

NORTHLAND REGIONAL COUNCIL

Finance Committee Agenda

For meeting to be held in Council Chambers,
36 Water Street, Whangarei, on Tuesday, 18 August 2015,
commencing at 10.00am

MEMBERSHIP OF THE COMMITTEE

Cr David Sinclair	Cr Bill Shepherd	Cr Craig Brown
Cr John Bain	Cr Dover Samuels	Cr Joe Carr
Cr Graeme Ramsey	Cr Paul Dimery	Cr Monty Knight
	Mr Geoff Copstick	

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

OPEN MEETING

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ISSUE: Confirmation of Minutes of the Finance Committee Meeting – 19 May 2015

ID: A769420

To: Finance Committee Meeting, 18 August 2015

From: Simon Crabb, Finance Manager

Date: 5 August 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 19 May 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 19 May 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 19 May 2015 commencing at 10.15 am

Present: Chairman, David Sinclair

Councillors:

John Bain

Joe Carr (*left meeting 12.36pm*)

Graeme Ramsey

Dover Samuels

Bill Shepherd

Independent Member:

Geoff Copstick

In Attendance:

Full Meeting

Chief Executive Officer

GM Finance

Finance Manager

Council Secretary

Part Meeting

Audit New Zealand Director

Creative Northland Regional Manager

Creative Northland Trustee

Strategy, Governance and Communications Manager

Eriksen & Associates Managing Director

Consents/Monitoring SPM

Land/Rivers SPM

The Chairman declared the meeting open at 10.25 am.

Moved (Carr/Bain)

That the Finance Committee meeting be adjourned to allow the extraordinary council meeting to complete urgent business.

Carried

The meeting was adjourned at 10.25 am and reconvened at 10.29 am.

Apologies (Item 1.0)

Moved (Carr/Shepherd)

That the apologies from Councillors Brown, Dimery and Knight for non-attendance be received.

Carried

ID:A746747

Finance Committee Meeting

19 May 2015

Declarations of Conflicts of Interest (Item 2.0)

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

Supplementary Item for the Finance Committee Meeting – 19 May 2015 (Item 5.0A)

ID: A747343

Report from Land/Rivers Team Senior Programme Manager, Bruce Howse, and Rivers Programme Manager, Joe Camuso.

Moved (Carr/Shepherd)

That as permitted under section 46(A) of the Local Government Official Information and Meetings Act 1987, the confidential Supplementary Item 'Kotuku Dam – Contractors Hard Rock Claim' be received.

Carried

Confirmation of Minutes of the Finance Committee Meeting – 17 February 2015 (Item 3.1)

ID: A745468

Report from General Manager Finance, Lisa Aubrey.

Moved (Sinclair/Bain)

That the minutes of the Finance Committee held on 17 February 2015, as amended at the meeting, be confirmed as a true and correct record.

Carried

Secretarial Note: The amendment related to the matters arising from Item 3.7: 'Audit New Zealand – Draft Management Report on the Audit of Northland Regional Council for the year ending 30 June 2014'. The agreed content was as follows:

'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. Key findings and recommendations from Audit New Zealand related to the inadequacy of the contract and project management systems, policies and procedures operated by the council.

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. He further undertook to have management address the shortcomings as a matter of urgency.

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

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Finance Committee Meeting
19 May 2015

Councillor Ramsey emphasised that this 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's Draft Interim Management Report for the Year Ending 30 June 2015 and Draft Audit Engagement and Arrangements Letters (Item 3.2)

ID: A744715

Report from General Manager Finance, Lisa Aubrey, and Finance Manager, Simon Crabb.

Moved (Bain/Shepherd)

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 Chairman be authorised to sign the Audit Engagement Letter.
3. 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.

Carried

Draft Forest Management Plan 2015-2019 (Item 3.3)

ID: A745199

Report from General Manager Finance, Lisa Aubrey.

Moved (Bain/Sinclair)

1. That the report 'Draft Forest Management Plan 2015-2019' by Lisa Aubrey, General Manager Finance, and dated 7 May 2015, be received;

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Finance Committee Meeting
19 May 2015

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.

Carried

Creative Northlands 2015-2016 Draft Business Plan and KPI Reporting for the Period 1 January 2015 to 30 April 2015 (Item 3.4)

ID: A744838

Report from General Manager Finance, Lisa Aubrey.

Moved (Samuels/Ramsey)

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, a 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.

Carried

Secretarial Note:

- *Creative Northland Regional Manager, Laura Burns, and Trustee, Sidney Quintal, arrived at 10.49am while Item 3.4 was being discussed and responded to questions from the Committee.*
- *Audit New Zealand Director, Karen McKenzie (arrived at 10.51am) then addressed the earlier Item 3.2: 'Audit New Zealand's Draft Interim Management Report for the Year Ending 30 June 2015 and Draft Audit Engagement and Arrangements Letters'.*

Risk Profiling and Internal Audit Planning Process (Item 3.5)

ID: A746314

Report from Land/Rivers Senior Programme Manager, Bruce Howse, and Finance Manager, Simon Crabb.

Moved (Bain/Ramsey)

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.

Carried

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Finance Committee Meeting
19 May 2015

It was further moved (Shepherd/Carr)

2. That the Finance Committee requests staff re-scope the project to review the current risk register, with an emphasis on operational risk, and propose a development plan; including how it will be resourced.

Carried

Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 31 March 2015 (Item 3.6)

ID: A744554

Report from General Manager Finance, Lisa Aubrey.

Moved (Ramsey/Bain)

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.
2. That the Chairman write to the Mayor of FNDC outlining the council's disappointment about the lack of any involvement in the consultation prior to making rates policy announcements that have an impact on the Northland Regional Council.

Carried

Financial Report to 30 April 2015 (Item 3.7)

ID: A744952

Report from Financial Accountant, Angela Hobden, and Financial Management Accountant, Helen Jelinek.

Moved (Carr/Sinclair)

That the report 'Financial Report to 30 April 2015' by Angela Hobden, Financial Accountant, and Helen Jelinek, Financial Management Accountant, and dated 8 May 2015, be received.

Carried

ID:A746747

Finance Committee Meeting
19 May 2015

Request For Approval to Transfer 2014-2015 Operational Budgets Across Council Activities (Item 3.8)

ID: A745176

Report from Finance Manager, Simon Crabb.

Moved (Carr/Ramsey)

1. That the report 'Request for Approval to Transfer 2014-2015 Operational Budgets Across Council Activities' by Simon Crabb, Finance Manager, and 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 Whāngārei Urban Rivers Management Rate.
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.

Carried

2014-2015 Quarter Three Levels of Service Report (Item 3.9)

ID: A744252

Report from Governance and Communications Manager, Jonathan Gibbard.

Moved (Ramsey/Shepherd)

That the report '201-2015 Quarter Three Levels of Service Report' by Jonathan Gibbard, Strategy, Governance and Communications Manager, and dated 4 May 2015, be received.

Carried

Legislative Compliance Third Quarter 2014-2015 (Item 3.10)

ID: A744452

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

Moved (Ramsey/Shepherd)

That the report 'Legislative Compliance Third Quarter 2014-2015' by Jonathan Gibbard, Strategy, Governance and Communications Manager, and dated 4 May 2015, be received.

Carried

ID:A746747

Finance Committee Meeting
19 May 2015

Advice and Overview on the Establishment of the Debenture Trust Deed (Item 3.11)

ID: A745389

Report from General Manager Finance, Lisa Aubrey.

Moved (Samuels/Shepherd)

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.

Carried

Performance of Council's Investment Portfolio to 31 March 2015 (Item 3.12)

ID: A739183

Report from Financial Systems Administrator, Kym Ace.

Moved (Shepherd/Ramsey)

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.

Carried

Secretarial Note: Eriksen & Associates Managing Director, Jonathan Eriksen, was in attendance to brief the Committee on Items 3.12, 3.13, 3.14 (and Item 5.3 during public excluded).

The meeting adjourned at 12.36pm and reconvened at 1.02pm. Councillor Carr left the meeting at this time.

Community Investment Fund – Review of Investment Managers' Performance to 31 March 2015 (Item 3.13)

ID: A744284

Report from Finance Manager, Simon Crabb.

Moved (Bain/Sinclair)

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.

Carried

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Finance Committee Meeting
19 May 2015

**Draft Statement of Investment Policy and Objectives –
Infrastructure Investment Fund (Item 3.14)**

ID: A745434

Report from Finance Manager, Simon Crabb.

Moved (Samuels/Shepherd)

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 (included as Attachment One pertaining to Item 3.14 of the 19 May 2015 Finance Committee agenda) be approved for finalisation.

Carried**Receipt of Minutes of the Treasury Management Working
Group – 28 April 2015 (Item 4.1)**

ID: A745471

Report from General Manager Finance, Lisa Aubrey.

Moved (Bain/Sinclair)

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

Carried**Receipt of Minutes of the Audit Working Group Meeting –
2 April 2015 (Item 4.2)**

ID: A745631

Report from General Manager Finance, Lisa Aubrey.

Moved (Sinclair/Bain)

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

Carried**Receipt of Minutes of the Hazard Risk Management Working
Group Meeting– 23 April 2015 (Item 4.3)**

ID: A745634

Report from General Manager Finance, Lisa Aubrey.

Moved (Shepherd/Bain)

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

Carried

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5.0 Business with the Public Excluded

ID: A745573

Report from General Manager Finance, Lisa Aubrey.

Moved (Shepherd/Ramsey)

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
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)).
5.4 (Supplementary)	Kotuku Dam – Contractors Hard Rock Claim	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to allow council to carry on, without prejudice or disadvantage, negotiations, including commercial and industrial negotiations (section 7(2)(i)).

Carried

It was further moved (Bain/Ramsey)

That Eriksen & Associates Managing Director, Jonathan Eriksen, be permitted to remain after public excluded to address Items 5.2 and 5.3.

Carried

Conclusion

The meeting concluded at 2.15 pm.

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Finance Committee Meeting
19 May 2015

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ISSUE: Performance of Council's Investment Portfolio to 30 June 2015

ID: A766991

To: Finance Committee Meeting, 18 August 2015

From: Kym Ace, Financial Systems Administrator

Date: 7 August 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 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, twelve month period ending 30 June 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 6.05% against a budgeted return of 5.41%.

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 30 June 2015" from the Financial Systems Administrator, Kym Ace and dated 7 August 2015, be received.
2. That the Finance Committee approve the funds held on call in Mint Income Fund, pending the capital call of the Continuity Capital Private Equity Fund and the resulting asset allocation mix.

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 3.3**).

Summary of performance

Year to date (twelve months) council's total investment portfolio (excluding the Community Investment Fund which is covered separately) has made a return of \$7.71M (6.05%) against a budgeted return of \$8.08M (5.41%).

This \$372K unfavourable variance is predominantly due to \$172K unfavourable rental income, and the \$200K unfavourable interest income variance.

The unfavourable rental variance of \$172K is due to the lost rental associated with the sale of BBS Timbers and the purchase of the Reyburn Street property (offset by interest earned as explained below).

The unfavourable investment interest income/gains variance of \$200K is predominantly made up of:

- \$197K 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;
- \$157K unfavourable investment & growth interest variance which is due to approvals for extra projects from the fund that were unforeseen at the time of setting the budgets and the full funding of Northland Inc. Limited operations which was not budgeted for; and
- Partially offset by the unbudgeted \$200K 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	
Actual	Budget	Actual	Budget
4.70%	4.80%	6.05%	5.41%

Performance by investment type

The table below shows the **annual** rate of return by investment type (as a percentage of the average investment value per investment type).

Investment Portfolio (excluding Community Investment Fund) to 30 June 2015			
Investment		Return	
Type	Value	Year to Date	
	\$ million	Actual	Budget
Cash	12.3	5.80%	5.56%
Bonds	0.3	8.01%	7.04%
Investment Fund Managers	3.3	8.45%	6.00%
I&G Fund	3.6	4.45%	6.17%
Internal borrowings	13.2	6.16%	6.15%

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Investment Portfolio (excluding Community Investment Fund) to 30 June 2015			
Investment		Return	
Type	Value	Year to Date	
	\$ million	Actual	Budget
Investment properties	49.8	7.66%	7.39%
Shares – MMH Ltd.	63.1	4.86%	3.80%
Total	145.6	6.05%	5.41%

The cash balance of \$12.3 Million is the average cash holding for June 2015.

Property Reinvestment Fund Performance

During the current quarter the Finance Committee approved committed capital of \$1 Million to be invested in Continuity Capital Private Equity Fund No.2. To date capital calls of \$290,000 have been requested and settled. The funds to meet these calls were withdrawn from the Milford Income Fund. The remaining uncalled capital (\$710,000) is being held on call with Mint Income Fund.

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 June 2015 quarter is **attached** as **Attachment One**. The returns detailed in this report are not based on an annualised return calculation.

Investment Property Returns

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.

Marsden Maritime Holdings Limited

Shares in Marsden Maritime Holdings Limited are valued in the table above at their 30 June 2015 market price of \$2.85 (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 30 June 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. .

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Compliance with the Property Re-Investment Fund Statement of Investment Policy and Objectives (PRF SIPO)

The value of the PRF at 30 June 2015 was \$3,291,985 distributed among the following fund managers:

Asset Class	Fund Manager	Market Value 30 June 2015	Actual Allocation Mix	Target Allocation Mix
Australian Equities	Aspiring Fund	-	0	15%
	Mint Australasian Equities Fund	-	0	10%
Australasian Equities		-	-	<u>25%</u>
Australasian Private Equity	Continuity Capital	\$ 318,464	10%	10%
Total Growth Assets		\$ 318,464	10%	<u>35%</u>
Diversified Income	Milford Income Fund	\$ 776,250	24%	25%
	Mint Income Fund	\$ 2,197,271	66%	40%
Total Income Fund		\$ 2,973,521	90%	<u>65%</u>
Total Assets		\$ 3,291,985	100%	100%

The allocation mix at 30 June 2015 was in breach of the PRF SIPO as a result of the funds held on call with Mint Income Fund (pending the capital call from Continuity Capital).

Eriksen & Associates amendments to the current SIPO and the Treasury Management Working Group approved investment strategy, is included in the agenda item 5.3 - Property Reinvestment Fund SIPO Amendments and Further Investments.

ERIKSEN & ASSOCIATES LTD

Actuaries & Investment Strategists

NORTHLAND REGIONAL COUNCIL PROPERTY RE-INVESTMENT FUND

Northland Regional Council has, in addition to the Community Investment Fund, three 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
Diversified Income	Milford	Income Fund	NZX 90 Day Bank Bill + 1% p.a.
	Mint	Income Fund	NZ CPI + 4% p.a.
Australasian Private Equity	Continuity Capital	Private Equity Fund No.2 LP	NZX50 Index (excluding imputation credits) + 4% pa

We have used the Fund objective of the MorningStar Unlisted and Direct Property Index plus 1% after fees over rolling three years periods as specified in the draft SIPO prepared in May 2015.

PERFORMANCE BY INDIVIDUAL MANAGER

The following tables show the individual market values and asset returns for the quarter.

Allocations	Market Value NZ\$	Actual Allocation %	Target Allocation %	Status
Aspiring Fund	-	0.0	10 < 15 < 20	×
Mint Australasian Equities Fund	-	0.0	5 < 10 < 15	×
Australasian Equities	-	0.0	25	
Continuity Capital No.2 LP Fund	318,464	9.7	0 < 10 < 20	✓
Australasian Private Equity	318,464	9.7	10	
Growth Assets			35	
Milford Income Fund	776,250	23.6	15 < 25 < 35	✓
Mint Income Fund	2,197,271	66.7	30 < 40 < 50	×
Diversified Income	2,973,521	90.3	65	
Income Assets			65	
Total Assets	3,291,985	100.0		

Note that as this fund has just commenced the current asset allocation does not yet meet the long term asset allocation represented by the SIPO. We are preparing further recommendations to invest the proceeds of property sales which include amendments to the current draft SIPO to accommodate the most effective implementation strategy in the light of current market conditions.

Auckland

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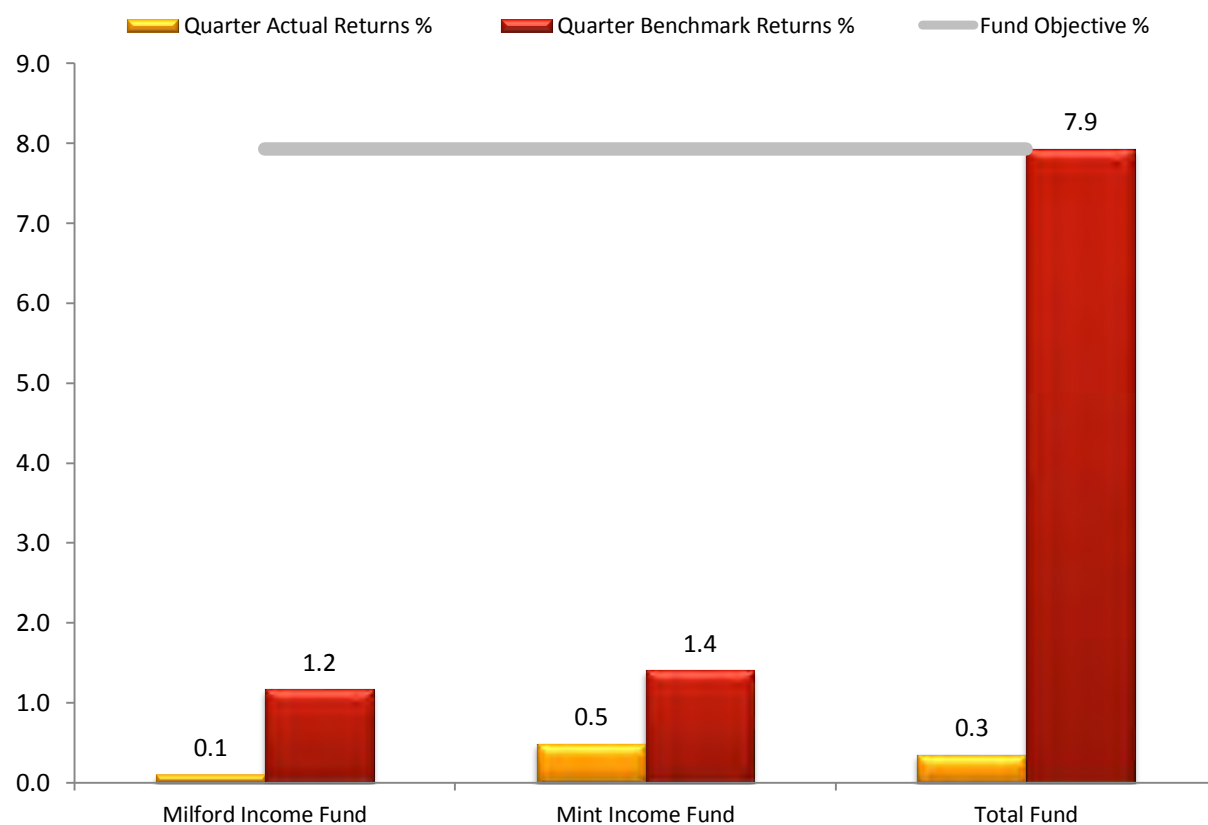
Wellington

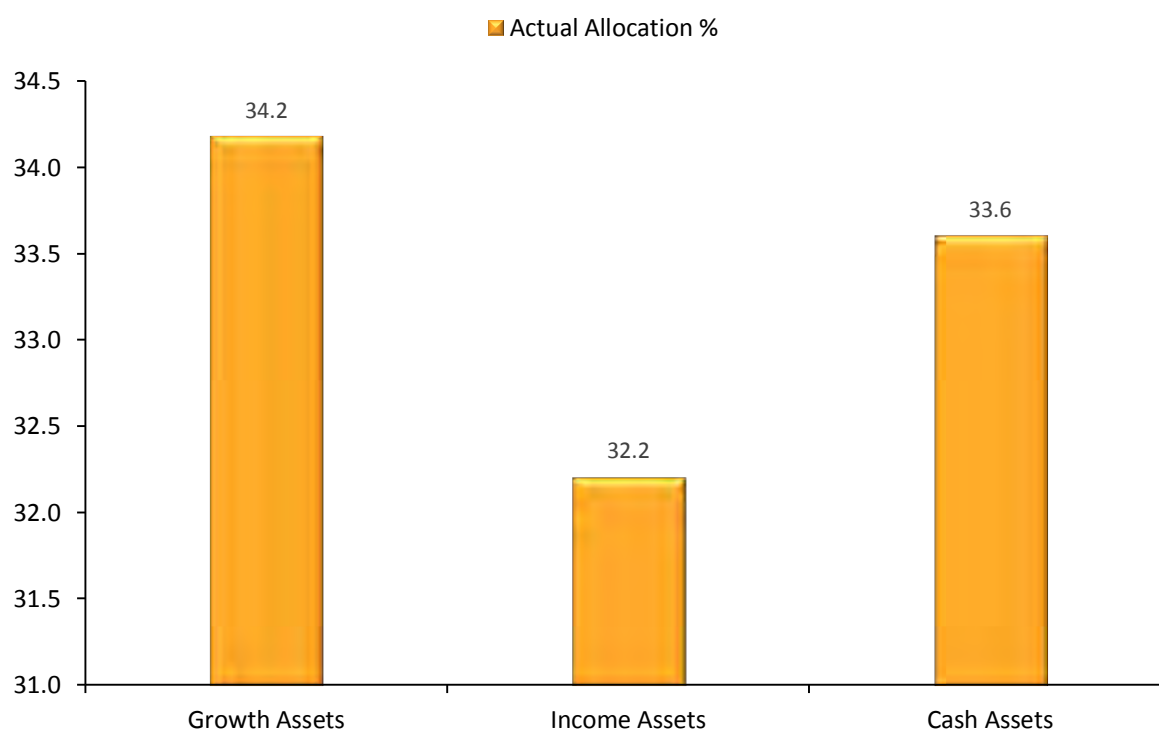
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Asset	Quarter %
Australasian Private Equity	
Continuity Capital No.2 LP Fund	
Benchmark	
Over / Underperformance	
Diversified Income	
Milford Income Fund	0.1
Benchmark	1.2
Over / Underperformance	-1.1
Mint Income Fund	0.5
Benchmark	1.4
Over / Underperformance	-0.9
Total Assets	
Total Fund	0.3
Fund Objective	7.9
Over / Underperformance	-7.6

Continuity Capital will be reported on once we have at least three months data.

Quarterly Returns by Individual Manager



Asset Allocations by Underlying Fund Assets

Growth assets includes:

- Global shares
- Australasian shares
- Property
- Private Equity

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 30 June 2015

ID: A768189

To: Finance Committee Meeting, 18 August 2015

From: Kym Ace, Financial Systems Administrator

Date: 5 August 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 purpose of this report is to provide council with an independent assessment of the Community Investment Fund Investment Managers’ Performance for the period ending 30 June 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 30 June 2015” by Kym Ace, Financial Systems Administrator, and dated 5 August 2015, be received.

Report:

Community Investment Fund Performance – 30 June 2015:

At 30 June 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;

- 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 June 2015 quarter is **attached** as **Attachment One**.

The market value of the fund at 30 June 2015 is \$11.77M. The asset allocation mix is 52.9% income assets and 47.1% growth assets which is within the ranges specified by the CIF-SIPO.

Overall, the fund returned 2.3% for the quarter to 30 June 2015, outperforming the quarterly benchmark of 1.2% by 1.1%. Over the past year the fund has returned 11.2%, outperforming the annual benchmark of 4.8% by 6.4% (over double).

The minutes of the Treasury Management Working Group meeting on 3 August 2015 which included a teleconference with Jonathan Eriksen of Eriksen and Associates Limited are presented in **agenda item 5.2**.

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

Compliance against SIPO

At 30 June 2015 there were no breaches of the CIF-SIPO and all investment managers had complied with their specific mandates. However, there is a residual risk to Milford with the Financial Markets Authority (FMA) continuing its case against the former trader of their Trans-Tasman equity product. Eriksen & Associates Limited have downgraded their recommendation on the Milford Income Fund to a hold from a buy.

ISSUE: Update on External Borrowing

ID: A769527

To: Finance Committee Meeting, 18 August 2015

From: Simon Crabb, Finance Manager

Date: 7 August 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 update the committee on the progress made in securing external borrowing, and seek approval to invest \$5,992,584 of the borrowed funds in accordance with the Infrastructure Investment Fund SIPO.

Legal compliance and significance assessment:

The activities detailed in this report are in accordance with council's Treasury Management Policy and the 2015–2025 Long Term Plan, both of which were approved in accordance with council's decision making requirements of sections 76-82 of the Local Government Act 2002.

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council, and is in accordance with the approved Treasury Management Policy.

Recommendations:

1. That the report 'Update on External Borrowing' by Simon Crabb, Finance Manager, and dated 7 August 2015, be received;
2. That \$5,992,584 of external borrowing is invested in accordance with the Infrastructure Investment Fund SIPO;
3. That joining the Local Government Funding Agency (LGFA) is evaluated with a view of borrowing a further \$6M on a fixed basis for a term of 12 years.

Report:

At the Treasury Management Working Group (TMWG) meeting on 23 July 2015, the TMWG recommended staff approach Westpac and ANZ to firm up the cost of external borrowing associated with the:

- | | |
|---|---------------------------------|
| • Whangarei Detention Dam (life to date cost) | being \$9 million for 10 years |
| • Marsden Point Rail Link property purchases | being \$5 million for 5 years |
| • Regional Events Centre | being \$3 million for 2.5 years |
| TOTAL | \$17 Million |

ANZ responded with the lowest indicative interest rates as presented in Table One below.

There was **NO** interest from any institutional investors to provide borrowing for a 10 year term.

Table One

ANZ 29-7-2015					
INDICATIVE 29 JULY 2015 ex ANZ					
Amount	Term	Type	Wholesale Rate	Credit Spread inc Arrangement fee	Total Cost of Borrowing
\$9 Million	10 Year	Fixed Rate Bond	-	-	-
\$5 Million	5 Year	Fixed Rate Bond	3.25%	0.61%	3.86%
\$3 Million	2.5 Year	Fixed Rate Bond	3.05%	0.51%	3.56%

As council could not secure any ten year borrowing, the TMWG revised its recommendation on 3 August 2015 as follows:

Lock in the \$3 Million at 3.56%, increase the 5 year amount to \$10 Million at 3.86%, and investigate joining the Local Government Funding Agency (LGFA) with a view of borrowing a further \$6 Million for 12 years.

The total borrowing in the above recommendation was revised to \$19 Million to reflect the estimated cost to fully complete the Whangarei Dam of \$11 Million (as opposed to the life to date cost of \$9 Million):

- Whangarei Detention Dam (estimated total cost to completion) \$11 Million
- Marsden Point Rail Link property purchases \$5 Million
- Regional Events Centre \$3 Million
- Total \$19 Million**

The process of borrowing the \$13 Million via ANZ has commenced, with the wholesale interest rates set to be fixed at 11am on 11 August 2015, and the settlement date set as Thursday 13 August 2015.

Upon receipt of the \$13 Million:

- \$7,007,416 will be invested in accordance with the Property Reinvestment Fund, as explained in agenda item 5.3; and
- The remaining \$5,992,584 will be invested in accordance with the Infrastructure Investment Fund (IIF) Statement of Investment Policy and Objectives (SIPO).

The IIF SIPO was established in May 2015 to govern the investments that would ultimately be used to fund any future infrastructure projects. The primary emphasis of the IFF SIPO is capital preservation, liquidity, and real value protection. The IFF SIPO is **attached** as **Attachment One** for councillor's information.

ITEM: 3.4
Page 3 of 3

The investment strategy for the \$5,992,584 is presented in Table Two.

Table Two	Infrastructure Investment Fund	Actual Asset Mix	Asset Mix Benchmark Range
Harbour Income Fund	\$992,584	16%	10% - 30%
Mint Income Fund	\$2,500,000	42%	30% - 50%
Schroders Real Return Fund CPI+3.5%	\$2,500,000	42%	30% - 50%
Total	\$5,992,584	100%	100%

Local Government Funding Agency (LGFA)

The TMWG also recommended that council investigate joining the LGFA to borrow a further \$6 Million for 12 years.

The LGFA was established in order to borrow funds and then on-lend those funds to local authorities at a lower interest margin than the local authorities could secure in the absence of LGFA.

Buddle Findlay and Simpson Grierson are recognised as the leading legal advisors in assisting councils through the process of joining the LGFA, and a memo from Buddle Findlay outlining the steps involved in the process is **attached** as **Attachment Two**.

Council consulted the public on joining the LGFA in the 2012-22 Long Term Plan (LTP), and then ultimately decided not to join. Subject to the 2012-22 LTP correctly covering all the public consultation requirements, it may not be necessary to consult again. Staff will continue to examine and consider the requirements and implications of becoming a LGFA member and report back to the committee in due course.



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

**Statement of Investment
Policy and Objectives**

Adopted by the Council

On: 19th May 2015

Signed:

A handwritten signature in black ink, which appears to be "M. P. [unclear]", is written over a horizontal line. Below this line, the words "Chief Executive" are written in a cursive script.

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

Memo

4 August 2015

To: Simon Crabb

From: Adam Jackson

Debenture Trust Deed - Wholesale Bond Issuance

Introduction

1. This is a short note on how to join the New Zealand Local Government Funding Agency (LGFA) scheme.

Outline

2. The steps involved are:
 - (a) Consult with the public and amend statutory policies and plans to the extent required to allow the Council to join the LGFA scheme.
 - (b) Put Council authorisations in place authorising the entry into, and execution of, the various documents.
 - (c) Put a Debenture Trust Deed in place and have it approved by the LGFA (the first part of which is already done).
 - (d) Sign the accession deeds provided by the LGFA, joining the Council to the scheme.
 - (e) Deliver additional certificates, opinions and other things required in conjunction with the accession.

