

NORTHLAND REGIONAL COUNCIL

Agenda

For meeting to be held in Council Chambers,
36 Water Street, Whangarei, on Tuesday, 25 November 2014,
commencing at 9:00am

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 Paul Dimery	

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

OPEN MEETING

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ISSUE: Confirmation of Minutes of the Audit and Risk Committee Meeting – 19 August 2014

ID: A703756

To: Finance Committee Meeting, 25 November 2014

From: Lisa Aubrey, General Manager Finance

Date: 11 November 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"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to confirm the draft minutes of the Audit and Risk Committee meeting held on 19 August 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 19 August 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 19 August 2014 commencing at 10.00 am

Present:

Chairman, David Sinclair
Deputy Chairman, Paul Dimery
Councillors:
John Bain
Dennis Bowman
Craig Brown
Joe Carr
Graeme Ramsey
Dover Samuels
Bill Shepherd

In Attendance:

Full Meeting

Chief Executive Officer
GM - Finance
Council Secretary

Part Meeting

Operations Director
Finance Manager
Land/Rivers SPM
Eriksen & Associates Managing Director
Creative Northland Regional Arts Development Manager
FNDC Revenue and Collections Manager
NEST Chairman/Crombie Lockwood Executive Broker
NEST Chief Financial Officer
Forestry Consultant

The Chairman declared the meeting open at 10.02 am.

Apologies (Item 1.0)

Moved (Bain/Dimery)

That the apology from independent member, Mr Geoff Copstick, for non-attendance be received.

Carried

Declarations of Conflicts of Interest (Item 2.0)

It was advised that members should make declarations item-by-item as the meeting progressed.

Confirmation of Minutes of the Audit and Risk Committee Meeting – 20 May 2014 (Item 3.1)

ID: A659442

Report from Finance and IT Administrator/PA Alicia Jurisich.

Moved (Shepherd/Ramsey)

That the minutes of the Audit and Risk Committee held on 20 May 2014 be confirmed as a true and correct record.

Carried

Culture Heritage Arts Resource Trust (CHART) Key Performance Indicators (KPIs) and Six Monthly Report (Item 3.2)

ID: A663620

Report from General Manager Finance Lisa Aubrey.

Moved (Brown/Bain)

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

Carried

Matters arising from Item 3.2:

Creative Northland Regional Arts Development Manager, Laura Burns, was in attendance to brief council on the organisation's activities over the previous six month period.

It was stressed that NRC funded Creative Northland and in this manner, reports should be under the name of Creative Northland; regardless of the fact it operated under the "umbrella" of CHART.

Regional Rates Collections 2013-2014 – District Council Reconciliation (Item 3.3)

ID: A667227

Report from Finance Manager Simon Crabb.

Moved (Shepherd/Samuels)

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.

ID:A668730

Audit and Risk Committee Meeting
19 August 2014

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.

Carried

Matters arising from Item 3.3:

FNDC Revenue and Collections Manager, Cheryl Gavin-Young, was in attendance to brief council on the action undertaken by FNDC to collect current rates and rate arrears, and to provide information on how collection was tracking against targets.

There was general agreement that there needed to be a collaborative effort to influence government policy and resolve the current rate collection issues. NRC Chief Executive, Malcolm Nicolson, undertook to raise this matter at the next Zone One meeting to seek broader support from Local Government New Zealand.

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 the First 2014-2015 Quarter Payment (Item 3.4)

ID: A659491

Report from Finance Manager Simon Crabb.

Moved (Brown/Shepherd)

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.

Carried

Matters arising from Item 3.4:

NEST Chairman, Paul Ahlers, and NEST Chief Financial Officer, Tony Morris, were in attendance to brief council on NEST's performance over the past six month period. The apologies of NEST Chief Executive Officer, Pete Turnbull, for non-attendance were tendered.

Councillors were invited to view the completed Flight Training Device; which was an initiative that had been developed in Northland.

ID:A668730

Audit and Risk Committee Meeting
19 August 2014

Insurance Policy Renewals for the 2014-2015 Financial Year (Item 3.5)

ID: A665759

Report from Financial Accountant Angela Hobden.

Moved (Ramsey/Shepherd)

1. That the report "Insurance Policy Renewals for the 2014-2015 Financial Year" by Angela Hobden, and dated 3 August 2014, be received.
2. That the recommended insurance 2014-2015 renewal programme as detailed in Attachment One, pertaining to Item 3.5 of the 19 August 2014 Audit and Risk Committee agenda, and in effect from 1 July 2014 be endorsed by the committee.

Carried

It was further moved (Samuels/Bain)

3. That subject to confirmation of final pricing; the committee approves the Chief Executive's recommendation that 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 a 2013-2014 operating surplus, this cost be funded from that surplus.

Carried

Matters arising from Item 3.5:

Crombie Lockwood Executive Broker, Paul Ahlers, was in attendance to brief council regarding its investment policies.

General Manager - Finance, Lisa Aubrey, undertook to investigate the legalities regarding the ability for council's insurance cover to include councillors' private vehicles.

There was general agreement that the government must review the Maritime Transport Act and cap the liability placed on councils in the event of a large scale wreck.

It was advised that the increased insurance premiums detailed in the report were indicative figures only.

Forest Management Plan – Reporting Actual Performance Against Targets 2013-2014 (Item 3.6)

ID: A659913

Report from Finance Manager Simon Crabb.

Moved (Ramsey/Samuels)

That the report “Forestry Management Plan – Reporting Actual Performance Against Targets 2013-2014” by the Finance Manager, Simon Crabb, and dated 14 July 2014, be received.

Carried

Matters arising from Item 3.6:

The council’s forestry consultant, Ian Jenkins, was in attendance to brief council on its forestry portfolio; including its history and key issues.

General Manager - Finance, Lisa Aubrey, undertook to confirm the quantum of rates council paid on its forestry land.

There was general agreement for potential forestry opportunities to be provided to the Economic Development Working Party for consideration.

Community Investment Fund – Review of Investment Managers’ Performance to 30 June 2014, CIF-SIPO Adjustment, and Investment in MINT Asset Management’s Diversified Income Fund (Item 3.7)

ID: A666022

Report from Finance Manager Simon Crabb.

Moved (Ramsey/Samuels)

1. That the report “Community Investment Fund – Review of Investment Managers’ Performance to 30 June 2014, CIF-SIPO Adjustment, and Investment in MINT Asset Management’s Diversified Income Fund” by Simon Crabb, Finance Manager, and dated 31 July 2014, be received.
2. That the committee 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 the committee 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.

Carried

ID:A668730

Audit and Risk Committee Meeting
19 August 2014

Matters arising from Item 3.7:

Secretarial Note: The document "Northland Regional Council Community Investment Fund" was tabled.

Eriksen & Associates Ltd Managing Director, Jonathan Eriksen, was in attendance to brief council on:

- the performance of the Community Investment Fund (CIF) over the past year;
- the current economic climate;
- forecast changes; and
- recommended adjustments to the CIF.

**Investment Schedule and Performance – Financial Report to
30 June 2014 (Item 3.8)**

ID: A666764

Report from Financial Systems Administrator Kym Ace.

Moved (Carr/Bain)

That the report "Investment Schedule and Performance – Financial Report to 30 June 2014" from the Financial Systems Administrator, Kym Ace, and dated 8 August 2014, be received.

Carried

**Proposed Amendment to the Treasury Risk Management
Policy (Investment Policy) (Item 3.9)**

ID: A665627

Report from Finance Manager Simon Crabb.

Moved (Ramsey/Shepherd)

1. That the report "Proposed Amendment to the Treasury Risk Management Policy (Investment Policy), by Simon Crabb, Finance Manager, and 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 Item 3.9 of the 19 August 2014 Audit and Risk Committee agenda, be approved.

Carried

Northland Inc. Limited Schedule of Credit Notes for Approval (Item 3.10)

ID: A656755

Report from Accounts Receivable Officer Trish Wells.

Moved (Samuels/Bowman)

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.

Carried

It was further moved (Ramsey/Bain)

That all credit notes up to a value of \$5,000 (excluding GST) be delegated to the Chief Executive Officer for approval.

Carried

Draft Financial Report to 30 June 2014 (Item 3.11)

ID: A667701

Report from Financial Accountant Angela Hobden.

Moved (Ramsey/Shepherd)

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

Carried

Special Reserves at 30 June 2014 (Item 3.12)

ID: A667014

Report from Management Accountant Steve Goddard.

Moved (Shepherd/Brown)

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

Carried

Secretarial Note: The meeting adjourned at 12.42 pm and reconvened at 1.15 pm.

ID:A668730

Audit and Risk Committee Meeting
19 August 2014

Allocation of 2013-2014 Investment Revenue between the Community Investment Fund and the Investment and Growth Reserve (Item 3.13)

ID: A667002

Report from Finance Manager Simon Crabb.

Moved (Shepherd/Bowman)

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. That the committee approves capitalising \$860,304 of the Community Investment Fund income to maintain the actual 30 June 2014 Community Investment Fund closing balance of \$10,585,322.
3. That the committee approves transferring \$2,108,818 to the Investment and Growth Reserve, being 30% of the total actual investment income of \$7,029,395.
4. That the committee 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.

Carried

Request for Approval to Carry Forward Operational Budget from the 2013-2014 Financial Year into the 2014-2015 Financial Year (Item 3.14)

ID: A664560

Report from Management Accountant Steve Goddard.

Moved (Brown/Bain)

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 the committee be advised of the \$434,877 carried forward into the 2014-2015 financial year during the 2014-2015 Annual Plan process.
3. That the committee 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 (Poutō Catchment).

ID:A668730

Audit and Risk Committee Meeting
19 August 2014

The original motion was replaced by the amendment as the substituted motion:

Moved (Carr/Ramsey)

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 the committee be advised of the \$434,877 carried forward into the 2014-2015 financial year during the 2014-2015 Annual Plan process.
3. That the committee approves 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) **\$34,343** for an Environment Fund related project (Poutō Catchment).

Carried

Matters arising from Item 3.14

With regard to the analysis of Kaipara Sediment Cores by a US firm; it was questioned whether the council's operational budgets were being affected by services not being supplied in a timely manner.

Request for Approval to Carry Forward Capital Expenditure Budget from the 2013-2014 Financial Year into the 2014-2015 Financial Year (Item 3.15)

ID: A664573

Report from Management Accountant Steve Goddard.

Moved (Brown/Shepherd)

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 the committee approves the carry forward of \$1,529,839 unspent capital expenditure budget from the 2013-2014 financial year into the 2014-2015 financial year.

Carried

ID:A668730

Audit and Risk Committee Meeting
19 August 2014

Kaeo Flood Scheme – Revenue to be Received (Item 3.16)

ID: A666138

Report from Land/Rivers Senior Programme Manager Bruce Howse.

Moved (Ramsey/Samuels)

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.

Carried

Proposed Internal Audit Programme for 2014-2015 (Item 3.17)

ID: A667260

Report from General Manager - Finance Lisa Aubrey.

Moved (Shepherd/Dimery)

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

Carried

Legislative Compliance – Fourth Quarter 2013-2014 (Item 3.18)

ID: A666770

Report from Advisor to Chief Executive Vibeke Wright.

Moved (Samuels/Ramsey)

That the report “Legislative Compliance – Fourth Quarter 2013-2014” by Vibeke Wright, Advisor to Chief Executive, and dated 7 August 2014, be received.

Carried

ID:A668730

Audit and Risk Committee Meeting
19 August 2014

Interim 2013-2014 Statement of Service Performance Year-End Reporting (Item 3.19)

ID: A667361

Report from General Manager - Finance Lisa Aubrey.

Moved (Brown/Dimery)

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

Carried

4.0 Business with the Public Excluded

ID: A667138

Report from General Manager - Finance Lisa Aubrey.

Moved (Ramsey/Brown)

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 – 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 Management's 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)).

Carried

ID:A668730

Audit and Risk Committee Meeting
19 August 2014

Open Meeting

Moved (Samuels/Bain)

That the Audit and Risk Committee resumes in open meeting.

Carried

Marsden Maritime Holdings Limited Appointment of Directors (Confidential Item 4.3)

ID: A666867

Report from Human Resources Manager Judy Macdonald.

Moved (Samuels/Shepherd)

That the resolution of the Audit and Risk Committee made in public excluded;

That the Committee, according to its delegated authority, nominates Elena Trout and Mark Bogle as directors of Marsden Maritime Holdings Limited.

be confirmed in public.

Carried

Conclusion

The meeting concluded at 2.35 pm.

ISSUE: Northland Inc. Limited Financial Reporting and Reporting Against Statement of Intent (SOI) for Quarter One of 2014-2015, and Approval to Pay Quarter Three Funding in January 2015

ID: A701963

To: Finance Committee Meeting, 25 November 2014

From: Darryl Jones, Economist and Simon Crabb, Finance Manager

Date: 3 November 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 Policy:	<input type="checkbox"/>	Triggered	<input checked="" type="checkbox"/>	Not Triggered		

Executive summary:

The purpose of this report is to present Northland Inc. Limited's progress against its Statement of Intent (SOI), and financial results, for the first quarter to 30 September 2014, and seek approval to pay Northland Inc. Limited in January 2015 for their quarter three (January to March 2015) funding.

Legal compliance and significance assessment:

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

Recommendations:

1. That the report "Northland Inc. Limited Financial Reporting and Reporting Against Statement of Intent (SOI) for Quarter One of 2014-2015 and Approval to Pay Quarter Three Funding in January 2015" by Darryl Jones, Economist and Simon Crabb, Finance Manager, and dated 3 November 2014, be received.
2. That council pay Northland Inc. Limited \$287,500 plus GST in January 2015 from the Northland Regional Council Investment and Growth Reserve as quarter three funding of the 2014-15 financial year, upon receipt of an invoice from Northland Inc. Limited.

Northland Inc. Limited's Report against their Statement of Intent for the quarter ended 30 September 2104 is attached as Appendix One.

Financial Report

The Northland Inc. Limited year to date result at 30 September 2014 is \$64,788 ahead of budget predominantly due to a delay in filling 3.5 full time positions, and the associated project expenditure not being incurred as anticipated. However, the Northland Inc. Limited forecasted year end operating result of \$16,889 is only slightly ahead of their budgeted operating result for the year of \$10,000.

Northland Inc. Limited's cash-flow is slightly behind budget due to the non-payment of a \$31,625 (GST inclusive) invoice issued to the Far North District Council. Negotiations are currently underway with the Far North District Council to secure funding and payment of this invoice.

2014-15 Quarter Three Funding

In the 2014-15 Annual Plan council agreed to provide Northland Inc. Limited up to \$1.150M annual funding from the Investment and Growth Reserve, being \$1.05M for operational activities and a further \$100 thousand for regional promotion activities.

As there is no scheduled council meeting in January 2015, it is recommended that council approve the payment of \$287,500 plus GST for quarter three funding at the November 2014 Finance Committee meeting. Upon council approval and receipt of an invoice from Northland Inc. Limited this payment will be released to Northland Inc. Limited in January 2015.

Key Performance Indicators

Officials have reviewed the material supplied and confirm that reporting has been done against all six performance measures set out in section 9 of the Northland Inc. Limited Statement of Intent 2014-2017. They are on track against three measures (comply with annual budget, invest in Northland, and partner project with iwi, hapu and/or Maori collective organisations) and ahead of track on two (investment in building capacity and website traffic). The development of the Northland 2025 Action Plan has been delayed because of the slippage in preparing the Regional Growth Study report being undertaken by Martin Jenkins. Northland Inc. Limited will be available to speak to their report.

Northland Inc report against Sol

For quarter ended 30th September 2014

Northland Inc's Sol ...

Provide vision, aspiration, leadership and unity-of-purpose in sustainable economic development



Work with key industry sectors in Northland to address market failures, facilitate value-added activities and value chain improvements, increase exports, and provide business, job and investment opportunities



Strengthen and diversify the regional economy



The Directors of Northland Inc Limited are pleased to provide this progress assessment for the fiscal year-end 2015. The review is the first under the terms of the *Statement of Intent* finalised 30 June 2014.

Directors consider the progress reported against key performance measures is on track and encouraging. We have created a strong pipeline group of projects and qualified a number of opportunities so that 2014/15 will see those opportunities become investment ready.

Key Performance Indicators



Comply with annual budget (see Financials over page)



Northland 2025 Action Plan

Action Plan is best vehicle post NRGs
Stakeholder buy-in will require considerable work

Aiming for February 2015 however could be pushed out by a month due to slippage below

Minor slippage experienced due to increased necessity for stakeholder engagement



Northland 2025 Action Plan

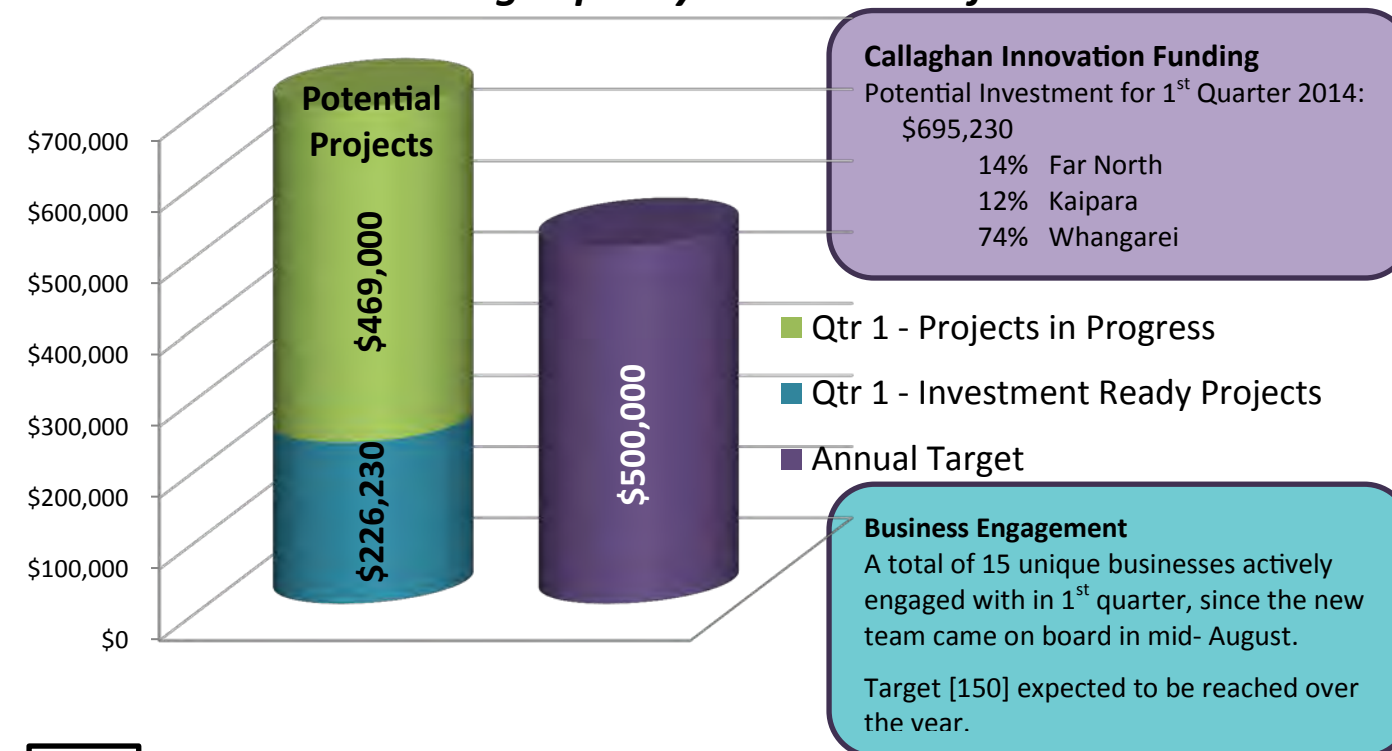
FORUM

February
RGS Release

November Final Draft
Regional Growth Study



Minimum of 150 unique business engagements and \$500K invested in building capacity in Northland firms



Minimum of 5% increase in website traffic on Northlandnz.com

25% increase in Page Views!
Q1 2014/15 = 144,618
Q1 2013/14 = 115,470



Investment in Northland

Board recommendations made on a minimum of 4 projects

1 project received a Board decision in the 1st Quarter - *Aquaculture Infrastructure*

A minimum of 2 partner projects with Iwi, hapu and/or Maori collective organisations

