

NORTHLAND REGIONAL COUNCIL

Supporting Information

For meeting to be held in the Council Chamber,
36 Water Street, Whangārei, on Tuesday 20 March 2018,
commencing at 10.30 am

SUPPORTING INFORMATION IN RELATION TO:

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7.1	Northland Inc. Limited – Draft SOI Attachment 1: Northland Inc. Limited Draft Statement of Intent 2018–2021	45 - 56
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8.3	Regional Software Holding Limited Statement of Intent Attachment 1: Regional Software Holdings Limited DRAFT Statement of Intent 2019–2021	85 - 98
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Regional Software Holdings Ltd

Six Month Report to Shareholders

31 December 2017

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Introduction

Regional Software Holdings Limited (RSHL) was incorporated in October 2012. This report covers the 6 months from 1 July 2017 to 31 December 2017 as required by Section 66 of the Local Government Act 2002.

RSHL has no subsidiaries or joint ventures.

Type of Entity and Legal Basis

RSHL is a Public Limited Liability Company incorporated and registered under the Companies Act 1993 and is a council-controlled organisation as defined in Section 6 of the Local Government Act 2002.

Structure of the Company

The Company comprises of a Board of six directors. The Board oversee the governance of RSHL. In addition there is a general manager who is responsible for the day-to-day operations of RSHL and reporting to the Board. Each Shareholder is entitled to separately appoint one director each.

Main sources of RSHL's Cash and Resources

Funds are received by way of levies from each Council. These levies are set annually in the Statement of Intent. These are the primary source of funding to RSHL.

Nature and Scope of Activities to be Undertaken

RSHL provides a framework for collaboration between the shareholders. It supports the procurement or development of shared software resource products and services in a manner that provides a more cost effective alternative than individual councils can achieve on their own.

The company operates through managed contractual arrangements, and by facilitating collaborative initiatives between shareholder councils' staff. Some shareholder councils are both customers of RSHL and providers of service to RSHL.

The scope of activities for RSHL is not necessarily limited to the Integrated Regional Information System (IRIS) application suite. Future activities will be identified by shareholder councils. New opportunities will be identified, and priorities set in the Business Plan, other opportunities may arise and be investigated on a case by case basis. New activities will require explicit Board approval.

Mission

Provide long-term shared software resources that are relevant to regional council activities and are fit for purpose, reliable, robust, resilient and cost effective.

Vision

To develop, maintain and licence the Software Intellectual Property to the Shareholders and other customers on an ongoing basis.

To ensure the Company operates in a cost effective manner that reduces costs and risks to the Shareholders.

To provide a framework for collaboration between the shareholder councils and other customers for the development and implementation of an IT platform or IT platforms over the long-term,
To provide RSHL shareholders and customers with application software products and services in a manner that achieves:

- Continuity of supply,
- Influence / control of the destiny of Regional Council sector specific software,
- Risk reduction,
- Economies of scale,
- Some standardisation of practice, or adoption of best practice,

The current flagship of RSHL is the Integrated Regional Information System (IRIS).

Values

In all RSHL decisions and interactions the Board and staff together with member council participants who may be working within the RSHL framework will observe the following values and ethos:

- The best decision is that which provides the best end result, primarily for our shareholder councils but also our customer councils, and indirectly the communities they serve.
- We are forward thinking and innovative,
- We are responsive and deliver value,
- We are professional and accountable,
- We are flexible and open,
- Our solutions will be practical, appropriate to the scale of the problem and affordable,
- Where appropriate we will utilise codes of practice and standards produced by industry groups,
- All parties to any decision or interaction will be treated with respect, dignity, integrity, and honesty.

Objectives

The principal objective of RSHL is to deliver on the vision, mission and values.

The secondary objective of RSHL is to:

- Achieve the objectives of its Shareholders, both commercial and non-commercial as specified in this Statement of Intent,
- Be a good employer,
- Exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when able to do so.

Service Performance

Progress against the Statement of Intent (SOI) performance measures is reported in the following section.

Items of significance during the six months include:

- Four IRIS releases have been successfully delivered in the current year to date. These have included four RSHL funded major enhancements, two minor enhancements, sixteen support fixes and one RC funded major enhancements.
- The implementation of IRIS at Hawke's Bay Regional Council is underway. The first phase of the project is progressing within budget and scope, with the timeline currently being re-assessed. RSHL have provided Project Management support and subject matter expertise and guidance from across the RSHL councils.
- RSHL has presented a proposal to the Regional Council Special Interest Groups (SIGs) and to the RCEO Forum for RSHL to be leveraged as the 'vehicle' for promoting common and consistent processes across the sector and to deliver and operate shared software and information solutions on behalf of the SIGs. This proposal has received strong support and planning is underway for delivering the first initiative from this proposal.

Performance Measures

The following performance measures were incorporated into the Statement of Intent for the 2017-18 financial year.

Performance Measures		For the period ending 31 December 2017
Non-Financial	RSHL Advisory Group meets regularly & is effective (Self-assessed by the Advisory Group, compared to expectations in the Terms of Reference for the Advisory Group).	On track. The Advisory Group (AG) meets monthly by video conference and quarterly in-person. The AG continues to operate in an effective and constructive manner.
	A robust and consistent process operates to develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects is developed and approved.	On track. The major enhancement roadmap for 2017/18 has been developed and approved by the Advisory Group, and this continues to be reviewed and refined by the AG on an ongoing basis to ensure that the roadmap aligns with shifting priorities and available funding.

	Major Enhancement projects identified on the Annual Roadmap are completed on time and within budget.	On track. Delivery is within budgets and timelines agreed in the Statements of Work or variations to these.
	Budgets and processes for support and minor enhancements are effectively managed. (Assessed by the Advisory Group).	On track. The delivery of support and minor enhancements continues to be managed effectively and the budgets closely monitored.
	User (non-IT) participation in RSHL management and development processes is increased. (Measured by membership of formal RSHL groups).	Not on track. The RSHL User Groups have continued to be effective and meet regularly. RSHL subject matter experts have also been engaged in workshops supporting the HBRC implementation of IRIS and providing input to other expressions of interest. However, there hasn't been a willingness from user group members to become more involved in the other aspects of RSHL management and operation.
	Reporting and Payments (Section 9.3 of Business Plan) are completed on time.	On track. RSHL has completed all reporting and payments within the required timeframes.
	Consider a new service area or areas outside of the current scope of IRIS ¹ .	On track. A proposal to the Regional Council SIGs and RCEO Forum to leverage RSHL as a vehicle for delivering collaborative initiatives for the sector has received strong support and planning is underway to implement the operating model and for delivery of the first initiative on the work programme (ReCoCo) is underway.
	An independent director will be appointed to the Board by December 2017	Achieved. Asbjorn Aakjaer joined the Board as a Director in November 2017.
Financial	RSHL will operate within 5% (plus or minus) of its overall annual budget.	On track. Expenditure against the available funding is being closely monitored. This is currently tracking over budget due to higher depreciation costs than expected.
	Annual charges will be kept to a maximum of 2% increase year on year	On track
Growth	Respond to requests from Councils with the intent of adding one further Council to IRIS as a shareholder or customer by end of 2018.	Achieved. Hawke's Bay RC has become a customer of RSHL and is currently in the process of implementing IRIS.

¹ Consider does not mean commit to do, but to identify & evaluate one or more opportunities

RSHL Financial Position

Operational income from Member's Contribution is tracking favourable to budget with the third quarterly invoice being issued in December. The E-Learning income reflects an additional agreement within the shareholders to purchase the E-learning software separate to the usual share holder contributions.

Other income arises from a collaborative approach to purchasing the annual stakeholder engagement subscriptions through Objective Corporation Limited for three participating Councils. RSHL has acted as an aggregator to get a better deal for this service than the Councils could have achieved on their own. All costs incurred are directly recovered.

Overall operating expenditure is tracking higher than the budget due to higher Depreciation costs as the previously large level of Work in Progress is now being capitalised with each release. The overall operating costs are being monitored.

RSHL continues to have a strong balance sheet, with assets growing annually. Accounts receivable are 100% current. Liabilities remain minimal and accounts payable are 100% current.

Cash-flow is favourable to budget due to the third quarterly invoice being released in December. It is expected that the cash-flow will finish closely aligned to budget.

Shareholdings & Directors

Regional Software Holdings Limited (RSHL) was formed on 17 October 2012. At the time of formation the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula. The following shareholding was agreed:

Shareholder	Percentage	# of shares
Waikato Regional Council	32.75%	3,275
Northland Regional Council	16.75%	1,675
Horizons Regional Council	15.50%	1,550
Taranaki Regional Council	15.50%	1,550
Southland Regional Council	15.50%	1,550
West Coast Regional Council	4.00%	400

The Directors appointed for the period that this six monthly report covers were:

Director	Appointed By
Mike Nield (Chairman)	Taranaki Regional Council
Mike Garrett (Deputy Chairman)	Waikato Regional Council
Malcolm Nicolson	Northland Regional Council
Ged Shirley	Horizons Regional Council
Les Gibbs	West Coast Regional Council
Neil Selman	Southland Regional Council

Financial Statements

Statement of Financial Performance

For the Six Month Period Ending 31 December 2017

	Notes	31 Dec 2017 6 Months Unaudited \$	31 Dec 2016 6 Months Unaudited \$	30 June 2018 12 Months SOI \$	30 June 2017 12 Months Audited \$
Income					
Members contribution		823,901	821,749	1,098,534	1,047,581
Members contribution – E-Learning		44,094	-	-	-
Interest income		104	327	-	571
Other income	1	73,138	57,750	58,905	77,648
Total Income		941,236	879,826	1,157,439	1,125,800
Expenses					
Administration & Technical Support	2	6,783	11,498	46,029	34,000
Audit fees		-	5,094	5,237	5,189
Datacom support charges		115,802	86,186	203,205	260,720
Management fees		73,821	53,071	120,454	121,102
Cyber Environmental Charges		4,438	5,116	13,303	10,297
Implementation Costs		15,388	-	-	19,898
Other Direct Software Expenses		2,625	-	-	-
External Contractor & Consultants		2,645	-	-	-
Independent Director		2,500	-	30,000	-
Legal Expenses		315	-	-	-
Cognise Licencing		1,569	-	-	-
Objective SaaS contract		57,750	57,750	58,905	57,750
Depreciation		362,526	338,037	680,306	688,589
Total Expenses		646,162	556,752	1,157,439	1,197,545
Operating Surplus		295,074	323,074	-	(71,745)
Taxation		-	-	-	-
Net Profit After Tax		295,074	323,074	-	(71,745)
Total Comprehensive Income		295,074	323,074	-	(71,745)

The accompanying notes form part of these financial statements.

Statement of Financial Position

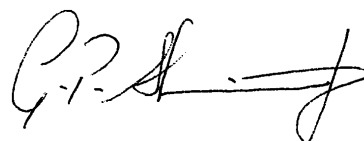
For the Six Month Period Ending 31 December 2017

	Notes	31 Dec 2017 6 Months Unaudited \$	31 Dec 2016 6 Months Unaudited \$	30 June 2018 12 Months SOI \$	30 June 2017 12 Months Audited \$
Assets					
Current assets					
Bank Accounts and Cash	3	239,471	258,152	161,702	353,075
Debtors and Prepayments	4	367,941	388,179	-	22,882
GST Receivable		-	-	-	6,547
Withholding Tax Paid		208	973	-	186
Total Current Assets		607,620	647,304	161,702	382,690
Non-Current Assets					
Property, Plant and Equipment	5	5,106,333	5,197,066	5,214,781	5,102,358
Non-Current Assets		5,106,333	5,197,066	5,214,781	5,102,358
Total Assets		5,713,952	5,844,370	5,376,483	5,485,048
Liabilities					
Current Liabilities					
Creditors and Accrued Expenses	6	87,843	99,310	-	177,426
GST		23,414	42,619	-	-
Income Tax		-	-	-	-
Total Current Liabilities		111,256	141,929	-	177,426
Total Liabilities		111,256	141,929	-	177,426
Net Assets		5,602,696	5,702,441	5,376,483	5,307,622
Represented By:					
Equity					
Equity		5,149,150	5,149,150	5,149,150	5,149,150
Current Year Earnings		295,074	323,074	227,333	(71,745)
Retained Earnings		158,473	230,217	-	230,217
Total Equity	7	5,602,696	5,702,441	5,376,483	5,307,622

The accompanying notes form part of these financial statements.



MJ Nield - Chairman
22 February 2018



G Shirley – Director
22 February 2018

Statement of Cash Flows

For the Six Month Period Ending 31 December 2017

	Notes	31 Dec 2017 6 Months Unaudited \$	31 Dec 2016 6 Months Unaudited \$	30 June 2018 12 Months SOI \$	30 June 2017 12 Months Audited \$
Cash flows from Operating Activities					
Cash was provided from:					
Receipts from Customers		583,332	484,202	1,098,534	1,047,581
Interest		104	327	-	571
Other Income		57,750	57,750	58,905	57,750
Tax Refunds Received		-	-	-	848
Total Operating Receipts		641,186	542,279	1,157,439	1,106,751
Cash was applied to:					
Payments to Suppliers		310,820	211,104	477,133	417,963
Net GST Movement		26,050	(31,955)	-	(40,608)
Interest/Withholding Tax		22	75	-	-
Total Operating Payments		336,892	179,224	477,133	377,355
Net cash from operating		304,294	363,055	680,305	729,396
Cash flows from Investing Activities					
Cash was applied to:					
Purchase of Fixed/Intangible Assets		417,898	301,661	690,688	573,080
Total Investment Payments		417,898	301,661	690,688	573,080
Net cash from investing		(417,898)	(301,661)	(690,688)	(573,080)
Cash flows from Financing Activities					
Cash was provided from:					
Capital raised		-	-	-	-
Total Financing Receipts		-	-	-	-
Net cash from financing		-	-	-	-
Net increase (decrease) in cash flow for the year		(113,604)	61,394	(10,382)	156,316
Opening Cash Balance		353,075	196,758	172,084	196,759
Closing Cash Balance		239,471	258,152	161,702	353,075
Made up of:					
Westpac Current Account		206,642	51,790	25,000	68,290
Westpac Online Saver Account		32,828	206,362	136,702	284,785
		239,471	258,152	161,702	353,075

The GST (net) component of cash flows from operating activities reflects the net GST paid to and received from the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes and to be consistent.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Six Months Ending 31 December 2017

Statement of Accounting Policies

Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), owned by Waikato Regional Council (32.75%) Northland Regional Council (16.75%) Horizons Regional Council (15.50%) Taranaki Regional Council (15.50%) Southland Regional Council (15.50%) and West Coast Regional Council (4.00 %.) RSHL was incorporated on 17 October 2012. RSHL was primarily incorporated for the purposes of managing the investment and development of IRIS Software, and has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

The financial statements are those of RSHL, for the six months ended 31 December 2016, and were authorised for issue by the Board of Directors on 27 February 2016.

Public Benefit Entity Simple Format Reporting

RSHL qualifies for Public Benefit Simple Format Reporting – Accrual (PBE-SFR-A) on the basis that the Company does not have publically accountable (as defined) and has total annual expenses of less than \$2 million.

Basis of Preparation of the Financial Statements

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The financial statements have been prepared on a historical cost basis.

Statement of Compliance

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared in accordance with Tier 3 Public Benefit Entity (PBE) Standards. RSHL adopted the PBE standards for the first time in July 2014.

These financial statements comply with PBE Standards.

Presentation Currency and Rounding

The financial statements have been prepared in New Zealand dollars and there will be rounding in the numbers in the financial statements, as the financial model used calculates to the cent but the annual report is rounded to the nearest dollar.

The functional currency of RSHL is New Zealand dollars.

Changes in Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Members Contributions and Other forms of Revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis.

Interest revenue is recorded as it is earned.

Expenditure

Expenditure is recognised on an accrual basis when the service was provided, or the goods received.

Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

Bank Accounts and Cash

Cash and cash equivalents includes cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are presented as a current liability in the Statement of Financial Position.

Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Inventories

Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling process. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Goods and Services Tax (GST)

RSHL is registered for GST; these financial statements are presented net of GST, except for receivables and payables which are inclusive of GST. Where GST paid is not recoverable, due to it relating to exempt items, the GST inclusive amount is recognised as part of the related asset or expense including the GST relating to investing and financing activities.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

The net GST paid to, or recovered from, the Inland Revenue Department is recognised as an item in operating cash flow in the Statement of Cash Flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expenses calculated using the taxes payable method. As a result no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Creditors and Accrued Expenses

Creditors and accrued expenses are measured at the amount owed.

Property, Plant and Equipment

Software acquisition and development

Costs that are directly associated with the development of the IRIS software suite are recognised as property, plant and equipment.

Depreciation

Depreciation begins when the asset is available for use and ceases at the date that the asset is derecognised. The depreciation charge for each period is recognised through the Statement of Financial Performance.

The carrying value is depreciated on a straight-line basis over its useful life. The useful life and associated depreciation rate for the IRIS software suite is 10 years and 10%.

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Financial Performance. This change in value will be the difference between the carrying value of the original item and its fair value.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, RSHL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Additional Disclosure

The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000. For this financial year, no staff were employed by RSHL. The audit fee for the six months period is expected to be \$nil (GST exclusive) paid to Audit New Zealand.

Notes to the Financial Statements for the Six Month Period Ending 31 December 2017

1. Other Income

	31-Dec-17	31-Dec-16	30-Jun-18	30-Jun-17
	6 Months	6 Months	12 Months	12 Months
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
Recovery of other direct software expenses	57,750	57,750	58,905	57,750
Hawkes Bay Regional Council Reimbursements	15,388	-	-	19,898
Total Other Income	73,138	57,750	58,905	77,648

2. Administration Costs

	31-Dec-17	31-Dec-16	30-Jun-18	30-Jun-17
	6 Months	6 Months	12 Months	12 Months
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
Administration Support	1,852	7,473	39,103	32,091
Insurance	1,970	1,785	-	1,785
Consultants and Technical Support	2,867	2,152	6,926	-
Bank Fees	94	88	-	124
Total Administration Support	6,783	11,498	46,029	34,000

3. Bank Accounts and Cash

	31-Dec-17	31-Dec-16	30-Jun-18	30-Jun-17
	6 Months	6 Months	12 Months	12 Months
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
Current Account	206,642	51,790	25,000	68,290
Savings Account	32,828	206,362	136,702	284,785
Total Bank Accounts and Cash	239,471	258,152	161,702	353,075

4. Debtors and Prepayments

	31-Dec-17	31-Dec-16	30-Jun-18	30-Jun-17
	6 Months	6 Months	12 Months	12 Months
	<u>Unaudited</u>	<u>Unaudited</u>	<u>SOI</u>	<u>Audited</u>
Debtors & Prepayments	367,941	388,179	-	22,882
Total Debtors & Prepayments	367,941	388,179	-	22,882

5. Property, Plant and Equipment

IRIS Software Intellectual Property

Carrying amount as of 01 July 2016	5,284,399
Additions	183,604
Work in Progress	403,387
Depreciation Expense	(688,589)
Work in Progress written off/impaired	(85,641)
Carrying Amount as of 30 June 2016	5,097,160
Carrying amount as of 01 July 2017	5,097,160
Additions	329,175
Work in Progress	
Depreciation Expense	(361,818)
Carrying Amount as of 31 December 2017	5,065,517

E-learning Software

Carrying amount as of 01 July 2016	-
Additions	-
Work in Progress	5,198
Carrying Amount as of 30 June 2017	5,198
Carrying amount as of 01 July 2017	5,198
Additions	37,327
Depreciation expense	(709)
Carrying Amount as of 31 December 2017	41,816

Total Asset Carrying Amount as of 30 June 2017	5,106,333
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6. Creditors and Accrued Expenses

	31-Dec-17 6 Months <u>Unaudited</u>	31-Dec-16 6 Months <u>Unaudited</u>	30-Jun-18 12 Months <u>SOI</u>	30-Jun-17 12 Months <u>Audited</u>
Creditors and Accrued Expenses	87,843	99,310	-	177,426
Total Creditors and Accrued Expenses	87,843	99,310	-	177,426

7. Equity

	31-Dec-17 6 Months <u>Unaudited</u>	31-Dec-16 6 Months <u>Unaudited</u>	30-Jun-18 12 Months <u>SOI</u>	30-Jun-17 12 Months <u>Audited</u>
Contributed Capital				
Balance at 01 July	5,149,150	5,149,150	5,149,150	5,149,150
Capital Contribution	-	-	-	-
Balance at 30 June	5,149,150	5,149,150	5,149,150	5,149,150

Accumulated Surpluses

Balance at 01 July	158,472	230,217	227,333	230,217
Surplus/(Deficit) for the year	295,074	323,074	-	(71,745)
Balance at end of period	453,816	553,291	227,333	158,472
Total Equity	5,602,696	5,702,441	5,376,483	5,307,622

8. Commitments

There are no significant commitments at balance date, (nil previous years).

9. Contingencies

There are no contingent liabilities at balance date and no contingent assets at balance date, (previous year: Nil).

10. Related Party Transactions

Related party transaction disclosures have not been made for transactions with related parties that are within a normal supplier/client or client/recipient relationship on terms and conditions no more or less favourable than those that it is reasonable to expect RSHL would have adopted in dealing with the party at arm's length in the same circumstances.

Related Party Transactions Significant to RSHL Requiring Disclosure:

RSHL purchased management services from Waikato Regional Council (WRC) (32.75% shareholder) to the value of \$84,247.43 (including GST) (Dec 2016: \$58,936.57 (incl. GST).

RSHL purchased administrative services from Horizons Regional Council (HRC) (15.50% shareholder) to the value of \$3,972,42 (Dec 2016 \$7,795.00) (including GST).

NORTHLAND REGIONAL COUNCIL
EXTERNALLY MANAGED
INVESTMENT FUNDS

MONTHLY REPORT 31 JANUARY 2018

20 FEBRUARY 2018

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EXECUTIVE SUMMARY

	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %	Inception (p.a.) %
CIF	0.3	1.6	6.4	10.7	7.5	8.1
CIF Objective	0.4	1.2	2.9	5.0	5.0	5.0
Over / Underperformance	-0.1	0.4	3.5	5.7	2.5	3.1
PRF	0.3	2.2	6.6	11.2	8.6	9.2
PRF Objective	0.6	1.7	3.9	6.7	6.7	7.2
Over / Underperformance	-0.3	0.5	2.7	4.5	1.9	2.0
IIF	0.4	1.3	6.2	9.5		5.1
IIF Objective	0.5	1.4	3.3	5.8		5.8
Over / Underperformance	-0.1	-0.1	2.9	3.7		-0.7
WCF	0.5	1.5	7.5	10.2		6.3
WCF Objective	0.3	0.9	2.2	3.8		3.8
Over / Underperformance	0.2	0.6	5.3	6.4		2.5

- Each Fund underperformed their objective for the month except the WCF.
 - CIF was positive, driven primarily by Australasian equities (Aspiring and Milford).
 - PRF was positive, driven by Aspiring, Mint and Salt.
 - IIF was positive, driven by Aspiring, Castle Point and BlackRock.
 - WCF was positive, driven by Castle Point and BlackRock.
- The longer term returns are encouraging. Each Fund outperformed since inception except the IIF.
- There were no transactions in January.
- A new SIPO for the WCF was drafted for the February Council meeting.

