



**Far North
District Council**



Te Kaunihera o Tai Tokerau ki te Raki

AGENDA

Assurance, Risk and Finance Committee Meeting

Wednesday, 25 March 2020

Time: 1.00 pm
Location: Council Chamber
Memorial Avenue
Kaikohe

Membership:

Cr John Vujcich - Chairperson
Mayor John Carter
Member Bruce Robertson
Deputy Mayor Ann Court
Cr Mate Radich
Cr Kelly Stratford
Cr Moko Tepania

ASSURANCE, RISK AND FINANCE COMMITTEE - MEMBERS REGISTER OF INTERESTS

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
Hon John Carter QSO	Board Member of the Local Government Protection Programme	Board Member of the Local Government Protection Program		
	Carter Family Trust			
John Vujcich (Chair)	Board Member	Pioneer Village	Matters relating to funding and assets	Declare interest and abstain
	Director	Waitukupata Forest Ltd	Potential for council activity to directly affect its assets	Declare interest and abstain
	Director	Rural Service Solutions Ltd	Matters where council regulatory function impact of company services	Declare interest and abstain
	Director	Kaikohe (Rau Marama) Community Trust	Potential funder	Declare interest and abstain
	Partner	MJ & EMJ Vujcich	Matters where council regulatory function impacts on partnership owned assets	Declare interest and abstain
	Member	Kaikohe Rotary Club	Potential funder, or impact on Rotary projects	Declare interest and abstain
	Member	New Zealand Institute of Directors	Potential provider of training to Council	Declare a Conflict of Interest
	Member	Institute of IT Professionals	Unlikely, but possible provider of services to Council	Declare a Conflict of Interest
	Member	Kaikohe Business Association	Possible funding provider	Declare a Conflict of Interest
Bruce Robertson (Deputy)	No Form Received			
Deputy Mayor Ann Court	Waipapa Business Association	Member		Case by case
	Warren Pattinson Limited	Shareholder	Building company. FNDC is a regulator and enforcer	Case by case
	Kerikeri Irrigation	Supplies my water		No
	Top Energy	Supplies my power		No other interest greater than the publics
	District Licensing	N/A	N/A	N/A

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
	Top Energy Consumer Trust	Trustee	Crossover in regulatory functions, consenting economic development and contracts such as street lighting.	Declare interest and abstain from voting.
	Ann Court Trust	Private	Private	N/A
	Waipapa Rotary	Honorary member	Potential community funding submitter	Declare interest and abstain from voting.
	Properties on Onekura Road, Waipapa	Owner Shareholder	Any proposed FNDC Capital works or policy change which may have a direct impact (positive/adverse)	Declare interest and abstain from voting.
	Property on Daroux Dr, Waipapa	Financial interest	Any proposed FNDC Capital works or policy change which may have a direct impact (positive/adverse)	Declare interest and abstain from voting.
	Flowers and gifts	Ratepayer 'Thankyou'	Bias/ Pre-determination?	Declare to Governance
	Coffee and food	Ratepayers sometimes 'shout' food and beverage	Bias or pre-determination	Case by case
	Staff	N/A	Suggestion of not being impartial or pre-determined!	Be professional, due diligence, weigh the evidence. Be thorough, thoughtful, considered impartial and balanced. Be fair.
	Warren Patteinson	My husband is a builder and may do work for Council staff		Case by case
Ann Court - Partner	Warren Pattinson Limited	Director	Building Company. FNDC is a regulator	Remain at arm's length
	Air NZ	Shareholder	None	None
	Warren Pattinson Limited	Builder	FNDC is the consent authority, regulator and enforcer.	Apply arm's length rules
	Property on Onekura Road, Waipapa	Owner	Any proposed FNDC capital work in the vicinity or rural plan change. Maybe a link to policy development.	Would not submit. Rest on a case by case basis.

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
Mate Radich	No form received			
Kelly Stratford	KS Bookkeeping and Administration	Business Owner, provides book keeping, administration and development of environmental management plans	None perceived	Step aside from decisions that arise, that may have conflicts
	Waikare Marae Trustees	Trustee	Maybe perceived conflicts	Case by case basis
	Bay of Islands College	Parent Elected Trustee	None perceived	If there was a conflict, I will step aside from decision making
	Karetu School	Parent Elected Trustee	None perceived	If there was a conflict, I will step aside from decision making
	Maori title land – Moerewa and Waikare	Beneficiary and husband is a shareholder	None perceived	If there was a conflict, I will step aside from decision making
	Sister is employed by Far North District Council			Will not discuss work/governance matters that are confidential
	Gifts - food and beverages	Residents and ratepayers may 'shout' food and beverage	Perceived bias or predetermination	Case by case basis
Kelly Stratford - Partner	Chef and Barista	Opua Store	None perceived	
	Maori title land – Moerewa	Shareholder	None perceived	If there was a conflict of interest, I would step aside from decision making
Moko Tepania	Teacher at Te Kura Kaupapa Māori o Kaikohe.	Potential Council funding that will benefit my place of employment.		Declare a perceived conflict
	Chairperson at Te Reo o Te Tai Tokerau Trust.	Potential Council funding for events that this trust runs.		Declare a perceived conflict
	Tribal Member – Te Rūnanga o Te Rarawa	As a descendent of Te Rarawa I could have a perceived conflict of interest in Te Rarawa Council relations.		Declare a perceived conflict
	Tribal Member - Te Rūnanga o Whaingaroa	As a descendent of Te Rūnanga o Whaingaroa I could		Declare a perceived conflict

Name	Responsibility (i.e. Chairperson etc)	Declaration of Interests	Nature of Potential Interest	Member's Proposed Management Plan
		have a perceived conflict of interest in Te Rūnanga o Whaingaroa Council relations.		
	Tribal Member – Kahukuraariki Trust Board	As a descendent of Kahukuraariki Trust Board I could have a perceived conflict of interest in Kahukuraariki Trust Board Council relations.		Declare a perceived conflict
	Tribal Member – Te Rūnanga ā-lwi o Ngāpuhi	As a descendent of Te Rūnanga ā-lwi o Ngāpuhi I could have a perceived conflict of interest in Te Rūnanga ā-lwi o Ngāpuhi Council relations.		Declare a perceived conflict

Far North District Council
Assurance, Risk and Finance Committee Meeting
will be held in the Council Chamber, Memorial Avenue, Kaikohe on:
Wednesday 25 March 2020 at 1.00 pm

Order Of Business

1	Karakia Timatanga – Opening Prayer.....	9
2	Apologies and Declarations of Interest.....	9
3	Deputation.....	9
4	Confirmation of Previous Minutes.....	11
4.1	Confirmation of Previous Minutes.....	11
5	Reports.....	17
5.1	Emerging Risk - Fresh Water Resilience.....	17
5.2	Draft Far North Holdings Limited Statement of Intent 2020 to 2023.....	31
5.3	Far North Holdings Limited - Half Year Report	47
6	Information Reports.....	57
6.1	Financial impact relating to the drought.....	57
6.2	Internal Audit and Assurance Report.....	59
6.3	Risk Management	61
6.4	Financial Report for the period ending 29 February 2020.....	71
6.5	Revenue Recovery Report	93
6.6	BCA Accreditation update report.	99
7	Public Excluded	101
7.1	Confirmation of Previous Minutes.....	101
7.2	2020 Far North District Council Assurance Work Programme	101
7.3	FNDC Current Legal Action Potential Liability Claims.....	101
8	Karakia Whakamutanga – Closing Prayer.....	102
9	Meeting Close	102

1 KARAKIA TIMATANGA – OPENING PRAYER**2 APOLOGIES AND DECLARATIONS OF INTEREST**

Members need to stand aside from decision-making when a conflict arises between their role as a Member of the Committee and any private or other external interest they might have. This note is provided as a reminder to Members to review the matters on the agenda and assess and identify where they may have a pecuniary or other conflict of interest, or where there may be a perception of a conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the meeting or of the relevant item of business and refrain from participating in the discussion or voting on that item. If a Member thinks they may have a conflict of interest, they can seek advice from the Chief Executive Officer or the Team Leader Democracy Support (preferably before the meeting).

It is noted that while members can seek advice the final decision as to whether a conflict exists rests with the member.

3 DEPUTATION

No requests for deputations were received at the time of the Agenda going to print.

4 CONFIRMATION OF PREVIOUS MINUTES

4.1 CONFIRMATION OF PREVIOUS MINUTES

File Number: A2860745

Author: Marlema Baker, Meetings Administrator

Authoriser: Aisha Huriwai, Team Leader Democracy Services

PURPOSE OF THE REPORT

The minutes are attached to allow the Committee to confirm that the minutes are a true and correct record of previous meetings.

RECOMMENDATION

That the Assurance, Risk and Finance Committee confirms the minutes of the Assurance, Risk and Finance Committee meeting held 12 February 2020 as a true and correct record.

1) BACKGROUND

Local Government Act 2002 Schedule 7 Section 28 states that a local authority must keep minutes of its proceedings. The minutes of these proceedings duly entered and authenticated as prescribed by a local authority are prima facie evidence of those meetings.

2) DISCUSSION AND OPTIONS

The minutes of the meetings are attached.

Far North District Council Standing Orders Section 27.3 states that no discussion shall arise on the substance of the minutes in any succeeding meeting, except as to their correctness.

Reason for the recommendation

The reason for the recommendation is to confirm the minutes are a true and correct record of the previous meetings.

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or the need for budgetary provision as a result of this report.

ATTACHMENTS

- 1. 2020-02-12 Assurance, Risk and Finance Committee Unconfirmed Minutes - A2847404**



Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	This is a matter of low significance.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	This report complies with the Local Government Act 2002 Schedule 7 Section 28.
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	It is the responsibility of each meeting to confirm their minutes therefore the views of another meeting are not relevant.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	There are no implications for Māori in confirming minutes from a previous meeting. Any implications on Māori arising from matters included in meeting minutes should be considered as part of the relevant report.
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences (for example, youth, the aged and those with disabilities).	This report is asking for minutes to be confirmed as true and correct record, any interests that affect other people should be considered as part of the individual reports.
State the financial implications and where budgetary provisions have been made to support this decision.	There are no financial implications or the need for budgetary provision arising from this report.
Chief Financial Officer review.	The Chief Financial Officer has not reviewed this report.

**MINUTES OF FAR NORTH DISTRICT COUNCIL
ASSURANCE, RISK AND FINANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, MEMORIAL AVENUE, KAIKOHE
ON WEDNESDAY, 12 FEBRUARY 2020 AT 1.00 PM**

PRESENT: Cr John Vujcich, Mayor John Carter (HWTM), Member Bruce Robertson, Cr Ann Court, Cr Mate Radich, Cr Kelly Stratford, Cr Moko Tepania

1 APOLOGIES AND DECLARATIONS OF INTEREST

APOLOGY

COMMITTEE RESOLUTION 2020/1

Moved: Cr Kelly Stratford

Seconded: Member Bruce Robertson

That the apology received from His Worship the Mayor and Cr Mate Radich be accepted and leave of absence granted.

CARRIED

2 DEPUTATION

There were no requests for deputations for this meeting.

3 INFORMATION REPORTS

3.1 AUDIT MANAGEMENT REPORT FOR JUNE 2019

Agenda item 3.1 document number A2823691, pages 10 - 38 refers.

Audit New Zealand representatives David Walker and Trevor Rusling spoke to the report.

COMMITTEE RESOLUTION 2020/2

Moved: Cr John Vujcich

Seconded: Cr Kelly Stratford

That the Assurance, Risk and Finance Committee receive the report "Audit Management Report for June 2019".

CARRIED

3.2 REVENUE RECOVERY REPORT - FEBRUARY 2020

Agenda item 3.2 document number A2825732, pages 39 - 44 refers.

COMMITTEE RESOLUTION 2020/3

Moved: Cr Ann Court

Seconded: Cr Kelly Stratford

That the Assurance, Risk and Finance Committee receive the report "Revenue Recovery Report - February 2020".

CARRIED**3.3 INTERNAL AUDIT AND ASSURANCE REPORT**

Agenda item 3.3 document number A2826403, pages 45 - 47 refers.

COMMITTEE RESOLUTION 2020/4

Moved: Member Bruce Robertson

Seconded: Cr John Vujcich

That the Assurance, Risk and Finance Committee receive the report Internal Audit and Assurance Report.

CARRIED**3.4 RISK MANAGEMENT REPORT**

Agenda item 3.4 document number A2826762, pages 48 - 54 refers.

COMMITTEE RESOLUTION 2020/5

Moved: Cr Kelly Stratford

Seconded: Cr Moko Tepania

That the Assurance, Risk and Finance Committee receive the report Risk Management Report.

CARRIED**3.5 FINANCIAL REPORT FOR THE PERIOD ENDING 31 DECEMBER 2019**

Agenda item 3.5 document number A2827848, pages 55 - 55 refers.

COMMITTEE RESOLUTION 2020/6

Moved: Deputy Mayor Ann Court

Seconded: Cr John Vujcich

That the Assurance, Risk and Finance Committee receive the report "Financial Report for the period ending 31 December 2019".

CARRIED

The following two items were issues late under supplementary agenda. Members requested they instead be deferred to the 26 February 2020 Council meeting for consideration.

1. Level of Service KPI Quarter 1 and 2 Performance Report.
2. Building Consent Authority Accreditation.

4 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION 2020/7**

Moved: Cr John Vujcich

Seconded: Deputy Mayor Ann Court

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
4.1 - Fraud Near Miss Report	s6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
4.2 - FNDC Current Legal Action Potential Liability Claims	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
4.3 - Rate Arrears - Collection Options	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

5 MEETING CLOSE

The meeting closed at 4.17 pm.

The minutes of this meeting will be confirmed at the Assurance, Risk and Finance Committee Meeting to be held on 25 March 2020.

.....
CHAIRPERSON

5 REPORTS

5.1 EMERGING RISK - FRESH WATER RESILIENCE

File Number: A2857068

Author: Tanya Reid, Manager - Transformation, Risk and Audit (Acting)

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

That the Assurance, Risk and Finance Committee approves the addition of the “Fresh Water Resilience” risk onto the Organisational Top Risks Dashboard.

EXECUTIVE SUMMARY

- Fresh Water Resilience has been identified as an emerging risk for inclusion on the Organisational Top Risks Dashboard.
- Addition of this emerging risk on the Organisational Top Risks Dashboard will enable governance focus.

RECOMMENDATION

That the Assurance, Risk and Finance Committee approves the addition of the “Fresh Water Resilience” risk onto the Organisational Top Risks Dashboard.

1) BACKGROUND

The Organisational Top Risks Dashboard was adopted by Council in May 2019. Good risk management practice includes the identification of emerging risks, and, based on impact and likelihood analysis, as appropriate these are escalated to the Assurance, Risk and Finance Committee for addition on the Organisational Top Risks Dashboard.

In accordance with our Risk Management Policy adopted by Council August 2019, the “Fresh Water Resilience” risk has been identified as such an emerging risk. This risk was scored and prioritised using the FNDC IDEATE methodology which assessed this risk against the defined risk categories and risk tolerances. The outcome of this analysis is to recommend the addition of this risk to the Organisational Top Risks Dashboard.

2) DISCUSSION AND OPTIONS

The Risk Management Policy requires the reporting of:

- emerging, changing and decreasing risks of potential impact to the achievement of Council objectives; and
- to escalate in a timely manner any risk management issues or concerns when they arise.

The “Fresh Water Resilience” risk has been analysed as an organisational and strategic risk. A total score of 35 or greater is considered high-risk. The Fresh Water Resilience risk score totalled 35. By risk category the impact and likelihood scores are:

1. Finance category, 9: Impact is high ($\geq 0.3\%$ rates increase); likelihood is will happen (the risk is likely to occur and there is frequent exposure to this risk)
2. FNDC Customer category, 9: Impact is high (potential loss of essential service and cost to customer); likelihood is will happen (the risk is likely to occur and there is frequent exposure to this risk)
3. Reputational category, 7: Impact is medium (loss of national trust and confidence, 1-2 years to re-establish); likelihood is will happen (the risk is likely to occur and there is frequent exposure to this risk)

4. Compliance / Legal, 3: Impact is medium (we are challenged and found to be non-compliant with fines or penalties <\$500,000); Likelihood is unlikely (there is a low exposure to this risk)
5. Health & safety, 7: Impact is high (public health outcome); Likelihood is probable (risk will possibly occur)

The full Organisational Risk Impact and Likelihood Statements are provided in attachment 1. The current drought crisis illustrates the fragility of the district's freshwater resilience as documented in attachment 2 The Drought Issue Register.

Risk statement from IAMs Group Risk Register:

Group	Risk level	Inherent Risk Score	Risk description	Because of	There is a chance that...	leading to...
Infrastructure and Asset Management	Organisational	35	Strategic	Lack of freshwater resilience - long-term trends in rain fall coupled with changing and increasing consumer demands	Current freshwater supply systems will continue to not meet demand both now and into the future	Critical impact on our communities i.e. lengthy water restrictions; no/interrupted supply; costly economic consequences (affordability); extensive Health & Safety impacts across the district; economic and reputational risk from a failure to supply adequate potable and fresh water; negative environmental impacts.

Effective risk management decreases either the probability of risks occurring and/or the impact if the risk does occur. By developing and implementing effective treatment plans we expect to both decrease the probability and impact of these risks.

Two options are proposed

1. Maintain the status quo with the Fresh Water Resilience risk on the Infrastructure and Asset Management Group Risk Register
2. Add to the Organisational Top Risks Dashboard to ensure governance and that we address the questions – where are the gaps and what more could we be doing?