Consultation and plans and policies

3. Some public consultation will almost inevitably be required before joining the LGFA scheme.
 4. First, depending on the changes required to statutory policies and plans, consultation on those changes may be required. For example, if changes to the long term plan are required, consultation will also be required.
 5. Secondly, the Council may, under the LGFA structure, become the holder of some shares in the LGFA in certain circumstances. This is because it is a feature of the LGFA scheme that, under certain circumstances, convertible debt instruments that are issued to all borrowers will be converted into shares in the LGFA to increase its capital. The LGFA is a council-controlled organisation and so, under section 56 of the Local Government Act, any shareholding is only
-

permitted if there has first been public consultation. This consultation is best done before the Council joins the scheme.

6. The Council's statutory policies and plans should be amended as required to contemplate the various things that need to be done under the LGFA scheme. This can be done in a way that is tailored to the current wording of those policies and plans. Alternatively, there is some wording that is used by many local authorities that can be added to any existing policy or plan. I understand that PWC has already provided this to you.

Authorisations

7. It is unlikely that the Council will have delegations in place that allow it to join the LGFA scheme. Consequently, before doing so, Council approval will be needed.

Debenture Trust Deed

8. To join the LGFA scheme, you need to have a Debenture Trust Deed that has been approved by the LGFA. The Council has just put a Debenture Trust Deed in place and we anticipate that the LGFA would approve the form you have used without requiring any amendment.

Accession to scheme

9. The LGFA scheme has been running for some time, with a number of local authorities already participating. That means that the documentation required for the scheme to work is already in place. That documentation is largely multi-party documentation, with all participating local authorities being party to the same documents. For example, instead of each local authority having entered into separate deeds with the LGFA under which they can issue bonds to the LGFA, all local authorities already in the scheme are, together with the LGFA, party to a single "Multi-Issuer Deed".
10. Because the documentation is already in place, new local authorities join by signing "accession" documents. These are very short documents under which the local authority effectively agrees to be bound by an existing agreement as if it had entered into it when it was being signed. Consequently, while a volume of significant obligations are entered into when a local authority joins the scheme, the documents it actually signs are very short.
11. There are two key documents that must be acceded to to become a borrower under the LGFA scheme. These are:
- (a) the Multi-Issuer Deed; and
 - (b) the Note Subscription Deed.
12. The Multi-Issuer Deed is a document under which local authorities can issue bonds (or commercial paper if the LGFA begins subscribing for commercial paper). In other words, it is the document under which local authorities actually borrow from the LGFA.
13. The Note Subscription Deed is a document under which local authorities subscribe for "Borrower Notes" at the same time as they borrow from the LGFA. The price the local authority must pay for Borrower Notes is 1.6% of the amount that it is borrowing, and that amount is retained by the LGFA

as capital. Borrower Notes are repaid by the LGFA when a local authority repays its debt, though they are subordinated, and may, in some circumstances, be converted into shares in the LGFA rather than being repaid.

14. There are two key additional documents that must be acceded to to become a guarantor under the LGFA scheme. These are:
 - (a) the Guarantee and Indemnity; and
 - (b) the Equity Commitment Deed.
15. The Guarantee and Indemnity is a document under which local authorities guarantee the indebtedness of the LGFA and of other guarantors.

Additional steps

16. In addition to signing the accession documents, there are some additional things that must be provided.
 - 16.1 First, the Council must issue Security Stock to the LGFA to secure the Council's obligations to it and provide the LGFA with a Security Stock Certificate to evidence the issuance of that Security Stock. Security Stock is issued under a Council's Debenture Trust Deed, and the form of Security Stock Certificate is scheduled to the Council's Debenture Trust Deed as Schedule 2.
 17. The Council must also provide the LGFA with a copy of the Stock Issuance Certificate that will need to be prepared anyway under the Debenture Trust Deed in conjunction with the issuance of the Security Stock described above. The form of that certificate is attached to the Debenture Trust Deed as Schedule 6.
 18. The Council must send the LGFA a certificate that is signed by the Council's Chief Executive and that certifies that:
 - (a) the Council has complied with the Local Government Act 2002 in connection with the entry into the accession deeds referred to above and the Security Stock Certificate referred to above (Borrowing Accession Documents); and
 - (b) all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to the Council's entry into the Borrowing Accession Documents have been obtained and are current and satisfactory.
 19. There is also an additional "Officer's Certificate" that is required with various certifications in it. This is usually signed by the Chief Executive as well.
 20. The Council's external lawyers must send the LGFA a legal opinion relating to the entry into the Borrowing Accession Documents.
 21. The Council must provide the LGFA with any evidence or documentation it may require to satisfy it that the Council can issue Borrower Notes to the Council without it being a "regulated offer" under the Financial Markets Conduct Act 2013.
-

Additional steps to become a guarantor

22. In addition to the above there are some steps the Council must take if it wishes to join the LGFA scheme as a guarantor.
23. In addition to the Security Stock referred to above, the Council must also issue Security Stock to the Security Trustee to secure the Council's obligations to it under the Guarantee and Indemnity and provide the Security Trustee with a Security Stock Certificate to evidence the issuance of that Security Stock.
24. The Council must also issue additional Security Stock to the LGFA to secure the Council's obligations to it under the Equity Commitment Deed and provide the LGFA with a Security Stock Certificate to evidence the issuance of that Security Stock.
25. Again, copies of the Stock Issuance Certificates required in relation to the additional Security Stock must be provided to the LGFA.
26. The Council must send the Security Trustee a certificate that is signed by the Council's Chief Executive and that certifies that:
 - (a) the Council has complied with the Local Government Act 2002 in connection with the entry into the accession deed referred to above and the Security Stock Certificate referred to above (Partial Guarantor Accession Documents); and
 - (b) all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to the Council's entry into the Partial Guarantor Accession Documents have been obtained and are current and satisfactory.
27. The LGFA and the Security Trustee must be sent a legal opinion from external lawyers (in a form agreed between the LGFA and the external lawyers) relating to the entry into the Full Guarantor Accession Documents.
28. The Council must notify the Security Trustee and the LGFA of the Annual Rates Income in the Financial Statements of the Council in the most recent year for which all Guarantors have prepared and adopted an annual report in accordance with sections 98 and 99 of the Local Government Act 2002.

ITEM: 3.5

Page 1 of 5

ISSUE: Creative Northland's 2015-2016 Business Plan and Second Six-Monthly Reporting 2014-2015

ID: A768540

To: Finance Committee Meeting, 18 August 2015

From: Jonathan Gibbard, General Manager Governance and Strategy

Date: 6 August 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 seek council's agreement to allocate \$59,000 in funding to Creative Northland as set out in the Long Term Plan 2015-2025 (LTP). Council's decision to allocate this funding in the LTP was conditional on receipt and agreement of an appropriate business plan from Creative Northland. A Business Plan for 2015-2016 has been provided and included in this report. The report also proposes several key performance indicators (KPI) that Creative Northland be required to report on to council for the 2015-2016 financial year. The second and final KPI reporting from Creative Northland for the 2014-2015 is also incorporated into this report.

Legal compliance & significance assessment:

This item and its content are consistent with the Long Term Plan 2015-2025. 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 Northland's 2015-2016 Business Plan and Second Six-Monthly Reporting 2014-2015' by Jonathan Gibbard, General Manager Governance and Strategy, and dated 6 August 2015, be received.
2. That the Finance Committee receives and approves Creative Northland's 2015-2016 Business Plan.
3. That Creative Northland be funded \$59,000 for 2015-2016, to be paid in four (equal) quarterly instalments.
4. That Creative Northland provide six monthly reporting to council on the key performance indicators as set out in this report.

5. That the allocation of \$59,000 per annum in funding to Creative Northland for 2016-2017 and 2017-2018 remains subject to council approval on appropriate business plans covering these periods.

Report:

Previous situation

Prior to the establishment of the Long Term Plan 2015-2025, Creative Northland received funding of \$50,000 annually from council. This funding was provided with the requirement that Creative Northland adhere to the following reporting programme.

Table 1. Reporting Programme for Creative Northland	
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.

The key performance indicators (KPI) to be reported on for 2014-2015 are set out below.

Table 2. Key Performance Indicators 2014-2015		
Objective	Indicator	Target
Engaging the creative sector (as aligned with section 4B of the CHART/Creative Northland Business Plan)	Consultation with regional artists and creative businesses	Host three networking events for the creative sector in 2014-2015
Sector Professional Development/Marketing & Branding (as aligned with section 10A and 10D in the n of the CHART/Creative Northland Business Plan)	Increased awareness of the Creative Northland brand and regional community	Securing three opportunities for Northland artists outside the region
	Delivering professional development and business opportunities for the creative sector	Offer three relevant workshops to the sector in the year

Attachment One is a report from Creative Northland covering the achievement of the KPI's for the period 1 July 2014 – 30 June 2015. It indicates that they have achieved all three of the KPI targets agreed for the year.

New proposed situation

At its LTP deliberations meeting held on 18 May 2015, council agreed to provide \$59,000 a year to Creative Northland to support economic growth and business capability in Northland's art sector. This agreement was made subject to council's approval of Creative Northland's business plan. The funding is provided out of the new non-contestable fund for community projects totalling \$90,000. The allocation of

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this funding (to Creative Northland, Sea Cleaners and Whāngārei Native Bird Recovery Centre) is to be reviewed after three years.

Attachment Two is Creative Northland's business plan for 2015-2016. An important organisational development over the past year has been the decision to removal the dual identity of operating both CHART and Creative Northland.¹ The organisation is now simply known as Creative Northland. Along with this change has been a redevelopment of the business plan, which has moved away from being a largely Whāngārei focussed document to being a wider Northland region directed plan. This is reflected in the new vision, mission and objectives of Creative Northland that place emphasis on developing the creative sector in the whole of Tai Tokerau.

There is quite a degree of alignment between council's outcomes, values and areas of focus, and the five objectives of Creative Northland (Table 3). They also appear to meet council's funding objectives to improve economic growth and business capability and capacity in the arts sector as agreed at the meeting of the Finance Committee on 17 February 2015.

Table 3. Relationship between council's objectives and vision and Creative Northland's objectives	
NRC LTP 2015-2025	Creative Northland 2015-2016
<u>Community outcomes</u>	
1. Northland's overall environment is maintained or improved with an emphasis on encouraging the sustainable access to and use of resources	
2. Northland has a strong local government leadership ensuring safe and resilient communities	<ul style="list-style-type: none"> • Provide leadership and advocacy for Tai Tokerau's creative sector
3. Northland is promoted effectively	<ul style="list-style-type: none"> • Actively promote Tai Tokerau's creative sector, within Northland, across New Zealand and offshore to encourage business acumen and positive economic growth
<u>Council values</u>	
1. We are a positive and customer-friendly organisation	<ul style="list-style-type: none"> • Operate as a best practice organisation, demonstrating transparency, accountability and sustainable business practiced across all aspects of the business, including people, finances and planning
2. We progressively increase the engagement of Northlanders' in our activities	<ul style="list-style-type: none"> • 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
<u>Areas of focus</u>	
1. Develop meaningful and inclusive relationships with iwi and tangata whenua within Te Rohe o Te Taitokerau	
2. Provide a business-friendly environment	

¹ Creative Northland was previously an "arm" of the Culture, Heritage and Arts Resource Trust (CHART), created as a mechanism to secure funding from sources such as Creative New Zealand.

3. Maximise returns to the community through funds invested and effective use of assets	<ul style="list-style-type: none"> Empower and enable Tai Tokerau's creative sector to grow
4. Identify, promote or invest in regionally significant infrastructure	

The following table lists some possible KPIs that Creative Northland needs to report to. It is anticipated that the current reporting timetable outlined in Table 1 be maintained.

Table 4. Proposed Key Performance Indicators 2015-2016		
Creative Northland objective	Outcome	Target or reporting requirement
Empower and enable Tai Tokerau's creative sector to grow	CN members are supported through practical hands-on workshops to enhance their efforts to grow and support the creative sector	Four workshops held to inform, assist, upskill members in subjects as agreed with them
	Incorporation of creative arts into the redevelopment of the Twin Coast Discovery project through engagement with Northland Inc.	Provide examples of how creative arts have been incorporated into the Twin Coast Discovery project
Provide leadership and advocacy for Tai Tokerau's creative sector	Stakeholders and partners feel engaged, connected and informed	Provide examples of regular information disseminated to members
	Use economic information purchased by council from Infometrics to assess the role of the creative sector in the Northland economy	An economic report on the Northland creative sector is prepared upon release of the annual economic profile in February 2016
Actively promote Tai Tokerau's creative sector, within Northland, across New Zealand and offshore to encourage business acumen and positive economic growth	The creative sector better understands the principles of financial sustainability, and becomes self-sufficient through increased knowledge and accessing opportunity for growth	Offer two relevant workshops to the sector in 2015/16r
	Purpose and vision of CN is well recognised and understood	Provide examples of strong media coverage of the creative sector in the media
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	Evidence that the organisation applies for funding from other sources and are successful on at least two occasions	Provide examples of applications and report on the results of these applications

The outcomes and targets/reporting requirements that are shaded in Table 4 are additional to those in the business plan.

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As the current business plan only covers the 2015-2016 financial year, it is recommended that the allocation of funding for the remaining two years of the LTP decision (i.e. 2016-2017 and 2017-2018) remain subject to council agreement

Hinurewa te Hau, Creative Northland General Manager, and Laura Burns, Creative Northland Operations Manager, will attend the meeting to answer any questions councillors may have.

**ISSUE: Northland Emergency Services Trust (NEST)
Approval to Make the Final 2014-2015 Payment**

ID: A768191

To: Finance Committee Meeting, 18 August 2015

From: Steve Goddard, Management Accountant

Date: 4 August 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 checked="" type="checkbox"/> Annual\Long Term Plan	<input type="checkbox"/> Other
Significance:	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

Executive summary:

The purpose of this report is to obtain approval to pay the final payment of the 2014-2015 financial year of \$128,919 plus GST to NEST.

Legal compliance and significance assessment:

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

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council.

Recommendations:

1. That the report "Northland Emergency Services Trust (NEST) Approval to Make the Final 2014-2015 Payment", by Steve Goddard, Management Accountant, and dated 4 August 2015, be received.
2. That the final payment of the 2014-2015 financial year of \$128,918.68 plus GST be approved for payment.

Report:

In adopting its 2012-22 Long Term Plan, council provided a three-year commitment to make an annual \$600,000 funding contribution to NEST. A condition of this funding contribution was that NEST provides council with six monthly reporting on the trust's financial position, the use of the rescue helicopter service and report on any information that would have a bearing on both aspects.

Due to reporting deadlines NEST has been unable to provide financial statements prior to the writing of this report. They have draft reports for the twelve months to 31

March 2015 that require approval from their Chairman. These reports will be presented to council when they become available.

As part of the 2014-2015 final payment calculation it is council's established practice to approve the final "wash up" payment and settle any arrears from previous financial years.

Of the 2014-2015 rate strike, 90.34% has been collected and received by the council. Based on this collection rate, it is recommended that **\$92,051.47** plus GST is paid to NEST to wash up the 2014-2015 rates that were actually collected. The remaining 9.66% (\$57,948.53) will be accounted for as an increase in the accounts payable to NEST.

As at 30 June 2014, the accounts payable (liability) due to NEST was \$162,637.73. It was agreed this amount would be paid if and when the rate arrears were received by council. During the 2014-2015 financial year 22.65% of rating arrears were collected (this means **\$36,867.21** of the \$162,637.73 is now also due to be paid to NEST).

Therefore it is recommended that the final payment to NEST for the 2014-2015 financial year is **\$128,918.68 plus GST**, being \$92,051.47 plus GST of the actual 2014-2015 NEST rates collected plus \$36,867.21 of NEST rate arrears collected.

The calculations are illustrated in the table below:

NEST payments	2010-11 GST exclusive	2011-12 GST exclusive	2012-13 GST exclusive	2013-14 GST exclusive	2014-15 GST exclusive
Grant to NEST	\$600,000.00	\$600,000.00	\$600,000.00	\$600,000.00	\$600,000
<i>Agreed % to pay (based on actual rates collected)</i>	90.69%	92.15%	91.70%	90.85%	90.34%
Grant to NEST due for payment for financial year	\$544,136.37	\$552,926.66	\$550,184.52	\$545,099.68	\$542,051.47
Less payments made to date	(\$450,000.00)	(\$450,000.00)	(\$450,000.00)	(\$450,000.00)	(\$450,000.00)
Final payment due	\$94,136.37	\$102,926.66	\$100,184.52	\$95,099.68	\$92,051.47
Accounts payable					
Opening balance	\$44,196.77	\$87,970.47	\$115,573.16	\$138,295.04	\$162,784.84
Plus additional balance	\$55,863.63	\$47,073.34	\$49,815.48	\$54,900.32	\$57,948.53
Less any arrears rates collected	(\$12,089.94)	(\$19,470.65)	(\$27,093.59)	(\$30,557.63)	(\$36,867.21)
Closing balance	\$87,970.47	\$115,573.16	\$138,295.04	\$162,637.73	\$183,866.16
Arrears collected (%)	27.35%	22.13%	23.44%	22.10%	22.65%
Total amount payable					
Outstanding grant at 30 June	\$94,136.37	\$102,926.66	\$100,184.52	\$95,099.69	\$92,051.47
Add arrears collected	\$12,089.94	\$19,470.65	\$27,093.59	\$30,557.63	\$36,867.21
Total payment due	\$106,226.31	\$122,397.31	\$127,278.11	\$125,657.32	\$128,918.68

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ISSUE: Insurance Policy Renewals for the 2015-2016 Financial Year

ID: A768369

To: Finance Committee Meeting, 18 August 2015

From: Steve Goddard, Management Accountant

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

Executive summary:

Council's insurance policies have been renewed for the 12 month period 1 July 2015 to 30 June 2016, at a total cost of \$259,723 plus GST (including \$13,000 for Harbour Masters Liability and Wreck Removal extension with AON). These policies and insurance levels can be amended if necessary throughout the period of cover. Refer to **Attachment One** to see the schedule of policy renewals, sum insured and cost.

A paper on insurance was presented to the Hazard-Risk Working Group at the 10 July meeting. This item reflects advice and recommendations from that group.

This paper concludes with the recommendation that the insurance programme be endorsed by council.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's Long Term Plan 2015-2025 Plan, and as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002.

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council, and it does not require a council decision but is for information purposes only.

Recommendations:

1. That the report "Insurance Policy Renewals for the 2015-2016 Financial Year" by Steve Goddard, Management Accountant and dated 3 August 2015, be received.
2. That the recommended insurance 2015-2016 renewal programme as detailed in Attachment One and in effect from 1 July 2015 be endorsed by the Finance Committee.
3. The following insurance items be amended based on advice from the Hazard-Risk Working Group:

- Buoys and beacons insurance. Only insure the large lit beacons, leading lights, sector lights, main lights, and large signs. This will reduce the premium by \$3,133.
 - Harbourmaster Liability Insurance Review. Take out a further \$20 Million of cover with AON at a cost of \$13,000 (giving a total of \$40 Million of combined cover).
4. The following insurance items were investigated at the request of the Hazard-Risk Working Group with no change being subsequently recommended:
- Excess on Motor Vehicle claims. Excess will remain at \$500.
 - Employment Dispute Insurance. NRC will not take out Employment dispute cover.

Report:

1. Overview of process

To ensure council holds the appropriate level of insurance, on an annual basis, staff undertake a comprehensive review of all of our insurance types and cover and extent of cover sought and provided. The level of insurance obtained to protect our assets is based on the latest fixed asset information and where relevant, includes projected budgeted spend during the insurance year. Where appropriate independent valuation information is also sought and provided (buildings, river schemes, vehicles). We also consider and review councils risk cover and maintain a watching brief and awareness as to whether there is insurance council holds which is not required or insurance council does not hold that would be beneficial.

2. Markets

The insurance market in New Zealand has softened over the last year and we are now seeing some reasonable reductions in property premiums and lower risk liability lines.

Renewal of council's insurance portfolio

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

Council has taken policies with the following insurers:

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

The renewal programme is provided in **Attachment One** (excludes \$13,000 for Harbour Masters Liability and Wreck Removal extension with AON). This includes the amount insured, the excess and the insurance premium cost. The 2014 cost is also provided to allow direct comparison. The total insurance cost is \$259,642.62 (including \$13,000 for Harbour Masters Liability and Wreck Removal extension with AON) the budget provided for 2015-2016 is \$273,936.

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Overall, the total renewal premium is very similar to last year despite increases in some of the sums insured for property based risks including:

- Material Damage - Reyburn Street property \$1.2M.
- Reinstatement revaluation of buildings \$1.5M.
- Increased general contents and monitoring equipment of \$500K.
- Increased reinstatement value of computer equipment of \$500K.
- Forestry sum increased by \$600K.

3. Harbour Master Liability Insurance and Removal of Wreck

Our current cover provided by RiskPool is for \$20M for Harbour Masters Liability and Wreck removal cover. This is the maximum amount of cover Riskpool is able to provide to any council.

The cover provided by this insurance is to cover a successful claim against council for negligence in its role as harbourmaster resulting in accidental damage to property or personal injury as well as reasonable and actual expenses of the removal, destruction or salvage of any wreck posing a hazard to navigation.

The Hazard and Risk Working Group have agreed to take out an additional \$20 Million of cover with AON at a cost of \$13,000. This gives a combined total cover of \$40 Million.

4. Buoys and Beacons Insurance

In previous years we have held insurance for all navigation aids held by NRC.

At the request of the Hazard-Risk Working Group staff got quotes for the following options:

- *Option 1 - Large lit beacons, leading lights, sector lights, main lights, large signs:*
Sum Insured \$625,000
Premium \$5,475 + GST
- *Option 2 – Items with individual value exceeding \$20K:*
Sum Insured \$340,000
Premium \$4,008.40 + GST

Other terms and conditions unchanged.

- Current Full Cover \$1,600,000
Premium \$8,608.00 + GST

Staff and the Hazard-Risk Working Group support option 1 to only insure the large lit beacons, leading lights, sector lights, main lights, and large signs. This will reduce the premium by \$3,133.

5. Excess on Motor Vehicles

Increasing excess on motor vehicles from \$500 to \$2,500 was investigated. The following information was gathered:

- Premium savings of increasing motor vehicle insurance excess from \$500 to \$2,500. Crombie Lockwood have advised that the savings are around \$8K. We have looked at the claims made for the last two financial years that are less than

\$2,500 and deducted the \$500 deductible. The amount for last year was \$8,040 and for the year prior it was \$11,718.

This indicates little or no real gain from going to \$2,500.

6. Employment Disputes Insurance

Again at the request of the Hazard-Risk Working Group the following quote was obtained:

from QBE Insurance for the cover as follows:

Limit of Indemnity - \$250,000

Excess - \$7,500

Premium - \$6,000 + GST

It was agreed that we should self-insure for this risk.

NORTHLAND REGIONAL COUNCIL
RECOMMENDED INSURANCE RENEWAL PROGRAMME
June 2015

3.7 Attachment One

Finance Committee Meeting
10am, 18 August 2015

POLICY TYPE	COVERING	INSURER	SUM INSURED	EXCESS	2015
MATERIAL DAMAGE	Accidental loss or damage to buildings, plant & contents	VERO	\$33,696,450	\$1,000	62,192.40
BUSINESS INTERRUPTION	Loss of rental income & increased cost of working only	VERO	\$3,136,127	\$1,000	3,136.13
COMPUTER	Electronic breakdown of server hardware (breakdown risk only)	VERO	\$4,114,929	\$1,000	12,044.92
MOTOR FLEET	Accidental loss or damage to motor vehicles & third party liability	VERO	\$1,299,089	\$500	40,352.64
A&D Adjustment					0.00
Less Profit Share Rebate	Estimate as at 15/06/2015				0.00 (1)
CIVIL ENGINEERING RISKS	Catastrophe risks (earthquake, flood, impact etc.)	VERO	\$15,546,008	\$100,000	28,760.11
DWELLINGS (OAKLEIGH)	Accidental loss or damage to residential dwellings	VERO	\$1,368,701	\$450	4,303.55
FARM PACKAGE (MATA)	Accidental loss or damage to farm buildings and contents	VERO	\$2,046,145	\$500	4,470.89
DWELLINGS (MAUNU)	Accidental loss or damage to residential dwellings	VERO	\$1,173,095	\$450	2,738.70
MARINE HULL	Accidental loss or damage to vessels & watercraft and third party liability	VERO	\$2,291,400	\$1,000	14,771.31
NAVIGATION AIDS	Accidental loss or damage to navigation aids & leading lights	VERO	\$625,000	\$2,500	5,475.00
FIDELITY	Employee fraud & crime protection	AIG	\$1,000,000	\$25,000	6,300.00
PUBLIC & OFFICIALS INDEMNITY + HARBOURMASTERS LIABILITY & ROW	Public & Product Liability and Officials Indemnity Legal liability as Harbourmaster and Removal Of Wreck costs	RISKPOOL	\$200,000,000 \$20,000,000	\$10,000 \$10,000	26,811.00 (2)
EMPLOYERS LIABILITY	Liability for personal injury to employees not covered by ACC	QBE	\$1,000,000	\$5,000	1,800.00
STATUTORY LIABILITY	Fines, penalties & defence costs for breach of statute or regulation	QBE	\$1,000,000	\$5,000	4,600.00
DISABILITY	1 x annual salary for accidental death or disablement of employees	QBE	\$11,049,285		6,350.00
CORPORATE TRAVEL	Overseas & domestic travel by employees, officials & accompanying family	ACE	505 days	\$100	1,902.00
2014-15 Adjustment					
FORESTRY	Loss by Fire to forests (316ha.) incl. reinstatement & fire fighting costs	PRIMACY	\$3,817,793	A.P.S.	7,582.28
BROKER FEE	Brokerage services and risk management under contract	CROMBIE LOCKWOOD			10,000.00
					243,590.93

NOTES

All Premiums include Government Levies

All premiums exclude GST

(1) = Profit Share Rebate is NIL based on claims as at 20/06/15

(2) = RiskPool membership has already been renewed for 2015-16 fund year.

ISSUE: Regional Rates Collections 2014-2015 – District Council Reconciliation

ID: A769258

To: Finance Committee Meeting, 18 August 2015

From: Simon Crabb, Finance Manager

Date: 6 August 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 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 provide information on the rates transactions for the 2014-2015 financial year and present a summary of the outstanding rates owing at year end (GST inclusive) and the rationale behind the calculation of the provision for doubtful debts.

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 previous (2012-2022) Long Term Plan, and as such are in accordance with the council's decision making process and sections 76-82 of the Local Government Act 2002.

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council.

Recommendations:

1. That the report "Regional Rates Collection 2014-2015 - District Council Reconciliation" by Simon Crabb, Finance Manager and dated 6 August 2015, be received.
 2. That \$2,263,454 of council's rate arrear penalties relating to the Far North district is written off against council's provision for doubtful debts.
 3. That the report "Far North District Council Collection of Current Rates and Rate Arrears - Quarterly Update to 30 June 2015" be received.
-

Report:

Attached as Attachment One is the Rates Reconciliation Statement for the year ended 30 June 2015. (Previous Rates Reconciliation Statements - for the years ended 30 June 2014 and 30 June 2012 - are also provided for comparative purposes.) Confirmation of rates transactions for the year and outstanding rates at year end (GST inclusive) are provided by each district council as part of the year-end Annual Report process. The year-end confirmations were provided in July 2015.

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

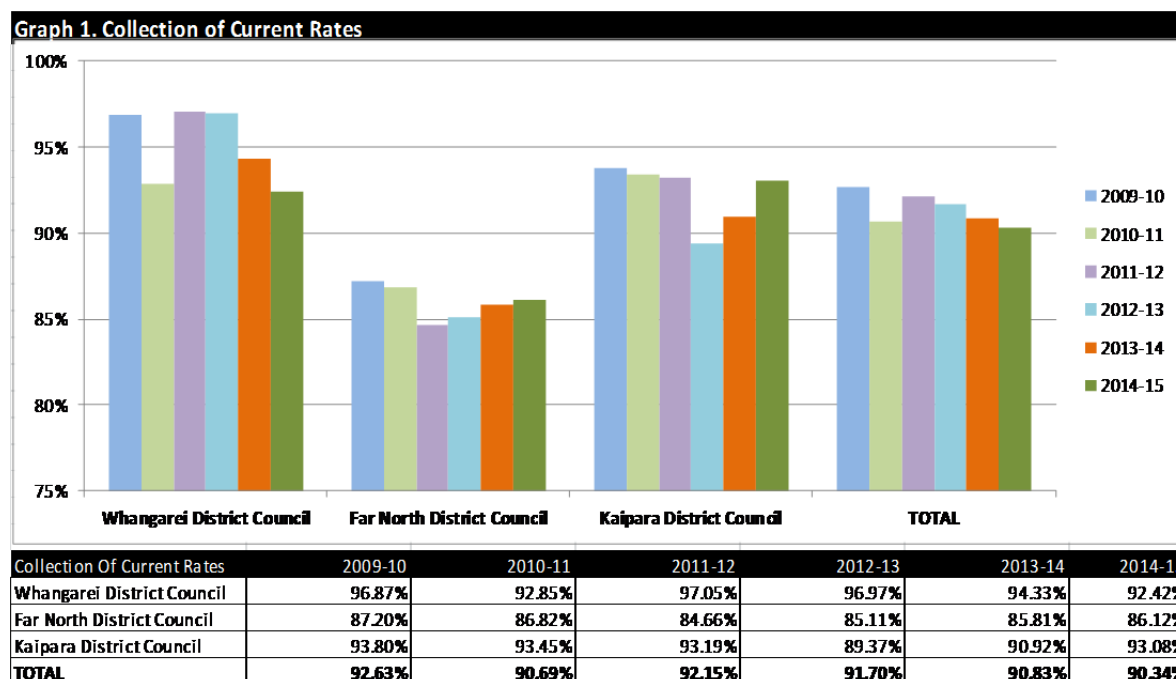
As at 30 June 2015, council is owed **\$5,571,119** (2014: \$4,862,384) in rates, 14.6 percent (\$708,735) more than the previous year. The \$5,571,119 is made up of \$2,031,397 unpaid from the 2014-2015 financial year and \$3,539,722 of arrears from previous years. The balance includes \$617,451 of penalty revenue applied in the 2014-2015 financial year by Far North District Council which was not paid at 30 June 2015.

