

NORTHLAND REGIONAL COUNCIL

Agenda

For meeting to be held in Council Chambers,
36 Water Street, Whangarei, on Tuesday, 19 August 2014,
commencing at 10:00am

MEMBERSHIP OF THE COMMITTEE

Cr David Sinclair	Cr Bill Shepherd	Cr Craig Brown
Cr John Bain	Cr Dover Samuels	Cr Joe Carr
Cr Graeme Ramsey	Cr Dennis Bowman	Cr Paul Dimery

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

OPEN MEETING

Item		Page
1.0	APOLOGIES	-
2.0	DECLARATIONS OF CONFLICTS OF INTEREST	-
3.0	OPEN MEETING	
3.1	Confirmation of Minutes of the Audit and Risk Committee Meeting – 20 May 2014	3
3.2	Culture Heritage Arts Trust (CHART) Key Performance Indicators (KPIs) and Six Monthly Report (Laura Burns of CHART attending)	11
3.3	Regional Rates Collection 2013-2014 – District Council Reconciliation (Cheryl Gavin-Young of Far North District Council attending)	15
3.4	Northland Emergency Services Trust (NEST) Six Monthly Reporting for the Period Ending 30 June 2014 and Approval to Make the Final 2013-2014 Payment and First 2014-2015 Quarter Payment (Paul Ahlers and Tony Morris of NEST attending)	34
3.5	Insurance Policy Renewals for the 2014-2015 Financial Year (Paul Ahlers of Crombie Lockwood attending)	44
3.6	Forest Management Plan – Reporting Actual Performance Against Targets 2013-2014 (Ian Jenkins of Chandler Fraser Keating attending)	50
3.7	Community Investment Fund – Review of Investment Managers' Performance to 30 June 2014, CIF-SIPO Adjustment, and Investment in MINT Asset Managements Diversified Income Fund (Jonathan Eriksen of Eriksen & Associates attending)	54

3.8	Investment Schedule and Performance – Financial Report to 30 June 2014	73
3.9	Proposed Amendment to the Treasury Risk Management Policy (Investment Policy)	78
3.10	Northland Inc. Limited Schedule of Credit Notes for Approval	82
3.11	Draft Financial Report to 30 June 2014	84
3.12	Special Reserves at 30 June 2014	90
3.13	Allocation of 2013-2014 Investment Revenue Between the Community Investment Fund and Investment and Growth Reserve	100
3.14	Request for Approval to Carry Forward Operational Budget from the 2013-2014 Financial Year into the 2014-2015 Financial Year	106
3.15	Request for Approval to Carry Forward Capital Expenditure Budget from the 2013-2014 Financial Year into the 2014-2015 Financial Year	110
3.16	Kaero Flood Scheme – Revenue to be Received	115
3.17	Proposed Internal Audit Programme for 2014-2015	117
3.18	Legislative Compliance – Fourth Quarter 2014	125
3.19	Interim 2013-2014 Statement of Service Performance Year-End Reporting	127
4.0	BUSINESS WITH THE PUBLIC EXCLUDED	136
4.1	Confirmation of Confidential Minutes of the Audit and Risk Committee Meeting – 20 May 2014	137
4.2	Community Investment Fund – Investment in MINT Asset Managements Diversified Income Fund (Jonathan Eriksen of Eriksen & Associates attending)	141
4.3	Marsden Maritime Holdings Limited Appointment of Directors (Verbal report by Councils Chairman, Bill Shepherd)	148

ISSUE: Confirmation of Minutes of the Audit and Risk Committee Meeting – 20 May 2014

ID: A659442

To: Audit and Risk Committee Meeting, 19 August 2014

From: Alicia Jurisich, Finance and IT Administrator/PA

Date: 14 July 2014

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

Executive summary:

The purpose of this report is to confirm the draft minutes of the Audit and Risk Committee meeting held on 20 May 2014. It concludes with the recommendation that the committee confirms the minutes as a true and correct record.

The draft minutes are **attached** as **Attachment One**.

Legal compliance and 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 20 May 2014 be confirmed as a true and correct record.
-

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 20 May 2014 commencing at 10.00 am

Present:

Chairman, David Sinclair
Deputy Chairman, Paul Dimery
Councillors:
Dennis Bowman
Craig Brown
Joe Carr
Graeme Ramsey
Dover Samuels (left meeting 10.40 – 10.59 am)
Bill Shepherd
Independent member:
Mr Geoff Copstick

In Attendance:

Full Meeting

Chief Executive Officer
GM - Planning and Policy (Interim GM Finance)
Audit Director
Council Secretary

Part Meeting

GM - Finance and IT
Finance Manager
Land/Rivers SPM
Northland Inc. Limited CEO
Eriksen and Associates Ltd Managing Director (for Item 3.9 only)

The Chairman declared the meeting open at 10.00 am.

Apologies (Item 1.0)

Moved (Dimery/Samuels)

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

Carried

Declarations of Conflicts of Interest (Item 2.0)

There were no declarations of conflicts of interest.

Confirmation of Minutes of the Audit and Risk Committee Meeting – 18 February 2014 (Item 3.1)

ID: A638567

Report from Finance Manager Simon Crabb.

Moved (Shepherd/Ramsey)

That the minutes of the Audit and Risk Committee held on 18 February 2014 be confirmed as a true and correct record.

Carried

Presentation: Introduction of Audit New Zealand's New Director and Verbal Update on the Interim Audit (Item 3.2)

ID: A637808

Report from Finance Manager Simon Crabb.

Moved (Carr/Brown)

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

Carried

Matters arising from Item 3.2:

Audit New Zealand's new director, Karen Mackenzie, was in attendance and briefed the committee on the interim audit visit; noting there were no significant matters to bring to its attention.

Karen also outlined the areas of focus for Audit New Zealand going forward:

- Changes to the legislative environment and the new non-financial performance measures that council would be required to report against;
- Changes to the financial prudence regulations;
- Council's investment portfolio;
- The provision for doubtful debts; and
- Funding of economic development projects.

Audit New Zealand's report "What to expect from your Audit" was tabled for councillors' information.

Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 31 March 2014 (Item 3.3)

ID: A636289

Report from Finance Manager Simon Crabb.

Moved (Carr/Shepherd)

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.

Carried

It was further moved (Carr/Ramsey)

That council request that the Far North District Council invite the Northland Regional Council to be included in the decision making process on rating policies.

Carried

Matters arising from Item 3.3:

Far North District Council (FNDC) Revenue and Collections Manager, Cheryl Gavin-Young, had tendered her apologies for non-attendance (to address the report).

It was advised that FNDC had agreed to establish a joint working party with NRC to address the issue of rate arrears and both KDC and WDC had been sent a written invitation to participate.

Confirmation was provided that the breakdown of doubtful debts between districts would be presented to the August 2014 meeting of the Audit and Risk Committee.

Northland Inc. Limited Nine Monthly Financial Reporting and Quarter Three Reporting Against Statement of Intent (SOI) (Item 3.4)

ID: A635674

Report from General Manager - Planning and Policy Kathryn Ross and Finance Manager Simon Crabb.

Moved (Shepherd/Brown)

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, and dated 28 April 2014, be received.

Carried

ID:A641254

Audit and Risk Committee Meeting
20 May 2014

Matters arising from Item 3.4:

It was requested that Northland Inc. keep the committee well informed regarding the Irrigation Infrastructure Project.

It was further requested that the NRC Chief Executive and Chairman put in place appropriate measures to mitigate potential conflicts of interest relating to the departing Northland Inc. Chairman.

Schedule of Credit Notes for Approval – Northland Inc. Limited (Item 3.5)

ID: A630695

Report from Accounts Receivable Officer Trish Wells.

Moved (Carr/Ramsey)

1. That the report "Schedule of Credit Notes for Approval – Northland Inc. Limited" from the Accounts Receivable Officer, Trish Wells, and 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).

Carried

Schedule of Credit Notes for Approval (Item 3.6)

ID: A636121

Report from Accounts Receivable Officer Trish Wells.

Moved (Carr/Ramsey)

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

Carried

ID:A641254

Audit and Risk Committee Meeting
20 May 2014

Financial Report to 29 April 2014 (Item 3.7)

ID: A638722

Report from Financial Accountant Angela Hobden

Moved (Brown/Shepherd)

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

Carried

Matters arising from Item 3.7:

Councillor Carr stressed the importance of the Awanui River Project and reiterated the request that the matter be fully reported every month.

Investment Schedule and Performance – Financial Report to 29 April 2014 (Item 3.8)

ID: A638724

Report from Financial Systems Administrator

Moved (Carr/Shepherd)

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

Carried

Item 3.9 was addressed following the completion of the public excluded section of the meeting to allow for the delayed arrival of the Managing Director of Eriksen and Associates Limited.

Community Investment Fund – Review of Investment Managers' Performance to 31 March 2014 (Item 3.9)

ID: A634819

Report from Finance Manager Simon Crabb.

Moved (Samuels/Carr)

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

Carried

ID:A641254

Audit and Risk Committee Meeting
20 May 2014

Risk Management Framework Update (Item 3.10)

ID: A638015

Report from Land/Rivers Senior Programme Manager Bruce Howse.

Moved (Carr/Ramsey)

That the report "Risk Management Framework Update", from Bruce Howse, Land/Rivers Senior Programme Manager, and dated 30 April 2014, be received.

Carried

It was further moved (Brown/Copstick)

That the Audit and Risk Committee approves the proposed changes to the risk management framework and register.

Carried

Matters arising from Item 3.10:

It was suggested that the addition of "actions taken" and "actions to be taken" would assist the committee to assess the Risk Register.

It was requested that the River Management entry provide further detail regarding the risk to specific communities, such as Kaitiāia.

2013/14 Quarter Three Levels of Service Report (Item 3.11)

ID: A638414

Report from General Manager Planning and Policy Kathryn Ross.

Moved (Shepherd/Dimery)

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.

Carried

Legislative Compliance – Third Quarter 2013/14

(Item 3.12)

ID: A638252

Report from Advisor to Chief Executive Vibeke Wright and Human Resources Advisor Debbi Norman.

Moved (Brown/Shepherd)

That the report "Legislative Compliance – Third Quarter 2013/14", by Vibeke Wright, Advisor to Chief Executive, and Debbi Norman, Human Resources Advisor, and dated 6 May 2014, be received.

Carried

ID:A641254

Audit and Risk Committee Meeting
20 May 2014

4.0 Business with the Public Excluded

ID: A638587

Report from Finance Manager Simon Crabb.

Moved (Carr/Shepherd)

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 – 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)).

3. That Audit Director, Karen Mackenzie, be permitted to remain after the public has been excluded.

Carried

Secretarial Note: The meeting was adjourned at 12.20 pm, during public excluded, to allow for the delayed arrival of the Managing Director of Eriksen and Associates Limited. The meeting was reconvened at 12.52 pm to address Item 4.2 in public excluded and Item 3.9 in open meeting.

Conclusion

The meeting concluded at 1.12 pm.

ID:A641254

Audit and Risk Committee Meeting
20 May 2014

**ISSUE: Culture Heritage Arts Resource Trust (CHART)
Key Performance Indicators (KPIs) and Six
Monthly Report**

ID: A663620

To: Audit and Risk Committee Meeting, 19 August 2014

From: Lisa Aubrey, General Manager Finance

Date: 25 July 2014

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

Executive summary:

The report provides the six monthly reporting from CHART and includes reporting of CHARTS achievement for the year against their KPI's and tables the final Business Plan for the current year.

Legal compliance & significance assessment:

This item and its content are consistent with the Long Term Plan 2012-2022 (LTP). They address reporting requirements as part of council's performance management process in relation to the LTP and the Local Government Act 2002 and the matters contained in the report are of low significance.

Recommendation:

1. That the report 'Culture Heritage Arts Resource Trust (CHART) Key Performance Indicators (KPIs) and Six Monthly Report' by Lisa Aubrey, General Manager Finance, dated 25 July 2014, be received.

Report

CHART currently receives funding of \$50,000 annually from council. CHART's six monthly reporting programme is as follows:

Meeting	Content
First Audit and Finance Committee meeting after 1 January annually	Short report covering 1 July – 31 December, including achievement to date on KPIs to be tabled. Draft Business Plan for following year to be tabled and CHART Chief Executive Officer to attend.
First Audit and Finance Committee meeting after 1 July annually	Report covering 1 July - 30 June, including achievement for year against KPIs to be tabled. Final Business Plan for current year to be tabled and CHART Chief Executive Officer to attend.

Councillor David Sinclair has been appointed as the council representative on the Creative Northland/CHART Board.

Laura Burns - Creative Northland Regional Manager will attend the meeting to answer any questions councillors may have.

Attachment One is the report covering the achievement of the KPI's for the year.

My interpretation of the CHART report is that CHART have achieved the Key Performance targets agreed with for the year.

As noted in the Business Plan, it confirms that CHART will retain the current Key Performance Indicators (KPIs) for 2014-2015.

7 Rust Avenue | The Old Library Building
PO Box 959 | Whangarei.0140
021.791.575 | 09.430.0710
laura@creativenorthland.com

To: Northland Regional Council, Audit and Risk Committee
From: Laura Burns, Regional Arts Development Manager, CREATIVE NORTHLAND
Date: 28 July 2014
Re: 2013/2014 Financial Year End/6 Month Report 1 January to 30 June 2014

Background:

Creative Northland sits along side CHART to promote the development of capacity in the creative sector in the whole of Northland. There is an ongoing commitment from Creative Northland to ensure that the creative industries & arts sector is dynamic, thriving, influential and productive regionally, nationally and internationally.

Our aim is to facilitate professional development and develop sustainability of the creative industries and arts sector in the region through relationship building, advocacy and representation. One of those strategic relationships is with CHART. This working relationship helps make a creative synergy, as well as the opportunity to share administrative costs and leverage the resources of the most thriving district in the region to the benefit of the sector as a whole, which is demonstrated in the reflective achievements attached.

We express our gratitude to the Northland Regional Council for the continued support of Creative Northland. The contribution of \$50K per annum towards operations supports the objectives and measures as outlined by one of the six community objectives established in the Northland regional Council's Long Term Plan.

The following objectives, measures and targets have been developed by Creative Northland and Northland Regional Council staff to align and report on Creative Northland's contribution to the region, as outlined by one of the six community objectives established in Northland Regional Council's Long Term Plan to:

"Build a business friendly environment that encourages business and employment opportunities" in the creative sector.

Objective for the 2013/14 financial year	Indicator	Target	Outcome
Engaging the Creative Sector, as aligned with section 4B in the CHART/Creative Northland Business Plan	Consultation with the regional artists and creative businesses	Host 3 networking events for the creative sector in the 2013/14 year	<ul style="list-style-type: none">• Networking with professional cast of Niu Sila in Kaitia, 29 attendees• CA5(Culture After 5) in Rawene, 27 attendees• CA5 in Kaitia, 25 attendees
Sector Professional Development/Marketing & Branding, as aligned with section 10A and 10D in the	Increased Awareness of the Creative Northland Brand and regional	Securing 3 opportunities for Northland artists outside of the region	<ul style="list-style-type: none">• 11 Northland musicians secured their chance to be part of the Fly My Pretties

CHART/Creative Northland Business Plan	community		<p>Concert in Northland by being judged via the internet by two of New Zealand's top musical talents in Wellington. Ultimately 3 musicians were selected to perform as the opening act for Fly My Pretties with national exposure on Stuff.com and Loop website.</p> <ul style="list-style-type: none"> • 6 young Northland theatre makers performed the Odyssey in Auckland and Hamilton. • Three Northland artists accepted in 2014 NZ Sculpture Onshore
	Delivering professional development and business opportunities for the creative sector	Offer 3 relevant workshops to the sector in the year	<ul style="list-style-type: none"> • Red Leap Theatre provided physical theatre workshops, Whangarei and Kerikeri • Joyful Pear Website Development Classes, Whangarei • Culture Segments/marketing training for consortium venues, Kerikeri

ISSUE: Regional Rates Collections 2013-2014 – District Council Reconciliation

ID: A667227

To: Audit and Risk Committee Meeting, 19 August 2014

From: Simon Crabb, Finance Manager

Date: 8 August 2014

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

Executive summary:

The purpose of this report is to provide information on the rates transactions for the 2013-2014 financial year and present the amount of outstanding rates owing at year end (GST inclusive).

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 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.

Recommendations:

1. That the report "Regional Rates Collection 2013-2014 - District Council Reconciliations" from Simon Crabb, Finance Manager and dated 8 August 2014, be received.
 2. That the Rates Reconciliation Statement for the collection of the regional rates by territorial authorities for the financial year ended 30 June 2014 be received.
 3. That the report "Far North District Council Collection of Current Rates and Rate Arrears - Quarterly Update to 30 June 2014" be received.
 4. That Councillor Carr be appointed to work with Far North District Council on the development of their remission and postponement rating policies.
-

Report:

Attached as Attachment One is the Rates Reconciliation Statement for the year ended 30 June 2014. (Previous Rates Reconciliation Statements - for the years ended 30 June 2013 and 30 June 2012 - are also provided for comparative purposes.) Confirmation of rates transactions for the year and outstanding rates at year end (GST inclusive) are provided by each district council as part of the year-end Annual Report process. The year-end confirmations were provided in July 2014.

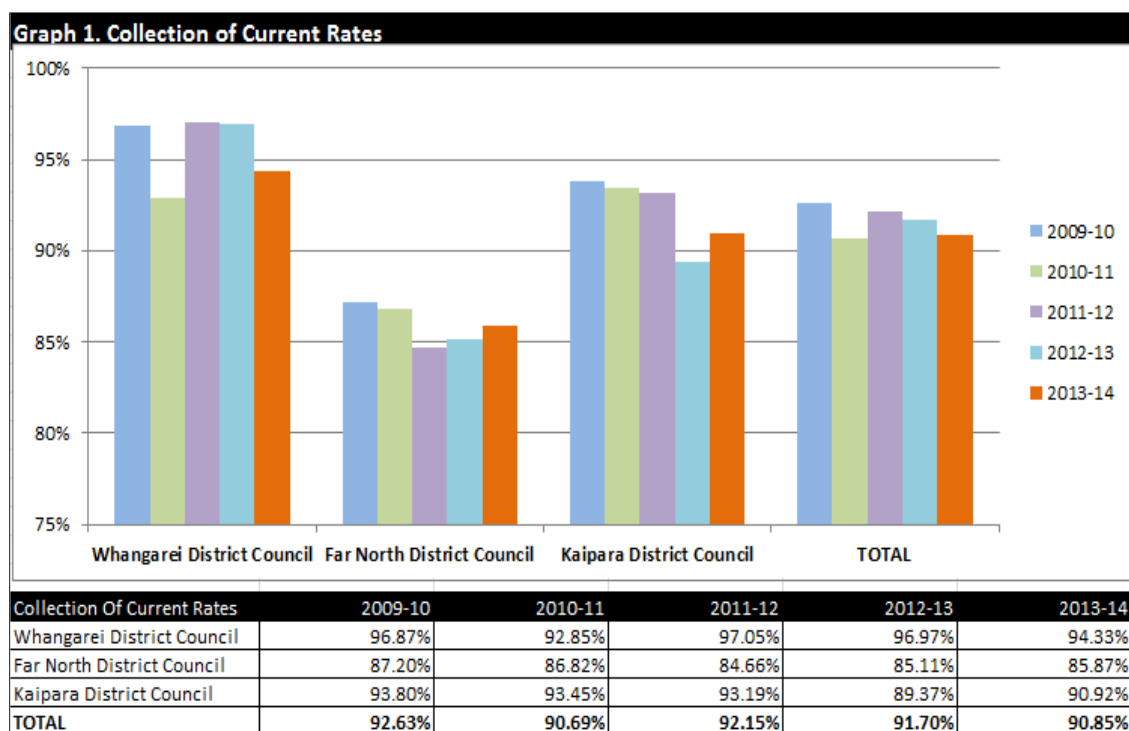
The attached reconciliation statements provide details of remissions, write-offs, penalty charges and strike adjustments that relate to levying the regional rate on actual district valuation rolls.

As at 30 June 2014, council is owed **\$4,862,383** in rates, 15.5 percent (\$654,115) more than the previous year. The \$4,862,383 is made up of \$1,807,561 unpaid from the 2013-2014 financial year and \$3,054,822 of arrears from previous years. The balance includes an additional \$523,511 and \$25,578 of penalty revenue applied in the 2013-2014 financial year by Far North District Council and Whangarei District Council respectively which was not paid at 30 June 2014.

Current rates – paid and outstanding

Typically, council receives more than 90% of actual rates struck each year and collected on its behalf by the three district councils. Of the current \$20,881,127 (after allowing for strike adjustments) rate strike for 2013-2014, \$18,970,493 (90.85%) has been collected and paid to council, leaving \$1,807,562 outstanding. In 2012-2013, the collection figure was 91.7% (leaving \$1,753,571 outstanding) and in 2011-2012, 92.15% (\$1,411,765 outstanding). These outstanding sums become part of council's rates arrears. It is important to note, these arrears also include rate penalty arrears.

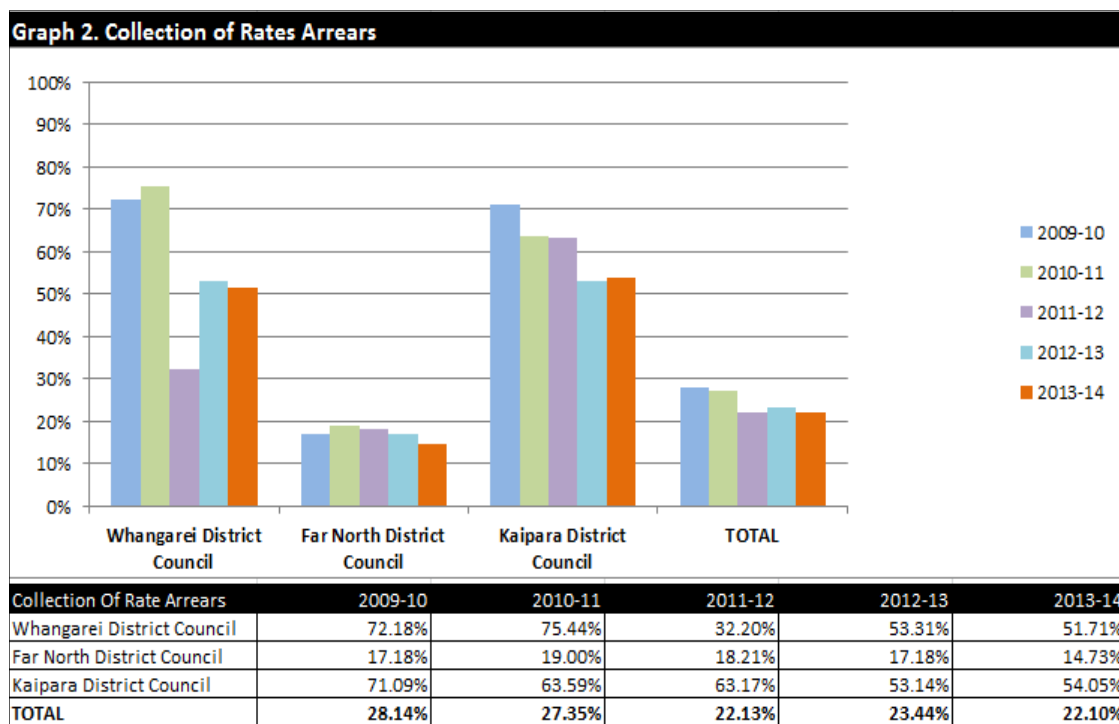
Graph 1 below presents the collection rate of current rates per district council over the past 5 years.



Rate arrears

The outstanding arrears (rates older than 12 months) balance at year end is \$3,054,822 (2012-2013 \$2,432,970; 2011-2012; \$1,941,985). Rate Arrears collected during the 2013-2014 financial year totalled \$925,057 (2012-2013 \$786,213; 2011-2012; \$636,340).

Graph 2 below presents the collection rate of rate arrears per district council over the past 5 years.



Penalties, write-offs, remissions, postponements and discounts

Total write-offs, remissions, postponements and discounts made during the year as advised by the district councils total \$746,529 (2012-2013 \$771,630; 2011-2012; \$922,812).

Total penalties charged in the 2013-2014 year total \$713,346 (2012-13 \$574,176; 2011-2012; \$492,563, but the penalty revenue actually collected (cash) and paid to council totalled \$164,257 (2012-2013 \$160,385; 2011-2012 \$174,676).

Penalty revenue relates to penalties charged on late rate payments. It is important to note that financial reporting standards require that penalty revenue charged must be recognised as revenue, regardless of whether that cash has actually been received.

This means in the 2013-2014 financial year the penalty revenue actually collected was \$549,090 less than what shows on council's books. In 2012-2013 this shortfall was \$413,791 and in 2011-2012 \$317,887.

For accounting purposes, these shortfalls become rates arrears and are added to the arrears balance accordingly. As this shortfall is growing annually, it is appropriate to create a provision for doubtful debts of the difference between penalty rate revenue recognised and penalty rate revenue actually paid in any year. For the 2013-2014

financial year this means council will recognise an additional provision for doubtful debt of \$549,090 (2012-2013 \$413,791; 2011-2012; \$317,887).

Rating adjustments required to be recognised by council at 30 June 2014

Council must enter the transactions advised to us in the year-end rate confirmations by the district councils which collect our rates on our behalf. Our outstanding balances (what is due) must match the district council balances of what is outstanding (payable). Given it is unlikely all of the outstanding rates arrears will be collected, council must also create a provision for doubtful debt. **Table One** below shows a summary of the year-end rates adjustments advised by the district councils and also shows the provision for doubtful debts our council recognises. Finally the table shows the net effect of all the factors outlined in this report on council revenue and expenditure for the year ending 30 June 2014 and 30 June 2013 – a net cost of **\$634,668** (2012-2013; \$728,939; 2011-2012 \$917,971).

Table One:

	30-Jun-14			30-Jun-13		
	FNDC	KDC	WDC	FNDC	KDC	WDC
Expenditure						
Adjustment to rate strike				\$40,647		\$17,458
Remission expense (prior year[i])						
Remission expense	\$177,807	\$6,026	\$261,662	\$216,377	\$2,965	\$296,725
Discounts allowed			\$65,028			\$74,715
Postponements						
Write-offs	\$169,309	\$34,582	\$32,115	\$129,289	\$5,180	\$46,380
Balancing adjustment						
Increase in provision for doubtful debts – standard provision (75% of arrears[iii])	\$389,055	\$27,262	\$50,072	\$345,259	\$30,797	-\$7,817
Additional provision for Doubtful Debts on penalties applied but not paid	\$523,511		\$25,578	\$392,064		\$21,727
Provision for doubtful debts on rates postponements[iii]	\$226,239		-\$8,735			\$54,581
Total expenditure	\$1,485,921	\$67,870	\$425,719	\$1,123,636	\$38,941	\$503,768
Revenue						
Adjustment to rate strike	\$240,965	\$24,456	\$366,075		\$11,925	\$351,305
Penalties applied	\$625,940	\$20,877	\$66,530	\$512,007		\$62,169
Total revenue	\$866,905	\$45,333	\$432,605	\$512,007	\$11,925	\$413,474
Net cost/(surplus)	\$619,016	\$22,538	-\$6,886	\$611,629	\$27,016	\$90,294
Total net cost			\$634,668			\$728,939

In the 2013-2014 financial year, council budgeted \$508,000 for bad and doubtful debts. The 2014-2015 budget for bad and doubtful debts is \$840,000.

Summary of rate arrears and provision for doubtful debts at 30 June 2014

Making the adjustments outlined above will result in the following rates receivables and provision for doubtful debts at 30 June 2014:

District Council	Total	Current Balance 30 June 2014	Arrears Balance 30 June 2014	Total Provision for Doubtful Debts	Balance
Far North District Council	\$4,057,955	\$1,373,274	\$2,684,681	\$3,473,211	\$584,743
Kaipara District Council	\$ 385,491	\$ 219,945	\$ 165,546	\$ 124,160	\$261,331
Whāngārei District Council (arrears includes \$91,378 rates postponements)	\$418,938	\$ 214,343	\$ 204,595	\$ 292,130	\$126,808
TOTAL	\$4,862,384	\$1,807,562	\$3,054,822	\$3,889,501	\$972,882

Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 30 June 2014

The Far North District Council administers the collection of the Regional Council rates in the Far North district on our behalf. **Attachment Two** is a report provided by Far North District Council on the collection of current rates and rate arrears for the period ending 30 June 2014.

Participation in the development of Far North District Council Rating Policies

At the May 2014 Audit and Risk Committee meeting, following the review of the quarter report on the Far North District Council collection of NRC rates, councillors asked staff to approach FNDC to determine if the regional council could be invited to participate in an appropriate forum in the development FNDC's rating policies.

Attachment Three is the response from Far North District Council.

NRC has traditionally adopted each constituent district council's policies for the collection of rates in the three districts and the response notes that because of this, there may be some value in our council participation in the policy development relating to the remission and postponement of rates. The response notes the rates and remissions policies are unique to each council and reflect local conditions and requirements.

The response suggests there may be value in inviting the NRC representative to the be present at one or more of the early LTP workshop sessions to enable NRC to gain a better understanding of the thought processes that go into their total rating structures.

ITEM: 3.3

Page 6 of 6

The response also asks NRC to consider its objectives that we hope to achieve by taking part in the process and advise what aspect or aspects of the rating policy process that is of particular interest to our council. NRC's objectives for participating might be articulated as:

- Develop better understanding on the need to have regional diversity for rating and remission policies;
- To determine if greater uniformity of rating postponement and remission policies across the region is possible and in fact desirable.
- Understand the basis for the postponement and remission policies to determine if the policies are appropriate and to determine if the same postponement and remission policies should apply to regional council rates.