Reason for the recommendation

We recommend option two as this risk will impact two strategic risks, ARF001 Climate Change and ARF005 Affordability and provide for the following benefits:

- Governance focus to support Council achieving their objectives;
- Regular risk update reporting to the Assurance, Risk and Audit Committee with status and details of the treatment plans being implemented;
- Deep dive risk workshop(s); and
- The Strategic Leadership Team is active in overseeing these top risks and have committed to regular sessions to discuss these risks, their status and how the implementation of the treatment plans is progressing.

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

To be confirmed once detailed treatment plans have been created. The detailed treatment plans will articulate the desired treatment programme to manage the risk appropriately, which will include budgeted resources and non-budgeting resources.

ATTACHMENTS

1. **2019 10 Simplified Organisational Risk Categories with Impact and Likelihood Statements - A2857911** [!\[\]\(e492b5d52ab457a7a3c2826c4091dfee_img.jpg\)](#) [!\[\]\(1d9440fab1f214291ce1c26a75f9c2cd_img.jpg\)](#)
2. **Drought Issue Register as @ 2020 02 28 - A2857074** [!\[\]\(6be2e1cb461308cfbb51376f893366b1_img.jpg\)](#) [!\[\]\(9d1c9e561b4c39f4d970a841cbc526df_img.jpg\)](#)

Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Individual treatments will be assessed for their level of significance.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Risk Management Policy.
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	Individual treatments will be assessed for their level of interest to one or all Community Boards.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	Individual treatments will be assessed for implication(s) for Māori.
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences (for example – youth, the aged and those with disabilities).	Individual treatments will be assessed for affected parties.
State the financial implications and where budgetary provisions have been made to support this decision.	Currently unquantified. Financial implications of individual treatments will be assessed.
Chief Financial Officer review.	The Chief Financial Officer has reviewed this report.

Organisational Risk Impact and Likelihood Statements

	Financial	FNDC Customer (ratepayer, resident and/or other occupant)	Reputation	Compliance / Legal	Health & Safety
Impact if risk is left "as is":	Impact on Budget, Department or Team; and/or Impact on annual Council budget in \$	Financial impact to customer Customer impact due to loss of a provision of essential service, or essential piece of infrastructure	The impact on FNDC's reputation	The legal impact on FNDC's legal adherence / regulatory compliance	The impact to people(s) health & safety arising from FNDC operations or a situation where FNDC are liable
High to Intolerable	<ul style="list-style-type: none"> >10% of project or departmental budget; >\$100,000 OPEX pa impact to Council budget; and/or ≥ 0.3% rates increase 	>\$10k	<ul style="list-style-type: none"> External reputation severely damaged, considerable effort and expense required to recover e.g. <ul style="list-style-type: none"> 2-5 years to re-establish confidence; Loss of national trust & confidence including government such as: <ul style="list-style-type: none"> Trending presence in national and international media; and/or > 15% staff turnover pa and/or turnover of organisational critical roles 	<ul style="list-style-type: none"> FNDC get challenged and are found to be non-compliant with : <ul style="list-style-type: none"> appointment of a commissioner under the LGA; criminal conviction and/or fines, penalties; or legal exposure in excess of \$500,000; and/or Contract: termination of contract (breach / default etc.) 	Any loss of life Serious injury / disability (as defined by the Act) to one or more lives and/or Public Health outcome
Medium	<ul style="list-style-type: none"> 1% - 10% of project or departmental budget; and/or \$50,000 to \$100,000 OPEX pa impact to Council budget and/or 0.1 to 0.3% rates increase 	\$5k - \$10k	<ul style="list-style-type: none"> External reputation damaged, effort and expense is required to recover; and/or Loss of regional trust & confidence including iwi, funding partners and elected members such as: <ul style="list-style-type: none"> Presence in regional/local media only; and/or 1-2 years to re-establish confidence. 10- 15% staff turnover pa with "normal" turnover of organisational critical roles 	<ul style="list-style-type: none"> FNDC get challenged and are found to be non-compliant with <ul style="list-style-type: none"> fines, penalties or legal exposure <\$500,000 Contract: receive written notice from the contractor threatening termination if not rectified 	Minor harm and/or isolated recoverable illness
Low to None	<ul style="list-style-type: none"> < 1% of project or departmental budget; and/or <\$50,000 OPEX pa impact to Council budget and/or <0.1 rates increase 	<\$5k	<ul style="list-style-type: none"> External reputation minimally affected, little effort or expense required to recover; and/or Loss of stakeholder trust & confidence at local level <ul style="list-style-type: none"> Presence in local media only; and/or <1 year to re-establish confidence. <10% staff turnover pa 	<ul style="list-style-type: none"> Might be challenged or threat of litigation: <ul style="list-style-type: none"> but are compliant; or have the appetite to tolerate non-compliance cost (treating exceeds legal penalty we could receive.) Contract: receive verbal advice that, if breaches continue a default notice may be issued; or results in meeting between two parties in which contractor expresses concern 	

Probability:	
Will happen	The risk is likely to occur. There is frequent exposure to the risk. There are external influences that make managing this risk ineffective.
Probable	The risk will possibly occur e.g. once in every 2 year event There is an exposure to the risk. There are external influences that make managing this risk difficult.
Unlikely	The risk is unlikely to occur e.g. once in every 10 year event There is a low exposure to the risk.

Score by impact and likelihood			
High to Intolerable	5	7	9
Medium	3	5	7
Low to None	1	3	5
	Unlikely	Probable	Will happen

Date: 10 2019

Author: Tanya Reid

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
CEO/GM IAM	18-Feb-20	41	25	DC01	Kaikohe	Insufficient Water	Low Flows in the Wairoro Stream	Will lead to insufficient water being available to supply Kaikohe	Level 4 Water Restrictions, increased comms and awareness of the water crisis. Signage, public meetings, private leak fix campaign.		Treatment Implemented. 30% reduction in water use observed.	A temporary supply from Lake Omapere with an overland pipe from the lake to the catchment above the Taraire Hills dam. Progress: Landowner Agreement 50% complete. Detailed design 80% complete. Pipe installed. Headworks not yet started.			A temporary supply from the lower Wairoro Stream between Northland College and Cumber Rd with an overland pipe from the temporary take point to the permanent Wairoro intake point. Progress: Landowner agreement 90% complete. Detailed design 90% complete. Pipe ordered. Pricing underway.				
CEO/GM IAM	18-Feb-20	41	#N/A	DC02	Kaikohe	Drinking Water Standards	The proposed alternative supply is prone to cyanobacteria outbreaks	The algae can block the membranes at the WTP making production less efficient. Once the algae dies a toxin is released that cannot be treated with existing equipment.	Additional monitoring and plant shut down to avoid toxins entering the supply.		Results of testing can take up to three days: overnight delivery of sample, 24 hour turnaround of algae sample.	Additional filters and dosing proposal to be prepared by BECA.		Filters can remove algae and protect the membranes but they cannot remove toxins.	Dilute Lake Omapere water with Lower Wairoro Options		Only diluting the risk, not eliminating.		

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
CEO/GM IAM	18-Feb-20	37	#N/A	DC14	Kaitaia	Insufficient Source	Low flows in the Awanui River and Okahu Stream	Will lead to insufficient water being available to supply Kaitaia	Apply for Water Shortage Direction from NRC and implement Level 4 Water Restrictions. Increase comms and awareness of the water crisis. Signage, letter drop and social media. The Awanui is unlikely to completely dry up downstream of our take.		Treatment Implemented and WSD issued by NRC.	Further reduce demand on the WTP and the river by closing the bulk tanker fill point (relocating to Sweetwater).			Supplement the take of the Awanui River with tanks from the Sweetwater bore.			If the Awanui is no longer able to provide any water to Kaitaia secure an alternative supply including temporary infrastructure to get the water in sufficient quantity to the Kaitaia Water Treatment Plant.	
CEO/GM IAM	18-Feb-20	37	#N/A	DC27	Rawene	Insufficient Source	Low Flows in the Petaka Stream	Will lead to insufficient water being available to supply Rawene.	Apply for Water Shortage Direction from NRC and implement Level 4 Water Restrictions. Increase comms and awareness of the water crisis. Signage, letter drop and social media.		Implemented. 20% reduction in demand vs benchmark	Modification of raw water infrastructure. Bring online the raw water storage (part of the new, uncommissioned, Omanaia WTP) as a buffer tank. With a buffer tank we can take from the Petaka at a lower flow rate over 24hours.		Progress: Concept with FNW to detail and price.	Secure an alternative supply for Rawene including temporary infrastructure to get the water in sufficient quantity to the Water Treatment Plant.				

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
CEO/GM IAM	18-Feb-20	35	#N/A	DC11	District Wide	Insufficient Source	Minimal rain and water conservation leads to low flows in the reticulated sewer	Low flows increase the likelihood of blockages, spills and odour issues. High strength wastewater will increase the load on the wastewater treatment plants and may lead to breaches in consented limits for parameters such as bacteria or nutrients	Increased wastewater network maintenance. Jetting mains, cleaning pump stations and clearing blockages.		Increased network maintenance will reduce the likelihood of spills and blockages but will not support WWTP compliance.								
CEO/GM IAM	18-Feb-20	35	13	DC13	Kaitaia	Insufficient Source	Water level (stage) in the Awanui River is too low and air is drawn into the WTP	WTP slows significantly due to entrained air or the WTP is shut down because the floc blanket is disrupted.	Raise the water level of the Awanui River at the water intake point by creating a weir/dam downstream of the intake structure.		Water level has been temporarily raised to a safe level.								
CEO/GM IAM	18-Feb-20	33	#N/A	DC16	Kaitaia	Insufficient Source	The Kaitaia WWTP is the most vulnerable to shut down in low flow conditions.	The discharge from the WWTP will cause damage to the ecology downstream.	Stop discharge by blocking the outlet of the WWTP ponds and allowing the water level in the ponds to rise. There will be damage to the bunds and wavebands in the ponds. There is 30-40 days storage in			Once the ponds are full an alternative site will need to be found. Possible land discharge nearby.							

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
									the ponds with increased water levels.										
CEO/GM IAM	18-Feb-20	31	#N/A	DC05	District Wide	Environmental (human) Impact	Prolonged dry weather has a very high number of rural water users without water. There are insufficient local resourced to provide water in a timely manner and the cost of water is unaffordable to some.	Health and safety of rural water users is compromised	Ensure rural community facilities such as marae and community halls have water and act as local water collection points.		Residents can go to these local places and collect water from their tank supplies. Because we don't know the condition of the tanks we are putting the water into, or the cleanliness of the containers being used, it is recommended that all water users boil the water prior to consumption.	Re-open reticulated facilities in town for water collection and hygiene.		Residents may need to travel further but water quality is less risky.					

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
CEO/GM IAM	18-Feb-20	29	#N/A	DC08	District Wide	Failing Infrastructure	Extremely dry ground conditions is increasing the failure rate of our trunk water mains.	When a large diameter (100mm+) water pipe breaks it can quickly empty the treated water storage/reservoirs. With rivers so low it will be more difficult to replenish the reservoirs while supplying the town.	WTP operators closely monitor live real-time demand from the supply. A sudden increase in demand is a sign of a leak and the retic team is dispatched to look for the leak.		Implemented. A leak in Kaikohe was found and isolated within 20 min.								
CEO/GM IAM	18-Feb-20	29	#N/A	DC12	District Wide	Insufficient Source	Many of our wastewater treatment plants require sufficient dilution for the environmental impact to be less than minor	Rivers with very low flow may not be able to accept our WWTP discharge	Blocking the outlet and maximising storage. This can damage wavebands on the ponds			Finding a temporary alternative discharge location such as bunding an paddock.							
CEO/GM IAM	18-Feb-20	27	#N/A	DC10	District Wide		Intense media attention and scarcity of raw water in the environment	Increase in risk of sabotage or vandalism of our infrastructure or water supply	Escalation of criminal activities to emergency partners if required.			Monitoring of anti social behaviour on social media and within communities.							
CEO/GM IAM	18-Feb-20	27	#N/A	DC19	Kerikeri	Failing Infrastructure	The KIC supply line will continue to fail as it has a number of times already this	Once the line breaks air enters the line and it can take days or weeks to remove the air and return to full flows.	Support KIC with people and materials to fix any breaks in the line supplying FNDC.			Switch main supply to the Puketotara River							

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
							summer due to dry soil conditions.												
CEO/GM IAM	18-Feb-20	23	#N/A	DC09	District Wide	Failing Infrastructure	Extremely dry ground conditions is increasing the failure rate of our lateral water mains.	Increase in leaks across the network	We rely on staff and members of the public seeing these leaks once they show above ground and calling in an RFS.										
CEO/GM IAM	18-Feb-20	23	#N/A	DC17	Kerikeri	Insufficient Source	Kerikeri Irrigation Dam (lake waingaro) is falling at the expected rate for this time of year and climatic conditions.	The water quality of water at the lower levels of the lake are poor and less suitable for a WTP.	Continue to supplement the KIC supply with the Puketotara stream			Implement Level 4 water restrictions							
CEO/GM IAM	18-Feb-20	23	#N/A	DC22	Kawakawa	Insufficient Source	Water in the bores new Tirohanga stream are insufficient to meet the demand of Kawakawa and Moerewa water users.	The WTP is unable to meet the demand of the water users and reservoirs are unable to fill.	Apply for Water Shortage Direction from NRC and implement Level 4 Water Restrictions. Increase comms and awareness of the water crisis. Signage, letter drop and social media.			Redirect bulk tankers to new bulk tanker fill point in Kaitia.			Secure an alternative supply for Kawakawa/Moerewa including temporary infrastructure to get the water in sufficient quantity to the Water Treatment Plant.				

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
CEO/GM IAM	18-Feb-20	21	#N/A	DC03	Kaikohe	Environmental (human) Impact	High demand on the bore at Monument Hill will accelerate local springs drying up including Waikotihe Spring	The Waikotihe Spring serves a number of houses, a large marae and a significant church	Maximise production from Taraire WTP to supply Kaikohe including filling the Monument reservoirs using Orrs road pump station.										
CEO/GM IAM	18-Feb-20	19	#N/A	DC06	District Wide		The wide spread nature of the drought event is putting pressure on human resources within Far North Waters.	Operations team is stretched fine tuning plants and operating infrastructure is on the limits of its abilities. RFS loads are very high as the dry ground cracks and customers are reporting leaks.	Projects team is focused on implementing contingency plans and supporting operations.										
CEO/GM IAM	18-Feb-20	17	#N/A	DC21	Kawakawa	Insufficient Source	Water levels in the infiltration gallery are too low to take water	This causes entraining air in the pipeline and WTP.	Lower pumps in the bore										
CEO/GM IAM	18-Feb-20	17	#N/A	DC25	Paihia	Insufficient Source	Water level (stage) in the Waitangi river is too low and air is drawn into the WTP.	WTP slows significantly due to entrained air or the WTP is shut down because the floc blanket is disrupted.	Raise the water level of the Waitangi River at the water intake point by creating a weir/dam downstream of the intake structure (above Haruru Falls).										

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
CEO/GM IAM	18-Feb-20	15	#N/A	DC23	Kawakawa	Failing Infrastructure	Galleys between clarifier and the filter are known to be substandard but work has been delayed to improve them until the drought is over.	There is an increased risk of WTP failure with the critical piece of infrastructure in such poor condition.	Install temporary scaffolding to support the infrastructure.										
CEO/GM IAM	18-Feb-20	15	#N/A	DC26	Paihia	Failing Infrastructure	High demand from the tourism town forces the WTP to run close to 24/7.	The WTP is unable to meet the demand of the water users and reservoirs are unable to fill.	Implement Level 4 Water Restrictions			Redirect bulk tankers to new bulk tanker fill point in Kaitiaia.							
CEO/GM IAM	18-Feb-20	13	#N/A	DC07	District Wide	Failing Infrastructure	The widespread nature of the drought event is putting pressure on the supply of critical spares	Assets Impacted - Pumps, level probes, PCL, VSD, and non-standard pipe and fittings	Review on inventory on hand and recommendations from FNW on purchases required			Understand what is available from our colleagues at Watercare and Whangarei District Council							
CEO/GM IAM	18-Feb-20	13	#N/A	DC18	Kerikeri	Insufficient Source	The Puketotara stream is reaching consent limits for low flow.	FNDC unable to take water when consent limits reached	A Water Shortage Direction will be applied for at the appropriate time to allow FNDC to continue to take water when consent										

Risk Owner	Date Current Inherent Risk	Inherent Risk	Residual Risk	Risk ID#	Area	Theme	Risk/Issue	Impact:	Treatment 1	Treatment 1 Owner	Treatment 1 Progress / Effectiveness	Treatment 2	Treatment 2 Owner	Treatment 2 Progress / Effectiveness	Treatment 3	Treatment 3 Owner	Treatment 3 Progress / Effectiveness	Treatment 4	Treatment 4 Owner
									limits have been reached.										
CEO/GM IAM	18-Feb-20	11	#N/A	DC24	Paihia	Insufficient Source	Low flows and high temperatures increase algae growth in the river.	Algae growth on the intake screen reduces the rate of take and subsequent treatment capacity.	Increase manual cleaning of the intake screen.										
CEO/GM IAM	18-Feb-20	7	#N/A	DC20	Kerikeri	Failing Infrastructure	The main KIC line down from the dam face is specialist large diameter pipe. As at 14/2/20 it was understood that there was one length of spare pipe for repairs. There are no stocks of this pipe in New Zealand and it needs to be specially made.		Work with KIC using broadspectrum's commercial weight to make things happen.										
CEO/GM IAM	18-Feb-20	5	#N/A	DC04	Kaikohe	Failing Infrastructure	The Orrs Road pump station fails	Demand on the bore at monument hill increases	Ensure we have a critical spare for the Orrs Road pump station pump on hand.										