1 Maori tourism project - *expected to be investment ready in Quarter 2*



Previous year

5 projects received Feasibility and Business Case funding

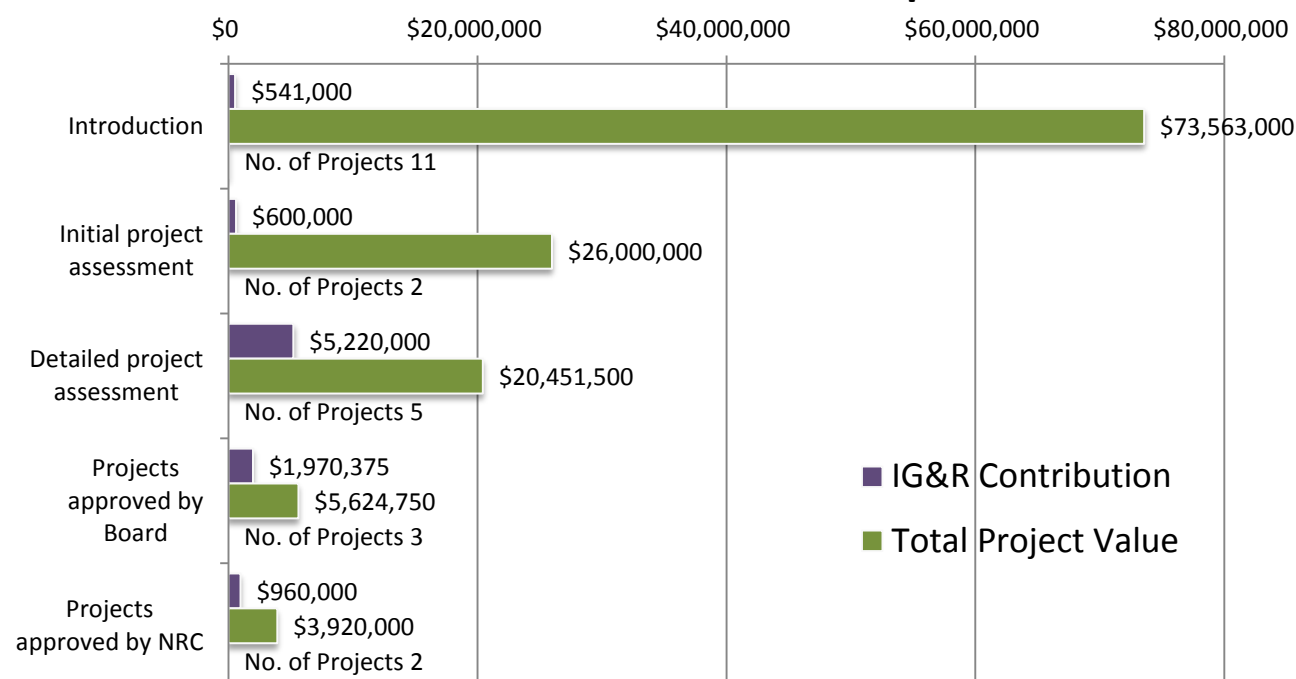
- ✓ 1 Completed
- ✓ 4 In progress

Current year – 1st Quarter

3 projects received Feasibility and Business Case funding

- ✓ Due diligence on an investment in forestry processing
- ✓ Funding to identify the user requirements and demand levels for the establishment of multi-networked co-working spaces around the Northland Region (“The Orchard”)
- ✓ Co-funding to contribute towards an opportunity analysis for large scale wood processing facility at Ngawha

Size of Investments in Pipeline



Financials

Key Measure	YTD Budget	Actual	Status	Full Year Budget	Full Year Forecast	Status
Financial as at 30 September 2014						
Revenue	532,500	534,527	✓	1,820,000	1,822,920	✓
Overheads/Directors	112,697	87,377	✓	476,090	421,366	✓
Project Expenditure	175,704	157,492	✓	528,505	528,505	✓
Personnel Costs	190,415	142,186	✓	805,405	787,160	✓
Net Profit against Budget	53,684	147,472	✓	10,000	85,889	✓
Other Expenses:						
Feasibility Funding 13/14 liability	0	29,000		0	69,000	
Net Profit before Tax	53,684	118,472	✓	10,000	16,889	✓
Cash flow Availability						
July	407,713	408,295	✓			
Aug	212,893	291,205	✓			
Sept	205,617	233,080	✓			
Oct	432,687	404,768	*			
Nov	115,282					

* Far North District Council funding budgeted but not yet received, in negotiation with FNDC

Balance Sheet

	30 Sep 2014	Closing Balance 30 Jun 2014	Movement
ASSETS			
Current Assets	233,080	175,398	57,682
Accounts Receivable	77,838	54,001	23,837
Fixed Assets	58,144	60,601	-2,457
TOTAL ASSETS	369,063	295,238	73,824
LIABILITIES & EQUITY			
Accounts Payable	58,568	85,851	-27,282
Other Current Liabilities	141,991	158,106	-16,115
Total Liabilities	200,559	243,957	-43,398
Equity			
Contributed Capital	100	100	0
Equity	89,627	-148,612	238,238
Retained Surplus/Deficit	-38,445	-38,445	0
Net Income	117,222	238,238	-121,016
Total Equity	168,504	51,282	117,222
TOTAL LIABILITIES & EQUITY	369,063	295,238	73,824

ISSUE: Community Investment Fund – Review of Investment Managers’ Performance to 30 September 2014

ID: A702008

To: Finance Committee Meeting, 25 November 2014

From: Simon Crabb, Finance Manager

Date: 3 November 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 Policy:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

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 September 2014.

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 September 2014” by Simon Crabb, Finance Manager, dated 3 November 2014, be received.

Report:

Community Investment Fund Performance – 30 September 2014:

At 30 September 2014 the Community Investment Fund (“CIF”) was managed by eight 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 Harbour Asset Management Short Duration Fund;
- Income assets managed by Harbour Asset Management Income Fund;
- Income assets managed by Milford Income Fund;
- Income assets managed by MINT Asset Management Diversified Income 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 September 2014 quarter is **attached** as **Attachment One**.

The market value of the fund at 30 September 2014 is \$11M. The asset allocation mix is 53% income assets and 47% growth assets which is well within the ranges specified by the CIF-SIPO.

Overall, the fund returned 3.7% for the quarter to 30 September 2014, thus outperforming the quarterly benchmark of 1.3% by 2.4%. Over the past year the fund has returned 9.1%, outperforming the annual benchmark of 5.1% by 4.0%.

On 29 October 2014 Jonathan Eriksen recommended that all the funds held in the Harbour Short Duration Income fund be transferred into the MINT Asset Management's Income Fund. The basis for this recommendation was a combination of the relatively poor performance of the Short Duration Fund and the fact that Mint was a safer investment than the Milford Income Fund and would provide a higher return than the Harbour Income Fund. The recommended transfer was transacted on 4 November 2014 with approval of the CEO, Council Chairman, and Chairman of the Finance committee.

Compliance against SIPO

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

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL COMMUNITY INVESTMENT FUND

INVESTMENT REVIEW FOR THE QUARTER ENDING 30 SEPTEMBER 2014

ERIKSEN & ASSOCIATES LIMITED

15 OCTOBER 2014

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EXECUTIVE SUMMARY

OVERALL

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 September 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 a new investment was made into Mint Asset Management's Income Fund. This is a multi-asset style investment which falls under the fixed interest assets category. All remaining term deposits have now matured and the cash balance is zero. The entire Fund is now invested with five investment managers in seven separate funds.

A unit pricing error occurred for the AMP Capital Global Multi-Asset Fund from the Q4 2013 and Q1 2014 distributions. This resulted in more units issued than should have been. The overall impact for the Fund is that 1,863 units will be deducted in October to correct the mistake.

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 (the most recent data available) which was 1.1% per annum (annualised over three years). This gives a real return one year benchmark of 5.1% for this report.

INTRODUCTION

Eriksen & Associates Limited (Eriksens) were appointed investment advisors to the Fund in November 2012. This report is in accordance with the SIPO approved by Council in November 2013. A draft SIPO has been submitted for approval which we expect to be in place for next quarter's report. It includes most of the current investment managers and their allocations and benchmarks. An amendment to this will be submitted within the next week to include Mint Asset Management as an investment manager.

This review reports the investment returns for all cash, bonds and equities held by the Fund for the quarter to 30 September 2014. The financial year-end for the Fund is 30 June, thus year-to-date returns are the same as the quarterly 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 AMP, and statements supplied by Harbour, Milford, Mint and Schroders as at 30 September 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.

PERFORMANCE

MARKET PERFORMANCE

The month of September saw mixed results for world equity markets. US markets and emerging markets fell, as did the UK equity market. German, French and Japanese markets rose. Over the quarter only European markets fell while most others rose. The 12 month returns were strong for most markets. A notable exception was the UK market which gained just 2.5% over the year. The volatile nature of emerging markets, particularly in response to geo-political fears, saw many investors withdraw funds from these markets during the year to 30 September. This kept the return at a relatively low 8.3%. US markets fared well over the past 12 months.

The Australian market dropped significantly during September, falling 5.4%. This caused the quarter figure to dip into the red also, at -0.6%. Over the past year the market rose just 5.9%. The New Zealand market rose 0.6% for the month of September and 2.2% over the quarter. It gained 11.0% for the 12 months to 30 September.

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

Graeme Wheeler's (the Reserve Bank Governor) statement last month that the New Zealand dollar was overvalued had the desired impact and caused our currency to depreciate against most major currencies. It fell 0.5% against the Australian dollar over the month and 6.9% against the greenback (the other side of course is that the US dollar has been strengthening too). Over the quarter the NZD fell 4.0% against the AUD and 11.0% against the USD while over the past twelve months the NZD was on par with the AUD and depreciated 6.4% against the USD.

FUND PERFORMANCE BY ASSET CLASS

Overall

The Fund returned 3.7% over the quarter which outperformed the benchmark return by 2.4%. The benchmark of 1.3% was calculated from the June 2014 annual CPI results for New Zealand (the latest data available at the time of writing this report). 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 1.3% (being the fourth root) of 5.1%.

Over the year the Fund returned 9.1% which outperformed the benchmark return of 5.1% by 4.0%, and since inception (or 21 months) it returned 9.5% annualised which was an outperformance of 5.0%, a very pleasing result.

The table below shows the quarter, one year and 21 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 %	21 Months (p.a.) %
Cash (Harbour and TD's)	0.8	3.5	3.7
Benchmark (90 Day Bank Bill)	0.9	3.1	2.9
Over / Underperformance	-0.1	0.4	0.8
NZ Fixed Interest (Harbour, Milford and Mint)	3.3	12.4	10.1
Benchmark (weighted average)	1.6	4.2	3.5
Over / Underperformance	1.7	8.2	6.6
Australasian Equities (Milford)	3.9	13.3	16.5
Benchmark (NZX50 plus 3%)	3.0	14.3	19.2
Over / Underperformance	0.9	-1.0	-2.7
Global Equities (Schroders and AMP)	5.1	7.0	11.9
Benchmark (weighted average)	1.9	7.8	7.6
Over / Underperformance	3.2	-0.8	4.3
Total Fund	3.7	9.1	9.5
Benchmark (4% real return)	1.3	5.1	4.5
Over / Underperformance	2.4	4.0	5.0

Cash

Cash includes in-house call, in-house term deposits and Harbour Asset Management Short Duration Fund returns.

The asset class underperformed the 90 Day Bank Bill Index by 0.1% for the quarter and outperformed the benchmark by 0.4% for the year, returning 3.5%. Since inception cash returned 3.7% annualised which beat the benchmark by 0.8%.

All cash and term deposits have now been sold and so the Harbour Short Duration Fund will be the only fund in this asset class going forward. \$250,000 was withdrawn from the Harbour Short Duration Fund during the quarter.

NZ Fixed Interest

This asset class comprises Harbour's Income Fund, Milford's Income Fund and a new investment made over the quarter in Mint's Income Fund. A deposit of \$1.3 million was made with Mint over the quarter.

The returns for the quarter relate to the performance of Harbour and Milford Fund however the one year and 21 month returns include the performance of (the now sold) NZ bonds also. The investment with Mint was made during the quarter so we do not have any performance returns for this investment; this will be included in the next report.

The fixed interest asset class returned 3.3% for the quarter, outperforming the benchmark by 1.7%. For the year the return was 12.4% which beat the weighted average benchmark by 8.2% and the return since inception was 10.1% per annum, outperforming by 6.6%. These are very good results and can mostly be attributed to the performance of Milford's Income Fund.

Australasian Equities

Milford's Active Growth Fund outperformed the benchmark over the quarter by 0.9% with a return of 3.9%. It underperformed the one year benchmark of NZX50 + 3% p.a. by 1.0%, returning 13.3%. The

Eriksen & Associates Ltd October 2014	5	Community Investment Fund Investment Review Ending 30 September 2014
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21 month return was 16.5% per annum which was 2.7% below the benchmark return. These are still very good results. There was a \$500,000 withdrawal from this fund over the quarter.

Global Equities

The global equities asset class consists of Schroders Real Return Fund and AMP's Global Multi-Asset Fund. The one year and 21 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. Unfortunately due to a unit pricing error by GMAF's custodian there will be a small \$2,000 reduction in GMAF's holdings market value. This will have negligible impact on returns.

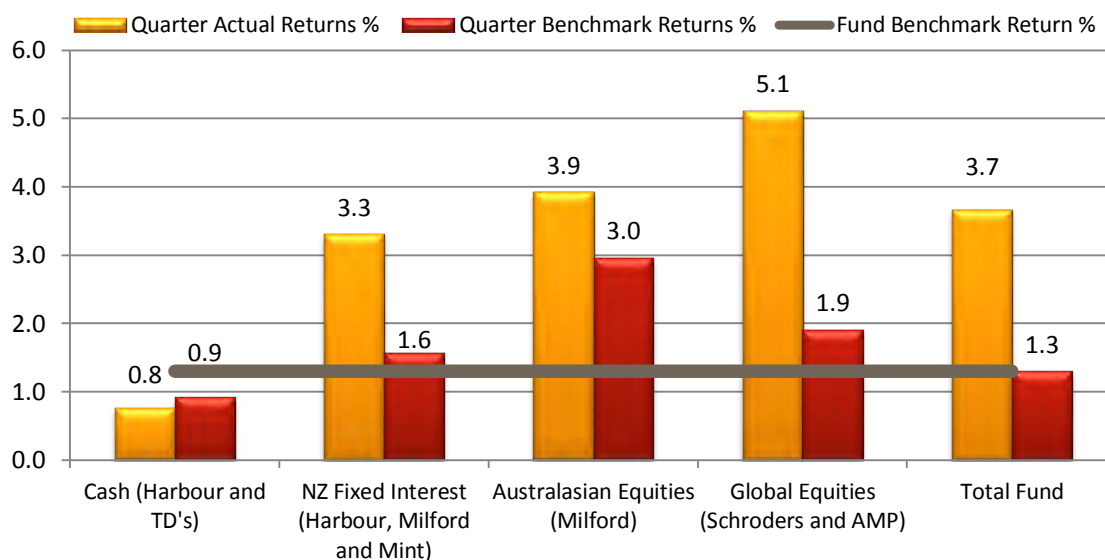
Over the quarter global equities returned 5.1%, outperforming the weighted average benchmark by 3.2%. This outperformance was due to AMP and Schroders posting positive returns and the NZD depreciating against the AUD by 5.4% which boosted Schroders' performance.

The return for the year was 7.0% which was 0.8% below the benchmark return. Schroders underperformed their one year benchmark by 0.6% with a return of 7.4% over this period. The kiwi dollar was flat against the AUD over the 12 month period however because of the hedging that was in place for part of the year, Schroders performed better than it would have, in NZD terms, had the hedging *not* been in place.

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	5.9	2.0	-2.1	7.4	8.0	-0.6
AUD Return	1.6	2.0	-0.3	6.9	8.0	-1.1

Quarterly Returns by Asset Class



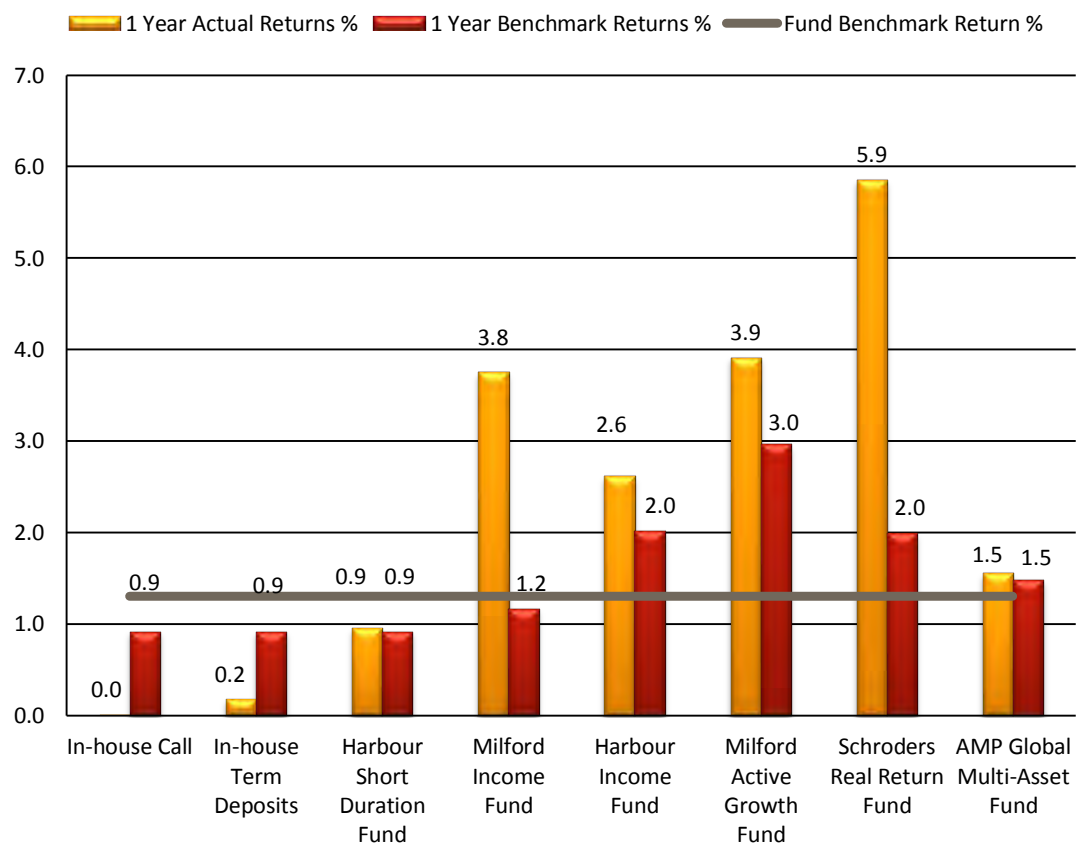
FUND PERFORMANCE BY INDIVIDUAL MANAGER

The table below shows the individual market values and asset returns for the quarter, one year and 21 month periods.

Asset	Market Value NZ\$	Quarter %	1 Year %	21 Months (p.a.) %
Cash				
In-house Call	-	0.0	2.3	2.4
Benchmark (90 Day Bank Bill)		0.9	3.1	2.9
Over / Underperformance		-0.9	-0.8	-0.5
In-house Term Deposits	-	0.2	3.3	3.6
Benchmark (90 Day Bank Bill)		0.9	3.1	2.9
Over / Underperformance		-0.7	0.2	0.7
Harbour Short Duration Fund	316,932	0.9	3.5	n/a
Benchmark (90 Day Bank Bill)		0.9	3.1	2.9
Over / Underperformance		0.0	0.4	n/a
NZ Fixed Interest				
Harbour Income Fund	1,814,888	2.6	n/a	n/a
Benchmark (70% Corp A + 30% NZX50)		2.0	7.2	7.4
Over / Underperformance		0.6	n/a	n/a
Milford Income Fund	2,358,112	3.8	13.0	n/a
Benchmark (90 Day Bank Bill + 1% p.a.)		1.2	4.1	3.9
Over / Underperformance		2.6	8.9	n/a
Mint Income Fund	1,320,918	n/a	n/a	n/a
Benchmark (NZ CPI + 4% p.a.)		1.2	5.0	4.5
Over / Underperformance		n/a	n/a	n/a
Australasian Equities				
Milford Active Growth Fund	2,112,423	3.9	13.3	16.5
Benchmark (NZX50 + 3% p.a.)		3.0	14.3	19.2
Over / Underperformance		0.9	-1.0	-2.7
Global Equities				
Schroders Real Return Fund	2,543,630	5.9	7.4	12.0
Benchmark (Aus CPI trimmed mean + 5% p.a.)		2.0	8.0	7.7
Over / Underperformance		3.9	-0.6	4.3

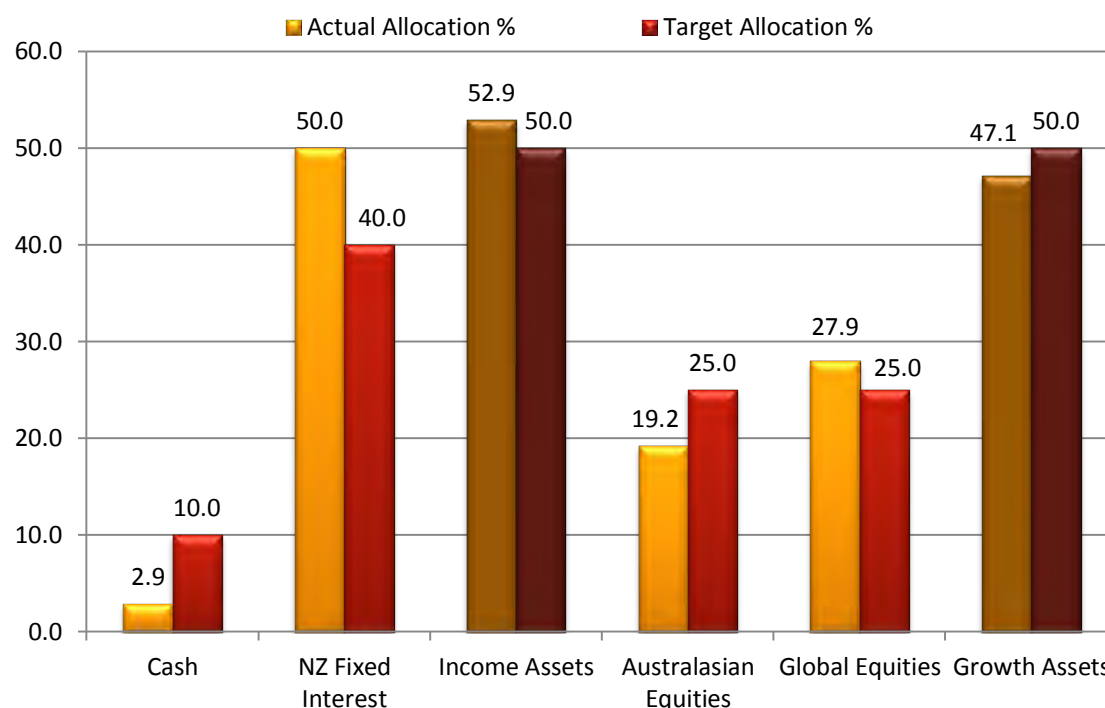
AMP Global Multi-Asset Fund	524,215	1.5	n/a	n/a
Benchmark (NZ CPI + 5% p.a.)		1.5	6.0	5.6
Over / Underperformance		0.0	n/a	n/a
Total Assets				
Total Fund	10,991,119	3.7	9.1	9.5
Benchmark (4% real return)		1.3	5.1	4.5
Over / Underperformance		2.4	4.0	5.0

Quarterly Returns by Individual Manager



ASSET ALLOCATIONS

The Fund's asset allocations at 30 September 2014 are shown below:



The Fund's asset allocation shows all asset classes except cash are within the ranges as specified by the SIPO. Global equities are very close to their target allocation. The weighting to Australasian equities was reduced as \$0.5 million was withdrawn over the quarter. The NZ fixed interest weighting increased as funds were transferred into the new investment with Mint. The weighting to cash has reduced as the term deposits have matured and a withdrawal of \$250,000 was made from Harbour's Short Duration Fund. These funds were used to fund the Mint investment, along with the \$0.5 million from Australasian equities.

