

NORTHLAND REGIONAL COUNCIL

Finance Committee Agenda

For meeting to be held in Council Chambers,
36 Water Street, Whangarei, on Tuesday, 19 May 2015,
commencing at 10.15am

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	Cr Monty Knight

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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ITEM: 3.1

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ISSUE: Confirmation of Minutes of the Finance Committee Meeting - 17 February 2015

ID: A745468

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance

Date: 8 May 2015

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 Finance Committee meeting held on 17 February 2015. 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 Finance Committee meeting held on 17 February 2015 be confirmed as a true and correct record.
-

NORTHLAND REGIONAL COUNCIL FINANCE COMMITTEE

Minutes of the meeting of the Finance Committee
held in the Council Chamber, 36 Water Street, Whāngārei,
on Tuesday 17 February 2015 commencing at 10 am

Present:

Chairman, David Sinclair
Deputy Chairman, Paul Dimery
Councillors:
John Bain
Craig Brown
Joe Carr
Graeme Ramsey
Dover Samuels (*from 11.34 am*)
Bill Shepherd
Independent Member:
Geoff Copstick

In Attendance:**Full Meeting**

GM Finance
Finance Manager
Council Secretary

Part Meeting

Chief Executive Officer
FNDC Revenue and Collections Manager
FNDC GM
NEST Chief Executive Officer
NEST Chairman
NEST Financial Officer
Deloitte Partner
Audit New Zealand Director
Audit New Zealand Manager
Creative Northland Regional Manager
Creative Northland Trustee
Strategy, Governance and Communications Manager
Consents/Monitoring SPM
Compliance Monitoring SPM

The Chairman declared the meeting open at 10.06 am.

Apologies (Item 1.0)**Moved (Brown/Bain)**

That the apologies from Councillor Samuels for delayed arrival 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.

Secretarial Note: Item 3.10 was addressed following Item 2.0 to allow for the attendance of Eriksen & Associates Limited Managing Director.

Confirmation of Minutes of the Audit and Risk Committee Meeting – 25 November 2014 (Item 3.1)

ID: A723777

Report from General Manager Finance, Lisa Aubrey.

Moved (Shepherd/Bain)

That the minutes of the Audit and Risk Committee held on 25 November 2014 be confirmed as a true and correct record.

Carried

Receipt of Minutes of the Treasury Management Working Group Meeting – 3 February 2015 (Item 3.2)

ID: A723929

Report from General Manager Finance, Lisa Aubrey.

Moved (Bain/Shepherd)

That the minutes of the Treasury Management Working Group meeting held on 3 February 2015 be received.

Carried

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

ID: A722267

Report from General Manager Finance, Lisa Aubrey.

Moved (Shepherd/Brown)

That the report 'Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 31 December 2014' by Lisa Aubrey, General Manager Finance, and dated 29 January 2015, be received.

Carried

Matters arising from Item 3.3:

FNDC Revenue Collections Manager, Cheryl Gavin-Young, and FNDC GM, Roger Taylor, were in attendance to address the report.

ID:A725853

Finance Committee Meeting
17 February 2015

The FNDC 'Rates EasyPay' brochure and the Northern Advocate article 'Decision eases Māori land rates issue', dated 16 February 2015, were tabled.

Cheryl undertook to forward a link to access the recent segment on Māori Television, involving Professor Margaret Mutu and discussing rates on Māori freehold land.

Deloitte Internal Audit Report on Council's Treasury Management Function (Item 3.4)

ID: A723601

Report from Finance Manager, Simon Crabb.

Moved (Bain/Shepherd)

1. That the report 'Deloitte Internal Audit Report on Council's Treasury Management Function' by Simon Crabb, Finance Manager, and dated 3 February 2015, be received.
2. That the Draft Internal Audit Report be approved for finalisation.

Carried

Matters arising from Item 3.4:

Deloitte Partner, Rodger Murphy, was in attendance to provide an overview of the audit process and key outcomes/recommendations.

Northland Emergency Services Trust (NEST) Six Monthly Report to 31 December 2014 and Approval for 2014–2015 Quarters Two and Three Payments (Item 3.5)

ID: A722336

Report from General Manager Finance, Lisa Aubrey.

Moved (Brown/Dimery)

1. That the report 'Northland Emergency Services Trust (NEST) Six Monthly Report to 31 December 2014 and Approval for 2014–2015 Quarters Two and Three Payments' by Lisa Aubrey, General Manager Finance, and dated 3 February 2015, be received.
2. That the second and third quarter payments of \$150,000 plus GST (each) for the 2014–2015 financial year be approved for payment.

Carried

Matters arising from Item 3.5:

NEST Chief Executive Officer, Pete Turnbull, Chairman, Paul Ahlers, and Financial Officer, Tony Morris, were in attendance to address the report. A miniature helicopter was presented to council as a token of appreciation for past funding.

Secretarial Note: Councillor Dover Samuels arrived at 11.34 am.

Creative Northland Six Monthly Report (Item 3.6)

ID: A722339

Report from General Manager Finance, Lisa Aubrey.

Moved (Brown/Ramsey)

1. That the report 'Creative Northland Six Monthly Report' by Lisa Aubrey, General Manager Finance, and dated 30 January 2015, be received.
2. That Creative Northland review their proposed work programme and Key Performance Indicator (KPI) reporting to council for the 2015/16 financial year to ensure the programme of work delivered with council funding achieves the council's desired outcome of improving economic growth and business capability and capacity in the arts sector.

Carried**Matters arising from Item 3.6:**

Creative Northland Regional Manager, Laura Burns, and Trustee, Sidney Quintal, were in attendance to address the report. It was advised that the organisation was reviewing its Strategic Plan and whilst a Memorandum of Understanding (MOU) was in place with Whangarei District Council, a similar agreement was being actively sought with the Far North and Kaipara.

Audit New Zealand – Draft Management Report on the Audit of Northland Regional Council for the Year Ending 30 June 2014 (Item 3.7)

ID: A723821

Report from Finance Manager, Simon Crabb.

Moved (Shepherd/Dimery)

1. That the report 'Audit New Zealand – Draft Management Report on the Audit of Northland Regional Council for the Year Ending 30 June 2014' by Simon Crabb, Finance Manager, and dated 3 February 2015, be received.
2. That the Draft Audit New Zealand Management Report for the year ended 30 June 2014, as amended at the meeting, be approved for finalisation.

Carried

Secretarial Note: The amendment was merely a typographical error pertaining to Section 2.3 of the report.

Matters arising from Item 3.7:

Audit Director, Karen MacKenzie, and Audit Manager, Timneen Taljard, were in attendance to provide an overview of the audit process and key outcomes/recommendations.

ID:A725853Finance Committee Meeting
17 February 2015

The Chief Executive Officer, Malcolm Nicolson, undertook to liaise with Audit New Zealand to clarify the recommendations regarding a contract management system and report back to the committee.

The Audit Director undertook to provide council with information regarding a procurement policy and the recommended thresholds requiring a formal resolution of council.

Councillor Ramsey emphasised that his was not only a strategic discussion about policy settings but there was an operational need to address Project Management including, but not limited to, the appropriate method, staff training and reporting.

There was general agreement for the Organisational Performance Committee to address the policy for (and reporting of) staff leave balances.

There was further agreement for the Audit Working Group to review the process by which Management Reports were approved and to provide a recommendation to the Finance Committee in due course. It being agreed that the principle was to be that:

1. Audit New Zealand provided their view without any editorial influence by management;
2. Management had the right to provide an unedited response; and then
3. The two views were to be presented to council, who could then provide direction to management on actions to be taken.

Audit New Zealand – Management Report on the Audit of Regional Software Holdings Limited for the Year Ending 30 June 2014 and Six Month Report to Shareholders to 31 December 2014 (Item 3.8)

ID: A723542

Report from General Manager Finance, Lisa Aubrey.

Moved (Ramsey/Bain)

That the report 'Audit New Zealand – Management Report on the Audit of Regional Software Holdings Limited for the Year Ending 30 June 2014 and Six Month Report to Shareholders to 31 December 2014' by Lisa Aubrey, General Manager Finance, and dated 3 February 2015, be received.

Carried

Financial Report to 27 January 2015 (Item 3.9)

ID: A724527

Report from Financial Accountant, Angela Hobden.

Moved (Ramsey/Dimery)

That the report 'Financial Report to 27 January 2015' by Angela Hobden, Financial Accountant, and dated 4 February 2015, be received.

Carried

ID:A725853

Finance Committee Meeting
17 February 2015

Secretarial Note: Item 3.10 was addressed following Item 2.0 to allow for the attendance of Eriksen & Associates Limited Managing Director.

Community Investment Fund – Review of Investment Managers’ Performance to 31 December 2014 (Item 3.10)

ID: A723502

Report from Finance Manager, Simon Crabb.

Moved (Bain/Shepherd)

That the report ‘Community Investment Fund – Review of Investment Managers’ Performance to 31 December 2014’ by Simon Crabb, Finance Manager, and dated 3 February 2015, be received.

Carried

Matters arising from Item 3.10:

Eriksen & Associates Limited Managing Director, Jonathan Eriksen, was in attendance to speak to the report as well as the high level summary ‘Northland Regional Council Community Investment Fund’ that was tabled at the meeting. Jonathan also provided advice on Milford Asset Management.

Performance of Council’s Investment Portfolio to 31 December 2014 (Item 3.11)

ID: A722862

Report from Financial Systems Administer, Kym Ace.

Moved (Shepherd/Bain)

That the report ‘Performance of Council’s Investment Portfolio to 31 December 2014’ from Kym Ace, Financial Systems Administrator, and dated 28 January 2015, be received.

Carried

Legislative Compliance – Second Quarter 2014–2015 (Item 3.12)

ID: A723533

Report from Advisor to the Chief Executive, Vibeke Wright.

Moved (Carr/Shepherd)

That the report ‘Legislative Compliance – Second Quarter 2014–2015’ by Vibeke Wright, Advisor to the Chief Executive, and dated 3 February 2015, be received.

Carried

ID:A725853

Finance Committee Meeting
17 February 2015

2014/15 Quarters One and Two Levels of Service Report

(Item 3.13)

ID: A708917

Report from Strategy, Governance and Communications Manager,
Jonathan Gibbard.

Moved (Brown/Shepherd)

That the report '2014/15 Quarters One and Two Levels of Service Report' by Jonathan Gibbard, Strategy, Governance and Communications Manager, and dated 2 February 2015, be received.

Carried

Matters arising from Item 3.13:

Chief Executive Officer, Malcolm Nicolson, undertook to investigate the concerns raised regarding the supply of toxins to Community Pest Control Areas.

Secretarial Note: The Chief Executive Officer left the meeting at 12.22 pm to address procedural matters pertaining to the closing of the Te Hiku constituency by-election.

4.0 Business with the Public Excluded

ID: A723791

Report from General Manager Finance, Lisa Aubrey.

Moved (Shepherd/Dimery)

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

Item No.	Item Issue	Reason\Grounds
4.1	Confirmation of Confidential Minutes of the Audit and Risk Committee Meeting – 25 November 2014	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.

Carried

Conclusion

The meeting concluded at 12.36 pm.

ID:A725853

Finance Committee Meeting
17 February 2015

ISSUE: Audit New Zealand's Draft Interim Management Report for the Year Ending 30 June 2015 and Draft Audit Engagement and Arrangements Letters

ID: A744715

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance and Simon Crabb, Finance Manager

Date: 5 May 2015

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

Executive Summary

The purpose of this report is to provide council with the Draft Interim Management Report received from Audit New Zealand at the completion of their interim audit for the 2014-15 financial year along with the draft Audit Engagement (in place for three years) and Arrangement Letters for the year ending 30 June 2015.

Legal compliance and significance assessment:

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is in accordance with council's decision making process and sections 76-82 of the Local Government Act 2002.

This matter has been assessed against council policy and is considered to be of low significance.

Recommendations:

1. That the report 'Audit New Zealand's Draft Interim Management Report for the Year Ending 30 June 2015 and Draft Audit Engagement and Arrangement Letters' by Lisa Aubrey, General Manager Finance and Simon Crabb, Finance Manager and dated 5 May 2015, be received.
2. That the Draft Audit New Zealand Interim Management Report for the year ended 30 June 2015, as amended at this meeting, be approved for finalisation.
3. That the Chairman be authorised to sign the Audit Engagement Letter.

ITEM: 3.2

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4. That the Chairman be authorised to sign the Audit Arrangements Letter for the 30 June 2015 year, subject to Audit New Zealand agreeing to provide the Audit Opinion on 20 October 2015.
-

Report:

Audit Engagement Letter

The purpose of the Audit Engagement Letter is to document the terms of the audit engagement and confirms the appointment of Karen MacKenzie as the Audit Director. This letter outlines the responsibilities of Audit New Zealand and council which is attached as **Attachment One**. This letter is in place for three years. Ms MacKenzie has advised changes are not able to be made to the Audit Engagement Letter and therefore it is issued in final form.

Draft Audit Arrangements Letter

This letter sets out the proposed arrangements, including the areas of focus and logistical information for the audit of council for the year ending 30 June 2015.

Staff would ask that the date of the Audit Opinion being issued be changed to 20 October 2015 to align with the Council Meeting. It would be timely if the Audit New Zealand Management Report could also be provided to this meeting.

Interim Management Report for the Year ending 30 June 2015

Audit New Zealand identified no new issues during this interim audit and their report is provided as **Attachment Two**.

As part of the interim audit report, Audit New Zealand includes a summary of any outstanding matters and associated recommendations that have been raised in the past. This report provides an update on the status and progress made by council staff towards implementing these outstanding recommendations.

To ensure council is kept abreast of progress made by staff to implement recommendations raised by Audit New Zealand in previous audits, we have provided a summary of the matter raised, the recommendation and progress made towards implementing each recommendation.

ITEM: 3.2

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Matter	Recommendation	Progress and Status
Project Management		
<p>The Regional Council does not have a project management policy.</p> <p>In the absence of a policy/guidance material, there is a risk that actual project management practice is variable and that staff are not applying good practice project management.</p>	<p>Audit recommends that a methodology or approach for managing projects is documented and that this is then applied in practice for all projects across the Regional Council, appropriately tailored based on the size, complexity and risk of each specific project.</p>	<p>The CEO has asked to meet with the Audit Director to better understand the matter raised and the best way to appropriately address this. Staff are exploring options, including training and development of overarching guidance</p>
Procurement Policy		
<p>The Regional Council's procurement policy was last revised in 2002. Organisational policies and procedures are more effective when they are up to date. There is a risk that the policy is not relevant to the Council's current working environment and does not reflect current good practice guidelines.</p>	<p>Audit recommends that the Regional Council review its procurement policy and put a process in place for regularly reviewing the procurement policy (and associated procedures).</p>	<p>In progress – the procurement policy has been revised and approved by the Executive Management Team and is currently with staff for consultation and feedback.</p>
Contract management policy/guidance material		
<p>Regional Council does not have a contract management policy/guidance material.</p> <p>In the absence of a policy/guidance material, there is a risk that actual contract management practice is variable and that staff are not following appropriate procedures.</p>	<p>Audit recommends that a contract management policy and/or guidance material is developed and implemented.</p>	<p>The CEO has asked to meet with the Audit Director to better understand the matter raised and the best way to appropriately address this. Staff have commenced a stock take and review of our suppliers to better understand the issues and opportunities for improvement.</p>

ITEM: 3.2

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Matter	Recommendation	Progress and Status
Contract Management system		
<p>The Regional Council currently uses its document management system as a repository for contract documents and other relevant information for each contract. It is not a fully functional contract management system and does not include easily accessible and reportable information about all current contracts. Therefore, the system cannot be used as a tool for actively managing contracts and identifying commitments for year-end financial reporting purposes.</p> <p>Ideally, there should be one source of contract management information that can be used for management and financial reporting purposes.</p>	<p>Audit recommends that a functional contract management system is put in place.</p>	<p>The CEO has asked to meet with the Audit Director to better understand the matter raised and the best way to appropriately address this. Staff have commenced a stock take and review of our suppliers to better understand the issues and opportunities for improvement.</p>
Consent Monitoring Programme		
<p>Audit noted that the monitoring requirements captured in IRIS for one of the consents was not consistent with the conditions of the consent issued. There was no impact on the performance reported as the monitoring programme is the programme that is captured in IRIS.</p> <p>However, it would be good practice for the Regional Council to document the reasons when the monitoring programme for a particular consent does not reflect the consent conditions.</p>	<p>Audit recommends that:</p> <ul style="list-style-type: none"> Where the monitoring programme in IRIS does not reflect the consent conditions, the rationale for the judgement/decision made is recorded in IRIS; The Regional Council regularly performs a check of the monitoring requirements recorded in IRIS compared with the conditions of the resource consents issued to obtain assurance that the monitoring programme is consistent with the consent conditions or, where this is not the case, the rationale for this is documented. 	<p>Audit New Zealand's recommendations are contained within "Resource Consent Monitoring Quality Procedures Manual".</p>

ITEM: 3.2

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Matter	Recommendation	Progress and Status
Rates Setting Process		
Last year, due to concerns over rating practices across the local government sector as a whole, we focused on the Regional Council's compliance with rating legislation.	Audit recommend that the Regional Council consider how it obtains assurance that the territorial authorities are maintaining the RID and rates records and assessing, invoicing and collecting the rates in accordance with the legislative requirements.	This will be further addressed with Audit New Zealand at the year-end Audit.
High Leave Balances		
Audit found a number of employees with high leave balances.	Audit recommends that the Regional Council take appropriate actions to reduce high leave balances.	The HR Manager has reminded all staff on the requirement to use any excess leave balances and managers are working relevant staff to ensure Leave plans are developed in all cases where high leave balances are evident. There is currently 19 staff with leave balances exceeding 35 days.

ITEM: 3.2

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Matter	Recommendation	Progress and Status
Other Contract Management Matters		
<p>The Regional Council does not have an individual or team with responsibility for oversight of contract management activities. Responsibility for management of contracts rests with the individual who is responsible for the contract. These people are not expected to have any particular contract management qualifications and/or experience. Further, those responsible for managing contracts are not provided with training.</p> <p>There are no documentation protocols in place for contract files. As a result, there is a risk that the documentation retained is variable.</p> <p>The Regional Council does not undertake its own review of contract management activities, through internal audit or otherwise.</p>	<p>Audit recommend that the Regional Council:</p> <ul style="list-style-type: none"> • Provides training for staff involved in contract management activities; • Has documentation protocols in place in relation to contract files; • Reviews contract management activities on a regular basis; • Improves reporting to senior management and those charged with governance about contracts under management. 	<p>The Executive Management Team has had initial discussions on contract management training and protocols. Further investigation is underway.</p>
Resource consents - supporting documentation (coding)		
<p>We noted that it is still optional for the officers to code some of the fields when recording their assessments, including the environmental impact.</p>	<p>Audit recommends that council staff be required to record the environmental impact for events with significant non-compliance so that the reporting performed at year-end will correctly capture the number of events to be counted.</p>	<p>A monthly exception report is produced to show any anomalies such as compliance status.</p> <p>Audit NZ will check this report at year-end to ensure the Environmental impact field has been completed for all events with significant Non- Compliance.</p>

ITEM: 3.2

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Matter	Recommendation	Progress and Status
Sensitive Expenditure		
<p>We noted the following from our sensitive expenditure testing:</p> <ul style="list-style-type: none"> Two instances where appropriate supporting documentation was lacking; A meal claim that was over the limit in the Council's policy; The Council's travel policy does not state whether the Council will pay for Koru Club membership. 	<p>Audit recommends that: Staff are reminded that adequate supporting documentation needs to be retained.</p> <p>Audit recommends that:</p> <ul style="list-style-type: none"> Meal claims are not paid when these are over and above the limits provided for in the policy; and The policy is amended to make it clear whether or not the Council will pay for airline club memberships for staff. 	<p>Completed: A direct email was sent out to all credit card holders, and a reminder placed on council's intranet, to remind staff of their responsibility to retain adequate documentation for all expenditure.</p> <p>Completed: The Human Resources Management Policy has been updated to allow expense reimbursement (while on council business) to only exceed the maximum limits upon approval of the CEO, on a case by case basis. In the case of the CEO, approval must be given by the Chairman.</p> <p>Completed: The Policy and procedures manual has been updated to stipulate that Koru club memberships are restricted to the Chairman, CEO, Deputy CEO and any other employee with an Airline membership as an approved contractual employment provision.</p>
Supplier Documentation for Bank Accounts		
<p>It is considered to be good practice for supporting documentation to be requested for all changes made to bank account details in employee master files as this reduces the risk of fraud. This could include a bank deposit slip or bank statement.</p>	<p>Audit recommends that supporting documentation is requested before changes to supplier bank accounts are made. This could be a bank deposit slip or a bank letter.</p>	<p>Completed This recommendation has now been implemented.</p>

ITEM: 3.3

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ISSUE: Draft Forest Management Plan 2015-2019

ID: A745199

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance

Date: 7 May 2015

Report Type:	<input type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input 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 provide councillors with the Draft 2015-2019 Forest Management Plan for approval.

Legal compliance and significance assessment:

The activities detailed in this report are in accordance with the Council's Treasury Management Plan which was adopted in compliance with the decision making requirements of sections 76 to 82 of the Local Government Act 2002. In accordance with section 76 of the Local Government Act, this matter is not considered to be significant.

Recommendation(s):

1. That the report "Draft Forest Management Plan 2015-2019" by Lisa Aubrey, General Manager Finance and dated 7 May 2015, be received;
 2. That the Forest Management Plan for the period 2015 to 2019 prepared by Chandler Fraser Keating Limited be received; and
 3. That the Forest Management Plan 2015 to 2019 be adopted (subject to any required amendments being made as agreed at the meeting).
-

Report:

The Council owns 523 hectares of plantation and soil conservation forests, all of which are located in the Whangarei district. Of the total area, 320 hectares is planted in radiata pine and approximately 160 ha is made up of mature native bush which has been retained in its natural state. The remaining area comprises unproductive area and native scrub.

ITEM: 3.3

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A Forest Management Plan is required by Council's Treasury Management Policy.

The Draft 2015-2019 Forest Management Plan is provided separately to this agenda and was circulated to councillors on 11 May 2015. The Management Plan updates and replaces the 2010-2014 Management Plan. The Forest Management Plan was prepared for council by Council's forestry consultant, Ian Jenkins of Chandler Fraser Keating Limited.

This plan outlines the management objectives for Council's Mount Tiger forest, and provides the basic details and essential guidelines for its future management.

Whilst it is anticipated that this plan will remain in place for the next five years, each year a new annual work programme and budget will be prepared, as well as an update of the 5 year rolling draft work schedules and budgets and the 10 year cash flow projection.

Key points to note are:

- The 2015-2019 Management Plan is consistent with previous Plans with respect to objectives, guidelines and prescriptions, but provides the formal documented platform and detail for the next 5 year period.
- Refer to section 2 (page 4) of the Draft 2015-2019 Management Plan for the key objectives, noting the forest is a commercial asset, being managed in a sustainable and environmentally sound manner, to provide longer-term financial return to Council.
- The forest is now largely second rotation, being replanted after Council harvested the first pine crop between 1999-2005. The costs involved in developing the second rotation tree crop are now largely complete (with the new crop [80% of forest area] now between 10-16 years of age) and future expenditure mainly relates to annual maintenance, protection and indirect costs.
- The next harvest and return is programmed for the 2015/16 summer (8,500 tonnes), but subject to market conditions, the decision to harvest being (as per previous harvests) subject to final approval by the Finance Committee.
- Forest management and harvesting and marketing activities are undertaken by contracted professionals. Council engages Chandler Fraser Keating Limited (Ian Jenkins) to implement the Forest Management Plan and oversee/co-ordinate forest activities.
- Current tree crop asset value is in the order of NZD 2.2 million (30 June 2015).

Ian Jenkins of Chandler Fraser Keating Limited will be present at the meeting to further discuss the plan with the Committee, if required.

ITEM: 3.4

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ISSUE: Creative Northlands 2015-2016 Draft Business Plan and KPI Reporting for the Period 1 January 2015 to 30 April 2015

ID: A744838

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance

Date: 5 May 2015

Report Type:	<input checked="" type="checkbox"/> Normal operations	<input type="checkbox"/> Information	<input checked="" type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input checked="" type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input checked="" type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive Summary:

The purpose of this report is to present council with Creative Northlands Draft Business Plan for 2015-2016 and their report, for the period 1 January to 30 April 2015, detailing Creative Northlands progress towards achieving their new KPI's relating to "building a business friendly environment that encourages business and employment opportunities" in the creative sector.

Legal compliance & significance assessment:

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

Recommendation:

1. That the report 'Creative Northlands 2015-2016 Draft Business Plan and KPI Reporting for the Period 1 January 2015 to 30 April 2015' by Lisa Aubrey, General Manager Finance and dated 5 May 2015, be received.
2. That a joint working party of councillors, Creative Northland representative and staff work together to further develop and agree the KPI's and associated work programmes to be delivered with funding provided by council.

Report

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

ITEM: 3.4

Page 2 of 2

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

Councillor David Sinclair is the council representative on the Creative Northland/CHART Board.

Councillors will recall from the February 2015 Finance Committee meeting that by the end of the December 2014 reporting period, Creative Northland had achieved all of their Key Performance targets agreed for the year. **Attachment Once** is Creative Northland's report covering the period 1 January 2015 to 30 April 2015.

Draft Business Plan

The draft Creative Northland Business Plan was not available at the February meeting as CHART, the parent company, was reviewing its Trust Deed, strategic direction and structure. The 2015-2016 Business Plan is being prepared in conjunction with this review.

Creative Northland are hopeful they will secure the \$59K community project funding council has flagged in its Consultation Document, that will be used to support economic growth and business capability in Northlands arts sector. Council will consider the funding and allocation thereof during the Long Term Plan deliberations scheduled for 15 May 2015.