5.2 DRAFT FAR NORTH HOLDINGS LIMITED STATEMENT OF INTENT 2020 TO 2023**File Number: A2859977****Author: Janice Smith, Chief Financial Officer****Authoriser: William J Taylor MBE, General Manager - Corporate Services****PURPOSE OF THE REPORT**

This report presents the draft Statement of Intent of Far North Holdings Limited for the three years from 1 July 2020 to 30 June 2023.

EXECUTIVE SUMMARY

- The Statement of Intent presented complies with the requirements of the Local Government Act.

RECOMMENDATION

That the Assurance, Risk and Finance Committee:

- review the comments from staff as identified in the report and advise which, if any they would like to address;**
- advise Far North Holdings of any amendments that are suggested by the shareholder, that are not covered in the report;**

and that all amendments be notified, through the Chief Executive, to the Board of FNHL prior to 30 April 2020.

1) BACKGROUND

The requirements for the governance and accountability of council-controlled organisations (CCO) and council organisations are set out in Part 5, Sections 55-74, of the Local Government Act 2002 (LGA) and Schedule 8, Clauses 1-10, of the LGA sets out specific provisions regarding Statements of Intent (SOI).

The purposes of a SOI are to:

- Provide transparency to the community about the proposed activities and intentions of the CCO for the forthcoming year,
- Enable Council, as the shareholder in the CCO to influence the direction of the company,
- Create a basis for accountability of the Directors of the CCO to Council as the shareholder.

Section 64, LGA requires every CCO to have a SOI that complies with clauses 7 and 9 of Schedule 8 of the LGA. These clauses outline the statutory content of a SOI for a trading organisation.

The statutory provisions of Schedule 8 require the Board to deliver to its shareholders a draft SOI on or before 1 March each year then consider any comments on the draft SOI made to it within 2 months of 1 March before delivering the completed SOI on or before 30 June each year.

The shareholder, Council, can either agree with the draft SOI or require the Board to modify the SOI on any matter included in Clauses 7 to 9. Modification must be by way of resolution and the shareholder is first required to consult the Board as to the matters to be modified.

The effect of the timing provisions is that the shareholder, Council, has until 30 April to make any comments back to the company on changes it would like to see made to the draft SOI. The CCO must then consider these comments and submit its final SOI to the shareholder by 30 June.

Far North Holdings Limited (FNHL) has met its statutory obligations by submitting a draft SOI by the statutory deadline. A copy of the draft SOI is attached.

2) DISCUSSION AND OPTIONS

The Statement of Intent has been reviewed and a number of questions were identified that require a direction from the shareholder.

Page 5 – decisions for which prior Council approval is required.

There are four types of decision that require prior approval from Council. However, the most significant decision that FNHL could make is the purchase of another business and that is not included. Staff suggest that the Committee consider adding this to the decisions requiring Council approval.

Page 5/6 – work plan to deliver on Strategic Objectives.

The SOI provides information on how the workplan contributes to Strategic Objectives. It is not clear if the strategic objectives are those of FNHL alone or if they should incorporate the strategic objectives of Council, and more specifically, the four well beings now that they have been re-introduced to the Local Government Act 2002 (LGA). Staff have reviewed the table and suggest that the words currently included are descriptions of the projects but that they do not identify the strategic objective of either FNHL or FNDC that is being achieved by the project. Staff suggest that the committee consider which objectives should be responded to and advise FNHL accordingly.

Page 8 – Accounting Policies.

The SOI identifies FNHL as a Tier 2 entity in relation to the New Zealand International Financial Reporting Standards, however, it does not indicate that there are circumstances where the accounts will deviate from the International Public Sector Accounting Standards (IPSAS) under which Council, as the parent, have to report. Staff suggest that it would be helpful in the SOI to indicate that in some cases, additional disclosures are required of FNHL in order for Council to meet its own reporting disclosures.

Page 8 – Acquisition of shares.

The SOI currently states that if FNHL wishes to acquire shares in another business or company they will notify the shareholder 30 days in advance. Staff suggest that this should be reviewed to require that FNHL to seek “permission” from the shareholder at least 30 days in advance.

Page 8 – Performance outlook.

This section of the SOI indicates that Council has undertaken to develop a statement of expectations aligning with the 2021-31 LTP process. This decision has not been formally adopted by Council at this point and staff suggest that this be removed at this point to allow the Committee to review all the additional requirements that are now options within the LGA and introduce them as a set rather than one at a time, if at all.

Page 10 – current board membership.

This section of the SOI indicates that two Directors appointments will cease in June and July 2020 with the remaining three ceasing in 2021. In 2019, Council approved a final extension for two Directors being Bill Birnie to July 2021 and Ross Blackman to July 2020. Council has a policy “Appointment and Remuneration of Directors for Council Organisations (#2117)” which specifies the desirable tenure for directors. Policy states that after six years, directors can be appointed for a further three years but should not remain as directors for more than nine years. Staff suggest that the SOI outlines the potential impact of the changes that will need to occur and that any re-appointment of Directors will be in line with Council policy.

The draft SOI contains information as specified in Schedule 8, LGA.

Reason for the recommendation

The receipt of the draft Statement of Intent from the Council CTO, Far North Holdings Limited, is part of the compliance requirements of a statutory process. The reason for the recommendation is to review the draft SOI and recommend any amendments to the Board by 30 April 2020.

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or the need for budgetary provision

ATTACHMENTS

1. **FNHL Statement of Intent 2020 to 2023 - A2860794** [↓](#) 

Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Low.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Part 5, Sections 55-74, of the Local Government Act 2002 (LGA). Schedule 8, Clauses 1-10, of the Local Government Act 2002 (LGA).
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	The matter has District wide relevance.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	Considered in relation to proposed performance objectives of FNHL.
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences (for example – youth, the aged and those with disabilities).	Not applicable.
State the financial implications and where budgetary provisions have been made to support this decision.	There are no financial implications or the need for budgetary provision arising from this report.
Chief Financial Officer review.	The Chief Financial Officer has prepared this report.



Far North Holdings Limited

DRAFT Statement of Intent 2020 to 2023



DRAFT Statement of Intent 2020 to 2023

Purpose of Statement of Intent

This Statement of Intent (SOI) is presented by Far North Holdings Limited (FNHL) in accordance with Section 64(1) of the Local Government Act 2002. This SOI takes Shareholder comments into consideration and represents the objectives, nature and scope of activities and performance targets by which FNHL is to be measured as the basis of accountability. This SOI relates to the period from 1 July 2020 to 30 June 2023.

Abbreviations

Abbreviation / Term	Description
BOI	Bay of Islands
CCO	Council Controlled Organisation
CruiseNZ	Cruise New Zealand
FNDC	Far North District Council
FNHL	Far North Holdings Limited
LTP	Long Term Plan
PGF	Provincial Growth Fund
SLT	Far North District Council's Strategic Leadership Team
SOI	Statement of Intent

- **Table of Contents**

Purpose of Statement of Intent.....	1
Abbreviations	1
About Far North Holdings Limited (FNHL)	3
Nature and Scope of Activity	3
FNHL Strategic Direction	4
Decision for which prior Council approval is required.....	5
FNHL Objective	5
Work plan to deliver on Strategic Objectives	5
Financials	7
Operating Profit 3-year Forecast	7
Consolidated Shareholders' Funds and Total Assets	7
Accounting Policies.....	8
Reporting to Shareholders	8
Transactions with Far North District Council.....	8
Acquisition of Shares.....	8
Performance Outlook.....	8
Performance Targets	9
Board's Approach to Governance	10
Current Board Membership	10
Engagement with the Shareholder	11

About Far North Holdings Limited (FNHL)

As Council's commercial vehicle, FNHL facilitates and develops commercial and infrastructural assets, and business growth, in the Far North District. In doing so, it will:

- Operate under good governance
- Seek new business development opportunities
- Identify, collaborative or joint ventures opportunities
- Manage existing assets and bring commercial expertise in property management
- Create profits for its Shareholder and improve the Shareholder asset value.

FNHL leads the delivery of property and infrastructure assets in its ownership and under its management. These actions contribute to the development of the Far North District.

FNHL primary roles are:

- To plan, manage, operate and develop; land, maritime, aviation and public assets within its ownership, or under the terms of any management agreement entered into; and
- To plan, facilitate and secure commercial outcomes in its area of Influence that support the growth of the Far North District.

As a secondary role, FNHL may use its management skills and resources to assist both Council and third parties with consultancy services including project management, funding and business support/planning on a commercial basis.

Nature and Scope of Activity

FNHL currently owns and operates commercial and infrastructural assets in the maritime, aviation, primary and investment property sectors.

FNHL may:

- Elect to investigate and invest in any other commercial opportunities that may arise including any proposed by its Shareholder
- Carry out asset management, and may enter into management agreements for defined services on behalf of its Shareholder, or third party
- Divest any of the assets held, subject to any restrictions that may apply in specific cases (such as where the Council has the right of first refusal, council resolution or where the offer-back requirements of the Public Works Act apply).

a)

FNHL will align itself with the Shareholder's broader strategic objectives by leveraging off these assets to undertake the following business activities (but not limited to) by

- Developing and enhancing a maritime economy
- Attract business and investment in the maritime economy
- Continue with the BOI Marina infrastructure and land-based development
- Ensure all maritime assets owned by FNHL are cost effectively maintained through asset management plans that appropriately balance care of asset with expenditure
- Seek funding sources to further develop or upgrade such maritime assets
- Developing and enhancing property in its ownership
- Maximise the investment in the BOI Airport and reviewing options for freight, extension to the existing runway and associated airside infrastructure
- Continue to pursue the development of the Ngawha Innovation & Enterprise Park

Where agreed with the Shareholder, enter into a management contract for commercial, strategic and non-strategic property assets in order to:

- Undertake acquisitions of strategic property on behalf of Council
- Undertake disposals or re-development of non-strategic land
- Negotiate third party leases where Council is the tenant
- Undertake management of commercial leases
- Evaluate any other properties, developments, businesses and investments as to their current and future potential.

FNHL Strategic Direction

This SOI sets the strategic framework, activities, and performance measures we have set for the next three years to deliver the outcomes its Shareholder seeks.

At the time of preparation of this SOI FNHL has several projects seeking high level funding and approvals. For the moment, this SOI is based on known projects. FNHL will liaise with Council on the new projects and update the SOI reflecting any change.

FNHL is to be aware of and, where appropriate, seeks to align itself with FNDC's vision, mission and principles statement as outlined in the 2018/28 Long Term Plan (LTP) and related Annual Plans.

For community outcomes FNHL will be guided by the 2018/28 LTP and Council's Vision. "A District of sustainable prosperity and well-being", its mission "creating great places, supporting our people and its values".

Over the period of the SOI, FNDC will provide FNHL with any other documents that it should have knowledge of, whether they be in the consultation stage, or have been formally adopted, that reflect any changes to the Council's vision or aspirations that FNHL needs to align with.

Decision for which prior Council approval is required

The following criteria are used to guide and demonstrate what types of decisions require Shareholder approval:

1. Decisions which will affect the CCO's ability to meet any statutory responsibility
2. Decisions which will impact on any intended service levels for a CCO activity (except if the impact is minor or has been agreed by the council through the SOL process)
3. Decisions which will commit the council to future provision of funding
4. Decisions which are not based on a "full arm's length" commercial basis requiring FNDC approval will to be shown in the accounts as such

FNHL Objective

As the FNDC's commercial vehicle, FNHL will facilitate and create commercial and infrastructural assets in the Far North District, or if outside the Far North District, with the Shareholders approval, with the aim of creating profits for its Shareholder and creating shareholder value.

Work plan to deliver on Strategic Objectives

The table below shows the key capital projects and initiatives we plan to undertake to deliver on our strategic objectives.

Key Project / Initiative	Description	Contribution to Strategic Objectives	Delivery in 2020-23
Te Pu o Te Wheke	Assist with the proposed development and project management of Te Pu o Te Wheke	To establish a multi-use, leading edge community, cultural and tourism hub to revive Kaikohe's main centre	Ongoing
Te Hononga, Kawakawa	To provide a new interpretive Gallery co-governed by Ngati Hine / Hundertwasser Trust, relocate the FNDC library, and provide new workshops for local artists and business to use.	Redevelopment of the Kawakawa town centre, that will make Kawakawa a destination in its own right, linking; the famous toilets, twin coast cycleway and town square.	May 2020 completion. With FNHL providing ongoing promotion and support over the SOL term.
Manea Opononi	The development of an interactive theatre experience telling the story of Kupe.	The development of a tourist attraction, telling a story of national significance to Maori, will be a major tourism attraction and provide economic benefit to the Hokianga.	Anticipated completion of building is December 2020.
Bay of Islands Airport	Maximise the investment in the BOI Airport, including	Reflecting the investment made by Air NZ in the apron /	Ongoing

Key Project / Initiative	Description	Contribution to Strategic Objectives	Delivery in 2020-23
	reviewing options for freight, the runway and associated airside infrastructure.	taxiway to accommodate larger aircraft, and more frequent flights and the PGF's investment in the new terminal additional infrastructure is needed to accommodate business growth e.g. car hire etc	
Ngawha Innovation and Enterprise Park	204ha Dairy Farm.	To create commercial business opportunities to grow the economic and employment opportunities in Northland.	On-going with the objective that within 12 months the necessary planning needed will have been approved and potential tenants will have been identified and secured. Such as to enable a start to be made on site before the end of 2020.
Te Waiariki Ngawha Springs	FNHL is project managing the redevelopment and enhancement of the Te Waiariki Ngawha Springs hot pool complex located near Kaikohe.	Te Waiariki has the potential to further build the Mid-North's total visitor market and provide employment for up to 30 people, while delivering benefits to the local community through enhancing an important local landmark	December 2020 open to public.

In addition to the above projects, FNHL shall continue to review, maintain and re-invest in existing assets and operations to ensure maximum benefit to the Company. FNHL will also evaluate on an ongoing basis, other investment opportunities as they arise.

Financials

Operating Profit 3-year Forecast

FNHL is forecasting an operating profit before tax for the 2020/21 year to be \$2.6 million, for the 2021/22 year \$2.7 million and for the 2022/23 year to be \$2.8 million.

Consolidated Shareholders' Funds and Total Assets

For the period from July 2020, the Company is forecasting continued growth in total assets and shareholder's funds through the completion of PGF developments and asset revaluations.

FNHL has adopted an accounting policy for the government grants received through the Provisional Growth Fund. The grants received are offset against the value of the asset and the grant income will be recognised through the profit and loss through the revaluation of the asset. This will be different to the accounting treatment FNDC will incorporate into the group accounts.

Distribution Policy

Dividends

The Shareholder may require FNHL to pay a dividend of 50% of its after-tax operating profit on 28th February in the following financial year. For the following years the company will endeavour to pay the following minimum amounts:

2020/21 financial year	\$1,300,000
2021/22 financial year	\$1,350,000
2022/23 financial year	\$1,400,000

FNHL may from time to time present commercial proposals to the Shareholder for an alternative use of the Shareholder's share of after-tax operating profit for its consideration.

Share Redemption

In the event that by 5 November 2021 the company has not been able to develop the Ngawha dairy farm to its potential as an innovation and enterprise park, and thus not led to the establishment of businesses or industry thereon, the company will look to dispose of the farm, and from those proceeds or other resources, will look to repay to its shareholder, over a period no longer than 4 years, the sum of \$5.0 million by means of share redemption.

Accounting Policies

FNHL is a for-profit Tier 2 entity that has adopted accounting policies that are consistent with the New Zealand International Financial Reporting Standards and generally accepted accounting practice. Details of the accounting policies are set out in the notes to FNHL's annual financial statements at 30 June 2019 published on our company website. There is no material change in accounting policies envisaged over the period covered by this SOI.

Reporting to Shareholders

FNHL will provide quarterly reports to its Shareholder in November, February, May and an Annual Report in September. FNHL will provide details of its forecasts of earnings, cash flow and balance sheet structure, if requested by its Shareholder.

In addition, representatives from FNHL will attend Community Board meetings at least once a quarter to update them on current projects and plans that affect their ward, and will include regular communication with the relevant board when physical works are to commence in the ward.

Transactions with Far North District Council

In transactions with FNDC for the provision of goods and / or services, FNHL will seek trading terms and conditions applicable to external customers.

Acquisition of Shares

If FNHL wishes to acquire shares in another company or organisation, it will notify its Shareholder at least 30 days in advance.

Performance Outlook

FNHL has an agreed set of performance measures and targets which form the basis for accountability to delivering on Council's strategic direction, priorities and targets. These are reported on a quarterly basis, in accordance with the CCO Governance Manual. These include measures agreed as part of the 2018/28 LTP.

FNDC has undertaken to develop a Statement of Expectations aligning with the 2021/31 LTP. FNHL's subsequent SOI's will be driven by this Statement of Expectation.