Current rates – paid and outstanding

In 2014-2015, council received 90.34% of the actual rates struck and collected on its behalf by the three district councils. The average current rates collection rate over the past three years is 90.95%.

Of the current \$21,120,692 (after allowing for strike adjustments) rate strike for 2013-2014, \$19,080,837 (90.85%) has been collected and paid to council, leaving \$2,031,397 outstanding. In 2013-2014, the collection figure was 90.83% (leaving \$1,807,561 outstanding) and in 2012-2013, 91.70% (\$1,753,571 outstanding). These outstanding current rate amounts will become part of council's rates arrears in 2015-2016.

Graph 1 below presents the collection rate of current rates per district council over the past 6 years.



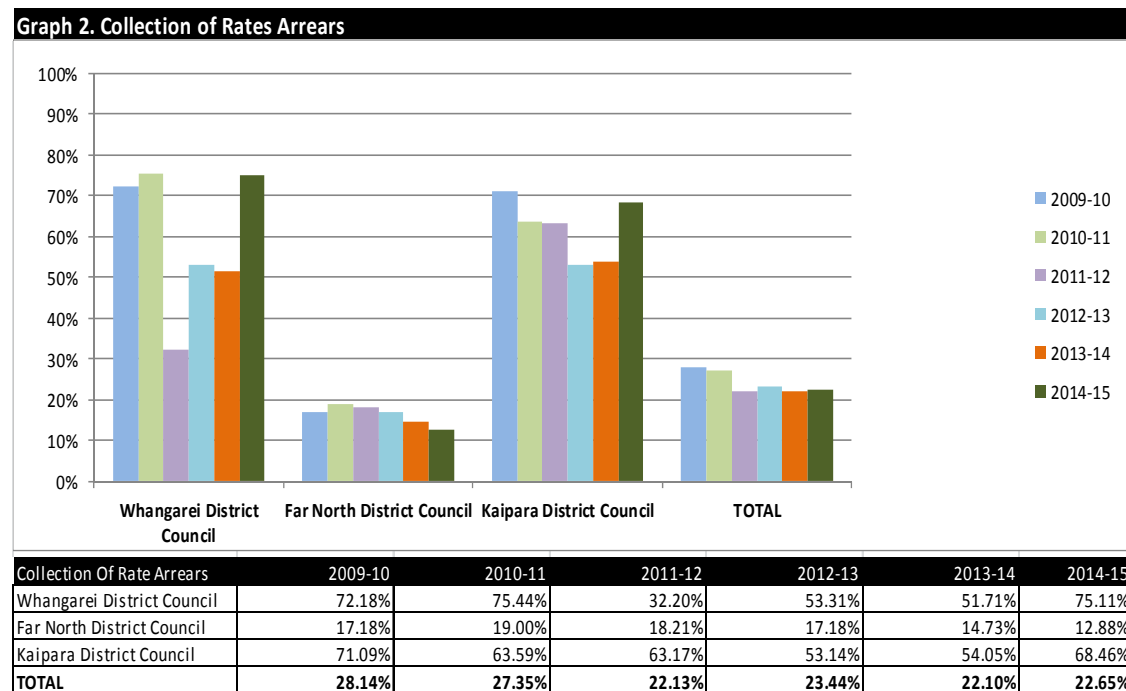
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Rate arrears

The outstanding arrears (rates older than 12 months) balance at year end is \$3,539,722 (2013-2014 \$3,054,822; 2012-2013 \$2,432,970). Rate arrears collected during the 2014-2015 financial year totalled \$1,101,224 representing a collection rate of 22.65% of the rates arrears balance at the start of the year. (2013-2014 \$925,057 22.10%; 2012-2013 \$786,213 23.44%) The average rate arrears collection rate over the past three years is 22.73%.

Graph 2 below presents the collection rate of rate arrears per district council over the past 6 years.



Penalties, write-offs, remissions, postponements and discounts

Total write-offs, remissions, postponements and discounts made during the year as advised by the district councils total \$736,547 (2013-2014 \$746,529, 2012-2013 \$771,630).

Total penalties charged in the 2014-2015 year total \$821,270 (2013-2014 \$713,346; 2012-2013 \$574,176), but the penalty revenue actually collected (cash) and paid to council totalled \$215,900 (2013-14 \$169,377; 2012-2013 \$160,385).

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

This means in the 2014-2015 financial year the penalty revenue actually collected was \$605,370 less than what shows on council's books. In 2013-2014 this shortfall was \$543,970 and in 2012-2013 \$413,791.

For accounting purposes, these shortfalls become rate arrears and are added to the arrears balance. A provision for doubtful debts equating to the shortfall is recognised every year. Thus, for the 2014-2015 financial year council will recognise an additional provision for doubtful debt of \$605,370. From 1 July 2015 the Far North District

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Council will cease charging penalties on rate arrear balances, however they will continue to apply penalties to late payment of the current years rates.

Rating adjustments required to be recognised by council at 30 June 2015

Council must enter the transactions advised to us in the year-end rate confirmations by the district councils which collect our rates on our behalf. Our outstanding balances (what is due) must match the district council balances of what is outstanding (payable). Given it is unlikely all of the outstanding rates arrears will be collected, council must also create a provision for doubtful debt.

Summary of the rates provision for doubtful debts at 30 June 2015

Table One presents the rates provision for doubtful debts calculation at 30 June 2015.

The rationale behind the rates doubtful debt calculation is:

- All outstanding rate arrear penalties and rate postponements are 100% provided for; and
- All other rate arrears are provided for by the 3 year average non collection percentage (77.27%).

Based on the above rational the total rate provision for doubtful debts at 30 June 2015 is \$4,903,383, representing a movement of \$1,013,882 from the previous year.

Table One:

	Table Two						30-Jun-15	LAST YEAR
	Non Current Arrears	Current Arrears	Non Current Arrears	Current Arrears	Postponements	TOTAL ARREARS	TOTAL PROV	TOTAL PROV
	excluding penalties	excluding penalties	Penalties	Penalties				
	\$1,696,583	\$533,907	\$1,625,400	\$617,451	\$279,635	\$4,752,975	\$4,246,010	\$3,473,211
	\$113,456	\$179,887	\$0	\$0	\$0	\$293,344	\$226,670.00	\$124,160
	\$56,978	\$357,023	\$47,305	(\$12,081)	\$75,576	\$524,800	\$430,702.49	\$292,130
	\$1,867,017	\$1,070,816	\$1,672,705	\$605,370	\$355,211	\$5,571,119	\$4,903,383	\$3,889,501
RATE APPLIED	77.27%	77.27%	100%	100%	100%			
AMOUNT OF PROVISION	\$1,442,665	\$827,432	\$1,672,704.80	\$605,370	\$355,211		\$4,903,383	\$3,889,501
MOVEMENT							\$1,013,882	
OFFSET BY NET OF	Recognising Penalties, Rate adjustments, Write offs, Discounts, Remissions						(\$451,420)	
							\$562,462	

The Far North District Council has adopted a resolution to remit all rate arrear penalties as at 30 June 2015. The impact on council is a write off amounting to \$2,263,454 (\$638,646 of 2014-2015 penalties and \$1,624,807 of previous period arrear penalties).

Table Two illustrates the impact that such a write off would have on our rate arrears balance and rating doubtful debt provision.

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After processing the write off of \$2,263,454, the rates arrears balance will be \$3,307,665. The provision for doubtful debts balance will be \$2,639,929 representing 80% of the total rate arrears.

Table Two:

Table Three	30-Jun-15						
SUMMARY	TOTAL ARREARS 30 June 2015	TOTAL PROVISION 30 June 2015		FNDC WRITEOFF	TOTAL ARREARS AFTER WRITEOFF	TOTAL PROVISION AFTER WRITEOFF	
Far North District Council	\$4,752,975	\$4,246,010	89%	(\$2,263,454)	\$2,489,521	\$1,982,556	80%
Kaipara District Council	\$293,344	\$226,670	77%		\$293,344	\$226,670	77%
Whangarei District Council	\$524,800	\$430,702	82%		\$524,800	\$430,702	82%
TOTAL	\$5,571,119	\$4,903,383	88%	(\$2,263,454)	\$3,307,665	\$2,639,929	80%

Table Three below shows a summary of the year-end rates adjustments advised by the district councils and also shows the provision for doubtful debts our council recognises.

The net effect of all the factors outlined in this report on council revenue and expenditure for the year ending 30 June 2015 is \$562,462 (2013-2014 634,668, 2012-2013; \$728,939).

The corresponding budget provision for these rating adjustments in 2014-2015 was \$840,000. \$250,000 of this provision was signalled to be funded from the forestry equalisation reserve and the balance from rates. As the actual net cost was under budget by \$278,000 there has been no need to transfer funding from the Forestry Equalisation Reserve this year.

Table Three

	30-Jun-15			30-Jun-14		
	FNDC	KDC	WDC	FNDC	KDC	WDC
Expenditure						
Adjustment to rate strike						
Remission expense (prior year[i])						
Remission expense	\$172,460	\$14,067	\$251,777	\$177,807	\$6,026	\$261,662
Discounts allowed			\$66,093			\$65,028
Postponements						
Write-offs	\$185,498	\$20,666	\$25,986	\$169,309	\$34,582	\$32,115
Balancing adjustment						
Increase in provision for doubtful debts – standard provision (75% of arrears[ii])	-\$289,986	\$102,511	\$166,457	\$389,055	\$27,262	\$50,072
Additional provision for Doubtful Debts on penalties applied but not paid	\$1,009,389	\$0	-\$12,081	\$523,511		\$25,578
Provision for doubtful debts on rates postponements[iii]	\$53,396	\$0	-\$15,803	\$226,239		-\$8,735
Total expenditure	\$1,130,757	\$137,244	\$482,428	\$1,485,921	\$67,870	\$425,719
Revenue						
Adjustment to rate strike	\$88,259.43	\$0.00	\$278,437.68	\$240,965	\$24,456	\$366,075
Penalties applied	\$735,119.97	\$26,391.95	\$59,757.74	\$625,940	\$20,877	\$66,530
Total revenue	\$823,379	\$26,392	\$338,195	\$866,905	\$45,333	\$432,605
Net cost/(surplus)	\$307,378	\$110,852	\$144,233	\$619,016	\$22,538	-\$6,886
Total net cost	\$562,462			\$634,668		

Far North District Council Collection of Regional Council Rates and Rate Arrears – Quarterly Update to 30 June 2015

The Far North District Council administers the collection of the Regional Council rates in the Far North district on our behalf. **Attachment Two** is a report provided by Far North District Council on the collection of current rates and rate arrears for the period ending 30 June 2015.

NORTHLAND REGIONAL COUNCIL - RATES RECONCILIATION STATEMENT 2014/15
ANNUAL RATES RECONCILIATION WITH DISTRICT COUNCILS

District Council	Rates due as at 1 July 2014	2014/15 Budgeted Rate Strike (GST Incl)	Current Rate Strike Adjustment	Other Adjustments to Rate Strike (remissions)	Add Penalties applied	Write-offs including Remissions Postponements and Discounts	Gross Current received	Gross Arrears received	Penalties received (cash)	Total Cash Received	Total	Current Balance 30 June 2015	Arrears Balance 30 June 2015	Current Balance 30 June 2014	Arrears Balance 30 June 2014	Total
Far North District Council	\$4,057,954	\$7,190,384	\$101,498	(\$198,329)	\$735,120	(\$213,323)	(\$6,280,011)	(\$522,649)	(\$117,669)	(\$6,920,329)	\$4,752,975	\$1,430,993	\$3,321,982	\$1,373,274	\$2,684,681	\$4,057,954
Kaipara District Council	\$385,491	\$3,159,303	\$0.00	(\$18,175)	\$26,792	(\$2,738)	(\$2,847,817)	(\$28,955)	(\$28,807)	(\$33,337,994)	\$293,344	\$129,882	\$113,456	\$219,845	\$165,546	\$385,491
Whangarei District Council	\$418,939	\$10,472,236	\$297,211	(\$289,543)	\$59,758	(\$94,163)	(\$9,953,143)	(\$314,655)	(\$71,839)	(\$10,339,637)	\$524,800	\$420,517	\$104,283	\$214,343	\$204,595	\$418,939
	\$4,862,384	\$20,721,983	\$398,709	(\$504,050)	\$821,270	(\$331,216)	(\$19,080,837)	(\$1,101,224)	(\$215,900)	(\$20,397,961)	\$5,571,119	\$2,031,397	\$3,539,722	\$1,807,562	\$3,054,822	\$4,862,384
Amount collected from Current Rate Strike (2014/2015)																
	WDC	FNDC	KDC	Total												
Rates Strike 14/15	\$10,769,447.07	\$7,291,882.04	\$3,059,363.16	\$21,120,692.27												
Current Rates Collected	\$9,953,142.96	\$6,280,011.17	\$2,847,683.04	\$19,080,837.17												
% Amount Collected - Current	92.42%	86.12%	93.08%	90.34%												
Average three year current rate strike collection rate	90.95%															
Amount arrears (30 June 2014) collected during 2014/2015 financial year																
	WDC	FNDC	KDC	Total												
Rates Arrears 30 June 2014	\$418,938.68	\$4,057,954.34	\$385,490.97	\$4,862,383.99												
Arrears Collected during year	\$314,655.34	\$522,648.92	\$263,919.50	\$1,101,223.76												
	75.11%	12.88%	68.46%	22.65%												
Average three year arrears collection rate	22.73%															
Summary of Penalties Charged and Penalties Paid from 1 July 2014 to 30 June 2015																
	Penalties Charged	Penalties paid to NRC	Difference	Comments												
WDC	\$59,757.74	\$71,839.07	(\$12,081.33)													
FNDC	\$735,119.97	\$117,669.04	\$617,450.93													
KDC	\$26,391.95	\$26,391.95	\$0.00													
	WDC	FNDC	KDC	Total												
Average Arrears paid annually for last three years (2013, 2014, 2015)	\$241,913.03	\$498,679.52	\$196,905.33	\$937,497.89												
Assumes final washup payment of \$55,723.16 which will be paid in August 2015 was backdated to 30 June 2015																
Assumes final washup payment of \$55,723.16 which was paid in July was backdated to 30 June 2015																
Assumes final washup payment of \$134,548.80 which was paid in July was backdated to 30 June 2014																

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

District Council	Rates due as at 1 July 2013	2013/14 Budgeted Rate Strike (GST Incl)	Current Rate Strike Adjustment	Other Adjustments to Rate Strike (remissions)	Add Penalties applied	Write-offs including Remissions Postponements and Discounts	Gross Current received	Gross Arrears received	Penalties received (cash)	Total Cash Received	Total	Current Balance 30 June 2014	Arrears Balance 30 June 2014	Current Balance 30 June 2013	Arrears Balance 30 June 2013	Total
Far North District Council	\$3,376,636	\$7,186,061	\$277,110	(\$204,479)	\$625,940	(\$194,705)	(\$6,403,811)	(\$497,250)	(\$107,548)	(\$7,008,609)	\$4,057,954	\$1,373,274	\$2,684,681	\$1,210,694	\$2,165,941	\$3,376,636
Kaipara District Council	\$385,953	\$2,779,892	\$28,124	(\$6,930)	\$20,877	(\$39,769)	(\$2,553,012)	(\$208,766)	(\$70,877)	(\$2,782,655)	\$385,491	\$219,945	\$165,546	\$287,487	\$98,783	\$386,270
Whangarei District Council	\$423,636	\$10,188,955	\$420,986	(\$300,811)	\$66,530	(\$111,714)	(\$10,008,531)	(\$219,041)	(\$40,952)	(\$10,268,543)	\$418,939	\$214,343	\$204,595	\$255,390	\$168,245	\$423,636
	\$4,186,225	\$20,154,908	\$726,219	(\$512,320)	\$713,346	(\$345,188)	(\$18,965,373)	(\$925,057)	(\$169,377)	(\$20,059,807)	\$4,862,384	\$1,807,562	\$3,054,822	\$1,753,571	\$2,432,970	\$4,186,541
Amount collected from Current Rate Strike (2013/2014)									\$543,970							
	WDC	FNDC	KDC	Total												
Rates Strike 13/14	\$10,609,940.65	\$7,463,171.50	\$2,808,015.06	\$20,881,127.21												
Current Rates Collected	\$10,008,550.76	\$6,403,810.64	\$2,553,011.98	\$18,965,373.38												
% Amount Collected - Current	94.33%	85.81%	90.92%	90.83%	\$1,915,753.83											
Amount arrears (30 June 2013) collected during 2013/2014 financial year																
	WDC	FNDC	KDC	Total												
Rates Arrears 30 June 2013	\$423,635.57	\$3,376,635.71	\$386,269.62	\$4,186,540.90												
Arrears Collected during year	\$219,040.97	\$987,249.79	\$208,766.06	\$925,056.82												
	51.71%	14.73%	54.05%	22.10%												
Summary of Penalties Charged and Penalties Paid from 1 July 2013 to 30 June 2014																
	Penalties Charged	Penalties paid to NRC	Difference	Comments												
WDC	\$66,530.08	\$70,155.00	(\$3,624.92)													
FNDC	\$625,939.57	\$104,521.41	\$521,418.16													
KDC	\$20,876.67	\$20,876.67	\$0.00													
	WDC	FNDC	KDC	Total												
Average Arrears paid annually for last three years (2012, 2013, 2014)	\$165,314.22	\$472,678.25	\$144,544.13	\$782,536.60												

NORTHLAND REGIONAL COUNCIL - RATES RECONCILIATION STATEMENT 2012/13
ANNUAL RATES RECONCILIATION WITH DISTRICT COUNCILS

District Council	Rates due as at 1 July 2012	2012/13 Budgeted Rate Strike (GST Incl)	Current Rate Strike Adjustment	Other Adjustments to Rate Strike	Add Penalties applied	Write-offs including Remissions Postponements and Discounts	Gross Current received	Gross Arrears received	Penalties received (cash)	Total Cash Received	Total	Current Balance 30 June 2013	Arrears Balance 30 June 2013	Current Balance 30 June 2011	Arrears Balance 30 June 2011	Total
Far North District Council	\$2,771,370	\$6,990,815	(\$40,647)	0	\$512,007	(\$345,686)	(\$5,915,161)	(\$476,140)	(\$119,943)	(\$6,511,244)	\$3,376,636	\$1,210,694	\$2,165,941	\$1,065,774	\$1,705,597	\$2,771,370
Kaipara District Council	\$222,111	\$2,720,650	\$11,925	0	\$0	(\$8,381)	(\$2,442,004)	(\$118,030)	\$0	(\$2,560,035)	\$386,270	\$287,487	\$98,783	\$164,391	\$57,721	\$222,111
Whangarei District Council	\$360,288	\$9,916,034	(\$17,058)	\$351,305	\$62,169	(\$417,620)	(\$9,586,398)	(\$192,013)	(\$40,447)	(\$9,830,863)	\$423,636	\$255,390	\$168,245	\$181,600	\$178,668	\$360,268
	\$3,353,770	\$19,627,499	(\$46,181)	\$351,305	\$574,176	(\$771,667)	(\$17,955,564)	(\$786,213)	(\$160,385)	(\$18,902,162)	\$4,186,541	\$1,753,571	\$2,432,970	\$1,411,765	\$1,941,985	\$3,353,750
Amount collected from Current Rate Strike (2012/2013)																
	WDC	FNDC	KDC	Total												
Rates Strike 12/13	\$9,898,575.74	\$6,950,167.94	\$2,732,574.50	\$19,581,318.18												
Current Rates Collected	\$9,598,398.21	\$5,915,160.91	\$2,442,004.49	\$17,955,563.61												
% Amount Collected - Current	96.97%	85.11%	89.37%	91.70%												
Amount arrears (30 June 2012) collected during 2012/2013 financial year																
	WDC	FNDC	KDC	Total												
Rates Arrears 30 June 2012	\$360,268.20	\$2,771,370.45	\$222,111.31	\$3,353,749.96												
Arrears Collected during year	\$192,042.79	\$476,139.86	\$118,030.44	\$786,213.09												
	53.31%	17.18%	53.14%	23.44%												
Summary of Penalties Charged and Penalties Paid from 1 July 2012 to 30 June 2013																
	Penalties Charged	Penalties paid to NRC	Difference	Comments												
WDC	\$62,169.49	\$70,155.00	\$0.00													
FNDC	\$512,006.83	\$104,521.41	\$407,485.42													
KDC	\$0.00	\$0.00	\$0.00													
	WDC	FNDC	KDC	Total												
Average Arrears paid annually for last three years (2011, 2012, 2013)	\$151,776.55	\$431,014.86	\$104,194.64	\$686,986.06												

Item:

MEETING: FINANCE COMMITTEE – NORTHLAND REGIONAL COUNCIL

Name of item: REVENUE AND COLLECTIONS QUARTERLY REPORT
30 June 2015

Author: Cheryl Gavin-Young, Revenue & Collections Manager

Date of report: 31 July 2015

Document number: A1608388

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 has been prepared to highlight the actions taken by Revenue & Collections Department to manage the collection of the Northland Regional Council's rates and to reduce the monies outstanding. This report is prepared as at the end of the financial year 2014/15 and provides a comparison between the 2014 and 2015 rating years.

2) Discussion and options

Proactive initiatives

Council's payment preferred option for the payment of rates is direct debit. This provides the best mechanism to ensure rates are paid on time and helps the ratepayer manage their commitments.

As at 30 June 2015 some 26% of ratepayers had entered into a direct debit arrangement. This is a slight increase on the end of June last year.

Recently the Rates Team reviewed the rates easy pay arrangement to improve the way it works. This was supported by a promotion sponsored by the Council's bankers where any ratepayer who pays their rates by direct debit was entered into a draw for a payment of \$500 off their rates.

Council continues to work with Community groups such as Disability Services, Budgeting Services, Age Concern and Te Runanga A Iwi O Ngapuhi to increase the awareness of the rates rebate scheme and to encourage a greater interaction between ratepayers and Council, particularly where ratepayers are experiencing difficulties.

Council continues to support the development of the Debt Management Officers by encouraging them to participate in training and development courses to enhance their collection and legal knowledge. Council's collection agencies, Baycorp and Receivables Management have actively assisted our efforts to improve our collection processes.

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 of Remissions Granted Annually			
	2015	\$ value	2014	\$ value
Maori Freehold Land Remissions ¹	526	\$96,172	598	\$87,919
Charitable or Community Organisations	41	\$5,963	40	\$4,683
Remission of Rates on Land Partially in District	0	-	0	-
Contiguous Properties ²	829	\$115,857	767	\$96,744
Conservation Property ³	211	\$22,660	180	\$15,130
Total	1607	\$240,653	1,585	\$204,479

Legal Action

Council was successfully awarded judgment from the High Court for one ratepayer with 22 outstanding General Title assessments. The judgment \$218,541.80 was receipted 30 April 2015. Rates assessed after judgement were also recovered and paid \$97,979.24 30 June 2015.

¹ MFL – Council reviews the MFL remissions every three years. In 2015 this resulted in a reduction in qualifying properties.

² An increase on the number of subdivisions has resulted in an increase in the contiguous property remissions

³ There has been an increase in the number of ratepayers who have entered into conservation agreements to protect their properties in perpetuity – e.g. QE11 covenants.

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.

Abandoned Land

Seven blocks have been advertised as abandoned. These have an accumulated balance of \$248,000 in outstanding rates and penalties. This advertisement has raised some interest in the community resulting in several enquiries and potential interest from purchasers. These properties will be offered for sale in accordance with the legislative requirements once the advertising period has expired.

Through the advertising of these properties, owners have since been identified and payment arrangement for the arrears and ownership records remedied through solicitor action.

Recovery of Rates for Maori Freehold Land

Regular meetings have taken place between the Debt Management Team and ratepayers throughout the district. Regular meetings are also scheduled between the Debt Management Team and the Maori Land Court in Whangarei. The objective of these meetings is to improve the understanding of issues surrounding the collection of rates on Maori freehold land.

Council has lodged some 15 Maori freehold land rate accounts, which are the subject of occupation orders, with Receivables Management (NZ) Limited for the collection of outstanding rate arrears. If this process is unsuccessful, Council will seek judgment from the courts for the recovery of the debt.

Council is active in the broad policy area of the rating of Maori freehold land. It has attended the NZ Association of Local Government Rating Practitioners Forum where it facilitated workshops on the rating of Maori Freehold Land. It has also worked to improve the relationship with the Maori Land Court and enhanced engagement by local councils. The Maori Land Court are very keen to continue the association and congratulated the FNDC on their engagement with the local court and liaison officers.

A meeting was held in Wellington between Treaty Negotiations Officials and Minister Christopher Finlayson. Key topics discussed were multiple owned fragmented blocks with no administration structures. The Okahu and Maihi court cases and valuation of Maori Freehold Land based on "highest and best use". The Minister also arranged a meeting to introduce John Grant, Principal Advisor Te Ture Whenua Maori Act Assets and Enterprise Team. The meeting discussed Maori Freehold Land rating and valuation issues and the Te Ture Whenua Maori Land Act reform.

FNDCI regularly engages with Te Puni Kokiri. These discussions are intended to discuss the rating and valuation of Maori Freehold Land and the reform progress. Council invited Neill Sullivan, Valuer General to take part in these call to work with the valuation analysts which has resulted in Council being part of a test case in a

consultative review to bring the forecasted work on rating and valuation matters to a higher priority.

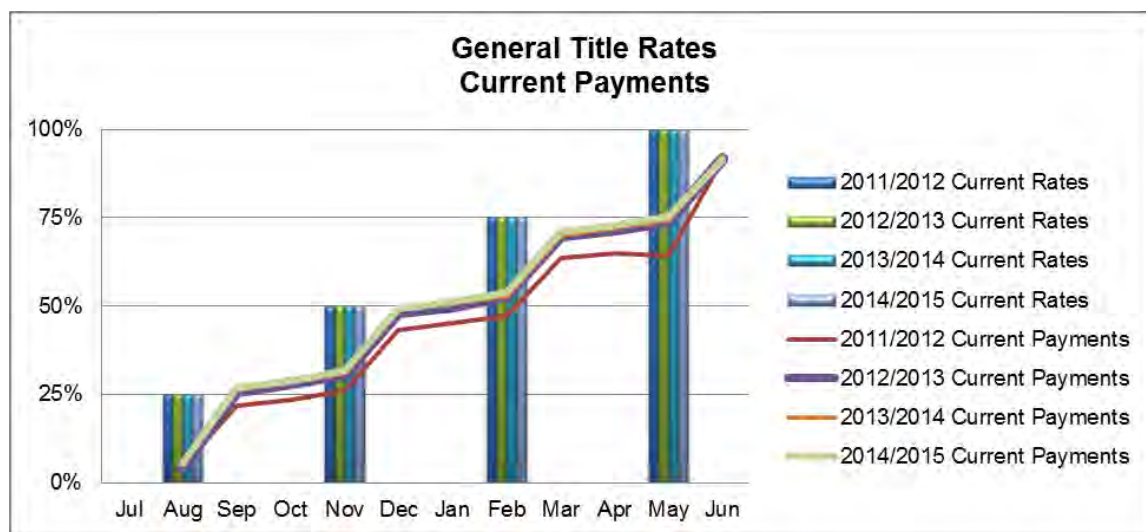
Five councils are currently engaging with the consultation process together with Halstead Consulting and Te Puni Kokiri. Council has met with representatives during their visit the Far North on 20 & 21 July to discuss the data, process and procedure, policies, rating and valuation. We travelled around the district to visit areas of Maori freehold land which have experienced particularly high valuations because they are influenced by high coastal valuation on commercial and/or development potential, for example the Matauri Bay area.

General Title to Maori Freehold Land

Council continues to experience the conversion of general land titles to Maori freehold land. Unfortunately the Maori Land Court does not allow the presence of a rating debt to influence their decision making on these applications.

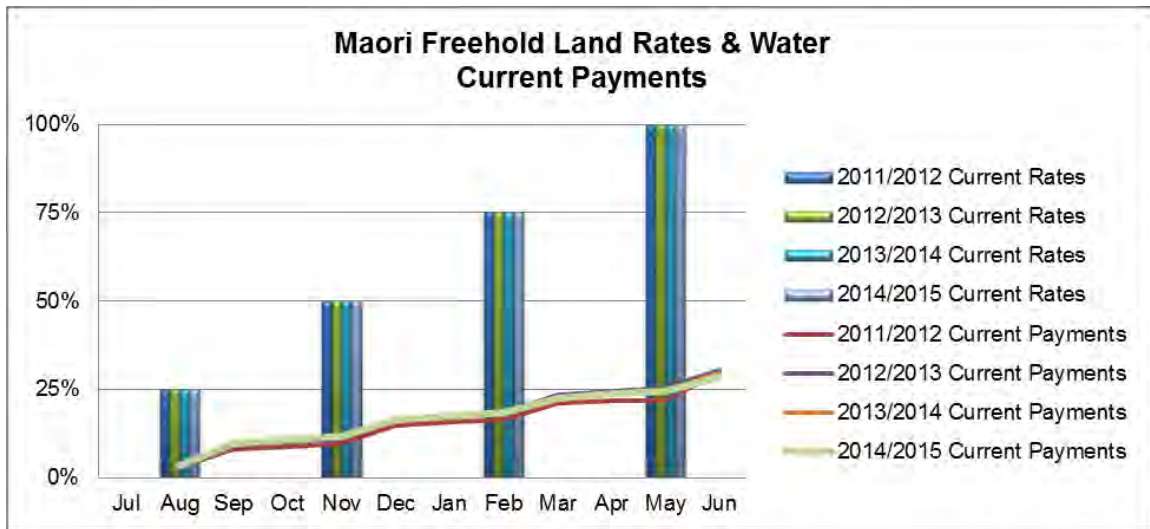
9 Rate Assessments have been changed from 01 July 2014 – 30 September 2014.
6 Rate Assessments have been changed from 30 Sept. 2014 – 31 December 2014.
No Rate Assessments have been changed from 31 December 2014 – 31 March 2015.
11 Rate Assessments have been changed from 01 April – 30 June 2015.