The Chief Executive Officer recommends Councillor Carr be appointed by council to work with the Far North District Council on the development of their remission and postponement rating policies.

NORTHLAND REGIONAL COUNCIL - RATES RECONCILIATION STATEMENT 2013/14																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
ANNUAL RATES RECONCILIATION WITH DISTRICT COUNCILS																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								

NORTHLAND REGIONAL COUNCIL - RATES RECONCILIATION STATEMENT 2012/13																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																															
---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

NORTHLAND REGIONAL COUNCIL - RATES RECONCILIATION STATEMENT 2011/12																
ANNUAL RATES RECONCILIATION WITH DISTRICT COUNCILS																
District Council	Rates due as at 1 July 2011	2011/12 Budgeted Rate Strike (GST Incl)	Current Rate Strike Adjustment	Other Adjustments to Rate Strike	Add Penalties applied	Write-offs including Remissions Postponement s and Discounts	Gross Current received	Gross Arrears received	Penalties received (cash)	Total Cash Received	Total	Current Balance 30 June 2012	Arrears Balance 30 June 2012	Current Balance 30 June 2011	Arrears Balance 30 June 2011	Total
Far North District Council	\$2,442,403	\$6,289,166	(\$32,965)	0	\$422,408	(\$504,202)	(\$5,296,272)	(\$444,645)	(\$104,521)	(\$5,845,439)	\$2,771,370	\$1,065,774	\$1,705,597	\$1,107,479	\$1,334,923	\$2,442,403
Kaipara District Council	\$169,173	\$2,720,650	(\$11,860)	0	\$0	(\$24,729)	(\$2,524,287)	(\$106,836)	\$0	(\$2,631,123)	\$222,111	\$164,391	\$57,721	\$122,949	\$46,172	\$169,122
Whangarei District Council	\$263,527	\$9,012,382	(\$8,740)	\$310,173	\$70,155	(\$393,881)	(\$8,738,334)	(\$84,859)	(\$70,155)	(\$8,893,348)	\$360,268	\$181,600	\$178,668	\$210,518	\$53,009	\$263,527
	\$2,875,103	\$18,022,198	(\$53,565)	\$310,173	\$492,563	(\$922,812)	(\$16,558,893)	(\$636,340)	(\$174,676)	(\$17,369,910)	\$3,353,750	\$1,411,765	\$1,941,985	\$1,440,947	\$1,434,105	\$2,875,051
Amount collected from Current Rate Strike (2011/2012)																
	WDC	FNDC	KDC	Total												
Rates Strike 10/11	\$9,003,641.81	\$6,256,200.53	\$2,708,790.10	\$17,968,632.44												
Current Rates Collected	\$8,738,333.78	\$5,296,272.20	\$2,524,287.26	\$16,558,893.24												
% Amount Collected - Current	97.05%	84.66%	93.19%	92.15%												
Amount arrears (30 June 2011) collected during 2011/2012 financial year																
	WDC	FNDC	KDC	Total												
Rates Arrears 30 June 2011	\$263,527.10	\$2,442,402.55	\$169,121.61	\$2,875,051.26												
Arrears Collected during year	\$84,858.89	\$444,645.10	\$106,835.90	\$636,339.89												
	32.20%	18.21%	63.17%	22.13%												
Summary of Penalties Charged and Penalties Paid from 1 July 2011 to 30 June 2012																
	Penalties	Penalties paid to	Difference	Comments												
WDC	\$70,154.85	\$70,155.00	\$0.00													
FNDC	\$422,408.03	\$104,521.41	\$317,886.62													
KDC	\$0.00	\$0.00	\$0.00													
	WDC	FNDC	KDC	Total												
Average Arrears paid annually for last three years (2010,2011,2012)	\$143,528.54	\$354,808.85	\$95,646.20	\$593,983.59												

MEETING: NORTHLAND REGIONAL COUNCIL

Name of item: REVENUE AND COLLECTIONS QUARTERLY REPORT
30 June 2014

Author: Cheryl Gavin-Young, Revenue & Collections Manager

Date of report: 06 August 2014

Document number: A1487249

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 30 June 2014 24.56% of ratepayers had paid via 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.

Rates Team

A full time permanent Rates Administration Support Officer has been recruited and trained. This position is additional to the existing Rates Team.

A 12 month Rates Rebate Officer has been recruited and trained. This position is additional to the existing Rates Team.

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	\$value	2013	2012
Maori Freehold Land Remissions	598	\$87,919.65	712	786
Charitable or Community Organisations	40	\$4,683.91	38	38
Remission of Rates on Land Partially in District	0	0	2	2
Contiguous Properties	767	\$96,744.23	875	878
Conservation Property	180	\$15,130.72	178	175
Total	1,585	\$204,478.51	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.

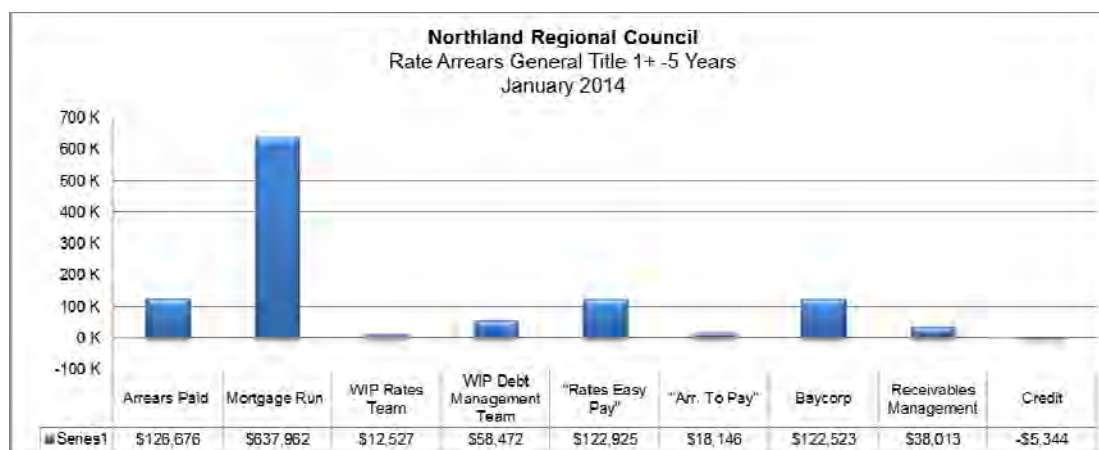
Statute Barred

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.

Annual Statute Barred Northland Regional Council 2013/2014		
	Rates	Penalties
No Assessments	726	581
Amount	-\$ 51,624.15	-\$ 31,133.28
Maori Freehold Land		
	Rates	Penalties
No Assessments	581	453
Amount	\$ 42,930.19	\$ 26,122.04
General Title		
	Rates	Penalties
No Assessments	145	128
Amount	\$ 8,693.96	\$ 5,011.24

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.



Note: Data is sourced from the Outstanding Balances Report produced in January 2014.

If payment or payment arrangements were not made by 30 April 2014, a demand was placed with the mortgagee to make the payment.

Baycorp New Zealand

As at 30 June 2014 111 Rate and Water Accounts were loaded with Baycorp.

\$27,518.00 has been receipted.

Receivables Management (NZ) Limited

As at 30 June 2014 228 Rate and Water Accounts were loaded with Receivables Management (NZ) Limited.

\$34,155.80 has been receipted.

Legal Action

Legal action and enforcement for General Title and Maori Freehold Land is currently managed by our in-house counsel, Law North and Baycorp New Zealand – Malcolm Whitlock. Current cases are being heard within the District and High Court subject to value. The High Court proceedings are due to one Ratepayer having 22 outstanding assessments. Once Judgment has been obtained this will result in enforcement of payment however if unsuccessful the Department will proceed to Council for consideration of Rating Sales. Law North has two abandoned land cases in progress with an additional five cases being identified to the Audit, Risk and Finance committee.

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

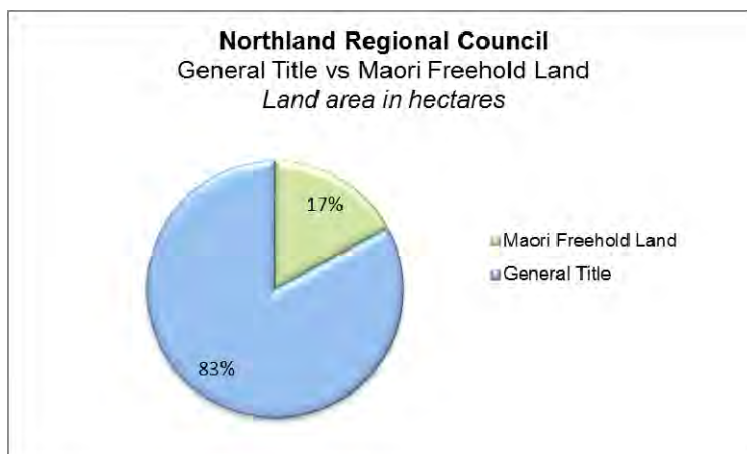
Regular meetings are scheduled by the Debt Management Team with Ratepayers at Te Ahu, Kaitaia.

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

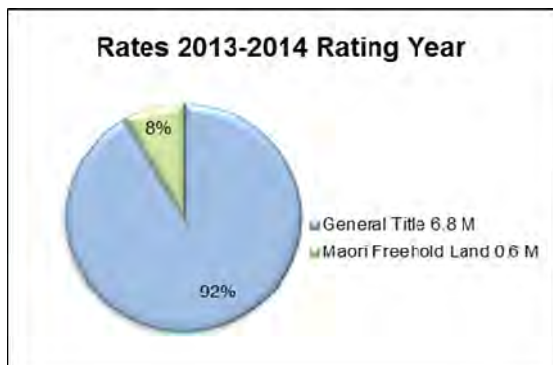
A number of Maori Freehold Land rate accounts with occupation orders have been loaded with Receivables Management (NZ) Limited for outstanding rate arrears.

Maori Television scheduled to attend Council in the 2014/2015 Rating Year.

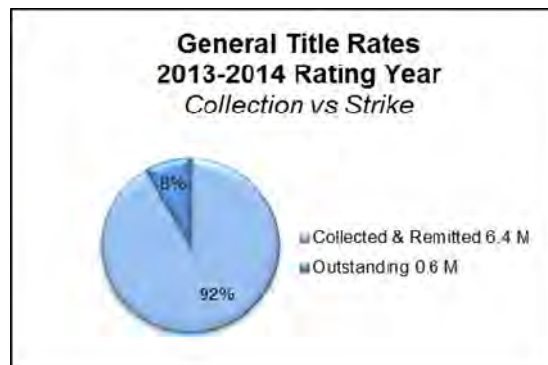
6 Rate Assessments have been changed from General Title to Maori Freehold Land
01 April 2014 – 30 June 2014.



Collection Data



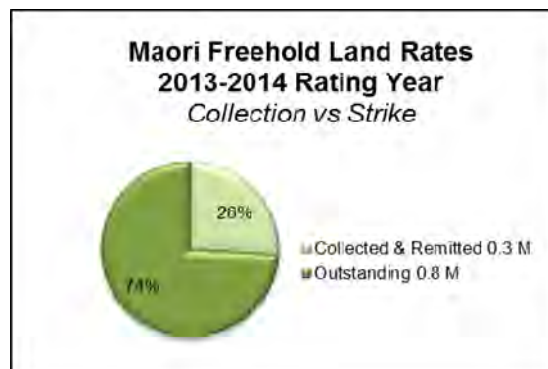
This graph shows the percentage of General Title Rates and Maori Freehold Land Rates struck for the 2013-2014 Rating Year



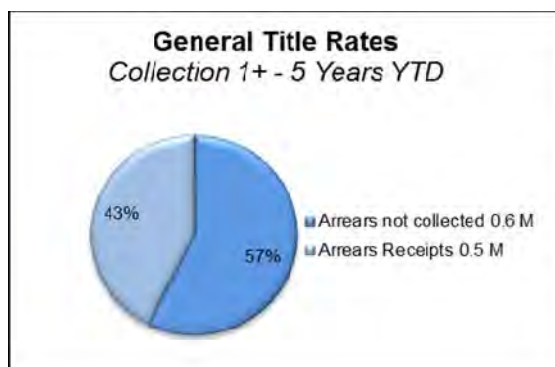
This graph shows the percentage of General Title Rates collected and remitted and outstanding for the 2013-2014 Rating Year



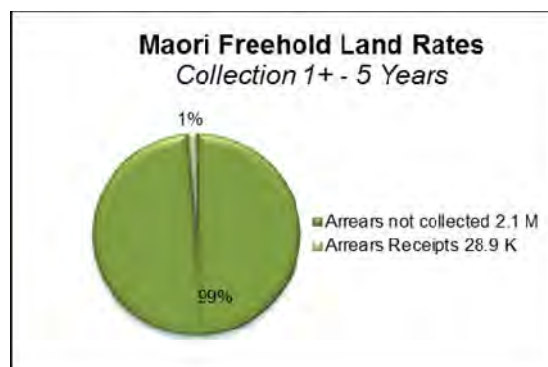
This graph shows the percentage of General Title Rates and Maori Freehold Land Rates unpaid for previous Rating Years



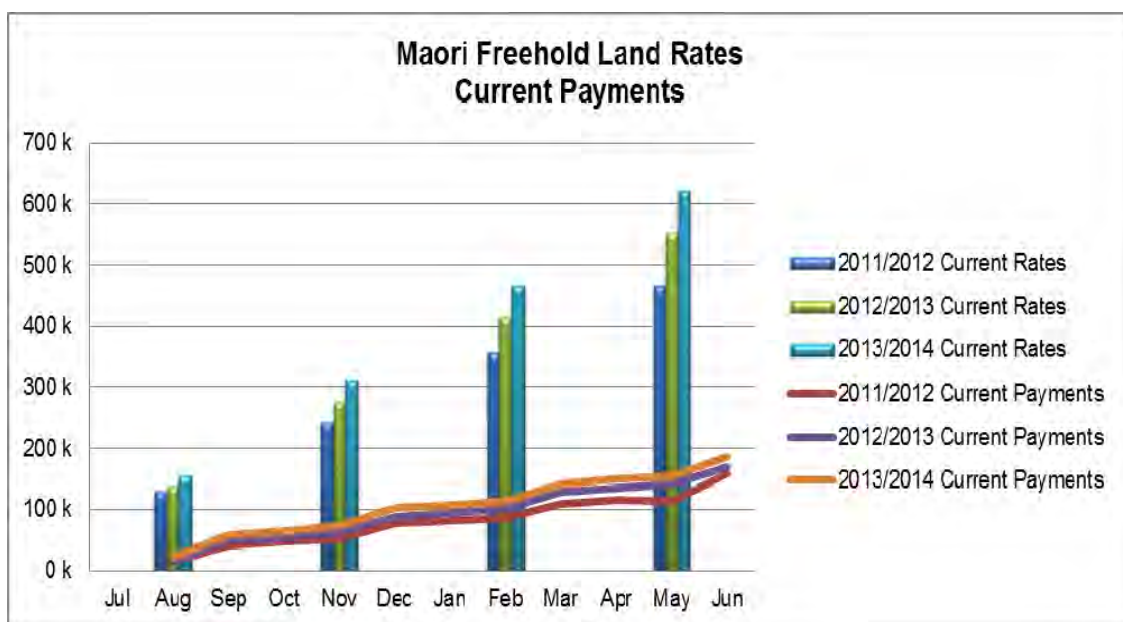
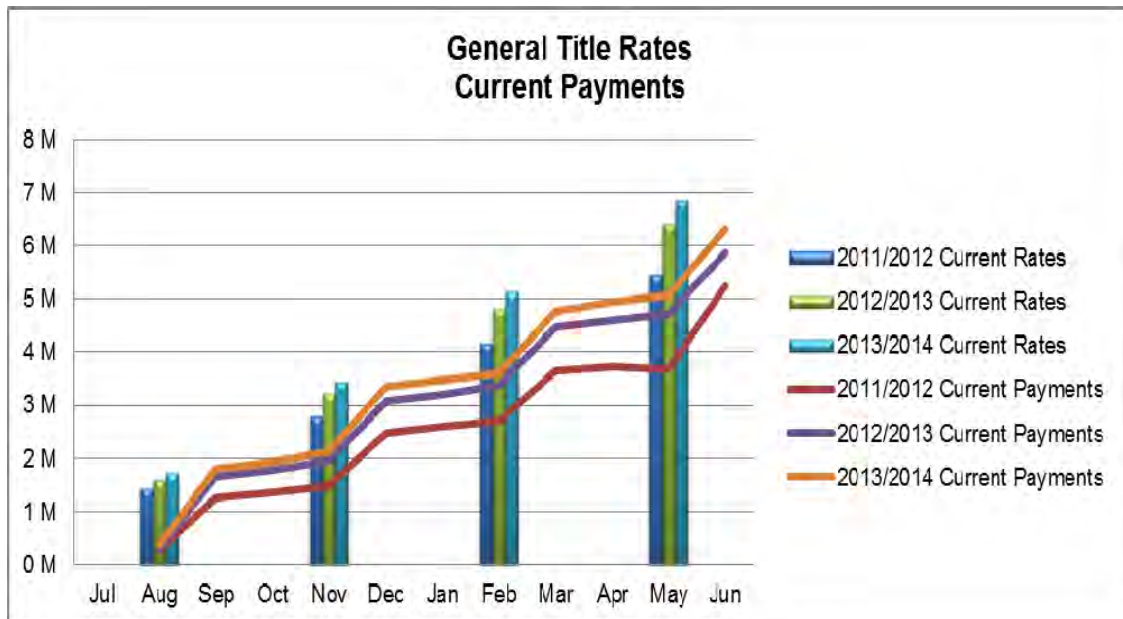
This graph shows the percentage of Maori Freehold Land Rates collected and remitted and outstanding for the 2013-2014 Rating Year

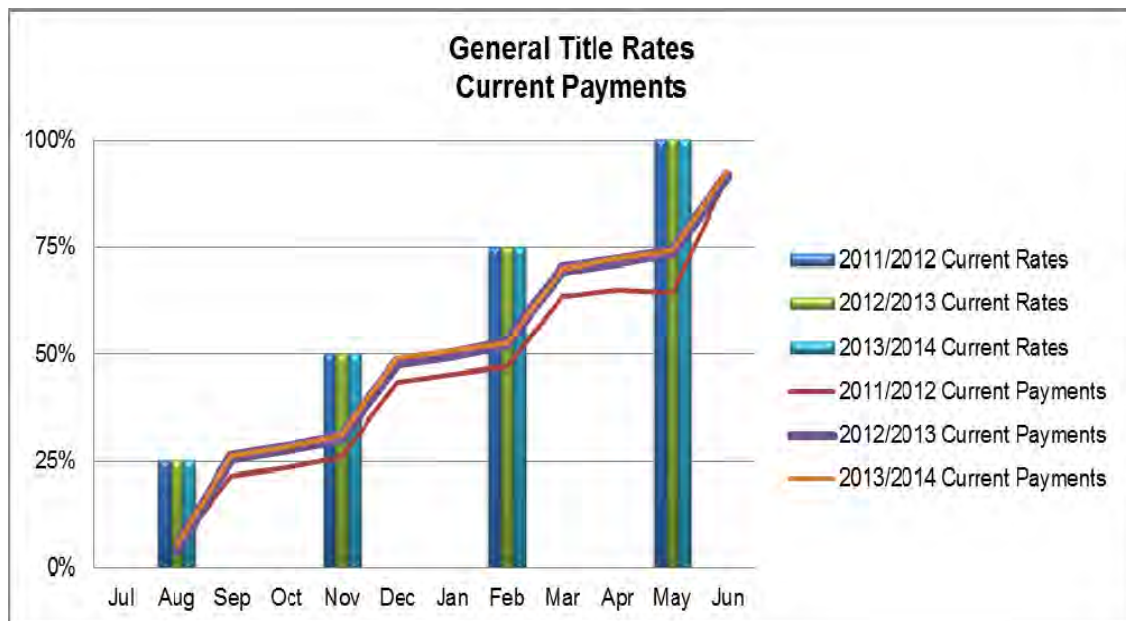


This graph shows the percentage of General Title Rates not collected and collected for previous Rating Years. 4357 Assessments

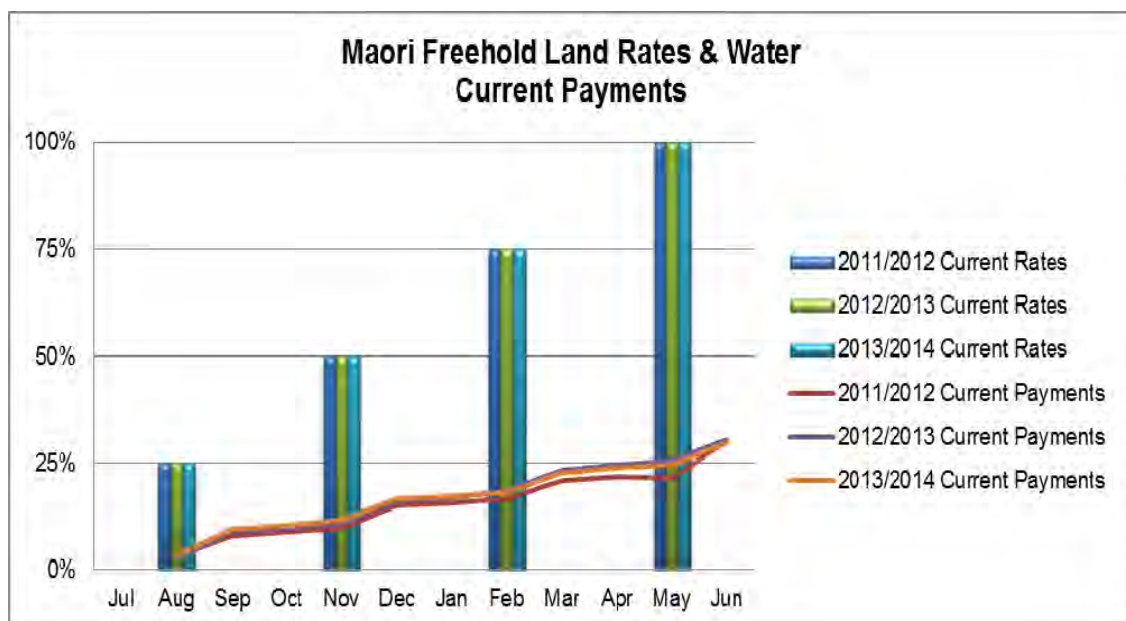


This graph shows the percentage of Maori Freehold Land Rates not collected and collected for previous Rating Years. 2055 Assessments





2011/2012	Current Payments	91%
2012/2013	Current Payments	92%
2013/2014	Current Payments	93%



2011/2012	Current Payments	30%
2012/2013	Current Payments	31%
2013/2014	Current Payments	30%



**Far North
District Council**



3.3 Attachment Three
Private Bag 752, Memorial Ave
Kaikohe 0440, New Zealand
Freephone: 0800 920 029
Phone: (09) 401 5200
Fax: (09) 401 2137
Email: ask.us@fndc.govt.nz
Website: www.fndc.govt.nz

RFS: 3641494

4 July 2014

Te Kaunihera o Tai Tokerau Ki Te Raki

*The top place where talent
wants to live, work and invest*

Mr Malcolm Nicholson
Chief Executive Officer
Northland Regional Council
Private Bag 9021
Whangarei Mail Centre
Whangarei 0148

Dear Malcolm

PARTICIPATION IN RATING POLICIES

Thank you for your letter received on 16 June 2014 that Colin Dale has asked me to respond to.

Council would welcome your Council's participation in the development of its rating policies but questions the value that the Regional Council would obtain from this. Rating policies fall in to two main areas, the mechanisms that Council uses to set its rates and the policies adopted for Remission and Postponement of rates.

The methods that each council uses to set its rates are governed by the Local Government Act and are unique to the district or region concerned. They are the outcome of the Section 101 analysis and have usually been developed through a range of consultation processes both within and outside of the Long Term and Annual Plan.

Whilst each council uses the same mechanism for developing their individual rating methodologies, these are unique to the district concerned. For this reason I am not sure that there would be much to be gained in any Regional participation in that process. Indeed it may well be contrary to good governance for the NRC to take part in that process other than in an observer role.

The second area of policy development relates to the remission and postponement of rates. Again these are unique to each council and reflect local conditions and requirements. Because the NRC has traditionally adopted each constituent council's policies for the collection of rates in the three districts there may well be a value in your participation. It needs to be remembered, however, that these policies have been developed to meet local conditions and again are unique to the district.



Council will be considering all its rating policies over the next few months as it prepares for the 2015 – 2025 Long Term Plan. In all probability much of this work will be undertaken in workshop sessions and there may be a value in inviting the NRC to be present at one or more of the early sessions so that you can gain a better understanding of the thought processes that go into our total rating structures.

As a final comment, these rating policy workshops will be about the development of policies for setting and applying rates, they will not be about the collection of rates, which we are aware is a matter of particular interest to your council.

Before taking this concept any further perhaps the NRC would like to consider exactly what objectives that they hope to achieve in taking part in this process. It would assist if you could advise us what aspect or aspects of the rating policy process that particularly interests your council. It may well be that many of the issues could be resolved through a reestablishment of the officer meeting which used to occur on a regular basis in the past.

If you require any further information or assistance please do not hesitate to contact either Chris Ellington or myself at 0800 920 029 or 09 401 5200 and quote the Correspondence Number 3641494.

Yours sincerely,



Graham Carman
ACTING GENERAL MANAGER CORPORATE SERVICES



ISSUE: Northland Emergency Services Trust (NEST) Six Monthly Reporting for the Period Ending 30 June 2014 and Approval to Make the Final 2013-2014 Payment and First 2014-2015 Quarter Payment

ID: A659491

To: Audit and Risk Committee Meeting, 19 August 2014

From: Simon Crabb, Finance Manager

Date: 4 August 2014

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 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

Executive summary:

The purpose of this report is to provide a six monthly update on Northland Emergency Services Trust ("NEST") operations for the period ending 30 June 2014 and obtain approval to pay:

- The final payment of the 2013-2014 financial year of \$125,657.32 plus GST to NEST; and
- The first quarter payment of \$150,000 plus GST for the 2014-2015 financial year to NEST.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's 2012-2022 Long Term Plan, and as such are in accordance with 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.

Recommendations:

1. That the report "Northland Emergency Services Trust (NEST) Six Monthly Reporting for the Period Ending 30 June 2014 and Approval to Make the Final 2013-2014 Payment and First 2014-2015 Quarter Payment", by Simon Crabb, Finance Manager, and dated 4 August 2014, be received.
2. That the final payment of the 2013-2014 financial year of \$125,657.32 plus GST be approved for payment.
3. That the first quarter payment of the 2014-2015 financial year of \$150,000 plus GST be approved for payment.

Report:

In adopting its final Long Term Plan, council provided a three-year commitment to make an annual \$600,000 funding contribution to NEST. A condition of this funding contribution was that NEST provides council with six monthly reporting on the trust's financial position, the use of the rescue helicopter service and report on any information that would have a bearing on both aspects.

Attached as Attachment One are NEST's quarterly financial statements for the three months ending 30 June 2014 (with comparatives stated for the 12 months to 31 March 2014) and a CEO report from NEST's CEO, Peter Turnbull, for the period January 2014 to July 2014.

As part of the 2013-2014 final payment calculation it is council's established practice to approve the final "wash up" payment and settle any arrears from previous financial years.

Of the 2013-2014 rate strike, 90.85% has been collected and received by the council. Based on this collection rate, it is recommended that **\$95,099.69** plus GST is paid to NEST to wash up the 2013-2014 rates that were actually collected. The remaining 9.15% (\$54,900.32) will be accounted for as an increase in the accounts payable to NEST.

As at 30 June 2013, the accounts payable (liability) due to NEST was \$138,295.04. It was agreed this amount would be paid if and when the rate arrears were received by council. During the 2013-2014 financial year 22.10% of rating arrears were collected (this means **\$30,557.63** of the \$138,295.04 is now also due to be paid to NEST).

Therefore it is recommended that the final payment to NEST for the 2013-2014 financial year is **\$125,657.32 plus GST**, being \$95,099.68 plus GST of the actual 2013-2014 NEST rates collected plus \$30,557.63 of NEST rate arrears collected.

The calculations are illustrated in the table below:

NEST Payments	2009-10 GST Exclusive	2010-11 GST Exclusive	2011-12 GST Exclusive	2012-13 GST Exclusive	2013-14 GST Exclusive
Grant to NEST	\$600,000.00	\$600,000.00	\$600,000.00	\$600,000.00	\$600,000.00
<i>Agreed % to pay (based on actual rates collected)</i>	92.63%	90.69%	92.15%	91.70%	90.85%
Grant to NEST due for payment for financial year	\$555,803.23	\$544,136.37	\$552,926.66	\$550,184.52	\$545,099.68
Less payments made to date	(\$450,000.00)	(\$450,000.00)	(\$450,000.00)	(\$450,000.00)	(\$450,000.00)
Final Payment Due	\$105,803.23	\$94,136.37	\$102,926.66	\$100,184.52	\$95,099.68
Accounts Payable					
Opening balance		\$44,196.77	\$87,970.47	\$115,573.16	\$138,295.04
Plus additional balance	\$44,196.77	\$55,863.63	\$47,073.34	\$49,815.48	\$54,900.32
Less any arrears rates collected		(\$12,089.94)	(\$19,470.65)	(\$27,093.59)	(\$30,557.63)
Closing balance	\$44,196.77	\$87,970.47	\$115,573.16	\$138,295.04	\$162,637.73
Arrears collected (%)		27.35%	22.13%	23.44%	22.10%

NEST Payments	2009-10 GST Exclusive	2010-11 GST Exclusive	2011-12 GST Exclusive	2012-13 GST Exclusive	2013-14 GST Exclusive
Total Amount Payable					
Outstanding grant at 30 June	\$105,803.23	\$94,136.37	\$102,926.66	\$100,184.52	\$95,099.69
Add arrears collected		\$12,089.94	\$19,470.65	\$27,093.59	\$30,557.63
Total payment due	\$105,803.23	\$106,226.31	\$122,397.31	\$127,278.11	\$125,657.32

Approval is also sought from council to make the first quarter payment of \$150,000 plus GST for the 2014-2015 financial year.