Performance Targets

Objectives	Measure	SOI Target 2020/21	SOI Target 2021/22	SOI Target 2022/23
Engage in successful commercial transactions	Growth in Shareholder value	Shareholders' funds increase by \$1.125m, after payment of dividend	Shareholders' funds increase by \$1.125m, after payment of dividend	Shareholders' funds increase by \$1.125m, after payment of dividend
Provide a commercial return to FNDC	Dividend return to FNDC	Pay minimum \$1.3m	Pay minimum \$1.35m	Pay minimum \$1.4m
Effective Financial Management	Annual operating profit after tax to exceed \$1.5m	\$2.6 million	\$2.7 million	\$2.8 million
To achieve a return on funds invested	Return on Investment (ROI) is higher than the average cost of borrowing on its commercial assets	ROI 7% AV cost of borrowings 4.85%	ROI 7% AV cost of borrowings 4.85%	ROI 7% Av cost of borrowings 4.85%
Effective Governance and Financial Control	Clean audit sign-off each year from Audit NZ	To achieve	To achieve	To achieve
	Annual Board Review with appointed Audit NZ representative	To be held	To be held	To be held
	To remain within Banking covenants	To achieve	To achieve	To achieve
	Board Audit and Finance committee meetings to be conducted semi-annually	To be held	To be held	To be held
Ensure that the Bay of Islands Airport operates within regulatory requirements	CAA Certification	To achieve	To achieve	To achieve
Enhancing the Far North as a visitor destination	Complete a customer and airline industry survey that demonstrates satisfaction levels with facilities and services at either BOI or Kaitia Airports	85%	85%	85%
Enhancing and developing a maritime economy	Complete a marina user or maritime services customer satisfaction survey that demonstrates satisfaction levels with facilities and services available	95%	95%	95%
Enhancing the Far North as a destination	Research customer satisfaction via survey within the cruise ship industry that demonstrates satisfaction levels with FNHL as security authority and provider of disembarking infrastructure	85%	85%	85%

Board's Approach to Governance

Current Board Membership

- William Birnie CNZM (Chairman - term ends July 2021)
- Sarah Petersen (Chair Audit & Risk – Term ends 28 February 2021)
- Kevin Baxter (term ends 30 June 2020)
- Hon Murray McCully CNZM (term ends 28 February 2021)
- Ross Blackman (term ends July 2020)

In undertaking its activities, the Board of FNHL will exhibit and ensure:

1. Sound business practice in its commercial undertakings, operating as an efficient and effective business
2. Ethical and good behaviour in dealing with all parties
3. An active partnership approach with Maori, and all other people in business throughout the Far North, promoting effective communication where appropriate
4. To comply with all relevant legislative requirements including those relating to the principles of the Treaty of Waitangi
5. An open and transparent approach to decision-making with its Shareholder, while respecting the need for commercially sensitive information to be protected
6. Operate according to the best practice statements produced from time to time by the Institute of Directors in New Zealand (Incorporated)
7. That Council's vision and aspirations are considered and that FNHL is conscious that it needs to contribute to the overall financial performance of Council
8. FNHL is a good employer in accordance with the legislation guidelines set by Government.

The Board will adopt the following approach to its fiduciary responsibilities to ensure good governance:

- Prepare a 3-year SOI setting out its strategic goals and obtain the Shareholder's agreement to this statement
- Define its organisation structure and individual accountabilities by ensuring management have clearly defined job descriptions
- Set corporate budgets for earnings and cash flow
- Delegate both responsibility and authority to its Chief Executive
- To hold regular board meetings to monitor progress towards the Company's goals and objectives; and
- Prepare Quarterly and Annual Reports to its Shareholder as required and in accordance with current business plan.

Engagement with the Shareholder

To ensure the implementation of good governance within FNHL and within the Shareholder, both parties agree to maintain a high level of communication between each other.

The Chief Executives will use their best endeavours to communicate in a timely manner and ensure that matters are raised so there will be 'no surprises'.

FNHL's relationship with the governing body of Council will generally be for the purposes of developing strategic direction, agreeing statements of intent, service agreements and levels of funding, and performance monitoring and reporting.

The Board believes that regular communication with the Shareholder is essential to the good governance of the business and therefore FNHL will, in addition, seek to meet informally with FNDC as required by either FNHL or its Shareholder, to deal with any other matter of mutual interest.

Processes will be established for on-going and regular contact with senior management (SLT) to share information, provide a commercial dimension when required and to ensure alignment with Council's strategic direction.

FNHL will attend Iwi Forums, where invited, and attend Community Board meetings where appropriate or invited to if agenda items warrant their presence.

5.3 FAR NORTH HOLDINGS LIMITED - HALF YEAR REPORT

File Number: A2860860

Author: Janice Smith, Chief Financial Officer

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

To present the half year report for Far North Holdings and seek guidance on the content of future reports.

EXECUTIVE SUMMARY

- There is a legal requirement for Far North Holdings Limited (FNHL) to submit a half yearly report to the shareholder.
- This is specified in Part 5 s66 of the Local Government Act 2002 (LGA).

RECOMMENDATION

That the Assurance, Risk and Finance Committee:

- a) **Accept the Half Year Report from Far North Holdings Limited**
- b) **Request that future reports contain the following information**
 - i) **Annual and Year to Date budget**
 - ii) **Commentary on any significant variances**
 - iii) **Detail of significant income and expenditure, for example fees & charges and salaries to aid the shareholder understand the financial position.**

1) BACKGROUND

Far North Holdings Limited are required to submit a half yearly report to the shareholder within 2 months of the end of the half year for the financial year under Part 5, section 66 of the Local Government Act 2002. FNHL submitted the report as required.

2) DISCUSSION AND OPTIONS

The report contains a Chairman's report that outlines some financial information in relation to performance against budget as well as information on significant projects. However, it is not possible for the shareholder to consider this information in any detail as the budgets are not included in the financial statements. Staff recommend that FNHL be requested to include this information in all future reports.

The Statement of Financial Performance shows very high-level information. There is a single entry for both income and expenditure so this does not allow the shareholder to consider the operational position of FNHL in any detail or to understand if there are any issues that would be of concern. Staff recommend that FNHL be requested to provide detail on income and expenditure at a more detailed level to allow a better understanding of the position reported.

This statement should also provide some form of variance analysis or commentary to explain significant variations.

Reason for the recommendation

To accept the report in compliance with the LGA requirements and to seek more informative information in future reports

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no specific financial implications for this report

ATTACHMENTS

1. **FNHL Half year financials - A2860857** [↓](#) 

Compliance schedule:

Full consideration has been given to the provisions of the Local Government Act 2002 S77 in relation to decision making, in particular:

1. A Local authority must, in the course of the decision-making process,
 - a) Seek to identify all reasonably practicable options for the achievement of the objective of a decision; and
 - b) Assess the options in terms of their advantages and disadvantages; and
 - c) If any of the options identified under paragraph (a) involves a significant decision in relation to land or a body of water, take into account the relationship of Māori and their culture and traditions with their ancestral land, water sites, waahi tapu, valued flora and fauna and other taonga.
2. This section is subject to Section 79 - Compliance with procedures in relation to decisions.

Compliance requirement	Staff assessment
State the level of significance (high or low) of the issue or proposal as determined by the Council's Significance and Engagement Policy	Low.
State the relevant Council policies (external or internal), legislation, and/or community outcomes (as stated in the LTP) that relate to this decision.	Local Government Act 2002 Part 5 S66.
State whether this issue or proposal has a District wide relevance and, if not, the ways in which the appropriate Community Board's views have been sought.	This report has district wide relevance.
State the possible implications for Māori and how Māori have been provided with an opportunity to contribute to decision making if this decision is significant and relates to land and/or any body of water.	There are no specific issues that have implications for Maori.
Identify persons likely to be affected by or have an interest in the matter, and how you have given consideration to their views or preferences (for example – youth, the aged and those with disabilities).	N/A.
State the financial implications and where budgetary provisions have been made to support this decision.	None.
Chief Financial Officer review.	The Chief Financial Officer prepared this report.



**Far North
Holdings Limited**

**Half Year Report
2019/2020**



1 July 2019 to 31 December 2019



**Far North
Holdings Limited**

Opua Marine Park
P.O. Box 7
Opua, 0241
Bay of Islands, New Zealand

CHAIRMANS REPORT

For the 6 months ended 31 December 2019

In accordance with Part 5, Section 67 of the Local Government Act 2002 and Far North Holdings Limited ("FNHL") Statement of Intent for the three years to June 2022 the Directors hereby report on the activities of the company for the 6 months from 1 July 2019 to the 31 December 2019.

FNHL's Statement of Financial Position at 31 December 2019 and Statement of Financial Performance for the 6 months to 31 December 2019 are attached.

The first half of the financial year has been productive for FNHL with an operating profit of \$1,183m. The overall profit is currently below budget and behind the previous year. However, FNHL's business as usual activities are 13% ahead of budget and 14% ahead of this period last year. Though it is prudent to note there will be a taxable liability consequence this year which will be quantified at year end.

The Bay of Islands Marina and boatyard have been performing outstandingly well and achieving returns 98% higher than budgeted. This reflects the exceptional occupancy statistics in the Marina and boatyard. The property portfolio in the Bay of Islands and maritime facilities are all comfortably achieving adequate financial returns and overall the company is expected to meet year-end targets.

The Paihia Wharf project is almost complete. The facility upgrade includes building an additional four berths for vessels, increased space for passengers and improved passenger facilities. This includes widening the main wharf walkway to deal with congestion issues, resulting in a more open and pleasant experience and allowing the public to better enjoy the wharf. It has already received acclamation from locals and tourists.

This year FNHL purchased another investment property in Kaikohe and finalised a land purchase in Opononi, widening our investment portfolio across the Far North district.

The Opua – Kellet Street residential development is progressing and FNHL has received the six titles outlined in the stage one plan. This will also facilitate the installation of a fitness/walking trail connection from the residential area to the marina playground. The marina playground will be a hybrid of conventional play equipment and elements of a traditional Māori Māra Hūpara.

With Russell Wharf work now completed, FNHL has received many compliments from locals and visitors alike. FNHL is now working with the newly formed, fully mandated Kororareka Russell Community Wharf Kaitiaki Trust on the day-to-day management and maintenance of this important community asset.

The Te Hononga project in Kawakawa has been progressing well and the building is due to be complete in April. The large Corten artwork on the turret has been constructed and fitted and is transforming the already stunning appearance of the building. Work on the new car park is due to start shortly so that both are opened by the 30th June 2020.

The executive team is still focused on the Ngawha Innovation & Enterprise Park development. Potential tenants have been identified and the Provincial Growth Fund application has been lodged to fund the infrastructure required to open up the site for development. The project could create as many as 333 full time equivalent jobs in Stage 1 alone and is seen as a significant opportunity to diversify employment away from the seasonal jobs typically offered by the tourism employers that are dominant in Northland. The team is focused on exploring all the available options for the site both from a tenant and funding perspective, to ensure "no stone is left unturned" as the company understand how important this project is to all concerned.

The board is currently completing a financial review of the company and updating budgets to provide information for the Statement of Intent for the 2020-2023 period. Future profit is looking good and we are optimistic for a strong few years ahead, subject to the stability of the global economy.

Bill Birnie CNZM

CHAIRMAN

SCHEDULE 5 - COMPLIANCE CERTIFICATE

TO: Bank of New Zealand as Lender

This Compliance Certificate is given by the undersigned, being the directors of Far North Holdings Limited and is given pursuant to clause 9.1 (f) of the Facility Agreement ("Agreement") dated 6 August 2015, and the facility document dated 31 July 2019.

Terms defined in the Agreement have the same meaning herein.

I certify on behalf of the Borrower as at **31 December 2019** ("Reporting Date") that, to the best of our knowledge and belief, having made due enquiry:

- (a) no Event of Default, Potential Event of Default or Event of Review has occurred which is continuing; and
- (b) the representations and warranties made in the Transaction Documents would be true and accurate in all material respects, and not misleading in any material respect, if repeated at the date of this Compliance Certificate;
- (c) no financial undertaking set out in clause 10.4 or 10.5 of the Agreement has been breached at any time in, or in respect of, the period from **31 December 2018** to and including the Reporting Date; and
- (d) the amounts set out below are true and correct.

Calculations (as at the Reporting Date):

A. Interest Cover and Shareholder Funds: (clause 10.4 and 10.5):

EBIT (A) rolling 12-month profit	\$5,162,994
Interest Cost (B) Excluding interest capitalized to building projects.	\$1,956,029
Ratio of A to B	2.64
Permitted Ratio	1.5 to 1
Shareholder Funds	\$58,843,145
Total Tangible Assets	\$116,512,163
Percentage	50.5%
Permitted Percentage	50%

Dated: 17/2/20

Signature of Director

W.N Birnie
Director – Far North Holdings Limited

FAR NORTH HOLDINGS LIMITED**STATEMENT OF FINANCIAL PERFORMANCE
For Six Months Ended 31 December 2019**

	6 months to 31-Dec-19	6 months to 31-Dec-18
Operating revenue	7,648,819	6,891,022
Interest received	<u>-</u>	<u>-</u>
Total Revenue	7,648,819	6,891,022
Operating expenses	<u>(6,465,634)</u>	<u>(5,424,543)</u>
Operating Surplus	1,183,185	1,466,479
Net Surplus before Taxation	<u>1,183,185</u>	<u>1,466,479</u>

FAR NORTH HOLDINGS LIMITED**STATEMENT OF FINANCIAL POSITION
As at 31 December 2019**

	31-Dec-19	30-Jun-19	31-Dec-18
Equity			
Share capital	18,000,000	18,000,000	18,000,000
Reserves	8,273,137	8,266,055	7,137,503
Retained earnings	32,770,008	31,586,780	30,635,809
	<u>59,043,145</u>	<u>57,852,835</u>	<u>55,773,312</u>
Current Assets			
Cash and cash equivalents	8,747	28,717	46,865
Trade receivables & prepayments	2,615,672	1,437,128	2,217,557
Inventories	1,183,570	1,265,694	1,266,161
Other investments	523,778	743,778	860,761
	<u>4,331,768</u>	<u>3,475,317</u>	<u>4,391,344</u>
Non Current Assets			
Intangible assets	200,000	200,000	203,710
Biological assets	2,403,730	2,403,730	-
Property, plant & equipment	27,039,929	27,079,918	26,565,838
Investment properties	82,736,736	79,152,239	73,488,412
	<u>112,380,395</u>	<u>108,835,887</u>	<u>100,257,960</u>
Total Assets	116,712,163	112,311,204	104,649,304
Current Liabilities			
Payables, accruals and income in advance	6,798,382	11,595,418	4,170,006
	<u>6,798,382</u>	<u>11,595,418</u>	<u>4,170,006</u>
Non Current Liabilities			
Loans	39,013,316	30,552,240	33,389,472
Deferred tax liability	2,639,824	2,639,823	2,491,938
Income in advance	9,217,496	9,670,888	8,824,576
	<u>50,870,636</u>	<u>42,862,951</u>	<u>44,705,986</u>
Total Liabilities	57,669,018	54,458,369	48,875,992
	<u>59,043,145</u>	<u>57,852,835</u>	<u>55,773,312</u>

6 INFORMATION REPORTS

6.1 FINANCIAL IMPACT RELATING TO THE DROUGHT

File Number: A2860896

Author: Janice Smith, Chief Financial Officer

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

To update the Committee on the current financial impact of the drought.

EXECUTIVE SUMMARY

The Far North is currently experiencing a severe drought which has resulted in expenditure requirements over and above any provision in the current year budgets.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the report Financial Impact Relating to the Drought.

BACKGROUND

The Far North is currently suffering drought conditions which is affecting the ability of some of the water schemes to provide water to the community.

DISCUSSION AND NEXT STEPS

The financial impact of the drought is being monitored as it changes frequently. This report is a place holder and current information will be verbally updated at the meeting and information will be supplied at that point. Any information included at this point would be out of date by the time of the meeting.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There is a significant risk that expenditure will exceed current year budget provision.

ATTACHMENTS

Nil

6.2 INTERNAL AUDIT AND ASSURANCE REPORT

File Number: A2856441

Author: Lisa Huria, Audit and Assurance Specialist

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

To provide the Assurance, Risk and Finance Committee with an update on internal and external audit recommendations.

EXECUTIVE SUMMARY

This report provides an update on the number of internal and external audit recommendations that have been completed or are underway. Since the last report on 12th February, 14 further recommendations have now been completed.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the Internal Audit and Assurance Report.

BACKGROUND

Good progress has been made implementing recommendations from internal and external audits. There are plans in place to complete any outstanding recommendations.

Some highlights are:

- All General Non-Compliances identified in the IANZ Building Consent Authority Accreditation Assessment Report are now conditionally cleared.
- 21 out of 30 recommendations from the LGOIMA Compliance and Practice Audit Report undertaken by the Office of the Ombudsman have been put in place. Further progress will be made by the end of March 2020.
- The 2017 KPMG Procurement Audit Report recommended that we develop evaluation criteria for scoring attributes prior to the scoring of tender submissions. Anchored scales have now been introduced for some parts of the business where this approach is best used, e.g. roading maintenance and dust seal contracts. Anchored scales are based on objective facts that are closely linked to the components that will differentiate bidders based on the value for money they bring to the contract.
- The 2018 Annual Management Report from Audit New Zealand included a recommendation to assess whether resource consent bonds still meet the definition of a liability and if not; they should be released. The Environmental Services team designed a process to review the bonds and have now completed site visits to ascertain if resource consent conditions have been met. The final step in the process is currently underway.

Audit Name	Total Number of Recommendations	Recommendations Completed	Recommendations Underway
External Audit - KPMG - Procurement 2017	34	30	4
External Audit - Audit NZ - Annual Management Report - Interim 2017	18	17	1
Internal Audit - Information Security 2018	15	12	3

Internal Audit - Contract Management Review 2018	4	3	1
External Audit - Audit NZ - Annual Management Report - Final 2018	5	4	1
External Audit - Audit NZ - Annual Management Report - Final 2019	6	4	2
External Audit - Three Waters Interim Alliance Agreement Review	6	4	2
External Audit - LGOIMA Compliance and Practice Report - 2019	30	21	9
External Audit - IANZ – Building Consent Authority Accreditation Assessment Report 2019	11	11	N/A

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

This report is for information only.