Collection Data



Overall there is a slight improvement in the overall collection of rates on General Title Land

Current Collection 30 June 2015	91.8 %
Current Collection 30 June 2014	91.6 %



The level of collection on Maori freehold land is falling. This reflects the difficulties in enforcing the payment of rates on that land.

Current Collection 30 June 2015	16.5 %
Current Collection 30 June 2014	19.0 %

ISSUE: Forest Management Plan – Reporting Actual Performance Against Targets 2014-2015

ID: A769484

To: Finance Committee Meeting, 18 August 2015

From: Steve Goddard, Management Accountant

Date: 22 July 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 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 present the actual performance of council's forest holding against the prescribed actions of the Forestry Management Plan for the 2014-2015 financial year. It concludes with the recommendation that the report be received.

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

Legal compliance and significance assessment:

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

Recommendation:

1. That the report "Forest Management Plan – Reporting Actual Performance Against Targets 2014-2015" by Steve Goddard, Management Accountant, and dated 22 July 2015, be received.

Report:

1. 2014-2015 Forest Harvest	
Forestry Management Plan - Prescribed Actions	Actual Actions Performed
1.1 Harvest: There was NO Harvest scheduled for 2014-2015. The next planned harvest is 15.3 hectares (8,500 tonnes) of the 1985 stand scheduled for the summer of 2015-2016, or when market conditions are favourable.	No Harvest - as per the Forestry Management Plan. Pre-harvest planning almost complete, therefore harvest ready.

2. 2014-2015 Forest Re-Establishment	
Forestry Management Plan - Prescribed Actions	Actual Actions Performed
<p><u>2.1 Planting:</u> There was <u>NO</u> replanting scheduled for 2014-2015.</p> <p>Net stocked area at 30 June 2015 = 319.4 hectares. Forest area professionally remapped in January 2015 (\$850).</p>	<p><u>No</u> Replanting - as per the Forestry Management Plan.</p> <p>Net stocked area at 30 June 2015 = 319.4 hectares, with an average age of 13.9 years. 87% is second rotation.</p>

3. 2014-2015 Forest Maintenance	
Forestry Management Plan - Prescribed Actions	Actual Actions Performed
<p><u>3.1 Pruning & Thinning:</u> 2004 stand — 46.13 ha fertiliser (subject to foliar sampling).</p> <p>2005 stand – 22.9 ha structural thinning.</p>	<p><u>Not Required:</u> The 2004 stand foliar samples (and the 2001 and 2002 stands 2nd sampling) were within Forestry Management Plan specified levels and therefore fertilising was not required. Saving of \$23K resulted. Resample in March 2017.</p> <p><u>Completed:</u> to prescribed targets, average 440 sph. Actual costs \$12,540, 83% budget (\$15,114)</p>
<p><u>3.2 General Forest Maintenance:</u> Maintenance as required (e.g. road maintenance, fencing, spraying, culverts, firebreaks, permits etc.).</p>	<p><u>Achieved:</u> Forest roads sprayed, roads and culverts maintained, no major road repairs required due to storms, gate and vandalism repairs, etc.</p>

4. 2014-2015 Other	
Forestry Management Plan - Prescribed Actions	Actual Actions Performed
<p><u>4.1 Animal Control:</u> Ongoing control of forest pests.</p>	<p><u>Achieved:</u> Council (Biosecurity department) is implementing the Pest & Weed Control Plan effectively. Minimal damage was observed.</p>
<p><u>4.2 Archaeological Sites:</u> Appropriate management of archaeological sites.</p>	<p><u>Achieved:</u> All archaeological sites were preserved and unaffected during 2014-2015.</p>
<p><u>4.3 Forest Health:</u> Monitor and maintain forest nutrition and health.</p>	<p><u>Achieved:</u> The foliar sampling programme continued showing</p>

ITEM: 3.9

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	<p>adequate foliar levels for tree growth and above the Forestry Management Plan trigger points for fertilising.</p> <p>Re-joined the NZFOA Forest Health Surveillance Programme. Mt Tiger inspected and reported May 2014. No significant issues noted. Forest Health Surveillance Certificate current.</p>
<p><u>4.4 Fire Prevention:</u> Monitor, mitigate risk, respond and control to any fire or threats to forest.</p>	<p>NRC Fire Plan updated and response contract implemented for 2014-2015 fire season. No fires or incidences were reported in the 2014-2015 year.</p>
<p><u>4.5 Recreational Use:</u> No formalised public access to the forest to be granted.</p>	<p>Achieved: No formalised public access to the forest was granted in 2014-2015. Ongoing public casual entry continues. Efforts continue to curb undesirable trespass (e.g. motorbikes, hunters, etc.). Increased pig hunting trespass this year.</p>
<p><u>4.6 Emissions Trading Scheme:</u> Monitor and respond to NZETS opportunities and obligations as they develop.</p>	<p>Achieved: Replanting is meeting the obligations regarding the deforestation liability. A provisional decision was made not to join as a post - 1989 forest land owner. Monitoring is ongoing.</p>
<p><u>4.7 Forestry Insurance:</u> Maintain forest tree crop insurance and FRF Act cover.</p>	<p>Achieved: Forestry Insurance was in place for the 2014-2015 financial year and has been renewed for the 2015-2016 financial year.</p>

5. 2014-2015 Financial Results	
2014-2015 Annual Budget	2014-2015 Actual Annual Performance
<p><u>5.1 Budgeted Annual Operating Expenditure:</u> The budgeted operating cost for the year ended 30 June 2015 was \$95,035.</p>	<p><u>5.1 Actual Annual Operating Expenditure:</u> Achieved with a favourable variance: The actual operating cost for the year ended 30 June 2015 was \$53,427 providing a favourable variance of \$41,608.</p> <p>The favourable variance is predominantly due to the reduced fertilising costs as the foliar sampling results showed the trigger points for performing fertilising were above the required levels prescribed in the Forestry Management Plan. . Also the actual road maintenance costs incurred were less than originally budgeted owing to no major climatic damage and up to date maintenance.</p>
<p><u>5.2 Forest Valuation 2013-2014 (NZIAS41):</u> The forestry holding was valued at \$1,933,000 as at 30 June 2014.</p>	<p><u>5.2 Forest Valuation 2014-2015 (PBE IPSAS 27):</u> The forestry holding was valued at \$2.260 million as at 30 June 2015.</p> <p>The valuation increase of 14% is mainly a result of tree growth (i.e. the forest estate is one year closer to maturity). Other factors have had a lesser effect, the lower discount rate chosen and area update more than offsetting increased harvest costs, forest costs and log price changes. . The discount rate of 10% being slightly lower than last year (2014: 10.5%)</p>
<p><u>5.3 NZ Units 2013-2014 (ETS):</u> As at 30 June 2014 council held 17,460 NZ Units valued at a total of \$72,459 (\$4.15 per Unit).</p>	<p><u>5.3 NZ Units 2014-2015 (ETS):</u> As at 30 June 2015 council held a total of 17,460 NZ Units valued at a total of \$115,236 (\$6.60 per Unit).</p> <p><u>This results in a non-cash revaluations gain of \$42,277.</u></p>
<p><u>6.0 Forest Management Plan:</u> Maintain a current Forest Management Plan to guide forest management, planning and operations.</p>	<p><u>Achieved:</u> The Forest Management Plan was updated to 2015-2019 and approved by Council and is now in place and underpins the future forest programme.</p>

ISSUE: Council Bank Accounts – Cheque Signatory Delegations

ID: A767025

To: Finance Committee Meeting, 18 August 2015

From: Kym Ace, Financial Systems Administrator

Date: 28 July 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 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 amend the cheque signatory delegations to remove the General Manger - Finance as an approved signatory while on Parental Leave, and to remove the Financial Accountant following her resignation from council. It concludes with the recommendation that cheque signatory delegations be updated as specified.

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 and as such this matter is not deemed to be significant.

Recommendations:

1. That the report 'Council Bank Accounts – Cheque Signatory Delegations', from Kym Ace, Financial Systems Administrator, and dated 28 July 2015, be received.
2. **Manual signing:**
That any two of the following signatories be authorised to countersign cheques for payments drawn on the council's bank account numbers:
 - i. 12-3115-0057000-00 Current Account operated at the ASB Bank Limited, Walton Street, Whāngārei Branch, and any other accounts, which the council may operate from time to time.
 - ii. Call and term deposit accounts with the ASB and other registered trading banks in New Zealand.

Approved signatories:

Malcolm Charles Nicolson
Anthony Glenn Phipps

Chief Executive Officer
Group Manager – Customer
Services – Community
Resilience.

Jonathan Charles Gibbard	Group Manager – Governance and Strategy
Simon John Crabb	Finance Manager
Steven Goddard	Management Accountant

3. That any two of the following signatories are authorised to operate the Bank of New Zealand bank account number 02-0492-00340027-00 at the Bank of New Zealand Limited, Bank Street, Whāngārei.

Approved signatories:

Malcolm Charles Nicolson	Chief Executive Officer
Anthony Glenn Phipps	Group Manager – Customer Services – Community Resilience.
Jonathan Charles Gibbard	Group Manager – Governance and Strategy
Simon John Crabb	Finance Manager
Steven Goddard	Management Accountant

4. That vouchers or documents authorising manual or electronic transactions be authorised by any two of the above approved signatories.
5. That electronic transactions may be prepared and uploaded by the Finance Systems Administrator and/or Accounts Officer (being the upload of creditor and payroll payment files) but these must be authorised by any two of the above approved signatories.
6. That these delegations, when approved, be notified to the ASB Bank Limited, the Bank of New Zealand Limited, and other registered trading banks for implementation.

Report:

The delegation for authorising payment vouchers, signing cheques and authorising electronic payments on the council's ASB Bank, Bank of New Zealand account and investment accounts was last amended in March 2015.

The amendment proposed by this report is to remove the General Manager – Finance while on parental leave and to remove the Financial Accountant following her resignation as approved signatories being able to authorise transactions and operate the various bank accounts as listed above.

The full list of signatories currently able to authorise transactions and operate the various bank accounts is listed above. The delegation provides for the Chief Executive Officer, the Group Manager – Customer Services – Community Resilience, the Group Manager – Governance and Strategy, the Finance Manager and the Management Accountant to authorise vouchers and sign cheques on behalf of the council on all ASB accounts, the BNZ account, and other registered trading banks in New Zealand.

The recommended resolution is to take effect from 18 August 2015 and will update the council's delegations to authorise transactions and the operation of its various bank accounts.

ISSUE: Draft Financial Report to 30 June 2015

ID: A768192

To: Finance Committee Meeting, 18 August 2015

From: Helen Jelinek, Financial Accountant

Date: 6 August 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:	<input type="checkbox"/> High	<input type="checkbox"/> Moderate	<input checked="" type="checkbox"/> Low

Executive summary:

The purpose of this report is to present the **draft financial reports for the year ending 30 June 2015** for councillors' information. The results are provisional. There may be further adjustments and amendments as the year-end reconciliations are reviewed by senior staff and the accounts (including notes) for the draft Annual Report are prepared. There may also be amendments arising from council decisions. Audit New Zealand is scheduled to commence their three week on-site audit on 24 August 2015.

This result excludes \$2.7M of non-cash revaluations to investment properties, forestry and emission trading schemes. Internal interest expense and the corresponding internal interest revenue will be eliminated in the final Annual Report Statutory Accounts.

For the Draft Statement of Comprehensive Revenue and Expense refer to **Attachment A**.

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 "Draft Financial Report to 30 June 2015" with accompanying attachments by Helen Jelinek, Financial Management Accountant, and dated 6 August 2015, be received.
-

Report:

Financial results

The provisional Net Surplus after Transfers to and from Special Reserves is \$327K compared to a budgeted surplus of \$131K, resulting in an **overall favourable (better than budget) variance of \$196K.**

The draft Annual Report will be provided to the Audit Subcommittee in September with the final Annual Report provided to council in October for adoption. The Annual Report will provide detailed funding impact statements by activity group and full detailed explanations of any material variance.

The main variances to the original budget are explained below:

Revenue

- **Rates** has a favourable variance (better than budget) of **\$727K or 4%** as a result of unbudgeted penalties and additional rates struck in the Whangarei and Far North districts. Although unbudgeted penalties of \$821K have been recognised as income, council only actually received \$216K, and therefore an offsetting expense of \$605K is included in the Provision for Doubtful Debts expense.
- **Fees and Charges** has a favourable variance (better than budget) of **\$400K or 9%** which is due to the sundry income items of Task Force Green \$200K and Aerial Photography recharges of \$201K.
- **Subsidies and Grants** has a favourable balance (better than budget) of **\$66K or 6%**. The main contributor to this variance is the unbudgeted subsidy from MPI of \$72K for the Oyster Shell Project.
- **Finance Income** has a favourable variance (better than budget) of **\$159K or 5%**. Finance Income consists of interest income derived from council's general funds, Community Investment Fund, MPRL, and internal loans raised against the Recreational Facilities Reserve and River Scheme Reserves. A detailed breakdown of the returns from council's investment portfolio and Community Investment Fund can be found in agenda items 3.2 and 3.3.
- **Other Revenue** has an unfavourable variance (less than budget) of **(\$410K) or (7%)**. Other revenue consists of dividend income and rent received for commercial property, MPRL, and properties purchased for the Kotuku dam. The main contributors to this unfavourable variance are:
 - Commercial rental income which was less than budget by (\$64K) due to the loss of rent associated with the sale of the BBS Timbers and purchase of the Reyburn Street properties.
 - Marsden Point Rail Link property rents are less than budgeted by (\$114K) as we had not budgeted in the 2015 year for a half share of rentals being allocated to KiwiRail.
 - Dividend income is less than budgeted by (\$250K) as the budgeted Regional Software Holdings Ltd dividend did not eventuate.
- **Other gains** has a favourable variance (better than budget) of **\$236K** which is mainly due to the gain on sale value of the sale of the BBS Timber commercial properties partially offset by an overall loss on sale of vehicles during the year.

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Expense

- **Other Personnel Costs** has an unfavourable variance (expenditure exceeding budget) of **(\$127K)** or **(22%)** predominantly due to unbudgeted overtime of (\$71K) in relation to the Fruit Fly, Weather events and the Long Term Plan Process, unbudgeted Employment Relation Act settlements of (\$22K) and Kiwisaver contributions being over budget by (\$19K).
- **Other Expenditure on Activities** has an immaterial unfavourable variance (expenditure more than budget) of **\$3K**. This consists of many variances across all council activities inclusive of personnel consultancy expenditure totaling \$212K of which \$75K relates to the Restructure programme.
- **Finance Costs** has a favourable variance (better than budget) of **\$54K** or **7%**. This is predominantly due to the difference in the internal interest charges between the budgeted underspend on the Kerikeri Waipapa river works of \$2.0M offset by the overspend compared to budget on the Whangarei Dam project of (\$1.3M).

The net transfer to the Special Reserves is \$918K greater than budget (more funds transferred into the reserves) predominantly due to the additional capitalisation of funds to the Property Reinvestment Reserve and Community Investment Fund and the non-requirement of any funding from the Forestry Equalisation Reserve to fund the Bad Debts provision. Further detail on the Special Reserves is provided in agenda item 3.13.

Capital Expenditure

Total capital expenditure for the year was \$8.35M which is \$76K less than the \$8.42M Revised annual budget. The breakdown of capital expenditure by activity is presented in the table below:

Capital Expenditure Reporting			
2014-15 Full Year Capital Expenditure			
Activity	Full Year Actual	Full Year REVISED Budget	Full Year Variance
Monitoring	236,752	215,465	(21,287)
Biosecurity	-	4,000	4,000
Harbour Safety and Navigation	193,381	224,256	30,875
River Management	5,730,430	6,605,526	875,096
Commercial Investments	1,210,815	87,600	(1,123,215)
Information Systems	419,764	571,587	151,823
Support Services	556,874	715,875	159,001
Total Northland Regional Council	8,348,015	8,424,309	76,294

- Monitoring is overspent compared to budget (\$21K) due to insurance replacement of 2 Sondes lost in the Hikurangi Swamp. The insurance compensation is reflected in Revenue.
- Harbour Safety and Navigation are favourable to budget by \$31K due to the new vessel being slightly under budget and no major failures of navigational aids.

- River Management has a favourable to budget spend of \$875k. This is a net off of the following variances:
 - a \$2.0M underspend on the Kerikeri Waipapa river works. Various delays impacted the ability to build this season. The funding has already been re-budgeted in the 2015-2016 year.
 - a (\$1.3M) overspend on Whangarei Dam project due to bringing forward works to achieve a one season build. The overspend was all present in the LTP budget for 2015-2016 and had been spent earlier than expected.
 - a \$125K underspend on Awanui river works due to being able to negotiate better than expected contracts.
- The Commercial Investments unbudgeted overspend of (\$1.1M) was the council approved purchase of Reyburn Street property.
- Information Systems is favourable to budget by \$152K due to unexpected time delays in IRIS system development, \$66K, and IT Infrastructure \$91K. There is a request to carry forward both these amounts.
- Support Services are favourable to budget by \$159K due to an underspend of \$112K in the Vehicle replacement programme and \$47K of unrequired expenditure in Office modification and set-up. There is a request to carry forward \$80K of the Vehicle replacement programme underspend.

DRAFT Statement of Comprehensive Revenue and Expense				
<i>For the year ended 30 June 2015</i>				
Total Council	DRAFT Council 30- Annual Plan 30-			
	Jun-15	Jun-15	Variance	Variance %
Revenue				
Rates	18,694,058	17,967,094	726,964	4%
User Fees and Sundry	4,769,459	4,369,058	400,402	9%
Grants and Subsidies	1,147,164	1,081,008	66,156	6%
Finance Income	3,510,318	3,351,060	159,258	5%
Other Revenue	5,697,485	6,107,935	(410,449)	-7%
Other Gains	235,677	-	235,677	-
Total Revenue	34,054,161	32,876,155	1,178,007	4%
Expenditure				
Salaries and Wages	11,023,664	11,049,285	25,620	0%
Other Personnel Costs	702,106	575,310	(126,795)	-22%
Other Expenditure on Activities	17,124,096	17,120,825	(3,271)	0%
Depreciation and Amortisation	1,242,226	1,228,817	(13,409)	-1%
Finance Costs	765,311	819,340	54,029	7%
Total Expenditure	30,857,403	30,793,577	(63,826)	0%
Net (Cost)/Surplus of Service before transfer from/(to) Special Reserves	3,196,759	2,082,578	1,114,181	54%
Transfers from/(to) Special Reserves				
Transfers from/(to) Land Management Reserve	(12,000)	(25,000)	13,000	-52%
Transfers from/(to) Awanui River Reserve	30,552	62,046	(31,494)	-51%
Transfers from/(to) Kaihu River Reserve	(39,711)	4,942	(44,653)	-904%
Transfers from/(to) Kaeo River Reserve	(132,678)	(28,289)	(104,389)	369%
Transfers from/(to) Whangarei Urban River Reserve	(173,111)	(232,861)	59,750	-26%
Transfers from/(to) Infrastructure Facilities Reserve	(149,769)	(80,150)	(69,619)	87%
Transfers from/(to) Recreational Facilities Reserve	(937,102)	(950,749)	13,647	-1%
Transfers from/(to) Property Reinvestment Fund (100% reinvested)	(200,100)	-	(200,100)	-
Transfers from/(to) Forest Income Equalisation Reserve	0	345,035	(345,035)	-100%
Transfers from/(to) Hatea River Reserve	80,009	(15,146)	95,155	-628%
Transfers from/(to) Investment and Growth Reserve	(473,797)	(1,169,476)	695,679	-59%
Transfers from/(to) Approved Carry Forwards	445,499	434,876	10,623	2%
Transfers from/(to) Waipapa/Kerikeri River Reserve	(121,300)	(50,359)	(70,941)	141%
Transfers from/(to) Kaitaia Bus Reserve	(9,414)	-	(9,414)	-
Transfers from/(to) to Community Investment Fund (100% reinvested)	(1,176,375)	(246,000)	(930,375)	378%
Net (Cost)/Surplus of Service after transfer from/(to) Special Reserves	327,461	131,447	196,014	149%

ISSUE: Allocation of 2014-2015 Investment Revenue to the Community Investment Fund and Investment and Growth Reserve

ID: A768190

To: Finance Committee Meeting, 18 August 2015

From: Simon Crabb, Finance Manager

Date: 3 August 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 paper is to seek approval to capitalise (re-invest) all of the investment revenue derived from the Community Investment Fund (CIF) in the 2014-15 financial year, with a view to developing a capital base that will eventually generate sufficient income to fund the Northland Inc. Limited operation.

Legal compliance and significance assessment:

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

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy as the latest Financial Strategy specifically provides for council to look for ongoing opportunities to increase its financial returns.

Recommendations:

1. That the report "Allocation of 2014-2015 Investment Revenue to the Community Investment Fund and Investment and Growth Reserve" by Simon Crabb, Finance Manager, and dated 3 August 2015, be received.
2. That \$1,176,376 of Community Investment Fund investment income is capitalized to maintain a closing fund balance of \$11,771,369 at 30 June 2015.
3. That \$1,700,000 of investment income is transferred to the Investment and Growth Reserve.
4. That the committee agrees that it may elect to transfer the \$1,176,376 of capitalised investment income in the Community Investment Fund back to the Investment and Growth Reserve should the income be required to fund a project at any future date.

Report:

Confirming the amount of investment revenue to be reinvested into the Community Investment Fund

Throughout the 2015-25 Long Term Plan (LTP) process, council signaled its intention to improve the capital base of the Community Investment fund to a point where it would generate sufficient income to fund the Northland Inc. Limited operation. Accordingly, the CIF investment strategy in the LTP was to re-invest 100% investment income back into the CIF for the first three years of the LTP, then reinvest an amount reflecting CPI from year 4 onwards.

By adopting the above CIF investment strategy, the funding of Northland Inc. Limited over the first three years of the LTP comes exclusively from the Investment and Growth (IAG) Reserve.

The treatment of the CIF and IAG Reserve in the Draft 2014-15 year end accounts reflects the same approach as adopted in the LTP.

Table One below illustrates the funding provided to Northland Inc. Limited and other economic development projects from the IAG Reserve in 2014-15, and the forecasted contributions over the next three years.

The investment income (rents and interest) transferred TO the Investment and Growth Reserve for 2014-15 (and next three years) is the budgeted amount of \$1.7 Million per year.

Table One

INVESTMENT AND GROWTH RESERVE	2014-2015 YEAR END	2015-2016 REVISED FORECAST	2016-2017 REVISED FORECAST	2017-2018 REVISED FORECAST
OPENING BALANCE	3,940,670	3,624,774	1,859,659	1,646,410
REDIRECTION OF NRC INVESTMENT INCOME	1,700,000	1,700,000	1,700,000	1,700,000
COMMUNITY INVESTMENT FUND INCOME	0	0	0	0
WITHDRAWALS				
Payments to Northland Inc.				
Payment to Northland Inc (opex)	-1,050,000	-1,069,005	-1,094,020	-1,120,745
Payment to Northland Inc. (tourism)	-100,000	-101,810	-104,192	-106,738
Payment to Northland Inc. (Feasibility) *	-155,446	-200,000	-200,000	-200,000
Payment to Northland Inc. (Additional Regional Promotion)	0	-410,500	-410,500	-410,500
Loans Issued				
Northland Inc. Car Loan No 2	-60,000	0	0	0
Project Funding				
Better Water Management Project	-18,950	-221,050	0	0
REL Project LOAN	-750,000	0	0	0
Kawakawa Project	0	-500,000	0	0
Twin Coast Project	-40,348	-202,652	-250,000	0
Twin Coast Cycleway Project		-900,000	0	0
OTHER DEPOSITS				
Interest earned on I&G fund Balance	157,126	99,367	88,155	89,409
Repayment from Northland Inc. of Car Loan Interest	3,640	3,316	1,418	107
Repayment from Northland Inc. of Car Loan Principle	20,307	28,042	26,138	7,304
Repayment from REL of Interest	8,332	26,250	48,000	69,750
Management and Legal Fees	-30,557	-17,073	-18,247	-19,501
INVESTMENT AND GROWTH RESERVE CLOSING BALANCE	3,624,774	1,859,659	1,646,410	1,655,495

COMMUNITY INVESTMENT FUND	2014-2015 FORECASTED YEAR END	2015-2016 REVISED FORECAST	2016-2017 REVISED FORECAST	2017-2018 REVISED FORECAST
OPENING BALANCE	10,594,993	11,771,369	12,554,369	13,390,369
100% of Investment income reinvested (retained) In FUND	1,176,376	783,000	836,000	977,000
COMMUNITY INVESTMENT FUND CLOSING BALANCE	11,771,369	12,554,369	13,390,369	14,367,369

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* The feasibility studies funded from the IAG in 2014-15 were:

• Kingfish Commercialisation opportunity feasibility study	12,500.00
• Totara Research opportunity feasibility study	15,000.00
• REL project feasibility study	17,200.00
• Ngawha Forest feasibility study	20,000.00
• Orchard co-working feasibility study	33,000.00
• Refund of unspent Cruise Ship feasibility study	-4,553.90
• Ultra-Fast Broadband/Rural Broadband/Black Spot Elimination Regional Joint Bid Action Plan 2025	62,300.00
Total	<u>155,446.10</u>

Council, by way of committee resolution, can maintain the flexibility to transfer any interest originally capitalised into the CIF back to the Investment and Growth Reserve at any future date should it be desirable to do so. It is suggested this be specifically included and noted in the recommendation.

ISSUE: Special Reserves at 30 June 2015

ID: A763666

To: Finance Committee Meeting, 18 August 2015

From: Steve Goddard, Management Accountant

Date: 6 August 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 type="checkbox"/> Annual\Long Term Plan	<input checked="" type="checkbox"/> Other
Significance:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to update councillors on the special reserves held by council, the purpose of each reserve, and the balance held in each special reserve as at the end of the 2014-2015 financial year.

Legal compliance and significance assessment:

The activities detailed in this report are provided for in the council's 2014-2015 Annual Plan, and as such are in accordance with council's decision making process and sections 76-82 of the Local Government Act 2002.

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council.

Recommendation:

1. That the report "Special Reserves at 30 June 2015" by Steve Goddard, Management Accountant, and dated 6 August 2015, be received.

Report:

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

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

The special reserves and their respective balances (surplus/(deficit)) in place at the end of the 2014-2015 financial year are as follows:

Land Management Reserve	\$1,315,791
Awanui River Reserve	(\$327,230)
Kaihu River Reserve	\$96,176
Whangaroa Kaeo Rivers Reserve	(\$72,171)
Whāngārei Urban Rivers Reserve	(\$9,497,477)
Kerikeri-Waipapa Rivers Reserve	\$215,767
Infrastructure Facilities Reserve	(\$1,127,639)
Recreational Facilities Reserve	(\$3,279,322)
Property Reinvestment Fund Reserve	\$10,299,401
Forest Income Equalisation Reserve	\$1,952,776
Hātea River Reserve	\$56,197
Investment and Growth Reserve	\$3,624,774
Kaitaia Bus Service Reserve	\$23,342
Proposed approved Carry Forwards - General Funds	\$295,000
Total Special Reserves	\$3,575,384

A description of the purpose of each reserve, the transfers from and/or to the reserve for the year, and the closing balance of each reserve as at 30 June 2015 is provided below.

Land Management Reserve

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

In the 2014-2015 financial year the Environmental Management Committee and/or council approved the release of \$26,353 for projects associated with the Land and Biodiversity Environment Fund, and \$13,000 for Biosecurity related Environment Fund projects. The \$26,353 released by the committee was not required during 2014-15 due to a number of application withdrawals.

There was also an advance for the Poplar Nursery of \$25,000 in 2013-14 that was repaid in 2014-15.

This produced a closing balance as at 30 June 2015 of \$1,315,791.

Land Management Reserve	Actual	Budget
Opening Balance as at 1 July 2014	1,303,791	1,392,534
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	12,000	25,000
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	-	-
Closing Balance as at 30 June 2015	1,315,791	1,417,534

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Awanui River Reserve

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

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

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

In the 2014-2015 financial year the Awanui River Management project had an operating deficit of \$30,552. Capital expenditure of \$115,639 was also incurred. The advancement of funds is to be repaid from future surplus arising from the targeted Awanui River Management rate.

This produced a closing book reserve deficit of (\$327,230) as at 30 June 2015.

Awanui River	2014-2015 Actual	2014-2015 Budget
Operational Revenue	410,380	417,902
Operational Expenditure	440,932	479,948
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	(30,552)	(62,046)
Operational Transfer from/(to) the Awanui River Special Reserve	30,552	62,046
Capital Expenditure	115,639	183,000
Capital Transfer from/(to) the Awanui River Special Reserve	115,639	183,000
	-	-

Awanui River Book Reserve	Actual	Budget
Opening Balance as at 1 July 2014	(181,039)	(275,057)
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	(30,552)	(62,046)
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	(115,639)	(183,000)
Closing Balance as at 30 June 2015	(327,230)	(520,103)

There is \$47,295 depreciation transferred back into the Awanui River Cash Reserve. The closing cash balance of the Awanui River Cash Reserve at 30 June 2015 is \$211,816 overdrawn.

Awanui River Cash Reserve	Actual
Opening Balance as at 1 July 2014	(112,920)
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	(30,552)
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	(115,639)
Add back depreciation renewal funding for 2014-2015	47,295
Closing Balance as at 30 June 2015	(211,816)

Kaihu River Reserve

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

In the 2014-2015 financial year there was an operating surplus of \$39,711 as detailed in the table below. This surplus was transferred to the Kaihu River Reserve producing a closing reserve balance as at 30 June 2015 of \$96,176.