INTRODUCTION

This is the monthly investment report to the Northland Regional Council by Eriksens Global and is based on the following Statement of Investment Policy and Objectives for each separate Fund:

- Community Investment Fund – September 2017
- Property Reinvestment Fund – September 2017
- Infrastructure Investment Fund – November 2017
- Working Capital Fund – July 2017

Investment Objective (Net of Fees)
Community Investment Fund
NZ CPI (rolling over three years) plus 4% per annum
Property Reinvestment Fund
Morningstar Unlisted and Direct Property Index plus 1% per annum
Infrastructure Investment Fund
New Zealand Official Cash Rate plus 4% per annum
Working Capital Fund
New Zealand Official Cash Rate plus 2% per annum

The NZ CPI (rolling over three years) as at December 2017 (latest data available) was 1.0% per annum. The Fund objectives for shorter time periods (e.g. one month, three month) have been calculated from the one year objectives. For example one month is 1/12th of the one year objective return; three months is ¼ of the return etc.

All performance figures are time-weighted returns shown net of fees, gross of tax and include currency gains and losses associated with conversion back to NZD. Past performance is not necessarily a guide to future performance and care should be exercised not to make decisions based on past performance only.

The returns have been calculated from monthly data provided by each asset manager. There may therefore be a discrepancy if the amounts invested in a particular asset have changed during the month. If available, the use of daily rather than monthly data might reduce this.

Each Fund is invested in a multi-manager structure, with the managed products holding their own individual mandate (see Appendix 1).

Underlying Fund allocations are categorised as follows:

- Growth assets: global shares, Australasian shares, property and Australasian private equity
- Income assets: global bonds, Australasian bonds and other debt instruments
- Cash assets: cash or short duration bonds

The financial year-end for the Fund is 30 June, thus year-to-date returns are for seven months.

MARKET PERFORMANCE

Financial market behaviour over the past year is summarised in the table below:

Index	1 Month %	3 Month %	1 Year %
Global Equities			
MSCI Emerging Markets	6.8	8.6	34.1
S&P 500 (US)	5.6	9.7	23.9
Nikkei 225 (Japan)	1.5	4.9	21.3
FTSE 100 (UK)	-2.0	0.5	6.1
DAX (Germany)	2.1	-0.3	14.3
CAC 40 (France)	3.2	-0.4	15.4
Trans-Tasman Equities			
S&P/NZX 50	0.5	3.6	19.7
S&P/ASX 300	-0.4	3.2	12.4
Bonds			
S&P/NZX NZ Government Stock	-0.5	0.7	4.8
S&P/NZX A Grade Corporate Bonds	0.1	0.9	5.5
Barclays Global Aggregate Bonds	-0.6	-0.2	3.6
FTSE World Government Bonds	-0.6	-0.2	3.1
Oil			
West Texas Intermediate Crude Oil	7.1	19.0	22.6
Brent Crude Oil	3.0	12.9	25.9
NZD Foreign Exchange			
AUD	0.5	2.3	-5.4
EUR	0.3	1.0	-12.4
GBP	-1.0	0.9	-10.7
JPY	0.8	3.8	-2.1
CNY	0.6	2.5	-6.9
USD	4.1	8.0	0.9

Source: Nikko Asset Management

We make the following key observations:

- Dispersion of equity returns between the different indices
- Negative returns of three bond indices over the month, and two of them over three months
- Rise in the NZD against the USD over the year, but a fall against all other currencies listed above

COMMUNITY INVESTMENT FUND

	1 Month %	3 Month %	YTD** %	1 Year %	3 Year (p.a.) %	Inception (p.a.) %*
NZ Fixed Interest	0.0	1.5	4.0	8.2	7.1	8.7
Benchmark (Weighted Average)	0.3	1.0	2.5	4.3	4.3	3.9
Value Added	-0.3	0.5	1.5	3.9	2.8	4.8
Harbour Income	-0.5	0.7	2.7	6.6	5.2	
Benchmark (NZ OCR + 3.5% p.a.)	0.4	1.3	2.8	4.4	4.0	
Value Added	-0.9	-0.6	-0.1	2.2	1.2	
Milford Diversified Income	0.1	1.7	4.8	10.1	9.6	
Benchmark (NZ OCR + 2.5% p.a.)	0.3	1.0	2.5	4.2	4.6	
Value Added	-0.2	0.7	2.3	5.9	5.0	
Mint Diversified Income	-0.1	1.5	3.2	6.1	5.1	
Benchmark (NZ CPI + 3% p.a.)	0.3	0.8	2.4	4.3	4.1	
Value Added	-0.4	0.7	0.8	1.8	1.0	
Australasian Equities	1.0	3.4	10.4	15.6	10.6	13.1
Benchmark (Weighted Average)	0.7	2.1	5.0	9.0	9.4	9.7
Value Added	0.3	1.3	5.4	6.6	1.2	3.4
Aspiring	0.7	2.5	10.1	14.8		
Benchmark (NZ CPI + 4% p.a.)	0.4	1.1	3.0	5.4		
Value Added	0.3	1.4	7.1	9.4		
Milford Active Growth	1.2	3.7	10.7	15.9	11.0	13.3
Benchmark (10% p.a.)	0.8	2.4	5.7	10.0	10.0	10.0
Value Added	0.4	1.3	5.0	5.9	1.0	3.3
Australasian Private Equity	-0.4	-3.4	4.5			
Benchmark (Weighted Average)	1.1	3.8	11.4			
Value Added	-1.5	-7.2	-6.9			
MLC PE II	-0.5	-2.0				
Benchmark (15% p.a.)	1.2	3.6				
Value Added	-1.7	-5.6				
PCP III	0.0	-7.0	0.6			
Benchmark (NZX50 + 4% p.a.)	0.9	4.6	13.4			
Value Added	-0.9	-11.6	-12.8			
Global Equities	0.0	-0.3	7.0	10.2	5.0	5.0
Benchmark (Weighted Average)	0.5	1.6	3.8	6.8	6.8	7.0
Value Added	-0.5	-1.9	3.2	3.4	-1.8	-2.0
AMP Global Multi-Asset	1.0	1.9	3.9	6.5	4.9	
Benchmark (NZ CPI + 5% p.a.)	0.4	1.3	3.5	6.4	6.1	
Value Added	0.6	0.6	0.4	0.1	-1.2	
Schroders Real Return + 5%	-0.2	-0.8	7.8	11.1	4.9	4.7
Benchmark (Aus CPI TM + 5% p.a.)	0.6	1.7	3.9	6.9	6.9	7.2
Value Added	-0.8	-2.5	3.9	4.2	-2.0	-2.5
Total Fund	0.3	1.6	6.4	10.7	7.5	8.1
Fund Objective	0.4	1.2	2.9	5.0	5.0	5.0
Value Added	-0.1	0.4	3.5	5.7	2.5	3.1

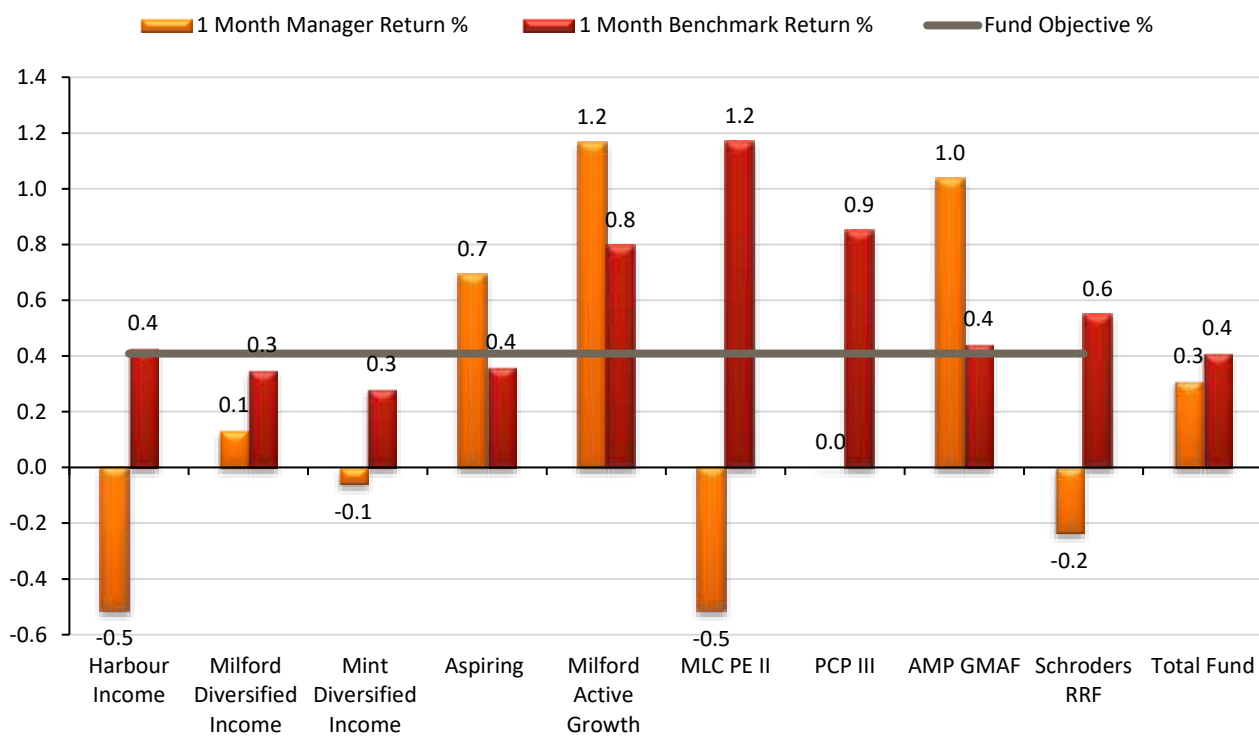
*Inception date was 31 December 2012

** The hedged Fund return for the year-to-date would have been 5.7%, compared to the unhedged return of 6.4%

MONTHLY RETURNS BY ASSET CLASS



MONTHLY RETURNS BY INDIVIDUAL MANAGER



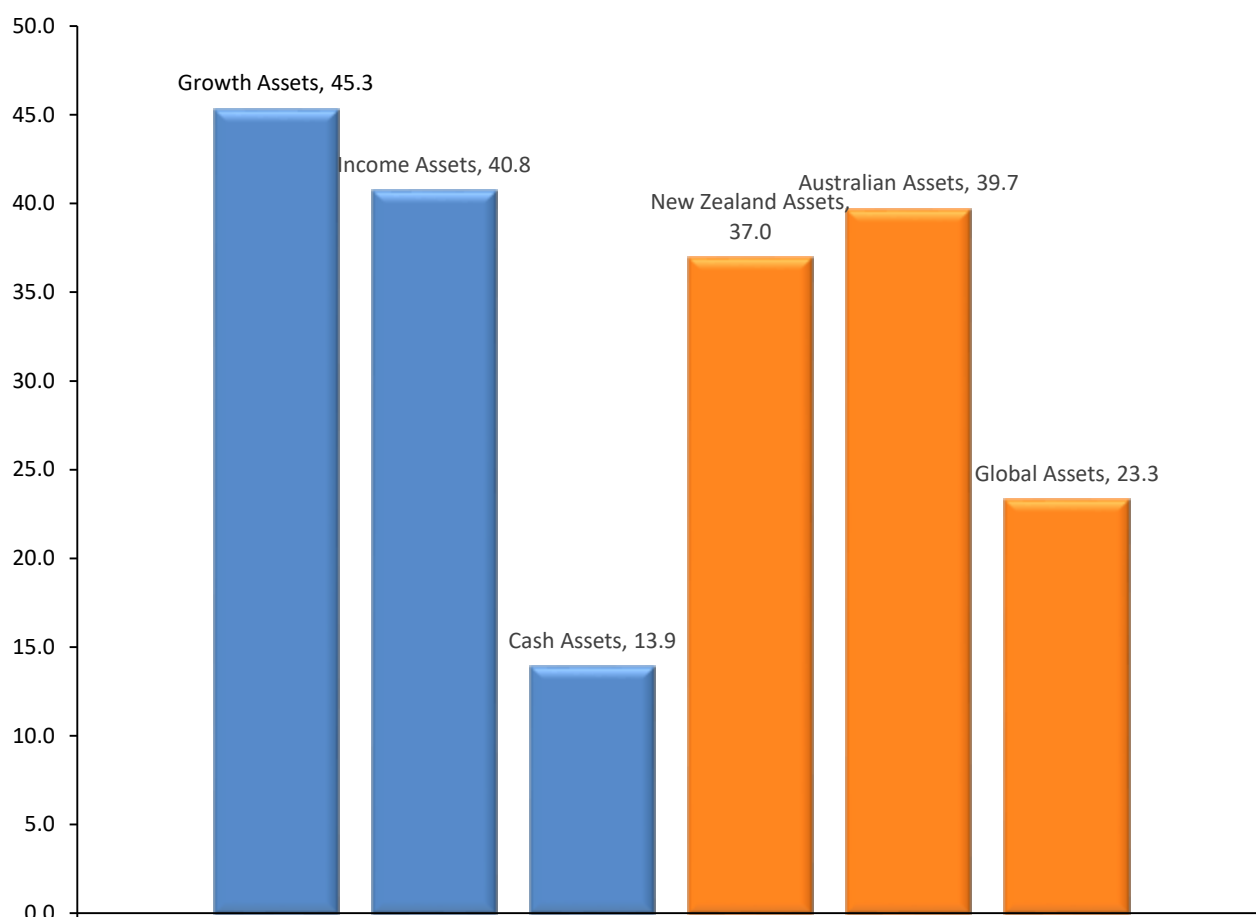
The following table shows the movements of the AUD/NZD cross rate which affect the unhedged Schroders and MLC returns. A negative change in the cross rate is beneficial to the unhedged NZD return, while a positive change is detrimental to the unhedged NZD return.

	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %
AUD/NZD Cross Rate	0.5	2.3	-4.3	-5.4	-0.6
Schroders RRF + 5% (NZD)	-0.2	-0.8	7.8	11.1	4.9
Benchmark	0.6	1.7	3.9	6.9	6.9
Value Added	-0.8	-2.5	3.9	4.2	-2.0
Schroders RRF + 5% (AUD)	0.3	1.4	3.2	5.1	4.1
Benchmark	0.6	1.7	3.9	6.9	6.9
Value Added	-0.3	-0.3	-0.7	-1.8	-2.8
MLC PE II (NZD)	-0.5	-2.0			
Benchmark	1.2	3.6			
Value Added	-1.7	-5.6			
MLC PE II (AUD)	0.0	0.1			
Benchmark	1.2	3.6			
Value Added	-1.2	-3.5			

ASSET ALLOCATIONS

Allocations	Market Value NZ\$	Actual %	Target %	Difference %	Status
Cash	-	0.0	0 < 5 < 40	-5.0	✓
Harbour Income	909,050				
Milford Diversified Income	3,618,910				
Mint Diversified Income	1,987,508				
NZ Fixed Interest	6,515,467	47.1	25 < 45 < 65	2.1	✓
Income Assets	6,515,467	47.1	30 < 50 < 70	-2.9	✓
Milford Active Growth	3,058,798				
Aspiring	1,128,863				
Australasian Equities	4,187,661	30.3	15 < 25 < 35	5.3	✓
PCP III	41,011				
MLC PE II	101,533				
Australasian Private Equity	142,544	1.0	0 < 5 < 10	-4.0	✓
Schroders RRF	2,360,345				
AMP GMAF	630,069				
Global Equities	2,990,415	21.6	10 < 20 < 30	1.6	✓
Growth Assets	7,320,620	52.9	30 < 50 < 70	2.9	✓
Total Assets	13,836,087	100.0			

CIF UNDERLYING FUND ALLOCATIONS



Monthly % Change		
Growth Assets	Income Assets	Cash Assets
0.6	-0.5	-0.1
New Zealand Assets	Australian Assets	Global Assets
-2.5	1.9	0.6

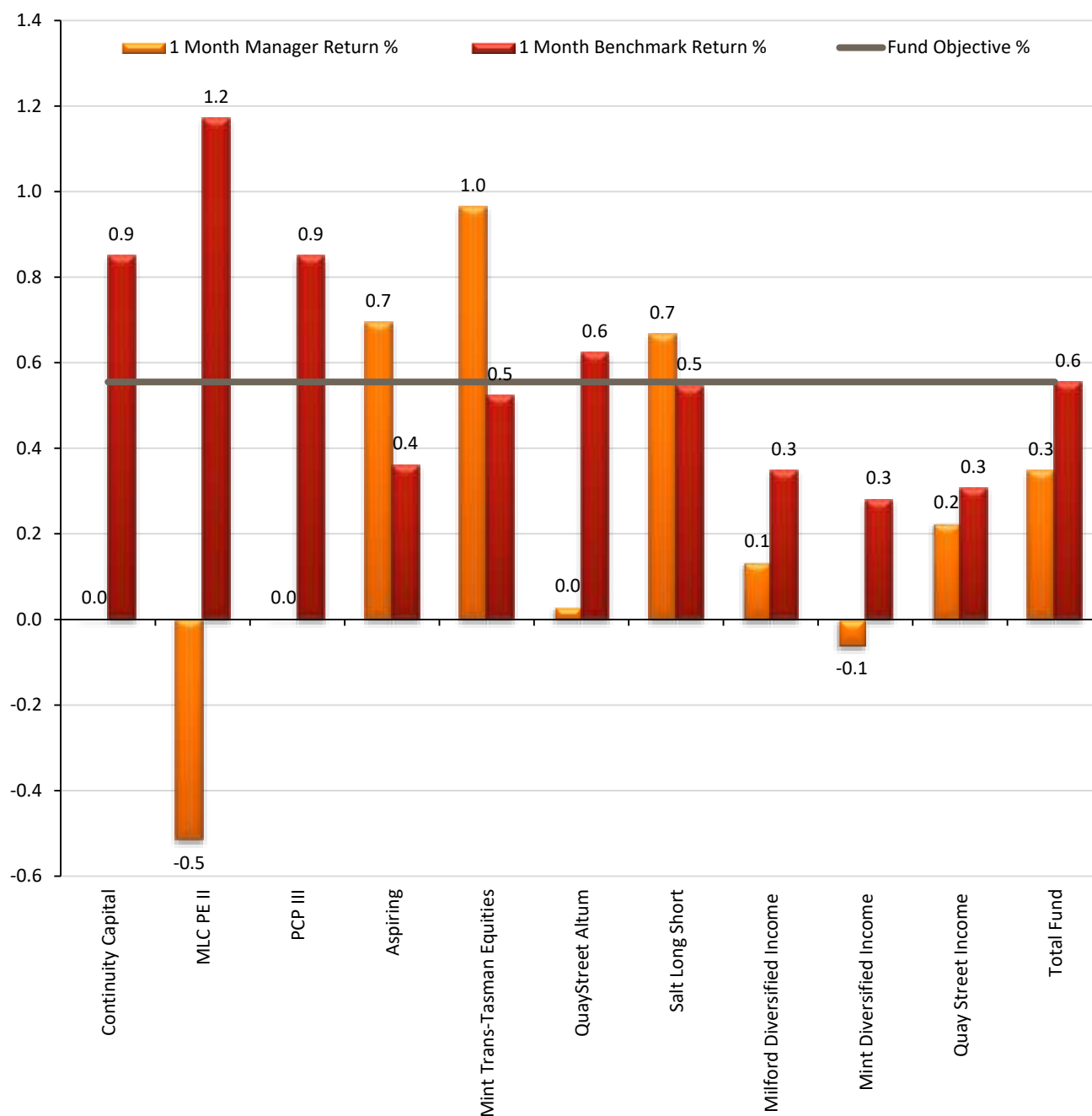
PROPERTY REINVESTMENT FUND

Asset	1 Month %	3 Month %	YTD* %	1 Year %	3 Year % p.a.	Inception** % p.a.
Australasian Private Equity						
Continuity Capital	0.0	3.8	5.3	13.3		
Benchmark (NZX50 + 4%)	0.9	4.6	13.4	24.4		
Value Added	-0.9	-0.8	-8.1	-11.1		
MLC PE II	-0.5	-2.0				
Benchmark (15% p.a.)	1.2	3.6				
Value Added	-1.7	-5.6				
PCP III	0.0	-7.0	16.4			
Benchmark (NZX50 + 4%)	0.9	4.6	13.4			
Value Added	-0.9	-11.6	3.0			
Australasian Equities						
Aspiring	0.7	2.4	10.2	14.9		
Benchmark (CPI + 4%)	0.4	1.1	3.0	5.4		
Value Added	0.3	1.3	7.2	9.5		
Mint Trans-Tasman Equities	1.0	4.1	10.7	20.5		
Benchmark (NZX50)	0.5	3.6	10.9	19.7		
Value Added	0.5	0.5	-0.2	0.8		
QuayStreet Altum	0.0	2.9	16.0			
Benchmark (OCR + 6%)	0.6	1.9	4.5			
Value Added	-0.6	1.0	11.5			
Salt Long Short	0.7	-0.9	-0.4			
Benchmark (OCR + 5%)	0.5	1.6	3.9			
Value Added	0.2	-2.5	-4.3			
Diversified Income						
Milford Diversified Income	0.1	1.8	4.7	10.0	9.5	9.9
Benchmark (OCR + 2.5%)	0.3	1.0	2.5	4.2	4.6	4.6
Value Added	-0.2	0.8	2.2	5.8	4.9	5.3
Mint Diversified Income	-0.1	1.6	3.3	6.3	5.2	6.1
Benchmark (CPI + 3%)	0.3	0.8	2.4	4.3	4.1	3.9
Value Added	-0.4	0.8	0.9	2.0	1.1	2.2
Quay Street Income	0.2	1.5	3.4	6.0		
Benchmark (OCR + 2%)	0.3	0.9	2.2	3.8		
Value Added	-0.1	0.6	1.2	2.2		
Total Assets						
Total Fund	0.3	2.2	6.6	11.2	8.6	9.2
Fund Objective (MStar Prop + 1%)	0.6	1.7	3.9	6.7	6.7	7.2
Value Added	-0.3	0.5	2.7	4.5	1.9	2.0

* The hedged Fund return for the year-to-date would have been 6.6%, compared to the unhedged return of 6.6%