Paul Ahlers (NEST Chairman) and Tony Morris (NEST CFO) will be present at the meeting to answer any questions councillors may have.



2 August 2014

Mr Bill Shepherd
Chairman
Northland Regional Council
Private Bag 9021
Whangarei Mail Centre
WHANGAREI

Dear Bill

Northland Emergency Services Trust CEO Report January 2014 to July 2014

Northland Emergency Services Trust (NEST) has operated safely over this reporting period. However, a series of unrelated maintenance occurrences has severely tried our engineering team and tested our ability to maintain a full service. It is fortunate that NEST had enrolled helicopter mechanical engines and gearboxes under a "pay as you go" maintenance schedule which financially accommodates most of the extraordinary events which have been experienced. Also demonstrated has been the benefit of having three aircraft available notwithstanding there are peripheral costs (labour and transport) which remain the responsibility of NEST and which have not been insignificant.

I will emphasise that none of the events posed a threat to on-board patients or staff, but were detected by the aircrafts monitoring systems before deteriorating to a precipitous condition. They did however, result in aircraft being grounded until replacement parts could be sourced, or in the case of engines, being freighted to Australia for repairs.

As previously reported, NEST has been investigating becoming a Civil Aviation Certified maintenance organisation. This investigation has been concluded, indicating maintenance operating costs will remain level during the first year of operation, and reduce by over 7% in subsequent years. Given maintenance costs are NESTs biggest expense the savings will be significant. The addition of a maintenance division to our operation is a first among dedicated Air Ambulance operators in New Zealand. As well as being financially beneficial to NEST, flow on effects will be felt by local industry with whom NEST has established contracts for the provision of services and labour (previously supplied by South Auckland businesses). Establishing CAA certification is a phased process which is approximately 50% complete and is expected to be fully functional by October / November this year.

All of NESTs contracts and MoUs with customers and stakeholders remain in place with reporting and liaising taking place on a regular basis. As contracts are renewed NEST is attempting to introduce Forex and adverse fuel policies as an annual review.

A highlight of this reporting period has been the completion of a Flight Training Device (FTD). Approved by Civil Aviation for certain aspects of Instrument Flight training, currency and competency checking, this has been in use for 3 months and has already been shown to have made a reduction in the use of the "real" helicopter.

NEST received a written commendation from NZ Civil Aviation on its initiative in developing a Flight Training Device. FTDs are generally acknowledged to provide a superior training platform in certain flight conditions (compared with an actual aircraft). However their expensive "off the shelf" purchase price makes them generally unavailable to the smaller operator. By building it ourselves we have our own unit at around 15% of the purchase price of a commercially available unit. Additionally, it is an exact replica our own machines in appearance and fit out.

An unexpected spinoff of the FTD has been our capability of offering it to the public as part of our fundraising requirement. The ability to view an extremely real representation of say Fiordland, then land on the deck of a US aircraft carrier followed by a flight under the Auckland Harbour Bridge and around the Sky Tower in a 30 minute flight has not yet failed to impress.

NEST was recipient of a short notice Operational Audit from Civil Aviation during March of 2014. Conducted over 3 days, and focussing on regulatory compliance and safety management systems, no findings were identified against NEST.

Of concern to the NEST Trustees is the ever increasing age of the NEST fleet. While it can be argued that if the helicopters are maintained to the latest requirements and standards (which they are), then they might go on ad infinitum. It can also be argued that later technology offers improved efficiency and safety.

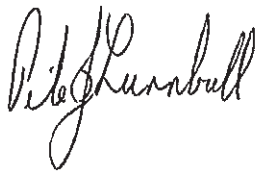
The present Sikorsky S76 was introduced in Northland almost 17 years ago. In that time it has completed the equivalent of 72 round trips of the Earth (now completing almost 6 equivalent per year); the blades have gone around 46 million times.

NEST is in the process of reviewing its Strategic Plan. Included in this plan is review of the current helicopter fleet, and a cost/benefit analysis of replacing some of the fleet with later model Sikorskys.

The future direction will need careful consideration with all Stakeholders, be mindful of public expectation, and at the same time tread a finely balanced financial path.

As always NEST is indebted to the Northland Regional Council and its Ratepayers for its support, and assures all that it is committed to providing the safest, most cost efficient service to the people of Northland.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Pete Turnbull', with a stylized, cursive script.

Pete Turnbull
CEO
NEST

NORTHLAND EMERGENCY SERVICES TRUST

FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD 30 JUNE 2014

Index

- 1 Statement of Financial Performance
- 2 Statement of Movements in Equity
- 3 Statement of Financial Position

NORTHLAND EMERGENCY SERVICES TRUST

STATEMENT OF FINANCIAL PERFORMANCE

For the Three Month Period Ended 30 June 2014

<u>2014</u>		<u>2015</u>
\$		\$
Operating Revenue		
4,200,658	Helicopter Hire	1,023,859
600,000	Northland Regional Council	150,000
240,000	Operating Grants	60,000
155,000	Sponsorship - Northpower/Top Energy	-
<u>5,195,658</u>		<u>1,233,859</u>
<u>429,409</u>	Other Income	<u>128,954</u>
5,625,067	Total Operating Revenue	1,362,813
Less Expenses		
4,398,806	Operations	1,088,754
609,827	Administration	175,869
459,779	Depreciation	118,591
<u>5,468,412</u>		<u>1,383,214</u>
156,655	Net Surplus prior to Capital Grants	-20,400
55,500	Add Capital Grants	50,000
<u>212,155</u>	Net Surplus	<u>29,600</u>

This Statement is to be read in conjunction with the Notes to the Financial Statements

NORTHLAND EMERGENCY SERVICES TRUST

STATEMENT OF MOVEMENTS IN EQUITY

For the Three Month Period Ended 30 June 2014

<u>2014</u>		<u>2015</u>
\$		\$
6,490,392	Equity at Start of Year	6,702,547
	Plus	
212,155	Net Surplus / (Deficit) for the Three Month Period	29,600
212,155	Total Recognised Revenue and Expenses	29,600
<u>6,702,547</u>	EQUITY AT END OF THE PERIOD	<u>6,732,147</u>

This Statement is to be read in conjunction with the Notes to the Financial Statements

NORTHLAND EMERGENCY SERVICES TRUST

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

\$		\$
<u>6,702,547</u>	EQUITY	<u>6,732,147</u>
	Represented by:	
	Current Assets	
1,017,533	Bank Current Accounts	615,740
22,096	Prepayments	24,460
155	Income Accrued	317
4,575	Funds held in Trust - Appeal Monies	19,753
653,207	Accounts Receivable	641,274
-	Goods & Services Tax	12,691
22,983	Stock - Fuel	33,590
<u>1,720,549</u>		<u>1,347,826</u>
	Non Current Assets	
7,370,484	Fixed Assets	7,282,656
238,880	ASB Helicopter Replacement Fund	464,652
<u>7,609,364</u>		<u>7,747,308</u>
<u>9,329,913</u>	Total Assets	<u>9,095,134</u>
	Less	
	Current Liabilities	
38,366	Goods & Services Tax	-
347,187	Accounts Payable	233,933
664,336	Provision for Maintenance	580,676
153,107	Employee Entitlements	154,409
99,572	Provision for Bad Debts	117,099
242,857	Current Portion Term Loan	242,857
<u>1,545,425</u>		<u>1,328,975</u>
	Term Liabilities	
248,608	Provision for Maintenance	261,393
833,333	ASB Bank Term Loan	772,619
<u>1,081,941</u>		<u>1,034,012</u>
<u>2,627,366</u>	Total Liabilities	<u>2,362,987</u>
<u>6,702,547</u>	NET ASSETS/(LIABILITIES)	<u>6,732,147</u>

Notes to the Financial Statements

These are special purpose management financial statements and as such should not be relied upon for any other purpose. These financial statements have not been prepared in accordance with generally accepted accounting principles. These financial statements have not been audited.

These statements have been prepared exclusive of GST. All assets and liabilities have been stated exclusive of GST with the exception of accounts receivable, accounts payable and provision for maintenance which are stated inclusive of GST.

These special purpose financial statements are for the three month period 1 April 2014 to 30 June 2014. The comparatives are for the 12 month period 1 April 2013 to 31 March 2014. The comparatives are also currently unaudited.

This Statement is to be read in conjunction with the Notes to the Financial Statements

ISSUE: Insurance Policy Renewals for the 2014-2015 Financial Year

ID: A665759

To: Audit and Risk Committee Meeting, 19 August 2014

From: Angela Hobden, Financial Accountant

Date: 3 August 2014

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

Executive summary:

Council's insurance policies have been renewed for the 12 month period 1 July 2014 to 30 June 2015, at a total cost of \$243,427.79 plus GST. These policies and insurance levels can be amended if necessary throughout the period of cover. It concludes with the recommendation that the insurance programme be endorsed by council.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's Long Term Plan 2012-2022 and 2014-2015 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.

Recommendations:

1. That the report "Insurance Policy Renewals for the 2014-2015 Financial Year" by Angela Hobden, Financial Accountant, and Lisa Aubrey, General Manager Finance, dated 3 August 2014, be received.
2. That the recommended insurance 2014-2015 renewal programme as detailed in Attachment One and in effect from 1 July 2014 be endorsed by council.
3. That subject to confirmation during the meeting, the Chief Executive recommends insurance cover for Harbour Master and Removal of Wreck be increased from the current level of \$20M to \$50M at a cost of \$40,000 and that if there is an 2013-2014 operating surplus, this cost be funded from that surplus.

Report:

Markets

Several years on from the Christchurch earthquakes, the New Zealand insurance market continues to feel the effects of the largest insured losses in history. There have now been some important earthquake claims cases go through the courts which have provided certainty around the minimum standards required for the earthquake rebuild.

The largest change this year affecting the insurance industry has been insurance on private dwellings shifting from traditional open ended replacement cover to fixed sum insured policies. Global reinsurers were unwilling to take on unquantified cover and this change affects all insurers operating in the New Zealand market.

Overall premium levels have largely stabilised and the market is seeing a return to risk based underwriting and signs of more competitive rates on natural disaster risks.

Renewal of council's insurance portfolio

Our existing insurers have offered renewal terms on all policies this year. Our insurance broker has again investigated the financial solvency of our insurers and provided us with their current Standard and Poors rating. Council will not place any risk with an insurer who carries less than an "A" rating.

Council has taken policies with the following insurers:

- | | |
|-------------------------------|--|
| • Vero Insurance | General property and vehicles |
| • RiskPool | Combined liability risks |
| • QBE Insurance | Employers/Statutory Liability and Disability |
| • AIG Insurance | Crime Manager |
| • Ace Insurance | Corporate Travel |
| • Allianz Australia (Primacy) | Forestry |

The renewal programme is provided in **Attachment One**. This includes the amount insured, the excess and the insurance premium cost. The 2013 cost is also provided to allow direct comparison. The total insurance cost is \$243,427.79 and the budget provided for 2014-2015 is \$253,883.

Overall the total renewal premium has increased from this time last year by ~ \$15,500. The main reason for the premium increases are; increased replacement estimates for civil engineering risks (flood schemes) as well as insuring Kaeo for the first time, additional dwellings in Maunu added to the insured assets list, no profit share expected from the vehicle fleet as last year's claim level was too high, and a full year of corporate travel.

Awanui and Kaeo River Management Schemes

Council will insure the full value of both schemes (\$15.4M) with Vero. The sum insured for Awanui has increased significantly (\$5.8M) with a revaluation of the reinstatement cost for the Awanui Scheme (\$14.4M). Kaeo is insured for \$1.04M.

The policy covers stopbanks, pipes, headwalls and floodgates.

Another insurer was approached for a quote but the annual premium was in excess of \$50,000 with the same excess.

Material Damage (Vero)

This policy includes all council owned buildings, contents and equipment and is based on current valuations. It also includes the site offices at Kotuku Street and the shed at Oakleigh Wharf Road. The total sum insured is \$24,664,530 and there is an excess of \$1,000 for each claim.

Since 31 July 2014, council has assumed responsibility for insuring the Countdown building in Kensington (previously paid by tenant). This has increased the sum insured for material damage to \$31,420,300 (from \$24,664,530) and increased the premium by \$12,386.33 (GST inclusive).

Motor Fleet (Vero)

The premium is based on a current valuation of the vehicle fleet of \$1,317,421. As our fleet numbers are reasonably static there will be no additions and deletions adjustment this year. However, as our claims for the last twelve months totalled \$28,125 there will be no profit share rebate this year.

Public and Officials Indemnity and Harbour Masters and Removal of Wreck (Riskpool)

The limit for general and professional indemnity cover remains at \$200M which is the blanket cover provided for all members.

We have renewed this policy with Riskpool as their coverage includes Harbour Master Liability and Removal of Wreck cover to \$20M with only a nominal premium charge attached for this cover.

The increased insurance premiums are quoted as costing:

- | | | |
|------------------------|--------|------------|
| • NZ\$30M xs NZ\$20M = | \$50M | NZ\$40,000 |
| • NZ\$55M xs NZ\$20M = | \$75M | NZ\$60,000 |
| • NZ\$80M xs NZ\$20M = | \$100M | NZ\$80,000 |

A paper on the International Liability and Compensation Regime was provided to the 18 February Audit and Risk Committee meeting, the paper recommended a working party be formed to more formally assess the risk and insurance cover, in order to report back to the Audit and Risk Committee with a recommendation.

Councillors Dimery and Sinclair were appointed to the working party and met with the Regional harbourmaster, and Paul Ahlers of Crombie Lockwood insurance brokers (Sinclair absent) to discuss available options and implications thereof.

Under current legislation, the potential unlimited liability facing regional councils is the greatest concern. It is difficult for council to determine the full extent of possible risk and obtain insurance to provide sufficient cover of the risk. The sector has not reached consensus on the most suitable level of insurance. The current insurance (\$20M) provided by RiskPool is very cost effective and additional insurance cover is costly.

The Operations Director has advised this matter is still being reviewed at a national level (Resource Managers and Chief Executive Forum). This will be discussed at the next Regional Chief Executive's meeting scheduled for 19 August 2014. As part of the national review, regional councils were surveyed to understand the cover obtained for Harbour Master liability and with the exception of Hawkes Bay and Wellington who have \$100M of cover, all other councils have between \$10M and \$30M, with the

majority having \$20M. Councils are looking at various ways to obtain further insurance on a collective basis that better balance the premium costs and the offer covered. Officers and politicians should lobby Government to have legislation amended to cap to the extent of liability.

This matter is set down for discussion at this meeting. The Chief Executive tentatively recommends that an additional \$30M of insurance cover be sought at a cost of \$40,000, but ask this be confirmed at this meeting. The additional insurance was not budgeted. Staff recommend the additional cost be funded from 2013-2014 operating surplus if one exists after other carry forwards, included in this agenda pack are taken into account.

Going forward staff will review the fees and charges policy to determine if some or all of this additional cost can be recovered from the users that contribute to the risk.

Farm Package - Mata (Vero)

This policy covers the property at Hewlett Road and SH1, Mata. The sum insured on the buildings is now based on either the nominated replacement value sum insured or the indemnity (current) value, as advised by council.

Dwellings - Oakleigh (Vero)

This policy covers the six various dwellings at Oakleigh Wharf and Flyger Road. This policy has been changed to reflect that the sum insured on the buildings is now based on either the nominated replacement value sum insured or the indemnity (current) value as advised by council staff.

Dwellings – Maunu (Vero)

This policy covers the twelve dwellings owned by council in Kotuku Street, Maunu. The sum insured on the buildings is now based on the indemnity (current) value of all dwellings, with the exception of 18 Kotuku Street which is insured for replacement value, and the two dwellings in Kotuku Street used as site offices which have been transferred to the material Damage policy. For the dwellings now insured for indemnity value, the landlords' extension has been removed.

Fidelity Guarantee (Crime Manager)

Protects councils assets up to \$1M against employee fraud (excess is \$25,000).

Disability (QBE)

This policy provides cover for the death or permanent disablement of any council employee. It covers work related incidents only and the sum insured remains at the equivalent of an annual salary.

Corporate Travel (Ace)

This policy was introduced towards the end of the last financial year, hence, this is the first full year's premium.

The policy provides cover for councillors, employees and accompanying family members (up to age 80) for business travel. The specified limit for baggage and personal effects is \$5,000. There is an excess of \$250 for lost electronic equipment. The comprehensive cover is for personal accident and sickness, kidnap and ransom, hijack and detention, medical and additional expenses and cancellation and curtailment expenses. The policy also covers loss of deposits, deprivation of baggage and money/travel documents, an alternative employee, personal liability, rental vehicle

excess, political and natural disaster evacuation, missed connection and search and rescue.

Other policies

Council also carries policies for Business Interruption, Computer, Marine Hull, Navigation Aids, Employers and Statutory Liabilities, and Forestry. Apart from reviewing amounts for cover there has been no change to the terms and conditions of these policies.

Councils insurance broker, Paul Ahlers of Crombie Lockwood, will be present at the meeting to answer any questions that councillors may have.

NORTHLAND REGIONAL COUNCIL**RECOMMENDED INSURANCE RENEWAL PROGRAMME****June 2014**

POLICY TYPE	COVERING	INSURER	SUM INSURED	EXCESS	2014	2013	2013 SUM INSD
MATERIAL DAMAGE	Accidental loss or damage to buildings, plant & contents	VERO	\$24,664,530	\$1,000	56,173.68	59,029.06	\$22,903,188
BUSINESS INTERRUPTION	Loss of rental income & increased cost of working only	VERO	\$3,019,366	\$1,000	3,925.18	4,911.85	\$3,050,838
MOTOR FLEET	Accidental loss or damage to motor vehicles & third party liability	VERO	\$1,317,421	\$500	40,395.20	40,480.21	\$1,458,300
A&D Adjustment					0.00	0.00	
Less Profit Share Rebate	Estimate as at 20/06/2014				0.00 (1)	-4,000.00	
COMPUTER	Electronic breakdown of server hardware (breakdown risk only)	VERO	\$3,561,131	\$1,000	10,401.48	8,925.55	\$3,050,310
CIVIL ENGINEERING RISKS	Catastrophe risks (earthquake, flood, impact etc.)	VERO	\$15,426,459	\$100,000	30,852.92	22,100.89	\$9,609,084
DWELLINGS (OAKLEIGH)	Accidental loss or damage to residential dwellings	VERO	\$1,368,701	\$400	4,348.43 (2)	4,502.31	\$1,354,500
FARM PACKAGE (MATA)	Accidental loss or damage to farm buildings and contents	VERO	\$2,046,145	\$500	4,431.71 (2)	4,277.99	\$1,527,500
DWELLINGS (MAUNU)	Accidental loss or damage to residential dwellings	VERO	\$2,552,331	\$450	5,983.26 (2)	3,848.20	FRC
MARINE HULL	Accidental loss or damage to vessels & watercraft and third party liability	VERO	\$1,914,200	\$1,000	13,578.91	13,470.27	\$1,900,200
NAVIGATION AIDS	Accidental loss or damage to navigation aids & leading lights	VERO	\$1,603,572	\$2,500	8,625.86	8,408.98	\$1,550,800
FIDELITY	Employee fraud & crime protection	AIG	\$1,000,000	\$25,000	6,000.00	5,460.00	\$1,000,000
PUBLIC & OFFICIALS INDEMNITY + HARBOURMASTERS LIABILITY & ROW	Public & Product Liability and Officials Indemnity Legal liability as Harbourmaster and Removal Of Wreck costs	RISKPOOL	\$200,000,000 \$20,000,000	\$10,000 \$10,000	28,222.00 (3)	28,222.00	\$200,000,000 \$20,000,000
EMPLOYERS LIABILITY	Liability for personal injury to employees not covered by ACC	QBE	\$1,000,000	\$5,000	1,800.00	1,675.00	\$1,000,000
STATUTORY LIABILITY	Fines, penalties & defence costs for breach of statute or regulation	QBE	\$1,000,000	\$5,000	4,600.00	4,400.00	\$1,000,000
DISABILITY	1 x annual salary for accidental death or disablement of employees	QBE	\$11,049,285		6,350.00	6,242.46	\$10,557,182
CORPORATE TRAVEL	Overseas & domestic travel by employees, officials & accompanying family	ACE	As Per Schedule	\$100	1,214.00 (4)	310.04	As Per Schedule
2013-14 Adjustment					0.00		
FORESTRY	Loss by Fire to forest incl. reinstatement & fire fighting costs	PRIMACY	\$3,225,525	A.P.S.	6,525.16 (5)	5,568.53	\$2,618,540
BROKER FEE	Brokerage services and risk management under contract	CROMBIE LOCKWOOD			10,000.00	10,000.00	
					243,427.79	227,833.34	

NOTES

All Premiums include Government Levies

All premiums exclude GST

(1) = Profit Share Rebate is NIL based on claims as at 20/06/14

(2) = Effective 30/06/2014 all buildings are now insured for a nominated (\$) replacement cost

(3) = RiskPool membership has already been renewed for 2014-15 fund year.

(4) = Corporate Travel policy incepted 05/03/2014

(5) = Forestry policy has already been renewed to expiry 01/05/2015

ISSUE: Forest Management Plan – Reporting Actual Performance Against Targets 2013-2014

ID: A659913

To: Audit and Risk Committee Meeting, 19 August 2014

From: Simon Crabb, Finance Manager

Date: 14 July 2014

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

Executive summary:

The purpose of this report is to present the actual performance of Councils forest holding against the prescribed actions of the Forestry Management Plan for the 2013-2014 financial year. It concludes with the recommendation that the report be received.

Council's forestry consultant, Ian Jenkins of Chandler Fraser Keating Limited, will be available at the meeting to answer any questions.

Legal compliance and significance assessment:

The activities detailed in this report are in accordance with the Council's Treasury Management Plan which was adopted in compliance with the decision making requirements of sections 76 to 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 "Forest Management Plan – Reporting Actual Performance Against Targets 2013-2014" by the Finance Manager, Simon Crabb, dated 14 July 2014, be received.

Report:

1. 2013-2014 Forest Harvest	
Forestry Management Plan - Prescribed Actions	Actual Actions Performed
<p><u>1.1 Harvest:</u> There was <u>NO</u> Harvest scheduled for 2013-2014. The next planned harvest is 15.3 hectares (8,500 tonnes) of the 1985 stand scheduled for the summer of 2015-2016, or when market conditions are favourable. Pre-harvest planning almost complete, therefore harvest ready.</p>	<p>No Harvest - as per the Forestry Management Plan.</p>
2. 2013-2014 Forest Re-Establishment	
Forestry Management Plan - Prescribed Actions	Actual Actions Performed
<p><u>2.1 Planting:</u> There was <u>NO</u> replanting scheduled for 2013-2014.</p> <p>Net stocked area at 30 June 2013 = 316 hectares.</p>	<p><u>No</u> Replanting - as per the Forestry Management Plan.</p> <p>Net stocked area at 30 June 2014 = 316 hectares, with an average age of 11.7 years. 87% is second rotation and approximately 30% of the area is 10 years of age or less.</p>
3. 2013-2014 Forest Maintenance	
Forestry Management Plan - Prescribed Actions	Actual Actions Performed
<p><u>3.1 Pruning & Thinning:</u> 2003 stand — 80.86 ha fertiliser (subject to foliar sampling).</p> <p>2005 stand – 22.9 ha structural thinning.</p>	<p><u>Not Required:</u> The 2003 stand foliar samples were within Forestry Management Plan specified levels and therefore fertilising was not required. Saving of \$39K resulted. Resample in March 2016.</p> <p><u>Deferred:</u> To 2014-2015 to allow for greater branch control and stand growth, deferment of \$14K to 2014-2015.</p>
<p><u>3.2 General Forest Maintenance:</u> Maintenance as required (e.g. road maintenance, fencing, spraying, culverts, firebreaks, permits etc.).</p>	<p><u>Achieved:</u> Forest roads sprayed, roads and culverts maintained, no major road repairs required due to storms, gate and vandalism repairs, etc.</p>

4. 2013-2014 Other	
Forestry Management Plan - Prescribed Actions	Actual Actions Performed
4.1 Animal Control: Ongoing control of forest pests.	Achieved: Council (Biosecurity department) is implementing the Pest & Weed Control Plan effectively. Minimal damage was observed.
4.2 Archaeological Sites: Appropriate management of archaeological sites.	Achieved: All archaeological sites were preserved and unaffected during 2013-2014.
4.3 Forest Health: Monitor and maintain forest nutrition and health.	Achieved: The foliar sampling programme continued showing adequate foliar levels for tree growth and above the Forestry Management Plan trigger points for fertilising. Re-joined the NZFOA Forest Health Surveillance Programme. Mt Tiger inspected and reported May 2013. No significant issues noted. Forest Health Surveillance Certificate current.
4.4 Fire Prevention: Monitor, mitigate risk, respond and control to any fire or threats to forest.	Achieved: NRC Fire Plan updated and response contracted implemented for 2013-2014 fire season. No fires or incidences were reported in the 2013-2014 year.
4.5 Recreational Use: No formalised public access to the forest to be granted.	Achieved: No formalised public access to the forest was granted in 2013-2014. Ongoing public casual entry continues. Efforts continue to curb undesirable trespass (e.g. motorbikes, hunters, etc.).
4.6 Emissions Trading Scheme: Monitor and respond to NZETS opportunities and obligations as they develop.	Achieved: Replanting is meeting the obligations regarding the deforestation liability. A provisional decision was made not to join as a post - 1989 forest land owner. Monitoring is ongoing.
4.7 Forestry Insurance: Maintain forest tree crop insurance and FRF Act cover.	Achieved: Forestry Insurance was in place for the 2013-2014 financial year and has been renewed for the 2014-2015 financial year.

5. 2013-2014 Financial Results	
2013-2014 Annual Budget	2013-2014 Actual Annual Performance
<p><u>5.1 Budgeted Annual Operating Expenditure:</u> The budgeted operating cost for the year ended 30 June 2014 was \$103,848.</p>	<p><u>5.1 Actual Annual Operating Expenditure:</u> Achieved with a favourable variance: The actual operating cost for the year ended 30 June 2014 was \$36,694 providing a favourable variance of \$67,154</p> <p>The favourable variance is predominantly due to the reduced fertilising costs as the foliar sampling results showed the trigger points for performing fertilising were above the required levels prescribed in the Forestry Management Plan. The deferred thinning was also a significant favourable variance. Also the actual road maintenance costs incurred were less than originally budgeted owing to no major climatic damage.</p>
<p><u>5.2 Forest Valuation 2012-2013 (NZIAS41):</u> The forestry holding was valued at \$1,731,775 as at 30 June 2013.</p>	<p><u>5.2 Forest Valuation 2013-2014 (NZIAS 41):</u> The forestry holding was valued at \$1,933,000 as at 30 June 2014.</p> <p>The valuation increase of 11.6% is a result of tree growth (i.e. the forest estate is one year closer to maturity) and updated valuation log prices which have more than offset increased harvest costs, forest costs and adopting a full net present value approach with the discount rate being slightly lower than last year (2014: 10.5%; 2013: 11.0% discount and compounded cost full young stands).</p>
<p><u>5.3 NZ Units 2012-2013 (ETS):</u> As at 30 June 2013 council held 17,460 NZ Units valued at a total of \$31,428 (\$1.80 per Unit).</p>	<p><u>5.3 NZ Units 2013-2014 (ETS):</u> As at 30 June 2014 council held a total of 17,460 NZ Units valued at a total of \$72,459 (\$4.15 per Unit).</p>

ISSUE: Community Investment Fund – Review of Investment Managers’ Performance to 30 June 2014, CIF-SIPO Adjustment, and Investment in MINT Asset Managements Diversified Income Fund.

ID: A666022

To: Audit and Risk Committee Meeting, 19 August 2014

From: Simon Crabb, Finance Manager

Date: 31 July 2014

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

Executive 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 30 June 2014, and to present council with a recommendation from Eriksen and Associates Limited to change the asset class benchmark allocation in the CIF Statement of Investment Policy and Objectives (CIF-SIPO) to a mix of 55% income assets and 45% growth assets. This report also seeks approval of a strategy to transfer CIF assets into the MINT Asset Management Diversified Income Fund in an endeavour to achieve the 55:45 target asset class allocation mix.

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 is in accordance with the approved Statement of Investment Policies and Objectives which last amended and approved 7 April 2014.

Recommendations:

1. That the report “Community Investment Fund – Review of Investment Managers’ Performance to 30 June 2014, CIF-SIPO Adjustment, and Investment in MINT Asset Managements Diversified Income Fund” by Simon Crabb, Finance Manager, dated 31 July 2014, be received.
2. That council change the asset class benchmark allocation in the Community Investment Fund Statement of Investment Policy and

Objectives from 50% income assets and 50% growth assets to 55% income assets and 45% growth assets.