Allocations	Market Value NZ\$	Actual Allocation %	Target Allocation %	Difference %	Status
Cash	316,932	2.9	5 < 10 < 50	-7.1	×
NZ Fixed Interest	5,493,919	50.0	20 < 40 < 60	10.0	✓
Income Assets	5,810,851	52.9	30 < 50 < 70	2.9	✓
Australasian Equities	2,112,423	19.2	15 < 25 < 35	-5.8	✓
Global Equities	3,067,845	27.9	15 < 25 < 35	2.9	✓
Growth Assets	5,180,268	47.1	30 < 50 < 70	-2.9	✓
Total Assets	10,991,119	100.0			

ECONOMIC COMMENTARY

World Growth

The International Monetary Fund (IMF) has cut its global growth forecasts for 2014 (to 3.3%, 0.4% lower than it was predicting in April) and 2015 (3.8% down from 3.9% in April) and warned that the world economy may never return to the pace of expansion seen before the financial crisis. It also highlighted the risk that its predictions would once again be too optimistic and predicted a stock market correction within the next twelve months because lower growth makes it harder for corporates to achieve their earnings targets.

Growth is uneven with some developed countries struggling to avoid recession. The reason for this is the effects of globalisation. World Bank researchers found that the average person in the middle of the income spectrum in China, for example, enjoyed a near-tripling of income between 1988 and 2008 while India's middle class saw income growth of about 50 percent in the same time period. The income of a typical middle-class worker in the U.S., by contrast, rose by only 26%, while a middle-class German's wages grew by 7% and Japan's middle-income workers actually lost ground in the same time period.

Australia

The Australian stock market fell 5% in September which reflects the uncertainty around China's continued purchases of resources and general economic uncertainty. The Reserve Bank of Australia is not planning to raise interest rates any time soon but apart from Melbourne and Sydney property prices are steady or falling. The unemployment rate is relatively stable too, apart from the data collection process which has arbitrarily changed throwing up anomalous figures compared to the previous methodology. The Australian dollar has fallen below US\$0.90 which should help exporters.

China

Property prices in China are falling by 1% per month. Their asset price bubble is being let down steadily but can't continue indefinitely. In our view the Chinese Government through their managed economy can maintain a relatively stable market environment even though their GDP growth rate is slowing. China's aspirations in the South and East China Seas are a much greater threat to the global economy. The peaceful protest around democratic reforms in Hong Kong will test the patience of the Government in Beijing. It is too early to tell what, if any, impact this will have on China's economy and the global economy.

Europe

Germany, the powerhouse of Europe (being 30% of the GDP of the entire 18-member Eurozone), is not finding life easy. German industry is struggling which puts Berlin in a difficult position as it preaches tough austerity to its neighbours. Russian sanctions are only exacerbating the economic misery.

Industry orders tumbled 5.7% in August from July, the most since January 2009 when they dropped 7.7%. The drop was much higher than economists at Bloomberg (1.5%) and Reuters (2.5%) forecast. Germany factory orders, adjusted for seasonal swings, were 4% less in August than in July, again the biggest drop since 2009. Foreign orders dropped 8.4%, investment and goods orders tumbled 8.5%, basic goods 3%, and domestic orders 2%. Germany's Economic Ministry blamed it on the summer break, but admitted the industrial sector as a whole was "currently going through a period of weakness". The previous week saw German unemployment stagnate at 6.7%.

New Zealand

Not surprisingly, the Reserve Bank kept the OCR unchanged at 3.5% recently. The Governor, Graeme Wheeler, noted that:

“New Zealand’s economy is expected to grow at an annual pace of 3.7% over 2014. Global financial conditions remain very accommodative and are reflected in low interest rates, narrow risk spreads, and low volatility across a range of asset markets.”

and finished by saying

“In light of these uncertainties, and in order to better assess the moderating effects of the recent policy tightening and export price reductions, it is prudent to undertake a period of monitoring and assessment before considering further policy adjustment. Nevertheless, we expect some further policy tightening will be necessary to keep future average inflation near the 2 percent target mid-point and ensure that the economic expansion can be sustained.”

We expect the next 0.25% increase to the OCR in March next year.

Dairy prices have fallen by 45% in since peaking in February. An important reason for the recent falls appears to be a build-up of inventory in China as well as the trade sanctions placed on Russia increasing the world supply. Already the Government has warned that the weak dairy prices will impact on the economy (we might not get a surplus as soon as predicted after all). The fall in dairy prices will cause the New Zealand economy to slow unless the financial, agriculture and retail sectors can pick up the slack, although growth should be supported by the election result which gives the National led government a clear mandate to continue its economic reforms. This has propelled the stock market to new record highs led by electricity stocks.

Over the past year, net immigration has boosted New Zealand’s population by 41,000 people (0.9%). This continues to place a strain on housing. With the Minister of Finance saying that “it basically illegal to build in Auckland for less than \$500,000” due to regulations the housing situation may be here for some time. Also likely are changes to the Resource Management Act.

The following table shows the breakdown of inflation over the last 3 years and the last 8 years.

	3 years	8 years
Food group	0.4%	3.2%
Alcoholic beverages and tobacco group	4.1%	4.4%
Clothing and footwear group	-1.0%	-0.2%
Housing and household utilities group	3.0%	3.5%
Household contents and services group	-0.8%	0.0%
Health group	2.6%	2.8%
Transport group	0.0%	1.9%
Communication group	-6.0%	-2.9%
Recreation and culture group	-1.6%	-0.5%
Education group	3.7%	3.5%
Miscellaneous goods and services group	2.5%	2.6%
Tradeables	-0.9%	1.0%
Non-tradeables	2.6%	3.2%
All groups	1.1%	2.3%

This may explain why some people complain that inflation is higher than the statistics (note the higher household utilities, education, and health inflation). With the NZ dollar weakening this may result in some upward pressures on tradeables. However, with much of the world struggling with deflation the effect may be muted. To average 2.0% for all groups, the low level of tradeables inflation must be balanced with correspondingly higher non-tradeables inflation.

Russia

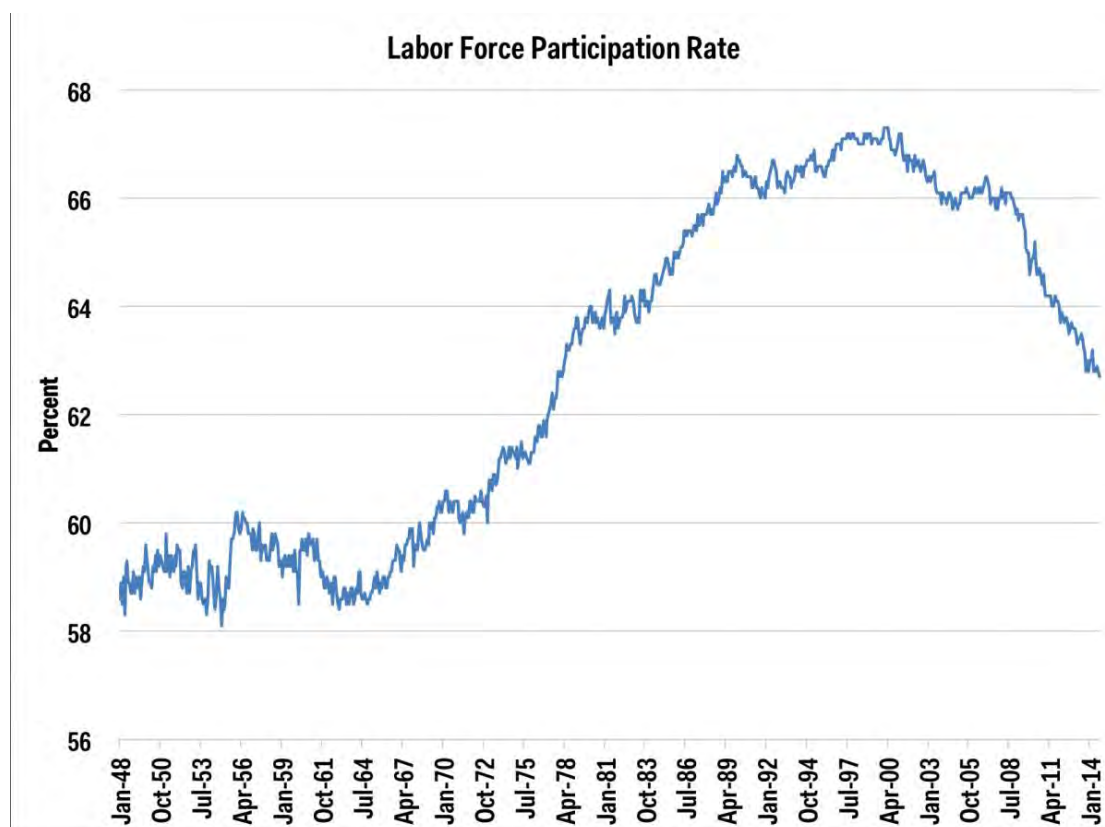
Russia is continuing to re-arm and build up its military capability. They are re-opening and expanding an air force base in the Arctic which had been mothballed for 20 years and continue to seek a land link through Ukraine to the Crimea despite the current cease fire. Will Turkey close the Bosphorus to put on added pressure? President Putin's popularity in Russia is still growing strongly despite, or because of, the sanctions which have provided a windfall to Russian farmers and angst and potential bankruptcy to EU farmers.

United States

The 248,000 jobs gain in September was bigger than previously estimated. Revisions also boosted the job count by 69,000 over the previous two months. As a result the jobless rate fell from 6.1% to 5.9%, the lowest level since July 2008.

The underemployment rate, a gauge that counts the unemployed, workers settling for part-time jobs, and people who have given up the search, fell to 11.8% in September (from 12.0% in August), or twice as high as the official jobless reading. The gap indicates the headline number continues to understate the amount of slack in the US economy.

The jobs report, while overall very strong, showed a slight tick down in the labour force participation rate, from 62.8% last month to 62.7% this month. It's now at the lowest rate since 1978. As the chart below shows, this isn't just a post-GFC issue.



The sharemarket jumped 2% on the news. Whether that was the good news (jobs and unemployment rate) or the bad news (underemployment and participation rate) is not clear. The slack in the economy means that the Fed should keep rates low for a longer period of time.

New York Fed President William C. Dudley said that “forecasts for the Federal Reserve to raise interest rates in mid-2015 are “reasonable” as policy makers wait for unemployment to fall further and inflation to rise”. He added that “it still is premature to begin to raise interest rates” and that “the labour market still has too much slack and the inflation rate is too low”.

Minneapolis Fed President Narayana Kocherlakota went further saying “policy makers have fallen short of their mandates for full employment and stable inflation and shouldn’t consider raising interest rates next year”.

The official minutes of the latest FED meeting revealed that *“A number of participants noted that changes to the forward guidance might be misinterpreted as a signal of a fundamental shift in the stance of policy that could result in an unintended tightening of financial conditions”*. In simple terms they are saying “we’re not in a hurry to tighten”. Our view is that mid-2015 is the most likely time for the first rise.

Oil Prices

With the US now the largest producer of oil (thanks to the fracking revolution) oil prices have decreased markedly. But is there more at stake here? For Saudi Arabia, the cost of extracting oil is estimated to be as low as US\$2 per barrel.

A prolonged price slump could put many of America's shale drillers out of business. Shale oil, which costs up to US\$80 a barrel to produce, has spurred an energy revolution in the US. This has started to threaten the dominance of producers in the Middle East. It is estimated that 20% will lose money below \$90 per barrel and a further 25% become uneconomic if the price drops below \$80. Russia needs the price to stay over the \$90 level to balance their budget. Most of OPEC have enough savings in reserve to weather a short term income shortfall.

This may mean that oil supplies are being used for political ends. If so, it may be a bonus for consumers who will appreciate lower fuel prices. Lower oil prices (in USD) will also counter the effect of the weakening NZD.

Elections & Referenda

By now most readers will have had enough politics for 3 years (or more). In summary, NZ voted for more of the same, steady as she goes.

The sharemarket jumped 1.1%, led by Mighty River Power, after the National Party's convincing election victory wiped out any regulatory fears for the power companies. Shane Solly, director at Harbour Asset Management, noted “Interestingly we're seeing the likes of Steel & Tube and Fletcher Building up as well, indicating National's win was seen as a positive for the broader market”.

Of course there was another very well reported referendum, namely the Scottish independence vote. In the end a comfortable 55-45 victory for staying in the UK. A lot of commentators put this down to the fact that another vote was possible to leave but after voting for independence the option to re-join was not available.

This result didn’t stop Catalonia (in Spain) from having a referendum...or not as it now seems. The Spanish Government conveniently decided that it was not legal. It may still go ahead however although what that will achieve is not certain.

We finish our commentary with an excerpt from a commentary written by Simon Doyle, Head of Fixed Income and Multi-Asset, Schroders Australia:

"In many conversations I've had recently with clients, I've been asked about how plausible it is to achieve our real return objective in the current environment. Some approach this question from the perspective that our asset allocation is too "conservative" and that we should be taking more "risk" (or more correctly more equity exposure) to achieve our goals. Others are more sympathetic to our positioning but are concerned that market valuations across the board will make it difficult to find enough places with sufficient return on offer to invest.

These two perspectives touch on the fundamental challenge faced by investors in the current environment. Do I "jump on board" on the assumption that central bank support will continue to underwrite risk - potentially maximising short term gains? Or, do I recognise the fragility of capital market pricing and the growing gap between market volatility and the risk that expensive markets could reprice at any time - reversing the gains of recent months and years?

Our approach to this challenge is relatively straightforward and intertwined within our investment process. Our stated investment objective is to achieve a return of 5% pa above Australian inflation over rolling 3 year periods, but importantly, to do so in a way that minimises the risk of losing money. In other words we are trying to maximise the probability of achieving this return target, not maximising the quantum of returns in the short run, whilst trying to ensure we protect our clients' capital in the process.

There is clearly an asymmetry in the way we think about risk, which makes us mindful of the level of risk the Portfolio is taking in pursuing its' return goals. Modest short run "underperformance" versus target is a better outcome than trying to generate high returns by taking unnecessary and likely unrewarded risks in the short term which compromise our longer run goals. This is in part why we have a 3 year timeframe (not a 1 year).

In framing our thinking in this way, market valuations become incredibly important as there is compelling evidence linking future returns to current valuations. Pay too much and you'll likely be disappointed over the medium term. Moreover, "risk", defined as the prospect of losing money from an investment (not volatility per se) rises as valuations deteriorate, again elevating the importance of valuations to future outcomes.

Overlaying this framework on current market conditions has some significant implications:

- Firstly, asset markets are generally expensive, implying relatively modest returns over the medium term. This is true in our view for global equities, credit (especially high yield) and government bonds.
- Secondly, stretched valuations leave markets vulnerable to downside surprise. There is little margin for error in current pricing yet a glance at overall market volatility would suggest investors overall are relatively relaxed and comfortable with current conditions.
- Thirdly, the global cyclical environment is mixed and not a great platform for future market gains to build. The US is seemingly recovering and the case for a higher Fed Funds Rate is building (remembering that much of the gain in markets in recent years has been on the back of an extended period of ultra-accommodative policy). In Europe fears that anaemic growth and potential deflation will bring more stimulus does not in of itself fill us with comfort.

As a consequence we have continued to lighten up our equity exposure (we are now at 25%) and are continuing to build cash. Understanding the rationale for increasing our cash weight is important. While cash returns are low, they are more or less certain in the short run, and positive (at least in nominal terms). The alternative "defensive" asset would be bonds, but bonds are vulnerable on the back of moves towards potential US monetary policy normalisation. Finally, markets do not move in straight lines. The fact that they are expensive makes them vulnerable to a correction (possibly a substantial one). Holding cash is like holding a significant call option on the opportunity that a

restoration of value in many markets would create. It is not our objective to sit in cash indefinitely - only until such time as we think it can be wisely invested in other markets – and not compromise our medium term objectives.

So in short - when asked by clients how plausible it is to achieve our objectives, my response is that from a return point of view it will be difficult over the next 6-12 months as we believe most markets will deliver sub-par returns with a significant risk of a decent correction to restore value. Consistent with this, managing downside risk becomes critical. What we won't do is make the task harder for ourselves and compromise client capital by adding more exposure to expensive assets simply because this is where the momentum is. Current positioning (especially because of our cash exposure) leaves us well placed to deliver on all our objectives over the medium term.

Our approach to inflation plus (or real return) investing is to choose the portfolio that has the highest probability of achieving the required return objective over the investment horizon with the least expected variability around this objective. The Fund employs an objective based asset allocation framework in which both asset market risk premium, and consequently, the asset allocation of the portfolio are constantly reviewed. The portfolio will reflect those assets that in combination are most closely aligned to the delivery of the objective.”

ISSUE: Investment Strategy for the Proceeds from Investment Property Sales and the Investment Fund Special Reserve

ID: A703885

To: Finance Committee Meeting, 25 November 2014

From: Simon Crabb, Finance Manager

Date: 11 November 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 checked="" type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance Policy:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to present council with an investment strategy to govern the reinvestment of any future Investment Property sale proceeds, and the \$8.3M currently held in the Investment Fund Special Reserve.

The over-arching principle behind the recommended investment strategy is that funds derived from the sale of a commercial property or a capital dividend distribution are reinvested in an instrument providing a similar rate of return and a similar appreciating capital value.

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 Treasury Management Policy.

Recommendations:

1. That the report "Investment Strategy for the Proceeds from Investment Property Sales and the Investment Fund Special Reserve" by Simon Crabb, Finance Manager, dated 11 November 2014, be received.
2. That council transfers the proceeds from the sale of the BBS properties and any future investment property sale proceeds into the Investment Fund Special Reserve, and invests the funds from this Special Reserve, as they become available, into Externally Managed Income Funds recommended by Eriksen and Associates.

3. That council annually increases the capital base of the Investment Fund Special Reserve at a level determined by council at the end of each financial year.
-

Report:

In August 2014 council amended the Treasury Management Policy to allow councils general funds to be invested in Externally Managed Income Funds, and in September 2014 council approved that the proceeds from the sale of the BBS properties be invested into the Milford Income Fund and the Mint Diversified Income Fund.

Future Investment Property Sale proceeds:

It is recommended that the proceeds generated from any future investment property sales are treated in the same manner as the BBS proceeds, and invested in Externally Managed Income Funds to provide council with a similar rate of return as the rental yield of an investment property.

As a comparison:

The BBS properties provided a rental return of:	6.27% per annum
A 12 month \$8M term deposit with ASB would return:	4.73% per annum
A 5 year \$8M term deposit with ASB would return:	5.83% per annum
The past 12 month return (to 30/9/14) of the Milford Income Fund:	13.0% per annum

Furthermore, an Externally Managed Income Fund provides a more liquid (short term availability) asset than a bank term deposit which is beneficial, should council wish to access its funds to purchase a capital investment at short notice.

Investment Fund Special Reserve (currently \$8.3M):

The Investment Fund Special Reserve was established in 2007-08 to hold the proceeds received from the Marsden Maritime Holding Limited (previously named Northland Port Corporation NZ Limited) share buy-back, capital distributions (special dividends), and the sale of the commercial property in Commerce Street. These funds were set aside for future capital investment and are currently invested in term deposits. This Investment Fund Special Reserve is different to the Investment and Growth Special Reserve which was established to fund activities and projects contributing to the economic well-being of the region.

It is recommended the \$8.3M currently held in the Investment Fund Special Reserve is also invested in Externally Managed Income Funds (as it becomes available), thereby reflecting councils endeavour to reinstate a rate of return that the \$8.3M was originally generating before being placed into term deposits.

It is important to note that an investment appetite for Managed Income Funds carries a different risk profile and different return volatility than a term deposit. For example, the return and capital value of a bank term deposit is fixed, less liquid and of a lower risk and return, whereas the future returns of a Managed Income Fund are estimates and the capital value of a Managed Fund can fluctuate over a given time period but is more liquid and are projected to carry a higher risk and return.

Because of the higher risk: return profile of a Managed Income Fund, council staff will take advice and obtain a recommendation from Eriksen and Associates to guide all investment into such funds.

Future proofing the capital value of these funds.

Due to the fact that the Investment fund and property sale proceeds are held with a view of reinvestment into new capital assets it is recommended that the BBS proceeds and any future property sale proceeds are transferred into the Investment Fund Special Reserve, and the real value of this Special Reserve is inflated annually.

By annually increasing the capital base of its Investment Fund Special Reserve council will avoid inflation eroding the purchasing power of its funds by protecting their real value. In effect, should council decide in the future to invest in an asset that has steadily appreciated over time, the funds available to purchase the asset will have also grown over time.