**Inception is measured from 30/09/2014

MONTHLY RETURNS BY INDIVIDUAL MANAGER

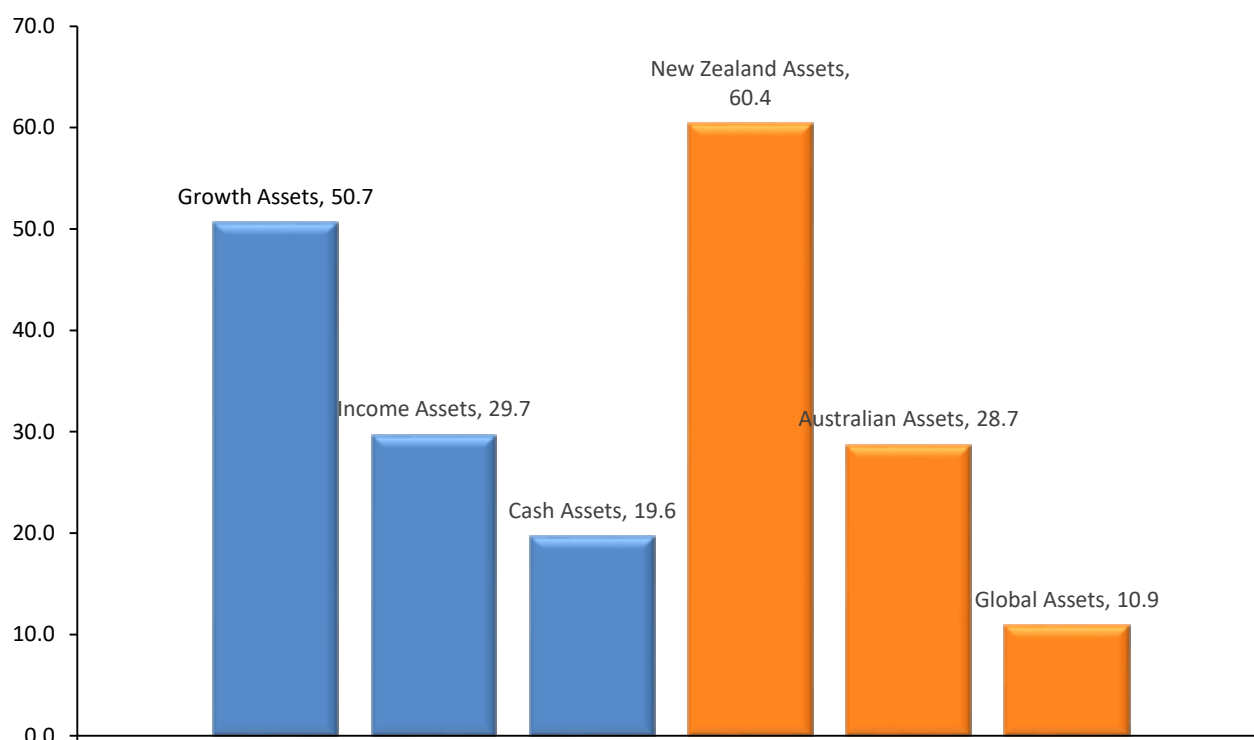


	1 Month %	3 Month %	YTD %	1 Year %	3 Year (p.a.) %
AUD/NZD Cross Rate	0.5	2.3			
MLC PE II (NZD)	-0.5	-2.0			
Benchmark	1.2	3.6			
Value Added	-1.7	-5.6			
MLC PE II (AUD)	0.0	0.1			
Benchmark	1.2	3.6			
Value Added	-1.2	-3.5			

ASSET ALLOCATIONS

Allocations	Market Value NZ \$	Actual Allocation %	Target Allocation %	Status
Aspiring	4,425,370	19.4	10 < 15 < 20	✓
Mint Trans-Tasman Equities	3,976,740	17.4	10 < 15 < 20	✓
QuayStreet Altum	1,198,777	5.2	0 < 5 < 10	✓
Salt Long Short	190,939	0.8	0 < 5 < 10	✓
Australasian Equities	9,791,827	42.8	40	
Continuity Capital	1,029,408	4.5	0 < 5 < 25	✓
PCP III	41,011	0.2	0 < 2.5 < 25	✓
MLC PE II	101,533	0.4	0 < 2.5 < 25	✓
Australasian Private Equity	1,171,952	5.1	10	
Growth Assets	10,963,779	48.0	50	
Milford Diversified Income	3,688,410	16.1	0 < 10 < 20	✓
Mint Diversified Income	3,747,886	16.4	10 < 25 < 40	✓
Quay Street Income	2,977,681	13.0	5 < 15 < 20	✓
Diversified Income	10,413,976	45.6	50	
Cash	1,476,609	6.5		
Income Assets	11,890,585	52.0	50	
Total Assets	22,854,364	100.0	100	

PRF UNDERLYING FUND ALLOCATIONS



Monthly % Change		
Growth Assets	Income Assets	Cash Assets
-0.1	-1.1	1.1
New Zealand Assets	Australian Assets	Global Assets
-3.3	2.5	0.8

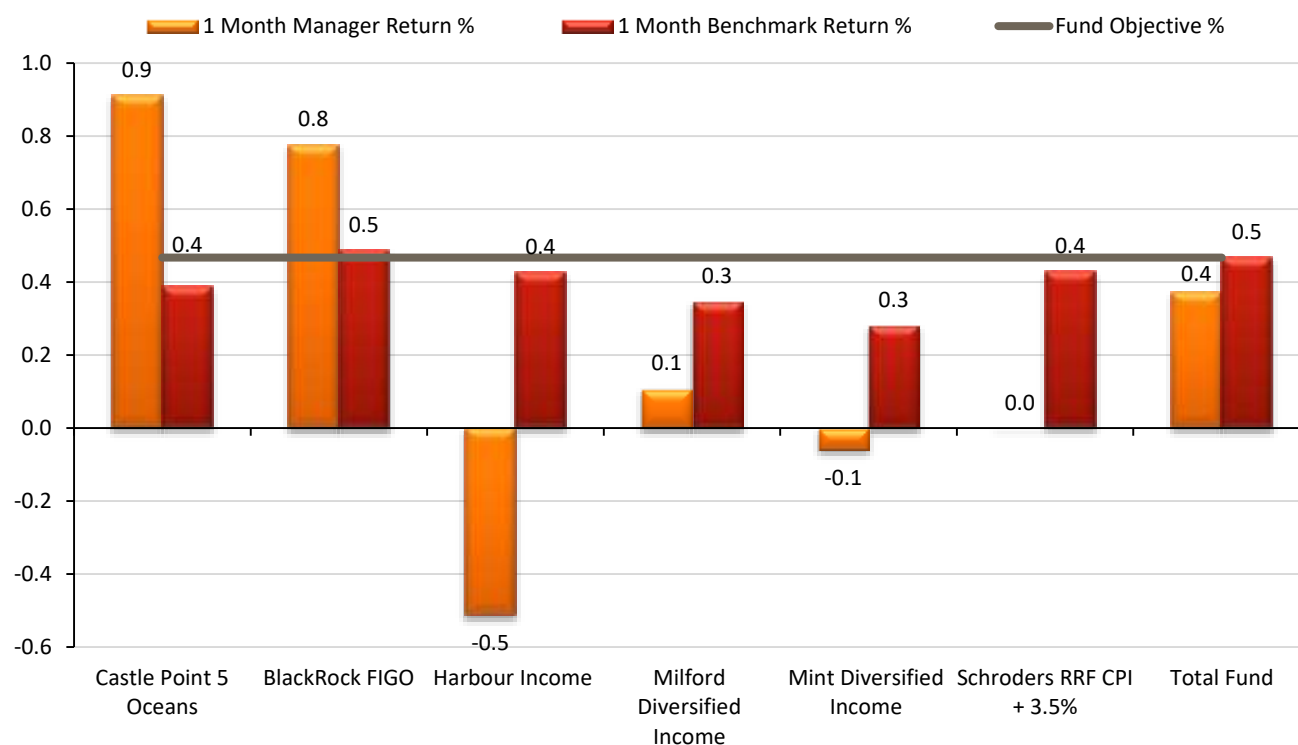
INFRASTRUCTURE INVESTMENT FUND

Asset	1 Month	3 Month	YTD*	1 Year	Inception**
	%	%	%	%	%
Diversified Growth					
Aspiring	0.7				
Benchmark (CPI + 4%)	0.4				
Value Added	0.3				
Castle Point 5 Oceans	0.9	2.7	7.5		
Benchmark (OCR + 3%)	0.4	1.2	2.7		
Value Added	0.5	1.5	4.8		
Schroders RRF CPI + 5%	-0.2				
Benchmark (Aus TM CPI + 5%)	0.2				
Value Added	-0.4				
Diversified Income					
BlackRock FIGO	0.8	-0.5	8.1	11.9	
Benchmark (AusBond BB + 4%)	0.5	1.4	3.3	5.8	
Value Added	0.3	-1.9	4.8	6.1	
Harbour Income	-0.5	0.7	2.6	6.3	5.6
Benchmark (OCR + 3.5%)	0.4	1.3	2.8	4.4	4.3
Value Added	-0.9	-0.6	-0.2	1.9	1.3
Milford Diversified Income	0.1	1.7			
Benchmark (OCR + 2.5%)	0.3	1.0			
Value Added	-0.2	0.7			
Mint Diversified Income	-0.1	-0.1	1.6	4.4	4.7
Benchmark (CPI + 3%)	0.3	0.8	2.4	4.3	4.1
Value Added	-0.4	-0.9	-0.8	0.1	0.6
Schroders RRF CPI + 3.5%					
Benchmark (Aus TM CPI + 3.5%)					
Value Added					
Total Assets					
Total Fund	0.4	1.3	6.2	9.5	5.1
Fund Objective (OCR + 3%)	0.5	1.4	3.3	5.8	5.8
Value Added	-0.1	-0.1	2.9	3.7	-0.7

* The hedged Fund return for the year-to-date would have been 4.2%, compared to the unhedged return of 6.2%

** Inception is measured from 31 July 2015

MONTHLY RETURNS BY INDIVIDUAL MANAGER



The following table shows the movements of the AUD/NZD cross rate which affect the unhedged returns of the investments in Schrodgers and BlackRock. A negative change in the cross rate is beneficial, while a positive change is detrimental to the NZD return.

	1 Month %	3 Month %	YTD %	1 Year %	Inception (p.a.) %
AUD/NZD Cross Rate	0.5	2.3	-4.3	-5.4	
Schrodgers RRF + 5% (NZD)	-0.2				
Benchmark	0.2				
Value Added	-0.4				
Schrodgers RRF + 5% (AUD)	0.3				
Benchmark	0.2				
Value Added	0.1				
BlackRock FIGO (NZD)	0.8	-0.5	8.1	11.9	
Benchmark	0.5	1.4	3.3	5.8	
Value Added	0.3	-1.9	4.8	6.1	
BlackRock FIGO (AUD)	1.3	1.8	3.5	5.9	
Benchmark	0.5	1.4	3.3	5.8	
Value Added	0.8	0.4	0.2	0.1	

ASSET ALLOCATIONS

Allocations	Market Value NZ\$	Actual %	Target %	Status
Aspiring	1,061,824	11.4	0 < 10 < 20	✓
Castle Point 5 Oceans	2,968,331	32.0	10 < 30 < 40	✓
Schroders RRF 5%	1,542,272	16.6	0 < 10 < 20	✓
Diversified Growth	5,572,427	60.0	50	
Growth Assets	5,572,427		50	
BlackRock FIGO	1,160,596	12.5	0 < 10 < 20	✓
Harbour Income	1,265,013	13.6	0 < 10 < 20	✓
Milford Diversified Income	1,252,183	13.5	0 < 10 < 20	✓
Mint Diversified Income	32,927	0.4	0 < 10 < 20	✓
Schroders RRF 3.5%	0	0.0	0 < 10 < 20	✓
Diversified Income	3,710,719	40.0	50	
Income Assets	3,710,719		50	
Total Assets	9,283,146	100.0	100	

BlackRock FIGO (AUD)	1,060,768
Schroders RRF 5% (AUD)	1,409,614

IIF UNDERLYING FUND ALLOCATIONS



Monthly % Change		
Growth Assets	Income Assets	Cash Assets
-0.3	0.3	0.0
New Zealand Assets	Australian Assets	Global Assets
-0.5	0.4	0.0

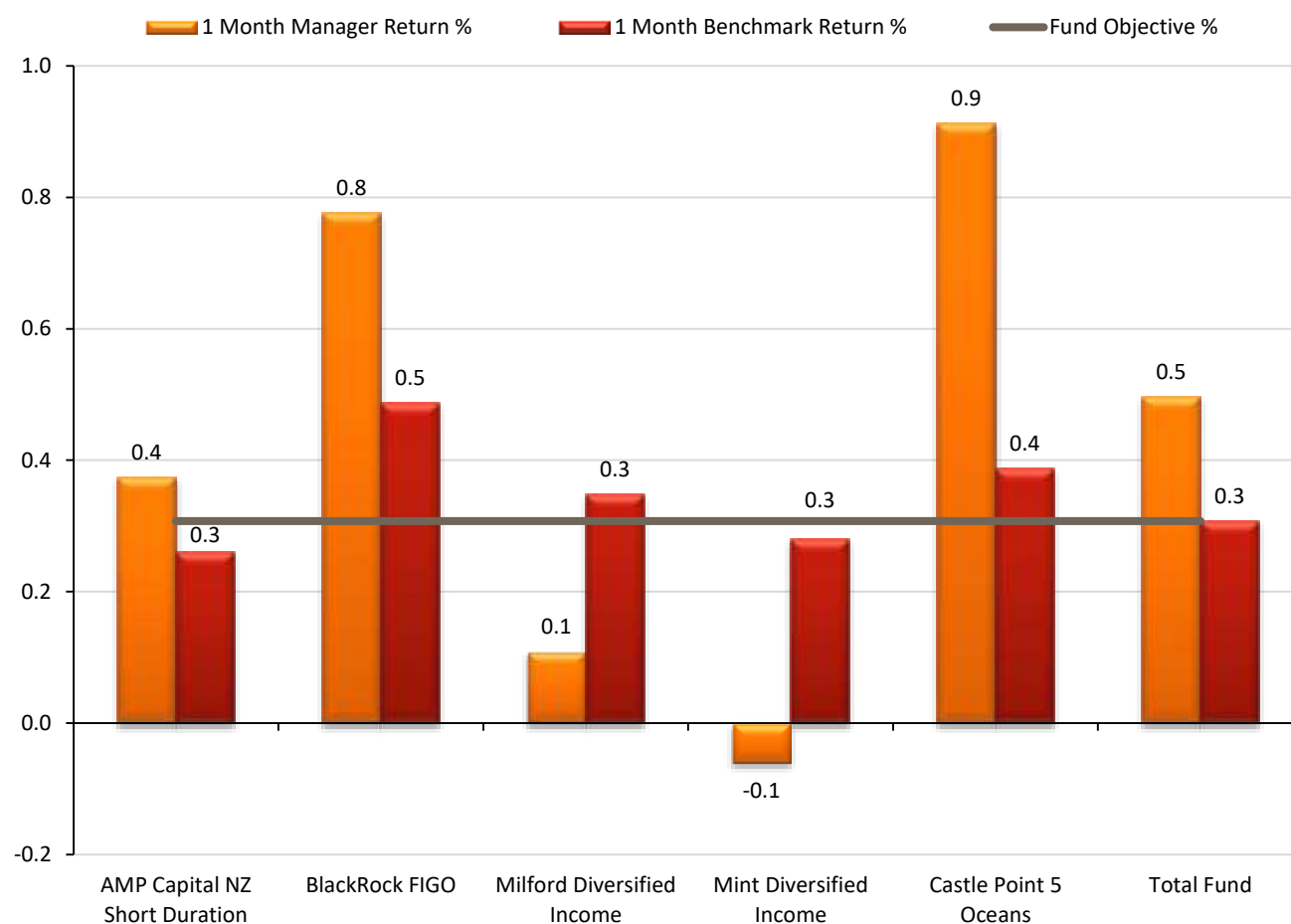
WORKING CAPITAL FUND

Asset	1 Month %	3 Month %	YTD* %	1 Year %	Inception** %
Fixed Interest					
AMP Capital NZ Short Duration	0.4	0.7	2.7	3.9	2.9
Benchmark (SE Swap + 1%)	0.3	0.6	1.8	3.2	2.5
Value Added	0.1	0.1	0.9	0.7	0.4
Diversified Income					
BlackRock FIGO	0.8	-0.6	9.1	11.9	
Benchmark (AusBond BB + 4%)	0.5	1.4	3.3	5.8	
Value Added	0.3	-2.0	5.8	6.1	
Milford Diversified Income	0.1	1.7			
Benchmark (OCR + 2.5%)	0.3	1.0			
Value Added	-0.2	0.7			
Mint Diversified Income	-0.1	1.0	3.3	5.4	4.1
Benchmark (CPI + 3%)	0.3	0.8	2.4	4.3	4.6
Value Added	-0.4	0.2	0.9	1.1	-0.5
Diversified Growth					
Castle Point 5 Oceans	0.9	2.7			
Benchmark (OCR + 3%)	0.4	1.2			
Value Added	0.5	1.5			
Total Assets					
Total Fund	0.5	1.5	7.5	10.2	6.3
Fund Objective (OCR + 2%)	0.3	0.9	2.2	3.8	3.8
Value Added	0.2	0.6	5.3	6.4	2.5

* The hedged Fund return for the year-to-date would have been 4.3%, compared to the unhedged return of 7.5%

** Inception is measured from 31 March 2016

MONTHLY RETURNS BY INDIVIDUAL MANAGER



The following table shows the movements of the AUD/NZD cross rate which affects the unhedged return of the investment in BlackRock. A negative change in the cross rate is beneficial, while a positive change is detrimental to the NZD return.

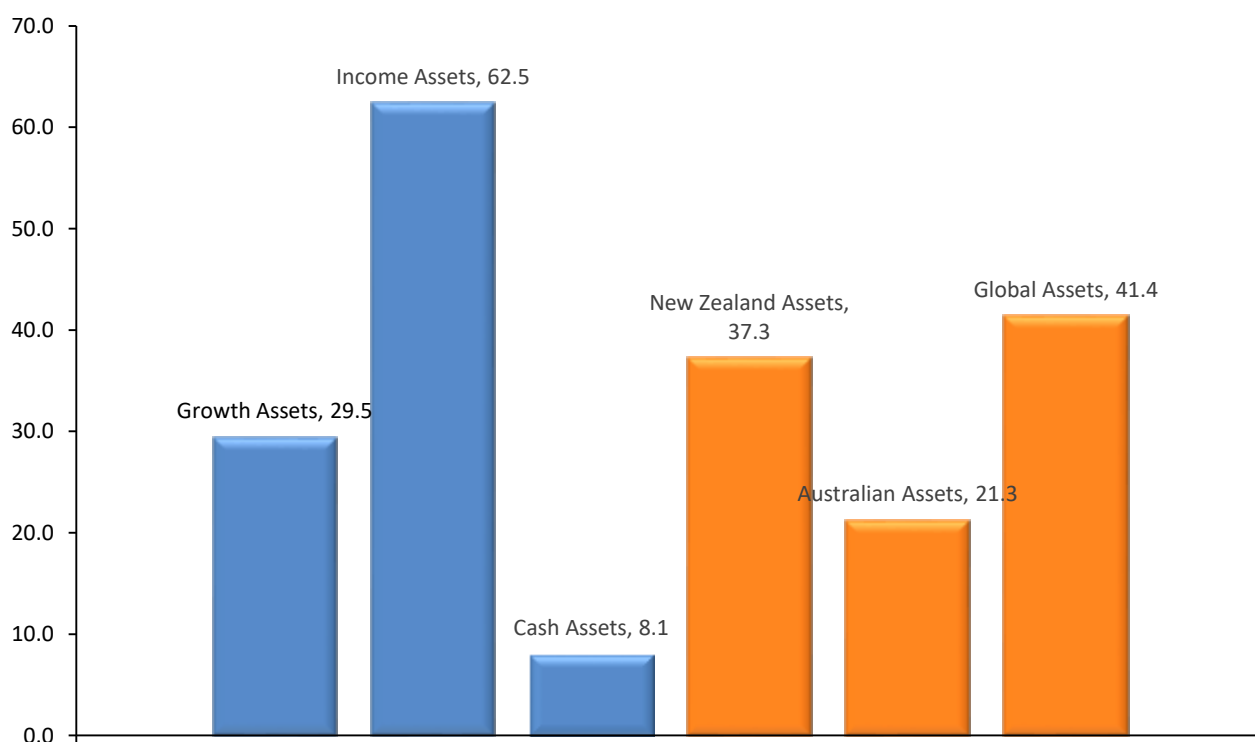
	1 Month %	3 Month %	YTD %	1 Year %
AUD/NZD Cross Rate	0.5	2.3	-4.3	-5.4
BlackRock FIGO (NZD)	0.8	-0.6	9.1	11.9
Benchmark	0.5	1.4	3.3	5.8
Value Added	0.3	-2.0	5.8	6.1
BlackRock FIGO (AUD)	1.3	1.7	3.3	5.8
Benchmark	0.5	1.4	3.3	5.8
Value Added	0.8	0.3	0.0	0.0

ASSET ALLOCATIONS

Allocations	Market Value NZ\$	Actual %	Target %	Status
AMP Capital NZ Short Duration	508,545	8.6	0 < 10 < 50	✓
Fixed Interest	508,545	8.6		
BlackRock FIGO	1,051,869	17.7	0 < 25 < 50	✓
Milford Diversified Income	1,933,315	32.5	0 < 20 < 40	✓
Mint Diversified Income	519,807	8.7	0 < 25 < 50	✓
Diversified Income	3,504,991	59.0		
Income Assets	4,013,536	67.5	80	
Castle Point 5 Oceans	1,931,045	32.5	0 < 20 < 40	✓
Diversified Growth	1,931,045	32.5		
Growth Assets	1,931,045	32.5	20	
Total Assets	5,944,581	100.0	100	

BlackRock FIGO (AUD)	961,393
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WCF UNDERLYING FUND ALLOCATIONS



Monthly % Change		
Growth Assets	Income Assets	Cash Assets
1.2	0.0	-1.3
New Zealand Assets	Australian Assets	Global Assets
-2.2	1.5	0.7

ASSET ANALYSIS

Aspiring were well placed to withstand the correction in early February with almost 27% in cash. The manager remains cautious although is optimistic that opportunities will emerge with increased volatility in the market.

Castle Point was up over the month due to the underlying investments across Australasian and global equities. The underlying bond managers also performed well. Low volatility for much of January meant the Kohinoor strategy performed negatively, however this only makes up 4.8% of the overall fund allocation.

Salt has many positive holdings within the portfolio which added to an overall positive return. Key holdings were Perpetual, Shaver Shop, BPS Technology and a short in Fisher & Paykel Healthcare. The fund was flat at the beginning of February after the fall in equity markets, this was due to the short holdings mitigating any losses from the longs.

Global shares were the drivers of Milford's Active Growth Fund return in January. Income producing shares were detrimental to returns as long-term interest rates increased. Strategies which took advantage of this increase in US rates helped the fund return. The exposure to US shares was reduced in January.

The Harbour Income Fund suffered from the rise in bond yields over the month which also affected income-generating equity holdings. The Mint Diversified Income experienced the same factors but performed slightly better than Harbour.

Milford's Diversified Income Fund also suffered from the rise in bond yields which affected Australian infrastructure and property holdings. Global shares and bond futures added value to the fund, as well as a small exposure to a2 Milk.

Schroders have continued to build inflation protection into the portfolio e.g. holding cash versus bonds. The portfolio is shorter in duration. The manager has a short position in A-REITs (which are a bond proxy). The manager retains a cautious approach.

The following activity occurred in the private equity investments in January:

- Pioneer Capital was revalued downwards as at 31 December. Subsequent to December quarter-end the 2017 revenue and EBITDA figures for the underlying investment in Rokit showed a 55% and 62% increase compared to 2016.

ECONOMIC COMMENTARY

Equity markets corrected at the beginning of February. The correction followed a rise in Treasury yields over the previous four or so months. The relatively steep jump in US Treasury yields at the start of February helped trigger the drop in equity markets. The rise in yields was propelled by a better than expected employment report in the US released on February 2nd. This also increased the chances of a hike in rates by the US Federal Reserve in March.