3. That council open an account with Mint Asset Management Limited Diversified Income Fund and after transferring the required CIF funds back to council, place an initial investment into the MINT Asset Management Diversified Income Fund consisting of up to:
 - \$500,000 from the Milford Active Growth Fund;
 - \$552,235 from Maturing In-House Term Deposits;
 - \$250,000 from the Harbour Asset Management Short Duration Fund.
-

Report:

Community Investment Fund Performance – 30 June 2014:

At 30 June 2014 the Community Investment Fund ("CIF") was 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 Harbour 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 June 2014 quarter is **attached** as **Attachment One**.

The market value of the fund at 30 June 2014 is \$10.59M. The asset allocation mix is 49% income assets and 51% growth assets which is well within the ranges specified by the CIF-SIPO.

Overall, the fund has returned 8.3% for the year to 30 June 2014, thus outperforming the 1 year benchmark of 5.1% by 3.2%.¹

During the June 2014 quarter, \$265,000 was refunded by Brook Asset Management (due fund closure) and invested into the newly established Harbour Income Fund. A further \$1.5M was transferred from the Asset Harbour Management Short Duration Fund into the Harbour Asset Income Fund. As these two investments were made in

¹ Section 4.1 of the SIPO states the return requirement as the Fund is to achieve a real return of 4% per annum (assuming after tax (if any) and investment expenses, over the long term which is generally considered to be at least 3 to 5 years.

The benchmark return for the fund has been taken from the June 2014 quarter CPI result which was 1.1% per annum (annualised over three years). This gives a real return one year benchmark of 5.1% for this report.

the June quarter there is no Harbour Income Fund performance returns presented in this report.

Compliance against SIPO

At 30 June 2014 there were no breaches of the CIF-SIPO.

Eriksen and Associates Recommendations August 2014

As part of the June 2014 review and monthly teleconference with management in August, Eriksen and Associates have recommended that:

- The CIF asset class benchmark allocation in the CIF-SIPO is changed from a 50% income asset and 50% growth asset mix to a 55% income asset and 45% growth asset mix (55:45), and
- The funds allocation to Australian equities is reduced, and
- The funds exposure to cash is reduced.

These recommendations will require the following amendment to the CIF-SIPO Target asset class benchmark allocation:

Asset Classes	Actual Allocation	Current Target Allocation	Recommended Target Allocation	New Allocation
Cash	10.5	5 < 10 < 50	0 < 5 < 50	3.0
NZ Fixed Interest	38.1	20 < 40 < 60	30 < 50 < 70	50.4
Income Assets	48.7	30 < 50 < 70	30 < 55 < 75	53.4
Australasian Equities	23.8	15 < 25 < 35	10 < 20 < 30	19.0
Global Equities	27.6	15 < 25 < 35	15 < 25 < 35	27.6
Growth Assets	51.3	30 < 50 < 70	25 < 45 < 65	46.6
Total Assets	100.0			100.0

The Eriksen and Associates Limited recommendation is **attached** as **Attachment Two**.

The strategy recommended by Eriksen and Associates Limited to rebalance the CIF in an endeavour to achieve the proposed 55:45 asset class allocation is:

- Establish a MINT Asset Management Diversified Income Fund; and
- Transfer \$500,000 from the Milford Active Growth Fund into the Mint Diversified Income Fund; and
- Transfer \$552,235 of Maturing In-House Term Deposits into the Mint Diversified Income Fund; and
- Transfer 250,000 from the Harbour Asset Management Short Duration Fund the Mint Diversified Income Fund.

The actual funds available for transfer into the MINT Diversified Income Fund will be subject to council's decision (agenda item 3.13) regarding the amount of CIF income to be capitalised and the amount of funds required to be transferred back to council.

The Eriksen and Associates review and research profile of the recommended MINT Diversified Income Fund is provided in the confidential section due to its highly commercial sensitivity and confidential nature (agenda item 4.2).

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

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL COMMUNITY INVESTMENT FUND

INVESTMENT REVIEW FOR THE QUARTER ENDING 30 JUNE 2014

ERIKSEN & ASSOCIATES LIMITED

22 JULY 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

CONTENTS

Executive Summary	3
Introduction.....	4
Asset Allocations	5
Fund Performance	6
Economic Commentary – June 2014	11

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 30 June 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.

During the quarter Brook refunded the \$265,000 that was deposited earlier in the year. This was invested in a new Fund, the Harbour Income Fund. A withdrawal of \$1.5 million was made from the Harbour Short Duration Fund and was also deposited in the Income Fund.

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 June 2014 quarter CPI results which was 1.1% per annum (annualised over three years). This gives a real return one year benchmark of 5.1% for this report.

World equity markets were mixed over the past month but were positive across the board for the quarter to 30 June 2014. Emerging markets gained over 5.1% and the S&P500 gained 4.7% over the quarter. European markets were a little more subdued for the quarter, mainly due to negative returns over the past month. Over the past 12 months the S&P500 gained 22.0% and the Nasdaq gained 29.5%. The German equity market rose 23.5%. All world markets had positive results over this period.

The New Zealand equity market fell 0.7% in June and was flat over the quarter. The Australian market fell 1.5% over the past month and gained 0.9% over the quarter. For the year to 30 June, the NZ market gained 15.8% and the Australian market gained 17.4%.

New Zealand government and investment grade bonds fell over the month but were positive for the quarter. Global government and investment grade bonds rose over both periods.

Over the month, the NZD appreciated against all the major currencies we follow. For the quarter, the NZD depreciated against the AUD, GBP and JPY. It strengthened against the Euro and USD. The NZD appreciated 13.4% against the greenback and 10.0% against the Australian dollar over the past year.

INTRODUCTION

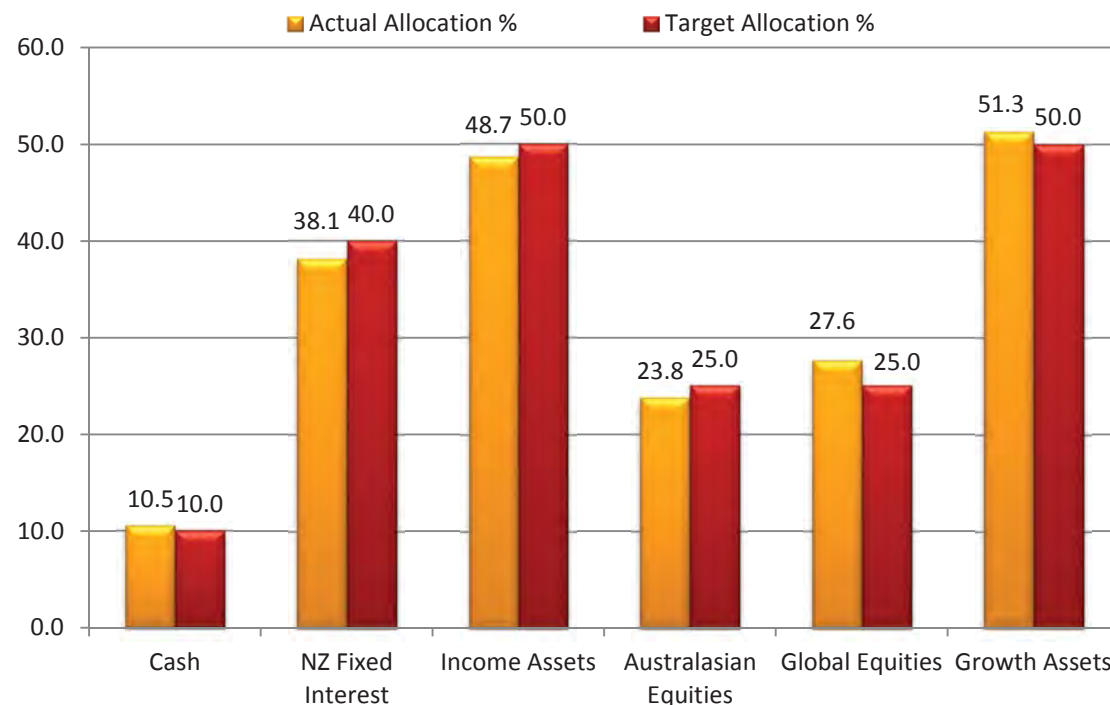
Eriksen & Associates Limited (Eriksens) were appointed investment advisors to the Fund in November 2012. This is our seventh report on the Fund in accordance with the SIPO approved by Council in November 2013.

This review reports the investment returns for all cash, bonds and equities held by the Fund for the quarter to 30 June 2014. The financial year-end for the Fund is 30 June, thus year-to-date returns are the same as one year returns in this report (and are therefore excluded). We have also included returns from 31 December 2012 as this is when the investment strategy for the Fund changed and investments were first made with Schroders and Milford. It gives a slightly longer period for analysis of returns and we will continue to report on these “since inception” returns in future.

The returns shown are based on the data supplied by the in-house investment team for some cash assets, and statements supplied by Milford, Harbour, AMP and Schroders at 30 June 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 30 June 2014 are shown below:



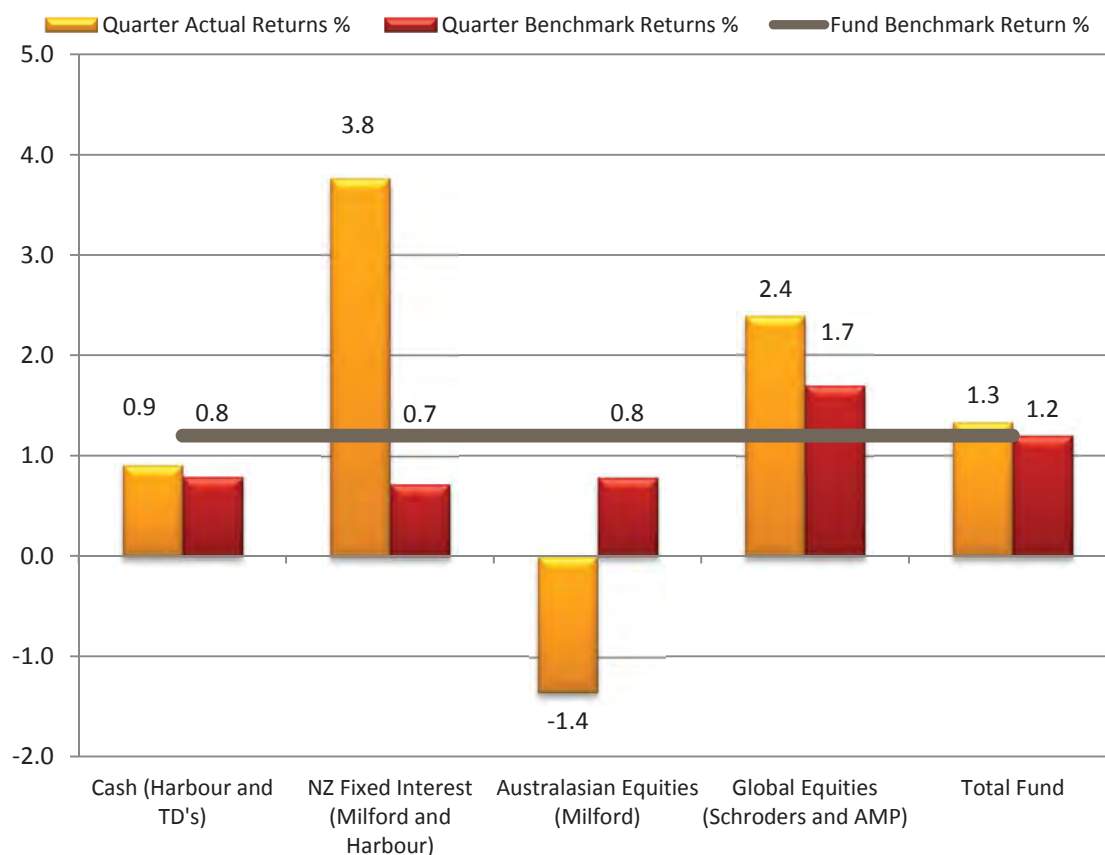
The Fund's asset allocation shows all asset classes are within the ranges as specified by the SIPO. Australasian equities and global equities are very close to their target allocations. The weighting to NZ fixed interest has increased over the quarter as funds were transferred out of Harbour's Short Duration Fund (cash assets) into their Income Fund. Also the refund from Brook of \$265,000 was invested in the Income Fund which helped to increase NZ fixed interest assets. All asset classes are very close to target.

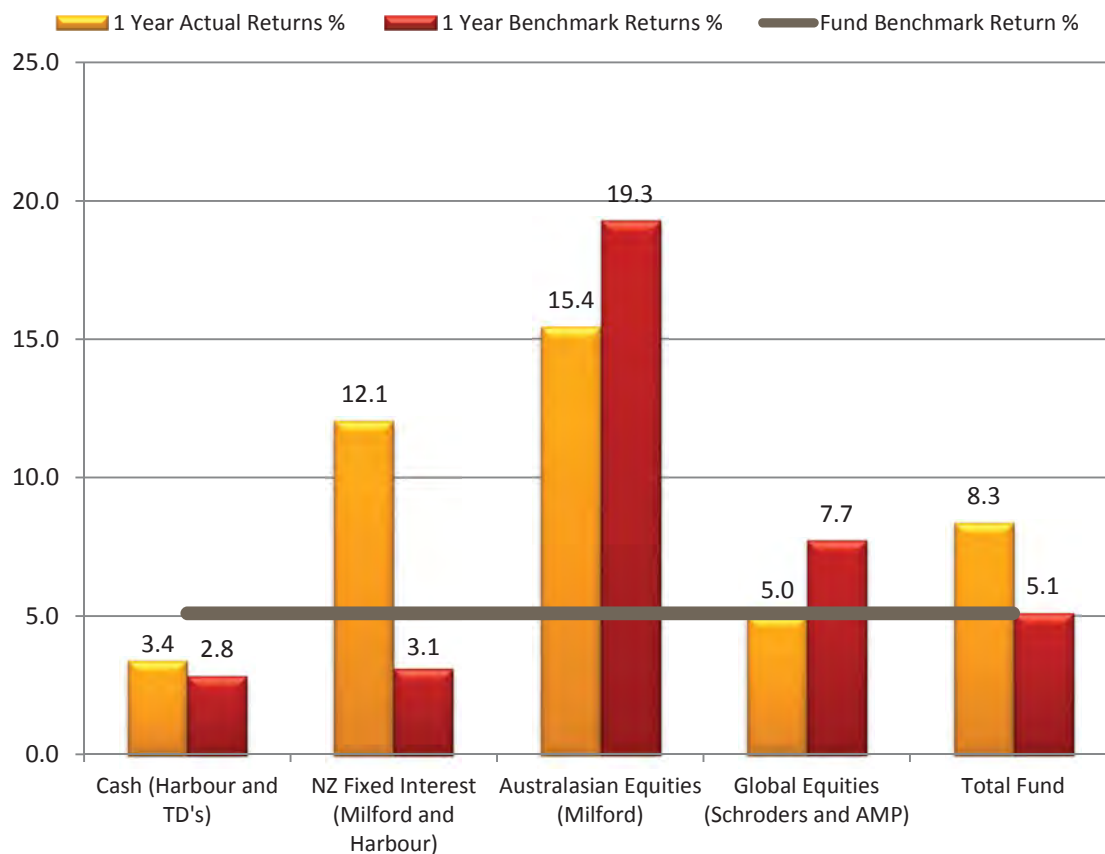
Allocations	Market Value NZ\$	Actual Allocation %	Target Allocation %	Difference %	Status
Cash	1,115,750	10.5	5 < 10 < 50	0.5	✓
NZ Fixed Interest	4,038,689	38.2	20 < 40 < 60	-1.8	✓
Income Assets	5,154,439	48.7	30 < 50 < 70	-1.3	✓
Australasian Equities	2,515,752	23.8	15 < 25 < 35	-1.2	✓
Global Equities	2,915,131	27.5	15 < 25 < 35	2.5	✓
Growth Assets	5,430,883	51.3	30 < 50 < 70	1.3	✓
Total Assets	10,585,322	100.0			

FUND PERFORMANCE

The table below shows the quarter, one year and 18 month (since inception) investment returns on the Fund's asset classes. The returns in each asset class are weighted by the individual assets within each class.

Asset Class	Quarter %	1 Year %	18 Months (p.a.) %
Cash (Harbour and TD's)	0.9	3.4	3.8
Benchmark (90 Day Bank Bill)	0.8	2.8	2.8
Over / Underperformance	0.1	0.6	1.0
NZ Fixed Interest (Milford and Harbour)	3.8	12.1	9.7
Benchmark (weighted average)	0.7	3.1	3.1
Over / Underperformance	3.1	9.0	6.6
Australasian Equities (Milford)	-1.4	15.4	16.4
Benchmark (NZX50 plus 3%)	0.8	19.3	20.4
Over / Underperformance	-2.2	-3.9	-4.0
Global Equities (Schroders and AMP)	2.4	5.0	10.3
Benchmark (weighted average)	1.7	7.7	7.5
Over / Underperformance	0.7	-2.7	2.8
Total Fund	1.3	8.3	8.5
Benchmark (4% real return)	1.2	5.1	4.5
Over / Underperformance	0.1	3.2	4.0





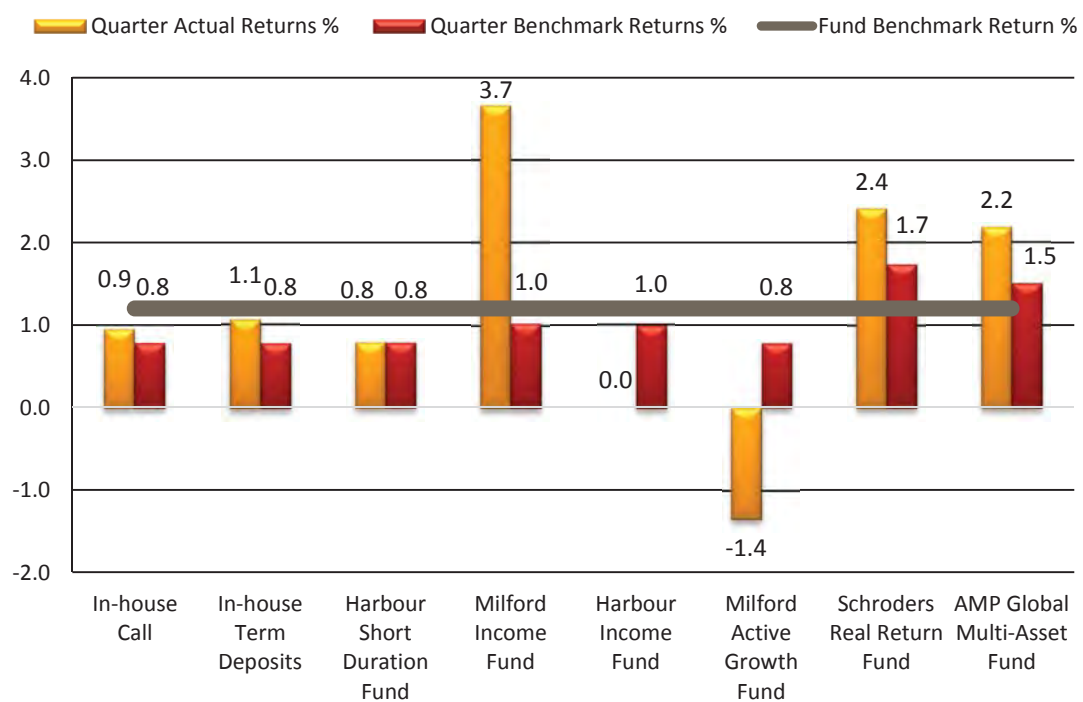
Overall

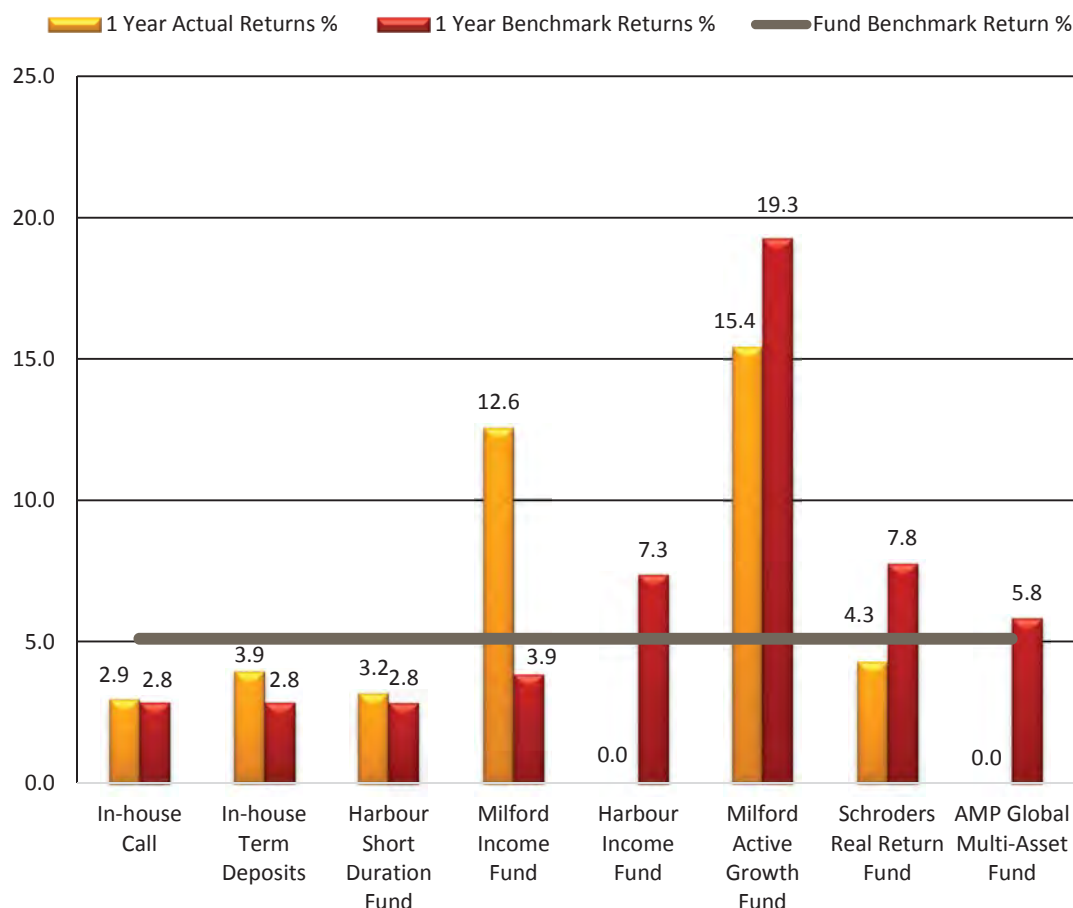
The Fund outperformed the benchmark by 0.1% with a return of 1.3% for the quarter to 30 June. The benchmark was calculated from the June 2014 annual CPI results for New Zealand. The CPI figures for June showed an annualized increase in inflation of 1.1% over a rolling three year period. This gives a quarter benchmark of 1.2% for the overall Fund after adding 4% per annum.

Over the year the Fund returned 8.3% which outperformed the benchmark by 3.2%, and since inception (or 18 months) it returned 8.5% annualised which was an outperformance of 4.0%.

The table below shows the individual market values and asset returns for the quarter, one year and 18 month periods.

Asset	Market Value NZ\$	Quarter %	1 Year %	18 Months (p.a.) %
Cash				
In-house Call	1,846	0.9	2.9	2.8
Benchmark (90 Day Bank Bill)		0.8	2.8	2.8
Over / Underperformance		0.1	0.1	
In-house Term Deposits	552,235	1.1	3.9	4.1
Benchmark (90 Day Bank Bill)		0.8	2.8	2.8
Over / Underperformance		0.3	1.1	
Harbour Short Duration Fund	561,669	0.8	3.2	n/a
Benchmark (90 Day Bank Bill)		0.8	2.8	2.8
Over / Underperformance		0.0	0.4	
NZ Fixed Interest				
Milford Income Fund	2,272,806	3.7	12.6	n/a
Benchmark (90 Day Bank Bill plus 1% p.a.)		1.0	3.9	3.8
Over / Underperformance		2.7	8.7	
Harbour Income Fund	1,765,882	n/a	n/a	n/a
Benchmark (70% Corp A + 30% NZX50)		1.0	7.3	7.2
Over / Underperformance				
Australasian Equities				
Milford Active Growth Fund	2,515,752	-1.4	15.4	16.4
Benchmark (NZX50 + 3% p.a.)		0.8	19.3	20.4
Over / Underperformance		-2.2	-3.9	
Global Equities				
Schroders Real Return Fund	2,398,907	2.4	4.3	9.9
Benchmark (Aus CPI trimmed mean + 5% p.a.)		1.7	7.8	7.6
Over / Underperformance		0.7	-3.5	
AMP Global Multi-Asset Fund	516,224	2.2	n/a	n/a
Benchmark (NZ CPI + 5% p.a.)		1.5	5.8	5.6
Over / Underperformance		0.7		





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 0.1% for the quarter and 0.6% for the year, returning 0.9% and 3.4% respectively. For the 18 month period it outperformed the benchmark by 1.0% with an annualised return of 3.8%. In house term deposit returns were the main driver of this outperformance.

NZ Fixed Interest

This asset class comprises Milford's Income Fund and a new investment made over the quarter in Harbour's Income Fund. The returns for the quarter relate solely to the performance of Milford's Income Fund however the one year and 18 month returns include the performance of (the now sold) NZ bonds also. The investment with Harbour was made during the quarter so we do not have any performance returns for this investment.

This asset class returned 3.8% for the quarter to 30 June which outperformed the benchmark by 3.1%. For the year the return was 12.1%, outperforming the benchmark by 9.0% and for the 18 month period it returned 9.7% p.a., outperforming the benchmark by 6.6%.

Australasian Equities

Milford's Active Growth Fund underperformed the benchmark over the quarter by 2.2% with a return of -1.4%. In the last three months this Fund has had two negative monthly returns and one flat return. We don't expect this trend to continue.

It underperformed the one year benchmark of NZX50 + 3% p.a. by 3.9%, returning 15.4%. The 18 month return was 16.4% per annum which was 4.0% below the benchmark return. These are still very good results.

Global Equities

The global equities asset class consists of Schroders Real Return Fund and AMP's Global Multi-Asset Fund. The one year and 18 month 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 2.4%, outperforming the weighted average benchmark by 0.7%. This outperformance was due to Schroders and AMP posting positive returns and the NZD depreciating against the AUD which improved the returns by nearly 1.6%.

The return for the year was 5.0% which was 2.7% below the benchmark return. Schroders underperformed their one year benchmark by 3.5% with a return of 4.3% over this period. These underperformances can be attributed to the strong kiwi dollar which has appreciated 10.0% 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	2.4	1.7	-2.1	4.3	7.8	-3.5
AUD Return	1.5	1.7	-0.3	8.4	7.8	0.6

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 – JUNE 2014

Strong job growth in the US economy (a further 288,000 jobs in June, following 224,000 in May) and a fall in the unemployment rate to 6.1% was ahead of general expectations and has increased confidence that the US recovery is underway.

Other indicators such as the Institute for Supply Management's non-manufacturing index reading of 56 in June, and 56.3 in May also seem to be confirming this trend. As a consequence US stock markets rose sharply to record highs in early July with the Dow Jones exceeding 17,000 for the first time, although US Treasury bill rates fell.

This optimism was in strong contrast to the US Commerce Department's announcement earlier in June that GDP fell by 2.9% on an annualised basis in the March-quarter which at the time drew some mildly pessimistic reactions. At the time this result was attributed to the effects of a particularly harsh winter, lower business inventories, and lower consumer spending – especially on health care. Building activity was hit in particular by the cold winter.

Recent comments by Janet Yellen, the chairman of the Federal Reserve, has suggested that she would prefer the financial system to be resilient enough to ride out any ups and downs which might come from market overheating, rather than using monetary tightening to slow things down. In further comments she has also been fairly relaxed about possibly rising inflation, disinclined to take any action at this stage.

This is in contrast to the Basle based Bank for International Settlements which favours monetary tightening as the primary means of dampening speculative excesses. It considers that globally asset bubbles are reaching the point where they could become unmanageable. The BIS further considers concerns about deflation to be exaggerated and no excuse for inaction.

This intellectual battle now looks to have reached a new level with the announcement by Swedish central bank, the Riksbank that it has cut its repo rate by 50 basis points to 0.25pc in somewhat controversial circumstances.