As an indication, to increase an Investment Fund Special Reserve capital base of \$11.3M (representing the current balance of \$8.3M and the BBS sale proceeds of \$3M) at the rate of CPI at September 2014 (1.0%), it would cost council \$113,000. That is, \$113,000 of investment income would be redirected from funding operations and transferred into the Investment Fund Special Reserve. At this stage of the year it is difficult to assess the impact on councils bottom-line of such a budget variation. Accordingly it is recommended that the level of any annual adjustment to the Investment Fund Special Reserve is determined by council at the end of each financial year with consideration to the overall financial result.

ISSUE: Financial Report to 31 October 2014

ID: A704261

To: Finance Committee Meeting 25 October 2014

From: Angela Hobden, Financial Accountant and Helen Jelinek, Financial Management Accountant

Date: 13 November 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 Policy:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to present the **financial reports** for the four months ended 31 October 2014 for councillors' information.

For the Council Detailed Report to 31 October 2014 refer to **Attachment A**, for the Financial Dashboard refer to **Attachment B**, and refer to **Attachment C** for the Statement of Financial Position.

It concludes with the recommendation that this report be received.

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.

Recommendation:

-
1. That the "Financial Report to 31 October 2014" by Angela Hobden, Financial Accountant and Helen Jelinek, Financial Management Accountant and dated 13 November 2014, be received.
-

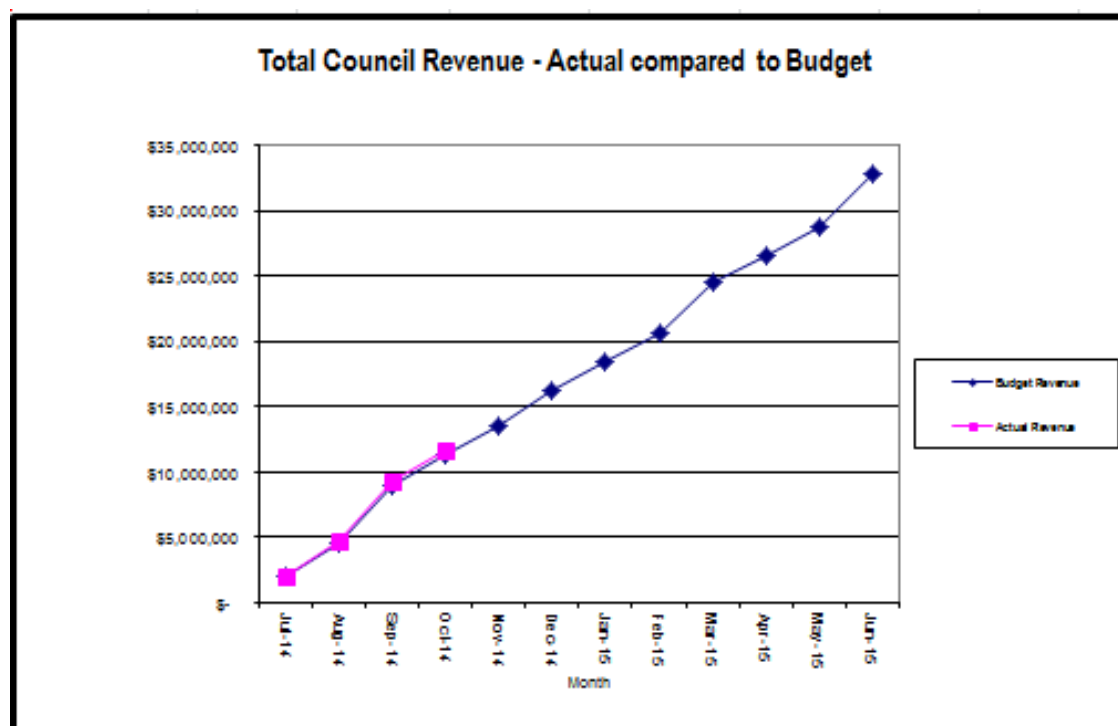
Report:

Operating Results:

The council detailed report for the year to date (YTD) shows a net surplus of \$2.454M against a budgeted net surplus of \$2.226M, resulting in an overall favourable variance for the year to date of \$228K before transfers (to) or from Special Reserves. This variance arises from the total expenditure (including other losses) for the four months being ahead of budget by \$81K or 1%, and the total revenue being ahead of budget by \$309K or 3%. After transfers to or from Reserves council has a favourable variance of \$107K or 8%.

Revenue:

Year to date revenue is \$11.673M which is \$309K or 3% above budget. This is illustrated by the following graph:



The material differences that make up the \$309K year to date favourable revenue variance are:

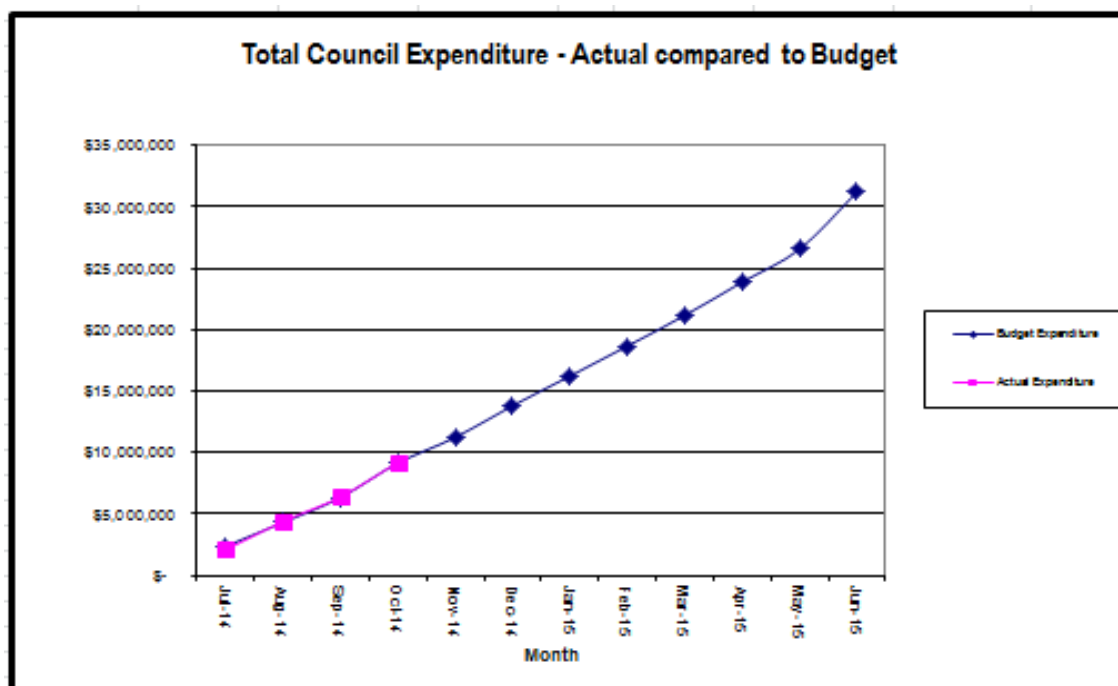
- **Rates - has a favourable variance/ is greater than budget by YTD \$47K or 1%**
 - Unbudgeted rates penalties have been received of \$24K (we don't budget to receive rates penalties as it is difficult to determine the response we have to collection strategies throughout the year). There are also additional \$23K rates due to an increase in rateable properties since the budgets were set.
- **User Fees and Sundry – has a favourable variance/ is greater than budget by YTD \$91K or 5%**
 - This positive variance results from the \$189K that council has received for Task Force Green activities. There has also been income received for poplar pole sales of \$18K. This has partially been offset by fewer consent

applications being received of \$70K and lower year to date navigational by-law fees of \$25K.

- **Grants and Subsidies – has an unfavourable variance/ is less than budget by \$28K or 8%**
 - The main driver for this is less than expected subsidies for regional transport management \$33K and passenger transport administration of \$53K. This is reflected in less expenditure in these activities and should be cost neutral to council. Oil pollution response claims are also less than anticipated by \$11K. These unfavourable variances are offset by MPI unbudgeted subsidies of \$69K booked for the Oyster Shell Project.
- **Investment Interest Income – has an unfavourable variance/ is less than budget by \$69K or 12%.**
 - Interest income is less than the budget due to the assumption taken at the time of preparing the budget that the sale proceeds from the Countdown Kensington property (\$5.75M) would generate a return of 6.25% per annum in investment income.
- **Dividend Income – has a favourable variance/ is greater than budget by \$55K or 4%**
 - The variance results from a greater than anticipated dividend of 6.25cps against a budgeted 6.0cps from Marsden Maritime Holdings Limited.
- **Community Investment Fund Income – has a favourable variance/ is greater than budget by \$195K or 73%**
 - This variance has arisen predominantly from gains due to fluctuations in NZ/AUD currency rates.

Expenditure:

Year to date expenditure is \$9.207M which is \$69K or 1% more than budget, as shown in the following graph:



- **Resource Management Group – has a favourable variance/ is less than budget by \$276K or 6%**
 - Consents Applications has a favorable variance of \$80K or 24%. This results from less labour activity charged to this area \$80K, less photocopying of \$5K, and fewer consultants required of \$10K. This is partially offset by greater than budgeted expenditure on hearing commissioners of \$31K for the Opuia Marina Extension.
 - Land and Biodiversity has an unfavourable variance of \$21K or 3%. Expenditure has occurred on nursery activities of \$17K which is offset by revenue mentioned above. Additional work has also been undertaken on Lake Management.
 - State of the Environment Monitoring has a favourable variance of \$89K or 18%. Lab testing charges are \$35K less than anticipated at this time of year and labour charged to this area is less by \$50K as staff work in other areas. Consulting charges are also down by \$7K as a result of these items.
 - Planning and Policy has a favourable variance of \$151K or 20%. This is a result of expenditure on consultants of \$58K, legal expenses of \$16K, contract staff of \$10K and staff time of \$38K being less than anticipated as the staff have not needed to perform as much work on objections until they go to the Environment Court.
- **River Management – has an unfavourable variance/ is greater than budget by \$50K or 7%**
 - Unbudgeted expenditure of \$23K on Dam property rates and other tenants' expenses have accounted for some of the variance. It was anticipated that the properties would have been removed and rates not required when the budgets were set. There have been additional costs of \$36K on labour charged to this cost centre due to the severe weather events in June/July.
- **Hazard Management – has an unfavourable variance/ is greater than budget by \$182K or 37%**
 - Civil Defence and Emergency Management was the predominant contributor to this overspend as the Task Force Green costs were attributed to this cost centre. These amounted to \$184K and were offset by the additional revenue received above.
 - Oil Pollution response was not utilised as much as anticipated and the labour saving for the four months of \$12K partially offset the unfavourable variance in Civil Defence and Emergency Management.

- **Transport – has an unfavourable variance of \$6K and as an Activity Group is in line with budget**
 - Harbour safety and navigation has an unfavourable variance of \$77K. This was contributed to by earlier than anticipated expenditure on Rangaunu Harbour piles of \$38K and additional work done on the Hatea River dredging of \$56K. The opportunity was taken to undertake additional work around the new bridge while it was possible. There were small favourable cost variances across other items which reduced the unfavourable variance to \$77K.
 - Passenger transport administration has a favourable variance of \$65K predominantly from lower expenditure than anticipated on the Bus About Kaitia contract charges, total mobility and hoist charges. The contract for Kaitia commenced later than anticipated.
- **Community Representation – has an unfavourable variance/ is greater than budget by \$82K or 9%**
 - Environmental education has a favourable variance of \$15K due to there being one contractor instead of two working for council to date. A new contractor is about to commence to cover this vacancy.
 - Community Representation and Engagement has an unfavourable variance of \$97K. Contributing items that are over budget are \$9K for increased member's mileage, \$21K in members training, \$12K in consultants for the 360 appraisal and other cultural change work. Also the realignment of two FTE's from Policy and Planning to Corporate has had an unfavourable impact versus budget to overheads by \$41K.

Balance Sheet

Cash and cash equivalents, and other investments have a variance against budget which results from the timing of maturities.

Capital projects in progress shows the net result of purchases and sales of capital assets which will be added to the fixed assets at year end.

Capital Expenditure

The Capital Expenditure year to date spend is \$1.67M against a year to date budget of \$1.70M. The report detailing the year to date actual Capital Expenditure against the year to date budget is on the following page.

Capital Expenditure Reporting				
October 2014 Year to Date				
Activity	YTD Actual	YTD budget	YTD Variance	Revised budget
Monitoring	82,708	66,900	(15,808)	215,465
Biosecurity	-	-	-	4,000
Harbour Safety and Navigation	38,488	39,500	1,012	224,256
River Management	1,252,641	1,245,493	(7,148)	6,605,526
Commercial Investments	-	-	-	87,600
Information Systems	50,498	57,939	7,441	571,587
Support Services	245,359	291,500	46,141	715,875
Total Northland Regional Council	1,669,694	1,701,332	31,638	8,424,309

Monitoring	Projects Actual Spend to Date	Budgeted Spend to date	Current variance	Actual % completed	Expected % completed	Total Original Budget to completion	Total Revised Budget to completion	Expected (Overspend) / Cost Savings at completion	Status
Others - SOE	14,406	18,000	3,594	15%	19%	94,490	94,490	-	on track
Others	31,302	48,900	17,598	26%	40%	120,975	120,975	-	timing on smaller projects
2 Sondes lost in Hikurangi Swamp	37,000	-	(37,000)	-	-	-	-	-	Recovered from insurance claim
TOTAL MONITORING	82,708	66,900	(15,808)			215,465	215,465	-	

Biosecurity	Projects Actual Spend Year to Date	Budgeted Spend Year to date	Year to date variance	Actual % completed	Expected % completed	Total Original Budget to completion	Total Revised Budget to completion	Expected (Overspend) / Cost Savings at completion	Status
Others : -	-	-	-	0%	0%	4,000	4,000	-	Timing, expected March 2015
TOTAL BIOSECURITY	-	-	-			4,000	4,000	-	

Harbour Safety and Navigation	Projects Actual Spend Year to Date	Budgeted Spend Year to date	Year to date variance	Actual % completed	Expected % completed	Total Original Budget to completion	Total Revised Budget to completion	Expected (Overspend) / Cost Savings at completion	Status
Vessels - Other capital work	20,000	20,000	-	16%	16%	127,355	127,355	-	Deposit paid for new vessel
Vessels - Replacement	-	-	-	0%	0%	58,901	58,901	-	timing - expected March 2015
Others	18,488	19,500	1,012	49%	51%	38,000	38,000	-	on track
TOTAL HARBOUR SAFETY AND NAVIGATION	38,488	39,500	1,012			224,256	224,256	-	

River Management	Projects Actual Spend Year to Date	Budgeted Spend Year to date	Year to date variance	Actual % completed	Expected % completed	Total Original Budget to completion	Total Revised Budget to completion	Expected (Overspend) / Cost Savings at completion	Status
Whangarei River Dam Project	1,243,001	1,237,993	(5,008)	30%	30%	4,163,989	4,163,989	-	On schedule as at end October
Awanui - River Works	7,500	7,500	-	4%	4%	183,000	183,000	-	on track
Awanui - Renewal Programme	-	-	-	0%	0%	58,054	58,054	-	
Kerikeri - Waipapa River woks	2,140	-	(2,140)	0%	0%	2,130,048	2,130,048	-	initial works will commerce early 2015
Kaero Whangaroa works	-	-	-	0%	0%	70,435	70,435	-	
TOTAL RIVER MANAGEMENT	1,252,641	1,245,493	(7,148)			6,605,526	6,605,526	-	

Commercial Investments	Projects Actual Spend Year to Date	Budgeted Spend Year to date	Year to date variance	Actual % completed	Expected % completed	Total Original Budget to completion	Total Revised Budget to completion	Expected (Overspend) / Cost Savings at completion	Status
Purchase of Rail Corridor Strip Crossing	-	-	-	-	-	87,600	87,600	-	No confirmed date as yet - with Kiwirail
TOTAL COMMERCIAL INVESTMENTS	-	-	-			87,600	87,600	-	

Information Systems	Projects Actual Spend Year to Date	Budgeted Spend Year to date	Year to date variance	Actual % completed	Expected % completed	Total Original Budget to completion	Total Revised Budget to completion	Expected (Overspend) / Cost Savings at completion	Status
IRIS	-	-	-	0%	0%	82,228	82,228	-	expected timing Jan / Feb 2015
Desktop replacement programme	8,303	8,439	136	13%	13%	65,439	65,439	-	as required
Network Switches	6,938	-	(6,938)	7%	0%	100,000	100,000	-	preparation work for March 2015 upgrade
PABX replacement	22,206	40,000	17,794	28%	50%	80,000	80,000	-	behind schedule due to technical complications. Expect to be back on schedule March 2015
IT Infrastructure	-	-	-	0%	0%	126,352	126,352	-	
Others	13,051	9,500	(3,551)	11%	8%	117,568	117,568	-	
TOTAL INFORMATION SYSTEMS	50,498	57,939	7,441			571,587	571,587	-	

Support Services	Projects Actual Spend Year to Date	Budgeted Spend Year to date	Year to date variance	Actual % completed	Expected % completed	Total Original Budget to completion	Total Revised Budget to completion	Expected (Overspend) / Cost Savings at completion	Status
Vehicle replacement programme	223,960	270,000	46,040	44%	53%	513,826	513,826	-	Toyota vehicle ordered Oct expected Nov
Air Conditioning Replacement Project	-	-	-	0%	0%	102,049	102,049	-	expected Dec 2014 / Jan 2015
Furniture, Desk set-up and Office configuration	1,303	1,500	197	3%	3%	50,000	50,000	-	as required
Office Creation, Greening and Modification	20,096	20,000	(96)	40%	40%	50,000	50,000	-	as required
TOTAL SUPPORT SERVICES	245,359	291,500	46,141			715,875	715,875	-	

Council Detailed Report

Year to Date Report to 31 October 2014

					<i>Full Year Revised Budget</i>
<i>Total Council</i>	<i>YTD Actual</i>	<i>YTD Budget</i>	<i>Variance</i>	<i>Variance %</i>	
Revenue					
Rates	6,035,576	5,989,032	46,544	1%	17,967,094
User Fees and Sundry	1,891,721	1,800,525	91,196	5%	4,381,837
Grants and Subsidies	347,838	376,257	(28,419)	-8%	1,125,466
Investment Interest Income	514,131	583,220	(69,089)	-12%	2,544,530
Investment Property Income	1,035,624	1,017,557	18,067	2%	3,298,721
Dividend Income	1,383,932	1,328,574	55,358	4%	2,796,434
Community Investment Fund Income	463,944	268,843	195,101	73%	806,530
Total Revenue	11,672,764	11,364,008	308,756	3%	32,920,612
Expenditure					
Resource Management					
Biosecurity	766,825	761,877	(4,948)	-1%	3,087,880
Consents advice and information	298,381	295,449	(2,932)	-1%	907,308
Consents applications	257,324	336,907	79,583	24%	1,068,888
Land and Biodiversity	711,371	690,302	(21,070)	-3%	2,730,199
Compliance Monitoring, Environmental incidents response, wa	1,025,502	1,011,542	(13,960)	-1%	3,051,291
State of the Environment monitoring	414,120	502,982	88,862	18%	1,847,770
Planning and Policy	608,451	759,057	150,606	20%	2,587,994
Total Resource Management	4,081,975	4,358,116	276,141	6%	15,281,330
River Management					
River Management	712,386	662,728	(49,659)	-7%	3,118,801
Total River Management	712,386	662,728	(49,659)	-7%	3,118,801
Economic Development					
Economic development activities	794,690	755,850	(38,840)	-5%	1,875,614
Economic development projects	269,658	277,594	7,936	3%	1,077,720
Total Economic Development	1,064,347	1,033,444	(30,903)	-3%	2,953,334
Hazard Management					
Civil defence and emergency management	413,383	213,349	(200,034)	-94%	618,383
Natural hazard management	231,274	239,918	8,643	4%	878,940
Oil pollution response	32,502	41,996	9,494	23%	126,510
Total Hazard Management	677,160	495,262	(181,897)	-37%	1,623,832
Transport					
Harbour safety and navigation	693,114	615,692	(77,422)	-13%	1,793,399
Passenger transport administration	691,524	756,253	64,729	9%	2,415,814
Regional transport management	124,289	130,681	6,391	5%	527,350
Total Transport	1,508,927	1,502,626	(6,302)	0%	4,736,563
Community Representation and Engagement					
Environmental education	152,253	167,592	15,338	9%	543,063
Community Representation and Engagement	842,158	744,704	(97,454)	-13%	2,288,926
Total Community Representation and Engagement	994,412	912,296	(82,115)	-9%	2,831,988
Support Services and Commercial Investments					
Commercial	168,204	173,786	5,582	3%	411,093
Communications	272,051	300,472	28,421	9%	1,016,303
Finance and Information Technology	1,302,150	1,344,251	42,101	3%	4,777,477
Information Management and Administration	337,171	320,993	(16,178)	-5%	804,340
Human Resources	147,596	140,915	(6,681)	-5%	362,772
Internal Transfers	(2,058,968)	(2,106,631)	(47,663)	2%	(6,710,892)
Total Support Services and Commercial Investments	168,204	173,786	5,582	3%	661,093
Total Expenditure	9,207,411	9,138,258	(69,154)	-1%	31,206,942