At the February meeting, the Finance Committee asked Creative Northland to review its proposed 2015-16 work programmes and KPIs to ensure their proposed programme of work delivered with the funding provided by council is targeted towards achieving its purpose for which council provides the funding. Council is looking to improve economic growth and business capability and capacity in the arts sector. The relevant council Objectives, Values and Areas of Focus are:

- Northland is promoted effectively.
- We progressively increase the engagement of Northlanders in our activities.
- Provide a business friendly environment.

The relevant KPI's are on page 7 of the Business Plan. Staff note that some of the measures are not strongly linked to council objectives and in there are some instances where the measures are not well defined and may be difficult to objectively measure. Council may wish to delegate the further development and refinement of KPI's to a joint working party with Creative Northland, staff and councillors.

Attachment Two is Creative Northland's Draft Business Plan for the 2015-16 financial year for councils consideration.

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



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To: Northland Regional Council, Finance Committee
From: Laura Burns, Regional Arts Development Manager, CREATIVE NORTHLAND
Date: 05/05/15
Re: 2014/2015 Additional Interim Report: 1 January to 30 April

Background:

Creative Northland would like to express our gratitude to Northland Regional Council for your continued operational support. The annual financial contributions by NRC have allowed Creative Northland to leverage these dollars with other funders on a project by project basis which have increased opportunities for Northlanders to engage with the arts and improve our creative industries through professional development and networking opportunities.

CHART – STRATEGIC REVIEW - UPDATE

CHART North, the parent company and Governing Board of Creative Northland was formed five years ago in response to the Ta Paapa Toi document and extensive community consultation within the Whangarei District. Since then the organisation has continued to provide ongoing support to key stakeholders in the community. However the organisation has also undergone substantial growth and development, and as the landscape of the creative sector has evolved, so has the direction of CHART. In response to these changes, the CHART Board agreed to undertake a review of the organisation's purpose, structure and strategic direction in October 2014.

Part of this review has been to re-focus on the Northland region as a whole, allowing CHART to take a more strategic approach to supporting the creative sector, recognising that collectively, the sector will be stronger when it works collaboratively for the greater good. This has positive repercussions not only in information and knowledge sharing, but also in developing and growing resources to support the sector, sourcing funding for regional-based initiatives and strengthening the economic impact of the creative sector for Northland. This also allows CHART to better align with key national organisations such as Creative New Zealand.

Through the review, CHART has now finalised a new three-year strategic plan and complete business plan for 2015-16. A new organisational structure has been determined to ensure the necessary resources to deliver the business plan and advertising for new positions will take place this month. With operational funding approved from WDC for the next two years, CHART is in a strong position, both strategically and financially.

Below is how Creative Northland encouraged growth opportunities since January 2015 in the Creative Sector that align with NRC's long term plan to "Build a business friendly environment that encourages business growth and employment opportunities" over the last six months.

Key Performance Indicators:

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

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

Objective for the 2014/15 financial year	Indicator	Target	Outcome
Engaging the Creative Sector, as aligned with section 4B in the CHART/Creative Northland Business Plan	Consultation with the regional artists and creative businesses	Host 3 networking events for the creative sector in the 2014/2015 year	<ul style="list-style-type: none"> CA5- Scheduled for May 18, Kerikeri
Sector Professional Development/Marketing & Branding, as aligned with section 10A and 10D in the CHART/Creative Northland Business Plan	Increased Awareness of the Creative Northland Brand and regional community	Securing 3 opportunities for Northland artists outside of the region	<ul style="list-style-type: none"> 26 Art Based businesses subscribed to the 2015-2017 Northland Art Guide, to be distributed at 56 Auckland and Northland outlets via Jason's Introduction and facilitation for the inclusion of Northland artists in the national publication, New Zealand Artist Magazine, distribution of over 2000.
	Delivering professional development and business opportunities for the creative sector	Offer 3 relevant workshops to the sector in the year	<ul style="list-style-type: none"> Achieve More with Social Media Workshop Whangarei & Kerikeri, January 2015, over 65 attendees Workshop by CNZ Senior Community Arts Advisor Briar Monro on project funding priorities and application process for CNZ in January 2015, Whangarei, 35 attendees



CHART North / Creative Northland

DRAFT BUSINESS PLAN 2015/16

EXECUTIVE SUMMARY

CHART North was formed five years ago in response to the Ta Paapa Toi document and extensive community consultation within the Whangarei District. Since then the organisation has continued to provide ongoing support to key stakeholders in the community. However the organisation has also undergone substantial growth and development, and as the landscape of the creative sector has evolved, so has the direction of CHART.

STRATEGIC REVIEW

In response to these changes, the CHART Board agreed to undertake a review of the organisation's purpose, structure and strategic direction in October 2014. This review was to determine if CHART was still effectively and efficiently providing Whangarei with the best possible service delivery, to determine whether the organisation could better utilise its resources to support the creative sector in Whangarei, and also in the wider Northland region.

The Trust Board agreed it was timely to step back and look at how CHART could, and should, best meets the needs of the community in promoting, supporting, encouraging and developing all types of artistic, cultural and heritage activity for the benefit of the people of Whangarei and Northland.

This review is now nearing completion, and this draft annual business plan represents the way forward for 2015/16, in alignment with CHART's new vision, mission and strategic objectives as outlined in this document.

REGIONAL FOCUS

For the past five years, CHART's activities have been largely focused in the Whangarei District, recognising the funding received from Whangarei District Council (WDC). However the CHART Trust Deed clearly states that the organisation was formed to serve the creative sector of both Whangarei and the wider Northland region.

Focusing on the Northland region allows CHART to take a more strategic approach to supporting the creative sector, recognising that collectively, the sector will be stronger when it works collaboratively for the greater good. This has positive repercussions not only in information and knowledge sharing, but also in developing and growing resources to support the sector, sourcing funding for regional-based initiatives and strengthening the economic impact of the creative sector for Northland. This also allows CHART to better align with regional funding from key national organisations such as Creative New Zealand, and locally with partners such as Northland Regional Council and Northland Inc.

Just as CHART has an MOU with the WDC for delivery of services to the Whangarei District, the same model would apply to funding partners in other regions, to ensure funding was clearly allocated to those districts providing the funding, supported by detailed and measurable reporting and clear, transparent financial records.

TWO ENTITIES BECOME ONE

For some time, CHART has operated with a second, or dual, identity with Creative Northland. This 'arm' of CHART was created as a mechanism to secure tagged funding through the Northland Regional Council and also Creative New Zealand. However it is clear that having a second 'brand' has created confusion for our community, funders and stakeholders, with questions about 'who does what', and 'where does our funding go?'

Given changes in funding structures, there is now no need for CHART to have a dual identity, or a secondary 'arm' in Creative Northland, allowing us to return to one consolidated entity with a clearly defined structure that allows funding to be accurately and appropriately allocated to those projects, districts or regions for which it is intended.

To better align with its new regional focus, 'CHART' as we know it today, will simply become 'Creative Northland' – one entity that supports and promotes the creative sector across Northland.

PLEASE NOTE FOR THE PURPOSES OF THIS DOCUMENT, THE BUSINESS NAME HAS BEEN LEFT AS CHART TO MINIMISE CONFUSION.

STAKEHOLDERS

When CHART was first formed, it was appointed a number of key stakeholders, as outlined in the MOU. Part of the strategic review process has identified that CHART's activities moving forward should not be limited to these existing stakeholders, but should in fact reflect the needs of the wider creative sector.

Many of these stakeholders may remain key stakeholders, while others may feel they are in a positive and strong position, which will allow CHART to put energy and resources into others in the sector. Consultation in this area continues.

OLD LIBRARY

The Old Library currently sits under the management of CHART, as agreed to in its MOU with Whangarei District Council. CHART has undertaken governance and management of the Old Library to support its sustainability, and has been successful in keeping the doors open, through a combination of revenue creation (predominantly through renting spaces to businesses and community groups, as well as offering the building as a venue for community events). The building is now in a sustainable position financially, but continues to suffer from ongoing repair and maintenance issues, and is far from being the fit-for-purpose building it has the potential to be.

The Old Library has not been specifically mentioned in this business plan, as the strategy for transforming this building into a viable, functional and sustainable community facility is yet to be undertaken. However CHART acknowledges that it will continue to oversee governance and management of the Old Library, as agreed with WDC, until decisions can be made as to its future.

VISION

Northland is a collaborative, creative and vibrant arts region, where the creative sector is acknowledged, valued and celebrated for its vital contributions to our culture, heritage and economy.

MISSION

To grow and promote the capacity and capability of the creative sector across Northland by providing leadership, advocacy and a collaborative voice for the creative sector in Tai Tokerau.

OBJECTIVES

These are the objectives we will aim to meet in order to achieve our vision:

- Empower and enable Tai Tokerau's creative sector to grow
- Provide leadership and advocacy for Tai Tokerau's creative sector
- Actively promote Tai Tokerau's creative sector, within Northland, across New Zealand and offshore to encourage business acumen and positive economic growth
- Build, maintain and sustain key relationships - with existing and potential partners, funders, iwi, the creative sector of Tai Tokerau and the wider community as a whole
- Operate as a best practice organisation, demonstrating transparency, accountability and sustainable business practiced across all aspects of the business, including people, finances and planning

OBJECTIVE	INITIATIVES / ACTIONS (WHAT/HOW)	OUTCOMES (WHY)	DUE	MEASURE
Enable and empower Tai Tokerau's creative sector to grow	1. Review of organisational membership model	– CHART members feel supported and understand how CHART can assist them	Q3 2015	– Current membership programme reviewed; alternatives models researched and evaluated
	2. Development of definitive communication programme to members	– CHART members (new and existing) feel engaged and informed through regular communication	Q3 2015	– Organisational members clearly identified
	3. Actively seek new members to ensure all stakeholders and the creative sector are adequately represented	– CHART membership grows, creating a stronger network with the creative sector	Q4 2015	– Communication programme developed to regularly communicate with members
	4. Actively seek new information around the creative sector and disseminate to members via regular communications	– CHART members (new and existing) feel engaged and informed through regular communication	Ongoing	– Regular information from regional and national creative sector gathered and disseminated to members
	5. Define infrastructure / database requirements to ensure memberships are actively managed into the future	– Records of members and memberships are well kept for future reference	Q2 2016	– 4 workshops held to inform / assist / upskill members in subjects as agreed with them
	6. Run regular workshops, sharing expertise that will empower the creative sector	– CHART members are supported through practical hands-on workshops to enhance their efforts to grow and support the creative sector	Q4 2015	– Review of C3P plan completed; recommendations made to Board
	7. Revisit 'C3P' planning, in consultation with existing stakeholders to review effectiveness and alternative options	– Future of C3P is clearly evaluated, to determine whether it is providing value to the organisation		

OBJECTIVE	INITIATIVES / ACTIONS (WHAT/HOW)	OUTCOMES (WHY)	DUE	MEASURE
Provide leadership and advocacy for Tai Tokerau's the creative sector	<ul style="list-style-type: none"> Identify key roles in local and national government, local business and internationally and develop communications strategy to begin relationship-building 	<ul style="list-style-type: none"> Positive relationships are maintained with key partners like CNZ, with a focus on aligning strategic objectives in areas like youth and Maori Key relationships and successful role models are identified to assist with positive future growth 	Ongoing	<ul style="list-style-type: none"> Key roles identified in local and national government, local business and internationally Communications strategy focused on relationship-building is developed
	<ul style="list-style-type: none"> Research, source and/or produce information that affirms the key role the creative sector plays in our communities; and then disseminate that information to key stakeholders / partners 	<ul style="list-style-type: none"> Stakeholders and partners feel engaged, connected and informed 	Q3 & 4 2015	<ul style="list-style-type: none"> Regular time is spent collating data, information and research to support importance of the creative sector on economic development Regular information from regional and national creative sector gathered and disseminated to members
	<ul style="list-style-type: none"> Hold regular meetings with key partners and peer organisations, as well as within the Northland creative sector, and identify and other opportunities for productive face-to-face engagement 	<ul style="list-style-type: none"> Relationships with key partners and peer organisations, as well as within the Northland creative sector, are resilient, mutually beneficial, and based on trust and respect 	Ongoing	<ul style="list-style-type: none"> Bi-monthly meetings held with key partners and stakeholders / members CHART staff and Board well represented at key local events
	<ul style="list-style-type: none"> Identify, establish and promote appropriate communication channels to connect with the creative sector Actively share appropriate information through and between creative and business sectors, media, and the general public, as well as nationally / locally 	<ul style="list-style-type: none"> Regular communication channels are established and promoted for CHART to connect with the creative sector 	Q3 2015, ongoing	<ul style="list-style-type: none"> Communication channels are established, and business sector, media and the public are aware of updates from the creative sector
	<ul style="list-style-type: none"> Identify key media partners and develop relationships, based on open sharing of information re. CHART's strategic direction and the creative sector of Northland 	<ul style="list-style-type: none"> Positive relationships are built with local media to provide advocacy and promotion for the creative sector 	Q3 2015	<ul style="list-style-type: none"> Relationships are developed with key media partners, at both staff and governance / management levels

OBJECTIVE	INITIATIVES / ACTIONS (WHAT/HOW)	OUTCOMES (WHY)	DUE	MEASURE
Actively promote Tai Tokerau's creative sector, within Northland, across New Zealand and offshore to encourage business acumen and positive economic growth	– Link with existing events, tourism attractions and marketing publications	– Opportunities are identified to work collaboratively with existing events, attractions and publications to maximize exposure and opportunities for the creative sector	Q4 2015	– Mapping is completed of existing events, attractions and events in Northland and across New Zealand (as relevant)
	– Educate the creative sector in aspects of business acumen and financial sustainability	– The creative sector better understands the principles of financial sustainability, and becomes self-sufficient through increased knowledge and accessing opportunities for growth	Q2 2016, ongoing	– Stakeholders in the creative sector are recognised as needing assistance – Required skills are identified and workshops / courses / education arranged to impart necessary knowledge – Positive changes are recorded in business performance and opportunities gained for stakeholders
	– Pursue high profile events to be held in, or tour, Northland, if engaged to do so by key partners	– Funding opportunities for creative sector are identified	Q3 2015, ongoing	– High profile events are investigated and recommendations made to Board
	– Identify opportunities to engage with business community and other sectors, connecting the creative sector with funding opportunities and connecting business with corporate citizenship and community engagement opportunities	– Creative sector is promoted through media and relationships with other sectors	Q1 2016 Q1 2016 Q2 2016 Q4 2015	– Sculpture Symposium held biennially – Art Beat held annually – Assist with delivery of Youth Summit 2015 – Sponsorship of Northland Business Awards 2015 – Funding opportunities secured for creative sector and joint ventures between creative and other sectors
	– Ensure strong media and marketing presence for Tai Tokerau's creative sector	– Purpose and vision of CHART is well recognised and understood	Ongoing	– Strong coverage for the creative sector in the media
	– Build strong brand presence and brand identity for CHART that will in turn support Northland arts	– CHART brand and purpose is clearly communicated and understood –	Q3 2015 Q3 2015 Q3 2015 Q4 2015	– Organisational rebrand is complete, including confirming name, strapline and brand story – Organisation's vision, mission and key messages agreed – Communications strategy developed for new brand – Brand rolled out across all key touch points – Brand style & visual style guide developed

OBJECTIVE	INITIATIVES / ACTIONS (WHAT/HOW)	OUTCOMES (WHY)	DUE	MEASURE
Build, maintain and sustain key relationships - with existing and potential partners, funders, iwi, the creative sector of Tai Tokerau and the wider community as a whole	<ul style="list-style-type: none"> – Identify key agencies, organisations and partners for CHART 	<ul style="list-style-type: none"> – CHART has clearly defined partners and understands the key agencies and organisations to work with in order to achieve our strategic objectives 	Q3 2015	<ul style="list-style-type: none"> – Key agencies, organisations and partners for CHART are identified
	<ul style="list-style-type: none"> – Develop a communication strategy to connect with all those identified, with a clear plan around messaging and outcomes 	<ul style="list-style-type: none"> – CHART's strategic vision is accessible and easily understood – 	Q4 2015	<ul style="list-style-type: none"> – Communications strategy is developed for CHART, including promotion of strapline, strategic vision and key messaging.
	<ul style="list-style-type: none"> – Promote CHART's strategic vision and be clear on key messages so all communication is consistent and links directly to strategy 	<ul style="list-style-type: none"> – Key economic development partners and key positions within those organisations are clearly understood 	Q3 2015 Q3 2015	<ul style="list-style-type: none"> – Key communications channels are identified – CHART's strategic vision is recorded publicly, and easily accessible
	<ul style="list-style-type: none"> – Identify opportunities to grow economic base for CHART through potential and existing relationships – Engage with key roles in organisations to ensure sustainability of relationships 	<ul style="list-style-type: none"> – Relationships are built and strengthened with NRC, WDC, Northland Inc, Northland Chamber of Commerce, the Northland Foundation and identified potential corporate partners 	Q3-4 2015 Q3-4 2015 Q3-4 2015	<ul style="list-style-type: none"> – Strong relationships are in place with key partners, including NRC, WDC, Northland Inc, Northland Chamber of Commerce and the Northland Foundation – Corporate partnership opportunities are identified, as well as other key economic development partners – Philanthropic opportunities investigated with the Northland Foundation and corporate organisations

OBJECTIVE	INITIATIVES / ACTIONS (WHAT/HOW)	OUTCOMES (WHY)	DUE	MEASURE
Operate as a best practice organisation, demonstrating transparency, accountability and sustainability being practiced across all aspects of the business, including people, finances and planning	<ul style="list-style-type: none"> – Delivery of quality and timely reporting to the Board and as well to funders as required 	<ul style="list-style-type: none"> – Board is well informed of operational activity and alignment of management activities with strategic plan – Funders are well informed of operational activity and alignment of management activities with strategic plan 	<p>Ongoing</p> <p>Ongoing (as agreed)</p>	<ul style="list-style-type: none"> – Full, professional and timely reporting from CHART management to the Board – Full, professional and timely reporting from CHART management to funders, including WDC
	<ul style="list-style-type: none"> – To ensure compliance, deliver unqualified audit opinion of accounts – Ensure Charities status is maintained 	<ul style="list-style-type: none"> – Organisation is fully audited, with open and transparent accounting practices to ensure full trust of funders, partners and stakeholders – Charities status is maintained 	Q3 2015	<ul style="list-style-type: none"> – Delivery of unqualified audit
	<ul style="list-style-type: none"> – Ensure organisation has adequate policies in place and these are updated at least every 12 months 	<ul style="list-style-type: none"> – Organisation has clear policies and procedures to guide staff on all operational matters – Systems and processes are well maintained and effective for managing the business 	Q4 2015	<ul style="list-style-type: none"> – Full set of appropriate, relevant policies and procedures is developed for organisation – Health and Safety policies are established and communicated to staff – All organisational systems and processes are reviewed, with amendments and changes made as required
	<ul style="list-style-type: none"> – Deliver best practice employment practices with support of skilled HR team member – Follow best practice employment processes at all times re. contracts, record keeping of leave / staffing matters, HR support etc 	<ul style="list-style-type: none"> – Staff feel well supported and received regular and constructive feedback on performance – Programmes and policies are in place for recruitment, professional development, wellness and H&S – Organisation is future-proofed by ensuring clear succession – Existing skill sets are recognised and valued – HR matters are dealt with in a timely and professional manner by the HR sub-committee 		<ul style="list-style-type: none"> – Schedule for staff appraisals is developed and regular reviews undertaken – Succession plan is developed for staff and governance board – Employment contracts are in place for all staff – Dedicated HR sub-committee appointed to deal with all HR requirements, including identifying, interviewing and inducting new staff, assessing changes in staffing needs – Thorough and professional employment processes and guidelines are established with external guidance
	<ul style="list-style-type: none"> – Regular governance meetings held, as well as interaction between staff and Board 	<ul style="list-style-type: none"> – Board meetings scheduled and planned well in advance to achieve maximum attendance; minutes 		<ul style="list-style-type: none"> – Board meetings held regularly as per agreed schedule – Staff and Board to spend more time

		<p>provided in advance</p> <ul style="list-style-type: none">– Most appropriate communication channels between management and Board identified, agreed, and scheduled as needed.– Regular board meetings ensure strong leadership for organisation		<p>together, with dedicated time scheduled</p>
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ISSUE: Risk Profiling and Internal Audit Planning Process

ID: A746314

To: Finance Committee Meeting, 19 May 2015

From: Bruce Howse, Land/Rivers Senior Programme Manager and Simon Crabb, Finance Manager

Date: 11 May 2015

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:

The purpose of this report is to seek Finance Committee approval for Deloitte to undertake a risk profiling assessment at a cost of up to \$8,000 plus GST. The purpose of the review of the risk assessment is to ensure council is aware of its key risks and is taking the necessary action/steps to manage these risks to an acceptable level. The updated risk assessment will also be used to determine the internal audit programme priorities over the coming 2-3 years.

Legal compliance and significance assessment:

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is in accordance with council's decision making process and sections 76-82 of the Local Government Act 2002. This matter has been assessed against council policy and is considered to be of low significance.

Recommendations:

1. That the report "Risk Profiling and Internal Audit Planning Process" by Bruce Howse, Land/Rivers Senior Programme Manager and Simon Crabb, Finance Manager and dated 11 May 2015, be received.
2. That the finance committee approves Deloitte to conduct a risk profiling assessment and develop a two year internal audit programme at a capped cost of \$8,000 plus GST.

Report

Council has an ongoing annual budget of \$25K to carry out an internal audit programme.

Council has a Risk Policy and Schedule of Risk. The Risk Register is currently provided to council biannually and new risks and/or changes to risk rankings are

ITEM: 3.5

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highlighted for council information. Staff also advise of mitigation action that is applied to reduce the risk to a residual risk level.

Our last independent risk assessment was carried out in July 2013 by Ernst and Young. Deloitte undertook the recent Treasury Internal Audit and following discussions with staff, at their request provided a proposal to conduct a fresh risk assessment review. Deloitte have advised their risk profiling assessment and development of a two year internal audit programme would take 3 days to complete and would cost \$8K plus GST. The Deloitte proposal is **attached** as **Attachment One**.

A risk profiling assessment/review will identify, analyse, and prioritise council's risks. The internal audit programme can then be tailored specifically to review the controls and processes in place to manage the risks identified in the risk profiling assessment.

Staff consider it would be timely to undertake a risk assessment review to ensure staff and councillors are aware of and managing councils key risks.

The proposal was taken to both the Hazard Risk Working Group and Audit Working Group for consideration.

- The Hazard Risk Working Group, at its meeting on 23 April 2015 agreed that council should have Deloitte undertake the risk assessment as proposed. This decision was influenced by the fact that they were unable to recruit a suitably qualified independent working group member.
- The Audit Working Group, at its meeting on 2 April 2015 felt council should not pursue the proposal.



Northland Regional Council

Risk Profiling and Internal Audit Planning Process

February 2015

Risk Profiling and Internal Audit Planning Steps in the Process

- Review existing risk management material
- Conduct one on one interviews
 - With executive and management team
 - Council representatives (if required)
- Capture responses to interview questions – next slide
- Conduct risk prioritisation workshop with exec team
 - prioritise risks and business value drivers
- Provide prioritised key risks linking to business processes (audit population) and to council / business value drivers
- Produce suggested two year internal audit plan

List of Questions for Management

1. Your top 5 to 10 risks. These would be top of mind issues, things that keep you awake at night and could be specific to your business area.
2. Major Projects. These would include projects in progress now or likely to start in the next 12 to 18 months. They could be systems based, product based or normal operations. Please think about your top 3 to 5 projects.
3. Critical business models and spreadsheets. What are the critical business models or spreadsheets used to generate important information that will support key decisions in the business? Please think about three of these that are important to your area of the business.
4. Business Processes. Please identify your five most important business processes. For example, business processes could include funding, regulatory compliance or a project management process.
5. Outsourced areas. Please think about the areas of your business area that are outsourced to a third party provider.
6. Key Systems and software. Please think about the most important systems and supporting software for your business, i.e. that you place the most reliance on.
7. Key Contracts. Please list the top five contracts for your business area. Important contracts may include key operational support contracts.
8. New and emerging risks. These are risks that could be industry or specific to your organisation but which may impact your business in the future.
9. Regulatory requirements. Please list the top five areas of regulatory compliance you must satisfy.
10. Strategies and initiatives. Please think about the key areas of strategic focus for your part of the business and any supporting initiatives.
11. Black swan events. Please think about the unusual and unexpected type of risk events that could have an adverse or significant effect on your business.
12. Value drivers. Please identify the five most important value drivers of your business area. I.e. activities or capabilities that drive value.
13. Recent loss areas and incidents. Think about the areas where there have been known losses or incidents. Also think about near misses, i.e. realised incidents but where major losses had been averted.

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Key Risks Categorised

- Operational Risks
- Strategic Risks
- Political Risks
- Plus other known categories
- External risks
- Financial

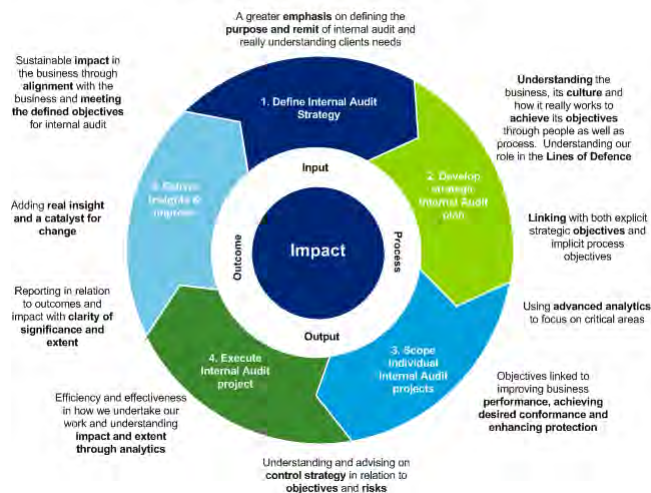
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Internal Audit Process

Our Internal Audit Methodology – An Overview



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Likely Format of Two Year Plan

Business Process	Value Driver	Suggested Review Cycle	Risk Level	Year 1	Year 2	Previously Reviewed
Procurement Process						
Treasury						
Payroll						
Asset Management						
Revenue Processes						
Rating System						
• IT						
• Key Control Mgt						
• Access						
• Security						
• DR / BCM						
• Application						
Management & Board Reporting						
Health & Safety						

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Link to Council Framework

The process followed will link into the council risk management process steps:

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

The internal audit process will review each of these steps at a business process and governance level

ITEM: 3.6

Page 1 of 2

ISSUE: Far North District Council Collection of Regional Council Rates and Rate Arrears - Quarterly Update to 31 March 2015

ID: A744554

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance

Date: 5 May 2015

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	

Executive Summary:

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 31 March 2015' by Lisa Aubrey, General Manager Finance and dated 5 May 2015, 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 31 March 2015.