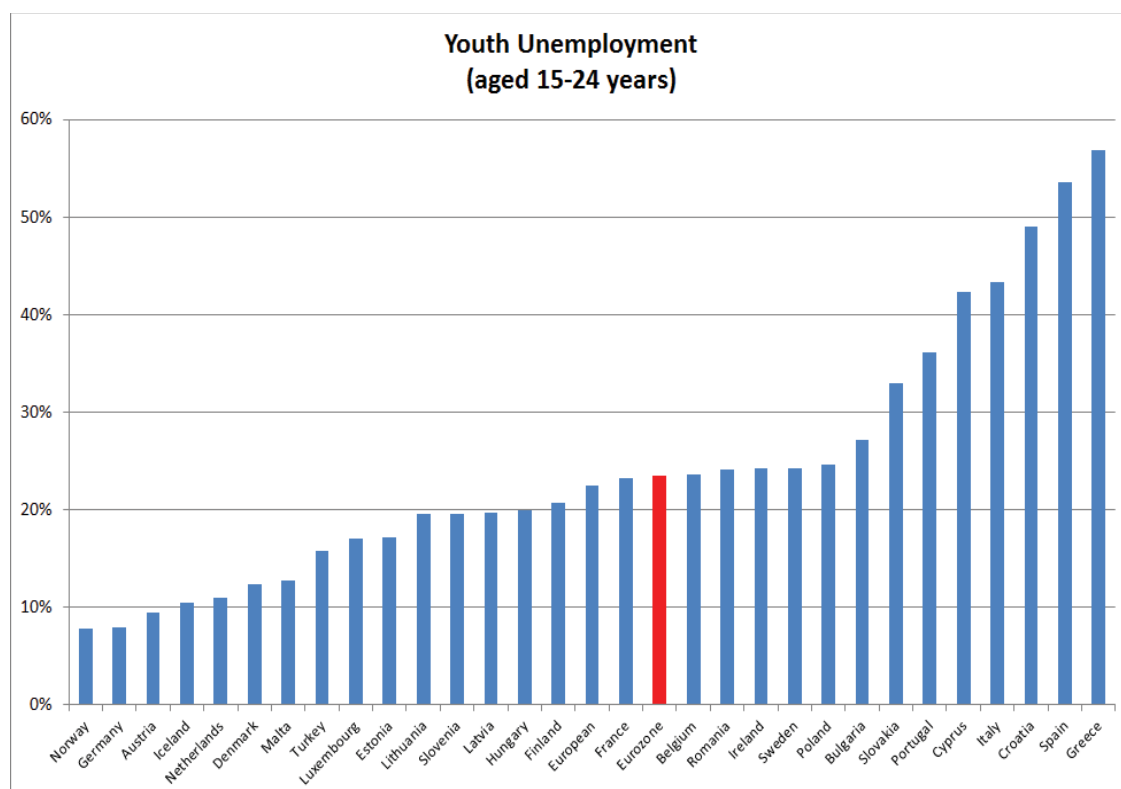
Sweden is in the unusual position of being the first country in northern Europe to have experienced deflation, even as the Swedish economy continues to grow briskly and Stockholm house prices rose by 7% in the last year. Although Inflation is now 0.1% it does not provide any buffer in the event of any shock. At the same time debt levels have been rising, with the ratio of household debt to disposable income having reached 175%. Warnings have been issued by the IMF.

This has been a source of considerable concern and has caused a split between the Riksbank Governor and his chief deputy on one hand and the executive board on the other. The repo rate cut was the result of an effective mutiny by the executive board, led by a former deputy governor who resigned last year after the bank raised its rates.

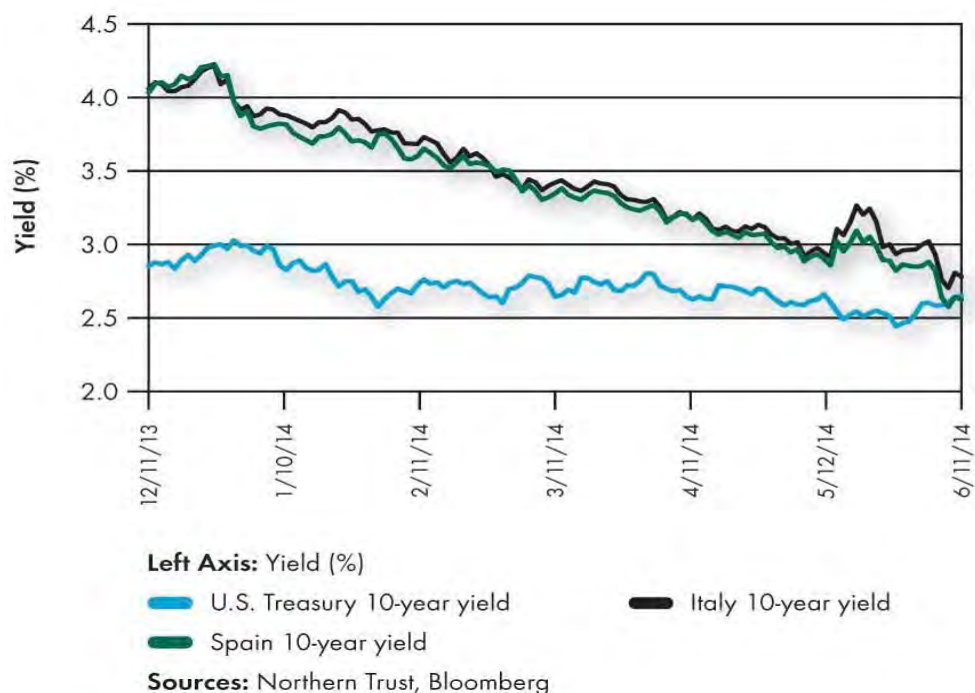
Meanwhile European inflation remains low in spite of the ECB's recent attempts to drive the value of the Euro down, and to counter the possibility of deflation. Within the Eurozone inflation was still only 0.5% in June, marking the ninth consecutive month that it has been below target.

The latest European Parliament elections have been interesting to say the least with the far right (such as France's Front National, led by Marine Le Pen) getting substantially more seats. Of interest too is the success of Italian Matteo Renzi and his Democratic Party which gained 40.8% of votes (the best-ever result for the Italian left and best by a single party since 1958). This has given him a strong hand to challenge Berlin-backed austerity policies, as Italy takes on the EU's six-month presidency on 1 July.

One issue that affects Europe is the level of youth unemployment. There is a real risk of there being a "lost generation". The following graph shows the level of unemployment for workers 15-24 years old in Europe.



So Europe is having problems? Not if the bond markets are to be believed. The following shows a remarkable convergence of interest rates:



The last time yields in the periphery countries converged like this it all ended in tears. Will we see the same again?

Mr Abe's attempts to reflate the Japanese economy have taken on a new phase as the Japanese government prepares to openly direct large sums into Japanese shares. The Government Pension Investment Fund is to invest around USD100 billion into shares. The Bank of Japan has been instructed to purchase the Nikkei and Topix indexes directly with printed money. This is another experiment which will be watched with interest by central bankers all over the world.

Energy issues have been a common theme internationally over the last month or so due to political upheavals amongst energy producers and pushback against green initiatives by fossil fuels users.

While the Ukraine situation has raised concerns of interruptions of Europe's Russian sourced gas supplies (and Ukraine has to face big price hikes for its gas), the unfolding insurgency in Iraq could yet severely impact on Iraqi and other Middle Eastern supplies of crude oil. The United States and Canada meanwhile have increased their own domestic supplies of well-priced shale oil and gas, however these have come under increasing fire for their environmental impact. Shale oil production is a messy process which pollutes water and produces greenhouse gases, while the substitution of gas for coal fired power plants is not necessarily an environmental no-brainer since the gas extraction itself can produce previously unrecognised greenhouse gases.

The mounting use of cheap shale gas by the US has also caused chagrin in Europe where higher energy costs are starting to make European manufacturing uncompetitive against the US. This has led to calls to relax the EU decreed push towards renewables and to allow fracking in the UK, Italy and Poland, although there is still considerable environmental opposition.

In our view markets are delicately balanced with downside risks potentially much more severe than the upside. That is because interest rates are at record lows (except for New Zealand) and stock markets at record highs.

Whilst the level of quantitative easing is reducing in the US it is being maintained in Europe and Japan. However at some stage later this year or next interest rates are likely to start rising in Australia and the US. Inflation is low in Europe but increasing elsewhere.

Geo-political risks are also high with a Shia/Sunni civil war in Iraq and Syria and ongoing skirmishes in the Eastern Ukraine. The disputed islands (oil resources) in the East and South China Seas could also escalate especially with Japan talking tough.

We consider it likely equity markets will fall by at least 10% to 15% at some stage in the next 12 to 18 months.

We also expect the Reserve Bank to continue to raise the OCR to between 4.5% and 5% over the next 18 months.

Australia and New Zealand stock markets have flattened out but remain frothy. The Australian economy is performing better than expected thanks to China remaining stable. This is despite the Governor of the RBA trying to talk down the Australian dollar.

We end this commentary with an observation from our guest commentator Grant Hassell of AMP Capital after noting the VIX index (market risk appetite) is at 10.32 its lowest level since the GFC began!

“Fascinating time in markets. In many ways it feels like we are back to pre-GFC, with lots of credit and risk assets valued expensively. The two big differences this time are that credit is supply side, not demand side driven and there is now little protection if we have another crisis. The 10 year US Treasury yield reaching 3% again feels a long way off.”

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

8 August 2014

Mr Simon Crabb
Finance Manager
Northland Regional Council
Private Bag 9021
Whangarei Mail Centre
WHANGAREI 0148

Dear Simon

Community Investment Fund

Further to our investment report as at 30 June 2014 and our teleconference with management yesterday we make the following recommendations to Council for their consideration.

BACKGROUND

Since our report equity markets continued to rise through July but began to correct late last week. We have been expecting a 10%-15% downturn in share markets globally due to most stock markets being at record highs because interest rates are at record lows. The market was becoming jittery about when the Federal Reserve was to begin increasing interest rates. Geo-political events in Ukraine, Gaza, Iraq and the South China Sea are also weighing on investor sentiment.

The New Zealand Reserve Bank has raised the cash rate 1% to 3.5% this year before pausing. However we expect further rises late this year.

MARKET CONDITIONS

The tightening by the Reserve Bank has stabilised investment conditions towards normal although the long end of the yield curve has flattened. However the global economy looks volatile. We believe it prudent to reduce the CIF's exposure to growth assets marginally. Cash rates are still relatively low and likely to increase further over the next three to twelve months.

RECOMMENDATIONS

We therefore recommend down weighting growth assets from 50% of the portfolio back to 45%. Because the global equity exposure is already defensively positioned we recommend reducing the allocation to Australasian equities.

We also recommend reducing the exposure to cash.

The funds released should be reinvested in a defensive multi-asset income fund. We recommend the Mint Diversified Income Fund for this purpose to diversify manager risk away from Harbour and Milford.

This will require the following changes to the asset allocation in the SIPO:

Asset Classes	Actual Allocation	Current Target Allocation	Recommended Target Allocation	New Allocation
Cash	10.5	5 < 10 < 50	0 < 5 < 50	3.0
NZ Fixed Interest	38.1	20 < 40 < 60	30 < 50 < 70	50.4
Income Assets	48.7	30 < 50 < 70	30 < 55 < 75	53.4
Australasian Equities	23.8	15 < 25 < 35	10 < 20 < 30	19.0
Global Equities	27.6	15 < 25 < 35	15 < 25 < 35	27.6
Growth Assets	51.3	30 < 50 < 70	25 < 45 < 65	46.6
Total Assets	100.0			100.0

The specific transactions to action these recommendations are:

Withdraw \$500,000 from the Milford Active Growth Fund
Take the \$552,235 in matured term deposits from cash
Take \$250,000 from the Harbour Short Duration Fund.

Invest these proceeds less any funds required to be redeemed by Council in the Mint Income Fund.

We look forward to discussing this with Council on 19 August.

Yours sincerely



Jonathan Eriksen
Eriksen & Associates Ltd

cc: Lisa Aubrey
Kym Ace

**ISSUE: Investment Schedule and Performance –
Financial Report to 30 June 2014**

ID: A666764

To: Audit and Risk Committee Meeting, 19 August 2014

From: Kym Ace, Financial Systems Administrator

Date: 8 August 2014

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

Executive summary:

The purpose of this report is to provide a summary of council's investment performance for the year to date, twelve month period ending 30 June 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.

Legal compliance and significance assessment:

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 30 June 2014" from the Financial Systems Administrator, Kym Ace, dated 8 August 2014, be received.
-

Report:

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 3.7**).

Credit rating of investment counterparties

At 30 June 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 30 June 2014	Current Investment face value
0 to 1 year	40% of NFIP	100% of NFIP	61.8%	\$14,000,000
1 to 3 years	0% of NFIP	60% of NFIP	2.3%	\$521,347
3 to 5 years	0% of NFIP	40% of NFIP	35.3%	\$8,000,000
5 to 10 years*	0% of NFIP	20% of NFIP	0.5%	\$120,000
				\$22,641,347

Council's investment complies with the investment policy. The above investment of \$22,641,347 is based on face value and excludes working capital. The current market value of these investments is \$22,710,469.

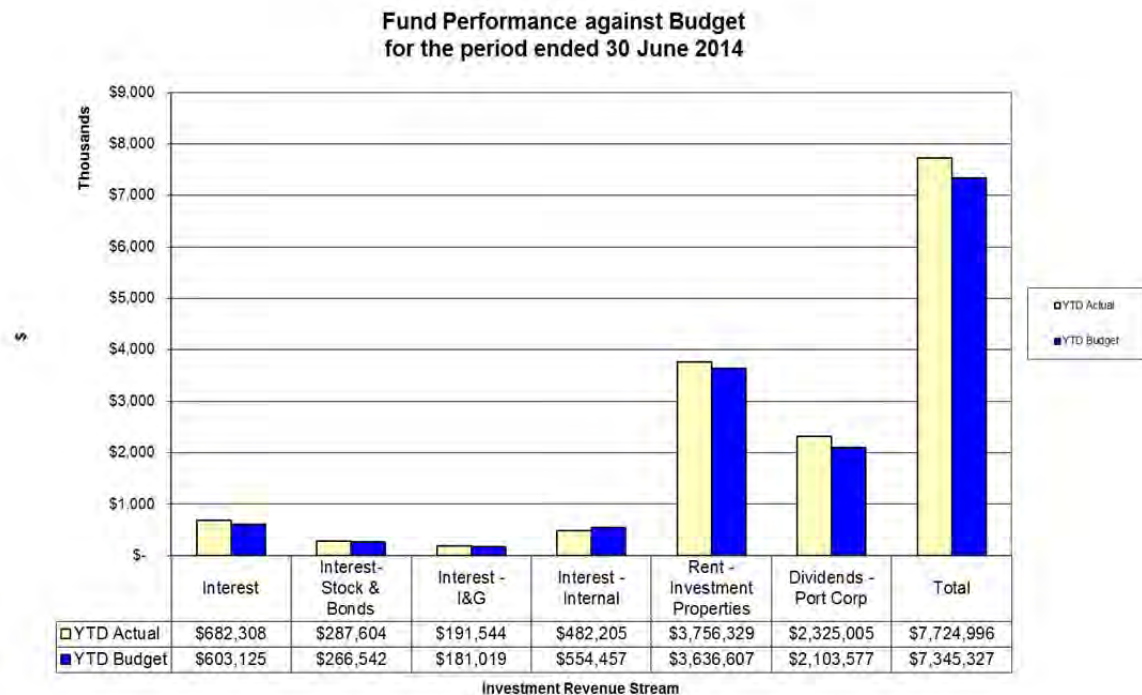
Financial year performance

Year to date council's total investment portfolio (excluding the Community Investment Fund which is covered separately) has made a return of \$7,724,996 against a budgeted return of \$7,345,327. This favourable variance is predominantly due to \$221K dividend income variance, \$119K 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 4.15% and 4.3% and medium (4-5 years) deposits between 6.09% and 6.31%.

This analysis demonstrates that collectively and by investment class the portfolio is performing better than budget.

In the March quarter reporting, the Chief Executive expressed concern that overall the portfolio is not performing to its full potential due to the restrictive (conservative risk) of the Treasury Management Risk Policy, 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.

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



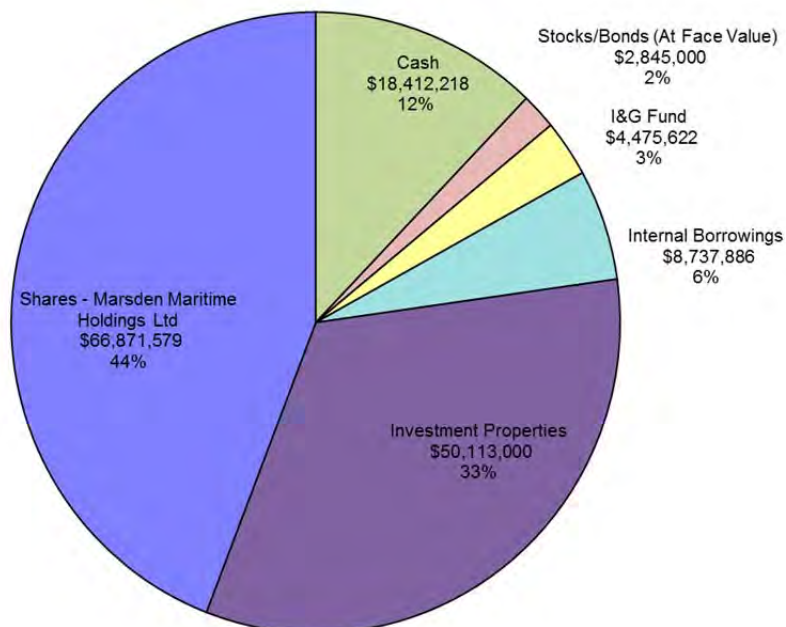
The rate of return by investment revenue stream is shown on the table below, together with the actual Weighted Average Rate of Return (WARR) compared with budgeted weighted average rate of return for the cash and stocks and bonds investments.

Return on Investment to 30 June 2014					
Investment Class	YTD Actual	YTD Budget	YTD Revenue	Actual WARR	Budgeted WARR
Cash	3.78%	3.92%	\$682,308	2.06%	1.82%
Stocks/bonds	8.10%	6.54%	\$287,604	0.87%	0.80%
I&G Fund	5.41%	5.15%	\$191,544	0.58%	0.55%
Internal borrowings	5.98%	5.47%	\$482,205	1.45%	1.67%
Total cash investments			\$1,643,661	4.95%	4.85%
Shares - Port Corp	3.59%	3.44%	\$2,325,005		
Investment properties	7.75%	7.53%	\$3,756,329		
Total investment revenue – excluding CIF income			\$7,724,996		

Portfolio of total funds

The total value of the investment portfolio as at 30 June 2014 is \$151,455,305 and is comprised of:

Portfolio of Total Funds



Northland Regional Council holds \$22,142,910 shares in Marsden Maritime Holdings 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 30 June 2014, the market price is \$3.02.

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

Marsden Maritime Holdings Limited share price movement

The table below details the share price movement and dividend yield of the Marsden Maritime Holdings Limited's share price in the 2014 financial year compared to the Ports of Tauranga, South Port NZ Limited and Lyttleton Port Company Limited. This information has been provided for comparative or benchmarking purposes.

Share Price Movement to 30 June 2014							
	Quarter 1 Movement (Jul to Sept 13)	Quarter 2 Movement Oct to Dec 13)	Quarter 3 Movement (Jan to Mar 14)	Quarter 4 Movement (Apr to Jun 14)	Annual Move- ment (Jun 13 to Jun 14)	Share Price Jun 2014	Share Price Jun 2013
Marsden Maritime Holdings Limited	3%	1%	5%	0%	9%	3.02	2.76
Ports of Tauranga	1%	2%	-2%	10%	12%	15.45	13.80
South Port NZ Limited	10%	-9%	5%	6%	11%	3.50	3.15
Lyttelton Port Coy Limited	-12%	-20%	7%	0%	12%	3.20	2.85

Dividend Yield						
	Dividend per share 2013	Dividend Yield Jun 2013	Share Price Jun 2013	Dividend per share 2014	Dividend Yield Jun 2014	Share Price Jun 2014
Marsden Maritime Holdings Limited	0.100	3.62%	2.76	0.105	3.48%	3.02
Ports of Tauranga	0.460	3.33%	13.80	0.470	3.04%	15.45
South Port NZ Limited	0.220	6.98%	3.15	0.215	6.14%	3.50
Lyttelton Port Coy Limited	0.000	0.00%	2.85	0.020	0.63%	3.20

¹ Lyttelton Port Coy Limited dividends were suspended until insurance settlement from earthquakes was known. There was no dividends in 2013.

ISSUE: Proposed Amendment to the Treasury Risk Management Policy (Investment Policy)

ID: A665627

To: Audit and Risk Committee Meeting, 19 August 2014

From: Simon Crabb, Finance Manager

Date: 1 August 2014

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 checked="" type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

Executive summary:

The purpose of this report is to seek council approval to amend the Treasury Risk Management Policy to allow general funds to be invested in externally managed funds on a case by case basis. It concludes with the recommendation that council approve the proposed changes and these changes become effective immediately.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's 2012-2022 Long Term Plan and amendments may be made by council resolution. In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because the proposed amendments to the Treasury Management Policy are minor in nature.

Recommendations:

1. That the report "Proposed Amendment to the Treasury Risk Management Policy (Investment Policy)" by Simon Crabb, Finance Manager, dated 1 August 2014, be received.
2. That the proposed change to section 5.2: of the Treasury Risk Management Policy and the proposed introduction of a new sub-section 5.2.5 into the Treasury Risk Management Policy, as detailed in the report, be approved.

Report:

As a result of the sale of an investment property and the desire to achieve a return on the sale proceeds that would match (or exceed) the lost rental income, council's Treasury Advisor, PricewaterhouseCoopers ("PwC") was asked to review council's Treasury Management Policy with a view of introducing the possibility of investing councils general funds into externally managed funds.

An externally managed fund is an investment that pools money from many investors with an aim to exceed what an investor could get from a fixed income investment policy as well as provide sufficient income and capital growth to protect its investors from inflation. An externally managed fund is actively managed by an investment manager and invests in such things as corporate bonds and equities.

The Community Investment Fund ("CIF") invests in externally managed funds such as the Milford Income Fund and Milford Active Growth Fund however the CIF is regulated by the CIFs Statement of Investment Policy and Objectives ("CIF-SIPO"), which permits such investments. Council's general funds, on the other hand are regulated by the Treasury Risk Management Policy which currently prohibits investments in non-senior ranking securities such as equities and restricts investment in bonds to specific minimum credit ratings and to senior debt. The reason for this is to manage counterparty credit risk within acceptable levels (risk arising from a counterparty defaulting on a financial instrument where the council is a party).

The CIF has produced a return of 8.3% for the year to June 2014, however this level of return is based on a significantly different risk profile than that currently undertaken by council within the management of its existing fixed income portfolio. It will be difficult to replace lost rental income returns of 6.85% or greater, unless decisions are made around adjusting councils risk profile and risk appetite.

However it is prudent to remind councilors that the past performance of a fund is not an indication of future performance. Furthermore higher returns from investment funds are often directly linked to higher risk and higher return volatility factors that need to be considered on a case by case basis. Accordingly, any decision to place funds into externally managed funds should be thoroughly interrogated and approved by Council resolution based on an informed framework. When investing in externally managed funds, Council must consider the diversity of the risk: return, return volatility, and liquidity that a managed fund will introduce and understand these factors in the context of the general investment provisions under section 5.1 of the Treasury Risk Management Policy (refer **Attachment One**).

Recommended Change

With the above observations and cautions in mind in order to accommodate Councils desire to explore investments into externally managed funds with the objective of gaining higher returns on its general funds, the following amendments to the Treasury Risk Management policy should be made.

The proposed amendments to the Treasury Risk Management Policy are presented in red underlined font below:

Section 5.2.5 Investment Mix

The council maintains investments in the following assets from time to time:

- Equity investments, including investment held in CCO/ CCTO and other shareholdings.
- Property investments incorporating land, buildings, a portfolio of ground leases and land held for development.
- Financial investments incorporating longer term and liquidity investments.
- Externally Managed Funds.
- Other.

Section 5.2.2 Externally Managed Funds

On a case by case basis, Council may consider investing long term investment funds in externally managed funds. Council recognises that such funds may be comprised of ultimate investments in listed shares in New Zealand and foreign stock exchanges, varying degrees of risk in terms of fixed interest securities in New Zealand and foreign jurisdictions, cash, listed property shares and private equity.

Any decision to invest in externally managed funds should be supported by a business case and should consider risk/ return, return volatility and liquidity and be approved by Council resolution.

A risk assessment is to undertaken on each investment proposed, including counter party credit risk (risk of default) and the potential implications on council's equity and income.

5.0 INVESTMENT POLICY AND LIMITS

5.1 General policy

The council is currently a net investor of funds and should apply surplus funds to any debt repayment and internally borrow from special reserve funds in the first instance to meet future capital expenditure requirements, unless there is a compelling reason for establishing external debt. Investments are maintained to meet specified business reasons, such as:

1. For strategic purposes consistent with the council's Long Term Plan;
2. To provide income to be used to promote economic and social wellbeing in Northland;
3. To reduce the ratepayer burden;
4. The retention of vested land;
5. Holding short term investments for working capital requirements;
6. Holding investments that are necessary to carry out council operations consistent with Annual Plans.

The council recognises that as a responsible public authority all investments held, should be low risk. Council also recognises that lower investments risk generally means lower returns.

Where investments are undertaken where a key driver is to promote economic wellbeing, council may accept a higher risk or lower return. Such investments will be made by resolution of council or in accordance with proposals approved in Annual Plans or other special consultative procedures.

In its financial investment activity, the council's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

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

ID: A656755

To: Audit and Risk Committee Meeting, 19 August 2014

From: Trish Wells, Accounts Receivable Officer

Date: 1 August 2014

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

Executive 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.

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

Report:

The credit notes presented in the following table (Table One) 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.

Further credit notes for approving council staff time spent on Northland Inc. Limited activities will be provided to council for approval at the end of each quarter (September, December, March, June).

Table One

Credit Amount excl. GST	Original Amount excl. GST	<i>Reason</i>
\$0.00	\$0.00	No staff time or work undertaken on behalf of Northland Inc. Limited during April 2014.
\$0.00	\$0.00	No staff time or work undertaken on behalf of Northland Inc. Limited during May 2014.
\$116.67	\$116.67	NRC staff time and work undertaken on behalf of Northland Inc. Limited during June 2014. (Economist)
\$116.67	\$116.67	TOTAL

ISSUE: Draft Financial Report to 30 June 2014

ID: A667701

To: Audit and Risk Committee Meeting, 19 August 2014

From: Angela Hobden, Financial Accountant

Date: 7 August 2014

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

Executive summary:

- The purpose of this report is to present the **draft financial reports for the year ending 30 June 2014** for councillors' information. The results are draft. There will be further adjustments and amendments as the year-end reconciliations are reviewed by senior staff and the accounts (including notes) for the draft Annual Report are prepared. There will be amendments arising from the council decision in respect to the Community Investment Fund and Investment and Growth Reserve. The Marsden Point Rail Link year-end adjustments are still to be completed. Audit New Zealand are scheduled to commence their 3 week on-site audit on 25 August 2014.
- For the Draft Statement of Income and Expense refer to **Attachment A**, and refer to **Attachment B** for the Draft Balance Sheet.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's Long Term Plan 2012-2022 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:

- That the "Draft Financial Report to 30 June 2014" with accompanying attachments by Angela Hobden, Financial Accountant, dated 7 August 2014, be received.

Report:

Financial results

Councils Draft Net Surplus after Transfers to Special Reserves is \$2.86M compared to a budgeted surplus of \$310K, resulting in an overall favourable (better than budget) variance of \$2.55M.

This favourable variance is heavily influenced by the non-cash gains on investment properties of \$1.7M, owner occupied land \$313K and a vested asset received in 2013-2014 of \$337K. **The surplus after excluding these three large non-cash items is \$506K. \$506K compared to the annual original budget of \$310K produces a draft favourable variance for the year of \$195K.**

The transfers to the Special Reserves are \$257K greater than budget (more funds transferred into the reserves) however the budgeted \$596K transfer of funds out of the Forestry Income Equalisation Reserve has not been required at this stage as there is sufficient surplus available to avoid diminishing this reserve. Further detail on the Special Reserves is provided in agenda item 3.12.

The draft Annual Report will be provided to council in September. This report will provide detailed funding impact statements by activity group and full detailed explanations of all material variances.

The main variances to the original budget are explained below:

Revenue

- **Rates** has a favourable variance (better than budget) of **\$854K or 5%** as a result of unbudgeted penalties and additional rates struck in the Whangarei and Far North districts. Although unbudgeted penalties of \$713K have been recognised as income, council only actually received \$164K, and therefore an offsetting expense of \$549K is included in the Provision for Doubtful Debts expense.
- **Fees and Charges** has an unfavourable variance (less than budget) of **(\$139K or (3%))** which is predominantly due to a decrease in the number of consent applications received throughout the year (\$390K), partly offset by an increase in billings for mooring transfers \$50K, additional income for Enviroschools projects \$54K and the recovery of costs relating to the Queensland Fruit Fly response \$112K.
- **Subsidies and Grants** has a favourable balance (better than budget) of **\$650K or 67%**. The main contributors to this variance is the revenues received from the Ministry of Education \$143K and Internal Affairs \$243K for the Kaeo flood works and a contribution of \$180K from Internal Affairs for the Kaeo vulnerable homes. This revenue is offset by the equivalent in increased expenditure.
- **Finance Income** has a favourable variance (better than budget) of **\$176K or 6%**. Finance Income consists of interest income derived from council's general funds, Community Investment Fund, and internal loans raised against the Recreational Facilities Reserve and River Scheme Reserves. A detailed breakdown of the returns from each of these revenue streams can be found in agenda items 3.7 and 3.8.
- **Other Revenue** has a favourable variance (better than budget) of **\$680K or 12%**. Other revenue consists of commercial rental income which was greater than

budget by \$60K, unbudgeted rental received from the Kotuku Dam properties of \$74K (which is transferred to the Whangarei Urban Rivers Reserve) and additional dividend income received from Marsden Maritime Holdings Limited (formerly Northland Port Corporation) which was \$221K greater than budgeted. \$214K of this additional dividend has been carried forward into the 2014-2015 financial year. Also included in other revenue is \$337K of vested income (non-cash) which represents the value of the Hannah Street commercial property that was awarded to council by the Court.

- **Other gains** has a favourable variance (better than budget) of **\$2.02M** which is due to the recognition of the non-cash increase in value of the commercial property portfolio \$1.5M, increase in owner occupied buildings \$313K and the Marsden Point Rail Link properties \$225K.