ATTACHMENTS

Nil

6.3 RISK MANAGEMENT

File Number: A2857046

Author: Tanya Reid, Manager - Transformation, Risk and Audit (Acting)

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

To provide scheduled risk progress reports for the organisation's top risks and group risk.
No decision required.

EXECUTIVE SUMMARY

- Risk progress updates are provided for three of the top organisational risks detailing progress of treatment plans.
- Outstanding risk progress reports will be provided at the next scheduled Assurance, Risk and Audit meeting of 6 May.
- An emerging risk has been identified.
- Excellent progress continues to be made on group risk.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the Risk Management Report.

BACKGROUND

The Transformation and Assurance team has facilitated the development of treatment plans for the organisation's top risks. We are now in the phase where regular reporting of the organisation's top risks, and treatment plans, is in place.

A programme of deep dive workshops is planned for these risks. The first of two deep dive workshops for ARF005 Affordability risk has been completed, with the second workshop to be scheduled.

The Transformation and Assurance team continues to work with the organisation to refresh / establish Group Risk Registers, with treatment plans, and regular reviews, escalating emerging risks as these are identified

DISCUSSION AND NEXT STEPS

Three risk progress reports, for your information, with treatment plans are attached. Steady risk treatment progress is being made with ARF011 Organisational Cohesion Risks inherent risk score trending down.

Risk ARF002, BCA Status Risk, is the subject of a separate report to this committee.

Four of the scheduled risk progress reports are outstanding. The Assurance, Risk and Audit Committee will understand that due to the current situation a number of staff have been seconded to alternative duties. Our intention is to deliver these risk progress reports at the Assurance, Risk and Finance Committee meeting scheduled for the 6th May.

The ARF005 Affordability deep dive workshop has been split into two parts with the second part to be scheduled. At the end of this workshop members will agree the next risk "deep dive."

An emerging organisational risk has been identified, the Fresh Water Resilience risk. Under separate cover there is a recommendation to approve the inclusion of this risk onto the Organisational Top Risks Dashboard.

An elected member workshop is to be scheduled to cover the FNDC Risk Management Framework and refresh of the Organisational Top Risks Dashboard.

The Transformation and Assurance team continues to work through the organisation to refresh or establish Group Risk Registers. The District Services Risk Register has been refreshed with ongoing risk management imbedded as a standing agenda item at the District Services Managers Meeting. The standing agenda item focuses the managers on an appropriate risk conversation facilitated by the provision of a set of risk questions:

Standard risk questions for meeting agendas

- Is the risk register up-to-date?
- Is the risk treatment progress to schedule?
- Has our data baseline for any of our risks changed or has a significant change to our external environment occurred or occurring e.g. legislation?
 - Does this data indicate that the risk impact score has changed?
 - Has the likelihood of this risk materialising changed?
 - Are there any new or emerging risks?
 - Do we need to test any of our controls?
- Do we need to escalate (e.g. to SLT then to ARF) or de-escalate any of our risks?

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

At this stage no additional budgetary provision has been identified for the treatment plans.

ATTACHMENTS

1. **2020 03 ARF001 Climate Change Risk Progress Report - A2858263** [↓](#) 
2. **2020 03 ARF004 Asset Management Risk Progress Report - A2858510** [↓](#) 
3. **2020 03 ARF011 Organisational Cohesion Risks Progress Report - A2858600** [↓](#) 



HE ARA TĀMATA
CREATING GREAT PLACES
Supporting our people

ARF001 Climate Change

Risk Status Progress Report March 2020

Description of risk and impact

The New Zealand Government has released strategies and guidelines for the mitigation of climate change effects or adaption to those, having regard to the International Panel on Climate Change 2018 report. This report has created a global climate change movement requiring governments and agencies to act to avoid temperature increases by addressing the underlying causes.

Climate change was identified as the highest priority risk to Council in 2018, and since been brought back to Council meetings for updates on work that is being undertaken by staff. This includes for-information-reports, a Deep Dive Work Shop, and the acknowledgement of the need for a coordinated approach to address the effects climate change by Council by requiring a response through a Chief executive Key performance measure.

Presentations to Council from the public (e.g. Deputation at the Dec 2019 Council meeting by the SeaChange Group) highlight the importance of climate change to the community.

In May 2019, the Deep Dive Workshop with Council introduced staff's current understanding of climate change risks to Council and Far North communities, acknowledging that climate change may also provide economic opportunity. Risks arise from rising temperatures and anticipation of more intense weather events such as storms and drought, projections for sea level rise and coastal erosion, ecological adaptation and potential introduction of pests, all of which affecting community sustainability and Council investment strategies. Economic opportunity for Council and Far North Communities may arise from longer growing seasons and increased tourism as a result of rising temperatures. While the National Risk Assessment prepared under the CECA is expected by mid-2020, FNDC staff is currently actively contributing to the preparation of a regional risk assessment, led by the Northland Regional Council.

FNDC has not declared a Climate Emergency. Work to develop an FNDC Climate Change Road Map is now well underway. A draft is to be presented to the Strategy and Policy Committee May 5, 2020. A Regional Strategy is anticipated in the third quarter of 2020.

Existing Treatments

FNDC is actively developing a road map to address the effects of climate change for the Far North District. In parallel, the Regional Group is developing a Climate Change Strategy which is based on the definition of a hazard line which corresponds to the RCP8.5+ criteria, which in the future may result in a 1.5m rise of the sea level.

The following provides a list of existing treatments:

- Acknowledgement of the climate change as a high risk for Council.
- Implementation of a Chief Executive Key Performance Indicator as per Council Resolution 2019/22. A draft of FNDC Climate Change Road Map will be presented at the May 5, 2020 Strategy and Policy Committee. Work towards the road map has formalized previous staff efforts, while such activities have informed and shaped the draft road map, including:

- Relationship building with staff across all Council divisions in anticipation for representation on a FNDC climate change group. A survey of the leadership group was undertaken, highlighting overall awareness, knowledge and attitude towards climate change and how to address resulting effects;
 - Communication to the public through website updates and a blog to staff;
 - Data collection to develop a carbon footprint for FNCD as an organization. This initiative reviews emissions from Council facilities and choices, including a selection of buildings, water and wastewater treatment plants, as well the travel choices. This carbon footprint will present a baseline analysis based on which Council may consider adjusting operations to reduce emissions.
 - A staff-wide Climate Change task group has been formed, led by the Strategic Planning and Policy, facilitating Council's response to climate change including the formation of implementation actions in the Climate Change Road Map. The most recent meeting has occurred on March 2, 2020.
 - Presentations to SLT occur more frequently. The initial presentation summarized the staff response following the survey. A second presentation should occur in the near future.
 - A multitude of smaller research initiatives have complemented and informed the draft road map, including a best practice review across New Zealand, the review of existing strategies and guidelines as well as a review of questions and concerns received through Council's RFS system.
- Far North 2100:
 - Develops an overarching long-term district-wide strategy and spatial plan to guide management of the District's resource now and for the future. This strategy will inform Council's growth strategy (e.g. the District Plan), financial strategy (e.g. the LTP), transportation strategy and infrastructure strategies etc.
 - Takes into account the district's role as a producer of food and timber, with the additional benefit of forestry acting to off-set CO2 emissions. The strategy will also consider the supply and distribution of water.
 - Considers areas and infrastructure vulnerable to hazards including sea level rise, coastal erosion, or flooding through an adaptive planning approach
 - Considers opportunities for community resilience.
 - Will identify specific implementation projects to facilitate adaption.
 - District Plan revision and implementation
 - Reviews the appropriateness of currently operative objectives and regulatory methods to avoid, remedy or mitigate adverse effects, including hazards. In collaboration with NRC sea level rise contours are currently being developed to enable the assessment of affected lands and how to plan for these. Hazard assessment will also consider geotechnical risk due to heavy rain and associated requirements for future growth and development, with the potential to create sliding-scale assessment criteria depending on development categories
 - Reviews the appropriateness of land use and zoning to facilitate economic growth.
 - Transportation Strategy
 - Addresses climate change given the potential for more frequent and intense weather events to disrupt a vulnerable transport network, essential services, critical supplies, and commerce.
 - Seeks to provide proactive resiliency and reliability strategies to ensure "Lifelines are maintained all day, every day".
 - Includes strategies for sustainable transport and mobility choices for walking and cycling, and encourages clean green transport modes and fuels, reducing the need to travel, and the development of Dynamic Adaptive Pathways to follow when climate trigger points are reached.
 - Participation in the Tai Tokerau Climate Change Action Working Group:
-

- to create a framework for an approach to adapting to the effects climate change which is consistent across the Northland Councils.
- to develop a draft work program and is progressing its communication plan. These plans will be presented at the CE Forum as per the Group's Terms of Reference.
- included iwi liaison representatives to ensure climate change initiatives will developed in partnership with iwi.

Where are the gaps? / what more could we be doing?

As discussed in an earlier report to Assurance, Risk and Finance Committee, limited staff and time resources are hindering or slowing climate change-related work. While the development of the road map was successfully led and completed by the Strategy Group, the response to climate change is an organization-wide issue. The road map will indicate where such responsibilities fall. However, buy-in will have to at the SLT level and climate change implementation will have to be passed down to staff through the various levels of leadership. Following the approval of the draft road map through SLT, Committee and Council, work priorities that respond to the effects of climate change through either mitigation or adaptation will have to be developed and included into Council's next Long-Term Plan. This may involve costing of projects, increased budgets and increased support through the organization, committees and Council, and engagement with the public.

Inherent Risk:	Trend	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	—		Responsible:	GM SPP	Date accepted:	30/05/19	Six monthly

ARF004 Asset Management Risk

Risk Status Progress Report March 2020

Description of risk and impact

Full Asset Life Cycle Asset Management requires a “system thinking” integrated approach (enterprise asset management) to optimising the whole life cycle of our assets. This ensures fit for purpose, cost effective assets are designed, constructed, maintained and disposed of in a sustainable manner, to the benefit of our communities, ensuring kaitiakitanga and enduring resilience.

Generally, the importance of addressing these risks and their impacts has also been highlighted in CouncilMark with improvements including –

- 18. Asset Management Improvement
- 19. Three Waters Alliance Improvement
- 34. Process Management Framework Improvement
- 29. Capital Project Life Report Improvement

Programme Darwin, an asset management improvement programme with dedicated resourcing, has been developed and provides a mechanism to deliver the treatments outlined below:

Issue identified in June 2019	Treatment to date	Further planned treatment
No current Asset Management Information System (resulting in piecemeal asset information, including number of assets)	An Asset Management Information System, INFOR, has been chosen and a statement of works signed. Implementation of the system is underway, with it due to be operational September 2020	Integration with FNDC's other systems will occur after September 2020
Incomplete condition assessment information	\$250k to undertake asset condition assessments was approved by Council 3 October 2019. Since then prioritisation of assets for condition assessment has been completed, and scopes for the asset condition work to be carried out are underway. We are on track for the allocated budget to be spent.	An ongoing condition assessment programme will be subject to funding, sought through the LTP.
Informal Asset Management Plans (AMPs)	AMPs are intrinsically linked to the Infrastructure & Asset Management Strategy, and the Long Term Plan. AMP reviews are underway, to be delivered this year.	AMPs will be replaced with a single Living Asset Management Plan, a user-friendly, online and easy to navigate document using real-time data (linked to INFOR).

Under resourced in asset management and project scoping / business casing, resulting in poor forecasting, business casing, project planning for critical assets	<p>Additional FTE have been allocated to the asset management team –</p> <ul style="list-style-type: none"> • Business Case Specialist • Asset Manager – District Facilities <p>A fixed term asset data position has also been made permanent.</p> <p>A dedicated programme to improve asset management (Programme Darwin) has 3 dedicated FTE –</p> <ul style="list-style-type: none"> • Programme Manager • Project Manager (INFOR) • Business Analyst 	<p>The Business Case Specialist position is yet to be filled.</p> <p>A review of individual development plans (investing in the competence of staff) for the Asset Management team is planned.</p>
A financial model based on a depreciation schedule, reporting on total value of spend. The current renewals programme is typically based on age rather than condition.	The proposed condition assessment programme will allow a condition-based renewals programme.	
Affordability challenges with increasing maintenance costs	The operational cost implications of capital investment are generally ignored. This puts pressure on operational activities over the medium to long term resulting in reductions in Level of Service. An enterprise asset management system captures these costs.	
Lack of integrated performance and reliability data from operations	Integration of operational performance and reliability data from operations will be developed. This will enable optimized investment decisions for renewals noting the relationship between cost, level of service and risk.	
Operating run to failure of assets rather than programmed maintenance based on: <ul style="list-style-type: none"> • Asset class • Failure mode • Life cycle cost modelling • Predictive, preventative, risk based maintenance 	As above, enterprise asset management will optimize investment decisions.	
The lack of integration of asset growth impacts when considering asset renewal (we need to operate in a “systems” approach).	An enterprise asset management philosophy has been adopted, and referred to in the internal Asset Management Policy (adopted December 2019).	Work to embed this includes defining the roles and responsibilities across Council in relation to asset management.

Lack of a robust project management framework covering: <ul style="list-style-type: none"> • Long term plan • Project Concept • Project Initiation • Project planning and design • Delivery and monitoring • Handover and closeout 	A Project Management Framework has been adopted, predominately being used in Project Delivery.	Embedding of the framework across teams.
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------	------------------------------------------

The Programme Manager has recently taken up another position within FNDC. A recruitment process for a replacement is currently underway. There are risks associated with continuity and programme progression that will need managing.

Where are the gaps? / what more could we be doing?

- Planning, analysis and data analysis to enable data-driven decision-making (particularly providing advice in relation to Levels of Service, robust options analysis and rating impact trajectories).
- Better articulating the link between strategic planning to operationalization of those, and the process for how we consider and integrate these.
- Capturing our data better – equipment criticality, feeding this into decommissioning plans and the asset lifecycle.
- Visibility of information to Elected Members – whilst IAM produce a monthly information report and are doing a much better job of communicating progress on existing projects, there is still room to articulate upcoming projects complete with costs, risks, controls, contingencies, mitigation and consequences of inaction. This will enable informed discussions and robust prioritization when finalizing financial commitments within the LTP.
- Consultation - Our open and transparent policy for consultation with all stakeholder particularly Iwi, impacts the time it takes to renew consents and implement projects. This risk needs to be reflected in all project timelines particularly within our LTP commitments. In the past this time and resource commitment has been significantly underestimated.

Inherent Risk:	Trend	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	—		Responsible:	GM IAMs	Date accepted:	30/05/19	Six monthly

ARF011 Organisational Cohesion Risks

Risk Status Progress Report March 2020

Description of risk and impact

Organisational Cohesion is the ability of the parts of the organisation to work together in a collaborative and productive manner to deliver on its strategies, plans and objectives.

Local Government organisations work on complex, costly and often politically and socially sensitively multi-faceted issues requiring multiple parts of the organisation to work together effectively.

Breakdowns in cohesion can lead to costly delays and additional impacts such as communication overheads, lower morale, trust and churn.

Existing Treatments

High level treatment plan:

- Governance Diagnostic 14 point recommendation suite implementation, particularly:
 - 2. FNDC Governance work with the CE to support FNDC Governance to have strategic input to current Annual Plan process.
 - 3. FNDC adopt a clear visual representation and organisational understanding of Vision, Strategies, Committee Priorities, Goal setting and regular Performance Monitoring
 - 4(i) Agree on an operational response mechanism such as a dashboard and the technology to share data
 - 5. Vision to prioritising portfolios or equivalent to drive governance management engagement.
 - 6. Committee Structures revisited as discussed to reflect the outcomes desired.
 - 7. Look at shaping agendas to full Council
 - 10. Re-consider and affirm Council's approach to regulatory functions
 - 13. Consider organisational and governance work with iwi and hapu
 - 14. Prepare an induction process for the 2019 elections
- CouncilMark improvements:
 - 2. Governance Management Relationship Development Improvement
 - 3. LTP Improvement
 - 4. Publish Vision and Goals Improvement
 - 7. Driving Excellence in Reporting Improvement
 - 10. Annual Report Improvement
 - 15. Te Hono Improvement
 - 30. Communications Strategy Improvement
 - 31. Engagement Strategy Improvement
 - 34. Process Management Framework Improvement

Where are the gaps? / what more could we be doing?

Governance Diagnostic and the associated recommendations suite was formally adopted by the Council at its August meeting. The recommendations form the foundation of the treatment plan. There has been significant progress on many of the recommendations. In particular, Recommendation 2 where the Council has captured its strategic direction and operational response in a single view, Recommendation 6 where the Council has adopted a

new committee structure, and Recommendation 9 where a comprehensive induction programme is being delivered to the new Council. Many of the other recommendations have also been progressed.

With the implementation of these treatments the inherent risk score is trending down.

Inherent Risk:	Trend	Residual Risk:	Accountable:	CEO	Date raised:	29/11/18	Report frequency:
	↓		Responsible:	CEO	Date accepted:	30/05/19	Six monthly

6.4 FINANCIAL REPORT FOR THE PERIOD ENDING 29 FEBRUARY 2020**File Number:** A2858536**Author:** Angie Thomas, Manager - Accounting Services**Authoriser:** Janice Smith, Chief Financial Officer**PURPOSE OF THE REPORT**

To provide an overview and information on the current financial position and performance of the Far North District Council as at 29 February 2020.