	<i>YTD Actual</i>	<i>YTD Budget</i>	<i>Variance</i>	<i>Variance %</i>	<i>Full Year Revised Budget</i>
Total Council					
Net (Cost)/Surplus of Services	2,465,353	2,225,751	239,603	11%	1,713,670
Other Gains					
Forestry Revaluation	-	-	-	-	177,000
Revaluation - Fair value of Financial Investments	(11,264)	-	(11,264)	-	-
Total Gains	(11,264)	-	(11,264)	-	177,000
Net (Cost)/Surplus of Service before transfer from/(to) Special Reserves	2,454,089	2,225,751	228,339	10%	1,890,670
Transfers from/(to) Special Reserves					
Transfers from/(to) Land Management	-	-	-	-	(7,450)
Transfers from/(to) Awanui River	(64,227)	(72,061)	(7,834)	11%	62,042
Transfers from/(to) Kaihu River	(25,746)	(19,765)	5,981	-30%	4,941
Transfers from/(to) Kaeo River Reserve	(80,618)	(70,300)	10,318	-15%	(72,747)
Transfers from/(to) Whangarei Urban River Reserve	(187,193)	(221,221)	(34,028)	15%	(232,862)
Transfers from/(to) Infrastructure Facilities Reserve	-	-	-	-	(80,150)
Transfers from/(to) Recreational Facilities Reserve	(318,392)	(310,218)	8,173	-3%	(950,749)
Transfers from/(to) Forest Income Equalisation Reserve	16,920	16,872	(48)	0%	345,035
Transfers from/(to) Hatea River Reserve	77,515	21,301	(56,214)	-264%	(15,144)
Transfers from/(to) Investment and Growth Reserve	(461,875)	(287,293)	174,582	-61%	(1,099,278)
Transfers from/(to) Approved Carry Forwards General Fund	47,950	65,137	17,187	26%	740,495
Transfers from/(to) Waipapa/Kerikeri River Reserve	(58,091)	(54,725)	3,366	-6%	(30,362)
Net (Cost)/Surplus of Service after transfer from/(to) Special Reserves	1,400,332	1,293,477	106,855	8%	554,441

	<i>YTD Actual</i>	<i>YTD Budget</i>	<i>Variance</i>	<i>Variance %</i>	<i>Full Year Revised Budget</i>
Note 1: Total Expenditure by Type					
Expenditure					
Labour Costs *	3,987,979	3,974,475	(13,504)	0%	11,469,595
Operations	4,586,572	4,534,572	(52,000)	-1%	17,849,716
Member Expenses	223,255	219,605	(3,650)	-2%	658,814
Depreciation	409,606	409,606	0	0%	1,228,817
Finance Overheads	2,058,968	2,106,631	47,663	2%	6,710,892
Internal Recharges	(2,058,968)	(2,106,631)	(47,663)	2%	(6,710,892)
Total Expenditure	9,207,411	9,138,258	(69,154)	-1%	31,206,942

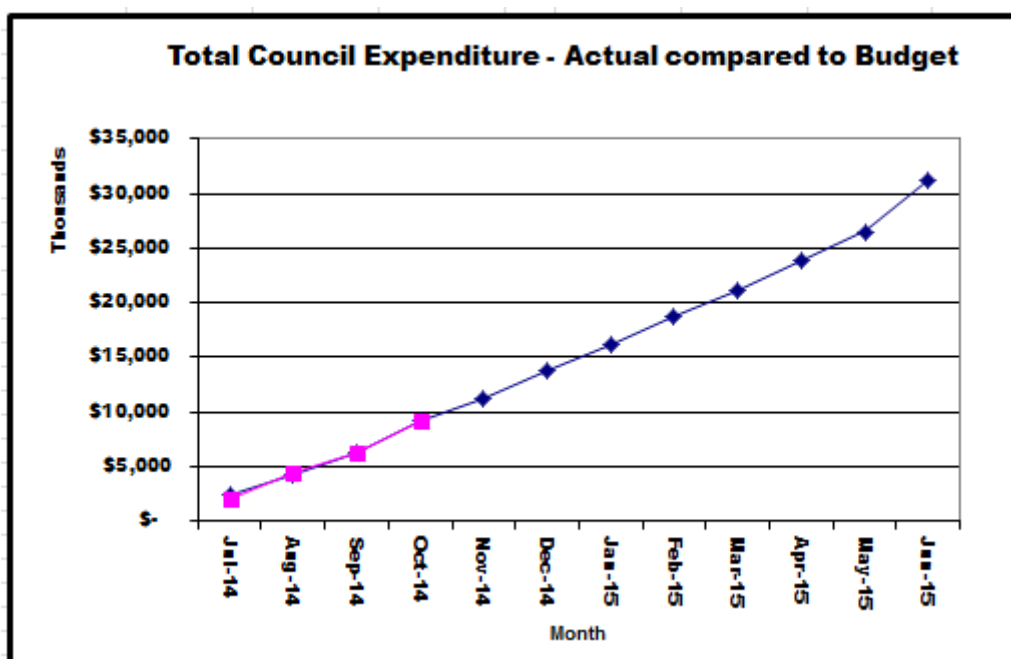
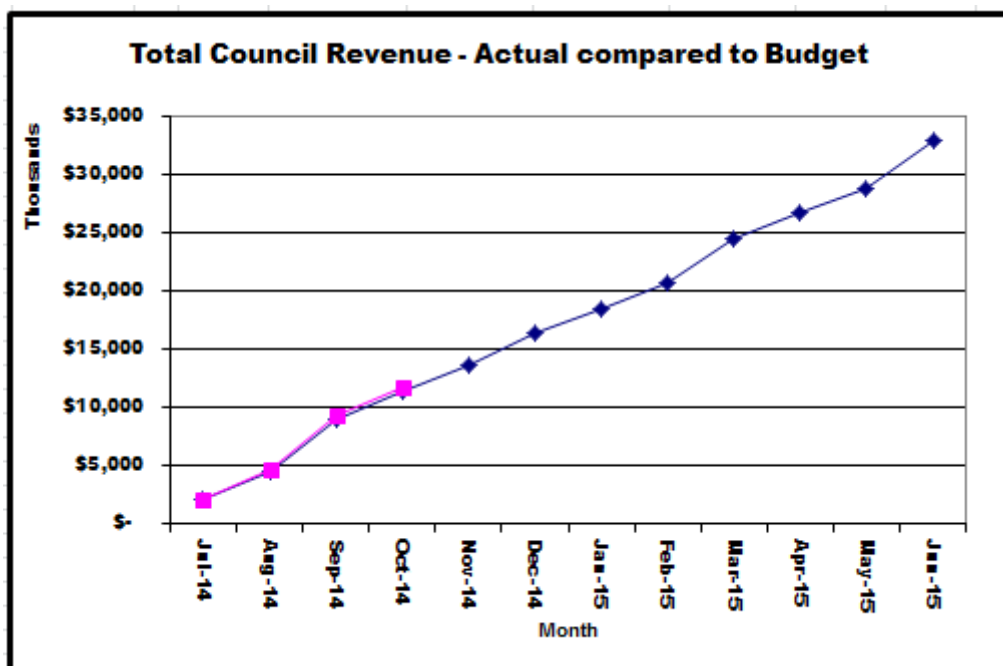
* Labour costs include unbudgeted Taskforce Green salaries of \$135K, which are offset by unbudgeted income recovered

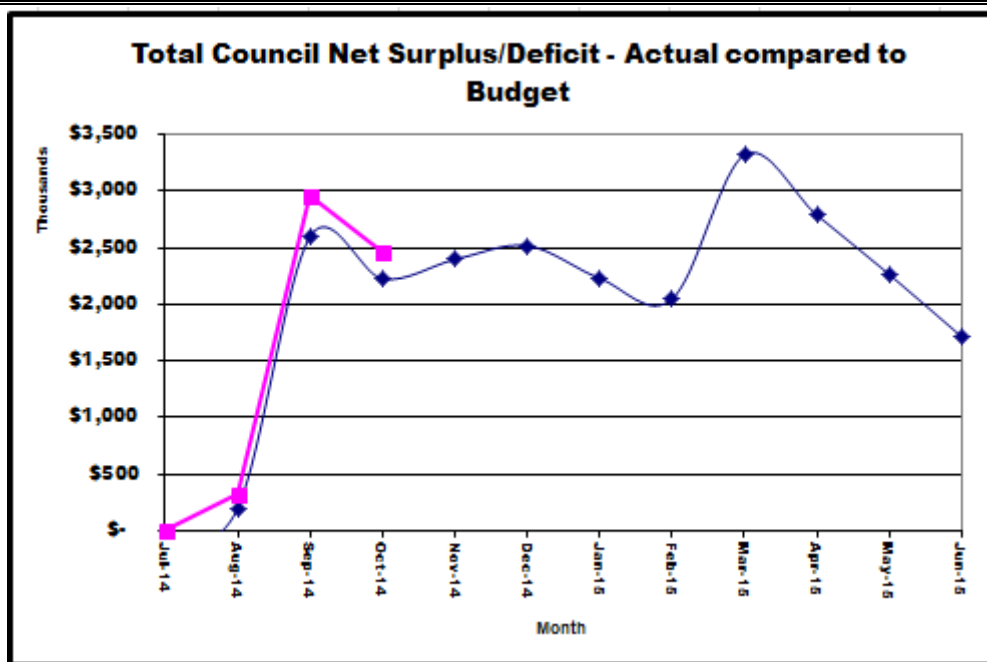
Northland Regional Council

FINANCIAL DASHBOARD

Year to Date Report to 31 October 2014

SUMMARY OPERATING RESULTS			
	000's ACTUAL YTD	000's BUDGET YTD	000's VARIANCE YTD
Revenue (including other gains)	\$ 11,673	\$ 11,364	\$ 309
Expenditure (including other losses)	\$ 9,219	\$ 9,138	\$ (81)
NET (COST)/SURPLUS BEFORE TRANSFERS FROM/(TO) RESERVES	\$ 2,454	\$ 2,226	\$ 228





KEY: Budget Actual

YTD EXPENDITURE VARIANCE INDICATORS BY COUNCIL ACTIVITY

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

Hazard Management year to date expenditure is over budget by \$182K predominately due to the unbudgeted Task Force Green costs being recognised in the activity. However revenue offsetting these costs has also been received.

INVESTMENT PORTFOLIO YEAR TO DATE PERFORMANCE

At 31 October 2014 the investment portfolio excluding funds held in the CIF has made a return of \$2.933M against a budgeted return of \$2.929M.

Consolidated Statement of Financial Position

	Council 31-Oct-14 \$	Annual Plan 30-Jun-15 \$	Council 30-Jun-14 \$
EQUITY			
Retained earnings	119,588,884	122,974,371	118,188,552
Other reserves	8,664,492	4,488,357	7,601,300
Total equity attributable to Northland Regional Council	128,253,376	127,462,728	125,789,851
TOTAL EQUITY	128,253,376	127,462,728	125,789,851
ASSETS			
Current assets			
Cash and cash equivalents	7,809,615	2,152,405	5,124,001
Trade and other receivables	3,327,022	5,134,569	3,988,282
Inventories	3,143,624	3,204,860	3,143,624
Other Investments	3,050,036	8,397,258	11,281,864
Total current assets	17,330,297	18,889,092	23,537,771
Non-Current Assets			
Other receivables	5,173,284	5,395,453	5,115,910
Investment property	50,579,001	44,018,502	50,579,001
Investments in subsidiaries and associates	8,690,246	7,827,563	8,690,246
Other investments	27,108,060	24,417,409	18,762,290
Property, plant and equipment	22,378,063	31,526,390	22,712,704
Intangible assets	793,638	806,770	868,603
Biological assets	1,933,000	2,056,222	1,933,000
Capital projects in progress	(1,235,902)	-	2,049
Total non-current assets	115,419,389	116,048,309	108,663,801
Total Assets	132,749,686	134,937,401	132,201,572
LIABILITIES			
Current liabilities			
Trade and other payables	2,817,581	5,566,603	5,108,082
Employee benefit liabilities	1,658,170	1,870,345	1,283,080
Total current liabilities	4,475,751	7,436,948	6,391,162
Non-Current Liabilities			
Employee benefit liabilities	20,559	37,725	20,559
Total non-current liabilities	20,559	37,725	20,559
Total Liabilities	4,496,310	7,474,673	6,411,721
NET ASSETS	128,253,376	127,462,728	125,789,851

**ISSUE: Investment Schedule and Performance –
Financial Report to 31 October 2014**

ID: A703894

To: Finance Committee Meeting, 18 November 2014

From: Kym Ace, Financial Systems Administrator

Date: 12 November 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 Policy:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to provide a summary of council's investment performance for the year to date, four month period ending 31 October 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 31 October 2014" from the Financial Systems Administrator, Kym Ace, dated 12 November 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 3.3**).

Credit rating of investment counterparties

At 31 October 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:

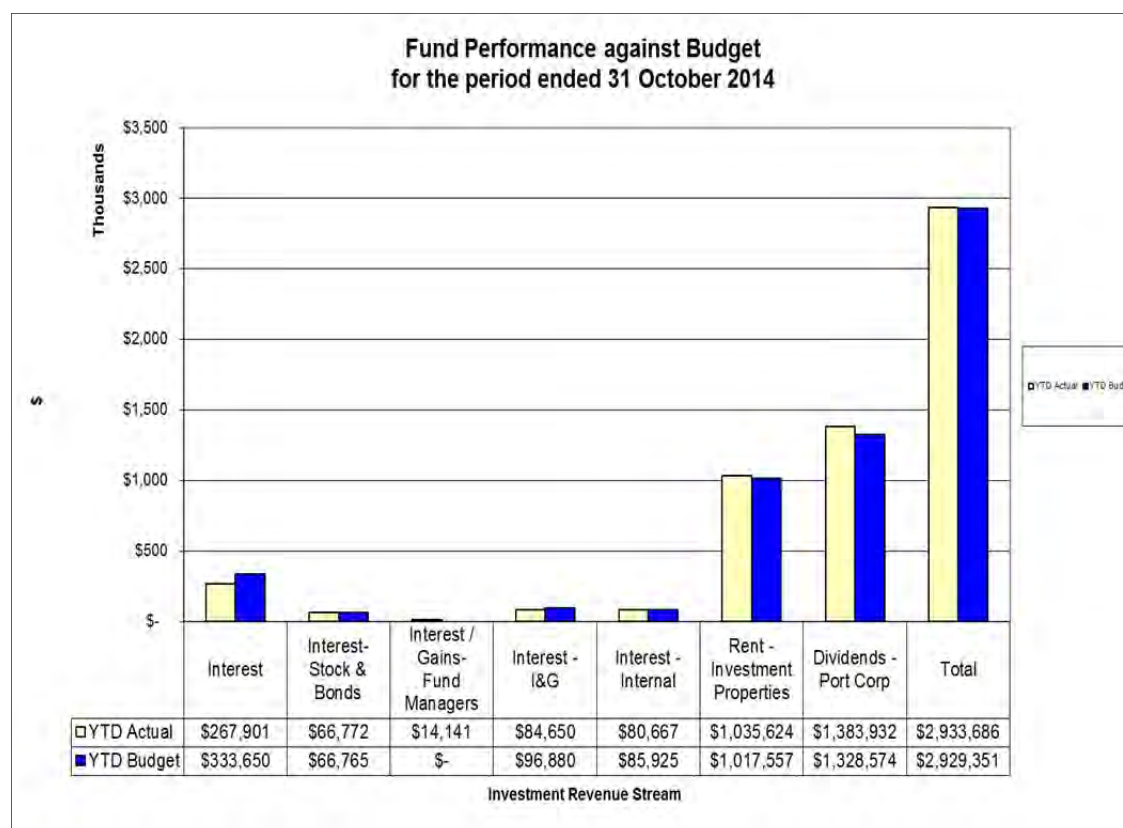
Interest rate re-pricing period	Minimum limit	Maximum limit	Actual at 31 October 2014	Current Investment face value
0 to 1 year	40% of NFIP	100% of NFIP	48.5%	\$12,361,994
1 to 3 years	0% of NFIP	60% of NFIP	19.4%	\$4,846,347
3 to 5 years	0% of NFIP	40% of NFIP	31.6%	\$8,000,000
5 to 10 years	0% of NFIP	20% of NFIP	0.5%	\$120,000
				\$25,328,341

Council's investment complies with the investment policy. The above investment of \$25,328,341 is based on face value and excludes working capital. The current market value of these investments is \$25,373,986.

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 \$2,933,686 against a budgeted return of \$2,929,351. This favourable variance is predominantly due to the additional \$55K of dividend income, \$18K of additional rental income and the \$66K unfavourable investment interest income variance due to the Countdown proceeds not eventuating as anticipated and the lower returns resulting from the OCR rising slower than forecast. On call funds are currently earning a return of 3.4%, short term (0-3 years) deposit between 4.24% and 6.09% and medium (4-5 years) deposits between 6.25% and 6.31%.

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 31 October 2014					
Investment Class	YTD Actual	YTD Budget	YTD Revenue	Actual WARR	Budgeted WARR
Cash	4.98%	5.84%	\$267,901	2.78%	3.47%
Stocks/bonds	8.03%	7.17%	\$66,772	0.69%	0.69%
Investment Fund Managers	8.54%		\$14,141	0.59%	
I&G Fund	5.99%	6.22%	\$84,650	0.88%	1.01%
Internal borrowings	5.94%	6.06%	\$80,667	0.84%	0.89%
Total cash investments			\$514,131	5.77%	6.06%
Shares – MMH Ltd ¹	6.65%	5.94%	\$1,383,932		
Investment properties	6.22%	6.04%	\$1,035,624		
Total investment revenue – excluding CIF income			\$2,933,686		

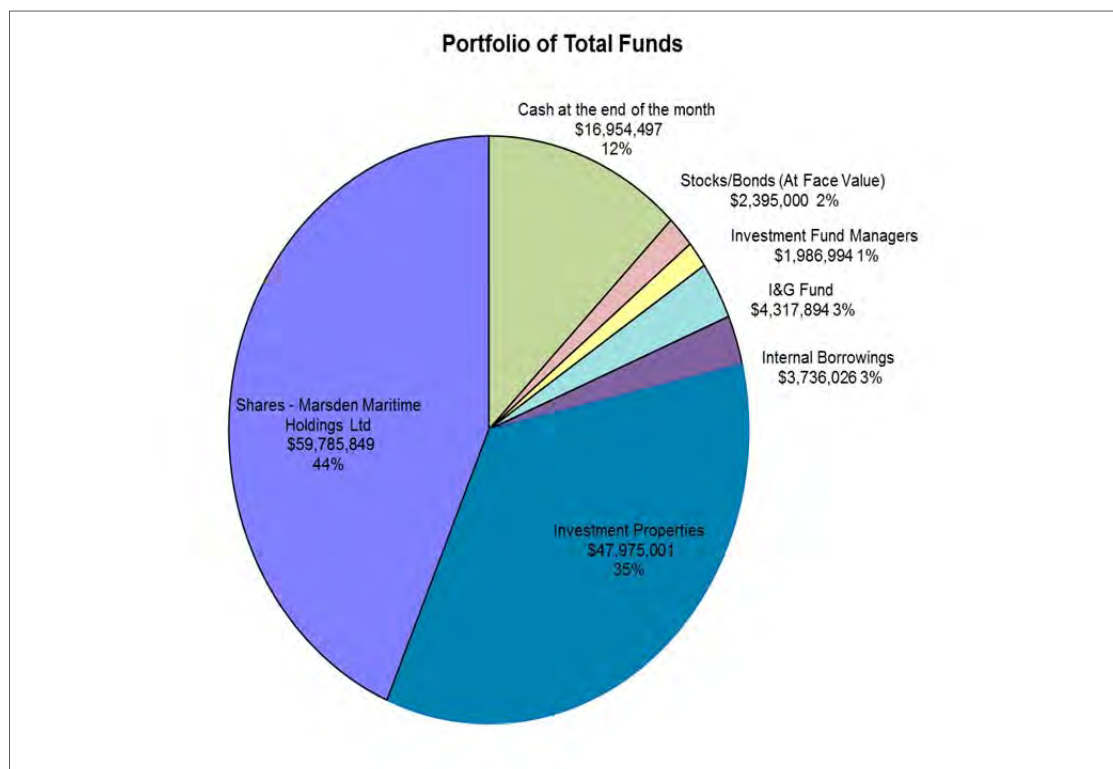
This analysis demonstrates that collectively the portfolio is performing less than budget.

¹ Annualised return calculated on year to date dividend received (\$1,383,932) divided by average value of year to date shareholding (\$62,442,998)

In the March 2014 quarter reporting, the Chief Executive expressed concern that overall the portfolio was not performing to its full potential due to the restrictive (conservative risk) of the Treasury Management Risk Policy. This was partially addressed in August 2014 by allowing council to invest in Externally Managed Income Funds. A separate agenda item (**item number 3.4**) proposes an additional investment strategy to increase the return derived from our investment portfolio.

Portfolio of total funds

The total value of the investment portfolio as at 31 October 2014 is \$137,151,261, and is comprised of:



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 2014 the market price of these shares was \$3.02. As at 31 October 2014, the market price is \$2.70.

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 4 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 Lyttelton Port Company Limited. This information has been provided for comparative or benchmarking purposes.

	Share Price Movement to 31 October 2014						
	Quarter 1 Move- ment (Oct to Dec 13)	Quarter 2 Move- ment (Jan to Mar 14)	Quarter 3 Move- ment (Apr to Jun 14)	Quarter 4 Move- ment (Jul to Sept 14)	Annual Move- ment (Oct 13 to Oct 14)	Share Price Jun 2014	Share Price Oct 2014
Marsden Maritime Holdings Ltd	1%	5%	0%	-7%	-5%	\$3.02	\$2.70
Ports of Tauranga	2%	-2%	10%	12%	17%	\$15.40	\$16.10
South Port NZ Limited	-9%	5%	6%	14%	12%	\$3.50	\$4.00
Lyttelton Port Coy Limited²	20%	7%	0%	28%	60%	\$3.20	\$4.10

	Dividend Yield					
	Dividend received per share 2013	Dividend Yield Jun 2013	Share Price Jun 2013	Dividend received per share 2014	Dividend Yield Jun 2014	Share Price Jun 2014
Marsden Maritime Holdings Ltd	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 Limited²	0.000	0.00%	\$2.85	0.020	0.63%	\$3.20

² Lyttelton Port Coy Limited dividends were suspended until insurance settlement from earthquakes was known. There were no dividends in 2013.