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Far North district rates owing to council at 31 March 2015

The following table shows the outstanding Far North district rates balance at 31 March 2015 by rate type (Māori freehold land and general land).

Table One: Total Far North District Council Rates Owed to the Regional Council (GST INC) at 31 March 2015							
	5 + Years	4 Years	3 Years	2 Years	1 Year	Current	Total
Maori Freehold Land	624,296	327,769	392,428	599,115	747,865	941,211	3,632,683
General Land	110,244	83,431	104,408	176,441	296,931	1,890,356	2,661,811
Variance	-	-	-	-	-	-	4,180
Total	734,540	411,199	496,836	775,556	1,044,796	2,831,567	6,298,674

At 31 March 2015 the Far North district had total rates owing to the Regional Council of \$6.3M, including outstanding arrears (non-current rates) of \$3.47M.

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 \$5.0M (69%) (March 2014: 5.1M, 71%) in current rates and \$383K in rate arrears. These payments include \$46K of penalty revenue. Further payments will be made in June 2015 with a final wash-up paid in July 2015.

Far North District Councils New Rates Model

Staff are mindful of the media document titled "Tāngata whenua back new rates model" from the Radio NZ website (**attached as Attachment Two**). Council staff has asked Far North District Council rating staff to advise of any consequential changes to the number of Far North district Separately Used or Inhabited Parts (SUIPS) and total land valuation. This information will enable the final regional rates modelling to occur prior to the adoption of council's 2015-2025 Long Term Plan.

MEETING: NORTHLAND REGIONAL COUNCIL

Name of item: REVENUE AND COLLECTIONS QUARTERLY REPORT
31 March 2015

Author: Cheryl Gavin-Young, Revenue & Collections Manager

Date of report: 30 April 2015

Document number: A1574069

Executive Summary

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

1) Background:

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

2) Discussion and options**Proactive initiatives**

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

As at 31 March 2015 25.81% of ratepayers had paid via direct debit.

As at 31 December 2014 24.86% of ratepayers had paid via 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.

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				2013	2012
	2015	\$value	2014	\$value		
Maori Freehold Land Remissions	502	\$ 68,084.53	598	\$ 87,919	712	786
Charitable or Community Organisations	40	\$ 5,089.69	40	\$ 4,683	38	38
Remission of Rates on Land Partially in District	0	\$ -	0	\$ -	2	2
Contiguous Properties	800	\$ 98,110.98	767	\$ 96,744	875	878
Conservation Property	189	\$ 15,928.73	180	\$ 15,130	178	175
Total	1,531	\$187,213.93	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.

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. Council was successfully awarded Judgment from the High Court for one Ratepayer with 22 outstanding General Title assessments. Council is in the process of enforcing the Judgment.

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.

Shared Services

Far North District Council, Whangarei District Council and Kaipara District Council Rating and Debt Management have formed a working party to discuss initiatives and potential cost savings. One key initiative being developed is the common use of a mail house for Rate Invoice and Assessments.

General Title Mortgage Demands

If a Rate Account is in arrears and the Ratepayer does not have a payment arrangement in place Council sent notification to the Ratepayer on 26th November 2014 advising that Council will place a demand for payment of the outstanding arrears after 27th February 2015 should payment not be made or a payment arrangement is not entered into.

Recovery of Rates for Maori Freehold Land

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

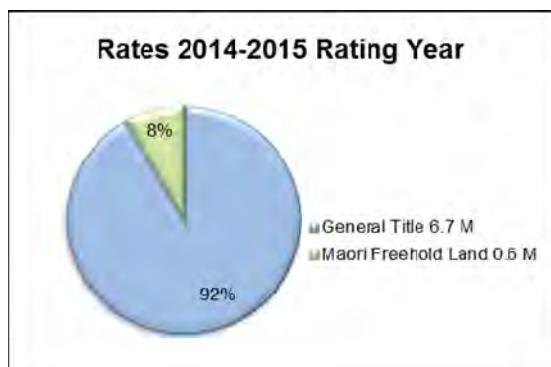
Regular meetings are scheduled by the Debt Management Team with the Maori Land Court in Whangarei.

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

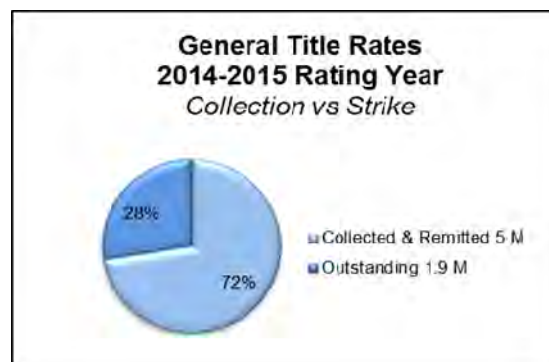
9 Rate Assessments have been changed from General Title to Maori Freehold Land 01 July 2014 – 30 September 2014.

6 Rate Assessments have been changed from General Title to Maori Freehold Land 30 September 2014 – 31 December 2014.

No Rate Assessments have been changed from General Title to Maori Freehold Land 31 December 2014 – 31 March 2015.

Collection Data

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



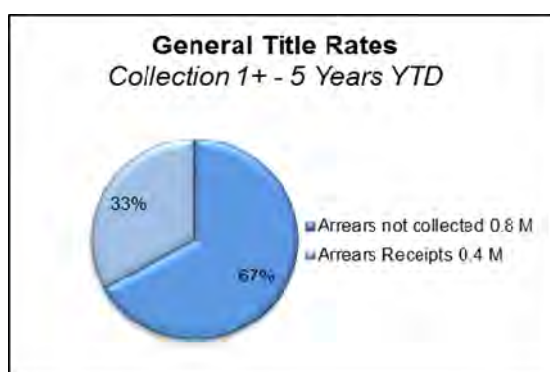
This graph shows the percentage of General Title Rates collected and remitted and outstanding for the 2014-2015 Rating Year



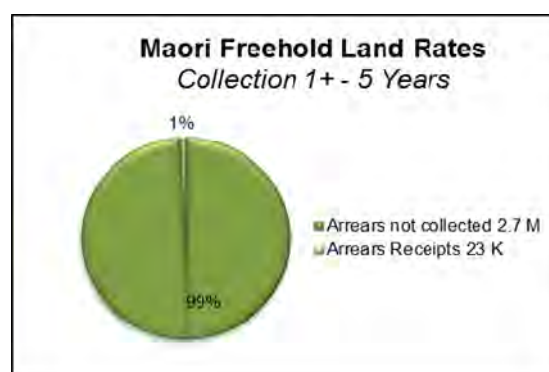
This graph shows the percentage of General Title Rates and Maori Freehold Land Rates unpaid for previous Rating Years



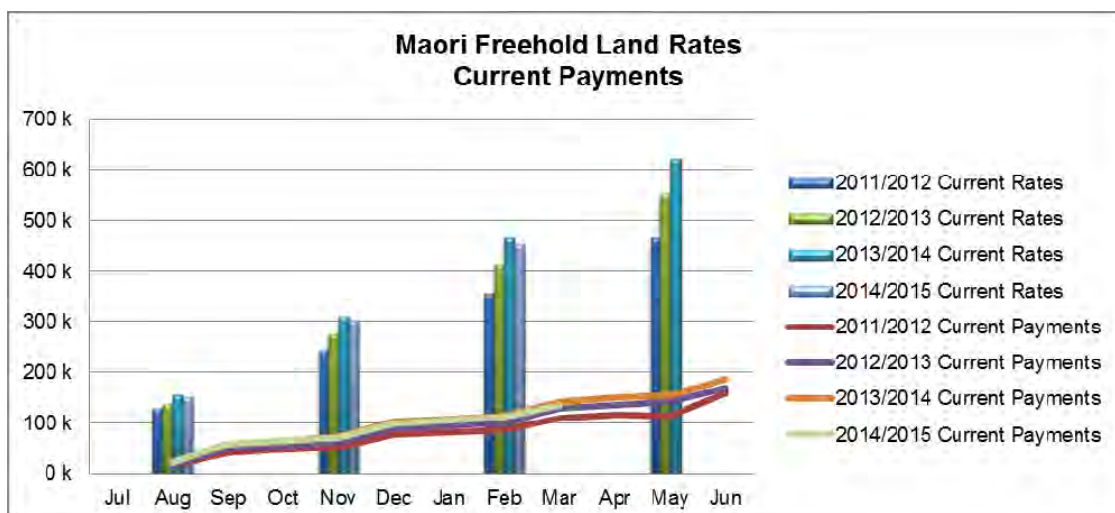
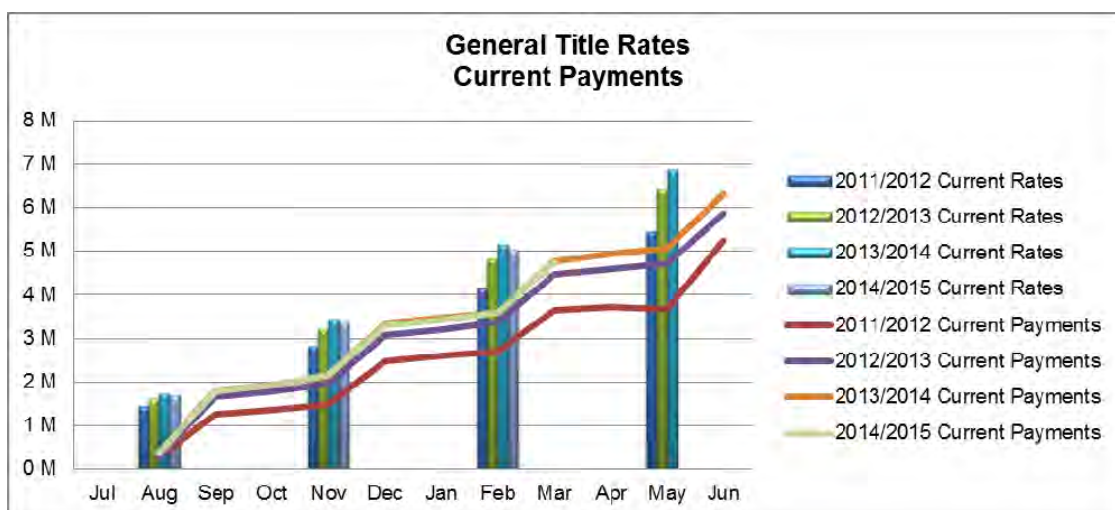
This graph shows the percentage of Maori Freehold Land Rates collected and remitted and outstanding for the 2014-2015 Rating Year

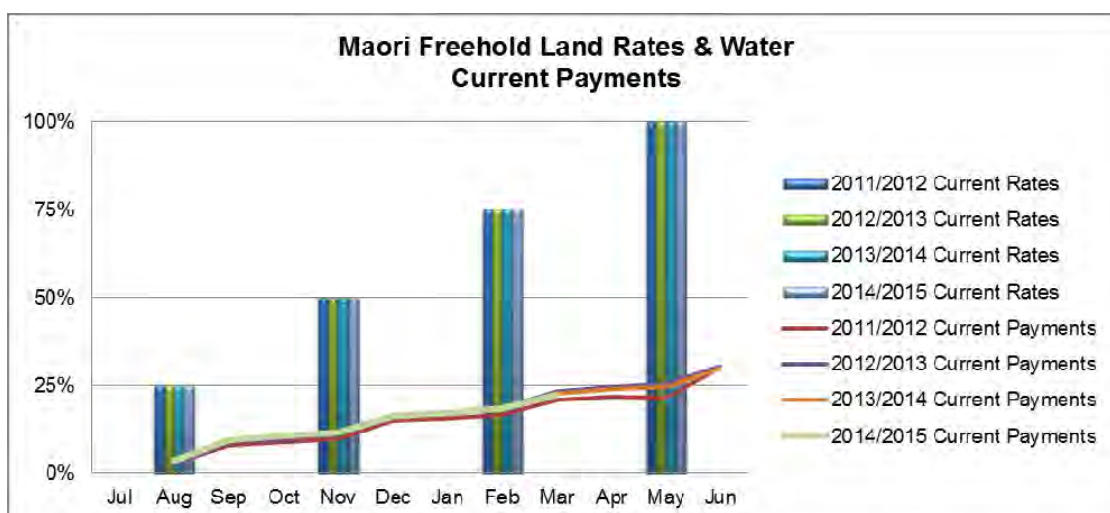
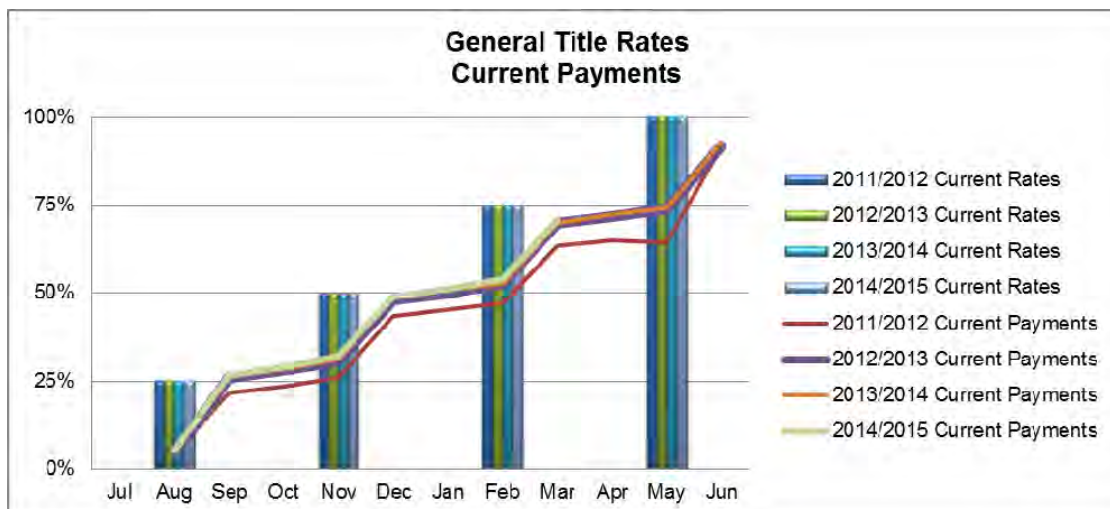


This graph shows the percentage of General Title Rates not collected and collected for previous Rating Years



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





Tāngata whenua back new rates model

Updated at 8:47 pm on 5 May 2015



Laura Bootham, Te Manu Korihi - Laura.Bootham@radionz.co.nz

Tāngata whenua are backing a new rates model introduced by the Far North District Council which they say gives multiple-owners of Māori land a fair rates system for the first time.



John Carter.

Photo: Leonie Carter

They want to see the system replicated in other councils throughout New Zealand where there is multiple-owned Māori land.

The board which represents Māori in Auckland said tāngata whenua are too encumbered and restricted by current law to develop their land and pay rates, and is calling for change.

Figures obtained by *Te Manu Korihi* from Te Puni Kōkiri show Māori landowners owe the Far North District Council nearly \$30 million, two thirds of its outstanding rates arrears, while six other district councils' range from 55 to 83 percent.

The agency says the figures showing the rates arrears on Māori land were collected in January 2014 so are likely to have changed since then.

- The Wairoa District Council is owed \$2,043,875 - 83 percent of its total rates arrears.
- The Otago District Council is owed \$2,489,863 - 82 percent of its total rates arrears.
- The Wanganui District Council is owed \$2,134,837 - 64 percent of its total rates arrears.
- The Western Bay of Plenty District Council is owed \$4,417,353 - 63 percent of its total rates arrears.
- The Gisborne District Council is owed \$3,800,000 - 55 percent of its total rates arrears.

The Far North District Council's mayor, John Carter, said under the new model previous rates debt was written off and rates were recalculated so that the block of land owned by many people is rated in the same way as single owners.

The Independent Māori Statutory Board's chair, David Taipari, said other councils could learn from the mayor's blueprint.

"It's an opportunity for everyone around New Zealand to work together to create policies that will assist each other but ultimately Māori want to be able to develop their land but they're so encumbered and restricted to do so that Local Government has to review a raft of policies that it has."

David Taipari believes local government should work more closely with Māori.

"Right across Aotearoa Local Government needs to be working with Māori landowners in developing policy and provisions that are unique to that region and unique to the land that they're talking about. Māori land in Auckland city is not the same as Māori land in rural settings so again, those provisions need to be taken into account.

"From the Independent Māori Statutory Board point of view in Auckland, we are looking to do some review on policy ourselves and promote better policy for Māori freehold land."

Under current law, the Far North District Council, as with other councils, is able to charge more rates on multiple-owned Māori land compared to individual landowners.

Even the government acknowledged there was an issue.

The Ministry of Māori Development, Te Puni Kōkiri, in a letter to *Te Manu Korihi* warns owners of that land face a unique set of challenges, such as multiple ownership and restrictions on sale.

An executive, Di Grennell, said there were barriers to owners of Māori freehold land paying rates.

"They often face difficulties in developing their land or selling it to someone who can, leading to it being unused.

"The current ratings valuation system doesn't reflect the limitations linked to owning Māori land and the multiply-owned nature of Māori land can result in difficulties to collect payments from all of the landowners concerned, many of whom cannot be contacted."

The Labour Party MP for Te Tai Tokerau, Kelvin Davis, said the Far North District Council's rates model could be applied effectively in areas where multiple-owned Māori land is a large percentage of the total rates arrears.

"If it will work in the Far North it'll work anywhere and this is a transferable solution that should be looked at by all councils and in particular those with multiply-owned Māori land. I think it's a great start to this resolution of rates not being paid."

The president of Local Government New Zealand, Lawrence Yule, said councils were operating within the law to claim rates on those properties even if they're under-utilised, or not utilised at all.

Related

- New rates model 'game changer'



Next story in Te Manu Korihi: [Low pay for forestry contractors questioned](#)

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ISSUE: Financial Report to 30 April 2015

ID: A744952

To: Financial Committee Meeting 19 May 2015

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

Date: 8 May 2015

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 ten months ended 30 April 2015 for councillors' information.

For the Council Detailed Report to 30 April 2015 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 30 April 2015" by Angela Hobden, Financial Accountant and Helen Jelinek, Financial Management Accountant and dated 8 May 2015, be received.

Report:

Operating Results:

The council report for the year to date (YTD) shows a net surplus of \$2.135M against a budgeted net surplus of \$1.857M, resulting in an overall favourable variance for the year to date of \$279K after transfers (to) or from Special Reserves.

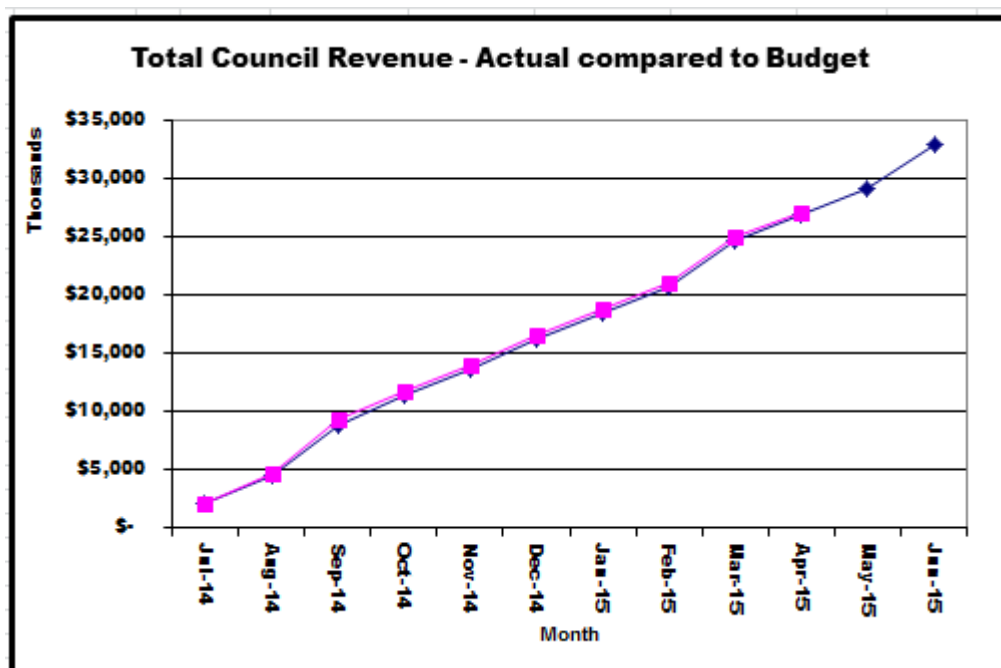
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Before transfers (to) or from Reserves there is a net operating surplus of \$4.668M against a budgeted net surplus of \$3.797M, resulting in an overall favourable variance of \$871K. This variance arises from the total expenditure (including other losses) for the ten months being behind budget by \$1.08M or 5%, and the total revenue being less than budget by \$210K or 1%.

Revenue:

Year to date revenue is \$27.140M which is \$210K or 1% less than budget. This is illustrated by the following graph:



The material differences that make up the \$210K year to date unfavourable revenue variance are:

- **Rates - has a favourable variance/ is greater than budget by YTD \$176K or 1%**
 - Unbudgeted rates penalties have been received of \$128K (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 \$48K rates due to an increase in rateable properties since the budgets were set.
- **User Fees and Sundry – has an unfavourable variance/ is less than budget by YTD \$62K or 2%**
 - This unfavourable variance has arisen from less than budgeted income being received for application fees of \$202K, management fees \$255K, and bus fare box revenue \$77K, however there are offsetting favourable variances in the form of contributions received from Northpower, LINZ and the district councils relating to the aerial photography project \$131K and sundry income of \$341K. This sundry income relates to Task Force Green income \$200K, Nursery income \$23K, Insurance recovery for lost Sondes \$37K, Houhora Service Station monitoring for a contaminated site \$24K and sundry harbour related charges of \$39K relating to such items as recovering costs of a black oil spill from a tanker, impounded vessels and speeding vessels. The balance is made up of smaller items.

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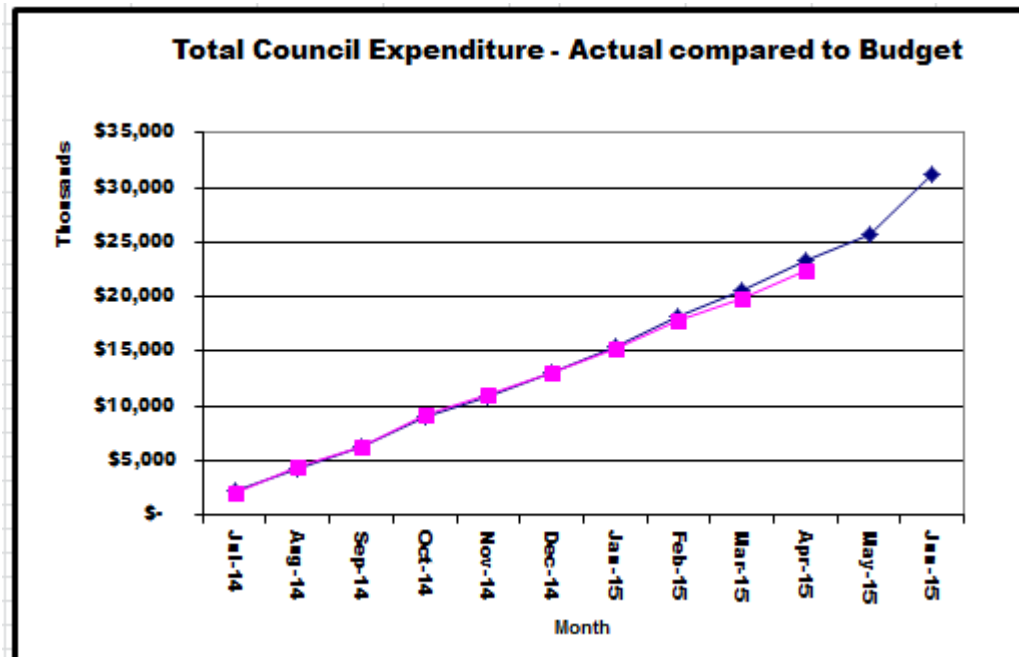
- **Grants and Subsidies – has an unfavourable variance/ is less than budget by \$96K or 10%**
 - The main driver for this unfavourable variance is lower than expected subsidies in relation to passenger transport services and transport administration subsidies, totaling \$160K. This is reflected in less expenditure in these activities and is cost neutral to council. Oil pollution response claims are also less than anticipated by \$7K. These unfavourable variances are offset by MPI unbudgeted subsidies of \$72K booked for the Oyster Shell Project.
- **Investment Interest Income – has an unfavourable variance/ is less than budget by \$89K or 6%**
 - Interest income is less than the budget predominantly 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. Offsetting the lost investment income associated with the lack of Countdown proceeds is the investment income earned on the unbudgeted investment of the BBS sales proceeds.
- **Investment Property Income- has an unfavourable variance/ is less than budget by \$212K or 8%**
 - Commercial rentals are less than budget by \$128K due to loss of rent associated with the sale of the BBS Timbers properties and the purchase of the Reyburn Street properties. Marsden Point Rail Link property rents are less than budgeted by \$96K as we had not budgeted for a half share of rentals being allocated to KiwiRail. This is partially offset by an increase of \$13K from Whangarei Dam properties rents being more than budget.
- **Dividend Income – has an unfavourable variance/ is less than budget by \$250K or 9%**
 - Dividend income is less than budgeted by \$250K as it is not anticipated that we will receive the budgeted \$250K dividend from Regional Software Holdings Limited.
- **Community Investment Fund Income – has a favourable variance/ is greater than budget by \$321K or 48%**
 - The fund continues to outperform the objectives resulting in this favourable variance.