Figure 1: US 10-year Treasury Yield vs S&P 500 Index



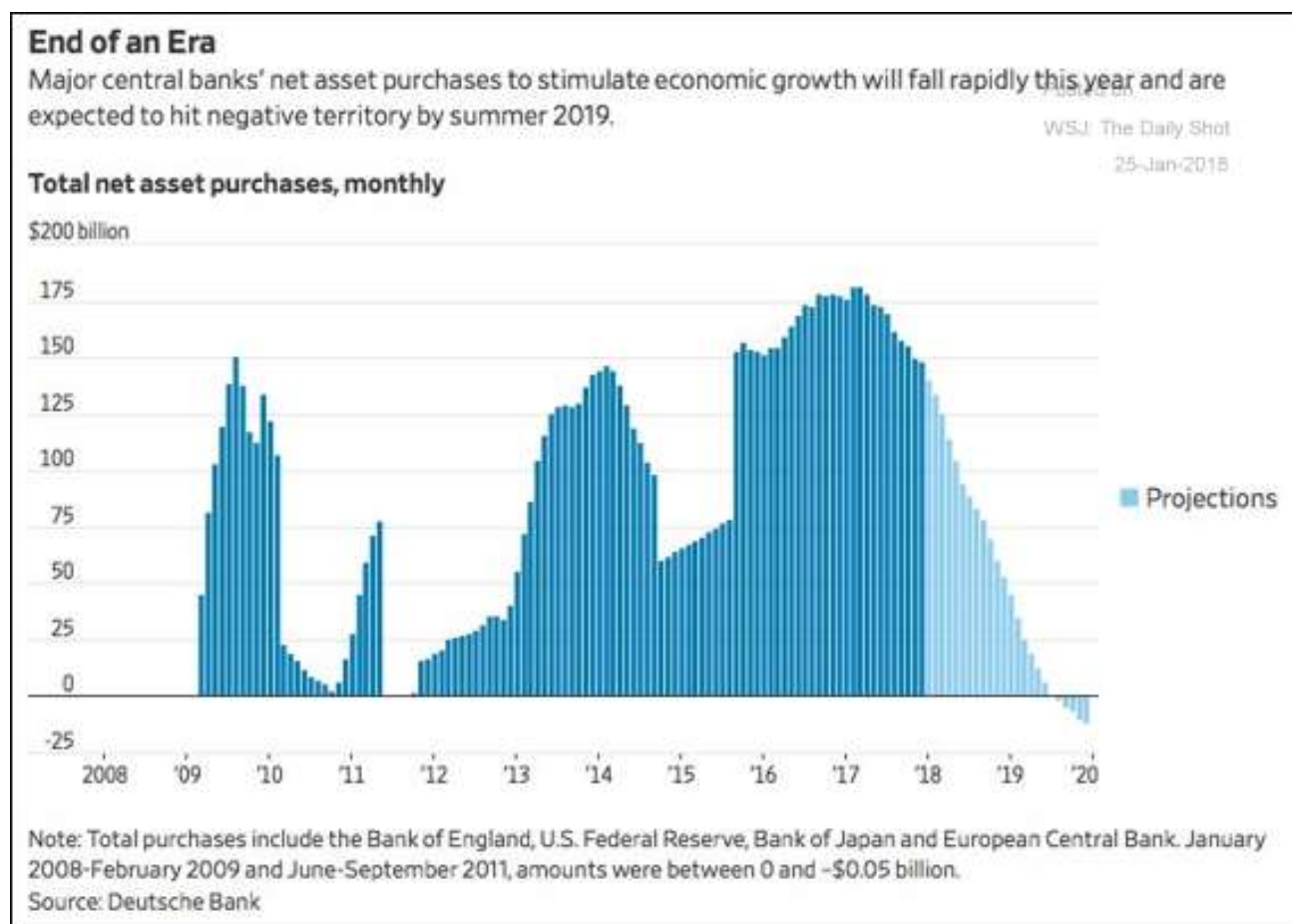
Source: Daily Shot, RBC, Bloomberg

Non-farm employment added 200,000 jobs in January which, along with upward revisions to last year's data to an average of 181,000 per month, was exceptionally strong. Despite this, the unemployment rate remained at 4.1%. However, average hourly earnings started to show some strength, increasing 2.9% over the year. This suggests the tightening job market may finally be pulling wages higher.

Janet Yellen has now finished her term at the Fed. The last statement strongly hinted at an increase in March (the futures prices this at 80%) although that is hardly binding on the new Chairman (Jerome Powell). Even though the market expects interest rates to rise, the curve is becoming steeper, with the benchmark 10-year Treasury yield rising nearly 40 bps in January.

The over-arching factor that will be challenging to accommodate for investors is the end of quantitative easing. The figure on the following page illustrates the projected monthly net asset purchases through to 2020. Total purchases include the Bank of England, US Federal Reserve, European Central Bank and Bank of Japan.

Figure 2: Net Global Quantitative Easing



Source: Daily Shot, Deutsche Bank

The share markets have just started to react to the potential normalisation of interest rates and reducing Central Bank balance sheets. We should expect ongoing volatility for both share markets and bond markets. The risks of policy error by one or more Central Banks and the loss of credibility of that institution could undermine investors' confidence and further erode market returns.

Hopefully share markets will continue to be supported by the global growth outlook and prospects of lower corporate taxes, which should enhance earnings.

We expect another correction to share markets before year end. Or a continuation of this one!

APPENDIX 1: BENCHMARKS

COMMUNITY INVESTMENT FUND

The Fund Objective is the annualised three year rolling New Zealand CPI plus 4% per annum.

Asset Class	Manager	Fund	Benchmark
NZ Fixed Interest	Harbour	Income	NZ OCR + 3.5% p.a.
	Milford	Diversified Income	NZ OCR + 2.5% p.a.
	Mint	Diversified Income	NZ CPI + 3% p.a.
Australasian Equities	Milford	Active Growth	10% p.a.
	Aspiring	Aspiring	NZ CPI + 4% p.a.
Australasian Private Equity	MLC	PE II	15% p.a.
	Pioneer Capital	PCP III	NZX 50 Gross Index + 4% p.a.
Global Equities	Schroders	Real Return + 5%	Australian CPI (trimmed mean) + 5% p.a.
	AMP Capital NZ	Global Multi-Asset	NZ CPI + 5% p.a.

PROPERTY REINVESTMENT FUND

The Fund Objective is the Morningstar Unlisted and Direct Property Index plus 1% p.a. over rolling three years periods.

Asset Class	Manager	Fund	Benchmark
Diversified Income	Milford	Diversified Income	NZ OCR + 2.5% p.a.
	Mint	Diversified Income	NZ CPI + 3% p.a.
	QuayStreet	Income	NZ OCR + 2% p.a.
Australasian Equity	Aspiring	Aspiring	NZ CPI + 4% p.a.
	Mint	Trans-Tasman Equities	NZX 50 Gross Index
	QuayStreet	Altum	NZ OCR + 6% p.a.
	Salt	Long Short	NZ OCR + 5% p.a.
Australasian Private Equity	Continuity Capital	Private Equity Fund No.2 LP	NZX 50 Gross Index + 4% p.a.
	MLC	PE II	15% p.a.
	Pioneer Capital	PCP III	NZX 50 Gross Index + 4% p.a.

INFRASTRUCTURE INVESTMENT FUND

The Fund Objective is the New Zealand Official Cash Rate plus 4% p.a. over rolling three year periods.

Asset Class	Manager	Fund	Benchmark
Diversified Growth	Aspiring	Aspiring Fund	NZ CPI + 4% p.a.
	Castle Point	5 Oceans	NZ OCR + 3% p.a.
	Schroders	RRF CPI + 5%	Australian CPI (trimmed mean) + 5% p.a.
Diversified Income	BlackRock	Fixed Income Global Opportunities	Bloomberg AusBond Bank Bill Index + 4% - 6% p.a.*
	Harbour	Income	NZ OCR + 3.5% p.a.
	Milford	Diversified Income	NZ OCR + 2.5% p.a.
	Mint	Diversified Income	NZ CPI + 3% p.a.
	Schroders	RRF CPI + 3.5%	Australian CPI (trimmed mean) + 3.5% p.a.

*Our analysis uses + 4% as the benchmark

WORKING CAPITAL FUND

The Fund Objective is the New Zealand Official Cash Rate plus 2% p.a. over rolling three year periods.

Asset Class	Manager	Fund	Benchmark
Fixed Interest	AMP Capital	NZ Short Duration	NZX Short End Swap Index + 1% p.a.
Diversified Income	BlackRock	Fixed Income Global Opportunities	Bloomberg AusBond Bank Bill Index plus 4% - 6% p.a.*
	Milford	Diversified Income	NZ OCR + 2.5% p.a.
	Mint	Diversified Income	NZ CPI + 3% p.a.
Diversified Growth	Castle Point	5 Oceans	NZ OCR + 3% p.a.

*Our analysis uses + 4% as the benchmark

APPENDIX 2: NRC TOTAL FUNDS UNDER MANAGEMENT

Manager	Fund	CIF	PRF	IIF	WCF	NRC Total FUM	% of NRC Total FUM
AMP Capital NZ	Global Multi-Asset	630,069				1,138,615	2.2
	NZ Short Duration				508,545		
Aspiring	Aspiring	1,128,863	4,425,370	1,061,824		6,616,057	12.7
BlackRock	FIGO			1,160,596	1,051,869	2,212,465	4.3
Castle Point	5 Oceans			2,968,331	1,931,045	4,899,376	9.4
Continuity Capital	No.2 LP		1,029,408			1,029,408	2.0
Harbour	Income	909,050		1,265,013		2,174,063	4.2
Milford	Active Growth	3,058,798				13,551,615	26.1
	Diversified Income	3,618,910	3,688,410	1,252,183	1,933,315		
Mint	Diversified Income	1,987,508	3,747,886	32,927	519,807	10,264,868	19.8
	Trans-Tasman Equities		3,976,740				
MLC	PE II	101,533	101,533			203,067	0.4
Pioneer Capital	PCP III	41,011	41,011			82,022	0.2
QuayStreet	Altum		1,198,777			4,176,458	8.0
	Income		2,977,681				
Salt	Long Short		190,939			190,939	0.4
Schroders	Real Return + 3.5%			0		3,902,617	7.5
	Real Return + 5%	2,360,345		1,542,272			
Self-managed	Cash		1,476,609			1,476,609	2.8
Total FUM		13,836,087	22,854,364	9,283,146	5,944,581	51,918,178	100

Note: all values are in NZD

Primarily Mint Diversified Income but also potentially Milford Diversified Income will be sold down to meet private equity calls.

The exposure to Milford is well above the 20% target exposure to any one manager and will need to be reduced.

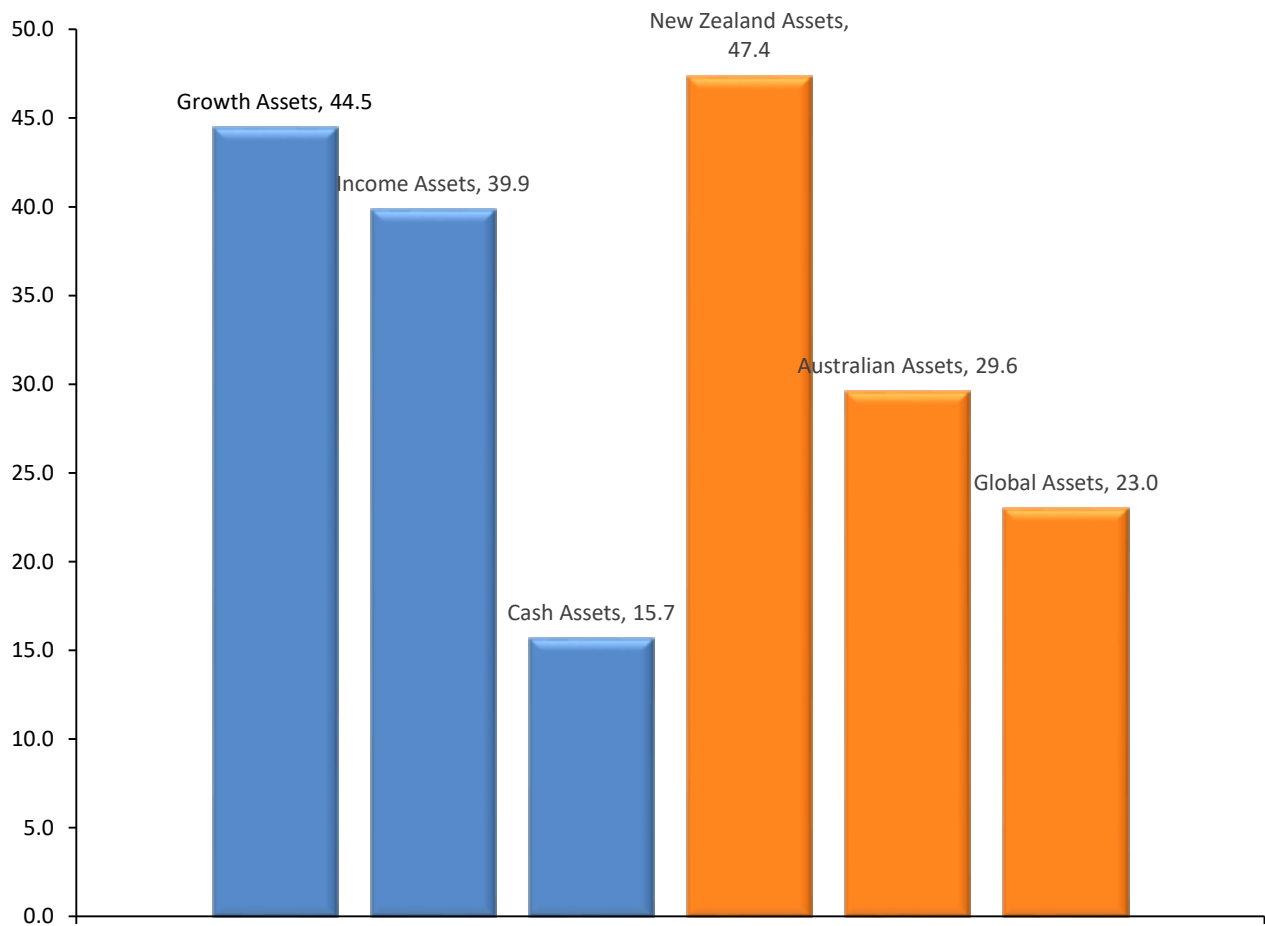
FUNDS DENOMINATED IN AUD

		CIF	PRF	IIF	WCF	Total AUD
BlackRock	FIGO			1,060,768	961,393	2,022,161
MLC	PE II	92,800	92,800			185,600
Schroders	Real Return + 3.5%			0		0
Schroders	Real Return + 5%	2,157,322		1,409,614		3,566,936
Total AUD		2,250,122	92,800	2,470,382	961,393	5,774,697

PRIVATE EQUITY – COMMITTED CAPITAL (CALLED VS UNCALLED)

		Committed Capital \$	Called \$	Uncalled \$
Continuity Capital (NZD)	PRF	2,000,000	1,200,000	800,000
MLC PE II (AUD)	CIF	500,000	92,500	407,500
	PRF	500,000	92,500	407,500
Pioneer Capital III (NZD)	CIF	500,000	45,555	454,445
	PRF	500,000	45,555	454,445

NRC TOTAL UNDERLYING FUND ALLOCATIONS



MEETING: FINANCE COMMITTEE – NORTHLAND REGIONAL COUNCIL

**Name of item: REVENUE AND COLLECTIONS QUARTERLY REPORT
31 December 2017**

Author: Nuku Jones, Manager Financial Accounting

Date of report: 13 February 2018

Document number: A1978932

Executive Summary

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

1) Background:

This document has been prepared to highlight the actions taken by Far North District Council 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 second quarter of the financial year 2017/18 and provides a comparison between the 2016/17 and 2017/18 rating years.

2) Discussion and options

- The team are continuing to
 - Prepare the files that are sent to the banks for the collection of outstanding rates on properties with a mortgage. This is expected to be completed within the next few days.
 - Audit existing collection types to ensure minimum repayments are being met.
 - Increase phone communications with those in arrears with no collection type in place.
 - Review accounts with collection agencies to ensure any long standing arrears are brought back to Council's debt collection team to proceed with the next appropriate course of action e.g. abandoned land or legal collection processes.
- To assist the team in the short term, an additional 1.5 FTE have been brought in to help. These new staff members are on fixed term contracts.
- The ongoing promotion of the Internal Affairs Rates Rebates Scheme in day to day communications with Ratepayers and regular meetings with relevant community organisations is another key focus.

Collection Data

A breakdown of the current and arrears outstanding debt is summarised in the following table:

NRC Outstanding Debt as at 31 December 2017			
	General Title	Maori Freehold Land	Total
Rates Strike to December 2017 (2nd Instalment)	3,811,693	342,567	4,154,260
Rates Adjustments/ Current Penalties/Rebates	-89,650	-85,046	-174,696
Current Rates Collected to 31 December 2017[1]	-3,856,246	-116,383	-3,972,629
Current Rates to be collected	-134,203	141,138	6,935
Arrears	769,729	2,153,939	2,923,668
Arrears Penalties	73,887	278,414	352,301
Less Arrears Collected	-187,104	-16,930	-204,034
Arrears to be collected	656,512	2,415,423	3,071,935
Total Debt to be collected	522,309	2,556,561	3,078,870

[\[1\] This figure includes credit balances where ratepayers have paid current year's rates in advance.](#)

A detailed analysis of arrears that identifies the debt by collection status is provided in the table below.

Arrears Collection Type Analysis						
Collection Type	Arrears \$			% of collection type to Total debt to be collected		
	General Title	Maori Freehold Land	Total	General Title	Maori Freehold Land	Total
Direct Debits (repay arrears within 2 years - REP)	14,029	1,819	15,848	2%	0%	1%
Direct Debits other (not under REP)	7,472	16,096	23,568	1%	1%	1%
DMT Agreements to pay	11,691	235	11,926	2%	0%	0%
External Collection Agency	188,323	15,667	203,990	29%	1%	7%
Abandoned Land	46,486	0	46,486	7%	0%	2%
Legal	16,082	0	16,082	2%	0%	1%
Deceased	34,922	6,683	41,605	5%	0%	1%
Mortgage	109,754	0	109,754	17%	0%	4%
Total under above arrangements	428,759	40,500	469,259	65%	2%	15%
Balance to be collected by Other means	227,753	2,374,923	2,602,676	35%	98%	85%
Total Debt to be collected	656,512	2,415,423	3,071,935	100%	100%	100%

Council's remission policies

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. The following table shows the instance of remissions for each policy and the financial impact of these remissions.

Policy Name	Number Remissions Granted Year to date			
	2018		2017	
	Qty	\$value	Qty	\$value
Maori Freehold Land Remissions	670	\$ 126,241	722	\$ 177,595
Charitable or Community Organisations	47	\$ 8,326	50	\$ 8,469
Remission of Postponements	0	\$ -	32	\$ 7,369
Contiguous Properties	379	\$ 49,260	450	\$ 57,222
Properties partly in District	1	\$ 77	1	\$ 76
Conservation Property	220	\$ 38,996	211	\$ 18,243
Total	1,317	222,900	1,466	268,974

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1 Message from the Board

This Statement of Intent lays out how Northland Inc Limited (Northland Inc) will support the Northland Regional Council (NRC) with its economic development objectives for Northland. Northland Inc is tasked to implement economic development activities and support investment in the Northland economy. It does these things to improve the prosperity and well-being of Northlanders.

2 Introduction

This Statement of Intent is a public declaration of the activities and intentions of Northland Inc; it has been prepared in accordance with Clause 9 of Schedule 8 of the Local Government Act 2002.

Northland Inc is a Company registered under the Companies Act 1993, a reporting entity for the purposes of the Financial Reporting Act 1993 and a subsidiary of NRC. Northland Inc is a council-controlled organisation as defined under Section 6 of the Local Government Act 2002, by virtue of the NRCs right to appoint the Directors.

The primary objective of Northland Inc is to provide regional economic development services for the community that provide a social benefit rather than making a financial return. Accordingly, Northland Inc is a public benefit entity (PBE) for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

Northland Inc is funded by an operational contribution from NRC and is project funded through public and private agencies, with central government being the next largest contributor. The organisation has a governance board of five Directors appointed for three years or as otherwise specified from time to time by NRC. The Chair is chosen by the Directors. Operational activity is led by the Chief Executive Officer. Northland Inc has no subsidiaries or joint ventures.

This Statement of Intent is the guiding governance tool and terms of reference for Northland Inc and defines the key performance indicators (KPIs) as agreed by the owner/shareholder (NRC). The statement outlines the Directors' accountabilities to the shareholders for corporate performance.

3 Context

Northland Inc is the Regional Economic Development Agency encompassing the Regional Tourism Organisation and Government's Regional Business Partnership (RBP).

Northland Inc works with a number of strategically important organisations and institutions in Northland and across the public and private sectors with a common purpose to strengthen, grow and diversify Northland's economy. Central Government's primary guiding documents for regional development are He Kai Kei Aku Ringa (strategy for Maori economic development), The Business Growth Agenda (BGA), and the Tai Tokerau Northland Economic Action Plan (Action Plan). He Tangata, He Whenua, He Oranga, developed by the Taitokerau Iwi CEOs Consortium, is the region's Māori economic development strategy; The RBP programme is the primary regional implementation mechanism for the BGA. A set of regional outcomes have been developed through the Action Plan that also provide strategic context for Northland Inc's work. The NRC Long Term Plan also provides a strategic context for Northland Inc's work. Together these are the two main strategic documents guiding Northland Inc's work programme.

Action Plan: Regional Outcomes (10-year horizon to 2025)

- An equitable, minimum standard of digital coverage is achieved across the region with uptake increasing
- A sustainable transport system that enhances the growth and existing economic development of Northland and New Zealand
- Northland's rate of Māori unemployment will have declined to 10% by 2025
- Māori land holdings are as profitable and productive as other equivalent land holdings
- Farms are performing at a level equal to or better than national averages
- Two thirds of Northland forestry production is processed in Northland by 2025
- Sustained growth in GDP per annum from specialised manufacturing
- Employment in specialised manufacturing and services increases year on year
- Guest nights rise by 25% from 1.75m to 2.2m by 2020
- Total visitor spend in Northland increases from \$661m to \$720m by 2020
- Visitor numbers in the off-peak season (May to September inclusive) increase by 30% by 2020

Note the above are currently being updated (due to be completed by 22 February)

These are the high level, medium-term achievable economic outcomes for Northland. Some of Northland Inc's work will contribute directly to these regional outcomes (such as companies in the RBP programme that are research active), some of Northland Inc's work will contribute indirectly (such as the rate of youth unemployment) and some outcomes will be led by others (such as 'a sustainable transport system') where Northland Inc will provide a support role. The following sections explain how these medium outcomes have been filtered into shorter term objectives (three years) and how they guide the nature and scope of activities that Northland Inc undertakes.