Kaihu River	2014-2015 Actual	2014-2015 Budget
Operational Revenue	77,743	78,612
Operational Expenditure	38,032	83,554
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	39,711	(4,942)
Operational Transfer from/(to) the Kaihu River Special Reserve	(39,711)	4,942
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-
Capital Expenditure	-	-
Capital Transfer from/(to) the Kaihu River Special Reserve	-	-
	-	-

Kaihu River Reserve	Actual	Budget
Opening Balance as at 1 July 2014	56,465	48,728
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	39,711	(4,942)
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	-	-
Closing Balance as at 30 June 2015	96,176	43,786

Whangaroa Kaeo Rivers Reserve

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

In the 2014-2015 financial year there was an operating surplus of \$132,678 as detailed in the table below. Capital expenditure of \$68,952 was also incurred. This has resulted in a closing reserve balance at 30 June 2015 of \$72,171 overdrawn.

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Whangaroa Kaeo Rivers	2014-2015 Actual	2014-2015 Budget
Operational Revenue	183,603	134,219
Operational Expenditure	50,924	105,930
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	132,678	28,289
Operational Transfer from/(to) the Whangaroa Kaeo Rivers Special Reserve	(132,678)	(28,289)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-
Capital Expenditure	68,952	-
Capital Transfer from/(to) the Whangaroa Kaeo Rivers Special Reserve	68,952	-
	-	-

Whangaroa Kaeo Rivers Reserve	Actual	Budget
Opening Balance as at 1 July 2014	(135,898)	(500,664)
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	132,678	28,289
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	(68,952)	-
Closing Balance as at 30 June 2015	(72,171)	(472,375)

Whāngārei Urban Rivers Reserve

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

The operating surplus of \$173,111 has been transferred to the reserve and the capital expenditure of \$5,466,063 has been funded out of the reserve.

Therefore at the end of 30 June 2015 the balance of the Whāngārei Urban Rivers Reserve is a deficit/overdrawn of (\$9,497,477). This has been anticipated and is due to be repaid over 25 years.

Whangarei Urban Rivers	2014-2015 Actual	2014-2015 Budget
Operational Revenue	755,242	731,505
Operational Expenditure	582,130	498,644
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	173,111	232,861
Operational Transfer from/(to) the Whangarei Urban Rivers Special Reserve	(173,111)	(232,861)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-
Capital Expenditure	5,466,063	3,265,954
Capital Transfer from/(to) the Whangarei Urban Rivers Special Reserve	5,466,063	3,265,954
	-	-

Whangarei Urban River Reserve	Actual	Budget
Opening Balance as at 1 July 2014	(4,204,525)	(4,889,971)
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	173,111	232,861
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	(5,466,063)	(3,265,954)
Closing Balance as at 30 June 2015	(9,497,477)	(7,923,064)

Kerikeri–Waipapa Rivers Reserve

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

The operating surplus of \$121,300 has been transferred to the reserve and capital expenditure of \$79,776 has been funded from the reserve. This has produced the closing reserve balance as at 30 June 2015 of \$215,767.

Kerikeri Waipapa Rivers	2014-2015 Actual	2014-2015 Budget
Operational Revenue	195,995	192,020
Operational Expenditure	74,695	141,661
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	121,300	50,359
Operational Transfer from/(to) the Kerikeri Waipapa Rivers Special Reserve	(121,300)	(50,359)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-
Capital Expenditure	79,776	2,130,048
Capital Transfer from/(to) the Kerikeri Waipapa Rivers Special Reserve	79,776	2,130,048
	-	-

Kerikeri Waipapa Rivers Reserve	Actual	Budget
Opening Balance as at 1 July 2014	174,243	25,130
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	121,300	50,359
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	(79,776)	(2,130,048)
Closing Balance as at 30 June 2015	215,767	(2,054,559)

Infrastructure Facilities Reserve

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

This consists primarily of the Marsden Point Rail Link.

The operating surplus of \$149,769 has been transferred to the reserve. This has produced the closing reserve balance as at 30 June 2015 of \$1,127,639 overdrawn.

Infrastructure Facilities Reserve	Actual	Budget
Opening Balance as at 1 July 2014	(1,277,408)	(997,013)
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	149,769	80,150
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	-	-
Closing Balance as at 30 June 2015	(1,127,639)	(916,863)

Recreational Facilities Reserve

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

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During the 2014-2015 year the surplus (after internal interest and rate collection costs) targeted Regional Recreational Facilities rates for 2014-2015 of \$937,102 have been transferred to this reserve resulting in a closing deficit/overdrawn reserve balance as at 30 June 2015 of (\$3,279,322).

Recreational Facilities Reserve	2014-2015 Actual	2014-2015 Budget
Operational Revenue	1,877,884	1,870,938
Operational Expenditure	940,782	920,189
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	937,102	950,749
Operational Transfer from/(to) the Recreational Facilities Special Reserve	(937,102)	(950,749)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Recreational Facilities Reserve	Actual	Budget
Opening Balance as at 1 July 2014	(4,216,424)	(4,216,494)
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	937,102	950,749
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)		-
Closing Balance as at 30 June 2015	(3,279,322)	(3,265,745)

Property Reinvestment Fund Reserve

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

During the 2014-2015 financial year one property from this portfolio was sold and another was purchased. This resulted in a net transfer to the reserve of \$1,764,004. Interest earned throughout the year on these funds amounted to \$200,099. This was also transferred to the reserve. Therefore the balance as at 30 June 2015 was \$10,299,401.

Property Reinvestment Fund Reserve	2014-2015 Actual	2014-2015 Budget
Operational Revenue	200,099	-
Operational Expenditure	-	-
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	200,099	-
Transfer sales and purchases during the year	1,764,004	-
	1,764,004	-

Property Reinvestment Reserve	Actual	Budget
Opening Balance as at 1 July 2014	8,335,297	8,335,297
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	200,099	-
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	1,764,004	-
Closing Balance as at 30 June 2015	10,299,401	8,335,297

Forest Income Equalisation Reserve

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

At the time of writing, the provisional surplus result was such that no transfers were required from or to the Forest Income Equalisation Reserve in the 2014-2015 financial year, thus the balance as at 30 June 2015 remains at \$1,952,776.

Forest Income Equalisation fund Reserve	Actual	Budget
Opening Balance as at 1 July 2014	1,952,776	1,355,928
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	-	(345,035)
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	-	-
Closing Balance as at 30 June 2015	1,952,776	1,010,893

Hātea River Reserve

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

This year there was a deficit from operating expenditure of \$80,009 transferred from the reserve. This produced a closing reserve balance as at 30 June 2015 of \$56,197.

Hatea River Reserve	2014-2015 Actual	2014-2015 Budget
Operational Revenue	113,688	110,389
Operational Expenditure	193,696	95,243
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	(80,009)	15,146
Operational Transfer from/(to) the Hatea River Special Reserve	80,009	(15,146)
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Hatea River Reserve	Actual	Budget
Opening Balance as at 1 July 2014	136,207	186,094
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	(80,009)	15,146
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	-	-
Closing Balance as at 30 June 2015	56,197	201,240

Northland Regional Council Investment and Growth Reserve

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

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

Investment and Growth Reserve	Actual	Budget
Opening Balance as at 1 July 2014	3,940,670	4,522,086
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	(315,896)	1,169,476
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	-	-
Closing Balance as at 30 June 2015	3,624,774	5,691,562

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Approved Carry Forwards Reserve

The Approved Carry Forwards Reserve was set up to record operational projects for council that have not been completed during the current year and need to be carried forward to the next financial year. This is the subject of another paper in this agenda. At 30 June 2015 the balance of project funds to be carried forward is \$295,000.

Approved Carry Forwards - General Funds	Actual	Budget
Opening Balance as at 1 July 2014	740,499	-
Increase /(Decrease) in Reserve throughout 2014-2015 (14-15 to 15-16)	295,000	-
Increase /(Decrease) in Reserve throughout 2014-2015 (13-14 to 14-15)	(740,499)	-
Closing Balance as at 30 June 2015	295,000	-

Kaitaia Bus Service Reserve

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

The operating surplus of \$9,414 has been transferred to the reserve. This has produced the closing reserve balance as at 30 June 2015 of \$23,342.

Kaitaia Bus Service Reserve	2014-2015 Actual	2014-2015 Budget
Operational Revenue	80,565	-
Operational Expenditure	71,151	-
Operational Net Surplus/(Cost) before transfer from/(to) Special Reserve	9,414	-
Operational Transfer from/(to) the Kaitaia Special Reserve	(9,414)	-
Operational Net Surplus/(Cost) after transfer from/(to) Special Reserve	-	-

Kaitaia Bus Service Reserve	Actual	Budget
Opening Balance as at 1 July 2014	13,927	-
Increase /(Decrease) in Reserve throughout 2014-2015 (operational transfer)	9,414	-
Increase /(Decrease) in Reserve throughout 2014-2015 (capital transfer)	-	-
Closing Balance as at 30 June 2015	23,342	-

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ISSUE: Request for Approval to Carry Forward Capital Expenditure Budget from the 2014-2015 Financial Year into the 2015-2016 Financial Year

ID: A763669

To: Finance Committee Meeting, 18 August 2015

From: Steve Goddard, Management Accountant

Date: 21 July 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:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to seek council approval to carry forward \$261,098 of unspent general capital expenditure budget from the 2014-2015 financial year into the 2015-2016 financial year.

Legal compliance and significance assessment:

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

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council.

Recommendations:

1. That the report "Request for Approval to Carry Forward Capital Expenditure Budget from the 2014-2015 Financial Year into the 2015-2016 Financial Year" by Steve Goddard, Management Accountant, and dated 21 July 2015, be received.
2. That the Finance Committee approves the carry forward of \$261,098 unspent capital expenditure budget from the 2014-2015 financial year into the 2015-2016 financial year.

Report:

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

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

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

Following the 30 June 2015 year-end staff review, which was based upon the actual capital expenditure incurred and the review of ongoing requirements, a total of \$261,098 is proposed to be carried forward into 2015-2016.

2014-2015 Actual and Budgeted Capital Expenditure

The revised capital expenditure budget for 2014-15 (after approved carry forwards from 2013-2014) totalled \$8,424,309. The detail of this capital expenditure programme are presented in **Attachment One**. The table shows:

- Column A: 2014-2015 actual capital expenditure incurred;
- Column B: 2014-2015 revised capital expenditure budget (including revisions approved by council throughout the 2014-15 year);
- Column C: 2014-2015 Underspend/(Overspend);
- Column D: Proposed capital expenditure carry forwards from 2014-2015 to 2015-2016 (an explanation for each proposal is provided in the next section);
- Column E: Brief comments.

2015-2016 Budgeted Capital Expenditure and Proposed Carry Forwards

The original capital expenditure budget published in the 2015-2025 Long Term Plan (page 162) totalled \$6,136,548. The detail of this original capital expenditure programme and the proposed capital carry forwards are presented in **Attachment Two**. The table shows:

- Column F: 2015-2016 capital expenditure budget (**\$6,136,548** as adopted in the 2015-25 Long Term Plan);
- Column F: Proposed capital expenditure carry forwards from 2014-15 to 2015-16 (an explanation for each proposal is provided in the next section);
- Column G: Proposed 2015-16 Revised Capital Budget (**\$6,397,646**).

Explanations to proposed capital carry forward expenditure for 2015-2016

Monitoring: Proposed capital expenditure carry forward \$3,000

Approval of \$3,000 capital expenditure carry forward is sought in relation to:

- The purchase of Water quality monitoring instruments. Funding of \$12,000 was approved for 2014-15. Actual expenditure was \$8,000 however an order was placed in the 2014-15 financial year for \$3,000. The supplier was not able to fill the order until 21-7-2015.

Biosecurity: Proposed capital expenditure carry forward \$4,000

Approval of \$4,000 capital expenditure carry forward is sought in relation to:

- For the purchase of Kiwi Listening Devices. Funding of \$4,000 was approved for 2014-15. It was expected that new technology would be released to the market during the 2014-15 financial year. The release has been delayed and is now expected early in the 2015-16 financial year. Staff believed it was advantageous to wait for the new technology.

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Harbour Safety and Navigation: Proposed capital expenditure carry forward \$2,000

Approval of \$2,000 capital carry forward expenditure is sought:

- For the purchase of a laptop associated with the replacement vessel. This budget is \$12,435 underspent. The laptop will complete the electronic fit out of the vessel.

Information Technology: Proposed capital expenditure carry forward \$157,098

Approval of \$157,098 capital carry forward expenditure is sought in relation to:

- Integrated Regional Information System (IRIS) of \$65,728 to fund further development of the system. Delays to this development have resulted from a focus on implementation at six councils. It is expected that this development will now occur in the 2015-16 financial year.
- IT infrastructure of \$91,370 to expand storage capacity within the NRC network. Due to the extended problem resolution resulting from the Lync implementation project, staff were unable to commence this project in 2014-2015 as anticipated.

Corporate Support: Proposed capital expenditure carry forward \$95,000

Approval of \$95,000 capital carry forward expenditure is sought in relation to:

- The Furniture, Desk Setup and Office Configuration budget was underspent by \$25,883. Of this it is proposed to carry forward \$15,000 to complete video conferencing for the Opuia office.
- The Vehicle budget is under spent by \$111,959. It is proposed to carry forward \$80,000 for the purchase of two vehicles to support the Kaipara Hill Country Erosion Project. NRC won \$650,000 of funding for this project over the next four years. These vehicles are required to allow effective delivery of the project objectives.

Proposed Capital Expenditure Carry Forwards 2014-15 to 2015-16

Attachment 1

2014-15 Full Year Provisional Capital Expenditure				Carry forward Proposed
Activity	YTD Actual (provisional)	YTD budget	YTD Variance	
Monitoring	236,752	215,465	(21,287)	3,000
Biosecurity	-	4,000	4,000	4,000
Harbour Safety and Navigation	193,381	224,256	30,875	2,000
River Management	5,730,430	6,605,526	875,096	0
Commercial Investments	1,210,815	87,600	(1,123,215)	0
Information Systems	419,764	571,587	151,823	157,098
Support Services	556,874	715,875	159,001	95,000
Total Northland Regional Council	8,348,015	8,424,309	76,294	261,098
				Carry forward
				No carry forward required

	Column A	Column B	Column C	Column D	Column E
	2014-15 Provisional Capital Expenditure Date	2014-15 Revised Capital Expenditure Budget	2014-15 Underspend/(Overspend)	Carry forward Proposed	Comments
Monitoring					
Others - SOE	93,470	94,490	1,020	0	No carry forward as per Colin Dall. Budget almost entirely spent.
Others	106,282	120,975	14,693	3,000	Carry forward \$3k. For the replacement of water quality monitoring instrumentation. The final order was placed in the 2014-15 year. Goods not received until 21-7-2015.
2 Sondes lost in Hikurangi Swamp	37,000	-	(37,000)	-	This overspend is offset by income from insurance.
TOTAL MONITORING	236,752	215,465	(21,287)	3,000	
Biosecurity					
Others : -	-	4,000	4,000	4,000	Carry forward \$4k. Kiwi listening devices. Purchase was delayed due to a delay in supply of new technology.
TOTAL BIOSECURITY	-	4,000	4,000	4,000	
Harbour Safety and Navigation					
Vessels - Other capital work	57,850	58,901	1,051	0	No carry forward as all spent.
Vessels - Replacement	114,255	127,355	13,100	2,000	Carry forward \$2k for laptop to display LINZ navigation charts. This is the final component for electronic fitout.
Others	21,276	38,000	16,724	0	No emergency replacements of buoys required. This is a rolling budget. No carry forward.
TOTAL HARBOUR SAFETY AND NAVIGATION	193,381	224,256	30,875	2,000	
River Management					
Whangarei River Dam Project	5,466,063	4,163,989	(1,302,074)	0	No Carry forward. Over budget in 2014-15 however this was advanced against 2015-16 project budget. This only represents a timing issue.
Awanui - River Works	57,585	183,000	125,415	0	No carry forward. It is felt that, subject to reasonable planning costs, there should be enough in the 2015-16 capex budget to complete this project.
Awanui - Renewal Programme	58,054	58,054	- 0	0	Purchase complete. No carry forward
Kerikeri - Waipapa River works	79,776	2,130,048	2,050,272	0	No carry forward required. Budget for completion available in Yr1 of the LTP as delay fully understood at the time of setting the LTP budget.
Kaeo Whangaroa works	68,952	70,435	1,483	0	Purchase complete. No carry forward
TOTAL RIVER MANAGEMENT	5,730,430	6,605,526	875,096	-	
Commercial Investments					
Purchase of Rail Corridor Strip Crossing	87,602	87,600	- 2	0	Purchase complete. No carry forward
Others	19,049	-	- 19,049		
Investment Properties	1,104,163	-	(1,104,163)	0	Purchase complete. No carry forward
TOTAL COMMERCIAL INVESTMENTS	1,210,815	87,600	(1,123,215)	0	
Information Systems					
IRIS	16,500	82,228	65,728	65,728	Carry forward \$65.7. Focus has been on supporting implementations at the six council causing a delay in this development.
Desktop replacement programme	63,166	65,439	2,273	0	Purchase complete. No carry forward
Network Switches	78,706	100,000	21,294	0	Purchase complete. No carry forward
PABX replacement	106,891	80,000	(26,891)	0	Purchase complete. No carry forward
IT Infrastructure	34,982	126,352	91,370	91,370	Carry forward \$91.4k. Delayed due to the extended problem resolution period for the lync project
Others	119,520	117,568	(1,952)	0	Purchase complete. No carry forward
TOTAL INFORMATION SYSTEMS	419,764	571,587	151,823	157,098	
Support Services					
Vehicle replacement programme	401,867	513,826	111,959	80,000	Carry forward \$80,000 to purchase two additional vehicles for the Kaipara Hill Country Erosion Project
Air Conditioning Replacement Project	103,249	102,049	(1,200)	0	Purchase complete. No carry forward
Furniture, Desk set-up and Office configuration	24,117	50,000	25,883	15,000	Carry forward \$15k to complete video conferencing for the Opua Office.
Office Creation, Greening and Modification	27,641	50,000	22,359	0	This is a rolling budget. No carry forward.
TOTAL SUPPORT SERVICES	556,874	715,875	159,001	95,000	
WHOLE OF COUNCIL	8,348,015	8,424,309	76,293	261,098	

Proposed Revised 2015-16 Capital Expenditure Budget

Attachment 2

	Column F	Column G	Column H
	2015-16 Adopted LTP Budget	Proposed Carry forwards fom 2014-15	Proposed 2015-16 Revised Capital Budget
Property, Plant and Equipment			
Biosecurity			
Digital Ultrasonic logic controller and transducers	50,000	-	50,000
Thermal Imaging Scope	16,564	-	16,564
Thermal Viewing Scope	6,200	-	6,200
Kiwi Listening Devices	-	4,000	4,000
Human Resources			
Furniture, Desk set-up and office configuration	50,000	15,000	65,000
Community Relations			
Camera	1,500	-	1,500
Marquee - freestanding	5,000	-	5,000
Electronic kiosk	5,000	-	5,000
Corporate			
Vehicle Replacement programme (including Show trailer and Quad)	319,000	80,000	399,000
IT			
Hardware replacement schedule (including tablets for Land and Rivers 7k)	230,000	-	230,000
New Staff Desktop setup	10,000	-	10,000
Rating Software (placeholder)	300,000	-	300,000
IRIS	-	65,728	65,728
IT Infrastructure	-	91,370	91,370
Records			
Air-con replacement - 5yr project - yrs 4+5	78,280	-	78,280
Security software upgrade	6,000	-	6,000
Air-con unit controller	9,000	-	9,000
Land and Rivers			
Replacement Telemetry Communications upgrade	5,000	-	5,000
Replacement Water Level Sensors	25,000	-	25,000
Replacement Water Level Structures / Equip Housings	10,000	-	10,000
RTK - GPS upgrade	66,000	-	66,000
Flyer Rd Nursery - block 3 development	18,421	-	18,421
New ADCP flow measuring device	60,000	-	60,000
New Groundwater Bores/Level Recorders Aupouri x 2	45,000	-	45,000
New Portable Flows Metres Water Allocation	16,000	-	16,000
New Rain gauge stations	12,500	-	12,500
New Water Level stations - Hikurangi Swamp x 2	25,000	-	25,000
Water Level Tidal Monitoring Station - Hokianga	12,000	-	12,000
Maritime			
Aids to Nav	77,000	-	77,000
Outboards - Yamaha 70hp x 2	30,000	-	30,000
Safety Signs	18,000	-	18,000
Moorings acquisition	20,000	-	20,000
Vessels - Replacement		2,000	2,000
Monitoring			
Air Quality Beta Attenuation Monitor (BAM) for PM10	26,000	-	26,000
EX02 Sonde with probes for Water Quality Monitoring	19,000	-	19,000
Handheld YSI Field Meters	11,000	-	11,000
Water Quality Monitoring Buoy (and EX02 Sondes) for Coastal Waters	50,000	-	50,000
Water Quality Monitoring Buoys for Lakes	105,000	-	105,000
Drone (DJI Phantom 2 Vision Plus with Camera and Gimbal)	1,850	-	1,850
Replacement of Water Quality Monitoring Instruments	-	3,000	3,000
Transport			
CityLink Electronic Ticketing System (Placeholder APP)	65,213	-	65,213
Total Property Plant and Equipment Infrastructure	1,804,528	261,098	2,065,626
Rivers			
Awanui River flood management scheme - upgrade	700,000	-	700,000
Awanui River flood management scheme - Renewal	59,995	-	59,995
Kerikeri River flood reduction by-pass spillway	2,030,000	-	2,030,000
Kotuku St detention dam - Additional Capex Cost	1,542,025	-	1,542,025
Kaeo Whangaroa works	-	-	-
Total Infrastructure	4,332,020	-	4,332,020
Total Council Capital Expenditure	6,136,548	261,098	6,397,646

ITEM: 3.15

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ISSUE: Request for Approval to Carry Forward Operational Budget from the 2014-2015 Financial Year into the 2015-2016 Financial Year

ID: A763667

To: Finance Committee Meeting, 18 August 2015

From: Steve Goddard, Management Accountant

Date: 20 July 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:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to seek approval to carry forward \$95,000 of unspent operational expenditure from the 2014-2015 financial year into the 2015-2016 financial year and advise council of the treatment for unspent funds of \$221,050 for the Better Water Management project.

Legal compliance and significance assessment:

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

In relation to section 79 of the Local Government Act 2002, this issue is considered to be of low significance under council policy because it is part of normal day to day operations of council.

Recommendations:

1. That the report "Request for Approval to Carry Forward Operational Budget from the 2014-15 Financial Year into the 2015-16 Financial Year" by Steve Goddard, Management Accountant, and dated 20 July 2015, be received.
2. That the Finance Committee approve the operational expenditure carry forward from the 2014-2015 financial year into the 2015-2016 financial year of:
 - a) \$23,000 for a Biosecurity related project;
 - b) \$10,000 for a Transport related project;
 - c) \$62,000 for Information Technology related projects; and
 - d) \$200,000 for the LiDAR programme.
3. That the Finance Committee be advised that \$221,050 of approved funds for the Better Water Management Project will not be transferred from the Investment and Growth Reserve in the 2014-2015 financial year but will be in 2015-2016.

Report:

As with previous years, carry forwards of unspent 2014-2015 operational budgets are required to enable the completion of the various council work programmes in the 2015-2016 financial year.

Following the 30 June 2015 year-end staff review, which was based upon the actual operational expenditure incurred and the review of ongoing requirements, a total of \$295,000 is proposed to be carried forward into the 2015-2016 financial year.

Explanations of the proposed operational expenditure to be carried forward from the 2014-2015 financial year into the 2015-2016 financial year are provided below:

Biosecurity: Proposed operating expenditure carry forward of \$23,000

Biosecurity	2014-15 Actual	2014-15 Budget	Under spent	Proposed Carry Forward
NRC share of joint agency plan for Kauri Dieback	64,000	87,000	23,000	23,000

Approval of \$23,000 operational expenditure carry forwards is sought in relation to:

- Northland Regional Council's share of the joint agency plan for Kauri Die Back. The Ministry for Primary Industries (MPI) co-ordinates and incurs the cost of the response to Kauri Die Back. They then charge the partners in the response an agreed proportion of the costs. Work scheduled for the 2014-15 year has not been completed as expected. NRC is still responsible for our portion of the work that will now be completed in 2015-16. The original portion of the work programme NRC is responsible for is \$87,000 (as budgeted). MPI have charged \$64,000 to date and expects to charge the balance of \$23,000 in the 2015-16 year.

Transport: Proposed operating expenditure carry forward of \$10,000

Transport	2014-15 Actual	2014-15 Budget	Under spent	Proposed Carry Forward
Printing for the Regional Land Transport and Regional Public	-	10,000	10,000	10,000

Approval of \$10,000 operational expenditure carry forwards is sought in relation to:

- Printing of the Regional Land Transport and Public Passenger Transport Plans. The Public Passenger Transport Plan was approved by Council on the 16 June 2015 and the final approval for Regional Land Transport budgets from NZTA was received in June. The process of setting up and printing the plans takes 4-5 weeks therefore NRC had not received the documents at 30 June 2015. The Transport Department had budgeted for this expenditure in the 2014-15 year. It will now fall in the 2015-16 financial year.

ITEM: 3.15

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Information Technology: Proposed operating expenditure carry forward of \$62,000

Information Technology	2014-15 Actual	2014-15 Budget	Under spent	Proposed Carry Forward
Moving email archiving into the cloud	-	15,000	15,000	12,000
Aerial Photography (net cost to Council)	56,972	107,000	50,028	50,000

Approval of \$62,000 operational expenditure carry forwards is sought in relation to:

- **Email archiving in the cloud (\$12,000).** NRC expected to move the archiving of email into the cloud in the 2014-15 financial year. \$15,000 was budgeted for this project and unspent due to the project being delayed. The project was not started due to a lack of resources in the IT department. The Lync implementation project took longer than expected primarily due to an extended problem resolution period. The resources intended for archiving email were used instead to resolve these issues. IT are requesting a \$12,000 carry forward, \$3,000 less than the original budget, to complete this project in 2015-16.
- **Aerial Photography (\$50,000).** NRC is co-ordinating an Aerial Photography project across Northland. The District Councils are contributing to the cost. The net cost for NRC is budgeted at \$107,000. The project has been subject to unfavourable weather conditions and is partially complete. Completion is expected as weather conditions allow. To date the net cost to NRC has been \$56,972 and \$50,000 is sought to be carried forward.

Notification of unspent funds for the Better Water Management Project

Council approved \$240,000 for the Better Water Management Project in 2014-15. This was to be funded from the Investment and Growth Reserve. During the 2014-15 year NRC reached agreement with the Ministry for Primary Industries for joint funding of the project through their Irrigation Acceleration Fund. Tenders were then sought for the work. The work has commenced with \$18,950 spent prior to the end of the financial year. Meaning only the \$18,950 will be funded from the Investment and Growth reserve in 2014-15.

The balance remaining of \$221,050 will now be funded from the Investment and Growth reserve in 2015-16.

Use of operational surplus to advance LiDAR Programme

Council had budgeted for a cash surplus after transfers to reserves of **\$377,447**, the *provisional* result at 5-8-2015 is a cash surplus of **\$555,757**.

We recommend that \$200,000 of the year end operational surplus be used for the purpose of obtaining LiDAR coverage for the entire Northland Region. The estimated cost of flying the whole of Northland incrementally over a number of years is around \$7.5M (12,600 km² area times \$600), whilst flying the entire area in one contract is estimated to be around \$1.7M due to the size of the contract and flying efficiencies, a saving of \$5.8M. The \$200,000 proposed carry forward, combined with the \$300K 2015/25 LTP LiDAR budget (\$100K per year for first three years), is close to one third of the estimated \$1.7M cost. The intention would be to seek funding from the Crown and other agencies to secure the remaining two thirds funding.

**ISSUE: Request For Approval to Transfer 2015-2016
Operational Budgets Across Council Activities**

ID: A769474

To: Finance Committee Meeting, 18 August 2015

From: Steve Goddard, Management Accountant

Date: 6 August 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 2015-2025 Long Term Plan underwent public consultation in April 2015 and was formally adopted by council in June 2015.

The financial budgets published within the adopted Long Term 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 provisional financial accounts for the 2014-15 financial year, a budget adjustment was identified for the 2015-2016 financial year that requires 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 or revenue are increased whilst another activities costs or revenue 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 2015-2016 Operational Budgets Across Council Activities" by Steve Goddard, Management Accountant, and dated 6 August 2015, be received.
2. That the Finance Committee approve the transfer of \$76,875 from the Monitoring activity revenue budget to the Transport activity revenue budget to allow more appropriate recording of revenue.

Report:

During the CEO's review of the provisional 2014-2015 year end results the following operating budget adjustment was identified for the 2015-2016 financial year:

- **Navigation Safety Bylaw Fee (revenue)**

Under the council Charging Policy the charges for Coastal Structures are made up of two parts:

- a) RMA administration fee; and
- b) Navigation Safety Bylaw fee.

The full amount of these charges has traditionally been credited to Coastal Monitoring within the Monitoring activity.

It is proposed to credit Coastal Monitoring with the RMA component of the charge only.

Maritime, which is aggregated in the Transport activity, would be credited with the Navigation Safety Bylaw component of the charge. This would align our revenue reporting more appropriately with the Navigation Safety Bylaw.

Council has \$76,875 budgeted in Monitoring revenue in 2015-2016 for this fee, and we propose that this budget be transferred to Maritime in the Transport activity.

ITEM: 3.17

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ISSUE: 2014-2015 Quarter Four Levels of Service

ID: A764922

To: Finance Committee Meeting, 18 August 2015

From: Jonathan Gibbard, Group Manager, Strategy and Governance

Date: 5 August 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:

The purpose of the report is to provide council with an update on the councils results (achieved, not achieved) against councils agreed performance measures as set out in the 2012-2022 Long Term Plan. Councils results, along with explanations where council has not met its targets, will be formally reported against the targets in the 2014-2015 Annual Report.

