO & Chair	CEO's and Chair's from NRC and NINC to meet, determine reasons for deterioration in relationship and devise strategy to improve and manage relationship and/or address how to manage points of tension that created the current position. The Chairman has advised that he is not making himself available for re-election at 30 June 2014. Therefore the appointment panel has proposed the appointment of three more directors instead of the current two.	4	Y		
40	All	All	Operational Strategic Political	Because of the appointment or election process, the members of Council may not have all the skills necessary for the Audit and Risk Committee to function effectively.	3	3	9	↔	Y	CEO & Chair	Council has recruited and appointed a suitably qualified and experienced independent member to the Audit and Risk Committee.	3			
41	Operations	River Management	Operational	Kotuku detention dam potential risk for overtopping or failure during construction needs to be managed appropriately to ensure risk is controlled and mitigated.	1	5	5	↔	Y		An emergency action plan (EAP) will be developed to manage risk during construction. The EAP will assess potential failure modes and measures to mitigate risk. Dam break scenario modelling will be undertaken to inform the areas at risk from failure and to inform procedures for evacuation planning. CDEM will be invited to have input into the EAP and a briefing meeting will be held between the dam engineers, NRC project staff, CDEM and emergency responders to discuss the EAP prior to dam construction. In addition to this, construction management will be implemented to ensure adequate resources are available to complete the dam within the construction season, and check points of progress will be monitored during construction to ensure that progression of critical stages of work (and escalation of potential risk), is only commenced if sufficient progress is made in prior stage of works.	5			The EAP will be developed prior to construction of the dam and key stakeholders will meet to review and discuss the plan and its implementation.

Comparative Levels Of Risk	
15 to 25	Extreme risk

ISSUE: 2013/14 Quarter Three Levels of Service Report

ID: A638414

To: Audit and Risk Committee Meeting, 20 May 2014

From: Kathryn Ross, General Manager Planning and Policy

Date: 7 May 2014

Summary The report updates council on progress made in delivering agreed levels of service for the third quarter of the 2013/2014 financial year.

Report Type:	<input type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input 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 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

The 2012-2022 Long Term Plan contains 33 performance measures. Staff provide information quarterly on the council's progress against these performance measures to council's Audit and Risk Committee.

Council continues to make good progress against the majority of targets and there are a number of final year results in this report. Five targets have already been achieved but four targets have not been met (three were reported last quarter the additional one is for shellfish collection and water quality – where seven of our 15 sites had medians higher than the 2012/13 baseline median – largely attributable to more storm events this financial year). 18 targets are on track and two are not, with a further four targets not applicable to the reporting period (although one is on track as it relates to the number of submissions received on the draft annual plan).

The committee indicated it would like to receive further information on regional road safety. The last report staff prepared was the report "Regional Road Safety Update" dated 26 March 2014 to the 2 April meeting of the Regional Transport Committee (available at www.nrc.govt.nz/agendas). It noted that March/April were generally the worst period of the year for fatal/serious crashes involving alcohol, drugs, speed, fatigue, young drivers and motorcycles and updated the RTC on the work of the Road Safety Forum.

Legal Compliance & Significance Assessment:

This report is in accordance with Schedule 10, Part 1 clause 2(b), of the Local Government Act 2002, which requires the council to develop and report on key performance targets and other measures by which actual levels of service provision may be meaningfully assessed.

Recommendation:

1. That the report '2013/14 Quarter Three Levels of Service Report' by Kathryn Ross, General Manager Planning and Policy and dated 7 May 2014, be received.
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ID	Performance Measure	2013-14 Target	Q3 2013/14 Results (Cumulative July 2013 to March 2014)
1.1	Management and governance arrangements for resource management include Maori.	Maintain or increase the number of Contracts – 2 Joint management agreements – 0 Joint decision-making and planning arrangements – 6 Monitoring programmes – 1 OVERALL 9	<p>On track to meet target.</p> <p>Contracts - 1 IKHMG</p> <p>Joint decision-making and planning arrangements – 6</p> <p>Major new one under development is the Te Taitokerau Maori Advisory Committee. The catchment groups and EMC continue to have Maori representation on them and council is still involved with the Kaipara Joint Political Committee and renewed its TUOH MOU commitment.</p> <p>Council also has two contracts that are current and were commenced in the previous financial year –</p> <ul style="list-style-type: none"> the Joint Iwi Monitoring Fund - Ngatihau testing for the presence of heavy metals (a project that will run over two financial years 2013/2014 - 2014/2015) Patuharakeke Iwi Trust Board to review/rewrite their Hapu Management Plan. (This contract also runs over two financial years. 2012/2013 - 2013/2014.)
1.2	The number of community pest control areas (CPCAs) achieving their targets for pest reduction.	90%	<p>On track to meet target.</p> <p>Performance against this target is measured and reported in the last quarter. No indication from SPM that target won't be met.</p>
1.3	The number of active community pest control areas (CPCAs).	Increases by five annually - 47	<p>Achieved. (Year end result)</p> <p>Five new CPCAs have been confirmed.</p> <ul style="list-style-type: none"> Ocean beach (ants) Whatoro Hupara Tutukaka / Sandy Bay Hauai <p>This target has been met earlier than predicted.</p>