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Expenditure:

Year to date expenditure (including other losses) is \$22.472M which is \$1.08M or 5% less than budget, as shown in the following graph:



The material differences that make up the \$1.08M year to date favourable expenditure variance are:

- **Resource Management Group – has a favourable variance/ is less than budget by \$992K or 9%**
 - Biosecurity has a favourable variance of \$162K or 7%. This results from expenditure on consultants \$35K, pest control contracts \$61K, poisons and field works \$54K, being less than anticipated at this stage of the year. The balance is made up of smaller items such as printing and field equipment.
 - Consents Applications has a favourable variance of \$284K or 35%. This results from less labour activity charged to this area \$201K due to less applications being received, less legal fees of \$44K, and lower overheads of \$37K. The balance is made up from savings in smaller administration items. There is lower than budget consent application revenue offsetting this lower than budget expenditure.
 - State of the Environment Monitoring has a favourable variance of \$168K or 12%. Consulting charges \$45K and lab testing charges are \$63K less than anticipated at this time of year and labour charged to this area is less by \$46K as staff work in other areas. Publicity is down by \$11K and working parties down by \$3K.
 - Planning and Policy has a favourable variance of \$357K or 21%. This is a result of less expenditure on consultants of \$114K, legal expenses of \$78K, and staff time of \$106K being less than anticipated as staff have not needed to perform as much work on objections until they go to the Environment Court. Advertising, printing and copying associated with these activities are also less than budget at this stage of the year.

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- **River Management – has a favourable variance/ is less than budget by \$252K or 12%**
 - Expenditure on river clearance works of \$173K, flood damage of \$32K, stop-bank work of \$21K and less expenditure of \$19K on consultants has contributed to this variance. The variance has been partially offset by unbudgeted Kotuku Dam property rate expenses (budgeted in the Commercial Activity).
- **Hazard Management – has an unfavourable variance/ is greater than budget by \$214K or 19%**
 - Civil Defence and Emergency Management is the predominant contributor to this overspend as the Task Force Green costs were attributed to this cost centre. These amounted to \$190K and were offset by the additional revenue received. There was also additional labour for CDEM activities which has been recovered from the District Councils.
- **Transport – has a favourable variance/is less than budget by \$188K or 5%**
 - Passenger transport administration has a favourable variance of \$161K predominantly from lower expenditure than anticipated on Bus contract charges, total mobility and hoist charges. The lower costs here are reflected by the lower subsidies in revenue and are cost neutral to council. Lesser printing charges of \$25K also contribute to the favourable variance.
 - Regional transport management has a favourable variance of \$20K predominantly due to lower than anticipated expenditure in advertising, consultants and promotional materials.
- **Community Representation – has an unfavourable variance/ is greater than budget by \$16K or 1%**
 - Environmental education has a favourable variance of \$60K due to there being one contractor instead of two working for council for the first half of the year and less labour charged to this department.
 - Community Representation and Engagement has an unfavourable variance of \$76K. Contributing items that are over budget are \$22K in members training, \$14K in members' mileage and \$16K for unbudgeted expenditure relating to the Te Hiku by-election. Consultancy and legal fees are also over budget by a total of \$171K relating to the 360 degree appraisal, cultural change work, organisational review advice and LTP support. These consultancy and legal fee unfavourable variances are largely offset by an unspent \$50K provision relating to Local Government Reform, Members Salaries underspent by 23K and other staff savings
- **Commercial – has an unfavourable variance/ is greater than budget by \$57K or 18%**
 - Commercial expenditure is greater than budget predominantly due to unbudgeted expenditure in relation to advertising and electricity for the Kensington site and valuations on the Reyburn Street and Mangawhai properties.

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- **Communications – has a favourable variance/ is less than budget by \$104K or 13%**
 - Communications expenditure is less than budget predominantly due to less than anticipated use of consultants \$16K, publicity and education \$20K, Iwi activities \$36K, and less staffing costs of \$31K.
- **Human Resources – has an unfavourable variance/ is greater than budget by \$66K or 22%**
 - This unfavourable variance is due to fees relating to employment relations matters.
- **Other Gains/(Losses) – unbudgeted loss of \$56K**
 - The unbudgeted loss of \$56K relates to losses on disposals of financial assets such as the ASB and Fonterra Bonds of \$32K and fair value adjustments to investments held such as Fonterra, AIA and Infratil \$24K.

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. This figure includes the purchase of the Reyburn Street property and the sale of BBS Timbers.

Capital Expenditure

The Capital Expenditure year to date spend is \$6.19M against a year to date budget of \$5.29M. The report detailing the year to date actual Capital Expenditure against the year to date budget is on the following two pages.

Capital Expenditure Reporting**April 2015 Year to Date**

Activity	YTD Actual	YTD budget	YTD Variance	Revised budget
Monitoring	158,836	168,526	9,690	215,465
Biosecurity	-	4,000	4,000	4,000
Harbour Safety and Navigation	127,302	151,000	23,698	224,256
River Management	3,925,245	4,102,943	177,698	6,605,526
Commercial Investments	1,104,163	-	(1,104,163)	87,600
Information Systems	338,868	336,507	(2,361)	571,587
Support Services	532,400	529,549	(2,851)	715,875
Total Northland Regional Council	6,186,813	5,292,525	(894,288)	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	50,198	57,326	7,128	53%	61%	94,490	94,490	-	on track
Others	71,638	111,200	39,562	59%	92%	120,975	120,975	-	timing on smaller projects. Expectation that will be spent by end of June
2 Sondes lost in Hikurangi Swamp	37,000	-	(37,000)			-			recovered from insurance claim
TOTAL MONITORING	158,836	168,526	9,690			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 : -	-	4,000	4,000	0%	100%	4,000	4,000	-	still expected to be spent by end of June
TOTAL BIOSECURITY	-	4,000	4,000			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	1,398	2,000	602	2%	3%	58,901	58,901	-	currently in process of purchase with expected delivery May / June
Vessels - Replacement	107,416	116,000	8,584	90%	91%	127,355	119,355	8,000	possible saving of less than 10k
Others	18,488	33,000	14,512	66%	87%	38,000	28,000	10,000	expected saving of 10 - 15k
TOTAL HARBOUR SAFETY AND NAVIGATION	127,302	151,000	23,698			224,256	206,256	18,000	

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	3,780,751	3,780,954	204	68%	68%	4,163,989	5,545,516	(1,381,527)	1.3M 2015 Budget overspend due to achieving a one season build. 2014-15 overspend all in LTP budget for 2015-16
Awanui - River Works	6,060	160,500	154,440	20%	535%	183,000	30,000	153,000	expected savings of 153,000
Awanui - Renewal Programme	58,054	58,054	0	100%	100%	58,054	58,054	-	completed on budget
Kerikeri - Waipapa River woks	31,495	33,000	1,505	31%	33%	2,130,048	100,000	2,030,048	expect to spend 100k this year with balance of 2,030,048 to roll to 15/16 year
Kaeo Whangaroa works	48,885	70,435	21,550	81%	117%	70,435	60,435	10,000	expected saving of 10 - 15k
TOTAL RIVER MANAGEMENT	3,925,245	4,102,943	177,698			6,605,526	5,794,005	811,521	

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	-	-	-	0%	0%	87,600	87,600	-	purchase agreement signed and will settle before the end of June
Investment Properties	1,104,163	-	(1,104,163)			-	-	(1,104,163)	Reyburn St purchase unbudgeted but Council approved
TOTAL COMMERCIAL INVESTMENTS	1,104,163	-	(1,104,163)	-	-	87,600	87,600	(1,104,163)	

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	30,938	31,000	63	61%	61%	82,228	51,000	31,228	at least 6 months behind schedule. Expect to spend 51k this year and roll forward 31k to 15/16
Desktop replacement programme	23,133	23,439	306	35%	36%	65,439	65,439	-	as required
Network Switches	84,062	100,000	15,938	93%	111%	100,000	90,000	10,000	still to crystalise but possible 10k saving
PABX replacement	106,891	80,000	(26,891)	100%	75%	80,000	106,891	(26,891)	extra spend includes video conferencing for Council Chambers
IT Infrastructure	-	-	-	0%	0%	126,352	116,352	10,000	Will be spent prior to June except an anticipated saving of 10 - 15k
Others	93,844	102,068	8,224	80%	87%	117,568	117,568	-	timing on smaller projects
TOTAL INFORMATION SYSTEMS	338,868	336,507	(2,361)			571,587	547,250	24,337	

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	381,374	380,000	(1,374)	74%	74%	513,826	513,826	-	on track
Air Conditioning Replacement Project	103,249	102,049	(1,200)	101%	100%	102,049	102,049	-	completed
Furniture, Desk set-up and Office configuration	25,021	25,000	(21)	50%	50%	50,000	50,000	-	as required
Office Creation, Greening and Modification	22,756	22,500	(256)	46%	45%	50,000	50,000	-	as required
TOTAL SUPPORT SERVICES	532,400	529,549	(2,851)			715,875	715,875	-	

Council Detailed Report

Year to Date Report to 30 April 2015

	YTD Actual	YTD Budget	Variance	Variance %	Full Year Revised Budget
Total Council					
Revenue					
Rates	15,148,692	14,972,579	176,113	1%	17,967,094
User Fees and Sundry	3,759,275	3,820,873	(61,598)	-2%	4,381,837
Grants and Subsidies	844,295	940,287	(95,992)	-10%	1,125,466
Investment Interest Income	1,371,476	1,460,082	(88,606)	-6%	2,544,530
Investment Property Income	2,475,952	2,687,533	(211,580)	-8%	3,298,721
Dividend Income	2,546,434	2,796,434	(250,000)	-9%	2,796,434
Community Investment Fund Income	993,505	672,108	321,397	48%	806,530
Total Revenue	27,139,630	27,349,895	(210,266)	-1%	32,920,612
Expenditure					
Resource Management					
Biosecurity	2,254,815	2,416,945	162,130	7%	3,207,340
Consents advice and information	693,952	689,411	(4,540)	-1%	894,004
Consents applications	520,379	804,770	284,390	35%	1,025,593
Land and Biodiversity	1,824,887	1,839,015	14,129	1%	2,723,316
Compliance Monitoring & Environmental incidents response	2,363,088	2,373,436	10,348	0%	3,014,372
State of the Environment monitoring	1,286,327	1,454,541	168,214	12%	1,871,878
Planning and Policy	1,381,282	1,738,315	357,034	21%	2,392,383
Total Resource Management	10,324,730	11,316,434	991,704	9%	15,128,888
River Management					
River Management	1,916,803	2,169,077	252,274	12%	3,143,224
Total River Management	1,916,803	2,169,077	252,274	12%	3,143,224
Economic Development					
Economic development activities	1,725,914	1,740,290	14,376	1%	2,049,285
Economic development projects	771,454	748,530	(22,924)	-3%	1,077,720
Total Economic Development	2,497,367	2,488,819	(8,548)	0%	3,127,005
Hazard Management					
Civil defence and emergency	734,105	505,173	(228,933)	-45%	670,209
Natural hazard management	526,745	533,275	6,530	1%	838,500
Oil pollution response	88,557	96,979	8,422	9%	124,942
Total Hazard Management	1,349,407	1,135,426	(213,981)	-19%	1,633,651
Transport					
Harbour safety and navigation	1,450,418	1,458,083	7,665	1%	1,779,777
Passenger transport administration	1,700,148	1,860,977	160,829	9%	2,378,722
Regional transport management	378,796	398,612	19,815	5%	522,230
Total Transport	3,529,362	3,717,671	188,309	5%	4,680,728
Community Representation and Engagement					
Environmental education	353,024	413,374	60,349	15%	541,623
Community Representation and Engagement	2,070,915	1,994,619	(76,296)	-4%	2,498,973
Total Community Representation and Engagement	2,423,939	2,407,992	(15,947)	-1%	3,040,596
Support Services and Commercial Investments					
Commercial	374,413	317,409	(57,003)	-18%	410,453
Communications	695,551	799,115	103,564	13%	996,303
Finance and Information Technology	2,978,460	2,977,166	(1,293)	0%	4,797,477
Information Management and Administration	617,075	671,054	53,979	8%	804,340
Human Resources	369,307	303,661	(65,646)	-22%	362,772
Internal Transfers	(4,660,393)	(4,750,997)	(90,604)	2%	(6,710,892)
Total Support Services and Commercial Investments	374,413	317,409	(57,003)	-18%	660,453
Total Expenditure	22,416,021	23,552,830	1,136,809	5%	31,414,545
Net (Cost)/Surplus of Services	4,723,608	3,797,065	926,543	24%	1,506,067
Other Gains / (Losses)					
Forestry Revaluation	-	-	-	-	177,000
Revaluation - Fair value of Financial Investments	(55,948)	-	(55,948)	-	-
Emissions Trading Scheme	-	-	-	-	-
Total Gains / (Losses)	(55,948)	-	(55,948)	-	177,000
Net (Cost)/Surplus of Service before transfer from/(to)					
Special Reserves	4,667,660	3,797,065	870,595	23%	1,683,067
Transfers from/(to) Special Reserves					
Transfers from/(to) Land Management	-	-	-	-	14,353
Transfers from/(to) Awanui River	20,841	71,836	50,995	71%	62,042
Transfers from/(to) Kaihu River	(32,165)	6,618	38,783	586%	4,941
Transfers from/(to) Kaeo River Reserve	(128,416)	(69,243)	59,173	-85%	(72,747)
Transfers from/(to) Whangarei Urban River Reserve	(525,215)	(518,642)	6,573	-1%	(232,862)
Transfers from/(to) Priority Rivers Reserve	-	-	-	-	-
Transfers from/(to) Infrastructure Facilities Reserve	-	-	-	-	(80,150)
Transfers from/(to) Recreational Facilities Reserve	(795,794)	(788,525)	7,269	-1%	(950,749)
Transfers from/(to) Investment Fund Reserve	-	-	-	-	-
Transfers from/(to) Forest Income Equalisation Reserve	47,371	70,891	23,520	33%	345,035
Transfers from/(to) Hatea River Reserve	56,324	(6,125)	(62,449)	1020%	(15,144)
Transfers from/(to) Environment Fund Reserve	-	-	-	-	-
Transfers from/(to) Investment and Growth Reserve	(1,205,051)	(907,232)	297,819	-33%	(913,478)
Transfers from/(to) Approved Carry Forwards General Funds	131,402	272,750	141,348	52%	740,495
Transfers from/(to) Waipapa/Kerikeri River Reserve	(101,482)	(72,709)	28,773	-40%	(30,362)
Net (Cost)/Surplus of Service after transfer from/(to)					
Special Reserves	2,135,475	1,856,685	278,789	15%	554,441

	YTD Actual	YTD Budget	Variance	Variance %	Full Year Revised Budget
Note 1: Total Expenditure by Type					
Expenditure					
Labour Costs	9,304,267	9,389,815	85,548	1%	11,602,613
Operations	11,556,659	12,589,989	1,033,330	8%	17,924,301
Member Expenses	531,775	549,012	17,237	3%	658,814
Depreciation	1,024,014	1,024,014	0	0%	1,228,817
Finance Overheads	4,659,699	4,750,997	91,298	2%	6,710,892
Internal Recharges	(4,660,393)	(4,750,997)	(90,604)	2%	(6,710,892)
Total Expenditure	22,416,021	23,552,830	1,136,809	5%	31,414,545

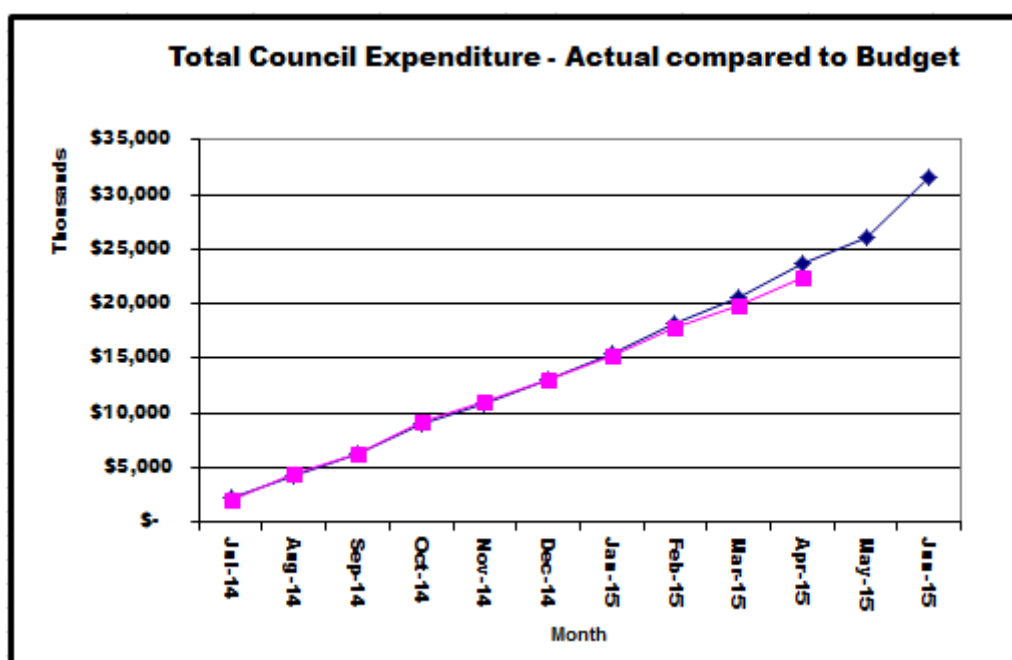
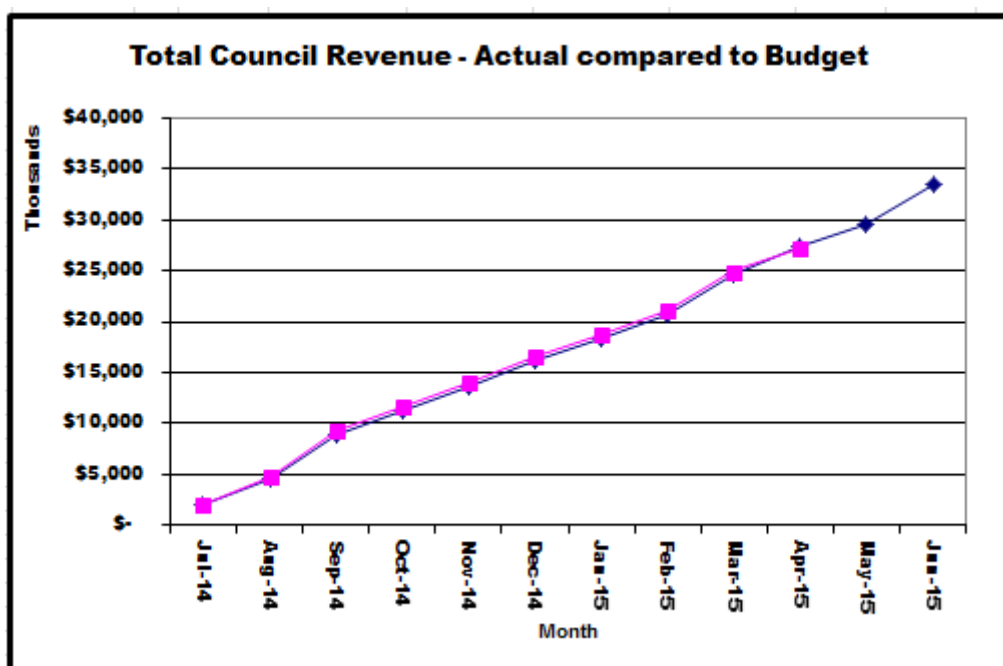
Northland Regional Council

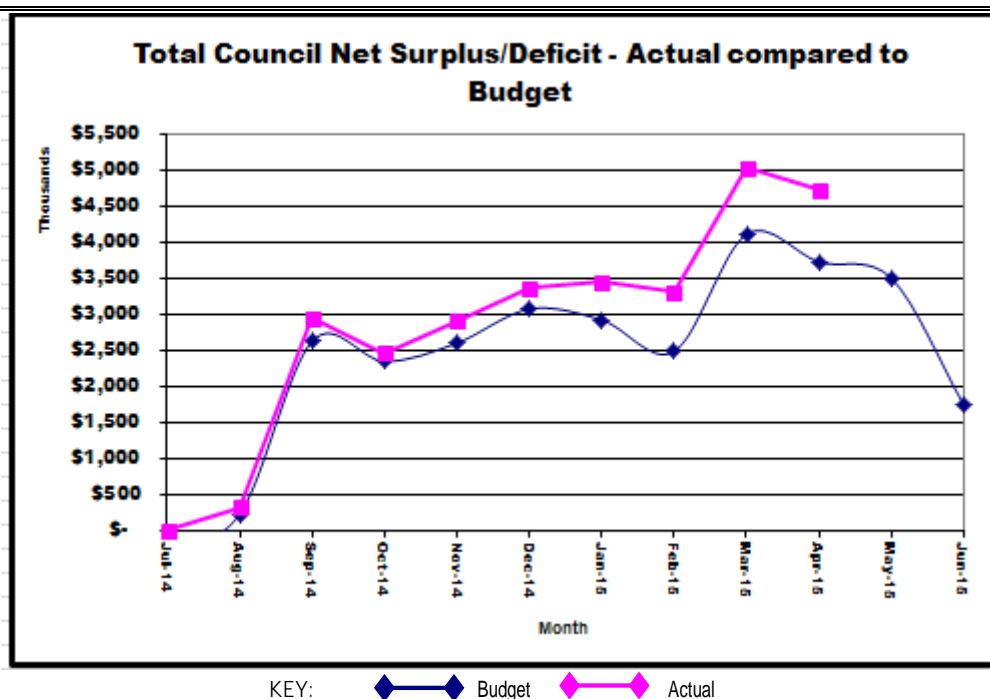
FINANCIAL DASHBOARD

Year to Date Report to 30 April 2015

SUMMARY OPERATING RESULTS

	000's ACTUAL YTD	000's BUDGET YTD	000's VARIANCE YTD
Revenue (including other gains)	\$ 27,140	\$ 27,350	\$ (210)
Expenditure (including other losses)	\$ 22,472	\$ 23,553	\$ 1,081
NET (COST)/SURPLUS BEFORE TRANSFERS FROM/(TO) RESERVES	\$ 4,668	\$ 3,797	\$ 871





YTD EXPENDITURE VARIANCE INDICATORS BY COUNCIL ACTIVITY

	FAV / UNFAV		
		FAV / UNFAV	FAV / UNFAV
<div style="display: flex; justify-content: space-between;"> <div> ● = negative (unfavourable) variance over 10% ● = negative (unfavourable) variance under 10% ● = positive (favourable) variance </div> <div> </div> </div>			
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 \$214K predominately due to the unbudgeted Task Force Green costs being recognised in the activity. However revenue offsetting these costs has also been received.

Support Services commercial activities have over expenditure of \$57K due to additional property costs such as insurance, advertising, valuations, security and tenants costs of \$97K, offset in part by underspends in legal fees and forestry work totalling \$40K.

INVESTMENT PORTFOLIO YEAR TO DATE PERFORMANCE

At 30 April 2015 the investment portfolio excluding funds held in the CIF has made a return of \$6.394M against a budgeted return of \$6.944M.

Consolidated Statement of Financial Position

	Council 30-Apr-15 \$	Annual Plan 30-Jun-15 \$	Council 30-Jun-14 \$
EQUITY			
Retained earnings	118,583,222	122,974,371	118,188,552
Other reserves	11,874,290	4,488,357	7,601,300
Total equity attributable to Northland Regional Council	130,457,511	127,462,728	125,789,851
Non-controlling interest in subsidiary companies			
TOTAL EQUITY	130,457,511	127,462,728	125,789,851
ASSETS			
Current assets			
Cash and cash equivalents	6,685,649	2,152,405	5,124,001
Trade and other receivables	5,046,260	5,134,569	3,988,282
Inventories	3,140,753	3,204,860	3,143,624
Other Investments	-	8,397,258	11,281,864
Total current assets	14,872,662	18,889,092	23,537,771
Non-Current Assets			
Other receivables	5,910,097	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	27,184,427	24,417,409	18,762,290
Property, plant and equipment	21,876,101	31,526,390	22,712,704
Intangible assets	681,191	806,770	868,603
Biological assets	1,933,000	2,056,222	1,933,000
Capital projects in progress	3,183,784	-	2,049
Total non-current assets	120,037,846	116,048,309	108,663,801
Total Assets	134,910,508	134,937,401	132,201,572
LIABILITIES			
Current liabilities			
Trade and other payables	3,222,247	5,566,603	5,108,082
Employee benefit liabilities	1,210,190	1,870,345	1,283,080
Total current liabilities	4,432,438	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	4,452,997	7,474,673	6,411,721
NET ASSETS	130,457,511	127,462,728	125,789,851

**ISSUE: Request For Approval to Transfer 2014-2015
Operational Budgets Across Council Activities**

ID: A745176

To: Finance Committee Meeting, 19 May 2015

From: Simon Crabb, Finance Manager

Date: 4 May 2015

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:

The 2014-2015 Annual Plan underwent public consultation in April 2014 and was formally adopted by council in June 2014.

The financial budgets published within the adopted Annual Plan were presented at both an aggregated total council level and at a more detailed activity level. As the activity budgets have been subject to a public consultation process, any proposed changes to these activity budgets must be approved by the Finance Committee.