**ISSUE: Addressing the 'Not Achieved' 2013-2014
Statement of Service Performance Targets**

ID: A698971

To: Finance Committee Meeting, 25 November 2014

From: Malcolm Nicolson, Chief Executive Officer

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 Policy:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive Summary:

The purpose of the report is to provide council with an update what actions will be taken to address the 2013-2014 performance targets that were not achieved.

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.

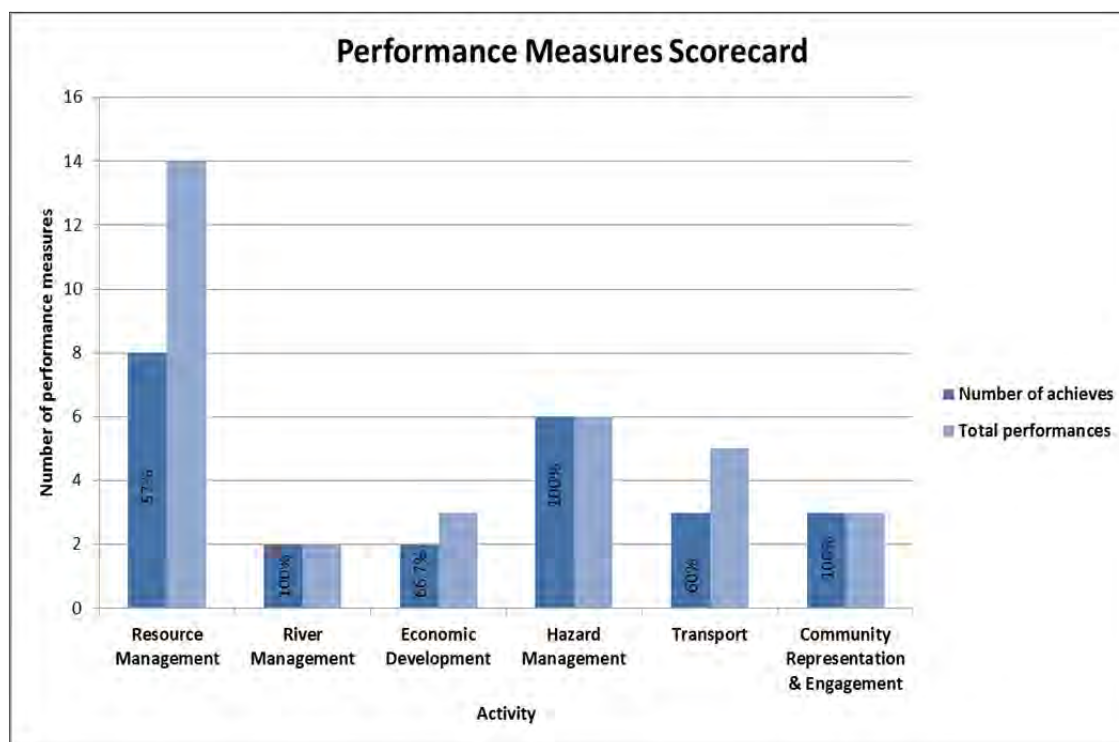
Recommendation:

1. That the report "Addressing the 'not achieved' 2013-2014 Statement of Service Performance targets" by Malcolm Nicolson, Chief Executive, and dated 22 October 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 Finance Committee.

At the 30 June 2014, council had achieved 24 of the 33 targets, leaving 9 targets that were not achieved. This is illustrated on the following graph:



As previously advised, 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.

Council has asked to be advised of action taken to address the targets that were not achieved. This is outlined on the table on the following pages.

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)	Actions to be taken to address targets 'not achieved'
1.2	The number of community pest control areas (CPCAs) achieving their targets for pest reduction.	90%	Not Achieved 82% Both the Puketotara River and Upper Kerikeri CPCAs narrowly missed their targets for possum control. The main reason for both missed targets was insufficient trap lines and baiting of the treatment area. The main aim in both these CPCAs is to enhance kiwi populations; however, the major issue for the future kiwi survival in these areas is the control of stoats not possums. Council will therefore revise the targets for 2014/15 to reflect the reduced need for ongoing control of possums.	
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 2012/13 baseline median. Two sites had lower medians compared to the baseline, and six sites had no change. The run-off from several large storms in 2013/14 meant that faecal indicator bacteria results were higher than results recorded in the less stormy 2012/13 season.	
1.6b	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 260 non-consented farms were monitored. The number of significant non-compliances is lower than the previous two years, but still exceeds the target figure for 2013/2014. The council will continue to work constructively with farmers to inform and educate them to facilitate a further reduction in non-compliance events.	
1.7a	Those consents requiring monitoring are monitored as per the council's monitoring programme.	100%	Not Achieved This year we completed 86% of our monitoring programme. There were 4122 individual monitoring events required. 3546 of these were done. Some consents received additional monitoring due to non-compliances (a total of 4468 monitoring events were recorded). Priority was given to large, high-risk consents.	

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)	Actions to be taken to address targets 'not achieved'
1.7b	The appropriate action is taken to rectify significant non-compliances.	100%	Not Achieved Of the significantly non-compliant consents, 96% 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.	
1.10b	All resource consent applications are processed in a timely manner.	Bore permits processed within 5 WDs.	Not Achieved. 94% The target was narrowly missed again this year, as four permits took nine working days to process because additional information was needed. The target of five working days is an internally set measure. The statutory requirement is that bore permits are processed within 20 workings days. Council processed 100% of all bore permits within statutory requirements.	
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. <i>* 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 2012/13 year council will report on results for the 2011/12 year</i>	

ID	Performance Measure	2013-2014 Target	Q4 2013-2014 Results (Cumulative July 2013 to June 2014)	Actions to be taken to address targets 'not achieved'
			<p><i>and compare it to results for the 2010/11 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.</i></p> <p>Council's key contribution to this measure is through Northland Inc. Ltd and council's use of the Investment and Growth Reserve.</p>	
5.1a	Reducing the annual number of fatal motor vehicle crashes in Northland	<18	<p>Not Achieved 21</p> <p>The 2013/14 year result was better than the baseline but unfortunately represents a reversal of the trend over the last two years. There were seven deaths over the October/November months and three in both February and May. The causes continue to revolve around the 'Fatal Five' – speed, distraction, fatigue, lack of restraints and alcohol. Police and road safety partners continue to target these issues.</p>	
5.1b	Reducing the annual number of serious injury motor vehicle crashes in Northland.	<85 (22)	<p>Not Achieved 88</p> <p>The 2013/14 year result was better than the baseline but unfortunately represents a reversal of the trend over the last two years. There were seven deaths over the October/November months and three in both February and May. The causes continue to revolve around the 'Fatal Five' – speed, distraction, fatigue, lack of restraints and alcohol. Police and road safety partners continue to target these issues.</p>	

ISSUE: Risk Register Update

ID: A702163

To: Finance Committee Meeting, 25 November 2014

From: Bruce Howse, Land/Rivers Senior Programme Manager

Date: 3 November 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"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive Summary:

The purpose of this report is to update the Committee on changes to the Northland Regional Council risk register.

Legal Compliance & Significance Assessment:

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

Recommendations:

1. That the report "Risk Register Update", from Bruce Howse, Land/Rivers Senior Programme Manager, dated 3 November 2014, be received.
2. That the committee approves the proposed updates to the risk register.

Report:

Council has delegated oversight of risk to its Finance (formerly known as Audit and Risk) Committee. Cr Dimery is the holder of the risk management portfolio.

The risk management framework and register were presented to the May 2014 Audit and Risk Committee meeting, with the Committee resolving to approve the proposed changes to the risk management framework and register.

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

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

Changes to the risk register & risk management performance

A comprehensive review of the risk register was reported to the May 2014 Audit and Risk Committee meeting, with changes made to 15 of the 32 registered risks, and six additional risks added to the register.

Attachment One describes the changes made to the risk register in the intervening period and actions proposed to manage the changed risk profile where applicable.

In addition to these changes four new risks have been added to the register (refer to the risk register **Attachment Two**) these being:

- The Awanui Flood Scheme;
- Damage to vessels from mooring & maritime activities;
- Health & Safety Reform Bill; and
- Long Term Plan.

Summary of changes to risk register

Ref	Risk Description	Changes Undertaken &/or Proposed Action	Impact On Risk Rating	Residual risk (after mitigation) (1-25)	Prior Trend & Risk Level	Revised Trend & Risk Level
1	<p>Deterioration of the global financial position increasing fiscal pressure on council (through non payment of rates and fees and charges and lower returns (interest) on cash investments and potentially lower dividends). Reduced revenue could impact on council's ability to deliver current agreed levels of service to the community. The global financial crisis commenced more than 6 years ago, risk now of lowered relevance.</p> <p>New risk factor now includes vacancy of the Countdown building and loss of revenue income.</p>	Council has a campaign to seek a development partner to develop the Countdown site. If this is unsuccessful, council will look to formally take the property to the market. Both of these courses of action take time however and the building is currently vacant.	Increased from 6 to 8, based on loss of revenue income.	Increased from 3 to 4.	↓	↑
2	<p>Level of rates non-payment stays same or gets worse. Concern that FNDC position continues to deteriorate.</p>	<p>In 2014 a collaborative group (WDC, NRC, FNDC and KDC) has formed to look at unlocking the economic potential of Maori land. An element of this work will include looking at what can be done to increase the collection or better remit rates that should be remitted on Maori Freehold Land. NRC ensures it has adequate budget provisions for rates (500k rate funded, \$250K reserve funded) that are unlikely to be collecting. As of November 2014, discussions are continuing and on either having a single rating agency or a single rating platform (Rating Information Database). Council is currently budgeting for doubtful debt (rates and reserves), the quantum's will be revisited as part of the LTP. While robust collection for sundry debtors exists, the (in)ability of FNDC to collect rates is increasing this risk. Council is continuing to work towards taking steps to reduce the likelihood of the situation worsening this triennium.</p>	No change, remains at 16 as outcomes from the actions have yet to be realised.	Remains as 3	↑	↑ (Remains the same as previous)

Ref	Risk Description	Changes Undertaken &/or Proposed Action	Impact On Risk Rating	Residual risk (after mitigation) (1-25)	Prior Trend & Risk Level	Revised Trend & Risk Level
7	Death or severe harm to staff while undertaking work programmes out in the field or within headquarters/regional offices.	Likelihood increased from 1 to 2, as a result of the loss of ACC tertiary level accreditation. A project tertiary action plan has been developed by Council that identifies 10 critical elements based on ACC recommendations for improvements. This plan will be put in place to address the elements identified in the ACC audit with an aim on regaining H&S tertiary accreditation.	Increased from 5 to 10	Increased from 1 to 5	↔	↑
19	The performance of council's owner-occupied buildings during an earthquake will not allow staff to exit the building without casualty. The council Whangarei headquarters building as been identified as having non-ductile columns - we are in the process of arranging a Geo Tech report/review.	NRC building strengthened so it is at 57% NBS. While this is less than the ideal of 67% NBS it is above the minimum requirement. Council has determined 57% NBS is acceptable due to the prohibitive cost of increasing the strengthening to 67%.	No change, remains at 5 as potential effect remains the same.	Remains as 2	↔	↔ (Remains the same as previous)
24	Marsden Point Rail corridor not pursued and sale of properties returns less than original sale price. Reducing political support for rail link, and the less than optimum position of Kiwi rail, increases this potential risk.	Likelihood reduced from 3 to 2, due to two year extension of the joint venture.	Decreased from 9 to 6	Remains at 2	↔	↓
38	Requests have been made to Marsden Cove Marina to assist with the eradication of Mediterranean fanworm. Fanworm populations in one part of the marina are not reducing as quickly as predicted and there is the ability under the biosecurity act to require the owner to assist with the costs of removal. A lawyer acting on behalf of the owner has sought information and expressed his concern over the project and the use of chlorine to treat fanworm. If the owner does not agree to funding a plan and a notice of direction is issued it is predicted that the owner will refuse to act and will defend their position via the Environment court. This action could serve to delay further project work to remove fanworm at Marsden Cove putting at risk other non-infected facilities within Whāngārei harbour such as vessels, port structures and other marinas.	Likelihood reduced from 3 to 1, as the Marsden Maritime Holdings purchase of the marina will provide an opportunity for improved working relationships over the fanworm control.	Decreased from 9 to 3	Reduced to 1	↔	↓

Ref	Risk Description	Changes Undertaken &/or Proposed Action	Impact On Risk Rating	Residual risk (after mitigation) (1-25)	Prior Trend & Risk Level	Revised Trend & Risk Level
42 to 45	Refer to risk register, these are additional risk items that were identified and added to the risk register following the May 2014 A&R Committee meeting.	Refer to risk register				

Ref	Risk description	Likelihood (1 low to 5 high)	Effect (1 low to 5 high)	Risk rating	Trend & risk level	Mitigation possible Y/N	Responsibility	Mitigation action	Residual risk (after mitigation) (1-25)	Residual Risk Acceptable(1-6)	Notes on Recent Changes to Risk Profile	Action Plan Status/Owner/Link	
1	Deterioration of the global financial position increasing fiscal pressure on council (through non payment of rates and fees and charges and lower returns (interest) on cash investments and potentially lower dividends). Reduced revenue could impact on council's ability to deliver current agreed levels of service to the community. The global financial crisis commenced more than 6 years ago, risk now of lowered relevance. New risk factor now includes vacancy of the Countdown building and loss of revenue income.	2	4	8	↑	Y	General Manager Finance and IT	Sound budget processes in practice including use of BERL inflationary indices. Robust aged receivable collection process in place for sundry debtors. Council has statutory ability to collect unpaid rates on non Maori Freehold land. (Council needs a plan to address rates collection in the Far North. This has been raised with council as a matter of priority for the new triennium.) Received regular updates to finance and policy staff from external economists (ANZ) and have in-house resource economist. Reserves available for short-term contingency. Annual reviews of budget and level of service with the community (so from year to year, council can adapt accordingly). Monthly and quarterly variance reporting (early identification of risk). Strong focus on managing business as usual costs. Council has a campaign to seek a development partner to develop the Countdown site. If this is unsuccessful, council will look to formally take the property to the market. Both of these courses of action take time however and the building is currently vacant.		3	Y	Increased due to loss of revenue from Countdown building.	
2	Level of rates non-payment stays same or gets worse. Concern that FNDC position continues to deteriorate.	4	4	16	↑	Y	CEO and Finance Manager	Working with district councils to improve payment compliance rates. Working with central government on alternative options for funding non-rates payment. Advancing discussions on single rating agency. Council is currently budgeting for doubtful debt (rates and reserves), the quantum's will be revisited as part of the LTP. While robust collection for sundry debtors exists, the (in)ability of FNDC to collect rates is increasing this risk. Council must put in a plan to prevent the situation worsening early in its triennium. The potential for one rates collection agency has been mooted. This is being explored with council as a matter of priority. In 2014 a collaborative group (WDC, NRC, FNDC and KDC) has formed to look at unlocking the economic potential of Maori land. An element of this work will include looking at what can be done to increase the collection or better remit rates that should be remitted on Maori Freehold Land. NRC ensures it has adequate budget provisions for rates (500k rate funded, \$250K reserve funded) that are unlikely to be collecting. As of November 2014, discussions are continuing and on either having a single rating agency or a single rating platform (Rating Information Database). Council is currently budgeting for doubtful debt (rates and reserves), the quantum's will be revisited as part of the LTP. While robust collection for sundry debtors exists, the (in)ability of FNDC to collect rates is increasing this risk. Council is continuing to work towards taking steps to reduce the likelihood of the situation worsening this triennium.		3	Y	No change, remains at 16 as outcomes from the actions have yet to be realised.	
3	Council does not meet all its legislative requirements and jeopardises government funding, risks being fined and/or sued, replacement of councillors with commissioners, loss of public confidence in council and LG.	1	4	4	↔	Y	CEO	Legislative compliance programme in place - reporting quarterly by SPMs/GMs through to council. Nominated officer checks for new legislation and adds to programme quarterly. Knowledgeable staff employed and news alerts in place for notifying legislation amendments.		1	Y		
4	Increasing expectations and central government demand for service delivery in an environment of reducing costs and capping rate increases could limit effectiveness in delivering projects/services that meet community expectations - in particular the implementation of National Policy Statement for Fresh Water Management.	5	3	15	↔	Y	Deputy CEO	Consulted with community on options available for implementing the NPS were included in latest Annual Plan/LTP. Implementation includes regular stakeholder involvement to determine community expectations for outcomes and associated costs at a catchment level. Collaboration with other regions working on NPS will provide further information extending our capabilities. We employ and retain suitable staff and resources to work as efficiently as possible. Further shared services for other LG services also being explored with local and relevant LG sector.		2	Y		
5	Legislative reform may impact on council's ability to plan long term with LG structure proposals for Northland likely following enactment of the amended LGA2002. Planning of long term projects may be delayed until any reorganisation proposal has been considered. While change should be positive both internally and for Northland there is a risk that staff may not be retained in the interim with staff looking for greater employment certainty. Significant investment in responding – resourcing and time vs financial constraints. Uncertainty in the legislative reform process is creating more uncertainty, potentially having an adverse effect on recruitment.	4	4	16	↑	Y	CEO / Councillors	Continuous stakeholder and staff engagement on reform progress and reorganisation proposals. Offering staff training opportunities and assistance (e.g. CVs, Interview techniques) to ensure they are well prepared for change. Management review of programmes and projects to ensure core council activities are not impacted adversely, prioritised work programmes and resources taking into account potential future amalgamation. Budget set to manage within current resources. Specialist team to lead response to LGC proposal. Participation in national working groups (SOLGM and LGNZ). Committed to open communication with Northland councils (through Mayoral Forum, joint workshops). Will work with/for Northlanders in our engagement on any reorganisation proposals.		2	Y		
6	Staff take action or recommend action that results in significant public financial loss or action taken against council.	1	4	4	↔	Y	CEO / Manager Finance	Well trained knowledgeable staff employed. Specialist skills retained when required. Peer review by other councils utilised for plan documents. Professional indemnity insurance in place.		1	Y		
7	Death or severe harm to staff while undertaking work programmes out in the field or within headquarters/regional offices.	2	5	10	↑	Y	Deputy CEO	Council's Health and Safety system includes comprehensive hazard register; policy, procedures and safe work practices documentation including training records. Regular health and safety committee meetings are held and health and safety is a standing agenda item for all team meetings. Insurance is in place. In 2014 Council lost H&S tertiary accreditation following the ACC workplace audit.		5	Y	Loss of ACC tertiary status. A project tertiary action plan has been developed by Council that identifies 10 critical elements based on ACC recommendations for improvements. This plan will be put in place to address the elements identified in the ACC audit with an aim on regaining H&S tertiary accreditation.	Human resources and H&S Committee will action the project tertiary action plan.
8	Customers are unhappy with contracted bus and total mobility services because of a failure to meet reliability and/or quality targets. Issues have been encountered with taxi services not meeting contractual obligations for total mobility services.	4	1	4	↑	Y	SPM Transport Operations	Total Mobility - biannual meetings held with agencies and transport providers; good working relationships maintained. Council has option to target rate fund the service if the WDC withdrew. Bus Operations - Strong relationships with operators, regular meetings with North Bus and regional contract manager. Contract includes penalty clauses for lateness to timetable and missed trips. A complaints register is maintained and actioned by both parties (maintained by Council, sent to NorthBus for action and response). The buses were all new at commencement of the contract (2008) so reliability of the Buses is not currently an issue. Both - customers' satisfaction surveyed annually - recent surveys show 80% plus satisfaction.		3	Y		
9	The cost of contracted bus services significantly exceeds the budget due to unforecast changes in the diesel bus contract index. Contrary to NRC previously having been advised by NZTA that from 1 July 2012 they will not contribute any funding towards CPI increases, after staff having made numerous approaches to NZTA on this CPI's are now being subsidised.	2	2	4	↓	Y	SPM Transport Operations	Budget reviewed annually using indices provided by NZTA to best anticipate diesel price increases and monitored quarterly. Regular monitoring of passenger numbers and rationalisation of bus runs when necessary. Annual review of NZTA funding, fare recovery and local contribution through Annual Plan process allows community consultation on potential increases to rates/bus fares. Council can top up from reserves, cash or reduce level of service to manage the issues. If prices go up significantly. We can either stop the service or increase rates and fares.		2	Y		
10	NZTA cut funding across a number of subsidised areas. Risk to bus service, risk to road safety, risk to total mobility, risk to forward planning.	4	3	12	↔	Y	RTC Chair/CEO	Annual budgeting for assessing impact of any change in subsidies and consultation with public on options for future of service. Lobbying of government and local politicians by CEO and Chair.		3	Y		
11	Navigation accident results in large-scale oil spill and oil spill threatens environment.	1	5	5	↔	Y	Harbour Master	Northland Marine Oil spill Contingency Plan describes risk, resources and actions to prevent accidents and council's response to one. Council provides pilotage services in Bay of Islands utilising skilled specialist staff, has maintenance plans for maintaining navigation aids for safe shipping activities and other recreational boating and approves Tier 1 oil transfer site plans. Risk assessments and plans meet New Zealand Port and Harbour Marine Safety Code. Insurance is in place. Regular meetings with safety Management stakeholder groups; regular review of Navigation Safety Bylaws; patrols and education by Harbour Wardens. Summer education and publicity programme run on conjunction with Maritime NZ and small boat safety council.		3	Y		
12	Response systems fail in the event of a natural disaster.	2	4	8	↔	Y	CDEM	Refer Civil Defence Emergency Management Plan (national and regional structure) for readiness, reduction, response and recovery. Plan regularly reviewed and updated, debriefs of all emergency responses provide continuous improvement.		1	Y		
13	Failure of flood protection structures and measures.	2	4	8	↔	Y	Deputy CEO	Priority rivers management plans developed for the 27 priority rivers within Northland (based on risk assessment to life and property). Working progressively through list to implement annual maintenance and consider options for capital works to further reduce flood risk. Asset Management Plan in place for Awanui scheme. Land Management reserve in place to fund emergency works if necessary. Refer also to the CDEM mitigations.		2	Y		
14	Regional Policy Statement hearings/appeals expenditure is greater than budget and reserve commitment. A modest number of appeals have been received, reducing potential risk.	1	2	2	↓	Y	General Manager - Planning and Policy	Stakeholder engagement through development of new plan including region's and neighbouring district councils. Competent and knowledgeable staff engaged on project follow best practice within council's Quality Planning Manual. Collaboration with other regional councils on their recent plan developments. Willingness to resolve as many appeals/issues as possible through mediation process.		1	Y		
15	Projects funded from the Investment and Growth Reserve return less than expected or zero returns. Changes adopted to fund criteria which may increase the risk of returns on investment being less than expected.	4	2	8	↑	Y	CEO/Councillors	Criteria for funding projects and project funding approved by council. Business assessment tool being developed for screening projects for recommendation to the council. Only interest available for funding; capital of council's investments not at risk.		2	Y		