NRC Long Term Plan

The NRC's 2015 Long term Plan (LTP) sets out the NRC's objectives, community outcomes, values and areas of focus. Collectively this provides a statement about the direction NRC wishes to take in making a meaningful contribution to the region. A number of these are relevant to guiding Northland Inc's objectives, approach and activities.

Community outcomes refer to the outcomes that the NRC aims to achieve; meeting the current and future needs of communities for good quality local infrastructure, local public services and performance of regulatory services.

4 Northland Inc Vision, Mission and Objectives

(Sec 9 (1) (a))

Northland Inc is the Regional Economic Development Agency for Northland encompassing the roles and functions of the Regional Tourism Organisation and central government's RBP. Northland Inc supports the NRC and government by undertaking activities that support their economic development objectives.

Vision

Northland is one of the most prosperous regions in New Zealand delivering employment and business opportunities for locals in a fair and equitable society and a healthy and productive environment.

Mission

To strengthen, diversify and grow the Northland economy.

Objectives 2017-2020

Taking the Action Plan regional outcomes and NRC objectives into account the following objectives have been developed for Northland Inc:

1. Advocate and promote the establishment and development of infrastructure that underpins regional economic growth.
2. Attract, facilitate and support investment opportunities in regionally strategic sectors.
3. Promote Northland as a progressive and positive place to visit, do business and live.
4. Provide and facilitate business support services and to that enable Northland firms to grow.
5. Increase innovation and entrepreneurship in Northland.
6. Partner with Māori to develop and implement economic development projects for the benefit of Northland.
7. Support and facilitate the implementation of the Tai Tokerau Northland Economic Action Plan.
8. Support tourism product development and infrastructure as enablers of Northland's tourism sector.

Annual business plan

An annual business plan is prepared that outlines the programmes, projects and activities that Northland Inc will undertake each year. Northland Inc's work is organised around five work programmes: Business Innovation and Growth, Investment and Infrastructure, Māori Economic Development, Regional Promotion and Tourism, and the Tai Tokerau Northland Economic Action Plan. Northland Inc staff work through an intervention logic that connects outcomes and objectives to work programmes, projects and activities. The business plan is approved by the Board.

5 Governance Approach

(Sec 9 (1) (b))

- (i) The Board will effectively represent and promote the interests of the shareholder by seeking to fulfil its mandate as described above.
- (ii) The Board will discharge their duties in accordance with the Board Charter.
- (iii) The Board will promote the development of the management structure through delegation of responsibilities and authority to Northland Inc's management team.
- (iv) The Board will direct and monitor management performance through:
 - the establishment of clear strategic objectives and plans
 - regular meetings to review performance and progress towards set objectives
 - the approval of detailed operating and capital budgets
 - regular meetings to review actual performance against budget.
- (v) The Board will familiarise itself with the issues of concern to the shareholder through regular interaction with the shareholder.
- (vi) The Board will employ best practice in exercising its fiduciary management responsibilities.

6 Nature and scope of activities to be undertaken

(Sec 9 (1) (c)):

The nature and scope of activities of Northland Inc are to deliver on the vision, mission and objectives of the organisation through focusing on the following five work programme areas:

1. Generate business innovation and growth by:
 - Delivering business advice to support innovation, capacity and capability development through incubation services and the Regional Business Partnership; New Zealand Trade & Enterprise, Callaghan Innovation and Business Mentors New Zealand
 - Developing clusters, business networks or associations to take advantage of market development opportunities that leverage Northlands key sectors and comparative advantages
 - Increasing productivity through stronger use of local and international expertise
 - Transfer specialist knowledge to improve intellectual property opportunities in Northland through a business events programme
 - Supporting the Landing Pad Programme to develop investor and investee opportunities
 - Support access to a range of capital support mechanisms for Northland firms
 - Expansion of The Orchard business and event hub for regional impact
 - Supporting and encouraging innovation in Northland firms
 - Supporting the Digital Leaders Group to deliver the Digital Enablement Plan
2. Supporting investment and infrastructure by:

- Actively supporting and facilitating investment in strategic sectors in the Northland economy
 - Developing investment ready propositions
 - Diagnosis of investment opportunities
 - Leveraging NRC investments to increase investment into the Northland economy
 - Deal facilitation, deal monitoring and ongoing engagement (refer to BIG services)
 - Supporting and facilitating the development of new and enabling infrastructure such as UFB, roads, rail and water
3. Supporting Māori economic development by:
- Work across all of Northland Inc work programmes to take advantage of opportunities for Maori economic development
 - Engage with Maori to advance their aspirations in economic development
 - Work with, advocate for and support Maori businesses with their aspirations for growth.
 - Initiate partnerships with Maori to enable investment, business growth and completion of economic development projects.
 - Support the ICEC to establish a work programme to implement the tikanga based principles of 'He Tangata, He Whenua, He Oranga: the Taitokerau Maori Economic Growth Strategy'.
 - Ensure Maori organisations have opportunities for input and participation in relevant projects.
4. Promoting the region by:
- Delivering narratives which communicate the positive attributes of Northland to national and international audiences
 - Delivering a promotional programme to encourage investment and market development of Northland's strategic growth sectors
 - Assisting with the development of infrastructure, products, services and sub-regional destinations which grow the value derived from visitors
 - Increasing regional spread/dispersal, length of stay, expenditure and year-round visitation/seasonality
 - Co-ordinate, and where appropriate, lead the implementation of an Annual Tactical Marketing Plan for destination marketing, in conjunction with national tourism organisations and the Northland tourism sector
 - Ongoing leverage of the Twin Coast Discovery programme as a region wide development framework for tourism
5. Supporting the implementation of the Action Plan by:
- Leading a region wide Working Group
 - Portfolio and Project Management

In undertaking these activities Northland Inc will seek to:

- Achieve the objectives of its shareholders, both commercial and non-commercial as specified in this Statement of Intent;
- be a good employer;
- exhibit social and environmental responsibility.

7 Shareholders' funds

(Sec 9 (1) (d))

The Equity Ratio shall be 100% unless specifically authorised by the shareholder.

8 Accounting policies

(Sec 9 (1) (e))

The accounting policies that have been adopted are detailed in the company's 2015/16 Annual Report. A copy is included as **Appendix A**.

The Company is classified as a Public Benefit Entity (PBE).

9 Performance targets

(Sec 9 (1) (f))

Key performance indicators are:

Work programme area	Proposed measures and targets				
	How we will measure	2016/17 result	2018/19	2019/20	2020/21
Investment and infrastructure	Percentage of IGR business case approvals made within 90 days of receiving application	New measure	100%		
	Number of inward delegations hosted	New measure	X	X	X
	Enabling Investment recommendations to council are accompanied by a robust business case	New measure	100%		
	Number of high impact projects that are implemented	New measure	X	X	X
Business innovation and growth	Number of unique businesses assisted (by TA and industry)	X	230		
	Value of NZTE and Callaghan Innovation grant funding facilitated	X	\$1.5M		
	Client satisfaction (as measured by Net Promoter Score)	X	50		
	Orchard occupancy rate	New measure	60%		
Regional promotion and tourism	Number of visitors from target markets	New measure	X	X	X
	Value of industry investment in regional promotion activity	\$340,408	\$300,000		
	Equivalent Advertising Value achieved from destination marketing	\$30.6M	\$15M		
Action Plan	Percentage of milestones completed	New measure	100%		
Māori economic development	Number of unique Māori businesses engaged with	New measure	30		
	Number of high impact projects that are implemented	New measure	X	X	X
	Value of NZTE and Callaghan Innovation grant funding facilitated for Māori businesses	New measure	insert figure		
	Client satisfaction (as measured by Net Promoter Score for Māori businesses)	New measure	50		

Influences Long Term Outcome:
Insert outcomes from Action Plan
Insert outcomes from Action Plan
Insert outcomes from Action Plan
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Insert outcomes from Action Plan

10 Distributions to shareholders

(Sec 9 (1) (g))

No distribution to the shareholder is required during the 2018/19 financial year.

11 Information to be provided to the Shareholders

(Sec 9 (1) (h))

Directors will formally report progress against the SOI to the NRC quarterly via a written report submitted within six weeks of the end of the 1st and 3rd quarters, and attendance at a Council meeting thereafter as per the NRC schedule.

In compliance with Clause 66 of Part 5 the Directors will, within two months after the end of the first half of each financial year, deliver to the shareholder an unaudited half year report containing:

- a Statement of Performance, Position and Cash flow as at the half year balance date
- financial forecasts for the full year and comparison to approve budgets
- commentary on progress to meeting performance targets and the expected year end position.

In accordance with Section 2 of Schedule 8 the Directors will deliver a draft SOI to the shareholder by 1st March of each year for the subsequent three-year period.

In accordance with Section 3 of Schedule 8 the Directors will deliver a Board approved SOI to the shareholder on or before the 30th June of each year.

In compliance with Clause 67 of Part 5 the Directors will, within three months of the end of the financial year, deliver to the shareholder an audited Annual Report which meets the requirements of Section 68 and Section 69 of Part 5. In addition, the Annual Report is to contain a declaration by the Board as to the compliance with the Act and specifically that the requirements of Schedule 8 have been met.

12 New entries, acquisitions and sales

(Sec 9 (1) (i))

Directors may not create any new legal entity, acquire shares or any equity interest in any existing legal entity or sell any interest held by Northland Inc without the specific approval of the NRC as the shareholder.

13 Activities for which local authority funding is sought

(Sec 9 (1) (j))

Northland Inc reserves the right to seek compensation from time to time for the necessity to provide any service required by the NRC where funding has not been previously agreed.

14 Estimate of the commercial value of the shareholders' investment

(Sec 9 (1) (k))

The Directors' forecasted estimate of the commercial value of the Shareholders' investment in Northland Inc at 30 June 2017 is \$10,000 and is equal to the Shareholders' equity in Northland Inc. Reassessment of the value of this shareholding shall be undertaken by 30 June each year.

The business should be viable (have a positive net worth) by the end of each financial year.

15 Any other matters

(Sec 9 (1) (l))

The NRC is required to hold a confidential Council meeting at Northland Inc's request to discuss any matter which is considered commercially sensitive. Northland Inc has the ability to submit formal reports into the confidential agenda of any such meeting.

16 Financial Information

(Sec 9 (3))

A prospective statement of financial performance is included as Appendix B.

Appendix A: Northland Inc Accounting Policies

1. Statement of Accounting Policies

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Tier 2 Public Benefit Entity (PBE) Financial Reporting Standards as issued by the New Zealand External Reporting Board (XRB). They comply with New Zealand equivalents to International Public Sector Accounting Standards Reduced Disclosure Regime (NZ PBE IPSAS with RDR) and other applicable Public Benefit Entity Financial Reporting Standards as appropriate to Public Benefit Entities.

The entity is eligible to report in accordance with Tier 2 PBE Accounting Standards on the basis that it does not have public accountability and is not large. The entity transitioned to PBE Standard Tier 2 from 1st July 2016.

The financial statements have been prepared in accordance with the Local Government Act 2002, which requires compliance with generally accepted accounting practice in New Zealand ("NZ GAAP"). [LGA. 111].

The entity is deemed a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the community for social benefit and has been established with a view to supporting that primary objective rather than a financial return.

CHANGES IN ACCOUNTING POLICIES

Previously adopted Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit). The impact of new and amended standards and interpretations applied in the year was limited to additional note disclosures.

Appendix B: Prospective Statement of Financial Performance

NORTHLAND INC Forecast Prospective Statement of Financial Performance						
Income	2018/19	Forecast	2019/20	Forecast	2020/21	Forecast
NRC Opex		1,246,130		1,269,682		1,293,679
NRC I & G		300,000		300,000		300,000
NRC Regional Promotions		410,500		410,500		410,500
NRC Extensoin 350		200,000		100,000		100,000
WDC		105,000		105,000		105,000
FNDC & KDC		65,000		65,000		65,000
NZTE & CI		339,531		339,531		339,531
NIF & Website Income		79,000		79,000		79,000
Extension 350 Partner funding		461,700		478,700		336,700
Orchard Income		118,420		120,000		120,000
MBIE (Action Plan)		74,488		74,488		74,488
Ecentre		48,000		48,000		24,000
Total Income		3,447,769		3,389,901		3,247,898
Less						
Programme Expenditure	1,454,178		1,378,178		1,236,178	
Salaries	1,472,037		1,486,477		1,486,477	
Overheads	538,308		538,308		540,000	
Total Expenditure	3,464,523		3,402,963		3,262,655	
Total Net Surplus		-\$ 16,754		-\$ 13,062		-\$ 14,757
Notes						
	2018/19		2019/20		2020/21	
	No Regional Promotions funding or expenditure secured		No Regional Promotions funding or expenditure secured		No Regional Promotions funding or expenditure secured	
	Action Plan funding from MBIE is likely		Action Plan funding from MBIE is uncertain		Action Plan funding from MBIE is uncertain	
	Orchard income estimated as static		Orchard income estimated as static		Orchard income estimated as static	
	No increase in salary area				Ecentre funding reducing	

Northland Regional Pest and Marine Pathway Management Plan 2017- 2027

Operational Plan 2017-2027



Date: 2/03/2018
Author: Biosecurity
Version: 1

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Introduction

Background

The Northland Regional Council (NRC) is the management agency responsible for developing and implementing the the Northland Regional Pest and Marine Pathway Management Plan 2017-2027 (the Pest Plan) in accordance with the Biosecurity Act 1993.

The Pest plan is a combination of the eradication or effective management of specified pests or groups of pests, and a marine pathway plan which is designed to prevent and manage the spread of harmful marine organisms via boat hull fouling within Northland coastal waters.

The Pest plan describes the biosecurity activities that will be undertaken throughout Northland and outlines the management or eradication of specific organisms and/or marine pest pathways. Doing so will:

- minimise the actual or potential adverse or unintended effects associated with these organisms and/or pathways, and
- maximise the effectiveness of individual actions in managing pests or pathways through a regionally coordinated approach

Purpose of the operational plan

This operational plan describes how the Pest plan will be implemented.

This plan describes the nature and scope of activities the Council intends to undertake in the implementation of the Northland Regional Pest and Marine pathway Management Plan for the period March 2017 – 30 June 2019.

Linkage to the Regional Pest and Marine Pathway Management Plan 2017-2027

This plan has been prepared as a requirement of the Biosecurity Act 1993 section 100B and should be read in conjunction with the RPMP 2017-2027. It includes all species listed in the Northland Regional Pest and Marine Pathway Plan 2017-2027.

Linkage to Long Term Plan 2015-2025

This operational plan is intergrated with councils Annual and Long Term plans which prescribes the funding and resources allocated to the programmes within this operational plan.

Council's Long Term Plan (2015-2025) maintains a focus on pest management activities in Northland. The plan states that the council will provide the services of:

- Reducing the impact of introduced pests on the environment, economic and social values;
- Protecting the health of forests and lakes through effective regional pest control; and
- Promoting community involvement in pest management, including tangata whenua, communities, district councils and other stakeholders.

Implementation programmes

Objectives have been set for each pest or class of pests. As required by the National Policy Direction, the objectives include:

Exclusion pests

For the duration of the Pest plan, avoid impacts to biodiversity, cultural and economic values by preventing the establishment of exclusion pests in Northland. Council will search for and control new incursions of pests that are present in New Zealand but not yet established in Northland which have been identified as having the potential to be a serious pest in the future. Section 100V of the Act may be used to investigate emergency control of new incursions of pests that are not otherwise listed in the Pest plan.

Eradication pests

For the duration of the Pest Plan, reduce impacts to biodiversity, cultural and economic values by eradicating identified pests in Northland. The intermediate outcome is to eradicate the pest in an area. In the short to medium term, infestation levels will be reduced to the point where it becomes difficult to detect the pest.

Progressive containment pests

For the duration of the Pest plan, reduce impacts to biodiversity, cultural and economic values by containing and, where practicable, reducing the geographic distribution of pests in Northland. The intermediate outcome is to contain and reduce the geographic distribution of the pest to an area over time. Progressive containment pests are those where a pest is at high densities in parts of Northland, but of low extent or limited range. Eradication is not feasible, but it is feasible to prevent the pest from spreading to other parts of Northland or to eradicate the pest from other parts of Northland.

Sustained control pests

For the duration of the Pest plan, reduce impacts to biodiversity, cultural and economic values by controlling identified pests in Northland and preventing unreasonable impacts from these plants spreading across property boundaries and causing unwanted effects on adjacent or nearby neighbours' assets and values. The intermediate outcome is to provide for the sustained control of the pest to a level where externality impacts are manageable. The focus is on ensuring densities do not reach a level where they are causing significant externality impacts.

Pathway management plan

For the duration of the Marine Pathway Plan, reduce and avoid impacts to biodiversity, cultural and economic values by preventing the establishment of marine pests and where practicable, containing the geographic distribution of pests in Northland.

Principle measures to manage pests

The principal measures used in the Pest Plan and Marine Pathway Plan to achieve the objectives are in four main categories. Each category contains a suite of tools to be applied in appropriate circumstances.

Requirement to act

Land owners and/or occupiers or other persons may be required to act where pest or pathway management rules dictate:

- pests are to be controlled;
- management plans are to be prepared and submitted;
- the presence of pests is to be reported;
- actions are to be reported (type, quantity, frequency, location, programme completion);
- pests are not to be spread (propagated, sold, distributed); or
- pathways are to be managed (for example, vessel hulls).

Council inspection

Inspection by council may include staff:

- visiting places or doing surveys to determine whether pests are present, or rules and
- management programmes are complied with, or to identify areas that control programmes will apply to (places of value, exclusion zones, movement control areas);
- managing compliance with regulations (rule enforcement, action on default, prosecution, exemptions);
- taking limited control actions, where doing so is
- effective and cost efficient; or
- monitoring effectiveness of control.

Service delivery

Council may deliver the service:

- where it is funded to do so within a rating district;
- on a user pays basis;
- by providing control tools, including sourcing and distributing biological agents, or provisions (for example, traps, chemicals).

Council will support the development of tools and best practice guidelines to manage pests.

Advocacy and education

Council may:

- provide education, advice, awareness and publicity activities to owners and/or occupiers and the public about pests and pathways (and control of them);
- encourage owners and/or occupiers to control pests;
- facilitate or fund community and land owners and/or occupier self-help groups and committees;
- work co-operatively with other agencies and stakeholders with control, advocacy, and the
- sharing or sourcing of funding;
- promote industry requirements and best practice to contractors and owners and/or occupiers;

- encourage owners and/or occupiers and other persons to report pests they find or to control them; or
- facilitate or commission research.

Financial summary

Councils Long Term Plan 2015 - 2025 provides the necessary funding, via rates and user charges, for the operational and planning activities associated with pest management.

Biosecurity 2017-18 Annual budget	2017/18	FTE's
Biosecurity Administration and Working Groups	\$1,521,649	3.15
Exclusion Pests		
Eradication Pests	\$189,281	2.5
Progressive Containment Pests	\$286,374	0.7
Sustained Control Pests	\$288,936	1
Biosecurity Partnerships (Sustained control pests)	\$901,730	5.6
Marine Pathway Management Plan	\$450,000	2.75
Total	\$3,637,970	15.7

Exclusion Pests

Exclusion Pests Definition:

Exclusion Programme: to prevent the establishment of the subject, or an organism being spread by the subject, that is present in New Zealand but not yet established in an area.

Exclusion pests are ones which are not known to have established in Northland, or have previously established and have been eradicated. Exclusion Pests all have the potential to establish in Northland and are capable of causing adverse effects to the environmental, economic, social or cultural values of the region.

Eradication of infestations of the exclusion plants will be attempted by the council in conjunction with relevant Crown agencies and stakeholders where practicable.

Exclusion pests programme is currently reactive to incursions if they are suspected or presence of an exclusion species is detected. FTE stated is reflected by the reactive nature of the Exclusion pests work programs.

Appropriate Resources will be allocated to Exclusion species if required

There are a total of **132** species in the RPMP of which **23** are exclusion pests.

Total number of exclusion plant species: **12**

Total number of exclusion animal species: **8**

Total number of sustained control freshwater species: **3**

Exclusion programmes include the following species:

Plants			
Exclusion plants	Asiatic and giant knotweed; Chinese knotweed, Climbing spindle berry, Giant hogweed;	Holly-leaved senecio; Houttuynia; Noogoora bur; Old man's beard	Phragmites; Purple loosestrife; Sea Spurge; Velvet leaf

Animals			
Exclusion animals	Bearded dragon; Big headed ant; Blue tongued skink	Indian ring-necked parakeet Rainbow lorikeet; Rook;	Sulphur crested cuckoo Wallaby

Freshwater pests	
Exclusion freshwater pests	Entire marshwort; Water poppy; Orfe

Objective: Why are we doing it?

The 2017-2027 operational plan for the council's Exclusion programme includes (excluding marine species) plants, animals, freshwater pests. For the duration of the Pest Plan, avoid impacts to biodiversity, cultural and economic values by preventing the establishment of exclusion pests in Northland. Council will search for and control new incursions of pests that are present in New Zealand but not yet established in Northland which have been identified as having the potential to be a serious pest in the future. Section 100V of the Biosecurity Act may be used

to investigate emergency control of new incursions of pests that are not otherwise listed in the Pest Plan.

Aims: What are we wanting to achieve?

Over the life of the RPMP NRC has the following aims:

- Exclusion pests will be detected before they become widely established in Northland.
- A prompt response with appropriate funding will be initiated to control or manage incursions / infestations in Northland.

How will the programme be implemented?

Eradication of infestations of exclusion pests will be attempted by the council in conjunction with relevant Crown agencies and stakeholders where practicable.

Council will provide training to relevant council staff and stakeholders about the identification of the exclusion pests to assist in early detection. Council will provide advice, attend events and undertake publicity campaigns to increase public awareness of exclusion pests.

Regulatory programmes include:

- Enforcement of rules relating to exclusion species
- Eradication of exclusion pests found in Northland
- Inspection / enforcement of rules relating to Plant nurseries and retail outlets (National pest plant accord)

Non-Regulatory services include (not limited to):

- Support eradications undertaken by other Crown agencies and stakeholders.
- Provide advice about how to manage exclusion species.
- Support, attend and provide public pest control workshops to raise awareness.
- Manage contractors relating to control of exclusion species.

Key performance indicators:

- Identify new sites through passive and active surveillance by NRC staff, the public, or through regional surveillance.
- All reported sightings and/or discoveries in the course of other work will be investigated within 5 working days.
- Collaborate with Regional Councils to prevent spread into Northland.
- 95% of nurseries compliant under the National Pest Plant Accord
- Increase in awareness of the exclusion species

Eradication Pests

Eradication Pests Definition:

Eradication Programme: to reduce impacts to biodiversity, cultural and economic values by eradicating identified pests in Northland

Eradication pests are present in low numbers or have a limited distribution within Northland, and eradicating them appears to be feasible and cost-effective. These pests all have the potential to establish widely in the region, and are capable of causing adverse effects to the environmental, economic, social or cultural values of the region. Council is either the lead agency or a partner for eradicating these pests from the region.

Eradication of the eradication pests will be undertaken by the council in conjunction with relevant Crown agencies and stakeholders where practicable.

Eradication programme is currently allocated approximately **\$189,281** per annum which includes approximately **2.5 FTE**

There are a total of **132** species in the RPMP of which **30** are eradication pests.