During the Chief Executive Officers review of the quarterly financial accounts, three budget adjustments were identified requiring Finance Committee approval. It should be noted however, **these adjustments simply transfer budgets between council activities and have a nil effect on Councils overall budgeted surplus** (i.e. one activities costs are increased whilst another activities costs decline by a corresponding amount).

Legal compliance and significance assessment:

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

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under Council policy because the net effect on councils budgeted surplus is nil.

Recommendations:

1. That the report "Request for Approval to Transfer 2014-2015 Operational Budgets Across Council Activities" by Simon Crabb, Finance Manager dated 4 May 2015, be received.
2. That the Finance Committee approve the transfer of \$14,376 from the Commercial activity budget to the River Management activity budget to allow funding of such expenditure from the Targeted Whangarei Urban Rivers Management Rate.

ITEM: 3.8

Page 2 of 2

3. That the Finance Committee approve the establishment of a \$10,995 expenditure budget in the Land and Biodiversity activity and a corresponding revenue budget in the Commercial activity to reflect the treatment of the rental expense relating to the Poplar Nursery.
4. That the Finance Committee approve the transfer of \$20,000 from the Support activity budget to the Community Representation and Engagement activity budget to increase the budget supporting the administration of the Te Taitokerau Māori Advisory Committee.

Report:

During the CEO's review of the December 2014 quarterly financial accounts, the following three operating budget adjustments were identified:

- **Kotuku Dam Property Rates Expense**
At the time of compiling the 2014-15 Annual Plan; the rates expense relating to the Kotuku Street properties was budgeted within the Commercial activity. It is proposed to transfer this budget from the Commercial activity into the River Management activity where they can be appropriately funded from the Targeted Whangarei River Rate and align with the actual treatment that is now occurring. The proposed annual amount to be transferred is \$14,376.
- **Poplar Nursery Rental Expenses**
Historically the rental expense relating to the Poplar Nursery has been booked into Marsden Point Rail Link account. It is proposed to create a rental expense budget in the Land and Rivers activity with a corresponding (and offsetting) rental revenue budget in the Commercial activity (Marsden Point Rail Link account). The proposed annual amount involved is \$10,995.
- **Te Taitokerau Māori Advisory Committee**
At the time of compiling the 2014-15 Annual Plan; council approved a budget of \$20,000 for Iwi specific projects within the Support activity. It is proposed to transfer this \$20,000 from the Support activity budget to the Community Representation and Engagement activity to increase the provision available to fund the administration of the Te Taitokerau Māori Advisory committee.

ISSUE: 2014-2015 Quarter Three Levels of Service Report

ID: A744252

To: Finance Committee Meeting, 19 May 2015

From: Jonathan Gibbard, Strategy, Governance and Communications Manager

Date: 4 May 2015

Report Type:	<input checked="" type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input checked="" type="checkbox"/> Legislative function	<input checked="" type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive Summary:

This report provides an update to council on progress made towards achieving the performance measures set out in the 2012-2022 Long Term Plan and 2014-2015 Annual Plan. The report highlights any areas of concern and sets out the action taken to address any expected non achievement of performance where appropriate.

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 '2014-2015 Quarter Three Levels of Service Report' by Jonathan Gibbard, Strategy, Governance and Communications Manager and dated 4 May 2015, be received.

Report:

The 2012-2022 Long Term Plan contains 33 performance measures. This report provides information on the council's progress against these performance measures for quarter three. Staff only report on those measures that are applicable to the reporting period¹ and are not on target, to allow the committee to focus on areas of concern.

¹ Over half (20) of the performance measures are only able to be reported on annually, are "by exception measures" (e.g. failures of flood protection systems) and/or are already reported to the council regularly via other mechanisms, such as the CEOs report and regular reports to the Environmental Management Committee.

ITEM: 3.9

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Discussion:

In summary, council is making good progress against all measures and targets with the following exceptions:

- The target to have fewer than 60 annual significant non-compliance events resulting in a reduction in water quality of receiving waters has not been achieved. There was however no additional significant non-compliances during the third quarter. (LTP 2012-22 Performance Measure reference 1.6)
- The target of less than 20 annual significant non-compliance events resulting in any unauthorised/prohibited discharge to water has not been achieved. 47 will be the total for the year, as all annual farm dairy effluent inspections have been completed. (LTP 2012-22 Performance Measure reference 1.7a)
- The target of 100% monitoring of those consents where monitoring is required has not been achieved. While 2,783 monitoring events have been completed to date, it is unlikely the 100% target will be met as 4,360 monitoring events were programmed for the year. (LTP 2012-22 Performance Measure reference 1.7b)
- The target to have 98% of resource consent applications for bore consents processed within 5 working days has not been achieved. 89% were processed with this timeframe while the remaining 11% were processed within the statutory timeframe for non-notified consents (20 working days). The target was not met due to requests for extra information from parties. (LTP 2012-22 Performance Measure reference 1.10b)
- The target to implement 100% of minor flood control works for other rivers, in accordance with the approved annual budgets has not been achieved. However works have been completed at 12 locations to date, including all works identified in the Annual Plan, with the exception of the Otiria Spillway. Otiria Spillway scheme works have been simulated, but flood reduction benefits are not sufficient to proceed with the works. Hence, Otiria Spillway works will not be undertaken this year. Some tree clearance works have been undertaken in the Otiria area. (LTP 2012-22 Performance Measure reference 2.2)
- The target to increase the number of passengers using the Whangarei urban bus service will not be achieved. Passenger numbers remain slightly down for the same period in 2013/2014 (-2,529). This can be attributed to the continuing low price of petrol coupled with service delays due to the number of road works being carried out on various bus routes. (LTP 2012-22 Performance Measure reference 5.2)

It is worth noting that all 6 measures and targets highlighted above as not achieved relate to aspirational targets and targets which are outside of Council's direct control. These types of measures and targets have been discussed during the Council's Long Term Plan 2015-25 workshops with the intension to change the emphasis towards a focus on targets that are within the direct control of Council.

ITEM: 3.10

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ISSUE: Legislative Compliance Third Quarter 2014-2015

ID: A744452

To: Finance Committee Meeting, 19 May 2015

From: Jonathan Gibbard, Strategy, Governance and Communications Manager

Date: 4 May 2015

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 provides the committee with an update on the council's legislative compliance for the third 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 Third Quarter 2014-2015", by Jonathan Gibbard, Strategy, Governance and Communications Manager, and dated 4 May 2015, be received.
-

Report:

For the period 1 January 2015 to 31 March 2015, the legislative compliance programme found no significant matters for reporting.

Please note, during the third quarter, new timeframes for processing notified consents came into force (as of 3 March 2015). This requirement is pursuant to changes made to the Resource Management Act 1991 (Resource Management Amendment Act 2013). Compliance with these new requirements will be accounted for through annual reporting.

ITEM: 3.11

Page 1 of 2

**ISSUE: Advice and Overview on the Establishment of the
Debenture Trust Deed**

ID: A745389

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance

Date: 6 May 2015

Report Type:	<input type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input type="checkbox"/> Annual\Long Term Plan	<input checked="" type="checkbox"/> Other
Significance Policy:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

At the 17 March 2015 Council Meeting, council approved establishing a Debenture Trust Deed to enable council to access external borrowing.

The purpose of this report is to provide council with the overview of the Debenture Trust Deed document and purpose.

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.

Recommendation:

1. That the report 'Advice and Overview on the Establishment of the Debenture Trust Deed' from Lisa Aubrey, General Manager Finance and dated 6 May 2015, be received.
-

Report:

Attached for councillors information is advice provided from our legal advisor on the Debenture Trust Deed.

The Debenture Trust Deed is still progressed and is subject to comments and feedback from our appointed Trustee (Trustees Executors Limited) and Registrar (Computershare).

ITEM: 3.11

Page 2 of 2

Once the Debenture Trust Deed is in final form, two councillors will be required to sign the Trust Deed on behalf of council. Cr Sinclair and Cr Bain as members of the Treasury Management Working Group have agreed to do this.

5 May 2015

ToLisa Aubrey
General Finance Manager
Northland Regional Council**From**

Adam Jackson

By Email

lisaa@nrc.govt.nz

Dear Lisa

Debenture Trust Deeds

1. This is a short note about Debenture Trust Deeds to assist Councillors to understand how they work and whether they create any significant risks.

What a Debenture Trust Deed does

2. A Debenture Trust Deed has two functions:
 - (a) it allows the Council to issue debt instruments (bonds and commercial paper); and
 - (b) it allows the Council to provide security over its rates to secure financial obligations.

Debt Instruments

3. If an entity wishes to issue debt instruments, it needs a contract under which they can be created and under which their terms can be established. The Debenture Trust Deed is such a document and, consequently, allows the Council to raise money by issuing debt instruments. (In the Debenture Trust Deed such instruments are called "Debenture Stock", but this is just another name for bonds or commercial paper.)

Creating security

4. Under the Debenture Trust Deed, the Council grants a charge over its rates and rates revenue to a trustee (Trustees Executors Limited). The trustee holds that security on trust for any person that the Council issues "Stock" to. That effectively means that any person that the Council issues Stock to becomes a secured creditor because they can, through the trustee, use the security granted under the Debenture Trust Deed.

5. There are two forms of Stock. The first is Debenture Stock, which, as described above, is another name for bonds and commercial paper. Any person that holds Debenture Stock, therefore, automatically has the benefit of the security granted under the Debenture Trust Deed.
6. The second is called "Security Stock". Security Stock is used to grant security for obligations that are not created under the Debenture Trust Deed. For example, if the Council borrows from a bank, it will issue Security Stock to the bank and, in that way, make the bank facility a secured facility.
7. Consequently, using the Debenture Trust Deed, the Council can effectively grant security to any person that it borrows from, whether they be bondholders or banks.

Security over rates

8. The security created by the Debenture Trust Deed is a charge over rates and rates revenue. What this means is that if the Council defaults on its obligations, the trustee can arrange for a rate to be set and assessed in the Council's region to recover the funds required to repay the amounts that the Council has failed to pay.
9. As a form of security, this is incredibly powerful, because it effectively gives financiers access to the finances of all ratepayers in the region. That makes lending to the Council very low risk for financiers.

Risks associated with a Debenture Trust Deed

10. The risks associated with entry into a Debenture Trust Deed are very low and it has a number of benefits associated with it.
11. The benefits are as follows:
 - (a) It is a financing structure that is widely used and recognised in the market. The vast majority of local authorities have one and use it for their debt financing. (Even a local authority borrowing from the Local Government Funding Agency uses a Debenture Trust Deed to grant the Local Government Funding Agency security.) This means that it is familiar to financiers, and there is very little expense or delay in having it accepted by a financier when the Council wishes to borrow.
 - (b) The quality of the security is such that financiers perceive there to be very little risk when lending to a local authority with a Debenture Trust Deed. This reduces the interest that will be charged by financiers to lend to the local authority.
 - (c) The Council is permitted to continue to operate without restriction. In contrast, if the Council gave security over tangible property (such as a building), it would face restrictions on what it could do with that property. It would, for example, be unable to sell it, be required to maintain it, be required to insure it, and so on. A charge over rates and rates revenue is extremely unobtrusive.
 - (d) If, at any time, the Council decided to join the Local Government Funding Agency structure, it would need to have a Debenture Trust Deed in place before being able to do so.

- (e) The terms of the Debenture Trust Deed are extremely borrower-friendly. For example, if the Council defaults (other than by failing to make a payment), it has 30 days to cure that default after it receives notice from the trustee. In most security documents, the equivalent period would rarely be more than five to seven days. Even if the Council defaults on a principal repayment it has a two business day cure period. Most security documents would have no cure period for such a default.
- 12. The main risk is that, if the Council defaulted on its secured debt, the trustee would be able to appoint a receiver that could then set and assess a rate in the region. This would clearly be very disruptive and unpopular.
 - 13. However, this outcome is highly unlikely for a few reasons:
 - (a) First, as noted above, the Council has generous periods within which to cure any defaults.
 - (b) Secondly, a trustee would be highly unlikely to enforce the security when it felt the Council was ultimately able to cure its default, because enforcement is a complex and costly exercise. It would be far more attractive to the trustee to push the Council to cure the default first. Consequently, even outside the cure periods in the Debenture Trust Deed, the Council would be likely to have ample opportunity to cure any default before the security was enforced. An enforcement would only really be likely if the Council was insolvent.
 - (c) Thirdly, the stockholders would be very reluctant to push the trustee to enforce the charge, because they would usually be institutions (like banks) that would, themselves, take considerable reputational risk from forcing an additional rate to be set and assessed. If the Council was insolvent, it is more likely that they would throw their weight behind a government bail-out than they would push the trustee to enforce.
 - 14. Consequently, while enforcement of the security would be a very undesirable outcome, it would only really become likely if the Council was insolvent and the government was not prepared to bail it out. This is a very unlikely situation. It has never happened before in New Zealand.
 - 15. In addition to the risk related to a Debenture Trust Deed, there are some reporting obligations that the Council takes on in entering into one. However, these are very light handed. They principally consist of having to send the trustee documents that the Council must make publicly available anyway (like its Long term Plan). In addition, the Council must periodically report to the trustee, in a prescribed form, on its debt position and procure that its auditors audit its stock register and report to the trustee.

Concluding remarks

16. This is a summarised description of Debenture Trust Deeds and their risks. If there is anything you would like expanded upon, we would be happy to provide more detailed explanations. In addition, I would be happy to join a call with any officers or elected members of the Council to discuss the document.

Yours sincerely



Adam Jackson
Partner

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**ISSUE: Performance of Council's Investment Portfolio to
31 March 2015**

ID: A739183

To: Finance Committee Meeting, 19 May 2015

From: Kym Ace, Financial Systems Administrator

Date: 16 April 2015

Report Type:	<input type="checkbox"/> Normal operations	<input checked="" type="checkbox"/> Information	<input type="checkbox"/> Decision
Purpose:	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Public service	<input type="checkbox"/> Regulatory function
	<input type="checkbox"/> Legislative function	<input type="checkbox"/> Annual\Long Term Plan	<input checked="" type="checkbox"/> Other
Significance 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, nine month period ending 31 March 2015 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.

Overall, council's investment portfolio (excluding the Community Investment Fund) has made a year to date return of 5.75% against a budgeted return of 5.95%.

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 'Performance of Council's Investment Portfolio to 31 March 2015' from the Financial Systems Administrator, Kym Ace and dated 16 April 2015, be received.
-

ITEM: 3.12

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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 3.13**).

Summary of performance

Year to date (nine months) council's total investment portfolio (excluding the Community Investment Fund which is covered separately) has made a return of \$6.08M (5.75%) against a budgeted return of \$6.31M (5.95%).

This \$229K unfavourable variance is predominantly due to \$167K unfavourable rental income and the \$62K unfavourable investment interest/gains income variance

The unfavourable rental variance of \$167K is due to the lost rental associated with the sale of BBS timbers and the purchase of the Reyburn Street properties (largely offset by interest earned as explained below).

The unfavourable investment interest income/gains variance of \$62K is made up of:

- \$221K unfavourable cash investment interest variance which is predominantly due to the Countdown proceeds not eventuating as budgeted and funds used for the unbudgeted purchase of the Reyburn Street property, and
- Partially offset by the unbudgeted \$159K gain derived from the investment of the sale proceeds of the BBS Timbers properties and the Fonterra Capital Notes placed with Investment Fund Managers.

Investment Portfolio Return (excluding Community Investment Fund)					
Current Quarter		Year to Date		Outturn for Year	
Actual	Budget	Actual	Budget	Expected	Budget
6.6%	6.9%	5.75%	5.95%	5.3%	5.4%

Performance by investment type

The table below shows the **annualised** rate of return by investment type (as a percentage of the average investment value per investment type) for the quarter, year to date and a forecasted outturn (return) for the full year.

Investment Portfolio (excluding Community Investment Fund) to 31 March 2015							
Investment		Return					
Type	Value	Current Quarter		Year to Date		Outturn for Year	
	\$ million	Actual	Budget	Actual	Budget	Forecast	Budget
Cash	13.6	5.0%	5.5%	4.9%	5.7%	5.0%	5.6%
Bonds	0.3	8.6%	7.0%	8.0%	7.0%	8.0%	7.0%
Investment Fund Managers	3.2	13.4%	0%	10.3%	0%	9.3%	0.0%
I&G Fund	5.1	6.2%	6.1%	6.1%	6.2%	6.2%	6.2%
Internal borrowings	7.4	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%
Investment properties	49.1	5.6%	7.1%	6.2%	7.3%	6.2%	7.4%

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Shares – MMH Ltd.	65.3	7.3%	7.3%	5.4%	5.1%	4.0%	3.8%
Total	144	6.6%	6.9%	5.75%	5.95%	5.3%	5.4%

The cash balance of \$13.6 million is the average cash holding for March 2015.

During the current quarter funds from the proceeds of the sale of the Fonterra Capital Notes was added to the proceeds of commercial properties sales invested with two investment fund managers in two separate income funds. This investment strategy was approved by council at the September 2014 Council Meeting. Councils Independent Investment Advisor, Eriksen and Associates Limited, independently review and report on councils external fund managers' performance. The Eriksen and Associates report for the March 2015 quarter is **attached** as **Attachment One**. The returns detailed in this report are not based on an annualised return calculation.

Investment property returns are lower than budget as it was assumed at the time of compiling the budgets that the Countdown property would be sold (reducing the portfolio value), the proceeds invested to earn interest and no rental income received. The current actual situation is council is receiving no interest income and no rental income however the property remains part of the portfolio value. In addition council purchased the Reyburn Street property utilising funds that were invested to earn interest. This property remains untenanted – no rental income received from 1 January 2015.

Shares in Marsden Maritime Holdings Limited are valued in the table above at their 31 March 2015 market price of \$2.95 (notional value), and this value has been used in the calculation of the returns. Northland Regional Council holds \$22,142,910 shares in Marsden Maritime Holdings Limited. The cost value of these shares is \$7,827,563 (35 cents per share).

Compliance with the Treasury Risk Management Policy

There have been no breaches of the Treasury Risk Management Policy during the quarter to 31 March 2015, except for one credit rating counterparty, Infratil of \$75K (maturing 15 November 2015), that falls outside the credit counterparty requirements. It has previously been agreed with council to continue to hold this investment on the basis staff maintain a watching brief over this. In addition, the Financial Markets Authority (FMA) is continuing their investigation into Milford Asset Management. An update of this investigation will be provided by Jonathan Eriksen in the confidential section of this meeting.

NORTHLAND REGIONAL COUNCIL PROPERTY RE-INVESTMENT FUND

Northland Regional Council has, in addition to the Community Investment Fund, two additional investments with external managers in the Property Re-Investment Fund. The following reports on their performance to date.

BENCHMARKS

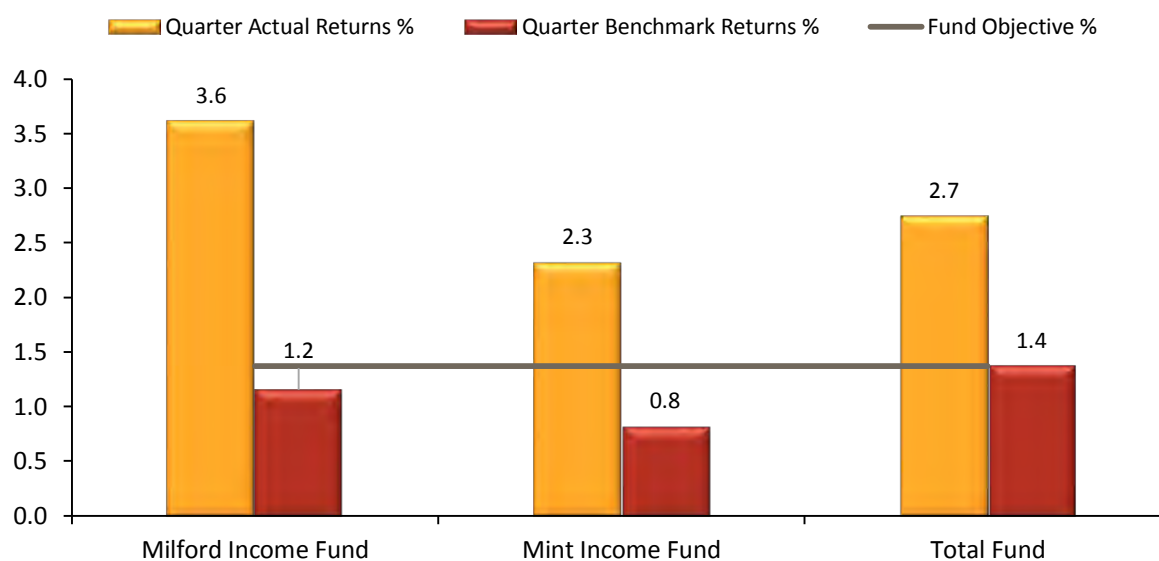
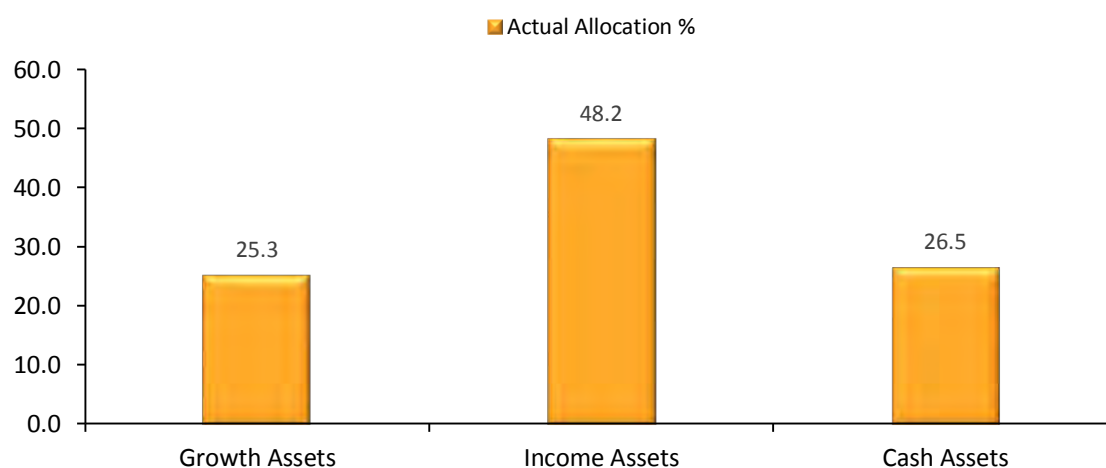
Asset Class	Manager	Fund	Benchmark
NZ Fixed Interest	Milford	Income Fund	NZX 90 Day Bank Bill + 1% p.a.
	Mint	Income Fund	NZ CPI + 4% p.a.

We have used the Fund objective of CPI plus 4.5% per annum specified in the draft SIPO prepared in February 2015.

PERFORMANCE BY INDIVIDUAL MANAGER

The table below shows the individual market values and asset returns for the quarter.

Asset	Market Value NZ\$	Quarter %
NZ Fixed Interest		
Milford Income Fund	1,063,155	3.6
Benchmark		1.2
Over / Underperformance		2.4
Mint Income Fund	2,186,641	2.3
Benchmark		0.8
Over / Underperformance		1.5
Total Assets		
Total	3,249,796	2.7
Fund Objective		1.4
Over / Underperformance		1.3

Quarterly Returns by Individual Manager**Asset Allocations by Underlying Fund Assets**

Growth assets includes:

- Global shares
- Australasian shares
- Property

Income assets includes:

- Global bonds
- Australasian bonds
- Other debt instruments

Cash assets means cash or short duration bonds.

ISSUE: Community Investment Fund – Review of Investment Managers’ Performance to 31 March 2015

ID: A744284

To: Finance Committee Meeting, 19 May 2015

From: Simon Crabb, Finance Manager

Date: 4 May 2015

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 31 March 2015.

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 in August 2014.

Recommendations:

1. That the report ‘Community Investment Fund – Review of Investment Managers’ Performance to 31 March 2015’ by Simon Crabb, Finance Manager and dated 4 May 2015, be received.
-

Report:

Community Investment Fund Performance – 31 March 2015:

At 31 March 2015 the Community Investment Fund (CIF) was managed by five investment managers in six separate funds, each with a different mandate:

- 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;

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- 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 six appointed fund managers' performance. This report for the March 2015 quarter is **attached** as **Attachment One**.

The market value of the fund at 31 March 2015 is \$11.5M. The asset allocation mix is 54% income assets and 46% growth assets which is within the ranges specified by the CIF-SIPO.

Overall, the fund returned 3.0% for the quarter to 31 March 2015, outperforming the quarterly benchmark of 1.3% by 1.7%. Over the past year the fund has returned 10.2%, outperforming the annual benchmark of 5.1% by 5.1%.

The minutes of the Treasury Management Working Group meeting on 28 April 2015 which included a teleconference with Jonathan Eriksen of Eriksen and Associates Limited are presented in **item 4.1**.

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

Compliance against SIPO

At 31 March 2015 there were no breaches of the CIF-SIPO and all investment managers had complied with their specific mandates. However, the Financial Markets Authority (FMA) is continuing their investigation into Milford Asset Management. An update of this investigation will be provided by Jonathan Eriksen in the confidential section of this meeting.



NORTHLAND REGIONAL COUNCIL COMMUNITY INVESTMENT FUND



INVESTMENT REVIEW FOR THE QUARTER ENDING 31 MARCH 2015

ERIKSEN & ASSOCIATES LIMITED

16 APRIL 2015



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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 31 March 2015.

The primary goal of the Fund is to promote business development in Northland. The current asset mix is 55% income and 45% growth assets which was agreed at the August 2014 Audit & Risk meeting.