ID	Performance Measure	2013-14 Target	Q3 2013/14 Results (Cumulative July 2013 to March 2014)
1.4 a	The percentage of faecal indicator bacteria results that are within the Ministry for the Environment's guideline values for bathing will be maintained or improved at the 20 core bathing sites monitored for trend, compared to the benchmark results from the 2007/2008 swimming season, which is 93%. The sites are sampled 12 - 18 times at weekly intervals each summer bathing season. (Testing starts in late November each year and continues for 18 weeks through to March the following year.)	93%	94% - Achieved. (Year end result) The average compliance rate across the 20 bathing sites is 94% which is within 5% (either up or down) of the baseline rate (93%) so water quality has been maintained.
1.4 b	Shellfish collection is safe in open coastal areas.	2012/2013 results maintained or improved. (Results in Annual Report and metadata sheets)	Not achieved. (Year end result) Seven sites had medians higher than the 2012/13 baseline median. Two sites had lower medians compared to the baseline, and 6 sites had no change. The runoff from several large storms in 2013/14 meant that faecal indicator bacteria results were higher than results recorded in the less stormy 2012-/3 season.
1.5	The water in our streams supports a healthy habitat for flora and fauna.	MCI 91.15	In progress. MCI sampling completed in April 2014. Results will be reported in the next quarterly report.
1.6	The number of annual significant non-compliance events resulting in a reduction in water quality of receiving waters.	less than 100	Achieved. (Year end result)
1.7 a	The number of annual significant non-compliance events resulting in any unauthorised/prohibited discharge to	Less than 40	Achieved. Target met – 39. (Year end result) This is the final total for the year as all non-consented farms have now been monitored.

ID	Performance Measure	2013-14 Target	Q3 2013/14 Results (Cumulative July 2013 to March 2014)
	water.		
1.7b	Those consents requiring monitoring are monitored as per the council's monitoring programme.	100%	In progress – no issues identified this quarter.
1.7 c	The appropriate action is taken to rectify significant non-compliances.	100%	In progress – no issues identified this quarter. There have been 217 significant non-compliant monitoring events recorded for the period. 194 (89%) of these have already had formal enforcement and/or follow-up action taken. There are 23 which are outstanding.
1.8	Air sheds meet the national environmental standards.	100%	On track. 100% compliance with the national air quality environmental standards in the airsheds being monitored.
1.9	Incidents reported to the Environmental Hotline, where more than minor environmental effects have been confirmed, are resolved within 30 working days.	70%	On track – current performance is 88%. There were 43 incidents recorded for the period, 38 of which were resolved within 30 working days.
1.10 a	All resource consent applications are processed in a timely manner.	98%+ of all applications processed within the statutory timeframes	On track to meet target. To date 100% of 410 applications received during the reporting period have been processed within the statutory timeframes.

ID	Performance Measure	2013-14 Target	Q3 2013/14 Results (Cumulative July 2013 to March 2014)
1.10 b	All resource consent applications are processed in a timely manner.	Bore permits processed within 5 WDs	Not achieved due to further information from applicants being required. (Current compliance is 91%) There were 45 bore permits granted with 41 taking no more than 5 working days to process and the remaining 4 bore permits taking 9 working days to process because additional information was needed.
2.1	Number of failures of flood protection system for the Awanui, Whangarei, and Kaeo, schemes below specified design levels.	100% of programmed minor works completed	On track to meet target. No failures and no flood events at time of reporting.
2.2	Implement the programmed minor flood control works for other rivers in accordance with the approved annual budgets.	100%	On track for meeting target. Minor works completed for Bells Hill slip, Pawarenaga, Mangamuka, Ranguru/Lower Waihou, Waitangi, Waima, Whirinaki, Awapokonui, Waimamaku, Ruakaka and Waipu. Resource consent applications being prepared for works in Ngunguru, Otiria and Waima. Further works commissioned for Waihour/Rahiri and Otaika.
3.1 a	Employment rate - the proportion of the labour force that is in paid employment.	Increase on 90.8%	91.0% - Quarterly employment rate for December 2013.