Legal compliance and significance assessment:

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

Recommendation:

1. That the report "2014-2015 Quarter Four Levels of Service" by Jonathan Gibbard, Group Manager Strategy and Governance, and dated 5 August 2015, be received.

Report:

The 2012-2022 Long Term Plan contains 33 performance measures. Staff provide information quarterly on the councils progress against these performance measures to the council's Finance Committee. The quarter three update was provided to the May 2014 Finance Committee

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

- 23 Targets achieved;
- 9 Targets not achieved;
- 1 Target, information not yet available.

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

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
1.1	Management and governance arrangements for resource management include Māori.	Maintain or increase the number of contracts, joint management agreements, joint decision making and planning arrangements, monitoring programmes, between council and iwi/hapū. (13 achieved in 2014)	Achieved – 13. <ul style="list-style-type: none">• Contracts – 3• Monitoring programmes- 1• Joint decision-making and planning arrangements – 9
1.2	The number of community pest control areas (CPCAs) achieving their targets for pest reduction.	90%	Achieved – 100%.
1.3	The number of active community pest control areas (CPCAs).	Increases by five annually	Not Achieved – 2 new CPCAs. One large and complex CPCA at Warawara was added and another at Whakarara (Matauri Bay East Coast). Proposals for two additional CPCAs (Purua and Kawakawa) have not yet resulted in signed agreements but continue to be discussed with landowners.
1.4a	The water in our priority harbours, rivers and at the coast is suitable for swimming except for two-five days after rain.	The percentage of faecal indicator bacteria results that are within the Ministry for the Environment's guideline values for bathing will be maintained or improved at the 20 core bathing sites monitored (Baseline 2007/08: 93%)	Achieved - 95%. The sites are sampled 12-18 times at weekly intervals each summer bathing season. (Testing starts in late November each year and continues for 18 weeks through to March the following year. To get our percentage we add the compliance rates for all 20 sites and divide by the total number of sites (20) to provide average compliance rate.) Note: The 'suitability for recreation grade' (SFRG) performance measure set out in the Council's 2012-2022 Long Term Plan is no longer an appropriate measure of the suitability of a site for swimming in Northland. The Council now uses the Ministry for the Environment's 'guideline values for bathing', a more robust national baseline and system for benchmarking purposes.

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
1.4b	Shellfish collection is safe in open coastal areas.	<p>Levels of indicator bacteria in open coastal waters at 15 popular shell fish collections sites is maintained or improved</p> <p>Performance against this target is now measured by comparing the average of the median results for the 15 sites with that measured in 2012/2013.</p> <p>(Baseline 2012/2013: Average median = 7)</p>	<p>Achieved – 7 (average median).</p> <p>Three sites had medians higher than the 2012/13 baseline results. Seven sites had lower medians compared to the baseline, and five sites had no change. The average median for the 15 sites was 7, which is the same as that measured in 2012/2013.</p>
1.5	The water in our streams supports a healthy habitat for flora and fauna.	<p>The macroinvertebrate community index (MCI) at 10 regionally representative sites show improving or maintained trends (against the baseline trend set as at 30 June 2011 which is MCI 90.8)</p> <p>(Baseline 2010/2011: MCI 90.8)</p>	<p>Results not yet available. MCI sampling completed in April 2014. Results will be available after 18 August 2014 and will be provided to councillors with the draft Annual Report in September.</p>
1.6a	The number of annual significant non-compliance events resulting in a reduction in water quality of receiving waters.	<p>Less than 60</p> <p>(Baseline 2010/11: 111)</p>	<p>Not Achieved – 110.</p> <p>The target of 60 is ambitious as the council does not have complete control over achieving it as consent holders are directly responsible for complying with their consents.</p>
1.6b	The number of annual significant non-compliance events resulting in any unauthorised/prohibited discharge to water.	<p>Target: Less than 20</p> <p>(Baseline 2010/11: 60)</p>	<p>Not achieved – 47.</p> <p>A total of 254 non-consented farms were monitored. The number of significant non-compliances is higher than the previous three years. The council will continue to work constructively with farmers to inform and educate them to facilitate a further reduction in non-compliance events.</p> <p>The target of less than 30 is ambitious as the council does not have complete control over achieving it farmers operating under the permitted activity criteria are directly responsible for complying with those criteria</p>

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
1.7a	Those consents requiring monitoring are monitored as per the council's monitoring programme.	100% (Baseline 2010/11: 90%)	Not Achieved – 96%. 4190 of the 4387 individual monitoring events were undertaken within the 2014/2015 financial year. The 100% target is set very high and while the council plans to complete all scheduled monitoring, at times, resources need to be redirected to address monitoring issues that arise during the year and other factors such as weather can mean that the programme is not met. Priority is given to those consents that have the potential for larger adverse environmental effects. The new targets in the 2015-2025 LTP that replace this target reflect this approach.
1.7b	The appropriate action is taken to rectify significant non-compliances.	100% (Baseline 2010/11: 75%)	Not Achieved – 99.7%. One of the 304 significant non-compliances requiring follow up and/or enforcement action was not followed up. While under target, this was an improvement on previous years.
1.8	Air sheds meet the national environmental standards.	100% (Baseline 2010/11: 100%)	Achieved – 100%. There are national standards for air quality. As part of implementing these standards we designated local air quality management areas (airsheds) where air quality is more likely to have levels of pollutants that exceed the national environmental standard for air quality. The monitoring results show that Northland's air quality is good most of the time and complies with the standards. Our results are available online at www.nrc.govt.nz/soe
1.9	Incidents reported to the Environmental Hotline, where more than minor environmental effects have been confirmed, are resolved within 30 working days.	70% (Baseline: New measure)	Achieved – 85 %. There were 46 incidents recorded for the year with more than minor adverse effects. Of these, 39 were resolved within 30 working days. Seven were resolved outside this time frame.
1.10a	All resource consent applications are processed in a timely manner.	98%+ of all applications processed within the statutory timeframes.	Achieved – 99.7%. 99.7% of consents that were granted in the 2014/15 year were processed within statutory timeframes. It is important that council is efficient and complies with processing timeframes because this gives certainty to the process, avoids costs on communities, individuals and businesses from the process including avoiding the discounting

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
		(Baseline 2010/11: 99.4%)	of charges, costs on the wider economy, and adverse impacts on investment decisions.
1.10b	All resource consent applications are processed in a timely manner.	All bore permits processed within five working days. (Baseline: New measure)	Not Achieved – 85%. The target of five working days is an internally set measure. The statutory requirement is that bore permits are processed within 20 workings days. 43 out of 47 bore permits were processed within 5 working days, with the remaining four being processed within 14 working days (still less than the statutory timeframes). Four bore permits were not processed within the target timeframe due to additional information being required from the applicant to complete the consenting process. The council has amended its future targets to align with the statutory timeframes (refer to the 2015-2025 Long Term Plan for more information).
2.1	Number of failures of flood protection system for the Awanui, Whāngārei, and Kaeo, schemes below specified design levels.	Zero failures (Baseline 2011/2012: New measure)	Achieved – Zero failures. During the June-July 2014 rain events, the Awanui and Kaeo flood risk reduction schemes performed to design standard. There have been no further flooding events since July 2014.
2.2	Implement the programmed minor flood control works for other rivers in accordance with the approved annual budgets.	100%	Not Achieved. Seven minor river works projects were scheduled for the 2014/15 year (as outlined in our Annual Plan). As noted above, 19 minor river works projects were completed, two were not required, and the Otiria Spillway work was not completed. Works at Otiria were simulated but the flood reduction benefits are not considered sufficient to proceed with the works, and have not been carried out in 2014/2015. However some clearance works have been undertaken in the Otiria area to improve flood control.
3.1a	Employment rate - the proportion of the labour force that is in paid employment.	Increases annually.	Not Achieved – 91.2%. The employment rate in Northland for the year ending March 2015 declined slightly by 0.1 from the previous year (91.3%). This fall was due to an increase in labour force participation i.e. more people were looking for employment. The Household Labour Force survey indicated that there are around 2000 more people employed in the year ending March 2015 than in the previous year ending June 2014.

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
		(Baseline 2010/11: 91.5%)	Council's key contribution to this measure is through Northland Inc. Ltd and the council's use of the Investment and Growth Reserve. It is noted that this performance measure relates to the large-scale economic outcomes that the Council would like to see improved, but has little direct control over. In future, the Council will use new measures that better relates to the services it delivers (refer to the 2015-2025 Long Term Plan for more information).
3.1 b	Business growth – the ratio of business start-ups to business closures. (A ratio below 1 means there were less businesses in operation than previously.)	Increases annually Baseline 2010/11: 0.80* <i>*The baseline differs from the one published in the Long Term Plan 2012-2022 due to revised figures being provided by Statistics New Zealand. Revisions also affected the final year end results for June 2012.</i>	Achieved – 0.96*. The ratio of business births to deaths in Northland increased between 2013 and 2014 due to an increase in the number of new businesses and a decrease in the number of business closures. However the ratio remains below one, indicating that closures still outnumber new businesses as has been the case since 2008. <i>* As the data for this measure is not available from Statistics New Zealand for the financial reporting year until October (and as such will be too late for annual reporting purposes), council will report on the previous year's results. For example, for the 2012/13 year council will report on results for the 2011/12 year and compare it to results for the 2010/11 year. Between audit and publication of the Annual Report 2014 and 30 June 2015 Statistics New Zealand is anticipated to revised its year end 2014 figures.</i> Council's key contribution to this measure is through Northland Inc. Ltd and council's use of the Investment and Growth Reserve. It is noted that this performance measure relates to the large-scale economic outcomes that the Council would like to see improved, but has little direct control over. In future, the Council will use new measures that better relates to the services it delivers (refer to the 2015-2025 Long Term Plan for more information).

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
3.1c	Economic growth – real GDP per usual resident population.	Increases annually (Baseline 2010/11: \$34,106*) <i>*The baseline differs from the one published in the Long Term Plan 2012-2022 due to revised figures being provided by Statistics New Zealand. In 1995/96\$ value this is \$20,495. Infometrics is no longer reporting in 1995/96\$ values.</i>	Achieved – 2014. \$35,816. Real GDP per usual resident population is estimated to have increased by 1.9% in the year ended June 2014. Council's key contribution to this measure is through Northland Inc. Ltd and the council's use of the Investment and Growth Reserve. In the case of drought our participation in rural support and our management of water is also essential. However it is noted that this performance measure relates to the large-scale economic outcomes that the Council would like to see improved, but has little direct control over. In future, the Council will use new measures that better relates to the services it delivers (refer to the 2015-2025 Long Term Plan for more information). <i>* As the data for this measure is not available from Statistics New Zealand for the financial reporting year until October (and as such will be too late for annual reporting purposes), council will report on the previous year's results. For example, for the 2012/13 year council will report on results for the 2011/12 year and compare it to results for the 2010/11 year.</i>
4.1	Nationally issued warnings are acknowledged within 30 minutes.	100% (Baseline: New measure)	Achieved – 100%. As in the 2013/2014 year, we have expanded our reporting to cover the range of warnings of significance to Northland's communities (e.g. weather, water and flooding). During the 2014/2015 year warning and watches were received from Met service for 10 individual events (each involving numerous warnings and watches). All weather warnings were responded to as appropriate. All warnings and watches are added to the Civil Defence Northland Facebook page. Roding information for weather events is available at the AA Road Watch website.
4.2	Emergencies are debriefed within one month and noted improvements are incorporated into the appropriate emergency operating procedures and response plans.	100% (Baseline 2010/11: 100%)	Achieved – 100% One event resulted in the activation of the CDEM Emergency Operation Centre and which was debriefed and reported to the CDEM group as required.

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
4.3	Evaluate and respond to a report of an oil spill within one hour of the report being received.	100% (Baseline 2010/11: 100%)	Achieved – 100%. A number of weather warnings were issued by the MetService during the year and seven timely regional warnings were issued by the Council's CDEM and Hydrology departments as a result. This included warnings for Cyclone Pam in March 2015.
4.4	Evaluate and respond to a report of an oil spill within one hour of the report being received.	100% (Baseline 2010/11: 100%)	Achieved – 100%. All oil spill incidents reported to the maritime team during this period were dealt with within the required timeframes. Several of the incidents dealt with involved fairly minor oil spills from small vessels. One spill from a tanker at the refinery involved a larger response but was cleaned up and contained. Staff also responded to a few oil spill incidents from commercial fishing vessels. All spills were contained, cleaned-up or dispersed appropriately.
4.5a	Maintain hazard information for river flooding and beach profiles.	Priority beach profile sites updated biennially. (Baseline: New measure)	Achieved – Updates completed. Summer and winter beach profiling completed.
4.5b	Maintain hazard information for river flooding and beach profiles.	Flood level monitoring at priority rivers updated within 1 month following every large flood event. (Baseline: New measure)	Achieved. One large/significant flood event occurred in July 2014, and flood level monitoring was undertaken in Kaeo, Kerikeri, Waitangi, Otiria/Moerewa and Hikurangi. Flood information is updated as real time data to the Council's telemetry database and website during storm events.
5.1a	Reducing the annual number of fatal motor vehicle crashes in Northland	<17 (Baseline 2010/11: 21* * Based on average fatal crashes for the four years up to June 2011)	Achieved – 16. The number of fatal crashes has reduced since 2014 but is still higher than previous years. While the result of 15 fatal crashes falls inside the target, it is still a concern when drivers are making decisions such as to not wear seatbelts, manage fatigue or speed, which has resulted in crashes and loss of life. It is noted that this performance measure relates to the transport outcomes that the Council would like to see improved and makes a contribution to, but does not have direct control over. In future, the Council will use new measures that

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
			better relates to the services it delivers (refer to the 2015-2025 Long Term Plan for more information).
5.1b	Reducing the annual number of serious injury motor vehicle crashes in Northland.	<p><90*</p> <p>Baseline 2010/11: 92**</p> <p>* The performance target and baseline data that was published in the Long Term Plan for this measure was incorrect; the target shown above is based on the correct data.</p> <p>+ based on average serious injury crashes for the four years to June 2011</p>	<p>Achieved – 77.</p> <p>As above.</p>
5.2	Number of passengers for the Whāngārei urban bus service.	<p>Increases annually</p> <p>(Baseline 2010/11: 287,006)</p>	<p>Not Achieved – 312,821 (-10,732).</p> <p>When comparing passenger numbers, the CityLink service have shown a decline for the 2014/2015 year over the previous financial year. This has been in line with the national trend. A large proportion of this decrease can be directly attributed to the fall in petrol price which results in a noticeable move back to private car usage.</p> <p>In addition to the above, the service has struggled to run to time due to the disruptions created by a number of road works undertaken within the operational area during this period.</p>
5.3	Failures to navigation aids are repaired within five working days of reporting.	<p>100%</p> <p>(Baseline: New measure)</p>	<p>Achieved. 100%</p> <p>Each month the CEO reports what was attended to (and repaired) in his report to council (see www.nrc.govt.nz/agendas). All planned maintenance for the 2014/15 year occurred. Repairs range from repairs to buoys and beacons, the replacement of batteries and lights and the renewal and replacement of navigation aids as required. There were no reported failures to navigation aids caused by council inaction.</p>

ID	Performance Measure	2014-2015 Target	Q4 2014-2015 Results (Cumulative July 2014 to June 2015)
5.4	Number of incidents from providing pilotage services within Bay of Islands harbours.	Zero incidents related to pilotage. (Baseline 2010/11: 0)	Achieved. Zero incidents that affected the safety of vessels and their navigation.
6.1a	Submissions received on council's long term plan and annual plan.	Increasing number of submissions for Annual Plans and Long Term Plans. (Baseline 2010/11: 222)	Achieved. 1,278. The Council received 302 more submissions on the proposed 2015-2025 Long Term Plan when compared to the draft 2012-2022 Long Term Plan.
6.1b	Time to respond to submitters post adoption of annual plans and long term plans.	Within one month (Baseline 2010/11: One month)	Achieved. The Council's 2015/2025 Long Term Plan was adopted on 16 June 2015. All submitters were sent information on the key council decisions and where they could find more information on or before 19 June 2015. Submitters were contact via their preferred method of communications (being either by letter, email, facebook or twitter). This was a three working day response time, well within the Council's target of one month.
6.2	Level of advocacy undertaken on issues of importance to Northland over and above government submission processes.	10 submissions made annually. (Baseline: New measure)	Achieved. 14 formal forms of advocacy. The Chairman's report to council each month covers the significant matters and key messages that council has promoted to others. This year the focus of our advocacy has concentrated largely on Northland roading issues, local government reform, economic development and other regional issues. We: <ul style="list-style-type: none"> met with MPs on issues important to Northland seven times. This included meetings with the Minister of Transport on Northland's roading issues, the Associate Minister of Local Government on Kaipara governance issues, and the Minister of Local Government on local government reform and economic development. met with the New Zealand Transport Agency six times on Northland's roading issues sent letters to all Northland MPs inviting them to an open forum with NRC councillors to discuss regional issues. In addition to our letters to and meetings with key influencers we have been out in the community at meetings and workshops.

ITEM: 3.18

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ISSUE: Legislative Compliance Fourth Quarter 2014-2015

ID: A765008

To: Finance Committee Meeting, 18 August 2015

From: Jonathan Gibbard, Group Manager, Strategy and Governance

Date: 5 August 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	

Report:

This report provides the committee with an update on the council's legislative compliance for the fourth quarter of the 2014-2015 financial year. For the period 1 April 2015 to 30 June 2015, the legislative compliance programme found no significant non-compliance matters for reporting.

Legal Compliance & Significance Assessment:

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

Recommendation:

-
1. That the report, "Legislative Compliance Fourth Quarter 2014-2015", by Jonathan Gibbard, Strategy, Governance and Communications Manager, and dated 5 August 2015, be received.
-

ITEM: 3.19

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ISSUE: Northland Regional Council Draft Transport Procurement Strategy 2015-2018

ID: A768100

To: Finance Committee Meeting, 18 August 2015

From: Chris Powell, Senior Programme Manager – Transport Operations
and Jon Trewin, Policy Analyst.

Date: 6 August 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 purpose of this report is to provide the committee with the Draft Northland Regional Council Transport Procurement Strategy and to request that it be approved for the purposes of procuring transport services by the Council. Once approved, the strategy must be presented to the NZ Transport Agency no later than September 2015 in order to procure professional services and contract public transport services during the 2015-2018 period.

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.

Recommendations:

1. That the report, "Northland Regional Council Draft Transport Procurement Strategy 2015-2018" by Chris Powell, Senior Programme Manager – Transport Operations and Jon Trewin, Policy Analyst, and dated 6 August 2015, be received.
2. That the document 'Northland Regional Council Draft Transport Procurement Strategy 2015-2018' be approved and presented to the NZ Transport Agency.

Report:

Under Section 25 of the Land Transport Management Act 2003 (LTMA), the NZ Transport Agency must approve procurement procedures that are designed to obtain the best value for money spent by the Agency and approved organisations (an 'approved organisation' is an organisation that is eligible to apply for funding from the National Land Transport Fund). As an 'approved organisation', Northland Regional Council ('council') is therefore required to produce a procurement strategy to specify how its procurement is to be carried out. The procurement strategy must be approved by the NZ Transport Agency.

ITEM: 3.19

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These requirements are expanded upon further through rules in the NZ Transport Agency's own Procurement Manual. The manual reinforces that a procurement strategy must be endorsed by the NZ Transport Agency. The manual also states that a strategy must include a strategic context for each procurement activity and assess:

- whether the proposed procurement activity is consistent with value for money objectives
- whether the proposed procurement activity is consistent with any policies or constraints.
- whether any changes in the procurement environment since the development of the procurement strategy will have a material effect on the procurement decisions to be made.

Where procurement decisions are inconsistent with this strategic context, council must document the reasons for its decisions.

Council has two procurement activities that need to be included in the strategy:

- The procurement of public transport services by the council, and
- Engagement in professional services for planning and advice.

The procurement of public transport services includes the re-contracting of the CityLink service, due to take place in 2016-2017, the contracting of BusAbout Kaitaia as well as trial services and ad hoc infrequent services. The procurement of professional services includes provision for possible assistance to review the Regional Land Transport Plan and Regional Public Transport Plan (both are required to be reviewed in 2018).

Under NZ Transport Agency rules, council is required to adopt certain approved delivery models and supplier selection methods for the procurement of these services. As far as possible, the procurement processes in the procurement strategy have been aligned with NZ Transport Agency requirements.

The strategy also supports a series of joint-initiatives with the district councils in Northland for future joint procurement and streamlined processes.

A procurement strategy must be reviewed every three years. The procurement strategy therefore, once adopted, must be reviewed in 2018.

Northland Regional Council

Procurement Strategy 2015 to 2018

for

Activities Funded through the National Land Transport Programme

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Executive Summary

This Procurement Strategy ('Strategy') provides both the framework and the programme for the Council's procurement of transport related activities including professional services and passenger transport operations that are financially assisted by the New Zealand Transport Agency ('the Agency').

It promotes the development of procurement initiatives that, over the short and long term, deliver "value for money" for the Council. These initiatives include

- Ensuring an ongoing supply of providers who can compete for opportunities
- Using procurement methods where appropriate that reduce the cost of procurement for both the council and supplier
- Attempting to encourage suppliers to develop their businesses to improve the overall capability of the suppliers
- Where appropriate supporting local suppliers.

The Strategy is to be reviewed at least every three years. This Strategy covers the period 2015-2018. Since the last strategy was undertaken, the legislative context has changed with a move to a Public Transport Operating Model (PTOM) under the Land Transport Management Amendment Act 2013. This will impact on the methods the Council will use to procure public transport services. The requirements of PTOM are incorporated into the Strategy.

Delivery Models

Councils preferred delivery models for services involves the use of procurement procedures for Planning and Advice (Professional Services) and Public Transport Services as detailed in chapters 7 and 8 of - the Agency's Procurement Manual

This Strategy promotes the use of the staged approved delivery model¹, the partnering delivery model (for contracted bus services identified as units in the Regional Public Transport Plan) and supplier selection methods as described in sections 7 and 8 of the Agency's Procurement Manual (July, 2009, updated 1 November 2013)

The standard approved delivery model enables the Council to purchase the range of services required through separate contracts.

Certain advanced delivery methods are available for use under Section 7 and 8 of the Agency's Procurement Manual subject to consultation with the Agency. Where an advanced delivery method is planned for use in the procurement of specific services then the necessary approval of the Agency will be obtained at an early stage of the procurement development process.

Refer to the Agency's Procurement Manual [here](http://www.nzta.govt.nz/resources/procurement-manual/)¹ for more details on the approved delivery models for Professional Services and Public Transport Services.

Supplier Selection Methods

Council will use supplier selection methods permitted under the Agency's Procurement Manual. These may include:

¹ <http://www.nzta.govt.nz/resources/procurement-manual/>

- Direct Appointment;
- Lowest Price Conforming;
- Purchaser Nominated Price; and
- Price Quality
- Quality Based (Advanced – requires Agency approval)

Although, with the exception of the quality based method, the method used is at Council's discretion and does not require further specific approval from the Agency, it is recommended that certain supplier selection methods are followed depending on the strategic context of the procurement activity.

Refer to the Agency's Procurement Manual [here](#)² for more details on the approved supplier selection methods for Professional Services and Public Transport Services.

Regional Collaboration

The development of this Strategy has been undertaken in collaboration with the Whangarei, Kaipara, and Far North District Councils. Initiatives are outlined in the Strategy for an ongoing working relationship between the Councils where collective action assists in the delivery of value for money within the region. Such initiatives include provision for the development of regional supplier registers for both professional services and physical works providers and maintaining a single performance record for suppliers who have carried out work within the region.

This Strategy will be linked to Council's wider procurement policies to ensure they are aligned.

The Strategy has been developed under the supervision of the Senior Programme Manager – Transport Operations and approved for release by the Finance Committee of Council at its meeting on...

The Agency endorsed this Strategy on...

² <http://www.nzta.govt.nz/resources/procurement-manual/>



Background

In accordance with section 20 of the Land Transport Management Act 2003 (LTMA), the Northland Regional Council (Council) is an approved organisation and as such is eligible to receive financial assistance from the New Zealand Transport Agency (the 'Agency') for expenditure on land transport related activities.

Under section 25 of the LTMA, the Agency *"Must approve 1 or more procurement procedures that are designed to obtain the best value for money spent by the Agency and approved organisations having regard to the purpose of this Act."*

Therefore, when purchasing third party services, the Council is required by law to follow its approved procurement procedures

The Agency has developed a Procurement Manual, which includes approved delivery models and supplier selection methods for use by approved organisations.

In order to apply for National Land Transport Programme funding, the Council must develop a procurement strategy which complies with the content of the Agency Procurement Manual and which must be endorsed by the Agency prior to release. The Strategy is to be reviewed at least every three years or when there are significant changes to the procurement environment. This Strategy covers the period 2015-2018.

The Strategy aligns with changes to the Agency's Procurement Manual (July 2009, updated 1 November 2013) and to the Land Transport Management Act 2003.

The development of this Strategy included discussions with the three other Local Authorities in Northland, being, Whangarei District Council, Kaipara District Council and the Far North District Council. These joint discussions were directed toward the four Councils working together on procurement related issues

The Councils have looked at the common market of providers that serve the region and looked for opportunities to collaborate on purchasing issues in order to deliver value for money to the communities each council serves through economies of scale.

Northland Regional Council Transport Programme

The Council has developed its community outcomes, values and focus areas and documented these in its Long Term Plan (LTP). This provides the framework for the Council to operate.

The Council's community outcomes, values and focus areas are included in this Strategy in Appendix A

The Council will work together and in partnering with others to achieve the most effective and affordable outcome for the Northland region.

The delivery of the Council's transport programme, with financial assistance from the Agency, requires the Council to obtain from the supplier market both professional services and public transport services.

The initiatives that may require assistance from the professional services market generally relate to regional studies on transportation issues (e.g. public transport plans, regional road safety plans, travel demand management and walking and cycling studies) and the development of the Regional Land Transport Plan.

Where key specific regional initiatives occur (there is generally a need for the professional services supplier market to provide assistance to the Council.

With the prior approval of the Agency, certain in-house professional services are not subject to the procurement procedures in the Agency's Procurement Manual. Appendix B details these in-house professional services.

As of 2015, contracted public transport services operate in both Whangarei, Kaitia and the Hokianga. Council is also helping to fund trial bus services in the mid-north.

In the delivery of these services the procurement process will ensure that there is alignment with the Council's strategic direction as outlined within its community outcomes, values and focus areas.

The specific procurement intentions for the next three years of this Strategy are detailed in Appendix C. The intended procurement is shown in two tables that provide:

- List of current contracts, their term, and completion date.
- List of proposed professional services procurement.

The information provided in the tables identifies the expected contract size, the expected time for requests for tender and the intended delivery model and supplier selection method to be used..

These tables will be updated on an annual basis if the procurement intentions change. The tables will be made available to suppliers and stakeholders who wish to receive them and they will be listed and able to be downloaded from the Council's website www.nrc.govt.nz.



Objectives for the Procurement Strategy

The "Objectives" of this Procurement Strategy are:

- To ensure that the delivery of Council's transport activity programmes provides best value for money.
- To have fair, transparent and robust procurement processes
- To support, where appropriate and cost-effective, local providers with the necessary skills and experience. for lower value assignments (less than \$200k).
- To encourage suppliers to provide ongoing training and upskilling of their employees
- To identify opportunities to improve procurement through sharing Council's experiences with other approved organisations within Northland.
- To maintain in conjunction with the Local Authorities in the region a competitive and efficient supply market for professional services.
- To inform the supplier market of information on scope, size, timing and proposed selection methods for opportunities that Council will be procuring.
- To provide opportunities for existing and new entrants to provide professional services to the Council
- To ensure that there is competition when the Council purchases public transport services that conforms to the requirements of the Land Transport Management Act,
- To ensure that the procurement is planned so that the transportation programme is achieved on time and within budget.
- To provide the opportunity to explore new procurement models and if appropriate obtain approval for their use.
- To promote regular, ongoing and open discussions between the suppliers and the Council.

The Agency's and Northland Regional Council's procurement requirements

The Agency's requirements are based on the provisions of section 25 of the LTMA.

These provisions are summarised as:

- The Agency must approve one or more procurement procedures that are designed to obtain best value for money,
- In approving procurement procedures the Agency must also have regard to the desirability of enabling persons to compete fairly for the right to supply outputs, if two or more persons are willing and able to.
- The Agency must also have regard to the desirability of encouraging competitive and efficient markets for the supply of outputs.

The Council's goal is to use a number of suppliers within the market that are available and willing to compete for the opportunities that are provided. The Council will develop procurement opportunities, as best it can in a practical way, to ensure that competition occurs. By developing this Strategy it will provide information to the market on its forward procurement intentions so that suppliers can prepare for when these opportunities arise.



While Council has a limited range and small number of requirements for the market to supply it will attempt within the approved programme of work to provide opportunities for suppliers.

Council's supports a competitive and efficient market that is serviced by a number of suppliers.

When undertaking procurement activities, the Council must follow the policies outlined in its Management Policy and Procedures Manual.

It may be appropriate in the future that this Strategy is further developed to include or be incorporated with the procurement of other services that the Council delivers to its regional community.

Procurement Environment

Analysis of the supplier market

Professional Services

Council has determined there are a number of national, local and Auckland based professional services providers who are available, and these are as follows:

National professional services companies located in Northland are:
<ul style="list-style-type: none"> – OPUS, – MWH, – Tonkin and Taylor
The local (Northland) companies include:
<ul style="list-style-type: none"> – VK Consulting, – Northern Civil, – Cook Costello, – Haigh Workman – Richardson Stevens, – and a number of other small and individual suppliers.

There are a number of professional service providers based in Auckland who are available as and when required.