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16	Northland Port Corporation Ltd does not deliver projected dividend. Increased reliance on dividends by not increasing rates.	1	4	4	↑	Y	CEO/Councillors	Competent directors and management with regular reporting to shareholder. Councillor on company's Board of Directors, acts as a watchdog over council's investment. Transition to reduce and eventually eliminate dividend for funding operations will reduce council's dependency on this revenue stream. Future use for economic development projects is less reliant on projected income value.	1	Y		
17	Loss of council funds (through fraud).	1	2	2	↔	Y	All	Strong management control environment; robust system controls in place; best practices policies and procedures in place including council's Treasury Management Policy. Internal accounting controls in place with external and internal audit processes. Insurance is in place.	1	Y		
18	Loss of financial and other important records	1	2	2	↔	Y	General Manager - Finance and IT	Offsite back up of all IT records. Retention and disposal policy in place. Key documents are electronic. Insurance is in place.	1	Y		
19	The performance of council's owner-occupied buildings during an earthquake will not allow staff to exit the building without casualty. The council Whangarei headquarters building as been identified as having non-ductile columns - we are in the process of arranging a Geo Tech report/review.	1	5	5	↔	Y	General Manager - Finance and IT	NRC building strengthened so it is at 57% NBS. While this is less than the ideal of 67% NBS it is above the minimum requirement. Council has determined 57% NBS is acceptable due to the prohibitive cost of increasing the strengthening to 67%.	2	Y		
20	Network outage causes lost productivity for staff and source of problem not identified leading to disruption in continuity of supply of information systems to council and the community.	2	4	8	↔	Y	General Manager - Finance and IT	Trained IT staff employed. Up to date and current infrastructure (with warranties over the life of the infrastructure). As-built plans and network infrastructure documented (good understanding of dependences and how everything works). Redundancy and resilience integrated into infrastructure and the network (back up if something fails). Regular and planned renewal and replacement programme. common technologies (Microsoft VMware, HP etc) Implementation in accordance with best practice. Offsite DR (automated with full failover). Alerts (early notification). Tape backups at a third site. Informed and expert consultants who are available on demand (24/7). Good coverage of consultants and external providers ensures the knowledge of council's system and network is not restricted to a small number of staff and consultants. Website - external facing information is hosted externally.	1	Y		
21	Due to power failure and/or a significant event, access to the council building is lost (including access to IT server room and network) and service delivery interrupted.	1	5	5	↔	Y	General Manager - Finance and IT	Power Failure (but access retained) to council building - UPS system in place and generator project in train. If no access to building then failover to DR site, staff will be able to access remotely (provided the wider service provider networks are available). Refer separate DR and business continuity plan. Generator now in place for backup power supply and generator is subject to a routine maintenance schedule.	1	Y		
22	Major supplier goes out of business - loss of product or service. Biggest risk is the business hosting council's DR site ceases to operate.	3	3	9	↔	Y	General Manager - Finance and IT	Minimal council kit is located in offsite location. Discussions ongoing with current and other providers for long term solution Regular meetings and ears to the ground. If site was compromised if alternative location was available would act to have DR site up and running within a week. Maintaining relationships with range of suppliers and other businesses.	2	Y		
23	Council investment mix changed and returns lower than projected. Pressure to not increase rates results in higher return requirement with associated risk of not being achieved.	1	3	3	↔	Y	General Manager - Finance and IT	Treasury Management policy change requires robust decision-making processes to be followed. Transition to reduce and eventually eliminate investment income for funding operations will reduce council's dependency on this revenue stream. Future use for economic development projects is less reliant on projected income value.	1	Y		
24	Marsden Point Rail corridor not pursued and sale of properties returns less than original sale price. Reducing political support for rail link, and the less than optimum position of Kiwirail, increases this potential risk.	2	3	6	↓	Y	Finance	Lobbying Kiwirail and government for rail link to be pursued. Hold properties until market recovers.	2	Y	2 year extension of joint venture reduces the risk.	
25	Councillor decision making. Councillors either make short term decisions (3 year election cycle) or no decisions in light of their personal political and economic environment (e.g. freshwater NPS) and, do not consider other impacts e.g. Maori impact, economic impact. Fractured governance. Lack of decision making skills and emotional responses.	3	3	9	↔	Y	Councillors/CEO	Executive management team ("EMT") activities are structured to align to the Long Term Plan ("LTP") and other governing regulations. EMT provide Councillors with information to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation.	2	Y		
26	Poor investment decisions are made that result in substantial loss.	1	4	4	↔	Y	CEO/ Councillors	Staff provide advice as requested by the Councillor to aid the Councillors to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation. Controls available for financial investments (e.g. Treasury Management Policy).	1	Y		
27	Opportunities (e.g. economic) are not maximized due to slow pace of decisions making as a result of lack of agreement, inconsistent decision making and/or insufficient information provided to aid decision making. Decisions are re-litigated by Councillors / CEO resulting in a loss of momentum in taking Northland forward	3	3	9	↔	Y	CEO/ Councillors	Local Government Act have controls and requirements that may enhance decision making. Urgent Council meetings can be called to assist in decision making. CEO has full delegation to spend within the agreed budget provide the activities undertaken will cover the agreed objective and agreed levels of service.	3	Y		
28	Financial and investment decisions are not made or investigated further due to the complacency driven by the current cash position.	1	2	2	↔	Y	General Manager - Finance and IT	On a daily basis management review the cash position to determine the daily cash requirements in order to invest money any surplus cash (currently invested on a business saver rate). Management prepare rolling 12 month forecasts with longer term annual forecasts to monitor funding levels over the period of the approved LTP.	1	Y		
29	Northland Inc do not deliver what has been committed. No reporting back on Northland Inc activity.	3	3	9	↔	Y	CEO/ Board Northland Inc	Council has a high degree of responsibility and control of objectives and targets of Northland Inc and must agree to the Statement of Intent ("SOI") or take all practicable steps to have the SOI modified if it does not agree. Council has ordered a modification to the SOI (for the 13/14 year) and has instituted monthly reporting (particular focus on financial reporting) to council / audit committee by Ninc.	3	Y		
30	Burn out/stress of staff through capacity and resourcing pressures due to restraints and additional requirements of the local government process. Growing risk of local government reform uncertainty.	3	4	12	↔	Y	CEO/ EMT	EMT and line management actively monitor staff and provide flexi time as required for overtime. Staff workload is reprioritised (as required) to meet the prioritised requirements. Counselling is available if required. Provide recognition to staff on a case by case basis.	3	Y		
31	Political desires overtake service delivery requirements, and services provided by NRC do not grow in line with the LTP, as LTP is seen as a process that must be followed, rather than a strategy resulting in a disconnect between projects and LTP (poor alignment of strategic priorities).	3	3	9	↔	Y	Councillors	EMT actively monitor services provided and expenditure incurred to check that they are linked to the LTP. EMT activities are structured to align to the LTP and other governing regulations. EMT provide Councillors with information to make informed decisions. LTP objectives to be imbedded in individual performance agreements as a further mitigation action.	3	Y		
32	Loss of key personnel and Councillors (loss of IP, knowledge, relationships) that can be further impacted due to the size and the location of the NRC. Local government reform uncertainty is deemed to increase risk.	3	3	9	↑	Y	CEO / EMT	Back up for roles is undertaken for some of the activities and further steps are being taken to upskill current staff to cover roles as required. Could recruit from the general public to cover the roles as required	2	Y		
33	Disaster impacting NRC Operations (e.g. flooding, earthquake, tsunami, fire) for a prolonged period or a localised physical/environmental disaster specific to asset or activities undertaken. Loss of head office due to fire or other such event. Loss of a satellite site (Opua, Kaitaia, Dargaville) due to fire or other such event. Lost productivity.	1	5	5	↔	Y	CEO / EMT	Satellite site could be more easily re-established as staff numbers are lower and could work from home if required. ITDRP is in place and data centre is available. Remote access is available and can log in via the internet (from personal computers). Core staff have logins pins 4 Redundancy available on LAN and WAN links. Planning shows that natural hazard risk for the head office is low. Sprinklers have been installed throughout head office and gas suppression in the server room. Regional emergencies can be responded to from other locations if required (e.g. Fire Department, Whangarei DC) . Insurance coverage	1	Y		
34	Management vs Governance – potential culture of mistrust and operating in silos	2	3	6	↔	Y	CEO/ Councillors	EMT meet with Councillors as required and when requested. EMT and other management run workshops with Councillors to provide requested information and training	2	Y		
35	Conflicts of interest ("COI") (Councillors and NRC employees) are not disclosed and or not appropriately managed once disclosed.	2	3	6	↔	Y	CEO/ Councillors	COI declarations are required on at least an annual basis for staff and Councillors. Members Interest Act sets requirement to state any COI when the matter arises during sessions. Listing is maintained of all known and declared COI's. New financial system will flag any known associations between entities and Councillors. Financial Reporting Act requires conflicts to be noted in the annual report. Where potential conflicts of interest may arise the CEO and Chairman can and have obtained independent legal advice and provided this to the councillors involved.	2	Y		
36	Decision making can be centred around lobby groups and may not be in the best interest of the greater community. Disconnect with rate payers / communities.	2	2	4	↔	Y	CEO/ Councillors	Council, with advice from EMT, set the strategy and priorities in the Draft LTP. EMT provides advice to Council for effective decision making based on the submissions received to the draft LTP/AP and the strategy and priority of these planning documents. LPT is written as "open ended" to allow for changes in the community requirements	1	Y		
37	Low voter turnout at local government elections has the potential to result in political representation that does not reflect the cross section of community interests and has the potential for one-sided representation of certain interest groups	3	3	9	↔	Y	CEO/ Councillors	EMT provide Councillors with information to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation.	3			
38	Requests have been made to Marsden Cove Marina to assist with the eradication of Mediterranean fanworm. Fanworm populations in one part of the marina are not reducing as quickly as predicted and there is the ability under the biosecurity act to require the owner to assist with the costs of removal. A lawyer acting on behalf of the owner has sought information and expressed his concern over the project and the use of chlorine to treat fanworm. If the owner does not agree to funding a plan and a notice of direction is issued it is predicted that the owner will refuse to act and will defend their position via the Environment court. This action could serve to delay further project work to remove fanworm at Marsden Cove putting at risk other non- infected facilities within Whāngārei harbour such as vessels, port structures and other marinas.	1	3	3	↓	Y	Deputy CEO/ Biosecurity SPM	NIWA advice has been sought which responds to all of the concerns raised by the owner. Staff have arranged to meet with the owner to develop a plan which would isolate the problem area, being the undeveloped section of stage two in Marsden Cove Marina (A lock and weir separate stage two from the wider marina and prevent fanworm larvae from spreading further whilst diver removal continues). Recent (February) meetings held with the owners management indicate that there is less risk of this issue escalating to the Environment Court they have agreed informally to assist with payment for fanworm control and will use a levy on berth holders to meet part of the costs.	1	Y	Marsden Maritime Holdings - Purchase of Marina reduces the risk	
39	Relationship between the NINC Board and Councillors deteriorates, impacting on the ability of the organisations to work collaboratively and achieve	4	3	12	↔	Y	CEO & Chair	CEO's and Chair's from NRC and NINC to meet, determine reasons for deterioration in relationship and devise strategy to improve and manage relationship and/or address how to manage points of tension that created the current position. The Chairman has advised that	4	Y		

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40	Because of the appointment or election process, the members of Council may not have all the skills necessary for the Audit and Risk Committee to function effectively.	3	3	9	↔	Y	CEO & Chair	Council has recruited and appointed a suitably qualified and experienced independent member to the Audit and Risk Committee.	3	Y		
41	Kotuku detention dam potential risk for overtopping or failure during construction needs to be managed appropriately to ensure risk is controlled and mitigated.	1	5	5	↔	Y		An emergency action plan (EAP) will be developed to manage risk during construction. The EAP will assess potential failure modes and measures to mitigate risk. Dam break scenario modelling will be undertaken to inform the areas at risk from failure and to inform procedures for evacuation planning. CDEM will be invited to have input into the EAP and a briefing meeting will be held between the dam engineers, NRC project staff, CDEM and emergency responders to discuss the EAP prior to dam construction. In addition to this, construction management will be implemented to ensure adequate resources are available to complete the dam within the construction season, and check points of progress will be monitored during construction to ensure that progression of critical stages of work (and escalation of potential risk), is only commenced if sufficient progress is made in prior stage of works.	5	Y		
42	Extensive and damaging flooding of land protected by the Awanui Flood scheme due to failure of stopbanks, floodgates, debris blockages or Belis Hill slip. The Scheme has been assessed as having the following design standards for flood protection; Awanui River through Urban Kaitia = 1% AEP flow (100 year), Tarawhataroa Stream through Urban Kaitia = 5% AEP flow (20 year), rural sections vary but many reaches have 20% AEP flow (5 year).	2	5	10	↔	Y	Land/Rivers SPM & Rivers PM	The Awanui River asset management plan has a risk management framework section that identifies failure modes of assets and risk, preventative maintenance actions and failure response actions. In addition to this, Kaitia based staff and maintenance contractors identify high risk failing or failed assets and notify these to the engineers who assess risk and treatment required and implement actions accordingly. A recent example of this is the Tarawhataroa slip repair works adjacent the Switzer home.	5	Y		
43	Damage to vessels arising from Council mooring and maritime activities resulting in claims against Council for damages.	2	3	6	↔	Y	Harbourmaster	Maritime staff are all trained professionals in this field, and have engaged technology to assist with the planning of vessel spacings on moorings to minimise risk of vessels colliding on moorings. Harbour bylaws also state that Council is not liable for any damages arising.	4	Y		
44	Health and Safety Reform Bill proposes significant changes to current H&S legislation. This provides a risk of additional exposure to Council pending the final form of the legislation, both in terms of potential liabilities (penalties) and the need to invest more resources in the area of H&S to address changes in the legislation to ensure full compliance and good practice is met.	5	3	15	↔	Y	All staff	Ensure staff are briefed and training is provided on the changes in new H&S legislation, provision being made for this in LTP budget. Review H&S procedures and policies where applicable to ensure these align with the new H&S legislation and that compliance is maintained. Review if current levels of resourcing and skill sets within the Council are appropriate to implement these actions, if not consider provision for further training and/or resourcing. Given Council has recently lost H&S tertiary accreditation following the ACC workplace audit, it is recommended that an action plan be developed to address this issue as current level of risk based on existing services would appear not to adequately address the risk. Whilst the new legislation is a risk, there is the potential for this to facilitate positive changes in H&S management & culture, and it is recommended that this is planned for via a project plan and implemented as an opportunity for improvement.	5	Y		
45	Long Term Plan. The LTP is running to a condensed programme, and there is risk that this may result in a compromised LTP being produced if sufficient time/resources are not available.	2	4	8	↔	Y		LTP also has its own project risk management section and an overall project plan.	2	Y	Recent good progress with the LTP suggests that this risk is now lower than originally anticipated.	

Comparative Levels Of Risk
15 to 5

ISSUE: Te Hiku By-Election

ID: A703580

To: Finance Committee Meeting, 25 November 2014

From: Malcolm Nicolson, Chief Executive

Date: 10 November 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 type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive Summary:

This report seeks formal approval of unbudgeted expenditure estimated to be \$24,200 plus GST to meet the costs of a by-election in Te Hiku constituency.

Legal compliance and significance assessment:

The council is required under Section 117 of the Local Electoral Act 2001 to fill an extraordinary vacancy by an election under the Act, and is required under Section 147 is required to fund the cost of the election. This matter has not triggered the council's significance policy.

Recommendations:

1. That the report, "Te Hiku By-Election", by Malcolm Nicolson, Chief Executive, and dated 10 November 2014, be received.
2. That unbudgeted expenditure of \$24,200 plus GST be approved to meet the costs of a by-election in Te Hiku constituency, to be funded from surpluses at year end (if any, and if not then via a transfer from the Forestry Equalisation Fund).

Report:

Councillors are aware that the death of Dennis Bowman, Councillor for the Te Hiku Constituency, necessitates a by-election to fill the vacancy on council.

A date for the by-election has been set for Tuesday 17 February 2015. A timetable is **attached**. (Section 138A of the Local Electoral Act 2001 requires that where advice of an extraordinary vacancy is received by the electoral officer between 28 September and 20 November, a by-election cannot be held any earlier than 10 February the following year. The date of 10 February is due to be changed to 17 February under the current Statutes Amendment Bill (No 4) and by choosing the date 17 February, this will accommodate the change in dates.)

The cost of the by-election is estimated to be \$24,200 plus GST and will be conducted by the council's Electoral Officer, Dale Ofoske of Election Services Ltd. The final cost will depend on the actual number of electors in the constituency, which is

currently estimated to be 12,000. The final cost will be influenced by adjusted to reflect actual number of electors, final voter turnout, and final NZ Post costs.

This is unbudgeted expenditure and approval is sought to meet the cost of the by-election from year-end surpluses, if any. If there is no surplus, then approval is sought to fund the cost through a transfer from the Forestry Equalisation Fund.

2015

By-Election Timetable

Te Hiku Constituency



TUESDAY 17 FEBRUARY 2015

Wednesday 19 November 2014	Public notice of By-Election and Inspection of Electoral Roll [Sec 42, 52, LEA]
Monday 24 November 2014	Nominations open Roll open for inspection [Sec 42, LEA]
Monday 22 December 2014	Nominations close (12 noon) Roll closes [Sec 42, LEA]
Wednesday 7 January 2015	Public notice of Day of By-Election [Sec 65, LEA]
Tuesday 27 January 2015	Delivery of voting documents
Tuesday 27 January - Tuesday 17 February 2015	Progressive roll scrutiny [Sec 83, LEA] Special voting period Early processing
by 12 noon, Monday 16 February 2015	Appointment of scrutineers (noon) [Sec 68, LEA]
Tuesday 17 February 2015	By-Election Day [Sec 10, LEA] Voting closes 12 noon - counting commences [Sec 84, LEA] Preliminary results available as soon as practicable after close of voting [Sec 85, LEA] Official declaration [Sec 86, LEA]
Wednesday 25 February 2015	Declaration/public notice of results [Sec 86, LEA]
by Tuesday 21 April 2015	Return of election expenses & donations form [Sec 112A, LEA]

ISSUE: Legislative Compliance – First Quarter 2014-2015

ID: A703992

To: Finance Committee Meeting, 25 November 2014

From: Vibeke Wright, Advisor to Chief Executive

Date: 12 November 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 checked="" type="checkbox"/> Legislative function	<input type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive Summary:

This report provides the committee with an update on the council's legislative compliance for the first quarter of the 2014-2015 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 – First Quarter 2014-2015", by Vibeke Wright, Advisor to Chief Executive, and dated 12 November 2014, be received.
-

Report:

For the period 1 July 2014 to 30 September June 2014, the legislative compliance programme found a number of matters for reporting:

- NRC is now at secondary level certification under its Workplace Safety Management Practices Programme. An action plan is being put in place to return the council to tertiary status within 12 months.
- Legal advice regarding the publication of human resources information in the CEO Report has prompted this portion of the report to be shifted to the confidential section of meeting agendas.
- The Privacy Commissioner found the council breached the Privacy Act in accessing a former staff member's text messages. The council is appealing the decision.

ITEM: 3.10

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- While not a compliance issue for council, the New Zealand Markets Disciplinary Tribunal issued a decision that Northland Port Corporation breached NZX Listing Rules by allowing an associated person to vote at its AGM (i.e. a person who was both a director for the port company and an associated company, in this case Northland Inc. Limited, which is also owned by the council). Council's policy on appointment of directors has since been amended to mitigate the chance of this circumstance arising in future.
- New procedures for the treatment of requests for official information have been developed and are now in place.
- Amendments to the Local Government Act 2002 now provide for electronic participation in meetings. Local Government New Zealand is working with us and other councils to prepare amendments to Standing Orders to provide consistent procedures for electronic participation of members.

ISSUE: Request to Fund Sea Cleaners Trust

ID: A701663

To: Finance Committee Meeting, 25 November 2014

From: Malcolm Nicolson, Chief Executive

Date: 3 November 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"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive Summary:

This report seeks the Committee's decision on a request presented by Councillor David Sinclair for the regional council to support the Sea Cleaners Trust. In the first instance, the request is for council to make a one-off unbudgeted grant of \$25,000 to support the costs of a community based clean up event in Whāngārei Harbour during November and December 2014.

The Committee may also wish to indicate whether it supports a longer term commitment to funding the Trust going forward, with a view to a subsequent paper being presented at a future date on funding source options.