Expense

- **Personnel Costs** has a favourable variance (better than budget) of **\$232K** or **2%** due to vacancies arising across the organisation throughout the year.
- **Finance Costs** has a favourable variance (better than budget) of **\$166K** or **18%**. This is predominantly due to the finance expense relating to Marsden Point Rail Link (MPRL) Joint Venture (budgeted at \$93K) not being recognised in the Draft Accounts as the MPRL accounts had not been finalised at the time of preparing this agenda item.
- **Other expenditure on activities** has an unfavourable variance (expenditure exceeding budget) of **(\$1.8M)** or **(12%)**. The predominant drivers of this variance are:
 - The provision for doubtful debt including exceeding budget by (\$724K) (\$236K) for unbudgeted bad debts rate write offs (refer agenda 3.3);
 - The additional payments made to Northland Inc. Limited during the year of (\$228K) (funded by a transfer from the I&G Reserve);
 - The unbudgeted Kaeo vulnerable homes payment of (\$180K) (funded by unbudgeted Internal Affairs subsidy income);
 - The unbudgeted increase in Environment Fund projects of (\$367K) for projects associated with the Land and Biodiversity Environment Fund, Kai Iwi Pest Control, Biosecurity related Environment Fund projects (funded by a transfer from the Land Management Reserve);
 - The unbudgeted contribution made towards the Rust Avenue Bridge (\$294K) and the unbudgeted legal fees and consultancy fees of (\$217K) associated with relocating services as part of the Kotuku Dam project (both funded by a transfer from the Whangarei Urban Rivers Reserve).

Capital Expenditure

Total capital expenditure for the year was \$4.729M which is \$1.529M less than the \$6.259M revised annual budget. The breakdown of capital expenditure by activity is presented in the table below:

ACTIVITY	2013-14 Full Year		
	Actual	Budget	Variance
Monitoring	111,739.50	118,669.00	6,929.50
Biosecurity	43,569.56	55,000.00	11,430.44
Emergency Management	999.64	1,250.00	250.36
Land and Biodiversity	5,360.50	29,511.50	24,151.00
Harbour Safety and Navigation	93,432.05	242,451.00	149,018.95
Oil Pollution Response	2,050.40	5,000.00	2,949.60
River Management	3,310,701.06	4,281,976.00	971,274.94
Commercial Investments	85,278.20	222,501.00	137,222.80
Information Systems	462,456.92	717,772.00	255,315.08
Community Representation and Engagement	16,692.11	18,927.00	2,234.89
Support	596,929.49	565,991.00	-30,938.49
GRAND TOTAL FOR COUNCIL	4,729,209	6,259,049	1,529,839

The variances are predominately due to the delay in acquisition of the properties for the Kotuku Street dam project, delays with the LYNC IT project, and the purchase of a rail corridor strip crossing for which the agreement for sale and purchase is with the solicitors but not yet finalised.

We are working on improving our capital expenditure reporting template to council in the forthcoming year.

DRAFT Statement of Comprehensive Revenue and Expense
for the year ended 30 June 2014

	DRAFT Council 30-Jun-14	Annual Plan 30-Jun-14	Variance	
	\$	\$	\$	%
Revenue				
Rates	18,366,031	17,512,172	853,859	5%
Fees and charges	4,204,036	4,343,313	(139,277)	-3%
Subsidies and grants	1,621,219	971,190	650,028	67%
Finance Income	3,048,098	2,871,461	176,637	6%
Other revenue	6,432,553	5,752,185	680,368	12%
Other gains	2,201,144	178,133	2,023,011	1136%
TOTAL REVENUE	35,873,081	31,628,455	4,244,626	13%
EXPENSE				
Personnel Costs	10,675,845	10,907,433	231,588	2%
Depreciation and amortisation expense	1,182,509	1,131,791	(50,718)	-4%
Finance costs	779,617	945,711	166,094	18%
Other expenditure on activities	17,214,904	15,432,236	(1,782,668)	-12%
TOTAL EXPENSE	29,852,875	28,417,171	(1,435,704)	-5%
NET SURPLUS / (DEFICIT) FOR THE YEAR BEFORE TRANSFERS FROM/(TO) SPECIAL RESERVES	6,020,206	3,211,284	2,808,922	18%
TRANSFERS FROM/(TO) SPECIAL RESERVES				
Transfers from/(to) Land Management Reserve	367,128	-	367,128	-
Transfers from/(to) Awanui River Reserve	67,757	101,550	(33,793)	-33%
Transfers from/(to) Kaihu River Reserve	(5,443)	2,295	(7,738)	-337%
Transfers from/(to) Kaeo River Reserve	(485,706)	(47,178)	(438,528)	930%
Transfers from/(to) Whangarei Urban Rivers Reserve	(27,554)	(432,169)	404,615	-94%
Transfers from/(to) Waipapa/Kerikeri River Reserve	(41,947)	(25,084)	(16,863)	67%
Transfers from/(to) Priority Rivers Reserve	(20,553)	(20,553)	-	-
Transfers from/(to) Infrastructure Facilities Reserve	(284,695)	(132,895)	(151,800)	114%
Transfers from/(to) Recreational Facilities Reserve	(814,789)	(829,321)	14,532	-2%
Transfers from/(to) Forestry Income Equalisation Reserve	-	596,848	(596,848)	-100%
Transfers from/(to) Hatea River Reserve	(1,478)	(48,539)	47,061	-97%
Transfers from/(to) Environment Fund Reserve	3,139	-	3,139	-
Transfers from/(to) Investment and Growth Reserve	(1,569,117)	(1,820,741)	251,624	-14%
Transfers from/(to) Approved Carry Forwards General Funds	(338,156)	-	(338,156)	-
Transfers from/(to) Kaitaia Bus Reserve	(6,769)	-	(6,769)	-
Transfer from/(to) Community Investment Fund Reserve	-	(245,114)	245,114	-100%
TOTAL TRANSFERS FROM/(TO) SPECIAL RESERVES	(3,158,183)	(2,900,901)	(257,282)	9%
NET SURPLUS / (DEFICIT) FOR THE YEAR AFTER TRANSFERS FROM/(TO) SPECIAL RESERVES	2,862,023	310,383	2,551,640	822%

DRAFT Statement of Financial Position

	DRAFT Council As at 30 June 2014 \$	Annual Plan 30-Jun-14 \$	Council 30-Jun-13 \$
EQUITY			
Retained earnings	117,805,007	107,269,799	111,632,283
Other reserves	8,363,473	18,143,888	9,784,049
Total equity attributable to Northland Regional Council	126,168,480	125,413,687	121,416,333
Non-controlling interest in subsidiary companies			
TOTAL EQUITY	126,168,480	125,413,687	121,416,333
ASSETS			
Current assets			
Cash and cash equivalents	5,124,001	7,000,725	15,889,952
Trade and other receivables	3,979,527	4,893,100	4,896,707
Inventories	3,143,624	3,165,500	3,127,987
Other Investments	11,281,864	11,190,362	9,222,258
Total current assets	23,529,016	26,249,687	33,136,903
Non-Current Assets			
Other receivables	5,756,863	5,256,299	5,395,453
Investment property	50,381,001	47,674,256	48,296,001
Investments in subsidiaries and associates	8,581,513	7,840,467	8,581,513
Other investments	18,762,290	14,247,205	9,859,589
Property, plant and equipment	22,687,828	27,226,723	20,186,617
Intangible assets	953,573	1,443,845	1,110,168
Biological assets	1,933,000	1,798,149	1,731,775
Capital projects in progress	56,843	-	56,420
Total non-current assets	109,112,911	105,486,945	95,217,537
Total Assets	132,641,927	131,736,632	128,354,440
LIABILITIES			
Current liabilities			
Bank Overdraft	-	-	-
Trade and other payables	5,169,808	4,617,350	5,114,869
Employee benefit liabilities	1,283,080	1,656,126	1,787,191
Total current liabilities	6,452,888	6,273,475	6,902,059
Non-Current Liabilities			
Employee benefit liabilities	20,559	49,470	36,048
Total non-current liabilities	20,559	49,470	36,048
Total Liabilities	6,473,447	6,322,945	6,938,107
NET ASSETS	126,168,480	125,413,687	121,416,333

ISSUE: Special Reserves at 30 June 2014

ID: A667014

To: Audit and Risk Committee Meeting, 19 August 2014

From: Steve Goddard, Management Accountant

Date: 8 August 2014

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

Executive summary:

The purpose of this report is to update councillors on the special reserves held by council, the purpose of each reserve, and the balance held in each special reserve as at the end of the 2013-2014 financial year.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's 2011-2012 Annual Plan, and as such are in accordance with 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.

Recommendation:

1. That the report "Special Reserves at 30 June 2014" by Steve Goddard, Management Accountant, dated 8 August 2014, be received.

Report:

The equity in council's balance sheet represents the communities' interest in council and is measured by the value of total assets less total liabilities. Equity is classified into a number of general and special reserves to enable a clearer identification of the specified uses for which various funds have been assigned.

A general reserve does not have a specific purpose, whereas a special reserve holds funds that are set aside to cover expenditure on specific projects. In addition special reserves may facilitate the funding of works of an inter-generational nature, capital expenditure in particular, over the most appropriate time period.

The special reserves and their respective balances (surplus/(deficit)) in place at the end of the 2013-2014 financial year are as follows:

Land Management Reserve	\$1,270,911
Awanui River Reserve	(\$181,039)
Kaihu River Reserve	\$56,465
Whangaroa Kaeo Rivers Reserve	(\$135,898)
Whāngārei Urban Rivers Reserve	(\$4,204,525)
Kerikeri-Waipapa Rivers Reserve	\$174,243
Recreational Facilities Reserve	(\$4,216,424)
Investment Fund Reserve	\$8,335,297
Forest Income Equalisation Reserve	\$1,952,776
Hātea River Reserve	\$139,033
Investment and Growth Reserve	\$4,475,622
Kaitaia Bus Service Reserve	\$13,927
Proposed approved Carry Forwards - General Funds	\$736,156
Total Special Reserves	\$8,416,544

A description of the purpose of each reserve, the transfers from and/or to the reserve for the year, and the closing balance of each reserve as at 30 June 2014 is provided below.

Land Management Reserve

The Land Management Reserve was created to allow council to set aside Land Management rates collected and not fully utilised in any given year for the purpose of funding projects in future years. In addition, the Land Management Reserve can be utilised to fund emergency events such as remedial storm expenditure on a case by case basis, thereby reducing the need for borrowing in the event of an emergency.

In the 2013-2014 financial year the Environmental Management Committee and/or council approved the release of \$236,168 for projects associated with the Land and Biodiversity Environment Fund, \$50,000 for Kai Iwi Pest Control, and \$80,960 for Biosecurity related Environment Fund projects.

This produced a closing balance as at 30 June 2014 of \$1,270,911.

Land Management Reserve	Actual	Budget
Opening Balance as at 1 July 2013	1,638,039	1,236,513
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	(367,128)	-
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)		-
Closing Balance as at 30 June 2014	1,270,911	1,236,513

Awanui River Reserve

The Awanui River Reserve was created to hold any targeted Awanui River Management rates collected and unspent in any given year to cover any future funding shortfalls for river works required as part of the Awanui River Flood Management scheme.

There are two types of reserve funds in relation to the Awanui River targeted rates collected, as follows:

- Book Reserves – those reserves reported in the Annual Report and reflect the movement in equity from retained earnings to reserves. Movements in the reserve value are the difference between operating revenue and expenditure and capital expenditure.
- Cash Reserves – reflect the actual cash funds held against each reserve. They differ from book reserves in that they take account of depreciation (a non-cash item).

In the 2013-2014 financial year the Awanui River Management project had an operating deficit of \$67,757. Capital expenditure of \$50,000 was also incurred. The advancement of funds is to be repaid from future surplus arising from the targeted Awanui River Management rate.

This produced a closing book reserve deficit of (\$181,039) as at 30 June 2014.

Awanui River	2013-2014 Actual	2013-2014 Budget
Operational Revenue	411,733	417,902
Operational Expenditure	479,490	519,452
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	(67,757)	(101,550)
Operational Transfer from/(to) the Awanui River Special Reserve	67,757	101,549
	-	-
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	(0)
Capital Expenditure	50,000	52,805
Capital Transfer from/(to) the Land Management Special Reserve	-	-
Capital Transfer from/(to) the Awanui River Special Reserve	50,000	52,805
	-	-

Awanui River Book Reserve	Actual	Budget
Opening Balance as at 1 July 2013	(63,282)	(212,159)
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	(67,757)	(48,749)
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	(50,000)	(52,800)
Closing Balance as at 30 June 2014	(181,039)	(313,708)

There is no depreciation transferred back into the Awanui River Cash Reserve as in prior years due to 2013-2014 being a revaluation year. The closing cash balance of the Awanui River Cash Reserve at 30 June 2014 of \$112,920 overdrawn.

Awanui River Cash Reserve	Actual
Opening Balance as at 1 July 2013	4,837
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	(67,757)
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	(50,000)
Add back depreciation renewal funding for 2013-2014	-
Closing Balance as at 30 June 2014	(112,920)

Kaihu River Reserve

The Kaihu River Reserve was created to hold any targeted Kaihu River Management rates collected and unspent in any given year to cover any future funding shortfalls for river works required as part of the Kaihu River Flood Management scheme.

In the 2013-2014 financial year there was an operating surplus of \$5,443 as detailed in the table below. This surplus was transferred to the Kaihu River Reserve producing a closing reserve balance as at 30 June 2014 of \$56,465.

Kaihu River	2013-2014 Actual	2013-2014 Budget
Operational Revenue	78,515	78,612
Operational Expenditure	73,073	80,906
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	5,443	(2,295)
Operational Transfer from/(to) the Kaihu River Special Reserve	(5,443)	2,295
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Kaihu River Reserve	Actual	Budget
Opening Balance as at 1 July 2013	51,022	10,995
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	5,443	(2,295)
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	-	-
Closing Balance as at 30 June 2013	56,465	8,700

Whangaroa Kaeo Rivers Reserve

The Whangaroa Kaeo Rivers Reserve was created to hold any targeted Whangaroa Kaeo Rivers Management rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the Whangaroa Kaeo Rivers Flood Management scheme.

Council resolved in the 2011-2012 Annual Plan to fund Stage 1 of the Kaeo Flood scheme works which was to be repaid over seven years. Construction of these works was subsequently rescheduled to the 2012-2013 works season, as land use negotiations and resource consent approvals were still in progress and would not be completed in time to enable construction to proceed in the 2011-2012 works season. There have been further delays to this process and the work was again not completed during the 2012-2013 year. Work has been undertaken in 2013-2014. There was an operating surplus of \$485,706 for the year which will be transferred to the reserve. Capital expenditure of \$648,736 has been completed in 2013-2014 and funded from the reserve, producing a closing reserve balance at 30 June 2014 of \$135,898 overdrawn.

Whangaroa Kao Rivers	2013-2014 Actual	2013-2014 Budget
Operational Revenue	524,715	128,580
Operational Expenditure	39,009	81,402
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	485,706	47,178
Operational Transfer from/(to) the Whangaroa Kao Rivers Special Reserve	(485,706)	(47,178)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-
Capital Expenditure	648,736	-
Capital Transfer from/(to) the Whangaroa Kao Rivers Special Reserve	648,736	-
	-	-

Whangaroa Kao Rivers Reserve	Actual	Budget
Opening Balance as at 1 July 2013	27,132	(490,654)
Increase/(Decrease) in Reserve throughout 2013-2014 (operational transfer)	485,706	47,178
Increase/(Decrease) in Reserve throughout 2013-2014 (capital transfer)	(648,736)	-
Closing Balance as at 30 June 2014	(135,898)	(443,476)

Whāngārei Urban Rivers Reserve

The Whāngārei Urban Rivers Reserve was created in the 2011-2012 year to hold any targeted Whāngārei Urban Rivers Management rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the flood risk reduction project for the Whāngārei CBD.

Much of the capital expenditure relates to the purchase of additional properties for the Whāngārei Kotuku Dam.

The operating surplus of \$27,554 has been transferred to the reserve and the capital expenditure of \$2,611,965 has been funded out of the reserve.

Therefore at the end of 30 June 2014 the balance of the Whāngārei Urban Rivers Reserve is a deficit/overdrawn of (\$4,204,525). This has been anticipated and is due to be repaid over 25 years.

Whangarei Urban Rivers	2013-2014 Actual	2013-2014 Budget
Operational Revenue	795,542	719,505
Operational Expenditure	767,988	287,336
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	27,554	432,169
Operational Transfer from/(to) the Whangarei Urban Rivers Special Reserve	(27,554)	(432,169)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-
Capital Expenditure	2,611,965	534,369
Capital Transfer from/(to) the Whangarei Urban Rivers Special Reserve	2,611,965	534,369
	-	-

Whangarei Urban River Reserve	Actual	Budget
Opening Balance as at 1 July 2013	(1,620,114)	(4,557,651)
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	27,554	432,169
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	(2,611,965)	(534,369)
Closing Balance as at 30 June 2014	(4,204,525)	(4,659,851)

Kerikeri–Waipapa Rivers Reserve

The Kerikeri–Waipapa Rivers Reserve is set up to hold any targeted Kerikeri-Waipapa rates collected and unspent in any given year to cover any future funding shortfalls of river works required as part of the flood risk reduction project for the Kerikeri-Waipapa area.

The operating surplus of \$41,947 has been transferred to the reserve. This has produced the closing reserve balance as at 30 June 2014 of \$174,243.

Kerikeri Waipapa Rivers	2013-2014 Actual	2013-2014 Budget
Operational Revenue	194,344	189,240
Operational Expenditure	152,398	164,156
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	41,947	25,084
Operational Transfer from/(to) the Kerikeri Waipapa Rivers Special Reserve	(41,947)	(25,084)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Kerikeri Waipapa Rivers Reserve	Actual	Budget
Opening Balance as at 1 July 2013	132,296	(25,084)
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	41,947	25,084
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	-	-
Closing Balance as at 30 June 2014	174,243	(0)

Priority Rivers Reserve

The Priority Rivers Reserve was created to account for an accelerated or advanced spending on the Priority Rivers project.

As budgeted, \$20,553 has been transferred from the 2013-2014 operating surplus into the reserve to fully repay the reserve. This is funded by Land Management rates.

The balance at 30 June 2014 is zero.

Priority Rivers Reserve	Actual	Budget
Opening Balance as at 1 July 2013	(20,553)	(20,553)
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	20,553	20,553
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	-	-
Closing Balance as at 30 June 2014	-	-

Infrastructure Facilities Reserve

The Infrastructure Facilities Reserve was created to set aside any targeted Infrastructure rates collected and not fully utilised in any given year for the purpose of funding future infrastructure projects.

At the time of writing the Marsden Point Rail Link Joint Venture accounts were not finalised and until such time as the final results are available a closing balance of this reserve will be unknown.

Recreational Facilities Reserve

The Recreational Facilities Reserve was established to set aside any targeted Regional Recreational Facilities rates collected and not fully utilised in any given year for the purpose of funding the Northland Events Centre. Currently this reserve represents the internal borrowing associated with the Northland Events Centre grant of \$13M and the subsequent repayments (from the targeted Regional Recreational Facilities rate) of such borrowing.

During the 2013-2014 year the surplus (after internal interest and rate collection costs) targeted Regional Recreational Facilities rates for 2013-2014 of \$829,391 have been transferred to this reserve resulting in a closing deficit/overdrawn reserve balance as at 30 June 2014 of (\$4,216,424).

Recreational Facilities Reserve	2013-2014 Actual	2013-2014 Budget
Operational Revenue	1,843,392	1,842,008
Operational Expenditure	1,028,603	1,012,687
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	814,789	829,321
Operational Transfer from/(to) the Recreational Facilities Special Reserve	(814,789)	(829,321)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Recreational Facilities Reserve	Actual	Budget
Opening Balance as at 1 July 2013	(5,031,213)	(5,041,512)
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	829,391	829,321
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	(14,602)	-
Closing Balance as at 30 June 2014	(4,216,424)	(4,212,191)

Investment Fund Reserve

The Investment Fund Reserve was created to enable proceeds from investment activities to be set aside for reinvestment at a future date.

There are no transfers from or to the Investment Fund Reserve in the 2013-2014 financial year, thus the balance as at 30 June 2014 remains at \$8,335,297.

Investment Fund Reserve	Actual	Budget
Opening Balance as at 1 July 2013	8,335,297	8,335,297
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	-	-
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	-	-
Closing Balance as at 30 June 2014	8,335,297	8,335,297

Forest Income Equalisation Reserve

The Forest Income Equalisation Reserve was created to set aside 50% of council's forestry net income arising in any harvesting year. This reserve is intended to provide future funding of council's general activities by allowing council to use these funds for any council activity to smooth future rating increases. It is further intended that this fund be used to fund the cost of forestry operating in non-harvesting years.

At the time of writing, the provisional surplus result was such that no transfers were required from or to the Forest Income Equalisation Reserve in the 2013-2014 financial year, thus the balance as at 30 June 2014 remains at \$1,952,776.

Forest Income Equalisation fund Reserve	Actual	Budget
Opening Balance as at 1 July 2013	1,952,776	1,992,197
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	-	(596,848)
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	-	-
Closing Balance as at 30 June 2014	1,952,776	1,395,349

Hātea River Reserve

The Hātea River Reserve was created to set aside a component of the Council Services Rate (\$1.50+GST) specifically levied across the Whāngārei constituency to ensure funding is immediately available in the event dredging of the Hātea River is required.

This year there was a surplus from operating expenditure of \$1,478 transferred to the reserve. This produced a closing reserve balance as at 30 June 2014 of \$139,033.

Hātea River	2013-2014 Actual	2013-2014 Budget
Operational Revenue	109,661	109,201
Operational Expenditure	108,183	60,662
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	1,478	48,539
Operational Transfer from/(to) the Hātea River Special Reserve	(1,478)	(48,539)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Hātea River Reserve	Actual	Budget
Opening Balance as at 1 July 2013	137,555	43,969
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	1,478	48,539
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	-	-
Closing Balance as at 30 June 2014	139,033	92,508

Environment Fund Reserve

The Environment Fund Reserve was created to set aside any rates revenue collected specifically for the Environment Fund that is not incurred in any single financial year. This fund allows council to make available any unspent funds in subsequent financial years.

The \$3,139 balance of the reserve has been transferred to Land and Biodiversity for the Environment Fund programme.

This has produced a closing balance of this reserve at 30 June 2014 of zero.

Environment Fund Reserve	Actual	Budget
Opening Balance as at 1 July 2013	3,139	-
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer)	(3,139)	-
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	-	-
Closing Balance as at 30 June 2014	-	-

Northland Regional Council Investment and Growth Reserve

The Northland Regional Council Investment and Growth Reserve was established in council's 2011-2012 Annual Plan. The reserve was created to set aside the investment income redirected to be made available for activities and projects that contribute towards the economic well-being of Northland.

The amounts to be transferred to the Community Investment Fund and the Investment and Growth Reserve are yet to be confirmed. A paper discussing this issue and the possible alternatives will be presented at this meeting for council consideration.

Investment and Growth	2013-2014 Actual	2013-2014 Budget
30% Transitional phase of investment income	2,013,194	2,013,194
Additional Investment Income <i>TBC</i> (separate agend 3.14)	-	199,287
Annual interest earnt on Fund <i>TBC</i>	-	181,019
Transfer to the Community Investment Fund <i>TBC</i> (separate agenda 3.14)	-	(572,759)
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	2,013,194	1,820,741
Operational Transfer from/(to) the Investment and Growth Special Reserve	(2,013,194)	(1,820,741)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Investment and Growth Reserve	Actual	Budget
Opening Balance as at 1 July 2013	2,906,505	2,414,754
Increase /(Decrease) in Reserve throughout 2013-2014 (operational transfer) <i>TBC</i>	-	1,820,741
Increase /(Decrease) in Reserve throughout 2013-2014 (capital transfer)	-	-
Closing Balance as at 30 June 2014	2,906,505	4,235,495

Approved Carry Forwards Reserve

The Approved Carry Forwards Reserve was set up to record operational projects for council that have not been completed during the current year and need to be carried forward to the next financial year. This is the subject of another paper in this agenda. At 30 June 2014 the balance of project funds to be carried forward is \$736,156.

Approved Carry Forwards - General Funds	Actual	Budget
Opening Balance as at 1 July 2013	398,000	-
Increase /(Decrease) in Reserve throughout 2013-2014 (12-13 redistributed)	(398,000)	-
Increase /(Decrease) in Reserve throughout 2013-2014 (13-14 to 14-15)	736,156	-
Closing Balance as at 30 June 2014	736,156	-

Kaitaia Bus Service Reserve

The Kaitaia Bus Service Reserve was created to hold any targeted Kaitaia Transport rates collected and unspent in any given year to cover any future funding shortfalls of Kaitaia bus service.

The operating surplus of \$6,769 has been transferred to the reserve. This has produced the closing reserve balance as at 30 June 2014 of \$13,927.

Kaitaia Bus Service	2013-2014 Actual	2013-2014 Budget
Operational Revenue	81,441	79,869
Operational Expenditure	74,672	79,869
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	6,769	(0)
Operational Transfer from/(to) the Kaitaia Special Reserve	(6,769)	0
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Kaitaia Bus Service Reserve	Actual	Budget
Opening Balance as at 1 July 2013	7,158	-
Increase/(Decrease) in Reserve throughout 2013-2014 (12-13 redistributed)	6,769	-
Increase/(Decrease) in Reserve throughout 2013-2014 (13-14 to 14-15)	-	-
Closing Balance as at 30 June 2014	13,927	-

**ISSUE: Allocation of 2013-2014 Investment Revenue
Between the Community Investment Fund and the
Investment and Growth Reserve**

ID: A667002

To: Audit and Risk Committee Meeting, 19 August 2014

From: Simon Crabb, Finance Manager

Date: 6 August 2014

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

Executive summary:

The purpose of this paper is to seek a decision from council on the amount of investment income to be capitalised into the Community Investment Fund to inflation protect the funds value, and to agree the amount of investment income be transferred to the Investment and Growth Reserve.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the councils 2012-2022 Long Term Plan (Financial Strategy and Treasury Risk Management Policy) and as such are in accordance with council's decision making processes 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 as the Financial Strategy specifically provides for council to:

- Maintain the real value of the capital of the Community Investment Fund; and
- Determine by council resolution the actual amount of investment revenue to be transferred to the Investment and Growth Reserve where investment revenue exceeds forecasted revenue.

Recommendations:

1. That the report "Allocation of 2013-2014 Investment Revenue Between the Community Investment Fund and the Investment and Growth Reserve" by Simon Crabb, Finance Manager, dated 6 August 2014, be received.
2. Capitalise \$860,304 of Community Investment Fund income to maintain the actual 30 June 2014 Community Investment Fund closing balance of \$10,585,322;
3. Transfer \$2,108,818 to the Investment and Growth Reserve being 30% of the total actual investment income of \$7,029,395;

4. That council agrees that it may elect to transfer the additional \$614,212 capitalised to the Community Investment Fund back to the Investment and Growth Reserve should the income be required to fund a project at any future date.

Report:

Confirming the amount of council's investment income to be transferred to the Investment and Growth Reserve in 2013-2014

Following consultation in the 2011-2012 Annual Plan, council established the Investment and Growth ("I&G") Reserve. The purpose of this reserve is to set aside council investment income to be made available for projects that contribute towards the economic well-being of Northland.

To enable council to set its Long Term Plan ("LTP") budgets, council based its LTP forecasted transfers to the I&G Reserve on a fixed investment income total of \$6,710,647. Furthermore, it was assumed that this \$6,710,647 would be transferred to the I&G Reserve on an incremental basis over 10 years, and then after 10 years 100% of councils annual investment income would be transferred to the I&G Reserve.

As set out in the financial strategy of the 2012-2022 Long Term Plan, council has the discretion to either transfer 30% of the budgeted \$6,710,647 investment income to the I&G Reserve or transfer 30% of its actual investment income received in the 2013-2014 financial year into the reserve. The actual investment income received in 2013-2014 was \$7,029,395 excluding Marsden Point Rail Link and Kotuku Dam rental income (and after deducting \$214,944 of Northland Port Corporation dividend which has already been approved as carried forward funding for the 2014-2015 additional Biosecurity Programmes introduced into the 2014-2015 Annual Plan).

Thus, council has the discretion to transfer either:

- **\$2,013,194** being 30% of the budgeted investment income of \$6,710,647; or
- **\$2,108,818 being 30% of the actual investment income received of \$7,029,395 – this is the management recommended action (Option D below).**

Confirming the amount of Community Investment Fund income to be capitalised (retained) in the fund in 2013-2014

In 2012-2013 the Community Investment Fund ("CIF") was transferred to council with a purpose of generating a revenue stream to assist in funding Northland Inc. Limited. In 2013-2014 the CIF generated income of \$881,083 and Northland Inc. Limited was paid a total of \$1,228,652.

In the 2012-2022 Long Term Plan, council signaled its intention to maintain the real value of the CIF by increasing the capital amount of the fund by the rate of inflation. In the 2013-2014 Annual Plan it was estimated the capital fund would need to increase by \$246,092 (2.5%) in the 2013-2014 financial year to maintain its real value relative to inflation. An increase of \$246,092 would produce a closing fund balance of \$9,971,110. As a result of capitalising or retaining \$246,092 of CIF income a transfer from the Investment and Growth Reserve is required of \$635,621 to cover the shortfall required to administer the fund and pay Northland Inc. Limited. (The actual rate of CPI for the year ended 30 June 2014 was 1.6%)

The actual value of CIF at 30 June 2014, as reported by Eriksen and Associates, was \$10,585,322, representing an annual increase of \$860,304. Council could elect to maintain the actual value of \$10,585,322 however the transfer required from the Investment and Growth Reserve to cover the associated funding shortfall in this case would be \$1,249,833.