The entire Fund is now invested with five investment managers in six separate funds:

Asset Class	Manager	Fund	Benchmark
NZ Fixed Interest	Harbour	Income Fund	70% Corporate A Grade Index/30% NZX50
	Milford	Income Fund	NZX 90 Day Bank Bill + 1% p.a.
	Mint	Income Fund	NZ CPI + 4% p.a.
Australasian Equities	Milford	Active Growth Fund	NZX50 + 3% p.a.
Global Equities	Schroders	Real Return Fund	Australian CPI (trimmed mean) + 5% p.a.
	AMP Capital NZ	GMAF	NZ CPI + 5% p.a.

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

During the quarter there have been no breaches of the SIPO and all investment managers have complied with their specific mandates. However the FMA investigation of Milford continues. Although the New Zealand Superannuation Fund has suspended their New Zealand equities mandate the CIF is invested in two separate products managed by different portfolio managers. We understand the FMA expects to be able to make a public announcement around the end of April but recommend no change of investment manager at this point.

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 and the recommendations approved by Council at the Audit and Risk meeting on 19 August 2014. Briefly, the new income/growth asset split has changed from 50/50 to 55/45, and a new investment manager, Mint Asset Management, has been approved to invest with.

This review reports the investment returns for all cash, bonds and equities held by the Fund for the quarter to 31 March 2015. The financial year-end for the Fund is 30 June, thus year-to-date returns are nine month returns. 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.

The returns shown are based on the data supplied by the in-house investment team and statements supplied by AMP, Harbour, Milford, Mint and Schroders as at 31 March 2015. 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

Most world equity markets were positive over the quarter. The DAX (German market) gained 22.0% and the CAC 40 (French market) rose 17.8%. The S&P500 (US market) had a modest gain of just 0.4% while emerging markets gained 4.9% over the quarter. Over the past 12 months all markets rose including the Nikkei 225 (Japan) up 29.5% and DAX up 25.2%. Slightly more subdued gains were seen in the US and emerging markets, while the FTSE 100 (UK market) rose just 2.7% over the past year.

The New Zealand equity market gained 4.8% over the quarter and 13.5% for the year. In Australia equities rose 10.3% for the quarter and 14.1% for the year.

New Zealand government and investment grade bonds rose over the quarter and year.

The New Zealand dollar has continued to strengthen against the Aussie, hitting another post-float high just the other day. It appreciated 2.8% over the quarter and 4.9% for the year. This was detrimental to Australian denominated unhedged returns. Over the quarter the NZD also appreciated against the Euro and British pound but fell against the Japanese yen and US dollar. Over the year the NZD gained 10.9% against the Euro and rose slightly against the yen. It fell against the pound and greenback.

The West Texas Crude Oil Index is still down over 50% over the 12 months to 31 March. Gold is also priced lower than it was a year ago but by 7.8%. The lower oil price has reduced the New Zealand inflation rate to almost zero.

FUND PERFORMANCE BY ASSET CLASS

Overall

The Fund returned 3.0% over the quarter which outperformed the Fund's objective by 1.7%. The objective of 1.3% was calculated from the December 2014 annual CPI results for New Zealand (the latest data available at the time of writing this report). The CPI figures for December showed an annualized increase in inflation of 1.1% over a rolling three year period. This gives a quarter objective of 1.3% (being the fourth root) of 5.1%.

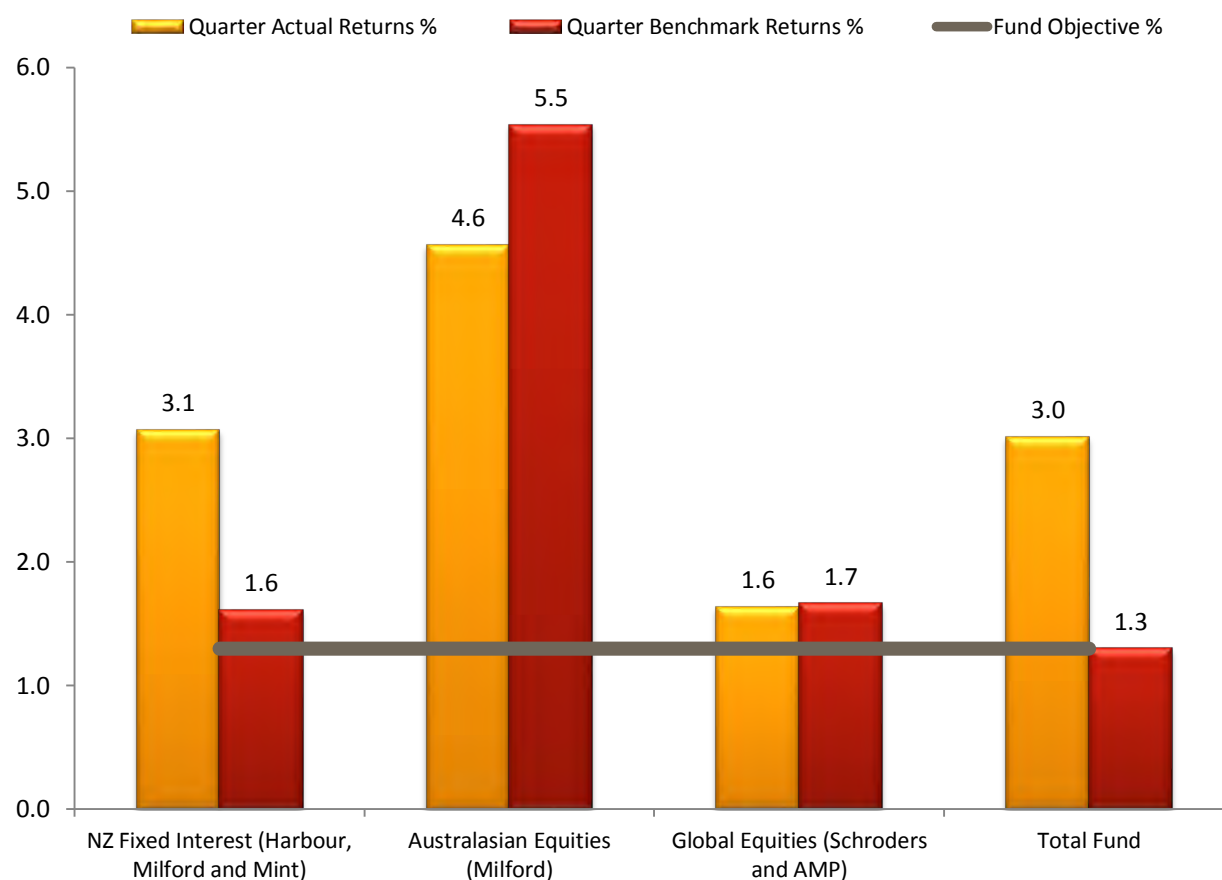
Over the year-to-date (or nine months) the Fund returned 8.7% which was 4.9% above the objective and for the year it returned 10.2% which outperformed the objective of 5.1% by 5.1% (or double). Since inception (or two years and three months) it returned 8.7% annualised which was an outperformance of 4.4%, a great result.

Asset Class	Quarter %	YTD %	1 Year %	Since Inception* (p.a.) %
NZ Fixed Interest	3.1	10.5	14.3	11.0
Benchmark (weighted average)	1.6	5.1	5.8	4.3
Over / Underperformance	1.5	5.4	8.5	6.7
Australasian Equities	4.6	12.9	11.4	16.8
Benchmark	5.5	16.0	16.9	20.9
Over / Underperformance	-0.9	-3.1	-5.5	-4.1
Global Equities	1.6	3.3	5.8	3.7
Benchmark (weighted average)	1.7	4.9	6.9	7.3
Over / Underperformance	-0.1	-1.6	-1.1	-3.6
Total Fund	3.0	8.7	10.2	8.7
Fund Objective	1.3	3.8	5.1	4.3
Over / Underperformance	1.7	4.9	5.1	4.4

*Inception date is 31 December 2012

The table above shows the quarter, year-to-date (nine months), one year and since inception (27 months) investment returns on the Fund's asset classes. The returns in each asset class are weighted by the individual assets within each class.

Quarterly Returns by Asset Class



NZ Fixed Interest

This asset class comprises Harbour's Income Fund, Milford's Income Fund and Mint's Income Fund.

The returns for the quarter relate to the performance of the Harbour, Milford and Mint funds however the year-to-date, one year and since inception returns include the performance of (the now sold) NZ bonds also.

The fixed interest asset class returned 3.1% for the quarter, outperforming the weighted average benchmark by 1.5%. For the year-to-date the return was 10.5% which beat the weighted average benchmark by 5.4% and the return over the year was 14.3%, outperforming the benchmark return by 8.5%, an excellent result.

Since inception the asset class returned 11.0% per annum, outperforming by 6.7%. 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 underperformed the benchmark over the quarter by 0.9% with a return of 4.6%. Milford underperformed the year-to-date benchmark by 3.1% with a return of 12.9% and over the year it was 5.5% below benchmark, returning 11.4%. The return since inception was 16.8% per annum, 4.1% below benchmark.

These are still very good results in absolute terms, and the manager has comfortably exceeded its own self-set benchmark of 10% per annum.

Global Equities

The global equities asset class consists of Schroders Real Return Fund and AMP's Global Multi-Asset Fund. The one year and since inception returns relate to Schroders' performance. The quarterly and year-to-date performance figures includes AMP and Schroders.

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

Over the quarter the global equities asset class returned 1.6%, underperforming the weighted average benchmark by 0.1%. Currency movements were detrimental to unhedged returns which explains this underperformance.

The return for the year-to-date was 3.3% which was 1.6% below the benchmark return and for the year it was 1.1% below the benchmark, returning 5.8%. Since inception the asset class returned 3.7% annualised which was an underperformance of 3.6% against the weighted average benchmark return. Again, the strong Kiwi dollar versus the Australian dollar diminished the returns from Schroders as this asset is unhedged.

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

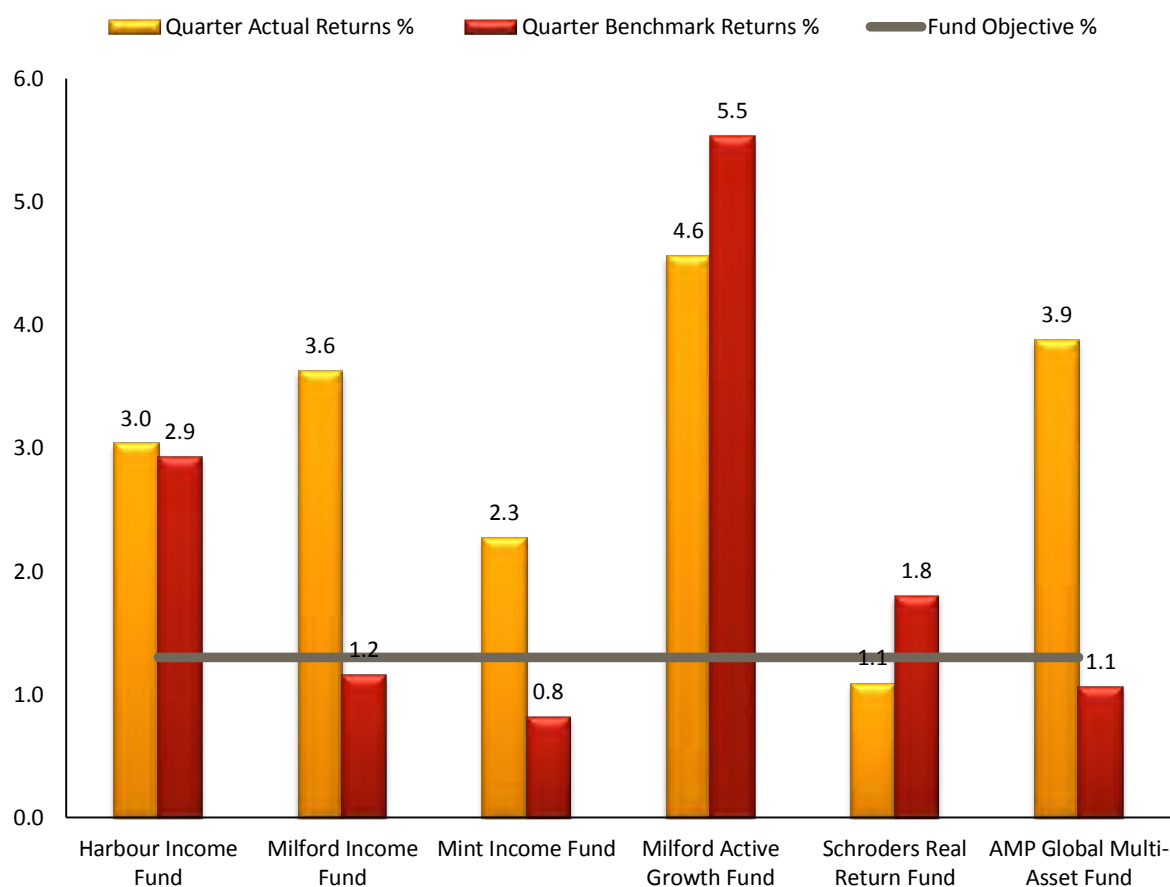
Schroders Real Return Fund	Quarter Return			1 Year Return		
		%			%	
	Gross	Bench mark	Value Added	Gross	Bench mark	Value Added
NZD Return	1.1	1.8	-0.7	4.5	7.3	-2.8
AUD Return	3.9	1.8	2.1	9.6	7.3	2.3

FUND PERFORMANCE BY INDIVIDUAL MANAGER

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

Asset	Quarter %	YTD %	1 Year %	Since Inception* (p.a.) %
NZ Fixed Interest				
Harbour Income Fund	3.0	9.2	n/a	n/a
Benchmark (70% Corp A + 30% NZX50)	2.9	8.7	9.7	8.7
Over / Underperformance	0.1	0.5	n/a	n/a
Milford Income Fund	3.6	12.6	16.7	n/a
Benchmark (90 Day Bank Bill + 1% p.a.)	1.2	3.5	4.6	4.1
Over / Underperformance	2.4	9.1	12.1	n/a
Mint Income Fund	2.3	n/a	n/a	n/a
Benchmark (NZ CPI + 4% p.a.)	0.8	3.0	4.3	4.3
Over / Underperformance	1.5	n/a	n/a	n/a
Australasian Equities				
Milford Active Growth Fund	4.6	12.9	11.4	16.8
Benchmark (NZX50 + 3% p.a.)	5.5	16.0	16.9	20.9
Over / Underperformance	-0.9	-3.1	-5.5	-4.1
Global Equities				
Schroders Real Return Fund	1.1	2.1	4.5	2.7
Benchmark (Aus CPI trimmed mean + 5% p.a.)	1.8	5.2	7.3	7.4
Over / Underperformance	-0.7	-3.1	-2.8	-4.7
AMP Global Multi-Asset Fund	3.9	8.5	11.2	n/a
Benchmark (NZ CPI + 5% p.a.)	1.1	3.7	5.3	5.3
Over / Underperformance	2.8	4.8	5.9	n/a
Total Assets				
Total Fund	3.0	8.7	10.2	8.7
Fund Objective	1.3	3.8	5.1	4.3
Over / Underperformance	1.7	4.9	5.1	4.4

*Inception date is 31 December 2012

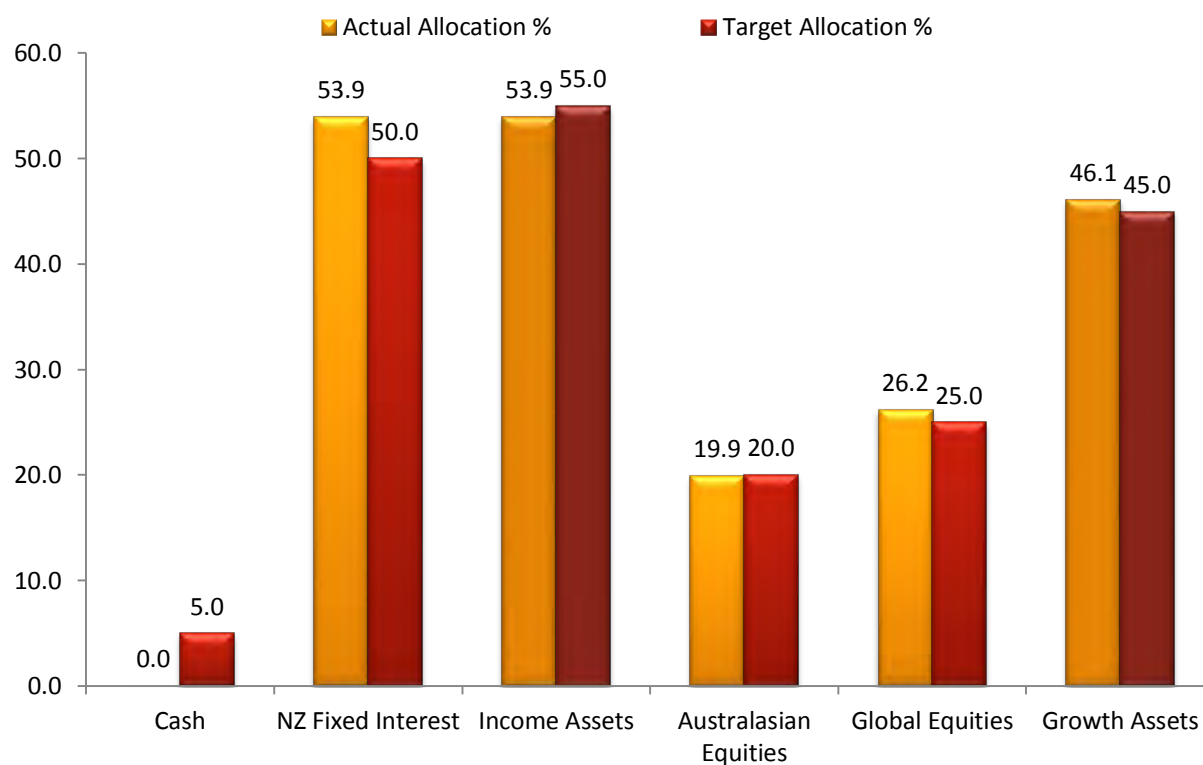
Quarterly Returns by Individual Manager**ERIKSEN'S INVESTMENT MANAGER AND FUND RATINGS**

The table below summarises Eriksen's rating of each of the underlying funds the NRC CIF is invested with. All funds are rated 4 or 5 which means that we recommend the investment should either be kept in the portfolio or more should be purchased. These ratings are generalised, so although we have rated some as 5/Buys we are not recommending the Council invests more in these funds as the proportion invested is sufficient. Please see the Appendix for a detailed explanation of the methodology.

Manager	Fund	Rating
AMP Capital	Global Multi-Asset Fund	5/Buy
Harbour Asset Management	Income Fund	4/Buy
Milford Asset Management	Active Growth Fund	Adjusted 4/Hold
Milford Asset Management	Income Fund	Adjusted 4/Hold
Mint Asset Management	Income Fund	Adjusted 4/Buy
Schroders	Real Return Fund	5/Buy

ASSET ALLOCATIONS

The Fund's asset allocations at 31 March 2015 are shown below:



The Fund's asset allocation shows all asset classes are within the ranges as specified by the SIPO. The split between income and growth assets is very close to target. All asset classes are very close to their targets.

Allocations	Market Value NZ\$	Actual Allocation %	Target Allocation %	Difference %	Status
Cash	-	0.0	0 < 5 < 40	-5.0	✓
Harbour Income Fund	1,930,696				
Milford Income Fund	2,559,643				
Mint Income Fund	1,718,464				
NZ Fixed Interest	6,208,803	53.9	30 < 50 < 70	3.9	✓
Income Assets	6,208,803	53.9	35 < 55 < 75	-1.1	✓
Milford Active Growth Fund	2,295,460				
Australasian Equities	2,295,460	19.9	10 < 20 < 30	-0.1	✓
Schroders Real Return Fund	2,452,500				
AMP Global Multi-Asset Fund	559,023				
Global Equities	3,011,523	26.2	15 < 25 < 35	1.2	✓
Growth Assets	5,306,983	46.1	25 < 45 < 65	1.1	✓
Total Assets	11,515,786	100.0			

The Fund's asset allocation split by underlying fund assets is shown below:



Growth assets includes:

- Global shares
- Australasian shares
- Property

Income assets includes:

- Global bonds
- Australasian bonds
- Other debt instruments

Cash assets means cash or short duration bonds.

ECONOMIC COMMENTARY

SOURCES OF UNCERTAINTY

Over the Easter weekend the Kiwi dollar reached a record high against its Australian counterpart just shy of parity at 99.78c. When the Reserve Bank of Australia kept its OCR on hold on 7 April at 2.25% the Kiwi slipped back to 98c, where it had ended the quarter to 31 March.

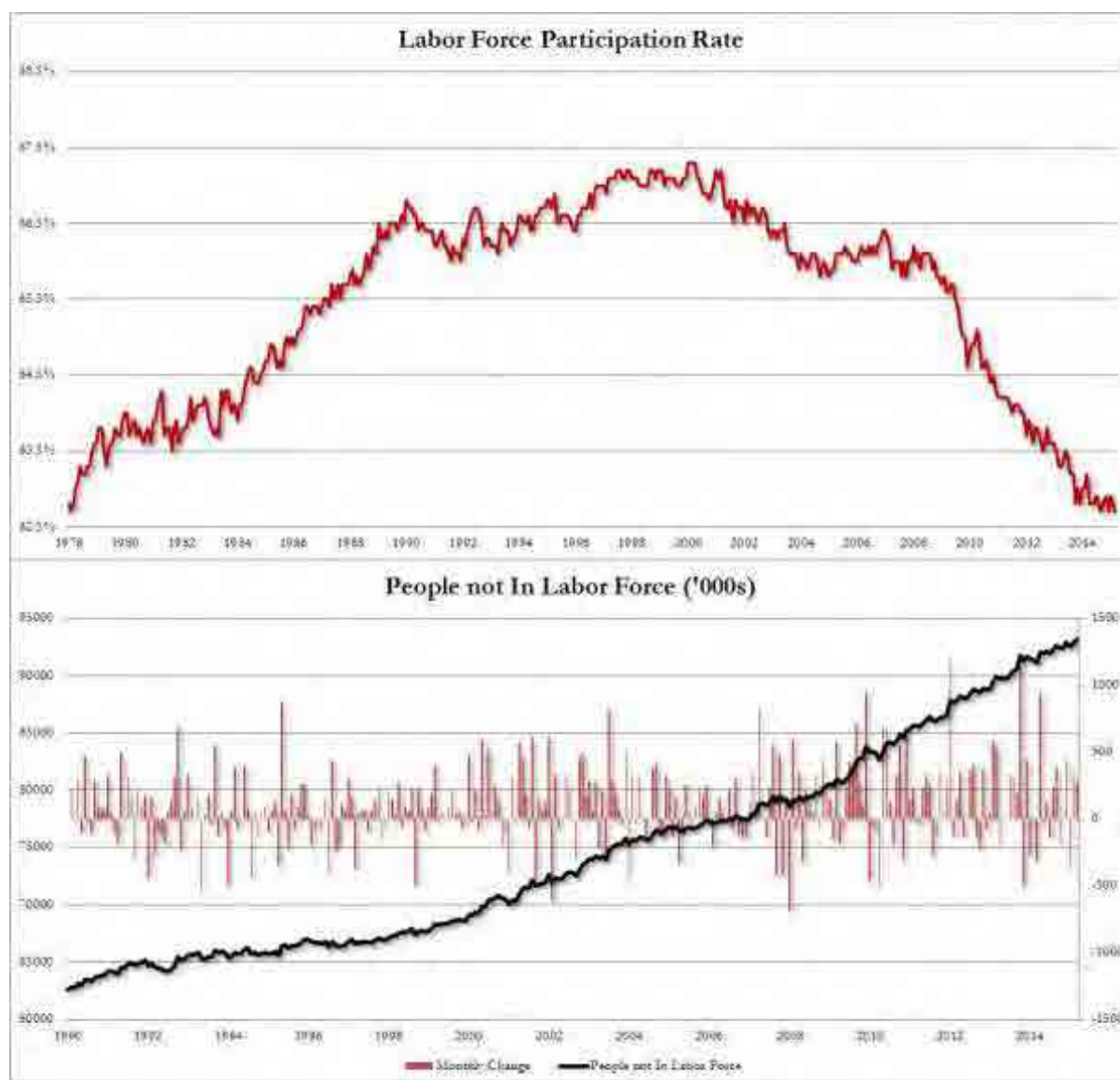
Being free to float, both the Australian and New Zealand dollars are heavily traded as global investors seek higher yields or dividends from shares. Our dairy prices have held up better than Australia's iron ore and the strong dollar is not really hindering tourism except from Europe. This is because over the last quarter the New Zealand dollar has fallen 4% against the USD, Japanese Yen and Chinese Renminbi but risen 2.8% against the AUD and 8% against the Euro. Whether we achieve parity or not may depend on whether the RBA meets market expectations to further reduce the OCR in May but in the meantime we enjoy lower fuel prices at the expense of exporters. Although the RBNZ may cut the OCR (which we doubt) both the Australian main cities, like Auckland and Christchurch, have hot residential property markets which may get even hotter should mortgage interest rates drop in response to an OCR cut.

Main city housing markets are not the only potential bubble-like effects from quantitative easing around the world. The US, UK, German, Japanese and New Zealand stock markets are all at record highs although experienced investors are becoming increasingly nervous. The German DAX rose 22% in the last quarter due to the ECB's actions.

Despite the excitement over the strength in the Kiwi dollar most investors' attentions are focussed on the US Federal Reserve. Will they raise interest rates this year or not? One poor job creation number for March (126,000 instead of the usual 200,000 plus) has boosted stock markets. Investors are complacent and betting (or hoping) that the FED will delay its rate rise from June to September or even wait till next year. At the same time the yield on 10 year US treasuries is less than 2% per annum.