EXECUTIVE SUMMARY

This report provides a summary overview, Statement of Financial Performance, Capital Performance and Borrowing and Investment reports.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the report Financial Report for the period ending 29 February 2020.

BACKGROUND

This reports financial information as at 29 February 2020.

DISCUSSION AND NEXT STEPS

The report is for information only.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications or budgetary provisions required as a result of this report.

ATTACHMENTS

1. **Council Financial Report February 2020 (Pd8) - A2862334** [!\[\]\(756eade09b08efefcc543f4385f4974e_img.jpg\)](#) 



Far North District Council

Council Financial Report

for the period ending **29-February-2020**

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Contents

Financial Overview	2
Council Financial Performance – Income.....	4
Council Financial Performance – Operational Expenditure.....	5
Council Financial Performance – Capital Expenditure.....	6
Unbudgeted Expenditure	9
Budget Movements.....	11
Treasury Report	14
Treasury Compliance	16
Statement of Financial Performance.....	17
Statement of Capital Performance	18
Analysis of Operational Income and Expenditure by LTP Group	19

Financial Overview

Key financial metrics from the Statement of Financial Performance for the Far North District Council as at 29-February-2020.

The overall performance of Council has continued with business as usual even though the drought conditions have taken precedence and will continue in the coming months.

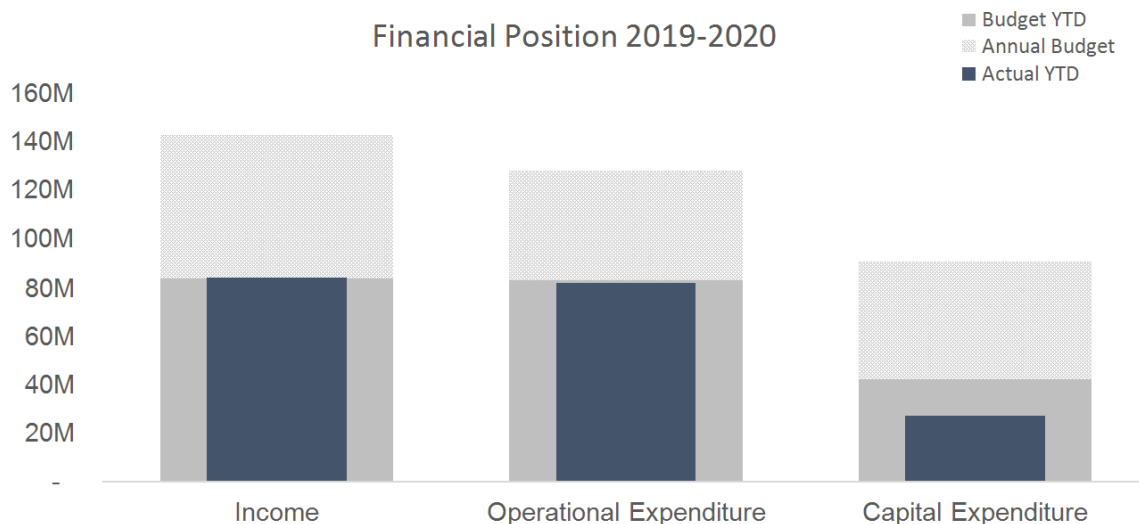
The organisation is refocusing their priorities in order to accommodate the drought situation so expenditure will be pulled back in areas such as training, professional fees, and staff vacancies, where appropriate.

Overall, we had a Variance to Budget YTD movement from -\$6.8M in December 2019 to \$1.4M in February 2020 Net Operating Position mainly due to:

05 Income	06 Amount	07 Comments
08 Kerikeri Wastewater Subsidy	09 \$4,914k	10 Delay in claiming subsidy due to the delay in completion of the plant. It is anticipated the current completion of WWTP construction programme is July 2020. Reticulation completion is anticipated by September 2020
11 Rawene/Omanaia Water Treatment Plant Subsidy	12 \$466k	13 Project is complete however final commissioning was put on hold due to the drought crisis. Commissioning involves pumping lots of water, so the decision was made to postpone this activity, which means delay in claiming subsidy
14 Operational Expenditure	15 Amount	16 Comments
17 Refuse – Solid Waste	18 \$714k	19 Contractor fees is showing savings due to lower volume of refuse and recycling received at the transfer stations
20 Strategic Policy and Planning	21 \$677k	22 Budget re-forecasted as savings following restructure in the group
23 District Facilities	24 -\$438k	25 Unbudgeted renewals programme being undertaken at Russell wharf which is funded from depreciation reserves.

26

The December 2019 Financial Report gave an overall update on the financial position of Council, for the remaining months commentary will only be by exception.



Year to Date

Actual Position as at 28-February-2020

	Actual YTD	Budget YTD	Variance to Budget YTD	% Variance Actual to Budget YTD
Total Income	83.8M	83.5M	0.3M	0%
Operational Expenditure	81.8M	82.9M	-1.1M	-1%
Net Operating Position	2.0M	0.6M	1.4M	239%
Capital Expenditure	27.2M	42.2M	-15.0M	-36%

Year End

Forecast Position as at 30-June-2020

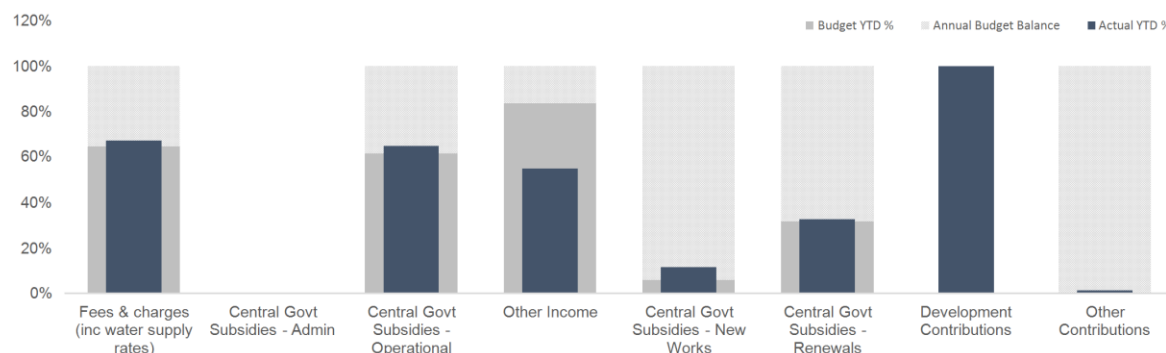
	Annual Forecast	Annual Budget	Forecast Variance to Budget	% Variance Forecast to Budget YTD
Total Income	141.9M	142.7M	-0.8M	-1%
Operational Expenditure	132.2M	128.1M	4.0M	3%
Net Operating Position	9.7M	14.5M	-4.8M	-33%
Capital Expenditure	85.3M	90.7M	-5.4M	-6%

**In the tables above and throughout this report, variances +/- 5% from budget are indicated as on track / green, anything outside this is red.*

Council Financial Performance – Income

Please note these figures relate to the Statement of Financial Performance controllable costs only, which excludes general rates and rates penalties.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
24.3M	23.6M	0.7M	3%	53.1M	52.3M	0.8M	-1%



Highlights:

Other Income

- A dividend payment to be received from Far North Holdings Limited (FNHL) has been delayed and will be received in March.

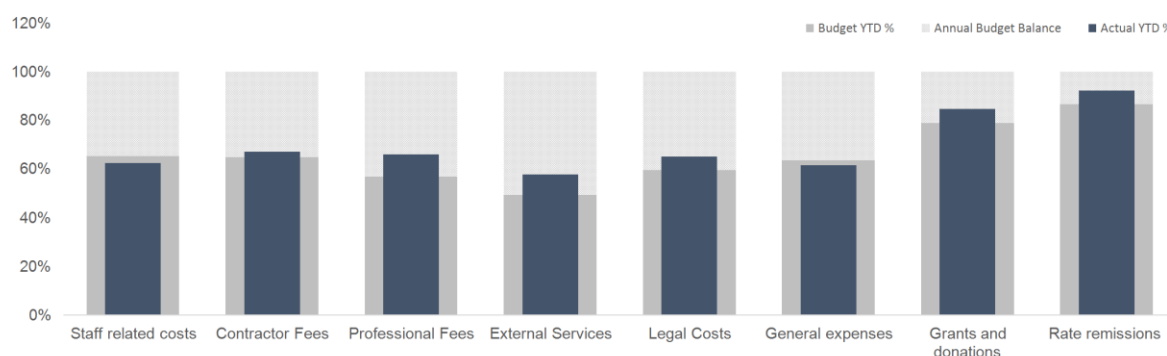
Central Government Subsidies – New Works

- Unbudgeted subsidy has been received from the NZ Transport Agency (NZTA) for the construction of approved Community Board footpaths across the three wards.

Council Financial Performance – Operational Expenditure

Please note these figures relate to the Statement of Financial Performance controllable costs only, which excludes allocations, interest costs, depreciation and other asset costs and gain/loss on disposal.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
58.3M	57.3M	1.0M	2%	89.7M	94.0M	4.3M	5%



Highlights:

Staff Related Costs

- There are still a number of vacancies not yet filled across the organisation and a number of departments are yet to use their training allocation.

Contractor Fees

- Unbudgeted engagement of contracted consultants continues to meet demand for resource and building consents work. Travel and accommodation costs for Building Consent contractors are not recoverable. In the Resource Consents group, discount penalties, fee waivers and successful fee objections.

Professional Fees

- Network and asset management recorded time against various projects (operational or capital) is not recorded in a timely manner or against the correct activity. This is still being reviewed and will be corrected by the end of the financial year.

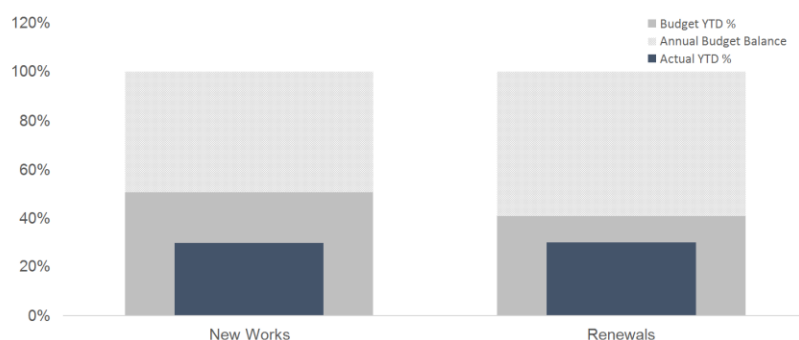
External Services

- An increased variation to the annual management fee to Far North Holdings Limited (FNHL) for the Kaitia Airport has been applied.
- The removal of sludge is continuing, and funds are fully committed for the Kawakawa and Opononi area.
- Due to the current season, stormwater is behind budget as this activity is normally reactive, however work has commenced in drainage clearing.

Council Financial Performance – Capital Expenditure

These figures are direct from the Statement of Capital Performance.

Actual YTD	Budget YTD	Variance to Budget YTD	% Variance to Budget YTD	Annual Budget	Annual Forecast	Forecast Variance to Budget	% Forecast Variance to Budget
27.2M	42.2M	- 15.0M	-36%	90.7M	85.3M	- 5.4M	-6%



New Works

- The construction of 24 additional kennels at Bonnets Road, Kaitia has not yet commenced. Due to a change in the scope of works, Council is currently negotiating with one tenderer who submitted a quote to see if they are still able to deliver the building works.
- The purchase of the Melka Boarding Kennels in Kaikohe is progressing and a deposit has been paid for the sale and purchase of this property.
- The Kawakawa Library/Service Centre will be relocated to Te Hononga and has been delayed till March 2020.
- The Kerikeri Library installation of air conditioning units has been delayed. In early November there were delays due to uncertainty about insurance cover and how that would affect the project. A meeting with Council's insurance broker explained the wording in the contract and what that meant for the project. The contract has now been awarded and work will be commencing in March 2020.
- Works on the Windsor Landing Carpark and Access has now commenced as an outcome from the Environment Court which was in our favour.
- Seal Extension unsubsidised works at Porotu Road, Puketi Road and Kumi Road has been delayed due to more design requirements under the maintenance contract for North and South. Preparatory works are now expected to commence in summer through to mid-autumn.

- Kaitaia Transfer Station weighbridge relocation works are now complete, and the balance of funds will be used to complete an extension to the transfer station.
- An external consultant was engaged in October 2019 for development of a proof of concept (miniature model) for the Information and Communications Technology (ICT) support for the Northland Transport Alliance project. This will be presented to the Northland Transport Alliance group in January 2020.
- Planned work for the Asset Management System project is in a development phase with Infor Global Solutions (NZ). System configuration is scheduled to be completed in April 2020 and the data migration by August 2020.
- Kerikeri Wastewater Treatment Plant is continuing, however, an additional \$1.5M has been approved by Council to fund the balance of works as well as prior year funds being used.
- The Paihia Wastewater Treatment Plant is currently under budget and is nearing completion in April.
- Unbudgeted works is being completed for the Russell Wastewater Treatment Plant, a carry forward request was overlooked and approval for \$175K has been approved.
- The final commissioning of the Rawene/Omanaia Water Treatment Plant has been delayed due to the current water crisis.

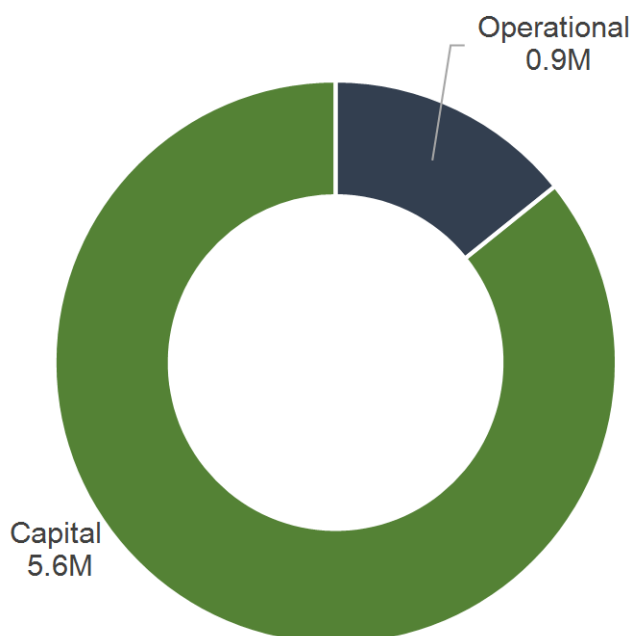
Renewals

- Work is required to respond to an appeal decision to the Environmental Court in March 2020 for the East Coast (Taipa) Wastewater Treatment Plant.
- Unbudgeted works is being carried out for the Ahipara Wastewater Treatment Plant jetty replacement. A carry forward request was overlooked and \$4,549 has now been approved
- Parks and reserves are under budget; scoping works are being finalised and works anticipated to be undertaken in summer.
- Scoping is underway for public toilets in Taupo Bay and Hundertwasser for upgrade works.
- Footpath renewals are under budget due to resourcing issues with the Northern contractor; however, this work will now be delivered by the Southern contractor over summer.
- Minor Safety works are being undertaken around Kerikeri. Resilience Slip works are progressing well at West Coast Road and Broadwood Road and design works are being undertaken for various slip sites.
- Unsealed road metaling is under budget in the South due to unfavourable conditions, which are not suitable to apply materials and complete works.
- Roading and Footpaths drainage works in the north area are currently under budget due to resourcing and works being re-prioritised.
- Server renewals - Council at its meeting on 19 November 2019 approved the recommended supplier. Work is progressing to determine the project timeline and delivery is expected between Dec 2019 and Feb 2020.
- Desktop computer, computer equipment, peripheral, tablets - developing forecast for future replacement.
- Computer Systems - Programme is progressing with updates and upgrades planned for this Financial year. Current activity is within the Citrix Upgrade and Office 365. Work will continue to focus on upgrades with Objective and other core systems.
- Pool Vehicles is under budget and vehicles are renewed as required.
- Corporate Services Administration - part of the wider accommodation project with office furniture replaced as needed.
- The Paihia I-Site refurbishment project has not yet commenced. Staff are awaiting a quote to lower the desks and expects to use the budget this financial year.
- Library stocks are updated continuously throughout the year and are dependent on item deliveries and timing.

Unbudgeted Expenditure

These are additional works not included in the original budget for the current year.

Unbudgeted work greater than \$100,000 must be approved by Council, anything less than that can be approved by a General Manager with appropriate financial delegation.