Total number of eradication plant species: **21**

Total number of eradication animal species: **1**

Total number of eradication freshwater species: **8**

Eradication programmes include the following species:

Plants			
Eradication plants	Akebia, Balloon vine, Bat-wing passionflower, Cape tulip, Cathedral bells, Chilean rhubarb, Evergreen buckthorn, ,	Field horsetail, Firethorn; Gypsywort, Lesser knotweed, Mexican feather grass, Mickey mouse plant, Monkey musk	Nassella tussock, Nutgrass, Royal fern, Spartina, Wilding kiwifruit, Yellow flag iris Noogoora burr
Animals			
Eradication animals	Feral deer		
Freshwater pests			
Eradication freshwater pests	Eel grass, Nardoo, Salvinia	Senegal Tea Water hyacinth	Eastern water dragon Red eared slider turtle Snake necked turtle

Objective: Why are we doing it?

For the duration of the Pest plan, reduce impacts to biodiversity, cultural and economic values by eradicating identified pests in Northland. The intermediate outcome is to eradicate the pest in an area. In the short to medium term, infestation levels will be reduced to the point where it becomes difficult to detect the pest.

To maintain low to zero densities of feral deer in Northland through deer farmer liaison, fence inspections, surveillance, wild deer response activities, and statutory management, to prevent the successful establishment of wild deer populations.

To increase community awareness of the risks and environmental consequences of feral deer establishing in Northland in order to gain wide community support for the vision of no populations of feral deer in Northland.

Aims: What are we doing?

Over the life of the RPMP NRC has the following aims:

- Eradication plants and freshwater pests will be controlled to zero-density in Northland by 2027.
- A prompt response with appropriate funding will be initiated to control or manage infestations of eradication species in Northland.
- Council will work co-operatively with the Department of Conservation and other stakeholders to achieve the objectives of the Northland Wild Deer Response Plan 2016-2025.
- Land owners, occupiers and the public understand the risks and environmental consequences of feral deer establishing in Northland, and are supportive of the programme.

How will the programme be implemented?

Control work will be undertaken annually by council staff / contractors / partners and/or stakeholders and detailed workplans will be developed for specific pests

Regulatory programmes include:

- Enforcement of rules relating to eradication species
- Eradication of species listed within the Eradication programme
- Inspection / enforcement of rules relating to Plant nurseries and retail outlets (National pest plant accord)

Non-Regulatory services include (not limited to):

- Support eradications undertaken by other Crown agencies and stakeholders.
- Provide advice about how to manage eradication species.
- Support, attend and provide public pest control workshops to raise awareness.
- Manage contractors relating to control of eradication species.

Key performance indicators:

- Identify new sites through passive and active surveillance by NRC staff, the public, or through regional surveillance.
- Response to reports from the public on eradication pests will be responded to within 5 working days
- Increase in awareness of eradication species

Progressive Containment Pests

Progressive Containment Pests Definition:

Refers to pests that landowners/occupiers are required to treat throughout or in defined areas of the region, or in boundary situations. Pests are to be treated by a recognised Progressive Containment method, at intervals that ensure the pest is completely controlled or controlled to or from a stipulated distance from a property boundary.

Species in this Progressive Containment programme are pests that are present within defined areas within the region. These pests can cause adverse effects to the environmental, economic, social or cultural values of the region.

Progressive containment programme is currently allocated approximately **\$286k** per annum which includes approximately **0.7 FTE**.

There are a total of eight species listed under the progressive containment programme- five plants and three freshwater fish.

Plants			
Progressive containment plants	Manchurian wild rice African feather Grass Lantana	Mile a minute Pultenaea	

Freshwater pests	
Progressive containment freshwater pests	Koi carp Tench Perch

Objective: Why are we doing it?

The 2017-2027 operational plan for the council's Progressive Containment programme includes plants and freshwater pests aims to:

- For the duration of the Pest plan, reduce impacts to biodiversity, cultural and economic values by containing and, where practicable, reducing or eradicating populations of pest plants and the geographic distribution of populations in Northland.

Aims: What are we doing?

Over the life of the RPMP this operational plan has the following aims:

- Populations of African feather grass, Manchurian wild rice, Mile-a-minute and Pultenaea outside the mapped containment areas will be eradicated. By 2027 there will be no active sites of these four species outside the containment zones.
- Populations of African feather grass, Mile-a-minute and Pultenaea inside the containment zones will decrease. By 2027 the size of the containment zone and the density of these species' populations within it will have reduced.
- All intransigent populations of Manchurian wild rice will be contained, reduced and eventually eradicated within Northland.
- Populations of Lantana outside the mapped containment zones will reduce. Land occupiers will be encouraged to control Lantana on land that they occupy.

- Biocontrol agents for progressive containment species will be encouraged in Northland, and release will be prioritised inside the containment zones.
- New incursions of African feather grass, Manchurian wild rice, Mile-a-minute and Pultenaea will be detected and controlled before it becomes widely established in Northland.
- Existing populations will be monitored and, where appropriate, systems set in place to prevent further spread.
- New incursions will be monitored and efforts made to trace their source.
- A prompt response with appropriate funding will be initiated to control or manage infestations in Northland.
- New technologies and methods will be investigated and introduced where possible.

How will progressive containment programmes be implemented

Progressive containment pests are managed through a variety of programmes within Northland. Council staff will aim to eradicate populations outside the containment zone and also reduce the size of the containment zone through a variety of control methods, including but not limited to, spraying and trapping.

Council staff will also support communities to reduce the impact of progressive containment pests through several regulated programmes.

Progressive Containment Plants

Progressive containment plants are managed through both regulatory and non-regulatory biosecurity programmes.

Manchurian wild rice, African feather Grass, Lantana, Mile a minute, Pultenaea

Regulatory programmes include:

- Enforcement of rules relating to progressive containment plant species
- Eradication and reduction of infestations of progressive containment plants will/may be attempted by the council in conjunction with relevant Crown agencies and stakeholders.

Non-Regulatory services include (not limited to):

- Develop and support community pest control programmes
- Develop and support biosecurity environment fund projects
- Support community and landcare groups
- Provide advice about how to manage progressive containment species
- Support, attend and provide public pest control workshops
- Provide public weed workshops
- Support biocontrol for progressive containment species

Key performance indicators:

- Response to reports from the public on progressive containment pests will be responded to within 5 working days.
- Annual reporting on the status of all progressive containment pests
- Annual reporting on number of new sites of each plant
- Increase awareness about Progressive containment
- Maintain or increase in number of landowners undertaking work within progressive containment, containment zone

Progressive Containment Freshwater

Progressive containment freshwater species are managed through both regulatory and non-regulatory biosecurity programmes.

Regulatory programmes include:

- Enforcement of rules relating to sustained control freshwater species
- Eradication and/or reduction of infestations of the progressive containment freshwater pests may be attempted by the council in conjunction with relevant Crown agencies and stakeholders where practicable.

Non-Regulatory services include (not limited to):

- Council staff will assist land owners to develop management plans.
- Council will provide training to relevant council staff and stakeholders in the identification of pests to assist in early detection.
- Council staff will provide advice, attend events and undertake publicity campaigns to increase public awareness of pests
- New technologies and methods will be investigated and introduced where possible.

Key performance indicators:

- Response to reports from the public on progressive containment pests will be responded to within 5 working days. (reported through IRIS)
- Annual reporting on the status of all progressive containment freshwater pests (reported through IRIS)
- Annual reporting on number of new sites of each species (reported through IRIS)
- Progressive containment pests will be used in regular display and educational activities (reported through IRIS)

Sustained Control Pests

(Excludes marine sustained control pests - these are described under a separate section)

Sustained Control Definition:

For the duration of the Pest plan, reduce impacts to biodiversity, cultural and economic values by controlling identified pests in Northland and preventing unreasonable impacts from Sustained control Pests. The intermediate outcome is to provide for the sustained control of the pest to a level where externality impacts are manageable. The focus is on ensuring densities do not reach a level where they are causing significant externality impacts.

Species in this Sustained Control (excluding marine species) programme are pests that are widespread in suitable habitats throughout Northland. These pests can cause adverse effects to the environmental, economic, social or cultural values of the region. Biodiversity restoration projects controlling sustained control pests are generally managed outside the plan through Biosecurity Partnership Programmes. The following operational plan applies to all of the sustained control species in the Regional Pest and Marine Pathway Plan 2017-2027.

Sustained control programme is currently allocated approximately **\$1.19m** per annum which includes approximately **6.6 FTE**.

There are a total of **132** species in the RPMP of which **67** fall under the sustained control programme.

Sustained control programme includes the following species:

Plants			
Sustained control plants *, **	Bathurst bur; Brazilian Pepper tree Gorse; Gravel Groundsel	Phoenix palm Privet Queen of the night Rhus tree	Wild ginger Wilding conifers Woolly nightshade

* Road and Rail sustained control species – See RPMP

** National Pest Plant Accord Species – See RPMP

Animals	
Sustained control animals	Argentine and Darwin's ant; feral and stray cats; feral goats; feral pigs; Mustelids; Possums; Rabbits; Rodents

Diseases and Pathogens	
Sustained control diseases	Kauri Dieback

Freshwater pests	
Sustained control freshwater pests	Brown bullhead catfish; rudd

Objective: Why are we doing it?

The 2017-2027 operational plan for the council's Sustained Control (excluding marine species) programme includes plants, animals, freshwater pests, diseases and aims to, for the duration of the Pest Plan, reduce the impacts of sustained control pests on the biodiversity, cultural and economic values in Northland.

Aims: What are we doing?

Over the life of the RPMP this operational plan has the following aims:

- To help landowners, occupiers and the public to gain knowledge and skills to help reduce the impacts and spread of the sustained control pest.
- To prevent unwanted effects caused by sustained control pests on adjacent or nearby neighbours' assets and values.

How will sustained control programmes be implemented

Sustained control pests are managed through a variety of programmes within Northland. Council staff support communities to reduce the impact of sustained control pests through several regulated sustained control species programmes and through non-regulated Biosecurity Partnerships.

Council staff will provide education, advice and support to enable landowners to manage sustained control pests on their properties. Support may be provide through but not limited to existing and new biosecurity partnerships such as biofund projects, community pest control areas and high value area programes. Staff will assist landowners and agencies to develop management plans to manage sustained control species in Northland.

Council will provide advice to relevant road and rail authority staff regarding development and implementation of management plans for sustained control pests.

Sustained Control Plants

Sustained control plants are managed through both regulatory and non-regulatory biosecurity programmes.

Approximately **1.7 FTE** is allocated to Sustained Control Plants / Biosecurity partnerships

Total number of sustained control plant species: **11**

Total number banned from sale and distribution: **37**

Regulatory programmes include:

- Enforcement of rules relating to sustained control plant species
- Enforcement of Good neighbour rules
- Inspection / enforcement of rules relating to Plant nurseries and retail outlets (National pest plant accord)
- Inspection / enforcement of rules relating to Quarries
- Enforcement of rules relating to Road and rail, and development and implementation of management plans)

Non-Regulatory services include (not limited to):

- Develop and support community pest control programmes
- Develop and support biosecurity environment fund projects
- Support community and landcare groups
- Provide advice about how to manage sustained control species
- Support, attend and provide public pest control workshops
- Provide public weed workshops
- Support biocontrol for sustained control species

Key performance indicators:

- Respond to requests within 5 working days
- Increase in hectares of land under CPCAs per annum (increase by 5000ha)
- Increase in number of NRC supported community led pest control programmes (Increase by 10% per annum)
- Increase number of biocontrol agents released in Northland.
- 95% compliant nurseries under NPPA
- All exemptions to any rule are reported.
- Increase in awareness of sustained control species
- All road and rail authorities have 5 year weed management plans or prioritised annual plans approved, and implemented.

Sustained Control Animals

Sustained control animals are generally managed through non-regulatory biosecurity partnerships, regulatory measures are used when required.

Approximately **3.0 FTE** is allocated to Sustained Control Animals / Biosecurity partnerships

Total number of sustained control animal species: **14**

Regulatory programmes include:

- Enforcement of rules relating to sustained control animal species

Non-Regulatory services include (not limited to):

- Develop and support community pest control programmes (CPCA)
- Develop and support biosecurity environment fund projects
- Develop and support significant biosecurity partnerships (eg NRC-KiwiCoast Partnership)
- Support community and landcare groups
- Provide advice about how to manage sustained control species
- Support, attend and provide public pest control workshops
- Provide selected pest control materials
- Manage contractors relating to sustained control species control

Key performance indicators:

- Respond to requests within 5 working days
- Increase in hectares of land under CPCAs per annum (increase by 5000ha)
- Increase in number of NRC supported community led pest control programmes (Increase by 10% per annum)
- Increase in kiwi populations within NRC supported programmes - Increase by 2% per annum
- All exemptions to any rule are reported
- Increase in biodiversity indicators within council supported programmes
- Increase in awareness of sustained control species

Sustained Control Disease (Kauri Dieback)

Sustained control disease and pathogens are generally managed through regulatory and non-regulatory biosecurity programmes.

The Kauri Dieback programme is a multi agency programme involving the Ministry for Primary Industries, Department of Conservation, Northland Regional Council, Auckland Council, Waikato Regional Council, Bay of Plenty Regional Council and Tangata whenua.

Approximately \$158,000 1.3 FTE is allocated to sustained control disease / biosecurity partnerships.

Council contributes \$88,000 towards the Kauri Dieback programme annually.

Total number of sustained control disease species: 1

Regulatory programmes include:

- Enforcement of rules relating to sustained control disease species
Rule 8.1.1 Land occupiers within Northland must implement an approved management plan to reduce the risk of kauri dieback (KDB) spreading, where an authorised person identifies the property as high risk.
Rule 8.1.2 Every person who sees or suspects the presence of KDB must report it to appropriate management agency
- Development of high-risk kauri dieback management plans
- Council staff and/or their contractors will visit all places on private land suspected of containing Kauri Dieback to undertake further assessment or testing.

Non-Regulatory services include (not limited to):

- Develop and support community pest control programmes (CPCA)
- Develop and support biosecurity environment fund projects
- Develop and support significant biosecurity partnerships (NRC-KiwiCoast Partnership)
- Support community and landcare groups
- Provide advice about how to manage sustained control species
- Support, attend and provide public pest control workshops
- Provide selected pest control materials
- Manage contractors relating to sustained control species

Key performance indicators:

- 100% of high-risk sites have management plans
- Respond to requests / incidents within 5 working days
- Increase in number of NRC supported community led pest control programmes (Increase by 10% per annum)
- All exemptions to any rule are reported
- Increase in awareness of sustained control species
- Increase in hectares of high-risk KDB areas protected by fencing

Kauri dieback Management Plan – minimum criteria

All kauri dieback management plans developed under this RPMP must contain the following criteria:

1. Site name and details
2. Soil sample number (s)
3. Location

4. Proximity to known infected sites
5. Land owner/manager/user obligations
6. Vectors
7. Vector risk mitigation, including phytosanitary measures, access limitations, control of feral animals
8. Audit and review

Council staff and/or their contractors will visit all places on private land suspected of containing Kauri Dieback to undertake further assessment or testing.

Sustained Control Freshwater

Sustained control freshwater species are generally managed non-regulatory biosecurity programmes.

Approximately 0.6 FTE is allocated to sustained control freshwater species / biosecurity partnerships.

Total number of sustained control freshwater species: **2**,

Brown bullhead catfish

Rudd

Regulatory programmes include:

- Enforcement of rules relating to sustained control freshwater species

Non-Regulatory services include (not limited to):

- Develop and support community pest control programmes (CPCA)
- Develop and support biosecurity environment fund projects
- Support community and landcare groups
- Provide advice about how to manage sustained control species
- Support, attend and provide public pest control workshops
- Provide selected pest control materials
- Manage contractors relating to sustained control species

Key performance indicators:

- Respond to requests / incidents within 5 working days
- All exemptions to any rule are reported
- Increase in awareness of sustained control species

Marine Biosecurity Pest and Pathways

In 2012 an amendment to the Biosecurity Act 1993 added Pathway Management Plans as a legislative option to control the spread of pests in New Zealand. This operational plan includes both the Marine Pathway Management Plan AND the Marine Sustained Control species listed in the Regional Pest and Marine Pathway Management Plan 2017-2017. Both these programmes of work make up the Marine Biosecurity Programme for Northland undertaken by the Northland Regional Council. This plan has been prepared as a requirement of the Biosecurity Act 1993 section 100B.

NOTE: At the time of writing this operational plan, the Marine Pathway Management Plan had not yet been made operative.

The Marine Pathway Management Plan hereby after referred to as the 'MPMP', is designed to prevent marine pests from reaching new areas rather than responding to a pest once it has arrived and had time to establish. Put simply - 'pathways' are human activities that may transport a (marine) pest from one place to another, for example, moving a vessel to a new location which has hull biofouling, exchanging ballast water, or movement of aquaculture equipment.

Experience has shown that the eradication and control of established marine pest populations is difficult and expensive. Therefore, reducing the spread of marine pests through the management of pathways is a high priority. An effective pathways plan will not only reduce the risk of new marine pests establishing in the region, but also reduce the spread of harmful marine species that are already established in Northland's Coastal Marine Area ('Northland').

As well as addressing recognised pest species, pathways plans have the benefit of including all of the unknown or potential risk species that may be associated with a pathway, irrespective of their designated pest status.

Biofouling on the hulls of vessels is widely regarded as an important contributor to the spread and establishment of marine pests. Both recreational and commercial vessels have the potential to transport marine pests as hull biofouling. Vessels will accumulate local biofouling organisms on their hull during periods of inactivity or when the antifouling coating is not working effectively. This accumulation of local hull fouling may look unsightly but does not pose a biosecurity risk until that vessel moves and takes the local biofouling with it to a new location

Northland is frequently connected to other regions of NZ via commercial and recreational vessel movements; it is likely that new species will continue to be introduced unless effective management systems are put in place.

Marine Biosecurity Pest and Pathway plan is currently allocated approximately **\$450,000** per annum which includes approximately **2.75 FTE**

These programmes include the following species:

Marine pests & Pathway			
Marine Pathway plan	Hull fouling: Level of Fouling 2		
Sustained control marine pests	Asian paddle crab Australian droplet tunicate Japanese Mantis Shrimp	Mediterranean fan worm Pyura sea squirt Styela sea squirt	Undaria seaweed

Objective: Why are we doing it?

The 2017-2027 operational plan for the council's Marine Biosecurity Pest and Pathway Plan aims to;

- Prevent the introduction of new marine pests into Northland and slow the spread of established marine pests within Northland; and
- Reduce the impacts of sustained control marine pests on the biodiversity, cultural and economic values in the Northland coastal marine area.

Aims: What are we doing?

Over the life of the RPMP (including MPMP), NRC has the following aims:

- To increase the number of vessel owners and/or persons in charge of **vessels complying** with the pathways plan rules.
- To **increase the awareness** of the risk hull fouling poses to marine pest spread.
- To see a reduction in the **new marine pest introductions** to Northland.
- To see a reduction in the rate of **spread of established marine pests** within Northland.
- To help marine stakeholders, coastal marine area occupiers, vessel owners and the public to gain knowledge and skills to help reduce the impacts and spread of the sustained control pests.

Since 2010 NRC has had a species led approach to managing marine pests. Species such as Mediterranean fanworm is one of many that has entered the region by way of hull biofouling. Since 2012 over 100 vessels carrying fanworm have been found in Northland. Encouraging cleaner hulls through a MPMP would have resulted in fewer vessels carrying marine pests and other biofouling to the region. Taking a proactive approach to biofouling will reduce the risk of new marine pest incursions.

Identifying marine pests and potential risk organisms for Northland is difficult; rather than relying solely on the species led approach, NRC is addressing a universal vector of spread.

Principal measures: How are we doing it?

Requirement to act

- The person in charge of a vessel is required to ensure there are no pest species or unwanted organisms present on the hull of the vessel.
- The person in charge of a vessel is required to ensure the fouling on the hull of the vessel meets the requirements of the Marine Pathway Plan
- People are required to undertake actions to help reduce the impacts and spread of the sustained control pests.
- The purpose of the rules is to assist both in reducing the impacts of sustained control pests in Northland on values, and the spread of sustained control pests to other places within and beyond the Northland coastal marine area.

Council Inspection

- Council staff and/or their contractors will conduct surveys to assess hull fouling on vessels in all areas within Northland.

- Council staff and/or their contractors will manage compliance activities such as rule enforcement, action on default, prosecution and rule exemption applications.
- Council staff and/or their contractors will visit places and conduct surveys to determine whether rules and management programmes are complied with and effective.
- Council staff will undertake compliance activities when required, such as rule enforcement, action on default, prosecution and processing exemptions

Service delivery

- Council will support voluntary compliance by vessel owners by funding surveillance and education activities.
- Council will ensure tools and best practice guidelines are available to vessel owners and relevant industries
- Council staff will provide education and advice to stakeholders, occupiers and the public about the sustained control pests and how to manage them.

Advocacy and education

- Council will encourage owners and/or persons in charge of vessels to control hull fouling.
- Council will work co-operatively with other agencies and stakeholders to facilitate research to understand potential risks of hull fouling, and develop tools and best practice guidelines to manage hull fouling.
- Council will provide training to relevant council staff and stakeholders in the assessment of vessel hull fouling and identification of marine pest species.
- Council will provide advice, attend events and undertake publicity campaigns to increase public awareness of marine pests and hull fouling as a vector of spread.
- Council will provide training to relevant council staff and stakeholders in the identification and control of the sustained control pests. Council will provide advice, attend events and undertake publicity campaigns to increase public awareness of these marine pests.

How will the marine biosecurity programme be implemented?

Year 1: 2017-2018

- Develop communication and advice programme to assist vessel owners & stakeholders with ensuring compliance with rules
- Develop resources including; information on recommended hull maintenance regimes, common fouling organisms and how to assess if the fouling on their hull exceeds the MPMP threshold level.
- Undertake a diver hull surveillance programme with a target to assess over 2000 hulls for compliance annually with the MPMP and marine pest rules in the RPMP.
- Feedback vessel hull surveillance results to vessel owners where possible.
- Liaise with other regions such as Auckland to educate vessel owners travelling to Northland.
- Standard follow up of vessel where a listed marine pest, harmful or new to New Zealand, organism, or unwanted organism is found on a hull during surveillance will include a Notice of Direction (NOD), requiring the vessel owner to clean their hull. Evidence of this clean will be required before the notice is lifted.
- Increase of signage and communications around boat ramps, marina newsletters, radio advertising and marinepests.nz website.
- Continue to work with other regions in developing shared resources such as the marinepests.nz website

- Continue to liaise with crown research agencies, MPI, NIWA to build a wider toolkit for managing marine pests and pathways.

Year 2: 2018-2019

The diver hull surveillance programme will continue as per year one, if a vessel is over the fouling threshold it will be cross referenced against existing data to assess if any management has been undertaken or whether the vessel has moved. NODs will be issued to unauthorised movement and fines may apply.

The Craft Risk Management Standard will be enforced at the Border by MPI, 15th of May 2018 vessels that meet this standard will still be subject to regional rules should their stay exceed the short stay duration (this covers cruise ships) as set out in the CRMS standard.

All vessels that do not meet the regional rules will receive a notice that will state that they cannot move to a new 'place' until they comply with our MPMP fouling threshold. As with the current marine pest NOD's we will allow vessel owners to move directly to a haul out facility for treatment even if this is outside of the area they are currently located in.