Public Transport Services

The Council currently contracts one urban public transport service (buses) in Whangarei ('CityLink') and one rural service in Kaitiaki ('BusAbout'). A trial services is in place between Hokianga and Kaikohe and one is proposed to commence in 2016/2017 in the mid-north.

The current CityLink contract commenced operation on 1 July 2008. This is an eight contract due to expire 30 June 2016. As of 2015, Council is considering a further 12 month extension. The initial BusAbout Kaitiaki contract was for a three year period. Council is presently negotiating with the operator for the continuation of this service..

This document will highlight appropriate mechanisms that will be used to promote competition for the tendering and re-tendering of contracted public transport services.

Council has actively engaged with public transport suppliers in the market. In 2014 all those providers on the register of public transport services were contacted asking if they were currently in operation, to understand interest in the possibility of contracting with the Council and to register an interest in attending a workshop on Whangarei CityLink. From feedback received to date, Council anticipates there will be a favourable procurement environment to encourage competition.

Overview of Councils Transport Activities spend

The Council projects to spend approximately \$6.5 million on transportation related activities over the next 3 years (2015/16-2018/19) This is made up of passenger transport administration (including buses, total mobility and road safety initiatives) and regional transport management (including the Regional Public Transport Plan, Regional Land Transport Plan and other plans as necessary).

The Whangarei Passenger Transport service accounts for approximately \$1.68 million per annum.

More detail on the Council's expenditure programme can be obtained from the 2015 – 2025 Long Term Plan (LTP), the Regional Land Transport Plan (2015-2021) which can be accessed through the Council's web site at www.nrc.govt.nz and from the Agency's National Land Transport Programme 2015 -2018 at www.nzta.govt.nz. These documents provide an indication of the spend profile and timing for works within the region.

Overview of Regional Transport Activities spend

The total expenditure on transportation activities in the Northland region is projected to be around \$482 million between 2015/16-2018/19. The majority of this spend is on physical works undertaken by the Agency on the State Highway Network and the three District Councils on the local network. This amount can vary by plus \$5 to \$15 million per year based on emergency works requirements or Agency's capital expenditure programme on state highway improvements.

Procurement with other Approved Organisations

Council will engage with approved organisations on any national, regional or local initiatives that arise that are relevant to Council's work activities.

At present, Council is working with relevant approved organisations to progress the development and implementation of the Regional Integrated Ticketing and Information System (RITIS). This is a national approach involving close collaboration with those other councils with the function of administering public transport services.

At a regional level, the development of this Strategy has been undertaken in collaboration with the Whangarei, Kaipara, and Far North District Councils. Initiatives are outlined in the Strategy for an ongoing working relationship between the Councils where collective action assists in the delivery of value for money within the region

The four Councils also looked to identify where procurement may occur in collaboration or where individual procurement may be programmed so there are not requests in the market within the same timeframe that affect the supplier's ability to respond.

The following initiatives have been agreed and will be developed further and acted upon by the parties during the period of this Strategy:

1. The establishment of two prequalification registers for Northland, one for professional services and one for physical works providers. The registers will be used by the Local Authorities in Northland for procurement under the direct appointment (value < \$100k) or closed contest procedures (value < \$200k) allowed by the Agency. The registers will be developed and managed by the Councils. The establishment of the registers will be based on considering attributes such as relevant experience, track record, technical skills, health and safety training and traffic management (for physical works).



2. The establishment of a regional register keeping a track record assessment of both professional services and physical works providers. The assessment would generally be carried out once on the completion of contracts. It is intended to utilise the Agency PACE recording system to record performance. The establishment of this register would commence from the endorsement of this Strategy and include contracts completed after this date. The register would be kept by the Councils. The Agency will continue to keep their separate register for all Agency projects. The information on performance within this register is available to the Councils through contact with the appropriate Agency project manager.
3. The ongoing assessment of the different construction standards adopted by each council with the objective of aligning these where appropriate. This would involve identifying what is important, what are the differences and where alignment can occur to deliver the maximum early benefit to the industry and the delivery of projects. This ongoing assessment would involve industry representatives and be managed through the Councils.
4. The Councils would look to coordinate the completion dates of term contracts to ensure, where feasible, that over time the dates for completion and renewal of term contracts by the Councils did not clash. The Councils would also look to stagger the tender periods and closing dates of tenders involving similar supplier groups to attempt to minimise having too many tenders in the market at the same time.

Council along with the other Councils of the region, and if appropriate the Agency's Highway and Network Operations Group, will consider convening an annual industry briefing and discussion session for providers on the forward procurement programme in Northland of all these approved organisations.

Procurement for public transport services

As part of the design of a procurement procedure for each procurement activity, the Council is required to document the strategic context of each procurement activity, state how the activity is consistent with value for money objectives, whether the proposed activity is consistent with any applicable policies in the procurement strategy and whether any changes since the development of the procurement strategy will have a material effect on procurement decision-making.

Strategic context for public transport services

Under the Regional Public Transport Plan (RPTP) 2015-2025 (adopted by Council in July 2015), the Council seeks the following objectives for public transport:

1. An effective and efficient bus network in main centres
2. People have access to shared transport options
3. Reliable travel times and transport choice for communities servicing employment areas, retail and public services
4. Public transport opportunities on appropriate corridors
5. Transport management is effectively incorporated into land use planning
6. A procurement system that supports the efficient delivery of public transport services.

The RPTP conforms to the requirements of the LTMA. Under the LTMA, the Council is required to group public transport services into contracting units through the Regional Public Transport Plan (RPTP). The RPTP identifies two contracting units in the region – Whangarei CityLink and BusAbout Kaitaia.

The Whangarei City-Link bus service is the only urban bus service in the region contracted by the regional council. Council has resolved that it operates as a single contracting unit due to the small-scale nature of the bus network in the city and the fact that it is unlikely to be commercially attractive for operators to treat each route as a separate contractable unit. It is of key importance to the city and has been successful in generating a general upward trend in patronage levels in recent years (currently at 315,000 per annum). Current buses are modern, conform to Euro IV emission standards and are accessible to those with limited mobility. During the term of this Strategy (2015- 2018) the Council will be required to re-tender for a bus service in Whangarei as the current contract expires in 2017.

BusAbout Kaitaia is a small rural service operating in the Far North. It operates as single unit. There are several routes, radiating outwards from Kaitaia to surrounding areas. It operates on a tailored contract between the Council and a local community group - Community Business and Environment Centre (CBEC) - on a three yearly basis with an annual review. It is expected that this will arrangement will continue for the duration of the three year period this Strategy covers.

Council is also helping to fund several trial bus services in the mid-north. If successful they may become fully contracted units in the future.

Council also administers the total mobility scheme in the Whangarei area.

Under the RPTP, Council's policies on total mobility include:



Policy 2.4: Maintain support for disabled users

- Method i: Provide ongoing administrative support for the Total Mobility Scheme. Work with Whangarei District Council to review subsidy rates in consultation with stakeholders.
- Method ii: Investigate the viability of extending total mobility to other centres.
- Method iii: Support and liaise with district councils to improve infrastructure for greater accessibility.

Under current arrangements, only approved taxi companies are eligible. There are two eligible providers at present. Council are monitoring levels of service and may change the procurement environment (including reviewing eligible providers) if necessary. Council acknowledges that the Agency is reviewing total mobility policy and will work positively with the Agency to implement any changes.

Value for money

To ensure value for money is achieved, a partnering delivery model will be used for the procurement of urban bus services in Northland (i.e. the re-tendering of Whangarei CityLink) being the approved delivery model for the procurement of scheduled urban public transport services. Further details on this approach are available [here](#).

A partnering delivery model will also be used for other scheduled services under contract to the regional council, including BusAbout Kaitiaki.

Although the Council will retain its discretion on the supplier selection method used under the partnering delivery model, it is likely to utilise one of the following four methods:

- Direct appointment (which may be appropriate if the value of the contract is less than \$100,000).
- Price quality;
- Price quality without disclosure of the estimate
- Quality based (an advance component that requires Agency approval)

For future public transport services that are to become public transport units under the LTMA, under contract to the Council, Council will use the partnering delivery model.

The staged delivery model will be used for the contracting of non-frequent single route bus services outside of a large urban area and for trial services. This model is most appropriately used when there is a single service required (e.g., purchasing a low frequency single bus service i.e. a 'shopper' service). Although the Council will retain its discretion on the supplier selection method used under the staged delivery model, it is likely to utilise one of the following four methods:

- Direct appointment
- Price quality;
- Price quality without disclosure of the estimate
- Lowest price conforming

If for example the service is infrequent, low value (under \$100,000) or involves a trial, the Council will likely utilise the direct appointment supplier selection method if it can be demonstrated competition will not obtain value for money.

Council will generally adopt a standard PTOM contract term of nine years unless otherwise negotiated with the Agency.

Council will continue to review this Strategy and the outcomes and assess each procurement initiative against the available models.

At this time Council does not intend to use any of the advanced procedures for procurement. If circumstances change and an advanced delivery model or supplier selection method is deemed more appropriate, Council would obtain the necessary prior approval from the Agency for the model to be used.

Changes to procurement environment

It is not envisaged that there will be any changes in the procurement environment during the life of this strategy that will affect procurement decisions. If there are significant unexpected changes, the Council will review this procurement strategy.

Procurement for Professional Services

As part of the design of a procurement procedure for each procurement activity, the Council is required to document the strategic context of each procurement activity, state how the activity is consistent with value for money objectives, whether the proposed activity is consistent with any applicable policies in the procurement strategy and whether any changes since the development of the procurement strategy will have a material effect on procurement decision-making.

Strategic context

Through its land transport management functions, the Council is required to review two statutory strategic planning documents, namely the Regional Land Transport Plan (2015-2021) and the Regional Public Transport Plan (2015-2025). The Council has well qualified staff and will wherever possible, undertake the development of these planning documents in-house.

Value for money

Where outside professional services are required, Council will use the staged delivery model generally choose the supplier selection method from the options of:

- Direct appointment. Using one supplier only if the contract value is under \$100k and it can be demonstrated competition will not obtain value for money.
- Closed contest. Choosing from a minimum of 3 suppliers to provide a proposal for a contract less than \$200k
- Lowest price conforming. Choosing the proposal that meets the specified requirements and has the lowest price.
- Purchaser nominated price. Choosing the best proposal to do the work at a price nominated by the Council
- Price quality. Choosing the best proposal based on a measure of both the quality and the price



- Quality based - Choosing the best proposal based on a measure of quality.

Further details on this approach are available [here](#)³

When the price quality method is used for professional services purchasing Council will generally use a price weighting of 20% or less though if circumstances require and it is considered it will deliver value for money they may use price weightings above this range as allowed by the Agency in their Procurement Manual.

When the supplier selection model requires non-price attributes to be assessed as part of the proposal, Council will evaluate proposals based on:

- Relevant Experience;
- Relevant Skills; and
- Methodology.

Council may consider using the following additional non-price attributes to evaluate proposals:

- Track Record;
- Resources;
- Financial Viability;
- Health and Safety;
- Training and Skills Improvement.
- Whether the company is a local supplier or will use local resources.

Council may include these considerations within the selection process either as separate attributes or as sub-attributes. Consideration of other attributes may be appropriate for specific or unique purchases where consideration of other issues will deliver enhanced value for money. Where appropriate the identification of other attribute(s) and inclusion within the proposal will occur and be adequately defined for the tenderers to consider and respond to.

The standard Council contract form, with attached conditions, will be used for all engagements. These documents are entitled "Short Form Agreement for Consultant Engagement" and "Short Form Conditions of Engagement".

Changes to procurement environment

It is not envisaged that there will be any changes in the procurement environment during the life of this strategy that will affect procurement decisions. If there are significant unexpected changes, the Council will review this procurement strategy.

³ <http://www.nzta.govt.nz/assets/resources/procurement-manual/docs/07-procedure-2-planning-and-advice.pdf>

Implementation

Council has adequate and experienced strategic planning and transport staff capable of managing their transport procurement requirements. Council currently relies on external resources to provide an Agency qualified evaluator for purchases in excess of \$200k. The Transport Operations Senior Programme Manager is also an Agency qualified evaluator. If additional resources are required to ensure the programme is achieved and the procurement is timely and robust, Council will obtain the necessary skilled and experienced people for the short-term from the supplier market generally through direct or closed contest appointment.

This Strategy details Council's intended procedures to be used for Agency funded work. The Strategy may be further developed and incorporated by Council for use with procurement in other areas of the Council's operation.

Council will meet the requirements for performance measurement and monitoring of section 11 of the Agency's Procurement Manual as it applies to their Agency transport funded works. This will be supported by the collection of data as outlined in Appendix E of the Procurement Manual.

The development of this procurement plan has involved discussion by Council with a number of professional service providers and the involvement of their Industry Group – the Association of Consulting Engineers New Zealand - (ACENZ) and with the New Zealand Bus and Coach Association with regard to public passenger transport procurement.

On adoption by Council and endorsement by the Agency, the Strategy will be implemented for a period of three years from 1 September 2015 to 31 August 2018. If the national procurement environment changes and there is substantial deviation from the Strategy during this period it will be reviewed and updated.

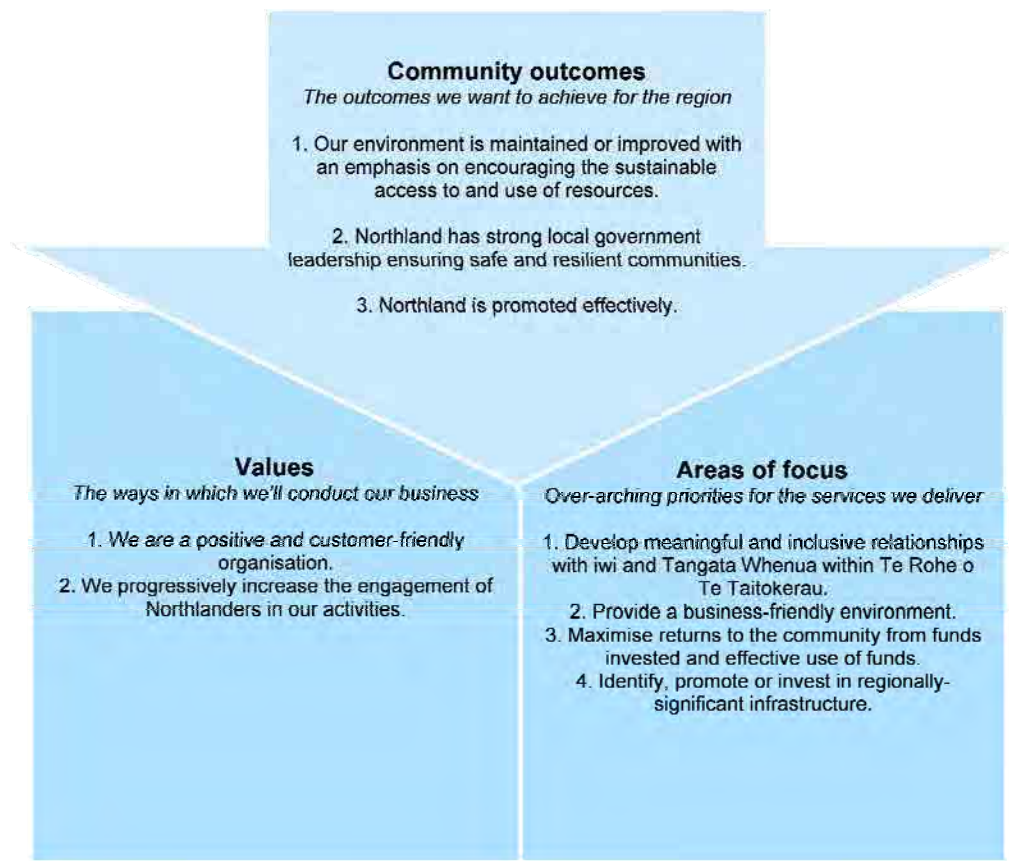
Copies of the Strategy will be made available directly to interested parties or they can review it or uplift a copy from the Council's web site www.nrc.govt.nz/. The operational programme for the procurement initiatives detailed in this Strategy will be updated on an annual basis to support the direction and deliverables within Council's Annual Plan. These updated documents will be provided for interested parties to uplift or review within the Council's web site www.nrc.govt.nz/.

The Strategy has been endorsed by Council's Finance Committee and adopted by the Council.

Appendix A

Northland Regional Council Long Term Plan 2015-2025

Community Outcomes, Values and Areas of Focus



Appendix B

In-House Professional Services

Professional services are technical inputs to an approved activity undertaken by persons skilled in fields relevant to that activity. Professional services include but are restricted to the following:

Activity	Examples
Investigation and evaluation	<ul style="list-style-type: none"> • Preparing contracts and evaluating tenders for professional services; • Investigating and resolving public enquiries relating to activities planning, investigation, design and delivery. • Activity evaluation (data collection, outcome evaluation, submission of activity-specific information to the Agency); • Gathering information for activity management systems; • Risk identification.
Consulting	<ul style="list-style-type: none"> • Activities for inclusion in regional land transport programmes (RLTPs); • Activities for inclusion in Regional Public Transport Plans

	(RPTPs); • Consulting landowners and affected parties;
Management	• Activity delivery; • Total Mobility services and Total Mobility users; • Contracted public passenger transport services; • Activities with community groups;
Planning and Strategies	• Safety management strategies; • Project management plans; • Education activities;
Reporting	• Project feasibility reports; • Project development reports; • Contract reports

Administration

Administration activities include:

- Approving, administering activity management plans, policy and standards risk and levels of service;
- Owning management systems and databases;
- Managing a land transport disbursement account;
- Preparing and administering funding assistance claims, long term plans, annual plans, long term programmes and communication plans and strategies;
- Administering a database of tenderers;
- Reporting and providing data and information to the Agency, Audit NZ, etc;
- Preparing and administering service agreements or contracts with professional services providers (internal and external)'
- Accepting tenders for professional services and physical works;
- Undertaking financial process, management accounting and reporting;
- Developing and operating land transport business support systems;
- Meeting statutory responsibilities, including audit fees and tax advice fees
- Administering registration of bus, ferry and rail passenger transport services and Total Mobility agencies, services and users;
- Servicing democracy, including providing customer/ratepayer interface.

Appendix C

Councils proposed transport related procurement programme for 2015 to 2018.

Table 1-Planned Passenger Transport contracts.

Table 2-Planned Professional Services contracts.

Future Passenger Transport Contracting Requirements

Contract	Term	Existing contract end date	Contract type	Future Delivery model & Supplier selection method	Comments
City of Whangarei Bus Service (CityLink)	9 years minimum	June 2017	Gross contract price	Partnering Delivery Model with appropriate supplier selection method	Value estimated at \$1.68m per annum – 2017/18
BusAbout Kaitaia	Likely to be 3 yearly with an annual review (length to be negotiated with the Agency if applicable)	During 2015-2018 period	Net contract price	Partnering Delivery Model with appropriate supplier selection method	Value approx. \$70,000 per annum

Future Professional Services Requirements

Year	Project name	Description	Approx. Value \$ k	Delivery model & Supplier selection method	Comments
2018	Regional Public Transport Plan – Review and Update	Update of RTP	<\$20,000	Staged delivery with appropriate supplier selection method	None
2018	Regional Land	Update of	<\$20,000	Staged delivery with	None

	Transport Plan – Review and Update	RLTP		appropriate supplier selection method	
2018	NRC Transport Procurement Strategy – Review and Update	Update of Procurement Strategy	<\$20,000	Staged delivery with appropriate supplier selection method	None

ISSUE: Northland Inc. Limited - Approval to Pay 2015–2016 Quarter One Funding and Draft 2014-2015 Year End Reporting

ID: A765522

To: Finance Committee Meeting, 18 August 2015

From: Simon Crabb, Finance Manager

Date: 21 July 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 type="checkbox"/> Other
Significance:	<input type="checkbox"/> Triggered	<input checked="" type="checkbox"/> Not Triggered	

Executive summary:

The purpose of this report is to seek approval to pay Northland Inc. Limited their first quarter (July to September) funding of the 2015–2016 financial year, and present the committee with Northland Inc. Limited's draft reporting for 2014-2015.

Legal compliance and significance assessment:

The decisions requested in this item flow from the Long Term Plan 2015–2025 and previous decisions of council to set up Northland Inc. Limited as its council controlled organisation. They are part of council's normal operations and are not regarded as significant under council policy.

Recommendations:

1. That the report 'Northland Inc. Limited - Approval to Pay 2015–2016 Quarter One Funding and Draft 2014-2015 Year End Reporting' by Simon Crabb, Finance Manager, and dated 21 July 2015, be received.
 2. That Northland Inc. Limited are paid \$292,703.75 plus GST from the Northland Regional Council Investment and Growth Reserve as quarter one funding of the 2015–2016 financial year, upon receipt of an invoice from Northland Inc. Limited.
 3. That the draft 2014-2015 financial reporting and Statement of intent reporting from Northland Inc. Limited be received.
-

Report:

In the 2015–2025 Long Term Plan council agreed to provide Northland Inc. Limited up to \$1,170,815 annual funding in 2015-2016 from the Investment and Growth Reserve, being \$1,069,005 for operational activities and a further \$101,810 for regional promotion activities.

ITEM: 3.20

Page 2 of 2

It is recommended that council approve the payment of \$292,703.75 plus GST for Northland Inc. Limited's quarter one funding (July to September 2015). Upon council approval and receipt of an invoice from Northland Inc. Limited this payment will be released to Northland Inc. Limited immediately.

Due to the agenda deadlines, Northland Inc. Limited's board approved final annual financial reports and final reporting against their Statement of Intent (SOI) will be presented to full council in October 2015. A draft Profit and Loss Statement and Balance Sheet to 30 June 2015 and a draft report against their Statement of Intent are **attached** for the committee's information.

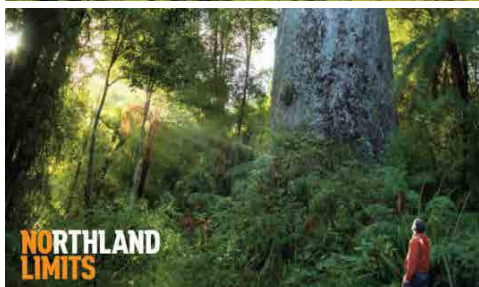
Members of Northland Inc. Limited will be present at the meeting to talk to their draft reports.

Draft Report against Statement of Intent

Twelve month period to
30 June, 2015

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

DRAFT



KPI ✓ Comply with annual budget

The 2015 Annual Budget was met, in spite of funding challenges, through careful cash flow and cost management.

Detailed draft financials at end of report

KPI ✓ Northland 2025 Economic Action Plan developed

The Northland Regional Growth Study (RGS) was the first stage towards developing the Northland Action Plan.

Northland was included in the RGS programme along with the Bay of Plenty and Manawatu-Whanganui because the potential of each region was not fully realised. The challenges for the RGS were primarily due to two factors; i) a review of over 200 pieces of literature and ii) the requirement for a greater and more in-depth series of interviews became apparent. A total of 80 interviews were conducted by the Martin Jenkins research team against an initial plan for 48.

The RGS report contained recommendations for three groupings of projects ranked by criteria for identifying and assessing opportunities. The groups of projects are i) commercial - involving one or a small number of businesses, ii) industrial - involving several firms in an industry and focused on developing capacity or capability within the industry and iii) cross cutting enablers - involving several industries and relating to a Business Growth Agenda theme. Northland Inc has projects in flight in all three categories including the recently completed Registration of Interest for Ultra-Fast Broad Band, Rural Broadband Initiative and Mobile Blackspots on behalf of the Regional Council, three District Councils and the Te Tai Tokerau Iwi Chief Executive Consortium.

Following the RGS in partnership with MPI and MBIE, work was undertaken to develop the Northland 2025 Economic Action Plan (NEAP). This entailed a stocktake of economic development projects across the region by all stakeholders and prioritisation of key projects. A Steering Committee was set up to drive the process Chaired by David

Wilson, CEO Northland Inc. Subsequently a high level regional Advisory Group with central government representation has been set up to oversee and support the implementation of the plan.



KPI ✓ The Regional Forum was the second stage towards developing the Northland Action Plan

The RGS document was released by Mr. Steven Joyce, Minister for Business Innovation and Employment, Mr. Nathan Guy, Minister for Primary Industries, and Mr. Te Ururoa Flavell, Minister for Maori Development at a regional forum on February 4, 2015 at the Turner Centre in Kerikeri. The event was preceded by the breakfast release of the Te Tai Tokerau Maori Growth Strategy 'He Tangata, He Whenua, He Oranga'.



KPI X Northland 2025 Action Plan final stage:

Finalisation of the Northland 2025 Economic Action Plan was delayed. In the first case this was due to a more extensive interview and information gathering process undertaken during the project and in the second, following release of the RGS a by-election was conducted in the Northland seat with vigorous campaigning conducted by all participants on regional development culminating in the election of the Rt. Hon Winston Peters.

Northland Inc have been working with staff from each of the four Local Councils, project managers from IQANZ and senior staff from the Ministries of Business, Innovation and Employment and Primary Industries, to develop the Action Plan; a portfolio management framework; a Steering Committee; and an Advisory Group. Terms of Reference have been agreed and signed off regarding the Steering Committee and at the time of writing a set of documents was in final draft for the inaugural meeting of the Advisory Group.

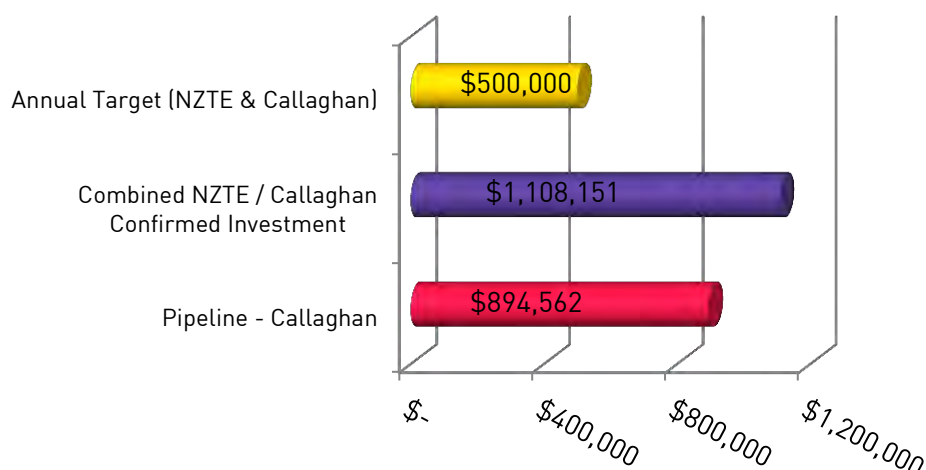
The agreed Action plan will now be subject to the approval of the Advisory Group.

KPI : Regional Business Partnership

- ✓ Northland Inc will engage with a minimum of 150 unique businesses

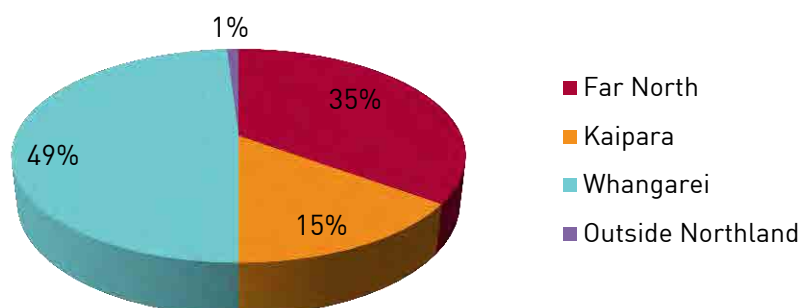
The Business Growth Team engaged with 199 businesses over the 12 month reporting period. Through these 199, there was a total sum of \$1,108,151.00 of investment completed via a combination of NZTE and Callaghan funding. This far surpassed the \$500,000.00 target. A further \$894,562.00 of funding opportunity is in the pipeline.

NZTE and Callaghan Investment into Northland 2014-15



Throughout the reporting period the team focused on taking a long term view around their various engagements in the region. This ensured that the team was adding value to the businesses plans, and gave the businesses access to a wide network of resources and services. By being involved with businesses from early on in the piece we are able to assist with a very proactive and strategic approach to the growth of each business.

Spread of Regional Business Partnership Businesses by District



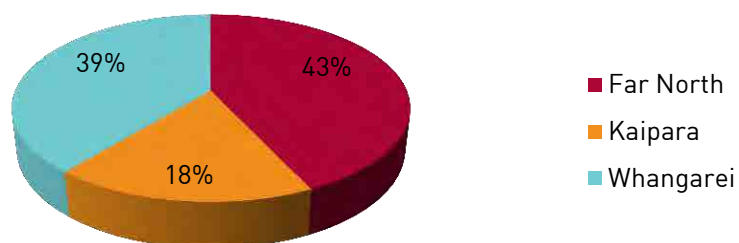
The funding made available by New Zealand Trade and Enterprise (NZTE) meant that we invested heavily in building capability throughout numerous Northland firms. The investment enabled many businesses, across multiple sectors (including but not limited

to; Agriculture and Fisheries, Electricity and Gas, Wholesalers, Marketing, Business Sustainability and Finance). The training that the funding provided was focused predominantly on business planning, systems and managing resources – this is particularly pleasing as these skills will have a flow on effect within the companies themselves and their business contacts.

Through the Callaghan Innovations funding there was \$935,734.00 injected into 10 projects working in the various land based and light manufacturing sectors across the region.

Figures are GST inclusive

Spread of Callaghan Innovation Investment by value into Districts



KPI : Investment

- ✓ The Board of Northland Inc recommends a minimum of four projects to strengthen and diversify Northland's economy.

The Board made recommendations on six projects to Council. Of the four projects recommended to Council, three were approved by Council, one was recommended to Council to decline. There is also one project to be presented to Council in August 2015 and another awaiting third party funding confirmation.