Unbudgeted Expenditure		
<i>*Expenditure over \$100K approved by</i>		
Unbudgeted Operational		Amount
Building Consents (BCA)	Contract Professional Fees	500,000
Asset Management & Infrastructure	Professional Fees	250,000
Maritime Facilities	External Services	150,000
Libraries	Software Licence Fees	20,000
Libraries	Equipment Purchases (uncapitalisable)	10,000
Facilities operations - buildings	Professional Fees	5,000
		935,000
Unbudgeted Capital Works		Amount
BOI Sports Land Purchase Kerikeri	CAPEX New Works Contract Services	1,840,717
Kerikeri Wastewater Infrastructre	CAPEX New Works Contract Services	1,500,000
Bonnets Road (PGF)	External Services	1,000,000
Lake Omapere (PGF)	External Services	1,000,000
Karikari and Doubtless Bay Rangers	External Services	185,500
Digitisation Scanning	External Services	648,688
Stormwater Bonnett Road Kaitaia	CAPEX New Works Contract Services	99,168
9-11 Old Beach Road Stormwater	CAPEX New Works Contract Services	56,659

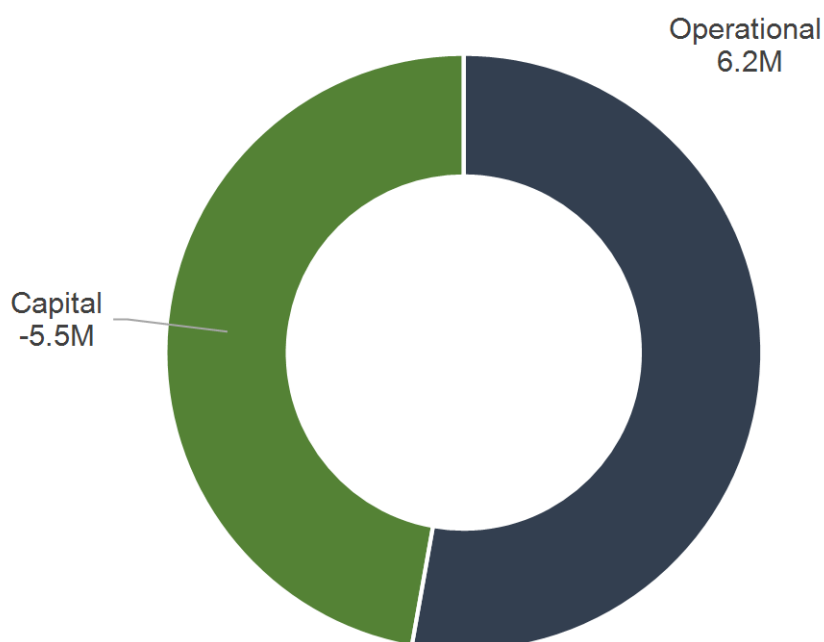
Korora Park Toilet	CAPEX New Works Contract Services	49,450
Kaimaumu Public Toilet	External Services	40,000
Ahipara Toilet	External Services	36,550
Kohukohu Resource Consent	CAPEX New Works Licenses and	36,500
Horeke Housing for the Elderly	CAPEX Renewal Works Contract	26,655
Kaikohe Memorial Park Upgrade	CAPEX New Works Contract Services	26,400
24-26 Yarborough Street New Sewer	CAPEX New Works Contract Services	24,629
Mains replacement Rawene	CAPEX New Works Contract Services	24,335
Opononi STP - Fence Renewal/Upgrade	CAPEX New Works Contract Services	22,000
Kaitaia Parks & Reserves	CAPEX Renewal Works Contract	17,589
Waima Housing for the Elderly	CAPEX Renewal Works Contract	16,974
1506 Inland Road Sewer Connection	CAPEX New Works Contract Services	14,730
Kaikohe Parks & Reserves	CAPEX Renewal Works Contract	13,773
Ramp Road Public Toilet	External Services	13,650
Kaikohe Lions Club	CAPEX Renewal Works Contract	11,050
Whangaroa Hall Renewals	CAPEX Renewal Works Contract	8,945
Rawhiti boat ramp toilet RC	External Services	7,800
JBC Customer Services Area Minor	CAPEX New Works Contract Services	6,000
Disability Access Halls Western	CAPEX New Works Contract Services	5,400
Kaka Street Ramp	CAPEX New Works Contract Services	4,988
Kororipo Basin (Pear Tree)	CAPEX New Works Contract Services	4,318
Parks & Reserves Northern	CAPEX New Works Contract Services	3,018
Opononi STP - Fence Renewal/Upgrade	CAPEX Renewal Works Contract	2,252
Digitisation Scanning	Contract Professional Fees	1,313
Kaitaia Oxford St Housing for the Elderly	CAPEX Renewal Works Contract	1,301
Kawakawa Commercial St Car Park	CAPEX New Works Contract Services	1,139
Bonnets Road (PGF)	Other Contributions	-1,000,000
Lake Omapere (PGF)	Other Contributions	-1,000,000
		4,751,491
Unbudgeted Rooding		Amount
West Coast Rd RP9563	CAPEX Renewal Works Contract	269,500
Diggers Valley Rd RP12722	CAPEX Renewal Works Contract	210,000
Fairburn Rd RP9588	CAPEX Renewal Works Contract	185,500
Wharekawa Rd RP3552	CAPEX Renewal Works Contract	178,000
Waiotehue Road Dropout RP 5400	CAPEX Renewal Works Contract	20,000
Waiotehue Rd RP5251	CAPEX Renewal Works Contract	13,000
		876,000
		6,562,491

Summary	
Operational	935,000
Capital	4,751,491
Rooding	876,000
Balance of Unbudgeted Expenditure	6,562,491

Budget Movements

These are budgets timed in future years, brought forward into the current year (positive values) OR budgets timed in the current year to be moved out to future years (negative values).

The figures that follow exclude the \$5.1M Roading budget adjustment moved out to future years to reflect the lower of FNDC or NZTA budget. Also, Operational of 6.2M includes \$5.6M Water by Meter income budget, which was entered twice in error into the system.



Budget Movements		
General Ledger	Comment	Amount
Resource Consents Administration	Opex Reforecast as at 31 Oct 19	346,060
Resource Consents Administration	Opex Reforecast as at 31 Oct 19	130,576
Resource Consents Administration	Opex Reforecast as at 31 Oct 19	121,385
Training	Opex Reforecast as at 31 Oct 19	22,379
Water Schemes	Opex Reforecast as at 31 Oct 19	20,000
Resource Consents Appeals	Opex Reforecast as at 31 Oct 19	10,819
Resource Consents Administration	Opex Reforecast as at 31 Oct 19	8,398
Infrastructure planning - stormwater	Opex Reforecast as at 31 Oct 19	5,000
Infrastructure planning - facilities	Opex Reforecast as at 31 Oct 19	4,204
Human Resources General	Opex Reforecast as at 31 Oct 19	3,184
Recruitment	Opex Reforecast as at 31 Oct 19	3,119
Compliance	Opex Reforecast as at 31 Oct 19	1,648
Refuse Administration	Opex Reforecast as at 31 Oct 19	1,525
Project Management Office	New FTE Contract Specialist	1,500
Compliance	Opex Reforecast as at 31 Oct 19	1,264

Compliance	Opex Reforecast as at 31 Oct 19	1,062
Project Management Office	New FTE Contract Specialist	750
Electronic Property Management	Do not think full budget will be spent this	-1,000
Legalisation	Expenditure is running at a lower rate than	-5,000
Legal Services	Anticipated costs award Supreme Court	-33,000
Resource Consents Administration	Opex Reforecast as at 31 Oct 19	-96,189
		547,684
Project Ledger	Comment	Amount
Kaitaia New Source (Sweetwater)	Kaitaia New Water Source Sweetwater	499,000
IT Servers & Storage	Server and Network Renewal Project	178,708
Tech One	TechOne HRP Renewals budget transfer	95,000
Mission Road-Kerikeri	Transfer from holding code to individual	85,190
Te Haumi Seawall	Te Haumi Seawall & Carpark remediation &	85,000
Kaikohe Hone Heke Reserve	Kaikohe Hone Heke Reserve Repair	73,123
Horeke Hall	Horeke Hall Wastewater Treatment System	70,976
North Park Drive to Whangatane Drive-	Transfer from holding code to individual	68,625
Computer Equipment	Server and Network Renewal Project	42,533
Northland college to Saleyards-Kaikohe	Transfer from holding code to individual	34,980
Disability Access Halls Western	Disability Halls Access Western Budget	28,879
Footpaths Western Ward	Transfer from holding code to individual	27,152
Waianga Place-Opononi Footpath	Transfer from holding code to individual	26,840
SH1 Matthews Avenue-Kaitaia	Transfer from holding code to individual	20,460
Northern Bin Benches Bollards Signs	Northern Bins Bollards Benches \$20,000	20,000
Western Bin Benches Bollards Signs	Western Bins Bollards Benches \$20,000	20,000
Kaikohe Lions Club	Kaikohe Lions Club Budget Movements	15,900
Long Beach Road footpath corner to	Transfer from holding code to individual	13,810
Mains replacement Rawene	Rawene Cemetery Water Main Approved by	13,415
Whangaroa Hall Renewals	Whangaroa Hall - Exterior Upgrade to	12,000
Rangihamama Road to Taheke Road	Transfer from holding code to individual	10,028
Dominion Road-Kaitaia	Transfer from holding code to individual	9,916
9B Hone Heke Road Kerikeri SW Pipeline	Tfr of Renewal Budget Approved by: W	9,664
Opononi/Omapere Stormwater Imps	40 Fairlie Cresc SW Imps Approved by: W	9,190
Rawene Old Courthouse	Rawene Community Library Renewals	7,202
Russell Robertson St Stormwater Lines	Tfr Future Renewal Budget Russell	5,287
Kaitaia Oxford St Housing for the Elderly	HFTE Oxford St & Puckey Ave mailbox	4,241
Jaycee Park/Centennial Park	Cent Park historic train repairs Renewal	3,200
Kaitaia Swimming Pools	Kaitaia Swimming Pool Dive Board	2,369
1506 Inland Road Sewer Connection	1506 Inland Rd Sewer Connection Renewal	2,070
Landfill Russell	Russell Landfill Leachate pump Renewal	1,900
Kawakawa WWTP RMU	To be removed - allowed for in 551134	-2,535
Horeke Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	-2,613
Kawakawa WWTP RMU	To be removed - allowed for in 551134	-5,641
Parks & Reserves Western	Re-forecast out to FY21/22 Capex	-6,065
Kohukohu Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	-7,130
Rawene Grundy Street Reticulation	Needs to be removed-Project completed	-7,665
Ahipara Parks & Reserves	Funding to be removed saving frm FY18/19	-9,308
District Wide Treatment Plant	To be removed - allowed for in 551134	-12,877

Whangaroa Parks and Reserves	Re-Forecast to FY21/22 Capex Reforecast	-14,367
Proctor Library HVAC	Budget savings Proctor Library HVAC	-20,627
Ahipara Parks & Reserves	Korora Park Carpark Apron replacement	-22,618
Paihia Parks & Reserves	Re-forecast to FY21/22 Capex Reforecast	-24,181
Parks & Reserves Eastern	KK Doves Bay; Paihia Lily Pond Carpark	-24,658
Taupo Bay Toilet	Re-forecast to FY23/24 Capex Reforecast	-25,721
Paihia Specified Works	Paihia Specified Works Capex reforecast to	-35,259
Ward Wide Town Beautification /	Re-Forecast to FY21/22 Capex Reforecast	-51,100
Kaikohe Streetscape UpGrade	Re-Forecast to FY21/22. Budget to be	-54,867
Rawene Grundy Street Reticulation	Needs to be removed-Project completed	-68,985
Kerikeri Domain Playground	Re-Forecast to FY21/22 Capex Reforecast	-81,249
Kerikeri PS9	Needs to be moved out to 2020-2021 and is	-81,760
Russell Parks & Reserves Renewals	Russell Parks & Reserves Capex reforecast	-84,530
Wastewater Telemetry	Wastewater Telemetry Capex reforecast to	-90,754
Kaikohe Training Yard	Reforecast out to YR1 next LTP FY22/23	-99,988
Lindvart Park Pavillion	Re-forecast to FY21/22 Capex Reforecast	-100,196
Kerikeri Backwash Tank	Kerikeri Backwash Tank Approved by T	-102,200
Opononi Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	-108,406
Kerikeri WTP Structural Work on Clarifier	Kerikeri WTP Structural Work Approved by	-110,008
Hihi WWTP Construction	To be moved out to 2020-2021 Capex	-112,420
District Wide Reservoirs Structural Works	Reforecast to FY20/21 Capex Reforecast	-140,754
Rawene Housing for the Elderly	Re-forecast to FY21/22 Capex Reforecast	-144,404
Community Hub Kaikohe	Kaikohe Hub Capex reforecast to 20/21	-200,000
Kerikeri Rugby Pavilion	Kerikeri Rugby Pavilion Capex reforecast to	-306,600
Waipapa Roundabout Disposal Field	Will not be delivered. Needs to be removed	-306,600
Wastewater Telemetry	Wastewater Telemetry Capex reforecast	-352,130
Hihi WWTP Construction	To be moved out to 2020-2021 Capex	-398,580
Community Hub Kaikohe	Kaikohe Hub Capex reforecast to 20/21	-3,800,000
		-5,520,139
		-4,972,455

Summary	
Operational	547,684
Capital	- 5,520,139
Balance of Budget Movements	- 4,972,455

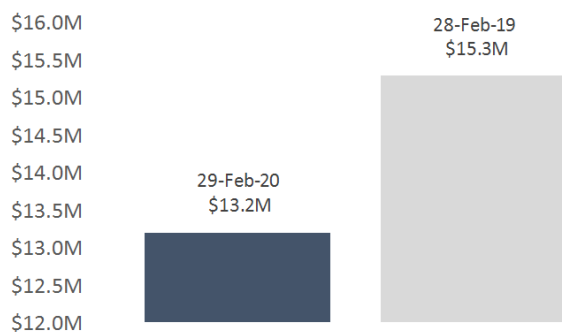
Summary of Movements	
Unbudgeted Expenditure	6,562,491
Less Budget Movements	- 4,972,455
Net Balance	1,590,036

Note that \$648,688 Digitising Scanning will be recovered overtime as agreed by Council and Building Consents (BCA) professional fees of \$500,00 can be largely recovered from fees and charges.

Treasury Report

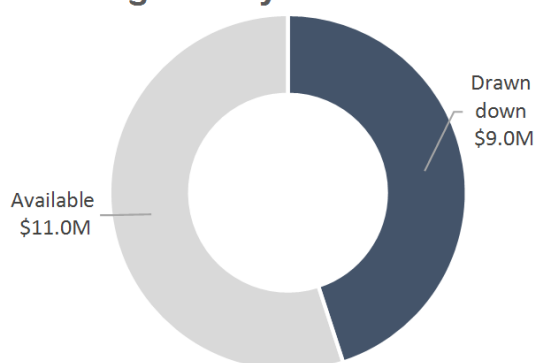
Cash Position

Compared to same time last year



	29-Feb-20	28-Feb-19
ASB General Fund	\$ 8.2M	\$ 10.4M
ASB Special Funds	\$ 5.0M	\$ 4.9M
Total Cash	\$ 13.2M	\$ 15.3M

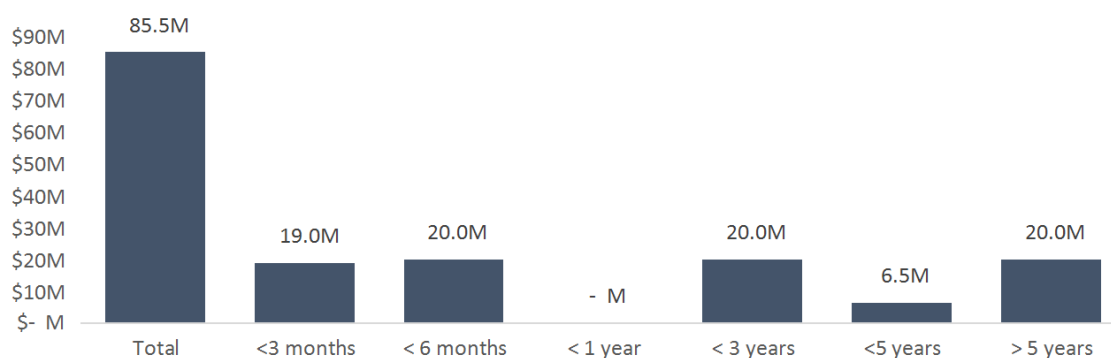
Banking Facility



Banking Facility	\$ 20.0M
Drawn down	\$ 9.0M
Available	\$ 11.0M

Public Debt

Loans by Maturity Date



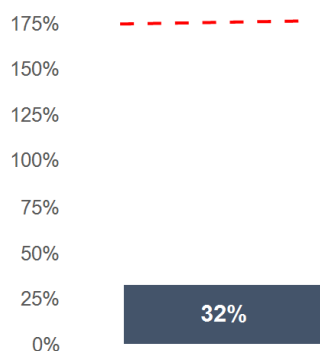
Note – Of the \$85.5M total borrowing, \$30M is Short Term:

\$10M repayable in March 2020

\$20M repayable in June 2020

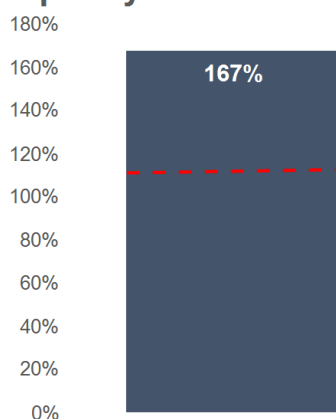
Treasury Compliance

Net Debt as a % of Revenue must be less than 175%



Net Debt	\$ 42.2M
Budgeted Total income	\$ 131.6M
Debt Ceiling	\$ 230.3M
Net debt as % total revenue	32%
Policy Maximum	175%

Liquidity - Access to funds must be greater than 110%



External Debt	\$ 85.5M
ASB Banking Facility	\$ 20.0M
ASB Banking Facility used	-\$ 9.0M
Total Committed Public Debt	\$ 96.5M
Liquid Investments Cash at Bank	\$ 43.3M
Liquid Investments ASB Overdraft Facility	\$ 3.0M
	\$ 142.8M
Access to Funds	167%
Policy Minimum	110%

Note: Total revenue is based on 2019/20 total forecast income excluding non government capital contributions (eg. developer contributions and vested assets).