NOD's will be tracked in IRIS (NRCs online incident logging database) and regular contact will be made with vessel owners to ensure they have not moved their vessels.

Year 3-10: 2019-2027

Develop a process to ensure feedback results of the hull surveillance programme to vessel owners. This will be part of a feedback process to encourage vessel owners to understand what is growing on their hulls. For example: vessel owners will receive a letter or email with the date their hull was inspected and a unique identifier that they can use to log onto an online database to see the hull surveillance results. If they exceed the MPMP threshold they will be advised what that will mean for them once the rules are enforced.

Establish an online database that vessel owners can access, they will be able to search for the dive surveillance results for their individual vessel but also see the hull fouling score and species present on the hulls of other vessels that have been surveyed. (this system will be set up with unique identifier codes to maintain privacy).

Haul out facilities will be encouraged to log the vessel name and the date that the vessel is relaunched and confirm its antifoul status on the online database.

Vessel owners who may not use haul out facilities will be encouraged to use an online logbook system which will be set up alongside the surveillance database; this will allow vessel owners to log maintenance against their vessel identifier. This will be a voluntary compliance system and risk reduction system. Hard copy logbooks will be made available to vessel owners who do not use online systems (similar to the CRMS risk assessment). If a vessel has recently been antifouled or had a visual inspection by approved operators and are clear of biofouling within the previous month, diver survey of their hull by compliance officers will be considered low priority.

Continue to use online database and logbooks to assess risk associated with vessels. Only use divers to assess high risk vessels, monitor trends in compliance vs no. vessels checks. As compliance increases a decrease in diver survey effort and cost should be expected given other forms of evidence of rule compliance demonstrate the rule is being met upon movement to another designated place.

Ongoing marine pest surveillance:

During the implementation of the Marine Biosecurity Programmes ongoing marine pest surveillance will be carried out. Figures 2 and 3 outline the process of vessel inspection (Figure 2.) and the protocol followed if a marine pest is found (Figure 3.). Not all cases are the same and may therefore not follow these protocols step by step.

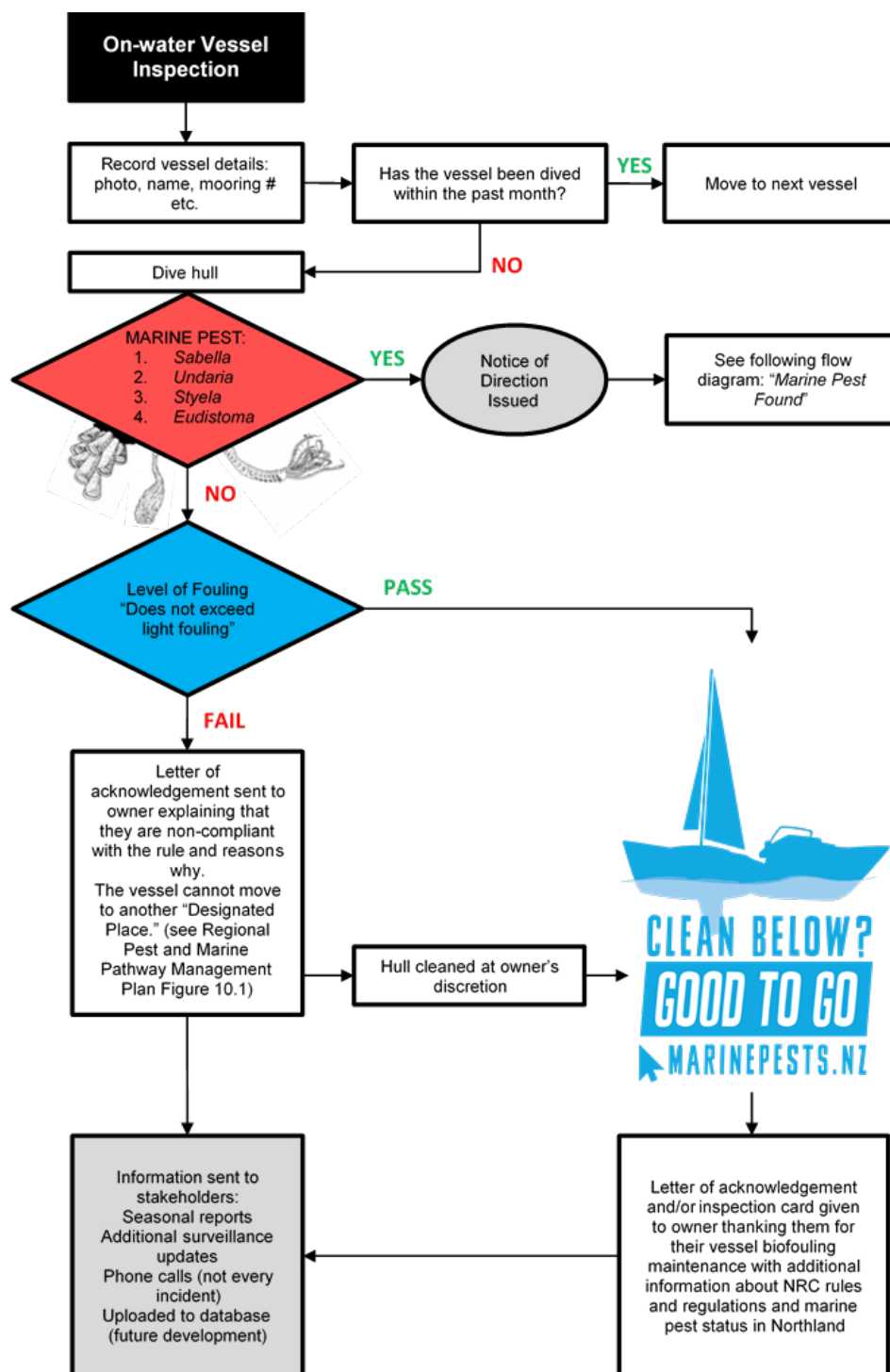


Figure 2: Flow diagram outlining the hull inspection process, from vessel identification, diving the hull, identifying marine pests present, the process for informing vessel owners once hull inspections have been carried out, and feedback to stakeholders.

Programme costs

How much will it cost?

The total marine pest budget is proposed at \$450,000 and covers labour and operational costs. FTE's budgeted are 2.75.

Table 1: Breakdown of marine pest budget.

Cost source	LOF 2 movement
1) Administration	\$30,000
2) Enforcement	\$80,513
3) Readiness	\$5,000
4) Liaison with other regions	\$5,000
5) Legal and science advice	\$30,000
6) Education and outreach	\$30,000
7) Training and warranting	\$20,000
8) Vessel surveillance (2000 vessels)	\$150,000
9) Structural surveillance	\$20,000
10) Incursion response	\$110,480
Total annual cost	\$480,000

1) Programme and project management and servicing of interagency committees.
2) Costs expected to rise as hull cleaning requirement rises.
3) Keeping up to date with incident planning, including maintaining and updating operational manuals.
4) Ongoing liaison with biosecurity practitioners and node managers in other regions that are sources of risk.
5) The quality of marine biosecurity management is dependent on access to good science advice.
6) Workshops, boat shows, communications planning and execution
7) Training required for Council compliance staff and for partner organisations such as marinas and marine farming code of practice practitioners.
8) Random checking of vessels to ensure compliance with requirements. Assumes 2000 vessels are randomly checked annually at a cost of \$75 per vessel. Half are found to be in breach and owner charged.
9) Routine checking of structures and investigation of previously unchecked structures
10) Response to pest populations, based on current annual costs. Assume would reduce if vector management was effective.

The 2016-2017 diver hull surveillance contracts were tendered out at \$122,000 for inspection of 1500 vessels and is currently the largest operational cost. An increase in compliance and a reliance on proxy measures of clean hulls like a log book system, visual inspections and evidence of haul outs and antifoul applications could see a decrease in the need for inspection.

If council were to require inspection of all vessels in the fleet the total costs would be over \$750,000 annually. This cost will decrease as compliance increases due to the requirement for less inspection and lower compliance work costs in-house (Figure 4). The council costs are based on information obtained for the MPMP CBA analysis as are the levels of compliance. The diver surveillance costs are based on current commercial diver daily rates, if the whole fleet were to be inspected multiple dive teams would need to be working year-round.

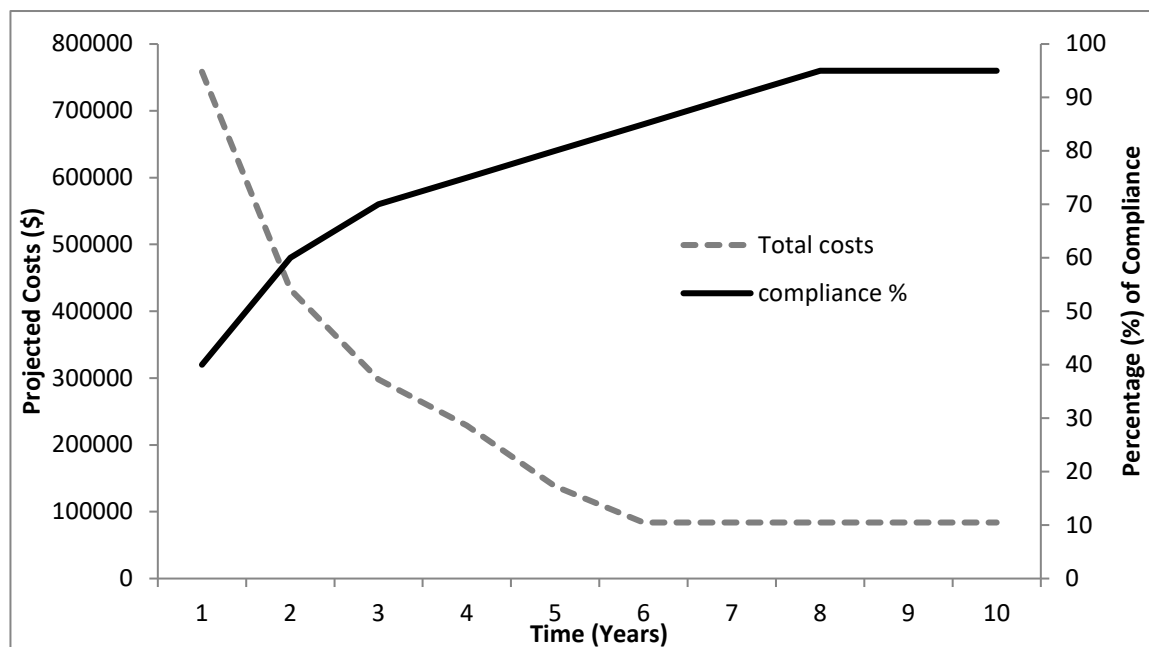


Figure 4: Projected costs for hull check of entire fleet (3200 vessels). There is likely to be a significant decrease in the amount of surveillance required as compliance with the MPMP level of fouling threshold (LOF) increases.

Performance targets and measures

Key Performance Indicators; How will success be measured?

KPI	How will this be measured?
There will be an increase in the number of vessel owners and/or persons in charge of vessels complying with the Marine Pathway Plan rules annually. Targets are as follows; 65% compliance after year 2, 75% compliance after year 3, 98% compliance by the end of the plan.	Information recorded through vessel hull surveillance programme & incidents.
There will be an increase in awareness of the risk hull fouling poses to marine pest spread over the duration of the plan.	Surveys results from on-water education. Educational events are recorded and approximate reach
There will be a reduction in the new marine pest introductions to Northland over the duration of the plan.	Number of incidents & reports of marine pests
There will be a reduction in the rate of spread of established marine pests within Northland over the duration of the plan.	Number of incidents & reports of marine pests
Appropriate funding and resources are assessed annually and allocated accordingly.	Annual Plan & Long-term Plan
All requests/incidents from the public are recorded and responded to within 5 working days.	IRIS data reports
All exemptions to the rules are recorded and reported on. Exemptions include a description, reasons, time period and are made available to the public.	IRIS data reports

Assumptions and Risks

Assumption/Risk	How are we addressing this?	Is there any residual risk that needs to be considered?
Hull biofouling is the predominant vector of marine pest spread.	On-going research and collaboration with crown research agencies	Lack of tools to treat & prevent hull biofouling.
A vessel that meets the MPMP hull biofouling threshold presents a low risk of spreading or introducing marine pests.	Education through on-water surveys, boat shows, boat yards etc. to build awareness of niche areas on vessels and areas of high risk for known pest species	Resourcing for education of the public (staff time & publications)
Current marine pest infestation areas in Northland are known.	Mapping of known pest species & areas into Arc GIS. Maps will be made available online for the public.	Need continual surveillance of high risk areas and remote areas for presence/absence checks.
Current marine pest infestation areas in Northland are known	On-going surveillance. Implementation of benthic surveillance programmes. On-going communication with other agencies.	Risk of missing a pest species in-between surveillance sweeps. Risk of communication breakdown between agencies.
Vessel owners will cooperate with NRC officers and any necessary control options.	Use of education and enforcement tools. Use of infringement fines where necessary.	Potential for prosecution for offenders.
Compliance with MPMP rules will increase over time.	Use of education and enforcement tools. Use of infringement fines where necessary.	Haul out facilities being at capacity or no suitable haul out facilities available.
The NRC hull surveillance and awareness programme will be effective in reaching the target audience.	Targeted on-water surveillance, engagement with affected stakeholder groups.	Potential for some stakeholders to not engage with programme
New marine pest incursions and range extensions will be reduced due to MPMP implementation.	Increased awareness and compliance with biofouling rules	Risk of a non-compliant activity having adverse impacts is high. E.g. in-water cleaning dislodging a marine pest.
Potential incursions of new species or range extensions of existing species.	On-going surveillance of marine high-risk site surveillance with MPI/NIWA	Resourcing and funding from MPI to respond to a range extension.

Operational plan reporting

Council will produce a report on the operational plan and its implementation not later than 5 months after the end of each financial year. A copy of this will be provided to council.

Operational plan review

This operational plan will be reviewed each year in May.

The review will:

- Include an assessment of progress towards performance targets.
- Identify changes to planned activities to ensure continued progress.
- Identify opportunities for programme improvements.
- Financial analysis.

Regional Software Holdings Limited

Draft Statement of Intent 2019/2020/2021

February 2018
Version 0.2

1 Introduction

This Statement of Intent is a public declaration of the activities and intentions of Regional Software Holdings Limited (RSHL). The statement outlines the Directors' accountabilities to the shareholders for corporate performance, as is intended by Schedule 8 of the Local Government Act 2002.

RSHL has no subsidiaries or joint ventures.

1.1 Vision

To provide a high quality shared service for the Regional Council sector (and associated agencies) that delivers value to shareholders, customers and the sector.

1.2 Mission

Sponsor collaboration through the Regional Council special interest groups and provide a vehicle for delivering shared solutions and services to the sector in accordance with our values and in a manner that achieves:

- Consistent, common and efficient regional council specific processes and functions
- Value through economies of scale
- Reduced risk through ensuring continuity of supply and control of the destiny of Regional Council sector specific software
- Greater influence with central government through demonstration of a more cohesive and collaborative sector

1.3 Nature and Scope of Activities to be Undertaken

RSHL provides a framework for collaboration between the shareholders and across the wider regional council sector. It supports the procurement or development of shared software services and products in a manner that provides greater consistency in how we operate our core processes and a more cost effective alternative than individual councils can achieve on their own.

The company operates through managed contractual arrangements, and by facilitating collaborative initiatives between councils' staff. Some councils are both customers of RSHL and providers of service to RSHL.

Whilst the current flagship of RSHL is the Integrated Regional Information System (IRIS), the scope of activities for RSHL is not limited to the IRIS application suite. Future activities will be identified by Shareholder Councils. New opportunities will be identified, and priorities set in the Business Plan,

other opportunities may arise and be investigated on a case by case basis. New activities will require explicit Board approval.

1.4 Values

In all RSHL decisions and interactions the Board and staff together with member council participants who may be working within the RSHL framework will observe the following values and ethos:

- The best decision is that which provides the best end result, primarily for our shareholder councils but also our customer councils, and indirectly the communities they serve.
- We are forward thinking and innovative
- We are responsive and deliver value
- We are professional and accountable
- We are flexible and open
- Our solutions will be practical, appropriate to the scale of the problem and affordable
- Where appropriate we will utilise codes of practice and standards produced by industry groups
- All parties to any decision or interaction will be treated with respect, dignity, integrity, and honesty.

1.5 Possible New Customers and Shareholders

RSHL seeks to reduce costs to the existing shareholders and increase its influence in Regional Council sector information systems by increasing the user base for IRIS and expanding the product suite.

RSHL responds to requests from Councils and organisations that show potential interest in using the IRIS software.

The potential market for the IRIS application is New Zealand Regional Councils and Unitary Authorities.

RSHL seeks to extend its collaboration framework and service delivery beyond the scope of the IRIS software product. In line with this intention, RSHL will sponsor collaboration through the Regional Council special interest groups and provide a vehicle for delivering shared solutions and services to the sector in order to achieve consistent, common and efficient regional council specific processes and value through economies of scale. RSHL will work alongside the special interest groups to agree and deliver the collaborative work programme and this will operate on a cost recovery basis.

2 Objectives

The principal objective of RSHL is to deliver on the vision, mission and values.

The secondary objective of RSHL is to:¹

- (a) achieve the objectives of its Shareholders, both commercial and non-commercial as specified in this Statement of Intent;
- (b) be a good employer;

¹ From: Constitution of regional Software Holdings Ltd, Section 1.1

- (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which the Company operates and by endeavouring to accommodate or encourage these when able to do so.

3 Board's Approach to Governance

Members of RSHL's Board of Directors are appointed by the shareholders to govern and direct RSHL's activities. The Shareholders Agreement states that each shareholder has the right to appoint one Director, and that person will be the CEO, or a person nominated by the CEO.² The Constitution allows each Director to appoint an alternative director.³ The Constitution also allows the Shareholders to appoint independent directors.⁴ The Constitution requires that the Board collectively must have relevant knowledge and experience of finance, public bodies, management, governance, and IT management.⁵

The Board is the overall final body responsible for all decision-making within the company. The Board is accountable to its shareholders for the financial and non-financial performance of the company.

Directors' behaviour is to comply with Institute of Directors' standards for Code of Conduct. The purpose of the code is to clarify how the Board of Directors shall define and deal with:

- The role and fundamental obligations of the Board
- Independence and conflict of interest, including conflict with management
- Board procedures, including the role of the Chairman and interaction with the General Manager
- Reliance on information and independent advice
- Confidentiality of company information
- Board and Director performance review and development

RSHL will conduct itself in accordance with its Constitution, its annual Statement of Intent agreed with shareholders, the provisions of the Local Government Act 2002 and the Companies Act 1993.

4 Ratio of Consolidated Shareholder's Funds to Total Assets

It is intended that the proportion of equity to total assets be in excess of 60%.

5 Accounting Policies

The financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared in accordance with Tier 3 Public Benefit Entity (PBE) Standards.

Appendix 1 includes RSHL's Accounting Policies

²RSHL Shareholders Agreement clause 4.1

³ RSHL Constitution clause 8.3

⁴ RSHL Constitution clause 8.4

⁵ RSHL Constitution clause 8.6

6 Performance Targets and Other Measures

Performance targets by which the success of the company may be judged in relation to its objectives are:

		2017/18	2018/19	2019/20
Non Financial	Undertake an annual survey of users and shareholder/customer Councils in relation to product performance, Datacom support and RSHL support. Baseline to be developed following the completion of the first survey.	Applies each year		
	Develop, approve, communicate and refine the annual roadmap for RSHL major enhancement projects. Draft annual roadmap presented to the Board by 31 December of each year for the following year. Adoption by the Board by 30 June of each year.	Applies each year		
	Major Enhancement projects identified on the Annual Roadmap are all completed within approved budget or (for items in progress) on track against their agreed timeline and budget at 30 June of each year.	Applies each year		
	Budgets for support and minor enhancements are approved by the Board by 30 June each year and delivery within these budgets is effectively managed by the Advisory Group.	Applies each year		
	User Groups and business representatives are engaged in the development of the Major Enhancement Annual Roadmap.	Applies each year		
Financial	RSHL will operate within 5% (plus or minus) of its shareholder approved annual budget.	Applies each year		
	Annual charges for shareholders and customers to be at level approved by the Board and Shareholder Councils based upon the approved operating budget and budgets for major and minor enhancements.	Applies each year		

Growth	Monitor the regional council sector market and explore/respond to opportunities to expand the customer and/or shareholder base of RSHL.	Applies once in 3 year period
	Consider, evaluate and, if appropriate, implement new service areas or areas outside of the current scope of IRIS ⁶	Applies each year
	Be a service delivery agent for wider regional council sector and related bodies information management projects (ReCoCo) and related shared services. Projects to be delivered on time and on budget as agreed in each of the Statements of Work between RSHL and the Regional Council Corporate Services SIG.	Applies each year

7 Distribution of Profits to Shareholders

RSHL does not have an objective to make a profit. It seeks to provide products and services at lower costs, and / or higher levels of service than shareholder councils can achieve on their own.

In order for RSHL to be subject to tax, generally it must meet the business test. Fundamental to this is a profit motive. Given the basis under which this CCO operates is to minimise the costs and generally operate on a cost recovery basis and that a pecuniary profit is not intended and highly unlikely, the lack of a profit motive is real.

The RSHL Shareholders Agreement states “If Operating Expenses for a fiscal year are less than the budgeted amount for such year, the Company will retain the funds for application to Operating Expenses for the subsequent fiscal year”⁷. Therefore there will not be a profit available for distribution.

8 Information to Be Provided to the Shareholders

The company will deliver the following Statements to shareholders:

- Within two months of the end of the first half of the financial year the following unaudited statements: Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows and Service Performance.
- Within two months of the end of the financial year the following audited statements: Statement of Financial Performance, Statement of Financial Position, Statement of Cashflows, Service Performance plus a summary of how the company has fared against its objectives and prospects for the next financial year, and a report on the company’s medium to long-term plans.
- The Directors shall approve by 1 March of each year a Draft Statement of Intent for the consideration of shareholders. The Directors must then consider any comments on the Draft Statement of Intent that are made to it within two months of 1 March by the shareholders and deliver the completed Statement of Intent to the shareholders by 30 June
- Preparation of a draft Business Plan will begin each November, for the financial year that commences on the following June. This early preparation is to allow Shareholder Councils

⁶ Consider does not mean commit to do, but to identify & evaluate one or more opportunities

⁷ Shareholders Agreement, clause 7.4

the ability to include any changes in Annual Fees, or any other form of financial impact, in their Council's budget processes. The Board are to approve the business plan by the end of March prior to the commencement of the new financial year.

- Any new developments which have not been covered in the statement of corporate intent for the year. Including, but not limited to, an update on any outcomes arising from any changes in shareholding, including the effect on individual Council's shareholdings and apportionment of costs.
- Details of possible scenarios that might be foreseen that could result in annual fees increasing above the CPI index.
- Any other information which would normally be available to a shareholder, thereby enabling the shareholder to assess the value of its investment in the company.

9 Procedures for Major Transactions and Other Acquisitions and Disposals

The Company will not enter into major transactions as defined in Section 129(2) of the Companies Act 1993 without the consent of the shareholders.