1. Resource Enterprise Limited (REL)

The REL sawmill based at Marsden Point produces flitch (the less dense centre section sawn from a log) for export. The flitch is purchased by the Saudi petrochemical industry to produce packing pellets. A total project cost of \$4,000,000.00 will initially create 10 additional jobs with a likely move to 20 when full production comes online. Economic impact has not been calculated however there were local economic benefits throughout construction and on-going maintenance, there is added value processing of industrial grade logs in Northland, with outputs capable of containerisation for export. This has supported Northport's decision to increase their container handling capacity with the recent purchase of a mobile harbour crane. The project subsequently approved by Northland Regional Council received \$750,000.00 in debt funding. The REL facility was commissioned earlier than scheduled in July, 2015 with Ministers Joyce and Flavell, NRC Chairman Bill Shepherd and David Wilson of Northland Inc attending.

(See image on right).



2. The Northland Tourism Investment Project

The Twin Coast Discovery Highway Revitalisation project aims to increase the economic contribution of tourism to Northland by extending length of stay and increasing visitor spend. It has been estimated that the project has the potential to leverage \$20,000,000.00 of additional visitor expenditure and 200 full time positions over the next five to seven years through revitalising visitor experiences and attractions, and providing a refreshed marketing platform. The project is expected to leverage a total investment amount of \$1,463,000.00 with \$493,000.00 approved by Northland Regional Council at their February meeting. Phase One was completed on time and under budget which sought to build strong sub-regional positioning statements to underpin



marketing and product development. The Tourism Team at Northland Inc have begun Phase Two and held a series of follow-up workshops throughout the region to communicate to stakeholders the results of Phase One which received positive response.

3. The Twin Coast Cycleway,

This has a distance of 83 kilometres spanning from Opua to Horeke and was identified by the Prime Minister as one of the seven initial National Cycleway 'quick start' projects from the Employment Summit held in 2009. There has been 56 kilometres of trail completed and an additional \$3,000,000.00 was pledged by the government to complete the remaining 26 kilometres. Northland Inc provided due diligence and the Northland Regional Council approved \$900,000.00 worth of funding towards the project at their June 2015 meeting. The Far North District Council will also contribute \$900,000.00 in order to complete and maintain the trail.

4. Waikare Inlet Oyster Farming Reclamation Project; declined.

This project was presented to the Board in early 2014 and declined. It was decided that the economic return for the region directly from the project fell short of meeting the criteria for funding from the Investment and Growth Reserve. Northland Regional Council subsequently requested that the project be reconsidered based on the opportunity to use the in-kind contribution to the reclamation as part of the overall oyster farm project and therefore leverage further funding from central government Ministry for Environment, for the clean-up of oyster farms within the Waikare Inlet. The assumption being that returning oyster farms to productive use would provide an economic return for the region.

The reclamation project is designed to support existing industry to operate more efficiently; the reclamation does not directly provide jobs, or an increase in household income. Indirectly, it does have the potential to increase GDP over time. The clean-up of oyster farms is designed to return the farms to productive use and may result in economic benefits over time.

In conjunction with the NRC's economist, an analysis of the value of a hectare of productive oyster farm has been completed and this has been analysed alongside the area of clean-up of oyster farm and an indication of potential clean-up costs per hectare to give an indication of the possible return on investment when looking at the overall oyster farming industry in the area rather than just the reclamation in isolation.

The project was then reconsidered and declined. It was considered that the benefits of the project are first and foremost; environmental restoration, which in itself does not directly provide an economic impact, and thus does not meet the IG&R criteria. It was recommended that more appropriate funding be sought.

5. Resin and Wax

This is a \$15,000,000.00 project to extract and refine resins and waxes from Kauri peat at Kaimaumau as a natural raw material. This will contribute to the local economy by employing 40 staff within five years, 80% of which will be local with the company aiming to work closely with Kaitia High School. Following the extraction of resins and waxes

there is the opportunity for the land to be improved for alternative use; for example farming, horticulture or Manuka honey production, or returned to its natural state. The proposal to Council to be considered is for a convertible loan with the possibility of converting to equity after two years. Negotiations have been undertaken and a letter of support has been received by Ngai Takoto who have mana whenua and ownership of the land for the proposed site. Consideration is given to Ngai Takoto taking up the investment once the project has progressed to attracting investors.

6. Manea; Footprints of Kupe

The Manea project has been developed by the Te Hua o te Kowariki Trust to establish a Heritage Centre as a Tourism attraction in Opononi that would celebrate: the journeys of Kupe; his departure; the stories of repopulation; and progression of his descendants, the local culture and places of historical significance. The attraction will be the Footprints of Kupe, as Manea is the first footprint of Kupe, based on 1000 years of Maori history pertaining to, Te Hokianga-a-Kupe, the returning place of Kupe. The proposal to the Investment & Growth Reserve for a long term loan will be conditional on matched funding from Ngapuhi and the Tourism Growth Partnership.

KPI : Investment



✓ Minimum of two partner projects with Iwi, hapu and/or Maori collective organisations

1. Manea

Detail above.

2. Waipoua Forest tourism opportunity

The initial application from Te Roroa Whatu Ora Trust was for a partnership approach to conduct a feasibility study for a suspended monorail, the 'Schweeb', in the Waipoua Forest for tourism purposes.

Rather than predetermine the tourism experience it was thought that work should be undertaken to look at the feasibility of a tourism experience in the Waipoua Forest. Council agreed to feasibility funding of \$40,000.00 Te Roroa Whatu Ora Trust has since undergone a change in management which wishes to consider all activity in the Waipoua Forest including PTA Kauri Die Back disease and the Kauri National Park initiative in relation to this proposal.

There is a desire within Te Roroa for further development of an overarching Tourism strategy centred on the Waipoua Forest as part of a wider strategy for forest management and Te Roroa Whatu Ora Trust activities.

Agreement with the Operations Manager is to now forego the funding for this financial year, allowing Northland Inc to avoid undue tax liability and then (re-)submit an application for funding to progress the Strategy for Te Roroa Whatu Ora Trust in the latter part of 2015.

3. Honey Coalition

A national initiative with a decidedly local focus; Northland Inc staff have continued to support the formation of the Miere (Honey) Coalition comprising Maori producers in the Te Tai Tokerau. An opportunity analysis has been presented to the principals from Te Rarawa, Ngati Hine and Ngati Wai, with an emphasis on the financial risks and competition from international efforts to produce Manuka (*Leptospermum scoparium*) plantations. The RGS noted that there exists within Northland a significant opportunity to develop a 'land to brand' market intervention in the Manuka Honey industry. Northland Inc will continue to facilitate the development of the coalition with a view to increasing the business and employment opportunities for Northland.

KPI : Online Presence



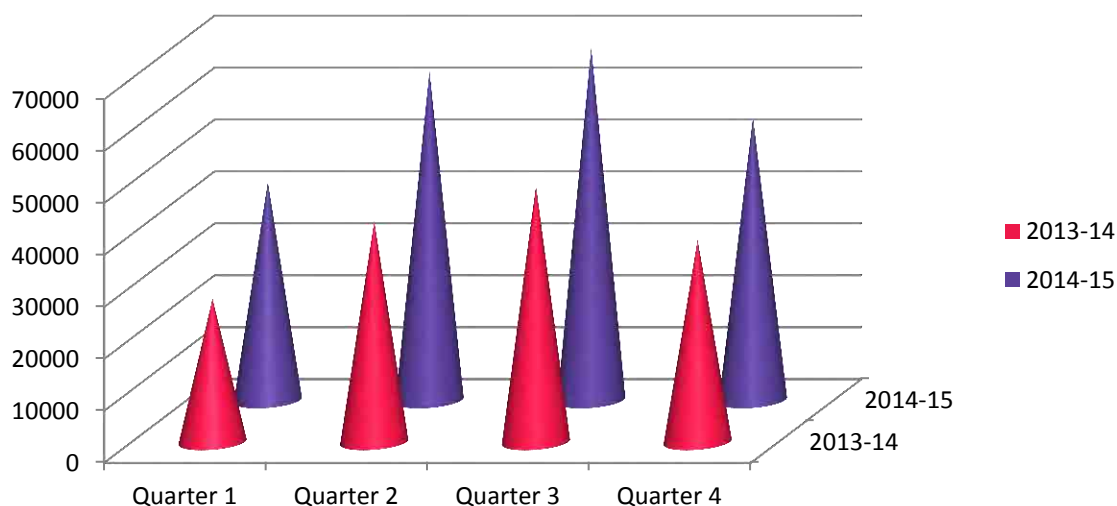
✓ Northland Inc will increase web traffic to www.northlandnz.com by a minimum of 5%.

We have seen a 39% increase in visitors to our website. The revamped website for Northland has been completed to a high standard, as is now required by customers. www.northlandnz.com has combined the two previous sites (www.northlandnz.com and www.northlandinc.co.nz). The site provides a large amount of information, from where to eat, to how to gain assistance to opening a new business.



The new site incorporates Google Analytics which provides a comprehensive analysis of the site's users over the last year. The new site is expected to further increase usage and visitation for a wider audience. Following is visits per quarter for last two reporting periods, and examples of Google Analytics data.

Visits per quarter during reporting periods 2013-14 vs 2014-15



Organic searches

Organic (non-paid) searches for www.northlandnz.com via various search engines have increased 57% this year on last year. The top 5 keywords for organic searches from search engines are:

1. Northland
2. Bay of Islands
3. Romantic getaways Northland
4. Kauri tree
5. Things to do Northland

Page Views

Page views* have increased by 19.51% this year on last year, totalling 728,485 vs 609,554. 'Walks and Kauri Trees' landing page views have increased considerably by 197% in the last year

The top 10 viewed pages are:	Views	Annual increase
Home page:	50,212	1.76%
Must Do's	24,642	25.68%
Top 10 Must Do's	21,453	27.82%
Walks & Kauri Trees	12,268	197.84%
Bay of Islands	12,256	42.28%
Camping in Northland	12,209	44.83%
Holiday Parks	10,644	12.61%
Boutique Accommodation	10,448	39.53%
Attractions in Northland	9,434	19.28%
Twin Coast Discovery	8,296	18.36%

**Page views is the total number of pages viewed. Repeated views of a single page are counted.*

Demographics:

Gender:

35.2% of visitors to our site are male, 64.8% are female

Location:

New Zealand	72.37%
Australia	7.80%
United States	4.98%
United Kingdom	3.43%
Germany	1.17%
Canada	1.06%
Other	less than 1%

Website Referrals:

newzealand.com	14.76%
doc.govt.nz	5.6%
wilderness.co.nz	4.51%
muestragratis.es	4.50%
semalt.semalt.com	3.03%
history-nz.org	2.98%
event-tracking.com	2.58%
search.tb.ask.com	2.54%
whangareinz.com	2.48%
rtonz.org.nz	2.15%
nrc.govt.nz	2.08%
Other	less than 2%

Northland Inc Draft Profit & Loss to June 2015

	YTD Actuals	YTD Budget	Variance	Notes
Ordinary Income/Expense				
Income				
NRC Operational Funding	1,150,000	1,150,000	0	
NRC Feasibility Fund	155,446	200,000	-44,554	1
	1,305,446.09	1,350,000.00	-44,554	
Income				
NIF				
Department of Conservation	2,000.00	2,000.00	0	
Te Puni Kokiri	3,000.00	3,000.00	0	
Manaia PHO	2,000.00	2,000.00	0	
Northland District Health Board	10,000.00	10,000.00	0	
NZ Police	5,000.00	5,000.00	0	
Sport Nthld	1,000.00	1,000.00	0	
Department of Corrections	2,000.00	2,000.00	0	
Ministry of Education	5,000.00	5,000.00	0	
Ministry of Social Develop	20,000.00	20,000.00	0	
Kaipara District Council	5,000.00	5,000.00	0	
NRC	5,000.00	5,000.00	0	
Whangarei District Council	5,000.00	5,000.00	0	
Far North District Council	5,000.00	5,000.00	0	
sub total NIF	70,000	70,000	0	
Project Income				
Callaghan Innovations	58,006	57,500	506	
NZTE	172,827	172,500	327	
Industry	15,412	10,000	5,412	2
WDC	940	0	940	
Council Funding			0	
Far North District Council	0	55,000	-55,000	3
Whangarei District Council	105,000	105,000	0	
Sub Total Project & Council Income	352,185	400,000	-47,815	
Total Income	1,727,631	1,820,000	-92,369	

Expense

Depreciation	30,244	20,000	10,244	3
Wages				
Investment	85,193	95,000	-9,807	4
Business Grow	161,361	168,328	-6,967	
Sectors	76,913	87,077	-10,164	
Promotions	96,878	97,500	-622	
Corporate	359,065	357,500	1,565	
Total Wages	779,411	805,405	-25,994	
Overheads				
General Administrative				
Loss on Disposal	797	0	797	5
Kiwisaver	20,986	21,662	-676	
FBT	-23,000	23,978	-46,978	
ACC	4,586	4,548	38	
Accounting	14,000	3,675	10,325	6
Audit Fees	31,120	28,000	3,120	7
Bank Charges	1,283	900	383	
Int paid on loans	5,568	0	5,568	8
Insurance	7,889	13,500	-5,611	
IT Support	22,761	18,892	3,869	9
Legal Fees	869	8,531	-7,662	
Meeting Expenses	5,442	6,000	-558	
Subscription/Publications	16,245	14,225	2,020	
Sundry	5,270	7,716	-2,446	
Telephone & Fax	21,218	22,000	-782	
Travel Costs	21,607	22,000	-393	
Vehicle Costs	34,101	33,115	986	
Total General Administrative	190,741	228,742	-38,001	
Leases				10
Operating Leases	7,644	21,000	-13,356	
Vehicle Leases	3,735	16,800	-13,065	
Total Leases	11,379	37,800	-26,421	
Marketing				
Communications	5,929	10,000	-4,071	
Total Marketing	5,929	10,000	-4,071	
Office Supplies				
Postage	1,186	2,200	-1,014	
Stationery	9,023	9,346	-323	
Total Office Supplies	10,209	11,546	-1,337	

Premises costs				
Cleaning	4,470	3,640	830	
Electricity	5,013	6,001	-988	
Rent	58,316	58,900	-584	
Total Premises costs	67,799	68,541	-742	
Training				
Conference/seminars	6,214	4,000	2,214	
	6,214	4,000	2,214	
Total Overheads	292,270	360,629	-68,359	
Director Expenses				
Fees	74,501	74,460	41	
Meeting Expenses	2,720	3,000	-280	
Travel Costs	7,666	18,000	-10,334	11
Total Director Expenses	84,888	95,460	-10,572	
Project Direct Costs				
Consultants	154,189	172,200	-18,011	12
Activity Costs	141,991	156,305	-14,314	13
Feasibility Funding 2014/15	160,430	200,000	-39,570	14
Total Project Direct Costs	456,611	528,505	-71,894	
Total Expense	1,643,423	1,809,999	-166,576	
Net Ordinary Income	84,208	10,001	74,207	
Other Income/Expense				
Other Income				
Other Projects	18,000	0	18,000	15
WDC Campaign	58,360	0	58,360	16
Tourism Project (TCDH)	46,594	0	46,594	17
Interest Received	2,510	0	2,510	
Councils Infometrics	63,300	0	63,300	18
Tourism NZ M&T	27,996	0	27,996	19
Other feasibility	78,940	0	78,940	20
Total Other Income	295,700	0	295,700	

Other Expenses

Other Projects	2,822	0	2,822	21
WDC Campaign	58,360	0	58,360	22
Tourism Project (TCDH)	43,051	0	43,051	23
Feasibility Funding 2013/14	54,445	0	54,445	24
Infometrics	63,300	0	63,300	25
Media & Trade Famils	27,228	0	27,228	26
Other feasibility	113,644	0	113,644	27
Total Other Expenses	362,849	0	362,849	
Net Income before tax	17,058	10,001	7,057	
Tax Expense	5,000	0	5,000	
Net Income after tax	12,058	10,001	2,057	

Notes

- 1 credit back to NRC for 13/14 funding \$4554 & 14/15 funding \$40k
- 2 Website contract with Big Fish more than expected at time of setting budget
- 3 Costs relating to buying of vehicles offset by saving in leasing code
- 4 Later start dates for new positions
- 5 End of contract for leased equipment
- 6 increase in charges notification in Dec
- 7 13/14 disperse charges not accrued
- 8 New loan interest with NRC & interest on Tax 2014
- 9 costs of transition to new system
- 10 leases expired during year, moved to ownership of vehicles and equipment
- 11 Directors undertook to make savings in this area
- 12 Late start with RTO position
- 13 Savings made to offset FNDC income shortfall
- 14 Costs relating to feasibility funding 14/15
- 15 Extra funding for Maori Strategy launch and Digital project from TLA's
- 16 WDC domestic campaign offset against expenses
- 17 Tourism Investment funding + income from industry and WDC towards Trenz event
- 18 Infometric income offset against expenses
- 19 TNZ income for media and trade
- 20 Consists of \$50k feasibility income for 14/15 projects, \$10k for 13/14 project & sundry \$18.9k
- 21 Costs relating to income from TPK for Maori Strategy launch
- 22 WDC domestic campaign offset against income
- 23 Tourism Investment costs relating to funding
- 24 relates to prior year funding
- 25 Infometric expense offset against income
- 26 Relating to TNZ income for media and trade
- 27 Costs relate to \$64k feasibility projects 14/15, \$7.9 projects 13/14, \$41.7k sundry projects

Northland Inc Draft Balance Sheet to June 2015

	June ,30 15	Closing Balance Jun 30,14	Movement	notes
ASSETS				
Current Assets				
Accelerater Account	355	962	-608	
Project Account	127	160,391	-160,264	
Cheque Account	19,275	14,045	5,230	
Total Chequing/Savings	19,757	175,398	-155,642	
Accounts Receivable				
Accounts Receivable	133,436	54,001	79,435	1
Total Accounts Receivable	133,436	54,001	79,435	
Other Current Assets				
Term Deposit	200,000	0	200,000	
Prepayments	6,199	3,398	2,801	2
Accrued Income	0	1,840	-1,840	
Total Other Current Assets	206,199	5,238	200,961	
Total Current Assets	359,391	234,637	124,754	
Fixed Assets				
Leased Equipment at Cost	44,163	49,105	-4,942	
Accumulated Deprec Lease Eq	-43,676	-47,170	3,494	
Total Leased Equipment	487	1,935	-1,448	
Office Equipmet				
Office Equipment at Cost	82,700	71,208	11,492	3
Accumulated Deprec OE	-54,507	-47,075	-7,432	
Total Office Equipmet	28,193	24,133	4,060	
Vehicles				
Vehicles at Cost	111,807	49,986	61,821	4
Accumulated Deprec	-37,087	-15,453	-21,634	
Total Vehicles	74,720	34,533	40,187	
Total Fixed Assets	103,399	60,601	42,798	
Other Assets				
Provisional Tax Paid	3,332	0	3,332	
Tax Paid	32,763	0	32,763	5
Total Other Assets	36,095	0	36,095	
TOTAL ASSETS	498,885	295,238	203,647	

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable	145,168	85,851	59,318	6
Total Accounts Payable	145,168	85,851	59,318	

Other Current Liabilities

Provision for Tax	23,456	18,456	5,000	
Accounts Payable - Year End adj	0	6,302	-6,302	
NRC Loan	61,483	21,790	39,693	7
Income in Advance	49,000	43,000	6,000	8
Current Portion of Leases	-1,231	625	-1,857	
Accruals	135,295	49,389	85,906	9
GST	1,935	3,510	-1,575	
Holiday Pay Accrued	20,439	15,034	5,406	
Total Other Current Liabilities	290,377	158,106	132,271	

Total Liabilities	435,545	243,957	191,589	
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Equity

Contributed Capital	100	100	0	
Equity	89,627	-148,612	238,238	
Retained Surplus/Deficit	-38,445	-38,445	0	
Net Income	12,058	238,238	-226,180	
Total Equity	63,340	51,282	12,058	

TOTAL LIABILITIES & EQUITY	498,885	295,238	203,647	
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Notes

1. Receivables are mainly made up of current: NZTE \$16.5k/CI\$6k + \$17.2k website + \$51.6k feasibility funding, TBZ \$5k, NIF \$32.2k
2. Insurances renewals
3. New equipment purchased
4. 2 new vehicles purchased
5. 2014 tax paid
6. Payables are made up of current invoices received
7. Purchase of two new vehicles
8. NIF income received for next financial year
9. Accruals are made up of activity costs (feasibility costs, TCDH & WDC campaign), and director & operational expenses not yet received

ITEM: 4.1

Page 1 of 1

ISSUE: Receipt of Minutes of the Hazard Risk Working Group Meeting – 10 July 2015

ID: A765126

To: Finance Committee Meeting, 18 August 2015

From: Bruce Howse, Group Manager – Environmental Services

Date: 20 July 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 Policy:	<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 Working Group meeting held on 10 July 2015 (**attached**) to the committee for their information.

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 Working Group meeting held on 10 July 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 Friday 10 July 2015 at 4.00pm

Present: Cr Paul Dimery
Cr Bill Shepherd

Present: Mr Malcolm Nicolson, Chief Executive Officer
Lisa Aubrey, General Manager – Finance
Jim Lyle, Regional Harbourmaster
Nola Sooner, Minute Taker

APOLOGIES

An apology was received from Bruce Howse - Group Manager – Environmental Services for absence.

DECLARATION OF CONFLICTS OF INTEREST

There were no declarations of conflicts of interest.

REPORT

Insurance Renewal 2015

The following points were noted:

- Insurance on 32-58 Reyburn Street from indemnity value (\$1.175M) to replacement value (\$2.4M) – it was agreed to retain the status quo.
- Employment Disputes insurance – Lisa to obtain quote and circulate to the Hazard and Risk Committee for direction.
- Vehicle excess – Lisa to obtain quote on option of increasing excess and circulate to the Hazard and Risk Committee for direction.
- Life Insurance (key person insurance) – Meeting arranged between the insurer and CEO and HR Manager. Matter to be referred to the Organisational Performance Committee.
- Navigation aids – A number of insurance options were discussed. Lisa to obtain quote and circulate to the Hazard and Risk Committee for direction.
- Harbourmaster Liability Insurance Review – Cr Dimery indicated a preference for retaining the status quo and for Council to lobby Central Government to limit the liability faced by councils'. It was agreed to take out a further \$20 million of cover with AON at a cost of \$13,000 (giving a total of \$40 million of combined cover). Paul I Ahlers, Executive Broker, Crombie Lockwood is to present at a Council workshop to discuss council risk.
- General Manager Finance confirmed the insurance detailed in the renewal schedule has been put in place effective as of 1 July. A paper seeking to have council endorse the insurance programme will be taken to the August Finance Committee meeting.

Appointment of Independent Member

General Manager – Finance provided a brief summary of Mr Jones' CV and stated areas of expertise. The CEO advised he would prefer the independent member to have a strong

commercial/banking/business background. The CEO felt Mr Jones had useful skills but these would be well aligned to the skill sets held by staff.

It was agreed not to appoint Mr Jones as an independent member of the Hazard Risk Working Group. Authority was given for the CEO and Group Manager Environmental Services to re-scope the risk proposal for Deloitte or another provider to prepare an independent review to identify council risks.

The meeting closed at 6.05 pm

ITEM: 4.2

Page 1 of 1

ISSUE: Receipt of Minutes of the Treasury Management Working Group Meeting – 23 July 2015

ID: A769733

To: Finance Committee Meeting, 18 August 2015

From: Simon Crabb, Manager Finance

Date: 6 August 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 23 July 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 23 July 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 Thursday, 23 July 2015 commencing at 2pm.

Present: Cr David Sinclair (Chairman)
Mr Geoff Copstick, Independent Member of Audit &
Risk Committee

In Attendance: **Full Meeting**
Malcolm Nicolson, Chief Executive Officer
Simon Crabb, Finance Manager
Alicia Jurisich, Finance and IT Personal
Assistant/Administrator

Stuart Henderson, PricewaterhouseCoopers

Apologies: Cr John Bain

Item 3.1: External Borrowing Consideration

ID: A765193

Report from Finance Manager, Simon Crabb

Recommendation:

- 1. That the report 'External Borrowing Consideration by Simon Crabb, Finance Manager, and dated 20 July 2015, be received.***
- 2. That council borrows the following through a private debt placement arranged by a selected banking counterparty:***
 - \$5M on a fixed basis for 8 years at an indicative borrowing cost including fees of 4.35%***
 - \$5M on a fixed basis for 5 years at an indicative borrowing cost including fees of 3.85%; and***
 - \$5M on a fixed basis for 3 years at an indicative borrowing cost including fees of 3.55%***

The teleconference started at 2:05pm

Stuart Henderson of PricewaterhouseCoopers updated the working group since the agenda item had been distributed:

- Swap rates are cut by another 25.
- Inflation is up to 2% through to 2016.
- Another 5 basis points off recommendation paper figures.
- The local tender from Local Government (LG) is good.
- \$5.5B – 25% is going offshore.

Mr Henderson advised council could pick up a little bit extra by going direct. The Local Government Funding Agency (LGFA) spread ranges. ACC, Taranki Savings, IAG want to invest in the sector. Mr Henderson wanted to point out that the bank takes 2 basis points per annum.

ID: A767466

Mr Henderson advised the LGFA have a fixed rate inclusive. This is their all up cost. With the LGFA it is their fund and has a defined spread.

As per the agenda, a private placement can be lodged with Westpac or the ANZ. Mr Henderson suggests 80% placement with Westpac bank. They have 2 basis points instead of 3 and are possibly in discussions with one investor which makes their rates competitive over ANZ.

Mr Nicolson stated council is looking to borrow to reduce costs for ratepayers. Council's long term plan is to maximise yield. Council cannot if borrowing is done internally on a lower interest rate. The borrowing also has to link to capital works. Council is currently paying off the Events Centre, Kotuku Dam, Awanui River etc.

It was stated that council sees investing and borrowing as their by-product. They want to see council's highest return while the public have the lowest rate.

Mr Henderson advised investors going private through government are doing well. They are achieving numerous goals. The LG is priced as it should and is the best risk return asset in the market – better than banks have to pay themselves. They are also assessed at a lower level than the market.

Mr Henderson advised banks are currently paying premium on deposit funds over and above wholesale.

It is expected that the fed will move interest rates up in September 2015.

Mr Crabb advised the uncertainty lies on the security of funds invested under the Property Reinvestment Fund. It was regularly stated in the meeting that economic downturn is that "rain cloud" held over the fund.

Mr Nicolson advised so long as council has the ability to remove these funds immediately, then it's okay to be there.

Mr Henderson reiterated the concept of the PRF is the trade-off, risk/reward.

Mr Nicolson asked the working group to consider whether to place the money now or wait another X number of weeks for a drop in rates.

Mr Henderson advised if there was an economic crisis, then council has the option to go to NZ government bonds, then the LGFA. His next point was that the current 3 and 5 year prices are good. The swap rate for the 8 year is more to do with the US which the fed are meeting soon to discuss.

Mr Nicolson asked whether the term loans have to be 3, 5 & 8 year. Mr Henderson advised if you have a desire for a longer term, then 10 years is the longest. The LGFA do hold a 12 year. Mr Henderson advised council would be lucky to get a 10 year term with a private placement. The reason for the 3, 5 & 8 year terms are due to the investors demand for that maturity.

It was pointed out that a private placement can either be at a floating or fixed rate. With a fixed rate the long term borrowing is at a good credit margin which will be locked.

Mr Nicolson suggested locking in the longest time due to the term council has to pay off assets. Mr Nicolson also asked the working group whether to join LGFA. He

queried any small risks if council were to join. It was responded that if any councils within the LGFA were to go bust, then hopefully the government would step in before it got to that.

Mr Henderson advised his opinion is that the LGFA is the best and safest option.

The working group then went into further reasoning whether to join the LGFA. It was pointed out to the working group that it may take a couple of months to become a member of the LGFA. The working group stated this may jeopardise the low wholesale rates currently available and council may not get this opportunity again for these rates.

Mr Henderson advised the LGFA have delivered on everything. They are considered to be the benchmark for agencies. They also provide certainty, liquidity.

If council were to wait a month until making a decision the difference in basis points may be 40.

The working group referred to the reasoning for the borrowing which is to repay capital works. The discussion was to link the borrowing with the infrastructure projects. Council affectively release property sale proceeds to be redirected into investments governed by the PRF SIPO and this is where the economic downturn, that rain cloud, has major impacts.

Mr Copstick reminded the group that Jonathan Eriksen of Eriksen & Associates has indicated funds could be withdrawn as quickly as a phone call.

The current projects requiring borrowing are the Event Centre requiring \$3M for 2 years 6 months, MPRL requiring \$8M for 5 years (or \$4M depending on KiwiRail split) and River Projects requiring \$9M for 10 years.

Mr Henderson recommended council not to lock in below \$2M.

Mr Copstick asked whether swap rates are changing. Mr Henderson responded that there is a slight increase. The next are out September 2015.

The meeting concluded that the working group are to retrieve the exact figures owing on the stated infrastructure projects and to lock in terms with either Westpac or ANZ.

Mr Henderson advised "odd" terms could be lodged (i.e. 26 months). He also asked that if council were to go into detail on figures, that they be rounded to the nearest hundred thousand.

Action points:

1. Council do not join the LGFA due to the time to become a member and that it may jeopardise council locking in current rates.
2. Mr Henderson to forward councils name to ANZ and Westpac to get matters started. The banks can then quote a price on \$9 million for 10 years, \$5 million for 5 years and 3 million for 2.5 years.
3. Working group to retrieve final figures for infrastructure assets.
4. Mr Crabb to approve the term sheet.

Meeting closed at 3:55pm.

ITEM: 5.0

Page 1 of 1

ISSUE: Business with the Public Excluded

ID: A769791

To: Finance Committee Meeting, 18 August 2015

From: Simon Crabb, Finance Manager

Date: 7 August 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 – 19 May 2015	The reasons for excluding the public are as stated in the minutes of the open section of that meeting.
5.2	Receipt of Minutes of the Treasury Management Working Group Meetings – 3 August 2015	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	Property Reinvestment Fund – SIPO Amendment and Further Investments	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)).