The U.S. Commerce Department reported in early April that Q4 GDP was up 2.2% (annual rate), unchanged from the previous estimate in February. For 2014 GDP rose by 2.4%. The government also reported that after-tax corporate profits fell at a 1.6% rate in the December quarter as a strong dollar dented the earnings of multinational corporations. For 2014 profits dropped 8.3%, the largest annual drop since 2008.

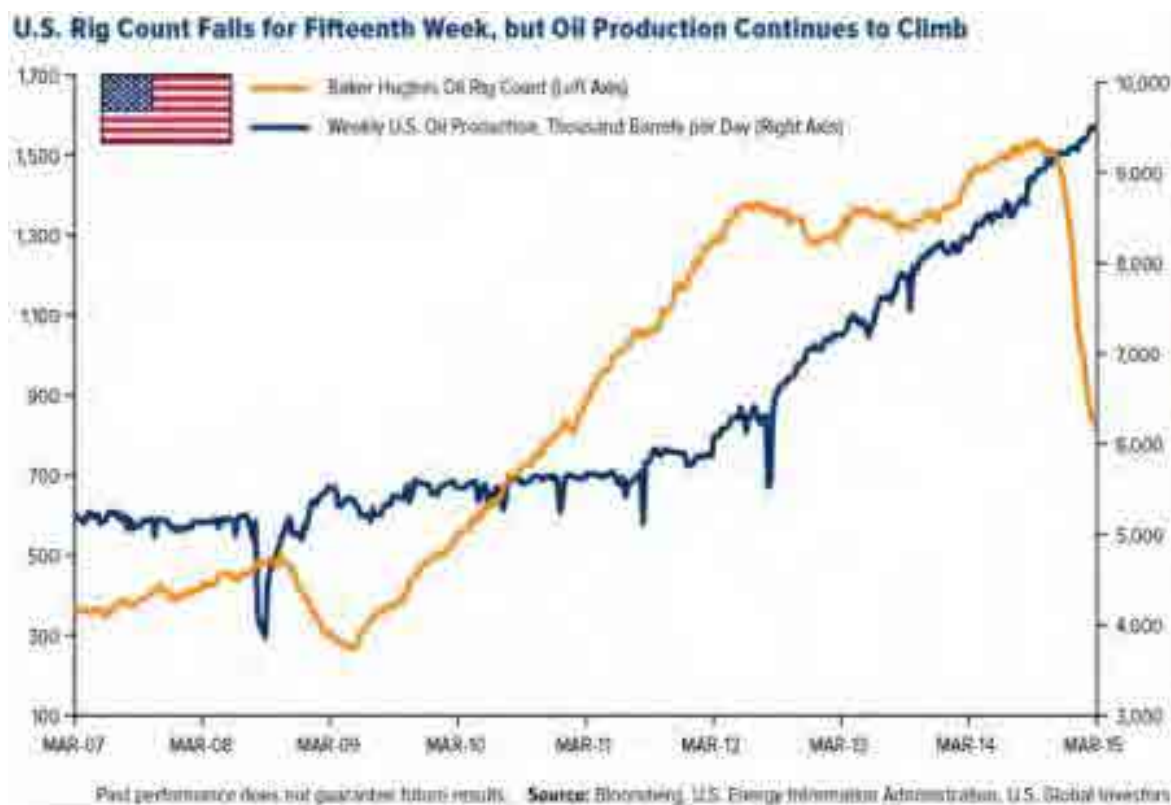
In March the number of people in the US who dropped out of the labour force rose by yet another 277,000, up 2.1 million in the past year, and has reached a record 93 million. This means that the labour force participation rate dropped once more, from 62.8% to 62.7%, a level last seen back in February 1978.



The other interesting commodity, oil, went up in April as Saudi Arabia increased the price for its three month forward delivery. Brent Crude rose to around \$60 a barrel as a result before falling back.

In the US storage at Cushing, Oklahoma, the nation's largest storage facility, reached 54.4 million barrels, a new high. Since it was upgraded in 2011, maximum capacity now stands at 85 million barrels. But if the current fill rate keeps up - 2 million barrels a week - the cap could be reached as soon as this June (with a depressing effect on the price of oil). Vehicle sales are up, as is the number of miles being driven on U.S. highways. With the busy summer travel season fast approaching demand may compensate.

Technological advances such as hydraulic fracturing, or fracking, have made the oil-extraction process much more efficient. In fact, output continues to climb in the US even as the number of rigs in operation has dropped.



The New Zealand economy is still performing well in a relative sense. Real production GDP rose 0.8% in the December quarter, the same as Treasury's forecast. Growth was driven by services activity, reflecting a surge in tourism spending. In annual terms, the economy continued to grow at an above-trend rate with output expanding by 3.3% in the year ended December – up from 2.9% in the previous quarter.

However, nominal GDP growth was soft in the December quarter at 0.4%, partly owing to a fall in the terms of trade. Annual inflation is expected to remain weak in 2015 as the impact of lower oil prices flows through, pointing to weaker growth in nominal GDP in the near term. The Reserve Bank left the OCR unchanged at 3.5% in March and forecast a period of stability in the OCR, while revising down its inflation forecasts amidst weaker household inflation expectations.

Annual inflation is expected to have fallen to around 0% in the March quarter – as the flow through from oil prices is fully captured – and inflation is expected to remain low throughout 2015. The most recent survey of expectations showed one year ahead inflation expectations have eased to 1.1% (previously 1.6%), while two year ahead eased to 1.8% (previously 2.1%) – the lowest levels since the OCR was introduced in March 1999.

Dairy prices have recovered 16% this year despite falling in the second half of March, and Fonterra retained its farm gate milk price forecast at \$4.70 per kilogram of milk solids.

Meanwhile, the boost to population growth from net permanent and long term migration continues with a seasonally adjusted net gain of 4,800 migrants in February – which took annual net migration to a record high of 55,100.

China has taken steps to boost its economy recently by relaxing property purchasing rules and lowering interest rates. They are also trying to avoid bank risk (and other Central Bank interventions) by setting up their own Asian Infrastructure Investment Bank (AIIB).

The concept is for the AIIB to promote projects in Asian by leveraging China's financial resources, and the experience gained in its own infrastructure development.

Likely projects include those related to infrastructure for energy, telecommunications or transport for underdeveloped countries. While it would be a multilateral fund, China would provide at least half of the bank's capital of around US\$50 to \$100 billion.

There has been widespread support for the proposal with 27 countries having signed up to date and the UK, some European countries, Australia and New Zealand all likely to join.

The major holdout to date has been from the United States which appears to be wary of a new institution which might threaten the existing order of development banks, and by inference, the US' own position. It is intended that the AIIB will be formed in late 2015.

In Europe the ECB has successfully purchased €60 billion of sovereign (mainly German) bonds. Greece is managing to keep European creditors at bay and talking to Russia. The soft Euro at US\$1.07 is helping exports in that region.

Iran is close to having the Western Sanctions lifted in return for constraints on its nuclear power program but the fighting in the Middle East has spread to Yemen.

Geopolitical risks are always around. They don't look like decreasing anytime soon.

APPENDIX: ERIKSEN'S FUND MANAGER RATING METHODOLOGY

Our rating scale for Fund Managers is explained below. Please note that this assessment is proprietary information and is for the use of Eriksens and our clients only. We ask that it not be discussed or shared with the fund manager in question without our express prior permission.

After a full qualitative and quantitative analysis Eriksens' assign a numerical rating from -1 to 2 across the key areas of:

- Philosophy & Idea Generation
- Process
- People
- Performance
- Portfolio Structure & Composition
- Business Considerations
- Client Support & Administration

These numerical assessments are as follows:

Rating	Explanation
-1	The manager is critically deficient in this area and does not meet expectation or specific requirements, urgent changes are needed
0	The manager is somewhat deficient in this area and may need some changes but not immediately
1	The manager is competent in this area and displays some competitive advantages but could improve in order to become class-leading, generally there are better choices of manager available
2	The manager is fully competent in this area, displays definite competitive advantages and is a class leader

These ratings per area are then added together, along with an overriding qualitative judgment process to determine an overall rating, which ranges from 1 to 5. A "1" rating represents a manager not ready to be rated, and "5" a manager that is fully competent in all aspects and has competitive advantage.

We also assign short-term ratings to the funds, which consist of either Buy or Sell or Hold. As expected a 5 rated manager's fund would generally (but not always) be Buy rated, a 4 rated manager's fund generally a Hold, and 1, 2, and 3 rated manager's funds would normally be a Sell.

These ratings are explained in the table below:

Rating	Explanation
Sell (1,2 & 3 rated Managers)	A “1” rated manager is usually “ <i>Not Rated</i> ” rather than a “ <i>Sell</i> ” due to lack of capability in too many aspects of their business and should not be included in portfolios in the first instance. “ <i>Sell/2</i> ” managers are critically deficient and “ <i>Sell/3</i> ” managers are somewhat deficient across various parts of their business. Any monies with them should be removed, as there are more attractive managers with higher ability to consistently add value.
Hold (4 rated managers)	The manager is generally competent in all areas of their business and may need some changes but not immediately. They may also be working towards making these changes. Existing monies should be kept with them but no new mandates in general should be awarded.
Buy (5 rated managers)	The manager is fully competent in all areas of their business, displays definite competitive advantages and is a class leader. New mandates should automatically be awarded to this manager, as they will add definite value to a client’s portfolio.

Managers are reviewed on a quarterly basis with a full assessment conducted annually.

ISSUE: Draft Statement of Investment Policy and Objectives – Infrastructure Investment Fund

ID: A745434

To: Finance Committee Meeting, 19 May 2015

From: Simon Crabb, Finance Manager

Date: 4 May 2015

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 provide council with the Draft Infrastructure Investment Fund Statement of Investment Policy and Objectives (SIPO) to govern the externally borrowed funds replacing the internal loans currently in place for infrastructure assets, the Regional Events Centre and council's 50 percent share of the Marsden Point Rail Link property purchases.

The Draft Infrastructure Investment Fund SIPO has been prepared by Eriksen and Associates Limited and Jonathan Eriksen will be in attendance at the meeting to answer any questions.

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.

Recommendations:

1. That the report 'Draft Statement of Investment Policy and Objectives – Infrastructure Investment Fund' by Simon Crabb, Finance Manager and dated 4 May 2015, be received.
 2. That the Draft Infrastructure Investment Fund Statement of Investment Policy and Objectives, as amended at this meeting (if required), be approved for finalisation.
-

ITEM: 3.14

Page 2 of 2

Report:

In March 2015 council agreed to enter into external borrowing of \$15 million to cost-effectively replace the internal borrowing that funds infrastructural capital expenditure. The associated savings resulting from such external borrowing will be passed onto the ratepayers paying for the infrastructure assets.

The external borrowings will be invested in accordance with the Infrastructure Investment Fund SIPO to ensure they are appropriately diversified to manage risk and achieve a good return (taking into account risk/return factors).

To formalise the performance objectives of the Infrastructure Investment Fund, Eriksen and Associates have developed a Draft SIPO. The Draft Infrastructure Investment Fund SIPO is **attached** as **Attachment One** for council consideration.

Key matters of the Infrastructure Investment Fund SIPO are as follows:

- The SIPO is to be reviewed annually.
- The SIPO targets a return equal to the New Zealand Official Cash rate plus 3% per annum after fees over rolling three year periods.
- The investment strategy will be set to limit the risk of a negative return in any one year to less than one in twenty.
- The objectives of the investment policy are:
 - To ensure the Fund is invested prudently with emphasis on capital preservation and liquidity;
 - To ensure the Fund is diversified in its investments;
 - To maintain the real value of the Fund;
 - To ensure that capital is available as required, to fund approved infrastructure investments; and
 - To produce investment income to subsidise council operations.
- Given the objectives listed above, the asset mix is set at 100% income assets and 0% growth assets with investments in the following Fund managers.

Asset Class	Manager/Fund	Benchmark %	Ranges %
Diversified Income	Harbour Income Fund	20	10 - 30
Diversified Income	Mint Income Fund	40	30 - 50
Diversified Income	Schroders RRF +3.5%	40	30 - 50
Total		100	

Monitoring of fund managers' performance

The Fund's performance and analysis of each fund manager will be independently monitored and reported to council on a quarterly basis and each fund manager will be formally evaluated annually.



***Northland Regional Council
Infrastructure Investment Fund***

**Statement of Investment
Policy and Objectives**

Adopted by the Council

On: May 2015

Signed: _____

May 2015

The statement is set out as follows:

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STATEMENT OF INVESTMENT POLICIES AND OBJECTIVES

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

AMENDMENTS

2. EXECUTIVE SUMMARY

The Northland Regional Council Infrastructure Investment Fund (“the Fund”) invests monies which have been earmarked for approved infrastructure investments in external managed funds. The Fund targets a moderate return, with capital protection and reasonable liquidity paramount in keeping with the Prudent Person rules of the Trustee Act. Low risk diversified income funds have been selected to achieve this.

Three separate investment managers with complementary investment styles are appointed to manage diversified income assets in three separate products. The managers employ multi-asset strategies which aim to preserve capital and provide income. Each fund has wide ranges available with respect to asset allocation, enabling the managers to vary asset allocations as market conditions change to protect capital and enhance returns. Asset allocation is constantly reviewed to better meet the fund return objectives.

The benchmark mix for the overall Fund is:

Asset Class	Manager	Fund	Benchmark %
Diversified Income	Harbour Asset Management	Harbour Income Fund	20
Diversified Income	Mint Asset Management	Mint Income Fund	40
Diversified Income	Schroders Investment Management	Schroders Real Return Fund CPI plus 3.5%	40

The Harbour and Mint funds are tax and expense efficient PIE (portfolio investment entity) vehicles which have good liquidity. The Schroders product is also liquid. It is an Australian unit trust for additional diversification.

3. INTRODUCTION

3.1 BACKGROUND

The purpose of the Fund is to stabilize the impact of irregular large infrastructure projects on Councils income and capital requirements. It will help spread the costs of such projects. The Fund is also intended to provide more flexibility around when such large capital intensive projects can commence.

3.3 TAXATION

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

Council, where possible and desirable, will invest:

- Other than in CCTO's; and
- In investments that provide gains and income that are not taxed prior to being received by Council.

Thus compared to a taxed entity, Council will prefer:

- Investments yielding interest (over those paying dividends);
- Investments in growth stocks/low dividend yield stocks (over other/high dividend yield stocks);
- Portfolio investment Entities (PIEs); and
- Australian unit trusts.

The balance date of the Fund is 30 June.

3.4 DISTRIBUTION POLICY

- Council may, but does not have to, make distributions from the Fund to meet the objectives of the Fund.
- The real value of the Fund should be maintained. All income not required to maintain the real value of the Fund should be paid into Council's general funds to support Council's operations.
- Capital may be withdrawn to invest in approved infrastructure investments.

3.5 PRIMARY OBJECTIVES

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

- a) to ensure that the Fund is invested prudently with particular emphasis on capital preservation and liquidity;
- b) to ensure that the Fund is diversified in its investments;
- c) to maintain the real value of the Fund;
- d) to ensure that capital is available as required, to fund approved infrastructure investments;
- e) to produce investment income to subsidise Council operations.

4. PERFORMANCE OBJECTIVES**4.1 RETURN REQUIREMENTS**

The Fund is to achieve a return equal to the New Zealand Official Cash Rate **plus** 3% p.a. after fees over rolling three years periods.

4.2 RISK PROFILE

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

5. INVESTMENT STRATEGY**5.1 BENCHMARK ALLOCATION**

Given the objectives, the assets of the Fund will be invested based on the following benchmark allocation:

Asset Class	Manager/Fund	Benchmark %	Ranges %
Diversified Income	Harbour Income Fund	20	10 - 30
Diversified Income	Mint Income Fund	40	30 - 50
Diversified Income	Schroders RRF +3.5%	40	30 – 50
Total		100	

5.2 HEDGING

Offshore investment sectors will be hedged at the investment manager's discretion.

Where Council invests in funds managed offshore in a foreign currency, on the recommendation of Council's Independent Investment Advisor, Council may hedge its foreign investments back into New Zealand dollars.

5.3 MANAGER RETURN OBJECTIVES AND LIQUIDITY

Manager/Fund	Benchmark/Return Objective	Redemption Terms (Business Days)
Harbour Income Fund	70% NZX Corporate A Grade / 30% NZX50 Index	Max 5
Mint Income Fund	NZ CPI plus 4% p.a.	Max 10
Schroders RRF	Australian CPI (trimmed mean) plus 3.5% p.a. before fees over rolling 3-year periods	Max 7

6. INVESTMENT GUIDELINES AND REQUIREMENTS**6.1 FIDUCIARY DUTIES**

Council accepts their fiduciary duties and the requirements of the Prudent Person provisions of the Trustee Act 1956. Council believes that the appointed manager(s) has the expertise, governance structures and capacity to apply the appropriate risk management techniques to carry out their duties under the investment management agreement(s).

Council therefore places no specific constraints on the investment manager with respect to investment guidelines.

6.2 GENERAL

All investments must be prudent investments and shall be made in accordance with the requirements of the applicable legislation.

Council is permitted to borrow to assist in the acquisition or development of approved infrastructure assets. Council prefers their investment manager(s) not to borrow.

No investment manager appointed by Council may:

- (i) hold, without prior disclosure to Council, any investment in its own company, its parent or any subsidiary and must disclose any investment in associated companies; or
- (ii) delegate to another investment manager on terms other than in accordance with these guidelines.

Futures and options may be used by the investment manager, at its discretion, for the prudential investment management of the Fund provided that such investments are not used for gearing purposes.

7. INVESTMENT ADVISORS AND MANAGERS

7.1 APPOINTMENT OF AN INDEPENDENT INVESTMENT ADVISOR

An independent investment advisor will be appointed to evaluate the performance of the investment managers and to provide strategic research and market information. The role and accountabilities of the investment advisor are set out in section 8. The appointed advisor is recorded in Appendix B.

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

7.2 APPOINTMENT OF INVESTMENT MANAGERS

Council believes that external professional investment managers should be appointed to manage the Fund. The appointed investment managers are recorded in Appendix B.

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

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

7.3 INVESTMENT MANAGER PERFORMANCE EVALUATION

Each investment manager's performance will be monitored and formally evaluated annually against:

- such other objectives set out in Section 4 and such other measures as agreed between Council and the investment manager(s) from time-to-time.

7.4 INVESTMENT MANAGER REPORTING

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

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

8. INDEPENDENT INVESTMENT ADVISOR'S RESPONSIBILITIES AND ACCOUNTABILITIES

8.1 ACCOUNTABILITY

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

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

8.2 REPORTS

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

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

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

- an unacceptable risk occurring; and
- poor future performance.

APPENDIX A: TEMPORARY DEPARTURES FROM THIS STATEMENT

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

APPENDIX B: INVESTMENT MANAGERS AND ADVISORS**INVESTMENT MANAGERS**

Mint Asset Management
Harbour Asset Management
Schroders Investment Management

INDEPENDENT INVESTMENT ADVISOR

Eriksen & Associates Ltd

ITEM: 4.1

Page 1 of 1

ISSUE: Receipt of Minutes of the Treasury Management Working Group Meeting – 28 April 2015

ID: A745471

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance

Date: 8 May 2015

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 present the unconfirmed minutes of the Treasury Management Working Group meeting held on 28 April 2015 to the committee for their information.

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 minutes of the Treasury Management Working Group meeting held on 28 April 2015 be received.
-

NORTHLAND REGIONAL COUNCIL TREASURY MANAGEMENT WORKING GROUP

Minutes of the meeting of the Treasury Management Working Group
held in the Hokianga Room, 36 Water Street, Whāngārei,
on Tuesday 28 April 2015 commencing at 9:30a.m.

- Present:** Cr David Sinclair (Chairman)
Cr John Bain (*arrived at 9:45am*)
Mr Geoff Copstick, Independent Member of Audit & Risk Committee
- In Attendance:** **Full Meeting**
Malcolm Nicolson, Chief Executive Officer
Lisa Aubrey, GM Finance
Simon Crabb, Finance Manager
Alicia Jurisich, Finance and IT Personal Assistant/Administrator
- Via Telephone:** Jonathan Eriksen of Eriksen & Associates Limited, Investment Advisor

Prior to the teleconference, it was discussed that the objective of the draft SIPO for the Property Reinvestment Fund aligns more with property. A proposal of rewording was to be put forth to Jonathan Eriksen of Eriksen and Associates Limited (refer to item 3.3).

The teleconference started at 9:40am.

Item 3.1: Community Investment Fund Quarterly Results

Mr Eriksen confirmed the Community Investment Fund is going well. His only minor concern is Milford. The Financial Markets Authority (FMA) is continuing to investigate a manager at Milford. The FMA should be in a position to make a public announcement end of April. Mr Eriksen will continue to monitor this matter cautiously and be sure to notify NRC if he believes something may impact council's funds.

Ms Aubrey asked Mr Eriksen whether other clients are withdrawing money. He advised 1 out of their 13 clients has. This was purely based on a reputation risk and cash required for other purposes.

The Working Group then went on to ask what the effect was on the value, whether this would plummet? Mr Eriksen advised it would not. They are monitoring the Milford matter persistently.

Mr Eriksen was asked whether it would be prudent to pull funds from Milford short-term (i.e. two weeks), put on hold and then back into Milford after the public announcement (end of April). His response was that the funds are performing well so he does not see a reason to pull them. The market correction may be 6-12 months away. In the interim, if any alarm bells go off, funds could be pulled if desired. There is a one months' notice requirement to enable withdrawal of funds.

Mr Copstick asked whether Milford is likely to receive costs from the FMA i.e. fines, management fees? Mr Eriksen advised only shareholders would incur costs, not investors as their funds are protected.

The Working Group asked Mr Eriksen provide a confidential agenda item on Milford to the Finance Committee (19 May 2015).

Mr Copstick asked whether Community Investment Fund (CIF) reporting could show preceding quarters for the quarterly returns by individual managers. Mr Eriksen will provide a time series for the next report.

Item 3.2: Property Reinvestment Fund Quarterly Results

Mr Eriksen advised there are similarities between this Fund and the Community Investment Fund. He is reluctant to take funds out of Milford unless there was good reason to do so. If the funds were to be removed from Milford, Mr Eriksen would recommend they be transferred into Harbour. They would be capital protected there but the fund itself is not as aggressive.

Mr Eriksen reiterated that he would inform council immediately if anything were to happen to Milford and that one month's notice would be required. Ms Aubrey asked if we were to uptake this and then reinvest what would the time delay be before investments were made. Mr Eriksen's response was that investing would happen straight away.

Item 3.3: Draft SIPO for Property Reinvestment Fund

Council requested the SIPO objective to be reworded to "maintain real value funds relative to the Northland commercial property".

Council questioned that the Consumer Price Index ("CPI") was not the best fit for the fund and asked for a Northland Property Index. Mr Eriksen advised there was no Northland Property Index. Mr Nicolson found the New Zealand Property Index (NZPI) unreasonable as it includes Auckland and Christchurch. Mr Eriksen advised the NZPI was more volatile.

Mr Eriksen confirmed he would change the wording of the SIPO objective to NZPI plus 1%.

Item 3.4: Approach to Investing Borrowed Funds

The Working Group and Mr Eriksen discussed the appropriate investment for councils borrowed funds. The recommended portfolio was made up of an equal share split between Mint Income Fund, AMP Global Multi-Asset Fund and Continuity Capital Club Fund.

Mr Eriksen explained the Continuity Capital Club Fund is a private fund where managers buy into private equity of Australia and New Zealand markets. The managers buy into 8 or 9 different businesses with a 7-10 year life. The return of this fund sits at 20%. Eriksen & Associates have a number of clients in the Continuity fund.

The Working Group wanted the SIPO to recognise that council is mindful of its fiduciary duty – that borrowed funds are to protect capital for council's infrastructure.

The Working Group proposes the fund be called “Infrastructure Investment Fund”.

The CEO requested that this be looked into further at council's Finance Committee meeting on 19 May 2015.

Further action points:

- That Mr Eriksen provides his projections to the Working Group around the Australian market.
- Geoff Copstick, Ms Aubrey & Mr Crabb meet to discuss investments glossary/definitions.
- Councils Debenture Trust Deed to be forwarded to Cr Bain and Cr Sinclair for review. Council's lawyer has already viewed the Deed. The Working Group requested the lawyer to provide a two page summary of findings.

The meeting closed at 11am.

ITEM: 4.2

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ISSUE: Receipt of Minutes of the Audit Working Group Meeting – 2 April 2015

ID: A745631

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manage Finance

Date: 8 May 2015

Report Type:	<input checked="" 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:

The purpose of this report is to present the unconfirmed minutes of the Audit Working Group meeting held on 2 April 2015 to the committee for their information.

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 minutes of the Audit Working Group meeting held on 2 April 2015 be received.
-

NORTHLAND REGIONAL COUNCIL AUDIT WORKING GROUP

Minutes of the meeting of the Audit Working Group
held in the Hokianga Room, 36 Water Street, Whāngārei,
on Thursday 2 April 2015 at 4.00pm

Present: Cr David Sinclair (Chairman)
Chairman Bill Shepherd
Mr Geoff Copstick

In Attendance: **Full Meeting**
Lisa Aubrey – General Manager Finance
Simon Crabb – Finance Manager

Apologies: Chief Executive Officer - Malcolm Nicolson

Item 3: GENERAL MATTERS

- Lisa Aubrey advised the Finance committee did not have the delegation to receive the progress report from Northland Inc. Limited on the delivery of their performance targets agreed in the 2014/15 Statement of Intent. If the working had a desire see and consider this report prior to June we would need to call an extraordinary Council meeting. The Chairman agreed an extraordinary Council meeting should be called.
- The Chairman asked staff to schedule a meeting with the Economic Development Working Party and Northland Inc. Limited to discuss their draft 2015/16 Statement of Intent

Item 3.1: FINANCE COMMITTEE ORDER PAPER – MAY 2015

- Lisa Aubrey asked if the working group was comfortable with the draft order paper and enquired what involved the working committee would like to have in the preparation May agenda.
- The Committee advised they would like write their own report to be included in the Agenda on the activities undertaken by councillors as part of the working groups.