Liquidity is defined as external debt + committed loan facilities + liquid investments, including bank overdraft facility, divided by existing external debt.

Statement of Financial Performance

for the period ending Feb 2020 (Pd8)

	Year To Date (\$000's)			Full Year (\$000's)						
	YTD Actual	Total Budget YTD	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
Operational Income										
Rates - general (excl water supply rates)	58,626	58,353 -	273	87,530	-	87,530	28,904	67%	87,530	-
Rates - penalties	877	1,555	678	2,073	-	2,073	1,196	42%	2,073	-
Fees & charges (inc water supply rates)	10,887	10,484 -	403	16,213	-	16,213	5,326	67%	16,104	109
Central Govt Subsidies - Admin	-	-	-	-	-	-	-	0%	-	-
Central Govt Subsidies - Operational	6,247	5,919 -	328	9,591	32	9,623	3,376	65%	9,527	96
Other Income	1,332	2,024	691	2,349	75	2,424	1,092	55%	4,459	2,035
Capital Income										
Central Govt Subsidies - New Works	1,050	531 -	519	2,380	6,762	9,142	8,092	11%	8,514	628
Central Govt Subsidies - Renewals	4,795	4,656 -	139	13,019	1,645	14,664	9,869	33%	12,666	1,998
Development Contributions	23	-	23	-	-	-	23	100%	-	-
Other Contributions	13	-	13	-	1,000	1,000	987	1%	1,022	22
Total Operating Income	83,849	83,522 -	328	133,154	9,514	142,668	58,819	59%	141,894	774
Operational Expenditure										
Staff related costs	19,883	20,751	868	31,777	-	31,777	11,894	63%	30,615	1,162
Contractor Fees	18,439	17,799 -	640	27,422	-	27,422	8,983	67%	27,849	427
Professional Fees	4,089	3,520 -	569	6,193	-	6,193	2,105	66%	5,986	207
External Services	4,133	3,532 -	601	7,165	-	7,165	3,032	58%	12,502	5,337
Legal Costs	433	397 -	36	666	-	666	232	65%	586	80
General expenses	7,660	7,915	254	12,422	6	12,428	4,768	62%	12,390	39
Grants and donations	1,593	1,487 -	107	1,850	32	1,882	288	85%	1,889	7
Rate remissions	2,039	1,915 -	125	2,208	-	2,208	169	92%	2,208	-
Allocations (direct and indirect)	-	0	0	0	-	0	0	0%	0	-
Interest costs	1,309	1,502	193	2,253	-	2,253	944	58%	2,100	153
Sub total	59,579	58,818 -	761	91,957	38	91,995	32,415	65%	96,125	4,130
Depreciation and other asset costs	21,730	24,103	2,373	36,153	-	36,153	14,424	60%	36,038	115
Gain/Loss on Disposal	505	-	505	-	-	-	505	100%	-	-
Total Operational Expenditure	81,814	82,921	1,107	128,110	38	128,148	46,334	64%	132,163	4,015
Net Operating Surplus	2,036	601	1,435	5,044	9,476	14,520	12,485		9,732	4,788

Statement of Capital Performance

for the period ending Feb 2020 (Pd8)

	Year To Date (\$000's)					Full Year (\$000's)				
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	1,742	3,856	2,114	10,309	2,582	12,890	11,149	14%	14,244	1,354
Environmental Management	62	2,616	2,555	2,093	523	2,616	2,555	2%	2,616	-
Roading and Footpaths	9,731	10,557	826	27,400	6,500	33,901	24,169	29%	30,588	3,312
Wastewater	10,568	15,018	4,450	9,437	11,287	20,724	10,156	51%	21,193	469
Stormwater	678	2,035	1,358	1,776	1,322	3,098	2,420	22%	2,971	127
Solid Waste Management	148	325	176	594	275	869	720	17%	871	2
Water Supply	2,190	2,160	30	3,748	1,832	5,580	3,390	39%	5,729	149
Governance & Strategic Administration	1,822	4,701	2,880	6,677	2,260	8,937	7,116	20%	5,133	3,804
Customer Services	246	946	700	1,760	329	2,088	1,843	12%	1,909	179
Strategic Planning & Policy	-	-	-	-	-	-	-	100%	-	-
Total Capital Expenditure	27,186	42,215	15,029	63,793	26,910	90,704	63,518	30%	85,254	5,449

Analysis of Operational Income and Expenditure by LTP Group

Income	Year To Date (\$000's)			Full Year (\$000's)						
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	1,906	1,017 -	889	1,358	1,112	2,470	563	-77%	2,775	305
Environmental Management	3,752	3,742 -	10	5,363	-	5,363	1,611	-70%	5,256	107
Roading and Footpaths	11,997	11,678 -	320	26,281	2,947	29,228	17,231	-41%	26,223	3,005
Wastewater	99	192	92	288	4,914	5,202	5,102	-2%	5,202	-
Stormwater	69	69 -	0	-	69	69 -	0	-100%	69	-
Solid Waste Management	950	1,033	83	1,404	-	1,404	454	-68%	1,404	-
Water Supply	4,149	3,468 -	680	5,893	466	6,359	2,211	-65%	8,359	2,000
Governance & Strategic Administration	970	1,996	1,026	2,333	-	2,333	1,363	-42%	2,366	33
Customer Services	377	413	36	557	-	557	180	-68%	557	-
Strategic Planning & Policy	77	6 -	71	75	6	81	4	-96%	81	-
Total Operating Income	24,347	23,613 -	733	43,552	9,514	53,066	28,719	46%	52,292	774

Operational Expenditure	Year To Date (\$000's)			Full Year (\$000's)						
	YTD Actual	Total Budget	Variance	LTP Budget	Budget Brought Forward	Total Annual Budget	Actual vs Budget Variance	Actual vs Budget %	Total Annual Forecast	Forecast vs Budget Variance
District Facilities	6,309	6,000 -	308	8,418	32	8,449	2,141	75%	8,961	511
Environmental Management	6,584	6,455 -	129	9,770	-	9,770	3,186	67%	10,093	322
Roading and Footpaths	12,725	12,273 -	452	21,887	-	21,887	9,162	58%	20,423	1,464
Wastewater	4,604	4,343 -	261	6,258	-	6,258	1,654	74%	6,264	6
Stormwater	796	1,167	372	1,725	-	1,725	929	46%	1,727	2
Solid Waste Management	2,475	2,852	378	4,193	-	4,193	1,718	59%	4,151	41
Water Supply	3,585	3,254 -	331	4,836	-	4,836	1,251	74%	10,056	5,220
Governance & Strategic Administration	14,340	13,661 -	678	21,087	-	21,087	6,747	68%	21,170	83
Customer Services	3,876	3,658 -	218	5,466	-	5,466	1,590	71%	5,650	184
Strategic Planning & Policy	2,977	3,651	674	6,063	6	6,069	3,092	49%	5,529	541
Total Direct Costs	58,270	57,315 -	955	89,703	38	89,741	31,471	65%	94,024	4,283

6.5 REVENUE RECOVERY REPORT

File Number: A2860357

Author: Margriet Veenstra, Manager - Transaction Services

Authoriser: William J Taylor MBE, General Manager - Corporate Services

PURPOSE OF THE REPORT

The purpose of this report is to provide quarterly reporting to the Far North District Council Assurance, Risk, and Finance Committee.

EXECUTIVE SUMMARY

This is the second report for the financial year 2019/20 and provides information on action taken to collect the current and arrears balances for rates, water and Sundry Debt so far this year, and to provide information on how collection is tracking against targets.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the report “Revenue Recovery Report”.

1) BACKGROUND

This document has been prepared to outline current and arrears balances for rates, water and Sundry debt as at 29 February 2020 and the actions taken by the Debt Management Team for the collection of the General Title rates and water and Sundry Debt.

This information is part of the standing items reported to the Committee on a regular basis.

2) DISCUSSION AND OPTIONS

The information has been identified for General Title and Maori Freehold Land rates and water accounts. Sundry debtors, which is another revenue stream for council, is shown in a separate table.

The total arrears balance for General Title rates has been reduced by 27% since 31 July 2019 and water by 35%. Maori Freehold Land rates was reduced by 1% since 31 July 2019 and water by 9%.

Below were the actions and focus areas for the third quarter of the rating year for the Debt Management Team for the collection of the General Title rates and water.

- Continuing from last rating year, there are 62 properties currently with an external Law Firm to proceed with legal action for rates and water arrears.
 - So far, action has commenced on 57 properties;
 - Judgment by default has since been granted for 12 properties and another 8 are being prepared for court action.
 - 7 were settled prior to applying for judgement and 1 has been settled after judgment.
 - 9 have a Deed of Settlement agreement in place and another 6 have a payment agreement in place.
 - Owners for 3 properties are to officially abandon the land.
 - 11 require additional action, including serving of substituted service.
- First phase of mortgage demand for rates and water for General Title properties commenced in December for 194 accounts and the second phase commenced on the 20th of February for a further 362 accounts.
 - 39 accounts now have Direct Debit set up and 3 have a separate payment arrangement.
 - Final demand will only be issued for accounts which still have arrears and without an agreed payment arrangement after the 3-month notice period.

- Phase one will be issued to mortgage providers on the 20th of March and the second phase on the 20th of May.
- Continuous audit of existing Arrangements to Pay to ensure the agreements are being met.
- Ongoing promotion of the Internal Affairs Rates Rebates Scheme in day to day communications with Ratepayers.

For the total number of General Title rates and water accounts marked as 'Balance to be collected by other means':

- The arrears balance for 12% is made up of last year's outstanding rates and 16% of the last two years.
- For the remaining 72%, the arrears balance is split across several years. Some of these will have received Final Demand letters and are waiting to be referred for Legal proceedings or further action needs to be taken.

The Te Hono team relations and development initiatives have opened communications about payment of rates for Maori Freehold Land.

- Debt Management have been asked to provide and discuss payment options for some property owners in the past months.
- A list of 57 Maori Freehold land properties with Mortgages with a debt totalling \$373K have been passed to the Te Hono team to initiate conversations.

Focus for the final quarter of the rating year for General Title rates and water.

- Final mortgage demand for all mortgage demand accounts.
- Direct Debit switch/set up offer supported by ASB to be introduced with option for another next rating year to promote the Online Services launch.
- Prepare policy for approval by Council of next actions post default judgment from the courts.
- Council Legal team to commence legal proceedings for 10 accounts.

The total Sundry Debtors aged debt has been reduced by 71% since 30 June 2019. The Debtors ledger was split alphabetically between Debt Management Officers at the start of the rating year, with each team member focussing on aged debt. Additionally, the team have:

- Regular monthly and fortnightly meetings with Compliance Support and Building Consents Support teams to resolve outstanding issues and implement process improvement where applicable.
- Continued collaboration with Council Legal team for advice and support for Sundry debtors aged debt collection.
- Trial collaboration with the Monitoring Officer in Kaitia to combine visits to premises with debt collection and ensuring compliance with the various local government acts.

3) FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

Provision is made annually for doubtful debts in relation to the arrears owed to council. A higher provision for Maori Freehold land rates and water is made in comparison to General Title rates and water due to the difference in collection options available to Council.

ATTACHMENTS

1. ARF Revenue Recovery Report - A2860368  

General Title rates and water rates analysis by age at 29 February 2020.

General Title Rates and Water Arrears 2019-20							
General Title Rates December 2019	2018-19	2017-18	2016-17	2015-16	2014+	Total	# accounts
Abandoned Land	69,209	69,451	68,373	67,519	187,152	461,703	48
Payment Arrangement	50,287	15,857	11,443	3,540	1,675	82,801	157
Deceased Rate Payer	74,263	69,482	61,343	53,401	128,331	386,820	55
Mortgage Run 2019-2020	889,205	363,435	22,534	6,667	8,790	1,290,631	521
Legal Action Commenced	130,485	128,695	121,774	104,868	216,851	702,673	62
Liquidation	4,101	3,845	3,958	3,725	11,112	26,742	3
Direct Debit - no REP	29,580	12,606	10,737	8,088	9,243	70,255	4,842
Direct Debit - REP	70,392	22,606	9,070	3,779	348	106,194	5,145
Balance collected by other means	1,276,036	816,990	585,159	412,037	644,417	3,734,640	18,753
Rates Total	2,593,558	1,502,967	894,391	663,623	1,207,920	6,862,459	29,586
General Title Water December 2019	2018-19	2017-18	2016-17	2015-16	2014+	Total	# accounts
Abandoned Land	185	313	296	263	708	1,765	1
Payment Arrangement	8,360	2,244	475	3,595	-	14,673	24
Deceased Rate Payer	22,544	14,237	12,918	4,951	10,762	65,412	13
Mortgage Run 2019-2020	53,940	32,230	5,612	1,664	120	93,567	35
Legal Action Commenced	12,276	11,656	12,515	10,770	20,309	67,527	12
Liquidation	-	-	-	-	-	-	-
Direct Debit - no REP	16,687	17,860	1,024	881	2,719	39,171	237
Direct Debit - REP	54,823	9,074	2,483	794	494	67,668	299
Balance collected by other means	306,785	130,081	58,823	39,872	58,818	594,379	2,274
Water Total	475,601	217,695	94,146	62,790	93,930	944,162	2,895

Maori Freehold Land rates and water analysis by age at 29 February 2020.

MFL Rates and Water Arrears 2019-20							
MFL rates December 2019	2017-18	2016-17	2015-16	2014-15	2013+	Total	# accounts
Payment Arrangement	4,386	2,288	2,027	1,959	1,518	12,179	22
Deceased ratepayer, recovery to be investigated	24,413	23,939	21,875	19,391	41,711	131,328	16
Paying via direct debit	37,240	31,684	26,848	22,038	19,229	137,040	167
Paying via direct debit with REP	8,500	5,024	6,678	2,952	-	23,154	242
Abandoned Land	5,235	5,247	5,091	4,902	13,832	34,307	3
Balance collected by other means	3,866,195	3,575,934	3,490,862	3,498,017	7,223,732	21,654,741	3,001
Rates Total	3,945,969	3,644,117	3,553,382	3,549,258	7,300,023	21,992,749	3,451

MFL water December 2019	2017-18	2016-17	2015-16	2014-15	2013+	Total	# accounts
Payment Arrangement	2,477	1,561	-	-	-	4,037	2
Rates Easy Pay	2,020	2,190	902	1,054	456	6,622	5
Balance collected by other means	52,649	51,779	33,798	17,513	65,949	221,687	47
Water Total	57,146	55,530	34,700	18,567	66,405	232,347	54

Sundry Debtors by age for 29 February 2020.

Sundry Debtors Aged Period Report as at 29 February 2020					
Category	30 Days	60 Days	90 Days	90 Days +	Total
Sundry	28,663	18,196	2,690	80,791	130,340
Bookings	2,970	360	150	120	3,600
Septage	-	-	-	-	-
Refuse	1,945	480	225	3,790	6,440
Building	32,253	21,628	10,846	65,803	130,531
Resource	16,429	28,319	18,413	119,663	182,824
Liquor	4,905	949	1,840	1,656	9,350
Health	4,207	3,820	4,948	18,286	31,260
Total	91,371	73,752	39,112	290,109	494,344

6.6 BCA ACCREDITATION UPDATE REPORT

File Number: A2855393

Author: Trent Blakeman, Manager - Building Services

Authoriser: Dean Myburgh, General Manager - District Services

PURPOSE OF THE REPORT

To update the Assurance, Risk and Finance Committee on the Building Consent Authority's (BCA's) progress in addressing the General Non-Compliances (GNC's) identified in the October 2019 International Accreditation New Zealand (IANZ) Audit.

EXECUTIVE SUMMARY

All relevant information has been provided to IANZ on or before the deadline of the 14th of February. IANZ has responded with written confirmation that all general non-compliances have been conditionally cleared. It is expected that the BCA accreditation certificate will be issued in due course. Given the IANZ audit clearance, the risk has reduced from high to medium. This will be updated in the high-level Council risk register.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the BCA Accreditation update report.

BACKGROUND

The deadline for providing IANZ with the evidence was 14 February 2020. A total of 23 general non-compliances were identified during the IANZ audit with 19 of these resolved during the audit, leaving four to be resolved. A work plan to provide the necessary evidence to clear the GNC's was agreed with IANZ. A total of 11 evidence examples were required to clear the remaining four non-compliances and IANZ are now satisfied with the evidence provided. An out of cycle October 2020 audit (these audits are usually completed biennially) has been scheduled. At that time IANZ will review progress made generally and in the non-compliance areas identified in the 2019 audit.

DISCUSSION AND NEXT STEPS

The IANZ final report will highlight a list of recommendations that the BCA needs to address ahead of the next audit in October 2020.

The BCA will be introducing new tablets for inspections that will reduce the amount of manual inputs required to complete a Code of Compliance Certificate (CCC). This will facilitate the achievement of compliance with the required time frames.

The BCA will be focused on a higher level of internal audits leading into the next IANZ audit to ensure compliance. A process of time recording has been introduced to validate the application of the Regulation 8 calculator that determines how many admin and technical staff are required to provide a compliant BCA service. This work is critical to ensure the right amount of resource in the BCA.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

There are no financial implications related to this update report.

ATTACHMENTS

Nil

7 PUBLIC EXCLUDED

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Confirmation of Previous Minutes	s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
7.2 - 2020 Far North District Council Assurance Work Programme	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
7.3 - FNDC Current Legal Action Potential Liability Claims	s7(2)(g) - the withholding of the information is necessary to maintain legal professional privilege	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

8 KARAKIA WHAKAMUTANGA – CLOSING PRAYER

9 MEETING CLOSE