Legal compliance and significance assessment:

This matter relates to the Committee's delegations to "approve the payment of funding (grants etc.) to external parties in line with funding allocations made in the relevant Long Term Plan and Annual Plan", and to "maintain an overview of council's financial reserves to deal with unexpected financial contingencies." The financial impact of deciding to make a one-off grant is low. The costs will be met from a year end surplus, if there is one, and otherwise from the land management reserve. It will have minimal effect on the council's capacity. The thresholds of council's significance policy are not triggered and it is therefore considered to be of low significance.

Recommendations:

1. That the report "Request to Fund Sea Cleaners Trust" by Malcolm Nicolson, Chief Executive and dated 3 November 2014, be received.

OPTION 1

2. That the Finance Committee approves Cr Sinclair's request that the council support the Sea Cleaners Trust via a one-off unbudgeted grant of \$25,000 (funded from a year end surplus, if there is one, and otherwise from the land management reserve) to support the costs of a community based clean up event in Whāngārei Harbour during November and December 2014;

3. That the Sea Cleaners Trust be asked to liaise with the Whangarei Harbour Catchment Group for advice on cleaning priorities within the Harbour.

OPTION 2

4. That the Finance Committee rejects Cr Sinclair's request that the council support the Sea Cleaners Trust.

OPTIONAL

5. That the Chief Executive is requested to present a report at a future date to allow the council to decide whether it supports a longer term commitment to funding the Sea Cleaners Trust, with options for funding sources identified and evaluated.

Councillors will recall a recent presentation by representatives of the Sea Cleaners Trust outlining the work they do to remove rubbish from New Zealand's coast. Information about the Trust and its endeavours is available on its [website](#)¹.

The Trust has subsequently planned a community based clean up event in Whāngārei Harbour during November and December 2014 (proposal **attached**). \$25,000 plus GST is being sought to meet the costs of the project. At the request of Cr Sinclair, I therefore seek a decision whether to allocate \$25,000 to the Trust via a one-off grant. The grant is unbudgeted expenditure that can be met from either an end of year surplus (if there is one) or the land management reserve.

In reaching its decision the committee may wish to consider the following points:

Benefits:

- The Whāngārei Harbour is both a popular and heavily used environment that would benefit from the project.
- The event can promote environmental education values and generate awareness amongst the local community on coastal waters.
- The Trust plans multiple exposure opportunities which it suggests will reflect well on the event's sponsors.

Costs:

- The grant would be unbudgeted expenditure, funded from the land management reserve.
- While the financial impact of making the grant is low – it is not expected to affect the council's capacity to undertake its day-to-day operations – there may be some sectors of the community that would not support the council's resources being used in this manner.
- Allocation of a one-off grant may be perceived as a forerunner to the council making a longer term commitment to fund the Trust.

In the event the council wishes to support the upcoming event, I recommend that the Trust be asked to liaise with the Whāngārei Harbour Catchment Group as part of its stakeholder engagement, and to seek its advice about clean-up priorities in the Harbour.

I further recommend that if the committee thinks a longer term commitment may be an option, a more detailed report be presented in due course to inform the council about potential funding sources.

¹ <http://seacleaners.com/>

SEA CLEANERS



SPONSORSHIP PROPOSAL

FOR THE WHANGAREI TRIAL, MID-NOV TO MID-DEC 2014

This community based clean up event in Whangarei Harbour during November and December 2014 is set to raise significant awareness for rubbish in the local marine environment, as well as bringing multiple communities together to take ownership of their local waterway, as we lead in to the summer of 2015.

Under the direction of the Northland Regional Council, the Sea Cleaners Charitable Trust has been requested to provide the co-ordination of the clean up and volunteer engagement.

The community groups that have already committed to helping us include; multiple Waka Ama clubs, Parua Bay Primary, Whangarei Boys High School, Northland Rugby Union, A Youth worker group, Department of corrections, The local SUP shop, a team from Eco Solutions, The Auckland 7th Day Adventist High School and many more individuals.

Sea Cleaners will be providing a full time crew, boat and 4wd to accommodate the needs for cleaning up the Whangarei Harbour during this time.

We now need financial support to make this trial a reality. We are seeking total funds of \$25,000 + GST for this trial event.

We have multiple exposure opportunities to negotiate, from signage on uniforms, vehicles, boat, website, social media & general media promotions and by way of banner on our shipping container. We will endeavour to present your brand, in as many high visibility locations and positive situations as we can. Already, we have had significant media coverage from the TV3 team at Campbell Live, and the local Whangarei Leader. This type of exposure will continue throughout the clean up period.

Please contact us direct to support this trial at network@seacleaners.com or through the Northland Regional Councils Councillor, David Sinclair DavidS@nrc.govt.nz

Our intentions are to take this trial and sponsorship programme forward, to a fulltime schedule for the Northland Regions, waterways and coastal areas.

WWW.SEACLEANERS.COM

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

ID: A703764

To: Finance Committee Meeting, 25 November 2014

From: Simon Crabb, Finance Manager

Date: 11 November 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"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Background:

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

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.

Recommendation:

1. That the report 'Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 30 September 2014' by Finance Manager, Simon Crabb, and dated 11 November 2014, be received.

Report:

Attachment One is a report provided by Far North District Council on the collection of current rates and rate arrears for the period ending 30 September 2014.

Far North district rates owing to council at 30 September 2014

The following table shows the outstanding Far North district rates balance at 30 September 2014 by rate type (Māori freehold land and general land).

ITEM: 3.12

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Table One: Total Far North District Council Rates Owed to the Regional Council (GST INC) at 30 September 2014							
	5 + Years	4 Years	3 Years	2 Years	1 Year	Current	Total
Maori Freehold Land	670,754	335,991	395,454	615,422	774,721	749,805	3,542,147
General Land	132,033	94,046	119,913	219,578	462,985	4,751,251	5,779,806
Variance	-	-	-	-	-	-	1,693
Total	802,787	430,037	515,366	835,000	1,237,707	5,501,056	9,323,647

At 30 September 2014 the Far North district had total rates owing to the Regional Council of \$9.3M, including outstanding arrears (non-current rates) of \$3.82M. The balance outstanding at 30 June 2014 was \$4,057,954 (\$1.2M is arrears on General Title and \$2.850M is arrears on Maori Freehold land, penalties on arrears are \$1.3M) we have a provision for doubtful debts of \$3.473,211 against these arrears.

Far North District Council current rates received

The 2014-2015 Far North District rate strike is \$7.2M. To date we have received \$1.9M, 26% (Sept 2013 26%) in current rates and \$139K in rate arrears. These payments include \$21K of penalty revenue. Further payments will be made in December 2014, March 2015 and June 2015 with a final wash-up paid in July 2015.

MEETING: NORTHLAND REGIONAL COUNCIL

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

Author: Cheryl Gavin-Young, Revenue & Collections Manager

Date of report: 13 October 2014

Document number: A1505428

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 September 2014 24.08% of ratepayers had paid via 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					
	2015	\$value	2014	\$value	2013	2012
Maori Freehold Land Remissions	466	\$ 62,721	598	\$ 87,919	712	786
Charitable or Community Organisations	40	\$ 5,089	40	\$ 4,683	38	38
Remission of Rates on Land Partially in District	0		0	\$ -	2	2
Contiguous Properties	771	\$ 92,300	767	\$ 96,744	875	878
Conservation Property	185	\$ 15,466	180	\$ 15,130	178	175
Total	1,462	\$175,578	1,585	204,479	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.

Baycorp New Zealand

As at 30 September 2014 92 Rate and Water Accounts were loaded with Baycorp.

\$867.51 has been receipted.

Receivables Management (NZ) Limited

As at 30 September 2014 183 Rate and Water Accounts were loaded with Receivables Management (NZ) Limited.

\$10,377.78 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

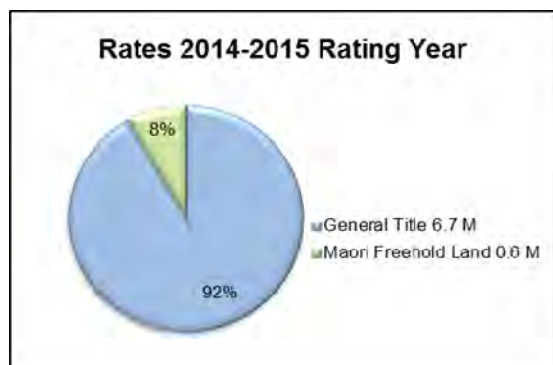
Regular meetings are scheduled by the Debt Management Team with Ratepayers at Te Ahu, Kaitaia.

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

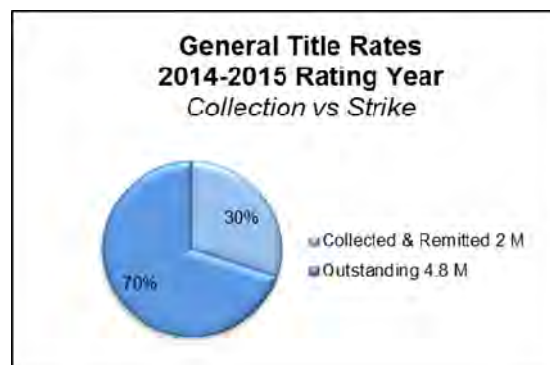
A number of Maori Freehold Land rate accounts with occupation orders have been loaded with Receivables Management (NZ) Limited for outstanding rate arrears.

9 Rate Assessments have been changed from General Title to Maori Freehold Land
01 July 2014 – 30 September 2014.

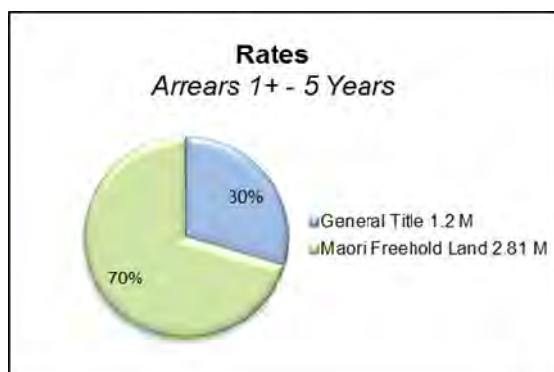
Collection Data



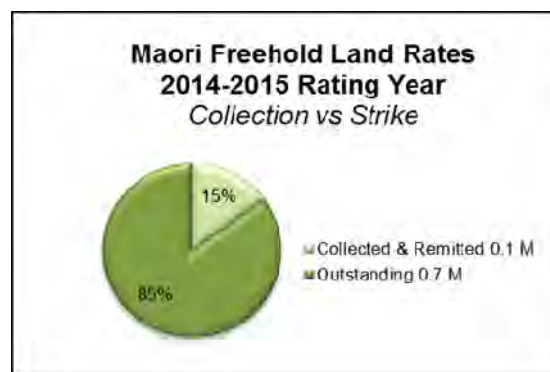
This graph shows the percentage of General Title Rates and Maori Freehold Land Rates struck for the 2014-2015 Rating Year



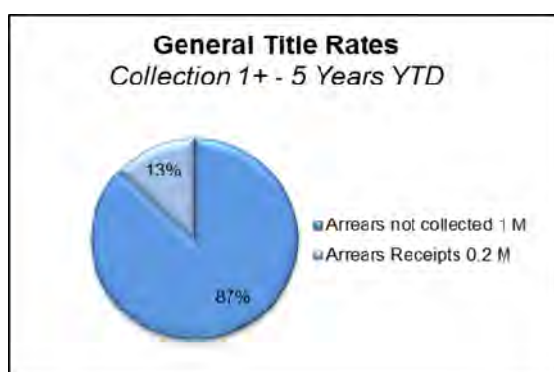
This graph shows the percentage of General Title Rates collected and remitted and outstanding for the 2014-2015 Rating Year



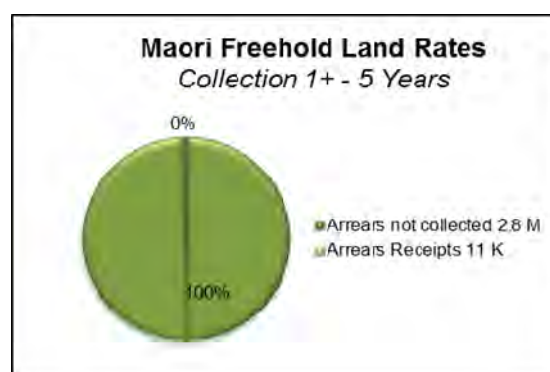
This graph shows the percentage of General Title Rates and Maori Freehold Land Rates unpaid for previous Rating Years



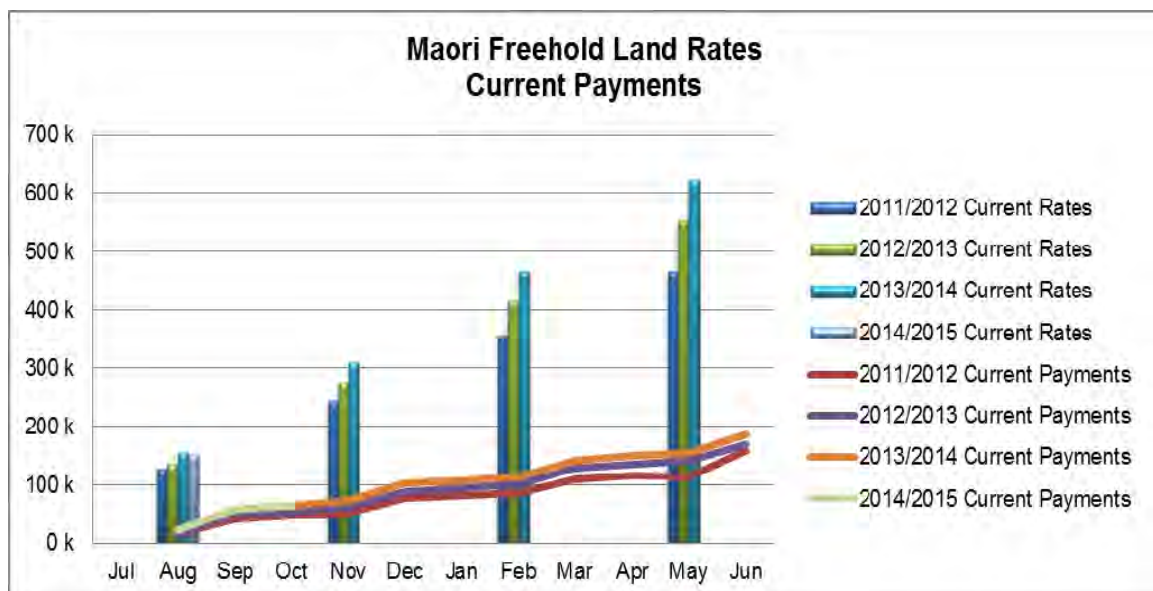
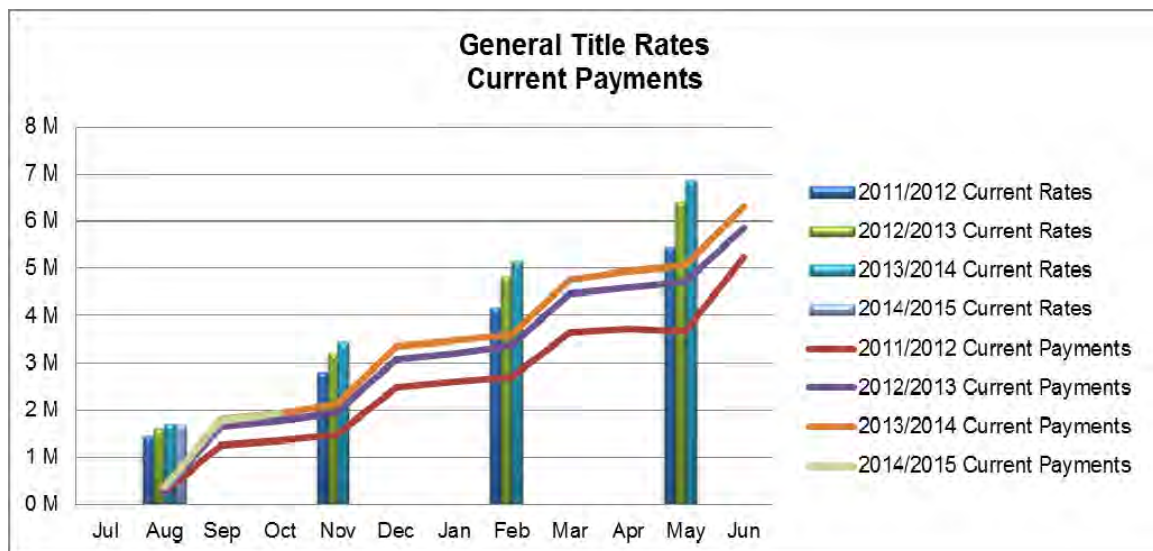
This graph shows the percentage of Maori Freehold Land Rates collected and remitted and outstanding for the 2014-2015 Rating Year

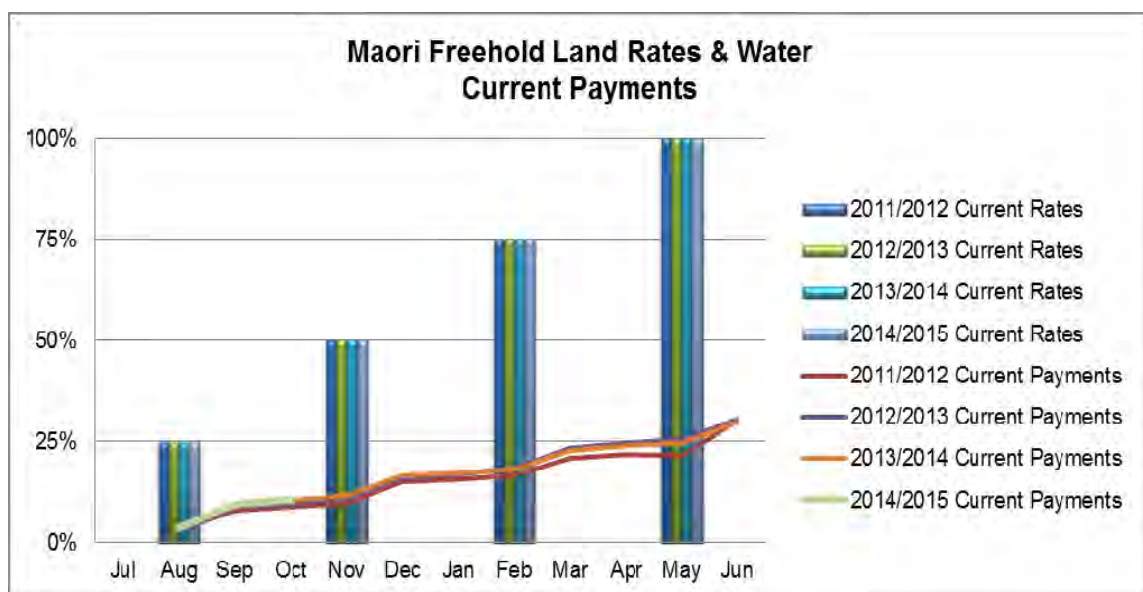
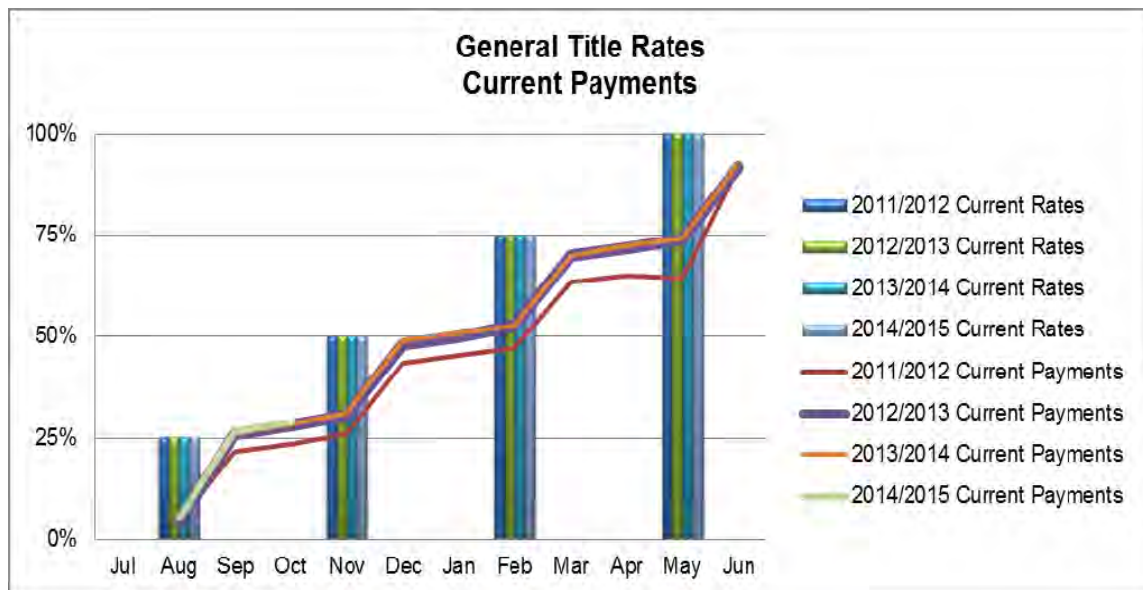


This graph shows the percentage of General Title Rates not collected and collected for previous Rating Years



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





ISSUE: Business with the Public Excluded

ID: A703777

To: Finance Committee Meeting, 25 November 2014

From: Lisa Aubrey, General Manager Finance

Date: 11 November 2014

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 – 19 August 2014	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.
4.2	Potential Acquisition of the Lessee Interest of 32-58 Reyburn Street	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)).
TABLED ITEM		
4.3	Property Paper	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)).