Item 3.2: ANNUAL REPORT TIMETABLE

- The Audit working party asked if any progress had been made or any response received to various correspondence in respect of the Audit fee matter. Lisa Aubrey advised no correspondence had been received or progress made, but Audit were scheduled to commence their interim audit the following week (7th April).
- The Audit working party asked that I send Audit NZ an urgent email to advise them that Council is not prepared allow the Interim Audit to commence given Council has not agreed to the proposed Audit proposal/engagement letter, particularly with respect to the fees.
- The Audit Working party reviewed the Annual Report Timetable. It was agreed the Audit working Party would review the draft Annual Report, including the statement of service performance and would meet with Audit New Zealand to understand and discuss any issues arising or matter of material judgement. The final draft report would go to Council for adoption on 8 October 2015.

Item 3.3: DELOITTE PROPOSAL FOR RISK ASSESSMENT INTERNAL AUDIT

- The Audit Subcommittee review the proposal from Deloitte and decided against pursuing this matter further.

Item 3.4: REQUEST FOR APPROVAL TO TRANSFER 2014-15 OPERATIONAL BUDGETS

- The paper was discussed and as the working party has no delegation in this regard, the working party asked that this paper be referred to the Finance Committee for consideration in May.

Conclusion

The meeting concluded at 5.15pm.

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ITEM: 4.3

Page 1 of 1

ISSUE: Receipt of Minutes of the Hazard Risk Management Working Group Meeting - 23 April 2015

ID: A745634

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance

Date: 8 May 2015

Report Type:	<input checked="" 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:

The purpose of this report is to present the unconfirmed minutes of the Hazard Risk Management Working Group meeting held on 23 April 2015 to the committee for their information.

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 minutes of the Hazard Risk Management Working Group meeting held on 23 April 2015 be received.
-

NORTHLAND REGIONAL COUNCIL HAZARD-RISK WORKING GROUP

Meeting notes of the meeting of the Hazard-Risk Working Group
held at 36 Water Street, Whāngārei,
on Thursday 23 April 2015 at 10.30am

Present: Cr Paul Dimery
Cr Bill Shepherd
Mr Bruce Howse, Land/Rivers Senior Programme Manager

Present: Mr Malcolm Nicolson, Chief Executive Officer

1. Working Group Draft Terms Of Reference

The draft terms of reference were accepted as presented (**attached**).

2. Recruitment of Independent Member

Council was unsuccessful in the recruitment of a suitably qualified applicant for the independent member position.

Agreed that an alternative approach was to contact Deloitte to discuss progressing the risk profiling and internal audit planning and then potentially build on the outcome from this process.

3. Working Group meeting Schedule For Year

Confirmed on a two monthly basis and as required. Also to meet half an hour before Finance Committee meetings.

4. Risk Register Updates & Overview

Items on the risk register were reviewed, and the register has been updated to reflect these changes (refer to risk register **attached**).

Risk Item & Review Notes:

Item 1

- In process of offering NRC properties for sale, need to replace rental income and ensure revenue not lost. Investment in land is more secure; other investments come with higher levels of risk.
Create new risk profile for this.

Item 2

- NRC has to follow TA's rate remissions policy. Risk to NRC balance sheet – we are making provision for this. Single rating authority would help mitigate this.

Item 5

- The risk has reduced, so lower risk rating accordingly.
- Infrastructure contingent liability (i.e. Kaitia sewage), if investment to renew is not made.

Item 8

- Trial bus service in the mid-north, need to link to Item 9

Item 11

- We have increased our insurance for harbour master cover.
- Lobby to get limited liability for Regional Councils with respect to navigation responsibilities, work through LGNZ.

Item 14

- Charge this to Regional Plan Reviews.
- Need to review engagement, need to ensure this is done as per RPS

Item 15

- Impact funding, don't need a return.
- Check with Darryl.

Item 16

- Change to Marsden Maritime Holdings
- 48% of Council's investments are in this area, having so much investment in one area is a high risk.

Item 20

- Reliance on mobile devices potentially increases this risk

Item 22

- Example of contractors going broke
- Create a new risk profile for this

Item 24

- Change "sale price" to "purchase price"

Item 25

- Add wording "well researched and professional"

Item 27

- Complying with LGA is the risk

Item 29

- Change so risk description is the perception that NINC is not delivering value for money.
- Mitigation action, update reporting to Council every 2nd month.
- Business plan to sit under the SOI, the reporting back reflects the business plan.

Item 30

- Reduce down re "growing risk", is no longer that significant.

Item 31

- Rework so that "perception" is included in the mix here.

Item 32

- Take out LG reform reference

Item 34

- Reduce risk profile

A new Item

- Committee Chairs and setting of Agendas

- Mitigation action is debrief and review meetings

Item 38

- Check EMC report to see what the update is and adjust as required

Item 39

- Delete this item, no longer applicable

Item 40

- Change so not just A&R Committee specific
- Mitigation Council willing to recruit necessary skills where required.

Item 42

- Relate to the risk profile and the two options to choose from re scheme upgrade in LTP

Item 46

- Agenda Item 6
- Wait until Deloitte's report is available

5. Defining priorities & work programme

Await the outcomes from the Deloitte report before confirming the priorities and ongoing work programme.

6. Any other business

No other business.

Hazard Risk Working Group – Terms of Reference

Membership

The Hazard Risk Working Group is comprised of Cr Paul Dimery (who shall chair the working group), the Chairman of Council as ex-officio, Bruce Howse - NRC Land/Rivers Senior Programme Manager and an independent risk expert (to be appointed).

Objective

To provide assurance and assistance to the Finance Committee that the Northland Regional Council's risk management framework, policy and associated procedures for effective identification and management of corporate and operational risk is achieved.

Role & Responsibilities

- a. Review council's risk management framework, policy and associated procedures for effective identification and management of the council's corporate and operational risks, including fraud.
- b. Review the council's corporate risk register in line with the council's risk management framework, policy and associated procedures.
- c. Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- d. Review the effect of the council's risk management framework on its control environment and insurance arrangements.
- e. Review whether a sound and effective approach has been followed in establishing council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.
- f. Review council's fraud control plan and satisfy itself that the council has appropriate processes and systems in place to capture and effectively investigate fraud-related information.
- g. To attend Finance Committee meetings to provide advice and assistance on matters relating to risk management as required.

Meetings

The working group will meet on an as required basis, but generally in advance of Finance Committee meetings.

Meeting notes will be taken at meetings and circulated to members of the working group.

Delegated Authority

The working group has no delegated authority or power to act and is an advisory group to the Finance Committee.

4.3 Attachment Two

Ref	Activity	Risk category - Operational Strategic Political	Risk description	Likelihood (1 low to 5 high)	Effect (1 low to 5 high)	Risk rating	Trend & risk level	Mitigation possible Y/N	Responsibility	Mitigation action	Residual risk (after mitigation) (1-25)	Residual Risk Acceptable (1-6)	Action Plan Status/Owner/Link
1	All	Operational Strategic	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	
2	Finance	Political Strategic Operational	Level of rates non-payment stays same or gets worse. Concern that FNDC position continues to deteriorate.	4	4	16	↔	Y	CEO and Finance Manager	Working with district councils to improve payment compliance rates. Working with central government on alternative options for funding non-rates payment. Advancing discussions on single rating agency. 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, including discussion around the establishment of single rating authority.	3	Y	
3	All	Operational Political	Council does not meet all its legislative requirements and jeopardises government funding, risks being fined and/or sued, replacement of councillors with commissioners, loss of public confidence in council and LG.	1	4	4	↔	Y	CEO	Legislative compliance programme in place - reporting quarterly by SPMs/GMs through to council. Nominated officer checks for new legislation and adds to programme quarterly. Knowledgeable staff employed and news alerts in place for notifying legislation amendments.	1	Y	
4	All	Political Strategic Operational	Increasing expectations and central government demand for service delivery in an environment of reducing costs and capping rate increases could limit effectiveness in delivering projects/services that meet community expectations - in particular the implementation of National Policy Statement for Fresh Water Management.	5	3	15	↔	Y	Deputy CEO	Consulted with community on options available for implementing the NPS were included in latest Annual Plan/LTP. Implementation includes regular stakeholder involvement to determine community expectations for outcomes and associated costs at a catchment level. Collaboration with other regions working on NPS will provide further information extending our capabilities. We employ and retain suitable staff and resources to work as efficiently as possible. Further shared services for other LG services also being explored with local and relevant LG sector.	2	Y	
5	All	Operational Strategic Political	Legislative reform may impact on council's ability to plan long term with LG structure proposals for Northland likely following enactment of the amended LGA2002. Planning of long term projects may be delayed until any reorganisation proposal has been considered. While change should be positive both internally and for Northland there is a risk that staff may not be retained in the interim with staff looking for greater employment certainty. Significant investment in responding - resourcing and time vs financial constraints. Uncertainty in the legislative reform process is creating more uncertainty, potentially having an adverse effect on recruitment.	4	2	8	↓	Y	CEO / Councillors	Continuous stakeholder and staff engagement on reform progress and reorganisation proposals. Offering staff training opportunities and assistance (e.g. CVs, interview techniques) to ensure they are well prepared for change. Management review of programmes and projects to ensure core council activities are not impacted adversely, prioritised work programmes and resources taking into account potential future amalgamation. Budget set to manage within current resources. Specialist team to lead response to LGC proposal. Participation in national working groups (SOLGM and LGNZ). Committed to open communication with Northland councils (through Mayoral Forum, joint workshops). Will work with/for Northlanders in our engagement on any reorganisation proposals.	2	Y	
6	All	Operational Political	Staff take action or recommend action that results in significant public financial loss or action taken against council.	1	4	4	↔	Y	CEO / Manager Finance	Well trained knowledgeable staff employed. Specialist skills retained when required. Peer review by other councils utilised for plan documents. Professional indemnity insurance in place.	1	Y	
7	Operations	Operational	Death or severe harm to staff while undertaking work programmes out in the field or within headquarters/regional offices, and the ensuing potential compliance issues if found to be in breach of legislation.	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	Human resources and H&S Committee will action the project tertiary action plan.
8	Transport	Operational Political	Customers are unhappy with contracted bus and total mobility services because of a failure to meet reliability and/or quality targets. Issues have been encountered with taxi services not meeting contractual obligations for total mobility services.	4	1	4	↑	Y	SPM Transport Operations	Total Mobility - biannual meetings held with agencies and transport providers; good working relationships maintained. Council has option to target rate fund the service if the WDC withdrew. Bus Operations - Strong relationships with operators, regular meetings with North Bus and regional contract manager. Contract includes penalty clauses for lateness to timetable and missed trips. A complaints register is maintained and actioned by both parties (maintained by Council, sent to Northbus for action and response). The buses were all new at commencement of the contract (2008) so reliability of the Buses is not currently an issue. Both - customers' satisfaction surveyed annually - recent surveys show 80% plus satisfaction.	3	Y	
9	Transport	Operational Political	The cost of contracted bus services significantly exceeds the budget due to unforecast changes in the diesel bus contract index. Contrary to NRC previously having been advised by NZTA that from 1 July 2012 they will not contribute any funding towards CPI increases, after staff having made numerous approaches to NZTA on this CPI's are now being subsidised. Trial bus service in the mid-north potentially also subject to this risk.	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	Transport	Operational Strategic Political	NZTA cut funding across a number of subsidised areas. Risk to bus service, risk to road safety, risk to total mobility, risk to forward planning.	4	3	12	↔	Y	RTC Chair/CEO service	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	Harbour Safety and Navigation	Operational Political	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. NRC has increased harbour master insurance cover, although this does not necessarily reduce the risk of a spill occurring but limits liability, also suggested that Regional Councils should lobby through LGNZ to have limited liability for RC's with respect to navigational responsibilities.	3	Y	
12	Civil Defence and Emergency Management	Operational Political	Response systems fail in the event of a natural disaster.	2	4	8	↔	Y	CDEM	Refer Civil Defence Emergency Management Plan (national and regional structure) for readiness, reduction, response and recovery. Plan regularly reviewed and updated, debriefs of all emergency responses provide continuous improvement.	1	Y	
13	River Management	Operational Political	Failure of flood protection structures and measures.	2	4	8	↔	Y	Deputy CEO	Priority rivers management plans developed for the 27 priority rivers within Northland (based on risk assessment to life and property). Working progressively through list to implement annual maintenance and consider options for capital works to further reduce flood risk. Asset Management Plan in place for Awanui scheme. Land Management reserve in place to fund emergency works if necessary. Refer also to the CDEM mitigations. Full insurance is in place.	2	Y	
14	Resource Planning	Operational Strategic	Regional Plan Review hearings/appeals expenditure is greater than budget and reserve commitment.	3	2	6		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.	3	Y	
15	Investment and Growth Reserve projects	Strategic Political	Projects funded from the Investment and Growth Reserve return less than expected or zero returns. Changes adopted to fund criteria which may increase the risk of returns on investment being less than expected.	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. Impact funding does not require a return on investment.	2	Y	
16	Finance	Operational Strategic	Marsden Maritime Holdings does not deliver projected dividend. Increased reliance on dividends by not increasing rates. 48% of Councils investment are located in this area.	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	Finance	Operational Political	Loss of council funds (through fraud).	1	2	2	↔	Y	All	Strong management control environment; robust system controls in place; best practices policies and procedures in place including council's Treasury Management Policy. Internal accounting controls in place with external and internal audit processes. Insurance is in place.	1	Y	
18	IT	Operational	Loss of financial and other important records	1	2	2	↔	Y	General Manager - Finance and IT	Offsite back up of all IT records. Retention and disposal policy in place. Key documents are electronic. Insurance is in place.	1	Y	
19	Property	Operational	The performance of council's owner-occupied buildings during an earthquake will not allow staff to exit the building without casualty. The council Whangarei headquarters building as been identified as having non-ductile columns - we are in the process of arranging a Geo Tech report/review.	1	5	5	↔	Y	General Manager - Finance and IT	NRC building 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	IT	Operation	Network outage causes lost productivity for staff and source of problem not identified leading to disruption in continuity of supply of information systems to council and the community. Increased use of mobile devices potentially increases this risk.	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	IT	Operational	Due to power failure and/or a significant event, access to the council building is lost (including access to IT server room and network) and service delivery interrupted.	1	5	5	↔	Y	General Manager - Finance and IT	Power Failure (but access retained) to council building - UPS system in place and generator project in train. If no access to building then failover to DR site, staff will be able to access remotely (provided the wider service provider networks are available). Refer separate DR and business continuity plan. Generator now in place for backup power supply, and generator is subject to a routine maintenance schedule.	1	Y	

4.3 Attachment Two

Ref	Activity	Risk category - Operational Strategic Political	Risk description	Likelihood (1 low to 5 high)	Effect (1 low to 5 high)	Risk rating	Trend & risk level	Mitigation possible Y/N	Responsibility	Mitigation action	Residual risk (after mitigation) (1-25)	Residual Risk Acceptable (1-6)	Action Plan Status/Owner/Link
22	IT	Operational	Major supplier goes out of business - loss of product or service. Biggest risk is the business hosting council's DR site ceases to operate.	3	3	9	↔	Y	General Manager - Finance and IT	Minimal council kit is located in offsite location. Discussion 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	Commercial Investments	Political Strategic Operational	Council investment mix changed and returns lower than projected. Pressure to not increase rates results in higher return requirement with associated risk of not being achieved.	1	3	3	↔	Y	General Manager - Finance and IT	Treasury Management policy change requires robust decision-making processes to be followed. Transition to reduce and eventually eliminate investment income for funding operations will reduce council's dependency on this revenue stream. Future use for economic development projects is less reliant on projected income value.	1	Y	
24	Commercial Investments	Political Strategic Operational	Marsden Point Rail corridor not pursued and sale of properties returns less than original purchase 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	
25	All	Political	Councillor decision making. Councillors either make short term decisions (3 year election cycle) or no decisions in light of their personal political and economic environment (e.g. freshwater NPS) and, do not consider other impacts e.g. Maori impact, economic impact. Fractured governance. Lack of decision making due to dysfunctional governance	3	3	9	↔	Y	Councillors/CEO	Executive management team ("EMT") activities are structured to align to the Long Term Plan ("LTP") and other governing regulations. EMT provide Councillors with well researched and professional information to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation.	2	Y	
26	Finance	Financial	Poor investment decisions are made that result in substantial loss.	1	4	4	↔	Y	CEO/ Councillors	Staff provide advice as requested by the Councillor to aid the Councillors to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation. Controls available for financial investments (e.g. Treasury Management Policy).	1	Y	
27	All	Political	Opportunities (e.g. economic) are not maximized due to slow pace of decisions making as a result of lack of agreement, inconsistent decision making and/or insufficient information provided to aid decision making. Decisions are re-litigated by Councillors / CEO resulting in a loss of momentum in taking Northland forward. These factors may result in non-compliance with the LGA.	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	Finance	Financial	Financial and investment decisions are not made or investigated further due to the complacency driven by the current cash position.	1	2	2	↔	Y	General Manager Finance and IT	On a daily basis management review the cash position to determine the daily cash requirements in order to invest money any surplus cash (currently invested on a business saver rate). Management prepare rolling 12 month forecasts with longer term annual forecasts to monitor funding levels over the period of the approved LTP.	1	Y	
29	Northland Inc.	Operational Strategic Political	Northland Inc do not deliver what has been committed. No reporting back on Northland Inc activity. Perception that NINC is not delivering value for money.	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. Reporting undertaken every second month (particular focus on financial reporting) to council / finance committee. A business plan sits under the SOI, with the reporting back reflecting the business plan.	3	Y	
30	All	Operational	Burn out/stress of staff through capacity and resourcing pressures due to restraints and additional requirements of the local government process. Local government reform uncertainty.	3	3	9	↓	Y	CEO/ EMT	EMT and line management actively monitor staff and provide flexi time as required for overtime. Staff workload is reprioritised (as required) to meet the prioritised requirements. Counselling is available if required. Provide recognition to staff on a case by case basis.	3	Y	
31	All	Operational Strategic Political	Perception that political desires overtake service delivery requirements, and services provided by NRC do not grow in line with the LTP, as LTP is seen as a process that must be followed, rather than a strategy resulting in a disconnect between projects and LTP (poor alignment of strategic priorities).	3	3	9	↔	Y	Councillors	EMT actively monitor services provided and expenditure incurred to check that they are linked to the LTP. EMT activities are structured to align to the LTP and other governing regulations. EMT provide Councillors with information to make informed decisions. LTP objectives to be imbedded in individual performance agreements as a further mitigation action.	3	Y	
32	All	Operational Political	Loss of key personnel and Councillors (loss of IP, knowledge, relationships) that can be further impacted due to the size and the location of the NRC.	3	2	6	↓	Y	CEO / EMT	Back up for roles is undertaken for some of the activities and further steps are being taken to upskill current staff to cover roles as required. Could recruit from the general public to cover the roles as required	2	Y	
33	All	Operational	Disaster impacting NRC Operations (e.g. flooding, earthquake, tsunami, fire) for a prolonged period or a localised physical/environmental disaster specific to asset or activities undertaken. Loss of head office due to fire or other such event. Loss of a satellite site (Opua, Kaitia, Dargaville) due to fire or other such event. Lost productivity.	1	5	5	↔	Y	CEO / EMT	Satellite site could be more easily re-established as staff numbers are lower and could work from home if required. ITDRP is in place and data centre is available. Remote access is available and can log in via the internet from personal computers). Core staff have logins pins 4 Redundancy available on LAN and WAN links. Planning shows that natural hazard risk for the head office is low. Sprinklers have been installed throughout head office and gas suppression in the server room. Regional emergencies can be responded to from other locations if required (e.g. Fire Department, Whangarei DC). Insurance coverage	1	Y	
34	All	Operational Strategic Political	Management vs Governance – potential culture of mistrust and operating in silos	2	2	4	↓	Y	CEO/ Councillors	EMT meet with Councillors as required and when requested. EMT and other management run workshops with Councillors to provide requested information and training	2	Y	
35	All	Operational Political	Conflicts of interest ("COI") (Councillors and NRC employees) are not disclosed and or not appropriately managed once disclosed.	2	3	6	↔	Y	CEO/ Councillors	COI declarations are required on at least an annual basis for staff and Councillors. Members interest Act sets requirement to state any COI when the matter arises during sessions. Listing is maintained of all known and declared COI's. New financial system will flag any known associations between entities and Councillors. Financial Reporting Act requires conflicts to be noted in the annual report. Where potential conflicts of interest may arise the CEO and Chairman can and have obtained independent legal advice and provided this to the councillors involved.	2	Y	
36	All		Decision making can be centred around lobby groups and may not be in the best interest of the greater community. Disconnect with rate payers / communities.	2	2	4	↔	Y	CEO/ Councillors	Council, with advice from EMT, set the strategy and priorities in the Draft LTP. EMT provides advice to Council for effective decision making based on the submissions received to the draft LTP/AP and the strategy and priority of these planning documents. LPT is written as "open ended" to allow for changes in the community requirements	1	Y	
37	All	Political	Low voter turnout at local government elections has the potential to result in political representation that does not reflect the cross section of community interests and has the potential for one-sided representation of certain interest groups	3	3	9	↔	Y	CEO/ Councillors	EMT provide Councillors with information to make informed decisions. Policies are available to limit significant decision (e.g. Significance Policy) that will require consultation.	3		
38	Biosecurity	Operational	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	A notice of direction has been issued to the three owners of Marsden Cove developments during February 2015 and they have responded by undertaking the works as directed by the notice. As the works are ongoing and dependant on the owner meeting a minimum standard of fanworm control it is the intention of staff to monitor compliance with the notice through April and assess the fanworm status in order to advise if the minimum standards have been met and therefore no further action is required, or in the event of non-compliance- recommend that a notice of default be issued and the various options which follow. Auditing procedures are being developed to assess that the control works specified in the notice has been met.	1	Y	
39	Northland Inc.	Operational Strategic Political	Relationship between the NINC Board and Councillors deteriorates, impacting on the ability of the organisations to work collaboratively and achieve outcomes.	4	3	12	↔	Y	CEO & Chair	CEO's and Chair's from NRC and NINC to meet, determine reasons for deterioration in relationship and devise strategy to improve and manage relationship and/or address how to manage points of tension that created the current position. The Chairman has advised that he is not making himself available for re-election at 30 June 2014. Therefore the	4	Y	
40	All	Operational Strategic Political	Because of the appointment or election process, the members of Council may not have all the skills necessary for some of the more specialist functions to operate 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, and can do so for other areas of the business as determined by Council to be necessary. .	3	Y	
41	River Management	Operational	Kotuku detention dam potential risk for overtopping or failure during construction needs to be managed appropriately to ensure risk is controlled and mitigated.	1	5	5	↔	Y		An emergency action plan (EAP) will be developed to manage risk during construction. The EAP will assess potential failure modes and measures to mitigate risk. Dam break scenario modelling will be undertaken to inform the areas at risk from failure and to inform procedures for evacuation planning. CDEM will be invited to have input into the EAP and a briefing meeting will be held between the dam engineers, NRC project staff, CDEM and emergency responders to discuss the EAP prior to dam construction. In addition to this, construction management will be implemented to ensure adequate resources are available to complete the dam within the construction season, and check points of progress will be monitored during construction to ensure that progression of critical stages of work (and escalation of potential risk), is only commenced if sufficient progress is made in prior stage of works.	5	Y	
42	River Management - Awanui River Scheme	Operational	Extensive and damaging flooding of land protected by the Awanui Flood scheme due to failure of stopbanks, floodgates, debris blockages or Bells 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. Two upgrade options are also being consulted on as part of the draft LTP.	5	Y	
43	Maritime	Operational	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 spacing's 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	All	Operational	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	All	Operational Strategic Political	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	
46			Organisational review and restructuring proposal has the potential to impact on delivery of internal and external services over the period of the from 23 March 2015 through until the recruitment process is complete and new structure has settled into a routine (this may be through to early 2016). Also refer to risk register references 30 & 32 (above) which are similar.	4	4	16	↑	Y	CEO & Restructuring Team	The restructuring team should consider undertaking a risk assessment of the areas/roles of the business that are to be impacted by the restructuring proposal, and identify key risks and mitigation actions to apply to ensure Council can continue to deliver services. Recommend that an action plan for this is developed alongside the restructuring process, as given potential for substantial change this is an inherently risky time for the business in areas that may be impacted.	12	N	Recommend that a risk assessment and action plan be developed as part of the restructure process.
47			NRC in the process of offering properties for sale. Need to ensure loss of revenue is offset and that as investment in land is generally more secure, that the revenue obtained from replacement investment sources is soundly based.	3	3	9	NEW RISK	Y	CEO	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). Treasury Management policy change requires robust decision-making processes to be followed.	3	Y	
48			Contractor goes broke during a large project, exposing Council to the risk of loss of money and/or project delays.	3	3	9	NEW RISK	Y	All staff managing large projects	Reference and credit checking of large contractors can be made, payments based on progress made and deliverables being met reduces the risk of loss of money to Council.	4	Y	
49			Council Committee direction is not aligned with that of the relevant Committee Chair, resulting in lower Committee performance.	2	2	4	NEW RISK	Y	CEO/EMT	Debrief and review meetings are held where required to ensure that the direction is appropriately aligned.	2	Y	

Comparative Levels Of Risk

15 to 25
8 to 15
4 to 8
1 to 4

ITEM: 5.0

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ISSUE: Business with the Public Excluded

ID: A745573

To: Finance Committee Meeting, 19 May 2015

From: Lisa Aubrey, General Manager Finance

Date: 8 May 2015

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
5.1	Confirmation of Confidential Minutes of the Finance Committee Meeting – 17 February 2015	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.
5.2	Draft Statement of Investment Policy and Objectives – Property Re-Investment 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)).
5.3	Update on the Financial Markets Authority Investigation into Milford Asset Management	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)).