The larger the amount capitalised (retained) in the CIF the greater the pool of funds that are available to be invested more aggressively in accordance with the CIF Statement of Investment Policy and Objectives (CIF-SIPO). Also, the larger the amount capitalised in the CIF, the smaller the funding available to support the Northland Inc. Limited payments and therefore the greater the amount of funding required from the I&G Reserve. The cumulative total of the two reserves will not materially change, irrespective of the decision made. This difference essentially relates to how much capital is available in each fund to be invested.

Thus, council has the discretion to capitalise (retain) either:

- **\$246,092** being the budgeted 2.5% of the opening fund balance of \$9,725,018; or
- **\$860,304 to maintain the actual CIF balance at 30 June 2014 of \$10,585,322. - this is the management recommended action (Option D below).**

It should be noted, the CIF was relatively successful in the 2013-2014 financial year, but the nature of its investments carries more risk and is subject to greater volatility compared to investments made in accordance with council's Treasury Management Policy. It should be further noted that 2013-2014 investment results may not be indicative of future results.

Management recommend \$860,304 is capitalised to the CIF balance as this would enable council to invest these funds in accordance with the CIF SIPO and potentially achieve a higher income stream. By adopting this strategy over the next two to three years the CIF may (depending on the funds' performance) be in a position to fully fund the annual CPI adjustment and the Northland Inc. Limited operational payments solely from the interest income derived from the CIF capital balance (i.e. without top-up funding required from the I&G Reserve).

Council, by way of council resolution, can maintain the flexibility to transfer the additional \$614,212 capitalised to the CIF fund back to the Investment and Growth Reserve at any future date should it be desirable to do so. It is suggested this be specifically included and noted in the recommendation.

The tables below illustrate the amounts to be transferred under each alternative option outlined in the report above, and the impact on the closing balances of each fund at 30 June 2014.

The options are as follows:

- A. Capitalise \$246,092 of Community Investment Fund income being 2.5% of the Community Investment Fund opening balance of \$9,725,018, and transfer \$2,013,194 to the Investment and Growth Reserve being 30% of the total budgeted investment income of \$6,710,647;
- OR**
- B. Capitalise \$860,304 of Community Investment Fund income to maintain the actual 30 June 2014 Community Investment Fund closing balance of \$10,585,322, and transfer \$2,013,194 to the Investment and Growth Reserve being 30% of the total budgeted investment income of \$6,710,647;

OR

- C.** Capitalise \$246,092 of Community Investment Fund income being 2.5% of the Community Investment Fund balance of \$9,725,018, and transfer \$2,108,818 to the Investment and Growth Reserve being 30% of the actual investment income of \$7,029,395;

OR

- D.** Capitalise \$860,304 of Community Investment Fund income to maintain the actual 30 June 2014 Community Investment Fund closing balance of \$10,585,322, and transfer \$2,108,818 to the Investment and Growth Reserve being 30% of the actual investment income of \$7,029,395 (this is the management recommended action).

Option A

1. Community Investment Fund:

- Capitalise (retain) \$246,092 of CIF income being 2.5% of the Community Investment Fund opening balance (at 1 July 2013) of \$9,725,018.

2. Investment and Growth Reserve:

- Transfer \$2,013,194 to the I&G Reserve being 30% of the total budgeted investment income of \$6,710,647.

Community Investment Fund	\$
Opening Balance as at 1 July 2013	9,725,018
Funds Capitalised	246,092
Closing Balance as at 30 June 2014	9,971,110
Investment and Growth Reserve	\$
Opening Balance as at 1 July 2013	2,906,505
Transfer of Investment income to Reserve	2,013,194
Transfer of funds to CIF to cover shortfall	(635,621)
Interest earned on Fund	191,544
Closing Balance as at 30 June 2014	4,475,622

Option B

1. Community Investment Fund:

- Capitalise (retain) \$860,304 of CIF income to maintain the actual 30 June 2014 CIF closing balance of \$10,585,322.

2. Investment and Growth Reserve:

- Transfer \$2,013,194 to the I&G Reserve being 30% of the total budgeted investment income of \$6,710,647.

Community Investment Fund	\$
Opening Balance as at 1 July 2013	9,725,018
Funds Capitalised	860,304
Closing Balance as at 30 June 2014	10,585,322
Investment and Growth Reserve	\$
Opening Balance as at 1 July 2013	2,906,505
Transfer of Investment income to Reserve	2,013,194
Transfer of funds to CIF to cover shortfall	(1,249,833)
Interest earned on Fund	172,162
Closing Balance as at 30 June 2014	3,842,028

Option C

1. Community Investment Fund:

- Capitalise (retain) \$246,092 of CIF income being 2.5% of the Community Investment Fund opening balance (at 1 July 2013) of \$9,725,018.

2. Investment and Growth Reserve:

- Transfer \$2,108,818 to the I&G Reserve being 30% of the actual investment income of \$7,029,395.

Community Investment Fund	\$
Opening Balance as at 1 July 2013	9,725,018
Funds Capitalised	246,092
Closing Balance as at 30 June 2014	9,971,110
Investment and Growth Reserve	\$
Opening Balance as at 1 July 2013	2,906,505
Transfer of Investment income to Reserve	2,108,818
Transfer of funds to CIF to cover shortfall	(635,621)
Interest earned on Fund	194,561
Closing Balance as at 30 June 2014	4,574,264

Option D (staff recommended action)

1. Community Investment Fund:

- Capitalise (retain) \$860,304 of CIF income to maintain the actual 30 June 2014 CIF closing balance of \$10,585,322.

2. Investment and Growth Reserve:

- Transfer \$2,108,818 to the I&G Reserve being 30% of the actual investment income of \$7,029,395.

Community Investment Fund	\$
Opening Balance as at 1 July 2013	9,725,018
Funds Capitalised	860,304
Closing Balance as at 30 June 2014	10,585,322
Investment and Growth Reserve	\$
Opening Balance as at 1 July 2013	2,906,505
Transfer of Investment income to Reserve	2,108,818
Transfer of funds to CIF to cover shortfall	(1,249,833)
Interest earned on Fund	175,179
Closing Balance as at 30 June 2014	3,940,670

ISSUE: Request for Approval to Carry Forward Operational Budget from the 2013-2014 Financial Year into the 2014-2015 Financial Year

ID: A664560

To: Audit and Risk Committee Meeting, 19 August 2014

From: Steve Goddard, Management Accountant

Date: 29 July 2014

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

Executive summary:

The purpose of this report is to seek approval to:

- Carry forward \$301,279 of unspent operational expenditure from the 2013-2014 financial year into the 2014-2015 financial year; and
- Remind council of \$434,877 carry forwards approved as part of the 2014-2015 Annual Plan process.

Legal compliance and significance assessment:

Decisions to carry forward unspent budgets into the next financial year are standard practice for local authorities in meeting their strategic planning commitments.

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.

Recommendations:

- 1) That the report "Request for Approval to Carry Forward Operational Budget from the 2013-2014 Financial Year into the 2014-2015 Financial Year" by Management Accountant, Steve Goddard, and dated 29 July 2014, be received.
- 2) That council be advised of the \$434,877 carried forward into the 2014-2015 financial year during the 2014-2015 Annual Plan process.
- 3) That council approve the operational expenditure carry forward from the 2013-2014 financial year into the 2014-2015 financial year of:
 - a) \$97,930 for Planning and Policy related projects;
 - b) \$173,349 for a Land and Rivers related project (LiDAR); and
 - c) \$30,000 for an Environment Fund related project (Poutu Catchment).

Report:

As with previous years, carry forwards of unspent 2013-2014 operational budgets are required to enable the completion of the various council work programmes in the 2014-2015 financial year.

Following the 30 June 2014 year-end staff review, which was based upon the actual operational expenditure incurred and the review of ongoing requirements, a total of \$736,156 is proposed to be carried forward into the 2014-2015 financial year.

Of the total \$736,156 proposed carry forward, \$434,877 has already been approved to be carried forward by council during the 2014-2015 Annual Plan process.

Explanations of the proposed operational expenditure to be carried forward from the 2013-2014 financial year into the 2014-2015 financial year are provided below:

Planning and Policy: Proposed operating expenditure carry forward of \$97,930

Planning and Policy	Actual 2013-14	Budget 2013-14	Unspent	To be carried forward
Whangarei Harbour Sediment Cores	9,100.00	16,900.00	7,800.00	7,800.00
Kaipara Sediment Cores	8,100.00	14,500.00	6,400.00	6,400.00
Water Quality Standards	7,500.00	30,000.00	22,500.00	22,500.00
Lakes Nutrients	21,000.00	30,550.00	9,550.00	9,550.00
Kai Iwi Lakes Reserve Management Plan	6,320.00	40,000.00	33,680.00	33,680.00
Project Aquaculture (8036)	-	18,000.00	18,000.00	18,000.00

Approval of \$97,930 operational expenditure carry forwards is sought in relation to:

- Whangarei Harbour Sediment Cores (\$7,800)***
This work was budgeted for the 2013-2014 year and will inform council's implementation of the NPS Freshwater. A contract was let in April 2014 but relies on analysis in the USA which was not completed by 30 June. The funds are therefore required and the carry forward is needed to ensure completion of the contract.
- Kaipara Sediment Cores (\$6,400)***
As with the Whangarei Harbour Sediment Cores this work was budgeted for the 2013-2014 year and will inform council's implementation of the NPS Freshwater. A contract was let in April 2014 but relies on analysis in the USA which was not completed by 30 June. The funds are therefore required and the carry forward is needed to ensure completion of the contract.
- Water Quality Standards (\$22,500)***
This work assists in the implementation of the NPS freshwater and was budgeted for completion within the 2013-2014 year. A contract was let in early April 2014 and due for completion 30 June 2014. A draft report was provided by this date however did not meet agreed deliverables. Subsequent negotiation with the consultant to remedy has resulted in delay, however the funds are required and carry forward is required to ensure completion.

- Lakes Nutrients (\$9,550)**
 As with Water Quality Standards this work assists in the implementation of the NPS freshwater and was budgeted for completion within the 2013-2014 year. A contract was let in early April 2014 and due for completion 30 June 2014. A draft report was provided by this date however did not meet agreed deliverables. Subsequent negotiation with the consultant to remedy has resulted in delay, however the funds are required and carry forward is required to ensure completion.
- Kai Iwi Lakes Reserve Management Plan (\$33,680)**
 The council committed funds toward development of a management plan around the Kai Iwi Lakes as this will assist in improving ecological/water quality values. The timing/process however is beyond council control relying on external parties, however, a project plan has been approved and is scheduled to proceed in the 2014-2015 year. The carry forward is needed to maintain council's commitment to the project.
- Project Aquaculture (\$18,000)**
 This expenditure was carried forward from the 2012-2013 year due to delays in the Environment Court. The plan change is still before the court. While the process is beyond council control, we expect it to be resolved in the 2014-2015 year and the carry forward is necessary to complete the plan change process.

Land and Rivers: Proposed operating expenditure carry forward of \$173,349

Land and Rivers	Actual 2013-14	Budget 2013-14	Unspent	To be carried forward
Lidar Capture Project	35,072.00	208,421.00	173,349.00	173,349.00

Approval of \$173,349 operational expenditure carry forwards is sought in relation to:

- LiDAR Capture Project (\$173,349)**
 This is required to complete LiDAR acquisition which is under contract and has commenced. LiDAR acquisition not completed within the financial year as data capture is dependent on flying being undertaken on cloud free days with nil to light wind conditions that coincide with windows of low tide to capture as much intertidal data as possible (i.e. LIDAR does not penetrate through water).

Environment Fund: Proposed operating expenditure carry forward of \$30,000

Approval of \$30,000 operational expenditure carry forwards is sought in relation to:

- Poutu Catchment Projects (\$30,000)**
 Throughout 2013-2014 the Environmental Management Committee and Council approved a total drawdown from the Land Management Reserve for Environmental Fund projects of \$236,168. Of this a total \$201,824 was distributed in 2013-2014. The balance unused of \$34,343 was a result of funds not required due to the projects not proceeding. Council approval is sought to carry forward \$30,000 of the unspent funds to facilitate projects in the Poutu Catchment area.

Operational Carry forwards as approved during the 2014-2015 Annual Plan Process (\$434,877)

The following table is a synopsis of the operational carry forwards approved during the 2014-2015 Annual Plan Deliberations. These carry forwards are already included in the 2014-2015 Annual Plan budget to contribute funding towards Biosecurity programmes and Te Taitokerau Regional Maori Advisory Committee.

Iwi Liaison	Actual 2013-14	Budget 2013-14	Unspent	To be carried forward
Unspent from 2012-13 Carry forwards	-	82,000.00	82,000.00	82,000.00
Salary Underspend	Actual 2013-14	Budget 2013-14	Unspent	To be carried forward
Unspent Salary Budget	10,224,153.00	10,507,575.00	283,422.00	137,933.00
Dividend Additional Income	Actual 2013-14	Budget 2013-14	Unused	To be carried forward
Unbudgeted Dividend Income	2,325,005.00	2,103,577.00	221,428.00	214,944.00

ISSUE: Request for Approval to Carry Forward Capital Expenditure Budget from the 2013-2014 Financial Year into the 2014-2015 Financial Year

ID: A664573

To: Audit and Risk Committee Meeting, 19 August 2014

From: Steve Goddard, Management Accountant

Date: 29 July 2014

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

Executive summary:

The purpose of this report is to seek council approval to carry forward \$561,369 of general capital expenditure and \$968,470 (\$898,035 Whangarei River Dam, \$70,435 Kaeo Whangaroa River works) of River Management unspent capital expenditure budget from the 2013-2014 financial year into the 2014-2015 financial year.

Legal compliance and significance assessment:

Decisions to carry forward unspent budgets into the next financial year are standard practice for local authorities in meeting their strategic planning commitments.

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.

Recommendations:

1. That the report "Request for Approval to Carry Forward Capital Expenditure Budget from the 2013-2014 Financial Year into the 2014-2015 Financial Year" by Management Accountant, Steve Goddard, dated 29 July 2014, be received.
2. That council approves the carry forward of \$1,529,839 unspent capital expenditure budget from the 2013-2014 financial year into the 2014-2015 financial year.

Report:

Staff have carried out a final review on any ongoing capital projects and associated capital expenditure carry forwards for council consideration and approval.

When developing the capital expenditure programme and budget, staff endeavour to schedule the ongoing renewals and replacements in a manner that smooths the expenditure, funding requirement, and the resulting work programme.

As part of the LTP process finance staff ensure that all capital expenditure is adequately funded via depreciation over the expected useful life of each asset class.

Following the 30 June 2014 year-end staff review, which was based upon the actual capital expenditure incurred and the review of ongoing requirements, a total of \$1,529,839 is proposed to be carried forward into 2014-2015.

2014-2015 capital budget

The original capital expenditure budget published in the 2014-2015 Annual Plan (page 93) totalled \$6,894,471. The detail of this original capital expenditure programme and the proposed capital carry forwards are presented in **Attachment One**. The table shows:

- Column A: 2013-2014 revised capital expenditure budget (including revisions approved by council throughout the 2013-2014 year);
- Column B: 2013-2014 actual capital expenditure incurred;
- Column C: Potential capital expenditure carry forwards if all the unspent 2013-2014 capital expenditure budget was carried forward into 2014-2015;
- Column D: Proposed capital expenditure carry forwards from 2013-2014 to 2014-2015 (an explanation for each proposal is provided in the next section);
- Column E: 2014-2015 capital expenditure budget (**\$6,894,471** as adopted in the 2014-2015 Annual Plan);
- Column F: 2014-2015 proposed revised capital expenditure budget including all proposed capital expenditure carry forwards;

Explanations to proposed capital carry forward expenditure for 2014-2015

Information Technology: Proposed capital expenditure carry forward \$224,019

Approval of \$224,019 capital carry forward expenditure is sought in relation to:

- Integrated Regional Information System (IRIS) of \$32,228 to fund council's commitment to the Regional Council Collaborative Development Group (RCCDG) for the remainder of the IRIS development project. This was not expended in 2013-2014 (but remains a required contribution in 2014-2015) due to the staged implementation of this project.
- IT infrastructure of \$126,352 to complete implementation of Microsoft Lync (\$96,352) expected to be completed in 2013-2014 however it has proved more time consuming than anticipated, field laptops and tablet replacements (\$30,000) delayed due to IRIS mobile platform being delayed,
- IT equipment replacement programme of \$65,439. Due to the Microsoft Lync implementation delay, the choices for technology may differ. It was decided not to purchase new equipment until the deployment of MS Lync makes it possible to determine technology requirements. The replacement programme is still needed.

Commercial Investments: Proposed capital expenditure carry forward \$87,600

Approval of \$87,600 capital carry forward expenditure is sought as:

- A sale and lease agreement for the purchase of Rail Corridor Land (Mata Lime Works) is currently being finalised. This was approved by council on 28 June 2013 and budgeted for completion in the 2013-2014 financial year. The purchase will, however, now be completed early in the 2014-2015 financial year. This is required to be carried forward to allow council to meet its contractual obligations.

Corporate Support: Proposed capital expenditure carry forward \$122,394

Approval of \$122,394 capital carry forward expenditure is sought in relation to:

- Water Street roof replacement of \$32,568. In 2013-2014 a budget of \$26,896 was provided for the replacement of part of the roof on the Water Street building and this budget has remained unspent. A quote has since been obtained for the replacement of the roof and has come in at \$46,000, resulting in a \$19,104 budget shortfall. The replacement of the roof is critical to the ongoing integrity of the building. Reconciling the actual capital expenditure and these carry forward projects against the capital budget for 2013-2014 shows \$5,672 unspent council wide. With council's approval it is proposed to carry forward the unspent roofing budget of \$26,896 and the \$5,672 unspent council wide budget (total \$32,568) into the 2014-2015 capital budget for the roofing project. For the Water Street roofing project to proceed the unbudgeted portion will need to be found by reprioritising the 2014-2015 capital expenditure budget during the financial year.
- Vehicle replacement Programme of \$89,826. Delivery on three vehicles ordered in the 2013-2014 financial year as part of the replacement programme has been delayed. One has since been received early in the 2014-2015 financial year and the other two are still in transit. This funding is needed to be carried forward to ensure we continue to have a modern, safe and efficient vehicle fleet.

Maritime: Proposed capital expenditure carry forward \$127,355

Approval of \$127,355 capital carry forward expenditure is sought:

- For the purchase of a replacement vessel. This budget was originally intended to replace the truck at Opua. The maritime vessel Tai Ao was programmed for replacement in several years' time, however the pontoon requires replacement now and is a significant expense. It was therefore deemed to be more effective to replace the vessel now and programme the truck replacement for the future. This has been signalled to the Audit and Finance committee during 2013-2014. The vessel purchase has been delayed due to Safe Ship Management Maritime NZ registration system changes coming into place in April 2014.

River Management: Proposed capital expenditure carry forward \$968,470

Approval of \$968,470 capital carry forward expenditure is sought in relation to:

- Whāngārei River Dam Project \$898,035, required to complete the remaining land acquisitions and payment of services relocation works that have not yet been invoiced from the contractor and sub-contractors.
- Kaeo Whangaroa River works of \$70,435, required to complete the remaining "tidy up" works (including fencing, making good the disturbed land, removing the spillway bund, paying contractual retentions) and archaeological reporting obligations under the HPT authorisation.

Northland Regional Council Capital Expenditure Report

	Column A	Column B	Column C	Column D	Column E	Column F
Project Description	Revised Capital Expenditure Budget	Actual Capital Expenditure	Potential Capital Expenditure Carry Forwards	PROPOSED Capital Expenditure Carry Forwards ex 2013-14	Adopted Capital Expenditure 2014-15 Annual Plan	PROPOSED Revised Capital Expenditure Budget
Bioresecurity	2013-14 Financial Year				2014-15 Financial Year	
Bioresecurity 2014 Hand Held Thermal imaging camera (NEW)	5,000	5,000	0	0	0	0
Bioresecurity 2014 Floating Dock Treatment Facility	50,000	38,570	11,430	0	0	0
2014-15 Remote controlled wildlife listening device	0	0	0	0	4,000	4,000
Department Total	55,000	43,570	11,430	0	4,000	4,000
Commercial	2013-14 Financial Year				2014-15 Financial Year	
Commercial - 2013 Upgrades	76,548	0	76,548	0	0	0
Commercial 2014 Flyer Road fencing and water reticulation	58,353	60,278	(1,925)	0	0	0
Purchase of Rail Corridor Strip Crossing	87,600	0	87,600	87,600	0	87,600
Department Total	222,501	60,278	162,223	87,600	0	87,600
Communications	2013-14 Financial Year				2014-15 Financial Year	
Communications - Inside Display	18,927	16,692	2,235	0	0	0
Department Total	18,927	16,692	2,235	0	0	0
Civil defence and emergency	2013-14 Financial Year				2014-15 Financial Year	
CDEM 2014 Television (CDEM) & UHF Aerial (NEW)	1,250	1,000	250	0	0	0
Department Total	1,250	1,000	250	0	0	0
Information Technology (IT)	2013-14 Financial Year				2014-15 Financial Year	
IT - 2013 Servers and San replacement	99,600	102,363	(2,763)	0	0	0
IT - 2013 Desktop replacement programme	27,175	0	27,175	0	0	0
IT - 2013 other minor equipment	0	1,413	(1,413)	0	0	0
IT - IRIS	175,101	142,873	32,228	32,228	50,000	82,228
IT -2014 Infrastructure	309,600	183,248	126,352	126,352	0	126,352
IT -2014 Desktop replacement programme	85,656	20,217	65,439	65,439	0	65,439
IT -2014 Desk set up for new staff	10,320	0	10,320	0	0	0
IT -2014 Printers / Photocopiers replacement programme	5,160	9,285	(4,125)	0	0	0
IT -2014 Dashboards	5,160	3,057	2,103	0	0	0
2014-15 Desk Set up for new staff	0	0	0	0	10,000	10,000
2014-15 Printers/Photocopiers Replacement Programme	0	0	0	0	5,000	5,000
2014-15 Network Switches	0	0	0	0	100,000	100,000
2014-15 Regional Offices Printer Replacement	0	0	0	0	20,000	20,000
2014-15 PABX Replacement	0	0	0	0	80,000	80,000
2014-15 Laptops	0	0	0	0	30,000	30,000
2014-15 Mobile Devices	0	0	0	0	20,000	20,000
Department Total	717,772	462,457	255,315	224,019	315,000	539,019
Corporate Support	2013-14 Financial Year				2014-15 Financial Year	
Building - Air conditioning replacement project	126,465	128,555	(2,090)	0	0	0
Support 2014 Furniture Fitting and Refurbishment	20,640	49,613	(28,973)	0	0	0
Support 2014 Desk set up (previously in IT)	30,960	0	30,960	0	0	0
Support 2014 Roof Replacement - 36 Water Street	26,896	0	26,896	32,568	0	32,568
Solar Panels - Water Street	51,430	51,412	18	0	0	0
2014-15 Air Conditioning Replacement Project (Consents/Monit	0	0	0	0	102,049	102,049
2014-15 Furniture, Desk set-up and Office configuration	0	0	0	0	50,000	50,000
2014-15 Office Creation, Greening and Modification	0	0	0	0	50,000	50,000
2013-14 Vehicle replacement programme*	309,600	367,350	(57,750)	89,826	0	89,826
2014-15 Vehicle replacement programme	0	0	0	0	424,000	424,000
Department Total	565,991	596,929	(30,938)	122,394	626,049	748,443
* Note that sales of \$147,576 were achieved in 2013-14. This makes an amended carry forward potential of 89,826						
Land and Biodiversity	2013-14 Financial Year				2014-15 Financial Year	
LAND 2014 Google Earth Pro	413	0	413	0	0	0
Poplar and Willow Nursery Irrigation	25,000	25,000	0	0	0	0
Department Total	25,413	25,000	413	0	0	0
Natural hazard management	2013-14 Financial Year				2014-15 Financial Year	
Hazard Man 2014 Geotech equipment	4,099	5,361	(1,262)	0	0	0
Department Total	4,099	5,361	(1,262)	0	0	0
River Management	2013-14 Financial Year				2014-15 Financial Year	
Rivers - 2013 Kaeo Whangaroa river works	719,171	648,736	70,435	70,435	0	70,435
Rivers - Whangarei River Dam Project	3,510,000	2,611,965	898,035	898,035	3,265,954	4,163,989
Rivers 2014 Awanui - Renewal Programme	52,805	50,000	2,805	0	0	0
2014-15 Awanui - River Works	0	0	0	0	183,000	183,000
2014-15 Awanui - Renewal Programme	0	0	0	0	58,054	58,054
2014-15 Kerikeri - Waipapa River works	0	0	0	0	2,130,048	2,130,048
Department Total	4,281,976	3,310,701	971,275	968,470	5,637,056	6,605,526
Harbour safety and navigation	2013-14 Financial Year				2014-15 Financial Year	
Maritime 2014 Aids to Navigation - New	20,000	1,030	18,970	0	0	0
Maritime 2014 Aids to Navigation - Renewals	62,000	61,339	661	0	0	0
Maritime 2014 Salvage Pump	3,096	2,770	326	0	0	0
Maritime 2014 Truck Replacement	127,355	0	127,355	127,355	0	127,355
Maritime 2014 Vessels - other capital work	30,000	28,293	1,707	0	0	0

	Column A	Column B	Column C	Column D	Column E	Column F
<i>Project Description</i>	<i>Revised Capital Expenditure Budget</i>	<i>Actual Capital Expenditure</i>	<i>Potential Capital Expenditure Carry Forwards</i>	<i>PROPOSED Capital Expenditure Carry Forwards ex 2013-14</i>	<i>Adopted Capital Expenditure 2014-15 Annual Plan</i>	<i>PROPOSED Revised Capital Expenditure Budget</i>
2014-15 Aids to Navigation - New	0	0	0	0	17,000	17,000
2014-15 Aids to Navigation - Renewals	0	0	0	0	20,000	20,000
2014-15 Cameras, GPS units, VHF radios and other minor equip	0	0	0	0	1,000	1,000
2014-15 Vessels - other capital work	0	0	0	0	58,901	58,901
Department Total	242,451	93,432	149,019	127,355	96,901	224,256
Oil pollution response	2013-14 Financial Year			2014-15 Financial Year		
Maritime 2014 Oil Spill Trailer	5,000	2,050	2,950	0	0	0
Department Total	5,000	2,050	2,950	0	0	0
Compliance Monitoring, Environmental incidents resp	2013-14 Financial Year			2014-15 Financial Year		
Monitoring - Coastal Monitoring Platform	25,000	22,223	2,777	0	0	0
2014-15 Replace Portable Water Quality Insitu meters \ probe	0	0	0	0	10,500	10,500
2014-15 Web entry Software WAP and WQ	0	0	0	0	15,975	15,975
2014-15 Replace Water quality instruments (probes)	0	0	0	0	12,000	12,000
2014-15 Replace Portable Water Quality instruments (sondes)	0	0	0	0	12,000	12,000
2014-15 Cameras GPS units	0	0	0	0	1,500	1,500
2014-15 Air Quality Mobile Trailer Based BAM and Data Logger	0	0	0	0	42,000	42,000
2014-15 Air Quality Dust Monitor E-BAM (new)	0	0	0	0	27,000	27,000
Department Total	25,000	22,223	2,777	0	120,975	120,975
Laboratory	2013-14 Financial Year			2014-15 Financial Year		
Monitoring 2014 Water quality instruments (Lab)	7,224	4,237	2,987	0	0	0
Department Total	7,224	4,237	2,987	0	0	0
State of the environment monitoring	2013-14 Financial Year			2014-15 Financial Year		
Monitoring 2014 Water Quantity Equipment	18,576	19,169	(593)	0	0	0
Monitoring 2014 Telemetry GPRS - Vodafone G3 replacement for	18,885	15,762	3,123	0	0	0
Monitoring 2014 Tribble XT GPS	13,519	13,655	(136)	0	0	0
Monitoring 2014 Sedi Sampling Equip	14,448	15,974	(1,526)	0	0	0
Monitoring 2014 Replace Water quality instruments	12,384	11,870	514	0	0	0
Monitoring 2014 Gas Monitor	2,085	3,429	(1,344)	0	0	0
Monitoring 2014 Cameras GPS units	1,548	0	1,548	0	0	0
Monitoring 2014 Air Quality Monitoring - Kerikeri Site (NEW)	5,000	5,421	(421)	0	0	0
2014-15 Q Boat - High Flow River Measurements	0	0	0	0	30,000	30,000
2014-15 Replace Water Level Sensors and Loggers - Hydrometri	0	0	0	0	10,000	10,000
2014-15 Dune Lakes Water Quality Piezometers (new)	0	0	0	0	35,000	35,000
2014-15 Cellphone Modem Upgrade G2 to G3 Vodafone Network (n	0	0	0	0	19,490	19,490
Department Total	86,445	85,279	1,166	0	94,490	94,490
Whole of Council	6,259,049	4,729,209	1,529,839	1,529,839	6,894,471	8,424,310

ISSUE: Kaeo Flood Scheme – Revenue to be Received

ID: A666138

To: Audit and Risk Committee Meeting, 19 August 2014

From: Bruce Howse, Land/Rivers Senior Programme Manager

Date: 4 August 2014

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

Executive summary:

The purpose of this report is to advise the committee of revenue to be received from the Ministry of Education as a one off contribution for the ongoing maintenance costs of the Stage 1 Kaeo Flood scheme capital works.