ID	Performance Measure	2013-14 Target	Q3 2013/14 Results (Cumulative July 2013 to March 2014)
3.1 b	Business growth – the ratio of business start-ups to business closures (<i>A ratio below 1 means there were less businesses in operation than previously</i>).	Increase on 0.78 (<i>year ending June 2012*</i>)	Not applicable to this quarter Previous report: Target not met - 0.70. The business growth ratio fell between 2012 and 2013 due to both a decrease in the number of new businesses and an increase in the number of business closures. While the number of business closures in Northland has varied between 1700-2000 per annum over the past decade, the number of business start-ups has fallen dramatically since the mid-2000s when 2500 new business were created each year compared to just 1300 in 2013. The New Zealand ratio was 0.92 in 2013. Note the June 2012 number has been revised upwards from 0.66 to 0.78 by Statistics New Zealand.
3.1 c	Economic growth – real GDP per usual resident population.	More than \$21,305	Not applicable to this quarter. Previous report: Achieved. \$21,490 Real GDP per capita is estimated to have increased by about 1% in the year ended June.
4.1	Nationally issued warnings are acknowledged within 30 minutes. (Reporting cover the range of warnings of significance to Northland's communities, e.g. weather, water and flooding.)	100%	On track. All warnings have been responded to within the required 30 minute time frame. Two warnings of significance were received during the period. Ex Tropical Cyclone Lusi affected Northland. Weather watches and warnings from the MetService, media releases and inter agency coordination occurred as the event was monitored. A National Tsunami advisory was issued on 2 April after an earthquake in Chile. The advisory was responded to within the required time frame, no further action was required in Northland.
4.2	Emergencies are debriefed within one month and noted improvements are incorporated into the appropriate emergency operating procedures and response plans.	100%	N/A. No emergency events occurred requiring CDEM Emergency Operations Centre activation, therefore no de briefs were held. The monitoring of Ex Tropical Cyclone Lusi was the subject of an inter-agency de brief that will be reported to the CEG and CDEM Group.

ID	Performance Measure	2013-14 Target	Q3 2013/14 Results (Cumulative July 2013 to March 2014)
4.3	Accurate and timely flood warnings issued.	100%	100% All issued in accordance with MetService warnings (documented in IRIS).
4.4	Evaluate and respond to a report of an oil spill within one hour of the report being received.	100%	On track.
4.5 a	Maintain hazard information for river flooding and beach profiles.	Priority beach profile sites updated biennially	Achieved Summer beach profile surveying was completed for 28 sites, comprising of 45 individual beach profile surveys, and done in conjunction with site visits to gather other data for use in the coastal erosion hazard zone assessment that is in progress. Winter beach profile surveying was completed for 6 sites, comprising of 22 individual beach profile surveys.
4.5 b	Maintain hazard information for river flooding and beach profiles.	Flood level monitoring at priority rivers updated within 1 month following every large flood event	On track No large flood events. Some flooding of farmland from the Kaihu River during, 26 September 2013. Peak discharge recorded at Kaihu Gorge was 166 m ³ /s (return period approx. 2-3 years). Levels (from flood level marker network) surveyed during event to collect data and compiled for future reference.
5.1 a	Reducing the annual number of fatal motor vehicle crashes in Northland	<18	Target may not be met. 1st quarter = 3, 2nd quarter = 9; 3 rd quarter = 4; Total to date = 16. Speed, alcohol, lack of restraints and inattention believed to have contributed to these crashes.