10 Procedures for Issue of Shares

The RSHL shareholder agreement requires the approval of the Shareholders holding at least of 75% of the shares for "the issuing or acquisition of any Shares or any change to the rights attaching to any Shares"⁸.

11 Activities for Which Compensation Is Sought

Payment of an Annual Fee for IRIS will be sought from all customers of RSHL, which includes Shareholder Councils, for annual support and development fees, as set out in the License Agreement. The IRIS annual support fee also includes funding to cover the cost of running RSHL.

It is noted that other products or services may be delivered by RSHL. Any such services will only be delivered after the Directors have considered each individual business case including the proposed budget and agreed that the proposed service meets the objectives of RSHL.

Any ongoing activities to identify develop or procure additional products or services will be budgeted for in advance, subject to the business case. The subsequent recovery from one or more shareholder or customer councils will be agreed by the Directors on a case by case basis in accordance with the RSHL Constitution.

12 Estimate of Commercial Value of The Shareholder's Investment

The Directors' estimate of the commercial value of the Shareholders' investment in RSHL is equal to the Shareholders' equity in the Company. Reassessment of the value of this shareholding shall be undertaken on or about 30 June each year.

The technologies used to develop the IRIS product will eventually reach the end of their useful life. From time to time, RSHL will need to reinvest to ensure the underlying technology remains fit for purpose and current. Whilst there is currently no outstanding need for reinvestment, future statements of intent will identify and provide for this reinvestment

⁸ *RSHL Subscription & Shareholders Agreement* Section 5.1 (b)

13 Shareholding

Regional Software Holdings Limited (RSHL) was formed on 17 October 2012. At the time of formation the company issued 10,000 shares to its shareholders based on a previously agreed sizing formula. The following shareholding was agreed:

Shareholder	Percentage	# of shares
Waikato Regional Council	32.75%	3,275
Northland Regional Council	16.75%	1,675
Horizons Regional Council	15.50%	1,550
Taranaki Regional Council	15.50%	1,550
Southland Regional Council	15.50%	1,550
West Coast Regional Council	4.00%	400

Statement of Intent 2017-2020
Regional Software Holdings Limited
Statement of Financial Performance
For the 12 Months to 30 June

2017-18		2018/19	2019/20	2020/21
Budget		SOI	Indicative	Indicative
	Income			
1,098,534	Members Contribution	1,117,579	1,139,931	1,162,730
1,098,534		1,117,579	1,139,931	1,162,730
	<u>Other Income</u>			
-	Interest Received	600	600	600
58,905	Council Specific Funding	62,750	63,691	64,647
-	Regional Sector Share Services	500,000	500,000	500,000
-	User Funding	148,463	150,690	152,950
1,157,439	Total Income	1,829,392	1,854,912	1,880,926
	Expenditure			
	<u>Administration costs</u>			
39,103	Administration costs	2,825	2,843	2,861
	Accounting & Technical			
6,926	Support	23,295	23,302	23,310
5,237	Audit & Legal fees	11,100	11,267	11,435
203,205	Datacom Support Services	178,000	178,000	178,000
-	Technical Services	50,000	30,000	30,000
13,303	Environment Charges	10,500	10,658	10,817
120,454	Management Fees	157,500	157,500	157,500
-	Promotional Costs	10,000	-	-
30,000	Independent Director's Fees	30,000	30,000	30,000
-	Travel & Meeting Costs	7,000	7,000	7,000
-	Regional Sector Share Services	500,000	500,000	500,000
58,905	Other Direct Software	62,750	63,691	64,647
477,133	<i>Total administration costs</i>	1,042,970	1,014,261	1,085,106
	<u>Sundry other costs</u>			
680,306	Depreciation	786,423	896,442	980,398
	Total expenditure:	1,829,763	1,910,702	1,995,968
-	Surplus/(deficit) before Tax	-	(57,790)	(115,042)
	Income Tax Expenses			
-	Surplus/(deficit) after Tax	-	(57,790)	(115,042)

Regional Software Holdings Limited
Statement of Financial Position
As at 30 June

2017-18		2018/19	2019/20	2020/21
Budget		SOI	Indicative	Indicative
	ASSETS			
	Current assets			
161,702	Bank Accounts and Cash	137,574	81,164	7,916
-	Debtors and Prepayments	-	-	-
	Non Current Assets			
5,214,781	Property, Plant & Equipment	5,202,007	5,201,093	5,151,806
<u>5,376,483</u>	Total Assets	<u>5,339,939</u>	<u>5,282,257</u>	<u>5,159,722</u>
	LIABILITIES			
	Current liabilities			
-	Creditors and Accrued Expenses	-	-	-
-	Income Received in Advance	-	-	-
<u>-</u>	Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,376,483</u>	NET ASSETS	<u>5,339,939</u>	<u>5,282,257</u>	<u>5,159,722</u>

Represented by:

2017-18		2018/19	2019/20	2020/21
Forecast		SOI	Indicative	Indicative
	Equity			
5,149,150	Equity	5,149,150	5,149,150	5,149,150
32,675	Current Year Earnings	-	(57,682)	(122,535)
<u>158,473</u>	Retained Earnings	<u>190,790</u>	<u>190,790</u>	<u>133,107</u>
<u>5,340,298</u>	Total Equity	<u>5,339,939</u>	<u>5,282,257</u>	<u>5,159,722</u>

Regional Software Holdings Limited
Statement of Cash Flows
For the 12 Months to 30 June

2017-18 Budget		2018/19 SOI	2019/20 Indicative	2020/21 Indicative
	Cashflows from Operating Activities			
	<u>Cash received from:</u>			
58,905	Receipts from customers	711,213	714,381	717,597
1,098,534	Shareholder contributions	1,117,579	1,139,931	1,162,730
-	Interest	600	600	600
-	Income Tax Paid (refunded)	-	-	-
1,157,439	Total Operating Receipts	1,829,392	1,854,912	1,880,926
	<u>Cash applied to:</u>			
477,133	Payments to suppliers	1,042,970	1,014,261	1,015,571
-	Income Tax Paid (refunded)	-	-	-
-	Interest W/holding tax paid	-	-	-
477,133	Total Operating Payments	1,042,970	1,041,261	1,015,571
680,306	Net cash from operating	786,422	840,651	865,356
	Cashflow from Investing Activities			
	<u>Cash received from:</u>			
-	Sale of Fixed Assets	-	-	-
-	Investment Maturities	-	-	-
-	Total Investment Receipts	-	-	-
	<u>Cash applied to:</u>			
690,688	Purchase of Fixed/ Intangible assets	785,248	840,652	860,467
-	Investment deposits	-	-	-
690,688	Total Investment Payments	785,248	840,652	860,467
(690,688)	Net cash from investing	(785,248)	(897,652)	(860,467)
	Cashflow from Financing Activities			
	<u>Cash received from:</u>			
-	Capital contributions	-	-	-
-	Investment maturities	-	-	-
-	Total Financing Receipts	-	-	-
	<u>Cash applied to:</u>			
-	Capital repaid	-	-	-
-	Total Financing Payments	-	-	-
-	Net cash from financing	-	-	-
(10,382)	Net increase (decrease) in cash-flow for the year	1,175	-	4,888
172,084	Opening cash balance	136,758	137,932	137,932
161,702	Closing cash balance	137,932	137,932	142,820
	Made up of:			
24,998	Current account	25,000	25,000	25,000
136,704	Auto-call account	112,932	112,932	117,820
161,702		137,932	137,932	142,820

Appendix 1: Accounting Policies

1 General Information

Reporting Entity

Regional Software Holdings Limited (RSHL) is a Council Controlled Organisation (CCO), owned by Waikato Regional Council (32.75%) Northland Regional Council (16.75%) Horizons Regional Council (15.50%) Taranaki Regional Council (15.50%) Southland Regional Council (15.50%) and West Coast Regional Council (4.00%). RSHL was incorporated on 17 October 2012.

RSHL was primarily incorporated for the purposes of managing the investment and development of IRIS Software, and has designated itself a Public Benefit Entity (PBE), in keeping with the designation of the shareholders.

Public Benefit Entity Simple Format Reporting

RSHL qualifies for Public Benefit Simple Format Reporting – Accrual (PBE-SFR-A) on the basis that the Company does not have publically accountable (as defined) and has total annual expenses of less than \$2 million.

Basis of Preparation of the Financial Statements

The prospective financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period. The financial statements will be prepared on a historical cost basis.

Statement of Compliance

The prospective financial statements of RSHL have been prepared in accordance with the requirements of the Local Government Act 2002 and the Companies Act 1993, which include the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZGAAP).

The financial statements have been prepared in accordance with Tier 3 Public Benefit Entity (PBE) Standards.

These prospective financial statements comply with PBE Standards.

Presentation Currency and Rounding

The prospective financial statements have been prepared in New Zealand dollars and there will be rounding in the numbers in the financial statements, as the financial model used calculates to the cent but the annual report is rounded to the nearest dollar.

The functional currency of RSHL is New Zealand dollars.

The reporting period for these prospective financial statements is the year ending 30 June.

2 Summary of Significant Accounting Policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Members Contributions and Other forms of Revenue (excluding investment revenue), including fees, charges, and other revenues are recognised on an accrual basis.

Interest revenue is recorded as it is earned.

Expenditure

Expenditure is recognised on an accrual basis when the service was provided, or the goods received.

Costs associated with maintaining the IRIS software suite are recognised as an expense when incurred.

Bank Accounts and Cash

Cash and cash equivalents include cash on hand, on demand or call deposits, other short-term deposits with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are presented as a current liability in the Statement of Financial Position.

Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Inventories

Inventory is initially recorded at cost. Goods held for sale are subsequently measured at the lower of cost and their selling process. Goods for use or distribution are subsequently measured at cost and written down if they become obsolete.

Goods and Services Tax (GST)

RSHL is registered for GST; these financial statements are presented net of GST, except for receivables and payables which are inclusive of GST. Where GST paid is not recoverable, due to it relating to exempt items, the GST inclusive amount is recognised as part of the related asset or expense including the GST relating to investing and financing activities.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or recovered from, the Inland Revenue Department is recognised as an item in operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income Tax

Income tax expenses calculated using the taxes payable method. As a result no allowance is made for deferred tax. Tax expense includes the current tax liability and adjustments to prior year tax liabilities.

Creditors and Accrued Expenses

Creditors and accrued expenses are measured at the amount owed.

Property, Plant and Equipment

Software acquisition and development

Costs that are directly associated with the development of the IRIS software suite are recognised as property, plant and equipment.

Depreciation

Depreciation begins when the asset is available for use and ceases at the date that the asset is derecognised. The depreciation charge for each period is recognised through the Statement of Financial Performance.

The carrying value is depreciated on a straight-line basis over its useful life. The useful life and associated depreciation rate for the IRIS software suite is 10 years and 10%.

Where software in this category is replaced, upgraded or determined by RSHL to be of no further operational benefit, a change in value will be recognised through the Statement of Financial Performance. This change in value will be the difference between the carrying value of the original item and its fair value.

Critical Accounting Estimates and Assumptions

In preparing these financial statements, RSHL has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

Additional Disclosure

The Companies Act 1993 requires disclosure of the amount of donations, audit fees, fees for other services from the auditor, and the number of employees of the company who received remuneration and other benefits above \$100,000 per annum, in brackets of \$10,000.

Note For Info: Requirements for Statement of Intent

Source: Office of the Auditor General

<http://www.oag.govt.nz/2007/corporate-intent/appendix2.htm>

Item	Section
Statement of intent	This document
Coverage over three financial years and updated annually	1 & 8 & 6
Objectives of the group	2
A statement of the board's approach to governance	3
Nature and scope of the activities to be undertaken	1
Ratio of consolidated shareholders' funds to total assets, and the definitions of those terms	4
Accounting policies	5
Performance targets and other measures by which the performance of the group may be judged in relation to its objectives	6
An estimate of the amount or proportion of accumulated profits and capital reserves that is intended to be distributed to the shareholders	7
The kind of information to be provided to the shareholders/ shareholding Ministers by the organisation during the course of the next three financial years	8 (Shareholders)
Procedures to be followed before any member or the group subscribes for, purchases, or otherwise acquires shares in any company or other organisation	9
Any activities for which the board seeks compensation from any local authority, Harbour Board, or the Crown (whether or not the relevant entity has agreed to provide the compensation)	11 (Local authority)
The board's estimate of the commercial value of the Crown/shareholders' investment in the group and the manner in which, and the times at which, that value is to be reassessed	12 (Shareholders)
Other matters that are agreed by the shareholders/ shareholding Ministers and the board	none (Shareholders)
Annual report should contain information that is necessary to enable an informed assessment of the operations of the parent entity and its subsidiaries, including a comparison of performance with the relevant statement of intent or statement of corporate intent	8 (Plus explanation of material variances)

NORTHLAND REGIONAL COUNCIL

REGIONAL TRANSPORT COMMITTEE

Minutes of the Regional Transport Committee meeting held in the Council Chamber,
36 Water Street, Whangārei, on Wednesday 7 February 2018
commencing at 10.00am

Present:

Northland Regional Council

Cr J Bain, Chairman
Cr P Dimery

Kaipara District Council

Cr J Geange (*Arrived 10.05am*)

Far North District Council

Cr A Court

Whangarei District Council

Cr G Martin

New Zealand Transport Agency

J Hori-Hoult

In Attendance:

Full Meeting

NRC Chairman B Shepherd
NRC Group Manager Customer Service & Community Resilience – T Phipps
NRC Transport Manager – C Powell
NRC Transport Strategic Planning Officer – S Selkirk
NRC Minute Taker – T Capp
NRC CEO– M Nicolson (*arrived 10.44am*)
WDC – Cr P Halse
WDC NTA Representative – G Monteith
FNDC Group Manager Infrastructure and Assets – A Finch
KDC NTA Representative – S Sharma
NTA Manager – P Thomson
NZ Police – Senior Sergeant Ian Row
Northern Advocate – K Edge
5 Members of the Public were in attendance

The Chairman declared the meeting open at 10:00am.

Apologies (Item 1.0)

Moved (Dimery/Court)

That the apology from Mr P Clarke, New Zealand Transport Agency for non-attendance; and the apology from Cr J Geange, Kaipara District Council for lateness, be received.

Carried

Declaration of Conflicts of Interest (Item 2.0)

The Chairman invited members to make declarations item-by-item as the meeting progressed. There were no declarations of conflict.

Confirmation of Minutes- 6 December 2017 (Item 4.1)

ID: A1027253

Moved (Dimery/Court)

1. That the minutes of the Regional Transport Committee meeting held on 6 December 2017 be confirmed as a true and correct record.

Carried

Northland Regional Land Transport Plan 2015-2021 – Funding Uptake (Item 5.1)

ID: A1006289

Report from Chris Powell, Transport Manager, Northland Transportation Alliance

Moved (Bain/Dimery)

1. That the report 'Northland Regional Land Transport Plan 2015-2021 – Funding Uptake' by Chris Powell, Transport Manager, Northland Transportation Alliance, dated 29 January 2018, be received.

Carried

Secretarial Note:

- *The Chairman requested the format of ranking High, Medium, Low be changed so that it reflects the risk being measured.*

Northland Regional Land Transport Plan 2015-2021 – Three Year Review (Item 6.1)

ID: A1028607

Report from Chris Powell, Transport Manager, Northland Transportation Alliance

Moved (Geange/Dimery)

1. That the report 'Northland Regional Land Transport Plan 2015/2021 – Three Year Review' progress report by Chris Powell dated 29 January 2018 be received.

Carried

Secretarial Note:

- *The Meeting Secretary will send the Committee members an invitation to the Closed RLTP Workshop on Monday 26 February 2018 to discuss the revised State Highway Improvement Regional Rankings. This workshop will be held prior to the Deliberation Session scheduled to commence at 1.00pm in Northland Regional Council Chambers on 26 February 2018.*
- *The Committee expressed their thanks to the Northland Regional Council Staff who organised and assisted with the Have Your Say sessions around the region. The sessions were very well run.*

New Zealand Transport Agency's Regional Transport Committee Alternate Representative (Item 6.2)

ID: A1028793

Report from Chris Powell, Transport Manager Northland Transportation Alliance

Moved (Geange/Bain)

1. That the report 'New Zealand Transport Agency's Regional Transport Committee Alternate Representative' by Chris Powell, Transport Manager dated 30 January 2018, be received.
2. That the formally nominated Regional Transport Committee alternate representative be duly noted.

Carried

Northland Road Safety Action Plan Update (Item 7.1)

ID: A1030395

Report from Chris Powell, Transport Manager Northland Transportation Alliance

Moved (Bain/Dimery)

1. That the report 'Northland Road Safety Action Update' by Chris Powell, Transport Manager Northland Transportation Alliance dated 23 January 2018, be received.

Carried

Secretarial Note:

- *This report will be included at the Deliberations meeting on 26 February 2018 to ensure the Committee retain their focus on safety.*

Northland Transportation Alliance Update (Item 7.2)

ID: A1029864

Report from Peter Thomson, Manager Northland Transportation Alliance

Moved (Bain/Dimery)

1. That the report Northland Transportation Alliance Update Report, by the Northland Transportation Alliance Manager and dated 30 January 2018, be received.

Carried

CONCLUSION

The meeting concluded at 11.40am.

NORTHLAND REGIONAL COUNCIL PROPERTY SUBCOMMITTEE

Minutes of meeting of the Property Subcommittee
held in the Committee Room, Northland Regional Council, 36 Water Street, Whangārei,
on Wednesday, 7 February 2018 commencing at 2.00 pm.

Present:

Full Meeting

Cr Penny Smart (Chair)
Cr David Sinclair
Cr Bill Shepherd (ex officio)
Cr John Bain

In Attendance:

Full Meeting

Strategic Projects Manager
Property Officer
Chief Executive Officer
Governance Support Officer (Minute Taker)

The Chair declared the meeting open at 2.05 pm.

Apologies (Item 1.0)

There were no apologies.

Declarations of Conflict of Interest (Item 2.0)

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

Confirmation of Property Subcommittee Minutes –

5 December 2017 (Item 3.1)

ID: A1029921

Report from Property Officer, Alicia Jurisich

Moved (Bain/Shepherd)

That the minutes of the open section of the Property Subcommittee meeting, held on 5 December 2017, be confirmed as a true and correct record.

Carried

Mt Tiger Forest Quarterly Reporting October – December 2017 (Item 3.2)

ID: A1029921

Report from Property Officer, Alicia Jurisich

Moved (Bain/Shepherd)

That the report “Mt Tiger Forest Quarterly Reporting October-December 2017” by Alicia Jurisich, Property Officer, and dated 30 January 2018, be received.

Carried

Business with the Public Excluded (Item 4.0)

ID: A1003469

Report from Strategic Projects Manager, Phil Heatley

Moved (Bain/Shepherd)

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

Item No.	Item Issue	Reason\Grounds
4.1	Confirmation of Confidential Minutes of the Council Meeting – 5 December 2018	The reasons for excluding the public are as stated in the minutes of the open section of the meeting.
4.2	Sale of Council’s Lessor’s Interest to Freehold a CBD Property	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to carry on, without prejudice or disadvantage, commercial activities 7(2)(h).
4.3	Farm Inspection Report	The public conduct of the proceedings would be likely to result unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information 7(2)(b)(ii).

4.4	2017 Property Transactions	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to carry on, without prejudice or disadvantage, negotiations 7(2)(i).
4.5	Update on Significant Commercial Property Sale	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to carry on, without prejudice or disadvantage, commercial activities 7(2)(h).
4.6	Update: Property Subcommittee 2017 Action Notes	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to carry on, without prejudice or disadvantage, commercial activities 7(2)(h).

Carried

Open Meeting

Moved (Bain/Sinclair)

That the committee resumes in open meeting.

Carried

CONCLUSION

The meeting concluded at 3.35 pm.

MINUTES OF MEETING
INVESTMENT SUBCOMMITTEE

**Meeting held in the Committee Room, Northland Regional Council
on Wednesday 28 February 2018 at 8.30am**

Chair:	Cr Penny Smart		
Present:	Cr Bill Shepherd	Geoff Copstick	Cr John Bain (via phone)
In Attendance:	Malcolm Nicolson	Simon Crabb	Kym Ace
	Jonathan Eriksen (via phone)		Rachael King (Minutes)

The Chair declared the meeting open at 8.40am

1.0 APOLOGIES

Cr John Bain, Dave Tams

2.0 DECLARATIONS OF CONFLICTS OF INTEREST

Nil

3.0 OPEN MEETING

**3.1 Performance of Council's Externally Managed Funds to
January 2018 & Proposed Investments**

Presented by: Simon Crabb

ID: A1033050

Moved (Copstick / Shepherd)

1. That the report "Performance of council's externally managed funds to January 2018 and proposed investments" by Simon Crabb, Finance Manager, and dated 20 February 2018, be received.

Carried

Summary of Discussion

- Big correction in markets have happened since the report was written
- Returns from private equity are high, therefore perceived as higher risk
- However, risk is generally lower than returns indicate as private equity managers are more actively engaged in management, and there is access to business expertise, although returns are not a guarantee
- Ten percent of the portfolio in private equity seems prudent and reasonable, but currently only 60% is called capital
- NRC should accept valuations from fund managers and financial advisors, but should still be realistic and ask questions
- It was requested that income be reported as gross amounts, less fees

Agreed Action: Finance Manager to email Eriksens and request that gross returns and fees per manager are reported on a quarterly basis

9.10am: John Bain and Jonathan Eriksen joined the meeting (by phone)

Jonathan provided updates as follows:

- Market Overview
 - After last meeting the wage index in the US rose sharply
 - US stock market “sold off” over two weeks
 - At end of January the US ten year treasury bonds yield was 2.8 and this has now increased to 2.92
 - The DOW has twice lost in excess of 1,000 points in a day
 - Market is still very volatile, but has bounced back from the early February correction, which is promising
 - US interest rates have increased, however, AU and NZ rates have hardly moved
 - Private equity generates greater returns
- Currency
 - Exchange rate at the end of January was 0.90, has been up to 0.93 and is currently 0.927 and drifting down again
 - Expect the NZD to weaken and the AUD to strengthen
 - Do not expect the exchange rate to go over 0.94
 - Eriksens’ advice is to leave currency as it is – no hedging
- SALT
 - Month to month returns are very volatile, however, over the life of the fund they have never had a negative quarter
 - Risk management is very good – astute managers
 - Long-short managed funds is the best way to balance out the risk of long only managed funds
- Private Equity
 - Continuity 2 – 65% called as of today – last call was needed from distribution
 - Pioneer 3 – could be another 5 – 10% in this half year
 - MLC – expecting another 5 – 10% call before the end of June
- Overall Eriksens believe that council’s portfolio is as well positioned as they can be in the current circumstances
- Most of the council portfolio is in Australasia
- Sit quietly and watch

9.40am: John Bain and Jonathan Eriksen left the meeting

Moved (Shepherd / Copstick)

2. That the subcommittee endorses a recommendation to introduce the Continuity Capital Private Equity No. 4 Fund into the CIF SIPO with a capital commitment of \$1m, and funds the initial call from the CIF Milford Income Fund.
3. That, upon maturity, the proceeds of a \$1.4m term deposit (including accrued interest) are reinvested back into the PRF SALT Long Short Fund).

Carried

Meeting closed at 9.45am