Legal compliance and significance assessment:

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

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy.

Recommendations:

1. That the report "Kaeo River Scheme - Revenue to be Received" by Bruce Howse, Land/Rivers Senior Programme Manager and dated 4 August 2014, be received.
2. Once received, the revenue of \$51,127 (GST inclusive) from the Ministry of Education be placed in the Kaeo-Whangaroa Rivers Reserve.

Report:

The Stage 1 Kaeo Flood Scheme works are provided for in the 2012-2022 Long Term Plan. The physical works were constructed in the 2013-2014 works season.

The Ministry of Education (via a signed funding agreement with the Northland Regional Council) agreed to provide a funding contribution for the capital works constructed on its land of \$165,824 inclusive of GST (payment received in 2013-2014), and a further one off contribution for the ongoing maintenance costs of the capital works of \$51,127 inclusive of GST be received following construction of the capital works.

Staff have invoiced the ministry for \$51,127 inclusive of GST for the one off contribution to ongoing maintenance costs of the capital works.

The \$51,127 inclusive of GST revenue is not provided for in the 2014-2015 Annual Plan. The purpose of this report is to advise the committee of the revenue and recommend that this revenue be placed in the Kaeo-Whangaroa Rivers Reserve once received.

ISSUE: Proposed Internal Audit Programme for 2014-2015

ID: A667260

To: Audit and Risk Committee Meeting, 19 August 2014

From: Lisa Aubrey, General Manager Finance

Date: 8 August 2014

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

Executive summary:

The purpose of this report is to provide councillors with an overview of our Internal Audit Programme and agree on the Internal Audits to be undertaken in the 2014-2015 financial year.

Legal compliance and significance assessment:

Decisions on the Internal Audit Programme for the 2014-2015 financial year standard considered to be standard business practice for council and this function was provided for in the 2014-2015 Annual Plan budget (\$25,000).

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.

Recommendations:

1. That the report "Proposed Internal Audit Programme for 2014-2015" by Lisa Aubrey, General Manager Finance, dated 8 August 2014, be received.
 2. That council confirms their support for internal audits over Support-Treasury and Democracy and Governance Reporting to be undertaken.
-

Report:

During the 2012-2013 financial year, Ernst and Young undertook a comprehensive Risk Assessment of Council. The purpose of the independent risk assessment was intended to provide:

- management and governance with a summary of key risks;
- proposed actions to mitigate risks to an acceptable level for risks identified as having inadequate mitigation or controls;

- management and governance with information to enable prioritisation of resources to address risks with the greatest potential impact;
- provide governance with information to assist with meeting responsibilities for good governance and oversight of risk; and
- **provide an input into setting an internal audit programme.**

This Risk Assessment was used to inform our Risk Management Policy and Assessment of Risks. Details on the Risk Management Framework and Risk Register were provided to the May 2014 Audit and Risk Committee.

Appendix A is an extract of the Ernst and Young's report which sets out a proposed three year internal audit strategy and programme. The proposed audit areas are summarised as follows:

- Democracy and Governance – reporting
- Human Resources
- Training and development
- Business case – assessment methodology
- Support – Information Systems – IT Governance*
- Support – Information Systems ITDRP
- Support Treasury*
- Support – Accounting and Finance – Procure to Pay
- Support – Accounting and Finance – Accounts Receivable
- Support – Accounting and Finance – Payroll
- River Manager – delivery and contract management
- Biosecurity – delivery and contract management
- Health and Safety

Audits undertaken in the 2013-2014 financial year

The *Support – Accounting and Finance – Payroll* audit was completed in the previous financial year and reported to the January 2014 Audit and Risk Committee.

Proposed audits for the 2014-2015 financial year

Executive Management considered the proposed audit areas and recommend the following internal audits be completed in the 2014-2015 financial year:

- Support Treasury
- Democracy and Governance – reporting

Support Treasury is recommended due to the volume and value of treasury transactions and activities undertaken by staff. It is proposed that PwC and Ernst and Young be asked to provide a proposal to undertake this audit.

Councillors previously indicated a desire for the Democracy and Governance – reporting internal audit. The Executive Management Team acknowledge the audit will provide a timely opportunity to comprehensively review our reporting to councillors to ensure our reporting follows best practice and fully complies with legislative requirements.

Executive Management Team also support a view of our compliance with obligations in relation to Tangata Whenua, but felt this would better if it was performed in six months' time rather than now.

Appendix A Proposed three year internal audit strategy and F13 internal audit programme

We have used the information gathered during interviews with management and the Heat Map (Appendix B) to develop a three year internal audit strategy. The key information has been included on the following pages for information purposes. The strategy and programme has taken into account the following:

- ▶ The Council's need for ongoing assurance on existence and application of critical internal controls;
- ▶ Areas in which effective systems and controls are critical to the achievement of strategic initiatives;
- ▶ Issues highlighted in our interviews with the Councillors and the senior management team;
- ▶ Three year cyclical internal audit strategy;
- ▶ Other assurance providers e.g. Audit New Zealand; and
- ▶ Prior year internal audit activity and results.

In presenting the strategy and programme we note the following:

- ▶ The scope, timing and fees for each internal audit proposed will be discussed and agreed to with management before any work is undertaken. The proposed plan is provided as a high level guideline only
- ▶ Prioritisation of potential internal audit projects has yet to be agreed with however, we would expect those processes impacted by the high level risks to have highest priority for inclusion in the internal audit strategy and F13 internal audit programme;
- ▶ The internal audit programme and strategy will need to be submitted to the Audit and Finance Committee for authorisation to proceed; and
- ▶ Following approval from the Audit and Finance Committee, the internal audit programme will be revisited annually to address any additional priorities of the Audit and Finance Committee and management.

Risk Area – Business Process	F13	F14	F15
Democracy and governance - reporting <p>The objective of the internal audit is to assess the monthly management reporting provided to the Councillors and to determine whether:</p> <ul style="list-style-type: none"> ▶ There is a set procedure for issuing Council papers, which is sufficient and being followed; ▶ Process and controls are in place to support the accurate presentation of information reported; ▶ All significant issues affecting the NRC are raised and discussed in a timely manner; ▶ An effective process exists to facilitate Councillors involvement in setting the agenda for Council meetings and providing required pre-read materials in a timely manner; ▶ Reporting represents leading practice (as determined by Ernst & Young) (i.e. is the Council being focused on the right things). For instance: <ul style="list-style-type: none"> – Do the Councillors receive insufficient / too much information? – Are there areas that are not being covered in the papers which should be? <p>The scope will include all reporting provide for the six months period before the field work.</p>	3		
Human Resources <p>The objective of the internal audit is to assess the HR processes to determine if the activities undertaken are:</p> <ul style="list-style-type: none"> ▶ Robust and appropriate; ▶ In line with Council processes and procedures 		3	

Risk Area – Business Process	F13	F14	F15
<p>The scope will include the following processes and activities:</p> <ul style="list-style-type: none"> ▶ Recruitment and terminations; ▶ Succession planning ▶ Initial set up of an employee in the HR system; ▶ Amendments to employee master data (including standing data and terminations); ▶ Recording, management and reporting of employee leave entitlements and balances; ▶ Performance review processes; and ▶ Segregation of duties to determine whether logical access rights match physical access rights, and support good practice internal control standards. <p>Out of scope – Payroll – this will be covered by a separate internal audit.</p>			
<p>Training and development</p> <p>The objective of the internal audit is to assess the adequacy and appropriateness of training and development provided to staff so that they can perform their roles and responsibilities and to provide cover for other roles as and when required.</p> <p>The scope will include the following processes and activities:</p> <ul style="list-style-type: none"> ▶ Executive management; ▶ Health and safety; ▶ Governance; ▶ Driver training. <p>This internal audit would be performed following the Human Resources internal audit.</p>		3	
<p>Business case – assessment methodology</p> <p>The objective of this internal audit is to assess the adequacy and effectiveness of the NRC corporate resource allocation processes and framework to minimise the risk poor investment decisions and maximise the opportunities for good CAPEX decision making.</p> <p>The scope of the internal audit will include:</p> <ul style="list-style-type: none"> ▶ CAPEX proposal/business case process ▶ Investment analysis processes ▶ CAPEX decision making framework, including approvals <p>This internal audit will focus on the decision making information and frameworks used (or required to be implemented) to make good investment decisions that maximise the returns on available funds. The internal audit will focus on a range of different business case scenarios.</p>		3	
<p>Support – Information Systems – IT Governance</p> <p>The objective of the internal audit is to assess the effectiveness of the processes that govern the IT processes including:</p> <ul style="list-style-type: none"> ▶ Strategic alignment - how IT activity is aligned with business objectives; ▶ Value delivery - how expenditure is managed to prove the value of IT; ▶ Risk management - how IT assets are safeguarded and used by IT to 	3		

Risk Area – Business Process	F13	F14	F15
<p>support continuity of business operations;</p> <ul style="list-style-type: none"> ▶ Resource management - how IT knowledge and infrastructure is optimised; and ▶ Performance measurement – how project delivery is tracked and monitored. <p>The scope will include all business areas and IT systems.</p>			
<p>Support – Information Systems – ITDRP</p> <p>The objective of the internal audit is to evaluate the current state of the ITDRP based on the desired future state and leading practice (as determined by Ernst & Young) and identify and prioritise improvement opportunities to assist you to reach your desired state.</p> <p>The scope will include all IT systems and specifically cover:</p> <ul style="list-style-type: none"> ▶ Disaster recovery plans (represent business requirements with respect to timeliness of recovery and return to normal operations); ▶ Recovery capabilities; ▶ Specific roles and responsibilities (definition and communication to staff); ▶ Maintenance (plan is updated to reflect business and systems changes); ▶ Plan support (appropriate contracts with third parties in place, third party DR); and ▶ Testing (scenario testing programme in place, plans regularly tested and corrective actions undertaken on a timely basis). 		3	
<p>Support - Treasury</p> <p>The objective of the internal audit is to determine whether the treasury policy and procedures:</p> <ul style="list-style-type: none"> ▶ Adequately cover treasury activities performed; ▶ Are regularly reviewed and reflect the NRC's risk appetite; ▶ Is consistent with the Delegations of Authority Policy; ▶ Aligns to the NRC investment strategy; ▶ Align with acceptable and appropriate industry standards; ▶ Are reported in a timely manner and are accurate and complete; ▶ Cashflow forecasts are prepared regularly and are accurate and complete. ▶ Are being complied with. <p>The scope of this internal audit will include all treasury activities undertaken for a 12 month period (TBD).</p>	3		
<p>Support – Accounting & Finance – Procure to Pay</p> <p>The object of this internal audit will be to determine whether:</p> <ul style="list-style-type: none"> ▶ Processes and procedures undertaken align to good practice (as determined by Ernst & Young); ▶ Requests for goods and services are supported by appropriate documentation; ▶ Procurement of goods and services adhere to policies and procedures; 	3 (dependant on the new financial system timing)	3 (dependant on the new financial system timing)	

Risk Area – Business Process	F13	F14	F15
<ul style="list-style-type: none"> ▶ Purchase orders are subject to separate approval by appropriate delegated authority; ▶ Invoices received are approved and matched to purchase orders and goods received prior to payment; ▶ System access is appropriate and approved; ▶ Segregation of duties between ordering, receiving, paying and authorisation of payment is adequate; ▶ One off vendor payments ▶ Payment processing and authorisation <p>The scope of this internal audit will include all procure to pay procedures undertaken for a 12 month period (TBD) and will be limited to the new financial system when implemented.</p>			
<p>Support – Accounting & Finance - Accounts Receivable</p> <p>The objective of this internal audit will be to determine whether appropriate processes exist around:</p> <ul style="list-style-type: none"> ▶ Processes and procedures undertaken align to good practice (as determined by Ernst & Young); ▶ Delegations of authority for the accounts receivable functions; ▶ Accounts receivable accounting and write offs; ▶ Raising invoices and allocation of receipts; ▶ Debtor management; ▶ Maintenance of accounts receivable Masterdata; and ▶ To determine if appropriate processes and controls are in place to minimise the risk of misappropriation of inventory. <p>The scope of this internal audit will include the following areas and will be limited to the new financial system when implemented:</p> <ul style="list-style-type: none"> ▶ Preparation, review and authorisation of accounts receivable related general ledger reconciliations; ▶ Follow up and monitoring of outstanding balances by accounts receivable staff; ▶ Processing and approval of credit notes; ▶ Processing and approval of write offs; and ▶ Authorisation process for the creation of new customers or changes to the accounts receivable Masterdata (including deletions and deactivations if any). 	<p style="text-align: center;">3</p> <p>(dependant on the new financial system timing)</p>	<p style="text-align: center;">3</p> <p>(dependant on the new financial system timing)</p>	
<p>Support – Accounting & Finance - Payroll</p> <p>The objective of this internal audit will determine whether appropriate processes exist around:</p> <ul style="list-style-type: none"> ▶ Payroll master-file management; ▶ Retention of payroll documentation; ▶ Segregation of duties for key payroll functions; ▶ Capturing and approving of payroll data; ▶ Recording of payroll related obligations (i.e. annual leave provisions, PAYE, KIWISAVER, other Superannuation contributions) ▶ Calculation of holiday pay and final pay; and 	<p style="text-align: center;">3</p> <p>(dependant on the new financial system timing)</p>	<p style="text-align: center;">3</p> <p>(dependant on the new financial system timing)</p>	

Risk Area – Business Process	F13	F14	F15
<p>‣ Timely, accurate and complete reconciliation of payroll data.</p> <p>The scope of the internal audit will include the following and cover a 12 month period (TBD):</p> <p>Payroll - Master file management</p> <ul style="list-style-type: none"> ‣ Request, approval and setup of new employees; ‣ Request, approval and set-up or modification of key master data fields for existing employees (i.e. bank account details, salary or wage rates, deductions and annual leave balances); ‣ Termination of employees; ‣ User access to modify employee master data file information; and ‣ Master data change reports. <p>Payroll processing</p> <ul style="list-style-type: none"> ‣ Processes for time capture, time authorisation, transfer to time information into Payroll systems, payroll calculations (salary and waged), ‣ Manual payroll (e.g. one off payments) payments; ‣ Holiday and final pay calculations; ‣ Retention of payroll related documentation; ‣ Management review of pay run reporting; ‣ Approval of pay-runs; ‣ Payroll general journals, accruals and general ledger reconciliations; and ‣ Calculation of catch percentage payments. 			
<p>River management – delivery and contract management</p> <p>The objective of this internal audit will be to determine whether activities planned and approved are:</p> <ul style="list-style-type: none"> ‣ Being delivered on time and on budget ‣ Have been accurately and appropriately measured to show that they have achieved the desired outcomes ‣ Being managed in line with the contracts ‣ Being accurately reported (to reflect the actual activities performed) ‣ In line with good practice (as determined by Ernst & Young); ‣ In line with policies and procedures as set by NRC ‣ Aligned to the Long Term Plan and or the Annual Plan <p>The scope of this internal audit will include all planned activity as described in the Long Term Plan and the Annual Plan for the maintenance and management of the rivers in Northland.</p>		3	
<p>Biosecurity – delivery and contract management</p> <p>The objective of this internal audit will be to determine whether activities planned and approved are:</p> <ul style="list-style-type: none"> ‣ Being delivered on time and on budget ‣ Have been accurately and appropriately measured to show that they have achieved the desired outcomes ‣ Being managed in line with the contracts ‣ Being accurately reported (to reflect the actual activities performed) ‣ In line with good practice (as determined by Ernst & Young); ‣ In line with policies and procedures as set by NRC 			3

Risk Area – Business Process	F13	F14	F15
<p>▶ Aligned to the Long Term Plan and or the Annual Plan</p> <p>The scope of this internal audit will include all planned activity as described in the Long Term Plan and the Annual Plan for Biosecurity activities in Northland.</p>			
<p>Health and Safety</p> <p>The objectives of this internal audit will be to determine whether:</p> <ul style="list-style-type: none"> ▶ Appropriate policies and procedures are in place and comply with legislative requirements ▶ Health and safety procedures comply with NRC policies and procedures ▶ Health and safety practices are in line with good practices (as determined by Ernst & Young) ▶ Health and safety management systems support the policy and procedural requirements <p>The scope of this internal audit will include the following processes and activities:</p> <ul style="list-style-type: none"> ▶ Health and safety training ▶ Health and safety policy development and maintenance ▶ Fieldwork practices ▶ Contractor management ▶ Monitoring and reporting 			3
Proposed fees (NZD – excluding GST and disbursements)	\$TBD	\$TBD	\$TBD

ISSUE: Legislative Compliance – Fourth Quarter 2013-2014

ID: A666770

To: Audit and Risk Committee Meeting, 19 August 2014

From: Vibeke Wright, Advisor to Chief Executive

Date: 7 August 2014

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

Executive summary:

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

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 – Fourth Quarter 2013-2014", by Vibeke Wright, Advisor to Chief Executive, and dated 7 August 2014, be received.
-

Report:

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

- NRC received an abatement notice in relation to a roadside spraying operation that did not meet the notification requirements of the relevant permitted activity rule. The abatement notice remains in place and will continue to do so until the council's Consents/Monitoring Manager is satisfied it has achieved its purpose.
- This quarter assesses the council's compliance with Resource Management Act 1991 requirements for 10-yearly regional plan reviews. While all other plan reviews this year commenced within the timeframe, the review of the Air Quality Plan was technically 8 months overdue. Key reasons for the delay were:
 - Delays to the RPS project, availability of council resources and need to ensure review and future plans gave effect to the new RPS.

- Previous reviews illustrated no urgency other than statutory deadline for review to commence.
- Potential law change.

The issue of non-compliance was discussed by staff but there are no sanctions for not commencing the review within the 10 years and the benefits of delay were assessed as outweighing the need for strict compliance.

- The Local Government Amendment Bill (No. 3) was signed 7 August 2014 and took effect from midnight, 8 August 2014. The changes to the Local Government Act 2002 are well understood and staff do not foresee any issues of non-compliance arising.
- Non-Financial Performance Measures Rules 2013 came into effect on 30 July 2014. Local authorities are now required to incorporate the performance measures in the development of their new 2015-2025 Long Term Plans. The effect on regional council is minor as the only activity it performs that is affected by the new rules is flood protection and control works, and some reporting requirements.

ISSUE: Interim 2013-2014 Statement of Service Performance Year-End Reporting

ID: A667361

To: Audit and Risk Committee Meeting, 19 August 2014

From: Lisa Aubrey, General Manager Finance

Date: 11 August 2014

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 type="checkbox"/> Other
Significance:	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

Executive Summary:

The purpose of the report is to provide council with an update on the councils results (achieved, not achieved) against councils agreed performance measures as set out in the 2012-2022 Long Term Plan. Councils results, along with explanations where council has not met its targets, will be formally reported against the targets the 2013-2014 Annual Report.

Legal compliance and 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 "Interim 2013-2014 Statement of Service Performance Year-End Reporting" by Lisa Aubrey, General Manager Finance, dated 11 August 2014, be received.

Report:

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

The quarter three update was provided to the May 2014 Audit and Risk Committee

Council has made good progress against achieving the majority of targets (refer to the **attached table Attachment One**). The results can be summarised as:

- 21 Targets achieved;
- 11 Targets not achieved;
- 1 Target, information not yet available.

ITEM: 3.19

Page 2 of 2

It should be noted the definition of “achieving” a target is very prescriptive. In some instances council does not have direct control over the achievement of targets (for example, some monitoring results, reducing number of fatal motor vehicle crashes etc.) there may be good reason to have diverted resources and in some instances actually undertaken more work or monitoring than what was stated in the original target and this would still result in a “Not Achieved”, if the work differed to the specific target.

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)
1.1	Management and governance arrangements for resource management include Maori.	Maintain or increase the number of: <ul style="list-style-type: none"> Contracts – 2 Joint management agreements – 0 Joint decision-making and planning arrangements – 6 Monitoring programmes – 1 OVERALL 9	Achieved. <ul style="list-style-type: none"> Contracts – 3 (two from 2012-2013 continued into/renewed 2013-2014) Joint management agreements – 0 Joint decision-making and planning arrangements – 9 Monitoring programmes – 1 (continued from 2012-2013)
1.2	The number of community pest control areas (CPCAs) achieving their targets for pest reduction.	90%	Not Achieved. Nine out of 11 community pest control programmes monitored met their target this year. Puketotara river and Upper Kerikeri community plans to control possums narrowly missed their target for possum control for the second year and the targets have been reviewed in view of the need to focus on the control of stoat populations rather than possums to enhance kiwi populations. For these plans the need for ongoing control of possums is not critical for the future survivorship of kiwi and the plan targets will be revised accordingly.
1.3	The number of active community pest control areas (CPCAs).	Increases by five annually - 47	Achieved. Five new CPCAs have been confirmed: <ul style="list-style-type: none"> Ocean beach (ants) Whatoro Hupara Tutukaka/Sandy Bay Hauai

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)
1.4a	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%	Achieved. 94% - 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.
1.4b	Shellfish collection is safe in open coastal areas.	2012-2013 results maintained or improved. (Results in Annual Report and metadata sheets.)	Not achieved. Seven sites had medians higher than the 2012-2013 baseline median. Two sites had lower medians compared to the baseline, and 6 sites had no change. The runoff from several large storms in 2013-2014 meant that faecal indicator bacteria results were higher than results recorded in the less stormy 2012-2013 season.
1.5	The water in our streams supports a healthy habitat for flora and fauna.	MCI 91.15	Results not yet available. MCI sampling completed in April 2014. Results will be available after 18 August 2014 and will be provided to councillors with the draft Annual Report in September.
1.6	The number of annual significant non-compliance events resulting in a reduction in water quality of receiving waters.	Less than 80	Achieved.
1.7a	The number of annual significant non-compliance events resulting in any unauthorised/prohibited discharge to water.	Less than 30	Not Achieved (39). A total of 251 non-consented dairy farms were monitored during the period, with the target exceeded by only two events. These means the target was exceeded by only 0.7%. This year's results show a continuing downward trend over the years since the baseline was established (60 events in 2010-2011) and council will continue to work constructively with farmers to inform and educate them to support a further reduction in non-compliance events.

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)
1.7b	Those consents requiring monitoring are monitored as per the council's monitoring programme.	100%	Not achieved. 86% of the required monitoring events were completed as per the monitoring programme. There were 4,122 individual monitoring events required. 3,546 of these were done. Some consents received additional monitoring due to non-compliances (a total of 4,468 monitoring events were recorded). Priority was given to large, high impact consents. The Water & Wastes Team was down one Environmental Monitoring Officer for 8 months.
1.7c	The appropriate action is taken to rectify significant non-compliances.	100%	Not achieved. 96% of significantly non-compliant consents were followed-up and/or had enforcement action taken. There was a total of 245 significant non-compliances, with 10 consents (1 air discharge, 3 land use consents and 6 coastal permits) having no record of follow-up or enforcement action.
1.8	Air sheds meet the national environmental standards.	100%	Achieved.
1.9	Incidents reported to the Environmental Hotline, where more than minor environmental effects have been confirmed, are resolved within 30 working days.	70%	Achieved. There were 45 such incidents recorded for the year, with 40 of these being resolved within 30 working days.
1.10a	All resource consent applications are processed in a timely manner.	98%+ of all applications processed within the statutory timeframes.	Achieved. The processing of 556 applications was completed during the reporting period, with all the applications being processed within the statutory timeframes.
1.10b	All resource consent applications are processed in a timely manner.	Bore permits processed within 5 WDs.	Not achieved. A total of 64 bore permits were granted with 60 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.	Achieved. There were no failures.

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)
2.2	Implement the programmed minor flood control works for other rivers in accordance with the approved annual budgets.	100%	Not Achieved. Of the 11 work areas proposed in the Annual Plan, works were undertaken for 10 of these, including commencing the preparation of resource consent applications for activities in Otiria, Ngunguru and Waima. The work was not done on the Waihou River, as the proposed works (roadside berm lowering) were determined by staff to be a lower priority than other works. A total of 16 separate minor works jobs were undertaken, 6 more than identified in the Annual Plan including works at Bells Hill, Broadwood, Rotokakahi, Mangamuka, Ruakaka and Waipu.
3.1 a	Employment rate - the proportion of the labour force that is in paid employment.	Increase on 90.8%	Achieved. 91.3% - Quarterly employment rate for June 2014.
3.1 b	Business growth – the ratio of business start-ups to business closures. (A ratio below 1 means there were less businesses in operation than previously.)	Increase on 0.78 (<i>year ending June 2012*</i>).	Not achieved Result (0.7): The ratio of business births to deaths in Northland fell from 0.80 in 2011 to 0.70 in 2013 (the lowest ratio since statistics began in 2001). The fall in the ratio was due to both a decrease in the number of new business units created (from 1,395 in 2012 to 1,299 in 2013) and an increase in the number of business deaths (from 1,797 in 2012 to 1,866 in 2013). A similar trend occurred through the rest of the country, with the New Zealand business birth to death ratio falling from 0.97 in 2011 to 0.92 in 2013, its lowest rate since statistics began and the fourth consecutive year where business closures outweighed start-ups. * As the data for this measure is not available from Statistics New Zealand for the financial reporting year until October (and as such will be too late for annual reporting purposes), council will report on the previous year's results. For example, for the 2012-2013 year council will report on results for the 2011-2012 year and compare it to results for the 2010-2011 year. Between audit and publication of the Annual Report 2013 and 30 June 2014 Result: 41 – achieved (2012: not measured ∞; 2013: 13 – achieved) Statistics New Zealand revised there year end 2013 figures. Council's key contribution to this measure is through Northland Inc. Limited and council's use of the Investment and Growth Reserve.

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)
3.1c	Economic growth – real GDP per usual resident population.	More than \$21,305.	Achieved \$35,481.
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%	Achieved. 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%	Achieved (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.
4.3	Accurate and timely flood warnings issued.	100%	Achieved. There were three weather warnings issued by the MetService during this period. Timely warnings were issued by CDMG and Hydrology. Refer to Iris records:- GEN.900160 (Gen.900160), GEN.900176 and GEN.900205.
4.4	Evaluate and respond to a report of an oil spill within one hour of the report being received.	100%	Achieved. All reports of oil spills were evaluated and initial response completed within one hour of report.
4.5a	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.

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)
4.5b	Maintain hazard information for river flooding and beach profiles.	Flood level monitoring at priority rivers updated within 1 month following every large flood event.	Achieved. Extensive GPS flood level surveys were completed at Kaihu and Waimamaku catchments following flooding during the 8-10 June storm event. This event resulted in the second highest peak flow on record at the Kaihu Gorge river flow site, and flooding and boulder accumulations diverting part of the river channel in the Waimamaku catchment.
5.1a	Reducing the annual number of fatal motor vehicle crashes in Northland	<18	Not Achieved. 1 st quarter = 3; 2 nd quarter = 9; 3 rd quarter = 4; 4 th quarter = 6. Total to date = 21. Speed, alcohol, lack of restraints and inattention believed to have contributed to these crashes.
5.1b	Reducing the annual number of serious injury motor vehicle crashes in Northland.	<85 (22)	Not Achieved. Quarter four showed a reduction in serious injury crashes. Q3 figures were slightly higher for serious injury crashes which meant that the annual target of <85 was exceeded by 3 as the total for the year came in at 88.
5.2	Number of passengers for the Whangarei urban bus service.	Increase on 305,737 (+8,432)	Achieved. Year end results for CityLink show 323,553 passengers carried for the year, an increase of 17,816 on 2012-2013.
5.3	Failures to navigation aids are repaired within five working days of reporting.	100%	Achieved. All repairs completed within 5 days.
5.4	Number of incidents from providing pilotage services within BOI harbours.	Zero incidents related to pilotage.	Not Achieved. During the year a pilot accidentally impacted a rail disembarking a ship. Accident reports filed. Pilot bruised.
6.1a	Submissions received on council's long term plan and annual plan.	Increase on 220 or increase on 18.	Achieved. 240

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)
6.1b	Time to respond to submitters post adoption of annual plans and long term plans.	Within one month	Achieved. The Annual Plan was adopted on 17 June 2014.
6.2	Level of advocacy undertaken on issues of importance to Northland over and above government submission processes.	10 submissions made annually.	<p>Achieved. 41 submissions made. The Chairman's report to council each month covers the significant matters and key messages that council has promoted to others. This year the focus of our advocacy has concentrated largely on local government reorganisation and reform. In addition to our 14 letters to key influencers we have been out in the community:</p> <ul style="list-style-type: none"> • Public meetings in Whangarei, Kaikohe, Dargaville, Mangawhai, Kaitaia, Kerikeri, Omapere and Russell and Kaiwaka. • Community and regional stakeholder workshops in Whangarei, Kaikohe, and Dargaville. • Hui in Whangarei at the request of local hapu and opened up to all iwi and hapu in Northland. <p>2014</p> <ul style="list-style-type: none"> • Meetings in Ruakaka, Tutukaka, Parua Bay and Whangarei. • We've also taken up invitations to meet with business groups in Kerikeri and Whangarei, with Kaipara ratepayer groups in Dargaville and with the Rural Education Activities Programme (REAP) in Kaitaia. • Panel on reform at Waitangi marae. • We also advocated for Northland to be considered as a trial police district of roadside testing of drug impaired drivers (five letters to key influencers).

ISSUE: Business with the Public Excluded

ID: A667138

To: Audit and Risk Committee Meeting, 19 August 2014

From: Lisa Aubrey, General Manager Finance

Date: 8 August 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 – 20 May 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 – Investment in MINT Asset Managements Diversified 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	Marsden Maritime Holdings Limited Appointment of Directors	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect the privacy of natural persons (section 7(2)(a)).