ID	Performance Measure	2013-14 Target	Q3 2013/14 Results (Cumulative July 2013 to March 2014)
5.1 b	Reducing the annual number of serious injury motor vehicle crashes in Northland.	<85 (22)	On track at 19 year to date.
5.2	Number of passengers for the Whangarei urban bus service.	Increase on 305,737 (+8,432)	On track - passenger numbers continue to reflect a gradual but steady increase. Jul 2012/March 2013 = 227,486 passengers carried Jul 2013/March 2013 = 247,435 passengers carried
5.3	Failures to navigation aids are repaired within five working days of reporting.	100%	All repairs completed within 5 days.
5.4	Number of incidents from providing pilotage services within BOI harbours.	Zero incidents related to pilotage.	Target not met. A pilot accidentally impacted a rail disembarking a ship. Accident reports filed. Pilot bruised. No other incidents during quarter 3.
6.1 a	Submissions received on council's long term plan and annual plan.	Increase on 220 or increase on 18	Not applicable to reporting period but this target will be achieved given the number of submissions received by May 2014.
6.1 b	Time to respond to submitters post adoption of annual plans and long term plans.	Within one month	Not applicable to reporting period.
6.2	Level of advocacy undertaken on issues of importance to Northland over and above government submission processes.	10 submissions made annually.	On track. This measure relates to submissions, advocacy etc outside of formal submission processes. There has of course been significant correspondence etc on the issue of local government reorganisation during the first three quarters of the year (which

ISSUE: Legislative Compliance – Third Quarter 2013\14

ID: A638252

To: Audit and Risk Committee Meeting, 20 May 2014

From: Vibeke Wright, Advisor to Chief Executive, & Debbi Norman, Human Resources Advisor

Date: 6 May 2014

Summary This report provides the committee with an update on the council's legislative compliance for the second quarter of the 2013-2014 financial year. It concludes with the recommendation that the report be received.

Report Type:	<input 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 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

For the period 1 January 2014 to 31 March 2014, the legislative compliance programme found no significant matters of non-compliance. A number of matters are however worth highlighting:

- A staff member fell on stairs at the Executive Reception area, sustaining a serious ankle injury. Access to these stairs, which do not meet the Building Code requirements for general use, have been restricted to emergency use only.
- Two other staff experienced work-related injuries. The council has fulfilled its obligations to them under the Injury Prevention Rehabilitation and Compensation Act 2000.
- The compliance relating to the contracting and operating of public passenger transport services as legislated under the Land Transport Management Act 2003 has been increased under the Land Transport Amendment Act 2011. NZTA have released relevant policies, procedures and guidelines on all changes. Council has until 1 July 2015 to fully comply with these new additions through its Regional Public Transport Plan.
- There were two incidences where the council did not fulfil requirements under the Local Government Official Information and Meetings Act 1987 for the public notification of meetings and availability of agendas – on 18 and 24 February 2014. Council considered that good reason existed for the calling of the meetings, and that no disadvantage or prejudice was created. Public notice of the decision(s) resulting from the extraordinary meetings was given in line with legal requirements.¹

¹ The risk of judicial review of the council's decision to hold a meeting without 24 hours' notice is considered low.

- The transition to the IRIS computer system and a staffing shortage in the EDRMS (Electronic Document and Records Management System) department has created a need to review the organisation's process for managing information requests under the Local Government Official Information and Meetings Act 1987. The newly recruited senior EDRMS Administrator is scheduled to begin employment in mid-May.

Legal Compliance & Significance Assessment:

The activities detailed in this report are conducted in accordance with advice provided by the council's auditors. This report and its recommended resolution are considered to be of low significance.

Recommendation:

1. That the report, "Legislative Compliance – Third Quarter 2013\14", by Vibeke Wright, Advisor to Chief Executive, & Debbi Norman, Human Resources Advisor, and dated 6 May 2014, be received.
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ISSUE: Business with the Public Excluded

ID: A638587

To: Audit and Risk Committee Meeting, 20 May 2014

From: Simon Crabb, Finance Manager

Date: 8 May 2014

Summary The purpose of this report is to seek the committee's resolution that the public be excluded from the proceedings of this meeting to consider the confidential matters detailed below.

Recommendations:

That the public be excluded from the proceedings of this meeting to consider confidential matters.

That 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:

Item No.	Item Issue	Reason\Grounds
4.1	Confirmation of Confidential Minutes of the Audit and Risk Committee Meeting – 18 February 2014	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.
4.2	Community Investment Fund (CIF) – Investment in the Harbour Asset Management Income Fund	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 prevent the disclosure or use of official information for improper gain or improper advantage (section 7(2)(j)).
4.3	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)).
